Accounts and Reports /2020

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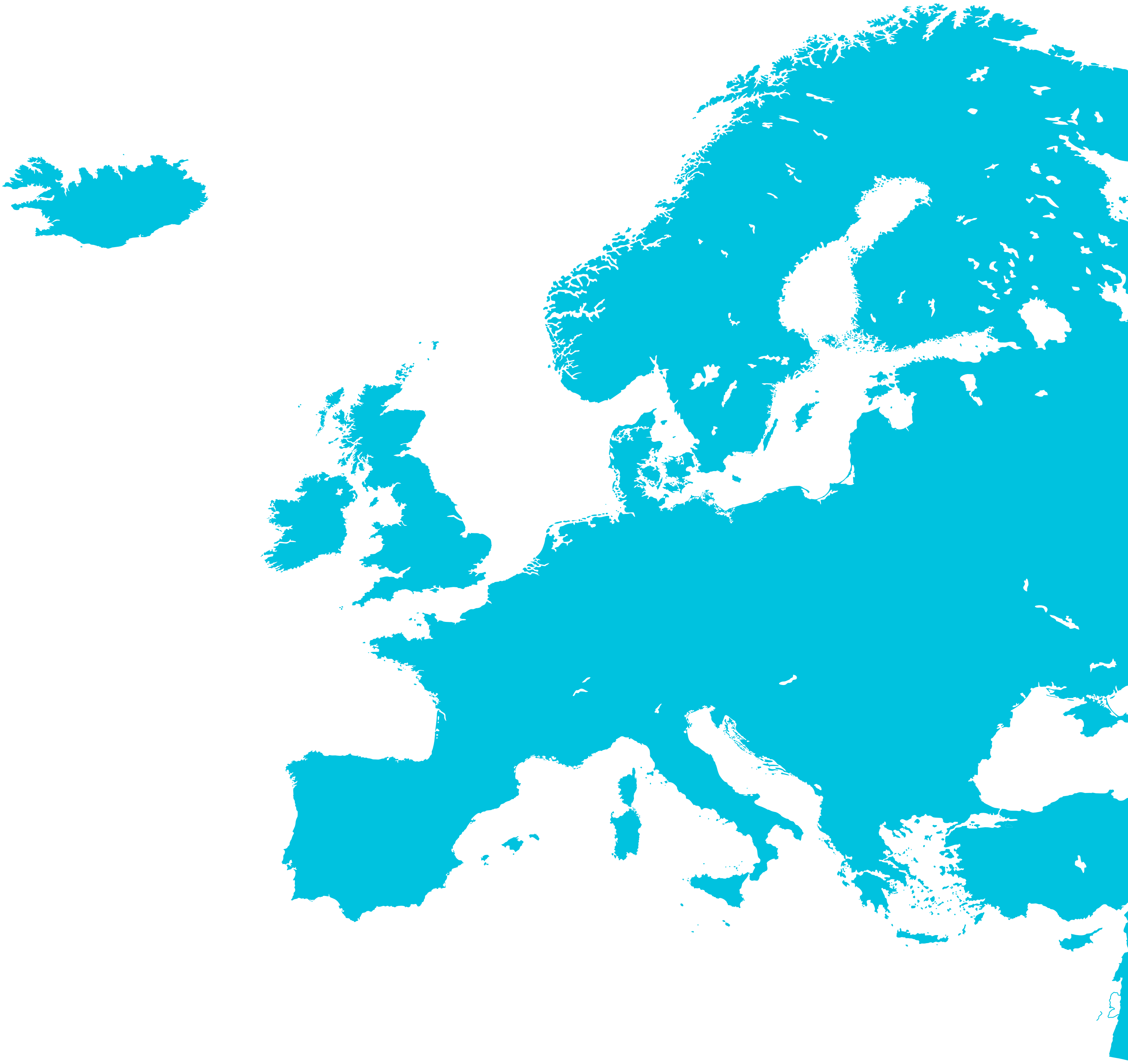

2020 ACCOUNTS AND REPORTS

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Board of Directors, Board of Statutory Auditors and External Auditors

	Board of Directors
Marco Mangiagalli	Chairman
Francesco Saita	Vice Chairman
Alessandro Foti	Chief Executive Officer and General Manager
Andrea Zappia Elena Biffi Giancarla Branda Gianmarco Montanari Maria Alessandra Zunino De Pignier Marin Gueorguiev Paola Giannotti De Ponti Patrizia Albano	Directors
	Board of Statutory Auditors
Luisa Marina Pasotti	Chairman
Giacomo Ramenghi Massimo Gatto	Standing Auditors
Deloitte & Touche S.p.A.	External Auditors
Lorena Pelliciari	Nominated Official in charge of drawing up Company Accounts

The Ordinary Shareholders' Meeting of FinecoBank of April 28, 2020 appointed the members of the new Board of Directors and the of members of the Board of Statutory Auditors, which will remain in office until the approval of the financial statements for the year ended December 31, 2022.

Ms. Elena Spagnol resigned from her office as Statutory Auditor and Chairman of the Board of Statutory Auditors of the Company. The resignation shall have effect from 1st October 2020. According to the rules of law and the provisions set forth in the Company's By-law, Ms. Luisa Marina Pasotti, who was already an Alternate Statutory Auditor, shall replace Ms. Spagnol from 1st October as Statutory Auditor and Chairman of the Board of Statutory Auditors of the Company until the next Shareholders' Meeting.

Ms. Chiara Orlandini resigned from her office as Statutory Auditor of the Company. The resignation shall have effect from 12th October 2020. According to the rules of law and the provisions set forth in the Company's By-law, Mr. Giacomo Ramenghi, who was already an Alternate Auditor, shall replace Ms. Orlandini from 12th October as Statutory Auditor of the Company until the next Shareholders' Meeting.

Registered office

Piazza Durante 11, 20131 Milan, Italy

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

Introduction to the Annual Reports and Accounts

In implementation of Legislative Decree no. 38 of February 28, 2005, these Annual Reports and Accounts comprise the Consolidated Financial Report and Accounts of the FinecoBank Group (hereinafter Group) and the Financial Report and Accounts of FinecoBank Banca Fineco S.p.A. (hereinafter FinecoBank or Fineco or the Bank), which have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, as endorsed by the European Commission, pursuant to EU Regulation 1606/2002 of July 19, 2002 and applicable to financial reports for the periods starting on January 1, 2020.

In its Circular 262 of December 22, 2005 as amended, the Bank of Italy laid down the formats for the financial statements and explanatory notes to the accounts of banks and regulated financial companies that are parents of banking groups, in the exercise of the powers established by art. 43 of the legislative decree 18 August 2015 n. 136, which have been used by the Bank to prepare the Consolidated Report and Accounts and the Separate Report and Accounts.

The Consolidated Report and Accounts includes:

- the **Consolidated Financial Statements** comprise the Consolidated Balance Sheet, the Consolidated Income Statement, the Statement of Consolidated Comprehensive Income, the Statement of Changes in Consolidated Shareholders' Equity, the Consolidated Cash Flow Statement, presented with a comparison to the corresponding financial statements of 2019;
- the **Notes to the Consolidated Accounts**;

and is accompanied by:

- the **Consolidated Report on Operations**, which includes the condensed accounts, the main results of the various business areas, and comments on the results for the year, as well as the additional information required by Consob. In support of the comments on the results for the year, the condensed Income Statement and Balance Sheet tables are presented and illustrated in the Consolidated Report on Operations, the reconciliation of which with the consolidated Financial Statements is shown in the Attachments, and the Alternative Performance Measures ("APMs") are used, the explanatory description of which regarding the content and, if applicable, the calculation methods used are shown in the Glossary;
- the **Certification of the Consolidated Report and Accounts pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments.**

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

The Financial Report and Accounts includes:

- the **Financial Statements** comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, presented with a comparison to the corresponding financial statements of 2019;
- the **Notes to the Accounts**;

and it is accompanied **by the Certification of the Annual Financial Statements pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments**.

For the Report on Operations pertaining to the Financial Report and Accounts of FinecoBank S.p.A., please refer to the Consolidated Report on Operations in which, in a specific section, the reclassified financial statements are shown and the comments on the Bank results of the financial year. The reconciliation of the condensed Financial Statements with the Financial Statements is reported in the Annexes.

The annual report also includes:

- the Report of the Board of Statutory Auditors
- the Reports of the External Auditors.

Information regarding corporate governance and ownership structures, required pursuant to art. 123-bis, paragraph 3 of Legislative Decree 24 February 1998 n. 58, appear in a separate report approved by the Board of Directors, which can be consulted in the "Governance" section of the FinecoBank website (https://www.finecobank.com).

The Consolidated Non-Financial Statement (or Non-Financial Statement) of the FinecoBank Group, prepared pursuant to Legislative Decree 254/2016, constitutes a separate report approved by the Board of Directors, as required by the option of art. 5, paragraph 3, letter b) of Legislative Decree 254/2016, and can be consulted on the FinecoBank website (https://www.finecobank.com).

Introduction to the Annual Reports and Accounts

In addition, the following documents, drawn up in accordance with the relevant approval procedures, are also published and made available on the FinecoBank website (https://www.finecobank.com): the "Report on the remuneration policy and remuneration paid", drawn up in accordance with art. 123-ter of Legislative Decree no. 58 of 24 February 1998, as amended in implementation of Directive (EU) 2017/828 and art. 84-quater, paragraph 1, of the Issuers' Regulation); the document "Country by Country Information", drawn up pursuant to art. 89 of Directive 2013/36/EU of the European Parliament and of the European Council (CRD IV), amended by Directive (EU) 2019/878 (so-called CRD V), and the document "Disclosure to the public of the FinecoBank Group - Pillar III", by Regulation (EU) 575/2013 as amended by Regulation (EU) 2019/876 of the European Parliament and of the European Council and by Regulation (EU) 2020/873 (so called CRR “Quick-fix”) of the European Parliament and of the European Council.

Summary data

FinecoBank is a multi-channel direct bank and one of the most important FinTech banks in Europe. It has one of the largest networks of personal financial advisors in Italy and is the leader in Italy for equity trades. FinecoBank offers an integrated business model combining direct banking and financial advice. With a single account including a full range of banking, credit, trading and investment services, which are also available through applications for smartphone and tablet.

FinecoBank is listed on the Milan Stock Market and has been on Borsa Italiana's FTSE Mib index since April 1, 2016. On March 20, 2017, the stock became part of the STOXX Europe 600 Index.

On 29 October 2020 S&P Global Ratings agency revised the outlook to stable from negative to reflect the sovereign rating action, also affirming a 'BBB' long-term and 'A-2' short-term issuer credit ratings. The outlook mirrors the one on the Republic of Italy. According to the S&P Global Ratings agency, Fineco "will be less exposed to risks related to the highly uncertain macroeconomic environment in Italy than purely commercial banks, due to its digitally innovative and well-diversified business model, which is only marginally focused on lending activities". FinecoBank's stable outlook, explains S&P Global Ratings, "reflects the bank's resilient business model and limited credit risk will allow it to absorb the impact of the difficult domestic economic conditions while maintaining its creditworthiness.

FinecoBank is on the Standard Ethics Italian Banks Index© and the Standard Ethics Italian Index (comprising the largest 40 companies listed on the Borsa Italiana FTSE-MIB), one of the leading performance indexes and a benchmark for environmental, social and governance concerns. On 30 June 2020, Standard Ethics raised the Bank's rating from EE to EE + ("very strong"), providing the highest rating among those assigned to credit institutions. In the reasons that led to the decision, Standard Ethics cites the rapidity in strengthening FinecoBank's long-term sustainability strategy from the moment it became a public company.

The year 2020 has been marked by the global spread of the COVID-19 pandemic, which led the world economy to a profound economic contraction. The first news about the pandemic came from China in January, then the virus gradually spread around the world, also forcing European governments to take severe containment measures to flatten the epidemiological curve, which triggered a severe economic recession. In order to contain economic losses, the Italian government, as well as other European governments, has adopted extraordinary measures and the European Central Bank has intervened with the adoption of unconventional monetary policies on a large scale. Even the financial markets, which showed particularly marked volatility especially in the first six months of the year, found a response in the timely actions of governments and central banks.

Since the first days of the health emergency that hit Italy, the FinecoBank Group has been committed to effectively addressing the context, constantly ensuring the operational continuity of its processes and services. In tackling the COVID-19 pandemic, the Group's priority has been and remains the health and safety of all employees, personal financial advisors and customers. The Group has adopted a series of broad and effective initiatives aimed at preventing and containing the possible spread of the virus within its structures, limiting the transfers of all its employees to the territory to the strictest extent, strictly strengthening the health and hygiene measures of its offices and financial shops and extending the use of smart working to all staff. In addition, a series of initiatives have been implemented to facilitate and improve the working and personal life of employees.

Despite the difficult economic context, at the end of 2020, total financial assets (direct and indirect) from customers amounted to € 91,709 million, up 12.6% on € 81,419 million at the end of 2019. The "Guided products & services" shows an incidence with respect to the assets under management equal to 73.6%, an increase compared to 71.1% at December 31, 2019.

Net sales came to € 9,283 million during the 2020 (+58.9 % y/y); the net sales of assets under management came to € 4,296 million, assets under custody came to € 2,482 million and direct deposits came to € 2,506 million. Net sales of "Guided Products & Services" came to € 4,209 million (+12.3% y/y).

During the 2020, net sales through the network of Personal Financial Advisors totalled € 7,984 million (55.9% y/y). Total financial assets (direct and indirect) of the PFA network as at 31 December 2020 amounted to € 79,644 million (+12.7% y/y).

The Total Financial Assets. (TFA) related to Private clients, i.e. with assets above € 500,000, totalled € 38,614 million, equals to 42.1% of total TFA of the Group.

During the 2020, € 179 million in personal loans and € 687 million in mortgages were granted, and € 877 million in current account overdrafts was arranged, with an increase in exposures in current account of € 310.6 million; this has resulted an overall 22.8%[1] aggregate increase in loans receivable with ordinary customers compared to 31 December 2019. Credit quality remains high, with a cost of risk at 10 bp, driven by the principle of offering credit exclusively to existing customers, making use of specialist tools to analyse the bank's vast information base. The cost of risk is structurally contained and fell further thanks also to the effect of new loans, which are mainly secured and low-risk. The ratio between impaired loans and total loans to ordinary customers was 0.09% (0.11% as at December 31, 2019).

The total number of customers as at 31 December 2020 was 1,369,814, up 0.9% compared to 31 December 2019. Customers continue to reward Fineco's transparent approach, high quality and comprehensive range of financial services as represented through the "one-stop solution" concept.

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

Summary data

The net profit for the period amounted to € 323.6 million, with an increase of 12.2% on the previous year. The cost/income ratio amounted to 34.81%, an improvement compared to December 31, 2019 (38.12%), confirming the operating efficiency of the Group and the spread of the company culture on controlling costs. There is a substantial contribution from Brokerage, which, thanks to the expansion of the offer and the sustained volatility of the markets, has generated particularly high revenues, up 73% compared to the previous year

The 2020 results reflect the Bank's sustainability and the strength of its business model, capable of generating profits in all market conditions. The net profit of the year net of the non-recurring items booked in the 2020[2] should be equal to € 324.5 million, up 19.2 % compared to the 2019 net profit net of the non-recurring items[3].

The Group's offering is split into three integrated areas of activity: (i) Banking, including current account and deposit services, payment services, and issuing debit, credit and prepaid cards, mortgages and personal loans; (ii) Brokerage, providing order execution services on behalf of customers, with direct access to major global equity markets and the ability to trade CFDs (on currencies, indices, shares, bonds and commodities), futures, options, bonds, ETFs and certificates; (iii) Investing, including the asset management activity carried out by the subsidiary Fineco AM, thanks to the vertically integrated business model, placement and distribution services of more than 6,350 products, including mutual funds and SICAV sub-funds managed by 72 leading Italian and international investment firms, insurance and pension products, as well as investment advisory services through a network, as at December 31, 2020, of 2,606 personal financial advisors.

Events during the period

Consequences of the COVID-19 pandemic

Measures taken by the Italian Government and Central Banks as a result of the COVID-19 pandemic

As noted above, 2020 was marked by the health emergency caused by the spread of the COVID-19 pandemic, whose outlook for the near future is still difficult to foresee.

To cope with the deep economic contraction and support the economy, households and businesses, the Italian Government, like the other European governments, adopted extraordinary measures to limit unemployment and support the most vulnerable sectors, measures that were accompanied by government-backed bank loans to businesses. In addition, the aid fund for first home mortgages (the Gasparrini Fund) was extended to employees, self-employed workers and freelance professionals, subject to certain conditions resulting from the restrictions adopted for the COVID-19 emergency. The fund enables the suspension of loan payments for a determinated period and the payment of 50% of the interest accrued on the outstanding debt during the suspension period.

The European Central Bank adopted an extraordinary monetary package to support the real economy of the Eurozone. This included expanding its Quantitative Easing programme and introducing more favourable conditions for the TLTRO-III from June 2020 to June 2022, with interest rates that can go up to 50 basis points below the deposit rate. It also introduced a new liquidity instrument, the Pandemic Emergency Longer Term Refinancing Operations ("PELTRO"), together with a Pandemic Emergency Purchase Program ("PEPP") for public and private sector securities, with an emphasis on government bonds, which will run until at least March 2022.

In addition, the European Central Bank adopted a series of measures designed to ensure that directly supervised credit institutions could continue to play their role in financing the real economy in light of the economic effects of COVID-19, measures that were also adopted by the Bank of Italy for less significant credit institutions, where applicable. To this end, the European Central Bank and at its invitation the Bank of Italy gave credit institutions the possibility of operating temporarily below the level of the target component assigned following the SREP process, while also recommending that no dividends be paid out for the years 2019 and 2020 or provisional dividends be made from 2021 profits and that credit institutions refrain from carrying out share buy-backs aimed at remunerating shareholders, in order to increase their loss absorption capacity and support loans to households, small businesses and corporations. The key recommendations in this regard were:

- the Recommendation ECB/2020/19 of March 27th, 2020 in which the European Central Bank and at its invitation the Bank of Italy recommended that banks refrain from paying out dividends for the years 2019 and 2020 at least until October 1st, 2020 and from carrying out share buy-backs aimed at remunerating shareholders, in order to increase their loss absorption capacity and support loans to households, small businesses and corporations;

and, the latest in the series:

- the Recommendation adopted by the European Central Bank on December 15th, 2020 (Recommendation ECB/2020/62, published in the Official Journal of the European Union on December 18th, 2020, repealing Recommendation ECB/2020/35 of July 27th, 2020) on dividend distribution and share buy-back policies that credit institutions and significant supervised groups should adopt in the economic conditions

[2] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 1 million (net of the tax effect)

[3] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€3 million (net of the tax effect),, profit recognized by the Voluntary Scheme to FinecoBank for an amount of €1.1 million (net of the tax effect), relating to the four tranches of interest, net of the costs incurred during the year 2019, paid by Banca Carige S.p.A. on the subordinated loan underwritten by the Voluntary Scheme and tax benefit recognized thanks to the so-called Patent Box regime, for an amount of +€18.6 million. relating to the component not subject to the application for renewal in 2020 and to the benefit relating to the 2015-2018 years recognized in 2019.

resulting from the COVID-19 emergency, which emphasises the importance of continuing to take a prudent approach to dividend distributions or share buy-backs aimed at remunerating shareholders. In line with the approach adopted by the European Central Bank for significant banks, in a Press Release of December 16th, 2020 the Bank of Italy announced its decision to maintain an extremely prudent approach in order to safeguard the ability of banks to absorb losses and provide loans to support the economy. In particular, the Bank of Italy recommended that, until September 30th, 2021, Italian less significant banks should:

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

In the absence of a substantial worsening in the macroeconomic situation, starting on September 30th, 2021 the Bank of Italy, in line with the European Central Bank's recommendations, will revert to assessing dividend distribution and remuneration policies based on the ordinary supervisory review and evaluation process for individual banks.

For full details of the recommendations and press releases issued by the European Central Bank and the Bank of Italy on the subject of dividend distributions or share buy-backs, see Part A - Accounting policies – Section 5 – Other aspects of the Notes to the consolidated accounts.

The Group's capital strength

In consideration of the European Central Bank and Bank of Italy Recommendations issued on March 27th, 2020 regarding dividend policies in the context of the COVID-19 pandemic, and in accordance with the applicable legislation, regulatory guidance and established best practice, the Board of Directors of FinecoBank, in a meeting held on April 6th, 2020, decided to suspend the proposed lump-sum dividend distribution of €0.32, totalling € 195,052,000, which was on the agenda for the Ordinary Shareholders' Meeting called for April 28th, 2020 and had been approved by the Board of Directors on February 11th, 2020. The Board of Directors also decided to submit a proposal to the Shareholders' Meeting for the entire profit for the year 2019 to be allocated to reserves and this proposal was approved by the Shareholders' Meeting held on April 28th, 2020.

With regard to the 2020 profits, on February 9th, 2021 the Board of Directors decided, in accordance with the European Central Bank Recommendation of December 15th, 2020 and the contents of the Bank of Italy's Press Release of December 16th, 2020, to submit a proposal to the Shareholders' Meeting for the entire profit for the year 2020 to be allocated to reserves. This resulted in an increase in the Group's regulatory capital requirements to well above the regulatory limits and targets set in the RAF.

In addition, Regulation (EU) 2020/873 of the EU Parliament and of the Council (referred to as the CRR "Quick fix") was published on June 26th, 2020, which amends Regulation (EU) 575/2013 ("CRR") and Regulation (EU) 876/2019 ("CRR II"), making a number of adjustments to the prudential framework in light of the COVID-19 health emergency. The new regulation allows credit institutions to adopt specific transitional arrangements and bring forward the application of certain measures provided for in CRR II, in order to provide capital support to the credit institutions so they can continue to support the real economy in the context of the COVID-19 pandemic. For more details on the measures introduced, see the section "Consolidated own funds and capital ratios" of this Consolidated Report on Operations.

Risks, uncertainties and impacts of the COVID-19 pandemic

The health emergency caused by the spread of the COVID-19 pandemic and the uncertainty regarding its duration have had serious repercussions on the banking and financial system, whose outlook for the near future is still difficult to foresee.

Even under these circumstances, FinecoBank's business model is diversified and well-balanced: the Group's diverse sources of revenue allow it to face complex stressors like this crisis. The FinecoBank Group's revenues are based on three main components (banking, brokerage, and investing) whose performance tends to be uncorrelated during periods of crisis.

In 2020, the indirect effects of the health emergency at first caused a decrease in customer assets under management, which was partially reabsorbed in the following months. However, compared with the Bank's competitors that impact is sharply mitigated by the absence of performance fees, which are structurally variable and penalize institutions at times of market crisis. Conversely, as evidence of the decorrelation of the Group's revenue sources, during periods of high volatility as experienced in the first half of the year – especially when the pandemic was spreading most rapidly – there was a notable increase in brokerage revenues.

Regarding the Group's financial investments, mostly comprising government securities, the direct impact of the emergency was an immediate reduction in their fair value which, thanks to the actions taken by the European Central Bank, have returned to above the pre-emergency levels at December 31st, 2020. In addition, most of the government bonds are held by FinecoBank as long-term investments and are recognised in the Held to Collect portfolio, hence their measurement at fair value does not affect the consolidated income statement, the consolidated shareholders' equity or the consolidated own funds even in the absence of transitional provisions to sterilize its effect. With regard to the financial instruments in the trading portfolio, the Group tends not to take risk positions; the positions in the Group's own portfolio consist mainly of equity instruments, debt securities and

Summary data

over the counter derivatives (CFDs and Knock Out Options) traded with customers, as well as financial instruments used for the operational hedging of positions open with customers.

With regard to the calculation of the expected losses for the measurement of credit exposures, either consisting of loans or securities, IFRS 9 requires the measurements to not only consider historical and current information, but also macroeconomic forecast information (forward looking components). During the current crisis, updating the scenarios underlying forward-looking data is an especially complex exercise. The extent of the macroeconomic repercussions of the suspension of economic and social activity during the spread of the COVID-19 pandemic is still being widely debated, including in light of the extraordinary relief measures for households and businesses that various European countries have taken to help mitigate the impact of the crisis.

In response to the uncertainty generated by the COVID-19 pandemic and the government support measures adopted, the main European authorities (IASB, EBA, ECB, European Commission, etc.) have provided guidance regarding the regulatory and accounting treatment of credit exposures. Though they have stressed the need to incorporate the worsening macroeconomic scenario caused by the crisis, in line with the spirit of IFRS 9, they have also determined that the current state of uncertainty justifies using the flexibility that the standard affords. These authorities have recommended adopting flexibility with respect to the mechanical application of the existing approaches to calculating the provisions, in order to achieve the right balance between the need to avoid excessive pro-cyclicality and ensure that the risks that institutions are (or will be) exposed to are properly reflected in their internal risk measurement and management processes.

The above-mentioned authorities have also clarified that the application of relief measures in the form of legislative or private moratoria, which meet the requirements set by the EBA (EBA/GL/2020/07), do not in themselves result in a significant increase in credit risk. In accordance with the guidance provided by the Supervisory Authorities, exposures subject to moratoria that meet the requirements set by the EBA (EBA/GL/2020/07) have been kept in Stage 1 of the staging allocation, unless other factors have arisen that have resulted in a significant increase in credit risk, such as other credit lines not subject to moratoria becoming more than 30 days past due or the receipt of negative information about the customer's credit standing from external databases. The remaining support measures granted to customers, which do not meet the requirements set by the EBA, have been assessed and classified on a case-by-case basis, in accordance with the existing prudential and accounting framework. The decisive factor in this respect is the determination of the borrower's economic distress, which is assessed based on the income/capital situation of the beneficiary of the support measure. At December 31st, 2020, the loan portfolio had a very small number of moratoria that did not meet the requirements of the Guidelines. In accordance with the guidance provided by the Supervisory Authorities, these exposures have been assessed on a case-by-case basis and classified in accordance with the prudential and accounting framework.

To support the needs of customers in relation to the COVID-19 emergency, in addition to the moratorium on mortgage payments through use of the CONSAP Fund (in accordance with the government's Cura Italia Decree), mentioned above, the FinecoBank has taken the following measures:

- subscription to the ABI-Consumer Associations Agreement for the suspension of loans to households as a result of the COVID 19 pandemic (personal loans and mortgages other than those meeting the conditions for access to the Gasparrini Fund), in line with the EBA Guidelines;
- introduction of a new unsecured credit line that gives eligible customers an advance on ordinary or extraordinary unemployment benefits while awaiting payment from the appropriate entities.

For both moratoria (CONSAP Fund and ABI agreement), where there are no other additional factors not strictly related to those moratoria, FinecoBank has applied modification accounting, in line with the ESMA guidance. In addition, considering that interest will accrue on suspended payments, no modification losses have been identified.

At December 31st, 2020, the Group calculated the expected credit losses for performing exposures using internal risk parameters (PD and LGD) adjusted through macroeconomic scenarios supplied by the external provider Moody's Analytics. These scenarios, which replace those provided up to September 30th, 2020 by the supplier UniCredit S.p.A., incorporate forward-looking information updated for the pandemic crisis, in line with the macroeconomic forecasts issued by the European Central Bank. The forward-looking component is determined by three macroeconomic scenarios: a baseline scenario, a positive scenario and an adverse scenario. The baseline scenario is weighted at 40% as it is considered the most likely to occur. The positive and adverse scenarios are weighted at 30% and respectively represent better or worse alternative possibilities. For more details, see Part E - Information on risks and related hedging policies of the notes to the consolidated accounts.

With regard to FinecoBank's retail counterparties, no significant impacts from the COVID-19 pandemic have been identified in terms of impairment of the portfolio, which is mainly made up of loans backed by financial and real estate collateral that have been granted in accordance with a careful and prudent lending policy. For mortgage loans, the average loan-to-value ratio is approximately 50% and credit facilities are backed by guarantees with conservative margins. The updated macroeconomic scenarios did not lead to any significant adjustments in 2020.

For the calculation of the expected losses on the remaining institutional, including securities issuers, counterparties the Group used the risk parameters provided by the external supplier Moody's Analytics. The greatest impact from the effects of the pandemic involved sovereign exposures. In this case, the updating of the macroeconomic scenarios resulted in overall adjustments in 2020 of approximately €5.5 million mainly reffered to securities issuers.

Summary data

The pandemic and consequent economic and financial crisis have not harmed the Group's overall liquidity, which remains solid and stable. In 2020, even during the most acute phase of the pandemic, all key ratios and cash adequacy measurements ensured wide safety margins with respect to the regulatory and internal limits. In the first quarter of 2020, two factors strengthened the Group's liquidity position: the sale of assets by customers due to turbulence in the financial markets, and an especially significant increase in cash and cash equivalents, which further boosted the rising trend for high quality liquid assets (HQLA) that began in 2019. In the following months there was a gradual decrease in cash and cash equivalents due mainly to an uptick in customer investing, though they did not fall below standard pre-pandemic levels, representative of an extremely solid liquidity position. Lastly, FinecoBank has experienced no difficulty or worsening of conditions in accessing the markets and executing transactions there (repos transactions and securities trading) in terms of volumes or prices. For more details on liquidity management and liquidity risk, see Part E - Information on risks and related hedging policies of these notes to the consolidated accounts.

With reference to the future cash flow projections, assumptions and parameters used to measure the recoverability of goodwill of Fineco's trademarks and domains, the parameters and information used are significantly influenced by the macroeconomic market situation, which may change unpredictably in light of the uncertainties outlined above. In this regard, on January 19th, 2021, the Board of Directors approved the method for determining the value in use of goodwill, brands and domains (model, assumptions and parameters used). The results confirmed the sustainability of the goodwill recognised in the financial statements, as none of the scenarios used identified the need for any impairment write-downs, confirming a value in use well above the carrying amount. The sensitivity analyses carried out also showed that, in order for the impairment testing to reach break-even level, changes in the main parameters used in the valuation model would need to be assumed that are not currently reasonably likely. For more information about the impairment testing and the related sensitivity analyses, see Part B – Consolidated Balance Sheet – Section 10 – Intangible assets of the notes to the consolidated accounts. To this end, it should be further recalled that the Bank, unlike many issuers in the financial sector, has a market capitalization (amounting to € 8,168 million) higher than the book net equity.

The Group owns one property for business use and one for investment use. To determine whether there was any evidence that the assets may have suffered impairment, also in view of the current situation created by the COVID-19 pandemic, the Bank requested appraisals from independent third-party companies, for the closing of the financial statements at December 31st, 2020 for the business property held, and during the course of 2020 for the investment property held. These appraisals did not identify any evidence that would result in the need for any impairment write-downs in accordance with IAS 36.

With regard to the actuarial gains/losses calculated in accordance with IAS 19 no impacts have been identified resulting from the COVID-19 pandemic. In fact, the current crisis generated by the COVID-19 pandemic has not had any impact on the Group's strategic direction, objectives or business model.

With regard to the application of the standard IFRS 2 "Share-based payments", no changes have been made to the estimated vesting for the share-based payments.

There has also been no impact on the recoverability of the deferred tax assets. The amount of deferred tax assets recognised in the financial statements must be tested for the likelihood that future taxable profit will be earned that will enable their recovery. The test carried out for the closing of the financial statements at December 31st, 2020 was positive and did not identify any uncertainty in this respect.

From a structural point of view, in the near future there will likely be an acceleration towards solutions leading to a more modern, digitalised world: customers will increasingly do their banking on digital platforms, favouring the Group's founding business model.

Because it does not base its business model on a network of physical branches, FinecoBank is less exposed to the risk of pandemics: customers can perform transactions online or with the guidance of personal financial advisors via web collaboration procedures, without experiencing any substantial loss of service. The Group is also set up to ensure operational continuity and remote working arrangements for nearly all its employees, guaranteeing full maintenance of service levels and of the framework of controls without interruption. In response to the unforeseen pandemic, in line with ministerial instructions, FinecoBank took direct measures for its employees by extending remote working authorization to all. This was possible thanks to technological initiatives allowing the full menu of operations (e.g. complete decentralisation of the call center, an essential channel of customer interaction) as well as protections for employees, customers, and the other stakeholders including the network of personal financial advisors authorised for off-site distribution, who have long enjoyed fully paperless internal processes.

With regard to Fineco AM, it continuously monitors the situation generated by the COVID-19 pandemic and its potential impacts, due also to restrictions issued by the various local governments, and it considers that it has not affected its ability to continue its normal operations. Fineco AM's management remains confident in the make-up of the portfolio and continues to assess opportunities to diversify the strategy of the funds under management, although the long-term impacts of COVID-19 on financial markets and the general economy remain uncertain. At the beginning of the year, Fineco AM had €13.8 billion of Assets Under Management (AUM) and they had reached €14.6 billion at February 21st, 2020. When the pandemic hit Europe and the rest of the world, the global economy slowed, which had a negative impact on Fineco AM's AUM. At March 31st, 2020, as a result of this slowdown and the restrictions imposed by various governments, the AUM fell to €12.4 billion. This reduction consequently affected the management fees, which fell in March compared to the previous months of January and February. Since the second quarter of 2020, the AUM have increased in line with the recovery of the market and the economy, to €16.4 billion at December 31st, 2020, thanks in part to net sales for the period of €2.3 billion.

Summary data

Looking forward, the Group consequently does not expect to see a substantial impact on its strategic orientation, objectives or business model, which in fact will come out stronger; nor does it estimate an overall impact on earnings and capital thanks to its diversified sources of revenues, as mentioned above.

The spread of the COVID-19 pandemic and the associated restrictive measures resulted in negative effects on the real economy during 2020, which are expected to be partially offset by the economic support measures adopted by Governments. The Group has taken these circumstances into account in its valuation of the significant financial statement and, while it is aware of the current uncertainty about the expected economic recovery and the long-term impacts of the restrictive measures adopted, it believes, on the basis of those valuations, that there are no uncertainties regarding the Group's ability to continue as a going concern in the foreseeable future or uncertainties that would give rise to a material adjustment to the carrying amounts within the next financial year. However, it cannot be ruled out that, due to their nature, those reasonable assumptions may not be confirmed in the Group's actual future scenarios in which the Group will operate. These scenarios may be affected by factors such as the uncertainties arising from the COVID-19 pandemic and the containment measures that have been and may be implemented in the future to contain the spread of the virus, as well as the measures to support the economy, households and businesses, implemented by Governments and supported by the Central Banks monetary policies.

In performing this valuation, the Bank has also considered the Group's key regulatory indicators, in terms of figures at December 31st, 2020, the related buffers with respect to the minimum regulatory requirements and their evolution in the foreseeable future.

Participation in TLTRO III programmes

The Targeted Longer-Term Refinancing Operations (TLTRO) programmes were introduced by the European Central Bank to provide credit institutions in the euro area with long-term financing aimed at improving the functioning of the transmission mechanism for monetary policy, by supporting bank lending to the real economy.

The TLTROs conducted up to March 2017 were initiated in two separate programmes: TLTRO-I, announced in June 2014 and consisting of eight auctions; and TLTRO-II, announced in March 2016 and consisting of four auctions. In March 2019, the Governing Council of the European Central Bank announced a third round of targeted longer-term refinancing operations (TLTRO-III) to be conducted on a quarterly basis from September 2019 to March 2021. Like the previous programmes, TLTRO-III includes incentives to preserve favourable credit conditions for the real economy.

On June 6th, 2019, the Governing Council of the European Central Bank set the benchmark parameters for the third programme of targeted longer-term refinancing operations, including the interest rates. Some of these parameters were revised by the Governing Council: (i) on September 12th, 2019, in light of the worsening economic situation; (ii) on March 12th, 2020 and April 30th, 2020, in light of the COVID-19 emergency; and (iii) on December 10th, 2020, in light of the economic impacts of the continuation of the pandemic.

In particular, in April and December 2020, the Governing Council of the European Central Bank decided to increase the amount that can be requested by each individual participant and to improve the interest rate for the operations. Specifically:

- each participant's borrowing allowance will be 55% of the benchmark outstanding amount of the eligible loans at February 28th, 2019, with no limit for any individual tranche;
- the interest rate for each operation is set at a level equal to the average rate on deposits with the central bank, for the duration of the respective TLTRO-III, except for the periods June 24th, 2020 – June 23rd, 2021 (first special interest rate period) and June 24th, 2021 – June 23rd, 2022 (extended special interest rate period) where an interest rate of 50 basis points lower, up to a maximum of 100 bps, will apply;
- the receipt of the additional remuneration during the special interest rate periods is conditional upon maintaining at least a stable level of net eligible loans from March 1st, 2020 to March 31st, 2021 and from October 1st, 2020 to December 31st, 2021, respectively.

At its operational meeting on December 10th, 2020, the European Central Bank also decided to extend the TLTRO III programme for the whole of 2021, adding a further 3 quarterly operations (June/September/December 2021) to the tranches scheduled for December 2020 and March 2021. Each operation will have a duration of three years, but a voluntary redemption option is available, exercisable on a quarterly basis from 12 months after the settlement of each operation. The operation takes the form of collateralised financing in that the participant will be required to pledge a quantity of ECB eligible securities with the central bank whose value, net of haircut, is at least equal to the amount requested in the auction.

These operations are a key part of the European Central Bank's monetary policy planning and implementation. They accompany the ordinary and extraordinary short and medium/long term open market operations that the European Central Bank carries out with monetary policy counterparties (such as FinecoBank), i.e. with the banks operating in Italy, using the set of financial instruments, rules and procedures established by the Eurosystem to implement monetary policy (operational set-up).

Within this framework, FinecoBank participated in the 6th tranche of the TLTRO III programme (December 16th, 2020) for an amount of €950 million, representing half of the eligible loans at February 28th, 2019. Eligible loans are defined as loans to non-financial corporations and households resident in Member States whose currency is the euro, except for loans to households for house purchases. The natural maturity of the 6th tranche of the

Summary data

TLTRO III operation will be December 20th, 2023, the first early repayment window will be December 22nd, 2021, and the subsequent windows will be quarterly (from March 2022).

FinecoBank has a reasonable expectation of being able to benefit from the above-mentioned favourable interest rate conditions during the special interest rate period, in view of the performance of its loan portfolio in 2020 and the 2021 budget forecasts for the portfolio, which reflect its desire to continue with its strategy of increasing its existing loan portfolio, also thanks to the possibility of offering more favourable rates.

Summary data

Condensed Accounts

Consolidated balance sheet

(Amounts in €thousand)

	Amounts as at		Changes	
ASSETS	**12/31/2020**	**12/31/2019**	**Amounts**	**%**
Cash and cash balances	1,760,348	754,386	1,005,962	133.3%
Financial assets held for trading	16,997	7,933	9,064	114.3%
Loans and receivables with banks	780,473	566,033	214,440	37.9%
Loans and receivables with customers	4,527,837	3,679,829	848,008	23.0%
Financial investments	23,939,899	22,304,892	1,635,007	7.3%
Hedging instruments	74,451	64,939	9,512	14.6%
Property, plant and equipment	151,872	152,048	(176)	-0.1%
Goodwill	89,602	89,602	-	-
Other intangible assets	39,597	37,492	2,105	5.6%
Tax assets	13,314	23,444	(10,130)	-43.2%
Other assets	360,627	342,309	18,318	5.4%
Total assets	**31,755,017**	**28,022,907**	**3,732,110**	**13.3%**

(Amounts in €thousand)

	Amounts as at		Changes	
LIABILITIES AND SHAREHOLDERS' EQUITY	**12/31/2020**	**12/31/2019**	**Amounts**	**%**
Deposits from banks	1,064,859	154,653	910,206	588.5%
Deposits from customers	28,359,739	25,919,858	2,439,881	9.4%
Financial liabilities held for trading	5,889	3,777	2,112	55.9%
Hedging instruments	232,102	94,950	137,152	144.4%
Tax liabilities	13,954	11,437	2,517	22.0%
Other liabilities	391,349	455,748	(64,399)	-14.1%
Shareholders' equity	1,687,125	1,382,484	304,641	22.0%
- capital and reserves	*1,366,387*	*1,093,117*	*273,270*	25.0%
- revaluation reserves	*(2,833)*	*1,002*	*(3,835)*	-382.7%
- net profit	*323,571*	*288,365*	*35,206*	12.2%
Total liabilities and Shareholders' equity	**31,755,017**	**28,022,907**	**3,732,110**	**13.3%**

Summary data

Consolidated balance sheet - Quarterly data

(Amounts in € thousand)

	Amounts as at				
ASSETS	**12/31/2020**	**09/30/2020**	**06/30/2020**	**03/31/2020**	**12/31/2019**
Cash and cash balances	1,760,348	987,533	909,802	1,177,380	754,386
Financial assets held for trading	16,997	13,146	14,591	12,888	7,933
Loans and receivables with banks	780,473	773,653	723,189	625,247	566,033
Loans and receivables with customers	4,527,837	4,320,340	4,204,291	3,741,000	3,679,829
Financial investments	23,939,899	22,974,599	22,946,524	23,400,694	22,304,892
Hedging instruments	74,451	76,119	75,577	76,454	64,939
Property, plant and equipment	151,872	150,459	153,685	152,973	152,048
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	39,597	37,812	36,592	37,053	37,492
Tax assets	13,314	14,405	4,186	3,300	23,444
Other assets	360,627	282,998	254,169	202,426	342,309
Total assets	**31,755,017**	**29,720,666**	**29,412,208**	**29,519,017**	**28,022,907**

(Amounts in € thousand)

	Amounts as at				
LIABILITIES AND SHAREHOLDERS' EQUITY	**12/31/2020**	**09/30/2020**	**06/30/2020**	**03/31/2020**	**12/31/2019**
Deposits from banks	1,064,859	104,977	113,137	330,927	154,653
Deposits from customers	28,359,739	27,296,509	27,021,199	27,202,155	25,919,858
Financial liabilities held for trading	5,889	5,737	8,209	11,039	3,777
Hedging instruments	232,102	211,970	207,116	143,500	94,950
Tax liabilities	13,954	51,118	62,928	32,254	11,437
Other liabilities	391,349	429,953	443,965	322,068	455,748
Shareholders' equity	1,687,125	1,620,402	1,555,654	1,477,074	1,382,484
- capital and reserves	*1,366,387*	*1,375,138*	*1,373,995*	*1,382,491*	*1,093,117*
- revaluation reserves	*(2,833)*	*(84)*	*1,485*	*3,152*	*1,002*
- net profit	*323,571*	*245,348*	*180,174*	*91,431*	*288,365*
Total liabilities and Shareholders' equity	**31,755,017**	**29,720,666**	**29,412,208**	**29,519,017**	**28,022,907**

Summary data

Consolidated Income Statement

(Amounts in €thousand)

	Year		Changes	
	2020	2019	Amounts	%
Net interest	270,728	281,277	(10,549)	-3.8%
Net fee and commission income	404,294	325,171	79,123	24.3%
Net trading, hedging and fair value income	95,774	44,761	51,013	114.0%
Net other expenses/income	3,566	3,608	(42)	-1.2%
OPERATING INCOME	**774,362**	**654,817**	**119,545**	**18.3%**
Staff expenses	(99,546)	(90,152)	(9,394)	10.4%
Other administrative expenses	(255,112)	(240,638)	(14,474)	6.0%
Recovery of expenses	110,512	104,068	6,444	6.2%
Impairment/write-backs on intangible and tangible assets	(25,440)	(22,864)	(2,576)	11.3%
Operating costs	**(269,586)**	**(249,586)**	**(20,000)**	**8.0%**
OPERATING PROFIT (LOSS)	**504,776**	**405,231**	**99,545**	**24.6%**
Net impairment losses on loans and provisions for guarantees and commitments	(3,344)	(1,970)	(1,374)	69.7%
NET OPERATING PROFIT (LOSS)	**501,432**	**403,261**	**98,171**	**24.3%**
Other charges and provisions	(34,076)	(27,152)	(6,924)	25.5%
Net income from investments	(6,262)	7,377	(13,639)	-184.9%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**461,094**	**383,486**	**77,608**	**20.2%**
Income tax for the year	(137,523)	(95,121)	(42,402)	44.6%
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**323,571**	**288,365**	**35,206**	**12.2%**
PROFIT (LOSS) FOR THE YEAR	**323,571**	**288,365**	**35,206**	**12.2%**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**323,571**	**288,365**	**35,206**	**12.2%**

Summary data

Consolidated Income Statement - Quarterly data

(Amounts in €thousand)

	2020			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net interest	68,164	70,065	68,645	63,854
Net fee and commission income	104,954	104,785	97,874	96,681
Net trading, hedging and fair value income	26,394	30,088	20,188	19,104
Net other expenses/income	570	822	169	2,005
OPERATING INCOME	**200,082**	**205,760**	**186,876**	**181,644**
Staff expenses	(24,007)	(24,886)	(24,647)	(26,006)
Other administrative expenses	(60,257)	(63,081)	(61,861)	(69,913)
Recovery of expenses	23,807	28,456	28,438	29,811
Impairment/write-backs on intangible and tangible assets	(6,058)	(6,210)	(6,373)	(6,799)
Operating costs	**(66,515)**	**(65,721)**	**(64,443)**	**(72,907)**
OPERATING PROFIT (LOSS)	**133,567**	**140,039**	**122,433**	**108,737**
Net impairment losses on loans and provisions for guarantees and commitments	(963)	(2,707)	148	178
NET OPERATING PROFIT (LOSS)	**132,604**	**137,332**	**122,581**	**108,915**
Other charges and provisions	(1,124)	(6,512)	(31,970)	5,530
Net income from investments	(89)	(3,729)	(181)	(2,263)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**131,391**	**127,091**	**90,430**	**112,182**
Income tax for the year	(39,960)	(38,348)	(25,256)	(33,959)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**91,431**	**88,743**	**65,174**	**78,223**
PROFIT (LOSS) FOR THE PERIOD	**91,431**	**88,743**	**65,174**	**78,223**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**91,431**	**88,743**	**65,174**	**78,223**

Summary data

(Amounts in €thousand)

	2019			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net interest	70,366	71,401	69,806	69,704
Net fee and commission income	77,361	81,282	84,253	82,275
Net trading, hedging and fair value income	9,811	8,026	11,601	15,323
Net other expenses/income	196	341	147	2,924
OPERATING INCOME	**157,734**	**161,050**	**165,807**	**170,226**
Staff expenses	(21,653)	(22,444)	(22,497)	(23,558)
Other administrative expenses	(65,073)	(58,669)	(56,019)	(60,877)
Recovery of expenses	26,590	24,227	26,669	26,582
Impairment/write-backs on intangible and tangible assets	(5,144)	(5,366)	(5,783)	(6,571)
Operating costs	**(65,280)**	**(62,252)**	**(57,630)**	**(64,424)**
OPERATING PROFIT (LOSS)	**92,454**	**98,798**	**108,177**	**105,802**
Net impairment losses on loans and provisions for guarantees and commitments	(1,270)	1,124	(1,227)	(597)
NET OPERATING PROFIT (LOSS)	**91,184**	**99,922**	**106,950**	**105,205**
Other charges and provisions	(980)	(2,856)	(19,780)	(3,536)
Integration costs	(2)	2	-	-
Net income from investments	(658)	6,463	450	1,122
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**89,544**	**103,531**	**87,620**	**102,791**
Income tax for the year	(27,272)	(31,689)	(26,575)	(9,585)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**62,272**	**71,842**	**61,045**	**93,206**
PROFIT (LOSS) FOR THE PERIOD	**62,272**	**71,842**	**61,045**	**93,206**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**62,272**	**71,842**	**61,045**	**93,206**

Summary data

Main balance sheet figures

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amounts	%
Loans receivable with ordinary customers [1]	4,008,307	3,263,940	744,367	22.8%
Total assets	31,755,017	28,022,907	3,732,110	13.3%
Direct deposits [2]	28,013,982	25,589,652	2,424,330	9.5%
Assets under administration [3]	63,695,135	55,829,163	7,865,972	14.1%
Total customers sales (direct and indirect)	91,709,117	81,418,815	10,290,302	12.6%
Shareholders' equity	1,687,125	1,382,484	304,641	22.0%

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

Operating structure

	Data as at	
	12/31/2020	12/31/2019
No. Employees	1,262	1,225
No. Personal financial advisors	2,606	2,541
No. Financial shops [1]	410	396

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

Summary data

Profitability, productivity and efficiency ratios

(Amounts in € thousand)

	Data as at	
	12/31/2020	12/31/2019
Net interest/Operating income	34.96%	42.96%
Income from brokerage and other income/Operating income	65.04%	57.04%
Income from brokerage and other income/Operating costs	186.82%	149.66%
Cost/income ratio	34.81%	38.12%
Operating costs/TFA	0.31%	0.33%
Cost of risk	10 bp	12 bp
CoR (incentive system)	10 bp	12 bp
ROE *	21.07%	26.43%
Return on assets	1.02%	1.03%
EVA (calculated on economic capital)	277,447	229,915
EVA (calculated on accounting capital)	184,038	198,436
RARORAC (calculated on economic capital)	54.25%	31.90%
RARORAC (calculated on accounting capital)	11.90%	17.90%
ROAC (calculated on economic capital)	63.27%	40.01%
ROAC (calculated on accounting capital)	20.92%	26.01%
Total sales to customers/Average employees	73,751	67,990
Total customer sales/(Average employees + average PFAs)	24,026	21,671

Key

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

Cost/income ratio: Operating Costs divided by Operating Income.

Operating costs/TFA: ratio of operating costs to Total Financial Assets. The TFA used for the ratio is the average for the year, calculated as the average between the balance as at December 31, 2020 and the balance as at the previous December 31.

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

CoR (incentive system): is the ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the balance as at December 31, 2020 and the balance at December 31 of the previous year). The scope of the exposures excludes positions deriving from bonds and advances to personal financial advisors.

ROE: ratio between the net profit and the average book shareholders' equity (excluding dividends and any donations expected to be distributed and the revaluation reserves) for the period (average between the amount of the end of period and the amount of the shareholders' equity as at December 31 of previous year).

Return on assets: ROA: ratio of net profit after tax to total assets.

EVA (Economic Value Added): shows the firm's ability to create value; calculated as the difference between net profit, excluding extraordinary charges/income and related tax effects (integration costs and net profits from extraordinary investments), and the figurative cost of the allocated capital; the latter was calculated using either the greater of the regulatory capital and the economic capital absorbed either using the book value of shareholders' equity (average of single end quarters).

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

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

* It should be noted that the ROE relating to 31 December 2019 was restated, compared to those published in the Report on Operations for 2019, as recalculated considering the revocation of the distribution of the 2019 dividend distribution approved by Board of Directors of 6 April 2020 and the consequent proposal, approved by the FinecoBank Shareholders' Meeting held on 28 April 2020 the allocation to reserves of the profit for the year 2019.

Summary data

Balance Sheet indicators

	Data as at	
	12/31/2020	12/31/2019
Loans receivable with ordinary customers/Total assets	12.62%	11.65%
Loans and receivables with banks/Total assets	2.46%	2.02%
Financial assets/Total assets	75.39%	79.60%
Direct sales/Total liabilities and Shareholders' equity	88.22%	91.32%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	5.31%	4.93%
Ordinary customer loans/Direct deposits	14.31%	12.75%

Credit quality	Data as at	
	12/31/2020	12/31/2019
Non-performing loans/Loans receivable with ordinary customers	0.09%	0.11%
Bad loans/Loans receivable with ordinary customers	0.05%	0.05%
Coverage [1] - Bad loans	90.29%	91.39%
Coverage [1] - Unlikely to pay	68.92%	68.01%
Coverage [1] - Impaired past-due exposures	63.82%	65.45%
Coverage [1] - Total Non-performing loans	86.15%	85.92%

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

Own funds and capital ratios

	Data as at	
-	12/31/2020	12/31/2019*
Common Equity Tier 1 Capital (€thousand)	1,088,909	778,083
Total Own Funds (€thousand)	1,588,909	1,278,083
Total risk-weighted assets (€thousand)	3,812,385	3,216,788
Ratio - Common Equity Tier 1 Capital	28.56%	24.19%
Ratio - Tier 1 Capital	41.68%	39.73%
Ratio - Total Own Funds	41.68%	39.73%

	Data as at	
	12/31/2020	12/31/2019*
Tier 1 Capital (€thousand)	1,588,909	1,278,083
Exposure for leverage (€thousand)	32,792,126	28,152,030
Transitional leverage ratio	4.85%	4.54%

* The figures restated from those published in the 2019 financial statements.

The prudential requirements of the Group at 31 December 2020 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of June 26, 2013 and subsequent Directives/Regulations that modify the content, in particular, the Regulation (EU) 876/2019 (“CRR II”), which transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 regulatory framework), collected and implemented by the Bank of Italy through the Circular no. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent updates.

Summary data

Figures as of December 31, 2019 have been restated, compared to those published in the Reports and Accounts 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 as at 31 December 2020 are equal to €1,588.9 million, including the whole profit for 2020, equal to €323.6 million, and assuming the conditions set out in art. 26, paragraph 2, of EU Regulation 575/2013 (CRR). On February 9, 2021, the Board of Directors, in compliance with the European Central Bank's Recommendation of December 15, 2020 and the content of the Bank of Italy's Press Release of December 16, 2020, resolved to propose to the Shareholders' Meeting that the entire profit for fiscal year 2020 be allocated to reserves.

The increase of risk-weighted assets during 2020 is mainly driven by credit risk due to the growth of the business, in particular to the growth of lending activity to customers and financial investments and by counterparty risk due to unsecured lending.

With reference to the capital requirements applicable to FinecoBank, it should be noted that, further to the Supervisory Review and Evaluation Process (SREP), Bank of Italy communicated in August 2020 the capital requirements for the Group from September 2020.

These requirements are:

- 8.04% of CET1 ratio, including the Pillar II requirement (P2R) equal to 1.04%
- 9.90% of Tier1 ratio, including the Pillar II requirement (P2R) equal to 1.40%
- 12.36% of Total Capital ratio, including the Pillar II requirement (P2R) equal to 1.86%

The following is a summary of the capital requirements and reserves for the Group required as of December 2020.

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, Group ratios are compliant with all the above requirements.

As anticipated in the paragraph “Relevant events of the period”, during the year 2020 the European Central Bank (ECB) have decided to adopt some measures in order to guarantee that the directly supervised financial institutions continue playing their key role in financing the real economy, in light of the economic impacts of the COVID-19 pandemic. These measures, if applicable, have been also adopted by Bank of Italy for the Less Significant Institutions. In this regard ECB and Bank of Italy have given to the financial institutions the possibility to temporary operate under the target level assigned by the SREP, but in the same time have recommended banks to consider not distributing dividends for the year 2019 and 2020 and interim dividends out of their 2021 profits and to refrain from conducting share buy-backs aimed at remunerating shareholders. The purpose of these recommendations is to increase the loss absorption capacity and fulfil the credit’s requests from households, small and medium sized businesses and corporate clients. In this context, it is worth mentioning:

- the Recommendation ECB/2020/19 of 27 March 2020 with which the ECB (and Bank of Italy as well) have recommended banks to consider not distributing dividends for the year 2019 and 2020 at least until the 1st of October 2020 and to refrain from conducting share buy-backs aimed at remunerating shareholders in order to increase the loss absorption capacity and fulfil the credit’s requests from households, small and medium sized businesses and corporate clients;

and finally:

- the Recommendation of ECB of 15 December 2020 (Recommendation ECB/2020/62 repealing the Recommendation ECB/2020/35) which concerns credit institution policies to be adopted on dividends distribution and share buy-back in the context of COVID-19, highlighting the importance to undertake a prudential approach in relation to the dividends distribution and share buy-backs aimed at remunerating shareholders. On the same page, Bank of Italy in the press release of 16 December 2020 also expressed its opinion to maintain a prudential approach in order to preserve the loss absorption capacity of the banks and their lending activity to support the economy. In particular, BoI recommended the Less Significant Banks until 30 September 2021:
    - to refrain from dividend distribution or limit the amount of pay-out below the 15% of cumulated 2019-20 profits or below 20 basis points of CET1 ratio (in any case the lower of two);
    - to refrain from distributing interim dividends out of their 2021 profits;
    - to exercise extreme moderation on variable remuneration.
- In the absence of materially adverse developments, from 30 September 2020 Bank of Italy, in line with the ECB instructions, intends to return to assess the dividend and remuneration distribution policies based on the outcome of the normal supervisory cycle.

Summary data

Moreover, on June 26, 2020 the Regulation (EU) 2020/873 ("Quick fix") of the European Parliament and of the Council was published. It updates the Regulation (EU) 575/2013 ("CRR") e the Regulation (EU) 876/2019 ("CRR II"), introducing certain adjustments to the prudential regulatory framework in response to the COVID-19 pandemic, allowing the credit institutions to apply specific transitional arrangements and to anticipate some measures set out in the CRR II, with the aim to support institution in their role in financing the real economy in the context of COVID-19 pandemic. The main measures, among the others, are:

- the introduction of a period of temporary treatment, from 1 January 2020 to 31 December 2022, during which institutions may remove from the calculation of their Common Equity Tier 1 the amount of unrealized gains and losses accumulated since 31 December 2019 accounted for as 'fair value changes of debt instruments measured at fair value through other comprehensive income' in the balance sheet, corresponding to exposures to central governments, to regional governments or to local authorities referred to in Article 115(2) of CRR and to public sector entities referred to in Article 116(4) of CRR, excluding those financial assets that are impaired (Temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic); Group decided not to make use of the temporary treatment as at 31 December 2020;
- the postponement until 31 December 2024 of the transitional arrangements which bring relief on CET1 from the impact of the higher expected credit loss provisions calculated according to the IFRS 9 impairment model, phasing in this impact in CET1 ("Temporary treatment for mitigating impact of the introduction of IFRS 9 on own funds"). The Group decided not to make use of the temporary treatment as at 31 December 2020;
- the anticipation by one year of the more favorable prudential treatment for loans backed by pensions or salaries, for exposures to SMEs and for exposures to entities that operate or finance physical structures. These arrangements do not have any impact on Group capital requirements;
- the reactivation of the temporary treatment of public debt issued in the currency of another Member State until 31 December 2014, which allows institutions to apply a more favorable risk weight, which gradually increases until the end of the transitional period, and is applicable to exposures to the central governments and central banks of Member States, where those exposures are denominated and funded in the domestic 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 negligible reduction of RWA;
- the temporary exclusion, until 27 June 2021, of certain exposures to central banks from institutions' total exposure measures for the calculation of the leverage ratio, in view of the COVID-19 pandemic, after a public declaration of the existence of exceptional circumstances that warrant the exclusion in order to facilitate the implementation of monetary policies. On November 10th 2020, Bank of Italy publicly declared the existence of these exceptional circumstances that warrant the exclusion, until 27 June 2021, of certain exposures to central banks, set out in points a) and b) of the article CRR 500b, paragraph 1, from the institutions' total exposure measures for the calculation of the leverage ratio, in order to facilitate the implementation of monetary policies ("Temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic"). The Group FinecoBank, with reference to December 2020, did not apply the temporary exemption;
- amendment of the calendar provisioning regulation in order to align the treatment of the impaired exposures baked by public guarantees or counter-guarantees granted by each national government, to the one reserved to the impaired exposures guaranteed or assured by the official export credit agencies, with the purpose that for the first seven years it's not foreseen a minimum level of provision on the covered part;
- the anticipation of the partial deduction from CET1 of the intangible assets represented by the 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 CET1r of approximately 18 basis points due to the lower deduction from CET1 Capital of the amount of intangible assets represented by software, excluding advances paid for software in progress. Intangible assets not deducted from CET1 have been included in RWA for credit risk with a risk weight of 100%.

Summary data

Market share

Trading on Italian Stock Market (Assosim)	12/31/2020	12/31/2019
Third party volumes traded on MTA	27.82%	27.04%
Classification of third party volumes traded on MTA	1°	1°

Personal financial advisors (Assoreti)	09/30/2020	12/31/2019
Stock volumes	11.72%	11.40%
Stock Classification	3°	3°

Personal financial advisors (Assoreti)	12/31/2020	12/31/2019
Net Sales volumes	21.87%	14.66%
Net Sales Classification	2°	3°

Total Deposits (Bank of Italy)	09/30/2020	12/31/2019
Market share - Total Financial Assets	1.86%	1.80%
Market share - Direct Deposits	1.55%	1.54%
Market share - Assets under Administration	2.13%	2.00%

Some of the above figures refer to September 30, 2020 as they are the latest figures available.

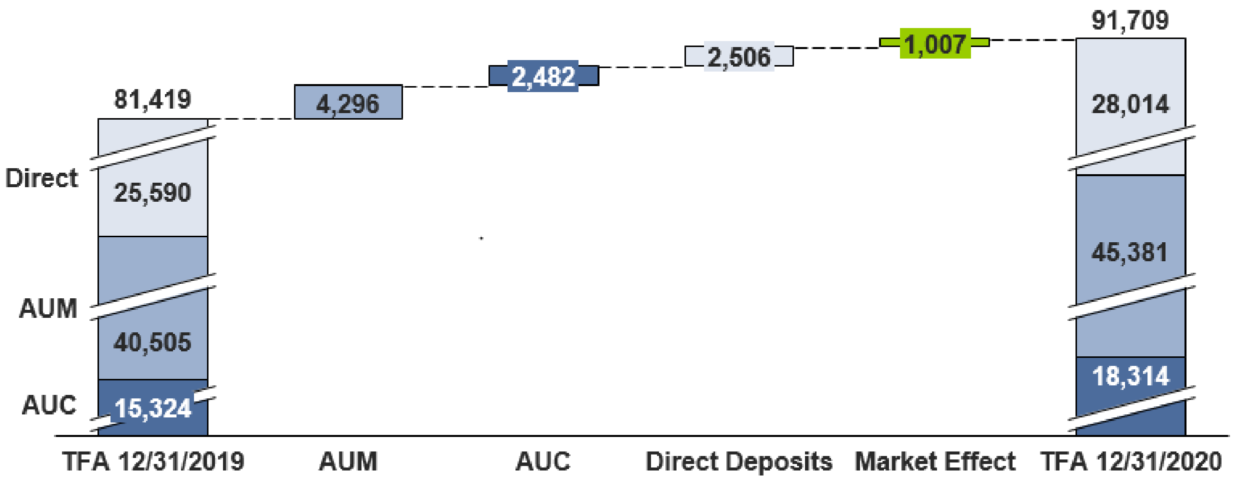
Business performance

Performance of total financial assets

Direct deposits showed growth of 9.5% compared to the end of the previous year, to reach € 28,014 million and confirming the high level of appreciation of the quality of the services offered by the Group among customers. Indeed, the majority of direct deposits were "transactional", supporting customers' overall operations. The increase in this component of sales confirms the high and increasing degree of customer loyalty, which in turn contributes to improving the stability of direct sales.

Assets under administration (Assets under Management-AUM plus Assets under Custody-AUC) came to € 63,695 million increased by 14.1% compared to December 31, 2019, thanks to net sales of € 6,778 million recorded in the 2020 and a positive market effect of approximately € 1 billion.

Total financial assets (direct and indirect) thus reached € 91,709 million, up 12.6% compared to the end of 2019, thanks to a total net sales of € 9,283 million recorded in the 2020. The quality of sales was also confirmed, which shows a percentage impact of "Guided products & services[4] on TFA of 36.4%, up from the 35.4% recorded at 31 December 2019, and on Assets under Management of 73.6%, an improvement compared to 71.1% recorded at the end of 2019, thanks to the continuous refinement of the offer.



AUC = *Asset Under Custody*
AUM = *Asset Under Management*
TFA = *Total Financial Asset (direct and indirect)*

[4] Respectively, the Bank's products and/or services developed by investing in UCITs selected from among those distributed for each asset class taking into account customers' different risk profiles and offered to the Bank's customers under the guided open architecture model. At the date of this report, the guided products category included the "Core Series" umbrella fund of funds, "Core Funds", the Individual Savings Plans ("Piani Individuali di Risparmio" or "PIR"), the Unit Linked policies "Core Unit", "Advice Unit", "Core Multiramo", "Advice Top Valor", "Old Mutual", the funds "Best in class", "FAM Evolution", "FAM Target", "FAM Global Defence" and "Core Pension", "Private Client Insurance" and "GP Private value", while the "Fineco Advice", "Fineco Stars" and "Fineco Plus" advanced advisory services (for investment) fall under the guided service category.

Business performance

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

Total financial assets

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	12/31/2020	Comp%	12/31/2019	Comp%	Absolute	%
Current accounts and demand deposits	28,013,775	30.5%	25,588,332	31.4%	2,425,443	9.5%
Time deposits and reverse repos	207	0.0%	1,320	0.0%	(1,113)	-84.3%
DIRECT DEPOSITS	**28,013,982**	**30.5%**	**25,589,652**	**31.4%**	**2,424,330**	**9.5%**
Segregated accounts	209,329	0.2%	92,529	0.1%	116,800	126.2%
UCITS and other investment funds	31,577,808	34.4%	28,785,791	35.4%	2,792,017	9.7%
Insurance products	11,818,687	12.9%	10,115,054	12.4%	1,703,633	16.8%
Asset under custody and Direct deposits under advisory	1,775,626	1.9%	1,512,000	1.9%	263,626	17.4%
ASSETS UNDER MANAGEMENT BALANCE	**45,381,450**	**49.5%**	**40,505,374**	**49.7%**	**4,876,076**	**12.0%**
Government securities, bonds and stocks	18,313,685	20.0%	15,323,789	18.8%	2,989,896	19.5%
ASSETS UNDER CUSTODY	**18,313,685**	**20.0%**	**15,323,789**	**18.8%**	**2,989,896**	**19.5%**
TOTAL FINANCIAL ASSETS	**91,709,117**	**100.0%**	**81,418,815**	**100.0%**	**10,290,302**	**12.6%**
of which Guided products & services	33,420,198	36.4%	28,787,803	35.4%	4,632,395	16.1%

The table below shows the figures for direct and indirect deposits solely for the personal financial advisors network' customers. Total financial assets, amounting to € 79,644 million, increased by 12.7% compared to December 31, 2019, thanks to net sales of € 7,984 million and a positive market effect.

Total financial assets - Personal Financial Advisors Network

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	12/31/2020	Comp %	12/31/2019	Comp %	Absolute	%
Current accounts and demand deposits	21,127,063	26.5%	19,206,453	27.2%	1,920,610	10.0%
Time deposits and reverse repos	180	0.0%	1,219	0.0%	(1,039)	-85.2%
DIRECT DEPOSITS	**21,127,243**	**26.5%**	**19,207,672**	**27.2%**	**1,919,571**	**10.0%**
Segregated accounts	209,329	0.3%	92,529	0.1%	116,800	126.2%
UCITS and other investment funds	31,154,844	39.1%	28,374,546	40.1%	2,780,298	9.8%
Insurance products	11,754,021	14.8%	10,033,227	14.2%	1,720,794	17.2%
Asset under custody and Direct deposits under advisory	1,775,603	2.2%	1,511,983	2.1%	263,620	17.4%
ASSETS UNDER MANAGEMENT BALANCE	**44,893,797**	**56.4%**	**40,012,285**	**56.6%**	**4,881,512**	**12.2%**
Government securities, bonds and stocks	13,622,934	17.1%	11,467,385	16.2%	2,155,549	18.8%
ASSETS UNDER CUSTODY	**13,622,934**	**17.1%**	**11,467,385**	**16.2%**	**2,155,549**	**18.8%**
TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK	**79,643,974**	**100.0%**	**70,687,342**	**100.0%**	**8,956,632**	**12.7%**
of which Guided products & services	33,379,535	41.9%	28,754,383	40.7%	4,625,152	16.1%

Business performance

The table below shows the figures for net direct sales, assets under management and assets under administration during the 2020 compared with the same period of the previous year, for both customers linked to a personal financial advisor and online-only customers. Net sales came to €9,283 million, decreased by 58.9% compared with the 2019.

Net sales

(Amounts in € thousand)

	Year 2020	Comp %	Year 2019	Comp %	Changes Absolute	Changes %
Current accounts and demand deposits	2,506,757	27.0%	3,522,444	60.3%	(1,015,687)	-28.8%
Time deposits and reverse repos	(1,141)	0.0%	(1,752)	0.0%	611	-34.9%
DIRECT DEPOSITS	**2,505,616**	**27.0%**	**3,520,692**	**60.3%**	**(1,015,076)**	**-28.8%**
Segregated accounts	109,914	1.2%	90,675	1.6%	19,239	21.2%
UCITS and other investment funds	2,332,735	25.1%	836,286	14.3%	1,496,449	178.9%
Insurance products	1,609,464	17.3%	1,997,072	34.2%	(387,608)	-19.4%
Asset under custody and Direct deposits under advisory	243,728	2.6%	348,837	6.0%	(105,109)	-30.1%
ASSETS UNDER MANAGEMENT	**4,295,841**	**46.3%**	**3,272,870**	**56.0%**	**1,022,971**	**31.3%**
Government securities, bonds and stocks	2,481,734	26.7%	(953,203)	-16.3%	3,434,937	-360.4%
ASSETS UNDER ADMINISTRATION	**2,481,734**	**26.7%**	**(953,203)**	**-16.3%**	**3,434,937**	**-360.4%**
NET SALES	**9,283,191**	**100.0%**	**5,840,359**	**100.0%**	**3,442,832**	**58.9%**
of which Guided products & services	4,209,227	45.3%	3,748,800	64.2%	460,427	12.3%

The table below shows the figures for net direct sales ,assets under management and assets under administration solely for the personal financial advisors network' customers during the 2020 compared to the previous year.

Net sales - Personal Financial Advisors Network

(Amounts in € thousand)

	Year 2020	Comp %	Year 2019	Comp %	Changes Absolute	Changes %
Current accounts and demand deposits	2,001,924	25.1%	2,641,684	51.6%	(639,760)	-24.2%
Time deposits and reverse repos	(1,067)	0.0%	(1,608)	0.0%	541	-33.6%
DIRECT DEPOSITS	**2,000,857**	**25.1%**	**2,640,076**	**51.6%**	**(639,219)**	**-24.2%**
Segregated accounts	109,914	1.4%	90,675	1.8%	19,239	21.2%
UCITS and other investment funds	2,319,691	29.1%	843,762	16.5%	1,475,929	174.9%
Insurance products	1,611,613	20.2%	1,995,164	39.0%	(383,551)	-19.2%
Asset under custody and Direct deposits under advisory	243,875	3.1%	348,900	6.8%	(105,025)	-30.1%
ASSETS UNDER MANAGEMENT	**4,285,093**	**53.7%**	**3,278,501**	**64.0%**	**1,006,592**	**30.7%**
Government securities, bonds and stocks	1,698,299	21.3%	(797,611)	-15.6%	2,495,910	-312.9%
ASSETS UNDER ADMINISTRATION	**1,698,299**	**21.3%**	**(797,611)**	**-15.6%**	**2,495,910**	**-312.9%**
NET SALES - PERSONAL FINANCIAL ADVISORS NETWORK	**7,984,249**	**100.0%**	**5,120,966**	**100.0%**	**2,863,283**	**55.9%**
of which Guided products & services	4,203,076	52.6%	3,749,061	73.2%	454,015	12.1%

Business performance

Performance of main income statement aggregates

Operating income came to €774.4 million, up 18.3 % compared to € 654.8 million accounted for the year 2019.

Net fee and commission income and **Net trading, hedging and fair value income** contributed to the increase in the operating income as they rose, respectively, by 24.3 % and 114%.

The decrease in **Net interest** of € 10.5 million compared to the previous year was mainly due to the expansionary policies of the European Central Bank which led to a decline in market rates and a reduction in credit spreads. The decrease is also due to new investments in government bonds, made in 2020, that have replaced part of the UniCredit S.p.A. bonds, which have come to their natural maturity, that had been subscribed in a more favourable market context. The reduction of the item was partially offset by the positive contribution of the increase in volumes, the increase in lending activity and the more dynamic treasury management. In this regard, it should be noted that the structure of the investments carried out by the Group contributed to maintaining a significant level of interest income, with the average gross rate on interest-earning assets standing at 0.99 % (1.20% as at December 31, 2019).

Net commissions increased by €79.1 million compared to the previous year, mainly due to the fees and commissions generated by the Brokerage segment (+€53 million), which were driven by a highly volatile market, an increase in the proportion of the Bank's customers active on the Bank's platform and the changes in the offering, and to the fees and commissions generated by the Investing segment (+€ 17.5 million). In 2020, the subsidiary Fineco AM generated net fee and commission income of € 67.7 million. With regard to the net fee and commission income generated by the Banking segment (+€ 9.7 million), the change in the monthly fee for holding an euro current account, effective from February 2020. It should be noted that this modification has been only applied to a determinated part of the customers because, as the Bank, as part of the procedure of the proceedings initiated by the Antitrust Authority (AGCM) at the end of 2019 to determine whether a commercial practice adopted by Fineco in the past to promote the opening of current accounts complied with the Consumer Code (Legislative Decree 206/2005), agreed to return the fee received in 2020 from the customers affected by that commercial practice.

Net trading, hedging and fair value income was mainly generated by profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency; it was up € 46.1 million compared to the previous year, driven by financial-market volatility in the first half of 2020, which resulted in an increase of over 125% in internalised volumes. Trading profit also incorporates gains and losses from the financial instruments recognised in "Other assets mandatorily at fair value", including the preferred shares of Visa INC (class "C" and class "A") and the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits, whose fair-value measurement in 2020 resulted in a gain of € 0.6 million (€ 2.6 million in 2019) and in a loss of €1.4 million (€4,5 million in 2019). Finally, there are the net profits generated by the sale of bonds recognised under "Financial assets at fair value through other comprehensive income", amounting to €1.8 million (€ 0.7 million at 31 December 2019), and under "Financial assets at amortised cost", amounting to € 7.2 million (€ 2.9 million at 31 December 2019).

Operating costs highlight an increased by €20 million compared to the previous year (+€9.4 million for "Staff expenses", +€ 8 million for "Other administrative expenses net of Recovery of expenses" and + €2.6 million for "Impairment/write-backs on intangible and tangible assets"). The 8% increase in operating costs, in fact, is limited compared to the expansion of assets, volumes, customers and structure, confirming the strong operational leverage of the Group and the widespread corporate culture in cost governance theme, certified by a cost/income ratio of 34.81% (38.12% at 31 December 2019), also thanks to the substantial contribution of Brokerage in the growth of 18.3% in the operating income.

Net write-downs of loans and provisions for guarantees and commitments in 2020 amounted to -€ 3.3 million (-€2 million in 2019) and were affected by the change in the macroeconomic scenarios used in the calculation of LLPs at 31 December 2020 for *Expected Credit Losses*. As described above in "Significant events during the period", when assessing performing credit exposures at 31 December 2020, the Group considered an updated macroeconomic scenario to take into account the effects of the crisis arising from the COVID-19 pandemic. The updated macroeconomic scenarios did not result in significant adjustments. It should also be noted that at 31 December, 2019, the Group had recorded writebacks of approximately € 2.2 million with respect to the counterparty UniCredit S.p.A., thanks to the reduction in exposures.

Provisions for risks and charges amounted to €34.1 million, up 25.5% on 2019. Specifically, there was an increase in the contributions paid to the Interbank Deposit Guarantee Fund under the Deposit Guarantee Scheme (DGS) totalling €25.9 million compared to €18.1 million paid in the previous year, primarily due to the increase in additional contributions, aimed at gradually replenishing the amount of the financial resources used for interventions approved by the Interbank Deposit Guarantee Fund. In addition, in 2020 the ordinary annual contribution required for the year 2020, in accordance with Directive 2014/59/EU (Single Resolution Fund), was recognised in the amount of €0.7 million (no contribution had been required for 2019), and in June 2020 the Bank of Italy called in additional contributions to the National Resolution Fund pursuant to Article 1, paragraph 848 of Law 208/2015; the contribution payable by the Bank was €0.2 million.

The **Net income from investments** stood at -€ 6.3 million showing a decrease of € 13.6 million compared to 2019. As described above, when assessing performing credit exposures as at 31 December 2020, the Group considered an updated macroeconomic scenario to take into account the effects of the crisis arising from the COVID-19 pandemic. Regarding exposures to bond issuers, where the greatest impact was on Sovereign exposures, the updated macroeconomic scenarios led to additional provisions of €5.5 million, recognised using IFRS 9 impairment models and their post-model overlay and adjustment. It should also be noted that at 31 December 2019, the Group had recorded writebacks of approximately €7.1

Business performance

million with respect to the issuer UniCredit S.p.A., thanks to both a reduction in exposures in debt securities and an improvement in the issuer's risk profile, as a result of the financial guarantee received under the Pledge Agreement entered into following the exit of FinecoBank from the UniCredit Banking Group.

Profit before tax from continuing operations amounted to € 461.1 million, up 20.2% compared to the previous year, mainly thanks to higher Net commissions and Net trading, hedging and fair value income. Excluding the non-recurring items 2020 mentioned before[5], the Profit before tax from continuing operations should be €462.5 million, up 19.7% compared to 2019 net of non-recurring items[6].

The **Net profit for the year** amounted to € 323.6 million, showing an increase of 12.2% compared to € 288.4 million of the previous year. Excluding the non-recurring items 2020 mentioned before[7], the Net profit for the year should be € 324.5 million, up 19.2 % compared to 2019 net of non-recurring items[8].

Performance of main balance sheet aggregates

Cash and cash balances, amounting to € 1,760.3 million, consisted mainly of the liquidity deposited in the HAM (Home Accounting Model) account with the Bank of Italy, used to manage short-term liquidity. The increase over the previous year depends on the increase in cash and cash equivalents recorded by FinecoBank in 2020, of which the Bank's participation in the sixth tranche of the TLTRO III program represents a significant part.

Loans and receivables with banks, came to €780.5 million, an increase of 37.9% compared to December 31, 2019, driven mainly by higher variation margins paid for derivative dealing. This item also includes cash and cash equivalents with credit institutions held mainly for the settlement of payment transactions and transactions involving own and customers' financial instruments.

Loans and receivables with customers came to €4,527.8 million, up 23 % compared to December 31, 2019, thanks to the increase in lending activity. During 2020, €179 million in personal loans and €687 million in mortgages were granted and €877 million in current account overdrafts were arranged, with an increase in exposures in current account of €310.6 million; this has resulted an overall 22.8% aggregate increase in loans to ordinary customers compared to December 31, 2019. Impaired loans net of impairment losses totalled €3.5 million (€3.6 million as at December 31, 2019), with a coverage ratio of 86.15%. The ratio between impaired loans and total loans to ordinary customers was confirmed equal to 0.09 % (0.11% as at December 31, 2019).

Financial investments came to € 23,939.9 million, up 7.3% compared to December 31, 2019. The carrying amount of the debt securities issued by the UniCredit S.p.A. amount to € 5,738.9 million, down compared to € 7,501.4 million as at December 31, 2019 due to the repayment of securities maturing during 2020. The purchases made by the Group during 2020 mainly concerned securities issued by sovereign States, supranational entities and covered bonds.

Deposits from banks totaled € 1,064.9 million, showing an increase of €910 million compared to December 31, 2019, mainly attributable to the liquidity received from the Central Bank in the context of TLTRO III operations. As described above in "Significant events during the period", FinecoBank participated in the 6th tranche of the TLTRO III program (December 16, 2020) for an amount of € 950 million.

Deposits from customers came to € 28,359.7 million, up 9.4 % compared to December 31, 2019, due to the growth in direct deposits on current accounts from customers.

Shareholders' equity amounted to € 1,687.1 million, showing an increase of € 304.6 million compared to December 31, 2019, attributable mainly to the profit earned in the 2020, also in consideration of the fact that the 2019 profit had been allocated to reserves. During the 2020, coupons were paid on the AT1 instruments issued by FinecoBank, which, net of taxes, resulted in a reduction in equity of €19.8 million.

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[5] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€1.4 million (gross of the tax effect),

[6] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€4.5 million (gross of the tax effect), profit recognized by the Voluntary Scheme to FinecoBank for an amount of € 1.6 million (gross of the tax effect), relating to the four tranches of interest, net of the costs incurred during the year 2019, paid by Banca Carige S.p.A. on the subordinated loan underwritten by the Voluntary Scheme.

[7] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€1 million (net of the tax effect),.

[8] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€3.0 million (net of the tax effect), profit recognized by the Voluntary Scheme to FinecoBank for an amount of €1.1 million (net of the tax effect), relating to the four tranches of interest, net of the costs incurred during the year 2019, paid by Banca Carige S.p.A. on the subordinated loan underwritten by the Voluntary Scheme, and the tax benefit from the so-called Patent Box regime amounting to +€18.1 million. relating to the component not subject to application for renewal during 2020 and to the benefit relating to the 2015-2018 years recognized in 2019.

Business performance

Communications and external relations

The first half of 2020 opened with the launch of the "NOI SIAMO FINECO" communication campaign. The campaign is based on diligent research into the real reasons investors are dissatisfied with their banks and offers a solution for each of them.

FinecoBank continues to be “the bank that simplifies banking” and is now positioning itself as Italians' best investment partner and the alternative people are seeking: a smart, digital, transparent bank with a network of personal advisors able to meet the increasingly specific needs of their customers, who are always placed front and centre.

During 2020 four important communication flights were planned (February/March, April/May, July and November) to support the new campaign mostly via TV, press, and digital media. Parallel to the "NOI SIAMO FINECO" communication campaign, a digital campaign was planned for the trading segment, in continuity until the end of the year thanks to the volatility of the markets following the COVID-19 pandemic. Furthermore, in April, a member-get-member program was launched in support of personal financial advisors.

Regarding the Reputation Management programme, by which the Reputation Institute9 conducts monthly surveys of banks' reputations among a representative sample of the Italian population (general public), FinecoBank's reputation index reached all-time highs in the January-November period, positioning FinecoBank as the second most reputational bank.

Events and training initiatives for customers and advisors of FinecoBank in the whole of 2020 were severely limited by the COVID-19 emergency which, as a result of the lockdown, required entirely new methods making it possible to attend remotely. More than 1,800 events were therefore organized, of which virtual ones accounted for about 80%, and attended by approximately 70,000 existing and prospective customers. Furthermore, in October, the Convention Private - Digital Edition was organized where the Bank's strategy was outlined with respect to the private segment, with over 400 private bankers.

As part of the initiatives related to the month of Financial Education in October and with the aim of promoting free and quality initiatives and events to increase basic knowledge on insurance, pension and management and planning of personal financial resources and family members, FinecoBank organized a series of meetings entitled: “Investire (o non investire) è sempre una scelta”.

Many other initiatives put the Bank in national media headlines as it found ways to investigate the social and economic implications of the COVID-19 pandemic. In April it partnered with Il Corriere della Sera to launch the initiative "L'Italia che investe: dopo la crisi una nuova normalità", in which three prominent experts – including Fineco's Chief Executive Officer and General Manager, Alessandro Foti – explained the particularities of the health and economic crisis linked to the COVID-19 pandemic to the general public via the newspaper's TV channel.

In the first half of the year FinecoBank decided to support the research activities of Fondazione Feltrinelli. More specifically, “Cinque lezioni di complessità” was a socio-philosophical project involving five open-audience seminars with M. Benassyag, who analysed the many factors contributing to the complexity of the society we live in and the influences to which every individual is exposed. As the main sponsor, FinecoBank in fact argues for the value of simplicity as something different and opposed to the simplistic.

Once again in 2020, FinecoBank is a "Top Employer Italy" for its attention to employees' wellbeing and professional development and for fostering a positive, stimulating working environment.

As for Fineco's marketing and communication activities in the UK, in April it launched the new "Trade without compromise" campaign, which aims to acquire new customers in the trading segment and which continued until the end of December.

Fineco Asset Management (“FAM”) continued to growth its assets under management and to expand its range of investment solutions, responding quickly and effectively to the needs of end customers and personal financial advisors. In the year 2020 this trend was paralleled by strategic communications designed to support FAM's positioning as a major asset management player. Of particular importance is the activity relating to the topic of "sustainability beyond the product", oriented to impose sustainability in the national and specialized press and the reason why it is not enough to follow the ESG criteria to define oneself as “sustainable”. For FAM is essential to a fair approach to the client, the consultant and shareholder: only with efficient commission profiles, which do not include performance commissions, an asset manager can be said to be able to propose a truly sustainable investment. With this in mind, and to encourage this switch and draw greater attention to such an important topic for customers, advisors, and investors, FAM has rolled out an "evolved sustainability" label – "No Performance Fees" – that it encourages the asset management community to adopt.

From the product point of view, FAM has launched numerous new investment solutions, starting with the editions of decumulation products that are part of the FAM Target family, passing through the FAM Global Defense funds, and passing through the FAM Global Defense funds, and presenting Infusive Consumer Alpha Global Leaders FAM exclusively for the Italian market. The new products were supported by targeted advertising campaigns focused on off-line and on-line publications, both national and industry-specific. The relationship with the press activities have also seen the involvement of FAM's CEO, aimed at presenting the new instruments by positioning them strategically within the unusual market and banking context, integrating them with the company's commitment to sustainability. Futhermore, the principles of behavioural finance, automated for the first time in FAM Target Boost, were among the focus topics of media relations activities, demonstrating FAM's vocation for financial education.

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

Business performance

Main environmental protection initiatives

The Group also confirmed and strengthened its important partnership with Fondo Ambiente Italiano (FAI): Fineco has been a Corporate Golden Donor of FAI since 2017, a title awarded to the most active companies in the field of culture and protection of local artistic heritage. In particular, in 2020 FinecoBank was the Main Sponsor of all of FAI's initiatives, from the "*Giornate del FAI all'Aperto*" (FAI outdoor days) to the "*Giornate FAI d'autunno*" (FAI autumn days).

In November 2020, the Bank also took part in the Milan City Council's project "*Cura e adotta il verde pubblico*" (Look after and adopt public green areas), initiating a partnership for the redevelopment of urban green areas in the city, in the area between Corso Como, Corso Garibaldi and Largo La Foppa. The aim of the sponsorship project, which will last around three years, is to contribute to the conservation and improvement of existing green areas, by selecting various types of plants, including ornamental grasses and ancient olive trees, known for their beauty and adaptability and resistance to the most diverse environments and climatic conditions, with a total of 516 new plantings.

Main solidarity initiatives

Once again this year, FinecoBank upheld its commitment to supporting a number of solidarity programs. In March, with the explosion of the COVID-19 pandemic, it set up a donation page at finecobank.com in support of two of Italy's most important and hardest-hit healthcare institutions: ASST Fatebenefratelli Sacco in Milan and the Lazzaro Spallanzani Institute for Infectious Diseases in Rome. In addition to FinecoBank's direct donation, customers responded very generously to the appeal. In response to the COVID-19 emergency, FinecoBank funded the purchase of an ambulance for the Croce Rosa Celeste of Milan and contributed to the non-profit CAF Onlus to help youths who are victims of violence to recover psychologically after the long lockdown.

The Bank also donated to the Anvolt association, which supports cancer patients and their families by organising transportation from the patient's home to the hospital for treatments. FinecoBank's contribution went towards the purchase of personal protective equipment and towards sanitising spaces, ensuring social distancing, and protecting patients.

The most important charitable event is the Christmas Charity Campaign, "Christmas with Fineco", promoted every year on the Bank's website. In addition to the donation by the Bank to organisations for selected projects every year, the campaign also allows customers and non-customers to make donations. The effort this year was to identify projects that related in some way to the period we are living through, in addition to the theme of sustainability. This resulted in FinecoBank identifying four areas of action linked to specific projects:

- Poverty and Sustainability
  FOOD BANK - The "Let's Feed Hope" project aims to reduce food waste by providing a food collection and redistribution service to those most in need. From an environmental perspective, the recovery of food that is still perfectly edible prevents it from becoming waste, saving energy and reduces CO2 emissions into the atmosphere, in addition to recycling the packaging.
- Social Inclusion/Mental Health
  ALWAYS ALIVE – A project with the cooperative "Cooperativa lavoro 'La luce di Carlotta'" aimed at helping psychologically vulnerable people to not give up and to lead a happier life. The Cooperative works in many different areas: artisanal production of ice cream and other foodstuffs and bar services, but above all by providing a job station for computer-related activities.
- Support to schools
  CHILDREN FIRST – The "Looking to the future" project is aimed at providing children, who have had difficulty in continuing their education during the pandemic, access to all the tools they need to continue their education, including computers, tablets, and Internet connections.
- Education/School Drop-Out
  NEETs – The "Journeying Together" project is aimed at using targeted training courses to promote the growth of young people with social and economic difficulties, NEETs (Neither in Employment or in Education or Training), street children, children in the juvenile criminal system, and children at risk of dropping out of school or with families under supervision by social services. Courses are also provided to create more favourable conditions for entering into the world of work.

Business performance

In addition to the above-mentioned solidarity projects, FinecoBank has made donations to the following projects:

- Paediatric home care to VIDAS, an association with a long history of providing home care assistance
- Home care to AIL (Italian Association against Leukaemia-lymphomas and myelomas)
- Casa di ERACLE (for the completion of the Casa di Eracle, to host families of premature babies admitted to intensive care at the Niguarda hospital)
- CESVI (Fineco contributed to a project supporting music and entertainment workers made unemployed as a result of the pandemic)
- L'ALIANTE (a project aimed at stimulating the expressive capabilities of disabled people through theatre and music)
- THEODORA (supporting the work of the Dream Doctors who entertain sick children in hospitals).

Business performance

Incentive plans

The Board of Directors' meeting of FinecoBank held on January 15th, 2020 – in consideration of the favourable opinion of the Remuneration Committee which met on January 13, 2020 – approved the following incentive systems subsequently approved by the Shareholders' Meeting of April 28, 2020:

- 2020 Incentive System for employees categorised as "Key Personnel";
- 2020 Incentive System for Personal Financial Advisors identified as "Key Personnel".

On February 11, 2020, given the confirmation of the minimum entry conditions at Group level and the individual requisites (compliant conduct and continued employment) and the favourable opinion provided by the Remuneration Committee in its meeting of February 7, 2020, the Board of Directors of FinecoBank approved:

- for the "2014 Incentive Systems", "2015 Incentive Systems", "2016 Incentive Systems" and "2017 Incentive Systems" (Bonus Pools):
  - the execution of the plans;
  - the allocation of the fourth share tranche of the 2014 plan, awarded in 2015, corresponding to 70,708 free ordinary shares, in line with the maximum amount approved by the Board of Directors on May 15th, 2014;
  - the allocation of the third share tranche of the 2015 plan, awarded in 2016, corresponding to 42,057 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 22th, 2015;
  - the allocation of the second share tranche of the 2016 plan, awarded in 2017, corresponding to 30,406 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 12th, 2016;
  - the allocation of the first share tranche of the 2017 plan, awarded in 2018, corresponding to 57,950 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 9th, 2017;
  - a free capital increase for a total amount of € 66,369.93 corresponding to a total of 201,121 FinecoBank ordinary shares with a nominal value of € 0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement), in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of April 23rd, 2015, April 12th, 2016, April 11th, 2017 and April 10th, 2019 pursuant to Article 2443 of the Italian Civil Code. The dilution effect resulting from the above free capital increase has been quantified as 0.03% of the fully diluted capital.
- for the "2014-2017 Top Management Multi-Year Plan":
  - the execution of the plan;
  - the allocation of 422,779 free ordinary shares to the beneficiaries of the fourth share tranche of the plan, awarded in 2017, in line with the maximum amount approved by the Board of Directors on February 7th, 2017;
  - a free capital increase, for a total amount of € 139,517.07 corresponding to a total of 422,779 FinecoBank ordinary shares with a nominal value of € 0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement), in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of June 5th, 2014, pursuant to Article 2443 of the Italian Civil Code. The dilution effect resulting from the above free capital increase has been quantified as 0.07% of the fully diluted capital.
- for the "2019 Incentive System" (Bonus Pool):
  - the FinecoBank 2019 Bonus Pool;
  - the proposals for the determination of the 2019 bonus for the Chief Executive Officer and General Manager, other Key Management Personnel, and other Key Personnel;
  - the allocation of 163,658 FinecoBank ordinary shares, to be given free of charge to the above-mentioned personnel in accordance with the bonus pool regulations.
- for the "Incentive System 2018":
  - the execution of the plan;
  - the allocation of the second tranche in cash of the plan awarded in 2019.
- for the "2019 PFA Incentive System" plan:
  - the proposed determination of the 2019 Bonus Pool for personal financial advisors;
  - the proposed determination of the 2019 bonus and prior-year deferrals for personal financial advisors classified as Key Personnel;
  - the allocation of FinecoBank shares with a total value of € 397,287.26 (maximum 179,534 ordinary shares), to be given free of charge to the above-mentioned personal financial advisors in accordance with the plan regulations;
  - the purchase of treasury shares, having obtained the authorisation from the Supervisory Authority, pursuant to Articles 77-78 EU 575/2013 of June 26th, 2013 (CRR), in accordance with the shareholder meeting resolutions.
- for the "2018 PFA Incentive System" plan:
  - the execution of the plan;
  - the allocation of the second tranche in cash to the personal financial advisors classified as "Identified Staff", in accordance with the plan regulations.
- for the "2017 PFA Incentive System" plan:
  - the execution of the plan;
  - the allocation of the first share tranche of the plan, corresponding to 16,590 FinecoBank shares.
- for the "2016 PFA Incentive System "plan:
  - the execution of the plan;

Business performance

  - the allocation of the second tranche of the plan, corresponding to 11,548 FinecoBank shares, and the allocation of the third tranche in cash of the plan, to be granted to the personal financial advisors classified as "Identified Staff" in accordance with the plan regulations.
- for the “2015 PFA Incentive System” plan:
  - the execution of the plan;
  - the allocation of the third tranche of the plan, corresponding to 7,737 phantom shares.
- for the “2015 2017 Plan PFA”:
  - the execution of the plan;
  - the allocation of the third tranche of the plan, corresponding to 633,376 FinecoBank shares.

On March 12, 2020, given the confirmation of the minimum entry conditions at Group level and the individual requisites (compliant conduct and continued employment) and the favourable opinion provided by the Remuneration Committee in its meeting of March 9, 2020, the Board of Directors of FinecoBank approved, for the “Incentive System 2018”:

  - the allocation of the first tranche in cash of the plan 2018 awarded in 2019, corresponding to 16,543 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2018;
  - a free capital increase for a total amount of € 5,459.19 corresponding to a total of 16,543 FinecoBank ordinary shares with a nominal value of € 0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement), in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of April 11th 2018 pursuant to Article 2443 of the Italian Civil Code.

The Board of Directors of Fineco Asset Management, which met on April 21st, 2020, approved its own 2020 Incentive System for local staff belonging to the "Key Personnel”.

FinecoBank shares

Share information

FinecoBank share registered a strong increase of its value over the year, reaching its all-time high at €13.43 in December 2020.

As of December 31st 2020, the price of the share was equal to €13.40, increasing by +25% compared to the last trading day of 2019 equal to €10.69, despite the market correction following the COVID-19 pandemic outbreak. The result is in contrast with both the FTSE MIB index and the Euro Stoxx Banks index, which since the beginning of the year recorded a contraction of 5% and 24% respectively. The average value recorded by the share in 2020 was €11.33.

The company's market capitalization equaled to € 8,168 million as of December 31st, 2020, increasing by €1,659 million compared to December 31st, 2019.

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

Results achieved in the main areas of activity

The following pages contain the main indicators and results of the main business segments: Banking, Brokerage and Investing, also including the asset management activity carried out by the subsidiary Fineco AM.

Given the Bank's specific business model that provides for a high level of vertical integration among its different activities, these main business segments are interdependent. Indeed, the Group offers its services (banking and investment services) through a network of personal financial advisors and online and mobile channels that operate in a coordinated and integrated manner. The completeness of the services offered makes it possible to offer as the customer's only point of reference (one stop solution) for banking operations and investment needs. This highly integrated and customer-based strategy has the consequence that the revenues and margins related to the different products/services (investing, banking and brokerage) are, therefore, deeply interdependent.

All the activities were carried out with the aim of obtaining economic results from the "industrial" management of the businesses, to minimise their financial risk. The Group's financial management approach is to manage risks with a view to protecting the industrial returns on the various businesses while not assuming risk positions on its own account.

Banking

Banking and Payment cards

In 2020 the Banking area continued to optimize digitalisation processes and expand its offering of products and services, efforts that were also useful in dealing with the COVID-19 emergency.

Regarding new products and services:

- FinecoPay, the new APP feature allowing to send or receive money without knowing the IBAN of the beneficiary, has been launched. All the customer need is a cell phone number to send up to a maximum of 250 euro per day or to request money, free of charge and with the security guaranteed by Fineco's digital platform
- the Multicurrency service was expanded to include the following new currencies: Norwegian krone, Polish zloty, New Zealand dollar, Danish krone, Singapore dollar, Hong Kong dollar, Czech koruna and Hungarian forint. All customers signed up for the Multicurrency service can now operate in these currencies as well as those already offered. This expanded service was offered both in Italy and the United Kingdom;
- all customers now have free access to Moneymap, Fineco's account-integrated household budget tool that automatically categorizes incoming and outgoing movements and helps customers save money by using the "budget" function. This service has been further expanded with a feature that compares yearly expenditures and income;
- simplified F24 tax payment forms can now be paid directly from the Fineco app;
- for UK customers only, the onboarding process from the APP has been improved with a new identification method through a video selfie. The functionality, considered as strengthen customer verification for AML (Anti-Money Laundering) purposes, allows customers to request the opening of a Fineco current account directly from their smartphone and in full autonomy. The onboarding process through the APP has also been strengthened through the integration of further automations that reinforce the process of verifying the genuineness of the identification document presented by the customer.

Following the COVID-19 health emergency, new processes were also put in place to enable financial advisors to continue acquiring clients even remotely. In particular, an internal process was developed within the Bank allowing financial advisors to have their clients open a current account in complete autonomy, directly from the public area of Fineco Bank website, www.finecobank.com, proceeding with the simultaneous assignment.

Improvements to existing products and services include:

- for what in regards to instant bank transfer (SCT INST):
  - the definition of a maximum amount of 100,000 euro for incoming bank transfer
  - the increase to 15,000 euro of the limit on outgoing bank transfers. Account holders can also customize these limits from their personal area of the website
- the real-time delivery of activation codes and user IDs for first-time access to the online personal area. The credentials are sent to the customer by e-mail and SMS (using certified contact details) as soon as the new account contract is digitally signed. Using the codes received by e-mail and SMS, customers can access the site, view their IBANs and navigate through account services. This feature is only available for account applications submitted at www.finecobank.com;
- a new Account and Cards landing page within the online personal area. For the first time, in addition to their current account movements, customers now have real-time access to all transactions made with payment cards even if they have not yet been debited to their accounts.

Results achieved in the main areas of activity

Visa and MasterCard payments that have not yet been debited are now also visible in the "My Cards" section, along with other movements. The feature is also available in the app;

- a new process to regenerate credentials (activation code and password) via SMS. This feature is free of charge to customers with a certified cell phone number;
- a new "change password" feature using the APP;
- the introduction of notifications via app as a new communication channel of all card authorizations to Mobile Code-enabled customers. This new channel will gradually replace text messaging for all other services. On the other hand, the sms alert service remains active;
- the optimization of the current account closure process through the provision of the form with the relative instructions directly in the reserved area of the FinecoBank's website;
- the introduction of a new feature allowing customers to block their Fineco payment card (credit, debit or rechargeable), on their own from the APP and the website, with immediate effect. Through the same channels, customers can also remove the block autonomously, restoring all card functions;
- the possibility to display the Card PIN, from the APP and on the devices enabled to the Mobile Code service;
- the modification of the card activation process so that, immediately after the card has been issued and without waiting for the plastic to reach the customer's home, the digital functions of the card can be enabled and used: online payments and payments with Wallets (Apple Pay, Google Pay, Fitbit Pay, Garmin Pay). In addition to the new digital functionality activation process, available on the website and APP, Fineco also allowed the customer to view the card data (PAN, expiry date and CVV) through the same channels. As well as being necessary to allow the correct use of the digital features, this function also contributes to the process of card "dematerialization" that Fineco intends to pursue also during 2021.

Regarding regulatory adjustments, in the 2020, the Group's effort was concentrated on adjusting the AML Questionnaire in accordance with the provisions of the Fourth AML (Anti-Money Laundering) Directive. Further than updating the contract for the opening of new continuous relationships, massive communication campaigns were also activated aimed at updating the information of the entire client base.

In addition, in agreement with the Bank of Italy and in compliance with PSDII Directive, the Bank has set up a plan to introduce Strong Customer Authentication (hereinafter SCA) on all card payments made on merchants' websites and APPs. The plan included the upgrade of 3DS protocols and an organized set of communications to customers to inform them of the new operating methods to perform card payment transactions on websites and APPs (using the Mobile Code or the combination of device PIN + SMS PIN as SCA factors).

Marketing and word-of-mouth ("member gets member") campaigns addressed to FinecoBank customers continued to be developed and managed during the period.

Since February 2020 there has also been a change in the monthly fee for current accounts in euro and the monthly fee for Multicurrency CHF subaccounts opened before November 26th, 2016. Customers were notified of the change in November 2019 with a unilateral modification proposal pursuant to Art. 18 of the Consolidated Banking Act (TUB), with effect from February 1, 2020. In this regard, it should be noted that on December 20th, 2019, the Bank received notice from the Guarantor for Competition and the Market Author (A.G.C.M.) that it had initiated proceedings to assess the compliance with the Consumer Code (Legislative Decree 206/2005) of a commercial practice that the Bank had previously used to encourage people to open current accounts to zero fee. FinecoBank provided the Authority, within the prescribed deadline, with all the information required for the purposes of the assessment, explaining the reasons why it believes it has operated correctly. At the same time, in order to give concrete evidence of the attention paid to correspond to the expectations of its stakeholders (specifically the supervisory authorities and customers) it has undertaken to develop a series of initiatives aimed at further improving the transparency of the new offer conditions of the bank account and to recognize, to all those who had opened it during the period in which the commercial practice was followed, the extension of the period of application of the zero fee until the end of 2020. On 24 December 2020, the Authority communicated to the Bank the acceptance of the commitments presented (as suitable for removing the potential critical issues found in the preliminary phase) and the consequent closure of the proceedings without ascertaining the infringement pursuant to art. 27, paragraph 7, of the "Consumer Code". It also ordered the publication on the homepage of the finecobank.com website, for 30 days, of the commitments that Fineco has made and the implementation of which, within 120 days, it must inform the Authority.

Results achieved in the main areas of activity

The table below shows a decrease in credit card spending compared to the year 2019, mainly attributable to the contraction in consumption caused by the pandemic from COVID-19.

(Amounts in €thousand)

	Year 2020		Year 2019		Changes			
					Spending		Carrying amount	
Credit Products	**Spending**	**Carrying amount**	**Spending**	**Carrying amount**	**Amounts**	**%**	**Amounts**	**%**
Revolving credit cards	40,868	37,165	49,849	43,486	(8,981)	-18.0%	(6,321)	-14.5%
Credit cards full payment of balance	2,592,974	258,861	3,071,269	311,672	(478,295)	-15.6%	(52,811)	-16.9%
Total	**2,633,842**	**296,026**	**3,121,118**	**355,158**	**(487,276)**	**-15.6%**	**(59,132)**	**-16.6%**

Mortgages, credit facilities and personal loans

In the lending business, during the year 2020 the Bank continued to optimize its current loan portfolio while handling the new needs arising from the COVID-19 health emergency.

Regarding the optimisation of the current loan portfolio:

- fixed-interest mortgage loans are now offered with a "locked-in rate" depending on the characteristics of the loan (rather than the previous sum of benchmark IRS plus spread), guaranteeing the rate applicable on the date of the loan's definitive approval for the following 30 days. This aims to make loan conditions even clearer and more transparent, expanding the customer's right of withdrawal;
- an online revolving feature has been developed for ordinary securities guaranteeing Lombard loans. This feature makes it possible for customers using an ordinary portfolio to secure Lombard loans to order purchases, sales and switches within the portfolio directly from their online personal area, without assistance from their financial advisor.
- customers can now digitally sign Credit Lombard subscription requests entered by Financial Advisors on the X-Net Platform. This feature complements the digitization of product request processes, joining the website request form introduced in 2019;
- the Bank introduced customized pricing, for Mortgage and Credit Lombard, depending on the type of customer to whom they are dedicated. This initiative is in line with what has already been carried out on personal loans.

To support customers' needs in relation to the COVID-19 emergency, in addition to the moratorium on mortgage payments through use of the CONSAP Fund (in accordance with the government's Cura Italia Decree), the Bank has taken the following measures:

- participation in the Italian Banking Association (ABI) for the suspension of loans to household loans following the event from epidemiological COVID-19 (personal loans and mortgages other than those covered by the CONSAP fund) in line with the EBA Guidelines;
- introduction of a new unsecured credit line that gives eligible customers an advance on ordinary or extraordinary unemployment benefits while awaiting payment from the appropriate entities.

Finally, with the aim of allowing its customers to take full advantage of the tax benefits introduced by the so-called "Decreto Rilancio", FinecoBank has introduced an offer dedicated to the tax credits acquisition, which provides for:

- the possibility of purchasing the tax credits of individual account holders, guaranteeing them immediate settlement of the credit on the current account with no need to wait for the deduction recovery time (5 or 10 years);
- the possibility of accessing an unsecured overdraft facility at a convenient interest rate, which can be used to finance the start-up of the works that will give rise to the credit.

It should be noted that in 2020 the Group did not purchase tax credits either following transfer by direct beneficiaries or by previous buyers.

Results achieved in the main areas of activity

The following table shows the disbursements and the balance sheet of personal and unsecured loans, mortgages and the disbursement of current account credit lines, compared to the previous year.

(Amounts in € thousand)

Credit Products	Year 2020		Year 2019		Changes			
					Disbursements		Carrying Amount	
	Disbursements	Carrying Amount	Disbursements	Carrying Amount	Amount	%	Amount	%
Personal loans and unsecured loans	178,698	438,996	216,164	457,577	(37,466)	-17.3%	(18,581)	-4.1%
Current account credit facilities*	876,866	1,602,767	797,440	1,292,172	79,426	10.0%	310,595	24.0%
Mortgages	686,919	1,668,286	412,281	1,156,353	274,638	66.6%	511,933	44.3%
Total	**1,742,483**	**3,710,049**	**1,425,885**	**2,906,102**	**316,598**	**22.2%**	**803,947**	**27.7%**

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

Furthermore note that the credit lines guaranteed by securities granted in 2020 totaled € 863 million (€ 840 million related to "Credit Lombard" product, € 21 million related to credit facilities secured by pledged and € 2 million related to credit facilities with mandate for sale), equals to 98% of total amount of credit lines granted.

Results achieved in the main areas of activity

Brokerage

In 2020, the stock exchange recorded an average growth in volumes of 21.5% while the number of transactions more than doubled (+120.3%). In particular, the figures showed growth of 48% in the value traded on ETFs and 220% for the Sedex market, where certificates are listed. In the last two months of the year, trading increased by 117.6% compared to the first two months of the year, a sign that many of the newcomers that came to the market during the first lockdown had stayed even after volatility had returned to normal. FinecoBank is one of the top operators in this area in terms of value traded, with a share of 27.82%, and the first in terms of number of transactions, with 24.42%.

In the first half of 2020, the spread of the pandemic, as well as the timing of the consequent lockdown policies, led to a significant economic contraction on all continents, causing a collapse in global equity markets and high volatility, with the latter leading to a record second quarter, when the implied market volatility was double that of the previous year.

The year 2020 ended with the elimination of two of the main uncertainties that had dominated the autumn months: the outcome of the US presidential election and the first encouraging initial data on the COVID-19 vaccine.

In spite of the complex economic situation, the drive towards digital, reinforced by the crisis, favoured FinecoBank's business model oriented towards combining technology and human expertise. Indeed, brokerage continued its structural growth throughout the year, thanks to a renewed offering and the expansion of the platform's active customer base. Revenues from brokerage confirmed this growth, reaching €229.2 million, up 73% from €132.6 million in the previous year.

The Group continued to optimize the current product portfolio during 2020. This included in particular:

- the revision of the fee structure for futures, which is now even more advantageous with lower fees on IDM, Eurex and CME futures;
- the extension of automatic (stop loss and take profit) orders on FX CFD to overnight trading. This makes it possible to add, modify and cancel customised stop loss/take profit orders on a position or on individual orders 24 hours a day, 7 days a week, except Saturdays and Sundays between 4:00 a.m. and 6:15 a.m. This feature is available in all order entry channels: website, PowerDesk and app;
- the extension of the trading hours of futures on the Eurex and CME markets, which makes it possible to trade at night, from Monday to Friday, taking advantage of all the upward and downward opportunities, opening new multiday positions and also managing protections at night;
- the addition to the offering of the MicroFib Future product issued by Borsa Italiana and listed on the IDEM market;
- the expansion of the CFD offering on commodities, with the introduction of Silver and Copper CFDs;
- the expansion of the CFD range to include FTSE 250 CFDs, 100 new US equity CFDs and the CFD on the Russell Index;
- the reduction of the spread applied to the exchange rate for large-value transactions, to meet the requirements and needs of private customers in particular.

The following table shows the number of orders on financial instruments recorded during the 2020 compared to the previous year.
a

(Amounts in €thousand)

	Year		Changes	
	2020	2019	Absolute	%
Orders - Equity Italy (including internalised orders)	10,830,920	7,179,426	3,651,494	50.9%
Orders - Equity USA (including internalised orders)	3,778,608	1,368,852	2,409,756	176.0%
Orders - Equity other markets (including internalised orders)	1,154,834	579,744	575,090	99.2%
Total Equity orders	*15,764,362*	*9,128,022*	*6,636,340*	*72.7%*
Orders - Bonds	536,874	572,226	(35,352)	-6.2%
Orders - Derivatives	9,904,830	3,707,601	6,197,229	167.1%
Orders - Forex	1,093,711	473,186	620,525	131.1%
Orders - CFDs	2,348,088	1,125,355	1,222,733	108.7%
Orders - Funds	3,704,679	2,778,097	926,582	33.4%
Total orders	**33,352,544**	**17,784,487**	**15,568,057**	**87.5%**

Results achieved in the main areas of activity

The table below shows the volume of trades carried out as direct counterparty in orders placed by customers, resulting from the internalization of orders received on shares, derivatives, CFDs and Logos, recorded in 2020 compared to the previous year.

(Amounts in €thousand)

	Year		Changes	
	2020	2019	Absolute	%
Equity (internationalization)	108,920,389	74,718,626	34,201,763	45.8%
Derivatives (of which internalized)	218,394,846	70,282,219	148,112,627	210.7%
Forex	57,887,536	24,294,595	33,592,941	138.3%
CFD and Logos	80,896,726	37,915,332	42,981,394	113.4%
Total "internalized" volumes	**466,099,497**	**207,210,772**	**258,888,725**	**124.9%**

It should be noted that the item "Derivatives (internationalization)" includes the internalization activity of orders received on options and futures which began, respectively, in March 2019 and in July 2019.

Results achieved in the main areas of activity

Investing

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

In 2020, the range of collective asset management products was further enhanced with the addition to the platform of 151 new ISINs available to customers, including Fineco Asset Management funds. Indeed, FAM further expanded its offering with the addition of new versions including FAM Target Boost funds, whose destocking mechanism takes advantage of market corrections to increase scheduled investments. In addition to the Global Defence strategies, two further managed investment strategies have been added to the FAM Series family: the Infusive Consumer Alpha Global Leaders Fam Fund and the Fidelity Sustainable Water and Waste Fam Fund.

The collective asset management products also included funds that have been sold in the UK market since September 2019, with a total of 11 Investment Houses and 440 ISINs available at December 31st, 2020.

In the segregated accounts business, despite a significant COVID-19 effect on the performance of existing portfolios, the growth continued in 2020 with a steady increase in assets under management.

In the area of pension products, customers are increasingly interested in the open Core Pension fund, sold exclusively through the FinecoBank network. With a view to improving the technology of this important instrument and to going increasingly paperless, since May 5th, 2020 it has been possible to sign up customers for Core Pension not only in the traditional, off-line manner but also digitally through the web collaboration platform. Also with a view to digitisation since November 19th, 2020 Fineco customers have been able to subscribe to the Core Pension fund directly through the Bank's website and using a digital signature. Lastly, in line with the increasing focus on sustainability, on October 1st, 2020 the pension fund supervisory authority COVIP authorised regulatory changes to the Core Pension fund, which now has investment policies incorporating ESG criteria.

In the insurance advisory business, a Multiramo Protetta fund was launched in the first half of 2020, while the new product release in the second half was the Multiramo based on external Private funds with a minimum investment of € 250 thousand. The Multiramo range has been completed with the addition of a line dedicated exclusively to HNWI customers, which provides solutions for investments of over € 10 million. The new investment proposals include the addition of the Sustainable AIFs to the insurance products, in line with the Group's strategy. In the area of process and sales developments, the digital signature coverage was completed by including Eurovita's Core Unit.

Primary market placements (IPOs) continued with the placement of Investment Certificates. The main structures are autocallable, "conditionally protected" instruments with protection barriers of up to 60%, with or without fixed coupons. Five different issuers were used and 15 placements were made. The increase in new investment certificates focusing on the ESG range has also expanded the solutions available to the Group's advisory services.

As regards advisory services, in 2020 the Bank continued to develop solutions designed to improve the services provided to customers and personal financial advisors. It introduced new guided solutions (model portfolios) to meet the needs of all target customers characterising the Bank's model of service.

Specifically, the Group created:

- a multiasset "destocking" portfolio built with FAM funds and ETFs, for customers wishing to gradually increase their risk exposure over time thanks to the use of FAM Target series III funds, which start with a prudent portfolio and eventually arrive at a balanced one;
- four "Mini Allocation" portfolios for "Smart Investor" customers seeking diversified risk-return profiles, using guided funds of funds solutions;
- six "Easy Allocation" portfolios for "Premium Investor" customers seeking diversified risk-return profiles with rising VaR, mostly comprising Fund of Fund (FoF) solutions along with the choice of individual SICAVs to cover specific asset classes, plus a version consisting entirely of ETFs for those preferring passive strategies;
- nine private ETF model portfolios for Affluent/Private customers, to be used mainly within the Advice program, featuring incremental risk-return profiles and a selection of high-quality, high-liquidity ETFs;
- nine private Fund-based model portfolios for Affluent/Private customers, to be offered mainly within the Advice program, featuring incremental risk-return profiles and a selection of high-quality funds;
- six private ESG multi-asset model portfolios with funds and ETFs to offer high-end customers exposure to ESG themes;
- personalised portfolios for high-worth customers with complex needs that go beyond standard solutions (variable ESG weight, dividend yield, duration, exposure to currencies, costs, etc.).

Results achieved in the main areas of activity

All of the above portfolios are the subject of monthly X-Net reports available to the personal financial advisors.

An “Active Monitoring” service has been launched for the Private Bankers that have customers with positions in several dossiers or belong to a large household. This service consists of ongoing dialogue between the advisor and a team of Senior Investment Specialists who continuously monitor the customer’s entire position using a dedicated, technologically advanced platform. The team can immediately contact the advisors when there are deviations in the parameters monitored, helping them to find alternative solutions.

As part of the ongoing development of solutions for the Private Bankers, new portfolio analyses have been added to the Private Diagnostics service, including yield to maturity, duration, currency breakdown and dividend yield.

In addition, during the COVID-19 pandemic, the frequency of reporting on model portfolios and market trends has been increased and specific analyses of the financial crisis have been produced, including through dedicated meetings with the investment houses.

The following table shows in detail the composition of the products of assets under management as at 31 December 2020, whose balance shows an increase of 12% compared to 31 December 2019.

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	12/31/2020	Comp %	12/31/2019	Comp %	Absolute	%
UCITS and other investment funds	31,577,808	69.6%	28,785,791	71.1%	2,792,017	9.7%
Insurance products	11,818,687	26.0%	10,115,054	25.0%	1,703,633	16.8%
Segregated accounts	209,329	0.5%	92,529	0.2%	116,800	126.2%
Asset under custody and Direct deposits under advisory	1,775,626	3.9%	1,512,000	3.7%	263,626	17.4%
Total assets under management	**45,381,450**	**100.0%**	**40,505,374**	**89.3%**	**4,876,076**	**12.0%**

The network of personal financial advisors

After a beginning of the year in which there has been a certain enthusiasm and renewed confidence on the part of savers, the health emergency, accompanied by great volatility, has projected a situation never experienced before, with investors afraid for their health, the economy and their savings. The situation that has arisen has exacerbated even more structural trends that have been underway for some time, making the need for ever greater digitization and the growing demand for qualified advice on the part of customers emerge more clearly. This forced the system to rapidly modify and adapt operational and business models, according to new paradigms, and once again, the role of the financial consultant in customer support and assistance proved to be decisive.

FinecoBank, thanks to its model, was able to respond perfectly to the needs and expectations of customers and, thanks to the organization of teamwork and remote communication techniques, FinecoBank was able to guarantee the service that customers needed, without solution of continuity. On the one hand, the personal financial advisor, qualified for proper investment planning and risk monitoring, with a wide range of tools and services to meet the most diverse and sophisticated needs; on the other hand, the Bank's operating model, based on an advanced and innovative technology that has never seen interruption or suspension of services.

To complete this, the Group was particularly prompt in perfecting existing defensive instruments or in developing new ones, thanks to the contribution of FAM, to further lighten and diversify existing portfolios. With solutions that, according to different time horizons, offer programs to gradually increase equity exposure, avoiding market timing errors and at the same time ensuring adequate diversification and timely rebalancing, FinecoBank has been able to provide answers to the needs of customers with a more cautious profile.

As of December 31, 2020, the FinecoBank network is made up of 2,606 financial advisors and in the year 2020 it recorded record results in terms of growth; in particular:

- Total Net Sales: € 7,984 million (+55.9% y/y)
- Total Net Sales Assets Under Management: € 4,285 million (+30.7% y/y)
- Net Sales in Guided Products: € 4,203 million (+12.1% y/y)

In the year they were also acquired 61,878 new customers.

High-end customers showed a growing appreciation of the Private segment, which grew by approximately 15.6% compared to the same period of the previous year, with assets that at 31 December 2020 exceeded € 38.6 billion, referring to 31,764 clients assisted by personal financial advisors, mainly distributed in the € 1-5 million range.

The Network's average portfolio went from € 27.8 million to € 30.6 million, reflecting healthy organic growth.

Despite the context created by the COVID-19 pandemic, the recruitment activity did not stop and, on the contrary, at this particular moment the Fineco model proved to be a strong attraction, mainly on the part of those consultants belonging to private structures still linked to more traditional models. Confirming the Group's interest in high-potential profiles, the selection activity has intensified, which has led to the hiring of 74 new personal financial advisors.

Millennials are confirmed as an important pool on which to focus and, despite the slowdowns related to the temporary suspension of the examination sessions for OCF registration, 55 new consultants have been launched into the profession as part of the "progetto giovani" programme of FinecoBank.

Facing the emergency and responding to customer questions and concerns has resulted in a strengthening of the commitment to financial education. The sensitivity on the subject that has always characterized FinecoBank, and even more this year, has significantly increased the number of events dedicated to customers. These events have the specific purpose of increasing and deepening knowledge on issues concerning investments, financial planning, behavioural finance. In 2020, over 1,674 events were held in total, with the participation of over 54,000 customers and prospects. Furthermore, for some years the Bank has been committed to raising awareness among high-end customers on the broader issue of wealth planning. Of the events held, 31 were focused on this theme, with over 3,200 Private customers involved.

Throughout the year, the Fineco Centers, which at 31 December 2020 amounted to 410 distributed throughout the country, were organized to ensure operational continuity in total safety for customers and personal financial advisors. In 2020, 26 new financial shops were also opened, further supporting the image and the capillarity of the Network.

The network of personal financial advisors

The table above shows the breakdown of net direct sales, assets under management and assets under administration attributable to the personal financial advisors network in 2020 compared to the previous year.

Net sales - Personal Financial Advisors Network

(Amounts in € thousand)

	Year 2020	Comp %	Year 2019	Comp %	Changes Absolute	Changes %
Current accounts and demand deposits	2,001,924	25.1%	2,641,684	51.6%	(639,760)	-24.2%
Time deposits and reverse repos	(1,067)	0.0%	(1,608)	0.0%	541	-33.6%
DIRECT DEPOSITS	**2,000,857**	**25.1%**	**2,640,076**	**51.6%**	**(639,219)**	**-24.2%**
Segregated accounts	109,914	1.4%	90,675	1.8%	19,239	21.2%
UCITS and other investment funds	2,319,691	29.1%	843,762	16.5%	1,475,929	174.9%
Insurance products	1,611,613	20.2%	1,995,164	39.0%	(383,551)	-19.2%
Asset under custody and Direct deposits under advisory	243,875	3.1%	348,900	6.8%	(105,025)	-30.1%
ASSETS UNDER MANAGEMENT	**4,285,093**	**53.7%**	**3,278,501**	**64.0%**	**1,006,592**	**30.7%**
Government securities, bonds and stocks	1,698,299	21.3%	(797,611)	-15.6%	2,495,910	-312.9%
ASSETS UNDER ADMINISTRATION	**1,698,299**	**21.3%**	**(797,611)**	**-15.6%**	**2,495,910**	**-312.9%**
NET SALES - PERSONAL FINANCIAL ADVISORS NETWORK	**7,984,249**	**100.0%**	**5,120,966**	**100.0%**	**2,863,283**	**55.9%**
of which Guided products & services	4,203,076	52.6%	3,749,061	73.2%	454,015	12.1%

The table below shows the amount of deposits attributable to the network of financial advisors as at 31 December 2020. The sales of direct deposits, management and administration, amounted to € 79,644 million increased by 12.7% compared to 31 December 2019, thanks to the positive contribution of the direct sales generated during the year, amounting to € 7,984 million.

Total financial assets - Personal Financial Advisors Network

(Amounts in € thousand)

	Amounts as at 2020	Comp %	Amounts as at 2019	Comp %	Changes Absolute	Changes %
Current accounts and demand deposits	21,127,063	26.5%	19,206,453	27.2%	1,920,610	10.0%
Time deposits and reverse repos	180	0.0%	1,219	0.0%	(1,039)	-85.2%
DIRECT DEPOSITS	**21,127,243**	**26.5%**	**19,207,672**	**27.2%**	**1,919,571**	**10.0%**
Segregated accounts	209,329	0.3%	92,529	0.1%	116,800	126.2%
UCITS and other investment funds	31,154,844	39.1%	28,374,546	40.1%	2,780,298	9.8%
Insurance products	11,754,021	14.8%	10,033,227	14.2%	1,720,794	17.2%
Asset under custody and Direct deposits under	1,775,603	2.2%	1,511,983	2.1%	263,620	17.4%
ASSETS UNDER MANAGEMENT BALANCE	**44,893,797**	**56.4%**	**40,012,285**	**56.6%**	**4,881,512**	**12.2%**
Government securities, bonds and stocks	13,622,934	17.1%	11,467,385	16.2%	2,155,549	18.8%
ASSETS UNDER CUSTODY	**13,622,934**	**17.1%**	**11,467,385**	**16.2%**	**2,155,549**	**18.8%**
TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK	**79,643,974**	**100.0%**	**70,687,342**	**100.0%**	**8,956,632**	**12.7%**
of which Guided products & services	33,379,535	41.9%	28,754,383	40.7%	4,625,152	16.1%

Human resources

The parent: FinecoBank S.p.A.

As at December 2020, the Bank’s employees are 1.226 up compared to 1,201 as at December 31, 2019.

During 2020, despite the COVID-19 pandemic, the activity continued without interruption. All the resources were in fact able to work remotely. n addition, in order to deal with the health emergency, a series of initiatives have been implemented to facilitate and improve the working and personal life of employees; the initiatives concerned several areas: health, home working, office work and other useful initiatives. Timeliness of intervention and constant monitoring of the evolution of the pandemic situation were the keywords that characterized the Bank's approach in all processes dedicated to human resources.

Also remotely, selection activities continued with a view to strengthening and optimising the units devoted to business development, organisational and technological support, and risk control and management. This led to the hiring of 57 workers.

Out of the 57 new recruits, many were employed to the Customer Relationship Management area, confirming the strong and ongoing focus on young graduates. Customer Relationship Management forms the starting point of a pathway of professional development that can lead to different roles in the Company.

In 2020 continued to strengthen controls functions (Audit, Compliace and CRO). This let to the inclusioning of 11 workers among the total resources hired.

In continuity with the past years, even if in a digital way due to the pandemic situation, we put our effort in attracting new talents, with particular focus on Millennials, also thanks to employer branding initiatives aimed at meet and recruit new graduates or undergraduates and better understand the of the new generation behavioural matters.

Also 2020 showed a significant use of internal job rotation that involved 21 resources enabling, on one hand, to cover the vacant positions within the Company, and on the other hand, to guarantee the continuous staff professional development.

During 2020, a total of 32 employees left the bank, including:

- 21 resignations;
- 11 for other reasons.

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

	Men		Women		Total	
Category	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Executives	22	24	6	5	28	29
Managers	290	278	114	108	404	386
Professional Areas	394	388	400	398	794	786
Total	**706**	**690**	**520**	**511**	**1,226**	**1,201**

As at 31 December, 2020, part-time staff in the Bank amounted to 94, accounting for 8% of employees, with women employees representing around 42% of the workforce. The average length of service was 11 years and the average age was around 41.

Human resources

Employee training

At 31 December 2020, employees training was focused both on the acquisition and consolidation of specific skills required by the company needs, and on the updating of individual knowledge, with specific focus on mandatory, technical, linguistic behavioural-managerial training.

A breakdown of training hours* by training area is presented below:

Training area	**Hours of training**
Mandatory	16,569
Technical	12,563
Foreign Language	11,319
Conduct – Management	444
Total	**40,895**

*FAM included

Mandatory training

The Bank is committed to constantly strengthening and improving a risk and compliance culture across the organisation, which enables its business to be profitable, but also sustainable over time.

For this reason, considerable attention was paid to mandatory training, extended to all FinecoBank employees who, because of the COVID-19 pandemic, were able to participate remotely through the MyLearning platform. In addition, mandatory training was periodically monitored to make sure all employees received this training and to protect the Bank from operational, legal and reputational risks arising from the non-completion of courses.

To ensure compliance with occupational health and safety provisions, the Bank guarantees suitable training to all affected resources, replacing classroom training with on line classes, wherever possible.

Moreover, during 2020 FinecoBank continued to promote the importance of a Compliance Culture among employees, which is fundamental for promoting transparency and observance of rules as the basis of FinecoBank's business.

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

To ensure business continuity in case of crisis, the Bank organized distance training courses about BCP, performed by essential resources to substitute, with a total of 532 hours.

Technical training

During year 2020, compatibly with the COVID-19 pandemic, training sessions were organised with the assistance of external suppliers, strategic partners, Universities and internal resources, for the acquisition of technical skills needed to improve, not only company productivity, but also the level of employee specialisation through distance learning.

In particular, considering the significant impact of the COVID-19 pandemic, to mitigate its effects and support employees managing the “New Normal”, the Bank organized ad hoc on line training sessions on the “Smart working” subject, in partnership with Politecnico di Milano and turned every classroom into on line or virtual class, ensuring the continuity of resources training.

The MyCampus training catalogue has been available to the Bank's human resources, further extending e-learning dedicated to various topics.

With a view to maintaining a high quality service and customer focus, training courses were held for incoming and existing staff in the Customer Care department, with a total of 9.240 hours, focused on the acquisition of key technical and role-specific skills.

In 2020, to support the development of resources, FinecoBank continued the Leadership Training Program (already tested in previous years), dedicated to all managers, team managers and those who, for the first time, approach with resource management . In consideration of the health situation, this course consists of online, individual and group sessions. The purpose of this initiative is to strengthen the managerial skills of middle management, helping them to manage their role in a coherent and effective way, as well as to create a shared corporate culture, greater awareness of the role and a common language, useful for foster collaboration between different teams. As of 31 December 2020, the project involved around 30 people. The path included individual interviews, online training and remote coaching sessions, to support the achievement of the objectives agreed in the professional development plan.

Human resources

Thanks to the collaboration with Valore D, in 2020 Fineco participated to some training initiatives specifically designed to enhance diversity and promote inclusion in the company.

In particular, these initiatives concerned both Digital Training Meetings, open to men and women, to encourage the development of inclusive leadership and facilitate networking on issues such as inclusion, self-confidence, collaboration between teams and the enhancement of resources, both Sharing LAB - inter-company digital work tables - to encourage the sharing of best practices, methodologies and tools.

Foreign language training

During 2020, 400 employees were enrolled in English courses (one to one, classroom-based, via telephone or online). Some executives also received Legal English instruction.

Due to the COVID-19 pandemic, the classrooms originally meant to be in-person were converted into online classrooms.

Employees have been assigned to participate in foreign language training courses based on requests made by the individual unit managers, considering their specific professional needs.

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

As at 31 December 2020, the Company's employees are 36 of whom 12 women and 24 men and the average age is around 36.

The hirings from the market in 2020 are due to the reinforcement of the organizational set up of the company: staff constitution and the selected resources are dedicated to business, staff and control functions.

During 2020, employees training was focused both on the acquisition and consolidation of specific skills required by the company needs, and on the updating of individual knowledge, with specific focus on mandatory, technical and linguistic training.

Technology infrastructure

The current architecture of the information system adopted by FinecoBank means that the distribution structure, internal operating structure and applications used by customers to access dedicated services can be very closely integrated.

The technology infrastructure hosted by Datacenters basically consists of the following:

- Enterprise department systems dedicated to the provision of core services, such as storage, relational databases, core banking and core trading services, and digital archiving;
- Distributed systems dedicated to the provision of Omnichannel services (website, mobile apps, extranet, telephone banking, etc.) and non-relational databases (NoSQL);
- Middleware systems dedicated to internal technical integration and integration with counterparties (EAI/BPM).

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

In 2020, the ICT & Security Office Department (CIO) carried out its usual activities for the technological upgrading, fortification and development of the ICT system, in order to provide innovative, reliable, added value services to customers.

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

A vital activity during the period was to ensure the stability of platforms in response to the especially volatile market conditions brought about by the COVID-19 health emergency. In this regard, it should be noted that the Group dealt with the crisis by extending remote working options for all employees, equipping them with the necessary hardware and software and shoring up the telecommunications infrastructure.

The main interventions implemented to deal with the emergency situation due to COVID-19 are reported below:

- digitalisation of the issuance and regeneration of customer access codes;
- extension of interest rate acceptance deadline due to slower loan disbursements;
- approval of loan moratorium requests in accordance with government executive orders;
- approval of personal loan and credit line applications from customers applying for unemployment (Cassa Integrazione) benefits.

Internal control system

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

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

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

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

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

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

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

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

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

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

With regard to the subsidiary Fineco AM, the organisational structure involves the performance of Compliance, Risk Management and Internal Audit[10] activities by units within the company.

[10] Previously carried out by an external consultant, Internal Audit functions were insourced in June 2020.

Internal control system

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

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

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

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

- control bodies and functions including, according to their respective responsibilities, the Board of Directors, the Risk and Related Parties Committee, the Remuneration Committee, the Appointments Committee, the Corporate Governance and Environmental and Social Sustainability Committee, the Chief Executive Officer and General Manager[10], the Board of Statutory Auditors, the Supervisory Body set up pursuant to Legislative Decree 231/01 and the corporate control functions (Risk Management, Compliance[11], Internal Audit) as well as other company functions with specific internal control duties[12];
- procedures for the coordination of entities involved in the internal control and risk management system, which provide for:
  - cooperation and coordination among control functions, through specific information flows that are formalised in internal regulations and through managerial committees dedicated to control issues;
  - definition of information flows between the Bank's corporate bodies and control functions.

Finally, it should be noted that, under Article 49, paragraph 1, of the Regulation (EU) No. 468/2014 of the European Central Bank (ECB/2014/17) (the SSM - single supervisory mechanism - Framework Regulation), the ECB has published, since September 4th, 2014, a periodically updated list of the names of supervised entities and groups that fall under the direct supervision of the ECB ("significant supervised entities" and "significant supervised groups", as defined in Article 2, points 16 and 22 of the SSM Framework Regulation), indicating the specific reason for direct supervision for each of them, and, if classified as significant based on size, the total value of the assets of the entity or group supervised. On 22 August 2019, the European Central Bank informed FinecoBank of its new status as a "less significant institution" (LSI), assigning direct supervision to the Bank of Italy.

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

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

Main risks and uncertainties

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

[11] Also appointed as "Director responsible for the internal control and risk management system" in accordance with principle 7.P.3 of the Corporate Governance Code of listed companies.

[12].This function includes the Anti Money Laundering and Anti-Terrorism Function, responsible for managing the correct application of regulations on anti-money laundering and combating the financing of terrorism, headed by the Head of the Anti-Money Laundering Function.

[13] The legislative framework and the codes of conduct assign control tasks to specific functions - other than corporate control functions - whose work should be seen as being a functional part of the Internal Control System. For the Bank in particular, these include the Local Control System for legislation concerning related-party transactions carried out with associated persons in a conflict of interest situation (under the responsibility of the Corporate Secretariat Unit of the Legal & Corporate Affairs Department), the Nominated Official in charge of drawing up company accounts pursuant to Article 154-bis of the Consolidated Finance Act (identified as the Bank's CFO), the Occupational Health and Safety Officer; the Human Resources function, the Head of Business Continuity & Crisis Management, and the Head of Outsourcing Management (Costs Manager Assistant). All corporate functions, other than corporate control functions, also participate in the Internal Control System by carrying out the level-one controls included in the business processes within their responsibility.

Organisational structure

In continuing the progressive organisational adjustments following the establishment of the FinecoBank Banking Group, the following actions were taken in 2020:

- within the Chief Risk Officer Department, following the expansion of the duties and responsibilities of the risk control function, the tasks were reassigned for the specific units responsible for overseeing the internal risk management rules and validating and developing the internal risk measurement systems;
- within the Compliance function, following the expansion of the duties and responsibilities of the regulatory compliance function and to improve the organisational controls designed to ensure full compliance with international, EU and national regulations, the units were structured to enable greater delegation of responsibilities and specialisation of roles;
- the responsibilities and activities of the Network Logistics Unit were reorganised, following the appointment of the head of the unit as Works Officer for FinecoBank pursuant to Legislative Decree 81/2008 and the assignment to the unit of the Occupational Health and Safety Officer (pursuant to Article 16 of Legislative Decree 81/2008), who is also responsible for the processing of personal data through video surveillance systems (pursuant to Article 29 of Legislative Decree 196/03). The name of the unit was changed to Real Estate.

In addition, in October 2020 the Board of Directors approved the establishment, with effect from January 1st, 2021, of the new *Chief Lending Officer Department* (CLO) and transferred all the activities relating to the overall lending process from the *Chief Risk Officer Department* (CRO) to the new department. The new Chief Lending Officer will therefore be responsible for setting the guidelines for the granting, management, classification, restructuring and credit recovery processes for commercial loans and loans to institutional counterparties. The CLO will also be responsible for keeping the credit risk profile in line with the Risk Appetite Framework defined by the Board of Directors.

The new Chief Risk Officer will be responsible for overseeing the proper functioning of the Group's risk framework by developing suitable methods for identifying and measuring all current and prospective risks, in accordance with the regulatory requirements and the Group's operational strategies. This will be accompanied by second-level controls in relation to risks, including credit risk, together with monitoring and reporting to the Corporate Bodies.

The anti-money laundering responsibilities within the Compliance Function have also been reorganised with effect from January 1st, 2021, to reflect the increasing importance of the anti-money-laundering activities and responsibilities. This involved the creation of an *Anti-Money Laundering Function*, reporting directly to the *Compliance Department*, whose head has been designated as the *Anti-Money Laundering Officer* in accordance with the Bank of Italy Supervisory Provisions.

The Parent Company's Organisational Model

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

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

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

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

In brief:

- the PFA Network & Private Banking Department is responsible for overseeing the management and development of the personal financial advisors network enabled for off-site distribution, and for providing the necessary support to the sales network in the management of Private Banking customers;
- the Global Business Department is responsible for overseeing the development of Trading, Banking, Credit and Investing products and the financial advisory services provided to the Bank's customers;

Organisational structure

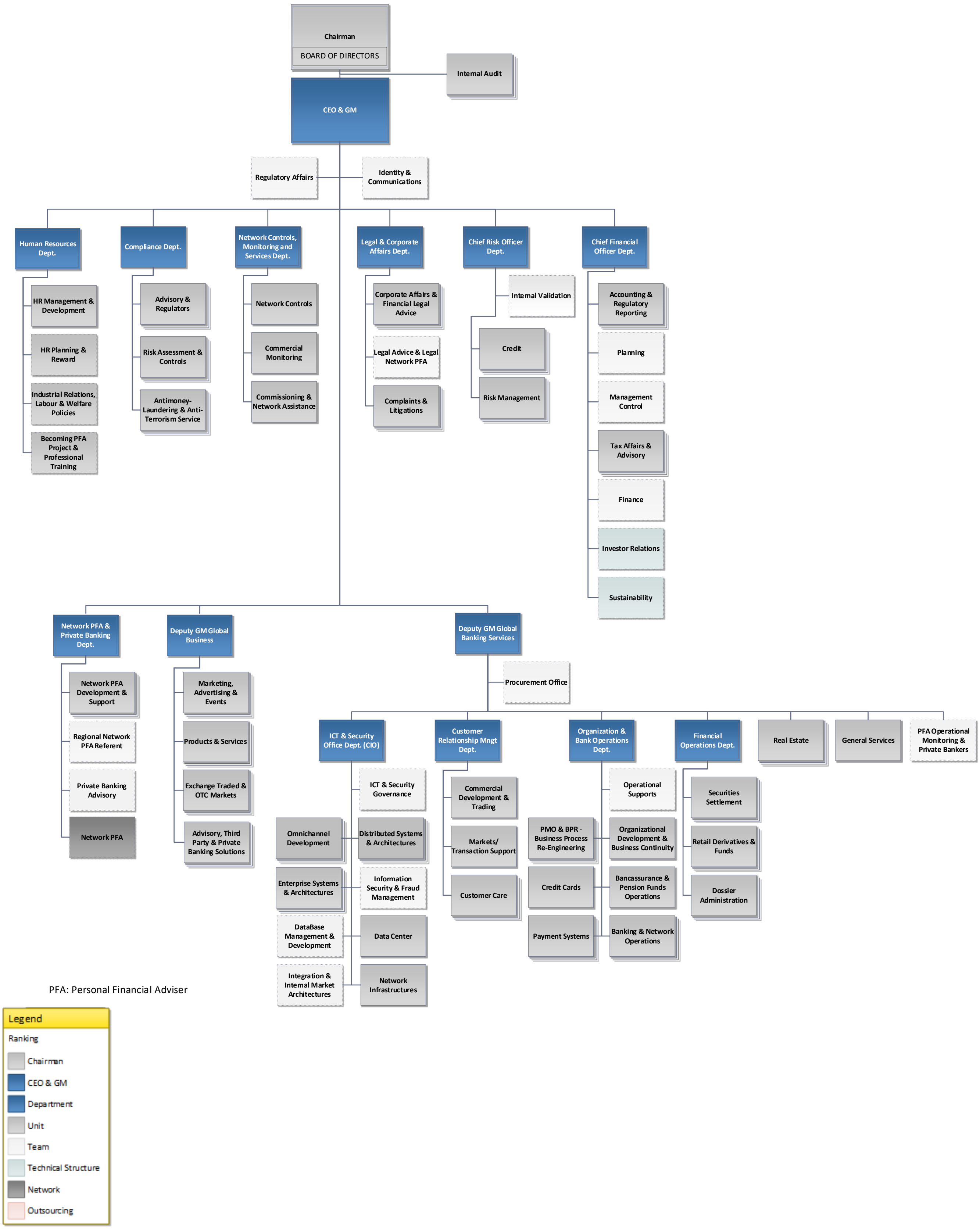
- the GBS (Global Banking Services) Department coordinates the organisational units in charge of monitoring the organisational/operating processes and the ICT and logistics systems needed to ensure the effective and efficient operation of business support systems. The following organisational units report to the GBS Department: ICT & Security (CIO) Department, Customer Relationship Management (CRM) Department, Organisation & Bank Operations Department, Financial Operations Department, Procurement Office Team, Network Logistics Unit, General Services Unit, and Operational Monitoring & Private Bankers Team.

The following organizational structures report to the Chief Executive Officer and General Manager: the Network PFA & Private Banking Department, the Global Business Department, the CFO (Chief Financial Officer) Department, the CRO Department (Chief Risk Officer), the CLO Department (Chief Lending Officer)[13], the Network Controls, Monitoring & Services Department, the Legal & Corporate Affairs Department, the GBS Department (Global Banking Services), Human Resources Department, Compliance Department, the Regulatory Affairs Team and the Identity & Communications Team.

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

[13] Approved by the Board of Directors with effect from 01/01/2021.

Organisational structure



It should be noted that the organization chart above refers to the organizational structure in force at 31 December 2020.

Organisational structure

Group management system

The Parent Company FinecoBank is responsible for maximizing the long-term value of the Group as a whole, guaranteeing the unitary governance, direction and control of the Group entities (i.e. of Fineco AM, currently the only subsidiary).

For this purpose, FinecoBank has defined rules for the governance of the FinecoBank Banking Group in order to fully exercise its role in managing and coordinating the Group[14], as well as outlining the Group's managerial/functional management system and disciplined the key processes between the Parent Company and the entities of the Group.

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

The Competence Lines are represented by the structures/functions which, operating transversally between the Parent Company and the Group' entities, have the objective of directing, coordinating and controlling the activities and risks of the Group as a whole and through the structures/functions present locally of the entities. The Competence Lines operate in the following areas: Investor Relations, Finance and Treasury, Planning and Control, Accounting & Regulatory reporting, Planning and Tax Affairs and Advisory (Chief Financial Officer area); Risk Management and Credit (within the Chief Risk Officer area)[15]; Legal/Corporate; Compliance; Internal Audit as well as Human Resources, Identity & Communication, Organization/Business Continuity & Crisis Management/ICT/Security/Purchasing (Global Banking Services).

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

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

[15] Risk Management (Chief Risk Officer area) and Lending (Chief Lending Officer area) with effect from 01/01/2021, as approved by the Board of Directors

Business Continuity

At consolidated level, the Parent Company has issued guidelines on emergency and crisis management and business continuity management, which envisage a decentralised model of emergency management, based on the plans of the individual companies which reflect their specific circumstances.

As required by the applicable regulations, the Parent Company has adopted a model that comprises organisational units dedicated to managing Business Continuity and Crises, both in normal operating conditions and in emergency situations.

The Bank's Business Continuity and Crisis Management framework includes *i)* the management plan for emergency events, *ii)* the business continuity plan – which are an integral part of the disaster recovery plan (which establishes the measures for the restoration of applications and information technology systems affected by disasters) and of the cyber attack plan (which sets out the strategies for handling large scale computer attacks) – and *iii)* the management plan for pandemics. The plan relating to pandemics was duly updated in 2020, to reflect the experience gained during the health emergency caused by the COVID-19 pandemic. In this context, the Bank adopted remote working as the main emergency management measure, in addition to preventive and behavioural measures, implemented in accordance with the instructions from the National Health Service and other emergency management bodies.

The remote working arrangements were extended to all employees from the initial months of the emergency, ensuring business continuity and full maintenance of service levels and controls, as well as the personnel safety.

During the COVID-19 emergency, the Irish subsidiary Fineco Asset Management DAC also implemented remote working as an emergency measure.

Main balance sheet aggregates

(Amounts in €thousand)

ASSETS	Amounts as at 12/31/2020	Amounts as at 12/31/2019	Changes Amounts	Changes %
Cash and cash balances	1,760,348	754,386	1,005,962	133.3%
Financial assets held for trading	16,997	7,933	9,064	114.3%
Loans and receivables with banks	780,473	566,033	214,440	37.9%
Loans and receivables with customers	4,527,837	3,679,829	848,008	23.0%
Financial investments	23,939,899	22,304,892	1,635,007	7.3%
Hedging instruments	74,451	64,939	9,512	14.6%
Property, plant and equipment	151,872	152,048	(176)	-0.1%
Goodwill	89,602	89,602	-	-
Other intangible assets	39,597	37,492	2,105	5.6%
Tax assets	13,314	23,444	(10,130)	-43.2%
Other assets	360,627	342,309	18,318	5.4%
Total assets	**31,755,017**	**28,022,907**	**3,732,110**	**13.3%**

(Amounts in €thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at 12/31/2020	Amounts as at 12/31/2019	Changes Amounts	Changes %
Deposits from banks	1,064,859	154,653	910,206	588.5%
Deposits from customers	28,359,739	25,919,858	2,439,881	9.4%
Financial liabilities held for trading	5,889	3,777	2,112	55.9%
Hedging instruments	232,102	94,950	137,152	144.4%
Tax liabilities	13,954	11,437	2,517	22.0%
Other liabilities	391,349	455,748	(64,399)	-14.1%
Shareholders' equity	1,687,125	1,382,484	304,641	22.0%
- capital and reserves	*1,366,387*	*1,093,117*	*273,270*	25.0%
- revaluation reserves	*(2,833)*	*1,002*	*(3,835)*	-382.7%
- net profit	*323,571*	*288,365*	*35,206*	12.2%
Total liabilities and Shareholders' equity	**31,755,017**	**28,022,907**	**3,732,110**	**13.3%**

Main balance sheet aggregates

Cash and cash balances

Cash and cash balances, amounting to €1,760.3 million, mainly includes the liquidity deposited in the HAM (Home Accounting Model) account at Bank of Italy used for short term liquidity management.

Financial assets held for trading

Financial assets held for trading totalled € 17 million and include financial instruments that meets the definition of held for trading, in particular:

- equities, amounting to € 9.9 million (€ 3.3 million as at December 31, 2019), held in the Bank's portfolio as a result of trading activity or used for the operational hedging of CFD positions on shares open with customers and intended to be traded in the short term;
- the positive valuation of spot contracts for securities in the held for trading portfolio and currencies to be settled in time frames established by market practices ("regular way") for € 3.7 million (€ 1.4 million as at December 31, 2019), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the positive valuation of CFDs (indices, shares, interest rates, commodities and forex), traded in counterpart of the customers, and futures and forex, used for the related operational hedging, for € 3.4 million (€ 3.2 million as at December 31, 2019).

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

Loans and receivables with banks

(Amounts in €thousand)

	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amount	%
Loans and receivables with central banks	**271,500**	**251,574**	**19,926**	**7.9%**
Loans and receivables with banks	**508,973**	**314,459**	**194,514**	**61.9%**
Current accounts and demand deposits	254,051	250,501	3,550	1.4%
Time deposits	45,367	9,994	35,373	353.9%
Other loans:	209,555	53,964	155,591	288.3%
1. Reverse repos	1,122	4,316	(3,194)	-74.0%
2. Others	208,433	49,648	158,785	319.8%
Total	**780,473**	**566,033**	**214,440**	**37.9%**

Loans and receivables with banks, amounting to € 780.5 million, show an increase of 37.9% compare to December 31, 2019 mainly due to the growth of the variation margins with credit institutions for transactions in derivative contracts booked in the item "Other loans - Others" and in the item "Time deposits".

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

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

The item "Other loans: Others" consists of €202.4 million for the amount of the initial and variations margins and collateral deposits placed with credit institutions for derivative transactions (€43.8 million as at December 31, 2019) and € 6 million for current receivables associated with the provision of financial services (€ 5.8 million as at December 31, 2019).

Main balance sheet aggregates

Loans and receivables with customers

(Amounts in € thousand)

	Amount as at		Changes	
	12/31/2020	12/31/2019	Amount	%
Current accounts	1,602,766	1,292,172	310,594	24.0%
Reverse repos	155,014	160,112	(5,098)	-3.2%
Mortgages	1,668,286	1,156,353	511,933	44.3%
Credit cards and personal loans	733,360	810,061	(76,701)	-9.5%
Other loans	368,411	261,131	107,280	41.1%
Total	**4,527,837**	**3,679,829**	**848,008**	**23.0%**

Loans and receivables with customers, amounting to € 4,527.8 million, up 23% compared to the amount as at December 31, 2019 and can be broken down as follows:

- credit facilities in current accounts of €1,602.8 million, up 24%, of which loans with a security collateral (in particular "Credit Lombard") totalled to € 1,558.8 million;
- € 155 million in reverse repos, made by:
  - "Multiday leverage" with retail customers and stock lending transactions with transactions institutional customers, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities, for an amount of € 154.8 million;
  - repos on securities executed on MTS market subject to accounting offsetting, as set out in IAS 32, for an amount of € 0.2 million;
- € 1,668.3 million in mortgages, up 44.3% thanks to the disbursements made in 2020, up 66.6% compared to 2019;
- € 733.4 million in credit cards (revolving and use) and personal loans, down 9.5%;
- € 368.4 million in other loans, mainly made by collateral deposits and initial and variation margins for derivative and financial instrument transactions, for an amount of € 250 million (€ 151.6 million as at December 31, 2019), and current receivables associated with the provision of financial services, for an amount of € 114.5 million (€ 104.2 million as at December 31, 2019).

The portfolio of **loan receivables with ordinary customers** amounts to € 4,008.3 million and mainly consists of receivables for personal loans, mortgages, credit facilities in current accounts and credit card revolving and use; overall, loans receivable with ordinary customers increased of 22.8% thanks to the disbursement during 2020 of a further € 179 million in personal loan and € 687 million in mortgages in addition to new credit facilities in current accounts for a granted amount of € 877 million.

Main balance sheet aggregates

(Amounts in € thousand)

Loans and Receivables with Customers (Management Reclassification)	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amount	%
Current accounts	1,600,663	1,290,208	310,455	24.1%
Credit cards use	295,992	355,133	(59,141)	-16.7%
Mortgages	1,667,948	1,155,943	512,005	44.3%
Personal loans	436,497	454,043	(17,546)	-3.9%
Other loans	3,828	5,312	(1,484)	-27.9%
Performing loans	*4,004,928*	*3,260,639*	*744,289*	*22.8%*
Current accounts	2,103	1,964	139	7.1%
Mortgages	338	410	(72)	-17.6%
Credit cards use	34	25	9	36.0%
Personal loans	837	860	(23)	-2.7%
Other loans	67	42	25	59.5%
Impaired loans	*3,379*	*3,301*	*78*	2.4%
Loans receivable with ordinary customers	**4,008,307**	**3,263,940**	**744,367**	**22.8%**
Reverse repos	154,963	160,112	(5,149)	-3.2%
Reverse repos - impaired	51		51	n.a.
Collateral deposits and initial and variation margins	250,003	151,555	98,448	65.0%
Current receivables associated with the provision of financial services	114,411	103,956	10,455	10.1%
Current receivables associated with the provision of financial services - impaired	100	266	(166)	-62.4%
Current receivables and other receivables	***519,528***	***415,889***	***103,639***	***24.9%***
Loans and receivables with customers	**4,527,835**	**3,679,829**	**848,006**	**23.0%**

Impaired assets

(Amounts in € thousand)

Category	Gross amount		Impairment provision		Net amount		Coverage ratio	
	Amount as at		Amount as at		Amount as at		Data as at	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Bad exposures	20,843	19,562	(18,818)	(17,877)	2,025	1,685	90.3%	91.4%
Unlikely to pay	3,427	4,348	(2,362)	(2,957)	1,065	1,391	68.9%	68.0%
Past-due loans	1,219	1,424	(778)	(932)	441	492	63.8%	65.4%
Total	**25,489**	**25,334**	**(21,958)**	**(21,766)**	**3,531**	**3,568**	**86.1%**	**85.9%**

The amount of non-performing loans net of impairment losses was € 3.5 million, of which € 2 million in bad exposure, € 1.1 million in unlikely to pay exposures and € 0.4 million in past-due loans. The impaired assets are the 0.09% of loan receivables with ordinary customers (the 0.11% as at December 31, 2019).

Main balance sheet aggregates

Financial investments

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amount	%
Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	10,988	12,226	(1,238)	-10.1%
Financial assets at fair value through other comprehensive income	143,698	321,699	(178,001)	-55.3%
Financial assets at amortised cost	23,785,213	21,970,967	1,814,246	8.3%
- financial assets at amortised cost with banks - debt securities	7,473,858	8,874,329	(1,400,471)	-15.8%
- financial assets at amortised cost with customers - debt securities	16,311,355	13,096,638	3,214,717	24.5%
Total	**23,939,899**	**22,304,892**	**1,635,007**	**7.3%**

"Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value" mainly consist of the Visa INC preferred shares (class "C" and class "A" [16]), for an amount of € 9.3 million, which booked a positive change in fair value in 2020 of €0.6 million, and of the residual equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF), amounting to €1.2 million (of which €0.9 million related to the Carige transaction and €0.3 million related to Carim, Carismi and CariCesena transaction), with a negative impact booked in 2020 income statement of €1.4 million (gross of taxes). For further details on the exposure to the Voluntary Scheme refer to Part A - Accounting Policies – Section 5 – Other matters of the notes to the consolidated accounts.

"Financial assets designated at fair value through other comprehensive income" consist of securities issued by sovereign States and residually of equity interests in companies in which the Group does not exercise control or significant influence for € 5 thousand for which, upon first application of IFRS 9, the "FVTOCI"[17] option was exercised. The following table shows the debt securities issued by sovereign States:

(Amounts in € thousand)

Counterparty	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amount	%
Italy	-	172,704	(172,704)	-100.0%
France	37,275	36,668	607	1.7%
USA	65,874	70,891	(5,017)	-7.1%
Ireland	40,544	41,431	(887)	-2.1%
Total	**143,693**	**321,694**	**(178,001)**	**-55.3%**

The debt securities recorded in "Financial assets at amortized cost" issued by banks include, in particular, bonds issued by UniCredit S.p.A. for a total amount of € 5,738.9 million (€ 7,501.4 million as at December 31, 2019), covered bonds issued by credit institutions and bonds issued by Supranational organisations and Supranational agencies that fall within the definition of credit institutions.

16 In September 2020, the *preferred shares class* "C" has been partially converted to *preferred shares class* "A", with simultaneous proportional reduction of the conversion factor of the *preferred shares class* "C" in portfolio.
17 With regard to non-trading equity instruments, IFRS 9 provides for the possibility of measuring them at the fair value recognised through other comprehensive income (so-called FVTOCI – fair value through Other Comprehensive Income).

Main balance sheet aggregates

The debt securities recorded in "Financial assets at amortized cost" issued by customers refer mainly to bonds consist of securities issued by sovereign States and Supranational agencies. The breakdown by counterparty of securities issued by customers, including exposures to the European Financial Stability Facility and the European Stability Mechanism, are shown below. The remaining exposures, which amount of €533.9 million are mainly consist of exposures to local Authorities.

(Amounts in €thousand)

Counterparty	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amount	%
Italy	5,920,734	5,139,066	781,668	15.2%
Spain	4,321,136	4,081,857	239,279	5.9%
Germany	126,941	127,178	(237)	-0.2%
Poland	27,356	118,924	(91,568)	-77.0%
France	1,191,001	696,810	494,191	70.9%
USA	612,070	338,246	273,824	81.0%
Austria	520,526	398,087	122,439	30.8%
Ireland	916,775	730,905	185,870	25.4%
United Kingdom	39,099	58,658	(19,559)	-33.3%
Belgium	559,997	417,485	142,512	34.1%
Portugal	393,700	333,319	60,381	18.1%
Switzerland	46,662	-	46,662	n.a.
Saudi Arabia	80,384	-	80,384	n.a.
Chile	52,668	-	52,668	n.a.
Israel	140,732	-	140,732	n.a.
China	74,494	-	74,494	n.a.
EFSF (European Financial Stability Facility)	401,273	352,945	48,328	13.7%
ESM (European Stability Mechanism)	351,872	303,158	48,714	16.1%
Total	**15,777,420**	**13,096,638**	**2,680,782**	**20.5%**

Main balance sheet aggregates

Hedging instruments

(Amounts in €thousand)

	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amount	%
Asset hedging derivatives - positive valuations	393	21,115	(20,722)	-98.1%
Liability hedging derivatives - positive valuations	18,610	14,944	3,666	24.5%
Adjustment to the value of assets under macro-hedge	55,448	28,880	26,568	92.0%
Total assets	**74,451**	**64,939**	**9,512**	**14.6%**
of which:				
Positive valuations	18,770	37,199	(18,429)	-49.5%
Accrued interest	231	(1,140)	1,371	-120.3%
Adjustments to the value of hedged assets	55,448	28,880	26,568	92.0%
Total assets	**74,449**	**64,939**	**9,510**	**14.6%**
Asset hedging derivatives - negative valuations	214,388	80,852	133,536	165.2%
Liability hedging derivatives - negative valuations	-	-	-	-
Adjustment to the value of assets under macro-hedge	17,714	14,098	3,616	25.6%
Total liabilities	**232,102**	**94,950**	**137,152**	**144.4%**
of which:				
Negative valuations	174,441	58,128	116,313	200.1%
Accrued interest	39,947	22,724	17,223	75.8%
Adjustments to the value of hedged liabilities	17,714	14,098	3,616	25.6%
Total liabilities	**232,102**	**94,950**	**137,152**	**144.4%**

(Amounts in €thousand)

Summary of hedging derivative valuations	Assets	Liabilities	Difference
Valuation of hedging derivatives for assets and liabilities	18,770	174,441	(155,671)
Change in macro fair value hedged of assets/liabilities	55,448	17,714	37,734
Change in micro fair value hedged of financial assets/liabilities	117,179	-	117,179
Total	**191,397**	**192,155**	**(758)**

As at December 31, 2020 the financial assets under macro-hedge consisted of mortgages with customers shown in “Financial assets at amortised cost”, while the financial liabilities under macro-hedge consisted of direct deposits with customers shown in “Financial liabilities at amortised cost”.

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

Positive and negative valuations of hedging derivatives related solely to derivative contracts that the Group has entered into to hedge against interest rate risk inherent in the above-mentioned assets and liabilities, whose income statement effect, net of € 39.7 million of negative accrued interest included in the net interest margin, was a negative amount of € 0.8 million.

Main balance sheet aggregates

Property, plant and equipment

Property, plant and equipment are made by properties, electronic equipment, office furniture and fittings, plant and machinery.

On Investments in electronic equipment were made to guarantee the ongoing update of the hardware used by all the Bank's departments and Fineco AM. Investments in office furniture and fittings and in plant and machinery are intended for use in company offices and in financial shops.

(Amounts in €thousand)

Property, plant and equipment	Balance 12/31/2019	Investments year 2020	Other changes and sales Year 2020	Amortisation and impairment Year 2020	Balance 12/31/2020
Lands	23,932	-	-	-	23,932
Properties	109,602	12,540	(1,937)	(12,363)	107,842
Electronic equipment	12,736	6,060	(6)	(4,942)	13,847
Office furniture and fittings	2,583	1,916	1	(1,409)	3,092
Plant and machinery	3,195	1,004	(70)	(970)	3,159
Total	**152,048**	**21,520**	**(2,012)**	**(19,684)**	**151,872**

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

Goodwill

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

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

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

Impairment testing on goodwill, performed on December 31, 2020, did not identify any impairment. For all other information on the impairment test, see Part B - Balance Sheet Information in the notes to the consolidated accounts.

Main balance sheet aggregates

Other intangible assets

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

(Amounts in € thousand)

Intangible assets	Balance 12/31/2019	Investments year 2020	Other changes and sales year 2020	Amortisation and impairment year 2020	Balance 12/31/2020
Software	9,578	7,848	-	(5,562)	11,864
Brand	27,452	7	-	-	27,459
Other intangible assets	462	7	-	(195)	274
Total	**37,492**	**7,862**	**-**	**(5,757)**	**39,597**

Main balance sheet aggregates

Tax Assets and Other Assets

(Amounts in €thousand)

	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amount	%
Tax assets				
Current assets	5,165		5,165	n.a.
Deferred tax assets	28,859	47,884	(19,025)	-39.7%
Deferred tax assets pursuant to Law 214/2011	3,300	3,828	(528)	-13.8%
Total before IAS 12 offsetting	*37,324*	*51,712*	*(14,388)*	*-27.8%*
Offsetting with deferred tax liabilities - IAS 12	(24,010)	(28,268)	4,258	-15.1%
Total Tax assets	**13,314**	**23,444**	**(10,130)**	**-43.2%**
Other assets				
Trade receivables according to IFRS15	3,603	4,579	(976)	-21.3%
Current receivables not related with the provision of financial services	2,359	2,733	(374)	-13.7%
Improvement and incremental expenses incurred on leasehold assets	6,361	6,067	294	4.8%
Definitive items not recognised under other items	21,223	28,062	(6,839)	-24.4%
- securities and coupons to be settled	1,135	1,537	(402)	-26.2%
- other transactions	20,088	26,525	(6,437)	-24.3%
Tax items other than those included in the item "Tax assets"	258,997	259,098	(101)	0.0%
- tax advances	254,480	252,251	2,229	0.9%
- tax credit	4,486	6,809	(2,323)	-34.1%
- tax advances on employee severance indemnities	31	38	(7)	-18.4%
Items awaiting settlement	2,627	2,495	132	5.3%
- notes, cheques and other documents	2,627	2,495	132	5.3%
Items in processing	9	13	(4)	-30.8%
Items in transit not allocated to relevant accounts	14	50	(36)	-72.0%
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	34,738	27,178	7,560	27.8%
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	30,696	12,034	18,662	155.1%
Total other assets	**360,627**	**342,309**	**18,318**	**5.4%**

It is also noted that “Deferred tax assets” are shown in the Balance Sheet net of the relevant “Deferred tax liabilities”, where the requirements set out in IAS 12 are met.

The decrease in **Tax assets**, after IAS 12 offsetting, is mainly due to the recognising of deferred tax assets relating to the tax benefit known as the Patent Box accounted for as at December 31, 2019, following the achievement at the beginning of 2020 of the agreement with the Office of preventive agreements and international disputes of the Italian Revenue Agency regarding the methodology to be used for the calculation of the economic contribution of the intangibles object of application, which expresses its effects with the reduction of the taxable amount in the tax return for 2020.

With regard to **Other assets**, the item “Accrued income and prepaid expenses related to contracts with customers other than those capitalised in related financial assets or liabilities” increased by €18.7 million, mainly due to prepaid expenses for incentive plans for the personal financial advisors, and “Accrued income and prepaid expenses other than those related to contracts with customers and other than those capitalised in related financial assets or liabilities” increased by € 7.6 million, mainly due to prepaid expenses for administrative costs.

At December 31st, 2020, the stamp duty advances paid for the year 2020 were offset against the related payable accrued at the reporting date, amounting to €103 million. The net difference of € 6.2 million, was recognised in Other liabilities under the item “Tax items other than those included in the item “Tax liabilities” - other”; at December 31st, 2019, the advances and the related payable had been shown without being offset, in Other assets under the item “Tax items other than those included in the item “Tax assets” - tax advances” and in Other liabilities under the item “Tax items other than those included in the item “Tax liabilities” - other”.

Main balance sheet aggregates

If the offset had not been made in the financial statements for the year ended December 31st, 2020, the item “Tax items other than those included in the item “Tax assets”: - tax advances” would have amounted to €357.5 million, representing an increase of €105.3 million in 2020, due to higher advance payments made compared to 2019 of € 90.4 million for substitute tax on other income and €14.9 million for stamp duty.

Deposits from banks

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amount	%
Deposits from central banks	**949,604**	**-**	**949,604**	**n.a.**
Deposits from banks	**115,255**	**154,653**	**(39,398)**	**-25.5%**
Current accounts and demand deposits	43,317	70,396	(27,079)	-38.5%
Loans	53,422	74,067	(20,645)	-27.9%
- Repos	53,422	74,067	(20,645)	-27.9%
Lease liabilities	4,225	7,207	(2,982)	-41.4%
Other liabilities	14,291	2,983	11,308	379.1%
Total	**1,064,859**	**154,653**	**910,206**	**588.5%**

Deposits from banks amount to €1,064.9 million and show an increase of € 910.2 million compared to December 31, 2019, mainly attributable to the liquidity received from the Central Bank in the context of TLTRO III operations liquidity received from the Central Bank in the context of TLTRO III operations, recognised in item “Deposits from central banks”. As described above in "Significant events during the period", FinecoBank participated in the 6th tranche of the TLTRO III program (16 December 2020) for an amount of €950 million.

The item “Current accounts and demand deposits” mainly consisted of current accounts opened by customer banks worth €42.6 million (€ 69.6 million as at December 31, 2019).

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

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

The item “Other liabilities” mainly includes margin variations received for derivative transactions and securities lending transactions for an amount of € 14.2 million (€3 million as at December 31, 2019).

Deposits from customers

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amount	%
Current accounts and demand deposits	28,033,748	25,573,169	2,460,579	9.6%
Time deposits	213	1,359	(1,146)	-84.3%
Loans	103,584	163,450	(59,866)	-36.6%
- Repos	103,584	163,450	(59,866)	-36.6%
Lease liabilities	61,988	60,118	1,870	3.1%
Other liabilities	160,207	121,762	38,445	31.6%
Deposits from customers	**28,359,740**	**25,919,858**	**2,439,882**	**9.4%**

Deposits from customers totalled €28,359.7 million, up 9.4% compared to December 31, 2019 and mainly consisting of current accounts with customers, increased by €2,460.6 million (+9.6%).

Main balance sheet aggregates

“Repos” consist of:

- “*Short selling*” with retail customers and stock lending transactions with transactions institutional customers, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities, for an amount of € 97.7 million;
- repos on securities executed on MTS market subject to accounting offsetting as set out in IAS 32, for an amount of € 5.9 million.

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

The item “Other liabilities” comprises current payables related to the provision of financial services, totalling €54.5 million (€41.4 million as at December 31, 2019), initial and variations margins for derivative and financial instrument transactions, which came to €47.9 million (€41.2 million as at December 31, 2019) and other liabilities for rechargeable credit cards and bankers’ drafts, amounting to €57.8 million (€ 39.2 million at December 31, 2019).

Financial liabilities held for trading

Financial liabilities held for trading totalled €5.9 million and include financial instruments that meets the definition of held for trading, in particular:

- technical overdrafts, amounting to €0.5 million (€1.9 million as at December 31, 2019), used for the operational hedging of CFD positions on shares open with customers and intended to be traded in the short term;
- the negative valuation of spot contracts for securities in the held for trading portfolio and currencies to be settled in time frames established by market practices ("regular way") for € 3.6 million (€ 1.3 million as at December 31, 2019), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the negative valuation of CFDs (indices, shares, interest rates, commodities and forex), traded in counterpart of the customers, and futures, used for the related management coverage, for €1.9 million (€0.6 million as at December 31, 2019).

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

Main balance sheet aggregates

Tax liabilities and Other liabilities

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amount	%
Tax liabilities				
Current liabilities	10,204	11,437	(1,233)	-10.8%
Deferred tax liabilities	27,759	28,268	(509)	-1.8%
Total before IAS 12 offsetting	*37,963*	*39,705*	*(1,742)*	*-4.4%*
Offset against deferred tax liabilities - IAS 12	(24,010)	(28,268)	4,258	-15.1%
Total Tax liabilities	**13,953**	**11,437**	**2,516**	**22.0%**
Other liabilities				
Payables to Directors and Statutory auditors	224	202	22	10.9%
Payables to employees	14,400	13,342	1,058	7.9%
Social security contributions payable	7,012	6,577	435	6.6%
Current payables not related with the provision of financial services	32,889	25,866	7,023	27.2%
Payables for share-based payments or shares of the Parent Company	47	142	(95)	-66.9%
Definitive items not recognised under other items	49,338	57,512	(8,174)	-14.2%
- securities and coupons to be settled	11,513	20,310	(8,797)	-43.3%
- payment authorisations	28,777	22,494	6,283	27.9%
- other items	9,048	14,710	(5,668)	-38.5%
Tax items other than those included in the item "Tax liabilities"	48,532	133,690	(85,158)	-63.7%
- sums withheld from third parties as withholding agent	37,519	27,616	9,903	35.9%
- other	11,013	106,074	(95,061)	-89.6%
Illiquid items for portfolio transactions	23,273	20,796	2,477	11.9%
Items awaiting settlement	83,525	74,298	9,227	12.4%
- outgoing bank transfers	83,522	74,251	9,271	12.5%
- POS and ATM cards	3	47	(44)	-93.6%
Items in processing	662	463	199	43.0%
- incoming bank transfers	647	419	228	54.4%
- other items in processing	15	44	(29)	-65.9%
Current payables not related with the provision of financial services	160	183	(23)	-12.6%
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	9,731	6,851	2,880	42.0%
Sums available to be paid to customers	3,991	3,935	56	1.4%
Provisions for employee severance pay	4,924	4,810	114	2.4%
Provisions for risks and charges	112,641	107,079	5,562	5.2%
Total Other liabilities	**391,349**	**455,748**	**(64,405)**	**-14.1%**

It is also noted that, when the requirements of IAS 12 are met, the “Deferred tax liabilities” are offset against “Deferred tax assets” in the balance sheet.

The **Tax liabilities**, after IAS 12 offsetting, show a decrease of €1.2 million exclusively attributable to the recognition of current taxes.

For **Other liabilities**, in the item “Tax items other than those included in the item Tax liabilities” decreased by €85.1 million, mainly due to the reduction in the liability recognised for stamp duty.

Main balance sheet aggregates

At December 31st, 2020, the stamp duty advances paid for the year 2020 financial year were offset against the related payable accrued at the reporting date, amounting to €103 million. The net difference of €6.3 million was recognised in Other liabilities under the item "Tax items other than those included in the item "Tax assets" - other"; at December 31st, 2019, the advances and the related payable had been shown without being offset in Other assets under the item "Tax items other than those included in the item "Tax assets" - tax advances" and in Other liabilities under the item "Tax items other than those included in the item "Tax liabilities" - other".

If the offset had not been made in the financial statements for the year ended December 31st, 2020, the item "Tax items other than those included in the item "Tax liabilities" - other" would have amounted to €114.1 million, representing an increase of €8 million in 2020.

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

- Provisions for credit risk relating to commitments and financial guarantees issued that fall within the scope of application of impairment rules in accordance with IFRS 9, for an amount of € 61 thousand (€ 21 thousand as at December 31st, 2019);
- Provisions for risks and charges - Other provisions which include allowances for a total of € 112,6 million, for which, given a liability of uncertain amount and expiry date, a current obligation was identified as a result of a past event and the amount arising from fulfilment of said obligation could be estimated reliably.

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

(Amounts in €thousand)

	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amount	%
Provision for risks and charges for commitments and financial guarantees given	**61**	**21**	**40**	**190.5%**
Legal and fiscal disputes	**28,363**	**30,910**	**(2,547)**	**-8.2%**
- Pending cases	20,518	22,370	(1,852)	-8.3%
- Complaints	4,109	4,794	(685)	-14.3%
- Tax disputes	3,736	3,746	(10)	-0.3%
Staff expenses	**5,088**	**4,949**	**139**	**2.8%**
Other	**79,129**	**71,199**	**7,930**	**11.1%**
- Supplementary customer indemnity provision	73,136	63,618	9,518	15.0%
- provision for contractual payments and payments under non-competition agreements	416	395	21	5.3%
- Other provision	5,577	7,186	(1,609)	-22.4%
Provision for risks and charges - Other provision	**112,580**	**107,058**	**5,522**	**5.2%**
Total provision for risks and charges	**112,641**	**107,079**	**5,562**	**5.2%**

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

Main balance sheet aggregates

Shareholders' equity

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amount	%
Share capital	201,153	200,941	212	0.1%
Share premium reserve	1,934	1,934	-	0.0%
Reserves	664,492	397,592	266,900	67.1%
- Legal reserve	40,229	40,188	41	0.1%
- Extraordinary reserve	571,229	309,131	262,098	84.8%
- Treasury shares reserve	1,189	7,351	(6,162)	-83.8%
- Other reserves	51,845	40,923	10,922	26.7%
(Treasury shares)	(1,189)	(7,351)	6,162	-83.8%
Revaluation reserves	(2,833)	1,002	(3,835)	-382.7%
Equity instruments	500,000	500,000	-	0.0%
Net profit (Loss) for the year	323,571	288,365	35,206	12.2%
Total	**1,687,128**	**1,382,484**	**304,644**	**22.0%**

As at December 31, 2020, the Bank's share capital came to € 201.2 million, divided into 609,554,043 ordinary shares with a par value of € 0.33 each. Share premium reserve amounts to € 1.9 million.

The reserves consisted of the:

- Legal reserve, amounting to €40.2 million;
- Extraordinary reserve, amounting to €571.2 million;
- Reserve for treasury shares held, amounting to €1.2 million;
- Other reserves:
  - Reserve related to equity-settled plans, amounting to € 31.2 million;
  - Reserves from profits of the subsidiary Fineco AM, amounting to € 15.6 million;
  - Reserves of unavailable profits pursuant to Article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 5.1 million.

Consolidated Shareholders' equity includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement[18], issued for a total of €200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%. During first half 2020 the payment of the related coupon had been accounted for in decrease of the Extraordinary reserve for €7 million, net of the related taxation;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of €300 million. The coupon for the first 5 years has been fixed at 5.875%. During first half 2020 the coupons paid were accounted for as a reduction in Extraordinary Reserve for an amount of €12.8 million, net of related taxes.

As at December 31, 2020, the Group, specifically the Bank, held in the portfolio 119,934 FinecoBank ordinary shares, in order to execute the PFA incentive plans of the Bank, corresponding to 0.02% of the share capital, for an amount of €1.3 million. During 2020 n. 44,000 shares were purchased in relation to the "2019 PFA Incentive System" for personal financial advisors identified as "Key personnel" n. 11,548 and n. 16,590 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the "2016 PFA Incentive System", "2017 PFA Incentive System" and "2015-2017 PFA Incentive System".

The Revaluation reserves consisted of:

- € 2.4 million from the net positive reserve from valuation of debt securities issued by central governments recognized in the "Financial assets designated at fair value through other comprehensive income", which recorded a decreased by € 0.8 million during the year 2020, of which +€1.3 million relating to the positive change in fair value and -€2 million relating to the reversal to the income statement of the reserve at 31 December 2019 for realization;

[18] Unrated and unlisted.

Main balance sheet aggregates

- -€5.2 million from the IAS19 negative reserve, which recorded a negative change of €3.1 million during 2020 as a result of the recognition of actuarial losses mainly attributable to the for the Supplementary customer indemnity provision and the provision for contractual payments.

On February 11, 2020, in view of the favourable opinion provided by the Remuneration Committee in its meeting of February 7, 2020, the Board of Directors of FinecoBank approved execution of the following incentive/loyalty systems which led to an increase in the share capital:

- 2014-2017 Top Management Multi-Year Plan for employees. In particular, we approved the allotment of 422,779 free ordinary shares to the beneficiaries of the fourth tranche of the Plan, assigned in 2017, and consequently an increase in Share capital for a total amount of € 139,517.07 with immediate effect;

- 2014, 2015, 2016, 2017,2018 and 2019 Incentive systems for employees. In particular, we approved the allotment of 201,121 free ordinary shares to the beneficiaries of the fourth equity tranche of the 2014 Incentive System, of the third tranche of the 2015 Incentive System and of the second tranche of the 2016 Incentive System and of the first tranche of the 2017 Incentive System, and consequently an increase in Share capital for a total amount of €66,369.93 with effect from 31 March 2020.

The FinecoBank Board of Directors of 12 March 2020 approved a free share capital increase to service the incentive plans for employees for an amount of €5,459.19, through the issue of n. 16,543 ordinary shares, with effect from May 31, 2020.

In view of the above capital increases, the reserves from allocation of profit from previous years were reduced accordingly, in particular the Extraordinary Reserve, for the same amount. The aforementioned reserve was also used to cover transaction costs directly attributable to the transactions.

The Shareholders' Meeting of FinecoBank held on April 28, 2020 approved the allocation of profit for the year 2019 of FinecoBank S.p.A., amounting to € 285.9 million, as follows:

- € 0.04 million to the Legal Reserve, corresponding to 0.014% of the profit for the year, having reached the limit of a fifth of the share capital;
- € 285.8 million to the Extraordinary Reserve.

It should be noted that, in full compliance with the reference legislation, the indications of the Supervisory Authorities and the best consolidated practice on the matter, the Board of Directors of 6 April 2020 decided to revoke the proposal for the distribution of a unit dividend of 0.32 euro for a total of € 195,052,000 approved by the Board of Directors on 11 February 2020, resolving to propose to the Ordinary Shareholders' Meeting convened for 28 April 2020 the allocation to reserves of the profit for the year 2019.

The same Shareholders' Meeting, upon proposal of the Board of Directors of 11 February 2020, also approved the coverage of the negative reserve deriving from the first application of the accounting standard IFRS 9 through the use of the Extraordinary Reserve for an amount equal to €4.9 million.

Simultaneously with the recognition of the allocation of the profit for the year 2019, the Extraordinary Reserve was made unavailable, pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 5.1 million.

The "Reserve related to equity-settled plans" was increased by around €5.1 million, due to the recognition during the period of the income statement and balance sheet effects of the payment plans based on FinecoBank ordinary shares during the vesting period for the instruments, and was used of about € 6.6 million, following the allotment to personal financial advisors respectively of the second equity tranche of the "2016 PFA Incentive System", corresponding to 11,548 of FinecoBank' ordinary shares, and of the first tranche of the "2017 PFA Incentive System", corresponding to 16,590 of FinecoBank' ordinary shares, and of the "2015-2017 PFA PLAN", corresponding to 633,376 of FinecoBank' ordinary shares.

The treasury share reserve was reduced by a total of € 6.2 million, with a simultaneous increase in the Extraordinary Reserve, against the aforementioned allocations in favor of personal financial advisors and treasury share purchases.

Main balance sheet aggregates

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

(Amounts in €thousand)

Description	Shareholders' equity	of which: net profit (loss) as at 12/31/2020
FinecoBank balances as at December 31, 2020	**1,671,070**	**323,123**
Effect of consolidation of Fineco AM	68,114	52,507
Dividends from Fineco AM cashed in the period	(52,059)	(52,059)
Shareholders' equity and profit attributable to minorities	-	-
Balances attributable to the Group as at December 31, 2020	**1,687,125**	**323,571**

Shareholders

As at December 31, 2020, the fully subscribed and paid up share capital totalled €201,152,834.19, divided into 609,554,043 ordinary shares with a nominal value of € 0.33.

As at December 31, 2020, the major shareholders were:

Major Shareholders	% owned
BlackRock Inc.	8.822%
Capital Research and Management Company	5.043%
FMR LLC	3.377%

Income Statement Figures

Consolidated Income Statement

(Amounts in €thousand)

	Year		Changes	
	2020	2019	Amounts	%
Net interest	270,728	281,277	(10,549)	-3.8%
Net fee and commission income	404,294	325,171	79,123	24.3%
Net trading, hedging and fair value income	95,774	44,761	51,013	114.0%
Net other expenses/income	3,566	3,608	(42)	-1.2%
OPERATING INCOME	**774,362**	**654,817**	**119,545**	**18.3%**
Staff expenses	(99,546)	(90,152)	(9,394)	10.4%
Other administrative expenses	(255,112)	(240,638)	(14,474)	6.0%
Recovery of expenses	110,512	104,068	6,444	6.2%
Impairment/write-backs on intangible and tangible assets	(25,440)	(22,864)	(2,576)	11.3%
Operating costs	**(269,586)**	**(249,586)**	**(20,000)**	**8.0%**
OPERATING PROFIT (LOSS)	**504,776**	**405,231**	**99,545**	**24.6%**
Net impairment losses on loans and provisions for guarantees and commitments	(3,344)	(1,970)	(1,374)	69.7%
NET OPERATING PROFIT (LOSS)	**501,432**	**403,261**	**98,171**	**24.3%**
Other charges and provisions	(34,076)	(27,152)	(6,924)	25.5%
Net income from investments	(6,262)	7,377	(13,639)	-184.9%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**461,094**	**383,486**	**77,608**	**20.2%**
Income tax for the year	(137,523)	(95,121)	(42,402)	44.6%
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**323,571**	**288,365**	**35,206**	**12.2%**
PROFIT (LOSS) FOR THE YEAR	**323,571**	**288,365**	**35,206**	**12.2%**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**323,571**	**288,365**	**35,206**	**12.2%**

Net interest

Net interest in 2020 amounted to € 270.7 million, down 3.8% on the previous year due mainly due to the expansionary policies of the European Central Bank which led to a decline in market rates and a reduction in credit spreads. Furthermore, it should be noted that the new investments in government bonds, made in 2020, have replaced part of the UniCredit S.p.A. bonds, which have come to their natural maturity, that had been subscribed in a more favorable market context. The reduction of the item was partially offset by the positive contribution of the increase in volumes, the increase in lending activity and the more dynamic treasury management. In this regard, it should be noted that the structure of the investments carried out by the Bank contributed to maintaining a significant level of interest income, with the average gross margin on interest-earning assets at 0,99% (1.20% at December 31st, 2019). The net interest item also included the income generated by the securities lending activity carried out by the Parent Company's treasury, which started in the first half of 2020, for an amount of €3.1 million.

Income Statement Figures

(Amounts in €thousand)

Interest Income	Year		Changes	
	2020	2019	Amount	%
Financial Assets held for trading		1	(1)	-100.0%
Financial assets at fair value through comprehensive income	1,274	2,943	(1,669)	-56.7%
Other financial assets mandatorily at fair value	3	3	-	0.0%
Financial assets at amortised cost - Debt securities issued by banks	99,645	133,749	(34,104)	-25.5%
Financial assets at amortised cost - Debt securities issued by customers	127,013	98,280	28,733	29.2%
Financial assets at amortised cost - Loans and receivables with banks	400	7,569	(7,169)	-94.7%
Financial assets at amortised cost - Loans and receivables with customers	65,936	63,439	2,497	3.9%
Hedging derivatives	(21,024)	(10,643)	(10,381)	97.5%
Other assets	66	73	(7)	-9.6%
Financial liabilities	5,005	2,494	2,511	100.7%
Income from Treasury activity	3,057		3,057	n.a.
Total interest income	**281,375**	**297,908**	**(16,533)**	**-5.6%**

(Amounts in €thousand)

Interest Expenses	Year		Changes	
	2020	2019	Amount	%
Financial liabilities at amortised cost - Deposits from banks	(231)	(128)	(103)	80.5%
Financial liabilities at amortised cost - Deposits from customers	(6,956)	(11,810)	4,854	-41.1%
Financial assets	(3,460)	(4,693)	1,233	-26.3%
Total interest expenses	**(10,647)**	**(16,631)**	**5,984**	**-36.0%**
Net interest	**270,728**	**281,277**	**(10,549)**	**-3.8%**

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

Interest income on Financial assets measured at amortized cost - Debt securities issued by customers mainly refer to interest accrued on government and supranational institution securities. The increase is attributable to the growth in volumes due to purchases made during the year.

Interest income on financial liabilities mainly refer to interest recognized on repurchase agreements carried out on the MTS market, and also include, the interest accrued on the TLTRO III transaction, amounting to €0.4 million. **Interest expenses on financial assets** mainly refer to interest recognized on initial margins and guarantee deposits paid for operations in derivatives.

Income Statement Figures

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

(Amounts in €thousand)

Breakdown of interest income	Year		Changes	
	2020	2019	Amount	%
Interest income on loans and receivables with banks	**400**	**7,569**	**(7,169)**	**-94.7%**
- current accounts	1	6,787	(6,786)	-100.0%
- reverse repos	13	38	(25)	-65.8%
- time deposits	16	548	(532)	-97.1%
- other loans	370	196	174	88.8%
Interest income on loans and receivables with customers	**65,936**	**63,439**	**2,497**	**3.9%**
- current accounts	14,326	12,686	1,640	12.9%
- reverse repos	11,348	12,820	(1,472)	-11.5%
- mortgages	18,370	14,766	3,604	24.4%
- credit cards	4,538	4,893	(355)	-7.3%
- personal loans	17,297	18,180	(883)	-4.9%
- other loans	57	94	(37)	-39.4%

Interest income on loans and receivables with banks amounted to €0.4 million, down 94.7% compared to 2019. The decrease was mainly attributable to lower interest on current accounts held with credit institutions in currency different from euro.

Interest income on loans and receivables with customers amounted to €65.9 million, showing an increase of 3.9% compared to the previous year, thanks to higher interest on mortgages and overdraft facilities of current account, partially offset by the reduction in the interest income on personal loans and in the reverse repo transactions, in particular "Multiday leverage" transactions.

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

(Amounts in €thousand)

Breakdown of interest expenses	Year		Changes	
	2020	2019	Amount	%
Interest expenses on deposits from banks	**(231)**	**(128)**	**(103)**	**80.5%**
- current accounts	(98)	(31)	(67)	216.1%
- other loans	(24)	(51)	27	-52.9%
- lease liabilities	(109)	(46)	(63)	137.0%
Interest expenses on deposits from customers	**(6,956)**	**(11,810)**	**4,854**	**-41.1%**
- current accounts	(5,997)	(10,885)	4,888	-44.9%
- time deposits	(4)	(15)	11	-73.3%
- lease liabilities	(955)	(910)	(45)	4.9%

Interest expenses on deposits from banks amounted to € 0.2 million and do not show significant changes compared to the same period of the previous year.

Interest expenses on deposits from customers amounted to € 7 million, down by 41.1% compared to the previous year, thanks to lower interest expenses on customer current accounts.

Income Statement Figures

Income from brokerage and other income

(Amounts in € thousand)

	Year		Changes	
	2020	2019	Amounts	%
Net interest	270,728	281,277	(10,549)	-3.8%
Net fee and commission income	404,294	325,171	79,123	24.3%
Net trading, hedging and fair value income	95,774	44,761	51,013	114.0%
Net other expenses/income	3,566	3,608	(42)	-1.2%
OPERATING INCOME	**774,362**	**654,817**	**119,545**	**18.3%**

Net fee and commission income

(Amounts in € thousand)

Management reclassification	Year		Changes	
	2020	2019	Amount	%
Brokerage	**130,366**	**77,325**	**53,041**	**68.6%**
of which:				
- Equity	109,238	63,154	46,083	73.0%
- Bond	8,953	3,909	5,043	129.0%
- Derivatives	13,452	9,721	3,732	38.4%
- Other commissions	(1,276)	541	(1,817)	-336.0%
Investing	**243,706**	**226,179**	**17,527**	**7.7%**
of which:				
- Placement fees	6,315	5,431	884	16.3%
- Management fees	252,489	241,278	11,211	4.6%
- Other to PFA	(15,098)	(20,530)	5,432	-26.5%
Banking	**30,990**	**21,266**	**9,724**	**45.7%**
Other	**(768)**	**401**	**(1,169)**	**-291.7%**
Total	**404,294**	**325,171**	**79,123**	**24.3%**

Net commissions increased by €79.1 million compared to the previous year, mainly due to the fees and commissions generated by the Brokerage segment (+€ 53 million), which were driven by a highly volatile market, an increase in the proportion of the Bank's customers active in the Brokerage segment and the changes in the offering. Despite the tough market environment, commissions generated by the Investing segment also increased (+€ 17.5 million), thanks to the continuous improvement of the offer and the quality of sales. In 2020, the subsidiary Fineco AM generated net fee and commission income of € 67.7 million. With regard to the net fee and commission income generated by the Banking segment (+€ 9.7 million), the change in the monthly fee for holding a euro current account, effective from February 2020, only applied to part of the customers. This was because, in the proceedings initiated by the Antitrust Authority (A.G.C.M.) at the end of 2019 to determine whether a commercial practice adopted in the past to promote the opening of current accounts complied with the Consumer Code (Legislative Decree 206/2005), the Bank agreed to return the fee received in 2020 from the customers affected by that commercial practice.

Net trading, hedging and fair value income was mainly generated by profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency; it was up €46.1 million compared to the previous year, driven by financial-market volatility in the year 2020, which resulted in an increase of over 125% in internalised volumes. This result also includes the income components from financial instruments recognised under "Other financial assets mandatorily at fair value", which include the Visa INC (Class "C" and Class "A") preferred shares and the equity exposure to the Voluntary Scheme established by the National Interbank Deposit Guarantee Fund, whose fair-value measurements respectively generated, in the year 2020, a gain of € 0.6 million (+€2.6 million in the year 2019) and a loss of €1.4 million (-€ 4.5 million in the year 2019). Finally, there are the net profits generated by the sale of government bonds recognised under "Financial assets at fair value through other comprehensive income", amounting to €1.8 million (€0.7 million in the year 2019), and recognised under "Financial assets at amortised cost", amounting to €7.2 million (€2.9 million in the year 2019).

Net other expenses/income is positive for € 3.6 million and do not show significant changes compared to the same period of the previous year.

Income Statement Figures

Operating costs

(Amounts in € thousand)

	Year		Changes	
	2020	2019	Amount	%
Staff expenses	(99,546)	(90,152)	(9,394)	10.4%
Other administrative expenses	(255,112)	(240,638)	(14,474)	6.0%
Recovery of expenses	110,512	104,068	6,444	6.2%
Impairment/write-backs on intangible and tangible assets	(25,440)	(22,864)	(2,576)	11.3%
Total operating costs	**(269,586)**	**(249,586)**	**(20,000)**	**8.0%**

Operating costs show an increase compared to the previous year (+8%), growth that is however contained with respect to the expansion of activities, assets, customers, structure and staff, confirming the Group's strong operating leverage and the widespread corporate culture in terms of cost governance.

Staff expenses amounted to € 99.6 million, of which € 4.5 million relating to staff expenses of Fineco AM, increasing by 10.4% compared to the previous year, thanks to continuous growth of the operating structure. In fact, the number of employees rose from 1,225 units as at December 31, 2019 to 1,262 resources as at December 31, 2020.

(Amounts in € thousand)

Staff expenses	Year		Changes	
	2020	2019	Amount	%
1) Employees	**(97,593)**	**(88,558)**	**(9,035)**	**10.2%**
- wages and salaries	(66,653)	(61,036)	(5,617)	9.2%
- social security contributions	(17,085)	(15,319)	(1,766)	11.5%
- provision for employee severance pay	(916)	(870)	(46)	5.3%
- allocation to employee severance pay provision	(65)	(114)	49	-43.0%
- payment to supplementary external pension funds:	(4,263)	(3,641)	(622)	17.1%
a) defined contribution	(4,263)	(3,641)	(622)	17.1%
- costs related to share-based payments*	(3,817)	(3,412)	(405)	11.9%
- other employee benefits	(4,794)	(4,166)	(628)	15.1%
2) Directors and statutory auditors	**(1,800)**	**(1,356)**	**(444)**	**32.7%**
3) Recovery of expenses for employees seconded to other companies	**36**	**147**	**(111)**	**-75.5%**
4) Recovery of expenses for employees seconded to the company	**(189)**	**(385)**	**196**	**-50.9%**
Total staff expenses	**(99,546)**	**(90,152)**	**(9,394)**	**10.4%**

Income Statement Figures

(Amounts in €thousand)

Other Administrative Expenses and Recovery of expenses	Year		Changes	
	2020	2019	Amount	%
1) INDIRECT TAXES AND DUTIES	**(117,044)**	**(108,709)**	**(8,335)**	**7.7%**
2) MISCELLANEOUS COSTS AND EXPENSES				
A) Advertising expenses - Marketing and communication	**(22,896)**	**(18,542)**	**(4,354)**	**23.5%**
Mass media communications	(20,268)	(12,211)	(8,057)	66.0%
Marketing and promotions	(2,203)	(4,997)	2,794	-55.9%
Sponsorships	(360)	(107)	(253)	236.4%
Conventions and internal communications	(65)	(1,227)	1,162	-94.7%
B) Expenses related to credit risk	**(1,442)**	**(1,496)**	**54**	**-3.6%**
Credit recovery expenses	(181)	(332)	151	-45.5%
Commercial information and company searches	(1,261)	(1,164)	(97)	8.3%
C) Expenses related to personnel	**(20,392)**	**(22,574)**	**2,182**	**-9.7%**
Personnel training	(496)	(515)	19	-3.7%
Car rental and other staff expenses	(83)	(37)	(46)	124.3%
Personal financial adviser expenses	(19,510)	(20,995)	1,485	-7.1%
Travel expenses	(248)	(971)	723	-74.5%
Premises rentals for personnel	(55)	(56)	1	-1.8%
D) ICT expenses	**(46,108)**	**(38,593)**	**(7,515)**	**19.5%**
Lease of ICT equipment and software	(3,131)	(2,658)	(473)	17.8%
Software expenses: lease and maintenance	(11,244)	(9,818)	(1,426)	14.5%
ICT communication systems	(8,359)	(7,695)	(664)	8.6%
ICT services: external personnel/outsourced services	(10,068)	(7,398)	(2,670)	36.1%
Financial information providers	(13,306)	(11,024)	(2,282)	20.7%
E) Consultancies and professional services	**(4,381)**	**(4,687)**	**306**	**-6.5%**
Consultancy on ordinary activities	(3,219)	(3,116)	(103)	3.3%
Consultancy for one-off regulatory compliance projects	(67)	(13)	(54)	415.4%
Consultancy for strategy, business development and organisational optimisation	(676)	(819)	143	-17.5%
Legal expenses	(256)	(392)	136	-34.7%
Legal disputes	(163)	(347)	184	-53.0%
F) Real estate expenses	**(4,440)**	**(8,615)**	**4,175**	**-48.5%**
Real estate services	(85)	(757)	672	-88.8%
Repair and maintenance of furniture, machinery, and equipment	(132)	(437)	305	-69.8%
Maintenance of premises	(524)	(1,981)	1,457	-73.5%
Premises rentals	(962)	(2,331)	1,369	-58.7%
Cleaning of premises	(861)	(581)	(280)	48.2%
Utilities	(1,876)	(2,528)	652	-25.8%
G) Other functioning costs	**(36,201)**	**(35,293)**	**(908)**	**2.6%**
Surveillance and security services	(199)	(404)	205	-50.7%
Postage and transport of documents	(3,319)	(3,698)	379	-10.2%
Administrative and logistic services	(16,450)	(17,211)	761	-4.4%
Insurance	(3,622)	(3,355)	(267)	8.0%
Printing and stationery	(721)	(529)	(192)	36.3%
Association dues and fees	(10,367)	(9,581)	(786)	8.2%
Other administrative expenses	(1,523)	(515)	(1,008)	195.7%
H) Adjustments of leasehold improvements	**(2,209)**	**(2,129)**	**(80)**	**3.8%**
I) Recovery of costs	**110,512**	**104,068**	**6,444**	**6.2%**
Recovery of ancillary expenses	69	162	(93)	-57.4%
Recovery of taxes	110,443	103,906	6,537	6.3%
Total other administrative expenses and recovery of expenses	**(144,601)**	**(136,570)**	**(8,031)**	**5.9%**

Income Statement Figures

Other administrative expenses net of **Recovery of expenses** came to €144.6 million, with an increase of € 8 million compared to the previous year.

In particular, the following main items are highlighted:

- “Indirect taxes and duties” net of “Recovery of taxes” for €1,8 million, mainly due to higher charges for Tobin Tax;
- “Advertising expenses - Marketing and communication” for €4.4 million;
- “ICT expenses” for €7.5 million, referred to higher “Software expenses: lease and maintenance” for €1.4 million, “ICT services: external personnel/outsourced services” for €2.7 million and “Financial information providers” for €2.3 million;
- "Other functioning costs" for €0.9 million, mainly due to the increase in the item "Other administrative expenses" for €1 million, attributable to higher costs connected with the performance of the Shareholders' Meeting and the renewal of the Board of Directors.

While there was a reduction in “Expenses related to personnel”, referred to lower “Personal financial adviser expenses” for €2.2 million, mainly due to lower expenses for training events, and the reduction in “Real estate expenses" for €4.2 million, due to a reduction in “Premises rentals” for €1.4 million, as in the year 2019 rent payable for property leases included in the definition of "short term lease" and therefore included in administrative expenses as well as lower maintenance and utility costs.

Impairment/write-backs on intangible and tangible assets show an increase of €2.6 million mainly referred to the depreciation recognized on the rights of use of the lease contracts entered among tangible assets, for an amount of €1.7 million, and the depreciation on software and electronic machines, for respectively an amount of €0.3 million and € 0.5 million.

Profit/(loss) before tax from continuing operations

(Amounts in €thousand)

	Year		Changes	
	2020	**2019**	**Amount**	**%**
OPERATING PROFIT (LOSS)	**504,776**	**405,231**	**99,545**	**24.6%**
Net impairment losses on loans and provisions for guarantees and commitments	(3,344)	(1,970)	(1,374)	69.7%
NET OPERATING PROFIT (LOSS)	**501,432**	**403,261**	**98,171**	**24.3%**
Other charges and provisions	(34,076)	(27,152)	(6,924)	25.5%
Net income from investments	(6,262)	7,377	(13,639)	-184.9%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**461,094**	**383,486**	**77,608**	**20.2%**

Net write-downs of loans and provisions for guarantees and commitments in 2020 amounted to -€3.3 million (-€2.0 million in 2019) and were affected by the change in the macroeconomic scenarios used in the calculation of LLPs at 31 December 2020 for Expected Credit Losses. As described above in "Significant events during the period", when assessing performing credit exposures at 31 December 2020, the Group considered an updated macroeconomic scenario to take into account the effects of the crisis arising from the COVID-19 pandemic. The updated macroeconomic scenarios did not result in significant adjustments. It should also be noted that at 31 December, 2019, the Group had recorded writebacks of approximately €2.2 million with respect to the counterparty UniCredit S.p.A., thanks to a reduction in exposures.

Provisions for risks and charges amounted to €34.1 million, up 25.5% on 2019. Specifically, there was an increase in the contributions paid to the Interbank Deposit Guarantee Fund under the Deposit Guarantee Scheme (DGS) totalling €25.9 million compared to €18.1 million paid in the previous year, primarily due to the increase in additional contributions, aimed at gradually replenishing the amount of the financial resources used for interventions approved by the Interbank Deposit Guarantee Fund. In addition, in 2020 the ordinary annual contribution required for the year 2020, in accordance with Directive 2014/59/EU (Single Resolution Fund), was recognised in the amount of €0.7 million (no contribution had been required for 2019), and in June 2020 the Bank of Italy called in additional contributions to the National Resolution Fund pursuant to Article 1, paragraph 848 of Law 208/2015; the contribution payable by the Bank was € 0.2 million.

Profit from investments amounted to -€6.3 million, down €13.6 million compared to the previous year. As described above, when assessing performing credit exposures at December 31st, 2020, the Group considered an updated macroeconomic scenario to take into account the effects of the crisis arising from the COVID-19 pandemic. Regarding exposures to bond issuers, where the greatest impact was on Sovereign exposures, the updated macroeconomic scenarios led to additional provisions of € 5.5 million, recognised using IFRS 9 impairment models and their post-model overlay and adjustment. It should also be noted that at December 31st, 2020, the Group had recorded writebacks of approximately € 7.1 million with respect to the issuer UniCredit S.p.A., thanks to both a reduction in exposures in debt securities and an improvement in the issuer's risk profile, as a result of the financial guarantee received under the Pledge Agreement entered into following the exit of FinecoBank from the UniCredit Banking Group.

Income Statement Figures

Profit (loss) before tax from continuing operations amounted to a profit of €323.6 million, increasing by 12.2 % on the previous year, owing in particular to the increase in **Net commissions** (+€79.1 million) and **Net trading, hedging and fair value income** (+€51 million), offset mainly by higher **Operating Cost** (-€20 million), higher **Other charges and provisions** (-€6.9 million) and lower **Profit from investments** (- €13.6 million) Excluding non-recurring items in the year 2020 as previously described[19], Profit before tax from continuing operations would have been €462,5 million, up 19.7 % compared to year 2019 (also net of non-recurring items[20]).

Income tax for the year

(Amounts in €thousand)

Income tax for the year	Year		Changes	
	2020	2019	Amount	%
Current IRES income tax charges	(88,676)	(88,250)	(426)	0.5%
Current IRAP corporate tax charges	(21,560)	(20,624)	(936)	4.5%
Current foreign corporate tax charges	(7,570)	(7,269)	(301)	4.1%
Adjustment to current tax of prior years	-	96	(96)	-100.0%
Total current tax	**(117,806)**	**(116,047)**	**(1,759)**	**1.5%**
Change in deferred tax assets	(19,638)	20,760	(40,398)	-194.6%
Change in deferred tax liabilities	(80)	562	(642)	-114.2%
Total deferred tax liabilities	**(19,718)**	**21,322**	**(41,040)**	**-192.5%**
Goodwill redemption substitute tax	-	(396)	396	-100.0%
Income tax for the year	**(137,524)**	**(95,121)**	**(42,403)**	**44.6%**

Income tax for the year were calculated according to the legal provisions introduced by Legislative Decree no. 38 of February 28, 2005, which incorporated the IAS/IFRS Accounting Standards into Italian legislation, of Decree no. 48 of April 1, 2009 which introduced provisions for the implementation and coordination of tax requirements for IAS Adopter parties and subsequent provisions. In particular, in 2019 the decree issued by the Italian Ministry of the Economy and Finance on 5 August 2019, of coordination between international accounting standards and business income, and the subsequent amendment introduced by the law were implemented 160/2019 on the deductibility of adjustments to customer loans, to be carried out in future tax periods, were implemented. Lastly, the Bank took into account of the recently issued provisions pursuant to Law Decree 30 April 2019, n. 34 converted with amendments by the law of 28 June 2019, n. 58 (so-called Growth Decree).

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

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

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

In 2015, FinecoBank applied for its software and trademark to be admitted to the Patent Box for the five-year period 2015-2019. In early 2020, an arrangement was reached with the Prior Agreements and International Disputes Office of the Italian Revenue Agency on the methodology to be used for the calculation of the income deriving from the intangible assets that were the subject of the application. Although the agreement was reached at the beginning of 2020, the Group has therefore recognised the tax benefit– estimated at € 21.6 million – in the 2019 Financial Statements as referred to the five-year period 2015-2019, of which €18.1 million referable to the component not subject to the application for renewal in 2020 and to the benefit relating to the years 2015-2018.

[19] Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€1.4 million (-€ 1 million net of tax effect).

[20] Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€4.5 million (-€ 3.0 million net of tax effect), income recognized by the Voluntary Scheme to FinecoBank for + €1.6 million (€1.1 million inet of tax effect), relating to the four tranches of interest, net of charges incurred during the year 2019, paid by Banca Carige S.p.A. on the subordinated loan subscribed by the Voluntary Scheme.

Income Statement Figures

In terms of renewal of the Patent Box for the next five years 2020-2024, the software aspect is expected to be renewed, but the trademark has been excluded by express provision of law.

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

The **Net profit for the year** – which is the same as the net profit attributable to the Group as Fineco AM is 100% controlled by the Bank – amounted to € 323.6 million, with an increase of 12.2% on the previous year. Excluding the non-recurring items accounted for in 2020 mentioned before[21], the Net profit for the year should be € 324.5 million, up 19.2% compared to the net profit of 2019 net of non-recurring items[22].

[21] Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 1 million (net of tax effect).

[22] Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 3.0 million (net of tax effect), income recognized by the Voluntary Scheme to FinecoBank for + €1.1 million (net of tax effect), relating to the four tranches of interest, net of charges incurred during the year 2019, paid by Banca Carige S.p.A. on the subordinated loan subscribed by the Voluntary Scheme. and tax benefit recognized thanks to the so-called Patent Box regime for an amount of + €18.1 million, relating to the component not subject to the application for renewal in 2020 and the benefit relating to the 2015-2018 years recognized in 2019.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

The key figures, reclassified Balance sheet and Income statement are shown below in comparison with those of the 2019 financial year and a report on the results achieved by FinecoBank S.p.A. at individual level is shown as well.

Key figures

Operating structure

	Data as at	
	12/31/2020	12/31/2019
No. Employees	1,226	1,201
No. Personal financial advisors	2,606	2,541
No. Financial shops [1]	410	396

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

Main balance sheet figures

(Amounts in €thousand)

	Amounts as at		Changes	
	12/31/2020	12/31/2019	Amounts	%
Loans receivable with ordinary customers[1]	4,008,307	3,263,940	744,367	22.8%
Total assets	31,725,094	27,996,389	3,728,705	13.3%
Direct deposits[2]	28,013,982	25,589,652	2,424,330	9.5%
Assets under administration[3]	63,695,135	55,829,163	7,865,972	14.1%
Total customers sales (direct and indirect)	91,709,117	81,418,815	10,290,302	12.6%
Shareholders' equity	1,671,070	1,366,876	304,194	22.3%

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

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Balance Sheet indicators

	Data as at	
	12/31/2020	12/31/2019
Loans receivable with ordinary customers/Total assets	12.64%	11.66%
Loans and receivables with banks/Total assets	2.40%	1.96%
Financial assets/Total assets	75.47%	79.68%
Direct sales/Total liabilities and Shareholders' equity	88.30%	91.40%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	5.27%	4.88%
Ordinary customer loans/Direct deposits	14.31%	12.75%

Credit quality	Data as at	
	12/31/2020	12/31/2019
Non-performing loans/Loans receivable with ordinary customers	0.09%	0.11%
Bad loans/Loans receivable with ordinary customers	0.05%	0.05%
Coverage[1] - Bad loans	90.29%	91.39%
Coverage[1] - Unlikely to pay	68.92%	68.01%
Coverage[1] - Impaired past-due exposures	63.82%	65.45%
Coverage [1] - Total Non-performing loans	86.15%	85.92%

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

Own funds and capital ratios

	Data as at	
	12/31/2020	12/31/2019*
Common Equity Tier 1 (€ thousand)	1,072,855	762,690
Total own funds (€ thousand)	1,572,855	1,262,690
Total risk-weighted assets (€ thousand)	3,781,238	3,187,485
Ratio - Common Equity Tier 1 Capital	28.37%	23.93%
Ratio - Tier 1 Capital	41.60%	39.61%
Ratio - Total Own Funds	41.60%	39.61%

	Data as at	
	12/31/2020	12/31/2019*
Tier 1 Capital (€ thousand)	1,572,855	1,262,690
Exposure for leverage (€ thousand)	32,762,206	28,125,725
Transitional leverage ratio	4.80%	4.49%

* Data restated compared to those published in the 2019 Financial Statements.

The prudential requirements of the Group at 31 December 2020 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of June 26, 2013 and subsequent Directives/Regulations that modify the content, in particular the Regulation (EU) 876/2019 ("CRR II"), which transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 regulatory framework), collected and implemented by the Bank of Italy through the Circular no. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent updates.

Figures as of December 31, 2019 have been restated, compared to those published in the Reports and Accounts 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.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Own funds as at 31 December 2020 are equal to € 1,572.9 million, including the whole profit for 2020, equal to € 323.1 million, and assuming the conditions set out in art. 26, paragraph 2, of EU Regulation 575/2013 (CRR). On February 9, 2021, the Board of Directors, in compliance with the European Central Bank's Recommendation of December 15, 2020 and the content of the Bank of Italy's Press Release of December 16, 2020, resolved to propose to the Shareholders' Meeting that the entire profit for fiscal year 2020 be allocated to reserves.

The increase of risk-weighted assets during 2020 is mainly driven by credit risk due to the growth of the business, in particular to the growth of lending activity to customers and financial investments and by counterparty risk due to unsecured lending.

For further details on (i) measures adopted by European Central Bank and Bank of Italy to guarantee that the directly supervised financial institutions continue playing their key role in financing the real economy, in light of the economic impacts of the COVID-19 pandemic and (ii) the adjustments to the prudential regulatory framework introduced by Regulation (EU) 2020/873 (CRR “Quick fix”) and Delegated Regulation (EU) 2020/2176 please refer to the paragraph “Consolidated Own funds and capital ratios”.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Condensed Accounts

Balance sheet

(Amounts in €thousand)

ASSETS	Amounts as at 12/31/2020	Amounts as at 12/31/2019	Changes Amounts	Changes %
Cash and cash balances	1,760,348	754,386	1,005,962	133.3%
Financial assets held for trading	16,997	7,933	9,064	114.3%
Loans and receivables with banks	760,423	549,632	210,791	38.4%
Loans and receivables with customers	4,517,351	3,668,933	848,418	23.1%
Financial investments	23,942,489	22,307,025	1,635,464	7.3%
Hedging instruments	74,451	64,939	9,512	14.6%
Property, plant and equipment	150,883	150,925	(42)	0.0%
Goodwill	89,602	89,602	-	-
Other intangible assets	39,438	37,280	2,158	5.8%
Tax assets	13,302	23,450	(10,148)	-43.3%
Other assets	359,810	342,284	17,526	5.1%
Total assets	**31,725,094**	**27,996,389**	**3,728,705**	**13.3%**

(Amounts in €thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at 12/31/2020	Amounts as at 12/31/2019	Changes Amounts	Changes %
Deposits from banks	1,064,859	154,653	910,206	588.5%
Deposits from customers	28,350,321	25,912,444	2,437,877	9.4%
Financial liabilities held for trading	5,889	3,777	2,112	55.9%
Hedging instruments	232,102	94,950	137,152	144.4%
Tax liabilities	13,324	11,344	1,980	17.5%
Other liabilities	387,529	452,345	(64,816)	-14.3%
Shareholders' equity	1,671,070	1,366,876	304,194	22.3%
- capital and reserves	*1,350,780*	*1,079,983*	*270,797*	25.1%
- revaluation reserves	*(2,833)*	*1,002*	*(3,835)*	-382.7%
- net profit	*323,123*	*285,891*	*37,232*	13.0%
Total liabilities and Shareholders' equity	**31,725,094**	**27,996,389**	**3,728,705**	**13.3%**

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Balance sheet - Quarterly data

(Amounts in €thousand)

ASSETS	Amounts as at 12/31/2020	09/30/2020	06/30/2020	03/31/2020	12/31/2019
Cash and cash balances	1,760,348	987,533	909,802	1,177,380	754,386
Financial assets held for trading	16,997	13,146	14,591	12,888	7,933
Loans and receivables with banks	760,423	726,603	700,897	598,329	549,632
Loans and receivables with customers	4,517,351	4,312,156	4,190,202	3,724,733	3,668,933
Financial investments	23,942,489	22,977,203	22,949,188	23,403,670	22,307,025
Hedging instruments	74,451	76,119	75,577	76,454	64,939
Property, plant and equipment	150,883	149,436	152,631	151,884	150,925
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	39,438	37,640	36,406	36,854	37,280
Tax assets	13,302	14,416	3,824	3,300	23,450
Other assets	359,810	282,404	253,549	202,097	342,284
Total assets	**31,725,094**	**29,666,258**	**29,376,269**	**29,477,191**	**27,996,389**

(Amounts in €thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at 12/31/2020	09/30/2020	06/30/2020	03/31/2020	12/31/2019
Deposits from banks	1,064,859	104,977	113,137	330,928	154,653
Deposits from customers	28,350,321	27,286,807	27,014,501	27,194,669	25,912,444
Financial liabilities held for trading	5,889	5,737	8,209	11,039	3,777
Hedging instruments	232,102	211,970	207,116	143,500	94,950
Tax liabilities	13,324	49,716	62,928	30,273	11,344
Other liabilities	387,529	425,858	440,677	318,295	452,345
Shareholders' equity	1,671,070	1,581,193	1,529,701	1,448,487	1,366,876
- capital and reserves	*1,350,780*	*1,359,530*	*1,358,387*	*1,366,884*	*1,079,983*
- revaluation reserves	*(2,833)*	*(84)*	*1,485*	*3,152*	*1,002*
- net profit	*323,123*	*221,747*	*169,829*	*78,451*	*285,891*
Total liabilities and Shareholders' equity	**31,725,094**	**29,666,258**	**29,376,269**	**29,477,191**	**27,996,389**

Cash and cash balances, amounting to €1,760.3 million, consisted mainly of the liquidity deposited in the HAM (Home Accounting Model) account with the Bank of Italy, used to manage short-term liquidity. The increase over the previous year depends on the increase in cash and cash equivalents recorded by FinecoBank in 2020, of which the Bank's participation in the sixth tranche of the TLTRO III program represents a significant part.

Loans and receivables with banks, came to €760.4 million, up 38.4 % compared to December 31, 2019, driven mainly by higher variation margins paid for derivative dealing, This item also includes cash and cash equivalents with credit institutions held mainly for the settlement of payment transactions and transactions involving own and customers' financial instruments.

Loans and receivables with customers came to €4,517.3 million, up 23.1 % compared to December 31, 2019, thanks to the increase in lending activity. During 2020 €179 million in personal loans and €687 million in mortgages were granted and €311 million in current account overdrafts was arranged, with an increase in current account exposures of €310.6 million. Impaired loans net of impairment losses totaled €3.5 million (€3.6 million as at December 31, 2019), with a coverage ratio of 86.15 %.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Financial investments came to €23,942.5 million, up 7.3 % compared to December 31, 2019, The carrying amount of the debt securities issued by the UniCredit S,p,A, amount to €5,738.9 million, down compared to €7,501.4 million as at December 31, 2019 due to the repayment of securities maturing during 2020, The purchases made by the Bank during 2020 mainly concerned securities issued by sovereign States, supranational entities and covered bonds.

Deposits from banks totalled €1,064.9 million, showing an increase of €910 million compared to December 31, 2019, mainly attributable to the liquidity received from the Central Bank in the context of TLTRO III operations. As described above in "Significant events during the period", FinecoBank participated in the 6th tranche of the TLTRO III program (December 16, 2020) for an amount of € 950 million.

Deposits from customers came to € 23,850.3 million, up 9.4 % compared to December 31, 2019, due to the growth in direct deposits from customers.

Shareholders' equity amounted to €1,671.1 million, showing an increase of €304.2 million compared to December 31, 2019, attributable mainly to the profit earned in the year 2020, also in consideration of the fact that the 2019 profit had been allocated to reserves. During the 2020, coupons were paid on the AT1 instruments issued by FinecoBank, which, net of taxes, resulted in a reduction in Shareholders' equity of €19.8 million.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Income Statement

(Amounts in €thousand)

	Year		Changes	
	2020	2019	Amounts	%
Net interest	270,976	281,391	(10,415)	-3.7%
Dividends and other income from equity investments	52,059	48,301	3,758	7.8%
Net fee and commission income	336,545	262,710	73,835	28.1%
Net trading, hedging and fair value income	95,679	44,607	51,072	114.5%
Net other expenses/income	2,144	956	1,188	124.3%
OPERATING INCOME	**757,403**	**637,965**	**119,438**	**18.7%**
Staff expenses	(95,021)	(86,067)	(8,954)	10.4%
Other administrative expenses	(250,935)	(237,860)	(13,075)	5.5%
Recovery of expenses	110,512	104,068	6,444	6.2%
Impairment/write-backs on intangible and tangible assets	(25,193)	(22,628)	(2,565)	11.3%
Operating costs	**(260,637)**	**(242,487)**	**(18,150)**	**7.5%**
OPERATING PROFIT (LOSS)	**496,766**	**395,478**	**101,288**	**25.6%**
Net impairment losses on loans and provisions for guarantees and commitments	(3,334)	(1,966)	(1,368)	69.6%
NET OPERATING PROFIT (LOSS)	**493,432**	**393,512**	**99,920**	**25.4%**
Other charges and provisions	(34,076)	(27,152)	(6,924)	25.5%
Net income from investments	(6,262)	7,377	(13,639)	-184.9%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**453,094**	**373,737**	**79,357**	**21.2%**
Income tax for the year	(129,971)	(87,846)	(42,125)	48.0%
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**323,123**	**285,891**	**37,232**	**13.0%**
PROFIT (LOSS) FOR THE YEAR	**323,123**	**285,891**	**37,232**	**13.0%**

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Income Statement - Quarterly data

(Amounts in €thousand)

	2020			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net interest	68,201	70,117	68,740	63,918
Dividends and other income from equity investments	-	14,224	-	37,835
Net fee and commission income	88,304	88,056	80,572	78,613
Net trading, hedging and fair value income	26,322	30,086	20,182	19,089
Net other expenses/income	475	1,055	41	573
OPERATING INCOME	**183,302**	**204,538**	**169,535**	**200,028**
Staff expenses	(23,194)	(23,677)	(23,520)	(24,630)
Other administrative expenses	(59,225)	(62,150)	(60,995)	(68,565)
Recovery of expenses	23,807	28,456	28,438	29,811
Impairment/write-backs on intangible and tangible assets	(5,997)	(6,145)	(6,311)	(6,740)
Operating costs	**(64,609)**	**(63,516)**	**(62,388)**	**(70,124)**
OPERATING PROFIT (LOSS)	**118,693**	**141,022**	**107,147**	**129,904**
Net impairment losses on loans and provisions for guarantees and commitments	(946)	(2,733)	269	76
NET OPERATING PROFIT (LOSS)	**117,747**	**138,289**	**107,416**	**129,980**
Other charges and provisions	(1,124)	(6,512)	(31,970)	5,530
Net income from investments	(89)	(3,729)	(181)	(2,263)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**116,534**	**128,048**	**75,265**	**133,247**
Income tax for the period	(38,083)	(36,670)	(23,347)	(31,871)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**78,451**	**91,378**	**51,918**	**101,376**
PROFIT (LOSS) FOR THE PERIOD	**78,451**	**91,378**	**51,918**	**101,376**

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

(Amounts in €thousand)

	2019			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net interest	70,381	71,422	69,859	69,729
Dividends and other income from equity investments	-	13,110	-	35,191
Net fee and commission income	63,038	65,757	68,025	65,890
Net trading, hedging and fair value income	9,731	8,066	11,492	15,318
Net other expenses/income	194	368	159	235
OPERATING INCOME	**143,344**	**158,723**	**149,535**	**186,363**
Staff expenses	(20,779)	(21,161)	(21,523)	(22,604)
Other administrative expenses	(64,320)	(57,938)	(55,230)	(60,372)
Recovery of expenses	26,590	24,227	26,669	26,582
Impairment/write-backs on intangible and tangible assets	(5,086)	(5,308)	(5,723)	(6,511)
Operating costs	**(63,595)**	**(60,180)**	**(55,807)**	**(62,905)**
OPERATING PROFIT (LOSS)	**79,749**	**98,543**	**93,728**	**123,458**
Net impairment losses on loans and provisions for guarantees and commitments	(1,273)	1,123	(1,227)	(589)
NET OPERATING PROFIT (LOSS)	**78,476**	**99,666**	**92,501**	**122,869**
Other charges and provisions	(980)	(2,856)	(19,780)	(3,536)
Integration costs	(2)	2	-	-
Net income from investments	(658)	6,463	449	1,123
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**76,836**	**103,275**	**73,170**	**120,456**
Income tax for the period	(25,684)	(30,009)	(24,758)	(7,395)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**51,152**	**73,266**	**48,412**	**113,061**
PROFIT (LOSS) FOR THE PERIOD	**51,152**	**73,266**	**48,412**	**113,061**

Operating income came to € 757.4 million, showing an increase of 18.7% compared to € 638 million of year 2019.

Net fee and commission income and **Net trading, hedging and fair value income** contributed to the increase in the operating income as they rose, respectively, by 28.1% and 114.5%.

Net interest decreased by €10.4 million compared to the previous year, mainly due to the expansionary policies of the European Central Bank which led to a decline in market rates and a reduction in credit spreads. Furthermore, it should be noted that the new investments in government bonds, made in 2020, have replaced part of the UniCredit S.p.A. bonds, which have come to their natural maturity, that had been subscribed in a more favorable market context. The reduction of the item was partially offset by the positive contribution of the increase in volumes, the increase in lending activity and the more dynamic treasury management. In this regard, it should be noted that the structure of the investments carried out by the Bank contributed to maintaining a significant level of interest income, with the average gross margin on interest-earning assets at 0.99% (1.20% at December 31st, 2019).

Dividends and other income from equity investments only include the dividend received from Fineco AM, amounting to € 52.1 million.

Net commissions increased by €73.8 million compared to the previous year, mainly due to the fees and commissions generated by the Brokerage segment (+€53 million), which were driven by a highly volatile market, an increase in the proportion of the Bank's customers active on the Bank's platform and the changes in the offering. Despite the tough market environment, commissions generated by the Investing segment also increased (+€ 16.2 million), thanks to the continuous improvement of the offer and the quality of sales. With regard to the net fee and commission income generated by the Banking segment (+€ 9.7 million), the change in the monthly fee for holding an euro current account, effective from February 2020. It should be noted that this modification has been only applied to a determinated part of the customers, as the Bank, as part of the procedure of the proceedings initiated by the Antitrust Authority (A.G.C.M.) at the end of 2019 to determine whether a commercial practice adopted by Fineco in the past to promote the opening of current accounts complied with the Consumer Code (Legislative Decree 206/2005), agreed to return the fee received in 2020 from the customers affected by that commercial practice.

Net trading, hedging and fair value income was mainly generated by profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency; it was up € 46.1 million compared to the previous year, driven by financial-market volatility in the year 2020, which resulted in an increase of over 125% in internalised volumes, This result also includes the income components from financial instruments recognised under “Other financial assets that must be designated at fair value”, which include the Visa INC preferred shares (Class “C” and Class “A”) and the equity exposure to the Voluntary Scheme established by the National Interbank Deposit Guarantee Fund, whose fair-value measurements respectively generated, in the year 2020, a gain of €0.6 million (+€ 2.6 million in the year 2019) and a loss of €1.4 million (-€ 4.5 million in the year 2019), Finally, there are the net profits generated by the sale of government bonds recognised under "Financial assets at fair value through other comprehensive income", amounting to €1.8 million (€0.7 million in the year 2019), and recognised under "Financial assets at amortised cost", amounting to €7.2 million (€2.9 million in the year 2019).

Operating costs show an increase of €18.2 million compared to the previous year (-€8.9 million for “Staff expenses”, -€6.6 million for “Other administrative expenses net of Recovery of expenses” and -€2.6 million for “Impairment/write-backs on intangible and tangible assets”).

Net write-downs of loans and provisions for guarantees and commitments in 2020 amounted to -€3.3 million (-€2 million in 2019) and were affected by the change in the macroeconomic scenarios used in the calculation of LLPs at 31 December 2020 fro Expected Credit Losses. As described above in "Significant events during the period", when assessing performing credit exposures at 31 December 2020, the Group considered an updated macroeconomic scenario to take into account the effects of the crisis arising from the COVID-19 pandemic. The updated macroeconomic scenarios did not result in significant adjustments. It should also be noted that at 31 December, 2019, the Group had recorded writebacks of approximately €2.2 million with respect to the counterparty UniCredit S.p.A., thanks to both a reduction in exposures.

Other charges and provisions amounted to €34.1 million, up 25.5% on 2019. Specifically, there was an increase in the contributions paid to the Interbank Deposit Guarantee Fund under the Deposit Guarantee Scheme (DGS) totalling €25.9 million compared to €18.1 million paid in the previous year, primarily due to the increase in additional contributions, aimed at gradually replenishing the amount of the financial resources used for interventions approved by the Interbank Deposit Guarantee Fund. In addition, in 2020 the ordinary annual contribution required for the year 2020, in accordance with Directive 2014/59/EU (Single Resolution Fund), was recognised in the amount of €0.7 million (no contribution had been required for 2019), and in June 2020 the Bank of Italy called in additional contributions to the National Resolution Fund pursuant to Article 1, paragraph 848 of Law 208/2015; the contribution payable by the Bank was €0.2 million.

The **Net income from investments** stood at -€6.3 million showing an increase of €13.6 million compared to 2019. As described above, when assessing performing credit exposures as at 31 December 2020, the Group considered an updated macroeconomic scenario to take into account the effects of the crisis arising from the COVID-19 pandemic. Regarding exposures to bond issuers, where the greatest impact was on sovereign exposures, the updated macroeconomic scenarios led to additional provisions of €5.5million, recognised using IFRS 9 impairment models and their post-model overlay and adjustment. It should also be noted that at 31 December 2019, the Group had recorded writebacks of approximately €7.1 million with respect to the issuer UniCredit S.p.A., thanks to both a reduction in exposures in debt securities and an improvement in the issuer's risk profile, as a result of the financial guarantee received under the Pledge Agreement entered into following the exit of FinecoBank from the UniCredit Banking Group.

Profit (loss) before tax from continuing operations amounted to a profit of €453.1 million, increasing by 21.2% compared to the previous year. Excluding non-recurring items in the 2020[23], profit before tax from continuing operations would have been €454.5 million, up 20.7% compared to the year 2019 (also net of non-recurring items[24]).

Profit for the year came to €323.1 million, up 13% compared to €285.9 million recorded to the previous year. Excluding non-recurring items in year 2020 as previously described[25], profit for the period would have been €324.1 million, up 20.1% compared to the year 2019 (also net of non-recurring items[26]).

[23] Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€1.4 million (-€1 million net of tax effect).

[24] Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€4.5 million (-€3.0 million net of tax effect), a profit recognized by the Voluntary Scheme to FinecoBank for an amount of +€1.6 million (€1.1 million net of the tax effect), relating to the four tranches of interest, net of the costs incurred during the year 2019, paid by Banca Carige S.p.A. on the subordinated loan underwritten by the Voluntary Scheme.

[25] Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 1 million (net of tax effect).

[26] Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€3.0 million (net of tax effect), profit recognized by the Voluntary Scheme to FinecoBank for an amount of €1.1 million (net of tax effect), relating to the four tranches of interest, net of the costs incurred during the year 2019, paid by Banca Carige S.p.A. on the subordinated loan underwritten by the Voluntary Scheme, and the tax benefit from the so-called Patent Box regime amounting to €18.1 million, relating to the component not subject to application for renewal during 2020 and to the benefit relating to the 2015-2018 years recognized in 2019.

Results of the parent and the subsidiary

The subsidiary: Fineco Asset Management DAC

Fineco AM, a wholly owned subsidiary of FinecoBank, is a UCITS Management Company and was established on 26 October 2017 in the Republic of Ireland. The principal activity of Fineco AM to offer its customers a range of UCITS product with a strategy focused on the definition of strategic asset allocation and selection of the best international managers, and therefore, diversify and improve the offer of asset management products and further increase the competitiveness of the Group within its vertically integrated business model.

The volumes of net assets under management managed by Fineco AM at 31 December 2020 amounted to € 16.3 billion (€13.8 billion as at December 31, 2019). This is broken down as per below:

- € 5.1 billion referred to Core Series Umbrella Fund (€ 5.9 billion as at December 31, 2019);
- € 8.2 billion referred to FAM Series UCITS ICAV (€ 6.3 billion as at December 31, 2019);
- € 3.0 billion referred to FAM Evolution ICAV (€ 1.6 billion as at December 31, 2019).

It should also be noted that € 10.5 billion relate to retail classes and € 5.8 billion relating to institutional classes.

As at December 31, 2020, Fineco AM has a total asset of € 41.2 million. This consists of **Loans and receivables with banks**, represented by a time deposit for an amount of € 12 million and by the sight deposits with credit institutions for € 8 million, and by **Loans and receivables with customers**, exclusively represented operating receivables associated with the provision of services, for an amount of € 18.5 million.

Fineco AM also holds shares in its UCITS Funds, in relation to the seeding activity for an amount of € 0,4 million, which are recorded under "**Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value**", Fineco AM also holds **Other assets** for an amount of € 1 million, and € 0.6 million relating to prepaid expenses and definitive items not attributable to other items and € 0.4 million relating to tax items other than those included in the item "Tax assets".

Deposits from banks and **Deposits from customers** totalled €17.5 million, are represented exclusively by operating payables connected with the provision of financial services, relating to the placement and management fees of UCITS to be paid back to the placers, including FinecoBank itself for €8.1million, and to investment advisors, It should be noted that the item **Deposits from customers** also includes the "Lease liabilities" from customers, amounting to € 0.7 million representing the financial debt corresponding to the present value of the payments due in the lease agreements stipulated with credit institutions not paid at the reporting date, as required by IFRS 16.

The **Other liabilities**, equal to € 4 million, are recognised in payables to employees and other personnel and in current payables not related with the provision of financial services.

Shareholders' equity amounted to € 19.1 million and consists of share capital for € 3 million, of retained earnings for € 1.4 million and net income for the period of € 52.5 million, net of dividends paid to the parent FinecoBank in the last quarter of 2020 for € 37.8 million.

In 2020 Fineco AM generated **Net commissions** for €67.7million (€179.3 million in fee and commission income and €111.6 million in fee and commission expenses) and the **Net Profit for the year** amounted to € 52.5 million.

The number of persons employed by Fineco AM as at 31 December 2020 is 36.

Related-party Transactions

At its meeting of November 5th, 2019 and with the prior favourable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors, the Board of Directors, to ensure continued compliance with applicable legal and regulatory provisions on the corporate disclosure of transactions with related parties and persons in conflict of interest, approved the new Global Policy Procedure for the management of transactions with persons in potential conflict of interest of the FinecoBank Group (the “Global Policy”).

The Global Policy contains the provisions to observe when managing:

- related party transactions pursuant to Consob Regulation no. 17221 of March 12th, 2010 (as amended);
- transactions with associated persons pursuant to the regulations on "Risk activities and conflicts of interest with associated persons" laid down by Bank of Italy Circular no. 263 of December 27th, 2006 (Title V, Chapter 5: "New regulations for the prudential supervision of banks", as amended);
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 of September 1st, 1993 (the Consolidated Banking Act).

Considering the above, during 2020 the Group conducted less material transactions with related parties in Italy and abroad in the course of ordinary business and associated financial activities, carried out under standard conditions, hence under the terms normally applied to transactions with unrelated parties; no other transactions were undertaken with related parties that could significantly affect the Bank's or the Group's asset situation and results, nor were any atypical and/or unusual transactions conducted, including of an intercompany or related party nature.

Transactions with Group companies

FinecoBank is Parent Company of Banking Group FinecoBank.

The following table provides a summary of outstanding assets, liabilities, guarantees and commitments as at December 31, 2020 as well as the costs (-) and revenues (+) recorded in 2020 with Fineco AM, which is the sole wholly-owned and consolidated company.

(Amounts in € thousand)

	Assets	Liabilities	Guarantees and commitments	Revenues (+)	Costs (-)
Transactions with the subsidiary Fineco Asset Management DAC	8,287	-	-	138,137	-

It should be noted that the assets shown in the table mainly refer to current receivables associated with the provision of financial services to be collected by the subsidiary Fineco AM and recorded in “Financial assets at amortized cost". At the same time, the revenues column includes placement and management fee income paid back by the subsidiary and accounted for by the Bank during 2020, in addition to the dividends recognized by Fineco AM for a total of €52.1 million.

Number of treasury shares of the parent company

As at 31 December 2020, the Group held in the portfolio 119,934 FinecoBank ordinary shares (all held by the Bank itself in connection with PFA incentive plans, amounting to 0.02% of the share capital, for total of €1.3 million. During 2020 n. 44,000 shares were purchased in relation to the 2019 PFA Incentive System for personal financial advisors identified as key personnel, while 11,548, 16,590 and 633,376 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively under the “2016 PFA Incentive Systems” and the “2017 PFA Incentive Systems” and “2015-2017 PFA PLAN”.

Other information

Report on corporate governance and proprietary structures

Pursuant to Article 123-bis, paragraph 3 of Legislative Decree no. 58 of February 24, 1998, the Report on Corporate Governance and Proprietary Structures is available at the "Governance" section of the FinecoBank website (https://www.finecobank.com).

Report on remuneration

Pursuant to Art.123-ter of the Legislative Decree no. 58 of February 24, 1998 and as amended in implementation of Directive (EU) 2017/828 to Art. 84-quater, paragraph 1, of the Issuers' Regulations, the "Remuneration policy and Remuneration report" is available on FinecoBank's website (https://www.finecobank.com).

Research and development

To promote technical solutions in line with the company mission, research and development is focused on developing software that enables the provision of increasingly innovative financial advice together with exclusive own-account trading.

More specifically, the main software applications that have been developed over the years are:

- Advice, a computer program through which the Bank enables its personal financial advisors to offer a professional advisory service to customers who want a personalised financial plan;
- Internaliser, a computer program through which the Bank executes customer orders in its own account relating to trading on financial markets as an alternative counterparty to the market;
- Powerdesk and Webtrading, software that allows the Bank to, respectively, offer customers sophisticated and efficient tools for online trading on the main international financial markets and simple solutions to complement the direct banking services.

The activities were split between developing new applications and strengthening/maintaining existing features to meet customer needs increasingly efficiently.

Information on the time limits for convening the ordinary Shareholders' Meeting

Pursuant to Article 2364, paragraph 2, of the Italian Civil Code and Art. 6, paragraph 4, of FinecoBank's Articles of Association, the Annual Accounts will be submitted to the Ordinary Shareholders' Meeting for approval within 120 days from the end of the financial year.

Consolidated Non-Financial declaration pursuant to article 3 and article 4, Legislative Decree 254 of December 30, 2016

The Consolidated Non-Financial declaration of the FinecoBank Group, prepared pursuant to Legislative Decree 254/2016, constitutes a separate report with respect to the Consolidated Financial Statements, as required by the option of Art. 5, paragraph 3, letter b) of Legislative Decree 254/2016, and has published on the FinecoBank website (https://www.finecobank.com).

Country-by-Country Reporting

Country-by-Country Reporting pursuant to art. 89 of Directive 2013/36 / EU of the European Parliament and of the Council (CRD IV), amended by Directive (EU) 2019/878 (so-called CRD V), has published on the FinecoBank website (https://www.finecobank.com).

Information on the derogation from the obligation to publish the information document in the cases provided for in articles 70, paragraph 6, and 71, paragraph 1, of the Issuers Regulation

Pursuant to article 70, paragraph 8, and article 71, paragraph 1-bis, of the Issuers Regulation, FinecoBank S.p.A. has availed itself of the right to derogate from the obligation to publish the information document in the cases provided for in articles 70, paragraph 6, and 71, paragraph 1, of the Issuers Regulation.

Subsequent events and outlook

Subsequent events

The Board of Directors' meeting of FinecoBank held on January 19, 2021 – in consideration of the favorable opinion of the Remuneration Committee which met on January 15, 2021 – approved the following incentive systems that will be submitted to the Shareholders' Meeting called for April 28, 2021:

- 2021 Incentive System for Employees categorised as Key Personnel;
- 2021 Incentive System for Personal Financial Advisors identified as "Key Personnel";
- 2021-2023 Long Term Incentive Plan for Employees.

In addition, the Board of Directors' meeting of FinecoBank held on February 9, 2021 – in consideration of the favorable opinion of the Remuneration Committee which met on February 8, 2021 – approved the implementation of the following incentive / loyalty systems:

- 2018-2020 Long Term Incentive Plan for employees. In particular, the assignment of n. 104,629 free ordinary shares to the beneficiaries of the first share tranche of the Plan, granted in 2018, and consequently a free share capital increase for a total amount of €35,527.57 effective from March 31, 2021;
- Incentive Systems 2015, 2016, 2017, 2018, 2019 and 2020 for employees. In particular, it was approved:
  - the assignment of n. 241,098 free ordinary shares to beneficiaries of the fourth share tranche of the 2015 Incentive Systems, of the third share tranche of the 2016 Incentive Systems, of the second share tranche of the 2017 Incentive Systems, of the first share tranche of the 2018 Incentive Systems, of the second share tranche of the 2018 Incentive System and of the first share tranche of the 2019 Incentive System, and consequently a free share capital increase for a total amount of €79,562.34 effective from March 31, 2021;
  - the assignment of the first cash tranche related to the 2020 Incentive Systems, of the third cash tranche related to the 2017 Incentive Systems and of the third cash tranche related to the 2015 Incentive Systems;
- Incentive Systems 2016, 2017, 2018, 2019 and 2020 for Financial Advisors identified as "Key Personnel". In particular, it was approved:
  - the assignment of n. 11,548 shares of the third share tranche related to the 2016 Incentive Systems;
  - the assignment of n. 5,527 shares of the second share tranche and of the third cash tranche to the beneficiaries of the 2017 Incentive System;
  - the assignment of n. 10,306 shares of the first share tranche related to the 2018 Incentive Systems;
  - the assignment of n. 24,687 shares of the first share tranche related to the 2019 Incentive Systems;
  - the assignment of the first cash tranche related to the 2020 Incentive Systems:
- Incentive 2018-2020 Long Term Incentive Plan for Financial Advisors identified as "Key Personnel". In particular, it was approved the assignment of the first cash tranche.

Outlook

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

The habits of banking customers have changed radically over the last ten years. The need for them to access services far from their branch or at unconventional times has increased and they are increasingly able to use the internet at any time of the day and anywhere. FinecoBank intends to continue the digitisation and computerisation of its business, not only in how it interfaces with its customers but also in its internal operational processes. The objective is to increase digitisation and generate greater savings and efficiencies for the Group. The increased use of mobile devices and the internet offers competitive advantages to a bank such as FinecoBank, which has always focused on technology and, more specifically, on the dual track of a digital platform matched with a network of specialised personal financial advisors.

Another structural trend that favours FinecoBank's positioning relates to the growing demand from customers for advanced and specialised advisory services, supported by Italians' propensity to save. The Italian market is characterised by a high level of household wealth and a high rate of wealth employed in real estate investments. However, a greater risk perception and a lower interest in financial investments means that households continue to prefer liquid products (bank drafts and deposits), insurance products and pension funds. The greater level of uncertainty and the volatility of the financial markets, and above all the exceptional contingency experienced in the last months of the first quarter of 2020, have oriented household preferences towards liquid products (currency and deposits), insurance products and pension funds. Despite these events, there is a clear recovery of investments in mutual funds compared to the past even if still lower than in other countries belonging to the Eurozone. The recent health emergency has helped to consolidate greater awareness of the importance of correctly managing one's savings, and to promote greater attention to the world of markets. There is also a change in mentality on the part of savers who are increasingly inclined to take advantage of qualified advice and to invest directly in the markets. There is also a change in mentality on the part of savers who are increasingly inclined to take advantage of qualified advice and to invest directly in the markets.

Subsequent events and outlook

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

The Group will continue to pursue its organic growth-driven strategy, relying on efficient processes and quality services. The objective is to further strengthen its competitive positioning in the sector of integrated banking, brokerage and investing services, through the high quality and completeness of the financial services it offers, summed up in “one-stop solution” concept, This will be partially driven by the asset management activities of Fineco AM, which will enable the Bank to meet its customers' needs even better, be more efficient in product selection and be more profitable thanks to its vertically integrated business model.

FinecoBank had a market share by TFA[27] for 1.82% in June 2020 (+7 bps y/y), with significant potential growth margins.

Fineco intends to pursue its long-term sustainable growth objectives, including in terms of ESG[28], in order to create value for stakeholders while maintaining a low risk appetite, through the offer of products and services of excellence, without resorting to aggressive commercial offers, thanks to the offer of products characterized by fair pricing and "no performance fees", in combination with highly liquid and low risk investments.

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

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

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

Proposal for the approval of the accounts and allocation of profit for the year

The Bank closed the year 2020 with net profit for the year of € 323,122,986.40.

In formulating the proposal for the allocation of profit for the year, we note that on December 15th, 2020 the European Central Bank adopted Recommendation ECB/2020/62, published in the Official Journal of the European Union on December 18th, 2020 (repealing Recommendation ECB/2020/35 of July 27th, 2020) on dividend distribution and share buy-back policies that credit institutions and significant supervised groups should adopt in the economic conditions resulting from the COVID-19 emergency, which emphasises the importance of continuing to take a prudent approach to dividend distributions or share buy-backs aimed at remunerating shareholders.

In a Press Release on December 16th, 2020, the Bank of Italy announced its decision to maintain an extremely prudent approach, in line with the stance adopted by the European Central Bank for significant banks, in order to safeguard the ability of banks to absorb losses and provide loans to support the economy. In particular, the Bank of Italy recommended that, until September 30th, 2021, Italian less significant banks should:

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

In the absence of a substantial worsening in the macroeconomic situation, starting on September 30th, 2021 the Bank of Italy, in line with the European Central Bank's recommendations, will revert to assessing dividend distribution and remuneration policies based on the ordinary supervisory review and evaluation process for individual banks.

In view of the above, it is proposed to allocate the net profit for the year as follows:

- € 23,909.82 to the Legal Reserve, corresponding to 0.007% of the profit for the year, having reached the limit of a fifth of the share capital
- € 322,506,418.83 to the Extraordinary Reserve
- € 592,657.75 to the Unavailable Reserve pursuant to Article 6, paragraph 1, letter a) of Legislative Decree 38/2005

In accordance with Article 6, paragraph 1, letter a) of Legislative Decree no. 38/2005, a part of the profits for the year corresponding to the gains resulting from the fair value measurement recognised through profit or loss, net of the related tax expense, which are not attributable to financial instruments held for trading and foreign exchange and hedging transactions, must be recognised within an unavailable reserve. This reserve will therefore be increased by € 592,657.75, corresponding to the change in unrealised gains recognised in 2020.

In conclusion, the Shareholders' Meeting is invited to approve:

- the Financial Statements for the year 2020 in their entirety;
- the allocation of the profit for the year of € 323,122,986.40 as follows:
  - €2 3,909.82 to the Legal Reserve, corresponding to 0.007% of the profit for the year, having reached the limit of a fifth of the share capital
  - € 322,506,418.83 to the Extraordinary Reserve
  - € 592,657.75 to the Unavailable Reserve pursuant to Article 6, paragraph 1, letter a) of Legislative Decree 38/2005

The Board of Directors

Milan, February 9, 2021

FinecoBank S.p.A.
Chief Executive Officer and General Manager
Alessandro Foti

FinecoBank S.p.A.
Chairman
Marco Mangiagalli

Consolidated balance sheet

(Amounts in € thousand)

Assets		12/31/2020	12/31/2019
10.	Cash and cash balances	1,760,348	754,386
20.	Financial assets at fair value through profit and loss	27,985	20,159
	a) financial assets held for trading	16,997	7,933
	c) other financial assets mandatorily at fair value	10,988	12,226
30.	Financial assets at fair value through other comprehensive income	143,698	321,699
40.	Financial assets at amortised cost	29,093,523	26,216,829
	a) loans and receivables with banks	8,254,331	9,440,362
	b) loans and receivables with customers	20,839,192	16,776,467
50.	Hedging derivatives	19,003	36,059
60.	Changes in fair value of portfolio hedged financial assets (+/-)	55,448	28,880
90.	Property, plant and equipment	151,872	152,048
100.	Intangible assets	129,199	127,094
	- goodwill	89,602	89,602
110.	Tax assets	13,314	23,444
	a) current tax assets	5,166	-
	b) deferred tax assets	8,148	23,444
130.	Other assets	360,627	342,309
	Total assets	**31,755,017**	**28,022,907**

Consolidated balance sheet

(Amounts in €thousand)

Liabilities and shareholders' equity		12/31/2020	12/31/2019
10.	Financial liabilities at amortised cost	29,424,598	26,074,511
	a) deposits from banks	1,064,859	154,653
	b) deposits from customers	28,359,739	25,919,858
20.	Financial liabilities held for trading	5,889	3,777
40.	Hedging derivatives	214,388	80,852
50.	Changes in fair value of portfolio hedged financial liabilities (+/-)	17,714	14,098
60.	Tax liabilities	13,954	11,437
	a) current tax liabilities	10,204	11,437
	b) deferred tax liabilities	3,750	-
80.	Other liabilities	273,784	343,859
90.	Provisions for employee severance pay	4,924	4,810
100.	Provisions for risks and charges:	112,641	107,079
	a) commitments and guarantees given	61	21
	c) other provisions for risks and charges	112,580	107,058
120.	Revaluation reserves	(2,833)	1,002
140.	Equity instruments	500,000	500,000
150.	Reserves	664,489	397,593
160.	Share premium reserve	1,934	1,934
170.	Share capital	201,153	200,941
180.	Treasury shares (-)	(1,189)	(7,351)
200.	Net Profit (Loss) for the year	323,571	288,365
	Total liabilities and Shareholders' equity	**31,755,017**	**28,022,907**

Consolidated Income statement

(Amounts in € thousand)

Items		2020	12/31/2019
10.	Interest income and similar revenues	278,318	297,908
	of which: interest income calculated with the effective interest method	294,268	305,980
20.	Interest expenses and similar charges	(10,647)	(16,631)
30.	**Net interest margin**	**267,671**	**281,277**
40.	Fee and commission income	720,503	627,773
50.	Fee and commission expenses	(313,152)	(302,602)
60.	**Net fee and commission income**	**407,351**	**325,171**
70.	Dividend income and similar revenue	108	1,695
80.	Gains (losses) on financial assets and liabilities held for trading	87,678	41,429
90.	Fair value adjustments in hedge accounting	(259)	(160)
100.	Gains and losses on disposal or repurchase of:	9,005	3,636
	a) financial assets at amortised cost	7,235	2,909
	b) financial assets at fair value through other comprehensive income	1,770	727
110.	Gains (losses) on financial assets and liabilities at fair value through profit or loss	(758)	(1,839)
	b) other financial assets mandatorily at fair value	(758)	(1,839)
120.	**Operating income**	**770,796**	**651,209**
130.	Impairment losses/writebacks on:	(9,584)	5,380
	a) financial assets at amortised cost	(9,569)	5,378
	b) financial assets at fair value through other comprehensive income	(15)	2
140.	Profit/loss from contract changes without cancellation	23	-
150.	**Net profit from financial activities**	**761,235**	**656,589**
180.	**Net profit from financial and insurance activities**	**761,235**	**656,589**
190.	Administrative expenses	(379,254)	(346,790)
	a) staff expenses	(99,546)	(90,152)
	b) other administrative expenses	(279,708)	(256,638)
200.	Net provisions for risks and charges	(7,310)	(8,996)
	a) provision for credit risk of commitments and financial guarantees given	(39)	27
	b) other net provision	(7,271)	(9,023)
210.	Impairment/write-backs on property, plant and equipment	(19,683)	(17,415)
220.	Impairment/write-backs on intangible assets	(5,757)	(5,449)
230.	Other net operating income	111,869	105,547
240.	**Operating costs**	**(300,135)**	**(273,103)**
280.	Gains (losses) on disposal of investments	(6)	-
290.	**Total profit (loss) before tax from continuing operations**	**461,094**	**383,486**
300.	Tax expense (income) related to profit or loss from continuing operations	(137,523)	(95,121)
310.	**Total profit (loss) after tax from continuing operations**	**323,571**	**288,365**
330.	**Net Profit (Loss) for the year**	**323,571**	**288,365**
350.	**Profit (loss) for the year attributable to the Parent Company**	**323,571**	**288,365**

	2020	2019
Earnings per share (euro)	0.53	0.47
Diluted earnings per share (euro)	0.53	0.47

Note:

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

Consolidated statement of comprehensive income

(Amounts in € thousand)

Items		Total 2020	Total 2019
10.	**Net Profit (Loss) for the year**	**323,571**	**288,365**
	Other income components net of taxes without reversal to the income statement		
70.	Defined benefit plans	(3,054)	4,227
	Other comprehensive income after tax with reclassification through profit or loss		
140.	Financial assets (other equity securities) designated at fair value through other comprehensive income	(781)	6,569
170.	**Total other comprehensive income net tax**	**(3,835)**	**10,796**
180.	**Comprehensive income (item 10+170)**	**319,736**	**299,161**
200.	**Consolidated comprehensive income attributable to Parent Company**	**319,736**	**299,161**

Statement of changes in consolidated shareholders' equity

Statement of changes in consolidated shareholders' equity at 12/31/2020

(Amounts in €thousand)

	Balance as at 12/31/2019	Change in opening balance	Balance as at 01/01/2020	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and other distributions	Change during the year: Changes in reserves	Shareholders' equity transactions: Issues of new shares	Shareholders' equity transactions: Purchase of own shares	Shareholders' equity transactions: Distributions of extraordinary dividends	Shareholders' equity transactions: Changes in equity instruments	Shareholders' equity transactions: Own share derivatives	Shareholders' equity transactions: Stock options	Shareholders' equity transactions: Changes in ownership interests	Comprehensive income exercise 2020	Shareholders' equity group as at 12/31/2020	Shareholders' equity minorities as at 12/31/2020
Share capital:																
- ordinary shares	200,941		200,941				212								201,153	-
- other shares																
Share premium reserve	1,934		1,934												1,934	-
Reserves:																
- from profits	364,937		364,937	288,365		(19,783)						(212)			633,306	-
- others	32,656		32,656									(1,474)			31,183	-
Revaluation reserves	1,002		1,002											(3,835)	(2,833)	-
Equity instruments	500,000		500,000												500,000	-
Treasury shares	(7,351)		(7,351)				6,561	(399)							(1,189)	-
Profit (loss) for the year	288,365		288,365	(288,365)										323,571	323,571	-
Shareholders' Equity Group	1,382,484		1,382,484			(19,783)	6,773	(399)				(1,686)		319,736	1,687,125	-
Shareholders' Equity Minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The "Reserves" column includes the 2019 profit of FinecoBank S.p.A.. It should be noted that, in full compliance with the reference legislation, the indications of the Supervisory Authorities and the best consolidated practice on the matter, the Board of Directors of 6 April 2020 decided to revoke the proposal for the distribution of a dividend of €0.32 per unit for a total of €195,052,000 approved by the Board of Directors on February 11, 2020, resolving to propose to the ordinary Shareholders 'Meeting convened for April 28, 2020 the allocation to reserves of the profit for the year 2019. The ordinary Shareholders' Meeting convened for on April 28, 2020 it therefore approved the aforementioned proposal.

The column "Stock options" includes the incentives plans serviced by FinecoBank shares.

The "Changes in reserves" column includes the coupons paid on equity instruments net of related taxes and the transaction costs directly attributable to the issue of Equity instruments net of related taxes.

Statement of changes in consolidated shareholders' equity at 12/31/2019

(Amounts in € thousand)

	Balance as at 12/31/2018	Change in opening balance	Balance as at 01/01/2019	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and other distributions	Change during the year: Changes in reserves	Shareholders' equity transactions: Issues of new shares	Shareholders' equity transactions: Purchase of own shares	Shareholders' equity transactions: Distributions of extraordinary dividends	Shareholders' equity transactions: Changes in equity instruments	Shareholders' equity transactions: Own share derivatives	Shareholders' equity transactions: Stock options	Shareholders' equity transactions: Changes in ownership interests	Comprehensive income exercise 2019	Shareholders' equity group e12/31/2019	Shareholders' equity minorities as at 12/31/2019
Share capital:																
- ordinary shares	200,773		200,773				168								200,941	-
- other shares																
Share premium reserve	1,934		1,934												1,934	-
Reserves:																
- from profits	321,537		321,537	56,718		(13,150)						(168)			364,937	-
- others	33,972		33,972									(1,316)			32,656	-
Revaluation reserves	(9,794)		(9,794)											10,796	1,002	-
Equity instruments	200,000		200,000							300,000					500,000	-
Treasury shares	(13,960)		(13,960)				6,790	(181)							(7,351)	-
Profit (loss) for the year	241,219		241,219	(56,718)	(184,501)									288,365	288,365	-
Shareholders' Equity Group	975,681	-	975,681	-	(184,501)	(13,150)	6,958	(181)	-	300,000	-	(1,484)	-	299,161	1,382,484	-
Shareholders' Equity Minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The amount of the dividend approved by the Fineco's Ordinary Shareholders' Meeting in 2019, totalling €184,500,820.80, corresponds to €0.303 per share.

The column "Stock options" includes the incentives plans serviced by FinecoBank shares.

The "Changes in reserves" column includes: dividends not distributed in relation to any treasury shares held by the Bank at the record date, transferred to the Extraordinary reserve; coupons paid on equity instruments net of related taxes; transaction costs directly attributable to the issue of Equity instruments net of related taxes.

Consolidated cash flow statement

Indirect method

(Amounts in €thousand)

A. OPERATING ACTIVITIES	Amount	
	2020	2019
1. Operations	**577,502**	**288,365**
- operating result (+/-)	323,571	288,365
- capital gains/losses on financial assets held for trading and on assets designated at fair value through profit and loss (-/+)	1,623	2,006
- capital gains/losses on hedging operations (+/-)	743	160
- net write-offs/write-backs due to impairment (+/-)	10,550	(4,693)
- net write-offs/write-backs on tangible and intangible assets (+/-)	25,440	22,864
- provisions and other incomes/expenses (+/-)	18,496	21,777
-Net uncashed premiums (-)	-	-
-Other non-cashed income/insurance charges (-/+)	-	-
- not paied tax (+/-)	2,381	1,015
- disposal groups classified as held for sale (-/+)	-	-
- other adjustments (+)	194,698	92,690
2. Liquidity generated/absorbed by financial assets	**(2,770,535)**	**(4,262,110)**
- financial assets held for trading	(6,666)	(1,201)
- financial assets at fair value	-	-
- other assets mandatorly valued at fair value	389	(783)
-Financial assets valued at fair value with impact on overall profitability	174,590	641,189
- financial assets valued at amortized cost	(2,917,324)	(4,852,377)
- other assets	(21,524)	(48,938)
3. Liquidity generated/absorbed by financial liabilities	**3,291,641**	**2,766,261**
- financial liabilities valued at amortized cost	3,377,415	2,773,130
- financial liabilities held for trading	(1,060)	1,592
- financial liabilities designated at fair value	-	-
- other liabilities	(84,714)	(8,461)
Net liquidity generated/absorbed by operating assets	**1,098,608**	**(1,071,665)**
B. INVESTMENT ACTIVITY		
1. Liquidity generated by	1	-
- equity investments	-	-
- collected dividends on equity investments	-	-
- sells of tangible assets	1	-
- sells of intangible assets	-	-
- sales/purchases divisions	-	-
2. Liquidity absorbed by:	**(29,381)**	**(129,593)**
- purchases of equity investments	-	-
- purchases of tangible assets	(21,519)	(95,358)
- purchases of intangible assets	(7,862)	(34,235)
- purchases of subsidiaries and company branches	-	-
Net liquidity generated/absorbed by investment activity	**(29,380)**	**(129,593)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	6,374	6,777
- issue/purchase of equity instruments	-	300,000
- distribution of dividends and other scopes	(26,554)	(204,610)
-Sale/purchase of control of third parties	-	-
Net liquidity generated/absorbed by funding activities	**(20,180)**	**102,167**
NET LIQUIDITY GENERATED/ABSORBED IN THE EXERCISE	**1,049,048**	**(1,099,091)**

Consolidated cash flow statement

RECONCILIATION

(Amounts in €thousand)

Item	Amount	
	2020	2019
Cash and cash equivalent at the beginning of exercise	934,666	2,019,314
Total nel liquidity generated/absorbed in the exercise	1,049,048	(1,099,091)
Cash and cash equivalents: effect of exchange rate variations	(12,524)	14,443
Cash and cash equivalent at the end of exercise	1,971,190	934,666

Key
(+) generated
(-) used

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

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

The item “Cash and cash balances” at the end of 2020 consisted of:

- Cash recognised under asset item 10 “Cash and cash balances” in the amount of €1,760,409 thousand;
- Current accounts and demand deposits recognised under asset item 40 “Financial assets at amortised cost: a) loans and receivables with banks” in the amount of €254,098 thousand;
- net of the Current accounts and demand deposits recognised under liability item 10 “Financial liabilities at amortised cost: a) deposits from banks” in the amount of €43,317 thousand.

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

- Cash recognised under asset item 10 “Cash and cash balances” in the amount of € 754,386 thousand;
- Current accounts and demand deposits recognised under asset item 40 “Financial assets at amortised cost: a) loans and receivables with banks” in the amount of € 250,676 thousand;
- net of the Current accounts and demand deposits recognised under liability item 10 “Financial liabilities at amortised cost: a) deposits from banks” in the amount of € 70,396 thousand.

Part A - Accounting policies

A.1 General

Section 1 - Statement of Compliance with IFRS

In implementation of Legislative Decree no. 38 of February 28, 2005, these Consolidated financial statements of the FinecoBank Banking Group (represented by the Bank and the subsidiary Fineco Asset Management DAC, hereinafter FinecoBank Group or Group) have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, as endorsed by the European Commission, pursuant to EU Regulation 1606/2002 of July 19, 2002 and applicable to financial reports for the periods starting on or after January 1, 2020.

They are an integral part of the Annual Financial Report as required by art. 154-ter, paragraph 1 of the Consolidated Finance Act (TUF, Italian Legislative Decree no. 58 of February 24, 1998).

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

Section 2 - Preparation criteria

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

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

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

Pursuant to Art. 123-bis par. 3 of Consolidated Finance Act, as noted in the "Other Information" section of the Consolidated Report on Operations, the Report on Corporate Governance and Ownership Structures is available in the "Governance" section of the FinecoBank website.

The figures in the Consolidated financial statements and the Notes to the consolidated Accounts are provided in thousands of euros, unless otherwise indicated. In accordance with the Bank of Italy Circular 262/2005, items in the consolidated Balance Sheet, consolidated Income Statement and consolidated Statement of Comprehensive Income for which there is no significant information to be disclosed for the reporting period and the previous year, are not provided.

In addition, the tables in the Notes to the Consolidated Accounts that do not have any significant information to be disclosed are not shown either for the reporting period or the previous year.

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

With reference to IAS 1, these Consolidated financial statements have been prepared on a going concern basis, as there are no doubts or uncertainties as to the ability of the Group to continue its business operations and to continue operating for the foreseeable future (at least for the next 12 months).

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

These criteria have changed in part with respect to the previous year exclusively relating to the introduction of new standards and interpretations, for further details please see the modifications described section 5 “ Other matters”, and in Part “A.2 – The main items of the accounts”.

Part A - Accounting policies

Section 3 – Consolidation Procedures and Scope

The following was used in order to prepare the consolidated Accounts at December 31, 2020:

- the draft accounts at December 31, 2020 of FinecoBank S.p.A.;
- the draft accounts at December 31, 2020 of Fineco Asset Management DAC, fully consolidated, prepared in accordance with IAS/IFRS where the items have been appropriately reclassified and adjusted for consolidation requirements.

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

1. Interests in fully-owned subsidiaries

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

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

2. Valuations and key assumptions to define the scope of consolidation
No data to report.

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

3.1 Minority interests, availability of minority votes and dividends distributed to minority shareholders
No data to report.

3.2 Significant minority interests: accounting data
No data to report.

4. Significant restrictions
No data to report.

5. Other information
No data to report.

Part A - Accounting policies

Section 4 - Subsequent events

No significant events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Consolidated Financial Statements as at December 31, 2020.

The Consolidated Financial Statements at December 31, 2020 were approved by the Board of Directors of February 09, 2021, which authorised their publication also pursuant to IAS10.

Section 5 – Other matters

In 2020, the following accounting standards, amendments and interpretations, approved by the European Commission, become effective for reporting periods beginning on or after January 1, 2020:

- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (EU Regulation 2020/34);
- Amendments to References to the Conceptual Framework in IFRS Standards (EU Regulation 2019/2015);
- Amendments to IAS 1 and IAS 8: Definition of Material (EU Regulation 2019/2104);
- Amendments to IFRS 3 Business Combinations (EU Regulation 2020/551);
- Amendments to IFRS 16 Concessions relating to lease payments following the Covid-19 pandemic (EU Regulation 2020/1434).

Where applicable, these accounting standards, amendments and interpretations had no relevant impact on the consolidated financial position and results as at December 31, 2020.

In particular, as reported in the 2019 consolidated financial statements, at 31 December 2019 the Group had decided not to apply the Commission Regulation (EU) 2020/34, of 15 January 2020 and published on 16 January 2020, early; the Commission Regulation implements the "Amendments to IFRS 9, IAS 39 and IFRS 7: reform of the interest rate benchmarks" issued by the IASB in September 2019 and applicable from January 1, 2020, providing for temporary derogations from the requirements required for the application of hedge accounting in order to mitigate the impact deriving from the uncertainty of the IBOR reform.

In this regard, it should be noted that the Group has only fair value hedges in place which provide for the exchange of the fixed rate against Euribor and whose valuation, as collateralised, is carried out by discounting future flows with the OIS curve. Following the entry into force in 2018 of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 (EU Benchmark Regulation - BMR), the Euribor was subject to a reform process conducted by the European Money Markets Institute (EMMI), director of the same, to make it compliant with BMR according to a new hybrid calculation methodology (based on three levels) to be implemented by the end of 2019. Authorization was granted, pursuant to art. 34 of the BMR, on 2 July 2019 by the Belgian authority FSMA, supervisor of EMMI. The full transition to the new calculation method was completed in November 2019 and the Euribor is therefore BMR-compliant and continues to be used after January 1, 2020. With reference to the OIS curve, the clearing houses (Eurex\LCH) used by FinecoBank had initially communicated that the Eonia rate would be replaced with the € STR rate on 22 June 2020, only to postpone the replacement on 27 July 2020 following the emergency COVID-19. From 27 July, therefore, as a result of the reform in question, and in line with the clearing houses (Eurex\LCH) used by FinecoBank, the Eonia rate of the OIS curve was replaced by the €STR rate, anticipating the disposal of the Eonia rate which will take place at end of 2021.

In December 2020, the European Union endorsed the “Amendments to IFRS 4 Insurance Contracts - Extension of the Temporary exemption from applying IFRS 9 (EU Reg. 2020/2097)”, which become effective on January 5th, 2021 and apply from January 1st, 2021 for financial years beginning on or after January 1st, 2021.

With regard to the “Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16”, Commission Regulation (EU) 2021/25 of January 13th, 2021 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 39 and International Financial Reporting Standards 4, 7, 9 and 16 was published in the Official Gazette of the European Union on January 14th, 2021. The provisions contained in the Regulation apply at the latest from the financial years ending on or after January 1st, 2021.

In addition, at December 31st, 2020, the IASB had issued the following standards and accounting interpretations or revisions to them, whose application is however still subject to completion of the endorsement by the competent bodies of the European Union, which is still underway:

- IFRS 17 – Insurance contracts (May 2017), including Amendments to IFRS17 (June 2020);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Postponement of the effective date (January 2020 and July 2020 respectively);
- Amendments to: IFRS 3, IAS 16, IAS 37 (May 2020);
- Annual Improvements 2018-2020 (May 2020).

Part A - Accounting policies

The possible effects of the future adoption of these standards, interpretations and amendments, to the extent applicable and relevant to the Group, are reasonably expected to be immaterial. However, the related analyses, also concerning the aspects that have not yet been endorsed, are still to be completed.

In addition, in its communication of December 15th, 2020 "Additions to the provisions of Circular No. 262 "Bank financial statements: layouts and preparation" concerning the impacts of the COVID-19 pandemic, the measures to support the economy and the amendments to IAS/IFRS", the Bank of Italy supplemented the provisions governing the financial statements of banks (Circular No. 262 of December 22nd, 2005) to provide the information to the market on the effects that COVID-19 and the measures to support the economy have had on the risk management strategies, objectives and policies, as well as the earnings and financial position of intermediaries. The provisions apply starting from the financial statements for the year ended or in progress at December 31st, 2020, except for the comparative information relating to the previous year and the information on write-offs in Tables 3.3a and 4.4a of Part B - Balance Sheet and A.1.7a of Part E - Information on risks and related hedging policies, which must be provided starting from the financial statements for years ending or in progress on December 31st, 2021.

The tables supplementing the provisions of Circular No. 262 are listed below:

- 3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross amount and total valuation adjustments;
- 4.4a Loans measured at amortised cost subject to COVID-19 support measures: gross amount and total valuation adjustments;
- 8.1a Net credit risk valuation adjustments for loans measured at amortised cost subject to COVID-19 support measures: breakdown;
- 8.2.a Net credit risk valuation adjustments for loans measured at fair value through other comprehensive income subject to COVID-19 support measures: breakdown;
- A.1.5a Loans subject to COVID-19 support measures: transfers between different credit risk stages (gross amounts);
- A.1.7a Loans subject to COVID-19 support measures: gross and net amounts.

In making these additions, the Bank of Italy, where applicable, took into account the documents published in recent months by the European regulatory and supervisory bodies and the standard setters aimed at clarifying the application of IAS/IFRS in the current circumstances (particularly with regard to IFRS 9). It also made reference to the disclosures required by the amendment to IFRS 16 concerning COVID-19-related rent concessions and made further changes to take into account the new disclosure requirements of IFRS 7 in relation to the interest rate benchmark reform.

Actions taken by Central Banks as a result of the COVID-19 pandemic

As already noted in the section "Events during the period" and the section "Consolidated own funds and capital ratios" of the Consolidated Report on Operations, in order to cope with the deep economic contraction and support the economy, the European Central Bank adopted an extraordinary monetary package to support the real economy of the Eurozone. This included expanding its Quantitative Easing programme and introducing more favourable conditions for the TLTRO-III from June 2020 to June 2022, with interest rates that can go up to 50 basis points below the deposit rate. It also introduced a new liquidity instrument, the Pandemic Emergency Longer Term Refinancing Operations ("PELTRO"), together with a Pandemic Emergency Purchase Program ("PEPP") for public and private sector securities, with an emphasis on government bonds, which will run until at least March 2022.

In addition, the European Central Bank adopted a series of measures designed to ensure that directly supervised credit institutions could continue to play their role in financing the real economy in light of the economic effects of COVID-19, measures that were also adopted by the Bank of Italy for less significant credit institutions, where applicable. To this end, the European Central Bank and at its invitation the Bank of Italy gave credit institutions the possibility of operating temporarily below the level of the target component assigned following the SREP process, while also recommending that no dividends be paid out for the years 2019 and 2020 or provisional dividends be made from 2021 profits, and that credit institutions refrain from carrying out share buy-backs aimed at remunerating shareholders, in order to increase their loss absorption capacity and support loans to households, small businesses and corporations. Specifically:

- in a Press Release on March 20th, 2020, the Bank of Italy, in line with the actions taken by the European Central Bank in relation to significant banks, allowed intermediaries to operate temporarily below the level of the target component assigned following the SREP process (Pillar 2 Guidance - P2G) and of the Capital Conservation Buffer (CCB) and the Liquidity Coverage Ratio (LCR);
- on March 27th, 2020, in view of the emergency situation being faced by the European Union, the European Central Bank and at its invitation the Bank of Italy recommended that banks refrain from paying out dividends for the years 2019 and 2020 until at least October 1st, 2020 and from carrying out share buy-backs aimed at remunerating shareholders, in order to increase their loss absorption capacity and support

loans to households, small businesses and corporations (Recommendation ECB/2020/19, published in the Official Journal of the European Union on March 30th, 2020, repealing Recommendation ECB/2020/01 of January 17th, 2020[29]);

- on July 27th, 2020, the European Central Bank renewed its recommendation to refrain from paying out dividends for the financial years 2019 and 2020, including reserve distributions, and from undertaking any irrevocable commitments to pay out dividends for those financial years and from carrying out share buy-backs aimed at remunerating shareholders until January 1st, 2021 (Recommendation ECB/2020/35, published in the Official Journal of the European Union on July 31st, 2020, repealing Recommendation ECB/2020/19 of March 27th, 2020). On July 28th, 2020, the Bank of Italy also renewed its recommendation in line with the guidance provided by the European Central Bank for significant banks, continuing to encourage banks and non-bank intermediaries under its supervision to use the target component assigned following 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 favour lending to households and businesses, in line with the guidance provided by the European Central Bank;
- on December 15th, 2020, the European Central Bank adopted a further recommendation (Recommendation ECB/2020/62, published in the Official Journal of the European Union on December 18th, 2020, repealing Recommendation ECB/2020/35 of July 27th, 2020) on the dividend distribution and share buy-back policies that credit institutions and significant supervised groups should adopt in the economic conditions resulting from the COVID-19 emergency, stressing the importance of continuing to take a prudent approach to dividend distributions or share buy-backs aimed at remunerating shareholders. In a Press Release on December 16th, 2020, the Bank of Italy announced its decision to maintain an extremely prudent approach, in line with the stance adopted by the European Central Bank for significant banks, in order to safeguard the ability of banks to absorb losses and provide loans to support the economy. In particular, the Bank of Italy recommended that, until September 30th, 2021, Italian less significant banks should:
    - refrain from deciding or paying out dividends or limit these dividends to no more than 15 per cent of the accumulated profit for the financial years 2019 and 2020, or no more than 20 basis points in terms of the Common Equity Tier 1 ratio, whichever is lower;
    - refrain from deciding on or paying out provisional dividends in relation to profit for 2021;
    - exercise extreme prudence in calculating variable remuneration.

  In the absence of a substantial worsening in the macroeconomic situation, starting on September 30th, 2021 the Bank of Italy, in line with the European Central Bank's recommendations, will revert to assessing dividend distribution and remuneration policies based on the ordinary supervisory review and evaluation process for individual banks.

In addition, on June 26th, 2020, Regulation (EU) 2020/873 of the EU Parliament and of the Council was published (referred to as the CRR "Quick fix") 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. The new regulation allows credit institutions to adopt specific transitional arrangements and bring forward the application of certain measures provided for in CRR II, in order to provide capital support to the credit institutions so they can continue to support the real economy in the context of the COVID-19 pandemic. The main measures included:

- the introduction of a transitional period, from January 1st, 2020 to December 31st, 2022, during which institutions may calculate their Common Equity Tier 1 capital without including the amount of unrealised gains and losses accumulated since December 31st, 2019 on debt instruments measured at fair value through other comprehensive income, corresponding to exposures to central governments, regional governments or local authorities referred to in Article 115(2) of the CRR and to public sector entities referred to in Article 116(4) of the CRR, excluding credit-impaired financial assets ("Temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic");
- the extension until December 31st, 2024 of the transitional arrangements that allow institutions to reduce the potential impact on CET1 resulting from the increased expected credit loss provisions calculated according to the IFRS 9 impairment model, by progressively including them in the CET1 ("Temporary treatment for mitigating the impact on own funds of the introduction of IFRS 9");
- the advance by one year of the application of the more favourable prudential treatment of salary-backed loans, exposures to SMEs and exposures to entities managing infrastructure projects;
- the reinstatement until December 31st, 2024 of the transitional treatment for public debt issued in the currency of another Member State, which allows institutions to apply a more favourable risk weight that increases progressively until the end of the transitional period for exposures to central governments and central banks where those exposures are denominated in the domestic currency of another Member State ("Temporary treatment of public debt issued in the currency of another Member State");
- the possibility of the temporary exclusion, until June 27th, 2021, of certain exposures to central banks from the total exposure measure used to calculate leverage in view of the COVID-19 pandemic, subject to a public statement by the relevant central bank that exceptional circumstances exist that warrant the exclusion in order to facilitate the implementation of monetary policies. On November 10th, 2020, the Bank of Italy publicly declared the existence of exceptional circumstances warranting the exclusion, until June 27th, 2021, of the central

[29] On January 17th, 2020, the European Central Bank issued Recommendation ECB/2020/01 on dividend distribution policies, published in the Official Journal of the European Union on January 29th, 2020. The Recommendation stated that credit institutions should establish dividend policies using conservative and prudent assumptions in order to ensure that, after each distribution, they comply with the applicable capital requirements and the findings of the supervisory review and evaluation process (SREP). The Recommendation divides credit institutions into three categories, and provides specific guidance for each category on the distribution of dividends that will be paid in 2020 for the financial year 2019.

bank exposures identified in points (a) and (b) of Article 500b(1) of the CRR from the total exposure measure used to calculate the leverage ratio in order to facilitate the implementation of monetary policies ("Temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic");
- amendment to the calendar provisioning rule to align the treatment of non-performing exposures backed by government guarantees or public counter-guarantees granted by individual national governments with the treatment of non-performing exposures guaranteed or insured by official export credit agencies, so that no minimum level of provisioning is required on the guaranteed amount for the first seven years.

Lastly, Commission Delegated Regulation (EU) 2020/2176 was published on December 22nd, 2020, which brings forward the regulatory framework introduced by CRR II that introduces the concept of prudential accumulated amortisation (for three years) of software assets, to be compared against the accumulated amortisation for accounting purposes to determine the amount to be deducted from Common Equity Tier 1 capital.

Documents supporting the application of accounting standards in relation to COVID-19 impacts, issued by the European Authorities/Standard setters

The health emergency caused by the spread of the COVID-19 pandemic and the uncertainty regarding its duration have had serious repercussions on the banking and financial system, whose outlook for the near future is still difficult to foresee.

In this context, in addition to the measures adopted by the national governments and central banks aimed at supporting the real economy, several Authorities have issued a series of guidance and measures concerning the accounting aspects, aimed a providing intermediaries flexibility in managing this particular situation, to enable them to provide their support for the measures adopted by national governments to deal with the economic impact from the COVID-19 pandemic.

The documents issued by the various European Authorities/Standard Setters, regarding the accounting and financial reporting aspects, covered the following specific matters in particular:

- guidance on the classification of loans and in particular the guidelines on the treatment of moratoria;
- the calculation of Expected Credit Loss (ECL) in accordance with IFRS 9 on a forward-looking basis;
- transparency and market disclosure.

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

- on March 11th, 2020, the ESMA published the recommendation "ESMA recommends action by financial market participants for COVID-19 impact" in which it provided guidelines for conduct to be adopted in response to the impact of COVID-19 concerning the following:
  - Business continuity planning;
  - Market disclosure: issuers should disclose as soon as possible any relevant significant information concerning the impacts of COVID-19 on their fundamentals, prospects or financial situation in accordance with their transparency obligations under the Market Abuse Regulation;
  - Financial reporting: issuers should provide transparency on the actual and potential impacts of COVID-19, to the extent possible based on both a qualitative and quantitative assessment on their business activities, financial situation and economic performance. This transparency must be provided in the annual financial report for 2019, if this has not already been approved by the management body, or in the next interim report (half-yearly or quarterly report if voluntarily prepared by the company);
  - Fund management: asset managers should continue to apply the requirements on risk management and react accordingly.
- on March 20th, 2020, the European Central Bank, in its communication "ECB Banking Supervision provides further flexibility to banks in reaction to coronavirus", provided guidance on the classification and measurement of loans. In particular, it clarified that the acceptance of a moratorium should not automatically trigger unlikely-to-pay status, because the payments have been postponed on a legislative basis and as a result the counting of days past due has been suspended until the end of the moratorium. In addition, under its prudential remit, it recommended that banks avoid excessively pro-cyclical assumptions in their provisioning models. For the calculation of expected credit losses, it calls on credit institutions to give greater weight to the stable long-term outlook evidenced by past experience and to take into account support measures taken by public authorities, such as payment moratoria;
- on March 25th, 2020, the ESMA provided guidance on the accounting implications of the COVID-19 pandemic for the calculation of IFRS 9 ECLs in its public statement "Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9", which provided guidance on how to consider moratoria in the application of the IFRS 9 requirements on "Modification and Derecognition", "Assessment of significant increase in credit risk (SICR)" and "Expected Credit Loss estimation". The ESMA clarified that the measures adopted in the context of the COVID-19 pandemic, which enable the suspension or deferral of payments, should not automatically result in the recognition of a Significant Increase in Credit Risk (SICR) with classification to Stage 2. With regard to the forward-looking component required by IFRS 9, the ESMA referred to the guidance provided by the European Central Bank, which calls on

credit institutions to give greater weight to the stable long-term outlook evidenced by past experience and to take into account support measures taken by public authorities, such as payment moratoria. Lastly, the ESMA called on companies to be as transparent as possible, stressing the importance of publicly disclosing, in the relevant financial disclosures, the actual and potential impacts arising from the COVID-19 pandemic, in particular decisions and judgements made on how and the extent to which the effect of COVID-19 and related support measures have been factored into the assessment of SICR and Expected Credit Loss, as well as the use of forward-looking information;

- on March 25th, 2020, the EBA published the document "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS9 in light of COVID-19 measures", in which it addressed the topic of the management of loans subject to moratoria for the aspects related to (i) identification of default (ii) forbearance measures and (iii) IFRS 9 staging, specifying that the acceptance of a moratorium – either legislative or granted by the bank – is not an automatic trigger of default and is not, per se, a forbearance measure, because the moratoria are preventive in nature and general in scope (they are not set up specifically for the customer). The basic concepts were further examined and detailed in the subsequent EBA Communication "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" (EBA/GL/2020/02) of April 2nd, 2020. Subsequently, on June 2nd, 2020, the EBA published the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis" (EBA/GL/2020/07), which introduced specific disclosure and reporting on payment moratoria.[30] Lastly, on December 2nd, 2020, the EBA published the document "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis" (EBA/GL/2020/15), in which it extended the guidelines on legislative and non-legislative moratoria until March 31st, 2021, previously applicable until September 30th, 2020;
- on March 27th, 2020, the ESMA published the public statement "Actions to mitigate the impact of COVID-19 on the EU financial markets regarding publication deadlines under the Transparency Directive", aimed at promoting coordinated action by the national competent authorities regarding periodic disclosure requirements for periods ending on or after December 31st, 2019 in the context of the COVID-19 pandemic.
- on March 27th, 2020, the IFRS Foundation published "Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic", which did not amend IFRS 9 but clarified that entities should not mechanically apply the existing methodology for determining ECL and should make adjustments to their models to take into account the different circumstances brought about by the pandemic, as well as the governmental economic support measures taken in response to COVID-19;
- on April 1st, 2020, the European Central Bank published the letter "IFRS 9 in the context of the coronavirus (COVID-19) pandemic", addressed to significant banks, aimed at providing further guidance and references concerning the calculation of ECLs during the COVID-19 pandemic and avoiding the use of overly pro-cyclical assumptions. In particular, the letter provides guidance on:
    - Collective assessment for identifying a significant increase in credit risk (SICR)
    - Long-term macroeconomic forecasts
    - Macroeconomic forecasts over a period of 3 years (2020, 2021 and 2022)
- on April 9th, 2020, Consob issued a call for attention on financial reporting, in which it drew attention to the specific public statements on the impacts of COVID-19 on financial reporting by listed companies published by the ESMA in March, described above, containing recommendations that were referred to in full;
- on May 20th, 2020, the ESMA published the public statement "Implications of the COVID-19 outbreak on the half-yearly financial reports", aimed at promoting transparency and consistent application of the European requirements for the information provided in the half-yearly financial reports under the current circumstances related to the COVID-19 pandemic. In particular, the ESMA addressed the issue of the preparation of the interim financial statements according to IFRS and the interim management reports for the 2020 half-yearly reporting periods. It highlighted the need for issuers to provide updated information that is useful to investors to adequately reflect the current and expected impact of the COVID-19 situation on the financial position, performance and cash flows of issuers and the importance of providing information on the identification of the principal risks and uncertainties to which issuers are exposed. Specifically, the ESMA expects that, for many issuers, COVID-19 will constitute a significant event under IAS 34, which will require them to adjust and expand the level of detail of the information provided in the half-yearly financial statements. It also highlighted the need to assess whether the pandemic is an indicator of impairment and consequently perform an impairment test to estimate the recoverable amount of non-financial assets in accordance with IAS 36;
- on July 16th, 2020, Consob issued a call for attention on the financial reporting of listed companies in which it drew the attention of those involved in producing financial reports to the recommendations provided by the ESMA in its public statement "Implications of the COVID-19 outbreak on the half-yearly financial reports" referred to above. In line with that document, Consob also considers the judgements that directors are required to make pursuant to IAS 36 "Impairment of Assets" are important for the preparation of the half-yearly reports. In particular, issuers must assess whether the effects of the COVID-19 pandemic constitute indicators of impairment that require specific tests to be performed on the recoverability of the assets. Particular attention should be paid to the description of the significant uncertainties and risks related to COVID-19, especially if they cast doubt on the issuer's ability to continue as a going concern. Consob also added the guidance, regarding the description of the impacts of the COVID-19 pandemic on profit or loss, that issuers should provide information, also on a quantitative basis, in an individual note to their interim financial statements, to allow users of the financial statements to understand the overall impact of the pandemic on the profit or loss for the period;
- on October 28th, 2020, the ESMA published its annual public statement "European common enforcement priorities for 2020 annual financial reports". This document consists of 3 sections:

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

  - Section 1 – Containing the common priorities for the IFRS financial statements for the year 2020 and related to the following accounting standards:
    - IAS 1 Presentation of Financial Statements;
    - IAS 36 Impairment of Assets;
    - IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures;
    - IFRS 16 Leases
  - Section 2 - Containing priorities for non-financial statements and relating to:
    - Impact of the COVID-19 pandemic on non-financial matters;
    - Social and employee matters;
    - Business model and value creation; and
    - Risk relating to climate change.
  - Section 3 - Containing considerations on the application of the ESMA Guidelines on Alternative Performance Measurement (APM) in relation to COVID-19[31].

  In setting its priorities, the ESMA focused on the need to provide appropriate and transparent information on the consequences of the COVID-19 pandemic, referring to the recommendations and concepts already set out in the public statement "Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9" published in March 2020 and the public statement "Implications of the COVID-19 outbreak on the half-yearly financial reports" published in May 2020;
- on December 4th, 2020, the European Central Bank published the letter "Identification and measurement of credit risk in the context of the coronavirus (COVID 19) pandemic", addressed to significant banks and aimed at providing additional guidance on credit risk identification and measurement in the context of the COVID-19 pandemic. As the COVID-19 pandemic progressed, the European Central Bank had identified heterogeneous practices among significant institutions in implementing the letter of April 1st, 2020, and had therefore considered it necessary to emphasise the importance for significant institutions of ensuring that credit risk is properly assessed, classified and measured in their financial statements. This serves to provide appropriate solutions to distressed debtors in a timely manner, helping to contain the build-up of problem assets at banks and consequently minimise and mitigate any cliff effects where possible. In this regard, it is crucial that significant institutions strike the right balance between avoiding excessive pro-cyclicality and ensuring that the risks they are facing (or will face) are adequately reflected in their internal risk measurement and management processes, financial statements and regulatory reporting.

Risks, uncertainties and impacts of the COVID-19 pandemic

In the section "Events during the period" of the Consolidated Report on Operations, which should be referred to for additional details, FinecoBank provided information on the impacts and current and future risks for the Group resulting from the COVID-19 pandemic, specifying that, from a forward-looking perspective, it does not expect to see a substantial impact on its strategic orientation, objectives or business model, which in fact will come out stronger, nor does it estimate an overall impact on performance thanks to the Group's diversified sources of revenues.

That section also provides detailed information on the calculation of the Expected Credit Loss (ECL) according to IFRS 9 from a forward-looking perspective, as well as the classification of loans and the treatment of moratoria. More details can also be found in Part E - Information on risks and related hedging policies of the Notes to the consolidated accounts.

In the application of IFRS, and irrespective of the crisis generated by the COVID-19 pandemic, management is required to make judgements, estimates and assumptions about the carrying amounts of certain assets and liabilities as well as the information regarding potential assets and liabilities. The estimates and related assumptions, detailed in the section below, are based on previous experience and other factors considered reasonable under the circumstances and have been used to estimate the carrying amounts of assets and liabilities not readily available from other sources. At December 31st, 2020, these estimates may be affected by the COVID-19 pandemic and the result of the containment measures that are not yet foreseeable.

Risks and uncertainties related to the use of estimates

In the presentation of the consolidated financial statements at December 31st, 2020, estimates have been used to support the carrying amount of some of the valuation-based items, as required by the accounting standards and regulations described above. These estimates are largely based, as regards assets, on calculations of future recoverability of the values recognised in the accounts and as regards liabilities, on estimates of the probability of using resources to meet the Group's obligations and on the amount of resources necessary to that end, according to the rules laid down in current

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

legislation and standards. They have been made on the assumption of a going concern, on which basis these consolidated financial statements have been prepared, i.e. without contemplating the possibility of the forced sale of the estimated items.

The processes adopted support the carrying amounts at December 31st, 2020. For some of the above items, the valuation is particularly complex given the uncertainty of the macroeconomic and market situation, characterised by significant levels of volatility in the financial parameters determining the valuation and continued high indicators of deterioration in credit quality, and, more generally, uncertainty and instability in the banking sector.

For other items, the complexity and subjectivity of estimates is influenced by the intricacy of the underlying assumptions, the amount and variability of available information and the uncertainties connected with possible future outcomes of proceedings, disputes and litigation.

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

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

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

- fair value of financial instruments not listed in active markets;
- loans and related adjustments and, in general, any other financial assets/liabilities (see the specific section "Impairment" for more details);
- employee severance pay provision and other employee and personal financial advisor benefits;
- provisions for risks and charges;
- goodwill;
- deferred tax assets;
- tax liabilities;

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

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

In response to the uncertainty generated by the COVID-19 pandemic and the government support measures adopted, the main European authorities (IASB, EBA, ECB, European Commission, etc.) have provided guidance regarding the regulatory and accounting treatment of credit exposures. Though they have stressed the need to incorporate the worsening macroeconomic scenario caused by the crisis, in line with the spirit of IFRS 9, they have also determined that the current state of uncertainty justifies using the flexibility that the standard affords. These authorities have recommended adopting flexibility with respect to the mechanical application of the existing approaches to calculating the provisions, in order to achieve the right balance between the need to avoid excessive pro-cyclicality and ensure that the risks that institutions are (or will be) exposed to are properly reflected in their internal risk measurement and management processes.

In line with the European guidance on measuring significant increase in credit risk (SICR), the COVID-19 emergency has not changed the Group's internal rules for assessing the quality of loans and classifying them as Stage 1, 2, or 3. The pandemic relief measures such as the moratorium on loan instalments or tolerance of late payments are no exception, as they are not considered an automatic trigger for SICR let alone for classifying loans as forborne.

With reference to the future cash flow projections, assumptions and parameters used to measure the recoverability of goodwill of Fineco's trademarks and domains, the parameters and information used are significantly influenced by the macroeconomic market situation, which may change unpredictably in light of the uncertainties outlined above. In this regard, on January 19th, 2021, the Board of Directors approved the procedure adopted for determining the value in use of goodwill, brands and domains (model, assumptions and parameters used). The results confirmed the sustainability of the goodwill recognised in the financial statements, as none of the scenarios used identified the need for any impairment write-downs, confirming a value in use well above the carrying amount. The sensitivity analyses carried out also showed that, for the impairment testing to reach a break-even level, changes in the main parameters used in the valuation model would need to be assumed that are not currently reasonably likely. For more information about the impairment testing and the related sensitivity analyses, see Part B – Consolidated Balance Sheet – Section 10 – Intangible assets of the Notes to the consolidated accounts.

With regard to valuation techniques, unobservable inputs and parameters used to measure fair value and sensitivity to change in those inputs, see Part A - Section A.4 "Information on fair value" of these Notes to the consolidated accounts.

Part A - Accounting policies

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

With regard to the provisions for risks and charges arising from legal disputes and claims, see Part E – Information on risks and related hedging policies - Section 5 - Operating risk of these notes to these consolidated financial statements.

Going concern declaration

As described above, during 2020 the spread of the COVID-19 pandemic and the associated restrictive measures resulted in negative effects on the real economy, which are expected to be partially offset by the economic support measures implemented by governments. FinecoBank has taken these circumstances into account in its valuation of the significant financial statement and, while it is aware of the current uncertainty about the expected economic recovery and the long-term impacts of the restrictive measures adopted, it believes, on the basis of those valuations, that there are no uncertainties regarding the Group's ability to continue as a going concern in the foreseeable future or uncertainties that would give rise to a material adjustment to the carrying amounts within the next financial year. However, it cannot be ruled out that, due to their nature, those reasonable assumptions may not be confirmed in the Group's actual future scenarios. These scenarios may be affected by factors such as the uncertainties arising from the COVID-19 pandemic and the containment measures that have been and may be implemented in the future to contain the spread of the virus, as well as the measures to support the economy, households and businesses, implemented by governments and supported by the central bank monetary policies.

In performing this valuation, the Bank has also considered the Group's key regulatory indicators, in terms of the period end figures at December 31st, 2020, the related buffers with respect to the minimum regulatory requirements and their evolution in the foreseeable future.

FinecoBank has considered these circumstances and considers that it is reasonably certain that the Group will continue to operate successfully in the foreseeable future and, therefore, in accordance with IAS 1, the consolidated financial statements for the year ended December 31st, 2020 have been prepared on a going concern basis.

Contract modifications resulting from COVID-19

1. Contract modifications and derecognition (IFRS 9)

To limit the long-term effects of the crisis generated by the health emergency, the Italian Government adopted extraordinary measures to limit unemployment and support the most vulnerable sectors, which were accompanied by government-backed bank loans to businesses. The aid fund for first home mortgages (the Gasparrini Fund) was also extended to employees, self-employed workers and freelance professionals that have suffered more than a 33% decrease in revenue, due to the coronavirus emergency, compared with the turnover in the last quarter of 2019, as a result of the restrictions adopted for the COVID-19 emergency. Those eligible can suspend their loan payments for a determinated period and pay 50% of the interest accrued on the outstanding debt during the suspension period. The Gasparrini Fund (known as Consap) covers the remaining 50% of the interest accrued during the suspension period.

In addition to the above, FinecoBank subscribed to the ABI-Consumer Associations Agreement for the suspension of loans to households as a result of the COVID-19 pandemic (personal loans and mortgages other than those meeting the conditions for recourse to the Gasparrini Fund), in line with the EBA Guidelines, mentioned above. Those eligible can suspend loan instalments (principal only or principal and interest) for a temporary period and pay 100% of the interest accrued on the outstanding debt during the suspension period.

For both moratoria, where there are no other additional factors not strictly related to those moratoria, FinecoBank has applied modification accounting, in line with the ESMA guidance, because the contract modifications are considered to be immaterial. The Group conducted a qualitative assessment and considered that these support measures provide temporary relief to borrowers affected by the COVID-19 pandemic, without significantly impairing the economic value of the loan.

Given that interest accrues on the postponed amounts (100% borne by the customer for the ABI agreement moratoria or 50% borne by the customer and 50% borne by Consap for the moratoria using the Gasparrini Fund), no significant modification losses have been identified.

2. Amendment to IFRS 16

Regulation (EU) 1434/2020 of October 9th, 2020 introduced amendments to IFRS 16 Leases to implement the amendments "COVID-19-Related Rent Concessions" published by the IASB on May 28th, 2020 designed to provide an optional and temporary practical expedient for lessees, namely the option not to apply the accounting rules for lease modification in the case of rent concessions occurring as a direct consequence of COVID-19. The Regulation applies from June 1st, 2020 for financial years starting on or after January 1st, 2020. The Group has not applied this practical expedient.

Interbank Deposit Guarantee Fund - Voluntary Scheme

FinecoBank has subscribed to the "Voluntary Scheme", introduced by the Interbank Deposit Guarantee Fund ("IDGF") in November 2015, through an amendment to its bylaws. The Voluntary Scheme is an instrument for resolving bank crises through support measures in favour of banks subscribing to it, when specific conditions established by the regulations apply. The Voluntary Scheme has its own independent financial resources and the banks subscribing to it have committed to provide funds on request for implementation of the measures.

From 2016 to 2018, the Voluntary Scheme, in a capacity as a private entity, approved initiatives to support some banks, and in particular Cassa di Risparmio di Cesena (CariCesena), Cassa di Risparmio di Rimini (Carim), Cassa di Risparmio di San Miniato (Carismi) and Banca Carige.

For the above initiatives, FinecoBank made cash payments with simultaneous recognition in the financial statements, as indicated in this regard by the Bank of Italy, recognised in the financial statements as equity instruments and previously classified as "Financial assets available for sale" under the accounting standard IAS 39 in effect until December 31st, 2017, and subsequently from January 1st, 2018, based on the current accounting standard IFRS 9, as "Financial assets measured at fair value through profit or loss, c) other financial assets mandatorily at fair value".

As at December 31, 2020, total exposure of equity instruments, arising from grants deriving from the aforementioned contributions paid by the Bank, net of write-downs and cancellations made in previous years and of the effects of the fair value valuation on that date amounted to €1,196 thousand (of which €875 thousand relating to the contributions paid for the intervention in favour of Carige and €321 thousand relating to the contributions paid for the intervention in favour of Carim, Carismi and CariCesena).

In particular, the fair value measurement as at December 31, 2020 of equity instruments booked by the Bank as part of the operation approved by the Voluntary Scheme for the initiative taken by Credit Agricole CariParma in support of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi) showed an impairment which has resulted in the recognition in the income statement in 2020 a further negative fair value valuation of €1 thousand. The measurement model adopted is based on the Discounted Cash Flow model depending on recovery assumptions.

The fair value measurement as at December 31, 2020 of equity instruments booked by the Bank as part of the initiative supporting Banca Carige S.p.A. showed an impairment which resulted in the recognition in the income statement in 2020 a further negative fair value valuation of €1,432 thousand. As market or price valuations of comparable instruments were not available nor, the fair value of the instrument was determined by the Bank using internal models based on Market Multiples methodology applied to multi-scenario analysis. The scenarios considered in the assessment incorporate the COVID-19 scenario (collapse of bank securities).

Contributions to guarantee and resolution funds

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

With regard to the contribution obligations under the above-mentioned directive, in a communication dated November 26th, 2020, the Interbank Deposit Guarantee Fund announced that the total contribution due from the Consortium Members for 2020 was € 952.4 million, broken down as follows:

- €641.6 million as ordinary contributions;
- €284.6 million as additional contributions, aimed at gradually replenishing the total financial resources used to date for interventions;
- €26.2 million as a supplementary contribution to cover the funds availability fee and the agent bank fee to be paid to the lending banks in relation to the loan agreement signed on August 2nd, 2019 by the Interbank Deposit Guarantee Fund with a pool of member banks.

The share of each consortium member was calculated based on their respective amount of protected deposits at September 30th, 2020 and risk-adjusted on the basis of the management indicators of the Fund's risk-based model for calculating the contributions, in accordance with Article 28, paragraph 2 of its Articles of Association.

Part A - Accounting policies

The Group's share for the year 2020, which is only paid by the Parent Company FinecoBank, is recognised under item 190. "Administrative expenses b) other administrative expenses", and totalled €25.9 million, broken down as follows:

- €17.5 million for the ordinary annual contribution;
- €7.7 million for the additional contribution;
- €0.7 million for the supplementary contribution.

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

The Group's share for the year 2020, which is only paid by the Parent Company FinecoBank, is recognised under item 190. "Administrative expenses b) other administrative expenses" and amounted to € 0.7 million (no contribution was requested from FinecoBank up to the year ended December 31st, 2019). This was accompanied by the additional contribution to the National Resolution Fund pursuant to Article 1, paragraph 848 of Law 208/2015, called up from the banking system by the Bank of Italy in June 2020, recognised under item 190. "Administrative expenses b) other administrative expenses", and amounting to € 0.2 million.

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

Single electronic reporting format for the preparation of annual financial reports

Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 introduced the requirement for securities issuers listed on regulated markets in the European Union to prepare their annual financial report in the XHTML language, based on the ESMA-approved European Single Electronic Format (ESEF).

XBRL (eXtensible Business Reporting Language) is machine-readable and enables the automated use of large amounts of information. XBRL is well established and used in several jurisdictions and is currently the only appropriate markup language for the information contained in financial statements. The use of the XBRL markup language consists of applying a taxonomy to convert human readable text into machine-readable information. The IFRS taxonomy, made available by the IFRS Foundation, is a consolidated taxonomy developed to markup disclosures in accordance with the IFRS. The use of the IFRS taxonomy facilitates worldwide comparability of markups in financial statements prepared in accordance with the IFRS.

Issuers will be required to "markup" the IFRS consolidated financial statements contained in the annual financial reports for the financial years beginning on or after January 1st, 2020. For the "markups", issuers will use the XBRL markup language and a taxonomy in which the elements will be those set out in the core taxonomy contained in Delegated Regulation (EU) 2018/815 and subsequent Regulations amending its content. Where it is not appropriate to use elements in the core taxonomy, issuers will create extension taxonomy elements.

From January 1st, 2020, and therefore from the consolidated financial statements for the year ending December 31st, 2020, the following information must be marked up:

- Basic identification details
- Consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows)

From January 1st, 2022, and therefore from the consolidated financial statements for the year ending December 31st, 2022, the obligation of preparation in accordance with the new ESEF will also extend to the information contained in the Notes to the consolidated accounts and the consolidated report on operations when cross references are made.

Finally, it should be noted that in December 2020 the European Commission communicated that the European Parliament and the European Council have agreed on the amendment of the Transparency Directive, providing for the faculty for Member States to postpone the application of the ESEF for one year; however, at the date of these Financial Statements, the granting of this extension has not been officially approved. FinecoBank, therefore, by not applying these provisions on a voluntary basis, does not prepare the 2020 consolidated annual financial report in XHTML based on the ESEF approved by ESMA.

Part A - Accounting policies

Other information

The Consolidated financial statements as at December 31, 2020 have been reviewed, pursuant to Italian Legislative Decree no. 39 of January 27, 2010 and Regulation (UE) 2014/537, by Deloitte & Touche S.p.A. appointed as auditor of the Bank's accounts in implementation of the Shareholders' Meeting resolution of April 16, 2013.

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

Part A - Accounting policies

A.2 The main items of the accounts

1 – Financial assets at fair value through profit and loss

a) Financial assets held for trading (HFT)

A financial asset is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative contract not designated within hedge accounting operations, with a positive fair value incorporated into financial liabilities other than those valued at fair value through profit and loss.

Financial assets held for trading financial are initially recognised, at settlement date with regard to debt and equity securities and disbursement data with regard to loans, at its *fair value*, which is usually equal to the amount paid, excluding transaction costs and income, which are recognised through profit or loss even when directly attributable to the financial assets. Trading book derivatives are recognised at trade date.

After initial recognition these financial assets are measured at their fair value through consolidated profit or loss.

An exception is represented by derivatives settled by delivery of an unlisted equity instrument whose fair value cannot be reliably measured, and which are therefore measured at cost.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (usually called the ‘underlying') provided that in case of non-financial variable, this is not specific of one of the parties;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative is separated from financial liabilities other than those measured at fair value through profit or loss and from non-financial instruments, and is recognized as a derivative, if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid (combined) instrument is not measured entirely at fair value through profit or loss.

When an embedded derivative is separated, the host contract is accounted for according to its accounting classification.

A gain or loss arising from sale or redemption or a change in the fair value of a HFT financial asset is recognised in consolidated income statement in item 80 "Gains (losses) on financial assets and liabilities held for trading", including financial derivatives relating to a fair value option.

If the fair value of an instrument falls below zero, which may happen with derivative contracts, it is recognised in item 20. “Financial liabilities held for trading” of the liabilities in the consolidated balance sheet.

b) Financial assets designated at fair value

A non-derivative financial asset may be designated at fair value if such designation avoids accounting mismatches deriving from the valuation of assets and associated liabilities according to different valuation criteria.

These assets are accounted for alike “Financial assets held for trading” (see point a) Financial Assets held for trading) with the exception of gains and losses, both realised and unrealised, that are recognised in the consolidated income statement in item 110. "Gains (losses) on financial assets and liabilities at fair value through profit and loss: a) financial assets and liabilities designated at fair value".

At the balance sheet date, no financial assets classified as "Financial assets designated at fair value" were held.

c) Other financial assets mandatorily at fair value

A financial asset, that is not held for trading, is classified as financial asset mandatorily at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for being measured at amortised cost or at fair value through other comprehensive income.

Specifically, the following assets have been classified in this portfolio:

- debt instruments, securities and loans for which the business model is neither held to collect nor held to collect and sell but which are not part of the trading book;
- debt instruments, securities and loans with cash flows that are not solely payment of principal and interest;
- units in investment funds;
- equity instruments for which the Group does not apply the option granted by the standard of valuing these instruments at fair value through other comprehensive income.

These assets are accounted for alike "Financial assets held for trading" (see point a) Financial Assets held for trading) with the exception of gains and losses, both realised and unrealised, that are recognised in the consolidated income statement item 110. "Gains (losses) on financial assets and liabilities at fair value through profit and loss: b) other financial assets mandatorily at fair value".

2 - Financial assets at fair value through comprehensive income

A financial asset is classified among financial assets at fair value through comprehensive income if:

- its business model is held to collect and sell;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This item also includes equity instrument, not held for trading purposes, for which at the date of initial recognition, or in the first time adoption of the principle, the Group exercised the option, granted by the standard, to designate this instruments at fair value with an impact on Statement of comprehensive income.

Financial assets measured at fair value through comprehensive income are initially recognised, at settlement date with regard to debt and equity securities and disbursement data with regard to loans, at its fair value, which is usually equal to the consideration of the transaction, plus transaction costs and income directly attributable to the instrument.

The interest accruing on interest-bearing instruments is recognised on the income statement, in net interest margin, on an accrual basis using the effective interest rate method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a) purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

Delay interest is taken to the consolidated income statement on collection or receipt.

After initial recognition, for debt instruments, gains or losses arising from changes in fair value are recognized in the Consolidated Statement of comprehensive income and shown in item 120. "Revaluation reserves" in consolidated shareholders' equity.

These instruments are the subject to reductions / write backs in accordance with the illustration given in the next relevant section "Impairment". Gain/losses are recorded in the consolidated income statement item 130. "Impairment losses/write backs on: b) financial assets at fair value through comprehensive income" with contra-entry in the Consolidated Statement of Comprehensive Income and are also shown in item 120. "Revaluation reserves" in consolidated shareholders' equity. The time value interest are recognised in the interest margin.

In the event of disposal, the accumulated profits and losses are recognised in the consolidated income statement in item 100. "Gains (losses) on disposal or repurchase of: b) financial assets at fair value through comprehensive income".

With regard to equity instrument, the profits and losses from changes in fair value are recognised in the Consolidated Statement of Comprehensive Income and shown in item 120. "Revaluation reserves" in consolidated shareholders' equity.

In accordance with the provisions of IFRS9, no impairment losses on equity instruments are recognized in the income statement.

In the event of disposal, the accumulated profits and losses are recorded in item 150. “Other Reserves” in consolidated shareholders' equity.

3 - Financial assets at amortised cost

A financial asset is classified within the financial assets measured at at amortised cost if:

- its business model is held to collect;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

More specifically, this item includes:

- loans to banks and customers in the various technical forms that meet the requirements of the previous paragraph;
- debt securities that meet the requirements of the previous paragraph.

This item also includes current receivables associated with the provision of financial assets and services as defined by the T.U.B. and from the T.U.F. (e.g. current receivables associated with the distribution of financial products).

Financial assets at amortised cost are initially recognised, at settlement date with regard to debt securities and disbursement data with regard to loans, at its fair value, which is usually equal to the consideration paid, plus transaction costs and income directly attributable to the instrument.

The interest is recognised on the income statement, in net interest margin, on an accrual basis using the effective interest rate method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition;
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

Delay interest is taken to the income statement on collection or receipt.

After initial recognition at fair value, these assets are measured at amortised cost using the effective interest method, which can be adjusted to take account of any write-downs/write-backs resulting from the valuation process in accordance with the illustration given in the next relevant section “Impairment”. Gain/losses are recorded in the consolidated income statement item 130. "Impairment losses/write backs on: a) financial assets at amortised cost”. The time value interest are recognised in the interest margin.

In the event of derecognition, the profits and losses are recognised in the consolidated income statement in item 100. "Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost".

4 - Hedge Accounting

The Group has taken advantage of the option to continue to apply the existing IAS 39 hedge accounting requirements for all hedging accounts until such time as the IASB has completed its macro-hedging accounting rules project.

Hedging derivatives are those created to hedge market risks (interest-rate, currency and price) to which the hedged positions are exposed. They may be described as follows:

- fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability, or an identifiable portion of such an asset or liability;
- cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction which could affect profit or loss in future periods;
- hedge of a net investment in a foreign entity, whose operations are presented in a currency other than euro.

Hedging derivatives are initially recognised on trade date and are valued at their fair value.

Part A - Accounting policies

A hedging relationship qualifies for hedge accounting if there is formal designation and documentation of the hedging relationship including the risk management objective, the strategy for undertaking the hedge, and how the hedging instrument's prospective and retrospective effectiveness will be assessed. It is necessary to assess the hedge's effectiveness, at inception and in subsequent periods, in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

A hedge is regarded as highly effective if, at the inception of the hedge and in subsequent periods, it is determined prospectively to remain highly effective, and the retrospectively verified that the hedge ratio (i.e. the changes in fair value of hedged items and hedging instruments) is within a range of 80-125 per cent. The hedge is assessed on an ongoing basis and thus must prospectively remain highly effective throughout the financial reporting periods for which the hedge has been designated.

The assessment of effectiveness is made at each balance-sheet date or other reporting date. If the assessment does not confirm the effectiveness of the hedge, from that time on hedge accounting is discontinued in respect of the hedge and the hedging derivative is reclassified as a held-for-trading instrument.

In addition, the hedging relationship ceases when the hedging instrument expires or is sold, terminated or exercised; the hedged item is sold, expires or is repaid; or it is no longer highly probable that the forecast transaction will occur.

Hedging derivatives are measured at fair value. In particular:

- **fair value hedging** - an effective fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value is recognised in the consolidated income statement in item 90. "Fair value adjustments in hedge accounting". The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised through profit or loss in the same item. Hedging ineffectiveness is represented by the difference between the change in the fair value of hedging instruments and the change in the fair value of hedged item. If the hedging relationship is terminated for reasons other than the sale of the hedged item, this is measured according to the original criterion dictated by the accounting standard applied to the relevant portfolio. In the case of interest-bearing instruments, the difference between the carrying amount of the hedged item on termination of the hedging and the carrying amount it would have had if the hedge had never existed, is recognised through profit or loss in interest receivable or payable over the residual life of the original hedge. If the hedged item is sold or repaid, the portion of fair value which is still unamortised is recognised immediately in item 100. "Gains (losses) on disposal or repurchase" in the consolidated income statement. The difference in fair value of the hedging derivative since the latest effectiveness testing date is recognised in consolidated income statement under item 90. "Fair value adjustments in hedge accounting";
- **cash flow hedging** – hedges are valued at fair value. Change in the fair value of a hedging instrument that is considered effective is recognised in consolidated equity item 120. "Revaluation reserves". The ineffective portion of the gain or loss is recognised through consolidated profit or loss in item 90."Fair value adjustments in hedge accounting". If a cash flow hedge is determined to be no longer effective or the hedging relationship is terminated, the cumulative gain or loss on the hedging instrument that remains recognised in "Revaluation reserves" from the period when the hedge was effective remains separately recognised in "Revaluation reserves" until the forecast hedged transaction occurs or is determined to be no longer possible; in the latter case, the gains or losses are transferred from consolidated shareholders' equity to item 80. "Gains and losses on financial assets and liabilities held for trading" in the consolidated income statement. The overall fair value changes recorded in item 120. "Revaluation reserves" are reported in the Consolidated Statement of Comprehensive Income;
- **hedging a net investment in a foreign entity** - hedges of a net investment in a foreign entity, whose operations are presented in a currency other than euro, are accounted for similarly to cash flow hedges. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised directly in consolidated equity is recognised through consolidated profit or loss on disposal of the foreign entity. The fair value changes recorded in item 120. "Revaluation reserves" are also reported in the Consolidated Statement of Comprehensive Income. The ineffective portion of the gain or loss is recognised through consolidated profit or loss in item 90. "Fair value adjustments in hedge accounting";
- **macro-hedged financial assets (liabilities)** - IAS 39 allows a fair-value item hedged against interest rate fluctuations to be not only a single asset or liability but also a monetary position contained in a number of financial assets or liabilities (or parts of them); accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates. Macro hedging may not be used for net positions resulting from the offsetting of assets and liabilities. As for fair value micro hedging, macro hedging is considered highly effective if, at the inception of the hedge and throughout its life, changes in the fair value attributable to the hedged position are offset by changes in fair value of the hedging instrument and if the hedge ratio is retrospectively assessed falling within the range of 80-125 per cent. Net changes – gains or losses – in the value of the macro-hedged assets and liabilities attributable to the hedged risk are recognised in asset item 60. and liability item 50. respectively and offset the profit and loss item 90. "Fair value adjustments in hedge accounting" in the consolidated income statement. The gain or loss from remeasuring the hedging instrument at fair value is recognised in the same consolidated profit and loss item. The ineffectiveness of the hedging arises to the extent that the change in the fair value of the hedging item differs from the change in the fair value of the hedged monetary position. The extent of hedge ineffectiveness is in any case recognised in profit and loss item 90. "Fair value adjustments in hedge accounting" in the consolidated income statement.
  If the hedging relationship is terminated, for reasons other than the sale of the hedged items, cumulative gain or loss in items 60 (Assets) and 50 (Liabilities) is recognised through profit or loss in interest income or expenses, along the residual life of the hedged financial assets or liabilities.

If the latter are sold or repaid, unamortised fair value is at once recognised through profit and loss in item 100. "Gains (Losses) on disposals/repurchase" in the consolidated income statement.

The Group had in place at the reporting date only macro-hedges against the interest rate risk of mortgages loans to retail customers and fixed-rate direct deposits and under micro-hedges against the interest rate risk of securities issued by sovereign States.

5 - Equity Investments

The initial recognition and subsequent valuation criteria for interests governed by IFRS10 Consolidated Financial Statements, IAS27 Separate Financial Statements, IAS28 Investments in associates and joint ventures and IFRS11 Joint Arrangements, are detailed to the applicable extent in Section 3. Consolidation scope and methods of Section A.1 of the Notes to the consolidated accounts, that includes information on valuation and key assumptions made to establish the presence of control, joint control or significant influence in compliance with the provisions of IFRS12 (paragraphs 7-9).

The remaining interests other than subsidiaries, associates and joint ventures, and interests recognised in the consolidated balance sheet in items 120. "Non-current assets and disposal groups classified as held for sale" (see Section 8 - Non-Current assets and disposal groups classified as Held for Sale) are classified as financial assets at fair value through other comprehensive income or financial assets s mandatorily at fair value and treated accordingly (see Section 1 – "Financial assets at fair value through profit and loss: c) other financial assets mandatorily at fair value" and Section 2 – "Financial assets at fair value through other comprehensive income").

6 – Property, Plant and Equipment (Tangible Assets)

The item includes:

- lands
- buildings
- furniture and fixtures
- electronic machinery and equipments
- plant and other machinery and equipments
- motor vehicles

and is divided between:

- assets used in the business;
- assets held as investments.

Tangible assets used in the business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment include rights of use of tangible assets, as defined by IFRS16, and leasehold improvements relating to assets which can be separately identified. They are classified according to the specific sub-items relating to the asset type (e.g. plants). Leasehold improvements are usually borne in order to make leased premises fit for the expected use. Improvements and additional expenses relating to property, plant and equipment identifiable but not separable are recognised in the consolidated balance sheet in item 130. "Other assets".

Tangible assets held for investment purposes are properties covered by IAS 40, i.e. properties held in order to derive rentals and/or a capital gain.

Property, plant and equipment are initially recognised at cost including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transport costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).

With regard to the property, plant and equipment for the right of use acquired with lease, at the time of the initial registration this asset is evaluated on the basis of the financial flows associated with the leasing contract, corresponding to the present value of future installments due for unpaid leasing amounts on that date: "lease liability", including installments made on or before the effective date and the initial direct costs incurred by the lessee. Installments due for leasing are determined in light of the provisions of the lease agreement and calculated net of the VAT component, where applicable, by virtue of the fact that the obligation to pay this tax arises at the time the invoice is issued by of the lessor and not as of the effective date of the leasing contract, and are discounted using the marginal loan rate of the Group, determined on the basis of the cost of funding for liabilities of a duration and guarantees similar to those implicit in the leasing contracts.

After initial recognition, this asset is measured based on the provisions for property, plant and equipment under IAS 16 or IAS 40 and, therefore, at cost net of amortization and any impairment, at the "redetermined value" or at fair value according to as applicable.

Subsequent costs are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen and the cost can be reliably measured. Other expenses borne at a later time (e.g. normal maintenance costs) are recognised in the year they are incurred in consolidated profit and loss items:

- 190. “Administrative expenses: b) Other administrative expenses", if they refer to assets used in the business;

or:

- 230. "Other net operating income", if they refer to property held for investment.

After being recognised as an asset, an item of property, plant and equipment is carried at cost less any accumulated depreciation and any cumulative impairment losses.

An item with a finite useful life is subject to straight-line depreciation.

Buildings, if separately quantifiable, are recognised separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life. Buildings, conversely, have a finite useful life and are therefore subject to depreciation.

Residual useful life is usually assessed as follows:

- Buildings up to 33,3 years
- Office furniture and fittings up to 9 years
- Electronic machinery and equipments up to 5 years
- Plants, other machinery and equipments up to 14 years
- Motor vehicles up to 4 years

The estimate of the useful life of an asset is reviewed at least at each accounting period-end on the basis inter alia of the conditions of use of the asset, of maintenance conditions and expected obsolescence, and, if expectations differ from previous estimates, the relative useful life is recalculated and the depreciation amount for the current and subsequent periods is adjusted accordingly.

In particular, it should be noted that the expenses for improvements capitalized on the main asset, in particular on properties, may result in a significant increase in the useful life of the asset, which may not in any case exceed the useful live below starting from the capitalization date of the improvement.

If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in the consolidated income statement in item 210. “Net impairment/Write-backs on property, plant and equipment”.

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognised on the prior-year impairment.

A tangible asset is de-recognised from the balance sheet (i) on disposal or (ii) when no future economic benefits are expected from its use or sale; and any difference between sale proceeds or recoverable value and carrying value is recognised in the consolidated income statement in item 280. "Gains (losses) on disposal of investments" or 210. “Net impairment/write-backs on property, plant and equipment".

7 - Intangible assets

An intangible asset is an identifiable non-monetary without physical substance, controlled by the Group, which is expected to be used during more than one period and from which future economic benefits are probable.

Intangible assets mainly consist of goodwill, brands and domains, software and costs incurred for the creation of the new Fineco website.

Intangible assets other than goodwill are recognised at purchase cost, i.e. including any cost incurred to bring the asset into use, less accumulated amortisation and any recognised impairment losses.

An intangible asset with a finite life is subject to straight-line amortisation over its estimated useful life.

Residual useful life is usually assessed as follows:

- Software up to 3 years;
- other intangible assets up to 5 years.

There are no intangible assets with an indefinite life, except for goodwill, Fineco' brand and domains.

If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in the consolidated income statement in item 220. "Net impairment/write-backs on intangible assets".

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there were no losses recognised on the prior-year impairment.

An intangible asset is de-recognised from the consolidated balance sheet (i) on disposal or (ii) when no additional future economic benefits are expected from its use or sale; and any difference between sale proceeds or recoverable value and carrying value is recognised in the consolidated income statement in item 280. "Gains (losses) on disposal of investments" or 220. "Net impairment/write-backs on intangible assets".

Goodwill

In accordance with IFRS3, goodwill is the excess of the cost of a business combination over the interest acquired in the net fair value, at the acquisition date, of the assets and liabilities acquired.

Goodwill arising from the acquisition of subsidiaries and joint ventures (consolidated proportionately) is recognised as an intangible asset; whereas goodwill arising from the acquisition of associates is included in the acquisition cost and, then, shown as an increase in the value of the investments.

Specifically, the goodwill recorded under intangible assets in these consolidated financial statements – corresponding to the goodwill recorded in the Bank's annual financial statements – derives from the acquisitions of merged or acquired companies.

At a subsequent financial reporting date, goodwill is recognised net of any cumulative impairment losses and is not amortised.

Goodwill is tested for impairment annually. Impairment losses on goodwill are recognised in consolidated income statement in item 270. "Impairment of goodwill". In respect of goodwill, no write-backs are allowed.

Goodwill relates to buy-outs of divisions or companies engaged in trading activities or the distribution of financial, banking and insurance products through personal financial advisors. These activities have been fully integrated with the Bank's ordinary operations; as a result, it is not possible to isolate the contribution of each company/business division from the Bank's overall business. This means that to establish the reasonableness of the value of goodwill recognised in the financial statements it is necessary to take account of FinecoBank's comprehensive income. The cash generating unit (CGU) is the Bank as a whole including the contribution from the subsidiary Fineco Asset Management DAC, an asset management company incorporated under Irish law, thanks a vertically integrated business model.

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

Please see Section 10.3 "Intangible assets - Other information" in Part B of these notes to the consolidated accounts for further information on goodwill and related impairment tests.

8 - Non-current assets classified as held for sale

These categories include individual assets held for disposal (tangible, intangible and financial assets) or groups of assets held for sale, with the associated liabilities, as required by IFRS 5.

Individual assets (or groups of assets held for sale) and relating liabilities are recognised in the consolidated balance sheet in item 120. "Non-current assets and disposal groups held for sale" and 70. "Liabilities included in disposal groups classified as held for sale", respectively, at the lower of their carrying amounts and fair values less costs to sell.

The revaluation reserves relating to Non-current assets held for sale, which are recorded as a contra item to changes in value relevant for this purpose), are reported separately in the statement of consolidated comprehensive income (see Part D – Consolidated comprehensive income).

The net balance of profits (dividends, interest income, etc.) and losses (interest expense, etc.) attributable to groups of assets or liabilities held for sale are recognised in the consolidated income statement in item 320. "Profit (Loss) after tax from discontinued operations". Profits and losses attributable to individual assets held for disposal are recognised in the consolidated income statement under the most appropriate item.

At the balance sheet date, the Bank held no "non-current assets classified as held for sale".

9 - Current and Deferred Tax

Tax assets and liabilities are recognised in the consolidated balance sheet respectively in item 110. "Tax assets" and in liability item 60. "Tax liabilities".

In compliance with the "Balance sheet liability method", current and deferred tax items are:

- current tax assets, i.e. amount of tax paid in excess of income tax due under the current tax regulations;
- current tax liabilities, i.e. tax payables due under the current tax regulations;
- deferred tax assets, i.e. amounts of income tax recoverable in future fiscal years and relating to:
  - deductible temporary differences;
  - the carry-forward of unused tax losses;
  - the carry-forward of unused tax credits;
  - deferred tax liabilities, i.e. the payables for income tax due in future fiscal years in respect of taxable temporary differences.

Current and deferred tax assets and tax liabilities are calculated in accordance with local tax regulations (with reference to each company consolidated on line-by-line basis) and are recognised in profit or loss on an accrual basis.

More specifically, with regard to FinecoBank, for current IRES income tax, a rate of 27.50% has been calculated; for IRAP corporate tax, the rate applied was 5.57%. In this regard, it should be noted that the effects of the reduction in the IRES income tax rate from 27.50% to 24% introduced, with effect from January 1, 2017 effective for tax periods after the period to December 31, 2016, introduced by the Stability Law for 2016 were "neutralised" for the Bank as a result of the introduction, by the same Law, of an additional 3.5 percentage points for credit institutions effective for the same tax periods.

With regard to the Irish subsidiary Fineco AM, taxes were calculated using a rate of 12.5% (as per tax legislation).

In general, deferred tax assets and liabilities arise when there is a difference between the accounting treatment and the tax treatment of the carrying amount of an asset or liability.

Deferred tax assets and liabilities are recognised applying tax rates that at the balance sheet date are expected to apply in the period when the carrying amount of the asset will be recovered or the liability will be settled on the basis of tax regulations in force, and are periodically reviewed in order to reflect any changes in regulations.

Furthermore, deferred tax assets are recognised only to the extent that it is probable that sufficient future taxable profit will be generated. In accordance with the provisions of IAS12, the probability that sufficient future taxable profit will be available, against which the deferred tax assets can be utilised, is reviewed periodically. The carrying amount of deferred tax assets should be reduced to the extent that it is not probable that sufficient taxable profit will be available.

Deferred tax liabilities are always recognised.

Current and deferred taxes are recognised in the consolidated income statement in item 300. "Tax expense (income) related to profit or loss from continuing operations", except for tax referred to items that in the same or in another fiscal year are credited or charged directly to equity, such as those relating to valuation gains or losses on financial assets at fair value through other comprehensive income, whose changes in value are recognised, after tax, under the revaluation reserves directly in the consolidated statement of comprehensive income.

Current tax assets are shown in the consolidated balance sheet net of related current tax liabilities, where the following requirements are met:

- there is a right to offset the recognised amounts; and
- there is an intention to settle the asset and liability positions with a single payment on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets are shown in the consolidated balance sheet net of related deferred tax liabilities, where the following requirements are met:

- there is a right to offset the underlying current tax assets with the current tax liabilities; and
- deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities which intend to settle current tax assets and liabilities on a net basis (usually under a tax consolidation agreement).

10 - Provisions for risks and charges

Provisions for risks and charges for commitments and guarantees given

The sub-item of the provisions for risks and charges in question includes the funds for credit risk recognized for commitments to disburse funds and guarantees given which fall within the scope of application of the rules on impairment in accordance with IFRS 9, according to illustrated in the next specific section “Impairment”.

The effects of valuation are recognised in item 200. “Net provisions for risks and charges: a) commitments and guarantees given" in the consolidated income statement.

Provisions for retirement payments and similar obligations

Retirement provisions – i.e. provisions for employee benefits paid after leaving employment – are defined as defined contribution plans or defined benefit plans according to the economic nature of the plan.

In particular:

- Defined-benefit plans provide a series of benefits depending on factors such as age, years of service and compensation policies. Under this type of plan actuarial and investment risks are borne by the company.
- Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. The employer bears no actuarial and/or investment risks connected with this type of plan as it has no legal or implicit obligation to make further contributions, should the plan not be sufficient to provide benefit to all employees.

Defined-benefit plans are present-valued by an external actuary using the unit credit projection method.

This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to theoretical total years of service at the time of payment of the benefit.

More specifically, the amount recognised according to IAS 19 Revised, as a net liability/asset in the consolidated balance sheet in item 100. “Provisions for risks and charges: b) Post-retirement benefit obligations” is the present value of the obligation at the balance sheet date, less any pension charges relating to benefits already provided but not yet recognised, less the fair value at the balance sheet date of plan assets other than those due to directly settle the obligations adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. Actuarial gains or losses from the defined-benefit liabilities are recognised as a contra-entry to consolidated equity under item 120. “Revaluation reserves” are reported in the Consolidated statement of comprehensive income.

The discount rate used to discount obligations (whether financed or not) relating to benefits to be provided after retirement varies according to the currency of denomination and country where the liabilities are allocated and is determined on the basis of market yield at the balance sheet date of prime issuers' bonds with an average life in keeping with that of the relevant liability.

At the balance sheet date, there were no provisions for retirement payments and similar obligations.

Other provisions

Provisions for risks and charges consist of liabilities recognised when:

- the entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amounts recognised as provisions are the best estimate of the expenditure required to settle the present obligation. The risks and uncertainties that inevitably surround the relevant events and circumstances are taken into account in reaching the best estimate of a provision.

In addition to the legal expenses to be borne by the Group in the event of an unfavourable outcome of the dispute, the provision for risks and charges for legal disputes includes the estimated expenses to be paid to the legal advisors and any technical consultants and/or experts assisting the Group in ongoing disputes up to the estimated amount of the expenses that will not be reimbursed by the counterparties.

This estimate, with regard to the fees of the lawyers assisting the Group, has been made in relation to the ongoing litigation, mainly on the basis of the Legal Tariffs set by the applicable regulations.

In addition, where the effect of the time value of money is significant (usually when the expense is expected to materialise more than 18 months after its recognition), the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments.

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If it becomes clear that it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are used only for expenses for which they were originally recognised. Provisions for the year are recognised in the consolidated income statement in item 200. “Net provisions for risks and charges: b) other net provisions" include increases due to the passage of time; they are also net of any re-attributions.

"Other provisions" also include obligations relating to benefits due to personal financial advisors, specifically supplementary customer portfolio payments and contractual payments, which can be considered defined benefit plans; accordingly, these obligations are calculated by an actuary using the unit credit projection method (see paragraph "Retirement Payments and Similar Obligations"), and payments under non-competition agreements.

In certain cases, provisions for risks and charges (for example related to staff expenses and administrative costs) have been recognised under their own item in the consolidated income statement to better reflect their nature.

11 - Financial liabilities at amortised cost

Financial liabilities valued at an amortised cost include financial instruments (other than trading liabilities and those valued at fair value), representing various forms of third-party funding (including deposits, current accounts, loans, lease liability, current payables related to the provision of financial services as defined by the T.U.B. and T.U.F.).

On initial recognition, at settlement date, financial liabilities at amortised cost are measured at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability; the interest is recognised on the income statement, in net interest margin, on an accrual basis using the effective interest rate method.

After initial recognition, these instruments are measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost include the lease liabilities initially recognized equal to the present value of future installments due for unpaid leasing amounts on that date. Payments due for leasing are discounted using the Group's marginal financing rate, determined on the basis of the cost of funding for liabilities of a duration and guarantees similar to those implicit in the leasing contracts. The lease liability must be restated, after the effective date, if changes are made to the payments due for the lease; the amount of the restatement of the liability for the lease must be recognized as an adjustment to the corresponding asset by right of use.

Hybrid debt instruments (combined) relating to equity instruments, foreign exchange, credit instruments or indexes, are treated as structured instruments. The embedded derivative is separated from the host contract and recognised as a derivative, provided that separation requirements are met, and recognised at fair value. The embedded derivative is entered at fair value, classified under financial assets or liabilities held for trading, and is then valued at fair value, with the relative profits or losses recognised in the consolidated income statement in item 80 "Gains (losses) on financial assets and liabilities held for trading". The difference between the total amount received and the initial fair value of the embedded derivative is attributed to the host contract.

Instruments convertible into treasury shares imply recognition, at the issuing date, of a financial liability and of the equity part, recognized in item 140. “Equity instruments”, whenever the contractual terms provide for physical delivery. The equity component is initially measured at residual value, i.e., the overall value of the instrument less the separately determined value of a financial liability with no conversion clause and the same cash flow. The financial liability is recognised at amortised cost using the effective interest method.

Securities in issue are recognised net of the repurchased amounts; the difference between the book value of the liability and the amount paid to buy it, is recorded in the consolidated income statement in item 100."Gains (losses) on disposal or repurchase of: c) financial liabilities". Subsequent disposal by the issuer is considered as a new issue which doesn’t generate gains or losses.

The Group's consolidated debts do not include covenants that would cause default or restructuring events. There are no debt instruments involving convertibility to equity instruments (under IASB IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments).

At the reference date of these Consolidated financial statements, there were no debt securities in issue, hybrid debt instruments or instruments convertible into treasury shares.

Part A - Accounting policies

12 - Financial liabilities held for trading

Financial liabilities held for trading include:

- derivatives that are not designated as hedging instruments;
- obligations to deliver financial assets borrowed by a short seller (i.e., an entity that sells financial assets it does not yet own);
- financial liabilities issued with an intention to repurchase them in the near term;
- financial liabilities that are part of a portfolio of financial instruments considered as a unit and for which there is evidence of a recent pattern of trading.

Financial liabilities held for trading, including derivatives, are measured at fair value initially and for the life of the transaction.

A gain or loss arising from sale or redemption or a change in the fair value of a HFT financial asset is recognised in consolidated income statement in item 80. "Gains (losses) on financial assets and liabilities held for trading", including financial derivatives relating to a fair value option.

13 - Financial liabilities designated at fair value

Financial liabilities, like financial assets may also be designated or in the first time adoption of the principle, according to IFRS 9, on initial recognition as measured at fair value, provided that:

- this designation eliminates or considerably reduces the discrepancy that could arise from the application of different methods of measurement of assets and liabilities and related gains or losses;

or

- a group of financial assets, financial liabilities or both are managed and measured at fair value under risk management or investment strategy which is internally documented with the Board of Directors or equivalent body.

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.

Financial liabilities in this category, including derivatives, are valued at fair value initially, and during the life of the operation.

Changes in fair value are recognised in consolidated income statement in item 110. "Gains (losses) on financial assets and liabilities at fair value through profit and loss: a) financial assets and liabilities designated at fair value", except for any changes in fair value that derive from changes in the credit rating, which are shown in item 120. “Revaluation reserves” in consolidated shareholders' equity unless that recognition causes a discrepancy that would result from a different valuation of assets and liabilities and related gains and losses, in which case the changes in fair value deriving from changes in credit rating are also recognised on the consolidated income statement.

At the balance sheet date, no financial liabilities classified as "Financial liabilities designated at fair value " were held.

14 - Foreign currency transactions

A foreign currency transaction is recognised at the spot exchange rate of the transaction date.

Foreign currency monetary assets and liabilities are translated at the closing rate of the year.

Exchange differences arising from settlement of monetary items at rates different from those of the transaction date and unrealised exchange rate differences on foreign currency assets and liabilities not yet settled, other than assets and liabilities designated as measured at fair value and hedging instruments, are recognised in profit and loss item 80. "Gains and losses on financial assets and liabilities held for trading” in the consolidated income statement.

Non-monetary assets and liabilities recognised at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated at the closing rate.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit or loss, any exchange component of that gain or loss is recognised through profit or loss.

All exchange differences recognised on revaluation reserves in consolidated shareholders' equity are also reported in the Consolidated Statement of Comprehensive Income.

15 - Insurance assets and liabilities

IFRS4 defines insurance contracts as those agreements based on which a party (the insurer) accepts a significant insurance risk from a third party (the insured), agreeing to pay the latter in the event of damages arising from a specific future uncertain event.

These policies are recognised briefly as follows:

- item 170. “Other income (net) from insurance activities” from the consolidated income statement, of gross premiums, inclusive of any amounts accrued during the financial year as a result of the underwriting of insurance contracts, net of any cancellations. Premium transferred to reinsurers during the year is also recognised in this item;
- item 110. “Technical provisions” of liabilities in the Consolidated financial statement, any commitments to insured parties, calculated for each contract with the projection method based on standard market demographic/financial assumptions;
- item 80. “Technical provisions for re-insurers” of assets in the Consolidated financial statement, commitments for re-insurers.

At the reference date of these Consolidated financial statements, no insurance assets and liabilities were held.

18 - Other information

Business Combinations

A business combination is a transaction through which an entity obtains control of a company or of a business segment, thus bringing together different businesses into one reporting entity.

A business combination may result in a Parent-subsidiary relationship in which the acquirer is the Parent and the acquiree a subsidiary of the acquirer. A business combination may involve the purchase of the net assets of another entity, in which case goodwill can arise, or the purchase of the equity of the other entity (mergers).

IFRS 3 requires that all business combinations shall be accounted for by applying the purchase method, that involves the following steps:

- identifying an acquirer;
- measuring the cost of the business combination;

and

- allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control of the acquiree.

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date.

A business combination may involve more than one exchange transaction; nevertheless, the cost of the business combination remains equal to the fair value of the total shareholding acquired. This involves the revaluation at fair value - and the recognition of the effects in the Income Statement - of the equity investments previously held in the acquired entity.

The cost of a business combination is allocated by recognising the assets, the liabilities and the identifiable contingent liabilities of the acquired company at their acquisition-date fair value. Exceptions to this principle are deferred income tax assets and liabilities, employee benefits, indemnification assets, reacquired rights, non-current assets held for sale, and share-based payment transactions that are subject to review in accordance with the principle applicable to them.

The positive difference between the cost of the business combination and the acquirer's interest at fair value, net of the identifiable assets, liabilities and contingent liabilities, must be accounted for as goodwill.

After initial recognition, goodwill is tested for impairment at least annually.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall reassess the fair values and immediately recognise any excess remaining after that reassessment in profit or loss. If the acquisition concerns a percentage less than 100% of the assets of the acquired company, minorities are recognised.

At the acquisition date, minorities are valued:

- at fair value, or
- as a share of minority interests in the assets, liabilities and potential liabilities that can be identified for the company acquired.

Purchased or originated Credit Impaired - POCI

When on initial recognition an exposure, presented in the Consolidated financial statement in item 30. “Financial assets at fair value through comprehensive income” or 40. “Financial assets at amortised cost”, is non-performing, it is qualified as “Purchased Originated Credit Impaired - POCI”.

The amortised cost and the interest income generated by these assets are calculated by considering, in the estimate of future cash flows, the expected credit losses over the entire residual duration of the asset. This expected credit loss is subject to periodic review thus determining the recognition of impairment or write - backs.

Purchased Originated Credit Impaired assets are conventionally classified on initial recognition in Stage 3. If, as a result of an improvement in the creditworthiness of the counterparty, the assets become "performing" they are classified under Stage 2. These assets are never classified under Stage 1 because the expected credit loss is always calculated considering a time horizon equal to their residual duration.

At the Accounts date, no “Purchased or Originated Credit Impaired – POCI” were held.

Other Long-term Employee Benefits

Long-term Employee Benefits are recognised in the Consolidated financial statement in item 80. "Other liabilities" on the basis of the measurement of the liability at the balance sheet date.

Treasury Shares

Changes in treasury shares are reported as a direct contra item to consolidated shareholders' equity, i.e. as a reduction to the latter in the amount of any purchases, and as an increase in the amount of any sales proceeds. This entails that, if treasury shares are subsequently sold, the difference between the sale price and the related post-tax purchase cost is recognised entirely as a contra item to consolidated shareholders' equity.

Offsetting financial assets and financial liabilities

The accounting offsetting of assets and liabilities items has been performed according to IAS 32, assessing the fulfilment of the following requirements:

- current legal enforceable right to set off the recognised amounts;
- intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accordance with IFRS 7, further information has been included in the table of the Notes to the consolidated accounts, in Part B - Other information.

Those tables show the following in particular:

- the carrying amounts, before and after the accounting offsetting effects, related to the financial assets and liabilities that meet the criteria for applying those effects;
- the amount of the exposures that do not meet the above mentioned criteria, but are included in master netting agreements, or similar agreements, that create the right to set-off only under specific circumstances (e.g., default events);
- the amount of the related collateral.

Amortised cost

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

The effective interest method is a method of allocating the interest income or interest expense over the life of a financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions forming an integral part of the effective interest rate include loan drawdown fees or underwriting fees relating to a financial asset not designated at fair value, e.g., fees received as compensation for the assessment of the issuer's or borrower's financial situation, for valuation and registration of security, and generally for the completion of the transaction (management fees).

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Classification of financial assets

The new standard for the classification and measurement of financial assets provided for by IFRS 9 is based on the “business model” and the financial instrument's contractual cash flows (SPPI criterion - Solely Payments of Principal and Interests).

Based on the entity’s business model for managing financial instruments, the assets may be classified as:

- “held to collect” contractual cash flows (“HTC”), measured at amortised cost and subject to impairment based on expected losses;
- "held to collect cash flows and for sale" (“HTCS”), measured at fair value through comprehensive income, in an equity reserve, and subject to impairment on the basis of expected losses;
- “held as part of other business models”, e.g. held for trading, measured at fair value through profit and loss.

It is also possible upon initial recognition to:

- irrevocably designate a financial asset as measured at fair value through profit or loss if this eliminates or significantly reduces a mismatch (“accounting mismatch”) that would otherwise arise from a different measurement of assets or liabilities or from the recognition of gains and losses on different bases;
- irrevocably designate particular investments in equity instruments, which would otherwise be measured at fair value through profit or loss, as measured at fair value through other comprehensive income items. Upon disposal, the fair value changes recognised in a specific shareholders' equity reserve are not transferred to profit or loss, but to another shareholders' equity reserve.

Business model

With regard to the business model, IFRS 9 identifies three types of cases in relation to the manner in which cash flows are managed and sales of financial assets:

- Held to Collect (HTC): whose objective is to hold assets in order to collect contractual cash flows are managed to realize cash flows by collecting contractual payments over the life of the instrument. The inclusion of a portfolio of financial assets in this business model does not necessarily mean that it is impossible to sell the instruments even if it is necessary to consider the frequency, the value and the timing of sales, the reasons for sales and expectations regarding to future sales;
- Held to Collect and Sell (HTCS): whose objective is achieved by both collecting contractual cash flows and selling financial assets. Both activities (collection of contractual flows and sales) are essential for achieving the business model objective. Therefore, sales are more frequent and significant than an HTC business model and are an integral part of the strategies pursued;
- Other business models: which include both financial assets held for trading purposes and financial assets managed with a business model not attributable to previous business models.

The Group's Business Model is determined by Key management personnel at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The entity’s business model does not depend on management’s intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation with the corporate objective of pursuing, time in time, specific performance of maximizing net interest income and accessory commissions, in order to limit credit risk, always compatible with the RAF (risk appetite framework) established annually. However, a single entity may have more than one business model for managing its financial instruments.

For the Held to Collect business model, the Group has defined the eligibility thresholds for sales that do not affect the classification (frequent but not significant, individually and in aggregate, or infrequent even if of a significant amount) and, at the same time, the parameters were established to identify sales consistent with this business model as they are attributable to an increase in credit risk.

The Gruppo included the following mainly financial assets in the "HTC" business model, according to the purposes for which they are held and their expected turnover:

- customer loans (mortgages, personal loans, unsecured loans, revolving credit cards, current account credit lines and, usually, overdraft facilities, etc.);
- cash-secured securities loans to "multi-day leverage" retail customers and institutional;
- credit cards full payment of balance;
- deposits, loans and repurchase agreements;
- other trade receivables;
- proprietary securities for which the objective pursued by the Group as part of its investment policy is the ownership of financial assets aimed at the collection of contractual cash flows with the aim of achieving medium/long-term profitability.

The "HTCS" business model includes own securities for which the Group pursues - as part of its investment policy - the management of the its current liquidity, the maintenance of a set interest margin or the alignment of the terms of financial assets and liabilities. Sales are an integral part of this business model and, therefore, there is no turnover threshold for portfolio sales, both in terms of frequency and amount. Nevertheless, trading activity is not allowed in order to pursue the business model and any purchases must be effected taking into account a medium to long-term time horizon.

The "Other Business Models" include any assets that do not fall into the aforementioned macro-classes: these are financial assets that are not held as part of a business model whose objective is the holding of assets aimed at the collection of contractual cash flows or whose objective is pursued through both the collection of financial cash flows and the sale of financial activities.

In particular, it involves are the following mainly activities identified by the Group:

- financial assets connected to internalization
- financial assets held for trading
- securities withdrawn from customers
- other securities (not included in the above points).

SPPI Test

In order to assess whether the features of contractual cash flows support either an amortised cost valuation (HTC) or at fair value through comprehensive income (HTCS) - in addition to the analysis relating to the business model - it is necessary that the contractual terms of financial assets provide for, at given dates, financial flows consisted solely of principal and interest payments on the outstanding capital share (SPPI criterion - Solely Payments of Principal and Interests).

The tests were carried out on each individual financial instrument at initial recognition in the financial statements.

Subsequent to initial recognition, and as long as it is recognized in the financial statements, the asset is no longer subject to new assessments for the purpose of the SPPI test. If a financial instrument is cancelled (derecognition) and a new financial asset is recognised, the SPPI test must be carried out on the new asset.

For the application of the SPPI test, IFRS 9 provides the following definitions:

- Principal: is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset, for example if there are repayments of principal;
- Interest: consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

For the assess of the SPPI test in the context of credit granting processes and for transactions in debt securities, a tool was developed based on an internally developed methodology (decision trees).

For transactions in debt securities, the test is carried out using the previously mentioned tool at the time of purchase of the financial instrument.

For standard credit products, the SPPI test is carried out during the proposal to market a new product or to change the standard conditions of an existing product, except for periodic repricing of interest rates, and the test result is extended to all the individual relationships referable to the same product catalog.

Part A - Accounting policies

For credit products with contractual conditions other than those stated in standard term sheet, the SPPI test is performed at the time of disbursement of each loan/concession of a new credit line through the use of the same tool.

It should be noted that the Group did not set minimum or false thresholds considering any clause contractual cash flow characteristics that does not comply with the SPPI requirement as a trigger that result in the test's failure, taking into account the nature of its loans and securities portfolio, consisting of plain vanilla financial assets.

Derecognition of financial assets

Derecognition is the removal of a previously recognised financial asset from an entity's consolidated balance sheet.

Before evaluating whether, and to what extent, derecognition is appropriate, under IFRS 9 an entity should determine whether the relevant conditions apply to a financial asset in its entirety or to a part of a financial asset. The standard is applied to a part of financial assets being transferred if, and only if, the part being considered for de-recognition meets one of the following conditions:

- the part comprises only specifically identified cash flows from a financial asset (or a group of similar financial assets);
- the part comprises only a fully proportionate (pro rata) share of the cash flows from a financial asset (or a group of similar financial assets);
- the part comprises only a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).

In all other cases, the standard is applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety).

An entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset to a third party.

Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):

- there is no obligation on the company to pay uncollected amounts associated with the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;
- there is an obligation to transfer forthwith all cash flows received and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is paid on.

Recognition is also subject to verification of substantially transfer of all the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall de-recognise the asset (or group of assets) and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity shall continue to recognise the transferred asset(s). In this case it is necessary to recognise a liability corresponding to the amount received under the transfer and subsequently recognise all income accruing on the asset or expense accruing on the liability.

The main transactions that do not allow, under the above rules, total derecognition of a financial asset are securitisations, repurchase (sell and buy-backs) and securities lending transactions.

In the case of securitisations, the company does not de-recognise the financial asset on purchase of the equity tranche or provision of other forms of support of the structure which result in retention by the company of the credit risk of the securitised portfolio.

In the case of repurchase transactions and stock lending, the assets transacted are not derecognised since the terms of the transaction entail the retention of all their risks and rewards.

Lastly, it should be noted that securities lending transactions collateralised by other securities or not collateralised were recorded as off-balance sheet items.

At the reporting date, no loan securitisation transactions were present.

Part A - Accounting policies

Impairment

General matters

Loans and debt instruments classified in the items: Financial assets at amortised cost, Financial assets at fair value through comprehensive income and the relevant off-balance sheet exposures (Commitments and guarantees given), are subjected to an impairment calculation in accordance with IFRS 9, taking into account the integrated reference regulations of the internal regulations and policies which regulate the credit classification rules and their transfer to the various categories.

The exposures are classified in Stage 1, Stage 2 or Stage 3 depending on their absolute or relative credit rating, compared to the initial disbursement. In particular:

- Stage 1: this includes newly originated or acquired credit exposures and exposures that have not suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 2: this includes credit exposures that are performing but which have suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 3: this includes impaired credit exposures.

For Stage 1 exposures, the impairment is equal to the expected loss calculated on a time frame of up to one year. For Stage 2 and Stage 3 exposures, the impairment is equal to the expected loss calculated on a timeframe equivalent to the residual duration of the related exposure.

In order to meet the standard, the Group refers specific models to calculate the expected loss. These models draw on the PD, LGD and EAD criteria used for regulatory purposes, to which specific directions are made to ensure full cohesion with the accounting standard[32]. In this regard, forward-looking information has also been included[33] with the elaboration of specific scenarios.

The expected loss is calculated for institutional counterparties, using the credit parameters provided by Moody's Analytics. Until 30 September 2020 the credit parameters were provided by UniCredit S.p.A..

For the purposes of the calculation of the expected loss for the retail counterparties do not have internal rating systems at their disposal, they use proxies. Segmentation by product type is carried out and the PD is replaced by the average decay rate observed by the transition matrixes defining the change to classify. This approach is based on the assumption that when there are no changes in the criteria adopted to assess the creditworthiness of the individual counterparties, the quality of the future credit will be consistent with the quality of the credit found in the time series available. To implement the requirements of the IFRS9 rule, the proxies of the parameters are corrected using forward looking information.

A key aspect of the new accounting model required to calculate the expected loss is the Stage Allocation model, the aim of which is to transfer exposures between Stage 1 and Stage 2 (as Stage 3 is equivalent to that of impaired exposures), where Stage 1 mainly includes (i) newly disbursed exposures, (ii) exposures that have no significant impairment of credit risk compared to initial recognition, and (iii) exposures with a low credit risk (low credit risk exemption) on the reporting date.

The Stage Allocation valuation model is based on a combination of relative and absolute elements. The main elements were:

- the comparison at transaction level between the PD value at the time of disbursement and the value on the reporting date, both qualified according to internal models at fixed thresholds to take into account all the key variables of each transaction that may influence the Bank's expectations about ongoing changes in PD (e.g. age, maturity, level of PD at the time of disbursement);
- absolute elements such as the backstops provided for by the regulation (e.g. 30 day Expired);
- other internal findings (forborne classification).

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

The criteria for determining the write-downs of receivables are based on the discounting of expected cash flows of principal and interest. In line with the business model, these can also refer to market operations; for determining the present value of cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the discounting rate used.

The amount of the loss on impaired exposures classified as non-performing, unlikely to pay and past due according to the categories specified below, is the difference between the carrying value and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed-rate positions, the interest rate determined in this manner is also held constant in future years, while for floating rate positions the interest rate is updated according to contractual terms. If the original interest rate is not directly available, or if finding it would be excessively onerous, the

[32] See paragraph "Parameters and definitions of risk level used in the calculation of value adjustments" for a more detailed explanation of the risk measures used within the Group to calculate the expected credit loss in accordance with IFRS 9.

[33] See paragraph "Forward-looking information used in calculating value adjustments" for a more detailed explanation of the forward-looking information and scenarios used to calculate the expected credit loss in accordance with IFRS 9.

interest rate that best approximates the original one is applied, including through practical expedients that do not affect the substance and ensure consistency with international accounting standards.

Recovery times are estimated on the basis of business plans or forecasts based on historical recovery experience observed for similar classes of loans, taking into account the customer segment, type of loan, type of security and any other factors considered relevant.

Parameters and definitions of risk level used in the calculation of value adjustments

As mentioned above the models to calculate the expected loss, which draw on the PD, LGD and EAD criteria, as well as the effective interest rate.

These models are used for calculating value adjustments of all the institutional counterparties common to the Group, for the most part made up of FIBS (Financial Institutions, Banks and Sovereigns) counterparties.

Specifically:

- PD (Probability of Default) expresses the percentage of estimated loss, and hence the expected recovery rate whenever a credit position default event occurs;
- LGD (Loss Given Default) expresses the percentage of estimated loss, and hence the expected recovery rate is the complement to the unit (of the LGD) whenever a credit position default event occurs;
- EAD (Exposure at Default) expresses the measurement of the exposure at the time of the credit position default event;
- Effective Interest Rate is the discount rate expressing the time value of the money.

These parameters are calculated on the basis of identical parameters used for the purpose of calculating Internal Capital, with specific adjustments made to ensure full cohesion with the requirements of the IFRS 9.

The main adjustments are made in order to:

- introduce “point-in-time” required by the accounting standard;
- include forward-looking information;
- extend the credit risk parameters to a multi-year perspective.

With regard to the lifetime PD, the through-the-cycle PD curves obtained by adapting the cumulative non-compliance rates are adjusted to reflect point-in-time provisions and forward-looking provisions with regard to the portfolio non-compliance rates.

The rate of recovery incorporated in the through-the-cycle LGD was adapted in order to reflect the latest trends in recovery rates, and expectations about future trends discounted to the actual interest rate or its best approximation.

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

Specifically, the 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 realisation of collateral, regardless of the existence of any past due and/or overdrawn impaired exposures or of the number of days past due.

The aforementioned Circular 272 establishes that the impaired assets aggregate is divided into the following categories:

- Bad exposures, i.e., the on-balance-sheet and off-balance-sheet exposures to insolvent borrowers, even if the insolvency has not been recognised in a court of law. They are generally measured individually (including 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 – on - and off-balance sheet exposures which do not meet the borrower’s condition for classification as non-performing loans and for which, in the absence of actions such as the enforcement of collateral, the debtor’s ability to fully meet its credit obligations (principal and/or interest) is assessed as unlikely. 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. The "unlikely to pay" exposures are measured in the accounts individually (including by verifying statistically defined coverage levels for some loan portfolios below a predefined threshold) or by applying a percentage on a flat basis by type of homogeneous exposures. Exposures classified as unlikely to pay and identified as forborne, may only be reclassified to unimpaired loans after at least one year has passed from the time of the forbearance and the conditions established in paragraph 157 of the EBA Implementing and Technical Standards have been met. With regard to their measurement, they are generally measured on an individual basis or by applying a percentage on a flat basis by type of homogeneous exposures and the resulting allowance may include the discounted cost due to renegotiation of the interest rate at a rate lower than the original contractual rate.

- 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 are determined with respect to the individual debtor. 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" (standardized method). Past-due and/or overdrawn impaired exposures are valued at a flat rate on a historical/stochastic.

Lastly, it is worth noting that the regulation relating to the "New definition of default" (Regulation UE 2018/171 and the EBA 2016/07 guidelines), which will come into force from 1 January 2021, establishes more restrictive criteria and methods for classifying default compared to those adopted so far by Italian intermediaries, with the aim of harmonizing the approaches to applying the definition of default and identifying the conditions of unlikely fulfillment between financial institutions and the various jurisdictions of the EU countries.

The main changes introduced will concern:

- the change to the materiality threshold which contributes, together with the expired days (90 days), to determine the classification as default. This threshold is composed of:
  - an absolute component of € 100 for retail customers and € 500 for all other types of exposure;
  - a relative component, represented by the percentage that expresses the relationship between the amount of the outstanding credit obligation and the total amount of all exposures to the same debtor; the percentage adopted by the Bank of Italy is 1%;
- the introduction of a three-month trial period (cure period) for the reclassification to performing of debtors previously classified as non-performing;
- Introduction of the prohibition to compensate the overdue amounts with any credit lines not used by the debtor.

Forward-looking information used in calculating value adjustments

The credit loss expected from the parameters described in the forgoing paragraph considers macroeconomic forecasts by applying multiple scenarios to the forward looking components.

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

Repos and securities lending

Securities received in a transaction that entails a contractual obligation to sell them at a later date or delivered under a contractual obligation to repurchase are neither recognised nor derecognised. In respect of securities purchased under an agreement to resell, the consideration is recognised as financial assets at amortised cost, or as an asset held for trading; in respect of securities held in a repurchase agreement, the liability is recognised as financial liabilities at amortised cost, or as financial liabilities held for trading. Revenue from these loans, being the coupons accrued on the securities and the difference between the sale/purchase and resale/repurchase prices, is recognised in consolidated profit or loss through interest income and expenses on an accruals basis.

These transactions can only be offset if, and only if, they are carried out with the same counterparty and provided that such offset is provided for in the underlying contracts.

The same rules apply to securities lending transactions collateralised by cash fully available to the lender.

The profit or loss items connected with these transactions are booked respectively:

- in the item Interest, for the positive component (borrower) and the negative component (lender) related to the return on cash paid to the lender;
- in the item Fees and commissions, for the negative component (borrower) and the positive component (lender) related to the service received (provided) through the provision of the security by the lender.

With reference to securities lending transactions collateralised by other securities, or not collateralised, the security lent or the security put up as collateral are still recognised as assets in the balance sheet, depending on the role - lender or borrower, respectively - played in the transaction.

Part A - Accounting policies

Share-Based Payment

Equity-settled payments made to employees or other staff (in particular, personal financial advisors) in consideration of work services rendered or other goods received or services rendered, using shares, which may consist in the assignment of:

- stock options;
- rights to receive shares upon attainment of certain objectives ("performance shares"), which are settled with equity instruments;
- Performance shares (i.e. awarded on attainment of certain objectives) settled in cash.

Considering the difficulty of reliably measuring the fair value of the services acquired against equity-settled payments, reference is made to the fair value of the instruments, measured at the date of their allocation.

The fair value of equity-settled payments or the purchase on the market of shares in FinecoBank in exchange of work or services is recognised as cost in consolidated income statement in item 190. "Administrative expenses" or 50. "Fee and commission expense" as a contra-entry to item 150. "Reserves" in consolidated shareholders' equity, on an accruals basis over the period in which the services are acquired.

As for share-based payments settled in cash in favour of personal financial advisors, the services acquired and the liabilities assumed are measured at the latter's fair value, recognised in consolidated profit or loss in Item 50. "Fee and commission expense" as counterparty of the Item 80. "Other Liabilities". Until the liability is settled, the fair value is recalculated at each balance sheet date until the settlement date, and all changes in fair value are recognised in item 50. "Fee and commission expense".

As regards the share based payments consisting in the payment of shares of the former Parent Company UniCredit S.p.A., directly allocated to employees of the Group UniCredit that involve settlement with shares of UniCredit S.p.A., under arrangements between the company of the Unicredit Group and UniCredit S.p.A. (and still in place for FinecoBank under specific agreements) for their cash settlement, are measured at fair value, calculated when the related rights are assigned, recognised as a cost in consolidated income statement in item 190 "Administrative expenses", as a contra entry to the consolidated balance sheet in item 80. "Other Liabilities", on an accruals basis over the period in which the services are acquired.

Renegotiations

When, during the life of an instrument, the contractual clauses are subject to modification by the parties to the contract, it is necessary to verify whether following the renegotiation the original asset must continue to be recognized in the financial statements and accounted for using the "modification accounting" or if, on the contrary, the original instrument must be cancelled from the financial statements (derecognition) and a new financial instrument must be recognized.

To this end, the renegotiations of financial instruments that lead to a change in the contractual terms are recognised on the basis of the "substantiality" of those contractual changes.

The assessment of the substantial nature of the change must be carried out considering both qualitative elements and, in the case of financial liabilities, quantitative elements. In some cases it is possible to establish whether the modification introduced substantially change the characteristics and/or contractual cash flows of a given asset/liability through a qualitative analysis. With regard to the financial liabilities, moreover, further analyses, including quantitative ones, must be carried out to appreciate the effects of the same and verify the need to proceed or not with the derecognition of the liability and the recognition of a new financial instrument (10% threshold test).

If the risks and rewards of ownership of the financial asset, after the modification, are not substantially transferred, the accounting representation that offers the most relevant information for the reader of the financial statements is that performed through the "modification accounting", which implies that the gross value is redetermined by calculating the present value of cash flows resulting from the renegotiation, at the original rate of the exposure. The difference between the gross value of the financial instrument prior to and after the renegotiation of the contractual terms, adjusted to consider the associated changes to the cumulative value adjustments, is recognised as a profit or loss in item 140. "Profit/loss from contractual modification without derecognition" on the consolidated income statement.

Otherwise, when the risks and rewards of ownership of the financial asset, after the modification, are substantially transferred, it is necessary to proceed with the derecognition.

Renegotiations formalised by means of changes to the existing contract or by the signing of a new contract, which lead to the exclusion of the right to receive cash flows according to the provisions of the original contract, are considered to be significant. The rights to receive cash flows are considered to be excluded in the case of renegotiations that lead to the introduction of clauses resulting in a change of classification of the instrument, which result in a change in the currency and which are made at market conditions, thus not constituting a credit exposure.

Part A - Accounting policies

Equity instruments

Equity instruments represent a residual interest in assets of the Company, net of liabilities. An instrument is classified as equity instrument if there are no contractual obligations to make payments in the form of principal, interest or other types of returns.

Specifically, instruments that meet the following requirements are classified as equity instruments:

- unlimited term or at least equal to the term of the company;
- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding.

Equity instruments include Additional Tier 1 instruments under Regulation (EU) No. 575/2013 (CRR) on prudential requirements for credit institutions and investment firms, which in addition to the above characteristics:

- maintain the issuer's full discretion as to the reinstatement of the nominal value (write-up) following a capital event that resulted in a write-down;
- do not include provisions that require the issuer to make payments (must pay clauses) as a result of actual events under the control of the parties.

Equity instruments other than ordinary or savings shares, are classified in the consolidated balance sheet in item 140. "Equity instruments" for the amount received. Any coupons and transaction costs attributable to the transaction paid are deducted from Item 150. "Reserves" in consolidated shareholders' equity, net of related taxes.

Provisions for employee severance pay

The "TFR" provision for Italy-based employee benefits is to be construed as a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see Section 10 - under "Provisions for Risks and Charges - Retirement Payments and Similar Obligations"). This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to total years of service at the time of payment of the benefit.

Following pension reform by Law 252 of December 5, 2005, TFR instalments accrued to December 31, 2006 (or to the date between January 1, 2007 and June 30, 2007 on which the employee opted to devolve their TFR to a supplementary pension fund) stay in the employer and are considered a post-employment defined benefit plan therefore incurring actuarial valuation, though with simplified actuarial assumptions, i.e., forecast future pay rises are not considered.

TFR instalments accrued since January 1, 2007 (date of Law 252 coming into effect) (or since the date between January 1, 2007 and June 30, 2007) are, at the employee's discretion, either paid into a pension fund or left in the company and (where the company has in excess of 50 employees) paid into an INPS Treasury fund by the employer, and are assimilated to a defined-contribution plan.

Costs relating to TFR are recognised in the Consolidated Income Statement in item 190. "Administrative expenses: a) staff expenses" and include, for the part of the defined benefit plan: (i) interest cost accrued in the year, for the part of plan considered defined contribution plan (ii) the accrued instalments for the year paid into the complementary pension scheme or to the Treasury fund of INPS.

Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of obligations at period end, are recognised in consolidated Shareholders' equity under the Revaluation reserves in accordance with IAS 19 Revised and are also shown in the Consolidated Statement of Comprehensive Income.

Write – offs

The Group will enter a write-off by reducing the gross exposure of a financial asset if there are no reasonable expectations of recovering all or part of that asset.

The Group will recognise a write-off in the following cases:

- there is no longer any reasonable expectation of recovering all or part of the asset despite the presence of the legal rights to recover the accrued capital and interest;
- waiver of the legal right to recover the accrued capital and interest;
- cessation of the legal right to recover capital and interest due to completion of the attempts at recovery.

Part A - Accounting policies

Targeted Longer Term Refinancing Operations III - TLTRO III

TLTRO III operations are unconventional monetary policy instruments that allow Eurosystem credit institutions to finance themselves on a long-term basis at very favourable rates, with the aim of increasing lending to businesses and consumers in the euro area.

The liabilities related to TLTRO III operations are recognised in “Financial liabilities at amortised cost” and are measured at amortised cost, applying the provisions of IFRS 9. The Group considers the interest rate as a specific market rate for this type of operation, carried out within the framework of the monetary policy measures implemented by the European Central Bank, which sets the level of the interest rate.

The effective interest rate is determined separately for each operation based on the expected cash flows, which include the forecasts of the maintenance of the “net eligible loans”, required to obtain the additional remuneration envisaged in the special interest rate periods, which are verified using a statistical approach that estimates the likelihood of this requirement being achieved with an adequate level of confidence, supported by forecasts.

The TLTRO operations are considered equivalent to floating rate financial liabilities and the expected cash flows resulting from the change in the average rate on deposits at the Central Bank are therefore recognised in accordance with IFRS 9, under which the effective interest rate is altered by the periodic re-estimation of cash flows to reflect movements in market rates of interest. The re-estimation of the future interest payments normally has no significant effect on the carrying amount of the liability. In contrast, the change in the expected cash flows related to the additional remuneration envisaged in the special interest rate periods, resulting from changes in the estimated payments due to revised assessments of the achievement of the eligibility criteria, necessitates a re-estimation of the carrying amount of the liability.

Tax credits related to the “Cura Italia” and “Rilancio” Law Decrees

With regard to the tax credits related to the “Cura Italia” and “Rilancio” Law Decrees, the Group did not make any purchases in 2020, either from direct beneficiaries or from previous purchasers.

Part A - Accounting policies

RECOGNITION OF INCOME AND EXPENSES

The main revenues and costs are recorded in the income statement as follows:

- interest is recognized pro rata temporis based on the contractual interest rate or the effective interest rate if the amortised cost method is applied. Interest expenses (or interest income, in case of negative interest) also includes the interest on lease liabilities determinated based on the marginal loan rate. Interest income (or interest expense) also includes the spreads or margins, positive (or negative), accrued up to the reporting date, relating to:
  - derivative financial contracts hedging interest-bearing assets and liabilities;
  - financial derivative contracts classified in the balance sheet as held for trading, but operationally linked to financial assets and / or liabilities designated at fair value (*fair value option*);
  - financial derivative contracts operationally linked to assets and liabilities classified in the balance sheet as held for trading or operationally linked to "other financial assets required to be measured at fair value" and which provide for the settlement of spreads or margins with several maturities ("multi-flow contracts");
- default interest is taken to the income statement on actual collection;
- dividends are recognised in profit or loss in the financial year in which their distribution has been approved;
- fees and commissions from services are recognized, based on the underlying contractual agreements, in relation to the provision of the services from which they originated, as defined by provisions of IFRS 15 (as detailed below). The fees included in amortised cost to calculate the effective interest rate are recognized as interest;
- gains and losses on financial instrument disposal, determined as the difference between the amount paid or collected in the transaction and the fair value of the instrument, are recognized in the income statement upon recognition of the transaction if the fair value can be determined with reference to official prices available on active markets, or for assets and liabilities measured on the basis of valuation techniques using observable market parameters other than the quoted prices of the financial instrument (level 1 and level 2 of the fair value hierarchy). If the reference parameters used for valuation are not observable on the market (level 3) or the instruments are illiquid, the financial instrument is recorded for an amount equal to the transaction price; the difference with respect to fair value is recognized in the income statement over the term of the transaction;
- gains and losses from securities trading are recognized in the income statement at the time the sale is finalized, based on the difference between the amount paid or collected and the carrying amount of the instruments;
- gains and losses from the sale of non-financial assets are recognized at the time the sale is finalized, or when the performance obligation to the customer is fulfilled;
- the costs are recognized in the income statement according to the accrual principle; the costs recognized for the acquisition of contracts with customers, which the Group would not have incurred had it not obtained the contract, are recognized as assets and systematically amortised in the income statement in line with the recognition of revenues related to the transfer to customers of the goods or services to which the asset refers.

Among costs, administrative expenses also include short-term lease payments, low value lease payments (i.e. contracts whose assets underlying the contract do not exceed, when new, the threshold of € 5 thousand), costs for variable payments due for leasing not included in the evaluation of the lease liability, the VAT component of the lease payments to be paid/paid on the leasing contracts recognized in accordance with IFRS 16 and the fees for the leasing of intangible assets.

Fees and commissions income and other operating income are accounted for in the income statement as the entity satisfies the performance obligation embedded in the contract, according to “IFRS15 Revenue from Contracts with Customers” rules. In particular, revenues from commissions from services and other income are recognized in the income statement:

- at a specific moment, when the entity fulfills the obligation to transfer the promised good or service ("point in time") to the customer,

or

- over time, as the entity fulfils its obligation to transfer the promised good or service ("over time") to the customer.

The promised good or service, i.e. the asset, is transferred when the customer has control.

If the timing of cash-in of the contractual amount is not aligned to the way the performance obligation is satisfied, the Group accounts for a contract asset or a contract liability for the portion of revenue accrued in the period or to defer in the following periods.

The amount of revenues linked to fees and commissions income and other operating income is measured based on contractual provisions.

If the amount contractually foreseen is subject, totally or partially, to variability, a revenue has to be booked based on the most probable amount that the Group expects to receive. Such amount is determined on the basis of all facts and circumstances considered relevant for the evaluation, that depend on the type of service provided and, in particular, on the presumption that it is not highly probable that the revenue recognized will not be significantly reversed.

Part A - Accounting policies

If a contract regards different goods/services whose performance obligations are not satisfied at the same time, the revenue is allocated among the different obligation proportionally to the stand-alone price of the single item delivered. These amounts will therefore accounted for in P&L through different methods ("over time" or "point in time") on the basis of the timing of satisfaction of each obligation. If the allocation is particularly burdensome and where revenues are not material, revenue is entirely allocated to the main performance obligation.

Where envisaged, the fees to be paid to customers are recorded as a reduction in revenues from the supply of goods or services and consistently with the recognition of said goods or services.

Any revenues that include a significant funding component are adjusted to take into account the effects of the time value of money, to reflect the price that the customer would have paid if the payment had occurred upon (or gradually with) the transfer of the promised goods or services. The Group uses the practical expedient envisaged by paragraph 63 of IFRS 15; as a result of which the Group does not adjust the promised amount to take into account the effects of a funding component when the time interval expected between the transfer of the promised good or service and the related payment is less than one year.

To this end, it is worth noting that the performance of financial services provided over a given period of time (for example, the keeping and management of current accounts, advisory services, etc.) have been considered satisfied over time, regardless of the moment the consideration is paid by the customer, while performances of financial services that require the execution of specific activities (for example, purchase, sale or placement of securities, UCITS or insurance products, execution of money transfers) have been considered fulfilled at a given time ("point in time"), even if the contract requires the service is provided for an indefinite period.

With reference to the main revenue recognized by the Group in application of the IFRS 15 accounting standard, it should be noted that:

- the commissions for trading, order collection and placement of financial instruments are accounted for "point in time", as the service is intended provided when the service is rendered. The consideration is quantified as a fixed or percentage amount, based on the contractual conditions, on the value of the instrument traded/placed;
- advisory, portfolio management and insurance product management commissions are recorded "over time", as the service is intended provided during the term of the contract (input method). For this kind of fees, in fact, it is deemed that the input which are necessary to provide the service incorporated in the performance obligation are evenly distributed during the term of the contract. There are no performance fees on asset management instruments. With regard to placement of insurance policies, whose return is determined on the basis of the performance of the separate management on the annual recurrence of the policy, it should be noted that there is a variability determined by the performance of the separate management, which may result in a reduction in applicable rate;
- commissions related to payment systems are mainly recognized "point in time", except for some services that are recorded "over time" during the term of the contract (SEPA Electronic Database Alignment). The considerations are quantified as a fixed amount, mainly with reference to transactions carried out on behalf of customers (for example ATM withdrawals, Visa debit withdrawals, foreign money transfers or in other currencies other than euro, postal bills, etc...), or as percentage of the value of the transaction, mainly with reference to revenues received from the circuits and generated by transactions carried out on behalf of customers (credit cards / Visa debit, Pos, etc.);
- recoveries of the stamp duty on financial assets are recorded "over time", according to the provisions in force, as the service is considered provided during the term of the contract.

Part A - Accounting policies

A.3 Disclosure on transfers between portfolios of financial assets

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

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

Specifically, the following may be reclassified:

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

The following changes in circumstances are not considered reclassifications:

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

The following are not changes in business model:

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

During 2020 the Group has not made changes to its business models and, consequently, did not make any changes.

Part A - Accounting policies

A.3.1 Reclassified financial assets: change of business model, book value and interest income
No data to report.

A.3.2 Reclassified financial assets: change of business model, fair value and impact on comprehensive income
No data to report.

A.3.3 Reclassified financial assets: change of business model and effective interest rate
No data to report.

A.4 Information on fair value

Qualitative information

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

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

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

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

A financial instrument shall be considered as quoted in an active market if quoted prices are readily and regularly available from a pricing service, dealer, broker, pricing or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If official listing in an active market is not available for a financial instrument as a whale, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the component parts.

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

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

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

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

The internal legal framework has been updated in 2020 and consists of a Global Policy and an Operative Manual. The Global Policy sets the principles and the rules governing the fair value measuring framework and the independent price verification process, whereas the Operative Manual describes the process in detail and identify Fair Value measuring techniques as well as independent price verification methodologies applicable for each financial instrument held by the Group.

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

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

Description of evaluation techniques

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

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

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

Fair Value Adjustments (FVAs)

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

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

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

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

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

A.4.3 Fair value hierarchy

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

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

In particular, three levels are considered:

- Level 1: the fair value of instruments classified in this level is determined by quotation prices observed in active markets;
- Level 2: the fair value for instruments classified within this level is determined according to valuation models using observable market inputs;
- Level 3: the fair value for instruments classified within this level is determined through to valuation models largely used use significant inputs not observable on active markets.

A.4.4 Other information

Hereby we provide IFRS 13 disclosure requirements.

Assets and liabilities measured at fair value on recurring basis

Fixed Income Securities

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

Part A - Accounting policies

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

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

Structured Financial Products

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

OTC derivatives

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

Equity Instruments

Equity Instruments shall be marked as to Level 1 when a quoted price is available on an active market and as Level 3 when no quotations are available or quotations have been suspended indefinitely. Level 2 shall be assigned only to listed securities whose trading volumes on the market are significantly low.

In order to provide a fair value for Visa INC preferred shares class "C" and class “A”, the Group has adopted a model which converts the market price in dollars of Visa INC class "A" shares into euro and applies a discount factor. For the class “C” preferred shares valuation as at 31 December 2020 such factor was determined equal to 8.52%, estimating as at December 31, 2020, litigation risk at 2.52% and illiquidity risk at 6%. The litigation risk component has been extracted from an historical series of data provided by Visa INC, whereas the illiquidity risk component has been derived from the illiquidity of shares having limitations on their transferability for a certain period. With reference to class “A” shares the discount factor has been set equal to 3.42%, estimated only as “illiquidity risk”. The Visa INC preferred shares class "C" and class “A” have been marked as level 3 of fair value hierarchy 3.

With regards to the contributions paid to the Interbank Deposit Guarantee Fund for the support measures in favour of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi), the fair value of the related equity instruments has been determined using a model based on the Discounted Cash Flow model according to the recovery forecasts. The fair value of equity instruments arising from the contributions paid in relation to the intervention in favor of Banca Carige S.p.A., has been determined instead using an internal model adopted by the Group based on the Market Multiples methodology applied in multi-scenario analysis.

Both the equities have been marked as level 3 of fair value hierarchy.

Investment Funds

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

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

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

Financial assets at amortised cost

For financial assets valued at amortised cost, whose fair value is not based on prices observed on active markets (level 1), the fair value is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued using simplified approaches, which however take into account their financial characteristics. Financial assets valued at amortised cost, whose duration is less than 12 months, for which the fair value has been estimated to be equal to the book value, have been assigned the level 3 fair value hierarchy.

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

Part A - Accounting policies

Financial liabilities at amortised cost

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

Cash and cash balances

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

Part A - Accounting policies

Quantitative information

A.4.5 Fair value hierarchy

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

(Amounts in €thousand)

Assets/Liabilities at fair value	12/31/2020			12/31/2019		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	13,973	3,491	10,521	5,537	3,302	11,320
a) financial assets held for trading	13,506	3,491	-	4,631	3,302	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	467	-	10,521	906	-	11,320
2. Financial assets at fair value through other comprehensive income	143,693	-	5	321,694	-	5
3. Hedging derivatives	-	19,003	-	-	36,059	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**157,666**	**22,494**	**10,526**	**327,231**	**39,361**	**11,325**
1. Financial liabilities held for trading	4,028	1,843	18	3,217	560	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	214,388	-	-	80,852	-
Total	**4,028**	**216,231**	**18**	**3,217**	**81,412**	**-**

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

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

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

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

Part A - Accounting policies

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

(Amounts in € thousand)

	Financial assets measured at fair value with impact on the income statement				Financial assets at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily at fair value				
1. Opening balance	**11,320**	**-**	**-**	**11,320**	**5**	**-**	**-**	**-**
2. Increases	**4,821**	**35**	**-**	**4,786**	**-**	**-**	**-**	**-**
2.1 Purchases	35	35	-	-	-	-	-	-
2.2 Profits recognised in:	4,786	-	-	4,786	-	-	-	-
2.2.1 Income Statement	4,786	-	-	4,786	-	-	-	-
- of which unrealised gains	4,786	-	-	4,786	-	-	-	-
2.2.2 Shareholders' Equity	-	X	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	**(5,620)**	**(35)**	**-**	**(5,585)**	**-**	**-**	**-**	**-**
3.1 Sales	(35)	(35)	-	-	-	-	-	-
3.2 Redemptions	-	-	-	-	-	-	-	-
3.3 Losses recognised in:	(5,585)	-	-	(5,585)	-	-	-	-
3.3.1 Income Statement	(5,585)	-	-	(5,585)	-	-	-	-
- of which unrealised losses	(5,585)	-	-	(5,585)	-	-	-	-
3.3.2.Shareholders' Equity	-	X	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balances	**10,521**	**-**	**-**	**10,521**	**5**	**-**	**-**	**-**

The sub-items 2.2.1 "Profits recognized in Income Statement" and 3.3.1 "Losses recognized in Income Statement" are included, where present, in consolidated income statement in the following items:

- Item 80: Gains (losses) on financial assets and liabilities held for trading;
- Item 110: Gains (losses) on financial assets and liabilities at fair value through profit and loss;
- Item 90: Fair value adjustments in hedge accounting.

The sub-items 2.2.2 "Profits recognised in Shareholders' equity" and 3.3.2 "Losses recognised in Shareholders' equity" arising from changes in fair value of "Financial assets at fair value through other comprehensive income" are recognised, if any, in equity item 120. "Revaluation reserves" of consolidated shareholder's equity - except losses due to impairment and exchange rate gains or losses on monetary items (debt instruments) which are recognised under item 130. "Impairment losses/write backs on: b) financial assets at fair value through other comprehensive income" and item 80. "Gains (losses) on financial assets and liabilities held for trading" of the consolidated income statement, respectively - until the financial asset is sold, at which time cumulative gains and losses are recognised in consolidated profit or loss in item 100. "Gains (losses) on disposal or repurchase of: b) financial assets at fair value through other comprehensive income".

Part A - Accounting policies

A.4.5.3 Annual changes in financial liabilities measured at fair value level 3 on a recurring basis

(Amounts in €thousand)

	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Hedging derivatives
1. Opening balance	**-**	**-**	**-**
2. Increases	**30**	**-**	**-**
2.1 Issues	24	-	-
2.2 Losses allocated to:	6	-	-
2.2.1 Income Statement	6	-	-
- of which capital losses	6	-	-
2.2.2 Shareholders' Equity	X	-	-
2.3 Trasferts from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**12**	**-**	**-**
3.1 Reimbursements	-	-	-
3.2 Repurchases	12	-	-
3.3 Profits recognised in:	-	-	-
3.3.1 Income Statement	-	-	-
- of which capital gains	-	-	-
3.3.2 In equity	X	-	-
3.4. Trasferts to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balances	**18**	**-**	**-**

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

(Amounts in €thousand)

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	12/31/2020				12/31/2019			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets at amortised cost	29,093,523	18,800,104	5,909,192	5,528,113	26,216,829	14,781,018	7,779,770	4,374,125
2. Tangible assets held for investment	1,872	-	-	2,367	1,980	-	-	2,950
3. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**29,095,395**	**18,800,104**	**5,909,192**	**5,530,480**	**26,218,809**	**14,781,018**	**7,779,770**	**4,377,075**
1. Financial liabilities at amortised cost	29,424,598	-	942,853	28,474,782	26,074,511	-	1,366	26,073,151
2. Liabilities included in disposal group classified as held for sale	-	-	-	-	-	-	-	-
Total	**29,424,598**	**-**	**942,853**	**28,474,782**	**26,074,511**	**-**	**1,366**	**26,073,151**

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

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

A.5 Day-one profit/loss

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

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

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

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

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

Part B - Consolidated Balance Sheet

Assets

Section 1 - Cash and cash balances - Item 10

1.1 Cash and cash balances: breakdown

(Amounts in € thousand)

	Total 12/31/2020	Total 12/31/2019
a) Cash	7	53
b) Demand deposits with Central banks	1,760,341	754,333
Total	**1,760,348**	**754,386**

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

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

2.1 Financial assets held for trading: product breakdown

(Amounts in € thousand)

Items/Amounts	Total 12/31/2020			Total 12/31/2019		
	L1	L2	L3	L1	L2	L3
A. Balance sheet assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	9,942	-	-	3,289	-	-
3. Units in investment funds	-	-	-	5	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**9,942**	**-**	**-**	**3,294**	**-**	**-**
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivatives	3,564	3,491	-	1,337	3,302	-
1.1 trading financial derivatives	3,564	3,491	-	1,337	3,302	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading derivatives	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	**3,564**	**3,491**	**-**	**1,337**	**3,302**	**-**
Total (A+B)	**13,506**	**3,491**	**-**	**4,631**	**3,302**	**-**

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

Part B - Consolidated Balance Sheet

Financial derivatives refer to the positive valuation of CFD contracts on forex, indices, shares, interest rates, commodities and futures used for the operational hedging of CFDs on indices, interest rates and commodities. They amounted to €3,352 thousand (€3,227 thousand as at December 31, 2019).

Sub-item B.1.1 “Derivative instruments - Trading financial derivatives” also includes the positive valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"). They amounted to €3,702 thousand (€1,412 thousand as at December 31, 2019).

2.2 Financial assets held for trading: breakdown by issuer/borrower

(Amounts in €thousand)

Items/Amounts	Total 12/31/2020	Total 12/31/2019
A. On-balance sheet assets		
1. Debt securities	-	-
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	9,942	3,289
a) Banks	7	-
b) Other financial companies	300	217
of which: Insurance companies	2	4
c) Non-financial companies	9,635	3,072
d) Other issuers	-	-
3. Units in investment funds	-	5
4. Loans	-	-
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**9,942**	**3,294**
B. Derivative instruments		
a) Central Counterparties	38	55
b) Others	7,017	4,584
Total (B)	**7,055**	**4,639**
Total (A+B)	**16,997**	**7,933**

Item B. “Derivative instruments” also includes the positive valuations of spot contracts for securities classified in the “Financial Assets held for trading” portfolio and currencies to be settled within times established by market practices ("regular way").

2.3 Financial assets designated at fair value: product breakdown

No data to report.

Part B - Consolidated Balance Sheet

2.4 Financial assets designated at fair value: breakdown by issuer/borrower

No data to report.

2.5 Other financial assets mandatorily at fair value: product breakdown

(Amounts in €thousand)

Items/Accounts	Total 12/31/2020			Total 12/31/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**50**	**-**	**-**	**32**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	50	-	-	32	-	-
2. Equity instruments	**7**	**-**	**10,521**	**7**	**-**	**11,320**
3. Units in investment funds	**410**	**-**	**-**	**867**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	**467**	**-**	**10,521**	**906**	**-**	**11,320**

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

The "Other financial assets mandatorily at fair value" primarily consist of the Visa INC class "C" (class "A" and class "C") preferred shares, for an amount of €9,319 thousand, which saw a positive change in fair value during 2020 of €638 thousand and the residual equity instruments exposure following the contribution paid to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF) amounting to €1,196 thousand (of which €875 relating to the Banca Carige transaction and €321 thousand relating to Carim, Carismi and CariCesena transaction), with a negative effect recorded in 2020 income statement amounting to €1,433 thousand due to the fair value measurement. For more details on the fair value measurement of financial instruments, please refer to Part A - Accounting Policies - A.4 Information on the fair value of these notes to the consolidated accounts.

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

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

Part B - Consolidated Balance Sheet

2.6 Other financial assets mandatorily at fair value: breakdown by issuer/borrower

(Amounts in € thousand)

	Total 12/31/2020	Total 12/31/2019
1. Equity instruments	**10,528**	**11,327**
of which: banks	1	1
of which: other financial companies	10,516	11,313
of which: other non-financial companies	11	13
2. Debts securities	**50**	**32**
a) Central Banks	-	-
b) Public Entities	47	29
c) Banks	3	3
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. Units investment funds	**410**	**867**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**10,988**	**12,226**

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

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

(Amounts in € thousand)

Item/Amounts	Total 12/31/2020			Total 12/31/2019		
	L1	L2	L3	L1	L2	L3
1. Debts securities	**143,693**	**-**	**-**	**321,694**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	143,693	-	-	321,694	-	-
2. Equity instruments	**-**	**-**	**5**	**-**	**-**	**5**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**143,693**	**-**	**5**	**321,694**	**-**	**5**

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

Part B - Consolidated Balance Sheet

"Financial assets at fair value through other comprehensive income" consist of securities issued by sovereign States and, residually, of equity interests in companies in which the Group does not exercise control or significant influence for € 5 thousand for which, upon first application of IFRS 9, the "FVTOCI"[34] option was exercised. For more details, see the information on Sovereign exposures set out in Part E of the notes to the consolidated accounts.

3.2 Financial assets at fair value through comprehensive income: breakdown by issuer/borrower

(Amounts in € thousand)

Items/Amounts	Total 12/31/2020	Total 12/31/2019
1. Debt securities	**143,693**	**321,694**
a) Central Banks	-	-
b) Public Entities	143,693	321,694
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity Instruments	**5**	**5**
a) Banks	-	-
b) Other issuers:	5	5
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	5	5
- others	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**143,698**	**321,699**

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

Part B - Consolidated Balance Sheet

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

(Amounts in €thousand)

	Gross value				Write-downs			Partial write-offs
	First stage	of which: low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	143,710	143,710	-	-	(17)	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 12/31/2020	**143,710**	**143,710**	**-**	**-**	**(17)**	**-**	**-**	**-**
Total 12/31/2019	**321,720**	**321,720**	**-**	**-**	**(26)**	**-**	**-**	**-**
of which: financial assets purchased or originated credt impaired	X	X	-	-	X	-	-	-

3.3a Loans and advances measured measured at fair value with an impact on overall profitability subject to measures applied in response to the COVID-19: gross values and writedown

No data to report.

Part B - Consolidated Balance Sheet

Section 4 - Financial assets at amortised cost – Item 40

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

(Amounts in € thousand)

Type of transaction/Amounts	Total 12/31/2020						Total 12/31/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3
A. Loans and receivables with Central Banks	**271,500**	**-**	**-**	**-**	**-**	**271,500**	**251,574**	**-**	**-**	**-**	**-**	**251,574**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	271,500	-	-	X	X	X	251,574	-	-	X	X	X
3. Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and receivables with banks	**7,982,831**	**-**	**-**	**1,756,035**	**5,860,094**	**508,973**	**9,188,788**	**-**	**-**	**1,347,332**	**7,721,114**	**314,459**
1. Loans	508,973	-	-	-	-	508,973	314,459	-	-	-	-	314,459
1.1 Current accounts and demand deposits	254,051	-	-	X	X	X	250,501	-	-	X	X	X
1.2. Time deposits	45,367	-	-	X	X	X	9,994	-	-	X	X	X
1.3 Other loans:	209,555	-	-	X	X	X	53,964	-	-	X	X	X
- Reverse Repos	1,122	-	-	X	X	X	4,316	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	208,433	-	-	X	X	X	49,648	-	-	X	X	X
2. Debts securities	7,473,858	-	-	1,756,035	5,860,094	-	8,874,329	-	-	1,347,332	7,721,114	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	7,473,858	-	-	1,756,035	5,860,094	-	8,874,329	-	-	1,347,332	7,721,114	-
Total	**8,254,331**	**-**	**-**	**1,756,035**	**5,860,094**	**780,473**	**9,440,362**	**-**	**-**	**1,347,332**	**7,721,114**	**566,033**

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

Loans and receivables with banks for "Current accounts and demand deposits" consist of current accounts held with credit institutions, including UniCredit S.p.A., for the settlement of transactions on payment circuits, for the settlement of securities transactions, for the management of the liquidity of UK customers and for the management of Fineco AM liquidity.

The item "Other loans: Other" refers for €202,393 thousand to the amount of the initial and variation margins and collateral deposits placed with credit institutions for derivative transactions (€43,854 thousand as at December 31, 2019), and € 6,041 thousand to current receivables associated with the provision of financial services (€5,793 thousand as at December 31, 2019).

The item "Debt securities" includes €5,738,917 thousand relating to debt securities issued by UniCredit S.p.A. (€7,501,377 thousand as at December 31, 2019).

Part B - Consolidated Balance Sheet

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

(Amounts in €thousand)

Type of transaction/Amounts	Total 12/31/2020						Total 12/31/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3
1. Loans	**4,524,307**	**3,530**	**-**	**-**	**-**	**4,747,640**	**3,676,261**	**3,568**	**-**	**-**	**-**	**3,808,092**
1.1 Current	1,600,663	2,103	-	X	X	X	1,290,208	1,964	-	X	X	X
1.2 Reverse repos	154,963	51	-	X	X	X	160,112	-	-	X	X	X
1.3 Mortgages	1,667,948	338	-	X	X	X	1,155,943	410	-	X	X	X
1.4 Credit cards, personal loans and wage assignment loans	732,489	871	-	X	X	X	809,176	885	-	X	X	X
1.5 Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7 Other loans	368,244	167	-	X	X	X	260,822	309	-	X	X	X
2. Debt securities	**16,311,355**	**-**	**-**	**17,044,069**	**49,098**	**-**	**13,096,638**	**-**	**-**	**13,433,686**	**58,656**	**-**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	16,311,355	-	-	17,044,069	49,098	-	13,096,638	-	-	13,433,686	58,656	-
Total	**20,835,662**	**3,530**	**-**	**17,044,069**	**49,098**	**4,747,640**	**16,772,899**	**3,568**	**-**	**13,433,686**	**58,656**	**3,808,092**

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

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

Part B - Consolidated Balance Sheet

4.3 Financial assets at amortised cost: breakdown by issuer/borrower of loans and receivables with customers

(Amounts in €thousand)

Type of transaction/Amounts	Total 12/31/2020			Total 12/31/2019		
	First and second stage	Third stage	of which: purchased or originated credit impaired	First and second stage	Third stage	of which: purchased or originated credit impaired
1. Debt securities	**16,311,355**	**-**	**-**	**13,096,638**	**-**	**-**
a) Public entities	16,311,355	-	-	13,096,638	-	-
b) Other financial companies	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans with:	**4,524,307**	**3,530**	**-**	**3,676,261**	**3,568**	**-**
a) Public entities	4	-	-	-	-	-
b) Other financial companies	353,013	1	-	246,995	1	-
of which: insurance companies	20,393	-	-	18,474	-	-
c) Non-financial companies	813	18	-	341	11	-
d) Households	4,170,477	3,511	-	3,428,925	3,556	-
Total	**20,835,662**	**3,530**	**-**	**16,772,899**	**3,568**	**-**

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

(Amounts in €thousand)

		Gross value				Write-downs			Partial write-offs
		First stage	of which: with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities		23,792,708	23,792,707	-	-	(7,495)	-	-	-
Loans		5,304,092	-	13,277	25,489	(8,831)	(3,758)	(21,958)	-
Total	**12/31/2020**	**29,096,800**	**23,792,707**	**13,277**	**25,489**	**(16,326)**	**(3,758)**	**(21,958)**	**-**
Total	**12/31/2019**	**26,217,797**	**21,972,304**	**11,237**	**25,335**	**(9,577)**	**(6,196)**	**(21,766)**	**-**
of which: purchased or originated credit impaired financial assets		X	X	-	-	X	-	-	-

Part B - Consolidated Balance Sheet

4.4a Loans and advances measured at amortised cost subject to measures applied in response to the COVID-19: gross values and writedown

(Amounts in € thousand)

		Gross value				Writedown			Write off partial total*
		First stage	of which: low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)		16,286	-	1,074	45	(41)	(27)	(36)	-
2. Other loans and advances subject to COVID-19-related forbearance measures		-	-	162	-	-	(29)	-	-
3. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-	-	-
Total	**12/31/2020**	**16,286**	**-**	**1,236**	**45**	**(41)**	**(56)**	**(36)**	**-**
Total	**12/31/2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Part B - Consolidated Balance Sheet

Section 5 – Hedging derivatives – Item 50

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

(Amounts in €thousand)

	Fair Value 12/31/2020			NA	Fair Value 12/31/2019			NA
	L1	L2	L3	12/31/2020	L1	L2	L3	12/31/2019
A. Financial derivatives								
1. Fair value	-	19,003	-	620,000	-	36,059	-	1,917,423
2. Cash flows	-	-	-	-	-	-	-	-
3. Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**19,003**	**-**	**620,000**	**-**	**36,059**	**-**	**1,917,423**

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

5.2 Hedging derivatives: breakdown by hedged assets and risk (balance sheet value)

(Amounts in € thousand)

Transaction/Type of hedge	Fair Value							Cash-flow hedges		Net investments in foreign subsidiaries
	Micro						Macro	Micro	Macro	
	debt securities and interest rates	equity instruments and index	currencies and gold	credit	commodities	others				
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	393	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Others	-	-	-	-	-	-	X	-	X	-
Total assets	**393**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial Liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	18,610	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**18,610**	**-**	**-**	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

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

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

(Amounts in €thousand)

Fair value of hedged assets/Amounts	Total 12/31/2020	Total 12/31/2019
1. Positive changes	**55,448**	**29,405**
1.1 of specific portfolios:	55,448	29,405
a) financial assets at amortized cost	55,448	29,405
b) financial assets at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative changes	**-**	**(525)**
2.1 of specific portfolios	-	(525)
a) financial assets at amortized cost	-	(525)
b) financial assets at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**55,448**	**28,880**

Section 7 - Equity investments - Item 70

No data to report.

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

No data to report.

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Section 9 - Property, plant and equipment - Item 90

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

(Amounts in €thousand)

Assets/Amounts	Total 12/31/2020	Total 12/31/2019
1. Owened assets	**84,638**	**83,301**
a) lands	23,932	23,932
b) buildings	41,050	41,404
c) office furniture and fittings	3,092	2,583
d) electronic system	13,846	12,736
e) other	2,718	2,646
2. Assets under financial lease	**65,361**	**66,766**
a) lands	-	-
b) buildings	64,920	66,218
c) office furniture and fittings	-	-
d) electronic system	-	-
e) other	441	548
Total	**149,999**	**150,067**
of which: obtained through enforcement of the guarantees received	-	-

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

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

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

(Amounts in €thousand)

Assets/Amounts	Total 12/31/2020				Total 12/31/2019			
	Carrying value	Fair value			Carrying value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owened assets	**1,872**	**-**	**-**	**2,367**	**1,980**	**-**	**-**	**2,950**
a) lands	-	-	-	-	-	-	-	-
b) buildings	1,872	-	-	2,367	1,980	-	-	2,950
2. Assets under financial lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) lands	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**1,872**	**-**	**-**	**2,367**	**1,980**	**-**	**-**	**2,950**
of which: obtained through enforcement of the guarantees received	-	-	-	-	-	-	-	-

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

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

No data to report.

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

No data to report.

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

No data to report.

Part B - Consolidated Balance Sheet

9.6 Property, plant and equipment used in the business: annual changes

(Amounts in €thousand)

	Lands	Buildings	Office furniture and fittings	Electronic systems	Others	Total
A. Gross opening balance	**23,932**	**117,762**	**16,223**	**39,813**	**12,482**	**210,212**
A.1 Total net reduction in value	-	(10,140)	(13,640)	(27,077)	(9,288)	(60,145)
A.2 Net opening balance	**23,932**	**107,622**	**2,583**	**12,736**	**3,194**	**150,067**
B. Increases:	**-**	**14,552**	**1,918**	**6,060**	**1,016**	**23,546**
B.1 Purchases	-	11,609	1,916	6,059	1,004	20,588
B.2 Capitalised expenditure on	-	931	-	-	-	931
B.3 Write-backs	-	-	-	-	-	-
B.4 Increase in fair value recognised	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	2,012	2	1	12	2,027
C. Decreases:	**-**	**(16,204)**	**(1,409)**	**(4,950)**	**(1,051)**	**(23,614)**
C.1 Sales	-	-	-	(1)	-	(1)
C.2 Depreciation	-	(12,249)	(1,394)	(4,942)	(923)	(19,508)
C.3 Impairment losses recognised	-	(6)	(15)	-	(47)	(68)
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	(6)	(15)	-	(47)	(68)
C.4 Decreases in fair value recognised	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	X	X	X	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	(3,949)	-	(7)	(81)	(4,037)
D. Net closing balance	**23,932**	**105,970**	**3,092**	**13,846**	**3,159**	**149,999**
D.1 Total net reduction in value	-	(21,186)	(14,569)	(30,824)	(9,816)	(76,395)
D.2 Gross closing balance	**23,932**	**127,156**	**17,661**	**44,670**	**12,975**	**226,394**
E. Carried at cost	23,932	105,970	3,092	13,846	3,159	149,999

The asset classes specified in the table above are carried at cost.

Items B.7 and C.7 "Other changes" include, in addition to the changes deriving from the application of IFRS16, the changes in the activities consisting of the right of use due to the changes made to the payments due for the leasing after the initial recognition. Below is the amount of changes by type of activity.

(Amounts in € thousand)

	Land	Buildings	Furniture and fittings	Electronic system	Other	Total
Other increases due to changes in rights of use	-	2,012	-	-	12	2,024
Other decreases due to changes in rights of use	-	(3,666)	-	-	(1)	(3,667)

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9.7 Property, plant and equipment held for investment: annual changes

(Amounts in €thousand)

	Total	
	Lands	Buildings
A. Net opening balance	**-**	**1,980**
B. Increase	**-**	**-**
B.1 Purchases	-	-
- of which: business combinations	-	-
B.2 Capitalised expenditure on improvements	-	-
B.3 Net increases in fair value	-	-
B.4 Write-backs	-	-
B.5 Positive exchange differences	-	-
B.6 Transfer from properties used in the business	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**(108)**
C.1 Sales	-	-
- of which: business combinations	-	-
C.2 Depreciation	-	(108)
C.3 Decreases in fair value	-	-
C.4 Impairment losses	-	-
C5 Negative exchange difference	-	-
C.6 Transfers to other asset portfolios	-	-
a) properties used in the business	-	-
b) non-current assets classified as held for sale	-	-
C.7 Other changes	-	-
D. Net closing balance	**-**	**1,872**
D.1 Total net reduction in value	-	(1,728)
D.2 Gross closing balance	-	3,600
E. Fair value measurement	-	2,367

The buildings specified in the table above are carried at cost.

9.8 Inventories of property, plant and equipment regulated by IAS 2: annual changes

No data to report.

9.9 Commitments to purchase property, plant and equipment

As at December 31, 2020 the Bank had contractual commitments to purchase property, plant and equipment amounting to € 912 thousand.

We also report that there are no restrictions on the ownership of tangible assets and there are no tangible assets pledged as security for liabilities.

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Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by type assets

(Amounts in €thousand)

Assets/Amount	Total 12/31/2020		Total 12/31/2019	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	**89,602**	X	**89,602**
A.1.1 attributable to the group	X	89,602	X	89,602
A.1.2 attributable to minorities	X	-	X	-
A.2 Other intangible assets	**12,138**	**27,459**	**10,040**	**27,452**
A.2.1 Assets carried at cost	12,138	27,459	10,040	27,452
a) intangible assets generated internally	-	-	-	-
b) other assets	12,138	27,459	10,040	27,452
A.2.2 Assets carried at fair value	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**12,138**	**117,061**	**10,040**	**117,054**

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

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

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10.2 Intangible assets: annual changes

(Amounts in € thousand)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: others		Total
		FIN	INDEF	FIN	INDEF	
A. Gross opening balance	**124,729**	**-**	**-**	**92,350**	**27,452**	**244,531**
A.1 Total net reduction in value	(35,127)	-	-	(82,310)	-	(117,437)
A.2 Net opening balance	**89,602**	**-**	**-**	**10,040**	**27,452**	**127,094**
B. Increases	**-**	**-**	**-**	**7,855**	**7**	**7,862**
B.1 Purchases	-	-	-	7,855	7	7,862
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value recognised:	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**(5,757)**	**-**	**(5,757)**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	(5,757)	-	(5,757)
- Amortisations	X	-	-	(5,757)	-	(5,757)
- Write-downs	-	-	-	-	-	-
+ in equity	X	-	-	-	-	-
+ through profit or loss	-	-	-	-	-	-
C.3 Decreases in fair value	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
C.4 Transfers to non-current assets and discontinued operations	-	-	-	-	-	-
C.5 Negative exchange differrences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**89,602**	**-**	**-**	**12,138**	**27,459**	**129,199**
D.1 Total net impairments	(35,127)	-	-	(88,067)	-	(123,194)
E. Gross closing balance	**124,729**	**-**	**-**	**100,205**	**27,459**	**252,393**
F. Carried at cost	89,602	-	-	12,138	27,459	129,199

Key
FIN: finite life
INDEF: indefinite life

The asset classes specified in the table above are carried at cost.

10.3 Other information

As at December 31, 2020 the contractual commitments to purchase intangible assets amount to €291 thousand.

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

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Other information - Impairment test

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

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

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

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

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

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

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

Definition of CGU

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

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

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

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

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

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

Impairment test model

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

Cash flows

The discounted cash flow model used is based on future cash flows estimated by management in four steps:

- year 2021, in which the budget figures were considered (submitted for approval by the Board of Directors on January 19, 2021);

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- years 2022-2023, which considers the financial forecasts of the Strategic Plan (submitted for approval by the same Board of Directors on January 19, 2021);
- intermediate period of five years from 2024 to 2028, for which the forecasts of the financial flows are projected by applying beginning in the last explicit estimate period (2023) rates of growth decreasing (from 4% to 2%) to the terminal value (TV);
- terminal value calculated using a nominal growth rate of 2%. The average Eurozone actual GDP rate from 2010 to 2019 was 2.9% (of which 1.3% due to inflation). The choice of nominal 2% as "terminal value" growth rate, i.e. corresponding to ~ 0% real growth, was made for prudential reasons.

Discount rates of cash flows

Future financial flows were discounted using a conservative estimate of the discount rate, incorporating the risk factors linked to the business sector into the cost of equity (Ke). The discount rate is a nominal rate, net of taxes.

In particular, the cost of capital for the Bank is the sum of the following:

- Risk-free rate: the daily average at 3, 6 or 12 months of the 10-year Btp; in light of the sharp reduction in market rates generated by the COVID-19 pandemic, it was considered correct to use, as an exception to the methodology, a time horizon of 3 years for the calculation of the average (equal to 1.92%), so the cost of capital is not excessively impacted by the reduction in rates that characterized 2020;
- Equity Risk Premium - ERP (Beta * Market Risk Premium): calculated using the value of 6.20% as a premium for the risk offered by the stock market compared to the risk-free investment (Rm-Rf) and as Beta (coefficient that links the performance of the stock to that of the stock market) the 3-year average of the Fineco share compared to FTSEMIB and SXXP indices.

The cost of capital in 2023 is calculated considering the average expected return of the 10-year BTP expected in 2023 as risk free (3-year average, equal to 0.63%); the ERP is instead kept the same as that calculated for 2021. The 2022 cost of capital is calculated considering a linear decrease between the 2021 and 2023 values. The 2023 cost of capital (6.15%) is then maintained steady until the TV.

Impairment test results

The methodology for calculating the value in use described above (model, assumptions and parameters used) was approved by the Board of Directors on January 19, 2021. For the impairment testing the carrying amount of the goodwill, the brand (including domains) and Shareholders' equity was compared with its value in use calculated using that methodology. The outcome of the tests, approved by the Board of Directors on February 9, 2021, confirmed the sustainability of the goodwill and the brand recognised in the financial statements as at December 31, 2020, with the value in use significantly higher than the carrying amount.

Sensitivity analysis

Given the complexity of the measurement process and the uncertainty involved in making forecasts on future profitability, especially in the long term, some sensitivity analyses were carried out assuming changes to the main parameters used in the impairment test.

The table below shows the change in the value in use, net of book value, of brand and of shareholders' equity, in relation to changes in the main parameters used in the DCF model underlying the impairment test.

	1% increase of the discount rate after taxes (ke)	1% increase of core tier 1 ratio target	1% decrease of the nominal growth rate for the calculation of terminal value	5% decrease of annual earnings	Use of Core Tier 1 ratio as at 12/31/2020 (28.56%)
Change of value in use	-26.2%	-0.8%	-20.1%	-7.0%	-13.8%

The results confirm the sustainability of the goodwill recognised in the financial statements, as none of the scenarios hypothesised revealed the need for a write-down, as the value in use, calculated applying those variations, was much higher than the book value.

It should also be noted, that the impairment test reaches the break-even assuming changes in the above parameters that are currently unreasonable. The impairment test reached a break-even with an absolute positive change in the discount rate after tax (Ke) of over 12 percentage points, i.e. with a reduction of over 70% of annual earnings (while maintaining all the other parameters and information used unchanged, in both scenarios).

It should be noted that the value of “FinecoBank” shares resulted in a market capitalisation of € 8,168 million at December 31, 2020, markedly higher than the Bank's assets and the results provided by the model used for the impairment test, which confirms the implementation of prudent criteria for calculation of the value in use.

Part B - Consolidated Balance Sheet

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

The item "Tax assets" amounting to € 13,314 thousand at December 31, 2020, it is made of "Current tax assets" amounting to € 5,166 thousand and "Deferred tax assets" amounting to € 8,148 thousand.

The item "Tax liabilities" amounting to €13,954 thousand at the same date, it is made of "Current tax liabilities" amounting to €10,204 thousand and "Deferred tax liabilities" amounting to € 3,750 thousand.

Current Tax Assets and Liabilities

(Amounts in € thousand)

Assets/amounts	Total 12/31/2020	Total 12/31/2019
Current tax assets	5,166	-
Current tax liabilities	10,204	11,437

Deferred tax assets/liabilities

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

- "Deferred tax assets" of € 31,324 thousand recognised as a balancing entry in the income statement;
- "Deferred tax assets" of € 835 thousand recognised as a balancing entry of shareholders' equity;
- "Deferred tax liabilities" of € 26,078 thousand recognised as a balancing entry in the income statement;
- "Deferred tax liabilities" of € 1,682 thousand recognised as a balancing entry of shareholders' equity.

In accordance with the law and regulations currently in force:

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

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

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

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

11.1 Deferred tax assets: breakdown

(Amounts in €thousand)

Assets/Amounts	Total 12/31/2020	Total 12/31/2019
Allocations through profit or loss	28,024	47,086
- of which Patent Box ex D.L. n.3/2015	4,395	21,577
- of which Provisions for Risks and Charges	19,736	19,137
- of which Other	3,893	6,372
Allocations through equity	835	798
- of which Revaluation reserve application IAS 19	835	602
- of which Financial assets at fair value through comprehensive income	-	196
Impairment losses on receivables (of which pursuant to Law 214/2011)	**3,300**	**3,828**
Total before IAS 12 offset	**32,159**	**51,712**
Offset against deferred tax liabilities - IAS 12	(24,010)	(28,268)
Total	**8,149**	**23,444**

Part B - Consolidated Balance Sheet

11.2 Deferred tax liabilities: breakdown

(Amounts in €thousand)

Liabilities/Amounts	Total 12/31/2020	Total 12/31/2019
Allocations through profit or loss	**26,078**	**25,998**
- of which Goodwill and Brand	25,527	24,978
- of which Exposures in equity instruments with Voluntary Scheme	396	870
- of which Other	156	150
Allocations through equity	**1,682**	**2,270**
- of which Financial assets at fair value through comprehensive income	1,175	1,757
- of which Revaluation reserve IAS 19 application	507	513
Total before IAS 12 offset	**27,760**	**26,268**
Offset against deferred tax assets - IAS 12	(24,010)	(28,268)
Total	**3,750**	**-**

11.3 Changes in deferred tax assets (through profit or loss)

(Amounts in €thousand)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**50,914**	**30,270**
2. Increases	**7,196**	**25,614**
2.1 Deferred tax assets recognised in the year	7,149	25,614
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) others	7,149	25,614
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	47	-
3. Decreases	**(26,788)**	**(4,970)**
3.1 Deferred tax assets cancelled in the year	(26,788)	(4,970)
a) reversals of temporary differences	(26,788)	(4,854)
b) write-downs of non-recoverable items	-	-
c) changes in accountable policies	-	-
d) others	-	(116)
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	-	-
a) conversion of tax credits as per Law 214/2011	-	-
b) others	-	-
4. Closing balance	**31,322**	**50,914**

The increase in deferred tax assets recognized in the year as a balancing entry in the income statement mainly refers to the tax benefit connected to the Patent Box regime pursuant to Legislative Decree No. 3 of 2015 for the year 2020 and to provisions for risks and charges. The decreases mainly refer to the deduction of the tax benefit connected to the Patent Box regime pursuant to Legislative Decree 3 of 2015 for the period 2015-2019 and to the use of the provision for risks and charges.

Part B - Consolidated Balance Sheet

11.4 Changes in deferred tax assets under Law 214/2011

(Amounts in €thousand)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**3,828**	**4,033**
2. Increases	**-**	**-**
3. Decreases	**(529)**	**(205)**
3.1 Reversals	(529)	-
3.2 Conversion into tax credits	-	-
a) resulting from operating losses	-	-
b) resulting from tax losses	-	-
3.3 Other decreases	-	(205)
4. Closing balance	**3,299**	**3,828**

The decreases refer to the deduction of write-downs and losses on loans to customers according to the reabsorption plan provided for by Legislative Decree n. 83 of 2015 as amended by Law no. 145 of 2018 and by Law no. 160 of 2019.

11.5 Changes in deferred tax liabilities (through profit or loss)

(Amounts in €thousand)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**25,998**	**26,560**
2. Increases	**558**	**941**
2.1 Deferred tax liabilities arising during the year	558	941
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	558	941
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(481)**	**(1,503)**
3.1 Deferred tax liabilities de-recognised during the year	(480)	(1,503)
a) reversals of temporary differences	(480)	(1,503)
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	(1)	-
4. Closing balance	**26,075**	**25,998**

Increases in deferred taxes liabilities recorded in the financial year as a balancing item of the income statement refer to the recognition of deferred taxes liabilities resulting from the different accounting and tax treatment of goodwill and the brand. Decreases refer to the negative fair value measurement of financial assets represented by equity exposures to the Voluntary Scheme.

Part B - Consolidated Balance Sheet

11.6 Changes in deferred tax assets (through equity)

(Amounts in € thousand)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**798**	**2,740**
2. Increases	**233**	**105**
2.1 Deferred tax assets recognised in the year	233	63
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	233	63
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	42
3. Decreases	**(196)**	**(2,047)**
3.1 Deferred tax assets cancelled in the year	(196)	(2,047)
a) reversals of temporary differences	(196)	(2,047)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**835**	**798**

The increases in deferred tax assets recognized in the year through equity refer to the recognition of prepaid IRAP taxes for actuarial losses recognized in shareholders' equity as part of the valuation reserves in application of the provisions of IAS 19 Revised.

The decrease in deferred tax assets recognised during the year through equity refer to writebacks debt securities booked in "Financial assets at fair value through other comprehensive income" item.

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11.7 Changes in deferred tax liabilities (through equity)

(Amounts in €thousand)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**2,270**	**203**
2. Increases	**427**	**2,163**
2.1 Deferred tax assets recognised in the year	427	2,163
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	427	2,163
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(1,015)**	**(96)**
3.1 Deferred tax assets cancelled in the year	(1,015)	(96)
a) reversals of temporary differences	(1,015)	(96)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases:	-	-
4. Other decreases	**1,682**	**2,270**

The increase in deferred tax liabilities recognised during the year through equity refer to increases in the value of debt securities booked in ”Financial assets at fair value through other comprehensive income” item. The decrease in deferred tax liabilities recognised during the year through equity refer to the disposal of debt securities booked in ”Financial assets at fair value through other comprehensive income” item.

11.8 Other information

No information to report.

Part B - Consolidated Balance Sheet

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

No information to report.

Section 13 – Other assets – Item 130

13.1 Other assets: breakdown

(Amounts in €thousand)

	Total 12/31/2020	Total 12/31/2019
Trade receivables according to IFRS15	3,603	4,579
Current receivables not related with the provision of financial services	2,359	2,733
Improvement and incremental expenses incurred on leasehold assets	6,361	6,067
Definitive items not recognised under other items:	21,223	28,062
- securities and coupons to be settled	1,135	1,537
- other transactions	20,088	26,525
Tax items other than those included in the item "Tax assets":	258,997	259,098
- tax advances	254,480	252,251
- tax credit	4,486	6,809
- tax advances on employee severance indemnities	31	38
Items awaiting settlement:	2,627	2,495
- notes, cheques and other documents	2,627	2,495
Items in processing	9	13
Items in transit not allocated to relevant accounts	14	50
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	34,738	27,178
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	30,696	12,034
Total	**360,627**	**342,309**

It should be noted that as at 31 December 2020 the advances for stamp duty paid for the year 2020 were offset with the related debt accrued at the closing date of the financial statements, for an amount of €103,050 thousand. The net balance, equal to €6,242 thousand, was recognized in Item 80. Other liabilities in the item "Tax items other than those included in the item "Tax liabilities" - other", while at 31 December 2019 the advances and the related payable have been shown without compensation, respectively, in item 130. Other assets in the item "Tax items other than those included in the item "Tax assets" - tax advances" and in Item 80. Other liabilities in the item "Tax items other than those included in the item "Tax liabilities" – other”.

If the offsetting had not been made in the financial statements as of 31 December 2020, the item "Tax items other than those included in the item "Tax assets" - tax advances" would have been equal to €357,530 thousand, showing an increase in the year 2020 of €105,279 thousand, due to the payment of higher advances compared to 2019 for the substitute tax for other income and for the stamp duty.

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The following table "Periodic Change of Accrued Income/Expenses and Prepaid Expenses/Income" discloses the changes incurred in the sub-items "Accrued income and prepaid expenses related to contracts with customers other than capitalised on related financial assets or liabilities" and "Accrued expenses and prepaid income related to contracts with customers other than capitalised on related financial assets or liabilities" reported in the tables "Other assets: breakdown" and "Other liabilities: breakdown" (Section 8 - Liabilities of this Part B of these Notes to the consolidated accounts), respectively, as required by the par. 118 of the IFRS15.

Periodic Change of Accrued Income/Expenses and Prepaid Expenses/Income

(Amounts in € thousand)

	Accrued income and prepaid expenses 12/31/2020	Accrued expenses and prepaid income 12/31/2020
Opening balance	**12,034**	**6,851**
Change in opening balances	-	-
Increases	**29,831**	**7,132**
a) external acquisition	-	-
b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS 15 Par 118.b)	-	-
c) reversal of impairment of a contract asset (IFRS 15 Par 118.c)	16	-
d) change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS 15 Par 118.d)	-	-
e) change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability (IFRS 15 Par 118.e)	-	-
f) other	29,815	7,132
Decreases	**(11,169)**	**(4,252)**
a) external acquisition	-	-
b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS 15 Par 118.b)	-	-
c) impairment of a contract asset (IFRS 15 Par 118.c)	-	-
d) change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS 15 Par 118.d)	-	-
e) change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability (IFRS 15 Par 118.e)	-	-
f) other	(11,169)	(4,252)
Closing balances	**30,696**	**9,731**

Part B - Consolidated Balance Sheet

Transaction price allocated to the remaining performance obligations

(Amounts in € thousand)

	Expected duration of performance <=1 12/31/2020	Expected duration of performance >1 12/31/2020
Unsatisfied (or Partially Unsatisfied) Performance Obligations - Duration - Other Assets (IFRS 15 Par 120a)	13,942	-
Unsatisfied (or Partially Unsatisfied) Performance Obligations - Duration - Other Liabilities (IFRS 15 Par 120a)	1,161	3,586
Total	**15,103**	**3,586**

With regard to the information required by parag. 120 of IFRS15 ("Transaction price allocated to the remaining performance obligations "), below a quantitative disclosure will be provided with the expected duration ("within 1 year" and "over 1 year") of "Accrued income related to contracts with customers other than capitalised on the related financial assets or liabilities" and "Deferred income related to contracts with customers other than capitalised on the related financial assets or liabilities".

Lastly, please note that the aggregate amount of revenues from services to customers related to the portion of performance obligations not yet satisfied, showed in the table above "Transaction price allocated to the remaining performance obligations" is equal to €18,689 thousand. 80.8% of this amount regards performance obligations expected to be satisfied by the next year-end reporting date.

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Liabilities

Section 1 - Financial liabilities at amortised cost - Item 10

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

(Amounts in € thousand)

Transactions type/Amounts	Total 12/31/2020				Total 12/31/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**949,604**	X	X	X	**-**	X	X	X
2. Deposits from banks	**115,255**	X	X	X	**154,653**	X	X	X
2.1 Other current accounts and demand deposits	43,317	X	X	X	70,396	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	53,422	X	X	X	74,067	X	X	X
2.3.1 Repos	53,422	X	X	X	74,067	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease liabilities	4,225	X	X	X	7,207	X	X	X
2.6 Other liabilities	14,291	X	X	X	2,983	X	X	X
Total	**1,064,859**	**-**	**942,640**	**115,255**	**154,653**	**-**	**-**	**154,653**

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

Item 1. "Deposits from central banks" only includes liquidity received by the central bank as part of TLTRO III operations. As described in the Consolidated Report on operations, FinecoBank participated in the 6th tranche of the TLTRO III program (16 December 2020) for an amount of € 950,000 thousand.

Part B - Consolidated Balance Sheet

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

(Amounts in €thousand)

Transactions type/Amounts	Total 12/31/2020				Total 12/31/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	28,033,748	X	X	X	25,573,169	X	X	X
2. Time deposits	213	X	X	X	1,359	X	X	X
3. Loans	103,584	X	X	X	163,450	X	X	X
3.1 Reverse repos	103,584	X	X	X	163,450	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Liabilities in respect of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease payables	61,988	X	X	X	60,118	X	X	X
6. Other liabilities	160,206	X	X	X	121,762	X	X	X
Total	**28,359,739**	**-**	**213**	**28,359,527**	**25,919,858**	**-**	**1,366**	**25,918,498**

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

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

No data to report.

1.4 Breakdown of subordinated deposits/securities

No data to report.

1.5 Breakdown of structured deposits/securities

No data to report.

1.6 Amounts payable under finance leases

(Amounts in €thousand)

Items/Time buckets	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Lease liabilities	**5,045**	**8,995**	**8,230**	**7,791**	**7,398**	**28,754**
Lease liabilities - Banks	165	367	375	383	392	2,543
Lease liabilities - Customers	4,880	8,628	7,855	7,408	7,006	26,211

The amount of cash flows for leasing paid during 2020 is equal to €11,639 thousand.

Part B - Consolidated Balance Sheet

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: product breakdown

(Amounts in €thousand)

Transactions type/Amounts	Total 12/31/2020					Total 12/31/2019				
	NA	Fair Value			Fair Value*	NA	Fair Value			Fair Value*
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	593	467	-	18	485	595	1,908	-	-	1,908
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total (A)	**593**	**467**	**-**	**18**	**485**	**595**	**1,908**	**-**	**-**	**1,908**
B. Derivatives										
1. Financial derivatives	X	3,561	1,843	-	X	X	1,309	560	-	X
1.1 Trading derivatives	X	3,561	1,843	-	X	X	1,309	560	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credits derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**3,561**	**1,843**	**-**	**X**	**X**	**1,309**	**560**	**-**	**X**
Total (A+B)	**X**	**4,028**	**1,843**	**18**	**X**	**X**	**3,217**	**560**	**-**	**X**

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

Financial derivatives refer to the negative valuation of CFD contracts on forex, indices, shares, interest rates, commodities and futures used for the operational hedging of CFDs on indices, interest rates and commodities. They amounted to €1,876 thousand (€580 thousand as at December 31, 2019).

Sub-item B.1.1 Derivative instruments - Trading financial derivatives includes the negative valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"). They amounted to €3,528 thousand (€1,289 thousand as at December 31, 2019).

2.2 Breakdown of “Financial liabilities held for trading”: subordinated liabilities

No data to report.

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2.3 Breakdown of "Financial liabilities held for trading": structured debts

No data to report.

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

No data to report.

Section 4 - Hedging derivatives - Item 40

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

(Amounts in €thousand)

	Fair value 12/31/2020			NA	Fair value 12/31/2019			NA
	L1	L2	L3	12/31/2020	L1	L2	L3	12/31/2019
A. Financial derivatives	**-**	**214,388**	**-**	**6,257,777**	**-**	**80,852**	**-**	**2,687,284**
1) Fair value	-	214,388	-	6,257,777	-	80,852	-	2,687,284
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**214,388**	**-**	**6,257,777**	**-**	**80,852**	**-**	**2,687,284**

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

Part B - Consolidated Balance Sheet

4.2 Hedging derivatives: breakdown by hedged assets and risk

(Amounts in € thousand)

Transactions/Type of hedge	Fair Value							Cash flow		Net investment in foreign subsidiaries
	Micro						Macro	Micro	Macro	
	Debt securities and interest rates	Equities and equity index	Currencies and gold	Credit	Commodity	Others				
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at ammortised cost	157,539	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	56,849	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**157,539**	**-**	**-**	**-**	**-**	**-**	**56,849**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities Portfolio	X	X	X	X	X	X	-	X	-	-

Section 5 – Changes in fair value of portfolio hedged financial liabilities - Item 50

5.1 Changes to macro-hedged financial liabilities: breakdown by hedged portfolio

(Amounts in €thousand)

Adjustments to the value of hedged liabilities/Components of the group	Total 12/31/2020	Total 12/31/2019
1. Positive changes to financial liabilities	17,714	14,098
2. Negative changes to financial liabilities	-	-
Total	**17,714**	**14,098**

Section 6 – Tax liabilities – Item 60

See section 11 of assets.

Section 7 – Liabilities included in disposal groups classified as held for sale – Item 70

See section 12 of assets.

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Section 8 – Other liabilities - Item 80

8.1 Other liabilities: breakdown

(Amounts in €thousand)

Items/Amounts	Total 12/31/2020	Total 12/31/2019
Payables to Directors and Statutory auditors	224	202
Payables to employees	14,400	13,342
Social security contributions payable	7,012	6,577
Current payables not related to the provision of financial services	32,889	25,866
Payables for share-based payments	47	142
Definitive items not recognised under other items:	49,338	57,512
- securities and coupons to be settled	11,513	20,310
- payment authorisations	28,777	22,494
- other items	9,048	14,708
Tax items other than those included in the item "Tax liabilities":	48,532	133,690
- sums withheld from third parties as withholding agent	37,519	27,616
- other	11,013	106,074
Illiquid items for portfolio transactions	23,273	20,796
Items awaiting settlement:	83,525	74,298
- outgoing bank transfers	83,522	74,251
- POS and ATM cards	3	47
Items in processing:	662	463
- incoming bank transfers	647	419
- other items in processing	15	44
Accrued expenses and deferred income other than those related to contracts with customers and other than capitalised on the related financial assets or liabilities	160	183
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	9,731	6,851
Sums available to be paid to customers	3,991	3,935
Total	**273,784**	**343,857**

It should be noted that as at 31 December 2020 the advances for stamp duty paid for the year 2020 were offset with the related payable accrued at the closing date of the financial statements, for an amount of €103,050 thousand. The net balance, amounting to €6,242 thousand, has been detected in Item 80. Other liabilities in the item “Tax items other than those included in the item "Tax liabilities" - other”, while at 31 December 2019 the advances and the related payable were shown without compensation, respectively, under item 130. Other assets in the item “Tax items other than those included in the item "Tax assets" - tax advances” and in the item 80. Other liabilities in the item “Tax items other than those included in the item "Tax liabilities" - other”.

If the offsetting had not been made in the financial statements as at 31 December 2020, the item “Tax items other than those included in the item "Tax liabilities" - other” would be equal to €114,063 thousand, showing an increase in 2020 of €7,989 thousand.

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Section 9 - Provisions for employee severance pay - Item 90

9.1 Provisions for employee severance pay: annual changes

(Amounts in €thousand)

	Total 12/31/2020	Total 12/31/2019
A. Opening balance	**4,810**	**4,561**
B. Increases	**125**	**488**
B.1 Provision of the year	40	71
B.2 Other increases	85	417
C. Decreases	**(11)**	**(239)**
C.1 Payments made	(11)	(196)
C.2 Other decreases	-	(43)
D. Closing balances	**4,924**	**4,810**
Total	**4,924**	**4,810**

9.2 Other information

The "TFR" provision for Italy-based employee benefits is considered to be a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see Part A.2 - The Main Items of the Accounts).

The Provision for employee severance pay covers the amount of the rights accrued in that respect up to December 31, 2020 by employees, under current legal regulations, as well as national collective bargaining agreements and supplementary company agreements.

The current year was affected by the normal events referable to the severance indemnity fund in accordance with the provisions of the law and the company agreements in force.

In 2007, the new supplementary pension reform pursuant to Legislative Decree no. 252/2005 became effective and, as a result the amounts accrued up to December 31, 2006 were kept with the Company, whilst the amounts of employee severance pay provision accruing as of 1 January 2007 were transferred to the supplementary pension funds or the INPS Treasury fund according to the option adopted by the employees (within June 30, 2007). The result is that:

- the employee severance fund accrued up to December 31, 2006 (or until the date of the option - falling between January 1, 2007 and June 30, 2007 - adopted by the employees if the they decided to transfer their employee severance pay provision to a supplementary pension fund) continues to be a "defined-benefit" plan and therefore subject to actuarial valuation, although based on simplified actuarial assumptions which no longer take account of estimated future pay rises;
- the amounts accrued from January 1, 2007 (or from the date of the option - falling between 1 January 2007 and June 30, 2007 - by the employees if they decided to transfer their employee severance pay provision to a supplementary pension fund), were considered as a "defined-contribution" plan (as the Company's liability ceases at the time it pays the employee severance pay provision accrued to the pension fund chosen by the employee) and therefore the related cost for the period is equal to the amounts paid to the Supplementary Pension fund or the INPS Treasury fund.

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

Description of the main actuarial assumptions	12/31/2020	12/31/2019
Discount rate	0.65%	0.85%
Expected inflation rate	0.90%	0.95%

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(Amounts in € thousand)

Employee severance pay provision: other information	12/31/2020	12/31/2019
Provisions for the year	**40**	**71**
- Current service cost	-	-
- Interest expense on defined benefit obligations	40	71
- Gains and losses on curtailments and settlements	-	-
- Past service cost	-	-
Actuarial gains (losses) recognised in revaluation reserves (OCI)	**35**	**229**
- Actuarial gains (losses) for the year	(52)	(80)
- Actuarial gains/losses on demographic assumptions	-	-
- Actuarial gains/losses on financial assumptions	87	309

As required by IAS 19 Revised, a sensitivity analysis was conducted aimed at identifying how the present value of the liability changes when the actuarial assumptions considered most significant are changed, while keeping the other actuarial assumptions constant. A change of -25 basis points in the discount rate would result in an increase in the liability of €132 thousand (+2.67%), whereas an equivalent increase in the rate would result in a reduction of the liability of €128 thousand (-2.6%). A change of -25 basis points in the inflation rate would result in a decrease in the liability of €79 thousand (-1.61%), whereas an equivalent increase in the rate would result in an increase in the liability of €80 thousand (+1.63%).

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions risk and charges: breakdown

(Amounts in € thousand)

Items/Components	Total 12/31/2020	Total 12/31/2019
1. Provisions for credit risk of commitments and financial guarantees given	61	21
2. Provisions for other commitments and other guarantees given	-	-
3. Provisions for retirement payments and similar obligations	-	-
4. Other provisions for risks and charges	112,580	107,058
4.1 legal and tax disputes	28,363	30,910
4.2 staff expenses	5,088	4,949
4.3 other	79,129	71,199
Total	**112,641**	**107,079**

Item 4.1 “legal and tax disputes” mainly includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties for €24,627 thousand (€27,164 thousand as at December 31, 2019) and provisions for tax disputes (penalties and interest) for €3,736 thousand (€3,746 thousand as at December 31, 2019). In addition to the costs incurred by the Group in the event of an unfavourable conclusion of the dispute, this provision includes the estimate of the costs to be paid to legal advisors and any technical consultants and/or experts who assist the Group in ongoing disputes. This estimate was determined by the Group in relation to the ongoing litigation to the extent that it is believed that they will not be reimbursed by the counterparties, mainly on the basis of the Forensic Tariffs envisaged by current legislation.

Item 4.2 "staff expenses" includes, mainly, the provisions made for the variable remuneration to be paid to employees in subsequent years, which have an uncertain due date and/or amount.

Item 4.3 “Other” includes the Supplementary customer indemnity provision, of €73,136 thousand (€63,618 thousand as at December 31, 2019), the Provision for contractual payments, of €416 thousand (€395 thousand as at December 31, 2019) and other provisions made for risks related to the Group's business and operations, of €5,577 thousand (€7,186 thousand as at December 31, 2019), including, in particular, provisions made for marketing and customer loyalty campaigns, incentive plans for personal financial advisors and training events for personal financial advisors.

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In this regard, it should be noted that on 20 December 2019, the Bank received a communication from the Guarantor for Competition and the Market Authority (A.G.C.M.) to initiate a procedure aimed at assessing the compliance with the Consumer Code (Legislative Decree 206/2005) of a commercial practice followed in the past by the Bank to promote the opening of the current account. During the 2020, FinecoBank – on the advice of its lawyers – provided the AGCM with all the information required for the purposes of the assessment within the prescribed time limits, explaining the reasons why it believes it has operated correctly.

At the same time, in order to give concrete evidence of the attention paid to correspond to the expectations of its stakeholders (specifically the supervisory authorities and customers), it has undertaken to develop a series of initiatives aimed at further improving the transparency of the new offer conditions of the account and to recognize, to all those who had opened it during the period in which the commercial practice was followed, the extension of the period of application of the zero fee until the end of 2020. On 24 December 2020, the Authority communicated to the Bank the acceptance of the commitments presented (insofar as they are suitable for removing the potential critical issues identified in the preliminary phase) and the consequent closure of the proceeding without ascertaining the infringement pursuant to art. 27, paragraph 7, of the "Consumer Code". It also ordered the publication on the homepage of the finecobank.com site, for 30 days, of the commitments that Fineco has made and the implementation of which, within 120 days, it must inform the Authority.

10.2 Provisions for risks and charges: annual changes

(Amounts in € thousand)

	Provisions for other commitments and other guarantees given	Provisions for retirement payments and similar obligations	Other provisions for risks and charges	Total
A. Opening balance	**-**	**-**	**107,058**	**107,058**
B. Increases	**-**	**-**	**18,090**	**18,090**
B.1 Provisions for the year	-	-	12,726	12,726
B.2 Changes due to the passage of time	-	-	542	542
B.3 Changes due to variations in the discount rate	-	-	334	334
B.4 Other increases	-	-	4,488	4,488
C. Decreases	**-**	**-**	**(12,568)**	**(12,568)**
C.1 Amounts used in the year	-	-	(11,062)	(11,062)
C.2 Changes due to variations in the discount rate	-	-	(298)	(298)
C.3 Other decreases	-	-	(1,208)	(1,208)
D. Closing balance	**-**	**-**	**112,580**	**112,580**

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

(Amounts in € thousand)

	Provisions for risks and charges for commitments and guarantees given			
	First stage	Second stage	Third stage	Total
Commitments	51	-	-	51
Financial guarantees given	10	-	-	10
Total	**61**	**-**	**-**	**61**

10.4 Provisions for other commitments and other guarantees given

No data to report.

10.5 Pensions and other post-retirement defined-benefit obligations

No data to report.

10.6 Provisions for risks and charges - other provisions

(Amounts in € thousand)

	Total 12/31/2020	Total 12/31/2019
Legal and fiscal disputes	**28,363**	**30,910**
- Pending cases	20,518	22,370
- Complaints	4,109	4,794
- Tax disputes	3,736	3,746
Staff expenses	**5,088**	**4,949**
Other	**79,129**	**71,199**
- Supplementary customer indemnity provision	73,136	63,618
- Provision for contractual payments and payments under non-competition agreements	416	395
- Other provisions	5,577	7,186
Total provisions for risks and charges	**112,580**	**107,058**

(Amounts in € thousand)

Provision for risks and charges	Total 12/31/2019	Uses	Transfers and other changes	Actuarial gains (losses) IAS 19R *	Net provisions**	Total 12/31/2020
Legal and fiscal disputes	**30,910**	**(4,009)**	**-**	**-**	**1,462**	**28,363**
- Pending cases	22,370	(3,260)	385	-	1,023	20,518
- Complaints	4,794	(739)	(385)	-	439	4,109
- Tax disputes	3,746	(10)	-	-	-	3,736
Staff expenses	**4,949**	**(4,862)**	**-**	**-**	**5,001**	**5,088**
Other	**71,199**	**(2,190)**	**(1,208)**	**4,488**	**6,840**	**79,129**
- Supplementary customer indemnity provision	63,618	(811)	-	4,471	5,858	73,136
- Contractual payments and	-	-	-	-	-	-
payments under non-competition agreements	395	-	-	17	4	416
- Other provisions	7,186	(1,379)	(1,208)	-	978	5,577
Total provisions for risks and charges	**107,058**	**(11,061)**	**(1,208)**	**4,488**	**13,303**	**112,580**

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

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

Description of the main actuarial assumptions	12/31/2020	12/31/2019
Discount rate	0.65%	0.85%
Rate salary increase	0.00%	0.00%

As required by IAS 19 Revised, a sensitivity analysis was conducted aimed at identifying how the present value of the liability changes when the actuarial assumptions considered most significant are changed, while keeping the other actuarial assumptions constant.

With reference to the supplementary customer indemnity provision, a change of -25 basis points in the discount rate would result in an increase in liabilities of €2,004 thousand (+2.7%); an equivalent increase in the rate, on the other hand, would reduce the liability by €1,923 thousand (-2.63%). A change of -25 basis points in the salary base would result in a reduction in the liability of €510 thousand (-0.70%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of €523 thousand (+0.71%).

With reference to the provision for contractual payments, a change of -25 basis points in the discount rate would result in an increase in liabilities of € 5 thousand (+2.11%); an equivalent increase in the rate, on the other hand, would reduce the liability by €5 thousand (-2.04%). A change of -25 basis points in the salary base would not entail any significant change in the liability.

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In addition, for the other provisions recognised in the financial statements on the basis of IAS 37, where the effect of the time value of money is significant (generally when payment is to be made more than 18 months from recognition), the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments. As at December 31, 2020 an analysis was conducted to assess the impact on the provision is made of a variation of +/- 25 basis points in the discount rate and no significant impacts were found.

The **Provision for legal disputes** includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties. In addition to the costs incurred by the Group in the event of an unfavourable conclusion of the dispute, this provision includes the estimate of the costs to be paid to legal advisors and any technical consultants and/or experts who assist the Group in ongoing disputes. This estimate was determined by the Group in relation to the ongoing litigation, mainly on the basis of the Forensic Tariffs envisaged by current legislation.

The **Supplementary customer indemnity provision** is accrued to cover the amount of severance indemnity to be paid to the PFA network pursuant to art. 1751 of the Italian Civil Code, in the event of termination of the contract for reasons not attributable to the advisor, such as, for example, when reaching retirement age. The amount of the obligation at the end of the period was assessed with the aid of an independent actuary, in accordance with the provisions of IAS 19.

The **Provision for staff expenses** includes provisions made in relation to the variable remuneration to be paid to employees in subsequent years which have an uncertain due date and amount.

The **Provision for contractual payments and payments under non-competition agreements** is related to a limited number of personal financial advisors; these payments are contractually provided. More specifically, the non-competition agreement is an extension of the loyalty obligation at the end of the employment contract which protects the Bank from competition from former personal financial advisors; contractual payments are a special indemnity that the Bank agrees to pay to personal financial advisors, who opted to transfer the rights and obligations arising from their contract with the Bank to third parties, where these advisors continue to keep an ethical and professional conduct with the Bank after termination of employment, with specific regard to the customer portfolio. The amount of the obligation at the end of the period relating to contractual payments was assessed with the aid of an independent actuary.

The **Provision for tax disputes** is allocated to cover tax demands received from the Italian Revenue Agency following tax audits carried out on the Bank over the years, in relation to which the Bank considers it has calculated the tax correctly and legitimately and has therefore submitted an appeal at various levels of proceedings.

The above provisions for risks and charges include the allocations for fines and interest for the additional tax being contested and requested by the Tax Authorities through tax bills or payment notices paid and for the estimated amount of legal expenses to be incurred in the various proceedings.

For more details, see Part E – Information on risks and hedging policies – Section 1.5 – Operational risk – paragraph "Risks arising from tax disputes and audits" of these Notes to the consolidated accounts.

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

Section 11 – Technical provisions – Item 110

No data to report.

Section 12 - Redeemable shares - Item 130

No data to report.

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Section 13 - Group Shareholders' equity - Items 120, 130, 140, 150, 160, 170 and 180

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

As at December 31, 2020, share capital came to €201,153 thousand, comprising 609,554,043 ordinary shares with a par value of €0.33 each.

As at 31 December 2020, the Group held in the portfolio 119,934 FinecoBank ordinary shares, in order to execute the PFA incentive plans of the Bank, corresponding to 0.02% of the share capital, for an amount of €1,189 thousand. During 2020 n. 17,300 shares were purchased in relation to the "2019 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 11,548, n. 16,590 and n. 633,376 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the "2017 PFA Incentive System", "2016 PFA Incentive System" and "2015-2017 PFA PLAN".

On February 11, 2020, in view of the favourable opinion provided by the Remuneration Committee in its meeting of February 7, 2020, the Board of Directors of FinecoBank approved execution of the following incentive/loyalty systems:

- 2014-2017 Top Management Multi-Year Plan for employees. In particular, we approved the allotment of 422,779 free ordinary shares to the beneficiaries of the fourth tranche of the Plan, assigned in 2017, and consequently an increase in Share capital for a total amount of € 139,517.07 with immediate effect;
- 2014, 2015, 2016 and 2017 Incentive systems for employees. In particular, we approved the allotment of 201,121 free ordinary shares to the beneficiaries of the fourth equity tranche of the 2014 Incentive System, of the third tranche of the 2015 Incentive System, of the second tranche of the 2016 Incentive System and of the first tranche of the 2017 Incentive System and, consequently, an increase in Share capital for a total amount of €66,369.93 with effect from 31 March 2020.

The Board of Directors of FinecoBank of 12 March 2020 decided on a free increase in share capital in the service of incentive plans for an amount of € 5,459.19, through the issue of 16,543 ordinary shares, effective May 31, 2020.

In view of the above capital increases, the reserves from allocation of profit from previous years were reduced accordingly.

(Amounts in €thousand)

	Total 12/31/2020	Total 12/31/2019
Share capital	201,153	200,941
Share premium reserve	1,934	1,934
Reserves	664,489	397,593
- Legal reserve	40,229	40,188
- Extraordinary reserve	571,228	309,131
- Treasury shares reserve	1,189	7,351
- Other reserves	51,843	40,923
(Treasury shares)	(1,189)	(7,351)
Revaluation reserves	(2,833)	1,002
Equity instruments	500,000	500,000
Net Profit (Loss) for the year	323,571	288,365
Total	**1,687,125**	**1,382,484**

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

Items/Type	Ordinary	Others
A. Shares outstanding at the beginning of the year	**608,176,152**	**-**
- fully paid	608,913,600	-
- not fully paid	-	-
A.1 treasury shares (-)	(737,448)	-
A.2 Shares outstanding: Opening balance	**608,176,152**	**-**
B. Increases	**1,301,957**	**-**
B.1 New issues	640,443	-
- against payment:	-	-
- business combination	-	-
- bonds converted	-	-
- warrants exercised	-	-
- others	-	-
- free:	640,443	-
- to employees	623,900	-
- to directors	-	-
- others	16,543	-
B.2 Sales of treasury shares	-	-
B.3 Other changes	661,514	-
C. Decreases	**(44,000)**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	(44,000)	-
C.3 Business tranferred	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**609,434,109**	**-**
D.1 Treasury shares (+)	119,934	-
D.2 Shares outstanding at the end of the year	609,554,043	-
- fully paid	609,554,043	-
- not fully paid	-	-

The item B.3 “Other changes” reports the shares allocated to the personal financial advisors under the stock granting plan ("2016 PFA Plan", “2017 PFA Plan” and “2015-2017 PFA PLAN”) for FinecoBank’s Personal Financial Advisors and Network Managers.

13.3 Share capital: other information

The shares are not subject to any right, privilege or constraint; there are no shares reserved for issue under option and sales contracts.

13.4 Reserves from allocation of profit from previous years: other information

The reserves from profits consist of the:

- Legal reserve, amounting to €40,229 thousand;
- Extraordinary reserve, amounting to €571,228 thousand;
- Reserve for treasury shares held, amounting to €1,189 thousand;
- Consolidation reserve, amounting to €15,607 thousand;
- Reserves of unavailable profits pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to €5,053 thousand.

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", the Board of Directors of FinecoBank held on February 11, 2020 and on March 12, 2020 approved execution of the incentive/loyalty systems with a consequent increase in share capital, against with the reserves from profits have been reduced for an amount of €211 thousand. The same reserve was also used for the payment of costs directly attributable to the aforementioned capital increase operations, for an amount of € 14 thousand net of the related taxes.

The FinecoBank Shareholders' Meeting of April 28, 2020 approved the allocation of profit for the year 2019 of FinecoBank S.p.A., amounting to € 285,891 thousand, as follows:

- €41 thousand to the Legal reserve, corresponding to 0.014% of the profit for the year, having reached the limit of a fifth of the share capital;
- €285,850 thousand to the extraordinary reserve.

It should be noted that, in full compliance with the reference legislation, the indications of the Supervisory Authorities and the best consolidated practice on the matter, the Board of Directors of 6 April 2020 decided to revoke the proposal for the distribution of a unit dividend of 0.32 euro for a total of € 195,052,000 approved by the Board of Directors on 11 February 2020, resolving to propose to the Ordinary Shareholders' Meeting convened for 28 April 2020 the allocation to reserves of the profit for the year 2019. The ordinary Shareholders' Meeting called for April 28, 2020 therefore approved the aforementioned proposal.

The same Shareholders' Meeting, upon proposal of the Board of Directors of 11 February 2020, also approved the coverage of the negative reserve deriving from the first application of the accounting standard IFRS 9 through the use of the Extraordinary Reserve for an amount equal to €4,868 thousand.

Simultaneously with the recognition of the allocation of the profit for the year 2019, the extraordinary reserve was made unavailable, pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to €5,053 thousand.

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", during 2020 n. 44,000 shares were purchased in relation to the "2019 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 11,548, n. 16,590 and n. 633,376 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in relation to the "2016 PFA Incentive System", "2017 PFA Incentive System" and "2015-2017 PFA PLAN". Consequently the Reserve for treasury shares held has been decreased by €6,162 thousand with a simultaneous increase in the Extraordinary reserve.

In addition, during 2020 the Extraordinary Reserve was used for the payment of the coupon of the Additional Tier 1 issued by the Bank on 31 January 2018, for €6,989 thousand net of the related taxation, and for the payment of the transaction costs directly attributable to the issue and of the coupon of the Additional Tier 1 issued on 11 July 2019, for an amount of €12,778 thousand net of the related taxation.

13.5 Equity instruments: breakdown and annual changes

Equity instruments includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement[35], issued for a total of €200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of €300 million. The coupon for the first 5 years has been fixed at 5.875%.

No Equity Instruments were issued during the 2020 financial year.

13.6 Other information

No data to report.

[35] Unrated and unlisted

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Section 14 – Minority interests – Item 190

14.1 Breakdown of Item 190 "Minority interests"

No data to report.

14.2 Equity instruments: breakdown and annual changes

No data to report.

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OTHER INFORMATION

1. Commitments and financial guarantees given

(Amounts in €thousand)

	Nominal value of commitments and financial guarantees given			Total 12/31/2020	Total 12/31/2019
	First stage	Second stage	Third stage		
1. Commitments	**22,114**	**444**	**42**	**22,600**	**19,105**
a) Central Banks	-	-	-	-	-
b) Governments	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	-	-	-	-	14
e) Non-financial companies	-	-	-	-	-
f) Households	22,114	444	42	22,600	19,091
2. Financial guarantees given	**20,817**	**-**	**-**	**20,817**	**18,812**
a) Central Banks	-	-	-	-	-
b) Governments	-	-	-	-	-
c) Banks	17,170	-	-	17,170	17,170
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-
f) Households	3,647	-	-	3,647	1,642

The commitments to disburse funds mainly include the commitments to disburse reverse repos.

Financial guarantees given to banks include banks include the guarantees issued in 2012 to the Italian Revenue Agency on request of UniCredit S.p.A., with indefinite duration, for a total amount of € 17,166 thousand (€ 17,166 thousand as at December 31, 2019). It worth noting that UniCredit S.p.A. has also renewed the request for release for the consolidation of pending charges to the competent office of the Regional Directorate of Liguria and the Bank is awaiting the related response.

Part B - Consolidated Balance Sheet

2. Other commitments and other guarantees given

(Amounts in €thousand)

	Nominal amount Total 12/31/2020	Nominal amount Total 12/31/2019
1. Other guarantees given		
of which: impaired credit exposures	-	-
a) Central Banks	-	-
b) Governments	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Other commitments	**1,718,119**	**1,453,932**
of which: impaired credit exposures	284	154
a) Central Banks	-	-
b) Governments	-	-
c) Banks	2,138	516
d) Other financial companies	34,098	20,971
e) Non-financial companies	267	90
f) Households	1,681,616	1,432,355

Other commitments refer to the margins available on revocable credit lines granted to customers and spot sales of securities to be settled in times established by market practices ("regular way").

3. Assets given as collateral for own liabilities and commitments

(Amounts in €thousand)

Portfolios	Amounts 12/31/2020	Amounts 12/31/2019
1. Financial assets at fair value through profit and loss	-	133
2. Financial assets at fair value through other comprehensive income	76,524	18,300
3. Financial assets at amortized cost	5,082,729	1,763,853
4. Property, plant and equipment	-	-
of which: Property, plant and equipment material assets that constitute inventories	-	-

Assets given as collateral for own liabilities and commitments shown in the above table refer to:

- debt securities used to enter into repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of said transaction. The bonds are given as collateral for the entire duration of the transaction;
- government bonds given as collateral for bankers' drafts, as guarantee for transactions in foreign markets and/or as guarantee for transactions in derivatives. Securities are used as collateral until the Group decides to stop the transactions for which the collateral or guarantees are granted;
- debt securities issued by UniCredit S.p.A. given as collateral in securities lending transactions carried out with customers. The securities are given as collateral for the entire duration of the transaction.

Part B - Consolidated Balance Sheet

4. Breakdown of investments for unit-linked and index-linked policies

No data to report.

5. Asset management and trading on behalf of others

(Amounts in €thousand)

Type of service	Total 12/31/2020
1. Execution of orders for customers	**357,176,776**
Securities	**106,115,117**
a) purchases	53,947,278
1. settled	53,522,217
2. unsettled	425,061
b) sales	52,167,839
1. settled	51,741,291
2. unsettled	426,548
Derivative contracts	**251,061,659**
a) purchases	125,577,629
1. settled	125,483,445
2. unsettled	94,184
b) sales	125,484,030
1. settled	125,388,136
2. unsettled	95,894
2. Segregated accounts	**16,354,705**
a) individuals	-
b) collectives	16,354,705
3. Custody and administration of securities	
a) third party securities on deposits: relating to custodian bank activities (excluding segregated accounts)	-
1. securities issued by the bank preparing the accounts	-
2. other securities	-
b) third party securities held in deposits (excluding segregated accounts): other	14,892,732
1. securities issued by the bank preparing the accounts	2,942
2. other securities	14,889,790
c) third-party securities deposited with third parties	14,892,732
d) own securities deposited with third parties	22,704,473
4. Other transactions	**55,095,081**
Order receipt and transmission	55,095,081
a) purchases	27,693,730
b) sales	27,401,351

Part B - Consolidated Balance Sheet

6. Financial assets subject to accounting offsetting or master netting agreements or similar agreements

(Amounts in €thousand)

Type		Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets shown in the financial statements (c=a-b)	Related amounts not subject to accounting offsetting		Net amounts (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposit received as guarantee (e)	12/31/2020	12/31/2019
1. Derivatives		1,898	-	1,898	-	1,540	358	-
2. Reverse repos		2,169,122	2,168,896	226	226	-	-	-
3. Securities lending		1,122	-	1,122	1,122	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12/31/2020**	**2,172,142**	**2,168,896**	**3,246**	**1,348**	**1,540**	**358**	**X**
Total	**12/31/2019**	**1,396,707**	**1,390,024**	**6,683**	**4,546**	**2,137**	**X**	**-**

7. Financial assets subject to accounting offsetting or master netting agreements or similar agreements

(Amounts in €thousand)

Type		Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities shown in the financial statements (c=a-b)	Related amounts not subject to accounting offsetting		Net amount (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposit received as guarantee (e)	12/31/2020	12/31/2019
1. Derivatives		-	-	-	-	-	-	-
2. Reverse repos		2,174,829	2,168,896	5,933	5,933	-	-	248
3. Securities lending		68,468	-	68,468	66,759	-	1,709	7,242
4. Others		-	-	-	-	-	-	-
Total	**12/31/2020**	**2,243,297**	**2,168,896**	**74,401**	**72,692**	**-**	**1,709**	**X**
Total	**12/31/2019**	**1,493,260**	**1,390,024**	**103,236**	**95,745**	**-**	**X**	**7,490**

The amount of assets and liabilities offset in the financial statements refers to the repurchase agreements executed on the MTS market. It should also be noted that, at December 31, 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 positive variance margin of €191,519 thousand was paid, not shown in the table above as it is cleared at a Central Counterparty since it refers to client-trade exposures. Such exposures were subject to the prudential treatment set out in Article 305 of (EU) Regulation no. 575/2013.

Part B - Consolidated Balance Sheet

8. Securities lending transactions

The Group, in particular the Bank, conducts securities lending transactions on a continuous and systematic basis, with the objective of satisfying the requests of its customers, of institutional counterparties and obtaining a profit. The Bank operates as the borrower, borrowing the securities of its customers and using them in securities lending transactions guaranteed by cash amounts with retail and institutional customers interested in the temporary ownership of the securities.

Against securities lending transactions guaranteed by other securities with retail customers ("remunerated Portfolio"), the Bank issued as collateral UniCredit S.p.A. bonds, recorded in “Financial asset at amortised cost”, held in a dedicated dossier at the custodian bank for an amount higher than that of the securities borrowed by the customers, with the aim of providing a collective guarantee.

The face value of the underlying securities not recognised as assets in the accounts totalled €60,786 thousand, for a fair value of €147,355 thousand, broken down as follows:

(Amounts in € thousand)

	Type of securities - Nominal value December, 31 2020		
Securities received on loan from:	**Sold**	**Sold in repos**	**Other purposes**
Banks	-	-	-
Financial companies	-	9	-
Insurance companies	-	-	-
Non-financial companies	3	244	12
Other entities	591	57,354	2,573
Total nominal value	**594**	**57,607**	**2,585**

(Amounts in € thousand)

	Type of securities - Fair value December, 31 2020		
Securities received on loan from:	**Sold**	**Sold in repos**	**Other purposes**
Banks	-	-	-
Financial companies	-	14	18
Insurance companies	-	-	-
Non-financial companies	5	594	9
Other entities	582	136,482	9,651
Total *fair value*	**587**	**137,090**	**9,678**

9. Disclosure on joint control activities

No data to report

Part C - Consolidated Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

(Amounts in €thousand)

Items/Type	Debt securities	Loans	Other operations	Total 2020	Total 2019
1. Financial assets at fair value through profit and loss	**3**	**-**	**-**	**3**	**4**
1.1 Financial assets held for trading	-	-	-	-	1
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatory at fair value	3	-	-	3	3
2. Financial assets at fair value through other comprehensive income	**1,274**	**-**	**X**	**1,274**	**2,943**
3. Financial assets at amortised cost	**226,658**	**66,336**	**X**	**292,994**	**303,037**
3.1 loans and receivables with banks	99,645	400	X	100,045	141,318
3.2 loans and receivables with customers	127,013	65,936	X	192,949	161,719
4. Hedging derivatives	**X**	**X**	**(21,024)**	**(21,024)**	**(10,643)**
5. Other assets	**X**	**X**	**66**	**66**	**73**
6. Financial liabilities	**X**	**X**	**X**	**5,005**	**2,494**
Total	**227,935**	**66,336**	**(20,958)**	**278,318**	**297,908**
of which: income interests impaired financial assets	-	196	-	196	183
of which: interest income on financial lease	-	-	-	-	-

The Item 6. "Financial liabilities" also includes the interest accrued on the TLTRO III transaction, for an amount of €396 thousand.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income from financial assets denominated in currency

(Amounts in €thousand)

Items/Type	Total 2020	Total 2019
Interest income on foreign currency financial assets	10,686	17,151

Part C - Consolidated Income Statement

1.3 Interest expenses and similar charges: breakdown

(Amounts in €thousand)

Items/Type	Payables	Debt securities in issue	Other transactions	Total 2020	Total 2019
1. Financial liabilities at amortized cost	(7,187)	-	X	(7,187)	(11,939)
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(231)	X	X	(231)	(128)
1.3 Deposits from customers	(6,956)	X	X	(6,956)	(11,811)
1.4 Debt securities in issue	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(3,460)	(4,692)
Total	**(7,187)**	**-**	**-**	**(10,647)**	**(16,631)**
of which: interest expense on lease liabilities	(1,063)	-	-	(1,063)	(956)

1.4 Interest expenses and similar charges: other information

1.4.1 Interest expenses on liabilities denominated in currency

(Amounts in €thousand)

Items/Type	Total 2020	Total 2019
Interest expense on liabilities denominated in currency	(3,249)	(9,671)

1.5 Hedging differential

(Amounts in €thousand)

Items	Total 2020	Total 12/31/2019
A. Positive hedging differentials	100,785	43,803
B. Negative hedging differentials	(121,809)	(54,446)
C. Balance (A-B)	**(21,024)**	**(10,643)**

Part C - Consolidated Income Statement

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

2.1 Fee and commission income: breakdown

(Amounts in €thousand)

Type of services/Amounts	Total 2020	Total 2019
a) guarantees given	38	40
b) credit derivatives	-	-
c) management, brokerage and consulting services:	654,309	566,306
1. securities trading	108,029	73,749
2. currency trading	-	-
3. segregated accounts	174,709	157,286
3.1. individual	-	-
3.2. collective	174,709	157,286
4. custody and administration of securities	694	849
5. custodian bank	-	-
6. placement of securities	16,569	13,287
7. reception and transmission of orders	38,674	14,156
8. advisory services	66,305	62,122
8.1. related to investments	66,305	62,122
8.2. related to financial structure	-	-
9. distribution of third-party services:	249,329	244,857
9.1. segregated accounts	169,883	174,200
9.1.1 individual	1,865	408
9.1.2 collective	168,018	173,792
9.2 insurance products	79,446	70,657
9.3 other products	-	-
d) collection and payment services	29,738	35,042
e) securitisation servicing	-	-
f) factoring	-	-
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) management of current accounts	13,297	4,564
j) other services	14,977	15,051
k) securities lending transactions	8,144	6,770
Total	**720,503**	**627,773**

The amount of fees and commissions recognized in 2020 that was included in the contract liability balance at the beginning of the year is equal to € 1,110 thousand.

Lastly, it should be noted that item 9.1.2 "segregated accounts collective" also includes the maintenance commissions for UCIT units equal to €162,965 thousand (€169,770 thousand at 31 December 2019).

Part C - Consolidated Income Statement

2.2 Fee and commission expenses: breakdown

(Amounts in €thousand)

Services/Amounts	Total 2020	Total 2019
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	(287,638)	(275,589)
1.trading in financial instruments	(10,212)	(7,401)
2. currency trading	-	-
3. portfolios management:	(25,607)	(22,432)
3.1 own portfolio	-	-
3.2 third party portfolio	(25,607)	(22,432)
4. custody and administration securities	(3,868)	(2,526)
5. financial instruments placement	-	-
6. out of office offer of financial instruments, products and services	(247,951)	(239,546)
d) collection and payment services	(18,546)	(24,586)
e) other services	(5,338)	(4,067)
f) securities lending transactions	(1,630)	(2,044)
Total	**(313,152)**	**(302,602)**

Item “c) management and brokerage services: 6. out of office offer of financial instruments, products and services”, includes costs incurred in relation to Equity Settled and Cash Settled plans assigned to personal financial advisors, that are respectively recorded against the item 150. “Reserves” of the net equity for an amount of € 683 thousand (€ 323 thousand as at December 31, 2019).

It should be noted that in 2020 the clearing and settlement fees were shown in the item "e. other services”, while previously they were shown under item “c. management and brokerage services: 4. custody and administration of securities”. For a homogeneous comparison, the data as at 31 December 2019 were restated, carrying out the aforementioned reclassification for an amount of €3,684 thousand.

Section 3 – Dividend income and similar revenue – Item 70

3.1 Dividend income and similar revenue: breakdown

(Amounts in € thousand)

Items/Income	Total 2020		Total 2019	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	56	-	48	-
B. Other financial assets mandatorily at fair value	52	-	53	1,594
C. Financial assets at fair value through other comprehensive income	-	-	-	-
D. Equity investments	-	-	-	-
Total	**108**	**-**	**101**	**1,594**

At 31 December 2019 “Similar revenues” recognised in “Other financial assets mandatorily at fair value”, include the profit recognized by the Voluntary Scheme to FinecoBank relating to the four tranches of interest, net of the costs incurred during the year 2019, paid by Banca Carige S.p.A. on the subordinated loan underwritten by the Voluntary Scheme.

Part C - Consolidated Income Statement

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

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

As at December 31, 2020

(Amounts in € thousand)

Transactions/Income items	Unrealised gain (A)	Realized gains (B)	Unrealized losses (C)	Realized losses (D)	Net profit (loss) [(A+B) = (C+D)]
1. Financial assets held for trading	**202**	**243,766**	**(179)**	**(224,836)**	**18,953**
1.1 Debt securities	-	6,608	-	(5,589)	1,019
1.2 Equity instruments	202	234,041	(179)	(216,360)	17,704
1.3 UCITS units	-	3,117	-	(2,887)	230
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**1**	**1,749**	**(22)**	**(2,524)**	**(796)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	1	1,749	(22)	(2,524)	(796)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**24,644**
4. Derivatives	**7,193**	**215,271**	**(8,078)**	**(174,954)**	**44,877**
4.1 Financial derivatives:	7,193	215,271	(8,078)	(174,954)	44,877
- On debt securities and interest rates	29	1,284	(34)	(1,207)	72
- On equity securities and share indices	7,108	189,526	(7,985)	(156,002)	32,647
- On currency and gold	**X**	**X**	**X**	**X**	5,445
- Others	56	24,461	(59)	(17,745)	6,713
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	**X**	**X**	**X**	**X**	-
Total	**7,396**	**460,786**	**(8,279)**	**(402,314)**	**87,678**

Part C - Consolidated Income Statement

As at December 31, 2019

(Amounts in € thousand)

Transactions/Income items	Unrealised gain (A)	Realized gains (B)	Unrealized losses (C)	Realized losses (D)	Net profit (loss) [(A+B) = (C+D)]
1. Financial assets held for trading	**20**	**112,540**	**(31)**	**(102,702)**	**9,827**
1.1 Debt securities	-	4,305	-	(3,716)	589
1.2 Equity instruments	20	107,439	(31)	(98,279)	9,149
1.3 UCITS units	-	796	-	(707)	89
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**35**	**783**	**(5)**	**(839)**	**(26)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	35	783	(5)	(839)	(26)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**13,228**
4. Derivatives	**5,293**	**72,214**	**(4,335)**	**(60,161)**	**18,400**
4.1 Financial derivatives:	5,293	72,214	(4,335)	(60,161)	18,400
- On debt securities and interest rates	45	1,297	(45)	(1,22)	77
- On equity securities and share indices	5,197	65,699	(4,233)	(55,159)	11,504
- On currency and gold	X	X	X	X	5,389
- Others	51	5,218	(57)	(3,782)	1,430
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	**5,348**	**185,537**	**(4,371)**	**(163,702)**	**41,429**

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

5.1 Fair value adjustments in hedge accounting: breakdown

(Amounts in €thousand)

Income items/Amounts	Total 2020	Total 2019
A. Gains on:		
A.1 Fair value hedging instruments	5,431	34,826
A.2 Hedged asset items (in fair value hedge relationship)	138,636	53,087
A.3 Hedged liability items (in fair value hedge relationship)	268	-
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**144,335**	**87,913**
B. Losses on:		
B.1 Fair value hedging instruments	(139,688)	(53,626)
B.2 Financial assets items (in fair value hedge relationship)	(1,023)	(22,948)
B.3 Hedged liability items (in fair value hedge relationship)	(3,883)	(11,499)
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(144,594)**	**(88,073)**
C. Fair value adjustments in hedge accounting (A-B)	**(259)**	**(160)**
of which: net profit (loss) on net position	-	-

Part C - Consolidated Income Statement

Section 6 – Gains (Losses) on disposals/repurchases – Item 100

6.1 Gains (Losses) on disposals/repurchases: breakdown

(Amounts in € thousand)

Items/Income items	Total 2020			Total 2019		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
Financial assets						
1. Financial assets at amortized cost	7,418	(183)	7,235	2,909	-	2,909
1.1 Loans and receivables with banks	218	-	218	1,831	-	1,831
1.2 Loans and receivables with customers	7,200	(183)	7,017	1,078	-	1,078
2. Financial assets at fair value through other comprehensive income	1,770	-	1,770	984	(257)	727
2.1 Debt securities	1,770	-	1,770	984	(257)	727
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**9,188**	**(183)**	**9,005**	**3,893**	**(257)**	**3,636**
Financial liabilities valued at amortized cost	-	-	-	-	-	-
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

Part C - Consolidated Income Statement

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

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

No data to report.

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

As at December 31, 2020

(Amounts in €thousand)

Transactions/Income items	Unrealized gain (A)	Realized gain (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (loss) (A+B)-(C+D)
1. Financial assets	**4,786**	**92**	**(4,901)**	**(2)**	**(25)**
1.1 Debt securities	-	9	(2)	-	7
1.2 Equity securities	4,786	6	(4,850)	(1)	(59)
1.3 UCITS units	-	77	(49)	(1)	27
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**(733)**
Total	**4,786**	**92**	**(4,901)**	**(2)**	**(758)**

As at December 31, 2019

(Amounts in €thousand)

Transactions/Income items	Unrealized gain (A)	Realized gain (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (loss) (A+B)-(C+D)
1. Financial assets	**2,531**	**77**	**(4,547)**	**(18)**	**(1,957)**
1.1 Debt securities	-	5	-	-	5
1.2 Equity securities	2,480	5	(4,547)	-	(2,062)
1.3 UCITS units	51	67	-	(18)	100
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**118**
Total	**2,531**	**77**	**(4,547)**	**(18)**	**(1,839)**

Part C - Consolidated Income Statement

Section 8 – Impairment losses/writebacks - Item 130

8.1 Impairment losses on financial assets at amortised cost: breakdown

(Amounts in €thousand)

Transactions/Income items	Impairment (1)			Write-backs (2)		Total	Total
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Others			2020	2019
A. Loans and receivables with banks	**(208)**	**-**	**-**	**203**	**-**	**(5)**	**9,103**
- Loans	(81)	-	-	165	-	84	2,115
- Debt securities	(127)	-	-	38	-	(89)	6,988
of which: financial assets purchased or originated credit impaired	-	-	-	-	-	-	-
B. Credit to clients	**(10,886)**	**(183)**	**(4,026)**	**3,748**	**1,783**	**(9,564)**	**(3,725)**
- Loans	(4,726)	(183)	(4,026)	3,740	1,783	(3,412)	(4,112)
- Debt securities	(6,160)	-	-	8	-	(6,152)	387
of which: financial assets purchased or originated credit impaired	-	-	-	-	-	-	-
Total	**(11,094)**	**(183)**	**(4,026)**	**3,951**	**1,783**	**(9,569)**	**5,378**

8.1a Net impairment for credit risk related to loans and advances at amortized cost subject to measures applied in response to the COVID-19: breakdown

(Amounts in €thousand)

Operation / P&L item	Net adjustments			Total	Total
	First and second stage	Third stage			
		Write-off	Others	2020	2019
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)	(23)	(31)	-	**(54)**	**-**
2. Other loans and advances subject to COVID-19-related forbearance measures	(29)	-	-	**(29)**	**-**
3. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	**-**	**-**
Total	**(52)**	**(31)**	**-**	**(83)**	**-**

Part C - Consolidated Income Statement

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

(Amounts in € thousand)

Transactions/Income items	Adjustments (1)			Write-backs (2)		Total	Total
	First and second stage	Third stage		First and second stage	Third stage	2020	2019
		Write-off	Others				
A. Debt Securities	(15)	-	-	-	-	(15)	2
B. Loans and receivables	-	-	-	-	-	-	-
- With customers	-	-	-	-	-	-	-
- With banks	-	-	-	-	-	-	-
of which:financial assetes purchased or originated credit impaired	-	-	-	-	-	-	-
Total	**(15)**	**-**	**-**	**-**	**-**	**(15)**	**2**

8.2.a Net impairment for credit risk related to loans and advances at fair value with an impact on overall profitability subject to measures applied in response to the COVID-19: breakdown

No information to report

Part C - Consolidated Income Statement

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

9.1 Profit (loss) from contract changes: breakdown

(Amounts in €thousand)

Items/Income items	Total 2020			Total 2019		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
1. Financial assets valued at amortized cost	26	(3)	23	-	-	-
1.1 Receivables from banks	-	-	-	-	-	-
1.2 Receivables from customers	26	(3)	23	-	-	-
2. Financial assets valued at fair value with an impact on total profitability	-	-	-	-	-	-
Total	**26**	**(3)**	**23**	**-**	**-**	**-**

Section 10 – Net premiums – Item 160

No data to report.

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

No data to report.

Part C - Consolidated Income Statement

Section 12 – Administrative expenses – Item 190

12.1 Staff expenses: breakdown

(Amounts in €thousand)

Type of expenses/Sectors	Total 2020	Total 2019
1) Employees	(97,557)	(88,411)
a) wages and salaries	(66,653)	(61,036)
b) social security contributions	(17,085)	(15,319)
c) pension costs	(916)	(870)
d) severance pay	-	-
e) allocation to employee severance pay provision	(65)	(114)
f) provision for retirements and similar provisions:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(4,263)	(3,641)
- defined contribution	(4,263)	(3,641)
- defined benefit	-	-
h) costs related to share-based payments	(3,817)	(3,412)
i) other employee benefits	(4,794)	(4,166)
j) recovery of expenses for employees seconded	36	147
2) Other staffs	(189)	(385)
3) Directors and statutory auditors	(1,800)	(1,356)
4) Early retirement costs	-	-
Total	**(99,546)**	**(90,152)**

Item “1 h) Employees: costs related to share-based payments” includes costs incurred in relation to payment agreements based on financial instruments issued by the Bank, that are recorded against the item 150. “Reserves” of the net equity for an amount of € 3,817 thousand (€ 3,410 thousand as at December 31, 2019).

Part C - Consolidated Income Statement

12.2 Average number of employees by category

	Total 2020	Total 2019
Employees	**1,249**	**1,189**
(a) executives	29	29
(b) managers	396	373
(c) remaining employees	824	787
Other personnel	**16**	**19**

12.3 Pensions and other post-retirement defined-benefit obligations costs and revenues

No data to report.

12.4 Other employee benefits

(Amounts in €thousand)

Type of expense/Amounts	Total 2020	Total 2019
Leaving incentives	58	(26)
Medical plan	(1,642)	(1,108)
Luncheon vouchers	(501)	(973)
Other	(2,709)	(2,059)
Total	**(4,794)**	**(4,166)**

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12.5 Other administrative expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2020	Total 2019
1) INDIRECT TAXES AND DUTIES	**(117,044)**	**(108,709)**
2) MISCELLANEOUS COSTS AND EXPENSES		
A) Advertising expenses - Marketing and communication	**(22,896)**	**(18,542)**
Mass media communications	(20,268)	(12,211)
Marketing and promotions	(2,203)	(4,997)
Sponsorships	(360)	(107)
Conventions and internal communications	(65)	(1,227)
B) Expenses related to credit risk	**(1,442)**	**(1,496)**
Credit recovery expenses	(181)	(332)
Commercial information and company searches	(1,261)	(1,164)
C) Expenses related to personnel	**(20,392)**	**(22,574)**
Personnel training	(496)	(515)
Car rental and other staff expenses	(83)	(37)
Personal financial advisor expenses	(19,510)	(20,995)
Travel expenses	(248)	(971)
Premises rentals for personnel	(55)	(56)
D) ICT expenses	**(46,108)**	**(38,593)**
Lease of ICT equipment and software	(3,131)	(2,658)
Software expenses: lease and maintenance	(11,244)	(9,818)
ICT communication systems	(8,359)	(7,695)
ICT services: external personnel/outsourced services	(10,068)	(7,398)
Financial information providers	(13,306)	(11,024)
E) Consultancies and professional services	**(4,381)**	**(4,687)**
Consultancy on ordinary activities	(3,219)	(3,116)
Consultancy for one-off regulatory compliance projects	(67)	(13)
Consultancy for strategy, business development and organisational optimisation	(676)	(819)
Legal expenses	(256)	(392)
Legal disputes	(163)	(347)
F) Real estate expenses	**(4,440)**	**(8,615)**
Real estate services	(85)	(757)
Repair and maintenance of furniture, machinery, and equipment	(132)	(437)
Maintenance of premises	(524)	(1,981)
Premises rentals	(962)	(2,331)
Cleaning of premises	(861)	(581)
Utilities	(1,876)	(2,528)
G) Other functioning costs	**(36,200)**	**(35,293)**
Surveillance and security services	(199)	(404)
Postage and transport of documents	(3,319)	(3,698)
Administrative and logistic services	(16,450)	(17,211)
Insurance	(3,622)	(3,355)
Printing and stationery	(721)	(529)
Association dues and fees	(10,367)	(9,581)
Other administrative expenses	(1,522)	(515)
H) Ex-ante contribution to the Single Resolution Fund and Interbank Deposit Guarantee Fund	**(26,805)**	**(18,129)**
Total	**(279,708)**	**(256,638)**

Item "C) Expenses related to personnel - Personal financial advisor expenses", includes costs, incurred by the Bank in relation to the plan "PFA 2015-2017" assigned to personal financial advisors, that are recorded against the item 150. "Reserves" of the net equity for an amount of €589 thousand (€ 1,749 thousand December 31, 2019).

The costs accounted for in 2020 for contributions paid to Deposit Guarantee Schemes (DGS) during the year, shown in item "Other administrative expenses" (point H) of table above, amounted to € 25,901 thousand in total and pertain to the ordinary, additional and supplementary. For further details, see Section A – Account policies, of the notes to the consolidated accounts.

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The costs recorded in 2020 for contributions paid to the Single Resolution Fund, ordinary contribution, and to the National Resolution Fund, additional contribution, presented in the item "Other administrative expenses" (point H) of the table above, were overall equal to € 904 thousand (no contribution accounted for in 2019).

Below is the information required by IFRS 16 regarding the costs recognized in Other administrative expenses relating to short-term leasing, the costs relating to low value assets leasing and the costs for variable payments due for the leasing not included in the valuation of the leasing liabilities.

(Amounts in € thousand)

	Total 2020
Expense relating to short-term leases ("*Short term lease*")	(110)
Expense relating to leases of low-value assets ("*Low value assets*")	(18)
Expense relating to variable lease payments not included in the measurement of lease liabilities	-
Total	**(128)**

It should also be noted that the VAT on rental related to the contracts included in the scope of IFRS 16 was also included in the Other administrative expenses, as it is not included in the assessment of the leasing liability.

Section 13 – Net provisions for risks and charges – Item 200

13.1 Net provisions for credit risk of commitments and financial guarantees given: breakdown

(Amounts in € thousand)

Transactions/Income items	Impairment		Write-backs		Total 2020	Total 2019
	First and second stage	Third stage	First and second stage	Third stage		
1. Commitments	(46)	-	11	-	(35)	(7)
2. Financial guarantees given	(6)	-	2	-	(4)	34
Total	**(52)**	**-**	**13**	**-**	**(39)**	**27**

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

No data to report.

13.3 Net provisions for risks and charges: breakdown

(Amounts in € thousand)

	Total 2020			Total 2019		
	Provisions	Reallocations	Total	Provisions	Reallocations	Total
Legal and fiscal disputes	(5,167)	3,704	(1,463)	(7,372)	5,128	(2,244)
Supplementary customer indemnity provision	(5,858)	-	(5,858)	(5,554)	-	(5,554)
Other provisions for risks and charges	(1,017)	1,067	50	(1,427)	202	(1,225)
Total	**(12,042)**	**4,771**	**(7,271)**	**(14,353)**	**5,330**	**(9,023)**

Part C - Consolidated Income Statement

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

14.1 Impairment on property, plant and equipment: breakdown

(Amounts in €thousand)

Assets/Income items	Depriciation (a)	Write-downs (b)	Write-backs (c)	Net profit (loss) 2020 (a + b - c)	Net profit (loss) 2019 (a + b - c)
A. Property, plant and equipment					
1 Owned	(19,508)	(67)	-	(19,575)	(17,307)
- Used in the business	(8,288)	(62)	-	(8,350)	(7,819)
- Held for investment	(11,220)	(5)	-	(11,225)	(9,488)
2 Held under finance lease	(108)	-	-	(108)	(108)
- Used in the business	(108)	-	-	(108)	(108)
- Held for investment	-	-	-	-	-
3 Inventories	X	-	-	-	-
B. Assets held for sale	X	-	-	-	-
Total	**(19,616)**	**(67)**	**-**	**(19,683)**	**(17,415)**

Write-downs were recognised in the period for insignificant amounts and mainly in relation to office furniture and fittings for which a zero value in use was determined.

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

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

15.1 Impairment on intangible assets: breakdown

(Amounts in €thousand)

Assets/Income items	Depriciation (a)	Write-downs (b)	Write-backs (c)	Net profit (loss) 2020 (a + b - c)	Net profit (loss) 2019 (a + b - c)
A. Intangible assets					
A.1 Owned	(5,757)	-	-	(5,757)	(5,449)
- Generated internally by the company	-	-	-	-	-
- Other	(5,757)	-	-	(5,757)	(5,449)
A.2 Held under finance lease	-	-	-	-	-
B. Assets held for sale	X	-	-	-	-
Total	**-**	**-**	**-**	**(5,757)**	**(5,449)**

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

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

Part C - Consolidated Income Statement

Section 16 – Other net operating income – Item 230

16.1 Other operating expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2020	Total 2019
Refunds and allowances	(255)	(157)
Penalties, fines and unfavourable rulings	(363)	(975)
Improvements and incremental expenses incurred on leasehold properties	(2,209)	(2,129)
Exceptional write-downs of assets	(60)	(169)
Other operating expenses	(496)	(548)
Total	**(3,383)**	**(3,978)**

16.2 Other operating income: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2020	Total 2019
Recovery of expenses:	110,512	104,068
- recovery of ancillary expenses - other	69	162
- recovery of taxes	110,443	103,906
Rental income from properties	786	879
Other income from current year	3,954	4,576
Total	**115,252**	**109,523**

The amount of other operating income recognized in 2020 and included in the balance at the beginning of the year of liabilities arising from contracts with customers is equal to € 80 thousand.

The Group has not carried out sub-leasing transactions.

The Group has no financial leases. As far as operating leases are concerned, the Group, as lessor, has outstanding operations represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11, the proceeds of which are recognized in the item "Rental income from properties" and may include income for ISTAT revaluations as, as contractually provided.

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

No data to report.

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

No data to report.

Section 19 – Impairment of goodwill – Item 270

No data to report.

Part C - Consolidated Income Statement

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

20.1 Gains (losses) on disposal of investments

(Amounts in € thousand)

Items income/Sectors	Total 2020	Total 2019
A. Properties	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	(6)	-
- Gains on disposal	1	-
- Losses on disposal	(7)	-
Net profit (loss)	**(6)**	**-**

The Group has not carried out sales and leasing transactions for tangible assets.

Part C - Consolidated Income Statement

Section 21 – Tax expense (income) related to profit or loss from continuing operations – Item 300

21.1 Tax expense (income) related to profit or loss from continuing operations: breakdown

(Amounts in €thousand)

Items income/Sectors	Total 2020	Total 2019
1. Current tax (-)	(117,805)	(116,539)
2. Adjustment to current tax of prior years (+/-)	-	96
3. Reduction in current tax for the year (+)	-	-
3.bis Reduction of current tax for the year due to tax receivables pursuant to Law 214/2011 (+)	-	-
4. Changes in deferred tax assets (+/-)	(19,638)	20,760
5. Changes in deferred tax liabilities (+/-)	(80)	562
6. Tax expense for the year (-) (-1+/-2+3+ 3 bis +/-4+/-5)	(137,523)	(95,121)

21.2 Reconciliation of theoretical tax charge to actual tax charge

(Amounts in € thousand)

	Total 2020
Profit before tax	461,094

	Taxes			
	IRES	IRAP	Taxes Overseas	Total 2020
Amount corresponding to theoretical tax rate	**(124,601)**	**(25,237)**	**(7,558)**	**(157.396)**
Tax effects of charges not relevant to the calculation of taxable income	(1,533)	(2,437)	-	(3,970)
Tax effects of income not relevant to the calculation of taxable income	20,499	3,344	-	23,843
Tax effects deriving from the use of tax losses from previous years	-	-	-	-
Tax effects deriving from the application of substitute taxes	-	-	-	-
Amount corresponding to actual tax rate	**(105,635)**	**(24,330)**	**(7,558)**	**(137,523)**

Part C - Consolidated Income Statement

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

No data to report.

Section 23 – Minority interests – Item 340

No data to report.

Section 24 – Other information

No data to report.

1.4 Fees for annual audits and related services as prescribed by Art.149-duodecies of the Consob Issuers Regulation

The table below reports a detail of the fees (net of VAT and expenses) paid to the independent auditing company Deloitte & Touche S.p.A. and to the entities of the network to which the auditing company belongs.

(Amounts in €)

Type of service	Service provider	Fees
Accounting Audit	Deloitte & Touche S.p.A.	190,752
Accounting Audit	Deloitte Ireland LLP	15,000
Certification services	Deloitte & Touche S.p.A.	181,000
Certification services	Deloitte Ireland LLP	22,500
Other Services	Deloitte & Touche S.p.A.	10,000
Total		**419,252**

1.5 Disclosure regarding the transparency of public funding required by article 1, paragraph 125 of the Italian law 124/2017

For the purposes of fulfilling the requirements of art. 1, paragraph 125 of Law no. 124/2017 - Annual market and competition law, modified by art. 35 of the law decree n. 34/2019, and in accordance with Assonime circular no. 5 of 22 February 2019 and also kept the indications provided by the in-depth document issued by Assonime on May 6, 2019, the Group excluded from the disclosure the attributions that are justified in the performance of the company and in any case typical of the recipient's activity, as well as those aimed at the generality of the companies, such as tax and social security measures, thus limiting the information on the contributions to be presented and detailed in the National Register of State Aid "Transparency" section publicly available on the relevant website. In this sense, it should be noted that during the 2019 financial year the Group did not collect public contributions paid by Italian entities.

Pursuant to article 1, paragraph 125 of Italian law 124/2017, in 2020 FinecoBank received the following public contributions from Italian entities:

Access to the tax credit for advertising investments Art. 57-bis of the Decree Law April 24, 2017, n.50, converted with modification by law June 21, 2017, n.96; Decree of the President of the Council of Ministers May 16, 2018, n.90.

(Amounts in €thousand)

Entity granting	Beneficiary	Amount of public funding
Presidency of the Council of Ministers - Department for Information and Publishing	FinecoBank S.p.A.	58
Total		**58**

For more information, please refer to the National State Aid Register "Transparency" section.

Part C - Consolidated Income Statement

Section 25 - Earnings per share

25.1 Average number of diluted ordinary shares

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

	2020	2019
Net profit for the year (€ thousands)	323,571	288,365
Average number of outstanding shares	608,966,126	607,720,344
Average number of outstanding shares (including potential ordinary shares with dilution effect)	610,216,041	609,239,420
Basic earnings per share	0.531	0.475
Diluted Earnings Per Share	0.530	0.473

25.2 Other information

No data to report.

Part D – Consolidated Comprehensive Income

Analytical Statement of consolidated comprehensive income

Items		Total 2020	Total 2019
10.	**Net Profit (Loss) for the year**	**323,571**	**288,365**
	Other comprehensive income after tax without reclassification through profit or loss	**(3,054)**	**4,227**
20.	Equity instruments designated at fair value through other comprehensive income:	-	-
	a) fair value changes	-	-
	b) transfer to other items of shareholders' equity	-	-
30.	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):	-	-
	a) fair value changes	-	-
	b) transfer to other items of shareholders' equity	-	-
40.	Hedge accounting of equity instruments designated at fair value through other comprehensive income:	-	-
	a) fair value changes (hedge item)	-	-
	b) fair value changes (hedge instrument)	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(4,523)	6,280
80	Non-current assets classified as held for sale	-	-
90.	Revaluation reserve from investments accounted for using the equity method	-	-
100.	Tax for the year related to other comprehensive income without reclassification through profit or loss	1,469	(2,053)
	Other comprehensive income after tax with reclassification through profit or loss	**(781)**	**6,569**
110.	Hedges of foreign investments:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
120.	Exchange differences:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non-designated items):	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (different from equity instruments) at fair value through other comprehensive income:	(1,166)	9,815
	a) fair value changes	1,884	8,770
	b) reclassification through profit or loss	(3,050)	1,045
	- adjustments for credit risk	-	(10)
	- gains/losses on disposals	(3,050)	1,055
	c) other changes	-	-
160.	Non-current assets classified as held for sale:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
170.	Revaluation reserve from investments accounted for using the equity method:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	- due to impairment	-	-
	- gains/losses on disposals	-	-
	c) other changes	-	-
180.	Tax for the year related to other comprehensive income with reclassification through profit or loss	385	(3,246)
190.	**Total other comprehensive income**	**(3,835)**	**10,796**
200.	**Comprehensive income (item 10+190)**	**319,736**	**299,161**
210.	Consolidated comprehensive income attributable to minorities	-	-
220.	**Consolidated comprehensive income attributable to Parent Company**	**319,736**	**299,161**

Part E - Information on Risks and relating hedging policies

Introduction

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

Risk overisight and control is performed by the Group’s Risk Management function. The organisational model acknowledge as reference function the Chief Risk Officer (hereinafter, “CRO”) of the Parent Company, who is responsible for credit risk, market risk, operational risk and reputational risk.

The Parent Company is responsible for first and second-level monitoring, especially for verifying that individual risk taking is consistent with the guidelines set by the Board of Directors, capital, and prudential supervisory rules.

Organisational framework

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

- the Board of Directors;
- the Chief Executive Officer and General Manager;
- the Board of Statutory Auditors;
- the Risk and Related Parties Committee;
- the Remuneration Committee;
- the Appointments Committee;
- the Corporate Governance and Environmental and Social Sustainability Committee;
- the Supervisory Body set up pursuant to Legislative Decree 231/01;
- the corporate control functions (Risk Management, Compliance, Internal Audit) as well as other company functions with specific internal control tasks.

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

The Board of Directors of the Parent Company is tasked with setting strategies and guidelines for the organizational framework, overseeing and monitoring their timely execution within the assigned risk profiles. The Board of Directors is also responsible for establishing and approving risk acknowledgment and evaluation techniques as well as risk management strategic direction and policies. Eventually, the Board of Directors verifies that the internal control framework is consistent with the established risk appetite and approves risk management policies.

The Chief Executive Officer and General Manager has been assigned specific powers by the Board of Directors in all the Group's business areas. These powers shall be exercised in accordance with applicable regulations and within the internal limits established by the strategies, the guidelines, the thresholds, the risk taking procedures and the operational instructions disciplined by the applicable information notices. The Chief Executive Officer and General Manager puts in place the necessary measures to ensure the establishment and maintenance of an efficient and effective internal control system.

As far as risk management is concerned, the Board of Statutory Auditors is responsible for overseeing the completeness, adequacy, functionality and reliability of the Internal Control System and the Risk Appetite Framework. In addition, the Board of Statutory Auditors has been assigned the tasks and responsibilities of the internal control committee and accounting review, pursuant to art. 19 of Legislative Decree No. 39/2010 (as amended by Legislative Decree 135/2016).

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

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

The Appointments Committee is composed by three non-executive and independent Directors and has the task of supporting the Board of Directors in the process of appointing and co-opting of Directors, the Chief Executive Officer, the General Manager and other members of the top management having strategic responsibilities.

The Corporate Governance and Environmental and Social Sustainability Committee is composed of three non-executive and independent Directors and has the task of supporting the Board of Directors in the following main activities: in defining FinecoBank Corporate Governance Framework, the corporate structure and the Group’s corporate governance models and guidelines. Eventually, the committee is involved in every sustainability issue relevant to the FinecoBank business model and interaction dynamics with stakeholders.

For more information about the roles of the aforementioned Committees please refer to the corporate governance report.

The Compliance function is in charge of the management of the risk of non-compliance, i.e. the risk of incurring judicial or administrative sanctions, significant financial losses or reputation damages resulting in violations of mandatory rules or self-regulation.

The internal validation function, placed within the Chief Risk Officer Department, is in charge of validating the Group's internal models.

The CRO Department is responsible for credit operations and risk management. Disclosure is provided at various levels to the different corporate Bodies (Chief Executive Officer and General Manager, Board of Directors, Risk and Related Parties Committee). According to Pillar 2 framework, reputational, business and liquidity (the latter in collaboration with the CFO) shall also be monitored and reported.

The CRO and the CFO are responsible for proposing the Group Risk Appetite Framework and setting risk management strategies and policies, in line with the Bank's strategies and objectives, coordinating and monitoring their implementation by competent units also pertaining to different company areas.

The CRO Department ensures the control of the Group's overall risk profile by monitoring the exposures towards the different type of risk, consistently with the methodologies approved by the Board of Directors.

The Risk Management function prevents and monitors the risks the Group is exposed to in their different components, in particular, credit, market and operational risks. Nevertheless, also business, reputational and liquidity risk are closely monitored. The Risk Management function also supports the CRO, within its area of responsibility, in monitoring and reporting activities to the Board of Directors.

In particular, the Group Risk Management:

- is involved in the definition of the RAF, risk governance policies and the various phases that make up the risk management process, as well as in setting operating limits for the assumption of various risk types. In this context, it has, inter alia, the task of proposing quantitative and qualitative parameters necessary for the definition of the RAF, which also refer to stress scenarios and, in the event of changes to the Group's internal and external operational environment, the adjustment of parameters thereof;
- verifies the adequacy of the RAF;
- continuously checks the adequacy of risk management processes and operating limits;
- develops and maintains risk control models;
- ensures the effective implementation of the IT risk assessment methodology, supporting and coordinating the individual functions involved during the ICT risk assessment process, each for their competence area;
- defines common operational risk assessment metrics consistent with the RAF, coordinating with the compliance function, the ICT function and the business continuity function;
- defines methods of assessment and control of reputational risks, coordinating with the compliance function and any other function which may be involved;
- assists corporate bodies in assessing strategic risk by monitoring significant variables;
- develops and applies indicators highlighting irregularities and shortfall in the risk measurement and control framework;
- evaluates the risks arising from new products and services. In particular, the identification of risks relating to new products and services is guaranteed by the permanent participation of the CRO and the Head of Risk Management in the products committee;
- verifies the performance on relevant individual credit exposures;
- continuouslymonitors the actual risk assumed by the Group and its consistency with the risk objectives as well as compliance with the limits assigned to operating units in relation to the assumption of the various types of risk.

The function carries out monitoring and reporting activities to the corporate bodies (Chief Executive Officer and General Manager, Board of Directors and Board of Statutory Auditors) and to the Risk and Related Parties Committee. Disclosure is provided to the corporate bodies through the Quarterly Report on the Group's risk exposures.

Lastly, the participation by the Chief Risk Officer, the Head of the Risk Management function and the Head of the Compliance function in the Products Committee ensures the oversight of the operational risk associated with new business activities, as well as creating and spreading a risk culture in among the Group's functional areas.

It should be noted that, starting from January 1, 2021, the organizational amendment providing for the constitution of a Chief Lending Officer Department, will enter into force. According to the amendment, approved by the Board of Directors on October 13, 2020, the new Department reports directly to the Chief Executive Officer and General Manager, and centralizes all credit process activities.

The Chief Lending Officer (CLO) shall be responsible for defining guidelines concerning credit origination, management, classification, restructuring and recovery, for both commercial and institutional loans. The CLO shall be also accountable for keeping the Group's Risk Appetite within the Risk Appetite Framework (RAF) approved by the Board of Directors.

The Chief Risk Officer (CRO) shall oversee the correct functioning of the Group's internal risk control framework, by defining the appropriate risk identification and measurement methodologies (for both current and forward-looking risks), ensuring consistency with regulatory requirements and the Group managerial choices. In addition, the CRO shall be in charge of second level controls, also on credit risk, and the monitoring and reporting towards Corporate Bodies.

Part E - Information on Risks and relating hedging policies

Risk Appetite

The Group gives great importance to risk management and control, as conditions for guaranteeing a reliable and sustainable growth in a controlled risk environment. The risk management strategy aims at a complete and coherent vision of risks, considering both the macroeconomic scenario and the Group's risk profile, stimulating the spreading of the risk culture and strengthening a transparent and accurate representation of risks embedded in the Group's portfolios. The risk-taking strategies are summarized in the Group's Risk Appetite Framework (RAF) are subsequently approved by the Board of Directors. The RAF is defined to ensure that the risk-taking activities remain in line with shareholders' expectations, taking into account the Group's risk position and the global economic situation.

The main objectives of the risk appetite are:

- explicitly assess the risks, and their interconnections at local and Group level, that the Group is willing to assume (or avoid) in a long-term perspective;
- specifying the types of risk that the Group is willing to assume, as required by legislation, the so-called Risk Appetites, Risk Tolerances and Risk Capacities under both normal operating and stressed operating conditions;
- ensure a risk-return profile "ex-ante" consistent with sustainable long-term growth, as defined by the return forecasts of the strategic plan/budget;
- ensure that the business develops within the risk tolerance limits established by the Board of Directors, in accordance with the applicable national and international regulations;
- include social and environmental sustainability principles (ESG) in the Group's strategy, business choices and operational management
- support discussions on future strategic choices concerning the risk profile;
- guide the vision of internal and external stakeholders towards a risk profile consistent with the strategic plan;
- provide qualitative descriptions for risks that are difficult to quantify (e.g. strategic, reputational, compliance) to strategically guide the review of processes and the internal control system.

The Risk Appetite is defined consistently with the Group's business model; for this reason, the Risk Appetite is incorporated in the budget and multi year plan process.

The Risk Appetite includes a Statement and a set of KPIs. The Statement sets out the Group's strategic positioning and the associated risk profile, while KPIs are designed to quantitatively measure the Group's performance in the following categories:

- Pillar 1 KPI: regulatory requirements, to include the KPIs required by the Supervisory Authority (e.g., capital and liquidity requirements such as LCR and NSFR);
- Managerial KPI: to ensure alignment with the budget in terms of return on capital and credit quality;
- Specific Risk KPI: to ensure control of all major risks (such as Pillar 2 capital adequacy, market risk, interest rate risk and operating risk).

For each of the above mentioned categories, one or more KPIs are identified at a consolidated level. KPI are meant to quantitatively measure the Group's performances under several respects: absolute values, ratio between comparable measures and sensitivity analysis on defined parameters.

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

The Risk Appetite represent the amount of risk (overall and by type) that the Group is willing to take in pursuit of its strategic objectives. The Risk Tolerance set the maximum deviation from the Risk Appetite; Tolerance thresholds are set in order to ensure sufficient margins for the Group to operate, even under stress conditions, within the allowed maximum risk taking.

The Risk Capacity stand for the maximum level of risk that the Group is technically able to assume without violating regulatory requirements or other constraints imposed by shareholders or supervisory Authorities.

Thresholds setting is evaluated on a case-by-case basis, also through managerial decisions taken by the Board of Directors, in compliance regulatory and supervisory requirements.

Metrics are the subject to a regular monitoring and reporting, at least quarterly. Monitoring activities are carried out by the CRO Department and the CFO Department according to their competence area.

The definition of the Risk Appetite Framework is a structured process led by the Chief Risk Officer and the Chief Financial Officer, which develops in accordance with the ICAAP, ILAAP and Recovery Plan processes and represents the risk framework within which the Budget and the strategic plan are developed. Integration between the processes thereof ensure consistency between the risk-taking strategy and policy and the Planning and Budgeting process.

As far as the RAF annual update process is concerned, the main phases are reported below:

- identification of risks; this phase is shared and preparatory to the capital and liquidity adequacy assessment processes (ICAAP/ILAAP). The activity imply the identification by the Parent Company's Risk Management of all the risks - both quantitative and qualitative - to which

the Group is or could be exposed, having regard to its operations and reference markets. The risk identification process also include the Legal Entity Fineco Asset Management, whose evaluations are included in the Group consolidated Risk Map;
- definition and approval of the Risk Appetite by the Group Board of Directors;
- quarterly monitoring and reporting of Risk Appetite indicators.

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

The monitoring of Risk Appetite Framework indicators has not recorded any breach directly related to the coronavirus health emergency in the threshold limits established by the Board of Directors.

ICAAP - Internal Capital Adequacy Assessment Process

The assessment of the Group's overall risk profile is carried out annually within the ICAAP process, which represents the capital adequacy self-assessment process, whose outcomes are subject to discussion and analysis by the Supervisory Authority.

The ICAAP process includes two complementary perspectives: the regulatory perspective, and the economic perspective. Such perspectives complement each other and they are embedded in business activities and relevant decisions.

With the regulatory perspective, the Group manage capital adequacy, fully ensuring at all times compliance with regulatory requirements and capital related regulatory measures, as well as other internal and external capital constraint. The goal is to guarantee, also in a forward-looking view, own funds are always sufficient to cover the Overall Capital Requirements and Pillar 2 Guidance. With the internal economic perspective, the Group manage capital economic adequacy, ensuring economic risks be sufficiently covered by internal capital resources. The economic perspective takes into account a wider risk perimeter then the regulatory perspective (as a way of example it is worth mentioning interest rate risk).

For Pillar 2 economic perspective, the reference metric is the Risk Taking Capacity, which stands for the ratio between the Available Financial Resources (AFR) and the overall Internal Capital; Such metric is quarterly monitored and reported to the Corporate Bodies within the reporting on the Group’s Risk exposure.

Impacts of the crisis unfolded by COVID-19 pandemic on the ICAAP process

In 2020, as required by the Bank of Italy, FinecoBank has integrated its 2019 ICAAP report with a specific disclosure aimed at estimating capital and liquidity adequacy, based on scenario analysis consistent with COVID-19 health emergency, incorporating several shock levels (baseline and adverse) and recovery speed of the economy. Such scenarios however did not show any criticalities or relevant impacts for the Group. Proprietary ICAAP scenarios are indeed characterized by a similar or higher level of severity.

At the conclusion of the SREP process, the Bank of Italy has communicated the minimum capital requirements for the Fineco, which are among the lower of the Italian Banking Groups, recognising the effectiveness of the prudent policy adopted by the Group in the past years, which has led to an extremely low risk profile.

The 2020 ICAAP Report will be sent to the Bank of Italy within April 30, 2021, with reference date December 31, 2020. The Report will represent the effects of COVID-19 pandemic on the exposures, the profitability and the Group’s capital and liquidity adequacy. However, no negative impact arising from COVID-19 pandemic has been detected so far, thanks to the diversified business model, the conservative origination policies, which has always characterized the Bank, and the nature of the offered credit products, assisted whenever possible by funded credit protection.

Risk culture

As indicated in the Risk Appetite Framework, the Group confirms its strategic approach towards the adoption of a robust business model characterized by a low risk appetite aimed at creating sustainable profit and returns on the cost of capital, guaranteeing continuity in generating revenues. The Group's ambition is to achieve such result with the support of an optimal Internal Control System and effective and efficient procedures aimed at managing every risk.

In order to embody these principles and values, and apply the risk culture in day-to-day activities, numerous initiatives have been adopted, and in particular:

- institution of Managerial Committees aimed at ensuring an adequate risk awareness at all levels of the organization, with the involvement of both business and control structures (so-called ”tone from the top”);

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- adoption of incentive mechanisms that consider a risk weighting linked to the annual performance of a subset of RAF indicators (so called "CRO Dashboard");
- maintenance of a steady relation with the Chief Risk Officers of Group Companies aimed at sharing information on risk profiles and on development plans, to improve their evolution and risk management;
- realization of regular induction activities with the Board of Directors deeper risk investigation with the Risks and Related Parties Committee;
- a specific training is provided to employees, aimed at developing and standardize risk knowledge and understanding (e.g. related to operational and reputational risks).

Section 1 – Consolidated financial statements risks

This section provides information referring to FinecoBank and Fineco AM, companies included in the consolidated financial statements risks.

As far as Fineco AM is concerned, risk management and control are ensured by the Risk Management function of the company, entrusted to the Chief Risk Officer, hierarchically dependent on the CEO and functionally dependent on the CRO of FinecoBank S.p.A.. FinecoBank's internal control system is structured according to the regulatory indications provided by the current legislation. Control, monitoring and reporting methodologies already in place in FinecoBank have been extended to Fineco AM adjusting, where necessary, the methods of analysis and controls adapting them to the size, nature and complexity of the business.

Specifically, there are two main risk management activities carried out: the traditional activity of controlling the adherence of the risk/return profile of each fund (Fund Risk Management) and the activity of overseeing operational risks (Operational Risk Management); however provided for in Irish legislation.

Quantitative information

A. Credit quality

A.1 Impaired and unimpaired exposure: amounts, impairment, changes, distribution by business activity

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying value)

(Amounts in € thousand)

Portfolio/quality		Bad exposures	Unlikely to pay	Past due impaired exposures	Past due unimpaired exposures	Other unimpaired exposures	Total
1. Financial assets at amortised cost		2,025	1,065	442	16,089	29,073,902	29,093,523
2. Financial assets at fair value through other comprehensive income		-	-	-	-	143,693	143,693
3. Financial assets designated at fair value		-	-	-	-	-	-
4. Other financial assets mandatorily at fair value		-	-	-	-	50	50
5. Financial instruments classified as held for sale		-	-	-	-	-	-
Total	**12/31/2020**	**2,025**	**1,065**	**442**	**16,089**	**29,217,645**	**29,237,266**
Total	**12/31/2019**	**1,685**	**1,391**	**492**	**19,018**	**26,515,969**	**26,538,555**

As at December 31, 2020 there were no impaired purchased loans.

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A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(Amounts in €thousand)

Portfolio/quality	Impaired				Unimpaired			Total (net exposure)
	Gross exposure	Total impairment provision	Net exposure	Total partial write-off	Gross exposure	Total impairment provision	Net exposure	
1. Financial assets at amortized cost	25,489	(21,957)	3,532	- -	29,110,076	(20,085)	29,089,991	29,093,523
2. Financial assets at fair value through other comprehensive income	-	-	-	- -	143,710	(17)	143,693	143,693
3. Financial assets designated at fair value	-	-	-	- -	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	- -	X	X	50	50
5. Financial instruments classified as held for sale	-	-	-	- -	-	-	-	-
Total 12/31/2020	**25,489**	**(21,957)**	**3,532**	**- -**	**29,253,786**	**(20,102)**	**29,233,734**	**29,237,266**
Total 12/31/2019	**25,336**	**(21,768)**	**3,568**	**- -**	**26,550,755**	**(15,800)**	**26,534,987**	**26,538,555**

(Amounts in €thousand)

Portfolio/quality	Assets with of clearly poor credit quality		Other assets
	Accumulated unrealised losses	Net exposure	Net exposure
1. Financial assets held for trading	-	3	7,052
2. Hedging derivatives	-	-	19,003
Total 12/31/2020	**-**	**3**	**26,055**
Total 12/31/2019	**-**	**-**	**40,698**

B. Disclosure on structured entities (other than securitization companies)

B.1 Consolidated structured entities

No data to report.

B.2 Non-consolidated structured entities

B.2.1 Consolidated structured entities for supervisory purposes

No data to report

B.2.2 Other structured entities

Qualitative information

The Group has exposures towards unconsolidated structured entities as a result of investments in units issued by investment funds (UCITS) that qualify as structured entities according to IFRS 12.

Quantitative information

The table below shows the assets, liabilities and off-balance sheet exposure to structured entities represented by unconsolidated UCITS units.

(Amounts in € thousand)

Balance sheet items/type of structured entity	Accounting portfolios of assets	Total assets (a)	Accounting portfolios of liabilities	Total liabilities (b)	Net carrying amount (c=a-b)	Maximum exposure to loss (d)	Difference between exposure to the risk of loss and the carrying amount (e=d-c)
1. Vehicle company	-	-	-	-	-	-	-
2. U.C.I.T.S.	MFV	410	-	-	410	410	-
	AC	18,548	AC	16,777	1,771	1,771	-
	HFT	-	-	-	-	-	-
Total		**18,958**		**16,777**	**2,181**	**2,181**	**-**

Key
MFV = Financial assets mandatorily at fair value   AC = Financial assets at amortised cost   HFT = Held for trading

Section 2 – Risk of the prudential consolidated perimeter
1.1 Credit risk

Qualitative information

1. General Matters

The Group's objective is to provide an adequate range of products able to satisfy and secure customer loyalty, through a competitive and complete offer. The products offered and under development are consistent with the objective of preserving the portfolio quality and with profitability monitoring processes as well.

Factors generating credit risk are acknowledged according to a specific acceptance and creditworthiness polices, which are always adequately correlated to the risk/return ratio and in line with the Risk Appetite defined by the Board of Directors.

The quality of the loan portfolio, which is constantly monitored and supported by risk mitigation instruments, is overseen by scoring models that contribute to the evaluation during the approval process, ensuring the latter be neat and duly checked. In addition to the risk level assessment, monitoring of the portfolio and its segmentation by product and seniority allow a better understanding of the best loan originating strategies. The identification of any high-risk areas allow intervention on the automated measurement systems as well as on origination policies, with the chance to take measures to limit credit risk in advance.

The credit product offer has evolved over the years, especially through the offer of mortgages loans and the granting of current account credit facilities guaranteed by a pledge on securities and investment funds with the rotational clause (Credit Lombard). Credit Lombard is the solution of FinecoBank to clients holding considerable investments who wish to obtain additional liquidity.

The mortgage offering mainly involves mortgage loans originated for the purchase of first and second homes (including subrogation), as well as those demanded for liquidity purposes. Non-residential mortgages are originated only to a limited extent.

The Group, moreover, has continued to improve already existing by issuing regular credit cards to current account holders and granting personal loans. The latter can also be assessed using the "Instant approval" mode, a service allowing credit applications to be assessed in a few moments and to provide the loan in real time to eligible customers.

Choices concerning the investment of the Bank's liquidity are governed by a prudential approach aimed at containing credit risk. Such approach mainly involve the subscription of Eurozone government bonds to diversify the exposure in bond instruments issued by UniCredit S.p.A. which will be hold until their maturity. In order to optimize its portfolio by diversifying counterparty risk, during 2020 the Group has also increased its exposure to Italian government bonds (for more details, see the Information on Sovereign Exposures).

Part E - Information on Risks and relating hedging policies

Impacts arising from COVID-19 pandemic

As at December 31, 2020, there are no sign of deterioration in the Group's commercial credit portfolio. This one indeed is composed by retail loans granted with conservative and careful origination policies, and mostly assisted by real estate or financial collateral. In the case of mortgage loans, the average Loan to Value is indeed equal to 50%, whereas relevant overdraft facilities requires the funding of financial collateral, using conservative margins.

In response to COVID-19 pandemic and the adoption of supporting measures by EU member states, the main international and European regulators and standard setter (IASB, EBA, ECB, European Commission, etc...) provided guidance on the prudential treatment of credit exposure. According to such guidance, the application of supporting measures in the form of legislative and non-legislative moratoria, complying with a set of requirements established by EBA, do not automatically trigger the forbearance prudential classification, as they have preventive nature and generic scope (they are not specifically designed for each client). Moreover, the application of such moratoria scheme does not significantly affect the discounted value of the exposure as to be classified as Unlikely to Pay (i.e. distressed restructuring).

As at December 31, 2020, we shall report few negligible positions in the credit portfolio not compliant with EBA requirements. In consistency with the instruction provided by regulators, such exposure have been case by case assessed and classified according to the usual prudential and accounting framework.

For the asset quality quantitative disclosure on moratorias accorded by FinecoBank to its clients, reference is made to the the reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis, required by EBA/GL/2020/07. Such disclosure is sent to Regulators on a regular basis, and it has been integrated in Pillar III disclosure as at December 31, 2020.

In consideration of the limited impacts described above, the Group did not deem it necessary to change either its credit strategies or its credit risk management, measurement and control policy.

2. Credit Risk Management Policy

2.1 Organisational aspects

The direction and control activities of credit risk and counterparty risk are a Chief Risk Officer responsibility. Within the CRO Department, the Credit Risk Team is responsible for:

- monitoring credit facilities granted to customers, in order to keep in check the risk level to which the Group is exposed and promptly detect any irregularity;
- assess the risk level of individual products;
- develop and feed the models for calculating the decay rates of retail customers for individual products;
- investigate the level of predictability of the automated credit assessment systems and propose any corrective actions to the CRO;
- defining a reporting model for the Group by specifying the rules for recording stocks and flows;
- verifying the correct course of credit origination and management, also through second level controls
- supporting the CFO in the impairment procedure ensuring the correct classification of customers and assigning risk parameters at counterparty (institutional customers) or portfolio (retail customers) level;
- preparing the database used for the calculation of the Group's credit risk economic capital, ensuring minimum data quality standards;
- systematically verify compliance with operating limits relating to marginalization and formulate scenario analyses (stress tests) for assessing the sustainability of operations from an economic and capital point of view;
- supporting the CFO Department in budgeting and forecasting activities related to credit provisioning.

The Credit Unit within the CRO Department is responsible for ensuring the correct execution of the process of managing customer credit applications and credit granting, as well as ensuring the correct management of irregular or doubtful loans. The credit process can be broken down into the following stages:

- assessment of creditworthiness;
- granting/origination of credit;
- credit monitoring;
- management of impaired loans;
- risk measurement and control.

The creditworthiness assessment aimed at investigating the repayment ability of the borrower is performed centrally by specific operating Units specialized in the different credit facilities granted to customers (personal loans, credit cards, credit lines, and mortgages). Such units are in charge of taking in credits applications, assessing the reliability of documentation, evaluating client's assets and income, and gathering information, also by consulting public records, private database and system data such as information available from the Bank of Italy's central credit registers.

In addition to creditworthiness assessment, credit approval also requires a consistency assessment of the credit application with the overall customer's situation, taking in to consideration also the requested credit size and the assessment and proper preservation of any collateral, which is carried out according to specific processes. Where necessary, a different amount or collateral is agreed with the Customer. Lastly, the competent decision-maker approves or rejects the application according to its delegated powers, or the credit application is escalated to a decision maker with higher delegated powers.

As far as originated overdraft credit facilities are concerned, credit monitoring is aimed at verifying the persistency of the economic conditions of the customer and the guarantor, on the base of which the credit had been approved. This check may entail collecting updated system data and information, as well as information from private databases. Checks are carried out according to specific processes at established intervals, and may change according to the amount granted.

As far as credit facilities involving an amortization schedule are concerned, and in particular for mortgages, changes in the client's prudential classification are managed according to a specific detection of any overdue payment. This method is also supplemented by the update of information on the debtor customer, already used during the credit granting process.

In line with the general principles laid down by Regulators, loans and receivables shall be classified according to their level of impairment, which may be assessed on the basis of qualitative or quantitative criteria.

The management of impaired loans entails taking all action necessary to restore them to normality or, where the relationship cannot be continued, to recover as much as possible. All the activity is disciplined by specific processes based on the type of credit facility, the amount granted, the overdue persistency of the loan and any collateralization through financial assets. Credit collection is performed both through payment reminders directly carried out by the Group and authorized credit collector companies.

Eventually, the management activity also entails forecasting losses on an individual basis, which is continuously updated according to the outcomes of recovery actions or any further information collected thereof.

Measurement and control of credit risk takes place at the assessment stage with the support of scoring tools analysing the customers' socio-demographic profiles, making an assessment of individual counterparties on a statistical basis. Such statistical assessment is supplemented, on one hand, with the support of credit bureaus for better knowledge of public and private data and on the other hand, with information coming from the Bank of Italy's Central Credit Register.

Controls are also performed through a systematic performance assessment of the loan portfolios, on the one hand, in order to estimate expected losses, on the other hand, to optimize credit-granting policies where necessary.

2.1.1 Credit Risk generating factors

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

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

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

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

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

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

In addition, "Non-Traditional Credit Risk" is generated by leverage/short transactions conducted through securities lending. Such transactions, despite automatic stop losses being set within the margins, may generate credit risk if the security lacks liquidity (for example, in the case of market turmoil) and/or the margin is insufficient. In order to prevent such events, scenario analyses are conducted periodically to assess the impacts and implement appropriate mitigation policies.

The Group therefore controls and manages the specific risk of each counterparty as well as the overall risk arising from the loan portfolio through processes, structures and rules aimed at directing, controlling and standardizing the assessment and management of this risk, in line with the Group’s best practice and principles.

2.2 Management, measurement and control system

Credit risk associated with potential losses arising from customer/issuer default or from a decrease in the market value of a financial security due to the deterioration of its credit rating, is measured at the level of each counterparty/transaction and for the entire portfolio.

Credit risk measurement at origination is supported by automated assessment systems (so-called credit scoring systems). These systems also incorporate all available information and facts: public data and private data from Credit Bureaus, flows from the Central Credit register or requests for initial information to the Bank of Italy and other information on customer performance recorded by the Group. During the loan application process, attention shall be focused on taking advantage of every customer related information provided by the Bank and the System.

The collection of any guarantees, their assessment and the margins between the fair value of the guarantee and the granted amount shall be regarded as a supporting tool aimed at mitigating credit risk. There is no relevant positive correlation indeed between the value of the financial collateral and the applicant's creditworthiness. The eligibility, evaluation, monitoring and management rules for any acceptable guarantees within the Fineco Group are disciplined in a specific Collateral Management Policy.

The purpose of second level monitoring process, carried out by the Risk Management function, is to analyze credit quality and risk exposure dynamics, calculating synthetic risk indicators and representing their evolution over time in order to prepare action plans necessary to mitigate or avoid risk factors. In particular, the Risk Management function prepares:

- the Quarterly Report on risk exposure, for the Board of Directors. This report shows compliance with the defined RAF limits and parameters as well as credit trends in the loans portfolio, detailed by product type and prudential classification;

- internal reports for Management providing a global risk assessment on the whole portfolio, aimed at identifying business sustainability and remuneration margins;
- specific product reports aimed at monitoring the trend of loans and receivables by product type, making it possible to identify any irregularity within the portfolio (deterioration rates) in the various dimensions analyzed (customer segment, geographic area, etc.).

Counterparty risk assessment is conducted within the risk limits (plafond) assigned to the counterparty's Economic Group, i.e. considering the Group's exposure towards all the parties legally and economically linked to the counterparty. At the end of the assessment, these limits are monitored by both first and second level functions.

The Board of Directors annually approves the Risk Appetite and the "Investment Plan"; the first one defines the propensity and limits for the Group's strategic investments, the second one provides an indication of the composition of the Group's strategic investments. According to the guidelines of the Board of Directors, the Group defines specific risk limits (plafond) towards each FIBS counterparty ("Financial Institutions, Banks and Sovereigns") with which the Group will have a credit exposure, always in compliance with the large exposure regulatory limits, where applicable.

During 2020 the Group has amended the Global Policy "Credit Business with Financial Institutions, Banks, Sovereigns and Corporate counterparties", establishing the principles and rules to efficiently and comprehensively evaluate, control and limit bonds issuer risk in the banking book. According to the policy, the Risk Management function monitors a series of indicators to analyze issuer risk exposure in the Group's portfolio. Through the analysis of such indicators, it is possible to detect the onset of irregularities and assess the need to take corrective actions, aimed at dealing with a deterioration in the portfolio. Credit risk monitoring in the trading book, is carried out through a breakdown by rating class and issuer sector determining the implicit riskiness in contracts.

Starting from January 1st 2018, following the adoption of IFRS 9 accounting standard, a new accounting impairment model for credit exposures has been adopted. Such model is based on (i) an “expected losses” approach instead of the “incurred losses” approach provided by the previous one and (ii) on the concept of the expected lifetime loss. For more details, see section 2.3. Expected losses.

Impacts arising from COVID-19 pandemic

As already mentioned, EBA compliant legislative and non-legislative moratoria do not automatically trigger unlikely to pay or forbearance classification. The Group nevertheless carefully assess the exposures subject to payment moratoria in order to promptly identify any signs of credit deterioration. Such assessment, which is carried out also through early warning indicators and the support of external databases (Central Credit Register, CRIF,...), has not highlighted any critical elements at portfolio level so far.

2.3 Expected losses measurement methods

In accordance with IFRS 9 accounting principle, financial assets at amortized cost, financial assets at fair value through other comprehensive income and relevant off-balance sheet exposures are subject to impairment.

These instruments shall be classified in stage 1, stage 2 or stage 3 depending on their absolute or relative credit rating, compared to the initial recognition. In particular:

- Stage 1: this includes newly originated or acquired credit exposures and exposures that have not suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 2: this includes performing credit exposures having nevertheless suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 3: this includes impaired credit exposures.

For Stage 1 exposures, the impairment is equal to the expected loss calculated on a time frame of up to one year.

For Stage 2 and 3 exposures, the impairment is equal to the expected loss calculated on a timeframe equivalent to the residual duration of the related exposure.

In order to meet the required standard, the Group has developed specific expected loss models. Such models draw on the PD, LGD and EAD estimated in conservatively manner, to which specific adjustments have been made in order to ensure full cohesion with the accounting standard. In this regard, forward-looking information has also been included with the elaboration of specific scenarios.

The expected loss is calculated for institutional counterparties, leveraging on risk parameters provided by the external supplier Moody’s Analytics, which replace those previously provided by the supplier UniCredit S.p.A..

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In order to calculate expected losses for retail counterparties, not having internal rating systems available, the risk management function make use of a proxy. This one consist of splitting up clients by product type and record any transition to non-performing through a transition matrix, then calculate an average decay rate that will work as PD. The approach described is based on the assumption that, when there are no changes in individual counterparties creditworthiness criteria, the past registered credit quality will be consistent with the future credit quality. However, in order comply with IFRS 9 requirements, parameters resulting from this proxy shall be corrected using forward looking information.

A key aspect of the new accounting model required to calculate credit expected losses is the Stage Allocation model, whose purpose is to transfer exposures between Stage 1 and Stage 2 (as Stage 3 is equivalent to that of impaired exposures), where Stage 1 mainly includes (i) newly originated exposures, (ii) exposures not having suffered a significant increase in credit risk compared to the initial recognition, and (iii) exposures associated with a low credit risk level (low credit risk exemption) at the reporting date.

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

- the comparison at transaction level between the PD value at the time of origination and the value at the reporting date, both quantified according to internal models through the adoption of thresholds which consider all the key variables of each transaction that may influence the Group's expectations about ongoing changes in PD (e.g. age, maturity, level of PD at the time of origination);
- absolute elements such as the backstops provided for by the regulation (e.g. 30 day Expired);
- other internal findings (forborne classification).

As far as bond securities are concerned, the Group has opted to apply the low credit risk exemption on investment grade securities, in full accordance with the provisions of the accounting standard.

The criteria for determining write-downs for loans and receivables are based on the discounting of expected cash flows of principal and interest which, according to the portfolio management model, may also refer to market operations. In order to determine the present value of cash flows, the basic requirement is the identification of estimated proceeds, the timing of payments and the discounting rate used.

The loss amount on impaired exposures classified as bad loans, unlikely to pay and past due according to the categories specified below, is calculates as the difference between the value at first recognition and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed-rate positions, the interest rate determined in this manner is also held constant in future accounting years, while for floating rate positions the interest rate is updated according to contractual terms.

If the original interest rate is not directly available, or where its detection is judged as excessively expensive, the interest rate best approximating the original one is applied, including through practical expedients not affecting the substance and ensure consistency with international accounting standards.

Recovery timings are estimated according to business plans or forecasts based on the experience of historical recovery timings observed for similar classes of loans, taking into account the customer segment, type of loan, type of guarantee and any other factors deemed relevant or, if the conditions exist, of expected market transactions.

Parameters and risk level definitions used in the calculation of provisions

As mentioned above, ECL models leverage on PD, LGD and EAD parameters, as well as the effective interest rate. Models are used for the calculation of provisions for all institutional counterparties, most of which are Financial Institutions, Banks and Sovereigns (FIBS counterparties).

Specifically:

- PD (Probability of Default) expresses the percentage probability that the credit exposure will incur in a default event, within a defined timeline (e.g. 1 year);
- LGD (Loss Given Default) expresses the percentage of estimated loss (1-recovery rate) shall the default event actually occur; EAD (Exposure at Default) expresses the measurement of the exposure at the time of the credit position default event;
- Effective Interest Rate is the discount rate expressing the time value of the money.

Such parameters are calculated starting from long period ones, also used for the internal capital calculation, adjusted in order to ensure compliance with the IFRS 9 accounting principle.

Part E - Information on Risks and relating hedging policies

The main adjustments are made in order to:

- introduce point-in-time adjustments required by the accounting principle;
- include forward-looking information;
- extend the credit risk parameters to a multi-year perspective.

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

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

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

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

Forward-looking information used in calculating write-downs

The expected credit loss deriving from the parameters described in the forgoing paragraph considers macroeconomic forecasts through the application of multiple scenarios to the forward looking components.

Specifically, the forward looking component is determined by three macroeconomic scenarios, a basic scenario ("Baseline"), a positive scenario and an adverse scenario. The basic scenario is the main reference one, as it is the one considered most likely; the positive and adverse scenarios stand for alternative events, respectively better and worse.

Changes applied for COVID-19 pandemic

Al already explained in the previous paragraph, the IFRS 9 principle require that, as far as Expected Credit Losses estimation is concerned, not only current and historical information be used, but also forward looking information shall be taken into account.

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

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

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

Eventually, it has been clarified that the application of supporting measures in the form of private or legislative moratoria complying with EBA requirements, do not automatically do not automatically lead to a Significant Increase in Credit Risk.

Assessment of the Significant Increase in Credit Risk (SICR)

Consistently with the clarification provided by regulators, the exposure subject to payment moratoria compliant with EBA requirements have been kept as stage 1 of the staging allocation process, except in case other factors had determined a significant increase in credit risk. As a way of example, it is worth mentioning the detection of a past due longer than 30 days on credit facilities other than those suspended, or the finding of negative credit worthiness information arising from external data sources.

The remaining supporting measures granted to customers, not compliant with EBA requirements, have been assessed and classified on a case-by-case scenario, according to the usual prudential and accounting framework. To that end turns out crucial the assessment over the debtor's economic difficulty, which has been determined in relation to its income/asset situation.

Part E - Information on Risks and relating hedging policies

Measurement of Expected Credit Losses

As at December 31, 2020, for the calculation of Expected Credit losses on performing exposures, the Group has used risk parameters (PD and LGD) adjusted with macroeconomic scenarios provided by the new external supplier Moody's Analytics. Such scenarios, consistent with ECB macroeconomic forecasts, replace those previously provided by UniCredit S.p.A. under the Master Service Agreement, and incorporate as well forward-looking information taking into account the pandemic crisis.

As anticipated in the Expected Credit Losses calculation methodology section, the forward looking component is made of three macroeconomic scenarios; a baseline scenario, a positive scenario and an adverse scenario. The baseline scenario is weighted 40% as it is the one more likely to come true, whereas the positive and adverse scenario are weighted 30%, and they stand for alternative outcomes, respectively better and worse.

The baseline scenario used for the ECL calculation as of December 31, 2020, consider a relevant reduction of economic activities throughout the euro area, with an estimated decrease EU Gross Domestic Product (GDP) up to 7.7%. An improvement is expected in mid-2021, assuming a large-scale distribution of vaccines or other health treatments, with an increase in GDP equal to 3.9%.

In Italy, a country where the Group holds almost all exposures to retail customers, forecasts regarding the reduction in Gross Domestic Product are estimated at 9.5%; the combination of higher public spending and reduced tax revenue results in an estimated increase in the debt / GDP ratio at around 160%, threatening the long-term sustainability of public finances. The unemployment rate is also estimated to rise, reaching a peak of 12.8% in mid-2022, and then gradually returning to pre-crisis values.

Other macroeconomic parameters, such as the 10 years government yields, are also considered in macroeconomic scenarios, depending on the credit facility and the type of counterparty involved.

The positive scenario used to calculate the ECL as of 31 December 2020, assumes an easing of COVID-19 crisis and a faster economic activity recovery. In Italy, forecasts about the reduction of the GDP are estimated at 8.8% in 2020 and then GDP starts growing again in 2021 by 5.9%. The Italian unemployment rate is estimated to rise, reaching a peak of 12.5% the end of 2021, and then gradually returning to pre-crisis values.

The adverse scenario used to calculate the ECL as of 31 December 2020, on the other hand, assumes an aggravation of the COVID-19 crisis with further travel restrictions and shutdown of commercial activities. The forecasts in this scenario translate into zero growth levels (0.08%) in 2021 with a Italian unemployment rate is estimated to rise, reaching 15.6% at the end of 2021 and a maximum peak of 15.8% in the first quarter of 2022.

As of December 31, 2020, assuming to apply only the positive scenario, the estimated provisions on customer loans are equal to € 2.8 million, 71% less than the effective provisions, obtained by weighting the three macroeconomic scenarios. As of December 31, 2020, assuming to apply only the adverse scenario, the estimated provisions on customer loans are equal to € 13.3 million, 38% more than the effective provisions, obtained by weighting the three macroeconomic scenarios. Considering all scenarios mentioned above the Group's estimated provisions are equal to € 9.6 million.

As far as provisions on FinecoBank's retail customers are involved, no relevant impacts have been detected so far, in terms of both origination flows and credit quality.

2.4 Credit risk mitigation techniques

As risk mitigation to the different originated credit facilities the Group accepts several types of collateral. Mortgages on real estate loans, pledge on shares, bonds or investment funds, insurance contracts and government bonds are used to guarantee current account overdraft facilities.

Collateralization does not, however, relieve the Group from carrying out on overall assessment credit risk assessment, primarily focused on the customer's income capacity regardless of the additional guarantee provided. The valuation of the pawn collateral is based on its actual value, i.e. the market value for the financial instruments listed in a regulated market. Such value is subject to haircut percentages, differentiated on the basis on the financial instruments received as collateral and the concentration of the client's collateral portfolio.

For real estate collaterals, the principles and rules are described in the policy ”Granting of residential mortgages with property collateral to current account holders of FinecoBank S.p.A. Real Estate valuation is performed by external technical experts included in the Register of Engineers, Architects and Surveyors or industrial experts who are not therefore susceptible to conflict of interest.

Valuations, moreover, are subject to periodic reviews.

Part E - Information on Risks and relating hedging policies

3. Impaired credit exposures
3.1 Management strategies and policies
Loans prudential classification as past due, unlikely to pay or bad exposure is carried out consistently with the criteria set forth by the Bank of Italy. The classification as bad exposure, linked to the customer's insolvency, shall always be individually assessed and defined according to the outcome recovery actions. Loss provisioning estimate shall also be individual for positions classified as past due and unlikely to pay.

As far as overdraft are concerned, the classification criterion is related to the outcome of recovery actions or the forced sale of securities to cover debts.

Reclassification of exposures to a better risk category shall only be authorised if the overdue amount has been paid in full, consistently with the original payment schedule. Alternatively, the exposure may be classified to a better risk category where considerable payments have been made, leading to believe that the debt exposure is very likely to be repaid.

Handling procedure for overdue performing loans involves specific credit recovery actions, according to the amount of overdue days.

3.2 Write-off
The Group records a write-off by reducing the gross exposure of a financial asset whenever there are no reasonable expectations of recovering all or part of that asset.

As a result, the Group shall recognise a write-off in the following cases:

- there is no longer any reasonable expectation of recovering all or part of the asset despite the presence of the legal rights to recover the accrued capital and interest;
- waiver of the legal right to recover the principal and any accrued interest;
- termination of the legal right to recover capital and interest due to the conclusion of the recovery attempts.

3.3 Purchased or originated impaired financial assets
The Group’s current business model and company policies approved by the Board of Directors do not expect any purchaseof impaired loans or origination of new credit facilities in any form (personal loans, mortgages, current account credit facilities, etc.) to already non-performing customers.

4. Commercial renegotiations and forbearance measures
Renegotiations of financial instruments determining a change in the contractual terms are recognized, as described above, according to the materiality of variations in the contractual terms. The evaluation of the materiality of changes shall be carried out considering both qualitative and quantitative terms, in particular whenever liabilities are concerned. For more details reference is made to the paragraph “Renegotiations” on part A – Accounting policies of the Notes to the consolidated financial

As of December 31, 2020, no relevant increase in forbearance measures have been detected. As already highlighted in the section “Impact arising from COVID-19 pandemic”, reported in the general aspects of credit risks, most of the supporting measures granted during the pandemic crisis comply with the EBA guidelines on legislative and non-legislative moratoria, therefore do no trigger the forborne classification.

Part E - Information on Risks and relating hedging policies

Quantitative information

A. Credit quality

A.1 Impaired and unimpaired credit exposures: amounts, impairment, changes, distribution by business activity

A.1.1 Regulatory consolidation - Breakdown of financial assets by past due bands (carrying value)

(Amounts in € thousand)

Portfolios/stages	First stage				Second stage				Third stage		
	From 1 to 30 days	Between 30 days and 90 days	Over 90 days		From 1 to 30 days	Between 30 days and 90 days	Over 90 days		From 1 to 30 days	Between 30 days and 90 days	Over 90 days
1.Financial assets at amortised cost	12,991	409	36	-	10	1,340	1,304	-	33	22	3,099
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
3. Financial instruments classified held for sale	-	-	-	-	-	-	-	-	-	-	-
Total 12/31/2020	**12,991**	**409**	**36**	**-**	**10**	**1,340**	**1,304**	**-**	**33**	**22**	**3,099**
Total 12/31/2019	**17,070**	**896**	**35**	**-**	**14**	**932**	**72**	**-**	**28**	**22**	**3,128**

A.1.2 Regulatory consolidation - Financial assets, commitments and financial guarantees: changes in overall impairment and overall provisions

(Amounts in €thousand)

Source/Stages	Total impairment provision									
	Assets included in the first stage					Assets included in the second stage				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individually measured allowances	of which: collectively measured allowances	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individually measured allowances	of which: collectively measured allowances
Opening balance	**(9,577)**	**(26)**	**-**	**-**	**(9,603)**	**(6,196)**	**-**	**-**	**-**	**(6,196)**
Increases due to origination and acquisition	-	-	-	-	-	-	-	-	-	-
Decreases due to derecognition other than write-off	6,683	23	-	-	6,706	-	-	-	-	-
Changes due to change in credit risk (net) (+/-)	(13,436)	(14)	-	-	(13,450)	2,436	-	-	-	2,436
Changes due to modifications without derecognition (net)	2	-	-	-	2	1	-	-	-	1
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-	-	-	-	-	-	-
Write-off	2	-	-	-	2	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-	-
Closing balance	**(16,326)**	**(17)**	**-**	**-**	**(16,343)**	**(3,759)**	**-**	**-**	**-**	**(3,759)**
Recoveries of previously written-off amounts recorded directly to the statement of profit or loss	-	-	-	-	-	-	-	-	-	-
Amounts written-off directly to the statement of profit or loss	-	-	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.1.2 Regulatory consolidation - Financial assets, commitments and financial guarantees: changes in overall impairment and overall provisions

(continued)

(Amounts in €thousand)

Source/Stages	Total impairment provision						Total provisions on commitments and financial guarantees given			Total
	Assets included in the third stage					Of which: financial assets purchased or originated credit impaired				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individually measured allowances	of which: collectively measured allowances		First stage	Second stage	Third stage	
Opening balance	**(21,766)**	**-**	**-**	**(17,799)**	**(3,967)**	**-**	**(21)**	**-**	**-**	**(37,586)**
Increases due to origination and acquisition	-	-	-	-	-	-	-	-	-	**-**
Decreases due to derecognition other than write-off	1,684	-	-	652	1,032	-	11	-	-	**8,401**
Changes due to change in credit risk (net) (+/-)	(3,919)	-	-	(2,100)	(1,819)	-	(51)	-	-	**(14,984)**
Changes due to modifications without derecognition (net)	-	-	-	-	-	-	-	-	-	**3**
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-	-	-	-	-	-	**-**
Write-off	2,042	-	-	2,014	28	-	-	-	-	**2,044**
Other adjustments	-	-	-	(1,519)	1,519	-	-	-	-	**-**
Closing balance	**(21,959)**	**-**	**-**	**(18,752)**	**(3,207)**	**-**	**(61)**	**-**	**-**	**(42,122)**
Recoveries of previously written-off amounts recorded directly to the statement of profit or loss	21	-	-	21	-	-	-	-	-	**21**
Amounts written-off directly to the statement of profit or loss	(187)	-	-	(154)	(33)	-	-	-	-	**(187)**

A.1.3 Regulatory consolidation - Financial assets, commitments and financial guarantees: transfers between the different stage (gross amount and nominal)

(Amounts in €thousand)

Portfolios/stages	Gross carrying amount/nominal amount					
	Transfer between stage 1 and stage 2		Transfer between stage 2 and stage 3		Transfer between stage 1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
1. Financial assets at amortized cost	4,254	286	725	46	3,625	310
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments and financial guarantees given	8	-	-	-	38	-
12/31/2020	**4,262**	**286**	**725**	**46**	**3,663**	**310**
12/31/2019	**3,189**	**852**	**1,275**	**51**	**5,019**	**119**

Part E - Information on Risks and relating hedging policies

A.1.3a Loans and advances subject to measures applied in response to the COVID-19: transfers between different stages of credit risk (gross values)

(Amounts in €thousand)

Portfolio/quality	Gross values / Par value					
	Transfers between first stage and second stage		Transfers between second stage to third stage		Transfer between first stage and third stage	
	From first to second stage	From second to first stage	From second to third stage	From third to second stage	From first to third stage	From third to first stage
A. Loans and advances measured at amortized cost	**1,236**	**-**	**-**	**-**	**38**	**-**
A.1 subject to EBA-compliant moratoria (legislative and non-legislative)	1,074	-	-	-	38	-
A.2 subject to COVID-19-related forbearance measures	162	-	-	-	-	-
A.3 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-
B. Loans and advances valued at fair value with an impact on overall profitability	**-**	**-**	**-**	**-**	**-**	**-**
B.1 subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-
B.2 subject to COVID-19-related forbearance measures	-	-	-	-	-	-
B.3 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-
Total 12/31/2020	**1,236**	**-**	**-**	**-**	**38**	**-**
Total 12/31/2019	**-**	**-**	**-**	**-**	**-**	**-**

Part E - Information on Risks and relating hedging policies

A.1.4 Regulatory consolidation - On-balance sheet and off-balance-sheet credit exposures to banks: gross and net values

(Amounts in €thousand)

Type of exposure/amounts	Gross exposures		Total impairment	Net Exposure	Total partial write-off
	Impaired	Unimpaired			
A. On-balance sheet credit exposures					
a) Bad exposure	-	X	-	-	-
- of wich: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of wich: forborne exposures	-	X	-	-	-
c) Past-due impaired loans	-	X	-	-	-
- of wich: forborne exposures	-	X	-	-	-
d) Past due non-impaired exposures	X	-	-	-	-
- of wich: forborne exposures	X	-	-	-	-
e) Other unimpaired exposures	X	8,254,568	(234)	8,254,334	-
- of wich: forborne exposures	X	-	-	-	-
Total (A)	**-**	**8,254,568**	**(234)**	**8,254,334**	**-**
B. Off-balance sheet exposures					
a) Impaired	-	X	-	-	-
b) Unimpaired	X	397,989	-	397,989	-
Total (B)	**-**	**397,989**	**-**	**397,989**	**-**
Total (A+B)	**-**	**8,652,557**	**(234)**	**8,652,323**	**-**

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to €361,546 thousand.

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A.1.5 Prudential consolidated perimeter - On-balance sheet and off-balance-sheet credit exposures to customers: gross and net values

(Amounts in €thousand)

Type of exposure/Amounts	Gross exposures		Total value adjustments and total provisions	Net exposure	Total Write-off
	Impairment	Non impairment			
A. On-balance sheet credit exposures					
a) Bad exposure	20,843	X	(18,818)	2,025	-
- of which: forborne exposures	282	X	(244)	38	-
b) Unlikely to pay	3,427	X	(2,362)	1,065	-
- of which: forborne exposures	450	X	(297)	153	-
c) Past-due impaired loans	1,219	X	(778)	441	-
- of which: forborne exposures	12	X	(8)	4	-
d) Past due non-impaired exposures	X	16,593	(504)	16,089	-
- of which: forborne exposures	X	8	-	8	-
e) Other unimpaired exposures	X	20,982,676	(19,365)	20,963,311	-
- of which: forborne exposures	X	1,066	(33)	1,033	-
Total (A)	**25,489**	**20,999,269**	**(41,827)**	**20,982,931**	**-**
B. Off-balance sheet exposures					
a) Impaired	325	X	-	325	-
b) Unimpaired	X	2,291,535	(60)	2,291,475	-
Total (B)	**325**	**2,291,535**	**(60)**	**2,291,800**	**-**
Total (A+B)	**25,814**	**23,290,804**	**(41,887)**	**23,274,731**	**-**

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to securities lending transactions and to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to 852,728 thousand.

Part E - Information on Risks and relating hedging policies

A.1.5a On-balance credit exposures to customers subject to measures applied in response to the COVID-19: gross and net values

(Amounts in € thousand)

Exposure types / amounts	Gross exposure	Total value adjustments and total provisions	Net exposure	Write-off partial total*
A. BAD CREDIT EXPOSURES	**-**	**-**	**-**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
B. UNLIKELY TO PAY CREDIT EXPOSURES	**45**	**(36)**	**9**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	45	(36)	9	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
C. NON-PERFORMING PAST DUE CREDIT EXPOSURES	**-**	**-**	**-**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
D. PERFORMING PAST DUE EXPOSURES	**60**	**(24)**	**36**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	60	(24)	36	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
E. OTHER PERFORMING EXPOSURES	**17,462**	**(73)**	**17,389**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	17,300	(44)	17,256	-
b) Subject to COVID-19-related forbearance measures	162	(29)	133	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
TOTAL (A+B+C+D+E)	**17,567**	**(133)**	**17,434**	**-**

A.1.6 Prudential consolidated perimeter - On-balance sheet credit exposures to banks: gross changes in non-performing exposures

No data to report.

A.1.6bis Prudential consolidated perimeter - On-balance sheet credit exposures to banks: gross changes in forborne non-performing exposures breakdown by credit quality

No data to report.

Part E - Information on Risks and relating hedging policies

A.1.7 Regulatory consolidation – On-balance sheet credit exposures to customers: gross changes in non-performing exposures

(Amounts in €thousand)

Sources/categories	Bad exposure	Unlikely to pay	Past-due impaired loans
A. Opening balance - gross exposure	**19,562**	**4,348**	**1,424**
- of which: assets sold but not derecognised	-	-	-
B. Increases	**4,678**	**2,777**	**1,421**
B.1 transfers from performing exposures	1,746	1,776	1,155
B.2 transfers from financial assets purchased or originated credit impaired	-	-	-
B.3 transfers from other categories of impaired exposures	2,864	220	-
B.4 contractual changes without write-off	-	-	-
B.5 other increases	68	781	266
C. Decreases	**(3,397)**	**(3,698)**	**(1,626)**
C.1 transfers to performing exposures	-	(69)	(56)
C.2 write-off	(2,168)	(30)	(27)
C.3 collections	(1,213)	(1,103)	(569)
C.4 proceeds from disposals	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other categories of impaired exposures	-	(2,158)	(925)
C.7 contractual changes without write-off	-	-	-
C.8 other decreases	(16)	(338)	(49)
D. Gross exposure closing balance	**20,843**	**3,427**	**1,219**
- of which: assets sold but not derecognised	-	-	-

Part E - Information on Risks and relating hedging policies

A.1.7bis Regulatory consolidation - On-balance sheet credit exposures to customers: gross changes in forborne non-performing exposures

(Amounts in € thousand)

Sources/categories	Forborne exposure: non performing	Forborne exposure: performing
A. Opening balance - gross exposure	**674**	**98**
- of which: assets sold but not derecognised	-	-
B. Increases	**405**	**1,087**
B.1 transfers from performing exposures not forborne	-	1,057
B.2 transfers from performing forborne exposures	23	X
B.3 transfers from impaired forborne exposures	X	7
B.4 transfers from impaired not forborne exposure	-	-
B.5 other increases	382	23
C. Decreases	**(335)**	**(111)**
C.1 transfers to performing exposures not forborne	X	(4)
C.2 transfers to performing forborne exposures	(7)	X
C.3 transfers to impaired forborne exposures	X	(23)
C.4 write-offs	(15)	-
C.5 collections	(254)	(84)
C.6 proceeds from disposals	-	-
C.7 losses on disposals	-	-
C.8 other decreases	(59)	-
D. Gross exposure closing balance	**744**	**1,074**
- of which: assets sold but not derecognised	-	-

A.1.8 Prudential consolidated perimeter - On-balance sheet credit exposures to banks: changes in overall impairment

No data to report.

Part E - Information on Risks and relating hedging policies

A.1.9 Regulatory consolidation - On-balance sheet credit exposures to customers: changes in overall impairment

(Amounts in €thousand)

Sources/categories	Bad loans		Unlikely to pay		Past due impaired loans	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Total opening impairment	**(17,878)**	**(220)**	**(2,958)**	**(273)**	**(930)**	**-**
of which: assets sold but not derecognised	-	-	-	-	-	-
B. Increases	**(4,254)**	**(60)**	**(1,403)**	**(190)**	**(781)**	**(38)**
B.1 value adjustments from financial assets purchased or originated credit impaired	-	X	-	X	-	X
B. 2 other value adjustments	(2,305)	(23)	(1,244)	(135)	(751)	(8)
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfer from other categories impaired exposures	(1,928)	(37)	(123)	(19)	-	-
B.5 contractual changes without write-off	-	-	-	-	-	-
B.6 other increases	(21)	-	(36)	(36)	(30)	(30)
C. Decreases	**3,314**	**36**	**1,999**	**166**	**933**	**30**
C.1 write-backs from assessments	179	5	326	98	249	11
C.2 write-backs from recoveries	967	16	94	31	89	-
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-off	2,168	15	30	-	27	-
C.5 transfers to other categories of impaired exposures	-	-	1,513	37	538	19
C.6 contractual changes without write-off	-	-	-	-	-	-
C.7 other decreases	-	-	36	-	30	-
D. Final overall impairment	**(18,818)**	**(244)**	**(2,362)**	**(297)**	**(778)**	**(8)**
of which: assets sold but not derecognised	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.2 Breakdown of financial assets, commitments and financial guarantees given by internal and external ratings

A.2.1 Regulatory consolidation - Breakdown of financial assets, commitments and financial guarantees given: breakdown by external rating class (gross amount)

(Amounts in € thousand)

Exposures	External rating classes						No rating	Total
	Class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets at amortized cost	**5,121,849**	**6,454,313**	**12,629,679**	**55,909**	**21,563**	**-**	**4,852,252**	**29,135,565**
- First stage	5,121,849	6,454,313	12,629,679	55,909	21,563	-	4,813,485	29,096,798
- Second stage	-	-	-	-	-	-	13,278	13,278
- Third stage	-	-	-	-	-	-	25,489	25,489
B. Financial assets valued at fair value through other comprehensive income	**103,158**	**40,552**	**-**	**-**	**-**	**-**	**-**	**143,710**
- First stage	103,158	40,552	-	-	-	-	-	143,710
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A+B+C)	**5,225,007**	**6,494,865**	**12,629,679**	**55,909**	**21,563**	**-**	**4,852,252**	**29,279,275**
of which: of which: financial assets purchased or originated credit impaired	-	-	-	-	-	-	-	-
D. Commitments and financial guarantees given								
- First stage	-	-	17,170	-	-	-	25,761	42,931
- Second stage	-	-	-	-	-	-	444	444
- Third stage	-	-	-	-	-	-	42	42
Total (D)	**-**	**-**	**17,170**	**-**	**-**	**-**	**26,247**	**43,417**
Total (A+B+C+D)	**5,225,007**	**6,494,865**	**12,646,849**	**55,909**	**21,563**	**-**	**4,878,499**	**29,322,692**

The table shows the breakdown of on-balance sheet and off-balance-sheet exposures to counterparties with an external rating. Rating agencies provide a summary assessment on the creditworthiness of different type of counterparties: Countries, Banks, Public Bodies, Insurance Companies and Businesses, usually large-scale.

The table refers to the classification set forth in the Bank of Italy Circular no. 262/2005 regarding external ratings, which envisages 6 classes of creditworthiness.

The above presentation refers to the Standard and Poor's ratings, which are also associated to the ratings of the other two main Agencies, Moody's and Fitch. When there were two credit ratings for an individual exposure provided by two rating agencies the worst rating was recognised; if there were three different ratings the two best ratings were identified and, if they were different, the worst rating from these was recognised.

As part of the calculation of statutory requirements, by using the standard risk calculation method, the Group relies on the rankings of rating agencies in order to determine the weighting coefficients for exposures to Sovereign States ("Central governments and central banks", "Entities" and "Public Sector Entities" portfolio) and Covered bonds. In general, a weighting factor of 100 percent is applied to the remaining credit exposures, subject to the main exceptions established by CRR 575/2013.

Credit exposures to retail customers (consisting in personal loans, mortgages credit cards spending - both full payment of balance or revolving -, unsecured and secured loans and securities lending at December 31, 2020) were not externally ranked. Exposures with ratings to non-retail customers mainly derive from amounts due to banks with a high credit rating.

Part E - Information on Risks and relating hedging policies

A.2.2 Prudential consolidated perimeter - Breakdown of on-balance sheet and off-balance-sheet financial assets, commitments and financial guarantees given: breakdown by internal rating class (gross amount)

This table has not been included because internal ratings are not used to managed credit risk.

A.3 Breakdown of secured exposures by type of collateral

A.3.1 Regulatory consolidation - Secured on-balance sheet and off-balance-sheet exposures to banks

(Amounts in €thousand)

			Real guarantees (1)				Personal guarantees (2)	
							Credit derivatives	
								Other derivatives
	Gross exposure	Net exposures	Property - mortgages	Property - Financial leases	Securities	Other real guarantees	CLN	Central counterparties
1. Secured on-balance sheet exposures:	**5,740,039**	**5,740,039**	**-**	**-**	**5,740,025**	**-**	**-**	**-**
1.1 totally secured	5,740,039	5,740,039	-	-	5,740,025	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**17,166**	**17,166**	**-**	**-**	**17,166**	**-**	**-**	**-**
2.1 totally secured	17,166	17,166	-	-	17,166	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.3.1 Regulatory consolidation - Secured on-balance sheet and off-balance-sheet exposures to banks

(continued)

(Amounts in € thousand)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives			Signature credits				
	Other derivatives							
	Banks	Other financial entities	Other entities	Public entities	Banks	Other financial entities	Other entities	
1. Secured on-balance sheet exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,740,025**
1.1 totally secured	-	-	-	-	-	-	-	5,740,025
- of which impaired	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,166**
2.1 totally secured	-	-	-	-	-	-	-	17,166
- of which impaired	-	-	-	-	-	-	-	-
2.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-

A.3.2 Regulatory consolidation - Secured on-balance sheet and off-balance-sheet exposures to customers

(Amounts in € thousand)

	Gross exposure	Net exposures	Real guarantees (1)				Personal guarantees (2)	
							Credit derivatives	
								Other derivatives
			Property - Mortgages	Property - Financial leases	Securities	Other real assets	CLN	Central counterparties
1. Secured on-balance sheet:	**3,341,240**	**3,336,227**	**1,668,244**	**-**	**1,615,053**	**52,342**	**-**	**-**
1.1 totally secured	3,335,664	3,330,664	1,663,060	-	1,614,803	52,338	-	-
- of which: impaired	750	461	335	-	126	-	-	-
1.2 partially secured	5,576	5,563	5,184	-	250	4	-	-
- of which: impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**25,488**	**25,429**	**-**	**-**	**22,009**	**3,409**	**-**	**-**
2.1 totally secured	25,456	25,397	-	-	21,989	3,409	-	-
- of which: impaired	32	32	-	-	32	-	-	-
2.2. partially secured	32	32	-	-	20	-	-	-
- of which: impaired	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.3.2 Regulatory consolidation - Secured on-balance sheet and off-balance-sheet exposures to customers

(continued)

(Amounts in €thousand)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives				Signature credits			
	Other derivatives							
	Banks	Other financial entities	Other entities	Public entities	Banks	Other financial entities	Other entities	
1. Secured on-balance sheet:	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**3,335,644**
1.1 totally secured	-	-	-	-	-	-	5	3,330,206
- of which: impaired	-	-	-	-	-	-	-	461
1.2 partially secured	-	-	-	-	-	-	-	5,438
- of which: impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,418**
2.1 totally secured	-	-	-	-	-	-	-	25,398
- of which: impaired	-	-	-	-	-	-	-	32
2.2. partially secured	-	-	-	-	-	-	-	20
- of which: impaired	-	-	-	-	-	-	-	-

A.4 Prudential consolidated perimeter - Financial and non-financial assets obtained through the enforcement of guarantees received

No data to report.

Part E - Information on Risks and relating hedging policies

B. Distribution and concentration of credit exposures

B.1 Regulatory consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by sector

(Amounts in € thousand)

Exposures/Counterparty		Public entities		Financial entities		Financial companies (of which: insurance companies)	
		Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet credit exposures							
A.1 Bad loans		-	-	-	(6)	-	-
- of wich: forborne exposures		-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-
- of wich: forborne exposures		-	-	-	-	-	-
A.3 Past-due impaired loans		-	-	1	(1)	-	-
- of wich: forborne exposures		-	-	-	-	-	-
A.4 Performing exposures		16,455,099	(7,330)	353,012	(204)	20,393	(3)
- of wich: forborne exposures		-	-	-	-	-	-
Total (A)		**16,455,099**	**(7,330)**	**353,013**	**(211)**	**20,393**	**(3)**
B. Off-balance sheet exposures							
B.1 Impaired		-	-	-	-	-	-
B.2 Unimpaired		1	-	2,810	-	-	-
Total (B)		**1**	**-**	**2,810**	**-**	**-**	**-**
Total (A+B)	**12/31/2020**	**16,455,100**	**(7,330)**	**355,823**	**(211)**	**20,393**	**(3)**
Total (A+B)	**12/31/2019**	**13,418,417**	**(1,269)**	**249,761**	**(423)**	**18,474**	**(31)**

B.1 Regulatory consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by sector

(continued)

(Amounts in € thousand)

Exposures/Counterparty		Non-financial entities		Households	
		Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet credit exposures					
A.1 Bad loans		1	(7)	2,024	(18,805)
- of wich: forborne exposures		-	-	37	(244)
A.2 Unlikely to pay		14	(33)	1,051	(2,329)
- of wich: forborne exposures		-	-	154	(297)
A.3 Past-due impaired loans		3	(8)	437	(769)
- of wich: forborne exposures		-	-	4	(8)
A.4 Performing exposures		813	(2)	4,170,476	(12,333)
- of wich: forborne exposures		-	-	1,041	(33)
Total (A)		**831**	**(50)**	**4,173,988**	**(34,236)**
B. Off-balance sheet exposures					
B.1 Impaired		-	-	325	-
B.2 Unimpaired		136	-	1,435,800	(60)
Total (B)		**136**	**-**	**1,436,125**	**(60)**
Total (A+B)	**12/31/2020**	**967**	**(50)**	**5,610,113**	**(34,296)**
Total (A+B)	**12/31/2019**	**354**	**(32)**	**4,702,130**	**(35,571)**

Exposures connected to the counterparty risk related to securities lending or borrowing transactions are not included.

Part E - Information on Risks and relating hedging policies

B.2 Regulatory consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by geography

(Amounts in €thousand)

Exposures/Geographical area	Italy		Other european countries		United States
	Net exposures	Total impairments	Net exposures	Total impairments	Net exposures
A. On-balance sheet exposures					
A.1 Bad loans	2,022	(18,795)	3	(23)	-
A.2 Unlikely to pay	1,062	(2,355)	3	(7)	-
A.3 Impaired past-due exposures	426	(753)	10	(16)	5
A.4 Unimpaired exposures	10,363,686	(17,333)	9,577,303	(2,312)	732,728
Total (A)	**10,367,196**	**(39,236)**	**9,577,319**	**(2,358)**	**732,733**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	325	-	-	-	-
B.2 Unimpaired exposures	1,434,209	(60)	4,195	-	198
Total (B)	**1,434,534**	**(60)**	**4,195**	**-**	**198**
Total (A+B) 12/31/2020	**11,801,730**	**(39,296)**	**9,581,514**	**(2,358)**	**732,931**
Total (A+B) 12/31/2019	**10,187,050**	**(36,661)**	**7,771,526**	**(626)**	**410,299**

B.2 Regulatory consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by geography

(continued)

(Amounts in €thousand)

Exposures/Geographical area	United States	Asia		Rest of the world	
	Total impairments	Net exposures	Total impairments	Net exposures	Total impairments
A. On-balance sheet exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-
A.3 Impaired past-due exposures	(9)	-	-	-	-
A.4 Unimpaired exposures	(84)	296,782	(139)	8,901	(1)
Total (A)	**(93)**	**296,782**	**(139)**	**8,901**	**(1)**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	-	-	-	-	-
B.2 Unimpaired exposures	-	112	-	33	-
Total (B)	-	**112**	**-**	**33**	**-**
Total (A+B) 12/31/2020	**(93)**	**296,894**	**(139)**	**8,934**	**(1)**
Total (A+B) 12/31/2019	**(3)**	**1,624**	**(2)**	**163**	**-**

Exposures connected with the counterparty risk relating to the granting or borrowing of securities on loan are excluded.

Part E - Information on Risks and relating hedging policies

B.3 Regulatory consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geography

(Amounts in €thousand)

Exposures/Geographical Area		Italy		Other european countries		America
		Net exposures	Total impairments	Net exposures	Total impairments	Net exposures
A. On-balance sheet exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Impaired past-due exposures		-	-	-	-	-
A.4 Not impaired exposures		6,306,410	(43)	1,405,760	(159)	109,500
Total (A)		**6,306,410**	**(43)**	**1,405,760**	**(159)**	**109,500**
B. Off-balance sheet credit exposures						
B.1 Impaired exposure		-	-	-	-	-
B.2 Unimpaired exposure		17,170	-	19,273	-	-
Total (B)		**17,170**	**-**	**19,273**	**-**	**-**
Total (A+B)	**12/31/2020**	**6,323,580**	**(43)**	**1,425,033**	**(159)**	**109,500**
Total (A+B)	**12/31/2019**	**8,083,878**	**(126)**	**855,221**	**(99)**	**88,669**

B.3 Regulatory consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geography

(continued)

(Amounts in €thousand)

Exposures/Geographical Area		America	Asia		Rest of the world	
		Total impairments	Net exposures	Total impairments	Net exposures	Total impairments
A. On-balance sheet exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Impaired past-due exposures		-	-	-	-	-
A.4 Not impaired exposures		(4)	-	-	432,664	(28)
Total (A)		**(4)**	**-**	**-**	**432,664**	**(28)**
B. Off-balance sheet credit exposures						
B.1 Impaired exposure		-	-	-	-	-
B.2 Unimpaired exposure		-	-	-	-	-
Total (B)		**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2020**	**(4)**	**-**	**-**	**432,664**	**(28)**
Total (A+B)	**12/31/2019**	**(68)**	**-**	**-**	**465,888**	**-**

Exposures connected with the counterparty risk relating to the granting or borrowing of securities on loan are excluded.

Part E - Information on Risks and relating hedging policies

B.4 Large exposures

As at December 31, 2020 the following "risk positions" constituted "large exposure" pursuant to the provisions of the Implementing Regulation (EU) no. 680/2014 of the Commission of 16 April 2014 which establishes technical implementation rules with regard to the reporting of entities for supervisory purposes in accordance with Regulation (EU) no. 575/2013 of the European Parliament and of the Council, and subsequent Regulations that modify its content, are the following:

- book value: €24,799,655 thousand, excluding the reverse repo transactions;
- non-weighted value: €25,273,322 thousand;
- weighted value: €1,280,556 thousand;
- number of "risk positions": 26

It should be noted that, in compliance with the EBA Guidelines on connected customers pursuant to Article 4, paragraph 1, point 39) of Regulation (EU) no. 575/2013, the large exposures also include counterparties that have links with central administrations and that, although they do not exceed the threshold of 10% of the eligible capital for large exposures individually, exceed this limit considering also the exposure to the sovereign state to which they are connected with a control bond.

Following the deconsolidation of FinecoBank from the UniCredit Group took place, FinecoBank and UniCredit S.p.A. have entered into a contract (Pledge Agreement) which provides for the granting by UniCredit S.p.A. of financial guarantees in favour of FinecoBank aimed at guaranteeing credit risk exposures represented by UniCredit bonds, until their natural expiry, and from the financial guarantees issued by FinecoBank in favour of the Agency of Enter at the request of UniCredit S.p.A., until they are completely extinguished. These guarantees meet the requirements of the applicable legislation to be eligible in the context of credit risk mitigation techniques (CRM), with consequent reduction of risk-weighted assets and exposure for large exposures of the Group.

Finally, please note that deferred tax assets within the exposure towards the Italian Central Government have been exempted and, therefore, their weighted value is null.

C. Securitisation transactions

Qualitative information

No data to report.

Quantitative information

No data to report.

D. Sales Transactions
A. Financial assets sold and partially derecognised

Qualitative information

The Group carries out repos using securities of its proprietary portfolio and securities not recognised in assets, received through reverse repos and securities lending.

Securities from its proprietary portfolio used in repos were not derecognized as the Group carries out repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of the transaction and maintains all the risks associated with ownership of the securities.

Part E - Information on Risks and relating hedging policies

Quantitative information

D.1 Regulatory consolidation - Financial assets sold but not derecognised and associated financial liabilities: carrying value

(Amounts in €thousand)

		Financial assets sold but not derecognised				Associated financial liabilities		
		Carrying amount	of which: securisation	of which: repurchase agreement	of which: impaired	Carrying amount	of which: securisation	of which: repurchase agreement
A. Financial assets held for trading		**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities		-	-	-	X	-	-	-
2. Equity instruments		-	-	-	X	-	-	-
3. Loans		-	-	-	X	-	-	-
4. Derivative instruments		-	-	-	X	-	-	-
B. Other financial assets mandatorily at fair value		**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities		-	-	-	-	-	-	-
2. Equity instruments		-	-	-	X	-	-	-
3. Loans		-	-	-	-	-	-	-
C. Financial assets designated at fair value		**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities		-	-	-	-	-	-	-
2. Loans		-	-	-	-	-	-	-
D. Financial assets at fair value through other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities		-	-	-	-	-	-	-
2. Equity instruments		-	-	-	X	-	-	-
3. Loans		-	-	-	-	-	-	-
E. Financial assets at amortised cost		**2,125,687**	**-**	**2,125,687**	**-**	**2,174,829**	**-**	**2,174,829**
1. Debt securities		2,125,687	-	2,125,687	-	2,174,829	-	2,174,829
2. Loans		-	-	-	-	-	-	-
Total	**12/31/2020**	**2,125,687**	**-**	**2,125,687**	**-**	**2,174,829**	**-**	**2,174,829**
Total	**12/31/2019**	**1,345,285**	**-**	**1,345,285**	**-**	**1,390,616**	**-**	**1,390,616**

Please note that the amount of financial liabilities in the table above has been shown gross of the accounting off-setting made according to IAS 32.

D.2 Prudential consolidated perimeter - Financial assets sold partially recognized and associated financial liabilities: carrying value

No data to report.

D.3 Prudential consolidated perimeter - Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognised: fair value

No data to report.

Part E - Information on Risks and relating hedging policies

B. Assets sold and fully derecognised with recognition of continuing involvement

Qualitative information

No data to report.

Qualitative information

No data to report.

D.4 Prudential consolidated - Covered bond transactions

No data to report.

E. Prudential consolidated - Credit Risk Measurement Models

Credit Risk Measurement – Trading Book

The monitoring of credit risk as part of the management of the trading book is conducted through the rating of all financial instruments held.

Credit Risk Measurement – Banking Book

The banking book of the Group consists mainly of securities, current accounts with credit institution and deposits with Bank of Italy. Retail customer activities are limited to the granting of personal loans, mortgages, credit cards and credit lines.

Information on Sovereign Exposures

The Group is exposed to the sovereign debt of some countries, having invested a portion of its assets in debt securities issued by governments and recognized in the caption “Financial assets designated at fair value through other comprehensive income” and in “Financial assets measured at amortised cost”. The following table shows the face value, the book value and the fair value of these exposures as at December 31, 2020. The Group is exposed to Sovereign debt securities which are classified under the caption "Other financial assets mandatorily at fair value" accounts for €67 thousand.

In addition, the Group hold investments in debt securities issued by Supranational institutions and Agencies accounted for in "Financial assets at amortized cost” (for further details, see the Part B of these Notes to the Consolidated Accounts).

Part E - Information on Risks and relating hedging policies

(Amounts in € thousand)

	Nominal value as at	Carrying amount as at	Fair value as at	% Financial statements item
	12/31/2020	12/31/2020	12/31/2020	12/31/2020
Italy	**5,402,896**	**5,920,734**	**6,275,387**	**18.6%**
Financial assets at amortised cost	5,402,896	5,920,734	6,275,387	20.4%
Spain	**3,900,000**	**4,321,136**	**4,477,543**	**13.6%**
Financial assets at amortised cost	3,900,000	4,321,136	4,477,543	14.9%
Germany	**125,000**	**126,941**	**135,933**	**0.4%**
Financial assets at amortised cost	125,000	126,941	135,933	0.4%
Poland	**23,000**	**27,356**	**28,682**	**0.1%**
Financial assets at amortised cost	23,000	27,356	28,682	0.1%
France	**1,183,500**	**1,228,276**	**1,284,327**	**3.9%**
Financial assets at fair value through other comprehensive income	35,000	37,275	37,275	25.9%
Financial assets at amortised cost	1,148,500	1,191,001	1,247,052	4.1%
U.S.A.	**665,797**	**677,944**	**684,432**	**2.1%**
Financial assets at fair value through other comprehensive income	65,194	65,874	65,874	45.8%
Financial assets at amortised cost	600,603	612,070	618,558	2.1%
Austria	**512,500**	**520,526**	**555,147**	**1.6%**
Financial assets at amortised cost	512,500	520,526	555,147	1.8%
Ireland	**895,500**	**957,319**	**1,010,485**	**3.0%**
Financial assets at fair value through other comprehensive income	35,000	40,544	40,544	28.2%
Financial assets at amortised cost	860,500	916,775	969,941	3.2%
United Kingdom	**38,931**	**39,099**	**39,094**	**0.1%**
Financial assets at amortised cost	38,931	39,099	39,094	0.1%
Belgium	**540,000**	**559,997**	**596,409**	**1.8%**
Financial assets at amortised cost	540,000	559,997	596,409	1.9%
Portugal	**330,000**	**393,700**	**407,179**	**1.2%**
Financial assets at amortised cost	330,000	393,700	407,179	1.4%
Switzerland	**46,288**	**46,662**	**46,610**	**0.1%**
Financial assets at amortised cost	46,288	46,662	46,610	0.2%
Saudi Arabia	**80,000**	**80,384**	**82,872**	**0.3%**
Financial assets at amortised cost	80,000	80,384	82,872	0.3%
Chile	**50,100**	**52,668**	**54,044**	**0.2%**
Financial assets at amortised cost	50,100	52,668	54,044	0.2%
Israel	**128,000**	**140,732**	**142,043**	**0.4%**
Financial assets at amortised cost	128,000	140,732	142,043	0.5%
China	**75,000**	**74,494**	**74,803**	**0.2%**
Financial assets at amortised cost	75,000	74,494	74,803	0.3%
Total sovereign exposures	**13,996,512**	**15,167,968**	**15,894,990**	**47.8%**

The % reported in line with Sovereign counterparties and in the item "Total Sovereign exposures" have been determined on the Group's total assets, whereas those reported in line with the balance sheet items have been determined on the total of the individual items of the financial statements.

Please note that securities denominated in currencies other than euro have been converted into euro according to the spot exchange rate at the reference date of the financial statements.

As at December 31, 2020, investments in debt securities issued by Sovereign States accounted for 47,8% of the Group's total assets and none of them were structured debt securities. The Group is therefore exposed to fluctuations in the price of the public debt securities of the countries listed above. Tensions or volatility in the government bond market may negatively affect the Group's financial position and performance.

Part E - Information on Risks and relating hedging policies

The following table shows the sovereign ratings as at December 31, 2020 for countries to which the Group is exposed, provided by Fitch Ratings, Moody's and Standard & Poor's.

	Moody's	Fitch Ratings	Standard & Poor's
Italy	Baa3	BBB-	BBB
Spain	Baa1	A-	A
Germany	Aaa	AAA	AAA
Poland	A2	A-	A-
France	Aa2	AA	AA
USA	Aaa	AAA	AA+
Austria	Aa1	AA+	AA+
Ireland	A2	A+	AA-
Belgium	Aa3	AA-	AA
Portugal	Baa3	BBB	BBB
United Kingdom	Aa3	AA-	AA
Switzerland	Aaa	AAA	AAA
Saudi Arabia	A1	A	A-
Chile	A1	A-	A+
Israel	A1	A+	AA-
China	A1	A+	A+

Part E - Information on Risks and relating hedging policies

1.2 - Market risk

Market risk derives from changes in market variables (interest rates, securities prices, exchange rates, etc.) affecting the economic value of the Group's portfolio. The latter includes assets held in the trading book (assets held for trading) as well as those in the banking book, i.e. the transactions connected to strategic investment choices.

Risk Management Strategies and Processes

The Board of Directors of FinecoBank sets strategic guidelines for market risks taking, approves the market risk general framework and any significant changes, relating to the organisational structure, strategies, and methodologies and defines maximum risk appetite level.

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

Market risk in FinecoBank is defined through two sets of limits:

- Overall measures of market risk (e.g. VaR): which are meant to establish a boundary to the internal capital absorption and to the economic loss accepted in trading activities; these limits must be consistent with assigned revenue targets and the defined risk taking capacity;
- Granular measures of market risk (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with the overall limits; in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for granular limits aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

Structure and Organisation

The Market and Liquidity Risk function, within the Risk Management Unit, in full compliance with local legal and regulatory obligations is tasked primarily – but not exclusively – with:

- defining, implementing and refining adequate metrics at a global level to measure the exposure to market risk;
- proposing, based on the defined metrics, risk limits consistent with the risk appetite approved by the Board of Directors;
- calculating risk metrics for the global and granular measures for the Group's portfolios;
- checking that the measurements are consistent with the approved limits;
- initiating the escalation process when limits are exceeded, engaging the Group’s Top Management;
- discussing and approving new products with innovative and complex market risk profiles.

Impacts of the crisis unfolded by COVID-19 pandemic on market risks

During 2020, no impacts on the market risk profile resulting from the health emergency were recorded, neither with regard to the banking book nor with regard to the trading book. Following the COVID-19 pandemic, FinecoBank did not change the strategies, objectives or policies for the management, measurement and control of market risks.

Risk measurement and reporting framework

Trading Book

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

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

Part E - Information on Risks and relating hedging policies

Banking Book

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

Market risk in the banking book mainly consists of credit spread risk, interest rate risk and exchange rate risk.
The first one mainly arises from investments in debt securities held for liquidity purposes. Market risk associated with the bond portfolio is monitored and restrained by limits on the notional amount, Economic Value sensitivity and the Value at Risk.

The second one, interest rate risk is managed for stabilization purposes. The banking book interest rate risk measure covers the dual aspect of the value and the net interest income/expense of the Group. More precisely, the different, and complementary, perspectives involve:

- Economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the Group may be viewed as the present value of the expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities. A relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1 basis point rate shock. Such measure is considered relevant to assess the economic value impact of various changes in the yield curve. The economic value sensitivity is also calculated for a 200bp parallel shock. A monitoring variable from this perspective is the value at risk resulting from interest rate risk component only;
- Income perspective: the focus of analysis is the impact of changes of interest rates on accrued or reported Net Interest Income that is the difference between revenues generated by interest sensitive assets and the cost related to interest sensitive liabilities. An example of a risk measure used is the Net Interest Income sensitivity for a 100bp parallel shock in rates. Such measure provides an indication of the impact that such a shock would have on the net interest margin over the next 12 months.

The third one is exchange rate risk. This exposure mainly derives from a mismatching of assets and liabilities in USD. Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

Procedures and methodologies for valuation of Trading Book positions

The Group ensures that the value applied to each trading book position appropriately reflects the current fair (market) value, i.e. the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of each financial instrument is based on, or derived from, observable market prices or inputs. The availability of observable prices or other market variablesdiffers by product and market, and might change over time.

If observable prices or parameters are readily and regularly available (i.e. satisfying adequate liquidity requirements), they are directly employed in the determination of fair value (mark-to-market).

In non-active markets or for certain instruments, for which observable prices or inputs are not available, fair value is calculated using valuation techniques that are appropriate for the specific instrument (mark-to-model). This approach involves estimation and judgement, therefore, it might require valuation adjustments in order to take into account bid-ask spreads, liquidity and countrparty risk, besides the employed pricing model. In addition, each pricing model used for *fair value* calculation is validated by a dedicated function independent from business units.

In order to ensure an adequate separation between developing functions and validating functions, all valuation models developed shall be centrally tested and validated by functions fully independent from those that have developed the model thereof. Model validation is also centrally carried out for any new system or analysis tool whose outcome has a potential impact on the Group's economic results.

In addition to daily marking to market or marking to model, the Risk Management Function carries out an Independent Price Verification (IPV) . This is the process through which market prices or model inputs are regularly verified for accuracy and independence. Whereas marking to market or marking to model may be performed daily by front-office dealers, the verification of market prices and model inputs is performed on a monthly basis.

Risk measures

VaR

The VaR calculated within market risk measurement for both the banking and trading book is based on the historical simulation approach. The selected model has several advantages:

- it is easy to understand and communicate;
- it does not require any specific assumptions about the functional form of the distribution of yields of the risk factors;
- it does not require an estimation of the variance-covariance matrix of the market factors that may affect the value of the portfolio.

Part E - Information on Risks and relating hedging policies

- it captures the correlation structure reflected in the simultaneous changes in market factors, implicitly assuming that it will remain constant in the future.

On the other hand VaR models based on historical simulations do not provide any information on the amount of the loss exceeding the VaR. This why the Group's framework uses additional instruments such as stress tests.

1.2.1 Interest rate risk and price risk – regulatory trading book

Qualitative information

A. General Matters

The trading book is used to hold debt securities (ordinary and subordinated, structured and plain vanilla), equity instruments, and certificates – listed and non-listed – related to brokerage activities with retail customers.

The Group does not perform proprietary trading and does not assume speculative positions in its books. Accounting movements in the Group's trading book are recorded against brokerage activities with retail customers, in particular for OTC instruments trading. Other movements in the trading book are recorded for the own account dealing, available for several securities when the Group takes on the role of counterparty to the customer. This activity is performed as a result of the options introduced by the MiFID which allow the execution of orders for financial instruments in a number of execution venues including internal execution.

B. Processes for managing and methods for measuring interest rate risk and price risk

For a characterization of both internal risk monitoring, managing processes and risk assessment methodologies, please refer to the introduction.

Part E - Information on Risks and relating hedging policies

Quantitative information

1. Regulatory trading book: distribution by maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – Currency: Euro

(Amounts in €thousand)

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	72	-	-	-
- Others								
+ Long positions	351	77,558	-	-	-	297	1,653	-
+ Short positions	352	77,176	-	-	-	751	1,557	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	460	-	-	-	-
- Others derivatives								
+ Long positions	-	50,194	3,050	38,950	-	-	-	-
+ Short positions	-	60,936	800	31,940	-	-	-	-

Item 3.1 “Financial Derivatives with underlying securities - Other Derivatives” includes spot contracts for the purchase and sale of securities, other than shares and UCITS units, to be settled in times established by market practices ("regular way").

Item 3.2 “Financial Derivatives without underlying securities - Other Derivatives” includes spot contracts for the purchase and sale of foreign currencies, to be settled in times established by market practices ("regular way").

Part E - Information on Risks and relating hedging policies

Currency: Other currencies

(Amounts in €thousand)

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others								
+ Long positions	-	236,495	-	-	-	-	53	-
+ Short positions	-	236,415	-	-	-	-	53	-
3.2 Without underlying security								
- Options								
+ Long positions	-	294	-	921	-	-	-	-
+ Short positions	-	294	-	295	-	-	-	-
- Others derivatives								
+ Long positions	-	84,579	1,066	44,879	-	-	-	-
+ Short positions	-	73,728	3,207	51,706	-	-	-	-

The effects of changes in the yield curve on net interest margin arising from instruments in the trading book are negligible. For similar considerations regarding the banking book, see paragraph 2. Banking book: internal models and other methods of sensitivity analysis of section "2.2 Interest rate risk and price risk – banking book" below.

Part E - Information on Risks and relating hedging policies

2. Regulatory trading book: distribution of exposures in equity instruments and share indices for the main stock market countries

(Amounts in €thousand)

Type of transaction/listing index	Listed						Unlisted
	U.S.A.	UNITED KINGDOM	ITALY	GERMANY	FRANCE	OTHER COUNTRY	
A. Equity instruments							
- long positions	5,708	930	1,522	690	421	1,603	-
- short positions	256	9	163	3	12	51	-
B. Unsettled equity instrument trades							
- long positions	222,548	133	68,554	7,018	113	12,033	-
- short positions	222,740	38	68,600	7,031	110	11,993	-
C. Other equity instruments derivatives							
- long positions	2,120	26	465	57	49	1,562	-
- short positions	7,271	1,074	1,774	767	451	1,737	-
D. Share index derivatives							
- long positions	14,632	736	2,133	7,688	798	898	-
- short positions	15,899	766	3,231	7,387	697	1,106	-

3. Regulatory trading book: internal models and other methods of sensitivity analysis

The Group monitors the VaR of the Trading Book on a daily basis.

As at December 31, 2020, the daily VaR of the trading book amounted to €260 thousand. The average for the year 2020 is €203 thousand, with a maximum peak of €1.163 thousand and a minimum of €12 thousand.

The volatility in the price of instruments determines direct impacts on the income statement.

1.2.2 Interest rate risk and price risk – banking book

Qualitative information

B. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk consists of changes in interest rates affecting:

- the net interest margin, thus, the Group's earnings;
- the net present value of assets and liabilities, as well as the present value of future cash flows.

The Group measures and monitors interest rate risk daily, within the methodological framework and the corresponding limits or thresholds approved by the Board of Director. Such limits concern to the sensitivity of the net interest margin and the economic value.

Interest rate risk has an impact on every position resulting from strategic investment decisions (banking book).

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

- gap risk: this derives from the term structure of the banking book and describes the risk arising from the instrument's timing of interest rate update. The gap risk also includes the repricing risk, arising from time mismatches in terms of the repricing of the Group's assets and liabilities. These mismatches result in a risk associated with the yield curve. This risk relates to the Group's exposure to changes in the slope and shape of the yield curve.
- basis risk: this can be divided into two types of risk:
    - o tenor risk, arising from the mismatch between instrument expiry and the change in interest rates;

Part E - Information on Risks and relating hedging policies

  - currency risk, defined as the risk of a potential offsetting between interest rate sensitivities arising from exposure to the interest rate risk in various currencies;
- option risk – risk resulting from implicit or explicit options in the Group's banking book positions.

Within the organisational framework described above, the Board of Directors approves the limits on interest rate. These limits are set in terms of VaR (calculated using the methodology described above in relation to the trading book). The Parent Company is responsible for managing the exposure to interest rate risk within the limits assigned.

In order to assess the effects of changes in the yield curve on the banking book, scenario analyses involving the parallel shifts in the rate curve of +/- 100 bps and +/- 200 bps are conducted at weekly intervals; further six standardized scenarios proposed by EBA guidelines are also conducted on a weekly basis. For more details see section *2. Banking book: internal models and other methods of sensitivity analysis.*

Part E - Information on Risks and relating hedging policies

Quantitative information

1. Banking book: distribution by maturity (by repricing date) of financial assets and liabilities - Currency: Euro

(Amounts in €thousand)

Type/maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months to 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**2,118,739**	**7,489,794**	**459,616**	**552,327**	**4,525,344**	**11,909,722**	**921,888**	**-**
1.1 Debt securities	-	6,356,018	382,521	430,455	3,915,489	11,511,882	379,196	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	6,356,018	382,521	430,455	3,915,489	11,511,882	379,196	-
1.2 Loans to banks	251,541	275,351	11,999	183	-	-	-	-
1.3 Loans to customers	1,867,198	858,425	65,096	121,689	609,855	397,840	542,692	-
- current accounts	1,600,854	88	85	185	913	-	-	-
- others loans	266,344	858,337	65,011	121,504	608,942	397,840	542,692	-
- with early redemption option	4,017	410,380	64,388	119,447	605,052	397,810	542,641	-
- others	262,327	447,957	623	2,057	3,890	30	51	-
2. On-balance sheet liabilities	**27,068,767**	**77,839**	**2,858**	**78,799**	**980,682**	**23,711**	**1,691**	**-**
2.1 Deposits from customers	27,011,270	77,765	2,768	25,194	29,543	21,589	1,469	-
- current accounts	26,901,774	-	-	-	-	-	-	-
- other payables	109,496	77,765	2,768	25,194	29,543	21,589	1,469	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	109,496	77,765	2,768	25,194	29,543	21,589	1,469	-
2.2 Deposits from banks	57,497	74	90	53,605	951,139	2,122	222	-
- current accounts	43,207	-	-	-	-	-	-	-
- other payables	14,290	74	90	53,605	951,139	2,122	222	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**6,901,792**	**249,123**	**48,272**	**1,309,637**	**4,626,415**	**620,315**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	6,901,792	249,123	48,272	1,309,637	4,626,415	620,315	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others derivatives	-	6,901,792	249,123	48,272	1,309,637	4,626,415	620,315	-
+ Long positions	-	6,307,777	-	-	430,000	140,000	-	-
+ Short positions	-	594,015	249,123	48,272	879,637	4,486,415	620,315	-
4. Other off-balance sheet transactions	**3,243**	**8,505**	**7,281**	**40**	**1,131**	**-**	**-**	**-**
+ Long positions	576	1,348	7,005	40	1,131	-	-	-
+ Short positions	2,667	7,157	276	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

Currency: Other currencies

(Amounts in € thousand)

Type/maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months to 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**210,763**	**183,029**	**187,690**	**440,873**	**7,068**	**113,259**	**-**	**-**
1.1 Debt securities	-	88,280	187,690	439,935	7,051	113,259	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	88,280	187,690	439,935	7,051	113,259	-	-
1.2 Loans to banks	207,038	33,423	-	938	-	-	-	-
1.3 Loans to customers	3,725	61,326	-	-	17	-	-	-
- current accounts	663	-	-	-	8	-	-	-
- others loans	3,062	61,326	-	-	9	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	3,062	61,326	-	-	9	-	-	-
2. On-balance sheet liabilities	**1,141,915**	**16,817**	**23**	**54**	**234**	**-**	**-**	**-**
2.1 Deposits from customers	1,141,804	16,817	23	54	234	-	-	-
- current accounts	1,131,975	-	-	-	-	-	-	-
- other payables	9,829	16,817	23	54	234	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	9,829	16,817	23	54	234	-	-	-
2.2 Deposits from banks	111	-	-	-	-	-	-	-
- current accounts	110	-	-	-	-	-	-	-
- other payables	1	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	**-**	**18,279**	**18,279**	**-**	**-**	**-**	**-**	**-**
+ Long positions	-	5,553	12,726	-	-	-	-	-
+ Short positions	-	12,726	5,553	-	-	-	-	-

For a description of the effects of a change in interest rates on net interest margin, profit (loss) for the year, shareholders' equity and the results of scenario analysis, see paragraph 2. Banking book: internal models and other methods of sensitivity analysis.

Part E - Information on Risks and relating hedging policies

2. Banking book: internal models and other methods of sensitivity analysis

In order to measure interest rate risk in the Group's financial statements it is necessary to measure the sensibility of loans and deposits to changes in the yield curve. FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of asset and liability items that do not have a contractual maturity; indeed even though some assets and liabilities may be payable on demand, they could actually show some stickiness.

The following table provides the results of the analyses conducted in all currencies.

(Amounts in € thousand)

	Value analysis (shift + 200 bp)	Value analysis (shift - 200 bp)	Value analysis (shift +1 bp)	Irvar*	Interest rate analysis (+100bp)	Interest rate analysis (-30bp)
12/31/2020	-14,412	2,704	-409	-4,156	128,299	-34,585

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

The sensitivity analysis on the Group's capital, which was conducted assuming a shift of + 200 basis points on the euro interest rate curve, showed a negative impact of €-14,412 thousand. A shift of -200 basis points showed a positive impact of €2,704 thousand.

The sensitivity analysis on Group's capital, which was conducted assuming a shift of + 1 basis point, showed a negative impact of €-409 thousand.

As of December 31, 2020, the interest rate VaR figure for the Bank came to approximately €4,156 thousand. The average for the year 2020 is equal to €2,467 thousand with a maximum peak of €6,450 thousand and a minimum of €791 thousand.

Total VaR, including the Credit Spread Risk component arising mainly from government securities held as investment of liquidity and including the Credit Spread Risk component deriving from UniCredit instruments, amounts to €174,391 thousand. The average for the year 2020 is equal to € 141,976 thousand with a maximum peak of €175,600 thousand and a minimum of €32,299 thousand.

The sensitivity analysis on net interest margin (NIM), which was conducted assuming a shift of +100 basis points on the euro interest rate curve, showed a positive impact of €128,299 thousand. A shift of -30 basis points would have a negative impact of €34,585 thousand on the NIM over the next 12 months.

1.2.3 Exchange Rate Risk

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

As part of its treasury activities, the Group collects funds in foreign currencies, mainly US dollars, through customer deposits, subsequently investing these funds mainly in bank deposits and bonds with leading credit institutions , denominated in the same currency. The impact on balance sheet items is estimated through the Forex VaR indicator.

The VaR of the Group's positions is not used for the calculation of Pillar 1 capital requirement, as it is not required by the selected traditional standardised approach. The metric described is therefore only used for managerial and risk monitoring purposes.

B. Exchange rate risk hedging

Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

The component of exchange rate risk that contributes to the formation of the overall VaR is usually tied to the temporal mismatch between assets and liabilities in US dollars.

Part E - Information on Risks and relating hedging policies

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives

(Amounts in €thousand)

Items	Currency					
	USD	GBP	CHF	JPY	AUD	OTHER CURRENCIES
A. Financial assets	**935,408**	**123,546**	**78,684**	**1,434**	**3,980**	**16,796**
A.1 Debt securities	726,689	55,814	53,713	-	-	-
A.2 Equity securities	16,579	507	-	7	-	74
A.3 Loans to banks	128,682	65,718	24,884	1,427	3,980	16,707
A.4 Loans to customers	63,458	1,507	87	-	-	15
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**68**	**252**	**1**	**-**	**-**	**225**
C. Financial liabilities	**936,005**	**123,961**	**78,742**	**1,315**	**-**	**19,287**
C.1 Deposits from banks	1	-	-	-	-	110
C.2 Deposits from customers	936,004	123,961	78,742	1,315	-	19,177
C.3 Debt securities in issue	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**922**	**262**	**33**	**-**	**7**	**395**
E. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ Long positions	809	294	-	112	-	-
+ Short positions	595	22	-	1	-	-
- Other derivatives	-	-	-	-	-	-
+ Long positions	78,316	16,896	6,011	10,247	6,216	14,134
+ Short positions	75,010	18,342	5,924	10,305	6,286	13,956
Total assets	**1,014,601**	**140,988**	**84,696**	**11,793**	**10,196**	**31,155**
Total liabilities	**1,012,532**	**142,587**	**84,699**	**11,621**	**6,293**	**33,638**
Balance (+/-)	**2,069**	**(1,599)**	**(3)**	**172**	**3,903**	**(2,483)**

The impact of changes in exchange rates are quantified by the daily Forex VaR of the overall portfolio, as described in the following paragraph.

2. Internal models and other methods of sensitivity analysis

As at December 31, 2020, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately €30 thousand. The average for the year 2020 is equal to €51 thousand with a maximum peak of €125 thousand and a minimum of €21 thousand.

Part E - Information on Risks and relating hedging policies

1.3 - Derivative instruments and hedging policies

1.3.1 Trading book financial derivatives

A. Financial derivatives

A.1 Hedging financial derivatives: end of period notional amounts

(Amounts in €thousand)

Underlying assets / Type of derivatives	Total 12/31/2020				Total 12/31/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	without central counterparties: with netting agreement	without central counterparties: without netting agreement		Central Counterparts	without central counterparties: with netting agreement	without central counterparties: without netting agreement	
1. Debt securities and interest rate indexes	**-**	**-**	**470**	**456**	**-**	**-**	**878**	**714**
a) Options	-	-	24	-	-	-	4	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	456	-	-	-	714
e) Others	-	-	446	-	-	-	874	-
2. Equities instruments and share indices	**-**	**-**	**61,840**	**15,564**	**-**	**-**	**68,169**	**38,444**
a) Options	-	-	5,866	-	-	-	72	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	15,564	-	-	-	38,444
e) Others	-	-	55,974	-	-	-	68,097	-
3. Currencies and gold	**-**	**-**	**164,932**	**154**	**-**	**-**	**164,604**	**136**
a) Options	-	-	1,215	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	154	-	-	-	136
e) Others	-	-	163,717	-	-	-	164,604	-
4. Commodities	**-**	**-**	**1,966**	**541**	**-**	**-**	**1,367**	**1,126**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**229,208**	**16,715**	**-**	**-**	**235,018**	**40,420**

Letter e) Other in the “Over the counter – Without central counter-parties – not included in netting agreement” column consists of CFD derivatives.

Part E - Information on Risks and relating hedging policies

A.2 Hedging financial derivatives: gross positive and negative fair value – breakdown by product

(Amounts in € thousand)

Underlying assets/type of derivatives	Total 12/31/2020				Total 12/31/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	Without central counterparties			Central Counterparts	Without central counterparties		
		With netting agreement	Without netting agreement			With netting agreement	Without netting agreement	
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	22	-	-	-	35
g) Others	-	-	3,330	-	-	-	3,192	-
Total	**-**	**-**	**3,330**	**22**	**-**	**-**	**3,192**	**35**
2. Negative Fair value								
a) Options	-	-	328	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	52	-	-	-	57
g) Others	-	-	1,495	-	-	-	523	-
Total	**-**	**-**	**1,823**	**52**	**-**	**-**	**523**	**57**

A.3 OTC trading book financial derivatives: notional amounts, gross positive and negative fair value by counterparty

(Amounts in €thousand)

Underlying assets	Central counterparties	Banks	Other financial entities	Other entities
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	X	-	-	470
- positive fair value	X	-	-	3
- negative fair value	X	-	-	-
2) Equity instruments and share indices				
- notional amount	X	-	72	61,768
- positive fair value	X	-	-	1,935
- negative fair value	X	-	-	1,020
3) Currencies and gold				
- notional amount	X	73,551	-	91,380
- positive fair value	X	156	-	1,224
- negative fair value	X	73	-	701
4) Commodities				
- notional amount	X	-	-	1,966
- positive fair value	X	-	-	14
- negative fair value	X	-	-	29
5) Others				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and share indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.4 OTC financial derivatives - residual maturity: notional values

(Amounts in €thousand)

Underlying/maturity		Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivative contracts on debt securities and interest rates		446	-	24	470
A.2 Financial derivative contracts on equity instruments and share indices		14,827	84	46,928	61,839
A.3 Financial derivatives on exchange rates and gold		164,931	-	-	164,931
A.4 Financial derivatives on commodities		1,966	-	-	1,966
A.5 Financial derivatives on other instruments		-	-	-	-
Total	**12/31/2020**	**182,170**	**84**	**46,952**	**229,206**
Total	**12/31/2019**	**174,324**	**-**	**60,695**	**235,019**

B. Credit derivatives

No data to report.

1.3.2 Hedge account

Qualitative information

The Group does not provide the disclosure pursuant to IFRS 7, paragraph 24 H, as it does not have hedging relationships to which the exceptions referred to in paragraphs 6.8.4 - 6.8.12 of IFRS 9 apply, or in paragraphs 102D – 102N of IAS 39.

In this regard, it should be noted that the Group has only fair value hedges in place which provide for the exchange of the fixed rate against Euribor and whose valuation, as collateralised, is carried out by discounting future flows with the OIS curve. The full transition to the new calculation method was completed in November 2019 and Euribor is therefore BMR-compliant and continues to be used after January 1, 2020.

With reference to the OIS curve, from 27 July 2020 (postponing the previous deadline, of 22 June 2020, following the COVID-19 emergency) the clearing houses (Eurex \ LCH) used by FinecoBank have communicated the replacement of the Eonia rate with the €STR rate anticipating its planned disposal, which will take place at the end of 2021.

A. Fair value hedging

Fair value hedging strategies, with the aim of complying with the interest rate risk limits for the banking book, are implemented using unlisted derivative contracts. The latter, typically interest rate swaps, represent the family of instruments used mainly.

The hedges adopted are normally classified as generic that is, connected to amounts of money contained in portfolios of assets or liabilities. There are however hedging derivatives on fixed rate bonds, which carry out specific hedges. The derivatives subscribed for the purpose of hedging exactly replicate the hedged security in terms of notional, maturity, interest payment dates.

B. Cash flow hedging

Currently there are no cash flow hedging operations generated as part of the Group's operations.

C. Hedging a net investment in a foreign entity

Currently there are no “hedging a net investment in a foreign entity” operations generated as part of the Group's operations.

Part E - Information on Risks and relating hedging policies

D. Hedge instrument

A generic hedging relationship of an asset / liability portfolio pursues the objective of offsetting the deviations in value of the hedged item contained in a generic portfolio of fixed-rate assets / liabilities.

The ineffectiveness of the hedge is represented by the difference between the change in the fair value of the hedging instruments and the change in the fair value of the hedged amount. The Group uses a test method based on sensitivity analisys. To this end, the exposures of the total sensitivity of the hedged item and that relating to the hedging derivative are correlated. The sensitivity expresses the elasticity with respect to each of the rates that make up the risk-free curve and is calculated as a change in the fair value in relation to an increase in the rate equal to a basis point. The test verifies the effectiveness by analysing the "reduction" of the sensitivity of the overall position after hedging and comparing it with respect to the same measure referred to the item being hedged.

The effectiveness test is carried out separately for interest rate swaps to hedge assets (mortgages) and for interest rate swaps to hedge liabilities (core insensitive component of on demand items). In a specific hedging relationship, the derivatives subscribed for the purpose of hedging exactly replicate the hedged security in terms of notional, maturity, interest payment dates.

E. Hedge item

The hedged assets are represented by mortgages granted to fixed-rate customers accounted and fixed rate bonds for in "Financial assets at amortized cost", while hedged liabilities are represented by direct customer current deposits (insensible core liquidity), recorded under "Financial liabilities at amortized cost ", modeled according to the model of sight items adopted by the Group.

The hedged assets also include fixed rate securities, accounted for in the "Financial assets at amortized cost", also covered for the interest rate risk component with Interest Rate swaps which exchange the fixed rate coupon with a variable rate.

Part E - Information on Risks and relating hedging policies

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: end of period notional amounts

(Amounts in €thousand)

Underlying assets/type of derivatives	Total 12/31/2020				Total 12/31/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	without central counterparties			Central Counterparts	without central counterparties		
		with netting agreement	without netting agreement			with netting agreement	without netting agreement	
1. Debt securities and interest rate indexes	**6,627,777**	**250,000**	**-**	**-**	**4,354,706**	**250,000**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	6,627,777	250,000	-	-	4,354,706	250,000	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Equity instruments and share indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**6,627,777**	**250,000**	**-**	**-**	**4,354,706**	**250,000**	**-**	**-**

Part E - Information on Risks and relating hedging policies

A.2 Hedging financial derivatives: gross positive and negative fair value – breakdown by product

(Amounts in €thousand)

Underlying assets/Types of derivatives	Positive and negative fair value								Change in the value used to calculate the uneffectiveness of the hedge	
	Total 12/31/2020				Total 12/31/2019				Total	Total
	Over the counter			Organized markets	Over the counter			Organized markets	12/31/2020	12/31/2019
	Central counterparts	Without central counterparties			Central counterparts	Without central counterparties				
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements			
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	17,104	1,899	-	-	33,922	2,138	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**17,104**	**1,899**	**-**	**-**	**33,922**	**2,138**	**-**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	214,388	-	-	-	80,852	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**214,388**	**-**	**-**	**-**	**80,852**	**-**	**-**	**-**	**-**	**-**

Part E - Information on Risks and relating hedging policies

A.3 OTC hedging financial derivative: notional amounts, gross positive and negative fair value by counterparty

(Amounts in € thousand)

Underlyings assets	Central Counterparts	Banks	Other financial entities	Other entities
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity instruments and share indices				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Others				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	6,627,777	250,000	-	-
- positive fair value	17,105	1,898	-	-
- negative fair value	214,388	-	-	-
2) Equity instruments and share indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.4 OTC hedging financial derivative - residual maturity: notional values

(Amounts in €thousand)

Underlying/maturity		Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		321,411	1,309,637	5,246,730	6,877,778
A.2 Financial derivatives on equity instruments and share indices		-	-	-	-
A.3 Financial derivatives on exchange rates and gold		-	-	-	-
A.3 Financial derivatives on commodities		-	-	-	-
A.5 Financial derivatives on other instruments		-	-	-	-
Total	**12/31/2020**	**321,411**	**1,309,637**	**5,246,730**	**6,877,778**
Total	**12/31/2019**	**55,905**	**1,019,873**	**3,528,928**	**4,604,706**

B. Hedging credit derivatives

No data to report.

C. Hedging non derivative instruments

No data to report.

D. Hedge item

D.1 Fair value hedging

The Group has taken advantage of the option to continue to apply the existing IAS 39 hedge accounting requirements for all hedging accounts.

The Group, therefore, does not present the disclosure required by this section as it does not apply the accounting rules of coverage in accordance with IFRS 9. For completeness of information, it should be noted that:

- the monetary amount of "Financial assets at amortized cost" hedged amounted to €1,246,777 thousand, subject to generic hedging, referring exclusively to mortgages;
- the amount of "Financial liabilities at amortized cost" covered amounted to €570,000 thousand, subject to generic hedging, referring exclusively to the core deposits,
- the book value of "Financial assets at amortized cost" amounted to €5,061,00 thousand, subject to specific hedging, referring exclusively to owned securities.

D.2 Cash flow hedging and hedging a net investment in a foreign entity

No data to report.

E. Effects of hedging transactions at shareholders' equity

No data to report.

1.3.3 Other information on trading book and hedging derivative instruments

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair values by counterparty

No data to report.

1.4 - Liquidity Risk

Qualitative information

A. General aspects, management processes and measurement methods for liquidity risk

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

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

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

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

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

The key principles

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

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, defining roles and responsibilities of corporate Bodies and functions, both for the Parent Company and its Legal Entities.

Roles and responsibilities

The "Group Liquidity Policy" establishes the principles adopted in terms of internal governance, which envisage the involvement of the Treasury and Risk Management functions.

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

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

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

- Short-term liquidity risk management (operational liquidity), which considers the events that may impact upon the Group's liquidity position from one day up to one year. The primary objective is to maintain the Group's capacity to fulfil its ordinary and extraordinary payment obligations while minimising the relevant costs;

Part E - Information on Risks and relating hedging policies

- Structural liquidity risk management (structural risk), which considers the events that may impact upon the Group's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoiding pressures on short-term funding sources (both current and future);
- Stress tests: Liquidity risk is a low probability, high impact event. Therefore stress testing is a tool able to reveal potential vulnerabilities. The Group uses several scenarios ranging from general market crisis to idiosyncratic crisis, and combinations thereof.

In this context, the Group takes into account all of the assets, liabilities, off-balance sheet positions and present and future events that generate certain or potential cash flows, thereby protecting the Group from risks related to the transformation of maturity.

Short term liquidity management

Short-term liquidity management aims at ensuring that the Group remains in a position to fulfil its cash payment obligations always, whether expected or unexpected, focusing on the exposure for the first twelve months.

On a daily basis, the Group calculates the Operative Maturity Ladder, which measures the cash inflows and outflows affecting the monetary base, with details of the main temporal buckets.

The Group's objective is to provide sufficient short-term liquidity to deal with a particularly adverse liquidity crises for at least three months.

Structural liquidity management

The objective of the Group's structural liquidity management is to maintain an adequate ratio between medium/long term assets and liabilities (generally over one year), with a view to avoiding pressures on short-term funding sources, both current and future. To this end, the Group adopts a prudent approach to its investments of liquidity, taking into account funding maturities. The indicator used and monitored as part of the wider Risk Appetite Framework (NSFR) ensures that assets and liabilities have a sustainable maturity structure.

Liquidity Stress Test

Stress testing is a risk management tool used to evaluate the potential effects of a specific event on an entity's financial position. As a forward looking tool, liquidity stress testing is used to assess the institution's liquidity risk.

Periodically the Group carries out scenario analysis to evaluate the impact of simultaneous changes in various risk factors, defining a hypothetical and consistent stress event whose assumptions are mainly consist of outflows of demand deposits and a decrease in the value of Sovereign Bonds (Counterbalancing Capacity).

Behavioural modelling of Liabilities

FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of liability items not having a contractual maturity; indeed, even though some assets and liabilities may be payable on demand, they could actually show some stickiness.

More specifically, liabilities modelling aims to build a profile reflecting at that best the behavioural characteristics of the items. An example is on sight deposit: estimates of the maturity profile reflect the perceived stickiness. Such behavioural models are developed by FinecoBank's Risk Management function and validated by the Internal Validation function.

Group's Contingency Liquidity Management

The objective of the Group "Contingency Plan on liquidity risk", defined in the Group Liquidity Policy, is to ensure timely implementation of effective interventions also during the initial stage of a liquidity crisis, through a clear identification of individuals, powers, responsibilities, communication, and reporting criteria, with the aim of increasing significantly the probability of successfully overcoming the state of emergency. This is achieved through:

- activation of extraordinary liquidity governance and operating model;
- consistent communication both internal and external;
- a set of available mitigating liquidity actions;
- a set of early warning indicators, also included within the Group Recovery Plan, showing any possible evidence of a developing liquidity crisis.

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Internal Liquidity Adequacy Assessment Process (ILAAP)

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

The 2020 Internal Liquidity Adequacy Assessment Process will include COVID-19 impacts on the Group's liquidity adequacy as at December 31, 2020. The outcomes of COVID-19 scenarios run so far did not show any criticality or relevant impacts for the Group, as proprietary ILAAP scenarios regularly carried out by FinecoBank are characterized by a higher severity level.

Impacts of the crisis unfolded by COVID-19 pandemic on liquidity

In March 2020, FinecoBank has recorded a sharp increase in direct customer deposits due to the high market uncertainty resulting from COVID-19 pandemic; in April and May 2020 direct funding has decreased as the outcome of further liquidity investment from customers. In the second half-year 2020, incoming and outgoing liquidity flows have normalized, showing the stability of the Group's liquidity position. From the beginning of 2020, direct funding as a whole has increased.

As far as liquidity risk is concerned, it should be noted that FinecoBank has not changed its strategies and objectives as well as its management, measurement and control policies.

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Quantitative information

1. Time breakdown by contractual residual maturity of financial assets and liabilities – Currency: Euro

(Amounts in €thousand)

Items/time buckets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 month	Between 3 and 6 month	Between 6 and 1 year	Between 1 and 5 year	Over 5 years	Unspecified maturity
On-balance sheet assets	**2,108,339**	**403,101**	**289,807**	**123,739**	**222,995**	**801,665**	**1,811,211**	**8,895,192**	**12,358,767**	**271,920**
A.1 Government securities	-	-	2,786	25,692	54,539	308,935	521,650	3,924,027	9,478,608	-
A.2 Debt securities	-	384,844	3,166	2,838	14,017	401,710	1,140,547	4,282,500	1,701,063	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	410
A.4 Loans	2,108,339	18,257	283,855	95,209	154,439	91,020	149,014	688,665	1,179,096	271,510
- Banks	251,553	581	-	3,275	-	11,999	183	-	-	271,510
- Customers	1,856,786	17,676	283,855	91,934	154,439	79,021	148,831	688,665	1,179,096	-
On-balance sheet liabilities	**27,101,507**	**8,892**	**10,305**	**2,936**	**55,895**	**3,094**	**79,629**	**980,846**	**25,245**	**-**
B.1 Deposits and current accounts	26,946,377	5	9	37	67	60	30	1	-	-
- Banks	43,207	-	-	-	-	-	-	-	-	-
- Customers	26,903,170	5	9	37	67	60	30	1	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	155,130	8,887	10,296	2,899	55,828	3,034	79,599	980,845	25,245	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	104,880	10	-	456	-	-	-	68	946
- Short positions	-	105,784	103	-	-	-	-	72	523	943
C.2 Financial derivatives without exchange of capital										
- Long positions	602	-	-	12,801	5,190	21,800	36,600	-	-	-
- Short positions	387	-	657	13,165	12,790	29,978	54,727	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	3,747	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	3,747	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	140	108	601	291	72	7,005	476	1,131	-	-
- Short positions	2,667	6,721	-	436	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

Currency: Other currencies

(Amounts in € thousand)

Items/time buckets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 month	Between 3 and 6 month	Between 6 and 1 year	Between 1 and 5 year	Over 5 years	Unspecified maturity
On-balance sheet assets	**211,047**	**9,967**	**20,697**	**56,079**	**48,921**	**224,697**	**436,974**	**23,187**	**114,091**	**-**
A.1 Government securities	-	-	17,968	54,882	1,569	191,293	435,866	-	114,091	-
A.2 Debt securities	-	-	34	-	-	34	170	23,165	-	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	211,047	9,967	2,695	1,197	47,352	33,370	938	22	-	-
- Banks	207,060	-	-	55	16	33,370	938	-	-	-
- Customers	3,987	9,967	2,695	1,142	47,336	-	-	22	-	-
On-balance sheet liabilities	**1,142,187**	**7,092**	**169**	**317**	**9,338**	**24**	**55**	**234**	**9**	**-**
B.1 Deposits and current accounts	1,132,113	-	-	-	-	-	-	-	-	-
- Banks	110	-	-	-	-	-	-	-	-	-
- Customers	1,132,003	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	10,074	7,092	169	317	9,338	24	55	234	9	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	266,092	102	-	354	-	-	-	-	49
- Short positions	-	264,901	10	269	226	-	-	-	-	49
C.2 Financial derivatives without exchange of capital										
- Long positions	2,728	-	-	-	-	-	-	-	-	-
- Short positions	1,489	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	5,553	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	5,553	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	12,726	-	-	-	-
- Short positions	-	12,726	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

1.5 - Operating risk

Qualitative information

A. General aspects, operational processes and methods for measuring operational risk

Operational risk definition

Operational risk is defined as the risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, financial advisors, systems or by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk.

For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, customer claims, product distribution, fines and penalties for regulatory breaches, damage to the Company's physical assets, business disruption and system failures, and management of processes.

Operational risk framework

The Board of Director has approved the policies and procedures for controlling, measuring and mitigating the Group’s operational risks. The operational and reputational risk Policy, which has been updated and approved by the Board of Directors in February 2020, defines the roles of corporate bodies and of the risk management function as well as any interactions with other functions involved in the process. Besides setting roles and responsibilities, the policy describes the risk measuring and monitoring process and the activities carried out for mitigation and prevention purposes.

Organisational structure

The Board of Directors is responsible for approving all aspects relating to the operational risk framework and verifying the adequacy of the measurement and control system and is regularly updated on changes to the risk profile and operational risk exposure.

The reports produced by the Risk Management function for the Board of Directors ensure that management and control bodies are constantly updated on operational risk trend within the Group and they are able to actively intervene in the management and mitigation of the risks. The Chief Risk Officer and Risk Management's participation in the Products Committee also ensures oversight of the operational risk associated with the Group's new business activities.

The Operational Risk Management (ORM) team is part of the broader Risk Management function which reports to the Chief Risk Officer of FinecoBank who in turn reports directly to the Chief Executive Officer and General Manager.

The main activities carried out by the Team in terms of operational risk are:

- defininition of the system mitigating and controllling operational risks, in compliance with external regulations and, in accordance with the guidelines provided by the Board of Directors, and the Group's operational evolution;
- regularly prepare reports on exposure to operational and reputational risks aimed at informing and supporting management in management activities;
- prepare a Risk Indicators framework aimed at preventing human error related operational risks and deficiencies in internal procedures as well as incorrect execution of processes;
- verify that operating loss data identified by the various areas of the Group are regularly and promptly recorded;
- carry out, in collaboration with the other corporate functions, scenario analyses aimed at identifying and preventing potentially high impact losses, albeit unlikely;
- propose operational risk mitigation strategies to the Head of the Unit and to the CRO;
- carry out training and support on the control of operational risks to the Group's structures;
- guarantee a reputational risk oversight within the perimeter defined by the Group;
- carry out systematic remote controls, through Risk Indicators, on the entire sale Network, in order to mitigate the internal fraud arising from PFA operations;
- implement and update the anomaly indicator management system framework, also according to new company activities and regulations;
- evaluate the effectiveness of PFA disloyalty insurance coverage, considering renewals, franchise and excess;
- evaluate operational and/or reputational risks resulting from the most significant transactions (e.g. significant outsourcing), ensuring their consistency with the RAF;
- ensure the effective implementation of the ICT risk assessment methodology, supporting and coordinating the individual functions involved during the process, each according to their responsibilities.

Part E - Information on Risks and relating hedging policies

Operational risk management and mitigation

Operational risk management consists in the review of processes meant to reduce the identified risks, the management of the related insurance policies, as well as the identification of the suitable franchise and excess values thereof.

In order to identify and develop new mitigation measures, it has been established a Permanent Work Group (PWG). The PWG, which includes the CRO, the Risk Manager as well as Information Security & Fraud Manager and Organization, is meant to allow participating functions to share their respective expertise in relation to projects planned or under way, new processes and products, or changes to them, and anything else that might affect the Group's risk profile.

As part of operational risk prevention and controls on the sales network, the Risk Management function has focused its activities on fraud prevention. The development of remote monitoring aimed at preventing frauds has led to the creation of a system called System of Fraud Identification and Analysis (SoFIA). Such system can process a larger amount of data and information than individual indicators. The system works though an alert mechanism detecting any irregularity on a daily basis. In this way, all of the names highlighted to be checked are assessed at the same time with regard to all remote indicators (22 indicators).

On the basis of qualitative and quantitative assessments of these indicators, the assigned staff select any cases that need to be reported to the Network Controls, Monitoring and Network Services Department – reporting directly to the Chief Executive Officer – for subsequent examination.

Moreover, the Operational & Reputational Risk team is updated annually on the results of the tests conducted in accordance with the Business Continuity and Disaster Recovery plans.

In addition to the aforementioned controls, reputational risks are monitored through the risk assessment carried out by the risk management function throughout the definition, development and approval phase of the Group's products. To that end both the Chief Risk Officer and the Risk Management attend the Product Committee.

Risk measurement system

FinecoBank applies the standardized method (TSA) for the calculation of capital requirements for operational risk. Nevertheless, the governance, the oversight and the reporting framework previously adopted and developed for the internal method for measuring the capital requirement (AMA), have been retained.

The Operational and Reputational Risk function carried out the collection and classification of loss data, external loss data, as well as loss data resulting from scenario analysis and risk indicators.

The collection and classification of operating losses is carried out for internal prevention and improvement purposes. As far as risk indicators are concerned, there are currently 63 key risk indicators divided into control areas (Credit Cards, Compliance, HR, Legal, Operations securities, Payment Systems, Claims, Risk Management, IT systems, Security, Administration and Audit), with which the Group mean to measure its exposure to operational risk. Should indicators show irregular values, this might be related to changes in the exposure to operational risk. In 2020, a set of ESG relevant indicators has been identified within an operational and reputational risk-monitoring dashboard. Any irregular value of such risk indicators may signal risks related to customer relationship (e.g. client claims, unavailability or security issues in the ICT system), with employees (e.g. high turnover) or with regulators, which may affect business sustainability.

Scenario analyses allow the assessment of the Group’s exposure to operational risk characterised by low frequency but high potential impact. Scenarios are set by analysing internal losses, external events, risk indicator trends, critical processes, products and risk classes.

Risk capital for operational risk used for regulatory purposes as at December 31, 2020, amounted to € 95.590 thousand.

Risks arising from significant legal disputes

The Group, only referred to FinecoBank, is involved in individually insignificant legal proceedings over which there is considerable uncertainty regarding the outcome and the amount of possible charges, which the Bank could be forced to incur. Where it is possible to reliably estimate the amount of possible charges and the charges are considered likely, provisions have been made in an appropriate amount based on the circumstances and consistent with applicable international accounting standards, by making the best possible estimate of the amount that the Group will reasonably be expected to incur in discharging its obligations. Specifically, as a precaution against these obligations and customer claims that have not yet resulted in legal proceedings, as at December 31, 2020, FinecoBank had a provision in place for risks and charges of €24,627 thousand. This provision includes the legal costs borne by the Group in the event of an adverse conclusion of the dispute plus the estimated expenses to be paid to legal advisors and/or any experts who assist the Group in ongoing disputes to the extent that it is believed that they will not be reimbursed by the counterparties. This estimate was determined by the Group, in relation to the current dispute, mainly based on the analysis of Forensic official tariffs provided for by current legislation.

Part E - Information on Risks and relating hedging policies

Risks arising from tax disputes and audits

Risks arising from tax disputes and audits as at December 31, 2020 mainly relate to a notice of assessment for the year 2003 received by FinecoBank containing an objection to the use of tax credits for €2.3 million, in relation to which the Bank has appealed to the Supreme Court as it considers its position to be well-founded. The Bank has already paid the additional taxes and interest due.

With regard to the aforementioned dispute, the higher taxes, interests and penalties have already been recognised in the income statement with a contra entry, respectively, in tax liabilities and the provision for risks and charges. Moreover, tax receivables for the amounts paid to the tax administration have been recognised.

In light of the foregoing, as at December 31, 2020 the Group had in place provisions that adequately reflect the specific circumstances and are in line with international accounting standards; specifically, to tax liabilities of for a total of €5.6 million, for higher tax, and to provisions for risks and charges of €3.7 million, for penalties and interest.

The assessment of ICT operational risk

The prudential regulations require Banks to conduct an analysis, at least annually, of the Group's ICT risk and to submit the results of the assessment made to the Board of Directors.

In particular, regulations have introduced standards and specific requirements for managing and assessing ICT risk that require Banks to assess the exposure to these risks, not only by gathering and analysing economic losses, but also by considering additional information, such as ICT incidents occurred and information related to the riskiness of the Group's assets (hardware and software).

FinecoBank has established and adopted a framework for the assessment of ICT risk: the results of the analysis, conducted in collaboration with the Group's Business, ICT and Organisation structures, were reported to the Board of Directors in the month of December 2020. The analysis showed that, with respect to the business volumes processed and the complexity of the processes involved, the residual IT risk of FinecoBank is on average low. The exposure to residual risk has been formally accepted by Fineco's Top Management without the need to identify additional mitigation measures.

The Group's goal is also to protect customers and the business by ensuring data security, declined in its characteristics of availability, confidentiality and integrity. Particular attention is in fact paid to the issues of Cyber Security & Fraud Management from the system design phase, as enabling elements for the correct definition of solutions and services offered, also taking advantage of the opportunities offered by the evolving regulatory context, in order to create full security for the customer while maintaining ease of use.. For further information on Cyber Security and Fraud Management, please refer to the Consolidated Non-Financial statement of the FinecoBank Group as at December 31, 2020, published on the FinecoBank website (https://www.finecobank.com).

Analysis of operational and security risks related to payment services

In accordance with the 28th update of Bank of Italy Circular 285, the Group carries out an assessment of operational and security risks related to payment services provided by the Group. The adequacy of mitigation measures and control mechanisms in place are also in scope. The resulting report for the year 2020 will be sent to the Bank of Italy within April 30, 2020, according to the rule thereof.. No issue has been detected from the 2019 resulting report.

Impacts of the crisis unfolded by COVID-19

No relevant impacts have been detected, except for physiological slowdown of certain operational activities in relation to the early stages of the emergency and the arrangement of procedures related to government measures adopted in response to the crisis. Available KRI are not showing any risk profile change, and it has not been detected any operational loss strictly connected with COVID 19 so far.

As far as operational risk is concerned, it should be noted that FinecoBank has not changed its strategies and objectives as well as its management, measurement and control policies.

Quantitative information

Operational loss analyses enable the the Operational & Reputational Risk team to make assessments on the Group's exposure to operational risk and to identify any critical areas.

The main sources of operating losses are shown below by "event type", i.e. by type of event that generated them according to the Basel framework:

- Internal fraud: losses due to unauthorised activities, fraud, embezzlement or infringement of laws, regulations or company directives that involve at least one internal staff member of the Group or a resource hired under an agency contract (PFA);
- External fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the Group;
- Employment practices and workplace safety: losses due to actions not compliant with the law or to agreements regarding employment, health and safety, to the payment of compensation for bodily harm, or to cases of discrimination or non-application of equality conditions;

- Customers, products and professional practices: losses arising from non-fulfilment of professional obligations towards customers or from the nature or characteristics of the products or services provided;
- Damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- Business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- Process management, execution and delivery: losses due to deficiencies in the completion of transactions or management of processes, as well as losses due to relations with commercial counterparties, vendors and suppliers.

1.6 - Other risks

Although the risk types described above represent the main categories, there are others the Group considers nevertheless important. According to Pillar 2 regulatory requirements, the Group annually carries out a risk assessment identification process aimed at identifying all relevant risks different from Pillar One risks (credit, market and operational), to which the Group is, or may be exposed to.

After the identification of all relevant risks, the best method for analyzing them shall be identified, whether quantitative or qualitative. The quantitative measurement may be carried out through several tools, such as scenario analysis (this is the choice in particular for hard quantifiable risk such as the reputational risk and the compliance risk), VaR or the Internal Capital calculation. The latter stands for the capital needed to cope with potential losses arising from the Group's activities, and takes into consideration all risks defined by the Group itself quantifiable in terms of capital, consistently with pillar two requirements.

During 2020, also the climate and environmental risks as well as ESG risks were introduced in the Group risk map.

The main risks considered in the overall Group Internal Capital as of December 2020 are default risk, concentration risk, migration risk, market risk, interest rate risk, credit spread risk, operational risk, business risk, and real estate risk. The overall Internal Capital is periodically exposed to stress test exercises. Such tools allows to assess the Group's vulnerabilities to exceptional but plausible events, providing additional information with respect to monitoring activities.

Environmental risk

The Group has long been sensitive to issues related to climate change and is constantly committed to monitoring the effects and assessing, in the context of risk governance, the repercussions and effects on its credit and asset management activities.

Considering the business activity carried out and the adopted business model, Fineco believes having a moderate environmental impact, as well as being exposed to climate change to a limited extent. The investment policy is in fact based on granting of credit to Retail customers and investing mainly in financial instruments of Central Administrations (Government Bonds). Credit granting to large, small and medium-sized enterprises and corporate projects or plants financing is not part of the Group's policy.

The limited exposure to firms preserves the Group both from the risk of causing impacts on the environment through financing counterparties associated with a high environmental risk (e.g. industries in the energy sector) and from the risk of indirectly being affect by any possible environmental events damaging its customers. The high diversification of the commercial portfolio (both in individual and territorial terms) protects indeed the Group from the possible deterioration of the solvency of customers due to environmental factors, such as atmospheric events or natural disasters.

The environmental impact of the FinecoBank Group is therefore mainly attributable to the direct consumption of resources at its operating offices and financial advisors offices. For the initiatives promoted by the Group, aimed at reducing consumption at its operating offices, please refer to the Consolidated Non-Financial statement as of December 31, 2020.

ECB expectation concerning climate and environmental risks suggest that Banks should specifically include such risks in the Risk Appetite Framework, both for what concerns the strategy and monitoring and measurement through dedicated indicators. Following the analysis on the Fineco business model, the Group's exposures and risk factors, the Risk Management Function has identified as a potential risk area, in terms of impact, the deterioration of real estate collateral covering mortgages. The exposure at such risk has been assessed in a medium/long term and marked as a low impact physical risk. As far as transition risk is concerned, no potential, relevant impact has been identified.

Despite the negligible exposure to climate and environmental risk, it was considered appropriate to include a specific indicator within the 2021 Risk Appetite Dashboard, aimed at monitoring the quality of real estate collateral subject to a high seismic, landslide or hydraulic risk.

In addition to this, as part of the design and implementation process, on a voluntary basis, of the Environmental Management System compliant with the requirements of EMAS regulation no. 1221/2009/EC, at the end of 2020 the initial Environmental Analysis was being completed, a tool that allows to map the needs and expectations of stakeholders in the environmental field, detecting their respective risks for FinecoBank, as well as defining a risk classification generated and suffered by the organization connected to the most significant environmental aspects on the basis of company activities. The definitive analyzes will be released in the course of the year 2021.

Part E - Information on Risks and relating hedging policies

Risks associated with "Brexit"

The Group is adopting all the necessary measures, following the exit of the United Kingdom from the European Union, in order to minimise as much as possible impacts to the services offered to UK customers.

FinecoBank offers remote services in the UK, thanks to the MiFid passporting for financial products which will be valid even after the Brexit event.

In order to continue to develop the business in the UK, FinecoBank has, in fact, started the preparatory procedures for the activation of the Temporary Regime envisaged by the British authorities, with whom it is in continuous contact for future developments in this regard.

Section 3 – Insurance companies risk

No information to report.

Section 4 – Other companies' risk

No information to report.

Part F - Consolidated shareholders' equity

Section 1 - Consolidated Shareholders' equity

A. Qualitative information

The control of capital adequacy at individual and consolidated level has performed by the capital management activity where the size and optimal combination among the various capitalization instruments are defined, in compliance with regulatory constraints and in line with the risk profile assumed by the Group.

The Group assigns a priority role to the activities aimed at the management and allocation of capital according to the risks assumed, for the purpose of developing its operations with a view to creating value. The activities are articulated in the different phases of the planning and control process and, in particular, in the plan and budget processes and in the monitoring processes. In the dynamic management of capital, therefore, the Parent Company draws up the financial plan and monitors the regulatory capital requirements, anticipating the appropriate interventions necessary to achieve the objectives.

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

The consolidated shareholders' equity includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement[36], issued for a total of €200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, intended to trade on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of €300 million. The coupon for the first 5 years has been fixed at 5.875%.

[36] Unrated and unlisted

Part F - Consolidated shareholders' equity

B. Quantitative information

B.1 Consolidated Shareholders' equity: breakdown by company type

(Amounts in €thousand)

Net equity items	Prudential consolidated	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total
1. Share capital	201,153	-	-	-	201,153
2. Share premium reserve	1,934	-	-	-	1,934
3. Reserves	664,489	-	-	-	664,489
4. Equity instruments	500,000	-	-	-	500,000
5. (Treasury shares)	(1,189)	-	-	-	(1,189)
6. Revaluation reserves:	(2,833)	-	-	-	(2,833)
- Financial assets (other equity securities) designated at fair value through other comprehensive income	2,379	-	-	-	2,379
- Actuarial gains (losses) on defined benefit plans	(5,212)	-	-	-	(5,212)
7. Net profit (loss) for the year	323,571	-	-	-	323,571
Total	**1,687,125**	**-**	**-**	**-**	**1,687,125**

B.2 Revaluation reserves for financial assets at fair value through comprehensive income: breakdown

(Amounts in €thousand)

Assets/values	Prudential consolidation		Insurance companies		Other companies		Consolidation adjustments and eliminations		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	2,379	-	-	-	-	-	-	-	2,379	-
2. Equity securities	-	-	-	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 12/31/2020	**2,379**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,379**	**-**
Total 12/31/2019	**3,556**	**(397)**	**-**	**-**	**-**	**-**	**-**	**-**	**3,556**	**(397)**

Part F - Consolidated shareholders' equity

B.3 Revaluation reserves for financial assets at fair value through comprehensive income: annual changes

(Amounts in €thousand)

	Debt securities	Equity securities	Loans
1. Opening balance	**3,159**	**-**	**-**
2. Increases	**1,261**	**-**	**-**
2.1 Fair value increases	1,250	-	-
2.2 Adjustments for credit risk	11	X	-
2.3 Reclassification through profit or loss of realised negative reserves	-	X	-
2.4 Transfer from other shareholder's equity item (equity securities)	-	-	-
2.5 Other changes	-	-	-
3. Decreases	**(2,041)**	**-**	**-**
3.1 Fair value reductions	-	-	-
3.2 Recoveries for credit risk	-	-	-
3.3 Reclassification through profit or loss of realised positive reserves	(2,041)	X	-
3.4 Transfer to other shareholder's equity item (equity securities)	-	-	-
3.5 Other changes	-	-	-
4. Closing balance	**2,379**	**-**	**-**

B.4 Revaluation reserves on defined benefit obligations: annual changes

(Amounts in €thousand)

	Actuarial gains (losses) on defined benefits plans
1. Opening balance	**(2,157)**
2. Increases	**-**
2.1 Fair value increases	-
2.2 Other changes	-
3. Decreases	**(3,055)**
3.1 Fair value reductions	**(3,055)**
3.2 Other changes	**-**
4. Closing balance	**(5,212)**

Part F - Consolidated shareholders' equity

Section 2 - Own funds and banking regulatory ratios

Please refer to the information on own funds and the capital adequacy contained in the document "FinecoBank Group public disclosure – Pillar III as at 31 December 2020", as required by Regulation (EU) 575/2013 subsequently updated in the Regulation (EU) 876/2019 of the European Parliament and of the Council and by Regulation (EU) 2020/873 (so-called CRR Quick-fix) of the European Parliament and of the Council., published on the Company's website www.finecobank.com.

Part G – Business combinations

Section 1 – Business combinations completed during the year

No information to report.

Section 2 – Business combinations completed after year-end

No information to report.

Section 3 – Retrospective adjustments

No information to report.

Part H – Related-party tansactions

Information on the fees paid to key management personnel and on related-party transactions, pursuant to IAS 24 is shown below.

1. Details of compensation for key management personnel

Key management personnel are persons having authority and responsibility within the Parent Company for planning, directing, and controlling the Companies' activities, directly or indirectly. This category includes Board members and members of the Board of Statutory Auditors of FinecoBank, pursuant to requirements of the Bank of Italy Circular no. 262 of December 22, 2005 as amended and updated, as well as the Chief Executive Officer and General Manager, the Deputy General Manager/GBS Manager, the Chief Financial Officer, the PFA Network Commercial and Private Banking Manager, the Deputy General Manager/Global business Manager.

(Amounts in € thousand)

Items/sectors	Total 2020	Total 2019
Remuneration paid to "Key Management Personnel", Directors and the Board of Statutory Auditors		
a) short-term benefits	6,974	6,267
b) post-employment benefits	257	305
of which under defined benefit plans		-
of which under defined contribution plans	*257*	*305*
c) other long-term employee benefits		-
d) termination benefits		-
e) share-based payments	2,480	2,437
Total	**9,711**	**9,009**

2. Related-party transactions

At its meeting of November 5th, 2019 and with the prior favourable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors, the Board of Directors, to ensure continued compliance with applicable legal and regulatory provisions on the corporate disclosure of transactions with related parties and persons in conflict of interest, approved the new Global Policy Procedure for the management of transactions with persons in potential conflict of interest of the FinecoBank Group (the "Global Policy").

- The aforementioned Global Policy includes the provisions to be complied with when managing:
- related parties transactions pursuant to the Consob Regulation adopted by resolution on March 12, 2010, no. 17221 as subsequently amended;
- transactions with associated persons pursuant to the regulations on "*Risk activities and conflicts of interest with Associated Persons*", laid down by Bank of Italy Circular on December 27, 2006, no. 263, Title V, Chapter 5 ("*New regulations for the prudential supervision of banks*", as amended);
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 on September 1, 1993, showing the "*Consolidated Law on Banking*".

Considering the above, during 2020, intercompany transactions and transactions with other Italian and foreign related parties, smaller transactions, were conducted within the ordinary course of the Group's business and related financial activities, and were carried out under standard conditions or conditions similar to those applied to transactions with unrelated third parties; in the same period, no other transactions were undertaken with related parties that could significantly affect the Bank's and the FinecoBank Group's asset situation and results, or atypical and/or unusual transactions, including intercompany and related party transactions.

Part H – Related-party tansactions

The following statement shows the outstanding assets, liabilities, guarantees and commitments as at December 31, 2020, for each group of related parties pursuant to IAS 24:

(Amounts in €thousand)

	Amounts as at December 31, 2020					
	Directors, board of statutory auditors and key management personnel	Other related parties	Total	% of carrying amount	Shareholders	% of carrying amount
Financial assets at amortised cost b) loans and receivable with customers	942	24	966	0.00%	3,189	0.02%
Total assets	**942**	**24**	**966**	**0.00%**	**3,189**	**0.01%**
Financial liabilities at amortised cost b) deposits from customers	1,592	564	2,156	0.01%	1,025	0.00%
Other liabilities	195	-	195	0.07%	-	-
Total liabilities	**1,787**	**564**	**2,351**	**0.01%**	**1,025**	**0.00%**
Commitments and financial guarantees given	**158**	**7**	**165**	**0.38%**	**-**	**-**

The following table sets out the impact of transactions with related parties on the main Consolidated Income Statement items, for each group of related parties.

(Amounts in €thousand)

	Income Statement year 2020					
	Directors, board of statutory auditors and key management personnel	Other related parties	Total	% of carrying amount	Shareholders	% of carrying amount
Interest income and similar revenues	2	-	2	0.00%	-	-
Fee and commission income	5	4	9	0.00%	18,014	2.50%
Fee and commission expenses	-	-	-	0.00%	(1,989)	0.64%
Impairment losses/writebacks	-	-	-	0.00%	5	(0.05)%
Other net operating income	52	7	59	0.05%	-	-
Total income statement	**59**	**12**	**71**		**16,030**	

With regard to the category "Directors, Board of Statutory Auditors and Key Management Personnel", in application of the special regulations laid down in Article 136 of Legislative Decree 385/93 (Consolidated Law on Banking), the obligations established for persons that perform administrative, management and control functions pursuant to those regulations were unanimously approved by a resolution of the Board of Directors with the favourable vote of all members of the Board of Statutory Auditors, in accordance with Article 136 of said Consolidated Law on Banking.

The category "Directors, Board of Statutory Auditors and Key Management Personnel" includes their dealings (excluding their remuneration, which are discussed in point 1. *Details of compensation for key management personnel*) and dealings with the Head of Internal Audit of FinecoBank, mainly concerning assets for credit card use, mortgages and liabilities for funds held by them with the Bank. The income statement for 2020 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Other related parties" category, if any, includes:

- close family members of key management personnel (i.e., relatives who could be expected to influence, or be influenced by the party involved);
- companies controlled (or jointly controlled) by, or associated with, "key management personnel" or their close family members;
- Group employee post-employment benefit plans.

Transactions with "Other related parties" mainly refer to assets for credit card use and liabilities for funds held with the Bank. The income statement for 2020 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Shareholders" category includes the shareholders and their subsidiaries holding which at December 31, 2020 held an investment in FinecoBank higher than 3% of the share capital represented by shares with voting rights. The balance sheet amounts include for current receivables and debts associated with the provision of financial services referring to the commissions to be cashed for the placement and management of asset management products. The income statement includes the same fees and commissions accrued for the 2020 financial year.

Part I - Share-based payments

A. Qualitative information

1. Description of share-based payments

1.1 Outstanding instruments

The Medium & Long Term Incentive Plans for employees and personal financial advisors of the Bank include the following types of instruments:

- Equity-Settled Share Based Payments that involve payments settled with shares of FinecoBank and of the former parent company UniCredit S.p.A.;
- Cash Settled Share Based Payments that involve payments made in cash[37].

The above categories refer to the allocation of the following plans:

- **Group Executive Incentive Systems** that offers eligible Group Executives a variable remuneration for which payment will be made within a maximum of five years. The beneficiaries receive a payment in cash and/or UniCredit shares, in relation to the achievement of performance conditions (other than marked conditions) stated in the Plan Rules. The plan ended in May 2020, with the allocation of last tranche of shares;
- **Incentive Systems (Bonus Pool),** offering selected Executives and personnel identified on the basis of regulatory requirements, a bonus structure consisting of immediate payments (following performance evaluation) and deferred payments in cash and ordinary FinecoBank shares, over a maximum period of 6 years. This payment structure ensures that bonuses are aligned to shareholders' interests and is subject to malus clauses (which apply in the event that specific profitability, liquidity and capital thresholds are not met) and clawback clauses (to the extent they are legally applicable) in accordance with the plan rules (both represent vesting conditions other than market conditions);
- **Stock granting for employees** that grants the free allocation of FinecoBank shares to beneficiaries belonging to the category of Managers with Strategic Responsibilities *("2014-2017 Multi-year Plan Top Management").* Shares will be allocated to the beneficiaries in 4 yearly tranches starting from 2017. The plan is subject to access conditions (profitability and capital thresholds) and clawback clauses (as legally applicable) in accordance with its rules. The plan ended in February 2020, with the allocation of the fourth and last tranche of shares;
- **2018-2020 Long Term Incentive Plan for Employees** entirely based on free FinecoBank shares, to be granted to selected Bank's Employees. The Plan provides goals linked to 2020 FinecoBank targets in terms of value creation, sustainability and risk, with entry condition and clawback and malus conditions. The Plan provides a payout structure in a multi-year period defined on the basis of the beneficiaries categories, in line with the regulatory provisions;
- **Stock granting for personal financial advisors** offering the allocation of free shares of FinecoBank to the network's personal financial advisors, subject to the achievement by the Bank's entire PFA network of a set net sales target for the three-year period 2015-2017 (*"2015-2017 PFA Plan").* The shares will be allocated to the respective beneficiaries in 3 annual instalments from 2018. The plan is subject to access conditions (profitability and capital thresholds) and clawback clauses (as legally applicable) in accordance with the plan rules;
- **2015 Incentive System personal financial advisors**, offering selected financial advisors, identified Staff in accordance with regulatory requirements, an incentive system consisting of immediate cash payments (following performance evaluation) and deferred payments and the allocation of Phantom Shares, over a period of 5 years. This payment structure ensures that bonuses are aligned to shareholders' interests and is subject to malus clauses (which apply in the event that specific profitability, liquidity and capital thresholds are not met) and clawback clauses (to the extent they are legally applicable) in accordance with the plan rules (both vesting conditions other than market conditions). . The plan ended in March 2020, with the allocation of the last bonus tranche;
- **PFA Incentive Systems,** offering selected financial advisors, identified Staff in accordance with regulatory requirements, incentive systems consisting of immediate cash payments (following performance evaluation) and deferred payments, in cash and FinecoBank ordinary shares, over a period of 5 years. This payment structure ensures that bonuses are aligned to shareholders' interests and is subject to malus clauses (which apply in the event that specific profitability, liquidity and capital thresholds are not met) and clawback clauses (to the extent they are legally applicable) in accordance with the plan rules (both vesting conditions other than market conditions);
- **2018-2020 Long Term Incentive Plan for Financial Advisors Identified Staff** that provides a bonus in cash and FinecoBank ordinary shares for the financial advisors identified Staff in 2020 towards the achievement of commercial performance goal in 2018-2020. The plan provides entry conditions and malus and clawback conditions. The plan provides also a multi-year payout structure.

[37] Commensurate to the economic value of FinecoBank S.p.A.'s equity instruments.

Part I - Share-based payments

Shares for employee's incentive plans envisaging the allocation of FinecoBank shares will be issued through free capital increases in accordance with Article 2349 of the Italian Civil Code.

The financial instruments for incentive plans for the financial advisors involving the allocation of FinecoBank shares will be obtained through market purchases in implementation of the authorisation of the Bank Shareholders' Meeting pursuant to Article 2357 of the Italian Civil Code and of the Supervisory Authority.

1.2 Measurement model

1.2.1 Group Executive Incentive System

The amount of the incentive is determined on the basis of the achievement of quantitative and qualitative goals stated by the plan. In particular, the overall evaluation is expressed as a percentage, from a minimum of 0% to a maximum of 150% (non market vesting conditions). This percentage, adjusted by the application of a risk/opportunity factor – Group Gate – at first payment and multiplied by the incentive, determines the actual amount that will be paid to the beneficiary.

The plan ended in May 2020, with the allocation of last tranche of shares.

No new Plans were granted in 2020.

1.2.2 Incentive System (Bonus Pool)

The economic value of the shares granted is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

The plans are divided into clusters, each of which may include two to three deferred share-based payment instalments according to the period defined by the plan rules. The Plans have been allocated starting from 2014 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

1.2.2.1 2019 Incentive System (Bonus Pool)

The plan was allocated in 2019 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

	FinecoBank shares granted				
	2019 incentive system (bonus pool) 5 years deferred				
	2021 instalment	2022 instalment	2023 instalment	2024 instalment	2025 instalment
Bonus Opportunity Economic Value Grant Date	10-Jan-19	10-Jan-19	10-Jan-19	10-Jan-19	10-Jan-19
Number of Shares - Date of Board resolution	11-Feb-20	11-Feb-20	11-Feb-20	11-Feb-20	11-Feb-20
Vesting Period Start Date	01-Jan-19	01-Jan-19	01-Jan-19	01-Jan-19	01-Jan-19
Vesting Period End Date	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23
FinecoBank Share Market Price [€]	11.087	11.087	11.087	11.087	11.087
Average Economic Value of Vesting conditions [€]	-0.320	-0.656	-1.011	-1.384	-1.777
Performance Shares value per share at Grant Date [€]	10.767	10.431	10.076	9.703	9.310

Part I - Share-based payments

	FinecoBank shares granted		
	2019 incentive system (bonus pool) 3 years deferred		
	2021 instalment	2022 instalment	2024 instalment
Bonus Opportunity Economic Value Grant Date	10-Jan-19	10-Jan-19	10-Jan-19
Number of Shares - Date of Board resolution	11-Feb-20	11-Feb-20	11-Feb-20
Vesting Period Start Date	01-Jan-19	01- Jan-19	01- Jan -19
Vesting Period End Date	31-Dec-19	31-Dec-21	31-Dec-22
FinecoBank Share Market Price [€]	11.087	11.087	11.087
Average Economic Value of Vesting conditions [€]	-0.320	-0.656	-1.011
Performance Shares value per share at Grant Date [€]	10.767	10.431	10.076

1.2.2.2 2020 Incentive System (Bonus Pool)

The 2020 Incentive System is based on a *bonus pool* approach, in line with regulatory requirements and market practices; this approach sets out:

- the system's sustainability, by linking it directly to business results and aligning it to relevant risk categories through specific indicators that reflect the risk appetite framework;
- the link between the bonus and the organisational structure, through the definition of the bonus pool;
- the allocation of bonuses to beneficiaries identified as Executives and other key personnel on the basis of criteria laid down in the Regulation of the European Banking Authority (EBA), and to other specific roles, based on local regulatory requirements;
- a structure of payments spread over a period of up to 6 years and consisting of a mix of cash and shares, aligned with the latest regulatory requirements as set out in Directive 2013/36/EU (CRD IV).

The plan was assigned during the current year and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

1.2.3 Stock granting for employees

1.2.3.1 2014 - 2017 Multi-year – Top management Plan

The plan offers the allocation of free shares of FinecoBank to beneficiaries belonging to the Top Management with strategic responsibilities. The shares will be allocated to the respective beneficiaries, once the vesting period has elapsed and satisfaction of the conditions has been verified, in 4 annual tranches, starting in 2017.

The economic value of the shares granted is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

The plan was allocated in 2014 and the income statement and balance sheet effects were recognised during the vesting period of the instruments. The plan ended in February 2020, with the allocation of the fourth and last tranche of shares.

1.2.4 2018-2020 Long Term Incentive Plan for Employees

The Plan establishes FinecoBank targets set at 2020 in terms of value creation, sustainability and risk. The Plan Beneficiaries are selected among the "key" Bank resources, including the Mangers with Strategic Responsibilities.

The Plan, which is in line with regulatory requirements and market practices, includes:

- Bank goal sas EVA, Cost/Income and Cost of Risk on commercial loans;
- Bank and Group entry and malus conditions based on profitability, capital and liquidity parameters
- Individual compliance and clawback conditions;
- a risk adjustment based on the yearly results of the CRO Dashboard.

The plan was allocated in 2018 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

Part I - Share-based payments

1.2.5 Stock granting for Personal Financial Advisors

1.2.5.1 2015 - 2017 PFA Plan

The amount of the incentive will be determined on the basis of the achievement of the goals stated by the plan, subject to the Bank's entire financial advisors network meeting their cumulative net sales targets for the three-year period 2015-2017.

The plan helps align the interests of beneficiaries, shareholders and other stakeholders and implement effective remuneration practices, in accordance with the applicable legislative and regulatory framework. The plan is subject to verification that the conditions established by the plan rules are satisfied.

The economic value of the shares granted is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

The plan was allocated in 2014 and the income statement and balance sheet effects were recognised during the vesting period of the instruments. The plan ended in July 2020 with the assignment of the shares relating to the third and final tranche.

1.2.6 2015 Incentive System for Personal Financial Advisors

The amount of the incentive is determined on the basis of the achievement of the goals stated by the plan.

The balance-sheet and income statement effects are spread across the term of the Plan. The economic value of the phantom shares allocated corresponds to the market price of the FinecoBank shares.

The plan was allocated in 2015 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments. The plan ended in March 2020, with the allocation of the last bonus tranche.

	FinecoBank shares granted		
	2015 incentive system PFA		
	2018 instalment	2019 instalment	2020 instalment
Bonus Opportunity Economic Value Grant Date	10-Mar-15	10-Mar-15	10-Mar-15
Number of Shares - Date of Board resolution	08-Feb-16	08-Feb-16	08-Feb-16
Vesting Period Start Date	01-Jan-15	01-Jan-15	01-Jan-15
Vesting Period End Date	31-Dec-15	31-Dec-17	31-Dec-18
FinecoBank Share Market Price [€]	9.690	10.376	11.079
Average Economic Value of Vesting conditions [€]	0.000	0.000	0.000
Performance Shares value per share at Grant Date [€]	9.690	10.376	11.079

1.2.7 Incentive System for Personal Financial Advisors

The economic value of the shares granted is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

The plans are divided into clusters, each of which may include two to three deferred share-based payment instalments according to the period defined by the plan rules. The Plans have been allocated starting from 2016 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

Part I - Share-based payments

1.2.7.1 2019 PFA Incentive System

The plan was allocated in 2019 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

	FinecoBank shares granted		
	2019 PFA incentive system		
	2021 instalment	2022 instalment	2023 instalment
Bonus Opportunity Economic Value Grant Date	10-Jan-19	10-Jan-19	10-Jan-19
Number of Shares - Date of Board resolution	11-Feb-20	11-Feb-20	11-Feb-20
Vesting Period Start Date	01-Jan-19	01-Jan-19	01-Jan-19
Vesting Period End Date	31-Dec-19	31-Dec-20	31-Dec-21
FinecoBank Share Market Price [€]	9.656	9.656	9.656
Average Economic Value of Vesting conditions [€]	-0.320	-0.656	-1.011
Performance Shares value per share at Grant Date [€]	9.336	9.000	9.645

1.2.7.2 2020 PFA Incentive System

The 2020 PFA Incentive System is based on a *bonus pool* approach, in line with regulatory requirements and market practices; this approach sets out:

- the system's sustainability, by linking it directly to business results and aligning it to relevant risk categories through specific indicators that reflect the risk appetite framework;
- the link between the bonus and the organisational structure, through the definition of the bonus pool;
- the allocation of bonuses to beneficiaries identified as key personnel based on criteria laid down in the Regulation of the European Banking Authority (EBA), and to other specific roles, based on local regulatory requirements;
- a structure of payments spread over a period of up to 4 years and consisting of a mix of cash and shares, aligned with the latest regulatory requirements as set out in Directive 2013/36/EU (CRD IV).

The plan was assigned during the current year and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

1.2.8 2018-2020 Long Term Incentive Plan for Personal Financial Advisors Identified Staff

The Plan is dedicated to the Financial Advisors that were Bank's Identified Staff in 2020 and provides three-years (2018-2020) commercial performance goals. Moreover the Plan includes:

- entry conditions based on individual and Bank performance;
- capital, liquidity and profitability malus conditions
- specific individual compliance and *clawback* conditions;
- a risk adjustment based on the yearly results of the CRO Dashboard;
- a balanced payment structure with upfront and deferred payments in cash and/or FinecoBank shares.

The Rule of the plan was approved in 2018 and it provided that the beneficiaries had to be financial advisors identified staff of the Bank in 2020; the income statement and balance sheet effects are recognised during the vesting period of the instruments.

Part I - Share-based payments

B. Quantitative information

1. Annual changes

Items/number of options and exercise price	Prudential consolidated				Insurance companies				Other companies				Total 12/31/2020				Total 12/31/2019		
	Number of options	Average prices	Avarage maturity		Number of options	Average prices	Avarage maturity		Number of options	Average prices	Avarage maturity		Number of options	Average prices	Avarage maturity		Number of options	Average prices	Avarage maturity
A. Opening balance	**2,562,510**	**-**	**Jun-21**		**-**	**-**			**-**	**-**			**2,562,510**	**-**	**Jun-21**		**3,580,245**	**-**	**Sep-20**
B. Increases	**204,799**	**-**	**X**	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**X**	**-**	**204,799**	**-**	**X**	**-**	**227,429**	**-**	**X**
B.1 New issues	204,799	-	Jul-22		-	-			-	-			204,799	-	Jul-22		227,429	-	Dec-21
B.2 Other increases	-	-	X	-	-	-	X	-	-	-	X	-	-	-	X	-	-	-	X
C. Decreases	**(1,311,134)**	**-**	**X**	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**X**	**-**	**(1,311,134)**	**-**	**X**	**-**	**(1,245,164)**	**-**	**X**
C.1 Cancelled	(1,440)	-	X	-	-	-	X	-	-	-	X	-	(1,440)	-	X	-	(45,785)	-	X
C.2 Exercised	(1,309,694)	-	X	-	-	-	X	-	-	-	X	-	(1,309,694)	-	X	-	(1,199,379)	-	X
C.3 Expired	-	-	X	-	-	-	X	-	-	-	X	-	-	-	X	-	-	-	X
C.4 Other changes	-	-	X	-	-	-	X	-	-	-	X	-	-	-	X	-	-	-	X
D. Closing balance	**1,456,175**	**-**	**Oct-22**		**-**	**-**			**-**	**-**			**1,456,175**	**-**	**Oct-22**		**2,562,510**	**-**	**Jun-21**
E. Vesting options at the end of the year	**397,795**	**-**	**X**	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**X**	**-**	**397,795**	**-**	**X**	**-**	**676,318**	**-**	**X**

The number of shares specified in the above table only refers to plans for which the number of shares allotted to individual beneficiaries has already been defined. The average prices for the year have not been stated because only freely allocated shares were involved.

Part I - Share-based payments

Other information

Effects on Profit and Loss

The economic and balance-sheet effects associated with the FinecoBank share-based incentive plans are shown below, with the exception of the balance of the Reserve associated with the Equity Settled plans. The share-based incentive plans of UniCredit S.p.A. economic effects no longer mature.

The consolidated income statement impact is determined each year based on the vesting period of the instruments.

Financial statement presentation related to payments based on shares

(Amounts in € thousand)

	Total 12/31/2020		Total 12/31/2019	
	Total	Vested plans	Total	Vested plans
Costs	5,091		5,502	
- connected to Equity Settled Plans	*5,088*		*5,484*	
- connected to Cash Settled Plans	*3*		*18*	
Sums paid to UniCredit S.p.A. for vested plans		12		122
Sums collected by UniCredit S.p.A. for vested plans		-		10
Payable due to UniCredit S.p.A.	47		59	
Credit accrued towards Unicredit S.p.A.	69		69	
Payable due to personal financial advisors for Cash Settled plans	-		83	

Please note that the charges relating to Equity Settled Plans were recognised as Administrative costs – Staff expenses with respect to the plans granted to employees and as Administrative costs or Fee and commission expense with regard to plans granted to personal financial advisors. Charges relating to Cash Settled Plans granted to financial advisors have been recognised as Fee and commission expense.

Part L - Segment reporting

Segment reporting information is not provided as the Fineco's particular business model provides for a high level of integration among its different activities including the activity carried-out by the Irish subsidiary Fineco Asset Management DAC thanks to the vertically integrated business model; thus it is not significant to identify distinct operating sectors.

The banking and investment services are offered by FinecoBank through a network of personal financial advisors and online and mobile channels, that operate in a coordinated and integrated manner. The fully-comprehensive nature of the services offered allows to act as a one-stop solution for customers' banking and investment requirements. This strategy, which is strongly anchored to the customer, means that revenues and margins relative to various products/services (investing, banking and brokerage) are highly interdependent on each other. This integration approach has also inspired top management in setting company targets and identifying the means to achieve them.

As regards information on revenues from customers by product/service, in view of the above, reference should be made to information in Part C - Information on the consolidated income statement of these notes to the consolidated accounts.

It is note worthing that FinecoBank mainly targets retail customers in Italy, given the non-significant contribution from operations to UK customers. The subsidiary Fineco Asset Management DAC carries out asset management activities in Ireland, towards the Italian retail customers and towards institutional customers, mainly resident in Luxembourg and in Ireland.

Information concerning the degree of dependency on main customers is therefore considered by top management as not relevant and is not therefore disclosed.

Part M – Leasing

Section 1 - Lessee

Qualitative information

The leasing contracts that fall within the scope of application of the standard IFRS16 are represented by the lease contracts of the properties used by the Group and by the financial shops used by financial advisors and managed directly by the Bank, in addition to lease contracts for machinery and cars.

The Group is potentially exposed to outgoing financial flows, for variable payments due for leasing (in particular referring to the ISTAT revaluation), not included in the initial valuation of the lease liability.

The Group has determined the duration of the lease, for each individual contract, considering the "non-cancellable" period during which it has the right to use the underlying asset and taking into account all the contractual aspects that can change this duration, including, in particular, the possible presence of:

- periods covered by a right of resolution (with related penalties) or an option to extend the lease to the lessee, the lessor alone, or to both, even at different periods over the duration of the contract;
- periods covered by an option to purchase the underlying asset.

In general, with regard to contracts that provide the option right for the Bank or the subsidiary to automatically renew the lease at the end of an initial contractual period, the duration of lease has determined based on historical experience (in particular for the Bank) and the information available at the date, considering in addition to the non-cancellable period also the period subject to the extension option (first contract renewal period), except for the existence of business plans to dispose of the leased asset as well as clear and documented assessments by the competent Group structures that lead to consider reasonable the failure to exercise the option to renew or exercise the termination option, also taking into account, with particular regard to the financial shops in use by the financial advisors of the Bank, the commercial strategies of recruitment and territorial organization of the network.

The Group has not provided guarantees on the residual value of the leased asset and has no commitments for the stipulation of lease contracts not included in the value of the lease liability recognized in the financial statements.

In accordance with the rules set by the standard, which grants exemptions in this regard, contracts underlying the so-called "Low-value assets" (for which the threshold was set at €5 thousand) mainly consisting of mobile phone rental contracts, all leasing contracts with a contractual duration of 12 months or less (so-called "short term lease") it was decided not to apply the principle to the leasing of intangible assets (mainly represented by software leasing). For these contracts, the related fees are recognized in the income statement on accrual basis for the corresponding duration.

Quantitative information

With regard to the information on the rights of use acquired with the lease, please refer to Part B - Assets - Section 9 - Tangible assets - Item 90 of these notes to the consolidated accounts.

With regard to the information on the lease liabilities, please refer to Part B - Liabilities - Section 1 - Financial liabilities at amortized cost - Item 10 of these notes to the consolidated accounts.

Furthermore, with regard to the information on:

- interest expenses on leasing liabilities, please refer to Part C - Section 1 - Item 20;
- the other charges connected with the rights of use acquired with the lease, please refer to Part C - Section 14 - Net impairments / write-backs on property, plant and equipment - Item 210.

It should be noted that no gains and losses deriving from sale and leaseback transactions have been recorded, as well as income deriving from sub-lease transactions.

Part M – Leasing

The depreciation recognized for the year for right-of-use assets by class of underlying asset is shown below:

(Amounts in € thousand)

Assets	Depreciation 2020	Depreciation 2019
Right of use	**-**	**-**
1. Property, plant and equipment	**(11,218)**	**(9,488)**
1.1 land	-	-
1.2 buildings	(10,963)	(9,239)
1.3 ofcice furniture and fittings	-	-
1.4 electronic systems	-	-
1.5 other	(255)	(249)

As of December 31, 2020, there are no short-term leasing commitments for which the cost has not already been recognized in the income statement for the year 2020.

Section 2 - Lessor

Qualitative information

The Group has leasing operations, in its capacity as lessor, represented exclusively by lease contracts of the surface of a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11, classified as operating leases in the financial statements.

With reference to the ways in which the lessor manages the risk associated with the rights it maintain on the underlying assets, it should be noted that the contracts include clauses that prohibit the tenant from transferring the contract to third parties without the written consent of the lessor, periodic updates of the rent according to the ascertained variation of the ISTAT index for consumer prices for the families of workers and employees and a contractual expiry at the end of which, in the event of non-renewal where required, the lease contract ceases and the premises fall within the availability of the lessor.

Quantitative information

Payments due for operating leases have been recognized in the consolidated income statement as income. For more details, please refer to Part C - Section 16 - Other operating income and charges - Item 230 of these notes to the consolidated accounts.

1. Balance sheet and income statement information

The Group has not recognized leasing loans. As regards the activities granted under operating leasing, as previously described, the Group has leasing transactions in place as lessor represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11.

The payments due for the operating lease have been recognized, on an accrual basis, in the consolidated income statement as income. For more details, please refer to that illustrated in Part C - Section 16 - Other operating expenses and income - Item 230 of these notes to the consolidated accounts.

2. Financial lease

2.1 Classification by time bands of the payments to be received and reconciliation with the loans for leasing entered in the assets

No information to report.

2.2 Other information

No information to report.

Part M – Leasing

3. Operating lease

3.1 Classification by time bands of the payments to be received

A maturity analysis of the undiscounted lease payments to be received is shown below. It should be noted that the payments refer to the contractual rents provided for in the lease contracts of part of the property owned by FinecoBank, which allow tenants to withdraw early in compliance with the notice provided in the contract.

(Amounts in €thousand)

Fasce temporali	Total 12/31/2020 Lease payments receivables	Total 12/31/2019 Pagamenti da ricevere per il leasing
Up to one year	730	957
Over one year up to 2 years	730	570
Over 2 years up to 3 years	730	570
Over 3 years up to 4 years	730	570
Over 4 years up to 5 years	160	570
For over 5 years	40	47
Total	**3,120**	**3,284**

3.2 Other information

As indicated above, the Group has leasing transactions in place as a lessor represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11. For information on the methods with the which the Group manages the risk associated with the rights it retains on the underlying assets, please refer to the paragraph "Qualitative information" included in this section.

Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

Assets	Amounts as at 12/31/2020	12/31/2019
Cash and cash balances = item 10	1,760,348	754,386
Financial assets held for trading	16,997	7,933
20. Financial assets at fair value through profit or loss a) financial assets held for trading	*16,997*	*7,933*
Loans and receivables with banks	780,473	566,033
40. Financial assets at amortised cost a) loans and receivables with banks	*8,254,331*	*9,440,362*
less: Financial assets at amortised cost a) loans and receivables with banks - Debt securities	*(7,473,858)*	*(8,874,329)*
Loans and receivables with customers	4,527,837	3,679,829
40. Financial assets at amortised cost b) loans and receivables with customers	*20,839,192*	*16,776,467*
less: Financial assets at amortised cost b) loans and receivables with customers - Debt securities	*(16,311,355)*	*(13,096,638)*
Financial investments	23,939,899	22,304,892
20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	*10,988*	*12,226*
30. Financial asset at fair value through other comprehensive income	*143,698*	*321,699*
Financial assets at amortised cost a) loans and receivables with banks - Debt securities	*7,473,858*	*8,874,329*
Financial assets at amortised cost b) loans and receivables with customers - Debt securities	*16,311,355*	*13,096,638*
Hedging instruments	74,451	64,939
50. Hedging derivatives	*19,003*	*36,059*
60. Changes in fair value of portfolio hedged financial assets (+/-)	*55,448*	*28,880*
Property, plant and equipment = item 80	151,872	152,048
Goodwill = item 90. Intangible assets of which: goodwill	89,602	89,602
Other intangible assets = item 90 net of goodwill	39,597	37,492
Tax assets = item 100	13,314	23,444
Other assets = item 120	360,627	342,309
Total assets	**31,755,017**	**28,022,907**

Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

Liabilities and Shareholder's Equity	Amounts as at 12/31/2020	12/31/2019
Deposits from banks	1,064,859	154,653
10. Financial liabilities at amortised cost a) deposits from banks	*1,064,859*	*154,653*
Deposits from customers	28,359,739	25,919,858
10. Financial liabilities at amortised cost b) deposits from customers	*28,359,739*	*25,919,858*
Financial liabilities held for trading = item 20	5,889	3,777
Hedging instruments	232,102	94,950
40. Hedging derivatives	*214,388*	*80,852*
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	*17,714*	*14,098*
Tax liabilities = item 60	13,954	11,437
Other liabilities	391,349	455,748
80. Other liabilities	*273,784*	*343,859*
90. Provisions for employee severance pay	*4,924*	*4,810*
100. Provisions for risks and charges	*112,641*	*107,079*
Shareholders' Equity	1,687,125	1,382,484
- capital and reserves	1,366,387	1,093,117
130. Equity instruments	*500,000*	*500,000*
140. Reserves	*664,489*	*397,593*
150. Share premium reserve	*1,934*	*1,934*
160. Share capital	*201,153*	*200,941*
170. Treasury shares (-)	*(1,189)*	*(7,351)*
- revaluation reserves	(2,833)	1,002
110. Revaluation reserves of which: financial assets at fair value through other comprehensive income	*2,379*	*3,159*
110. Revaluation reserves for actuarial net gains (losses) for defined benefit plans	*(5,212)*	*(2,157)*
- net profit = item 180	323,571	288,365
Total liabilities and shareholders' equity	**31,755,017**	**28,022,907**

Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

INCOME STATEMENT	Year 2020	2019
Net interest	270,728	281,277
30. Net interest margin	*267,671*	*281,277*
+ net commissions on Treasury securities lending	*3,057*	*-*
Dividends and other income from equity investments	-	-
70. Dividend income and similar revenue	*108*	1,695
less: dividends from held-for-trading equity instruments included in item 70	*(56)*	*(48)*
less: dividends from mandatorily at fair value equity instruments included in item 70	*(52)*	*(1,647)*
Net fee and commission income = item 60	404,294	325,171
60. Net fee and commission income	*407,351*	*325,171*
Less: net commissions on Treasury securities lending	*(3,057)*	*-*
Net trading, hedging and fair value income	95,774	44,761
80. Gains (losses) on financial assets and liabilities held for trading	*87,678*	*41,429*
90. Fair value adjustments in hedge accounting	*(259)*	*(160)*
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	*(758)*	*(1,839)*
100. Gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income	*1,769*	*727*
+ dividends from held-for-trading equity instruments included in item 70	*56*	*48*
+ dividends from mandatorily at fair value equity instruments included in item 70	*52*	*1,647*
+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*7,236*	*2,909*
Net other expenses/income	3,566	3,608
230. Other net operating income	*111,869*	105,546
less: other net operating income - of which: recovery of expenses	*(110,511)*	*(104,067)*
less: adjustments of leasehold improvements	*2,209*	*2,129*
100. Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost (unimpaired)	*7,235*	*2,909*
less: gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*(7,236)*	*(2,909)*
OPERATING INCOME	**774,362**	**654,817**
Staff expenses	(99,546)	(90,152)
190. Administrative expenses - a) staff expenses	*(99,546)*	*(90,152)*
Other administrative expenses	(255,112)	(240,638)
190. Administrative expenses - b) other administrative expenses	*(279,708)*	*(256,638)*
less: ex-ante contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*26,805*	*18,129*
+ adjustments of leasehold improvements	*(2,209)*	*(2,129)*
Recovery of expenses	110,512	104,068
230. Other net operating income- of which: recovery of expenses	*110,512*	*104,068*
Impairment/write-backs on intangible and tangible assets	(25,440)	(22,864)
210. Impairment/write-backs on property, plant and equipment	*(19,683)*	*(17,414)*
220. Impairment/write-backs on intangible assets	*(5,757)*	*(5,450)*
Operating costs	**(269,586)**	**(249,586)**
Operating profit (loss)	**504,776**	**405,231**
Net impairment losses on loans and provisions for guaranteed and commitments	(3,344)	(1,970)
130. Impairment losses/writebacks on: a) financial assets at amortised cost	*(9,569)*	*5,378*
less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*6,241*	*(7,375)*
130. Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income	*(15)*	*2*
less: impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*15*	*(2)*
140. Profit/loss from contract changes without cancellation	*23*	*-*
200. Net provisions for risks and charges a) provision for credit risk of commitments and financial guarantees given	*(39)*	*27*
Net operating profit (loss)	**501,432**	**403,261**
Other charges and provisions	(34,076)	(27,152)
200. Net provisions for risks and charges b) other net provision	*(7,271)*	*(9,023)*
+ ex-ante contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*(26,805)*	*(18,129)*
Net income from investments	(6,262)	7,377
+ impairment losses/writebacks on: afinancial assets at amortised cost - debt securities	*(6,241)*	*7,375*
+ impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*(15)*	*2*
280. Gains (losses) on disposal of investments	*(6)*	*-*
Profit (loss) before tax from continuing operations	**461,094**	**383,486**
Income tax for the year = item 300	(137,523)	(95,121)
Net profit (loss) before tax from continuing operations	**323,571**	**288,365**
Profit (loss) for the year	**323,571**	**288,365**

Certification of consolidated annual Financial Statements pursuant to article 81-ter of Consob regulation no. 11971 of May 14, 1999 and subsequent amendments

1. The undersigned, Alessandro Foti, as Managing Director and General Manager of FinecoBank S.p.A., and Lorena Pelliciari, as Nominated Official in charge of drawing up company accounts of FinecoBank S.p.A, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of February 24, 1998, do hereby certify:

- the adequacy in relation to the Company's features and
- the actual application

of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the year ended December 31, 2020.

2. The adequacy of the administrative and accounting procedures employed to draw up the consolidated financial statements for the year has been evaluated by applying a model defined, in accordance with the "Internal Control - Integrated Framework (CoSO)" and the "Control Objective for IT and Related Technologies (Cobit)", which are international commonly accepted standards for the internal control system and for financial reporting.

3. The undersigned also certify that:

3.1 The consolidated financial statements:

a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of July 19, 2002;
b) correspond to the results of the books and accounting records;
c) are suitable to provide a fair and correct representation of the financial position and performance of the issuer and the group of companies included in the scope of consolidation;

3.2. The Report on Operations includes a reliable analysis of the operating trend and results, as well as of the situation of the issuer and of the legal entities included in the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

Milan, February 09, 2021

FinecoBank S.p.A.
The Chief Executive Officer and
General Manager
Alessandro Foti

FinecoBank S.p.A.
The Manager Responsible for Preparing
the Company's Financial Reports
Lorena Pelliciari

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
FinecoBank Banca Fineco S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of FinecoBank Group (the "Group"), which comprise the consolidated balance sheet as at December 31, 2020, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity and the consolidated statement of cash flows for the year then ended and the related notes to the consolidated accounts.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the FinecoBank Banca Fineco S.p.A. (the "Bank") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of provisions for risks and charges related to legal disputes	
Description of the key audit matter	As represented in the notes of the consolidated account, Part B – *Consolidated Balance* Sheet - Section 10 of the Liabilities - *Provisions for risks and charges,* item 100 “Provisions for risks and charges: c) other provisions for risks and charges” of the consolidated balance sheet - liabilities as at December 31, 2020 includes provisions for legal disputes amounting to Euro 24.6 million related to complaints and disputes for damage to customers arising from the unlawful behavior of the Bank's personal financial advisors, pending disputes with personal financial advisors and other ongoing court and out-of-court litigations with customers in relation to the normal banking activity. In Part E – *Information on Risks and relating Hedging Policies* - Section 1.5 – *Operational Risks* of the notes to the consolidated accounts, in paragraph “Risks arising from significant legal disputes”, the Directors point out that, in relation to the pending legal proceedings against the Group, only referred to the Bank, which are individually irrelevant, there is considerable uncertainty about the possible outcome and the extent of the possible charge that the Bank could incur; where it is possible to reliably estimate the amount of charges and the charges themselves are considered probable, provisions have been made to the extent deemed appropriate given the specific circumstances and in accordance with the international accounting standards, making the best possible estimate of the amount that reasonably the Group will have to pay to settle its obligations. Paragraph “*Risks and uncertainties related to the use of estimates*” of Part A – *Accounting Policies*, A. 1 – *General*, Section 5 – *Other matters* of the notes to the consolidated accounts, contains information on the subjectivity and complexity of the estimation process adopted to support the carrying amount of some items subject to evaluation. For some of them, including provisions for risks and charges, the complexity and the subjectivity of the estimates are affected by the articulation of the assumptions, the number and variability of the available information and the uncertainties regarding the final future outcomes of proceedings, disputes and litigations. Given the number of complaints and disputes, albeit physiological with respect to the Bank's typical operations, and the complexity and articulation of the estimation process, considered the uncertainties related to their outcome, we have considered the estimate of provisions for risks and charges for legal disputes as a key audit matter of the consolidated financial statements as at December 31, 2020.
Audit procedures performed	Our audit procedures included, among others, the following: • analysis and understanding of the relevant controls implemented by the Bank, in order to identify, manage and monitor complaints from customers and legal disputes with them arising from the banking operations and the activity of the Bank’s personal financial advisors;

- analysis and understanding of the process adopted by the Management in estimating provisions and evaluation of the reasonableness of criteria, methods and assumptions used;
- periodic meetings with the heads of the Bank's appointed departments for analysis and discussion of the status of litigations and complaints;
- analysis of the relevant documentation, including the register of complaints and reports prepared by control functions of the Bank;
- obtaining and examining responses to requests for information to the legal advisors appointed by the Bank;
- verification, for a selection of disputes and complaints and on the basis of the data and information available gathered as a result of the above procedures, of the appropriateness of the related provision and of the accuracy and completeness of the data used for the estimates.

Lastly, we verified the completeness and compliance of the disclosures provided in the notes to the consolidated accounts with respect to the requirements of the relevant accounting standards.

Disbursement, classification and evaluation of financial assets at amortised cost - loans to customers	
Description of the key audit matter	As represented in the notes to the consolidated accounts, Part B – *Consolidated Balance Sheet* - Section 4 of the Assets - *Financial assets at amortised cost*, and in the report on operations, as at December 31, 2020 financial assets at amortised cost – loans to customers amount to Euro 4,528 million (net book value, including Euro 25.5 million of non-performing loans net of impairment losses of Euro 21.9 million). Part A – *Accounting Policies* of the notes to the consolidated accounts includes the description of the processes for the classification and evaluation of credit exposures for which the Bank refers to the sector regulations, supplemented by the internal provisions governing, in accordance with the applicable accounting standards, the classification and transfer rules within the various risk categories and related evaluation methods. The Bank also considered the particular context of macroeconomic uncertainty resulting from the pandemic emergency as well as the effects of the legislative and not-legislative moratorium measures issued during the year, as well as the other support measures introduced by the Government. Part E - *Information on Risks and relating Hedging Policies* – Section 2 – Risk of the prudential consolidated perimeter of the notes to the consolidated accounts, paragraph 1.1 – *Credit risk* also illustrates the credit risk management policies. Considering the significance of the amount of loans to customers recorded in the consolidated financial statements and the complexity of systems of measurement, management and control of credit risk adopted by the Bank, taking into account also the current macroeconomic scenario associated with the Covid-19 health emergency, we have considered the disbursement, classification and evaluation of the loans to customers as a key audit matter of the consolidated financial statements as at December 31, 2020.

Audit procedures performed	We have preliminarily acquired a knowledge of the credit process which included, in particular, the understanding of the organizational and procedural safeguards established by the Bank's internal regulations and implemented by the Bank itself with reference to: • assessment of creditworthiness in order to grant the credit; • measurement and monitoring of credit quality; • classification and evaluation of credit exposures in compliance with the sector regulations and in accordance with applicable accounting standards. This activity included the verification of the implementation of the corresponding Bank processes and related procedures, as well as the operational effectiveness of the relevant controls regarding the credit grant and disbursement process. The audit procedures, performed also with the support of specialists belonging to our network where deemed appropriate, included, among others, the following: • analysis and understanding of the IT systems and applications used; • obtaining and examining responses to requests of confirmations to the customers sent on a sample basis; • obtaining and analysis of the monitoring reports prepared by competent Bank departments and organizational units involved; • as regard performing loans (in stage 1 and stage 2, based on the IFRS 9 classification), verification, on a sample basis, of the classification in accordance with the sector regulations and examination of the reasonableness of the evaluation criteria and of the assumptions adopted by the Bank in determining the impairment losses, also considering the complexity and the uncertainties associated with the current macroeconomic context resulting from the pandemic emergency; • as regard non-performing loans (in stage 3, based on the IFRS 9 classification), verification on a sample basis of the classification and of the related evaluation in compliance with the sector regulations and the applicable accounting standards. Lastly, we verified the completeness and compliance of the disclosures provided in the notes to the consolidated accounts with respect to the requirements of the applicable accounting standards and the relevant legislation as well as the communications issued by the Supervisory Authorities following the Covid-19 pandemic emergency.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the FinecoBank Banca Fineco S.p.A. or the termination of the business or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements. As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of FinecoBank Banca Fineco S.p.A. has appointed us on April 16, 2013 as auditors of the Bank for the years from December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of FinecoBank Banca Fineco S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of the Group as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, paragraph 4 of Legislative Decree 58/98 with the consolidated financial statements of the Group as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Group as at December 31, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of FinecoBank Banca Fineco S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Alessandro Grazioli
Partner

Milan, Italy
March 31, 2021

This report has been translated into the English language solely for the convenience of international readers.

Balance sheet

(Amounts in €)

	Assets	12/31/2020	12/31/2019
10.	Cash and cash balances	1,760,347,513	754,385,555
20.	Financial assets at fair value through profit and loss	27,574,467	19,291,966
	a) financial assets held for trading	16,996,424	7,932,890
	c) other financial assets mandatorily at fair value	10,578,043	11,359,076
30.	Financial assets at fair value through other comprehensive income	143,697,980	321,699,374
40.	Financial assets at amortised cost	29,062,986,361	26,189,531,446
	a) loans and receivables with banks	8,234,280,836	9,423,960,986
	b) loans and receivables with customers	20,828,705,525	16,765,570,460
50.	Hedging derivatives	19,003,017	36,058,790
60.	Changes in fair value of portfolio hedged financial assets (+/-)	55,447,626	28,879,945
70.	Equity investments	3,000,000	3,000,000
80.	Tangible assets	150,882,841	150,924,528
90.	Intangible assets	129,039,673	126,881,378
	- goodwill	89,601,768	89,601,768
100.	Tax assets	13,302,656	23,450,062
	a) current tax assets	5,165,489	-
	b) deferred tax assets	8,137,167	23,450,062
120.	Other assets	359,809,201	342,284,039
	Total assets	**31,725,091,335**	**27,996,387,083**

Balance sheet

(Amounts in €)

Liabilities and shareholders' equity		12/31/2020	12/31/2019
10.	Financial liabilities at amortised cost	29,415,181,058	26,067,097,156
	a) deposits from banks	1,064,859,423	154,653,249
	b) deposits from customers	28,350,321,635	25,912,443,907
20.	Financial liabilities held for trading	5,888,894	3,776,967
40.	Hedging derivatives	214,388,013	80,851,594
50.	Changes in fair value of portfolio hedged financial liabilities (+/-)	17,713,507	14,098,114
60.	Tax liabilities	13,323,845	11,344,394
	a) current tax liabilities	9,574,115	11,344,394
	b) deferred tax liabilities	3,749,730	-
80.	Other liabilities	269,959,811	340,452,877
90.	Provisions for employee severance pay	4,924,424	4,810,417
100.	Provisions for risks and charges:	112,640,031	107,079,284
	a) commitments and guarantees given	60,888	21,418
	c) other provisions for risks and charges	112,579,143	107,057,866
110.	Revaluation reserves	(2,832,700)	1,001,802
130.	Equity instruments	500,000,000	500,000,000
140.	Reserves	648,883,874	384,458,583
150.	Share premium	1,934,113	1,934,113
160.	Issued capital	201,152,834	200,941,488
170.	Treasury shares (-)	(1,189,355)	(7,351,109)
180.	Net Profit (Loss) for the year (+/-)	323,122,986	285,891,403
	Total liabilities and Shareholders' equity	**31,725,091,335**	**27,996,387,083**

Income statement

(Amounts in €)

Items		2020	2019
10.	Interest income and similar revenues	278,307,256	297,894,191
	of which: interest income calculated using the effective interest method	294,257,591	305,965,968
20.	Interest expenses and similar charges	(10,388,689)	(16,502,878)
30.	**Net interest margin**	**267,918,567**	**281,391,313**
40.	Fee and commission income	627,145,715	542,878,497
50.	Fee and commission expenses	(287,544,346)	(280,167,648)
60.	**Net fee and commission**	**339,601,369**	**262,710,849**
70.	Dividend income and similar revenues	52,166,800	49,995,636
80.	Gains (losses) on financial assets and liabilities held for trading	87,611,280	41,345,991
90.	Fair value adjustments in hedge accounting	(259,363)	(159,944)
100.	Gains and losses on disposal or repurchase of:	9,004,518	3,636,018
	a) financial assets at amortised cost	7,234,704	2,908,890
	b) financial assets at fair value through other comprehensive income	1,769,814	727,128
110.	Gains (losses) on financial assets and liabilities at fair value through profit or loss	(786,089)	(1,909,947)
	b) other financial assets mandatorily at fair value	(786,089)	(1,909,947)
120.	**Operating income**	**755,257,082**	**637,009,916**
130.	Impairment losses/writebacks on:	(9,573,528)	5,383,869
	a) financial assets at amortised cost	(9,558,679)	5,381,600
	b) financial assets at fair value through other comprehensive income	(14,849)	2,269
140.	Profit/loss from contract changes without cancellation	22,613	-
150.	**Net profit from financial activities**	**745,706,167**	**642,393,785**
160.	Administrative expenses:	(370,552,067)	(339,927,114)
	a) staff expenses	(95,020,884)	(86,066,842)
	b) other administrative expenses	(275,531,183)	(253,860,272)
170.	Net provisions for risks and charges	(7,310,385)	(8,995,312)
	a) provision for credit risk of commitments and financial guarantees given	(39,470)	27,323
	b) other net provision	(7,270,915)	(9,022,635)
180.	Impairment/write-backs on property, plant and equipment	(19,488,604)	(17,231,597)
190.	Impairment on intangible assets	(5,703,724)	(5,395,719)
200.	Other operating income/charges	110,448,575	102,893,277
210.	**Operating costs**	**(292,606,205)**	**(268,656,465)**
250.	Gains and losses on disposals on investments	(6,232)	355
260.	**Total profit or loss before tax from continuing operations**	**453,093,730**	**373,737,675**
270.	Tax expenses (income) related to profit or loss from continuing operations	(129,970,744)	(87,846,272)
280.	**Total profit (loss) after tax from continuing operations**	**323,122,986**	**285,891,403**
300.	**Net Profit (Loss) for the year**	**323,122,986**	**285,891,403**

	2020	2019
Earnings per share (euro)	0.53	0.47
Diluted earnings per share (euro)	0.53	0.47

Note:

For further information on "Earnings per share" and "Diluted earnings per share" please see notes to the accounts, Part C - Information on the income statement, Section 22.

Statement of comprehensive income

(Amounts in €)

Items		Total 2020	Total 2019
10.	**Net Profit (Loss) for the year**	**323,122,986**	**285,891,403**
	Other income components net of taxes without reversal to the income statement		
70.	Defined benefit plans	(3,053,943)	4,226,372
	Other comprehensive income after tax with reclassification through profit or loss		
140.	Financial assets (other equity securities) designated at fair value through other comprehensive income	(780,559)	6,568,972
170.	**Total other comprehensive income net tax**	**(3,834,502)**	**10,795,344**
180.	**Comprehensive income (item 10+170)**	**319,288,484**	**296,686,747**

Statement of changes in shareholders' equity

Statement of changes in shareholders' equity at 12/31/2020

(Amounts in €)

	Balance as at 12/31/2019	Change in opening balance	Balance as at 01/01/2020	Allocation of profit from previous year		Change during the year								Comprehensive income exercise 2020	Shareholders' equity exercise 2020
							Shareholders' equity transactions								
				Reserves	Dividends and other distributions	Changes in reserves	Issues of new shares	Purchase of own shares	Distributions of extraordinary dividends	Changes in equity instruments	Own share derivatives	Stock options	Changes in ownership interests		
Share capital:															
- ordinary shares	200,941,488		200,941,488				211,346								201,152,834
- other shares															
Share premium reserve	1,934,113		1,934,113												1,934,113
Reserves:															
- from profits	351,801,917		351,801,917	285,891,403		(19,781,446)						(211,346)			617,700,528
- others	32,656,666		32,656,666									(1,473,320)			31,183,346
Revaluation reserves	1,001,802		1,001,802											(3,834,502)	(2,832,700)
Equity instruments	500,000,000		500,000,000												500,000,000
Treasury shares	(7,351,109)		(7,351,109)				6,561,514	(399,760)							(1,189,355)
Profit (loss) for the year	285,891,403		285,891,403	(285,891,403)										323,122,986	323,122,986
Shareholders' Equity	1,366,876,280	-	1,366,876,280	-	-	(19,781,446)	6,772,860	(399,760)	-	-	-	(1,684,666)	-	319,288,484	1,671,071,752

The "Reserves" column includes the 2019 profit of FinecoBank S.p.A.. It should be noted that, in full compliance with the reference legislation, the indications of the Supervisory Authorities and the best consolidated practice on the matter, the Board of Directors of 6 April 2020 decided to revoke the proposal for the distribution of a dividend of € 0.32 per unit for a total of € 195,052,000 approved by the Board of Directors on February 11, 2020, resolving to propose to the ordinary Shareholders 'Meeting convened for April 28, 2020 the allocation to reserves of the profit for the year 2019. The ordinary Shareholders' Meeting convened for on April 28, 2020 it therefore approved the aforementioned proposal.
The column "Stock options" includes the incentives plans serviced by FinecoBank shares.
The "Changes in reserves" column includes the coupons paid on equity instruments net of related taxes and the transaction costs directly attributable to the issue of Equity instruments net of related taxes.

Statement of changes in shareholders' equity at 12/31/2019

(Amounts in €)

	Balance as at 12/31/2018	Change in opening balance	Balance as at 01/01/2019	Allocation of profit from previous year		Change during the year								Comprehensive income exercise 2019	Shareholders' equity exercise 2019
							Shareholders' equity transactions								
				Reserves	Dividends and other distributions	Changes in reserves	Issues of new shares	Purchase of own shares	Distributions of extraordinary dividends	Changes in equity instruments	Own share derivatives	Stock options	Changes in ownership interests		
Share capital:															
- ordinary shares	200,773,450		200,773,450				168,038								200,941,488
- other shares															
Share premium reserve	1,934,113		1,934,113												1,934,113
Reserves:															
- from profits	321,700,148		321,700,148	43,421,505		(13,151,698)						(168,038)			351,801,917
- others	33,972,420		33,972,420									(1,315,754)			32,656,666
Revaluation reserves	(9,793,542)		(9,793,542)											10,795,344	1,001,802
Equity instruments	200,000,000		200,000,000							300,000,000					500,000,000
Treasury shares	(13,959,749)		(13,959,749)				6,789,531	(180,891)							(7,351,109)
Profit (loss) for the year	227,922,326		227,922,326	(43,421,505)	(184,500,821)									285,891,403	285,891,403
Shareholders' Equity	962,549,166	-	962,549,166	-	(184,500,821)	(13,151,698)	6,957,569	(180,891)	-	300,000,000	-	(1,483,792)	-	296,686,747	1,366,876,280

The amount of the dividend approved by the Fineco's Ordinary Shareholders' Meeting in 2019, totalling €184,500,820.80, corresponds to €0.303 per share.
The column "Stock options" includes the incentives plans serviced by FinecoBank shares.
The "Changes in reserves" column includes: dividends not distributed in relation to any treasury shares held by the Bank at the record date, transferred to the Extraordinary reserve; coupons paid on equity instruments net of related taxes; transaction costs directly attributable to the issue of Equity instruments net of related taxes.

Cash flows statement

Indirect method

(Amounts in €)

A. OPERATING ACTIVITIES	Amount	
	2020	2019
1. Operations	**523,982,568**	**373,072,458**
- profit (loss) for the year (+/-)	323,122,986	285,891,403
- capital gains/losses on financial assets held for trading and on assets designated at fair value through profit and loss (-/+)	1,573,474	2,057,504
- capital gains/losses on hedging accounting (+/-)	743,637	159,944
- net losses/recoveries on impairment (+/-)	10,540,043	(4,696,921)
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	25,192,328	22,627,316
- pnet provisions for risks and charges and other expenses/income (+/-)	18,428,328	21,735,341
- unpaid duties, taxes and tax credits (+/-)	1,750,730	921,868
- disposal groups classified as held for sale (+/-)	-	-
- other adjustments (+)	142,631,042	44,376,003
2. Cash flows from/used by financial assets	**(2,768,441,188)**	**(4,255,251,980)**
- financial assets held for trading	(6,665,305)	(1,200,729)
- financial assets designated at fair value	-	-
- other financial assets mandatorly valued at fair value	(18,801)	32,692
- financial assets valued at fair value with impact on total profitability	174,589,937	641,188,706
- financial assets at amortized cost	(2,915,710,459)	(4,847,161,127)
- other assets	(20,636,560)	(48,111,522)
3. Cash flows from/used by financial liabilities	**3,289,287,996**	**2,761,365,255**
- financial liabilities measured at amortized cost	3,375,411,566	2,769,804,579
- financial liabilities held for trading	(1,059,751)	1,592,278
- financial liabilities designated at fair value	-	-
- other liabilities	(85,063,819)	(10,031,602)
Net cash flows from/used in operating activities	**1,044,829,376**	**(1,120,814,267)**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	**52,059,924**	**48,301,318**
- sales of equity investments	-	-
- collected dividends on equity investments	52,059,183	48,300,963
- sales of property, plant and equipment	741	355
- sales of intangible assets	-	-
- sales of divisions	-	-
2. Cash flows used in	**(29,320,454)**	**(129,244,307)**
- purchases of equity investments	-	-
- purchases of property, plant and equipment	(21,458,435)	(95,274,198)
- purchases of intangible assets	(7,862,019)	(33,970,109)
- purchases of divisions	-	-
Net cash flows from/used in investing activities	**22,739,470**	**(80,942,989)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	6,373,100	6,776,678
- issue/purchase of equity instruments	-	300,000,000
- dividends and other distributions	(26,554,306)	(204,610,088)
Net cash flows from/used in financing activities	**(20,181,206)**	**102,166,590**
NET CASH FLOWS FROM/USED DURING THE YEAR	**1,047,387,640**	**(1,099,590,666)**

Cash flows statement

RECONCILIATION

(Amounts in €)

Balance sheet items	Amount	
	2020	2019
Cash and cash balances at the beginning of the period	928,238,920	2,013,386,265
Net cash flows generated/used during the period	1,047,387,640	(1,099,590,666)
Cash and cash balances: effect of changes in exchange rates	(12,524,174)	14,443,321
Cash and cash balances at the end of the period	1,963,102,386	928,238,920

Key
(+) generated
(-) used

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

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

The item “Cash and cash balances” at the end of the year 2020 consisted of:

- Cash recognised under asset item 10 “Cash and cash balances” in the amount of €1,760,409 thousand;
- Current accounts and demand deposits recognised under asset item 40 “Financial assets at amortised cost. a) loans and receivables with banks” in the amount of €246,010 thousand;
- net of the Current accounts and demand deposits recognised under liability item 10 “Financial liabilities at amortised cost: a) deposits from banks” in the amount of €47,317 thousand.

The item “Cash and cash balances” at the end of the prior year consisted of:

- Cash recognised under asset item 10 “Cash and cash balances” in the amount of €754,386 thousand;
- Current accounts and demand deposits recognised under asset item 40 “Financial assets at amortised cost. a) loans and receivables with banks” in the amount of €244,249 thousand;
- net of the Current accounts and demand deposits recognised under liability item 10 “Financial liabilities at amortised cost: a) deposits from banks” in the amount of €70,396 thousand.

Part A – Accounting policies

A.1 General

Section 1 - Statement of Compliance with IFRS

In implementation of Legislative Decree no. 38 of February 28, 2005, these Financial Reports and Accounts of FinecoBank Banca Fineco S.p.A. (hereinafter, FinecoBank or Fineco or the Bank) have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, as endorsed by the European Commission, pursuant to EU Regulation 1606/2002 of July 19, 2002 and applicable to financial reports for the periods starting on or after January 1, 2020.

They are an integral part of the Annual Financial Report as required by art. 154-ter, paragraph 1 of the Consolidated Finance Act (TUF, Italian Legislative Decree no. 58 of February 24, 1998).

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

Section 2 - Preparation criteria

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

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

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

Pursuant to Art. 123-bis par. 3 of Consolidated Finance Act, as noted in the "Other Information" section of the Consolidated Report on Operations, the Report on Corporate Governance and Ownership Structures is available in the "Governance" section of the FinecoBank website.

The figures in the financial statements are provided in euros and in thousands of euros in the Notes to the Accounts, unless otherwise indicated. In accordance with the Bank of Italy Circular 262/2005, items in the Balance Sheet, Income Statement and Statement of Comprehensive Income for which there is no significant information to be disclosed for the reporting period and the previous year, are not provided.

In addition, the tables in the Notes to the Accounts that do not have any significant information to be disclosed are not shown either for the reporting period or the previous year.

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

With reference to IAS 1, these financial statements have been prepared on a going concern basis, as there are no doubts or uncertainties as to the ability of the Bank to continue its business operations and to continue operating for the foreseeable future (at least for the next 12 months).

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

These criteria have changed in part with respect to the previous year exclusively relating to the introduction of new standards and interpretations, for further details please see the modifications described section 4 " Other matters", and in Part "A.2 – The main items of the accounts".

Part A – Accounting policies

Section 3 - Subsequent events

No significant events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Accounts as at December 31, 2020.

The Separate Financial Statements at December 31, 2020 were approved by the Board of Directors of February 9, 2021, which authorised their publication also pursuant to IAS10.

Section 4 - Other Matters

In 2020, the following accounting standards, amendments and interpretations, approved by the European Commission, become effective for reporting periods beginning on or after January 1, 2020:

- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (EU Regulation 2020/34);
- Amendments to References to the Conceptual Framework in IFRS Standards (EU Regulation 2019/2015);
- Amendments to IAS 1 and IAS 8: Definition of Material (EU Regulation 2019/2104);
- Amendments to IFRS 3 Business Combinations (EU Regulation 2020/551);
- Amendments to IFRS 16 Concessions relating to lease payments following the Covid-19 pandemic (EU Regulation 2020/1434).

Where applicable, these accounting standards, amendments and interpretations had no relevant impact on the consolidated financial position and results as at December 31, 2020.

In particular, as reported in the 2019 consolidated financial statements, at 31 December 2019 the Bank had decided not to apply the Commission Regulation (EU) 2020/34, of 15 January 2020 and published on 16 January 2020, early; the Commission Regulation implements the "Amendments to IFRS 9, IAS 39 and IFRS 7: reform of the interest rate benchmarks" issued by the IASB in September 2019 and applicable from January 1, 2020, providing for temporary derogations from the requirements required for the application of hedge accounting in order to mitigate the impact deriving from the uncertainty of the IBOR reform.

In this regard, it should be noted that the Bank has only fair value hedges in place which provide for the exchange of the fixed rate against Euribor and whose valuation, as collateralised, is carried out by discounting future flows with the OIS curve. Following the entry into force in 2018 of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 (EU Benchmark Regulation - BMR), the Euribor was subject to a reform process conducted by the European Money Markets Institute (EMMI), director of the same, to make it compliant with BMR according to a new hybrid calculation methodology (based on three levels) to be implemented by the end of 2019. Authorization was granted, pursuant to art. 34 of the BMR, on 2 July 2019 by the Belgian authority FSMA, supervisor of EMMI. The full transition to the new calculation method was completed in November 2019 and the Euribor is therefore BMR-compliant and continues to be used after January 1, 2020. With reference to the OIS curve, the clearing houses (Eurex\LCH) used by FinecoBank had initially communicated that the Eonia rate would be replaced with the €STR rate on 22 June 2020, only to postpone the replacement on 27 July 2020 following the emergency COVID-19. From 27 July, therefore, as a result of the reform in question, and in line with the clearing houses (Eurex\LCH) used by FinecoBank, the Eonia rate of the OIS curve was replaced by the €STR rate, anticipating the disposal of the Eonia rate which will take place at end of 2021.

In December 2020, the European Union endorsed the "Amendments to IFRS 4 Insurance Contracts - Extension of the Temporary exemption from applying IFRS 9 (EU Reg. 2020/2097)", which become effective on January 5th, 2021 and apply from January 1st, 2021 for financial years beginning on or after January 1st, 2021.

With regard to the "Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16", Commission Regulation (EU) 2021/25 of January 13th, 2021 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 39 and International Financial Reporting Standards 4, 7, 9 and 16 was published in the Official Gazette of the European Union on January 14th, 2021. The provisions contained in the Regulation apply at the latest from the financial years ending on or after January 1st, 2021.

In addition, at December 31st, 2020, the IASB had issued the following standards and accounting interpretations or revisions to them, whose application is however still subject to completion of the endorsement by the competent bodies of the European Union, which is still underway:

- IFRS 17 – Insurance contracts (May 2017), including Amendments to IFRS17 (June 2020);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Postponement of the effective date (January 2020 and July 2020 respectively);
- Amendments to: IFRS 3, IAS 16, IAS 37 (May 2020);
- Annual Improvements 2018-2020 (May 2020).

Part A – Accounting policies

The possible effects of the future adoption of these standards, interpretations and amendments, to the extent applicable and relevant to the Group, are reasonably expected to be immaterial. However, the related analyses, also concerning the aspects that have not yet been endorsed, are still to be completed.

In addition, in its communication of December 15th, 2020 "Additions to the provisions of Circular No. 262 "Bank financial statements: layouts and preparation" concerning the impacts of the COVID-19 pandemic, the measures to support the economy and the amendments to IAS/IFRS", the Bank of Italy supplemented the provisions governing the financial statements of banks (Circular No. 262 of December 22nd, 2005) to provide the information to the market on the effects that COVID-19 and the measures to support the economy have had on the risk management strategies, objectives and policies, as well as the earnings and financial position of intermediaries. The provisions apply starting from the financial statements for the year ended or in progress at December 31st, 2020, except for the comparative information relating to the previous year and the information on write-offs in Tables 3.3a and 4.4a of Part B - Balance Sheet and A.1.7a of Part E - Information on risks and related hedging policies, which must be provided starting from the financial statements for years ending or in progress on December 31st, 2021.

The tables supplementing the provisions of Circular No. 262 are listed below:

- 3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross amount and total valuation adjustments;
- 4.4a Loans measured at amortised cost subject to COVID-19 support measures: gross amount and total valuation adjustments;
- 8.1a Net credit risk valuation adjustments for loans measured at amortised cost subject to COVID-19 support measures: breakdown;
- 8.2.a Net credit risk valuation adjustments for loans measured at fair value through other comprehensive income subject to COVID-19 support measures: breakdown;
- A.1.5a Loans subject to COVID-19 support measures: transfers between different credit risk stages (gross amounts);
- A.1.7a Loans subject to COVID-19 support measures: gross and net amounts.

In making these additions, the Bank of Italy, where applicable, took into account the documents published in recent months by the European regulatory and supervisory bodies and the standard setters aimed at clarifying the application of IAS/IFRS in the current circumstances (particularly with regard to IFRS 9). It also made reference to the disclosures required by the amendment to IFRS 16 concerning COVID-19-related rent concessions and made further changes to take into account the new disclosure requirements of IFRS 7 in relation to the interest rate benchmark reform.

Actions taken by Central Banks as a result of the COVID-19 pandemic

As already noted in the section "Events during the period" and the section "Consolidated own funds and capital ratios" of the Consolidated Report on Operations, in order to cope with the deep economic contraction and support the economy, the European Central Bank adopted an extraordinary monetary package to support the real economy of the Eurozone. This included expanding its Quantitative Easing programme and introducing more favourable conditions for the TLTRO-III from June 2020 to June 2022, with interest rates that can go up to 50 basis points below the deposit rate. It also introduced a new liquidity instrument, the Pandemic Emergency Longer Term Refinancing Operations ("PELTRO"), together with a Pandemic Emergency Purchase Program ("PEPP") for public and private sector securities, with an emphasis on government bonds, which will run until at least March 2022.

In addition, the European Central Bank adopted a series of measures designed to ensure that directly supervised credit institutions could continue to play their role in financing the real economy in light of the economic effects of COVID-19, measures that were also adopted by the Bank of Italy for less significant credit institutions, where applicable. To this end, the European Central Bank and at its invitation the Bank of Italy gave credit institutions the possibility of operating temporarily below the level of the target component assigned following the SREP process, while also recommending that no dividends be paid out for the years 2019 and 2020 or provisional dividends be made from 2021 profits, and that credit institutions refrain from carrying out share buy-backs aimed at remunerating shareholders, in order to increase their loss absorption capacity and support loans to households, small businesses and corporations. Specifically:

- in a Press Release on March 20th, 2020, the Bank of Italy, in line with the actions taken by the European Central Bank in relation to significant banks, allowed intermediaries to operate temporarily below the level of the target component assigned following the SREP process (Pillar 2 Guidance - P2G) and of the Capital Conservation Buffer (CCB) and the Liquidity Coverage Ratio (LCR);
- on March 27th, 2020, in view of the emergency situation being faced by the European Union, the European Central Bank and at its invitation the Bank of Italy recommended that banks refrain from paying out dividends for the years 2019 and 2020 until at least October 1st, 2020 and from carrying out share buy-backs aimed at remunerating shareholders, in order to increase their loss absorption capacity and support

loans to households, small businesses and corporations (Recommendation ECB/2020/19, published in the Official Journal of the European Union on March 30th, 2020, repealing Recommendation ECB/2020/01 of January 17th, 2020[38]);
- on July 27th, 2020, the European Central Bank renewed its recommendation to refrain from paying out dividends for the financial years 2019 and 2020, including reserve distributions, and from undertaking any irrevocable commitments to pay out dividends for those financial years and from carrying out share buy-backs aimed at remunerating shareholders until January 1st, 2021 (Recommendation ECB/2020/35, published in the Official Journal of the European Union on July 31st, 2020, repealing Recommendation ECB/2020/19 of March 27th, 2020). On July 28th, 2020, the Bank of Italy also renewed its recommendation in line with the guidance provided by the European Central Bank for significant banks, continuing to encourage banks and non-bank intermediaries under its supervision to use the target component assigned following 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 favour lending to households and businesses, in line with the guidance provided by the European Central Bank;
- on December 15th, 2020, the European Central Bank adopted a further recommendation (Recommendation ECB/2020/62, published in the Official Journal of the European Union on December 18th, 2020, repealing Recommendation ECB/2020/35 of July 27th, 2020) on the dividend distribution and share buy-back policies that credit institutions and significant supervised groups should adopt in the economic conditions resulting from the COVID-19 emergency, stressing the importance of continuing to take a prudent approach to dividend distributions or share buy-backs aimed at remunerating shareholders. In a Press Release on December 16th, 2020, the Bank of Italy announced its decision to maintain an extremely prudent approach, in line with the stance adopted by the European Central Bank for significant banks, in order to safeguard the ability of banks to absorb losses and provide loans to support the economy. In particular, the Bank of Italy recommended that, until September 30th, 2021, Italian less significant banks should:
    - refrain from deciding or paying out dividends or limit these dividends to no more than 15 per cent of the accumulated profit for the financial years 2019 and 2020, or no more than 20 basis points in terms of the Common Equity Tier 1 ratio, whichever is lower;
    - refrain from deciding on or paying out provisional dividends in relation to profit for 2021;
    - exercise extreme prudence in calculating variable remuneration.

  In the absence of a substantial worsening in the macroeconomic situation, starting on September 30th, 2021 the Bank of Italy, in line with the European Central Bank's recommendations, will revert to assessing dividend distribution and remuneration policies based on the ordinary supervisory review and evaluation process for individual banks.

In addition, on June 26th, 2020, Regulation (EU) 2020/873 of the EU Parliament and of the Council was published (referred to as the CRR "Quick fix") 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. The new regulation allows credit institutions to adopt specific transitional arrangements and bring forward the application of certain measures provided for in CRR II, in order to provide capital support to the credit institutions so they can continue to support the real economy in the context of the COVID-19 pandemic. The main measures included:

- the introduction of a transitional period, from January 1st, 2020 to December 31st, 2022, during which institutions may calculate their Common Equity Tier 1 capital without including the amount of unrealised gains and losses accumulated since December 31st, 2019 on debt instruments measured at fair value through other comprehensive income, corresponding to exposures to central governments, regional governments or local authorities referred to in Article 115(2) of the CRR and to public sector entities referred to in Article 116(4) of the CRR, excluding credit-impaired financial assets ("Temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic");
- the extension until December 31st, 2024 of the transitional arrangements that allow institutions to reduce the potential impact on CET1 resulting from the increased expected credit loss provisions calculated according to the IFRS 9 impairment model, by progressively including them in the CET1 ("Temporary treatment for mitigating the impact on own funds of the introduction of IFRS 9");
- the advance by one year of the application of the more favourable prudential treatment of salary-backed loans, exposures to SMEs and exposures to entities managing infrastructure projects;
- the reinstatement until December 31st, 2024 of the transitional treatment for public debt issued in the currency of another Member State, which allows institutions to apply a more favourable risk weight that increases progressively until the end of the transitional period for exposures to central governments and central banks where those exposures are denominated in the domestic currency of another Member State ("Temporary treatment of public debt issued in the currency of another Member State");
- the possibility of the temporary exclusion, until June 27th, 2021, of certain exposures to central banks from the total exposure measure used to calculate leverage in view of the COVID-19 pandemic, subject to a public statement by the relevant central bank that exceptional circumstances exist that warrant the exclusion in order to facilitate the implementation of monetary policies. On November 10th, 2020, the Bank of Italy publicly declared the existence of exceptional circumstances warranting the exclusion, until June 27th, 2021, of the central bank exposures identified in points (a) and (b) of Article 500b(1) of the CRR from the total exposure measure used to calculate the leverage ratio in order to facilitate the implementation of monetary policies ("Temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic");
- amendment to the calendar provisioning rule to align the treatment of non-performing exposures backed by government guarantees or public counter-guarantees granted by individual national governments with the treatment of non-performing exposures guaranteed or

[38] On January 17th, 2020, the European Central Bank issued Recommendation ECB/2020/01 on dividend distribution policies, published in the Official Journal of the European Union on January 29th, 2020. The Recommendation stated that credit institutions should establish dividend policies using conservative and prudent assumptions in order to ensure that, after each distribution, they comply with the applicable capital requirements and the findings of the supervisory review and evaluation process (SREP). The Recommendation divides credit institutions into three categories, and provides specific guidance for each category on the distribution of dividends that will be paid in 2020 for the financial year 2019.

insured by official export credit agencies, so that no minimum level of provisioning is required on the guaranteed amount for the first seven years.

Lastly, Commission Delegated Regulation (EU) 2020/2176 was published on December 22nd, 2020, which brings forward the regulatory framework introduced by CRR II that introduces the concept of prudential accumulated amortisation (for three years) of software assets, to be compared against the accumulated amortisation for accounting purposes to determine the amount to be deducted from Common Equity Tier 1 capital.

Documents supporting the application of accounting standards in relation to COVID-19 impacts, issued by the European Authorities/Standard setters

The health emergency caused by the spread of the COVID-19 pandemic and the uncertainty regarding its duration have had serious repercussions on the banking and financial system, whose outlook for the near future is still difficult to foresee.

In this context, in addition to the measures adopted by the national governments and central banks aimed at supporting the real economy, several Authorities have issued a series of guidance and measures concerning the accounting aspects, aimed a providing intermediaries flexibility in managing this particular situation, to enable them to provide their support for the measures adopted by national governments to deal with the economic impact from the COVID-19 pandemic.

The documents issued by the various European Authorities/Standard Setters, regarding the accounting and financial reporting aspects, covered the following specific matters in particular:

- guidance on the classification of loans and in particular the guidelines on the treatment of moratoria;
- the calculation of Expected Credit Loss (ECL) in accordance with IFRS 9 on a forward-looking basis;
- transparency and market disclosure.

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

- on March 11th, 2020, the ESMA published the recommendation “ESMA recommends action by financial market participants for COVID-19 impact” in which it provided guidelines for conduct to be adopted in response to the impact of COVID-19 concerning the following:
  - Business continuity planning;
  - Market disclosure: issuers should disclose as soon as possible any relevant significant information concerning the impacts of COVID-19 on their fundamentals, prospects or financial situation in accordance with their transparency obligations under the Market Abuse Regulation;
  - Financial reporting: issuers should provide transparency on the actual and potential impacts of COVID-19, to the extent possible based on both a qualitative and quantitative assessment on their business activities, financial situation and economic performance. This transparency must be provided in the annual financial report for 2019, if this has not already been approved by the management body, or in the next interim report (half-yearly or quarterly report if voluntarily prepared by the company);
  - Fund management: asset managers should continue to apply the requirements on risk management and react accordingly.
- on March 20th, 2020, the European Central Bank, in its communication “ECB Banking Supervision provides further flexibility to banks in reaction to coronavirus”, provided guidance on the classification and measurement of loans. In particular, it clarified that the acceptance of a moratorium should not automatically trigger unlikely-to-pay status, because the payments have been postponed on a legislative basis and as a result the counting of days past due has been suspended until the end of the moratorium. In addition, under its prudential remit, it recommended that banks avoid excessively pro-cyclical assumptions in their provisioning models. For the calculation of expected credit losses, it calls on credit institutions to give greater weight to the stable long-term outlook evidenced by past experience and to take into account support measures taken by public authorities, such as payment moratoria;
- on March 25th, 2020, the ESMA provided guidance on the accounting implications of the COVID-19 pandemic for the calculation of IFRS 9 ECLs in its public statement “Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9”, which provided guidance on how to consider moratoria in the application of the IFRS 9 requirements on “Modification and Derecognition”, “Assessment of significant increase in credit risk (SICR)” and “Expected Credit Loss estimation”. The ESMA clarified that the measures adopted in the context of the COVID-19 pandemic, which enable the suspension or deferral of payments, should not automatically result in the recognition of a Significant Increase in Credit Risk (SICR) with classification to Stage 2. With regard to the forward-looking component required by IFRS 9, the ESMA referred to the guidance provided by the European Central Bank, which calls on credit institutions to give greater weight to the stable long-term outlook evidenced by past experience and to take into account support measures taken by public authorities, such as payment moratoria. Lastly, the ESMA called on companies to be as transparent as possible, stressing the importance of publicly disclosing, in the relevant financial disclosures, the actual and potential impacts arising from the COVID-19 pandemic, in particular decisions and judgements made on how and the extent to which the effect of COVID-19 and related support measures have been factored into the assessment of SICR and Expected Credit Loss, as well as the use of forward-looking information;

- on March 25th, 2020, the EBA published the document "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS9 in light of COVID-19 measures", in which it addressed the topic of the management of loans subject to moratoria for the aspects related to (i) identification of default (ii) forbearance measures and (iii) IFRS 9 staging, specifying that the acceptance of a moratorium – either legislative or granted by the bank – is not an automatic trigger of default and is not, per se, a forbearance measure, because the moratoria are preventive in nature and general in scope (they are not set up specifically for the customer). The basic concepts were further examined and detailed in the subsequent EBA Communication "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" (EBA/GL/2020/02) of April 2nd, 2020. Subsequently, on June 2nd, 2020, the EBA published the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis" (EBA/GL/2020/07), which introduced specific disclosure and reporting on payment moratoria.[39] Lastly, on December 2nd, 2020, the EBA published the document "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis" (EBA/GL/2020/15), in which it extended the guidelines on legislative and non-legislative moratoria until March 31st, 2021, previously applicable until September 30th, 2020;
- on March 27th, 2020, the ESMA published the public statement "Actions to mitigate the impact of COVID-19 on the EU financial markets regarding publication deadlines under the Transparency Directive", aimed at promoting coordinated action by the national competent authorities regarding periodic disclosure requirements for periods ending on or after December 31st, 2019 in the context of the COVID-19 pandemic.
- on March 27th, 2020, the IFRS Foundation published "Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic", which did not amend IFRS 9 but clarified that entities should not mechanically apply the existing methodology for determining ECL and should make adjustments to their models to take into account the different circumstances brought about by the pandemic, as well as the governmental economic support measures taken in response to COVID-19;
- on April 1st, 2020, the European Central Bank published the letter "IFRS 9 in the context of the coronavirus (COVID-19) pandemic", addressed to significant banks, aimed at providing further guidance and references concerning the calculation of ECLs during the COVID-19 pandemic and avoiding the use of overly pro-cyclical assumptions. In particular, the letter provides guidance on:
  - Collective assessment for identifying a significant increase in credit risk (SICR)
  - Long-term macroeconomic forecasts
  - Macroeconomic forecasts over a period of 3 years (2020, 2021 and 2022)
- on April 9th, 2020, Consob issued a call for attention on financial reporting, in which it drew attention to the specific public statements on the impacts of COVID-19 on financial reporting by listed companies published by the ESMA in March, described above, containing recommendations that were referred to in full;
- on May 20th, 2020, the ESMA published the public statement "Implications of the COVID-19 outbreak on the half-yearly financial reports", aimed at promoting transparency and consistent application of the European requirements for the information provided in the half-yearly financial reports under the current circumstances related to the COVID-19 pandemic. In particular, the ESMA addressed the issue of the preparation of the interim financial statements according to IFRS and the interim management reports for the 2020 half-yearly reporting periods. It highlighted the need for issuers to provide updated information that is useful to investors to adequately reflect the current and expected impact of the COVID-19 situation on the financial position, performance and cash flows of issuers and the importance of providing information on the identification of the principal risks and uncertainties to which issuers are exposed. Specifically, the ESMA expects that, for many issuers, COVID-19 will constitute a significant event under IAS 34, which will require them to adjust and expand the level of detail of the information provided in the half-yearly financial statements. It also highlighted the need to assess whether the pandemic is an indicator of impairment and consequently perform an impairment test to estimate the recoverable amount of non-financial assets in accordance with IAS 36;
- on July 16th, 2020, Consob issued a call for attention on the financial reporting of listed companies in which it drew the attention of those involved in producing financial reports to the recommendations provided by the ESMA in its public statement "Implications of the COVID-19 outbreak on the half-yearly financial reports" referred to above. In line with that document, Consob also considers the judgements that directors are required to make pursuant to IAS 36 "Impairment of Assets" are important for the preparation of the half-yearly reports. In particular, issuers must assess whether the effects of the COVID-19 pandemic constitute indicators of impairment that require specific tests to be performed on the recoverability of the assets. Particular attention should be paid to the description of the significant uncertainties and risks related to COVID-19, especially if they cast doubt on the issuer's ability to continue as a going concern. Consob also added the guidance, regarding the description of the impacts of the COVID-19 pandemic on profit or loss, that issuers should provide information, also on a quantitative basis, in an individual note to their interim financial statements, to allow users of the financial statements to understand the overall impact of the pandemic on the profit or loss for the period;
- on October 28th, 2020, the ESMA published its annual public statement "European common enforcement priorities for 2020 annual financial reports". This document consists of 3 sections:
  - Section 1 – Containing the common priorities for the IFRS financial statements for the year 2020 and related to the following accounting standards:
    - IAS 1 Presentation of Financial Statements;
    - IAS 36 Impairment of Assets;
    - IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures;

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

        - IFRS 16 Leases
    - Section 2 - Containing priorities for non-financial statements and relating to:
        - Impact of the COVID-19 pandemic on non-financial matters;
        - Social and employee matters;
        - Business model and value creation; and
        - Risk relating to climate change.
    - Section 3 - Containing considerations on the application of the ESMA Guidelines on Alternative Performance Measurement (APM) in relation to COVID-19[40].
- In setting its priorities, the ESMA focused on the need to provide appropriate and transparent information on the consequences of the COVID-19 pandemic, referring to the recommendations and concepts already set out in the public statement "Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9" published in March 2020 and the public statement "Implications of the COVID-19 outbreak on the half-yearly financial reports" published in May 2020;
- on December 4th, 2020, the European Central Bank published the letter "Identification and measurement of credit risk in the context of the coronavirus (COVID 19) pandemic", addressed to significant banks and aimed at providing additional guidance on credit risk identification and measurement in the context of the COVID-19 pandemic. As the COVID-19 pandemic progressed, the European Central Bank had identified heterogeneous practices among significant institutions in implementing the letter of April 1st, 2020, and had therefore considered it necessary to emphasise the importance for significant institutions of ensuring that credit risk is properly assessed, classified and measured in their financial statements. This serves to provide appropriate solutions to distressed debtors in a timely manner, helping to contain the build-up of problem assets at banks and consequently minimise and mitigate any cliff effects where possible. In this regard, it is crucial that significant institutions strike the right balance between avoiding excessive pro-cyclicality and ensuring that the risks they are facing (or will face) are adequately reflected in their internal risk measurement and management processes, financial statements and regulatory reporting.

Risks, uncertainties and impacts of the COVID-19 pandemic

In the section "Events during the period" of the Consolidated Report on Operations, which should be referred to for additional details, FinecoBank provided information on the impacts and current and future risks for the Group resulting from the COVID-19 pandemic, specifying that, from a forward-looking perspective, it does not expect to see a substantial impact on its strategic orientation, objectives or business model, which in fact will come out stronger, nor does it estimate an overall impact on performance thanks to the Group's and Bank's diversified sources of revenues.

That section also provides detailed information on the calculation of the Expected Credit Loss (ECL) according to IFRS 9 from a forward-looking perspective, as well as the classification of loans and the treatment of moratoria. More details can also be found in Part E - Information on risks and related hedging policies of the Notes to the accounts.

In the application of IFRS, and irrespective of the crisis generated by the COVID-19 pandemic, management is required to make judgements, estimates and assumptions about the carrying amounts of certain assets and liabilities as well as the information regarding potential assets and liabilities. The estimates and related assumptions, detailed in the section below, are based on previous experience and other factors considered reasonable under the circumstances and have been used to estimate the carrying amounts of assets and liabilities not readily available from other sources. At December 31st, 2020, these estimates may be affected by the COVID-19 pandemic and the result of the containment measures that are not yet foreseeable.

Risks and uncertainties related to the use of estimates

In the presentation of the financial statements at December 31st, 2020, estimates have been used to support the carrying amount of some of the valuation-based items, as required by the accounting standards and regulations described above. These estimates are largely based, as regards assets, on calculations of future recoverability of the values recognised in the accounts and as regards liabilities, on estimates of the probability of using resources to meet the Bank's obligations and on the amount of resources necessary to that end, according to the rules laid down in current legislation and standards. They have been made on the assumption of a going concern, on which basis these financial statements have been prepared, i.e. without contemplating the possibility of the forced sale of the estimated items.

The processes adopted support the carrying amounts at December 31st, 2020. For some of the above items, the valuation is particularly complex given the uncertainty of the macroeconomic and market situation, characterised by significant levels of volatility in the financial parameters determining the valuation and continued high indicators of deterioration in credit quality, and, more generally, uncertainty and instability in the banking sector.

For other items, the complexity and subjectivity of estimates is influenced by the intricacy of the underlying assumptions, the amount and variability of available information and the uncertainties connected with possible future outcomes of proceedings, disputes and litigation.

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

Part A – Accounting policies

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

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

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

- fair value of financial instruments not listed in active markets;
- loans and related adjustments and, in general, any other financial assets/liabilities (see the specific section "Impairment" for more details);
- employee severance pay provision and other employee and personal financial advisor benefits;
- provisions for risks and charges;
- goodwill;
- deferred tax assets;
- tax liabilities;

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

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

In response to the uncertainty generated by the COVID-19 pandemic and the government support measures adopted, the main European authorities (IASB, EBA, ECB, European Commission, etc.) have provided guidance regarding the regulatory and accounting treatment of credit exposures. Though they have stressed the need to incorporate the worsening macroeconomic scenario caused by the crisis, in line with the spirit of IFRS 9, they have also determined that the current state of uncertainty justifies using the flexibility that the standard affords. These authorities have recommended adopting flexibility with respect to the mechanical application of the existing approaches to calculating the provisions, in order to achieve the right balance between the need to avoid excessive pro-cyclicality and ensure that the risks that institutions are (or will be) exposed to are properly reflected in their internal risk measurement and management processes.

In line with the European guidance on measuring significant increase in credit risk (SICR), the COVID-19 emergency has not changed the Bank's internal rules for assessing the quality of loans and classifying them as Stage 1, 2, or 3. The pandemic relief measures such as the moratorium on loan instalments or tolerance of late payments are no exception, as they are not considered an automatic trigger for SICR let alone for classifying loans as forborne.

With reference to the future cash flow projections, assumptions and parameters used to measure the recoverability of goodwill of Fineco's trademarks and domains, the parameters and information used are significantly influenced by the macroeconomic market situation, which may change unpredictably in light of the uncertainties outlined above. In this regard, on January 19th, 2021, the Board of Directors approved the procedure adopted for determining the value in use of goodwill, brands and domains (model, assumptions and parameters used). The results confirmed the sustainability of the goodwill recognised in the financial statements, as none of the scenarios used identified the need for any impairment write-downs, confirming a value in use well above the carrying amount. The sensitivity analyses carried out also showed that, for the impairment testing to reach a break-even level, changes in the main parameters used in the valuation model would need to be assumed that are not currently reasonably likely. For more information about the impairment testing and the related sensitivity analyses, see Part B –Balance Sheet – Section 9 – Intangible assets of the Notes to the accounts.

With regard to valuation techniques, unobservable inputs and parameters used to measure fair value and sensitivity to change in those inputs, see Part A - Section A.4 "Information on fair value" of these Notes to the accounts.

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

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

Part A – Accounting policies

Going concern declaration

As described above, during 2020 the spread of the COVID-19 pandemic and the associated restrictive measures resulted in negative effects on the real economy, which are expected to be partially offset by the economic support measures implemented by governments. FinecoBank has taken these circumstances into account in its valuation of the significant financial statement and, while it is aware of the current uncertainty about the expected economic recovery and the long-term impacts of the restrictive measures adopted, it believes, on the basis of those valuations, that there are no uncertainties regarding the Bank's ability to continue as a going concern in the foreseeable future or uncertainties that would give rise to a material adjustment to the carrying amounts within the next financial year. However, it cannot be ruled out that, due to their nature, those reasonable assumptions may not be confirmed in the Bank's actual future scenarios. These scenarios may be affected by factors such as the uncertainties arising from the COVID-19 pandemic and the containment measures that have been and may be implemented in the future to contain the spread of the virus, as well as the measures to support the economy, households and businesses, implemented by governments and supported by the central bank monetary policies.

In performing this valuation, the Bank has also considered the Bank's key regulatory indicators, in terms of the period end figures at December 31st, 2020, the related buffers with respect to the minimum regulatory requirements and their evolution in the foreseeable future.

FinecoBank has considered these circumstances and considers that it is reasonably certain that the Group will continue to operate successfully in the foreseeable future and, therefore, in accordance with IAS 1, the financial statements for the year ended December 31st, 2020 have been prepared on a going concern basis.

Contract modifications resulting from COVID-19

1. *Contract modifications and derecognition (IFRS 9)*

To limit the long-term effects of the crisis generated by the health emergency, the Italian Government adopted extraordinary measures to limit unemployment and support the most vulnerable sectors, which were accompanied by government-backed bank loans to businesses. The aid fund for first home mortgages (the Gasparrini Fund) was also extended to employees, self-employed workers and freelance professionals that have suffered more than a 33% decrease in revenue, due to the coronavirus emergency, compared with the turnover in the last quarter of 2019, as a result of the restrictions adopted for the COVID-19 emergency. Those eligible can suspend their loan payments for a determinated period and pay 50% of the interest accrued on the outstanding debt during the suspension period. The Gasparrini Fund (known as Consap) covers the remaining 50% of the interest accrued during the suspension period.

In addition to the above, FinecoBank subscribed to the ABI-Consumer Associations Agreement for the suspension of loans to households as a result of the COVID-19 pandemic (personal loans and mortgages other than those meeting the conditions for recourse to the Gasparrini Fund), in line with the EBA Guidelines, mentioned above. Those eligible can suspend loan instalments (principal only or principal and interest) for a temporary period and pay 100% of the interest accrued on the outstanding debt during the suspension period.

For both moratoria, where there are no other additional factors not strictly related to those moratoria, FinecoBank has applied modification accounting, in line with the ESMA guidance, because the contract modifications are considered to be immaterial. The Bank conducted a qualitative assessment and considered that these support measures provide temporary relief to borrowers affected by the COVID-19 pandemic, without significantly impairing the economic value of the loan.

Given that interest accrues on the postponed amounts (100% borne by the customer for the ABI agreement moratoria or 50% borne by the customer and 50% borne by Consap for the moratoria using the Gasparrini Fund), no significant modification losses have been identified.

2. *Amendment to IFRS 16*

Regulation (EU) 1434/2020 of October 9th, 2020 introduced amendments to IFRS 16 Leases to implement the amendments "COVID-19-Related Rent Concessions" published by the IASB on May 28th, 2020 designed to provide an optional and temporary practical expedient for lessees, namely the option not to apply the accounting rules for lease modification in the case of rent concessions occurring as a direct consequence of COVID-19. The Regulation applies from June 1st, 2020 for financial years starting on or after January 1st, 2020. The Bank has not applied this practical expedient.

Part A – Accounting policies

Interbank Deposit Guarantee Fund - Voluntary Scheme

FinecoBank has subscribed to the "Voluntary Scheme", introduced by the Interbank Deposit Guarantee Fund ("IDGF") in November 2015, through an amendment to its bylaws. The Voluntary Scheme is an instrument for resolving bank crises through support measures in favour of banks subscribing to it, when specific conditions established by the regulations apply. The Voluntary Scheme has its own independent financial resources and the banks subscribing to it have committed to provide funds on request for implementation of the measures.

From 2016 to 2018, the Voluntary Scheme, in a capacity as a private entity, approved initiatives to support some banks, and in particular Cassa di Risparmio di Cesena (CariCesena), Cassa di Risparmio di Rimini (Carim), Cassa di Risparmio di San Miniato (Carismi) and Banca Carige.

For the above initiatives, FinecoBank made cash payments with simultaneous recognition in the financial statements, as indicated in this regard by the Bank of Italy, recognised in the financial statements as equity instruments and previously classified as "Financial assets available for sale" under the accounting standard IAS 39 in effect until December 31st, 2017, and subsequently from January 1st, 2018, based on the current accounting standard IFRS 9, as "Financial assets measured at fair value through profit or loss, c) other financial assets mandatorily at fair value".

As at December 31, 2020, total exposure of equity instruments, arising from grants deriving from the aforementioned contributions paid by the Bank, net of write-downs and cancellations made in previous years and of the effects of the fair value valuation on that date amounted to € 1,196 thousand (of which € 875 thousand relating to the contributions paid for the intervention in favour of Carige and € 321 thousand relating to the contributions paid for the intervention in favour of Carim, Carismi and CariCesena).

In particular, the fair value measurement as at December 31, 2020 of equity instruments booked by the Bank as part of the operation approved by the Voluntary Scheme for the initiative taken by Credit Agricole CariParma in support of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi) showed an impairment which has resulted in the recognition in the income statement in 2020 a further negative fair value valuation of € 1 thousand. The measurement model adopted is based on the Discounted Cash Flow model depending on recovery assumptions.

The fair value measurement as at December 31, 2020 of equity instruments booked by the Bank as part of the initiative supporting Banca Carige S.p.A. showed an impairment which resulted in the recognition in the income statement in 2020 a further negative fair value valuation of € 1,432 thousand. As market or price valuations of comparable instruments were not available nor, the fair value of the instrument was determined by the Bank using internal models based on Market Multiples methodology applied to multi-scenario analysis. The scenarios considered in the assessment incorporate the COVID-19 scenario (collapse of bank securities).

Contributions to guarantee and resolution funds

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

With regard to the contribution obligations under the above-mentioned directive, in a communication dated November 26th, 2020, the Interbank Deposit Guarantee Fund announced that the total contribution due from the Consortium Members for 2020 was € 952.4 million, broken down as follows:

- € 641.6 million as ordinary contributions;
- € 284.6 million as additional contributions, aimed at gradually replenishing the total financial resources used to date for interventions;
- € 26.2 million as a supplementary contribution to cover the funds availability fee and the agent bank fee to be paid to the lending banks in relation to the loan agreement signed on August 2nd, 2019 by the Interbank Deposit Guarantee Fund with a pool of member banks.

The share of each consortium member was calculated based on their respective amount of protected deposits at September 30th, 2020 and risk-adjusted on the basis of the management indicators of the Fund's risk-based model for calculating the contributions, in accordance with Article 28, paragraph 2 of its Articles of Association.

The Bank's share for the year 2020, which is paid and recognised under item 160. "Administrative expenses b) other administrative expenses", and totalled € 25.9 million, broken down as follows:

- € 17.5 million for the ordinary annual contribution;
- € 7.7 million for the additional contribution;
- € 0.7 million for the supplementary contribution.

Part A – Accounting policies

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

The Bank's share for the year 2020, which is paid and recognised under item 160. "Administrative expenses b) other administrative expenses" and amounted to € 0.7 million (no contribution was requested from FinecoBank up to the year ended December 31st, 2019). This was accompanied by the additional contribution to the National Resolution Fund pursuant to Article 1, paragraph 848 of Law 208/2015, called up from the banking system by the Bank of Italy in June 2020, recognised under item 160. "Administrative expenses b) other administrative expenses", and amounting to € 0.2 million.

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

Other information

The Financial statements as at December 31, 2020 have been reviewed, pursuant to Italian Legislative Decree no. 39 of January 27, 2010 and Regulation (UE) 2014/537, by Deloitte & Touche S.p.A. appointed as auditor of the Bank's accounts in implementation of the Shareholders' Meeting resolution of April 16, 2013.

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

A.2 THE MAIN ITEMS OF THE ACCOUNTS

1 - Financial assets at fair value through profit and loss

a) Financial assets held for trading (HFT)

A financial asset is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative contract not designated within hedge accounting operations, with a positive fair value incorporated into financial liabilities other than those valued at fair value through profit and loss.

Financial assets held for trading are initially recognised, at settlement date with regard to debt and equity securities and disbursement data with regard to loans, at its *fair value*, which is usually equal to the amount paid, excluding transaction costs and income, which are recognised through profit or loss even when directly attributable to the financial assets.

Trading book derivatives are recognised at trade date.

After initial recognition these financial assets are measured at their fair value through consolidated profit or loss.

An exception is represented by derivatives settled by delivery of an unlisted equity instrument whose fair value cannot be reliably measured, and which are therefore measured at cost.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (usually called the 'underlying') provided that in case of non-financial variable, this is not specific of one of the parties;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative is separated from financial liabilities other than those measured at fair value through profit or loss and from non-financial instruments, and is recognized as a derivative, if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid (combined) instrument is not measured entirely at fair value through profit or loss.

When an embedded derivative is separated, the host contract is accounted for according to its accounting classification.
A gain or loss arising from sale or redemption or a change in the fair value of a HFT financial asset is recognised in income statement in item 80 "Gains (losses) on financial assets and liabilities held for trading", including financial derivatives relating to a fair value option.

If the fair value of an instrument falls below zero, which may happen with derivative contracts, it is recognised in item 20. "Financial liabilities held for trading" of the liabilities in the balance sheet.

b) Financial assets designated at fair value

A non-derivative financial asset may be designated at fair value if such designation avoids accounting mismatches deriving from the valuation of assets and associated liabilities according to different valuation criteria.

These assets are accounted for alike "Financial assets held for trading" (see point a) Financial Assets held for trading) with the exception of gains and losses, both realised and unrealised, that are recognised in the income statement in item 110. "Gains (losses) on financial assets and liabilities at fair value through profit and loss: a) financial assets and liabilities designated at fair value".

At the balance sheet date, no financial assets classified as "Financial assets designated at fair value" were held.

c) Other financial assets mandatorily at fair value

A financial asset, that is not held for trading, is classified as financial asset mandatorily at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for being measured at amortized cost or at fair value through other comprehensive income.

Specifically, the following assets have been classified in this portfolio:

- debt instruments, securities and loans for which the business model is neither held to collect nor held to collect
- and sell but which are not part of the trading book;
- debt instruments, securities and loans with cash flows that are not solely payment of principal and interest;
- units in investment funds;
- equity instruments for which the Bank does not apply the option granted by the standard of valuing these instruments at fair value through other comprehensive income.

These assets are accounted for alike “Financial assets held for trading” (see point a) Financial Assets held for trading) with the exception of gains and losses, both realised and unrealised, that are recognised in the income statement item 110. "Gains (losses) on financial assets and liabilities at fair value through profit and loss b) other financial assets mandatorily at fair value".

2 - Financial assets at fair value through comprehensive income

A financial asset is classified among financial assets at fair value through comprehensive income if:

- its business model is held to collect and sell;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This item also includes equity instrument, not held for trading purposes, for which at the date of initial recognition, or in the first time adoption of the principle, the Bank exercised the option, granted by the standard, to designate this instruments at fair value with an impact on Statement of comprehensive income.

Financial assets measured at fair value through comprehensive income are initially recognised, at settlement date with regard to debt and equity securities and disbursement data with regard to loans, at its fair value, which is usually equal to the consideration of the transaction, plus transaction costs and income directly attributable to the instrument.

The interest accruing on interest-bearing instruments is recognised on the income statement, in net interest margin, on an accrual basis using the effective interest rate method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

Delay interest is taken to the income statement on collection or receipt.

After initial recognition, for debt instruments, gains or losses arising from changes in fair value are recognized in the Statement of comprehensive income and shown in item 110. “Revaluation reserves” in shareholders' equity.

These instruments are the subject to reductions / write backs in accordance with the illustration given in the next relevant section “Impairment”. Gain/losses are recorded in the income statement item 130. "Impairment losses/write backs on: b) financial assets at fair value through comprehensive income” with contra-entry in the Statement of Comprehensive Income and are also shown in item 110. “Revaluation reserves” in shareholders' equity. The time value interest are recognised in the interest margin.

In the event of disposal, the accumulated profits and losses are recognised in the income statement in item 100. "Gains (losses) on disposal or repurchase of: b) financial assets at fair value through comprehensive income".

With regard to equity instrument, the profits and losses from changes in fair value are recognised in the Statement of comprehensive income and shown in item 110. Revaluation reserve” in shareholders' equity.

Part A – Accounting policies

In accordance with the provisions of IFRS9, no impairment losses on equity instruments are recognized in the income statement.

In the event of disposal, the accumulated profits and losses are recorded in item 140. “Reserves” in shareholders' equity.

3 - Financial assets at amortised cost

A financial asset is classified within the financial assets measured at at amortized cost if:

- its business model is held to collect;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

More specifically, this item includes:

- loans to banks and customers in the various technical forms that meet the requirements of the previous paragraph;
- debt securities that meet the requirements of the previous paragraph.

This item also includes current receivables associated with the provision of financial assets and services as defined by the T.U.B. and from the T.U.F. (e.g. current receivables associated with the distribution of financial products).

Financial assets at amortized cost are initially recognised, at settlement date with regard to debt securities and disbursement data with regard to loans, at its fair value, which is usually equal to the consideration paid, plus transaction costs and income directly attributable to the instrument.

The interest is recognised on the income statement, in net interest margin, on an accrual basis using the effective interest rate method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

Delay interest is taken to the income statement on collection or receipt.

After initial recognition at fair value, these assets are measured at amortized cost using the effective interest method, which can be adjusted to take account of any write-downs/write-backs resulting from the valuation process in accordance with the illustration given in the next relevant section “Impairment”. Gain/losses are recorded in the income statement item 130. "Impairment losses/write backs on: a) financial assets at amortised cost”. The time value interest are recognised in the interest margin.

In the event of derecognition, the profits and losses are recognised in the income statement in item 100. "Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost".

4 - Hedge Accounting

The Bank has taken advantage of the option to continue to apply the existing IAS 39 hedge accounting requirements for all hedging accounts until such time as the IASB has completed its macro-hedging accounting rules project.

Hedging derivatives are those created to hedge market risks (interest-rate, currency and price) to which the hedged positions are exposed. They may be described as follows:

- fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability, or an identifiable portion of such an asset or liability;
- cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction which could affect profit or loss in future periods;
- hedge of a net investment in a foreign entity, whose operations are presented in a currency other than euro.

Hedging derivatives are initially recognised on trade date and are valued at their fair value.

A hedging relationship qualifies for hedge accounting if there is formal designation and documentation of the hedging relationship including the risk management objective, the strategy for undertaking the hedge, and how the hedging instrument's prospective and retrospective effectiveness will be assessed. It is necessary to assess the hedge's effectiveness, at inception and in subsequent periods, in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

A hedge is regarded as highly effective if, at the inception of the hedge and in subsequent periods, it is determined prospectively to remain highly effective, and the retrospectively verified that the hedge ratio (i.e. the changes in fair value of hedged items and hedging instruments) is within a range of 80-125 per cent. The hedge is assessed on an ongoing basis and thus must prospectively remain highly effective throughout the financial reporting periods for which the hedge has been designated.

The assessment of effectiveness is made at each balance-sheet date or other reporting date. If the assessment does not confirm the effectiveness of the hedge, from that time on hedge accounting is discontinued in respect of the hedge and the hedging derivative is reclassified as a held-for-trading instrument.

In addition, the hedging relationship ceases when the hedging instrument expires or is sold, terminated or exercised; the hedged item is sold, expires or is repaid; or it is no longer highly probable that the forecast transaction will occur.

Hedging derivatives are measured at fair value. In particular:

- **Fair Value Hedging** - an effective fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value is recognised in the income statement in item 90. "Fair value adjustments in hedge accounting". The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised through profit or loss in the same item. Hedging ineffectiveness is represented by the difference between the change in the fair value of hedging instruments and the change in the fair value of hedged item. If the hedging relationship is terminated for reasons other than the sale of the hedged item, this is measured according to the original criterion dictated by the accounting standard applied to the relevant portfolio. In the case of interest-bearing instruments, the difference between the carrying amount of the hedged item on termination of the hedging and the carrying amount it would have had if the hedge had never existed, is recognised through profit or loss in interest receivable or payable over the residual life of the original hedge. If the hedged item is sold or repaid, the portion of fair value which is still unamortised is recognised immediately in item 100. "Gains (losses) on disposal or repurchase" in the income statement. The difference in fair value of the hedging derivative since the latest effectiveness testing date is recognised in profit or loss under item 90. "Fair value adjustments in hedge accounting";
- **Cash Flow Hedging** – hedges are valued at fair value. Change in the fair value of a hedging instrument that is considered effective is recognised in equity item 110. "Revaluation reserves". The ineffective portion of the gain or loss is recognised through profit or loss in item 90."Fair value adjustments in hedge accounting". If a cash flow hedge is determined to be no longer effective or the hedging relationship is terminated, the cumulative gain or loss on the hedging instrument that remains recognised in 110. "Revaluation reserves" from the period when the hedge was effective remains separately recognised in 110. "Revaluation reserves" until the forecast hedged transaction occurs or is determined to be no longer possible; in the latter case, the gains or losses are transferred from consolidated shareholders' equity to item 80. "Gains and losses on financial assets and liabilities held for trading" in the income statement. The overall fair value changes recorded in item 110. "Revaluation reserves" are reported in the Statement of comprehensive income;
- **Hedging a Net Investment in a Foreign entity** - hedges of a net investment in a foreign entity, whose operations are presented in a currency other than euro, are accounted for similarly to cash flow hedges. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised directly in equity is recognised through profit or loss on disposal of the foreign entity. The fair value changes recorded in item 110. "Revaluation reserves" are also reported in the Statement of comprehensive income. The ineffective portion of the gain or loss is recognised through consolidated profit or loss in item 90. "Fair value adjustments in hedge accounting";
- **Macro-hedged financial assets (liabilities)** - IAS 39 allows a fair-value item hedged against interest rate fluctuations to be not only a single asset or liability but also a monetary position contained in a number of financial assets or liabilities (or parts of them); accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates. Macro hedging may not be used for net positions resulting from the offsetting of assets and liabilities. As for fair value micro hedging, macro hedging is considered highly effective if, at the inception of the hedge and throughout its life, changes in the fair value attributable to the hedged position are offset by changes in fair value of the hedging instrument and if the hedge ratio is retrospectively assessed falling within the range of 80-125 per cent. Net changes – gains or losses – in the value of the macro-hedged assets and liabilities attributable to the hedged risk are recognised in asset item 60. "Changes in fair value of portfolio hedged items (+/-)" and liability item 50. "Changes in fair value of portfolio hedged items (+/-)" respectively and offset the profit and loss item 90. "Fair value adjustments in hedge accounting" in the income statement. The gain or loss from remeasuring the hedging instrument at fair value is recognised in the same profit and loss item. The ineffectiveness of the hedging arises to the extent that the change in the fair value of the hedging item differs from the change in the fair value of the hedged monetary position. The extent of hedge ineffectiveness is in any case recognised in profit and loss item 90. "Fair value adjustments in hedge accounting" in the income statement.
  If the hedging relationship is terminated, for reasons other than the sale of the hedged items, cumulative gain or loss in items 60 (Assets) and 50 (Liabilities) is recognised through profit or loss in interest income or expenses, along the residual life of the hedged financial assets or liabilities.

  If the latter are sold or repaid, unamortised fair value is at once recognised through profit and loss in item 100. "Gains (Losses) on disposals/repurchase" in the income statement.

The Bank had in place at the reporting date only macro-hedges against the interest rate risk of mortgages loans to retail customers and fixed-rate direct deposits and under micro-hedges against the interest rate risk of securities issued by sovereign States.

5 - Equity Investments

Equity investments are equity instruments and consequently defined as financial instruments under IAS32.

Investments in equity instruments made with the intention of establishing or maintaining a long-term operational relationship with the investee are strategic investments.

The following are the types of equity investment:

Subsidiaries

Entities, including structured entities, over which the Bank has direct or indirect control, are considered subsidiaries. Control over an entity entails the Bank's ability to exercise power in order to influence the variable returns to which the Group is exposed through its relationship with them.

In order to verify the existence of control, the Bank considers the following factors:

- the purpose and establishment of the investee in order to identify which are the entity's objectives, the activities that determine its returns and how these activities are governed;
- the power in order to understand whether the Bank has contractual rights that attribute the ability to govern the relevant activities; to this end only substantial rights that provide practical ability to govern are considered;
- the exposure held in relation to the investee in order to assess whether the Bank has relations with the investee, the returns of which are subject to changes depending on the investee's performance;
- the existence of potential "principal - agent" relationships.

If the relevant activities are governed through voting rights, the existence of control is verified considering the voting rights held, including the potential ones, and the existence of any shareholders' or other agreements which attribute the right to control the majority of the voting rights, to appoint the majority of the governing body or in any case the power to determine the entity's financial and operating policies.

Subsidiaries may also include any "structured entity" in which the voting rights are not significant for establishing control, including special purpose entities and investment funds.

In the case of structured entities, the existence of control is ascertained considering both the contractual rights that enable governance of the relevant activities of the entity (or those that contribute most to the results) and the Bank's exposure to the variability of returns deriving from these activities.

Joint venture

A joint venture is an entity over which a company has:

- a joint-control agreement;
- rights to the entity's net assets.

Joint control exists only when the decisions relating to significant activities require the unanimous consent of the parties sharing control.

At the reporting date, the Bank held no investments in joint ventures.

Associates

An associate is a company over which the investor has significant influence and which are not wholly-owned subsidiaries or joint ventures.

It is presumed that the investor has significant influence if the investor:

- holds, directly or indirectly, at least 20 per cent of the voting power of an investee, or
- is able, also through shareholders' agreements, to exercise significant influence through:
    - representation on the board of directors or equivalent governing body of the investee;

Part A – Accounting policies

- participation in policy-making process, including participation in decisions about dividends or other distributions;
- material transactions between the investor and the investee;
- interchange of managerial personnel;
- provision of essential technical information.

It is to be pointed out that only companies which are governed through voting rights can be classified as subject to significant influence.

At the reporting date, the Bank held no investments in associates.

Investments in subsidiaries, associates and joint ventures are measured at cost.

The purchase price of an equity investment is the sum of:

- the fair value, at the date of acquisition, of the assets sold, liabilities assumed and equity instruments issued by the purchaser in exchange for control of the investee;

and

- any cost directly attributable to the acquisition.

If there is evidence that an equity investment may have become impaired, its carrying value is compared with its recoverable value, which is determined on the basis of its value in use, in turn calculated by means of valuation models in general use in financial business, which discount expected future cash flow from the equity investment (Discounted Cash Flow method).

If it is not possible to obtain sufficient information the value in use is considered to be the net worth of the company. If the recovery value is less than the carrying value, the difference is recognised through profit or loss in item “220. Profit (loss) of associates”. If the reasons for impairment are removed following a subsequent event occurring after the recognition of impairment, write-backs are made through same profit or loss item.

6 – Property, Plant and Equipment (Tangible Assets)

The item includes:

- land
- buildings
- furniture and fixtures
- electronical machinery and equipments
- plant and other machinery and equipments
- motor vehiclest

and is divided between:

- assets used in the business;
- assets held as investments.

Tangible assets used in the business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment include rights of use of tangible assets, as defined by IFRS16, and leasehold improvements relating to assets which can be separately identified. They are classified according to the specific sub-items relating to the asset type (e.g. plants). Leasehold improvements are usually borne in order to make leased premises fit for the expected use. Improvements and additional expenses relating to property, plant and equipment identifiable but not separable are recognised in the consolidated balance sheet in item 120. "Other assets".

Tangible assets held for investment purposes are properties covered by IAS 40, i.e. properties held in order to derive rentals and/or a capital gain.

Property, plant and equipment are initially recognised at cost including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transport costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).

With regard to the property, plant and equipment for the right of use acquired with lease, at the time of the initial registration this asset is evaluated on the basis of the financial flows associated with the leasing contract, corresponding to the present value of future installments due for unpaid leasing amounts on that date: "lease liability", including installments made on or before the effective date and the initial direct costs incurred by the lessee. Installments due for leasing are determined in light of the provisions of the lease agreement and calculated net of the VAT component, where applicable, by virtue of the fact that the obligation to pay this tax arises at the time the invoice is issued by of the lessor and not as of the effective date of the leasing contract, and are discounted using the marginal loan rate of the Bank, determined on the basis of the cost of funding for liabilities of a duration and guarantees similar to those implicit in the leasing contracts.

After initial recognition, this asset is measured based on the provisions for property, plant and equipment under IAS 16 or IAS 40 and, therefore, at cost net of amortization and any impairment, at the "redetermined value" or at fair value according to as applicable.

Subsequent costs are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen and the cost can be reliably measured. Other expenses borne at a later time (e.g. normal maintenance costs) are recognised in the year they are incurred in profit and loss items:

- 160. “Administrative expenses: b) Other administrative expenses", if they refer to assets used in the business;

or:

- 200. "Other net operating income", if they refer to property held for investment.

After being recognised as an asset, an item of property, plant and equipment is carried at cost less any accumulated depreciation and any cumulative impairment losses.

Buildings, if separately quantifiable, are recognised separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life. Buildings, conversely, have a finite useful life and are therefore subject to depreciation.

An item with a finite useful life is subject to straight-line depreciation.

Residual useful life is usually assessed as follows:

• Buildings	up to 33,3 years
• Office furniture and fittings	up to 9 years
• Electronic machinery and equipments	up to 5 years
• Plants, other machinery and equipments	up to 14 years
• Motor vehicles	up to 4 years

The estimate of the useful life of an asset is reviewed at least at each accounting period-end on the basis inter alia of the conditions of use of the asset, of maintenance conditions and expected obsolescence, and, if expectations differ from previous estimates, the relative useful life is recalculated and the depreciation amount for the current and subsequent periods is adjusted accordingly.

In particular, it should be noted that the expenses for improvements capitalized on the main asset, in particular on properties, may result in a significant increase in the useful life of the asset, which may not in any case exceed the useful live below starting from the capitalization date of the improvement.

If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in the income statement in item 180. “Net impairment/Write-backs on property, plant and equipment”.

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognised on the prior-year impairment.

An intangible asset is de-recognised from the consolidated balance sheet (i) on disposal or (ii) when no future economic benefits are expected from its use or sale; and any difference between sale proceeds or recoverable value and carrying value is recognised in the income statement in item 250. "Gains (losses) on disposal of investments" or 180. “Net impairment/write-backs on property, plant and equipment".

7 - Intangible assets

An intangible asset is an identifiable non-monetary without physical substance, controlled by the Company , which is expected to be used during more than one period and from which future economic benefits are probable.

Intangible assets mainly consist of goodwill, brands and domains software and costs incurred for the creation of the new Fineco website.

Intangible assets other than goodwill are recognised at purchase cost, i.e. including any cost incurred to bring the asset into use, less accumulated amortisation and any recognised impairment losses.

An intangible asset with a finite life is subject to straight-line amortisation over its estimated useful life.

Residual useful life is usually assessed as follows:

- software maximum 3 years;
- other intangible assets maximum 5 years.

There are no intangible assets with an indefinite life, except for goodwill and Fineco' brands and domains.

If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in the income statement item 190. "Net impairment/write-backs on intangible assets".

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there were no losses recognised on the prior-year impairment.

An intangible asset is de-recognised from the balance sheet (i) on disposal or (ii) when no additional future economic benefits are expected from its use or sale; and any difference between sale proceeds or recoverable value and carrying value is recognised in the profit and loss item 250. "Gains (losses) on disposal of investments" or 190. "Net impairment/write-backs on intangible assets".

Goodwill

In accordance with IFRS3, goodwill is the excess of the cost of a business combination over the interest acquired in the net fair value, at the acquisition date, of the assets and liabilities acquired.

Goodwill arising from the acquisition of subsidiaries and joint ventures (consolidated proportionately) is recognised as an intangible asset; whereas goodwill arising from the acquisition of associates is included in the acquisition cost and, then, shown as an increase in the value of the investments.

Specifically, the goodwill recorded under intangible assets in these consolidated financial statements – corresponding to the goodwill recorded in the Bank's annual financial statements – derives from the acquisitions of merged or acquired companies.

At a subsequent financial reporting date, goodwill is recognised net of any cumulative impairment losses and is not amortised.

Goodwill is tested for impairment annually. Impairment losses on goodwill are recognised in the income statement in item 270. "Impairment of goodwill". In respect of goodwill, no write-backs are allowed.

Goodwill relates to buy-outs of divisions or companies engaged in trading activities or the distribution of financial, banking and insurance products through personal financial advisors. These activities have been fully integrated with the Bank's ordinary operations; as a result, it is not possible to isolate the contribution of each company/business division from the Bank's overall business. This means that to establish the reasonableness of the value of goodwill recognised in the financial statements it is necessary to take account of FinecoBank's comprehensive income. The cash generating unit (CGU) is the Bank as a whole including the contribution from the subsidiary Fineco Asset Management DAC, an asset management company incorporated under Irish law, thanks a vertically integrated business model.

In view of the specific business model adopted by the Bank, which involves a high level of integration between personal financial advisors and the trading and banking platform, so that the personal financial advisors network is an integral part of the overall offer, which includes banking, brokerage and investing services, an allocation of costs/revenues to the macro areas of activity is not considered relevant or meaningful.

Please see Section 9.3 Intangible assets - Other information in Part B of these notes to the accounts for further information on goodwill and related impairment tests.

8 - Non-current assets classified as held for sale

These categories include individual assets held for disposal (tangible, intangible and financial assets) or groups of assets held for sale, with the associated liabilities, as required by IFRS 5.

Individual assets (or groups of assets held for sale) and relating liabilities are recognised in the balance sheet in item 110. "Non-current assets and disposal groups held for sale" and 70. "Liabilities included in disposal groups classified as held for sale", respectively, at the lower of their carrying amounts and fair values less costs to sell.

The revaluation reserves relating to Non-current assets held for sale, which are recorded as a contra item to changes in value relevant for this purpose), are reported separately in the Statement of comprehensive income (see Part D – Comprehensive Income).

The net balance of profits (dividends, interest income, etc.) and losses (interest expense, etc.) attributable to groups of assets or liabilities held for sale are recognised in the income statement in item 290. "Profit (Loss) after tax from discontinued operations". Profits and losses attributable to individual assets held for disposal are recognised in the income statement under the most appropriate item.

At the balance sheet date, the Bank held no "non-current assets classified as held for sale".

9 - Current and Deferred Tax

Tax assets and liabilities are recognised in the balance sheet respectively in asset item 100. "Tax assets" and in liability item 60. "Tax liabilities".

In compliance with the "Balance sheet liability method", current and deferred tax items are:

- current tax assets, i.e. amount of tax paid in excess of income tax due under the current national tax regulations;
- current tax liabilities, i.e. tax payables due under the current Italian tax regulations;
- deferred tax assets, i.e. amounts of income tax recoverable in future fiscal years and relating to:
  - deductible temporary differences;
  - the carry-forward of unused tax losses;
  - the carry-forward of unused tax credits;
  - deferred tax liabilities, i.e. the payables for income tax due in future fiscal years in respect of taxable temporary differences.

Current and deferred tax assets and tax liabilities are calculated in accordance with local tax regulations (with reference to each company consolidated on line-by-line basis) and are recognised in profit or loss on an accrual basis. More specifically, for current IRES income tax, a rate of 27.50% has been calculated; for IRAP corporate tax, the rate applied was 5.57%.

In this regard, it should be noted that the effects of the reduction in the IRES income tax rate from 27.50% to 24% introduced, with effect from January 1, 2017 effective for tax periods after the period to December 31, 2016, introduced by the Stability Law for 2016 were "neutralised" for the Bank as a result of the introduction, by the same Law, of an additional 3.5 percentage points for credit institutions effective for the same tax periods.

In general, deferred tax assets and liabilities arise when there is a difference between the accounting treatment and the tax treatment of the carrying amount of an asset or liability.

Deferred tax assets and liabilities are recognised applying tax rates that at the balance sheet date are expected to apply in the period when the carrying amount of the asset will be recovered or the liability will be settled on the basis of tax regulations in force, and are periodically reviewed in order to reflect any changes in regulations.

Furthermore, deferred tax assets are recognised only to the extent that it is probable that sufficient future taxable profit will be generated. In accordance with the provisions of IAS12, the probability that sufficient future taxable profit will be available, against which the deferred tax assets can be utilised, is reviewed periodically. The carrying amount of deferred tax assets should be reduced to the extent that it is not probable that sufficient taxable profit will be available.

Deferred tax liabilities are always recognised.

Current and deferred taxes are recognised in the income statement in item 270. "Tax expense (income) related to profit or loss from continuing operations", except for tax referred to items that in the same or in another fiscal year are credited or charged directly to equity, such as those relating to valuation gains or losses on financial assets at fair value through other comprehensive income, whose changes in value are recognised, after tax, under the revaluation reserves directly in the statement of comprehensive income.

Part A – Accounting policies

Current tax assets are shown in the balance sheet net of related current tax liabilities, where the following requirements are met:

- there is a right to offset the recognised amounts; and
- there is an intention to settle the asset and liability positions with a single payment on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets are shown in the balance sheet net of related deferred tax liabilities, where the following requirements are met:

- there is a right to offset the underlying current tax assets with the current tax liabilities; and
- deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities which intend to settle current tax assets and liabilities on a net basis (usually under a tax consolidation agreement).

10 - Provisions for risks and charges

Provisions for risks and charges for commitments and guarantees given

The sub-item of the provisions for risks and charges in question includes the funds for credit risk recognized for commitments to disburse funds and guarantees given which fall within the scope of application of the rules on impairment in accordance with IFRS 9, according to illustrated in the next specific section "Impairment".

The effects of valuation are recognised in item 170. "Net provisions for risks and charges: a) commitments and guarantees given" in the income statement.

Provisions for retirement payments and similar obligations

Retirement provisions – i.e. provisions for employee benefits paid after leaving employment – are defined as defined contribution plans or defined benefit plans according to the economic nature of the plan.

In particular:

- Defined-benefit plans provide a series of benefits depending on factors such as age, years of service and compensation policies. Under this type of plan actuarial and investment risks are borne by the company.
- Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. The employer bears no actuarial and/or investment risks connected with this type of plan as it has no legal or implicit obligation to make further contributions, should the plan not be sufficient to provide benefit to all employees.

Defined-benefit plans are present-valued by an external actuary using the unit credit projection method.

This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to theoretical total years of service at the time of payment of the benefit.

More specifically, the amount recognised according to IAS 19 Revised, as a net liability/asset in the balance sheet in item 100. "Provisions for risks and charges: b) Post-retirement benefit obligations" is the present value of the obligation at the balance sheet date, less any pension charges relating to benefits already provided but not yet recognised, less the fair value at the balance sheet date of plan assets other than those due to directly settle the obligations adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. Actuarial gains or losses from the defined-benefit liabilities are recognised as a contra-entry to equity under item 110. "Revaluation reserves" are reported in the Statement of comprehensive income.

The discount rate used to discount obligations (whether financed or not) relating to benefits to be provided after retirement varies according to the currency of denomination and country where the liabilities are allocated and is determined on the basis of market yield at the balance sheet date of prime issuers' bonds with an average life in keeping with that of the relevant liability.

At the balance sheet date, there were no provisions for retirement payments and similar obligations.

Other provisions

Provisions for risks and charges consist of liabilities recognised when:

- the entity has a present obligation (legal or constructive) as a result of a past event;

- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amounts recognised as provisions are the best estimate of the expenditure required to settle the present obligation. The risks and uncertainties that inevitably surround the relevant events and circumstances are taken into account in reaching the best estimate of a provision.

As regards provisions for legal disputes, the estimate includes the costs of proceedings borne by the Bank in the event of an adverse conclusion of the dispute plus the expenses to be paid to lawyers, technical advisors and/or experts who assist the Bank, to the extent that it is believed that they will not be reimbursed by the counterparties.

This estimate was determined by the Bank, in relation to the current dispute, mainly based on the analysis of the historical trend of legal expenses incurred, by type of litigation and degree of judgment.

In addition, where the effect of the time value of money is significant (usually when the expense is expected to materialise more than 18 months after its recognition), the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments.

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If it becomes clear that it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are used only for expenses for which they were originally recognised. Provisions for the year are recognised in the income statement in item 170. “Net provisions for risks and charges b) other net provisions" include increases due to the passage of time; they are also net of any re-attributions.

"Other provisions" also include obligations relating to benefits due to personal financial advisors, specifically supplementary customer portfolio payments and contractual payments, which can be considered defined benefit plans; accordingly, these obligations are calculated by an actuary using the unit credit projection method (see paragraph "Retirement Payments and Similar Obligations"), and payments under non-competition agreements.

In certain cases, provisions for risks and charges (for example those related to staff expenses and administrative costs) have been recognised under their own item in the income statement to better reflect their nature.

11 - Financial liabilities at amortised cost

Financial liabilities valued at an amortised cost include financial instruments (other than trading liabilities and those valued at fair value), representing various forms of third-party funding (including deposits, current accounts, loans, lease liability, current payables related to the provision of financial services as defined by the T.U.B. and T.U.F.).

On initial recognition, at settlement date, financial liabilities at amortized cost are measured at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability; the interest is recognised on the income statement, in net interest margin, on an accrual basis using the effective interest rate method.

After initial recognition, these instruments are measured at amortised cost using the effective interest method.

Financial liabilities at amortized cost include the lease liabilities initially recognized equal to the present value of future installments due for unpaid leasing amounts on that date. Payments due for leasing are discounted using the Bank's marginal financing rate, determined on the basis of the cost of funding for liabilities of a duration and guarantees similar to those implicit in the leasing contracts. The lease liability must be restated, after the effective date, if changes are made to the payments due for the lease; the amount of the restatement of the liability for the lease must be recognized as an adjustment to the corresponding asset by right of use.

Hybrid debt instruments relating to equity instruments, foreign exchange, credit instruments or indexes, are treated as structured instruments. The embedded derivative is separated from the host contract and recognised as a derivative, provided that separation requirements are met, and recognised at fair value. The embedded derivative is entered at fair value, classified under financial assets or liabilities held for trading, and is then valued at fair value, with the relative profits or losses recognised in the consolidated income statement in item 80 "Gains (losses) on financial assets and liabilities held for trading". The difference between the total amount received and the initial fair value of the embedded derivative is attributed to the host contract.

Instruments convertible into treasury shares imply recognition, at the issuing date, of a financial liability and of the equity part, recognized in item “130. “Equity instruments”, whenever the contractual terms provide for physical delivery. The equity component is initially measured at residual value, i.e., the overall value of the instrument less the separately determined value of a financial liability with no conversion clause and the same cash flow. The financial liability is recognised at amortised cost using the effective interest method.

Securities in issue are recognised net of the repurchased amounts; the difference between the book value of the liability and the amount paid to buy it, is recorded in the income statement in item 100."Gains (losses) on disposal or repurchase of: c) financial liabilities". Subsequent disposal by the issuer is considered as a new issue which doesn't produce gains or losses.

The Bank's consolidated debts do not include covenants (see glossary in the attachments) that would cause default or restructuring events. There are no debt instruments involving convertibility to equity instruments (under IASB IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments).

At the balance sheet date, there were no debt securities in issue, hybrid debt instruments or instruments convertible into treasury shares.

12 - Financial liabilities held for trading

Financial liabilities held for trading include:

- derivatives that are not designated as hedging instruments;
- obligations to deliver financial assets borrowed by a short seller (i.e., an entity that sells financial assets it does not yet own);
- financial liabilities issued with an intention to repurchase them in the near term;
- financial liabilities that are part of a portfolio of financial instruments considered as a unit and for which there is evidence of a recent pattern of trading.
-

HFT financial liabilities, including derivatives, are measured at fair value initially and for the life of the transaction.

A gain or loss arising from sale or redemption or a change in the fair value of a HFT financial asset is recognised in income statement in item 80 "Gains (losses) on financial assets and liabilities held for trading", including financial derivatives relating to a fair value option.

13 - Financial liabilities designated at fair value

Financial liabilities, like financial assets may also be designated or in the first time adoption of the principle, according to IFRS 9, on initial recognition as measured at fair value, provided that:

- this designation eliminates or considerably reduces the discrepancy that could arise from the application of different methods of measurement of assets and liabilities and related gains or losses;

or

- a group of financial assets, financial liabilities or both are managed and measured at fair value under risk management or investment strategy which is internally documented with the Board of Directors or equivalent body .

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.

Financial liabilities in this category, including derivatives, are valued at fair value initially, and during the life of the operation.

Changes in fair value are recognised in income statement in item 110. "Gains (losses) on financial assets and liabilities at fair value through profit and loss: a) financial assets and liabilities designated at fair value", except for any changes in fair value that derive from changes in the credit rating, which are shown in item 110. "Valuation reserves" in shareholders' equity unless that recognition causes a discrepancy that would result from a different valuation of assets and liabilities and related gains and losses, in which case the changes in fair value deriving from changes in credit rating are also recognised on the income statement.

At the balance sheet date, no financial liabilities classified as " Financial liabilities designated at fair value " were held.

14 - Foreign currency transactions

A foreign currency transaction is recognised at the spot exchange rate of the transaction date.

Foreign currency monetary assets and liabilities are translated at the closing rate of the year.

Part A – Accounting policies

Exchange differences arising from settlement of monetary items at rates different from those of the transaction date and unrealised exchange rate differences on foreign currency assets and liabilities not yet settled, other than assets and liabilities designated as measured at fair value and hedging instruments, are recognised in the income statement in item 80. "Gains and losses on financial assets and liabilities held for trading".

Non-monetary assets and liabilities recognised at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated at the closing rate. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit or loss, any exchange component of that gain or loss is recognised through profit or loss.

All exchange differences recognised on revaluation reserves in shareholders' equity are also reported in the Statement of comprehensive income.

15 - Other information

Business Combinations

A business combination is a transaction through which an entity obtains control of a company or of a business segment, thus bringing together different businesses into one reporting entity.

A business combination may result in a Parent-subsidiary relationship in which the acquirer is the Parent and the acquiree a subsidiary of the acquirer. A business combination may involve the purchase of the net assets of another entity, in which case goodwill can arise, or the purchase of the equity of the other entity (mergers).

IFRS 3 requires that all business combinations shall be accounted for by applying the purchase method, that involves the following steps:

- identifying an acquirer;
- measuring the cost of the business combination;

and

allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control of the acquiree.

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date.

A business combination may involve more than one exchange transaction; nevertheless, the cost of the business combination remains equal to the fair value of the total shareholding acquired. This involves the revaluation at fair value - and the recognition of the effects in the Income Statement - of the equity investments previously held in the acquired entity.

The cost of a business combination is allocated by recognising the assets, the liabilities and the identifiable contingent liabilities of the acquired company at their acquisition-date fair value. Exceptions to this principle are deferred income tax assets and liabilities, employee benefits, indemnification assets, reacquired rights, non-current assets held for sale, and share-based payment transactions that are subject to review in accordance with the principle applicable to them.

The positive difference between the cost of the business combination and the acquirer's interest at fair value, net of the identifiable assets, liabilities and contingent liabilities, must be accounted for as goodwill.

After initial recognition, goodwill is tested for impairment at least annually.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall reassess the fair values and immediately recognise any excess remaining after that reassessment in profit or loss. If the acquisition concerns a percentage less than 100% of the assets of the acquired company, minorities are recognised.

At the acquisition date, minorities are valued:

- at fair value, or
- as a share of minority interests in the assets, liabilities and potential liabilities that can be identified for the company acquired.

Purchased or originated Credit Impaired - POCI

When on initial recognition an exposure, presented in the balance sheet in item 30. “Financial assets at fair value through comprehensive income” or 40. “Financial assets at amortised cost”, is non-performing, it is qualified as “Purchased Originated Credit Impaired - POCI”.

The amortised cost and the interest income generated by these assets are calculated by considering, in the estimate of future cash flows, the expected credit losses over the entire residual duration of the asset. This expected credit loss is subject to periodic review thus determining the recognition of impairment or write - backs.

Purchased Originated Credit Impaired assets are conventionally classified on initial recognition in Stage 3. If, as a result of an improvement in the creditworthiness of the counterparty, the assets become "performing" they are classified under Stage 2. These assets are never classified under Stage 1 because the expected credit loss is always calculated considering a time horizon equal to their residual duration.

At the Accounts date, no Purchased or Originated Credit Impaired - POCI were held.

Other Long-term Employee Benefits

Long-term Employee Benefits are recognised in the Financial statement in item 80. "Other liabilities" on the basis of the measurement of the liability at the balance sheet date.

Treasury Shares

Changes in treasury shares are reported as a direct contra item to shareholders' equity, i.e. as a reduction to the latter in the amount of any purchases, and as an increase in the amount of any sales proceeds. This entails that, if treasury shares are subsequently sold, the difference between the sale price and the related post-tax purchase cost is recognised entirely as a contra item to shareholders' equity.

Offsetting financial assets and financial liabilities

The accounting offsetting of assets and liabilities items has been performed according to IAS 32, assessing the fulfilment of the following requirements:

- current legal enforceable right to set off the recognised amounts;
- intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accordance with IFRS 7, further information has been included in the table of the notes to the accounts, in Part B - Other information.

Those tables show the following in particular:

- the carrying amounts, before and after the accounting offsetting effects, related to the financial assets and liabilities that meet the criteria for applying those effects;
- the amount of the exposures that do not meet the above mentioned criteria, but are included in master netting agreements, or similar agreements, that create the right to set-off only under specific circumstances (e.g., default events);
- the amount of the related collateral.

Amortised cost

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

The effective interest method is a method of allocating the interest income or interest expense over the life of a financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions forming an integral part of the effective interest rate include loan drawdown fees or underwriting fees relating to a financial asset not designated at fair value, e.g., fees received as compensation for the assessment of the issuer's or borrower's financial situation, for valuation and registration of security, and generally for the completion of the transaction (management fees).

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Part A – Accounting policies

Classification of financial assets

The new standard for the classification and measurement of financial assets provided for by IFRS 9 is based on the "business model" and the financial instrument's contractual cash flows (SPPI criterion - Solely Payments of Principal and Interests).

Based on the entity's business model for managing financial instruments, the assets may be classified as:

- "held to collect" contractual cash flows ("HTC"), measured at amortised cost and subject to impairment based on expected losses;
- "held to collect cash flows and for sale" ("HTCS"), measured at fair value through comprehensive income, in an equity reserve, and subject to impairment on the basis of expected losses;
- "held as part of other business models", e.g. held for trading, measured at fair value through profit and loss.

It is also possible upon initial recognition to:

- irrevocably designate a financial asset as measured at fair value through profit or loss if this eliminates or significantly reduces a mismatch ("accounting mismatch") that would otherwise arise from a different measurement of assets or liabilities or from the recognition of gains and losses on different bases;
- irrevocably designate particular investments in equity instruments, which would otherwise be measured at fair value through profit or loss, as measured at fair value through other comprehensive income items. Upon disposal, the fair value changes recognised in a specific shareholders' equity reserve are not transferred to profit or loss, but to another shareholders' equity reserve.

Business model

With regard to the business model, IFRS 9 identifies three types of cases in relation to the manner in which cash flows are managed and sales of financial assets:

- Held to Collect (HTC): whose objective is to hold assets in order to collect contractual cash flows are managed to realize cash flows by collecting contractual payments over the life of the instrument. The inclusion of a portfolio of financial assets in this business model does not necessarily mean that it is impossible to sell the instruments even if it is necessary to consider the frequency, the value and the timing of sales, the reasons for sales and expectations regarding to future sales;
- Held to Collect and Sell (HTCS): whose objective is achieved by both collecting contractual cash flows and selling financial assets. Both activities (collection of contractual flows and sales) are essential for achieving the business model objective. Therefore, sales are more frequent and significant than an HTC business model and are an integral part of the strategies pursued;
- Other business models: which include both financial assets held for trading purposes and financial assets managed with a business model not attributable to previous business models.

The Bank's Business Model is determined by Key management personnel at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The entity's business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation with the corporate objective of pursuing, time in time, specific performance of maximizing net interest income and accessory commissions, in order to limit credit risk, always compatible with the RAF (risk appetite framework) established annually by the Bank. However, a single entity may have more than one business model for managing its financial instruments.

For the "Held to Collect" business model, the Bank has defined the eligibility thresholds for sales that do not affect the classification (frequent but not significant, individually and in aggregate, or infrequent even if of a significant amount) and, at the same time, the parameters were established to identify sales consistent with this business model as they are attributable to an increase in credit risk.

The Bank included the following financial assets in the "HTC" business model, according to the purposes for which they are held and their expected turnover:

- customer loans (mortgages, personal loans, unsecured loans, revolving credit cards, current account credit lines and, usually, overdraft facilities);
- cash-secured securities loans to "multi-day leverage" retail customers;
- credit cards full payment of balance;
- deposits, loans and repurchase agreements;
- other trade receivables;
- proprietary securities for which the Objective pursued by the bank as part of its investment policy is the ownership of financial assets aimed at the collection of contractual cash flows with the aim of achieving medium/long-term profitability.

The “HTCS” business model includes own securities for which the Bank pursues - as part of its investment policy - the management of the its current liquidity, the maintenance of a set interest margin or the alignment of the terms of financial assets and liabilities. Sales are an integral part of this business model and, therefore, there is no turnover threshold for portfolio sales, both in terms of frequency and amount. Nevertheless, trading activity is not allowed in order to pursue the business model and any purchases must be effected taking into account a medium to long-term time horizon.

The “Other Business Models” include any assets that do not fall into the aforementioned macro-classes: these are financial assets that are not held as part of a business model whose objective is the holding of assets aimed at the collection of contractual cash flows or whose objective is pursued through both the collection of financial cash flows and the sale of financial activities.

In particular, it involves are the following activities identified by the Bank:

- financial assets connected to internalization
- financial assets held for trading
- securities withdrawn from customers
- other securities (not included in the above points).

SPPI Test

In order to assess whether the features of contractual cash flows support either an amortised cost valuation (HTC) or at fair value through comprehensive income (HTCS) - in addition to the analysis relating to the business model - it is necessary that the contractual terms of financial assets provide for, at given dates, financial flows consisted solely of principal and interest payments on the outstanding capital share (SPPI criterion - Solely Payments of Principal and Interests).

The tests were carried out on each individual financial instrument at initial recognition in the financial statements.

Subsequent to initial recognition, and as long as it is recognized in the financial statements, the asset is no longer subject to new assessments for the purpose of the SPPI test. If a financial instrument is cancelled (derecognition) and a new financial asset is recognised, the SPPI test must be carried out on the new asset.

For the application of the SPPI test, IFRS 9 provides the following definitions:

- Principal: is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset, for example if there are repayments of principal;
- Interest: consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

For the assess of the SPPI test in the context of credit granting processes and for transactions in debt securities, a tool was developed based on an internally developed methodology (decision trees).

For transactions in debt securities, the test is carried out using the previously mentioned tool at the time of purchase of the financial instrument.

For standard credit products, the SPPI test is carried out during the proposal to market a new product or to change the standard conditions of an existing product and the test result is extended to all the individual relationships referable to the same product catalog.

For credit products with contractual conditions other than those stated in standard term sheet, the SPPI test is performed at the time of disbursement of each loan/concession of a new credit line through the use of the same tool.

It should be noted that the Bank did not set minimum or false thresholds considering any clause contractual cash flow characteristics that does not comply with the SPPI requirement as a trigger that result in the test's failure, taking into account the nature of its loans and securities portfolio, consisting of plain vanilla financial assets.

Derecognition of financial assets

Derecognition is the removal of a previously recognised financial asset from an entity’s balance sheet.

Before evaluating whether, and to what extent, derecognition is appropriate, under IFRS 9 an entity should determine whether the relevant conditions apply to a financial asset in its entirety or to a part of a financial asset. The standard is applied to a part of financial assets being transferred if, and only if, the part being considered for de-recognition meets one of the following conditions:

- the part comprises only specifically identified cash flows from a financial asset (or a group of similar financial assets);
- the part comprises only a fully proportionate (pro rata) share of the cash flows from a financial asset (or a group of similar financial assets);
- the part comprises only a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).

Part A – Accounting policies

In all other cases, the standard is applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety).

An entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset to a third party.

Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):

- there is no obligation on the company to pay uncollected amounts associated with the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;
- there is an obligation to transfer forthwith all cash flows received and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is paid on.

Recognition is also subject to verification of substantially transfer of all the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall de-recognise the asset (or group of assets) and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity shall continue to recognise the transferred asset(s). In this case it is necessary to recognise a liability corresponding to the amount received under the transfer and subsequently recognise all income accruing on the asset or expense accruing on the liability.

The main transactions that do not allow, under the above rules, total derecognition of a financial asset are securitisations, repurchase (sell and buy-backs) and securities lending transactions.

In the case of securitisations, the company does not de-recognise the financial asset on purchase of the equity tranche or provision of other forms of support of the structure which result in retention by the company of the credit risk of the securitised portfolio.

In the case of repurchase transactions and stock lending, the assets transacted are not derecognised since the terms of the transaction entail the retention of all their risks and rewards.

Lastly, it should be noted that securities lending transactions collateralised by other securities or not collateralised were recorded as off-balance sheet items.

At the reporting date, no loan securitisation transactions were present.

Impairment

General matters

Loans and debt instruments classified in the items: Financial assets at amortised cost, Financial assets at fair value through comprehensive income and the relevant off-balance sheet exposures (Commitments and guarantees given), are subjected to an impairment calculation in accordance with IFRS 9, taking into account the integrated reference regulations of the internal regulations which regulate the credit classification rules and their transfer to the various categories.

The exposures are classified in Stage 1, Stage 2 or Stage 3 depending on their absolute or relative credit rating, compared to the initial disbursement. In particular:

- Stage 1: this includes newly originated or acquired credit exposures and exposures that have not suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 2: this includes credit exposures that are performing but which have suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 3: this includes impaired credit exposures.

For Stage 1 exposures, the impairment is equal to the expected loss calculated on a time frame of up to one year. For Stage 2 and 3 exposures, the impairment is equal to the expected loss calculated on a timeframe equivalent to the residual duration of the related exposure.

Part A – Accounting policies

In order to meet the standard, the Bank refers specific models to calculate the expected loss. These models draw on the PD, LGD and EAD criteria used for regulatory purposes, to which specific directions are made to ensure full cohesion with the accounting standard[41]. In this regard, forward-looking information has also been included[42] with the elaboration of specific scenarios.

The expected loss is calculated for institutional counterparties, using the credit parameters provided by UniCredit S.p.A., in accordance with a specific Master Service Agreement contract entered into between FinecoBank and UniCredit S.p.A..

With reference to the expected loss for the retail counterparties do not have internal rating systems at their disposal, they use proxies. Segmentation by product type is carried out and the PD is replaced by the average decay rate observed by the transition matrixes defining the change to classify. This approach is based on the assumption that when there are no changes in the criteria adopted to assess the creditworthiness of the individual counterparties, the quality of the future credit will be consistent with the quality of the credit found in the time series available. To implement the requirements of the IFRS9 rule, the proxies of the parameters are corrected using forward looking information.

A key aspect of the new accounting model required to calculate the expected loss is the Stage Allocation model, the aim of which is to transfer exposures between Stage 1 and Stage 2 (as Stage 3 is equivalent to that of impaired exposures), where Stage 1 mainly includes (i) newly disbursed exposures, (ii) exposures that have no significant impairment of credit risk compared to initial recognition, and (iii) exposures with a low credit risk (low credit risk exemption) on the reporting date.

The Stage Allocation valuation model is based on a combination of relative and absolute elements. The main elements were:

- the comparison at transaction level between the PD value at the time of disbursement and the value on the reporting date, both qualified according to internal models at fixed thresholds to take into account all the key variables of each transaction that may influence the Bank's expectations about ongoing changes in PD (e.g. age, maturity, level of PD at the time of disbursement);
- absolute elements such as the backstops provided for by the regulation (e.g. 30 day Expired);
- other internal findings (forborne classification).

With reference to debt instruments, the Bank has opted to apply the low credit risk exemption on investment grade securities, in full accordance with the provisions of the accounting standard.

The criteria for determining the write-downs of receivables are based on the discounting of expected cash flows of principal and interest. In line with the business model, these can also refer to market operations; for determining the present value of cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the discounting rate used.

The amount of the loss on impaired exposures classified as non-performing, unlikely to pay and past due according to the categories specified below, is the difference between the carrying value and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed-rate positions, the interest rate determined in this manner is also held constant in future years, while for floating rate positions the interest rate is updated according to contractual terms. If the original interest rate is not directly available, or if finding it would be excessively onerous, the interest rate that best approximates the original one is applied, including through practical expedients that do not affect the substance and ensure consistency with international accounting standards.

Recovery times are estimated on the basis of business plans or forecasts based on historical recovery experience observed for similar classes of loans, taking into account the customer segment, type of loan, type of security and any other factors considered relevant.

Parameters and definitions of risk level used in the calculation of value adjustments

As mentioned above, the models to calculate the expected loss, which draw on the PD, LGD and EAD criteria, as well as the effective interest rate. These models are used for calculating value adjustments of all the institutional counterparties, for the most part made up of FIBS (Financial Institutions, Banks and Sovereigns) counterparties.

Specifically:

- PD (Probability of Default) expresses the percentage of estimated loss, and hence the expected recovery rate whenever a credit position default event occurs;
- LGD (Loss Given Default) expresses the percentage of estimated loss, and hence the expected recovery rate is the complement to the unit (of the LGD) whenever a credit position default event occurs;
- EAD (Exposure at Default) expresses the measurement of the exposure at the time of the credit position default event;
- Effective Interest Rate is the discount rate expressing the time value of the money.

[41] See paragraph "Parameters and definitions of risk level used in the calculation of value adjustments" for a more detailed explanation of the risk measures used within the Group to calculate the expected credit loss in accordance with IFRS 9.
[42] See paragraph "Forward-looking information used in calculating value adjustments" for a more detailed explanation of the forward-looking information and scenarios used to calculate the expected credit loss in accordance with IFRS 9.

Part A – Accounting policies

These parameters are calculated on the basis of identical parameters used for regulatory purposes, with specific adjustments made to ensure full cohesion, net of the various regulatory requirements, between the accounting treatment and the regulatory treatment.

The main adjustments are made in order to:

- remove the required conservatism only for regulatory purposes;
- introduce point-in-time adjustments to replace the through-the-cycle adjustments required for regulatory purposes;
- include forward-looking information;
- extend the credit risk parameters to a multi-year perspective.

With regard to the lifetime PD, the through-the-cycle PD curves obtained by adapting the cumulative non-compliance rates are adjusted to reflect point-in-time provisions and forward-looking provisions with regard to the portfolio non-compliance rates.

The rate of recovery incorporated in the through-the-cycle LGD was adapted in order to reflect the latest trends in recovery rates, and expectations about future trends discounted to the actual interest rate or its best approximation.

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

Specifically, the 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 realisation of collateral, regardless of the existence of any past due and/or overdrawn impaired exposures or of the number of days past due.

The aforementioned Circular 272 establishes that the impaired assets aggregate is divided into the following categories:

- Bad exposures, i.e., the on-balance-sheet and off-balance-sheet exposures to insolvent borrowers, even if the insolvency has not been recognised in a court of law. They are measured individually (including 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 – on - and off-balance sheet exposures which do not meet the borrower's condition for classification as non-performing loans and for which, in the absence of actions such as the enforcement of collateral, the debtor's ability to fully meet its credit obligations (principal and/or interest) is assessed as unlikely. 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. The "unlikely to pay" exposures are measured in the accounts individually (including by verifying statistically defined coverage levels for some loan portfolios below a predefined threshold) or by applying a percentage on a flat basis by type of homogeneous exposures. Exposures classified as unlikely to pay and identified as forborne, may only be reclassified to unimpaired loans after at least one year has passed from the time of the forbearance and the conditions established in paragraph 157 of the EBA Implementing and Technical Standards have been met.
  With regard to their measurement, they are generally measured on an individual basis or by applying a percentage on a flat basis by type of homogeneous exposures and the resulting allowance may include the discounted cost due to renegotiation of the interest rate at a rate lower than the original contractual rate.
- 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 are determined with respect to the individual debtor. 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" (standardized method). Past-due and/or overdrawn impaired exposures are valued at a flat rate on a historical/stochastic basis.

Lastly, it is worth noting that the regulation relating to the "New definition of default" (Regulation UE 2018/171 and the EBA 2016/07 guidelines), which will come into force from 31 December 2020, establishes more restrictive criteria and methods for classifying default compared to those adopted so far by Italian intermediaries, with the aim of harmonizing the approaches to applying the definition of default and identifying the conditions of unlikely fulfillment between financial institutions and the various jurisdictions of the EU countries.

The main changes introduced will concern:

- the change to the materiality threshold which contributes, together with the expired days (90 days), to determine the classification as default. This threshold is composed of:
  - an absolute component of €100 for retail customers and €500 for all other types of exposure;
  - a relative component, represented by the percentage that expresses the relationship between the amount of the outstanding credit obligation and the total amount of all exposures to the same debtor; the percentage adopted by the Bank of Italy is 1%.

- the introduction of a three-month trial period (cure period) for the reclassification to performing of debtors previously classified as non-performing;
- Introduction of the prohibition to compensate the overdue amounts with any credit lines not used by the debtor.

The activities relating to the definition of rules-principles and the adaptation of IT systems, aimed at ensuring the correct application of the new regulatory requirements, are being implemented.

Forward-looking information used in calculating value adjustments

The credit loss expected from the parameters described in the forgoing paragraph considers macroeconomic forecasts by applying multiple scenarios to the forward looking components.

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

Repos and securities lending

Securities received in a transaction that entails a contractual obligation to sell them at a later date or delivered under a contractual obligation to repurchase are neither recognised nor derecognised. In respect of securities purchased under an agreement to resell, the consideration is recognised as financial assets at amortised cost, or as an asset held for trading; in respect of securities held in a repurchase agreement, the liability is recognised as financial liabilities at amortised cost, or as financial liabilities held for trading. Revenue from these loans, being the coupons accrued on the securities and the difference between the sale/purchase and resale/repurchase prices, is recognised in profit or loss through interest income and expenses on an accruals basis.

These transactions can only be offset if, and only if, they are carried out with the same counterparty and provided that such offset is provided for in the underlying contracts.

The same rules apply to securities lending transactions collateralised by cash fully available to the lender.

The profit or loss items connected with these transactions are booked respectively:

- in the item Interest, for the positive component (borrower) and the negative component (lender) related to the return on cash paid to the lender;
- in the item Fees and commissions, for the negative component (borrower) and the positive component (lender) related to the service received (provided) through the provision of the security by the lender.

With reference to securities lending transactions collateralised by other securities, or not collateralised, the security lent or the security put up as collateral are still recognised as assets in the balance sheet, depending on the role - lender or borrower, respectively - played in the transaction.

Share-Based Payment

Equity-settled payments made to employees or other staff (in particular, personal financial advisors) in consideration of work services rendered or other goods received or services rendered, using shares, which consist of:

- stock options;
- rights to receive shares upon attainment of certain objectives (“performance shares”), which are settled with equity instruments;
- Performance shares (i.e. awarded on attainment of certain objectives) settled in cash.

Considering the difficulty of reliably measuring the fair value of the services acquired against equity-settled payments, reference is made to the fair value of the instruments, measured at the date of their allocation.

The fair value of equity-settled payments or the purchase on the market of shares in FinecoBank in exchange of work or services is recognised as cost in income statement in item 160. “Administrative costs” or 50. “Fee and commission expense” as a contra-entry to item 140. "Reserves” in shareholders' equity, on an accruals basis over the period in which the services are acquired.

As for share-based payments settled in cash in favour of personal financial advisors, the services acquired and the liabilities assumed are measured at the latter’s fair value, recognised in Item 50. “Fee and commission expense” as counterparty of the Item 80. "Other Liabilities". Until the liability is settled, the fair value is recalculated at each balance sheet date until the settlement date, and all changes in fair value are recognised in item 50. “Fee and commission expense”.

As regards the share based payments consisting in the payment of shares of the former Parent Company UniCredit S.p.A., directly allocated to employees of the Group UniCredit that involve settlement with shares of UniCredit S.p.A., under arrangements between the company of the Unicredit Group and UniCredit S.p.A. (and still in place for FinecoBank under specific agreements) for their cash settlement, are measured at fair value, calculated when the related rights are assigned, recognised as a cost in income statement in item 160 "Administrative expenses", as a contra entry to the balance sheet in item 80. "Other Liabilities", on an accruals basis over the period in which the services are acquired.

Renegotiations

When, during the life of an instrument, the contractual clauses are subject to modification by the parties to the contract, it is necessary to verify whether following the renegotiation the original asset must continue to be recognized in the financial statements and accounted for using the "modification accounting" or if, on the contrary, the original instrument must be cancelled from the financial statements (derecognition) and a new financial instrument must be recognized.

To this end, the renegotiations of financial instruments that lead to a change in the contractual terms are recognised on the basis of the "substantiality" of those contractual changes.

The assessment of the substantial nature of the change must be carried out considering both qualitative elements and, in the case of financial liabilities, quantitative elements. In some cases it is possible to establish whether the modification introduced substantially change the characteristics and/or contractual cash flows of a given asset/liability through a qualitative analysis. With regard to the financial liabilities, moreover, further analyses, including quantitative ones, must be carried out to appreciate the effects of the same and verify the need to proceed or not with the derecognition of the liability and the recognition of a new financial instrument (10% threshold test).

If the risks and rewards of ownership of the financial asset, after the modification, are not substantially transferred, the accounting representation that offers the most relevant information for the reader of the financial statements is that performed through the "modification accounting", which implies that the gross value is redetermined by calculating the present value of cash flows resulting from the renegotiation, at the original rate of the exposure. The difference between the gross value of the financial instrument prior to and after the renegotiation of the contractual terms, adjusted to consider the associated changes to the cumulative value adjustments, is recognised as a profit or loss in item 140. “Profit/loss from contractual modification without derecognition”.

Otherwise, when the risks and rewards of ownership of the financial asset, after the modification, are substantially transferred, it is necessary to proceed with the derecognition.

Renegotiations formalised by means of changes to the existing contract or by the signing of a new contract, which lead to the exclusion of the right to receive cash flows according to the provisions of the original contract, are considered to be significant. The rights to receive cash flows are considered to be excluded in the case of renegotiations that lead to the introduction of clauses resulting in a change of classification of the instrument, which result in a change in the currency and which are made at market conditions, thus not constituting a credit exposure.

Equity instruments

Equity instruments represent a residual interest in assets of the Company, net of liabilities. An instrument is classified as equity instrument if there are no contractual obligations to make payments in the form of principal, interest or other types of returns.

Specifically, instruments that meet the following requirements are classified as equity instruments:

- unlimited term or at least equal to the term of the company;
- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding.

Equity instruments include Additional Tier 1 instruments under Regulation (EU) No. 575/2013 (CRR) on prudential requirements for credit institutions and investment firms, which in addition to the above characteristics:

- maintain the issuer’s full discretion as to the reinstatement of the nominal value (write-up) following a capital event that resulted in a write-down;
- do not include provisions that require the issuer to make payments (must pay clauses) as a result of actual events under the control of the parties.

Equity instruments other than ordinary or savings shares, are classified in the balance sheet in item 130. "Equity instruments" for the amount received. Any coupons and transaction costs attributable to the transaction paid are deducted from Item 140. "Reserves" in shareholders' equity, net of related taxes.

Part A – Accounting policies

Provisions for employee severance pay

The "TFR" provision for Italy-based employee benefits is to be construed as a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see Section 12 - under Provisions for Risks and Charges - Retirement Payments and Similar Obligations). This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to total years of service at the time of payment of the benefit.

Following pension reform by Law 252 of December 5, 2005, TFR instalments accrued to December 31, 2006 (or to the date between January 1, 2007 and June 30, 2007 on which the employee opted to devolve their TFR to a supplementary pension fund) stay in the employer and are considered a post-employment defined benefit plan therefore incurring actuarial valuation, though with simplified actuarial assumptions, i.e., forecast future pay rises are not considered.

TFR instalments accrued since January 1, 2007 (date of Law 252 coming into effect) (or since the date between January 1, 2007 and June 30, 2007) are, at the employee's discretion, either paid into a pension fund or left in the company and (where the company has in excess of 50 employees) paid into an INPS Treasury fund by the employer, and are assimilated to a defined-contribution plan.

Costs relating to TFR are recognised in the Income Statement in item 160. "Administrative costs: a) staff expenses" and include, for the part of the defined benefit plan: (i) interest cost accrued in the year, for the part of plan considered defined contribution plan (ii) the accrued instalments for the year paid into the complementary pension scheme or to the Treasury fund of INPS.

Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of obligations at period end, are recognised in Shareholders' equity under the Revaluation reserves in accordance with IAS 19 Revised and are also shown in the Statement of Comprehensive Income.

Write – offs

The Bank will enter a write-off by reducing the gross exposure of a financial asset if there are no reasonable expectations of recovering all or part of that asset.

The Bank will recognise a write-off in the following cases:

- there is no longer any reasonable expectation of recovering all or part of the asset despite the presence of the legal rights to recover the accrued capital and interest;
- waiver of the legal right to recover the accrued capital and interest;
- cessation of the legal right to recover capital and interest due to completion of the attempts at recovery.

Part A – Accounting policies

Targeted Longer Term Refinancing Operations III - TLTRO III

TLTRO III operations are unconventional monetary policy instruments that allow Eurosystem credit institutions to finance themselves on a long-term basis at very favourable rates, with the aim of increasing lending to businesses and consumers in the euro area.

The liabilities related to TLTRO III operations are recognised in “Financial liabilities at amortised cost” and are measured at amortised cost, applying the provisions of IFRS 9. The Bank considers the interest rate as a specific market rate for this type of operation, carried out within the framework of the monetary policy measures implemented by the European Central Bank, which sets the level of the interest rate.

The effective interest rate is determined separately for each operation based on the expected cash flows, which include the forecasts of the maintenance of the “net eligible loans”, required to obtain the additional remuneration envisaged in the special interest rate periods, which are verified using a statistical approach that estimates the likelihood of this requirement being achieved with an adequate level of confidence, supported by forecasts.

The TLTRO operations are considered equivalent to floating rate financial liabilities and the expected cash flows resulting from the change in the average rate on deposits at the Central Bank are therefore recognised in accordance with IFRS 9, under which the effective interest rate is altered by the periodic re-estimation of cash flows to reflect movements in market rates of interest. The re-estimation of the future interest payments normally has no significant effect on the carrying amount of the liability. In contrast, the change in the expected cash flows related to the additional remuneration envisaged in the special interest rate periods, resulting from changes in the estimated payments due to revised assessments of the achievement of the eligibility criteria, necessitates a re-estimation of the carrying amount of the liability.

Tax credits related to the “Cura Italia” and “Rilancio” Law Decrees

With regard to the tax credits related to the “Cura Italia” and “Rilancio” Law Decrees, the Group did not make any purchases in 2020, either from direct beneficiaries or from previous purchasers.

Part A – Accounting policies

RECOGNITION OF INCOME AND EXPENSES

The main revenues and costs are recorded in the income statement as follows:

- interest is recognized pro rata temporis based on the contractual interest rate or the effective interest rate if the amortized cost method is applied. Interest expenses (or interest income, in case of negative interest) also includes the interest on lease liabilities determinated based on the marginal loan rate. Interest income (or interest expense) also includes the spreads or margins, positive (or negative), accrued up to the reporting date, relating to:
  - derivative financial contracts hedging interest-bearing assets and liabilities;
  - financial derivative contracts classified in the balance sheet as held for trading, but operationally linked to financial assets and / or liabilities designated at fair value (*fair value option*);
  - financial derivative contracts operationally linked to assets and liabilities classified in the balance sheet as held for trading or operationally linked to "other financial assets mandatorily at fair value" and which provide for the settlement of spreads or margins with several maturities ("multi-flow contracts");
- default interest is taken to the income statement on actual collection;
- dividends are recognised in profit or loss in the financial year in which their distribution has been approved;
- fees and commissions from services are recognized, based on the underlying contractual agreements, in relation to the provision of the services from which they originated. The fees included in amortised cost to calculate the effective interest rate are recognized as interest;
- gains and losses on financial instrument disposal, determined as the difference between the amount paid or collected in the transaction and the fair value of the instrument, are recognized in the income statement upon recognition of the transaction if the fair value can be determined with reference to official prices available on active markets, or for assets and liabilities measured on the basis of valuation techniques using observable market parameters other than the quoted prices of the financial instrument (level 1 and level 2 of the fair value hierarchy). If the reference parameters used for valuation are not observable on the market (level 3) or the instruments are illiquid, the financial instrument is recorded for an amount equal to the transaction price; the difference with respect to fair value is recognized in the income statement over the term of the transaction;
- gains and losses from securities trading are recognized in the income statement at the time the sale is finalized, based on the difference between the amount paid or collected and the carrying amount of the instruments;
- gains and losses from the sale of non-financial assets are recognized at the time the sale is finalized, or when the performance obligation to the customer is fulfilled;
- the costs are recognized in the income statement according to the accrual principle; the costs recognized for the acquisition of contracts with customers, which the Bank would not have incurred had it not obtained the contract, are recognized as assets and systematically amortized in the income statement in line with the recognition of revenues related to the transfer to customers of the goods or services to which the asset refers.

Among costs, administrative expenses also include short-term lease payments, low value lease payments (i.e. contracts whose assets underlying the contract do not exceed, when new, the threshold of €5 thousand), costs for variable payments due for leasing not included in the evaluation of the lease liability, the VAT component of the lease payments to be paid/paid on the leasing contracts recognized in accordance with IFRS 16 and the fees for the leasing of intangible assets.

Fees and commissions income and other operating income are accounted for in P&L as the entity satisfies the performance obligation embedded in the contract, according to “IFRS15 Revenue from Contracts with Customers” rules. In particular, revenues from commissions from services and other income are recognized in the income statement:

- at a specific moment, when the entity fulfills the obligation to transfer the promised good or service ("point in time") to the customer,

or

- over time, as the entity fulfils its obligation to transfer the promised good or service ("over time") to the customer.

The promised good or service, i.e. the asset, is transferred when the customer has control.

If the timing of cash-in of the contractual amount is not aligned to the way the performance obligation is satisfied, the Bank accounts for a contract asset or a contract liability for the portion of revenue accrued in the period or to defer in the following periods.

The amount of revenues linked to fees and commissions income and other operating income is measured based on contractual provisions.

If the amount contractually foreseen is subject, totally or partially, to variability, a revenue has to be booked based on the most probable amount that the Bank expects to receive. Such amount is determined on the basis of all facts and circumstances considered relevant for the evaluation, that depend on the type of service provided and, in particular, on the presumption that it is not highly probable that the revenue recognized will not be significantly reversed.

If a contract regards different goods/services whose performance obligations are not satisfied at the same time, the revenue is allocated among the different obligation proportionally to the stand-alone price of the single item delivered. These amounts will therefore accounted for in P&L through

Part A – Accounting policies

different methods ("over time" or "point in time") on the basis of the timing of satisfaction of each obligation. If the allocation is particularly burdensome and where revenues are not material, revenue is entirely allocated to the main performance obligation.

Where envisaged, the fees to be paid to customers are recorded as a reduction in revenues from the supply of goods or services and consistently with the recognition of said goods or services.

Any revenues that include a significant funding component are adjusted to take into account the effects of the time value of money, to reflect the price that the customer would have paid if the payment had occurred upon (or gradually with) the transfer of the promised goods or services. The Bank uses the practical expedient envisaged by paragraph 63 of IFRS 15; as a result of which the amount the Bank does not adjust the promised amount to take into account the effects of a funding component when the time interval expected between the transfer of the promised good or service and the related payment is less than one year.

To this end, it is worth noting that the performance of financial services provided over a given period of time (for example, the keeping and management of current accounts, advisory services, etc.) have been considered satisfied over time, regardless of the moment the consideration is paid by the customer, while performances of financial services that require the execution of specific activities (for example, purchase, sale or placement of securities, UCITS or insurance products, execution of money transfers) have been considered fulfilled at a given time ("point in time"), even if the contract requires the service is provided for an indefinite period.

With reference to the main revenue recognized by the Bank in application of the IFRS 15 accounting standard, it should be noted that:

- the commissions for trading, order collection and placement of financial instruments are accounted for "point in time", as the service is intended provided when the service is rendered. The consideration is quantified as a fixed or percentage amount, based on the contractual conditions, on the value of the instrument traded/placed;
- advisory, portfolio management and insurance product management commissions are recorded "over time", as the service is intended provided during the term of the contract (input method). For this type of fees, in fact, it is deemed that the input which are necessary to provide the service incorporated in the performance obligation are evenly distributed during the term of the contract. There are no performance fees on asset management instruments. With regard to placement of insurance policies, whose return is determined on the basis of the performance of the separate management on the annual recurrence of the policy, it should be noted that there is a variability determined by the performance of the separate management, which may result in a reduction in applicable rate;
- commissions related to payment systems are mainly recognized "point in time", except for some services that are recorded "over time" during the term of the contract (SEPA Electronic Database Alignment). The considerations are quantified as a fixed amount, mainly with reference to transactions carried out on behalf of customers (for example ATM withdrawals of less than €100, Visa debit extra Group withdrawals, foreign money transfers or in other currencies other than euro, postal bills, etc...), or as percentage of the value of the transaction, mainly with reference to revenues received from the circuits and generated by transactions carried out on behalf of customers (credit cards / Visa debit, Pos, etc.);
- recoveries of the stamp duty on financial assets are recorded "over time", according to the provisions in force, as the service is considered provided during the term of the contract.

A.3 Disclosure on transfers between portfolios of financial assets

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

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

Specifically, the following may be reclassified:

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

The following changes in circumstances are not considered reclassifications:

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

The following are not changes in business model:

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

During 2020 the Bank has not made changes to its business models and, consequently, did not make any changes.

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

No data to report.

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

No data to report.

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

No data to report.

Part A – Accounting policies

A.4 Information on fair value

Qualitative information

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

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

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

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

A financial instrument shall be considered as quoted in an active market if quoted prices are readily and regularly available from a pricing service, dealer, broker, pricing or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If official listing in an active market is not available for a financial instrument as a whale, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the component parts.

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

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

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

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

The internal legal framework has been updated in 2020 and consists of a Global Policy and an Operative Manual. The Global Policy sets the principles and the rules governing the fair value measuring framework and the independent price verification process, whereas the Operative Manual describes the process in detail and identify Fair Value measuring techniques as well as independent price verification methodologies applicable for each financial instrument held by the Bank.

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

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

Description of evaluation techniques

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

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

Part A – Accounting policies

Fair Value Adjustments (FVAs)

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

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

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

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

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

A.4.3 Fair value hierarchy

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

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

In particular, three levels are considered:

- Level 1: the fair value of instruments classified in this level is determined by quotation prices observed in active markets;
- Level 2: the fair value for instruments classified within this level is determined according to valuation models using observable market inputs;
- Level 3: the fair value for instruments classified within this level is determined through to valuation models largely used use significant inputs not observable on active markets.

A.4.4 Other information

Hereby we provide IFRS 13 disclosure requirements.

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

Fixed Income Securities

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

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

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

Structured Financial Products

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

OTC derivatives

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

Equity Instruments

Equity Instruments shall be marked as to Level 1 when a quoted price is available on an active market and as Level 3 when no quotations are available or quotations have been suspended indefinitely. Level 2 shall be assigned only to listed securities whose trading volumes on the market are significantly low.

In order to provide a fair value for Visa INC preferred shares class "C" and class “A”, the Bank has adopted a model which converts the market price in dollars of Visa INC class "A" shares into euro and applies a discount factor. For the class “C” preferred shares valuation as at 31 December 2020 such factor was determined equal to 8.52%, estimating as at December 31, 2020, litigation risk at 2.52% and illiquidity risk at 6%. The litigation risk component has been extracted from an historical series of data provided by Visa INC, whereas the illiquidity risk component has been derived from the illiquidity of shares having limitations on their transferability for a certain period. With reference to class “A” shares the discount factor has been set equal to 3.42%, estimated only as “illiquidity risk”. The Visa INC preferred shares class "C" and class “A” have been marked as level 3 of fair value hierarchy 3.

With regards to the contributions paid to the Interbank Deposit Guarantee Fund for the support measures in favour of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi), the fair value of the related equity instruments has been determined using a model based on the Discounted Cash Flow model according to the recovery forecasts. The fair value of equity instruments arising from the contributions paid in relation to the intervention in favor of Banca Carige S.p.A., has been determined instead using an internal model adopted by the Bank based on the Market Multiples methodology applied in multi-scenario analysis.

Both the equities have been marked as level 3 of fair value hierarchy.

Investment Funds

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

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

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

Part A – Accounting policies

Financial assets at amortised cost
For financial assets valued at amortised cost, whose fair value is not based on prices observed on active markets (level 1), the fair value is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued using simplified approaches, which however take into account their financial characteristics. Financial assets valued at amortised cost, whose duration is less than 12 months, for which the fair value has been estimated to be equal to the book value, have been assigned the level 3 fair value hierarchy.

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

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

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

Part A – Accounting policies

Quantitative information

A.4.5 Fair value hierarchy

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

(Amounts in €thousand)

Assets/Liabilities at fair value	12/31/2020 L1	12/31/2020 L2	12/31/2020 L3	12/31/2019 L1	12/31/2019 L2	12/31/2019 L3
1. Financial assets at fair value through profit or loss	13,563	3,491	10,521	4,670	3,302	11,320
a) financial assets held for trading	13,506	3,491	-	4,631	3,302	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	57	-	10,521	39	-	11,320
2. Financial assets at fair value through other comprehensive income	143,693	-	5	321,694	-	5
3. Hedging derivatives	-	19,003	-	-	36,059	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**157,256**	**22,494**	**10,526**	**326,364**	**39,361**	**11,325**
1. Financial liabilities held for trading	4,028	1,843	18	3,217	560	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	214,388	-	-	80,852	-
Total	**4,028**	**216,231**	**18**	**3,217**	**81,412**	**-**

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

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

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

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

Part A – Accounting policies

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

(Amounts in €thousand)

	Financial assets measured at fair value with impact on the income statement				Financial assets at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily at fair value				
1. Opening balance	**11,320**	**-**	**-**	**11,320**	**5**	**-**	**-**	**-**
2. Increases	**4,821**	**35**	**-**	**4,786**	**-**	**-**	**-**	**-**
2.1 Purchases	35	35	-	-	-	-	-	-
2.2 Profits recognised in:	4,786	-	-	4,786	-	-	-	-
2.2.1 Income Statement	4,786	-	-	4,786	-	-	-	-
- of which unrealised gains	4,786	-	-	4,786	-	-	-	-
2.2.2 Shareholders' Equity	-	X	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	**(5,620)**	**(35)**	**-**	**(5,585)**	**-**	**-**	**-**	**-**
3.1 Sales	(35)	(35)	-	-	-	-	-	-
3.2 Redemptions	-	-	-	-	-	-	-	-
3.3 Losses recognised in:	(5,585)	-	-	(5,585)	-	-	-	-
3.3.1 Income Statement	(5,585)	-	-	(5,585)	-	-	-	-
- of which unrealised losses	(5,585)	-	-	(5,585)	-	-	-	-
3.3.2.Shareholders' Equity	-	X	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balances	**10,521**	**-**	**-**	**10,521**	**5**	**-**	**-**	**-**

The sub-items 2.2.1 “Profits recognized in Income Statement” and 3.3.1 “Losses recognized in Income Statement” are included, where present, in consolidated income statement in the following items:

- Item 80: Gains (losses) on financial assets and liabilities held for trading;
- Item 110: Gains (losses) on financial assets and liabilities at fair value through profit and loss;
- Item 90: Fair value adjustments in hedge accounting.

The sub-items 2.2.2 “Profits recognised in Shareholders’ equity” and 3.3.2 “Losses recognised in Shareholders’ equity” arising from changes in fair value of “Financial assets at fair value through other comprehensive income” are recognised, if any, in equity item 110. "Revaluation reserves" of consolidated shareholder’s equity - except losses due to impairment and exchange rate gains or losses on monetary items (debt instruments) which are recognised under item 130. "Impairment losses/write backs on: b) financial assets at fair value through other comprehensive income" and item 80. "Gains (losses) on financial assets and liabilities held for trading" of the consolidated income statement, respectively - until the financial asset is sold, at which time cumulative gains and losses are recognised in consolidated profit or loss in item 100. "Gains (losses) on disposal or repurchase of: b) financial assets at fair value through other comprehensive income".

A.4.5.3 Annual changes in financial liabilities measured at fair value level 3 on a recurring basis

(Amounts in €thousand)

	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Hedging derivatives
1. Opening balance	**-**	**-**	**-**
2. Increases	**30**	**-**	**-**
2.1 Issues	24	-	-
2.2 Losses allocated to:	6	-	-
2.2.1 Income Statement	6	-	-
- of which capital losses	6	-	-
2.2.2 Shareholders' Equity	X	-	-
2.3 Trasferts from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**12**	**-**	**-**
3.1 Reimbursements	-	-	-
3.2 Repurchases	12	-	-
3.3 Profits recognised in:	-	-	-
3.3.1 Income Statement	-	-	-
- of which capital gains	-	-	-
3.3.2 In equity	X	-	-
3.4. Trasferts to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balances	**18**	**-**	**-**

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

(Amounts in €thousand)

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	12/31/2020				12/31/2019			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets at amortised cost	29,062,987	18,800,104	5,909,192	5,497,577	26,189,532	14,781,018	7,779,770	4,346,828
2. Tangible assets held for investment	1,872			2,367	1,980			2,950
3. Non-current assets and disposal groups classified as held for sale								
Total	**29,064,859**	**18,800,104**	**5,909,192**	**5,499,944**	**26,191,512**	**14,781,018**	**7,779,770**	**4,349,778**
1. Financial liabilities at amortised cost	29,415,180		942,853	28,465,364	26,067,097		1,366	26,065,737
2. Liabilities included in disposal group classified as held for sale								
Total	**29,415,180**	**-**	**942,853**	**28,465,364**	**26,067,097**	**-**	**1,366**	**26,065,737**

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

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

Part A – Accounting policies

A.5 Day-one profit/loss

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

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

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

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

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

Part B – Balance sheet

Assets

Section 1 - Cash and cash balances - Item 10

1.1 Cash and cash balances: breakdown

(Amounts in € thousand)

	Total 12/31/2020	Total 12/31/2019
a) Cash	7	53
b) Demand deposits with Central banks	1,760,341	754,333
Total	**1,760,348**	**754,386**

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

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

2.1 Financial assets held for trading: product breakdown

(Amounts in € thousand)

Items/Amounts	Total 12/31/2020			Total 12/31/2019		
	L1	L2	L3	L1	L2	L3
A. Balance sheet assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	9,942	-	-	3,289	-	-
3. Units in investment funds	-	-	-	5	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**9,942**	**-**	**-**	**3,294**	**-**	**-**
B. Derivative instruments						
1. Financial derivatives	3,564	3,491	-	1,337	3,302	-
1.1 trading financial derivatives	3,564	3,491	-	1,337	3,302	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading derivatives	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	**3,564**	**3,491**	**-**	**1,337**	**3,302**	**-**
Total (A+B)	**13,506**	**3,491**	**-**	**4,631**	**3,302**	**-**

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

Part B – Balance sheet

Financial derivatives refer to the positive valuation of CFD contracts on forex, indices, shares, interest rates, commodities and futures used for the operational hedging of CFDs on indices, interest rates and commodities. They amounted to €3,352 thousand (€3,227 thousand as at December 31, 2019).

Sub-item B.1.1 "Derivative instruments - Trading financial derivatives" also includes the positive valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"). They amounted to €3,702 thousand (€1,412 thousand as at December 31, 2019).

2.2 Financial assets held for trading: breakdown by issuer/borrower

(Amounts in €thousand)

Items/Amounts	Total 12/31/2020	Total 12/31/2019
A. On-balance sheet assets		
1. Debt securities	-	-
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	9,942	3,289
a) Banks	7	-
b) Other financial companies	300	217
of which: Insurance companies	2	4
c) Non-financial companies	9,635	3,072
d) Other issuers	-	-
3. Units in investment funds	-	5
4. Loans	-	-
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**9,942**	**3,294**
B. Derivative instruments	**-**	**-**
a) Central Counterparties	38	55
b) Others	7,017	4,584
Total (B)	**7,055**	**4,639**
Total (A+B)	**16,997**	**7,933**

Item B. "Derivative instruments" also includes the positive valuations of spot contracts for securities classified in the "Financial Assets held for trading" portfolio and currencies to be settled within times established by market practices ("regular way").

2.3 Financial assets designated at fair value: product breakdown

No data to report.

Part B – Balance sheet

2.4 Financial assets designated at fair value: breakdown by issuer/borrower

No data to report.

2.5 Other financial assets mandatorily at fair value: product breakdown

(Amounts in € thousand)

Items/Accounts	Total 12/31/2020			Total 12/31/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**50**	**-**	**-**	**32**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	50	-	-	32	-	-
2. Equity instruments	**7**	**-**	**10,521**	**7**	**-**	**11,320**
3. Units in investment funds	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	**57**	**-**	**10,521**	**39**	**-**	**11,320**

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

The "Other financial assets mandatorily at fair value" primarily consist of the Visa INC class "C" and class "A" preferred shares, for an amount of € 9,319 thousand, which saw a positive change in fair value during 2020 of € 638 thousand and the residual equity instruments exposure following the contribution paid to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF), amounting to € 1,196 thousand (of which € 875 relating to the Banca Carige transaction and € 321 thousand relating to Carim, Carismi and CariCesena transaction), with a negative effect recorded in 2020 income statement amounting to € 1,433 thousand due to the fair value measurement. For more details on the fair value measurement of financial instruments, please refer to Part A - Accounting Policies - A.4 Information on the fair value of these notes to the accounts.

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

Part B – Balance sheet

2.6 Other financial assets mandatorily at fair value: breakdown by issuer/borrower

(Amounts in € thousand)

	Total 12/31/2020	Total 12/31/2019
1. Equity instruments	**10,528**	**11,327**
of which: banks	1	1
of which: other financial companies	10,516	11,313
of which: other non-financial companies	11	13
2. Debts securities	**50**	**32**
a) Central Banks	-	-
b) Public Entities	47	29
c) Banks	3	3
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. Units investment funds	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**10,578**	**11,359**

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

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

(Amounts in € thousand)

Item/Amounts	Total 12/31/2020			Total 12/31/2019		
	L1	L2	L3	L1	L2	L3
1. Debts securities	**143,693**	**-**	**-**	**321,694**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	143,693	-	-	321,694	-	-
2. Equity instruments	**-**	**-**	**5**	**-**	**-**	**5**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**143,693**	**-**	**5**	**321,694**	**-**	**5**

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

Part B – Balance sheet

"Financial assets at fair value through other comprehensive income" consist of securities issued by sovereign States and, residually, of equity interests in companies in which the Bank does not exercise control or significant influence for €5 thousand for which, upon first application of IFRS 9, the "FVTOCI"[43] option was exercised. For more details, see the information on Sovereign exposures set out in Part E of the notes to the accounts.

3.2 Financial assets at fair value through comprehensive income: breakdown by issuer/borrower

(Amounts in € thousand)

Items/Amounts	Total 12/31/2020	Total 12/31/2019
1. Debt securities	**143,693**	**321,694**
a) Central Banks	-	-
b) Public Entities	143,693	321,694
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity Instruments	**5**	**5**
a) Banks	-	-
b) Other issuers:	5	5
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	5	5
- others	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**143,698**	**321,699**

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

Part B – Balance sheet

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

(Amounts in € thousand)

		Gross value				Write-downs			Partial write-offs
		First stage	of which: low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities		143,710	143,710	-	-	(17)	-	-	-
Loans		-	-	-	-	-	-	-	-
Total	**12/31/2020**	**143,710**	**143,710**	**-**	**-**	**(17)**	**-**	**-**	**-**
Total	**12/31/2019**	**321,720**	**321,720**	**-**	**-**	**(26)**	**-**	**-**	**-**
of which: financial assets purchased or originated credt impaired		X	X	-	-	X	-	-	-

3.3a Loans and advances measured measured at fair value with an impact on overall profitability subject to measures applied in response to the COVID-19: gross values and writedown

No data to report.

Section 4 - Financial assets at amortised cost – Item 40

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

(Amounts in €thousand)

Type of transaction/ Amounts	Total 12/31/2020						Total 12/31/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3
A. Loans and receivables with Central Banks	**271,500**	**-**	**-**	**-**	**-**	**271,500**	**251,574**	**-**	**-**	**-**	**-**	**251,574**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	271,500	-	-	X	X	X	251,574	-	-	X	X	X
3. Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and receivables with banks	**7,962,781**	**-**	**-**	**1,756,035**	**5,860,094**	**488,923**	**9,172,387**	**-**	**-**	**1,347,332**	**7,721,114**	**298,058**
1. Loans	488,923	-	-	-	-	488,923	298,058	-	-	-	-	298,058
1.1 Current accounts and demand deposits	246,000	-	-	X	X	X	244,094	-	-	X	X	X
1.2. Time deposits	33,368	-	-	X	X	X	-	-	-	X	X	X
1.3 Other loans:	209,555	-	-	X	X	X	53,964	-	-	X	X	X
- Reverse Repos	1,122	-	-	X	X	X	4,316	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	208,433	-	-	X	X	X	49,648	-	-	X	X	X
2. Debts securities	7,473,858	-	-	1,756,035	5,860,094	-	8,874,329	-	-	1,347,332	7,721,114	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	7,473,858	-	-	1,756,035	5,860,094	-	8,874,329	-	-	1,347,332	7,721,114	-
Total	**8,234,281**	**-**	**-**	**1,756,035**	**5,860,094**	**760,423**	**9,423,961**	**-**	**-**	**1,347,332**	**7,721,114**	**549,632**

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

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

The item "Other loans: Other" refers for €202,393 thousand to the amount of the initial and variation margins and collateral deposits placed with credit institutions for derivative transactions (€43,854 thousand as at December 31, 2019), and €6,041 thousand to current receivables associated with the provision of financial services (€5,793 thousand as at December 31, 2019).

The item "Debt securities" includes €5,738,917 thousand relating to debt securities issued by UniCredit S.p.A. (€7,501,377 thousand as at December 31, 2019).

Part B – Balance sheet

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

(Amounts in €thousand)

Type of transaction/ Amounts	Total 12/31/2020						Total 12/31/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3
1. Loans	**4,513,821**	**3,530**	**-**	**-**	**-**	**4,737,154**	**3,665,365**	**3,568**	**-**	**-**	**-**	**3,797,196**
1.1 Current accounts	1,600,663	2,103	-	X	X	X	1,290,208	1,964	-	X	X	X
1.2 Reverse repos	154,963	51	-	X	X	X	160,112	-	-	X	X	X
1.3 Mortgages	1,667,948	338	-	X	X	X	1,155,943	410	-	X	X	X
1.4 Credit cards, personal loans and wage assignment loans	732,489	871	-	X	X	X	809,176	885	-	X	X	X
1.5 Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7 Other loans	357,758	167	-	X	X	X	249,926	309	-	X	X	X
2. Debt securities	**16,311,355**	**-**	**-**	**17,044,069**	**49,098**	**-**	**13,096,638**	**-**	**-**	**13,433,686**	**58,656**	**-**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	16,311,355	-	-	17,044,069	49,098	-	13,096,638	-	-	13,433,686	58,656	-
Total	**20,825,176**	**3,530**	**-**	**17,044,069**	**49,098**	**4,737,154**	**16,762,003**	**3,568**	**-**	**13,433,686**	**58,656**	**3,797,196**

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

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

4.3 Financial assets at amortised cost: breakdown by issuer/borrower of loans and receivables with customers

(Amounts in €thousand)

Type of transaction/Amounts	Total 12/31/2020			Total 12/31/2019		
	First and second stage	Third stage	of which: purchased or originated credit impaired	First and second stage	Third stage	of which: purchased or originated credit impaired
1. Debt securities	**16,311,355**	**-**	**-**	**13,096,638**	**-**	**-**
a) Public entities	16,311,355	-	-	13,096,638	-	-
b) Other financial companies	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans with:	**4,513,821**	**3,530**	**-**	**3,665,365**	**3,568**	**-**
a) Public entities	4	-	-	-	-	-
b) Other financial companies	342,527	1	-	236,099	1	-
of which: insurance companies	20,393	-	-	18,474	-	-
c) Non-financial companies	813	18	-	341	11	-
d) Households	4,170,477	3,511	-	3,428,925	3,556	-
Total	**20,825,176**	**3,530**	**-**	**16,762,003**	**3,568**	**-**

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

(Amounts in €thousand)

		Gross value				Write-downs			Partial write-offs
		First stage	of which: with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities		23,792,708	23,792,707	-	-	(7,495)	-	-	-
Loans		5,273,551	-	13,277	25,489	(8,826)	(3,758)	(21,958)	-
Total	**12/31/2020**	**29,066,259**	**23,792,707**	**13,277**	**25,489**	**(16,321)**	**(3,758)**	**(21,958)**	**-**
Total	**12/31/2019**	**26,190,505**	**21,972,304**	**11,237**	**25,335**	**(9,582)**	**(6,196)**	**(21,766)**	**-**
of which: purchased or originated credit impaired financial assets		X	X	-	-	X	-	-	-

Part B – Balance sheet

4.4a Loans and advances measured at amortised cost subject to measures applied in response to the COVID-19: gross values and writedown

(Amounts in € thousand)

		Gross value				Writedown			Write off partial total*
		First stage	of which: low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)		16,286	-	1,074	45	(41)	(27)	(36)	-
2. Other loans and advances subject to COVID-19-related forbearance measures		-	-	162	-	-	(29)	-	-
3. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-	-	-
Total	**12/31/2020**	**16,286**	**-**	**1,236**	**45**	**(41)**	**(56)**	**(36)**	**-**
Total	**12/31/2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Part B – Balance sheet

Section 5 – Hedging derivatives – Item 50

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

(Amounts in €thousand)

	Fair Value 12/31/2020			NA	Fair Value 12/31/2019			NA
	L1	L2	L3	12/31/2020	L1	L2	L3	12/31/2019
A. Financial derivatives								
1. Fair value	-	19,003	-	620,000	-	36,059	-	1,917,423
2. Cash flows	-	-	-	-	-	-	-	-
3. Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**19,003**	**-**	**620,000**	**-**	**36,059**	**-**	**1,917,423**

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

5.2 Hedging derivatives: breakdown by hedged assets and risk (balance sheet value)

(Amounts in € thousand)

Transaction/Type of hedge	Fair Value							Cash-flow hedges		Net investments in foreign subsidiaries
	Micro						Macro	Micro	Macro	
	debt securities and interest rates	equity instruments and index	currencies and gold	credit	commodities	others				
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	393	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Others	-	-	-	-	-	-	X	-	X	-
Total assets	**393**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial Liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	18,610	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**18,610**	**-**	**-**	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

Part B – Balance sheet

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

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

(Amounts in €thousand)

Fair value of hedged assets/Amounts	Total 12/31/2020	Total 12/31/2019
1. Positive changes	**55,448**	**29,405**
1.1 of specific portfolios:	55,448	29,405
a) financial assets at amortized cost	55,448	29,405
b) financial assets at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative changes	**-**	**(525)**
2.1 of specific portfolios	-	(525)
a) financial assets at amortized cost	-	(525)
b) financial assets at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**55,448**	**28,880**

Section 7 - Equity investments - Item 70

7.1 Equity Investments information on shareholders' equity

Name	Registered office	Headquarters	Equity %	Voting rights %
A. Subsidiaries				
1. Fineco Asset Management DAC	Dublin	Dublin	100%	100%
B. Joint ventures				
C. Companies under significant influence				

7.2 Significant equity investments book value, fair value and dividends received

As required by Circular no. 262 dated December 22, 2005 and following updates: "The bank balance sheet: format and drafting rules" the information referred to in this paragraph is not provided in the individual financial statements as FinecoBank draws up the consolidated financial statements pursuant to the same Circular.

7.3 Significant equity investments: accounting data

As required by Circular no. 262 dated December 22, 2005 and following updates: "The bank balance sheet: format and drafting rules" the information referred to in this paragraph is not provided in the individual financial statements as FinecoBank draws up the consolidated financial statements pursuant to the same Circular.

7.4 Non-significant investments accounting data

No data to report.

Part B – Balance sheet

7.5 Equity investments: annual changes

(Amounts in €thousand)

	Total 12/31/2020	Total 12/31/2019
A. Opening balance	**3,000**	**3,000**
B. Increases	**-**	**-**
B.1 Purchases	-	-
- of which business combinations	-	-
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other variations	-	-
C. Decreases	**-**	**-**
C.1 Sales	-	-
- of which business combinations	-	-
C.2 Adjustments	-	-
C.3 Depreciations	-	-
C.4 Other changes	-	-
D. Closing balance	**3,000**	**3,000**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

7.6 Commitments to equity interests in joint ventures

No data to report

7.7 Commitments to equity interests in companies under significant influence

No data to report.

7.8 Significant restrictions

No data to report.

7.9 Other information

No data to report.

Part B – Balance sheet

Section 8 - Property, plant and equipment - Item 80

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

(Amounts in €thousand)

Assets/Amounts	Total 12/31/2020	Total 12/31/2019
1. Owened assets	**84,368**	**82,998**
a) lands	23,932	23,932
b) buildings	41,050	41,404
c) office furniture and fittings	2,949	2,393
d) electronic system	13,719	12,623
e) other	2,718	2,646
2. Assets under financial lease	**64,642**	**65,947**
a) lands	-	-
b) buildings	64,201	65,399
c) office furniture and fittings	-	-
d) electronic system	-	-
e) other	441	548
Total	**149,010**	**148,945**
of which: obtained through enforcement of the guarantees received	-	-

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

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

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

(Amounts in €thousand)

Assets/Amounts	Total 12/31/2020				Total 12/31/2019			
	Carrying value	Fair value			Carrying value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owened assets	**1,872**	**-**	**-**	**2,367**	**1,980**	**-**	**-**	**2,950**
a) lands	-	-	-	-	-	-	-	-
b) buildings	1,872	-	-	2,367	1,980	-	-	2,950
2. Assets under financial lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) lands	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**1,872**	**-**	**-**	**2,367**	**1,980**	**-**	**-**	**2,950**
of which: obtained through enforcement of the guarantees received	-	-	-	-	-	-	-	-

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

Part B – Balance sheet

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

No data to report.

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

No data to report.

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

No data to report.

8.6 Property, plant and equipment used in the business: annual changes

(Amounts in €thousand)

	Lands	Buildings	Office furniture and fittings	Electronic systems	Others	Total
A. Gross opening balance	**23,932**	**116,842**	**15,936**	**39,661**	**12,482**	**208,853**
A.1 Total net reduction in value	-	(10,039)	(13,543)	(27,038)	(9,288)	(59,908)
A.2 Net opening balance	**23,932**	**106,803**	**2,393**	**12,623**	**3,194**	**148,945**
B. Increases:	**-**	**14,552**	**1,906**	**6,011**	**1,016**	**23,485**
B.1 Purchases	-	11,609	1,904	6,010	1,004	20,527
B.2 Capitalised expenditure on improvements	-	931	-	-	-	931
B.3 Write-backs	-	-	-	-	-	-
B.4 Increase in fair value recognised	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	2,012	2	1	12	2,027
C. Decreases:	**-**	**(16,104)**	**(1,350)**	**(4,915)**	**(1,051)**	**(23,420)**
C.1 Sales	-	-	-	(1)	-	(1)
C.2 Depreciation	-	(12,149)	(1,335)	(4,907)	(923)	(19,314)
C.3 Impairment losses recognised	-	(6)	(15)	-	(47)	(68)
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	(6)	(15)	-	(47)	(68)
C.4 Decreases in fair value recognised	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	X	X	X	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	(3,949)	-	(7)	(81)	(4,037)
D. Net closing balance	**23,932**	**105,251**	**2,949**	**13,719**	**3,159**	**149,010**
D.1 Total net reduction in value	-	(20,985)	(14,413)	(30,750)	(9,816)	(75,964)
D.2 Gross closing balance	**23,932**	**126,236**	**17,362**	**44,469**	**12,975**	**224,974**
E. Carried at cost	23,932	105,251	2,949	13,719	3,159	149,010

The asset classes specified in the table above are carried at cost.

Items B.7 and C.7 "Other changes" include, in addition to the changes deriving from the application of IFRS16, the changes in the activities consisting of the right of use due to the changes made to the payments due for the leasing after the initial recognition. Below is the amount of changes by type of activity.

(Amounts in € thousand)

	Land	Buildings	Furniture and fittings	Electronic system	Other	Total
Other increases due to changes in rights of use	-	2,012	-	-	12	2,024
Other decreases due to changes in rights of use	-	(3,666)	-	-	(1)	(3,667)

Part B – Balance sheet

8.7 Property, plant and equipment held for investment: annual changes

(Amounts in €thousand)

	Total	
	Lands	Buildings
A. Gross opening balance	**-**	**3,600**
A.1 Total net reduction in value	-	(1,620)
A.2 Net opening balance	-	1,980
B. Increase	**-**	**-**
B.1 Purchases	-	-
B.2 Capitalised expenditure on improvements	-	-
B.3 Net increases in fair value	-	-
B.4 Write-backs	-	-
B.5 Positive exchange differences	-	-
B.6 Transfer from properties used in the business	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**(108)**
C.1 Sales	-	-
C.2 Depreciation	-	(108)
C.3 Decreases in fair value	-	-
C.4 Impairment losses	-	-
C5 Negative exchange difference	-	-
C.6 Transfers to other asset portfolios	-	-
a) properties used in the business	-	-
b) non-current assets classified as held for sale	-	-
C.7 Other changes	-	-
D. Net closing balance	**-**	**1,872**
D.1 Total net reduction in value	-	1,728
D.2 Gross closing balance	-	(3,600)
E. Fair value measurement	**-**	**2,367**

The buildings specified in the table above are carried at cost.

8.8 Inventories of property, plant and equipment regulated by IAS 2: annual changes

No data to report.

8.9 Commitments to purchase property, plant and equipment

As at December 31, 2020 the Bank had contractual commitments to purchase property, plant and equipment amounting to €912 thousand.

We also report that there are no restrictions on the ownership of tangible assets and there are no tangible assets pledged as security for liabilities.

Part B – Balance sheet

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown by type assets

(Amounts in €thousand)

Assets/Amount	Total 12/31/2020		Total 12/31/2019	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	**89,602**	X	**89,602**
A.2 Other intangible assets	**11,979**	**27,459**	**9,828**	**27,452**
A.2.1 Assets carried at cost	11,979	27,459	9,828	27,452
a) intangible assets generated internally	-	-	-	-
b) other assets	11,979	27,459	9,828	27,452
A.2.2 Assets carried at fair value	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**11,979**	**117,061**	**9,828**	**117,054**

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

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

Part B – Balance sheet

9.2 Intangible assets: annual changes

(Amounts in €thousand)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: others		Total
		FIN	INDEF	FIN	INDEF	
A. Gross opening balance	**124,729**	**-**	**-**	**92,085**	**27,452**	**244,266**
A.1 Total net reduction in value	(35,127)	-	-	(82,257)	-	(117,384)
A.2 Net opening balance	**89,602**	**-**	**-**	**9,828**	**27,452**	**126,882**
B. Increases	**-**	**-**	**-**	**7,855**	**7**	**7,862**
B.1 Purchases	-	-	-	7,855	7	7,862
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value recognised:	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**(5,704)**	**-**	**(5,704)**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	(5,704)	-	(5,704)
- Amortisations	X	-	-	(5,704)	-	(5,704)
- Write-downs	-	-	-	-	-	-
+ in equity	X	-	-	-	-	-
+ through profit or loss	-	-	-	-	-	-
C.3 Decreases in fair value	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
C.4 Transfers to non-current assets and discontinued	-	-	-	-	-	-
C.5 Negative exchange differrences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**89,602**	**-**	**-**	**11,979**	**27,459**	**129,040**
D.1 Total net impairments	(35,127)	-	-	(87,961)	-	(123,088)
E. Gross closing balance	**124,729**	**-**	**-**	**99,940**	**27,459**	**252,128**
F. Carried at cost	89,602	-	-	11,979	27,459	129,040

Key
FIN: finite life
INDEF: indefinite life

The asset classes specified in the table above are carried at cost.

9.3 Other information

As at December 31, 2020 the Bank had contractual commitments to purchase intangible assets amounting to €291 thousand.

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

Other information - Impairment test

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

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

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

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

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

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

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

Definition of CGU

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

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

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

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

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

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

Impairment test model

The calculation of the value in use for the purposes of impairment testing is made using the Discounted Cash Flow (DCF) model. The cash flows are determined by subtracting the annual capital requirement generated by the change in the risk-weighted assets from net profit.

This capital requirement is determined by considering the long-term capitalisation to be achieved, also in light of the minimum regulatory capital requirements.

Cash flows

The discounted cash flow model used is based on future cash flows estimated by management in four steps:

- year 2021, in which the budget figures were considered (submitted for approval by the Board of Directors on January 19, 2021);
- years 2022-2023, which considers the financial forecasts of the Strategic Plan (submitted for approval by the same Board of Directors on January 19, 2021);
- intermediate period of five years from 2024 to 2028, for which the forecasts of the financial flows are projected by applying beginning in the last explicit estimate period (2023) rates of growth decreasing (from 4% to 2%) to the terminal value (TV);
- terminal value calculated using a nominal growth rate of 2%. The average Eurozone actual GDP rate from 2010 to 2019 was 2.9% (of which 1.3% due to inflation). The choice of nominal 2% as "terminal value" growth rate, i.e. corresponding to ~ 0% real growth, was made for prudential reasons.

Discount rates of cash flows

Future financial flows were discounted using a conservative estimate of the discount rate, incorporating the risk factors linked to the business sector into the cost of equity (Ke). The discount rate is a nominal rate, net of taxes.

In particular, the cost of capital for the Bank is the sum of the following:

- Risk-free rate: the daily average at 3, 6 or 12 months of the 10-year Btp; in light of the sharp reduction in market rates generated by the COVID-19 pandemic, it was considered correct to use, as an exception to the methodology, a time horizon of 3 years for the calculation of the average (equal to 1.92%), so the cost of capital is not excessively impacted by the reduction in rates that characterized 2020;
- Equity Risk Premium - ERP (Beta * Market Risk Premium): calculated using the value of 6.20% as a premium for the risk offered by the stock market compared to the risk-free investment (Rm-Rf) and as Beta (coefficient that links the performance of the stock to that of the stock market) the 3-year average of the Fineco share compared to FTSEMIB and SXXP indices.

The cost of capital in 2023 is calculated considering the average expected return of the 10-year BTP expected in 2023 as risk free (3-year average, equal to 0.63%); the ERP is instead kept the same as that calculated for 2021. The 2022 cost of capital is calculated considering a linear decrease between the 2021 and 2023 values. The 2023 cost of capital (6.15%) is then maintained steady until the TV.

Impairment test results

The methodology for calculating the value in use described above (model, assumptions and parameters used) was approved by the Board of Directors on January 19, 2021. For the impairment testing the carrying amount of the goodwill, brand (including domains) and Shareholders' equity was compared with its value in use calculated using that methodology. The outcome of the tests, approved by the Board of Directors of February 9, 2021, confirmed the sustainability of the goodwill and the brand recognised in the financial statements as at December 31, 2020, with the value in use significantly higher than the carrying amount.

Sensitivity analysis

Given the complexity of the measurement process and the uncertainty involved in making forecasts on future profitability, especially in the long term, some sensitivity analyses were carried out assuming changes to the main parameters used in the impairment test.

The table below shows the change in the value in use, net of book value of brand and of shareholders' equity, in relation to changes in the main parameters used in the DCF model underlying the impairment test.

	1% increase of the discount rate after taxes (KE)	1% increase of core tier 1 ratio target	1% decrease of the nominal growth rate for the calculation of terminal value	5% decrease of annual earnings	Use of Core Tier 1 ratio as at 12/31/2020 (28.56%*)
Change of value in use	-26.2%	-0.8%	-20.1%	7.0%	-13.8%

Consolidated Core Tier 1

Part B – Balance sheet

The results confirm the sustainability of the goodwill recognised in the financial statements, as none of the scenarios hypothesised revealed the need for a write-down, as the value in use, calculated applying those variations, was much higher than the book value.

It should also be noted, that the impairment test reaches the break-even assuming changes in the above parameters that are currently unreasonable. The impairment test reached a break-even with an absolute positive change in the discount rate after tax (Ke) of over 12 percentage points, i.e. with a reduction of over 70% of annual earnings (while maintaining all the other parameters and information used unchanged, in both scenarios).

It should be noted that the value of “FinecoBank” shares resulted in a market capitalisation of €8,168 million at December 31, 2020, markedly higher than the Bank's shareholders' equity and the results provided by the model used for the impairment test, which confirms the implementation of prudent criteria for calculation of the value in use.

Section 10 - Tax Assets and Tax Liabilities - Asset item 100 and liability item 60

The item "Tax assets" amounting to € 13,302 thousand as at December 31, 2020 includes "Current tax assets" amounting to € 5,165 thousand and "Deferred tax assets" amounting to € 8,137 thousand.

The item "Tax liabilities" amounting to € 13,324 thousand as at December 31, 2020 includes "Current tax liabilities" amounting to € 9,574 thousand and "Deferred tax liabilities" amounting to € 3,750 thousand.

Current Tax Assets and Liabilities

(Amounts in € thousand)

Assets/amounts	Total 12/31/2020	Total 12/31/2019
Current tax assets	5,165	-
Current tax liabilities	9,574	11,437

Deferred tax assets/liabilities

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

- "Deferred tax assets" of € 31,310 thousand recognised as a balancing entry in the income statement;
- "Deferred tax assets" of € 835 thousand recognised as a balancing entry of shareholders' equity;
- "Deferred tax liabilities" of € 26,076 thousand recognised as a balancing entry in the income statement;
- "Deferred tax liabilities" of € 1,682 thousand recognised as a balancing entry of shareholders' equity.

In accordance with the law and regulations currently in force:

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

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

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

Part B – Balance sheet

10.1 Deferred tax assets: breakdown

(Amounts in € thousand)

Assets/amounts	Total 12/31/2020	Total 12/31/2019
Allocations through profit or loss	**28,010**	**47,086**
- of which Patent Box ex D.L. n.3/2015	4,395	21,577
- of which Provisions for Risks and Charges	19,736	19,137
- of which Other	3,879	6,372
Allocations through equity	**835**	**798**
- of which Revaluation reserve application IAS 19	835	602
- of which Financial assets at fair value through comprehensive income	-	196
Impairment losses on receivables (of which pursuant to Law 214/2011)	**3,300**	**3,828**
Total before IAS 12 offset	**32,145**	**51,712**
Offset against deferred tax liabilities - IAS 12	(24,008)	(28,262)
Total	**8,137**	**23,450**

10.2 Deferred tax liabilities: breakdown

(Amounts in € thousand)

Liabilit-ies/amounts	Total 12/31/2020	Total 12/31/2019
Allocations through profit or loss	**26,076**	**25,992**
- of which Goodwill and Brand	25,527	24,978
- of which Exposures in equity instruments with Voluntary Scheme	396	870
- of which Other	153	144
Allocations through equity	**1,682**	**2,270**
- of which Financial assets at fair value through comprehensive income	1,175	1,757
- of which Revaluation reserve IAS 19application	507	513
Total before IAS 12 offset	**27,758**	**28,262**
Offset against deferred tax liabilities - IAS 12	(24,008)	(28,262)
Total	**3,750**	**-**

Part B – Balance sheet

10.3 Changes in deferred tax assets (through profit or loss)

(Amounts in €thousand)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**50,914**	**30,270**
2. Increases	**7,184**	**25,614**
2.1 Deferred tax assets recognised in the year	7,137	25,614
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) others	7,137	25,614
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	47	-
- of which: business combinations	-	-
3. Decreases	**(26,788)**	**(4,970)**
3.1 Deferred tax assets cancelled in the year	(26,788)	(4,970)
a) reversals of temporary differences	(26,788)	(4,854)
b) write-downs of non-recoverable items	-	-
c) changes in accountable policies	-	-
d) others	-	(116)
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	-	-
a) conversion of tax credits as per Law 214/2011	-	-
b) others	-	-
- of which: business combinations	-	-
4. Closing balance	**31,310**	**50,914**

The increase in deferred tax assets recognized in the year as a balancing entry in the income statement mainly refers to the tax benefit connected to the Patent Box regime pursuant to Legislative Decree No. 3 of 2015 for 2020 and to provisions for risks and charges. The decreases mainly refer to the deduction of the tax benefit connected to the Patent Box regime pursuant to Legislative Decree 3 of 2015 for the period 2015-2019 and to the use of the provision for risks and charges.

Part B – Balance sheet

10.3 bis Changes in deferred tax assets under Law 214/2011

(Amounts in €thousand)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**3,828**	**4,033**
2. Increases	**-**	**-**
- of which: business combinations	-	-
3. Decreases	**(529)**	**(205)**
3.1 Reversals	(529)	-
3.2 Conversion into tax credits	-	-
a) resulting from operating losses	-	-
b) resulting from tax losses	-	-
3.3 Other decreases	-	(205)
4. Closing balance	**3,299**	**3,828**

The decreases refer to the deduction of write-downs and losses on loans to customers according to the reabsorption plan provided for by Legislative Decree n. 83 of 2015 as amended by Law no. 145 of 2018 and by Law no. 160 of 2019.

10.4 Changes in deferred tax liabilities (through profit or loss)

(Amounts in €thousand)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**25,992**	**26,560**
2. Increases	**558**	**935**
2.1 Deferred tax liabilities arising during the year	558	935
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	558	935
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which: business combinations	-	-
3. Decreases	**(475)**	**(1,503)**
3.1 Deferred tax liabilities de-recognised during the year	(474)	(1,503)
a) reversals of temporary differences	(474)	(1,503)
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	(1)	-
- of which: business combinations	-	-
4. Closing balance	**26,075**	**25,992**

Increases in deferred taxes liabilities recorded in the financial year as a balancing item of the income statement refer to the recognition of deferred taxes liabilities resulting from the different accounting and tax treatment of goodwill and the brand. Decreases refer to the negative fair value measurement of financial assets represented by equity exposures to the Voluntary Scheme.

Part B – Balance sheet

10.5 Changes in deferred tax assets (through equity)

(Amounts in € thousand)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**798**	**2,740**
2. Increases	**233**	**105**
2.1 Deferred tax assets recognised in the year	233	63
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	233	63
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	42
3. Decreases	**(196)**	**(2,047)**
3.1 Deferred tax assets cancelled in the year	(196)	(2,047)
a) reversals of temporary differences	(196)	(2,047)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**835**	**798**

The increases in deferred tax assets recognized in the year through equity refer to the recognition of prepaid IRAP taxes for actuarial losses recognized in shareholders' equity as part of the valuation reserves in application of the provisions of IAS 19 Revised. The decreases in deferred tax assets recognised during the year through equity refer to writebacks debt securities booked in "Financial assets at fair value through other comprehensive income" item.

Part B – Balance sheet

10.6 Changes in deferred tax liabilities (through equity)

(Amounts in € thousand)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**2,270**	**203**
2. Increases	**427**	**2,163**
2.1 Deferred tax assets recognised in the year	427	2,163
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	427	2,163
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(1,015)**	**(96)**
3.1 Deferred tax assets cancelled in the year	(1,015)	(96)
a) reversals of temporary differences	(1,015)	(96)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases:	-	-
4. Other decreases	**1,682**	**2,270**

The increase in deferred tax liabilities recognised during the year through equity refer to increases in the value of debt securities booked in ”Financial assets at fair value through other comprehensive income” item. The decrease in deferred tax liabilities recognised during the year through equity refer to the disposal of debt securities booked in ”Financial assets at fair value through other comprehensive income” item.

10.7 Other information

No information to report.

Section 11 - Non-current assets and disposal groups classified as held for sale and associated liabilities - Assets item 110 and liabilities item 70

No information to report.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

(Amounts in € thousand)

	Total 12/31/2020	Total 12/31/2019
Trade receivables according to IFRS15	3,603	4,579
Current receivables not related with the provision of financial services	2,588	2,904
Improvement and incremental expenses incurred on leasehold assets	6,361	6,067
Definitive items not recognised under other items:	21,223	28,062
- securities and coupons to be settled	1,135	1,537
- other transactions	20,088	26,525
Tax items other than those included in the item "Tax assets":	258,552	259,098
- tax advances	254,035	252,251
- tax credit	4,486	6,809
- tax advances on employee severance indemnities	31	38
Items awaiting settlement:	2,627	2,495
- notes, cheques and other documents	2,627	2,495
Items in processing	9	13
Items in transit not allocated to relevant accounts	14	50
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	34,137	26,982
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	30,696	12,034
Total	**359,810**	**342,284**

It should be noted that as at 31 December 2020 the advances for stamp duty paid for the year 2020 were offset with the related debt accrued at the closing date of the financial statements, for an amount of € 103,050 thousand. The net balance, equal to € 6,242 thousand, was recognized in Item 80. Other liabilities in the item "Tax items other than those included in the item "Tax liabilities" - other", while at 31 December 2019 the advances and the related payable have been shown without compensation, respectively, in item 120. Other assets in the item "Tax items other than those included in the item "Tax assets" - tax advances" and in Item 80. Other liabilities in the item "Tax items other than those included in the item "Tax liabilities" – other".

If the offsetting had not been made in the financial statements as of 31 December 2020, the item "Tax items other than those included in the item "Tax assets" - tax advances" would have been equal to € 357,085 thousand, showing an increase in the year 2020 of € 104,834 thousand, due to the payment of higher advances compared to 2019 for the substitute tax for other income and for the stamp duty.

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The following table "Periodic Change of Accrued Income/Expenses and Prepaid Expenses/Income" discloses the changes incurred in the sub-items "Accrued income and prepaid expenses related to contracts with customers other than capitalised on related financial assets or liabilities" and "Accrued expenses and prepaid income related to contracts with customers other than capitalised on related financial assets or liabilities" reported in the tables "Other assets: breakdown" and "Other liabilities: breakdown" (Section 8 - Liabilities of this Part B of these Notes to the accounts), respectively, as required by the par. 118 of the IFRS15.

Periodic Change of Accrued Income/Expenses and Prepaid Expenses/Income

(Amounts in € thousand)

	Accrued income and prepaid expenses 12/31/2020	Accrued expenses and prepaid income 12/31/2020
Opening balance	**12,034**	**6,851**
Change in opening balances	-	-
Increases	**29,831**	**7,132**
a) external acquisition	-	-
b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS 15 Par 118.b)	-	-
c) reversal of impairment of a contract asset (IFRS 15 Par 118.c)	16	-
d) change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS 15 Par 118.d)	-	-
e) change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability (IFRS 15 Par 118.e)	-	-
f) other	29,815	7,132
Decreases	**(11,169)**	**(4,252)**
a) external acquisition	-	-
b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS 15 Par 118.b)	-	-
c) impairment of a contract asset (IFRS 15 Par 118.c)	-	-
d) change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS 15 Par 118.d)	-	-
e) change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability (IFRS 15 Par 118.e)	-	-
f) other	(11,169)	(4,252)
Closing balances	**30,696**	**9,731**

Part B – Balance sheet

Transaction price allocated to the remaining performance obligations

(Amounts in €thousand)

	Expected duration of performance <=1 12/31/2020	Expected duration of performance >1 12/31/2020
Unsatisfied (or Partially Unsatisfied) Performance Obligations - Duration - Other Assets (IFRS 15 Par 120a)	13,942	-
Unsatisfied (or Partially Unsatisfied) Performance Obligations - Duration - Other Liabilities (IFRS 15 Par 120a)	1,161	3,586
Total	**15,103**	**3,586**

With regard to the information required by parag. 120 of IFRS15 ("Transaction price allocated to the remaining performance obligations"), below a quantitative disclosure will be provided with the expected duration ("within 1 year" and "over 1 year") of "Accrued income related to contracts with customers other than capitalised on the related financial assets or liabilities" and "Deferred income related to contracts with customers other than capitalised on the related financial assets or liabilities".

Lastly, please note that the aggregate amount of revenues from services to customers related to the portion of performance obligations not yet satisfied, showed in the table above "Transaction price allocated to the remaining performance obligations" is equal to € 18,689 thousand. 80.8% of this amount regards performance obligations expected to be satisfied by the next year-end reporting date.

Part B – Balance sheet

Liabilities

Section 1 - Financial liabilities at amortised cost - Item 10

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

(Amounts in €thousand)

Transactions type/Amounts	Total 12/31/2020				Total 12/31/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**949,604**	X	X	X	**-**	X	X	X
2. Deposits from banks	**115,255**	X	X	X	**154,653**	X	X	X
2.1 Current accounts and demand deposits	43,317	X	X	X	70,396	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	53,422	X	X	X	74,067	X	X	X
2.3.1 Repos	53,422	X	X	X	74,067	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease liabilities	4,225	X	X	X	7,207	X	X	X
2.6 Other liabilities	14,291	X	X	X	2,983	X	X	X
Total	**1,064,859**	**-**	**942,640**	**115,255**	**154,653**	**-**	**-**	**154,653**

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

Item 1. "Deposits from central banks" only includes liquidity received by the central bank as part of TLTRO III operations. As described in the Consolidated Report on operations, FinecoBank participated in the 6th tranche of the TLTRO III program (16 December 2020) for an amount of € 950,000 thousand.

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

(Amounts in € thousand)

Transactions type/Amounts	Total 12/31/2020				Total 12/31/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	28,033,748	X	X	X	25,573,169	X	X	X
2. Time deposits	213	X	X	X	1,359	X	X	X
3. Loans	103,584	X	X	X	163,450	X	X	X
3.1 Repos	103,584	X	X	X	163,450	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Liabilities in respect of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease payables	61,288	X	X	X	59,321	X	X	X
6. Other liabilities	151,488	X	X	X	115,145	X	X	X
Total	**28,350,321**	**-**	**213**	**28,350,109**	**25,912,444**	**-**	**1,366**	**25,911,084**

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

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

No data to report.

1.4 Breakdown of subordinated deposits/securities

No data to report.

1.5 Breakdown of structured deposits/securities

No data to report.

1.6 Amounts payable under finance leases

(Amounts in € thousand)

Items/time buckets	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Lease liabilities	**4,965**	**8,888**	**8,124**	**7,685**	**7,291**	**28,560**
Lease liabilities - Banks	165	367	375	383	392	2,543
Lease liabilities - Customers	4,800	8,521	7,749	7,302	6,899	26,017

The amount of cash flows for leasing paid during 2020 is equal to €11,533 thousand.

Part B – Balance sheet

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: product breakdown

(Amounts in € thousand)

Transactions type/Amounts	Total 12/31/2020					Total 12/31/2019				
	NA	Fair Value			Fair Value*	NA	Fair Value			Fair Value*
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	593	467	-	18	485	595	1,908	-	-	1,908
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total (A)	**593**	**467**	**-**	**18**	**485**	**595**	**1,908**	**-**	**-**	**1,908**
B. Derivatives										
1. Financial derivatives	X	3,561	1,843	-	X	X	1,309	560	-	X
1.1 Trading derivatives	X	3,561	1,843	-	X	X	1,309	560	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credits derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**3,561**	**1,843**	**-**	**X**	**X**	**1,309**	**560**	**-**	**X**
Total (A+B)	**X**	**4,028**	**1,843**	**18**	**X**	**X**	**3,217**	**560**	**-**	**X**

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

Financial derivatives refer to the negative valuation of CFD contracts on forex, indices, shares, interest rates, commodities and futures used for the operational hedging of CFDs on indices, interest rates and commodities. They amounted to €1,876 thousand (€580 thousand as at December 31, 2019).

Sub-item B.1.1 “Derivative instruments - Trading financial derivatives” also includes the negative valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"). They amounted to €3,528 thousand (€1,289 thousand as at December 31, 2019).

2.2 Breakdown of “Financial liabilities held for trading”: subordinated liabilities

No data to report.

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2.3 Breakdown of "Financial liabilities held for trading": structured debts

No data to report.

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

No data to report.

Section 4 - Hedging derivatives - Item 40

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

(Amounts in €thousand)

	Fair value 12/31/2020			NA	Fair value 12/31/2019			NA
	L1	L2	L3	12/31/2020	L1	L2	L3	12/31/2019
A. Financial derivatives	**-**	**214,388**	**-**	**6,257,777**	**-**	**80,852**	**-**	**2,687,284**
1) Fair value	-	214,388	-	6,257,777	-	80,852	-	2,687,284
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**214,388**	**-**	**6,257,777**	**-**	**80,852**	**-**	**2,687,284**

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

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4.2 Hedging derivatives: breakdown by hedged assets and risk

(Amounts in € thousand)

Transactions/Type of hedge	Fair Value							Cash flow		
	Micro									
	Debt securities and interest rates	Equities and equity index	Currencies and gold	Credit	Commodity	Others	Macro	Micro	Macro	Net investment in foreign subsidiaries
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at ammortised cost	157,539	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	56,849	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**157,539**	**-**	**-**	**-**	**-**	**-**	**56,849**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities Portfolio	X	X	X	X	X	X	-	X	-	-

Section 5 – Changes in fair value of portfolio hedged financial liabilities - Item 50

5.1 Adjustments to the value of hedged financial liabilities: breakdown by hedged portfolio

(Amounts in €thousand)

Adjustments to the value of hedged liabilities/Amounts	Total 12/31/2020	Total 12/31/2019
1. Positive changes to financial liabilities	17,714	14,098
2. Negative changes to financial liabilities	-	-
Total	**17,714**	**14,098**

Section 6 – Tax liabilities – Item 60

See section 10 of assets.

Section 7 – Liabilities included in disposal groups classified as held for sale – Item 70

See section 11 of assets.

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Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

(Amounts in € thousand)

Items/Amounts	Total 12/31/2020	Total 12/31/2019
Payables to Directors and Statutory auditors	195	164
Payables to employees	12,788	11,646
Social security contributions payable	7,012	6,577
Current payables not related to the provision of financial services	30,716	24,328
Payables for share-based payments	47	142
Definitive items not recognised under other items:	49,335	57,509
- securities and coupons to be settled	11,513	20,310
- payment authorisations	28,777	22,494
- other items	9,045	14,705
Tax items other than those included in the item "Tax liabilities":	48,532	133,562
- sums withheld from third parties as withholding agent	37,519	27,616
- other	11,013	105,946
Illiquid items for portfolio transactions	23,273	20,796
Items awaiting settlement:	83,525	74,298
- outgoing bank transfers	83,522	74,251
- POS and ATM cards	3	47
Items in processing:	662	463
- incoming bank transfers	647	419
- other items in processing	15	44
Accrued expenses and deferred income other than those related to contracts with customers and other than capitalised on the related financial assets or liabilities	160	183
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	9,731	6,851
Sums available to be paid to customers	3,991	3,935
Total	**269,967**	**340,454**

It should be noted that as at 31 December 2020 the advances for stamp duty paid for the year 2020 were offset with the related payable accrued at the closing date of the financial statements, for an amount of € 103,050 thousand. The net balance, amounting to € 6,242 thousand, has been detected in Item 80. Other liabilities in the item "Tax items other than those included in the item "Tax liabilities" - other", while at 31 December 2019 the advances and the related payable were shown without compensation, respectively, under item 120. Other assets in the item "Tax items other than those included in the item "Tax assets" - tax advances" and in the item 80. Other liabilities in the item "Tax items other than those included in the item "Tax liabilities" - other".

If the offsetting had not been made in the financial statements as at 31 December 2020, the item "Tax items other than those included in the item "Tax liabilities" - other" would be equal to € 114,063 thousand, showing an increase in 2020 of € 8,117 thousand.

Section 9 - Provisions for employee severance pay - Item 90

9.1 Provisions for employee severance pay: annual changes

(Amounts in €thousand)

	Total 12/31/2020	Total 12/31/2019
A. Opening balance	**4,810**	**4,561**
B. Increases	**125**	**488**
B.1 Provision of the year	40	71
B.2 Other increases	85	417
C. Decreases	**(11)**	**(239)**
C.1 Payments made	(11)	(196)
C.2 Other decreases	-	(43)
D. Closing balances	**4,924**	**4,810**
Total	**4,924**	**4,810**

9.2 Other information

The "TFR" provision for Italy-based employee benefits is considered to be a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see Part A.2 - The Main Items of the Accounts).

The Provision for employee severance pay covers the amount of the rights accrued in that respect up to December 31, 2020 by employees, under current legal regulations, as well as national collective bargaining agreements and supplementary company agreements.

The financial year under review was characterised by

- normal events relating to the employee severance pay provision in accordance with legal provisions and company agreements in force;
- changes associated with employment contracts pursuant to Article 1406 and following of the Civil Code dealing with individual mobility within the Group.

In 2007, the new supplementary pension reform pursuant to Legislative Decree no. 252/2005 became effective and, as a result the amounts accrued up to December 31, 2006 were kept with the Company, whilst the amounts of employee severance pay provision accruing as of 1 January 2007 were transferred to the supplementary pension funds or the INPS Treasury fund according to the option adopted by the employees (within June 30, 2007). The result is that:

- the employee severance fund accrued up to December 31, 2006 (or until the date of the option - falling between January 1, 2007 and June 30, 2007 - adopted by the employees if the they decided to transfer their employee severance pay provision to a supplementary pension fund) continues to be a "defined-benefit" plan and therefore subject to actuarial valuation, although based on simplified actuarial assumptions which no longer take account of estimated future pay rises;
- the amounts accrued from January 1, 2007 (or from the date of the option - falling between 1 January 2007 and June 30, 2007 - by the employees if they decided to transfer their employee severance pay provision to a supplementary pension fund), were considered as a “defined-contribution" plan (as the Company's liability ceases at the time it pays the employee severance pay provision accrued to the pension fund chosen by the employee) and therefore the related cost for the period is equal to the amounts paid to the Supplementary Pension fund or the INPS Treasury fund.

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

Description of the main actuarial assumptions	12/31/2020	12/31/2019
Discount rate	0.65%	0.85%
Expected inflation rate	0.90%	0.95%

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(Amounts in € thousand)

Employee severance pay provision: other information	12/31/2020	12/31/2019
Provisions for the year	**40**	**71**
- Current service cost	-	-
- Interest expense on defined benefit obligations	40	71
- Gains and losses on curtailments and settlements	-	-
- Past service cost	-	-
Actuarial gains (losses) recognised in revaluation reserves (OCI)	**35**	**229**
- Actuarial gains (losses) for the year	(52)	(80)
- Actuarial gains/losses on demographic assumptions	-	-
- Actuarial gains/losses on financial assumptions	87	309

As required by IAS 19 Revised, a sensitivity analysis was conducted aimed at identifying how the present value of the liability changes when the actuarial assumptions considered most significant are changed, while keeping the other actuarial assumptions constant. A change of -25 basis points in the discount rate would result in an increase in the liability of €132 thousand (+2.67%), whereas an equivalent increase in the rate would result in a reduction of the liability of €128 thousand (-2.6%). A change of -25 basis points in the inflation rate would result in a decrease in the liability of €79 thousand (-1.61%), whereas an equivalent increase in the rate would result in an increase in the liability of €80 thousand (+1.63%).

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions risk and charges: breakdown

(Amounts in €thousand)

Items/Components	Total 12/31/2020	Total 12/31/2019
1. Provisions for credit risk of commitments and financial guarantees given	61	21
2. Provisions for other commitments and other guarantees given	-	-
3. Provisions for retirement payments and similar obligations	-	-
4. Other provisions for risks and charges	112,580	107,058
4.1 legal and tax disputes	28,363	30,910
4.2 staff expenses	5,088	4,949
4.3 other	79,129	71,199
Total	**112,641**	**107,079**

Item 4.1 “legal and tax disputes” mainly includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties for € 24,627 thousand (€27,164 thousand as at December 31, 2019) and provisions for tax disputes (penalties and interest) for €3,736 thousand (€3,746 thousand as at December 31, 2019). In addition to the costs incurred by the Bank in the event of an unfavourable conclusion of the dispute, this provision includes the estimate of the costs to be paid to legal advisors and any technical consultants and/or experts who assist the Bank in ongoing disputes to the extent that it is believed that they will not be reimbursed by the counterparties. This estimate was determined by the Bank in relation to the ongoing litigation, mainly on the basis of the Forensic Tariffs envisaged by current legislation.

Item 4.2 "staff expenses" includes, mainly, the provisions made for the variable remuneration to be paid to employees in subsequent years, which have an uncertain due date and/or amount.

Item 4.3 “Other” includes the Supplementary customer indemnity provision, of €73,136 thousand (€63,618 thousand as at December 31, 2019), the Provision for contractual payments, of €416 thousand (€395 thousand as at December 31, 2019) and other provisions made for risks related to the Bank's business and operations, of €5,577 thousand (€7,186 thousand as at December 31, 2019), including, in particular, provisions made for marketing and customer loyalty campaigns, incentive plans for personal financial advisors and training events for personal financial advisors.

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In this regard, it should be noted that on 20 December 2019, the Bank received a communication from the Guarantor for Competition and the Market Authority (A.G.C.M.) to initiate a procedure aimed at assessing the compliance with the Consumer Code (Legislative Decree 206/2005) of a commercial practice followed in the past by the Bank to promote the opening of the current account. During the 2020, FinecoBank – on the advice of its lawyers – provided the A.G.C.M. with all the information required for the purposes of the assessment within the prescribed time limits, explaining the reasons why it believes it has operated correctly.

At the same time, in order to give concrete evidence of the attention paid to correspond to the expectations of its stakeholders (specifically the supervisory authorities and customers), it has undertaken to develop a series of initiatives aimed at further improving the transparency of the new offer conditions of the account and to recognize, to all those who had opened it during the period in which the commercial practice was followed, the extension of the period of application of the zero fee until the end of 2020. On 24 December 2020, the Authority communicated to the Bank the acceptance of the commitments presented (insofar as they are suitable for removing the potential critical issues identified in the preliminary phase) and the consequent closure of the proceeding without ascertaining the infringement pursuant to art. 27, paragraph 7, of the "Consumer Code". It also ordered the publication on the homepage of the finecobank.com site, for 30 days, of the commitments that Fineco has made and the implementation of which, within 120 days, it must inform the Authority.

10.2 Provisions for risks and charges: annual changes

(Amounts in €thousand)

	Provisions for other commitments and other guarantees given	Provisions for retirement payments and similar obligations	Other provisions for risks and charges	Total
A. Opening balance	**-**	**-**	**107,058**	**107,058**
B. Increases	**-**	**-**	**18,090**	**18,090**
B.1 Provisions for the year	-	-	12,726	12,726
B.2 Changes due to the passage of time	-	-	542	542
B.3 Changes due to variations in the discount rate	-	-	334	334
B.4 Other increases	-	-	4,488	4,488
C. Decreases	**-**	**-**	**(12,568)**	**(12,568)**
C.1 Amounts used in the year	-	-	(11,062)	(11,062)
C.2 Changes due to variations in the discount rate	-	-	(298)	(298)
C.3 Other decreases	-	-	(1,208)	(1,208)
D. Closing balance	**-**	**-**	**112,580**	**112,580**

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

(Amounts in €thousand)

	Provisions for risks and charges for commitments and guarantees given			
	First stage	Second stage	Third stage	Total
Commitments	51	-	-	51
Financial guarantees given	10	-	-	10
Total	**61**	**-**	**-**	**61**

10.4 Provisions for other commitments and other guarantees given

No data to report.

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10.5 Pensions and other post-retirement defined-benefit obligations

No data to report.

10.6 Provisions for risks and charges - other provisions

(Amounts in € thousand)

	Total 12/31/2020	Total 12/31/2019
Legal and fiscal disputes	**28,363**	**30,910**
- Pending cases	20,518	22,370
- Complaints	4,109	4,794
- Tax disputes	3,736	3,746
Staff expenses	**5,088**	**4,949**
Other	**79,129**	**71,199**
- Supplementary customer indemnity provision	73,136	63,618
- Provision for contractual payments and payments under non-competition agreements	416	395
- Other provisions	5,577	7,186
Total provisions for risks and charges	**112,580**	**107,058**

(Amounts in € thousand)

Provision for risks and charges	Total 12/31/2019	Uses	Transfers and other changes	Actuarial gains (losses) IAS 19R *	Net provisions**	Total 12/31/2020
Legal and fiscal disputes	**30,910**	**(4,009)**	**-**	**-**	**1,462**	**28,363**
- Pending cases	22,370	(3,260)	385	-	1,023	20,518
- Complaints	4,794	(739)	(385)	-	439	4,109
- Tax disputes	3,746	(10)	-	-	-	3,736
Staff expenses	**4,949**	**(4,862)**	**-**	**-**	**5,001**	**5,088**
Other	**71,199**	**(2,190)**	**(1,208)**	**4,488**	**6,840**	**79,129**
- Supplementary customer indemnity provision	63,618	(811)	-	4,471	5,858	73,136
- Contractual payments and	-	-	-	-	-	-
payments under non-competition agreements	395	-	-	17	4	416
- Other provisions	7,186	(1,379)	(1,208)	-	978	5,577
Total provisions for risks and charges	**107,058**	**(11,061)**	**(1,208)**	**4,488**	**13,303**	**112,580**

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

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

Description of the main actuarial assumptions	12/31/2020	12/31/2019
Discount rate	0.65%	0.85%
Expected inflation rate	0.00%	0.00%

As required by IAS 19 Revised, a sensitivity analysis was conducted aimed at identifying how the present value of the liability changes when the actuarial assumptions considered most significant are changed, while keeping the other actuarial assumptions constant.

With reference to the supplementary customer indemnity provision, a change of -25 basis points in the discount rate would result in an increase in liabilities of €2,004 thousand (+2.74%); an equivalent increase in the rate, on the other hand, would reduce the liability by €1,923 thousand (-2.63%). A change of -25 basis points in the salary base would result in a reduction in the liability of €510 thousand (-0.70%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of €523 thousand (+0.71%).

With reference to the provision for contractual payments, a change of -25 basis points in the discount rate would result in an increase in liabilities of €5 thousand (+2.11%); an equivalent increase in the rate, on the other hand, would reduce the liability by €5 thousand (-2.04%). A change of -25 basis points in the salary base would not entail any significant change in the liability.

In addition, for the other provisions recognised in the financial statements on the basis of IAS 37, where the effect of the time value of money is significant (generally when payment is to be made more than 18 months from recognition), the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments. As at December 31, 2020 an analysis was conducted to assess the impact on the provision is made of a variation of +/- 25 basis points in the discount rate and no significant impacts were found.

The **Provision for legal disputes** includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties. In addition to the costs incurred by the Bank in the event of an unfavourable conclusion of the dispute, this provision includes the estimate of the costs to be paid to legal advisors and any technical consultants and/or experts who assist the Bank in ongoing disputes. This estimate was determined by the Bank in relation to the ongoing litigation, mainly on the basis of the Forensic Tariffs envisaged by current legislation.

The **Supplementary customer indemnity provision** is accrued to cover the amount of severance indemnity to be paid to the PFA network pursuant to art. 1751 of the Italian Civil Code, in the event of termination of the contract for reasons not attributable to the advisor, such as, for example, when reaching retirement age. The amount of the obligation at the end of the period was assessed with the aid of an independent actuary, in accordance with the provisions of IAS 19.

The **Provision for staff expenses** includes provisions made in relation to the variable remuneration to be paid to employees in subsequent years which have an uncertain due date and amount.

The **Provision for contractual payments and payments under non-competition agreements** is related to a limited number of personal financial advisors; these payments are contractually provided. More specifically, the non-competition agreement is an extension of the loyalty obligation at the end of the employment contract which protects the Bank from competition from former personal financial advisors; contractual payments are a special indemnity that the Bank agrees to pay to personal financial advisors, who opted to transfer the rights and obligations arising from their contract with the Bank to third parties, where these advisors continue to keep an ethical and professional conduct with the Bank after termination of employment, with specific regard to the customer portfolio. The amount of the obligation at the end of the period relating to contractual payments was assessed with the aid of an independent actuary.

The **Provision for tax disputes** is allocated to cover tax demands received from the Italian Revenue Agency following tax audits carried out on the Bank over the years, in relation to which the Bank considers it has calculated the tax correctly and legitimately and has therefore submitted an appeal at various levels of proceedings.

The above provisions for risks and charges include the allocations for fines and interest for the additional tax being contested and requested by the Tax Authorities through tax bills or payment notices paid and for the estimated amount of legal expenses to be incurred in the various proceedings.

For more details, see Part E – Information on risks and hedging policies – Section 1.5 – Operational risk – paragraph "Risks arising from tax disputes and audits" of these notes to the accounts.

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

Section 11 - Redeemable shares - Item 120

No data to report.

Part B – Balance sheet

Section 12 - Group Shareholders' equity - Items 110, 130, 140, 150, 160, 170 and 180

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

As at December 31, 20120, share capital came to €201,153 thousand, comprising 609,554,043 ordinary shares with a par value of €0.33 each.

As at December 31, 2020, the Bank held 119,934 treasury shares, in order to execute the PFA incentive plans, corresponding to 0.02% of the share capital, for an amount of €1.2 million. During 2020 n. 17,300 shares were purchased in relation to the "2019 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 11,548 and n. 16,590 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the "2016 PFA Incentive System", "2017 PFA Incentive System" and "2015-2017 PFA PLAN".

On February 11, 2020, in view of the favourable opinion provided by the Remuneration Committee in its meeting of February 7, 2020, the Board of Directors of FinecoBank approved execution of the following incentive/loyalty systems:

- 2014-2017 Top Management Multi-Year Plan for employees. In particular, we approved the allotment of 442,779 free ordinary shares to the beneficiaries of the fourth tranche of the Plan, assigned in 2017, and consequently an increase in Share capital for a total amount of €139,517.07 with immediate effect;
- 2014, 2015, 2016 and 2017 Incentive systems for employees. In particular, we approved the allotment of 201,121 free ordinary shares to the beneficiaries of the third equity tranche of the 2014 Incentive System, of the third tranche of the 2015 Incentive System, of the second tranche of the 2016 Incentive System and of the first tranche of the 2017 Incentive System, and consequently an increase in Share capital for a total amount of €66,369.93 with effect from 31 March 2020.

The Board of Directors of FinecoBank of 12 March 2020 decided on a free increase in share capital in the service of incentive plans for an amount of € 5,459.19, through the issue of 16,543 ordinary shares, effective May 31, 2020.

In view of the above capital increases, the reserves from allocation of profit from previous years were reduced accordingly.

(Amounts in € thousand)

	Total 12/31/2020	Total 12/31/2019
Share capital	201,153	200,941
Share premium reserve	1,934	1,934
Reserves	648,882	384,459
- Legal reserve	40,229	40,188
- Extraordinary reserve	571,228	309,131
- Treasury shares reserve	1,189	7,351
- Other reserves	36,238	27,789
(Treasury shares)	(1,189)	(7,351)
Revaluation reserves	(2,833)	1,002
Equity instruments	500,000	500,000
Net Profit (Loss) for the year	323,123	285,891
Total	**1,671,072**	**1,366,876**

Part B – Balance sheet

12.2 Share capital - Number of shares: annual changes

(Amounts in €thousand)

Items/Type	Ordinary	Others
A. Shares outstanding at the beginning of the year	**608,176,152**	**-**
- fully paid	608,913,600	-
- not fully paid	-	-
A.1 treasury shares (-)	(737,448)	-
A.2 Shares outstanding: Opening balance	**608,176,152**	**-**
B. Increases	**1,301,957**	**-**
B.1 New issues	640,443	-
- against payment:	-	-
- business combination	-	-
- bonds converted	-	-
- warrants exercised	-	-
- others	-	-
- free:	640,443	-
- to employees	623,900	-
- to directors	-	-
- others	16,543	-
B.2 Sales of treasury shares	-	-
B.3 Other changes	661,514	-
C. Decreases	**(44,000)**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	(44,000)	-
C.3 Business tranferred	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**609,434,109**	**-**
D.1 Treasury shares (+)	119,934	-
D.2 Shares outstanding at the end of the year	609,554,043	-
- fully paid	609,554,043	-
- not fully paid	-	-

The item B.3 "Other changes" reports the shares allocated to the personal financial advisors under the stock granting plan ("2016 PFA Plan", "2017 PFA Plan" and "2015-2017 PFA PLAN") for FinecoBank's Personal Financial Advisors and Network Managers.

12.3 Share capital: other information

The shares are not subject to any right, privilege or constraint; there are no shares reserved for issue under option and sales contracts.

12.4 Reserves from allocation of profit from previous years: other information

The reserves from profits consist of the:

- Legal reserve, amounting to €42,229 thousand;
- Extraordinary reserve, amounting to €571,228 thousand;
- Reserve for treasury shares held, amounting to €1.179 thousand;
- Reserves of unavailable profits pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 5,053 thousand.

Part B – Balance sheet

As previously mentioned in para. 12.1 "Share capital and Treasury shares: breakdown", the Board of Directors of FinecoBank held on February 11, 2020 and on March 12, 2020, approved execution of the incentive/loyalty systems "with a consequent increase in share capital against with the reserves from profits have been reduced for an amount of €211 thousand. The same reserve was also used for the payment of costs directly attributable to the aforementioned capital increase operations, for an amount of € 14 thousand net of the related taxes.

The FinecoBank Shareholders' Meeting of April 28, 2020 approved the allocation of profit for the year 2019 of FinecoBank S.p.A., amounting to € 285,891 thousand, as follows:

- € 41 thousand to the Legal reserve, corresponding to 0.014% of the profit for the year, having reached the limit of a fifth of the share capital;
- € 285,850 thousand to the extraordinary reserve.

It should be noted that, in full compliance with the reference legislation, the indications of the Supervisory Authorities and the best consolidated practice on the matter, the Board of Directors of 6 April 2020 decided to revoke the proposal for the distribution of a unit dividend of 0.32 euro for a total of € 195,052,000 approved by the Board of Directors on 11 February 2020, resolving to propose to the Ordinary Shareholders' Meeting convened for 28 April 2020 the allocation to reserves of the profit for the year 2019. The ordinary Shareholders' Meeting called for April 28, 2020 therefore approved the aforementioned proposal.

The same Shareholders' Meeting, upon proposal of the Board of Directors of 11 February 2020, also approved the coverage of the negative reserve deriving from the first application of the accounting standard IFRS 9 through the use of the Extraordinary Reserve for an amount equal to € 4,868 thousand.

Simultaneously with the recognition of the allocation of the profit for the year 2019, the extraordinary reserve was made unavailable, pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 5,053 thousand.

As previously mentioned in para. 12.1 "Share capital and Treasury shares: breakdown", during 2020 n. 44,000 shares were purchased in relation to the "2019 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 11,548, n. 16,590 and n. 633,376 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in relation to the "2016 PFA Incentive System", "2017 PFA Incentive System" and "2015-2017 PFA PLAN". Consequently the Reserve for treasury shares held has been decreased by € 6,162 thousand with a simultaneous increase in the Extraordinary reserve.

In addition, during 2020 the Extraordinary Reserve was used for the payment of the coupon of the Additional Tier 1 issued by the Bank on 31 January 2018, for € 6,989 thousand net of the related taxation, and for the payment of the transaction costs directly attributable to the issue and of the coupon of the Additional Tier 1 issued on 11 July 2019, for an amount of € 12,778 thousand net of the related taxation.

Part B – Balance sheet

Information on the availability and distribution of shareholders' equity

In accordance with art. 2427, paragraph 7-bis of the Italian Civil Code, and according to document no. 1 issued by the Italian Accounting Body on October 25, 2004, a detailed description of equity items is provided below, with a breakdown in terms of availability, eligibility for distribution and use in the last three years.

(Amounts in € thousand)

Type/description	Amount	Possibile use	Amount available		Summary of the amounts used in the past three years	
					To cover losses	For other reasons
Share capital	201,153					
Share premium reserve	1,934	A, B, C	1,934	(1)		
Reserves:						
Legal reserve	40,229	B	40,229			
Extraordinary reserve	571,228	A, B, C	571,228			20,225
Reserve related to equity-settled plans	31,183	A	19,152			17,482
Reserve for treasury shares	1,189					
Other reserves	5,053					
Revaluation reserves:						
Revaluation reserves for financial assets at fair value through comprehensive income	2,379			(2)		
Revaluation reserves for actuarial gains (losses) from defined benefit plans	(5,212)					
TOTAL	**849,136**		**632,543**			
Undistributable amount			59,381			
Distributable amount			573,162			

Key:
A: for capital increase. B: to cover losses. C: for distribution to shareholders.

Note:
(1) Pursuant to Article 2431 of the Civil Code, the sum total of this reserve may be distributed only on condition that the legal reserve has reached the limit set in Article 2430 of the Civil Code.
(2) The reserve, when positive, is not available pursuant to article 6 of Legislative Decree 38/2005.

The uses of the reserves made in the previous three years are shown in detail below.

<u>2017 financial year:</u>

- use of the "Extraordinary reserve" for €300 thousand for the capital increase of the third tranche of the "2014 Plan Key People" plan, of the first tranche of the "2014-2017 Multi-year Plan Top Management" plan and of the first tranche of the "Group Executive Incentive System 2014 (Bonus Pool) plan";
- use of the "Reserve related to the equity-settled plans" for €4,144 thousand following the allocation to the Personal financial advisors and Network Manager of the Bank of FinecoBank ordinary shares held in the portfolio, as part of the third tranche of the stock granting plan "2014 Plan PFA ".

<u>2018 financial year:</u>

- use of the "Extraordinary reserve" for €228 thousand for the capital increase of the second tranche of the "2014-2017 Multi-year Plan Top Management" plan, of the second tranche of the "Group Executive Incentive System 2014 (Bonus Pool)" plan and of the first tranche of the "Group Executive Incentive System 2015 (Bonus Pool)" plan;
- use of the "Extraordinary reserve" for the payment of the transaction costs directly attributable to the issue and of the coupon of the Additional Tier 1 issued on 31 January 2018, for €5,958 thousand net of the related taxation;
- use of the "Reserve related to the equity-settled plans" for €6,548 thousand following the allocation to the Personal financial advisors and Network Manager of the Bank of FinecoBank ordinary shares held in the portfolio, as part of the first tranche of the stock granting plan "2015-2017 PFA PLAN".

<u>2019 financial year:</u>

- use of the "Extraordinary reserve" for €168 thousand for the capital increase of the third tranche of the "2014-2017 Multi-year Plan Top Management" plan, of the third tranche of the "Group Executive Incentive System 2014 (Bonus Pool)" plan, of the second tranche of the

Part B – Balance sheet

"Group Executive Incentive System 2015 (Bonus Pool)" plan and of the first tranche of the "Group Executive Incentive System 2016 (Bonus Pool)" plan;

- use of the "Extraordinary reserve" for the payment of the transaction costs directly attributable to the issue and of the coupon of the Additional Tier 1 issued on 31 January 2018, for €6,989 thousand net of the related taxation, and the payment of the transaction costs directly attributable to the issue and of the coupon of the Additional Tier 1 issued on 11 July 2019, for €1,764 thousand and for €4,818 thousand, respectively, net of the related taxation;
- use of the "Reserve related to the equity-settled plans" for €6,790 thousand following the allocation to the Personal financial advisors and Network Manager of the Bank of FinecoBank ordinary shares held in the portfolio, as part of the second tranche of the stock granting plan "2015-2017 PFA PLAN" and of the first tranche of the "2016 PFA PLAN".

12.5 Equity instruments: breakdown and annual changes

Equity instruments includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement[44], issued for a total of €200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of €300 million. The coupon for the first 5 years has been fixed at 5.875%.

No Equity Instruments were issued during the 2020 financial year.

12.6 Other information

No data to report.

[44] Unrated and unlisted

Part B – Balance sheet

OTHER INFORMATION

1. Commitments and financial guarantees given (other than those designated at fair value)

(Amounts in €thousand)

	Nominal value of commitments and financial guarantees given			Total 12/31/2020	Total 12/31/2019
	First stage	Second stage	Third stage		
1. Commitments	**22,114**	**444**	**42**	**22,600**	**19,105**
a) Central Banks	-	-	-	-	-
b) Governments	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	-	-	-	-	14
e) Non-financial companies	-	-	-	-	-
f) Households	22,114	444	42	22,600	19,091
2. Financial guarantees given	**20,817**	**-**	**-**	**20,817**	**18,812**
a) Central Banks	-	-	-	-	-
b) Governments	-	-	-	-	-
c) Banks	17,170	-	-	17,170	17,170
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-
f) Households	3,647	-	-	3,647	1,642

The commitments to disburse funds mainly include the commitments to disburse reverse repos.

Financial guarantees given to banks include banks include the guarantees issued in 2012 to the Italian Revenue Agency on request of UniCredit S.p.A., with indefinite duration, for a total amount of €17,166 thousand (€17,166 thousand as at December 31, 2019). It worth noting that UniCredit S.p.A. has also renewed the request for release for the consolidation of pending charges to the competent office of the Regional Directorate of Liguria and the Bank is awaiting the related response.

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2. Other commitments and other guarantees given

(Amounts in €thousand)

	Nominal amount Total 12/31/2020	Nominal amount Total 12/31/2019
1. Other guarantees given		
of which: impaired	-	-
a) Central Banks	-	-
b) Governments	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Other commitments	**1,718,119**	**1,453,932**
of which: impaired	284	154
a) Central Banks	-	-
b) Governments	-	-
c) Banks	2,138	516
d) Other financial companies	34,098	20,971
e) Non-financial companies	267	90
f) Households	1,681,616	1,432,355

Other commitments refer to the margins available on revocable credit lines granted to customers and spot sales of securities to be settled in times established by market practices ("regular way")

3. Assets given as collateral for own liabilities and commitments

(Amounts in €thousand)

Portfolios	Amounts 12/31/2020	Amounts 12/31/2019
1. Financial assets at fair value through profit and loss	-	133
2. Financial assets at fair value through other comprehensive income	76,524	18,300
3. Financial assets at amortized cost	5,082,729	1,763,853
4. Property, plant and equipment	-	-
of which: Property, plant and equipment material assets that constitute inventories	-	-

Assets given as collateral for own liabilities and commitments shown in the above table refer to:

- debt securities used to enter into repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of said transaction. The bonds are given as collateral for the entire duration of the transaction;
- government bonds given as collateral for bankers' drafts, as guarantee for transactions in foreign markets and/or as guarantee for transactions in derivatives. Securities are used as collateral until the Bank decides to stop the transactions for which the collateral or guarantees are granted;
- debt securities issued by UniCredit S.p.A. given as collateral in securities lending transactions carried out with customers. The securities are given as collateral for the entire duration of the transaction.

Part B – Balance sheet

4. Asset management and trading on behalf of others

(Amounts in €thousand)

Type of service	Total 12/31/2020
1. Execution of orders for customers	**357,176,776**
Securities	**106,115,117**
a) purchases	53,947,278
1. settled	53,522,217
2. unsettled	425,061
b) sales	52,167,839
1. settled	51,741,291
2. unsettled	426,548
Derivative contracts	**251,061,659**
a) purchases	125,577,629
1. settled	125,483,445
2. unsettled	94,184
b) sales	125,484,030
1. settled	125,388,136
2. unsettled	95,894
2. Segregated accounts	**-**
3. Custody and administration of securities	
a) third party securities on deposits: relating to custodian bank activities (excluding segregated accounts)	-
1. securities issued by the bank preparing the accounts	-
2. other securities	-
b) third party securities held in deposits (excluding segregated accounts): other	14,892,732
1. securities issued by the bank preparing the accounts	2,942
2. other securities	14,889,790
c) third-party securities deposited with third parties	14,892,732
d) own securities deposited with third parties	22,704,473
4. Other transactions	**55,095,081**
Order receipt and transmission	55,095,081
a) purchases	27,693,730
b) sales	27,401,351

Part B – Balance sheet

5. Financial assets subject to accounting offsetting or master netting agreements or similar agreements

(Amounts in €thousand)

Type		Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets shown in the financial statements (c=a-b)	Related amounts not subject to accounting offsetting		Net amounts (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposit received as guarantee (e)	12/31/2020	12/31/2019
1. Derivatives		1,898	-	1,898	-	1,540	358	-
2. Reverse repos		2,169,122	2,168,896	226	226	-	-	-
3. Securities lending		1,122	-	1,122	1,122	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12/31/2020**	**2,172,142**	**2,168,896**	**3,246**	**1,348**	**1,540**	**358**	**X**
Total	**12/31/2019**	**1,396,707**	**1,390,024**	**6,683**	**4,546**	**2,137**	**X**	**-**

6. Financial assets subject to accounting offsetting or master netting agreements or similar agreements

(Amounts in €thousand)

Type		Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities shown in the financial statements (c=a-b)	Related amounts not subject to accounting offsetting		Net amount (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposit received as guarantee (e)	12/31/2020	12/31/2019
1. Derivatives		-	-	-	-	-	-	-
2. Reverse repos		2,174,829	2,168,896	5,933	5,933	-	-	248
3. Securities lending		68,468	-	68,468	66,759	-	1,709	7,242
4. Others		-	-	-	-	-	-	-
Total	**12/31/2020**	**2,243,297**	**2,168,896**	**74,401**	**72,692**	**-**	**1,709**	**X**
Total	**12/31/2019**	**1,493,260**	**1,390,024**	**103,236**	**95,745**	**-**	**X**	**7,490**

The amount of assets and liabilities offset in the financial statements refers to the repurchase agreements executed on the MTS market. It should also be noted that, at December 31, 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 positive variance margin of €191,519 thousand was paid, not shown in the table above as it is cleared at a Central Counterparty since it refers to client-trade exposures. Such exposures were subject to the prudential treatment set out in Article 305 of (EU) Regulation no. 575/2013.

7. Securities lending transactions

The Bank conducts securities lending transactions on a continuous and systematic basis, with the objective of satisfying the requests of its customers, of institutional counterparties and obtaining a profit. The Bank operates as the borrower, borrowing the securities of its customers and using them in securities lending transactions guaranteed by cash amounts with retail and institutional customers interested in the temporary ownership of the securities.

Against securities lending transactions guaranteed by other securities, the Bank issued as collateral UniCredit S.p.A. bonds, recorded in *"Financial asset at amortised cost"*, held in a dedicated dossier at the custodian bank for an amount higher than that of the securities borrowed by the customers, with the aim of providing a collective guarantee.

The face value of the underlying securities not recognised as assets in the accounts totaled €60,786 thousand, with a fair value of €147,355 thousand, broken down as follows:

(Amounts in € thousand)

	Type of securities - Nominal value December, 31 2020		
Securities received on loan from:	**Sold**	**Sold in repos**	**Other purposes**
Banks	-	-	-
Financial companies	-	9	-
Insurance companies	-	-	-
Non-financial companies	3	244	12
Other entities	591	57,354	2,573
Total nominal value	**594**	**57,607**	**2,585**

(Amounts in € thousand)

	Type of securities - Fair value December, 31 2020		
Securities received on loan from:	**Sold**	**Sold in repos**	**Other purposes**
Banks	-	-	-
Financial companies	-	14	18
Insurance companies	-	-	-
Non-financial companies	5	594	9
Other entities	582	136,482	9,651
Total *fair value*	**587**	**137,090**	**9,678**

8. Disclosure on joint control activities

No data to report.

Part C - Income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

(Amounts in € thousand)

Items/Type	Debt securities	Loans	Other operations	Total 2020	Total 2019
1. Financial assets at fair value through profit and loss	**3**	**-**	**-**	**3**	**4**
1.1 Financial assets held for trading	-	-	-	-	1
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatory at fair value	3	-	-	3	3
2. Financial assets at fair value through other comprehensive income	**1,274**	**-**	**X**	**1,274**	**2,943**
3. Financial assets at amortised cost	**226,658**	**66,326**	**X**	**292,984**	**303,023**
3.1 loans and receivables with banks	99,645	390	X	100,035	141,304
3.2 loans and receivables with customers	127,013	65,936	X	192,949	161,719
4. Hedging derivatives	**X**	**X**	**(21,024)**	**(21,024)**	**(10,643)**
5. Other assets	**X**	**X**	**66**	**66**	**73**
6. Financial liabilities	**X**	**X**	**X**	**5,005**	**2,494**
Total	**227,935**	**66,326**	**(20,958)**	**278,308**	**297,894**
of which: income interests impaired financial assets	-	196	-	196	183
of which: interest income on financial lease	-	-	-	-	-

1.2 Interest income and similar revenues: other information

1.2.1 Interest income from financial assets denominated in currency

(Amounts in € thousand)

Items/Type	Total 2020	Total 2019
Interest income on foreign currency financial assets	10,686	17,151

Part C - Income statement

1.3 Interest expenses and similar charges: breakdown

(Amounts in €thousand)

Items/Type	Payables	Debt securities in issue	Other transactions	Total 2020	Total 2019
1. Financial liabilities at amortized cost	(7,178)	-	X	(7,178)	(11,929)
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(231)	X	X	(231)	(128)
1.3 Deposits from customers	(6,947)	X	X	(6,947)	(11,801)
1.4 Debt securities in issue	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(3,211)	(4,574)
Totale	**(7,178)**	**-**	**-**	**(10,389)**	**(16,503)**
of which: interest expense on lease liabilities	(1,054)	-	-	(1,054)	(946)

1.4 Interest expenses and similar charges: other information

1.4.1 Interest expenses on liabilities denominated in currency

(Amounts in €thousand)

Items/Type	Total 2020	Total 2019
Interest expense on liabilities denominated in currency	(3,249)	(9,671)

1.5 Hedging differential

(Amounts in €thousand)

Items	Total 2020	Total 2019
A. Positive hedging differentials	100,785	43,803
B. Negative hedging differentials	(121,809)	(54,446)
C. Balance (A-B)	**(21,024)**	**(10,643)**

Part C - Income statement

Section 2 – Fees and commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

(Amounts in €thousand)

Type of services/Amounts	Total 2020	Total 2019
a) guarantees given	38	40
b) credit derivatives	-	-
c) management, brokerage and consulting services:	560,952	481,412
1. securities trading	108,029	73,749
2. currency trading	-	-
3. segregated accounts	-	-
4. custody and administration of securities	694	849
5. custodian bank	-	-
6. placement of securities	16,569	13,287
7. reception and transmission of orders	38,674	14,156
8. advisory services	66,305	62,122
8.1. related to investments	66,305	62,122
8.2. related to financial structure	-	-
9. distribution of third-party services:	330,681	317,249
9.1. segregated accounts	251,235	246,592
9.1.1 individual	1,865	408
9.1.2 collective	249,370	246,184
9.2 insurance products	79,446	70,657
9.3 other products	-	-
d) collection and payment services	29,738	35,042
e) securitisation servicing	-	-
f) factoring	-	-
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) management of current accounts	13,297	4,564
j) other services	14,977	15,051
k) securities lending transactions	8,144	6,770
Total	**627,146**	**542,879**

The amount of fee and commission income recognized in 2020 that was included in the contract liability balance at the beginning of the period is equal to €1,110 thousand.

Lastly, it should be noted that item 9.1.2 "segregated accounts collective" also includes the maintenance commissions for UCIT units equal to €244,317 thousand (€241,161 thousand at 31 December 2019).

Part C - Income statement

2.2 Fee and commission income: distribution channels for products and services

(Amounts in €thousand)

Channel/Amounts	Total 2020	Total 2019
b) at own branches:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
b) cold-calling:	**330,184**	**313,775**
1. portfolio management	-	-
2. placement of securities	13,581	11,875
3. third-party services and products	316,603	301,900
c) other distribution channels:	**17,066**	**16,761**
1. portfolio management	-	-
2. placement of securities	2,988	1,412
3. third-party services and products	14,078	15,349

The fee and commission income described in point (c) "other distribution channels" refer to commissions earned through the online channel and also include fees and commissions collected by product companies and placement and maintenance commissions from the online subscription of units of UCITS and insurance products.

2.3 Fee and commission expenses: breakdown

(Amounts in €thousand)

Services/Amounts	Total 2020	Total 2019
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	(262,031)	(253,157)
1.trading in financial instruments	(10,212)	(7,401)
2. currency trading	-	-
3. portfolios management:	-	-
3.1 own portfolio	-	-
3.2 third party portfolio	-	-
4. custody and administration securities	(3,868)	(2,526)
5. financial instruments placement	-	-
6. out of office offer of financial instruments, products and services	(247,951)	(239,546)
d) collection and payment services	(18,545)	(24,584)
e) other services	(5,338)	(4,067)
f) securities lending transactions	(1,630)	(2,044)
Total	**(287,544)**	**(280,168)**

Item “c) management and brokerage services: 6. cold-calling to offer securities, products and services”, includes costs incurred in relation to Equity Settled and Cash Settled plans assigned to personal financial advisors, that are respectively recorded against the item 140. “Reserves” of the net equity for an amount of € 683 thousand (€323 thousand as at December 31, 2019).

It should be noted that in 2020 the clearing and settlement fees were shown in the item "e. other services”, while previously they were shown under item “c. management and brokerage services: 4. custody and administration of securities”. For a homogeneous comparison, the data as at 31 December 2019 were restated, carrying out the aforementioned reclassification for an amount of € 3,684 thousand.

Part C - Income statement

Section 3 – Dividend income and similar revenues – Item 70

3.1 Dividend income and similar revenue: breakdown

(Amounts in € thousand)

Items/Income	Total 2020		Total 2019	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	56	-	48	-
B. Other financial assets mandatorily at fair value	52	-	53	1,594
C. Financial assets at fair value through other comprehensive income	-	-	-	-
D. Equity investments	52,059	-	48,301	-
Total	**52,167**	**-**	**48,402**	**1,594**

Item D. Equity Investments only includes dividends received by Fineco Asset Management DAC.

At 31 December 2019 “Similar revenues” “recognised in “Other financial assets mandatorily at fair value”, include the profit recognized by the Voluntary Scheme to FinecoBank relating to the four tranches of interest, net of the costs incurred during the year 2019, paid by Banca Carige S.p.A. on the subordinated loan underwritten by the Voluntary Scheme.

Part C - Income statement

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

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

As at December 31, 2020

(Amounts in €thousand)

Transactions/Income items	Unrealised gain (A)	Realized gains (B)	Unrealized losses (C)	Realized losses (D)	Net profit (loss) [(A+B) = (C+D)]
1. Financial assets held for trading	**202**	**243,766**	**(179)**	**(224,836)**	**18,953**
1.1 Debt securities	-	6,608	-	(5,589)	1,019
1.2 Equity instruments	202	234,041	(179)	(216,360)	17,704
1.3 UCITS units	-	3,117	-	(2,887)	230
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**1**	**1,749**	**(22)**	**(2,524)**	**(796)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	1	1,749	(22)	(2,524)	(796)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**24,577**
4. Derivatives	**7,193**	**215,271**	**(8,078)**	**(174,954)**	**44,877**
4.1 Financial derivatives:	7,193	215,271	(8,078)	(174,954)	44,877
- On debt securities and interest rates	29	1,284	(34)	(1,207)	72
- On equity securities and share indices	7,108	189,526	(7,985)	(156,002)	32,647
- On currency and gold	X	X	X	X	5,445
- Others	56	24,461	(59)	(17,745)	6,713
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	**7,396**	**460,786**	**(8,279)**	**(402,314)**	**87,611**

Part C - Income statement

As at December 31, 2019

(Amounts in € thousand)

Transactions/Income items	Unrealised gain (A) (a)	Realized gains (B) negoziazione (b)	Unrealized losses (C) (c)	Realized losses (D) negoziazione (d)	Net profit (loss) [(A+B) = (C+D)] [(a+b)-(c+d)]
1. Financial assets held for trading	**20**	**112,540**	**(31)**	**(102,702)**	**9,827**
1.1 Debt securities	-	4,305	-	(3,716)	589
1.2 Equity instruments	20	107,439	(31)	(98,279)	9,149
1.3 UCITS units	-	796	-	(707)	89
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**35**	**783**	**(5)**	**(839)**	**(26)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	35	783	(5)	(839)	(26)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**13,145**
4. Derivatives	**5,293**	**72,214**	**(4,335)**	**(60,161)**	**18,400**
4.1 Financial derivatives:	5,293	72,214	(4,335)	(60,161)	18,400
- On debt securities and interest rates	45	1,297	(45)	(1,220)	77
- On equity securities and share indices	5,197	65,699	(4,233)	(55,159)	11,504
- On currency and gold	X	X	X	X	5,389
- Others	51	5,218	(57)	(3,782)	1,430
4.2 Credit derivatives	51	5,218	(57)	(3,782)	1,430
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	**5,348**	**185,537**	**(4,371)**	**(163,702)**	**41,346**

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

5.1 Fair value adjustments in hedge accounting: breakdown

(Amounts in €thousand)

Income items/Amounts	Total 2020	Total 2019
A. Gains on:		
A.1 Fair value hedging instruments	5,431	34,826
A.2 Hedged asset items (in fair value hedge relationship)	138,636	53,087
A.3 Hedged liability items (in fair value hedge relationship)	268	-
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**144,335**	**87,913**
B. Losses on:		
B.1 Fair value hedging instruments	(139,688)	(53,626)
B.2 Financial assets items (in fair value hedge relationship)	(1,023)	(22,948)
B.3 Hedged liability items (in fair value hedge relationship)	(3,883)	(11,499)
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(144,594)**	**(88,073)**
C. Fair value adjustments in hedge accounting (A-B)	**(259)**	**(160)**
of which: net profit (loss) on net position	-	-

Part C - Income statement

Section 6 – Gains (Losses) on disposals/repurchases – Item 100

6.1 Gains (Losses) on disposals/repurchases: breakdown

(Amounts in € thousand)

Items/Income items	Total 2020			Total 2019		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
A. Financial assets						
1. Financial assets at amortized cost	7,418	(183)	7,235	2,909	-	2,909
1.1 Loans and receivables with banks	218	-	218	1,831	-	1,831
1.2 Loans and receivables with customers	7,200	(183)	7,017	1,078	-	1,078
2. Financial assets at fair value through other comprehensive income	1,770	-	1,770	984	(257)	727
2.1 Debt securities	1,770	-	1,770	984	(257)	727
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**9,188**	**(183)**	**9,005**	**3,893**	**(257)**	**3,636**
B. Financial liabilities at amortized cost						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

Part C - Income statement

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

7.1 Net change in value of other financial assets and liabilities measured at fair value through profit and loss: breakdown of financial assets and liabilities designated at fair value

No data to report.

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit and loss: breakdown of other financial assets mandatorily at fair value

As at December 31, 2020

(Amounts in €thousand)

Transactions/Income items	Unrealized gain (A)	Realized gain (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (loss) (A+B)-(C+D)
1. Financial assets	**4,786**	**15**	**(4,852)**	**(1)**	**(52)**
1.1 Debt securities	-	9	(2)	-	7
1.2 Equity securities	4,786	6	(4,850)	(1)	(59)
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in currency: exchange differences	**X**	**X**	**X**	**X**	**(733)**
Total	**4,786**	**15**	**(4,852)**	**(1)**	**(785)**

As at December 31, 2019

(Amounts in € thousand)

Transactions/income items	Unrealised gains (a)	Realized gains (b)	Unrealised losses (c)	Realized losses (d)	Net profit (loss) [(a+b)-(c+d)]
1. Financial assets	**2,480**	**39**	**(4,547)**	**-**	**(2,028)**
1.1 Debt securities	-	5	-	-	5
1.2 Equity instruments	2,480	5	(4,547)	-	(2,062)
1.3 UCITS units	-	29	-	-	29
1.4 Loans	-	-	-	-	-
2. Financial assets in currency: exchange differences	**X**	**X**	**X**	**X**	**118**
Total	**2,480**	**39**	**(4,547)**	**-**	**(1,910)**

Part C - Income statement

Section 8 – Impairment losses/writebacks - Item 130

8.1 Impairment losses on financial assets at amortised cost: breakdown

(Amounts in €thousand)

Transactions/Income items	Impairment (1)			Write-backs (2)		Total	Total
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Others			2020	2019
A. Loans and receivables with banks	**(208)**	**-**	**-**	**190**	**-**	**(18)**	**9,102**
- Loans	(81)	-	-	152	-	71	2,114
- Debt securities	(127)	-	-	38	-	(89)	6,988
of which: financial assets purchased or originated credit impaired	-	-	-	-	-	-	-
B. Credit to clients	**(10,880)**	**(183)**	**(4,026)**	**3,765**	**1,783**	**(9,541)**	**(3,720)**
- Loans	(4,720)	(183)	(4,026)	3,757	1,783	(3,389)	(4,107)
- Debt securities	(6,160)	-	-	8	-	(6,152)	387
of which: financial assets purchased or originated credit impaired	-	-	-	-	-	-	-
Total	**(11,088)**	**(183)**	**(4,026)**	**3,955**	**1,783**	**(9,559)**	**5,382**

8.1a Net impairment for credit risk related to loans and advances at amortized cost subject to measures applied in response to the COVID-19: breakdown

(Amounts in €thousand)

Operation / P&L item	Net adjustments			Total	Total
	First and second stage	Third stage			
		Write-off	Others	2020	2019
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)	(23)	(31)	-	**(54)**	**-**
2. Other loans and advances subject to COVID-19-related forbearance measures	(29)	-	-	**(29)**	**-**
3. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	**-**	**-**
Total	**(52)**	**(31)**	**-**	**(83)**	**-**

Part C - Income statement

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

(Amounts in € thousand)

Transactions/Income items	Adjustments (1)			Write-backs (2)		Total	Total
	First and second stage	Third stage		First and second stage	Third stage	2020	2019
		Write-off	Others				
A. Debt Securities	(15)	-	-	-	-	(15)	2
B. Loans and receivables	-	-	-	-	-	-	-
- With customers	-	-	-	-	-	-	-
- With banks	-	-	-	-	-	-	-
of which:financial assetes purchased or originated credit impaired	-	-	-	-	-	-	-
Total	**(15)**	**-**	**-**	**-**	**-**	**(15)**	**2**

8.2.a Net impairment for credit risk related to loans and advances at fair value with an impact on overall profitability subject to measures applied in response to the COVID-19: breakdown

No data to report.

Part C - Income statement

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

9.1 Profit (loss) from contract changes: breakdown

(Amounts in €thousand)

Items/Income items	Total 2020			Total 2019		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
1. Financial assets valued at amortized cost	26	(3)	23	-	-	-
1.1 Receivables from banks	-	-	-	-	-	-
1.2 Receivables from customers	26	(3)	23	-	-	-
2. Financial assets valued at fair value with an impact on total profitability	-	-	-	-	-	-
Total	**26**	**(3)**	**23**	**-**	**-**	**-**

Section 10 – Administrative costs – Item 160

10.1 Payroll costs: breakdown

(Amounts in €thousand)

Type of expenses/Sectors	Total 2020	Total 2019
1) Employees	(93,151)	(84,513)
a) wages and salaries	(62,982)	(57,587)
b) social security contributions	(16,756)	(15,004)
c) pension costs	(916)	(870)
d) severance pay	-	-
e) allocation to employee severance pay provision	(65)	(114)
f) provision for retirements and similar provisions:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(3,922)	(3,445)
- defined contribution	(3,922)	(3,445)
- defined benefit	-	-
h) costs related to share-based payments	(3,774)	(3,370)
i) other employee benefits	(4,736)	(4,123)
2) Other staffs	-	-
3) Directors and statutory auditors	(1,717)	(1,316)
4) Early retirement costs	-	-
5) Recovery of expenses for employees seconded to other companies	36	147
6) Refunds of expenses for third party employees seconded to the company	(189)	(385)
Total	**(95,021)**	**(86,067)**

Item 1 “h) Employees: costs related to share-based payments” includes costs incurred in relation to payment agreements based on financial instruments issued by the Bank, that are recorded against the item 140. “Reserves” of the net equity for an amount of €3,774 thousand (€3,368 thousand as at December 31, 2019).

Part C - Income statement

10.2 Average number of employees by category

	Total 2020	Total 2019
Employees	**1,218**	**1,167**
(a) executives	29	28
(b) managers	396	371
(c) remaining employees	793	768
Other personnel	**13**	**13**

10.3 Pensions and other post-retirement defined-benefit obligations costs and revenues

No data to report.

10.4 Other employee benefits

(Amounts in €thousand)

Type of expense/Amounts	Total 2020	Total 2019
Leaving incentives	58	(26)
Medical plan	(1,584)	(1,065)
Luncheon vouchers	(501)	(973)
Other	(2,709)	(2,059)
Total	**(4,736)**	**(4,123)**

Part C - Income statement

10.5 Other administrative expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2020	Total 2019
1) INDIRECT TAXES AND DUTIES	**(116,739)**	**(108,577)**
A) Advertising expenses - Marketing and communication	**(22,395)**	**(18,270)**
Mass media communications	(19,819)	(11,988)
Marketing and promotions	(2,151)	(4,948)
Sponsorships	(360)	(107)
Conventions and internal communications	(65)	(1,227)
B) Expenses related to credit risk	**(1,442)**	**(1,496)**
Credit recovery expenses	(181)	(332)
Commercial information and company searches	(1,261)	(1,164)
C) Expenses related to personnel	**(20,294)**	**(22,393)**
Personnel training	(496)	(515)
Car rental and other staff expenses	(83)	(36)
Personal financial advisor expenses	(19,510)	(20,995)
Travel expenses	(205)	(846)
Premises rentals for personnel	-	(1)
D) ICT expenses	**(43,845)**	**(37,204)**
Lease of ICT equipment and software	(3,131)	(2,658)
Software expenses: lease and maintenance	(11,220)	(9,782)
ICT communication systems	(8,273)	(7,600)
ICT services: external personnel/outsourced services	(8,995)	(6,853)
Financial information providers	(12,226)	(10,311)
E) Consultancies and professional services	**(3,860)**	**(4,188)**
Consultancy on ordinary activities	(2,838)	(2,775)
Consultancy for one-off regulatory compliance projects	(67)	(13)
Consultancy for strategy, business development and organisational optimisation	(676)	(819)
Legal expenses	(116)	(234)
Legal disputes	(163)	(347)
F) Real estate expenses	**(4,390)**	**(8,566)**
Real estate services	(85)	(757)
Repair and maintenance of furniture, machinery, and equipment	(132)	(437)
Maintenance of premises	(524)	(1,981)
Premises rentals	(962)	(2,331)
Cleaning of premises	(854)	(574)
Utilities	(1,833)	(2,486)
G) Other functioning costs	**(35,761)**	**(35,036)**
Surveillance and security services	(199)	(404)
Postage and transport of documents	(3,316)	(3,696)
Administrative and logistic services	(16,372)	(17,098)
Insurance	(3,545)	(3,292)
Printing and stationery	(703)	(517)
Association dues and fees	(10,103)	(9,514)
Other administrative expenses	(1,523)	(515)
H) Ex-ante contribution to the Single Resolution Fund and Interbank Deposit Guarantee Fund	**(26,805)**	**(18,129)**
Total	**(275,531)**	**(253,859)**

Part C - Income statement

Item "C) Expenses related to personnel - Personal financial advisor expenses", includes costs, incurred by the Bank in relation to the plan "PFA 2015-2017" assigned to personal financial advisors, that are recorded against the item 140. "Reserves" of the net equity for an amount of €589 thousand (€1,749 thousand as at December 31, 2019).

The costs posted in 2020 for contributions paid to Deposit Guarantee Schemes (DGS) during the year, shown in item "Other administrative expenses" (point H) of table above, amounted to €25,901 thousand in total (€25,901 thousand as at December 31, 2019) and pertain to the ordinary, additional and supplementary contribution. For further details, see Section A – Account policies, of the notes to the accounts.

The costs recorded in 2020 for contributions paid to the Single Resolution Fund, ordinary contribution, and to the National Resolution Fund, additional contribution, presented in the item "Other administrative expenses" (point H) of the table above, were overall equal to € 904 thousand (no contribution accounted for in 2019).

Below is the information required by IFRS 16 regarding the costs recognized in Other administrative expenses relating to short-term leasing, the costs relating to low value assets leasing and the costs for variable payments due for the leasing not included in the valuation of the leasing liabilities.

(Amounts in € thousand)

	Total 2020
Expense relating to short-term leases ("*Short term lease*")	-
Expense relating to leases of low-value assets ("*Low value assets*")	(18)
Expense relating to variable lease payments not included in the measurement of lease liabilities	-
Total	**(18)**

It should also be noted that the VAT related to the contracts included in the scope of IFRS 16 was also included in the Other administrative expenses, as it is not included in the assessment of the leasing liability.

Section 11 – Net provisions for risks and charges – Item 170

11.1 Net provisions for risks and charges relating to commitments and financial guarantees given: breakdown

(Amounts in € thousand)

Transactions/income items	Impairment		Write-backs		Total 2020	Total 2019
	First and second stage	Third stage	First and second stage	Third stage		
1. Commitments	(46)	-	11	-	(35)	(7)
2. Financial guarantees given	(6)	-	2	-	(4)	34
Total	**(52)**	**-**	**13**	**-**	**(39)**	**27**

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

No data to report.

Part C - Income statement

11.3 Net provisions for risks and charges: breakdown

(Amounts in € thousand)

	Total 2020			Total 2019		
	Provisions	Reallocations	Total	Provisions	Reallocations	Total
Legal and fiscal disputes	(5,167)	3,704	(1,463)	(7,373)	5,129	(2,244)
Supplementary customer indemnity provision	(5,858)	-	(5,858)	(5,554)	-	(5,554)
Other provisions for risks and charges	(1,017)	1,067	50	(1,427)	202	(1,225)
Total	**(12,042)**	**4,771**	**(7,271)**	**(14,354)**	**5,331**	**(9,023)**

Section 12 – Net impairment/write-backs on property, plant and equipment – Item 180

12.1 Impairment/write-backs on property, plant and equipment: breakdown

(Amounts in €thousand)

Assets/Income items	Depriciation (a)	Write-downs (b)	Write-backs (c)	Net profit (loss) 2020 (a + b - c)	Net profit (loss) 2019 (a + b - c)
A. Property, plant and equipment					
1 Owned	(19,314)	(67)	-	(19,381)	(17,123)
- Used in the business	(8,195)	(62)	-	(8,257)	(7,736)
- Held for investment	(11,119)	(5)	-	(11,124)	(9,387)
2 Held under finance lease	(108)	-	-	(108)	(108)
- Used in the business	(108)	-	-	(108)	(108)
- Held for investment	-	-	-	-	-
3 Inventories	X	-	-	-	-
B. Assets held for sale	X	-	-	-	-
Total	**(19,422)**	**(67)**	**-**	**(19,489)**	**(17,231)**

Impairment losses were recognised in the year for insignificant amounts and mainly in relation to office furniture and fittings for which a zero value in use was determined.

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

Part C - Income statement

Section 13 – Net impairment/write-backs on intangible assets – Item 190

13.1 Impairment on intangible assets: breakdown

(Amounts in €thousand)

Assets/Income items	Depriciation (a)	Write-downs (b)	Write-backs (c)	Net profit (loss) 2020 (a + b - c)	Net profit (loss) 2019 (a + b - c)
A. Intangible assets					
A.1 Owned	(5,704)	-	-	(5,704)	(5,396)
- Generated internally by the company	-	-	-	-	-
- Other	(5,704)	-	-	(5,704)	(5,396)
A.2 Held under finance lease	-	-	-	-	-
B. Assets held for sale	X	-	-	-	-
Total	**-**	**-**	**-**	**(5,704)**	**(5,396)**

Impairments on intangible assets relate to software, amortised over three years and the costs incurred to create the Fineco website, amortised over 5 years.

For the disclosures required by IAS 36 paragraph 134, d), e), f) and 135, c), d), e), see Part B paragraph 12.3 Other information.

Section 14 – Other net operating income – Item 200

14.1 Other operating expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2020	Total 2019
Refunds and allowances	(255)	(157)
Penalties, fines and unfavourable rulings	(363)	(975)
Improvements and incremental expenses incurred on leasehold properties	(2,209)	(2,129)
Exceptional write-downs of assets	(60)	(169)
Other operating expenses	(295)	(296)
Total	**(3,182)**	**(3,726)**

14.2 Other operating income: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2020	Total 2019
Recovery of expenses:	110,512	104,068
- recovery of ancillary expenses - other	69	162
- recovery of taxes	110,443	103,906
Rental income from properties	786	879
Other income from current year	2,331	1,672
Total	**113,629**	**106,619**

The amount of other operating income recognized in 2020 and included in the balance at the beginning of the year of liabilities arising from contracts with customers is equal to € 80 thousand.

The Bank has not carried out sub-leasing transactions.

The Bank has no financial leases. As far as operating leases are concerned, the Bank has outstanding operations, as lessor, represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11, the proceeds of which are recognized in the item "Rental income from properties" and do not include income for ISTAT revaluations as, as contractually provided.

Part C - Income statement

Section 15 – Profit (loss) of associates – Item 220

No data to report.

Section 16 – Gains (losses) on tangible and intangible assets measured at fair value – Item 230

No data to report.

Section 17 – Impairment of goodwill – Item 240

No data to report.

Section 18 – Gains (losses) on disposal of investments – Item 250

18.1 Gains (losses) on disposal of investments: breakdown

(Amounts in €thousand)

Items income/Sectors	Total 2020	Total 2019
A. Properties	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	(6)	-
- Gains on disposal	1	-
- Losses on disposal	(7)	-
Net profit (loss)	**(6)**	**-**

The Bank has not carried out sales and leasing transactions for tangible assets.

Section 19 – Tax expense (income) related to profit or loss from continuing operations – Item 270

19.1 Tax expense (income) related to profit or loss from continuing operations: breakdown

(Amounts in €thousand)

Items income/Amounts	Total 2020	Total 2019
1. Current tax (-)	(110,235)	(109,270)
2. Adjustment to current tax of prior years (+/-)	-	96
3. Reduction in current tax for the year (+)	-	-
3.bis Reduction of current tax for the year due to tax receivables pursuant to Law 214/2011 (+)	-	-
4. Changes in deferred tax assets (+/-)	(19,652)	20,760
5. Changes in deferred tax liabilities (+/-)	(84)	568
6. Tax expense for the year (-) (-1+/-2+3+ 3 bis +/-4+/-5)	(129,971)	(87,846)

Part C - Income statement

19.2 Reconciliation of theoretical tax charge to actual tax charge

(Amounts in € thousand)

	Total 2020
Profit before tax	453,094

	Taxes		
	IRES	IRAP	Total 2020
Amount corresponding to theoretical tax rate	**(124,601)**	**(25,237)**	**(149,838)**
Tax effects of charges not relevant to the calculation of taxable income	(1,533)	(2,437)	(3,970)
Tax effects of income not relevant to the calculation of taxable income	20,495	3,342	23,837
Tax effects deriving from the use of tax losses from previous years	-	-	-
Tax effects deriving from the application of substitute taxes	-	-	-
Amount corresponding to actual tax rate	**(105,639)**	**(24,332)**	**(129,971)**

Section 20 – Profit (Loss) after tax from discontinued operations – Item 290

No data to report.

Section 21 – Other information

1.1 Disclosure of auditing fees pursuant to art. 149 paragraph bis of Issuers' Regulation

The table below provides details of the fees (net of VAT and expenses) paid to the independent auditing firm Deloitte & Touche S.p.A. and entities within the network that the external auditors belongs to.

(Amounts in €)

Type of service	Service provider	Fees
Accounting Audit	Deloitte & Touche S.p.A.	190,752
Certification services	Deloitte & Touche S.p.A.	181,000
Other Services	Deloitte & Touche S.p.A.	10,000
Total		**381,752**

Part C - Income statement

1.2 Disclosure regarding the transparency of public funding required by article 1, paragraph 125 of the Italian law 124/2017

For the purposes of fulfilling the requirements of art. 1, paragraph 125 of Law no. 124/2017 - Annual market and competition law, modified by art. 35 of the law decree n. 34/2019, in accordance with Assonime circular no. 5 of 22 February 2019 and also kept the indications provided by the in-depth document issued by Assonime on May 6, 2019, the Bank excluded from the disclosure the attributions that are justified in the performance of the company and in any case typical of the recipient's activity, as well as those aimed at the generality of the companies, such as tax and social security measures, thus limiting the information on the contributions to be presented and detailed in the National Register of State Aid "Transparency" section publicly available on the relevant website. In this sense, it should be noted that during the 2020 financial year the Bank did not collect public contributions paid by Italian entities.

Pursuant to article 1, paragraph 125 of Italian law 124/2017, in 2020 FinecoBank received the following public contributions from Italian entities:

Tax credit for advertising investments Art. 57-bis of the Law Decree of 24 April 2017, n.50, converted with modification by the law of 21 June 2017, n.96; Decree of the President of the Council of Ministers May 16, 2018, n.90

(Amounts in € thousand)

Entity granting	Beneficiary	Amount of public funding
Presidency of the Council of Ministers - Department for Information and Publishing	FinecoBank S.p.A.	58
Total		**58**

For more information, please refer to the National State Aid Register "Transparency" section.

Section 22 - Earnings per share

22.1 Average number of diluted ordinary shares

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

	2020	2019
Net profit for the year (€ thousands)	323,123	285,891
Average number of outstanding shares	608,966,126	607,720,344
Average number of outstanding shares (including potential ordinary shares with dilution effect)	610,216,041	609,239,420
Basic earnings per share	0.531	0.470
Diluted Earnings Per Share	0.530	0.469

22.2 Other information

No data to report.

Part D – Comprehensive income

Analytical Statement of comprehensive income

Items		Total 2020	Total 2019
10.	**Net Profit (Loss) for the year**	**323,123**	**285,891**
	Other comprehensive income after tax without reclassification through profit or loss	**(3,054)**	**4,227**
20.	Equity instruments designated at fair value through other comprehensive income:	-	-
	a) fair value changes	-	-
	b) transfer to other items of shareholders' equity	-	-
30.	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):	-	-
	a) fair value changes	-	-
	b) transfer to other items of shareholders' equity	-	-
40.	Hedge accounting of equity instruments designated at fair value through other comprehensive income:	-	-
	a) fair value changes (hedge item)	-	-
	b) fair value changes (hedge instrument)	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(4,523)	6,280
80.	Non-current assets classified as held for sale	-	-
90.	Revaluation reserve from investments accounted for using the equity method	-	-
100.	Tax for the year related to other comprehensive income without reclassification through profit or loss	1,469	(2,053)
	Other comprehensive income after tax with reclassification through profit or loss	**(781)**	**6,569**
110.	Hedges of foreign investments:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
120.	Exchange differences:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non-designated items):	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (different from equity instruments) at fair value through other comprehensive income:	(1,166)	9,815
	a) fair value changes	1,884	8,770
	b) reclassification through profit or loss	(3,050)	1,045
	- adjustments for credit risk	-	(10)
	- gains/losses on disposals	(3,050)	1,055
	c) other changes	-	-
160.	Non-current assets classified as held for sale:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
170.	Revaluation reserve from investments accounted for using the equity method:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	- due to impairment	-	-
	- gains/losses on disposals	-	-
	c) other changes	-	-
180.	Tax for the year related to other comprehensive income with reclassification through profit or loss	385	(3,246)
190.	**Total other comprehensive income**	**(3,835)**	**10,796**
200.	**Comprehensive income (item 10+190)**	**319,288**	**296,687**

Part E - Information on Risks and relating hedging policies

Introduction

With reference to the organizational structure, the Risk Appetite and the ICAAP and ILAAP processes of FinecoBank S.p.A. please refer to Part E - Information on risks and related hedging policies of the consolidated notes.

Section 1 – Credit Risk

Qualitative information

1. General Matters

The Bank's objective is to provide an adequate range of products able to satisfy and secure customer loyalty, through a competitive and complete offer. The products offered and under development are consistent with the objective of preserving the portfolio quality and with profitability monitoring processes as well.

Factors generating credit risk are acknowledged according to a specific acceptance and creditworthiness polices, which are always adequately correlated to the risk/return ratio and in line with the Risk Appetite defined by the Board of Directors.

The quality of the loan portfolio, which is constantly monitored and supported by risk mitigation instruments, is overseen by scoring models that contribute to the evaluation during the approval process, ensuring the latter be neat and duly checked. In addition to the risk level assessment, monitoring of the portfolio and its segmentation by product and seniority allow a better understanding of the best loan originating strategies. The identification of any high-risk areas allow intervention on the automated measurement systems as well as on origination policies, with the chance to take measures to limit credit risk in advance.

The credit product offer has evolved over the years, especially through the offer of mortgages loans and the granting of current account credit facilities guaranteed by a pledge on securities and investment funds with the rotational clause (Credit Lombard). Credit Lombard is the solution of FinecoBank to clients holding considerable investments who wish to obtain additional liquidity.

The mortgage offering mainly involves mortgage loans originated for the purchase of first and second homes (including subrogation), as well as those demanded for liquidity purposes. Non-residential mortgages are originated only to a limited extent. The Bank, moreover, has continued to improve already existing by issuing regular credit cards to current account holders and granting personal loans. The latter can also be assessed using the "Instant approval" mode, a service allowing credit applications to be assessed in a few moments and to provide the loan in real time to eligible customers.

Choices concerning the investment of the Bank's liquidity are governed by a prudential approach aimed at containing credit risk. Such approach mainly involve the subscription of Eurozone government bonds to diversify the exposure in bond instruments issued by UniCredit S.p.A. which will be hold until their maturity. In order to optimize its portfolio by diversifying counterparty risk, during 2020 the Bank has also increased its exposure to Italian government bonds (for more details, see the Information on Sovereign Exposures).

Impacts arising from COVID-19 pandemic

As at December 31, 2020, there are no sign of deterioration in the Bank's commercial credit portfolio. This one indeed is composed by retail loans granted with conservative and careful origination policies, and mostly assisted by real estate or financial collateral. In the case of mortgage loans, the average Loan to Value is indeed equal to 50%, whereas relevant overdraft facilities requires the funding of financial collateral, using conservative margins.

In response to COVID-19 pandemic and the adoption of supporting measures by EU member states, the main international and European regulators and standard setter (IASB, EBA, ECB, European Commission, etc...) provided guidance on the prudential treatment of credit exposure. According to such guidance, the application of supporting measures in the form of legislative and non-legislative moratoria, complying with a set of requirements established by EBA, do not automatically trigger the forbearance prudential classification, as they have preventive nature and generic scope (they are not specifically designed for each client). Moreover, the application of such moratoria scheme does not significantly affect the discounted value of the exposure as to be classified as Unlikely to Pay (i.e. distressed restructuring).

As at December 31, 2020, we shall report few negligible positions in the credit portfolio not compliant with EBA requirements. In consistency with the instruction provided by regulators, such exposure have been case by case assessed and classified according to the usual prudential and accounting framework.

For the asset quality quantitative disclosure on moratorias accorded by FinecoBank to its clients, reference is made to the the reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis, required by EBA/GL/2020/07. Such disclosure is sent to Regulators on a regular basis, and it has been integrated in Pillar III disclosure as at December 31, 2020.

In consideration of the limited impacts described above, the Bank did not deem it necessary to change either its credit strategies or its credit risk management, measurement and control policy.

2. Credit Risk Management Policy
2.1 Organisational aspects

The direction and control activities of credit risk and counterparty risk are Chief Risk Officer responsibility and in charge to the Holding Credit Risk Team: For details on the responsibilities of the Bank's Credit Risk Team, please refer to the same part dealt with in the notes to the consolidated accounts.

The Holding Credit Unit within the CRO Department is responsible for ensuring the correct execution of the process of managing customer credit applications and credit granting, as well as ensuring the correct management of irregular or doubtful loans. The credit process can be broken down into the following stages:

- assessment of creditworthiness;
- granting/origination of credit;
- credit monitoring;
- management of impaired loans;
- risk measurement and control.

The creditworthiness assessment aimed at investigating the repayment ability of the borrower is performed centrally by specific operating Units specialized in the different credit facilities granted to customers (personal loans, credit cards, credit lines, and mortgages). Such units are in charge of taking in credits applications, assessing the reliability of documentation, evaluating client's assets and income, and gathering information, also by consulting public records, private database and system data such as information available from the Bank of Italy's central credit registers.

In addition to creditworthiness assessment, credit approval also requires a consistency assessment of the credit application with the overall customer's situation, taking in to consideration also the requested credit size and the assessment and proper preservation of any collateral, which is carried out according to specific processes. Where necessary, a different amount or collateral is agreed with the Customer. Lastly, the competent decision-maker approves or rejects the application according to its delegated powers, or the credit application is escalated to a decision maker with higher delegated powers.

As far as originated overdraft credit facilities are concerned, credit monitoring is aimed at verifying the persistency of the economic conditions of the customer and the guarantor, on the base of which the credit had been approved. This check may entail collecting updated system data and information, as well as information from private databases. Checks are carried out according to specific processes at established intervals, and may change according to the amount granted.

As far as credit facilities involving an amortization schedule are concerned, and in particular for mortgages, changes in the client's prudential classification are managed according to a specific detection of any overdue payment. This method is also supplemented by the update of information on the debtor customer, already used during the credit granting process.

In line with the general principles laid down by Regulators, loans and receivables shall be classified according to their level of impairment, which may be assessed on the basis of qualitative or quantitative criteria.

The management of impaired loans entails taking all action necessary to restore them to normality or, where the relationship cannot be continued, to recover as much as possible. All the activity is disciplined by specific processes based on the type of credit facility, the amount granted, the overdue persistency of the loan and any collateralization through financial assets. Credit collection is performed both through payment reminders directly carried out by the Bank and authorized credit collector companies.

Eventually, the management activity also entails forecasting losses on an individual basis, which is continuously updated according to the outcomes of recovery actions or any further information collected thereof.

Measurement and control of credit risk takes place at the assessment stage with the support of scoring tools analysing the customers' socio-demographic profiles, making an assessment of individual counterparties on a statistical basis. Such statistical assessment is supplemented, on one hand, with the support of credit bureaus for better knowledge of public and private data and on the other hand, with information coming from the Bank of Italy's Central Credit Register.

Controls are also performed through a systematic performance assessment of the loan portfolios, on the one hand, in order to estimate expected losses, on the other hand, to optimize credit-granting policies where necessary.

Part E - Information on Risks and relating hedging policies

2.1.1 Credit Risk generating factors

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

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

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

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

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

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

In addition, "Non-Traditional Credit Risk" is generated by leverage/short transactions conducted through securities lending. Such transactions, despite automatic stop losses being set within the margins, may generate credit risk if the security lacks liquidity (for example, in the case of market turmoil) and/or the margin is insufficient. In order to prevent such events, scenario analyses are conducted periodically to assess the impacts and implement appropriate mitigation policies.

The Bank therefore controls and manages the specific risk of each counterparty as well as the overall risk arising from the loan portfolio through processes, structures and rules aimed at directing, controlling and standardizing the assessment and management of this risk, in line with the Bank’s best practice and principles.

2.2 Management, measurement and control system

Credit risk associated with potential losses arising from customer/issuer default or from a decrease in the market value of a financial security due to the deterioration of its credit rating, is measured at the level of each counterparty/transaction and for the entire portfolio.

Credit risk measurement at origination is supported by automated assessment systems (so-called credit scoring systems). These systems also incorporate all available information and facts: public data and private data from Credit Bureaus, flows from the Central Credit register or requests for initial information to the Bank of Italy and other information on customer performance recorded by the Bank. During the loan application process, attention shall be focused on taking advantage of every customer related information provided by the Bank and the System.

The collection of any guarantees, their assessment and the margins between the fair value of the guarantee and the granted amount shall be regarded as a supporting tool aimed at mitigating credit risk. There is no relevant positive correlation indeed between the value of the financial collateral and the applicant's creditworthiness. The eligibility, evaluation, monitoring and management rules for any acceptable guarantees within the Fineco Group are disciplined in a specific Collateral Management Policy.

The purpose of second level monitoring process, carried out by the Risk Management function, is to analyze credit quality and risk exposure dynamics, calculating synthetic risk indicators and representing their evolution over time in order to prepare action plans necessary to mitigate or avoid risk factors. In particular, the Risk Management function prepares:

- the Quarterly Report on risk exposure, for the Board of Directors. This report shows compliance with the defined RAF limits and parameters as well as credit trends in the loans portfolio, detailed by product type and prudential classification;
- internal reports for Management providing a global risk assessment on the whole portfolio, aimed at identifying business sustainability and remuneration margins;
- specific product reports aimed at monitoring the trend of loans and receivables by product type, making it possible to identify any irregularity within the portfolio (deterioration rates) in the various dimensions analyzed (customer segment, geographic area, etc.).

Counterparty risk assessment is conducted within the risk limits (plafond) assigned to the counterparty's Economic Group, i.e. considering the Group's exposure towards all the parties legally and economically linked to the counterparty. At the end of the assessment, these limits are monitored by both first and second level functions.

Part E - Information on Risks and relating hedging policies

The Board of Directors of the Holding annually approves the Risk Appetite and the "Investment Plan"; the first one defines the propensity and limits for the Group's strategic investments, the second one provides an indication of the composition of the Group's strategic investments. According to the guidelines of the Board of Directors, the Group defines specific risk limits (plafond) towards each FIBS counterparty ("Financial Institutions, Banks and Sovereigns") with which the Group will have a credit exposure, always in compliance with the large exposure regulatory limits, where applicable.

During 2020 the Bank has amended the Global Policy "Credit Business with Financial Institutions, Banks, Sovereigns and Corporate counterparties", establishing the principles and rules to efficiently and comprehensively evaluate, control and limit bonds issuer risk in the banking book. According to the policy, the Risk Management function of the Holding monitors a series of indicators to analyze issuer risk exposure in the Bank's portfolio. Through the analysis of such indicators, it is possible to detect the onset of irregularities and assess the need to take corrective actions, aimed at dealing with a deterioration in the portfolio. Credit risk monitoring in the trading book, is carried out through a breakdown by rating class and issuer sector determining the implicit riskiness in contracts.

Starting from January 1st 2018, following the adoption of IFRS 9 accounting standard, a new accounting impairment model for credit exposures has been adopted. Such model is based on (i) an “expected losses” approach instead of the “incurred losses” approach provided by the previous one and (ii) on the concept of the expected lifetime loss. For more details, see section 2.3. Expected losses measurement methods.

Impacts arising from COVID-19 pandemic

As already mentioned, EBA compliant legislative and non-legislative moratoria do not automatically trigger unlikely to pay or forbearance classification. The Bank nevertheless carefully assess the exposures subject to payment moratoria in order to promptly identify any signs of credit deterioration. Such assessment, which is carried out also through early warning indicators and the support of external databases (Central Credit Register, CRIF,...), has not highlighted any critical elements at portfolio level so far.

2.3 Expected losses measurement methods

In accordance with IFRS 9 accounting principle, financial assets at amortized cost, financial assets at fair value through other comprehensive income and relevant off-balance sheet exposures are subject to impairment.

These instruments shall be classified in stage 1, stage 2 or stage 3 depending on their absolute or relative credit rating, compared to the initial recognition. In particular:

- Stage 1: this includes newly originated or acquired credit exposures and exposures that have not suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 2: this includes performing credit exposures having nevertheless suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 3: this includes impaired credit exposures.

For Stage 1 exposures, the impairment is equal to the expected loss calculated on a time frame of up to one year.

For Stage 2 and 3 exposures, the impairment is equal to the expected loss calculated on a timeframe equivalent to the residual duration of the related exposure.

In order to meet the required standard, the Bank has developed specific expected loss models. Such models draw on the PD, LGD and EAD estimated in conservatively manner, to which specific adjustments have been made in order to ensure full cohesion with the accounting standard. In this regard, forward-looking information has also been included with the elaboration of specific scenarios.

The expected loss is calculated for institutional counterparties, leveraging on risk parameters provided by the external supplier Moody’s Analytics, which replace those previously provided by supplier UniCredit S.p.A..

In order to calculate expected losses for retail counterparties, not having internal rating systems available, the Holding risk management function make use of a proxy. This one consist of splitting up clients by product type and record any transition to non-performing through a transition matrix, then calculate an average decay rate that will work as PD. The approach described is based on the assumption that, when there are no changes in individual counterparties creditworthiness criteria, the past registered credit quality will be consistent with the future credit quality. However, in order comply with IFRS 9 requirements, parameters resulting from this proxy shall be corrected using forward looking information.

A key aspect of the new accounting model required to calculate credit expected losses is the Stage Allocation model, whose purpose is to transfer exposures between Stage 1 and Stage 2 (as Stage 3 is equivalent to that of impaired exposures), where Stage 1 mainly includes (i) newly originated exposures, (ii) exposures not having suffered a significant increase in credit risk compared to the initial recognition, and (iii) exposures associated with a low credit risk level (low credit risk exemption) at the reporting date.

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

- the comparison at transaction level between the PD value at the time of origination and the value at the reporting date, both quantified according to internal models through the adoption of thresholds which consider all the key variables of each transaction that may influence the Bank's expectations about ongoing changes in PD (e.g. age, maturity, level of PD at the time of origination);
- absolute elements such as the backstops provided for by the regulation (e.g. 30 day Expired);
- other internal findings (forborne classification).

As far as bond securities are concerned, the Bank has opted to apply the low credit risk exemption on investment grade securities, in full accordance with the provisions of the accounting standard.

The criteria for determining write-downs for loans and receivables are based on the discounting of expected cash flows of principal and interest which, according to the portfolio management model, may also refer to market operations. In order to determine the present value of cash flows, the basic requirement is the identification of estimated proceeds, the timing of payments and the discounting rate used.

The loss amount on impaired exposures classified as bad loans, unlikely to pay and past due according to the categories specified below, is calculates as the difference between the value at first recognition and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed-rate positions, the interest rate determined in this manner is also held constant in future accounting years, while for floating rate positions the interest rate is updated according to contractual terms.

If the original interest rate is not directly available, or where its detection is judged as excessively expensive, the interest rate best approximating the original one is applied, including through practical expedients not affecting the substance and ensure consistency with international accounting standards.

Recovery timings are estimated according to business plans or forecasts based on the experience of historical recovery timings observed for similar classes of loans, taking into account the customer segment, type of loan, type of guarantee and any other factors deemed relevant or, if the conditions exist, of expected market transactions.

Parameters and risk level definitions used in the calculation of provisions

As mentioned above, ECL models leverage on PD, LGD and EAD parameters, as well as the effective interest rate. Models are used for the calculation of provisions for all institutional counterparties, most of which are Financial Institutions, Banks and Sovereigns (FIBS counterparties).

Specifically:

- PD (Probability of Default) expresses the percentage probability that the credit exposure will incur in a default event, within a defined timeline (e.g. 1 year);
- LGD (Loss Given Default) expresses the percentage of estimated loss (1-recovery rate) shall the default event actually occur; EAD (Exposure at Default) expresses the measurement of the exposure at the time of the credit position default event;
- Effective Interest Rate is the discount rate expressing the time value of the money.

Such parameters are calculated starting from long period ones, also used for the internal capital calculation, adjusted in order to ensure compliance with the IFRS 9 accounting principle.

The main adjustments are made in order to:

- introduce point-in-time adjustments required by the accounting principle;
- include forward-looking information;
- extend the credit risk parameters to a multi-year perspective.

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

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

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

Part E - Information on Risks and relating hedging policies

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

Forward-looking information used in calculating write-downs

The expected credit loss deriving from the parameters described in the forgoing paragraph considers macroeconomic forecasts through the application of multiple scenarios to the forward looking components.

Specifically, the forward looking component is determined by three macroeconomic scenarios, a basic scenario ("Baseline"), a positive scenario and an adverse scenario. The basic scenario is the main reference one, as it is the one considered most likely; the positive and adverse scenarios stand for alternative events, respectively better and worse.

Changes applied for COVID-19 pandemic

Al already explained in the previous paragraph, the IFRS 9 principle require that, as far as Expected Credit Losses estimation is concerned, not only current and historical information be used, but also forward looking information shall be taken into account.

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

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

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

Eventually, it has been clarified that the application of supporting measures in the form of private or legislative moratoria complying with EBA requirements, do not automatically do not automatically lead to a Significant Increase in Credit Risk.

Assessment of the Significant Increase in Credit Risk (SICR)

Consistently with the clarification provided by regulators, the exposure subject to payment moratoria compliant with EBA requirements have been kept as stage 1 of the staging allocation process, except in case other factors had determined a significant increase in credit risk. As a way of example, it is worth mentioning the detection of a past due longer than 30 days on credit facilities other than those suspended, or the finding of negative credit worthiness information arising from external data sources.

The remaining supporting measures granted to customers, not compliant with EBA requirements, have been assessed and classified on a case-by-case scenario, according to the usual prudential and accounting framework. To that end turns out crucial the assessment over the debtor’s economic difficulty, which has been determined in relation to its income/asset situation.

Measurement of Expected Credit Losses

As at December 31, 2020, for the calculation of Expected Credit losses on performing exposures, the Bank has used risk parameters (PD and LGD) adjusted with macroeconomic scenarios provided by the new external supplier Moody’s Analytics. Such scenarios, consistent with ECB macroeconomic forecasts, replace those previously provided by UniCredit S.p.A. under the Master Service Agreement, and incorporate as well forward-looking information taking into account the pandemic crisis.

As anticipated in the Expected Credit Losses calculation methodology section, the forward looking component is made of three macroeconomic scenarios; a baseline scenario, a positive scenario and an adverse scenario. The baseline scenario is weighted 40% as it is the one more likely to come true, whereas the positive and adverse scenario are weighted 30%, and they stand for alternative outcomes, respectively better and worse.

The baseline scenario used for the ECL calculation as of December 31, 2020, consider a relevant reduction of economic activities throughout the euro area, with an estimated decrease EU Gross Domestic Product (GDP) up to 7.7%. An improvement is expected in mid-2021, assuming a large-scale distribution of vaccines or other health treatments, with an increase in GDP equal to 3.9%.

In Italy, a country where the Bank holds almost all exposures to retail customers, forecasts regarding the reduction in Gross Domestic Product are estimated at 9.5%; the combination of higher public spending and reduced tax revenue results in an estimated increase in the debt / GDP ratio at around 160%, threatening the long-term sustainability of public finances. The unemployment rate is also estimated to rise, reaching a peak of 12.8% in mid-2022, and then gradually returning to pre-crisis values.

Other macroeconomic parameters, such as the 10 years government yields, are also considered in macroeconomic scenarios, depending on the credit facility and the type of counterparty involved.

The positive scenario used to calculate the ECL as of 31 December 2020, assumes an easing of COVID-19 crisis and a faster economic activity recovery. In Italy, forecasts about the reduction of the GDP are estimated at 8.8% in 2020 and then GDP starts growing again in 2021 by 5.9%. The Italian unemployment rate is estimated to rise, reaching a peak of 12.5% the end of 2021, and then gradually returning to pre-crisis values.

The adverse scenario used to calculate the ECL as of 31 December 2020, on the other hand, assumes an aggravation of the COVID-19 crisis with further travel restrictions and shutdown of commercial activities. The forecasts in this scenario translate into zero growth levels (0.08%) in 2021 with a Italian unemployment rate is estimated to rise, reaching 15.6% at the end of 2021 and a maximum peak of 15.8% in the first quarter of 2022.

As of December 31, 2020, assuming to apply only the positive scenario, the estimated provisions on customer loans are equal to € 2.8 million, 71% less than the effective provisions, obtained by weighting the three macroeconomic scenarios. As of December 31, 2020, assuming to apply only the adverse scenario, the estimated provisions on customer loans are equal to € 13.3 million, 38% more than the effective provisions, obtained by weighting the three macroeconomic scenarios. Considering all scenarios mentioned above the Bank's estimated provisions are equal to € 9.6 million.

As far as provisions on FinecoBank's retail customers are involved, no relevant impacts have been detected so far, in terms of both origination flows and credit quality.

2.4 Credit risk mitigation techniques

As risk mitigation to the different originated credit facilities the Bank accepts several types of collateral. Mortgages on real estate loans, pledge on shares, bonds or investment funds, insurance contracts and government bonds are used to guarantee current account overdraft facilities.

Collateralization does not, however, relieve the Bank from carrying out on overall assessment credit risk assessment, primarily focused on the customer's income capacity regardless of the additional guarantee provided. The valuation of the pawn collateral is based on its actual value, i.e. the market value for the financial instruments listed in a regulated market. Such value is subject to haircut percentages, differentiated on the basis on the financial instruments received as collateral and the concentration of the client's collateral portfolio.

For real estate collaterals, the principles and rules are described in the policy "Granting of residential mortgages with property collateral to current account holders of FinecoBank S.p.A.". Real Estate valuation is performed by external technical experts included in the Register of Engineers, Architects and Surveyors or industrial experts who are not therefore susceptible to conflict of interest.

Valuations, moreover, are subject to periodic reviews.

3. Impaired credit exposures

3.1 Management strategies and policies

Loans prudential classification as past due, unlikely to pay or bad exposure is carried out consistently with the criteria set forth by the Bank of Italy. The classification as bad exposure, linked to the customer's insolvency, shall always be individually assessed and defined according to the outcome recovery actions. Loss provisioning estimate shall also be individual for positions classified as past due and unlikely to pay.

As far as overdraft are concerned, the classification criterion is related to the outcome of recovery actions or the forced sale of securities to cover debts.

Reclassification of exposures to a better risk category shall only be authorised if the overdue amount has been paid in full, consistently with the original payment schedule. Alternatively, the exposure may be classified to a better risk category where considerable payments have been made, leading to believe that the debt exposure is very likely to be repaid.

Handling procedure for overdue performing loans involves specific credit recovery actions, according to the amount of overdue days.

3.2 Write-off
The Bank records a write-off by reducing the gross exposure of a financial asset whenever there are no reasonable expectations of recovering all or part of that asset.

As a result, the Bank shall recognise a write-off in the following cases:

- there is no longer any reasonable expectation of recovering all or part of the asset despite the presence of the legal rights to recover the accrued capital and interest;
- waiver of the legal right to recover the principal and any accrued interest;
- termination of the legal right to recover capital and interest due to the conclusion of the recovery attempts.

3.3 Purchased or originated impaired financial assets
The Group's current business model and company policies approved by the Board of Directors do not expect any purchaseof impaired loans or origination of new credit facilities in any form (personal loans, mortgages, current account credit facilities, etc.) to already non-performing customers.

4. Commercial renegotiations and forbearance measures
Renegotiations of financial instruments determining a change in the contractual terms are recognized, as described above, according to the materiality of variations in the contractual terms. The evaluation of the materiality of changes shall be carried out considering both qualitative and quantitative terms, in particular whenever liabilities are concerned. For more details reference is made to the paragraph "Renegotiations" on part A – Accounting policies of the Notes to the consolidated financial

As of December 31, 2020, no relevant increase in forbearance measures have been detected. As already highlighted in the section "Impact arising from COVID-19 pandemic", reported in the general aspects of credit risks, most of the supporting measures granted during the pandemic crisis comply with the EBA guidelines on legislative and non-legislative moratoria, therefore do no trigger the forborne classification.

Part E - Information on Risks and relating hedging policies

Quantitative information

A. Credit quality

A.1 Impaired and unimpaired credit exposures: amounts, impairment, changes, distribution by business activity

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying value)

(Amounts in € thousand)

Portfolio/quality		Bad exposures	Unlikely to pay	Past due impaired exposures	Past due unimpaired exposures	Other not impaired exposures	Total
1. Financial assets at amortised cost		2,025	1,065	441	16,089	29,043,367	29,062,987
2. Financial assets at fair value through other comprehensive income		-	-	-	-	143,693	143,693
3. Financial assets designated at fair value		-	-	-	-	-	-
4. Other financial assets mandatorily at fair value		-	-	-	-	50	50
5. Financial instruments classified as held for sale		-	-	-	-	-	-
Total	**12/31/2020**	**2,025**	**1,065**	**441**	**16,089**	**29,187,110**	**29,206,730**
Total	**12/31/2019**	**1,685**	**1,391**	**493**	**19,018**	**26,488,671**	**26,511,258**

As at December 31, 2020 there were no impaired purchased loans.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(Amounts in € thousand)

Portfolio/quality		Impaired				Unimpaired			Total (net exposure)
		Gross exposure	Total impairment provision	Net exposure	Overall partial write-off*	Gross exposure	Total impairment provision	Net exposure	
1. Financial assets at amortized cost		25,489	(21,958)	3,531	-	29,079,535	(20,079)	29,059,456	29,062,987
2. Financial assets at fair value through other comprehensive income		-	-	-	-	143,710	(17)	143,693	143,693
3. Financial assets designated at fair value		-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value		-	-	-	-	X	X	50	50
5. Financial instruments classified as held for sale		-	-	-	-	-	-	-	-
Total	**12/31/2020**	**25,489**	**(21,958)**	**3,531**	**-**	**29,223,245**	**(20,096)**	**29,203,199**	**29,206,730**
Total	**12/31/2019**	**25,336**	**(21,767)**	**3,569**	**-**	**26,523,461**	**(15,804)**	**26,507,689**	**26,511,258**

Part E - Information on Risks and relating hedging policies

(Amounts in €thousand)

Portfolio/quality	Assets with of clearly poor credit quality		Other assets
	Accumulated unrealised losses	Net exposure	Net exposure
1. Financial assets held for trading	-	3	7,052
2. Hedging derivatives	-	-	19,003
Total 12/31/2020	**-**	**3**	**26,055**
Total 12/31/2019	**-**	**-**	**40,698**

A.1.3 Breakdown of financial assets by past due bands (carrying value)

(Amounts in €thousand)

Portfolios/stages	First stage			Second stage			Third stage		
	From 1 to 30 days	Between 30 days and 90 days	Over 90 days	From 1 to 30 days	Between 30 days and 90 days	Over 90 days	From 1 to 30 days	Between 30 days and 90 days	Over 90 days
1.Financial assets at amortised cost	12,991	409	36	10	1,340	1,304	33	22	3,099
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial instruments classified held for sale	-	-	-	-	-	-	-	-	-
Total 12/31/2020	**12,991**	**409**	**36**	**10**	**1,340**	**1,304**	**33**	**22**	**3,099**
Total 12/31/2019	**17,070**	**896**	**35**	**14**	**932**	**72**	**28**	**22**	**3,128**

Part E - Information on Risks and relating hedging policies

A.1.4 Financial assets, commitments and financial guarantees: changes in overall impairment and overall provisions

(Amounts in €thousand)

Source/Stages	Total impairment provision									
	Assets included in the first stage					Assets included in the second stage				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individually measured allowances	of which: collectively measured allowances	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individually measured allowances	of which: collectively measured allowances
Opening balance	**(9,582)**	**(26)**	**-**	**-**	**(9,608)**	**(6,196)**	**-**	**-**	**-**	**(6,196)**
Increases due to origination and acquisition	-	-	-	-	-	-	-	-	-	-
Decreases due to derecognition other than write-off	6,683	23	-	-	6,706	-	-	-	-	-
Net value adjustments / write-backs for credit risk (+/-)	(13,426)	(14)	-	-	(13,440)	2,436	-	-	-	2,436
Changes due to modifications without derecognition (net)	2	-	-	-	2	1	-	-	-	1
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-	-	-	-	-	-	-
Write-off	2	-	-	-	2	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-	-
Closing balance	**(16,321)**	**(17)**	**-**	**-**	**(16,338)**	**(3,759)**	**-**	**-**	**-**	**(3,759)**
Recoveries of previously written-off amounts recorded directly to the statement of profit or loss	-	-	-	-	-	-	-	-	-	-
Amounts written-off directly to the statement of profit or loss	-	-	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.1.4 Financial assets, commitments and financial guarantees: changes in overall impairment and overall provisions

(continued)

(Amounts in €thousand)

Source/Stages	Total impairment provision						Total provisions on commitments and financial guarantees given			Total
	Assets included in the third stage					Of which: financial assets purchased or originated credit impaired				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individually measured allowances	of which: collectively measured allowances		First stage	Second stage	Third stage	
Opening balance	**(21,766)**	**-**	**-**	**(17,799)**	**(3,967)**	**-**	**(21)**	**-**	**-**	**(37,591)**
Increases due to origination and acquisition	-	-	-	-	-	-	-	-	-	**-**
Decreases due to derecognition other than write-off	1,684	-	-	652	1,032	-	11	-	-	**8,401**
Net value adjustments / write-backs for credit risk (+/-)	(3,919)	-	-	(2,100)	(1,819)	-	(51)	-	-	**(14,974)**
Changes due to modifications without derecognition (net)	-	-	-	-	-	-	-	-	-	**3**
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-	-	-	-	-	-	**-**
Write-off	2,042	-	-	2,014	28	-	-	-	-	**2,044**
Other adjustments	-	-	-	(1,519)	1,519	-	-	-	-	**-**
Closing balance	**(21,959)**	**-**	**-**	**(18,752)**	**(3,207)**	**-**	**(61)**	**-**	**-**	**(42,117)**
Recoveries of previously written-off amounts recorded directly to the statement of profit or loss	21	-	-	21	-	-	-	-	-	**21**
Amounts written-off directly to the statement of profit or loss	(187)	-	-	(154)	(33)	-	-	-	-	**(187)**

A.1.5 Financial assets, commitments and financial guarantees: transfers between the different stages (gross amount and nominal)

(Amounts in €thousand)

Portfolios/stages		Gross carrying amount/nominal amount					
		Transfer between stage 1 and stage 2		Transfer between stage 2 and stage 3		Transfer between stage 1 and stage 3	
		To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
1. Financial assets at amortized cost		4,254	286	725	46	3,625	310
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-
4. Commitments and financial guarantees given		8	-	-	-	38	-
Total	**12/31/2020**	**4,262**	**286**	**725**	**46**	**3,663**	**310**
Total	**12/31/2019**	**3,189**	**852**	**1,275**	**51**	**5,019**	**119**

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A.1.5a Loans and advances subject to measures applied in response to the COVID-19: transfers between different stages of credit risk (gross values)

(Amounts in €thousand)

Portfolio/quality		Gross values / Par value					
		Transfers between first stage and second stage		Transfers between second stage to third stage		Transfer between first stage and third stage	
		From first to second stage	From second to first stage	From second to third stage	From third to second stage	From first to third stage	From third to first stage
A. Loans and advances measured at amortized cost		**1,236**	**-**	**-**	**-**	**38**	**-**
A.1 subject to EBA-compliant moratoria (legislative and non-legislative)		1,074	-	-	-	38	-
A.2 subject to COVID-19-related forbearance measures		162	-	-	-	-	-
A.3 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-
B. Loans and advances valued at fair value with an impact on overall profitability		**-**	**-**	**-**	**-**	**-**	**-**
B.1 subject to EBA-compliant moratoria (legislative and non-legislative)		-	-	-	-	-	-
B.2 subject to COVID-19-related forbearance measures		-	-	-	-	-	-
B.3 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-
Total	**12/31/2020**	**1,236**	**-**	**-**	**-**	**38**	**-**
Total	**12/31/2019**	**-**	**-**	**-**	**-**	**-**	**-**

A.1.6 On-balance sheet and off-balance-sheet credit exposures to banks: gross and net values

(Amounts in €thousand)

Type of exposure/amounts	Gross exposures		Total impairment	Net Exposure	Total partial write-off
	Impaired	Unimpaired			
A. On-balance sheet credit exposures					
a) Bad exposure	-	X	-	-	-
- of wich: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of wich: forborne exposures	-	X	-	-	-
c) Past-due impaired loans	-	X	-	-	-
- of wich: forborne exposures	-	X	-	-	-
d) Past due non-impaired exposures	X	-	-	-	-
- of wich: forborne exposures	X	-	-	-	-
e) Other unimpaired exposures	X	8,234,517	(232)	8,234,285	-
- of wich: forborne exposures	X	-	-	-	-
Total (A)	**-**	**8,234,517**	**(232)**	**8,234,285**	**-**
B. Off-balance sheet exposures					
a) Impaired	-	X	-	-	-
b) Unimpaired	X	397,989	-	397,989	-
Total (B)	**-**	**397,989**	**-**	**397,989**	**-**
Total (A+B)	**-**	**8,632,506**	**(232)**	**8,632,274**	**-**

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to € 361,546 thousand.

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A.1.7 On-balance sheet and off-balance-sheet credit exposures to customers: gross and net values

(Amounts in €thousand)

Type of exposure/Amounts	Gross exposures		Total value adjustments and total provisions	Net exposure	Total Write-off
	Impairment	Non impairment			
A. On-balance sheet credit exposures					
a) Bad exposure	20,843	X	(18,818)	2,025	-
- of which: forborne exposures	282	X	(244)	38	-
b) Unlikely to pay	3,427	X	(2,362)	1,065	-
- of which: forborne exposures	450	X	(297)	153	-
c) Past-due impaired loans	1,219	X	(778)	441	-
- of which: forborne exposures	12	X	(8)	4	-
d) Past due non-impaired exposures	X	16,593	(504)	16,089	-
- of which: forborne exposures	X	8	-	8	-
e) Other unimpaired exposures	X	20,972,185	(19,360)	20,952,825	-
- of which: forborne exposures	X	1,066	(33)	1,033	-
Total (A)	**25,489**	**20,988,778**	**(41,822)**	**20,972,445**	**-**
B. Off-balance sheet exposures					
a) Impaired	325	X	-	325	-
b) Unimpaired	X	2,291,535	(60)	2,291,475	-
Total (B)	**325**	**2,291,535**	**(60)**	**2,291,800**	**-**
Total (A+B)	**25,814**	**23,280,313**	**(41,882)**	**23,264,245**	**-**

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to securities lending transactions collateralised by other securities and to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to € 852,728 thousand.

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A.1.7a On-balance credit exposures to customers subject to measures applied in response to the COVID-19: gross and net values

(Amounts in €thousand)

Exposure types / amounts	Gross exposure	Total value adjustments and total provisions	Net exposure	Write-off partial total*
A. BAD CREDIT EXPOSURES	**-**	**-**	**-**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
B. UNLIKELY TO PAY CREDIT EXPOSURES	**45**	**(36)**	**9**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	45	(36)	9	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
C. NON-PERFORMING PAST DUE CREDIT EXPOSURES	**-**	**-**	**-**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
D. PERFORMING PAST DUE EXPOSURES	**60**	**(24)**	**36**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	60	(24)	36	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
E. OTHER PERFORMING EXPOSURES	**17,462**	**(73)**	**17,389**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	17,300	(44)	17,256	-
b) Subject to COVID-19-related forbearance measures	162	(29)	133	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
TOTAL (A+B+C+D+E)	**17,567**	**(133)**	**17,434**	**-**

A.1.8 On-balance sheet credit exposures to banks: gross changes in non-performing exposures

No data to report.

A.1.8bis On-balance sheet credit exposures to banks: gross changes in forborne non-performing exposures breakdown by credit quality

No data to report.

Part E - Information on Risks and relating hedging policies

A.1.9 On-balance sheet credit exposures to customers: gross changes in non-performing exposures

(Amounts in €thousand)

Sources/categories	Bad exposure	Unlikely to pay	Past due impaired exposures
A. Opening balance - gross exposure	**19,562**	**4,348**	**1,424**
- of which: assets sold but not derecognised	-	-	-
B. Increases	**4,678**	**2,777**	**1,421**
B.1 transfers from performing exposures	1,746	1,776	1,155
B.2 transfers from financial assets purchased or originated credit impaired	-	-	-
B.3 transfers from other categories of impaired exposures	2,864	220	-
B.4 contractual changes without write-off	-	-	-
B.5 other increases	68	781	266
C. Decreases	**(3,397)**	**(3,698)**	**(1,626)**
C.1 transfers to performing exposures	-	(69)	(56)
C.2 write-off	(2,168)	(30)	(27)
C.3 collections	(1,213)	(1,103)	(569)
C.4 proceeds from disposals	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other categories of impaired exposures	-	(2,158)	(925)
C.7 contractual changes without write-off	-	-	-
C.8 other decreases	(16)	(338)	(49)
D. Gross exposure closing balance	**20,843**	**3,427**	**1,219**
- of which: assets sold but not derecognised	-	-	-

A.1.9bis On-balance sheet credit exposures to customers: gross changes in forborne non-performing exposures

(Amounts in €thousand)

Sources/categories	Forborne exposure: non performing	Forborne exposure: performing
A. Opening balance - gross exposure	**674**	**98**
- of which: assets sold but not derecognised	-	-
B. Increases	**405**	**1,087**
B.1 transfers from performing exposures not forborne	-	1,057
B.2 transfers from performing forborne exposures	23	X
B.3 transfers from impaired forborne exposures	X	7
B.4 transfers from impaired not forborne exposure	-	-
B.5 other increases	382	23
C. Decreases	**(335)**	**(111)**
C.1 transfers to performing exposures not forborne	X	(4)
C.2 transfers to performing forborne exposures	(7)	X
C.3 transfers to impaired forborne exposures	X	(23)
C.4 write-offs	(15)	-
C.5 collections	(254)	(84)
C.6 proceeds from disposals	-	-
C.7 losses on disposals	-	-
C.8 other decreases	(59)	-
D. Gross exposure closing balance	**744**	**1,074**
- of which: assets sold but not derecognised	-	-

Part E - Information on Risks and relating hedging policies

A.1.10 On-balance sheet credit exposures to banks: changes in overall impairment

No data to report.

A.1.11 On-balance sheet credit exposures to customers: changes in overall impairment

(Amounts in €thousand)

Sources/categories	Bad loans		Unlikely to pay		Past due impaired loans	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Total opening impairment	**(17,878)**	**(220)**	**(2,958)**	**(273)**	**(930)**	**-**
of which: assets sold but not derecognised	-	-	-	-	-	-
B. Increases	**(4,254)**	**(60)**	**(1,403)**	**(190)**	**(781)**	**(38)**
B.1 value adjustments from financial assets purchased or originated credit impaired	-	X	-	X	-	X
B. 2 other value adjustments	(2,305)	(23)	(1,244)	(135)	(751)	(8)
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfer from other categories impaired exposures	(1,928)	(37)	(123)	(19)	-	-
B.5 contractual changes without write-off	-	-	-	-	-	-
B.6 other increases	(21)	-	(36)	(36)	(30)	(30)
C. Decreases	**3,314**	**36**	**1,999**	**166**	**933**	**30**
C.1 write-backs from assessments	179	5	326	98	249	11
C.2 write-backs from recoveries	967	16	94	31	89	-
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-off	2,168	15	30	-	27	-
C.5 transfers to other categories of impaired exposures	-	-	1,513	37	538	19
C.6 contractual changes without write-off	-	-	-	-	-	-
C.7 other decreases	-	-	36	-	30	-
D. Final overall impairment	**(18,818)**	**(244)**	**(2,362)**	**(297)**	**(778)**	**(8)**
of which: assets sold but not derecognised	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.2 Breakdown of financial assets, commitments and financial guarantees given by internal and external ratings

A.2.1 Breakdown of financial assets, commitments and financial guarantees given: breakdown by external rating class (gross amount)

(Amounts in €thousand)

Exposures	External rating classes						No rating	Total
	Class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets at amortized cost	**5,121,849**	**6,454,313**	**12,629,679**	**55,909**	**21,563**	**-**	**4,821,711**	**29,105,024**
- First stage	5,121,849	6,454,313	12,629,679	55,909	21,563	-	4,782,944	29,066,257
- Second stage	-	-	-	-	-	-	13,278	13,278
- Third stage	-	-	-	-	-	-	25,489	25,489
B. Financial assets valued at fair value through other comprehensive income	**103,158**	**40,552**	**-**	**-**	**-**	**-**	**-**	**143,710**
- First stage	103,158	40,552	-	-	-	-	-	143,710
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
C. Financial instruments classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A+B+C)	**5,225,007**	**6,494,865**	**12,629,679**	**55,909**	**21,563**	**-**	**4,821,711**	**29,248,734**
of which: of which: financial assets purchased or originated credit impaired	-	-	-	-	-	-	-	-
D. Commitments and financial guarantees given								
- First stage	-	-	17,170	-	-	-	25,761	42,931
- Second stage	-	-	-	-	-	-	444	444
- Third stage	-	-	-	-	-	-	42	42
Total (D)	**-**	**-**	**17,170**	**-**	**-**	**-**	**26,247**	**43,417**
Total (A+B+C+D)	**5,225,007**	**6,494,865**	**12,646,849**	**55,909**	**21,563**	**-**	**4,847,958**	**29,292,151**

The table shows the breakdown of on-balance sheet and off-balance-sheet exposures to counterparties with an external rating. Rating agencies provide a summary assessment on the creditworthiness of different type of counterparties: Countries, Banks, Public Bodies, Insurance Companies and Businesses, usually large-scale.

The table refers to the classification set forth in the Bank of Italy Circular no. 262/2005 regarding external ratings, which envisages 6 classes of creditworthiness.

The above presentation refers to the Standard and Poor's ratings, which are also associated to the ratings of the other two main Agencies, Moody's and Fitch. When there were two credit ratings for an individual exposure provided by two rating agencies the worst rating was recognised; if there were three different ratings the two best ratings were identified and, if they were different, the worst rating from these was recognised.

As part of the calculation of statutory requirements, by using the standard risk calculation method, the Bank relies on the rankings of rating agencies in order to determine the weighting coefficients for exposures to Sovereign States ("Central governments and central banks", "Entities" and "Public Sector Entities" portfolio) and Covered bonds. In general, a weighting factor of 100 percent is applied to the remaining credit exposures, subject to the main exceptions established by CRR 575/2013.

Credit exposures to retail customers (consisting in personal loans, mortgages credit cards spending - both full payment of balance or revolving -, unsecured and secured loans and securities lending at December 31, 2020) were not externally ranked. Exposures with ratings to non-retail customers mainly derive from amounts due to banks with a high credit rating.

Part E - Information on Risks and relating hedging policies

A.2.2 Breakdown of on-balance sheet and off-balance-sheet financial assets, commitments and financial guarantees given: breakdown by internal rating class (gross amount)

This table has not been included because internal ratings are not used to managed credit risk.

A.3 Breakdown of secured exposures by type of collateral

A.3.1 Secured on-balance sheet and off-balance-sheet exposures to banks

(Amounts in €thousand)

			Collaterals (1)				Personal guarantees (2)	
							Credit derivatives	
								Other derivatives
	Gross exposure	Net exposures	Property - mortgages	Property - Financial leases	Securities	Other real guarantees	CLN	Central counterparties
1. Secured on-balance sheet exposures:	**5,740,039**	**5,740,039**	**-**	**-**	**5,740,025**	**-**	**-**	**-**
1.1 totally secured	5,740,039	5,740,039	-	-	5,740,025	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**17,166**	**17,166**	**-**	**-**	**17,166**	**-**	**-**	**-**
2.1 totally secured	17,166	17,166	-	-	17,166	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.3.1 Secured on-balance sheet and off-balance-sheet exposures to banks

(continued)

(Amounts in €thousand)

	Personal guarantees (2)							Total (1)+2)
	Credit derivatives			Signature credits				
	Other derivatives							
	Banks	Other financial entities	Other entities	Public entities	Banks	Other financial entities	Other entities	
1. Secured on-balance sheet exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,740,025**
1.1 totally secured	-	-	-	-	-	-	-	5,740,025
- of which impaired	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,166**
2.1 totally secured	-	-	-	-	-	-	-	17,166
- of which impaired	-	-	-	-	-	-	-	-
2.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-

A.3.2 Secured on-balance sheet and off-balance-sheet exposures to customers

(Amounts in €thousand)

	Gross exposure	Net exposures	Real guarantees (1)				Personal guarantees (2)	
							Credit derivatives	
								Other derivatives
			Property - Mortgages	Property - Financial leases	Securities	Other real assets	CLN	Central counterparties
1. Secured on-balance sheet:	**3,341,240**	**3,336,227**	**1,668,244**	**-**	**1,615,053**	**52,342**	**-**	**-**
1.1 totally secured	3,335,664	3,330,664	1,663,060	-	1,614,803	52,338	-	-
- of which: impaired	750	461	335	-	126	-	-	-
1.2 partially secured	5,576	5,563	5,184	-	250	4	-	-
- of which: impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**25,488**	**25,429**	**-**	**-**	**22,009**	**3,409**	**-**	**-**
2.1 totally secured	25,456	25,397	-	-	21,989	3,409	-	-
- of which: impaired	32	32	-	-	32	-	-	-
2.2. partially secured	32	32	-	-	20	-	-	-
- of which: impaired	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.3.2 Secured on-balance sheet and off-balance-sheet exposures to customers
(continued)

(Amounts in € thousand)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives				Signature credits			
	Other derivatives							
	Banks	Other financial entities	Other entities	Public entities	Banks	Other financial entities	Other entities	
1. Secured on-balance sheet:	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**3,335,644**
1.1 totally secured	-	-	-	-	-	-	5	3,330,206
- of which: impaired	-	-	-	-	-	-	-	461
1.2 partially secured	-	-	-	-	-	-	-	5,438
- of which: impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,418**
2.1 totally secured	-	-	-	-	-	-	-	25,398
- of which: impaired	-	-	-	-	-	-	-	32
2.2. partially secured	-	-	-	-	-	-	-	20
- of which: impaired	-	-	-	-	-	-	-	-

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

No data to report.

Part E - Information on Risks and relating hedging policies

B. Distribution and concentration of credit exposures

B.1 Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by sector

(Amounts in €thousand)

Exposures/Counterparty		Public entities		Financial entities		Financial companies (of which: insurance companies)	
		Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet credit exposures							
A.1 Bad loans		-	-	-	(6)	-	-
- of wich: forborne exposures		-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-
- of wich: forborne exposures		-	-	-	-	-	-
A.3 Past-due impaired loans		-	-	1	(1)	-	-
- of wich: forborne exposures		-	-	-	-	-	-
A.4 Performing exposures		16,455,099	(7,330)	342,526	(199)	20,393	(3)
- of wich: forborne exposures		-	-	-	-	-	-
Total (A)		**16,455,099**	**(7,330)**	**342,527**	**(206)**	**20,393**	**(3)**
B. Off-balance sheet exposures							
B.1 Impaired		-	-	-	-	-	-
B.2 Unimpaired		1	-	2,810	-	-	-
Total (B)		**1**	**-**	**2,810**	**-**	**-**	**-**
Total (A+B)	**12/31/2020**	**16,455,100**	**(7,330)**	**345,337**	**(206)**	**20,393**	**(3)**
Total (A+B)	**12/31/2019**	**13,418,417**	**(1,269)**	**238,864**	**(441)**	**18,474**	**(31)**

Part E - Information on Risks and relating hedging policies

B.1 Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by sector

(continued)

(Amounts in € thousand)

Exposures/Counterparty		Non-financial entities		Households	
		Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet credit exposures					
A.1 Bad loans		1	(7)	2,024	(18,805)
- of wich: forborne exposures		-	-	37	(244)
A.2 Unlikely to pay		14	(33)	1,051	(2,329)
- of wich: forborne exposures		-	-	154	(297)
A.3 Past-due impaired loans		3	(8)	437	(769)
- of wich: forborne exposures		-	-	4	(8)
A.4 Performing exposures		813	(2)	4,170,476	(12,333)
- of wich: forborne exposures		-	-	1,041	(33)
Total (A)		**831**	**(50)**	**4,173,988**	**(34,236)**
B. Off-balance sheet exposures					
B.1 Impaired		-	-	325	-
B.2 Unimpaired		136	-	1,435,800	(60)
Total (B)		**136**	**-**	**1,436,125**	**(60)**
Total (A+B)	**12/31/2020**	**967**	**(50)**	**5,610,113**	**(34,296)**
Total (A+B)	**12/31/2019**	**354**	**(32)**	**4,702,130**	**(35,571)**

Exposures connected to the counterparty risk related to securities lending or borrowing transactions are not included.

Part E - Information on Risks and relating hedging policies

B.2 Distribution of balance sheet and off-balance sheet exposures to customers by geographic area

(Amounts in € thousand)

Exposures/Geographical area	Italy		Other european countries		United States
	Net exposures	Total impairments	Net exposures	Total impairments	Net exposures
A. On-balance sheet exposures					
A.1 Bad loans	2,022	(18,795)	3	(23)	-
A.2 Unlikely to pay	1,062	(2,355)	3	(7)	-
A.3 Impaired past-due exposures	426	(753)	10	(16)	5
A.4 Unimpaired exposures	10,363,686	(17,333)	9,566,817	(2,307)	732,728
Total (A)	**10,367,196**	**(39,236)**	**9,566,833**	**(2,353)**	**732,733**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	325	-	-	-	-
B.2 Unimpaired exposures	1,434,209	(60)	4,195	-	198
Total (B)	**1,434,534**	**(60)**	**4,195**	**-**	**198**
Total (A+B) 12/31/2020	**11,801,730**	**(39,296)**	**9,571,028**	**(2,353)**	**732,931**
Total (A+B) 12/31/2019	**10,187,050**	**(36,661)**	**7,760,629**	**(645)**	**410,299**

B.2 Distribution of balance sheet and off-balance sheet exposures to customers by geographic area

(continued)

(Amounts in € thousand)

Exposures/Geographical area	United States	Asia		Rest of the world	
	Total impairments	Net exposures	Total impairments	Net exposures	Total impairments
A. On-balance sheet exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-
A.3 Impaired past-due exposures	(9)	-	-	-	-
A.4 Unimpaired exposures	(84)	296,782	(139)	8,901	(1)
Total (A)	**(93)**	**296,782**	**(139)**	**8,901**	**(1)**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	-	-	-	-	-
B.2 Unimpaired exposures	-	112	-	33	-
Total (B)	-	**112**	**-**	**33**	**-**
Total (A+B) 12/31/2020	**(93)**	**296,894**	**(139)**	**8,934**	**(1)**
Total (A+B) 12/31/2019	**(3)**	**1,624**	**(2)**	**163**	**(2)**

Exposures connected to the counterparty risk related to securities lending or borrowing transactions are not included.

Part E - Information on Risks and relating hedging policies

B.2 Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by geography

(Amounts in €thousand)

Exposures/Geographic area		North-West Italy		North-East Italy		Central Italy		South Italy and Islands	
		Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet exposures									
A.1 Bad loans		482	(5,316)	184	(1,994)	450	(3,969)	906	(7,516)
A.2 Unlikely to pay		501	(1,018)	79	(201)	166	(446)	316	(690)
A.3 Impaired past-due exposures		121	(213)	53	(90)	149	(234)	103	(216)
A.4 Unimpaired exposures		1,493,557	(3,955)	606,277	(1,486)	7,261,745	(8,814)	1,002,107	(3,078)
Total (A)		**1,494,661**	**(10,502)**	**606,593**	**(3,771)**	**7,262,510**	**(13,463)**	**1,003,432**	**(11,500)**
B. Off-balance sheet credit exposures									
B.1 Impaired exposures		93	-	32	-	146	-	54	-
B.2 Unimpaired exposures		529,888	(25)	236,927	(8)	362,677	(15)	304,717	(12)
Total (B)		529,981	(25)	236,959	(8)	362,823	(15)	304,771	(12)
Total (A+B)	**31/12/2020**	**2,024,642**	**(10,527)**	**843,552**	**(3,779)**	**7,625,333**	**(13,478)**	**1,308,203**	**(11,512)**
Total (A+B)	**31/12/2019**	**1,641,315**	**(11,428)**	**691,234**	**(4,341)**	**6,718,754**	**(9,394)**	**1,135,747**	**(11,498)**

B.3 Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geography

(Amounts in €thousand)

Exposures/Geographical Area		Italy		Other european countries		America
		Net exposures	Total impairments	Net exposures	Total impairments	Net exposures
A. On-balance sheet exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Impaired past-due exposures		-	-	-	-	-
A.4 Not impaired exposures		6,306,410	(43)	1,385,711	(157)	109,500
Total (A)		**6,306,410**	**(43)**	**1,385,711**	**(157)**	**109,500**
B. Off-balance sheet credit exposures						
B.1 Impaired exposure		-	-	-	-	-
B.2 Unimpaired exposure		17,170	-	19,273	-	-
Total (B)		**17,170**	**-**	**19,273**	**-**	**-**
Total (A+B)	**12/31/2020**	**6,323,580**	**(43)**	**1,404,984**	**(157)**	**109,500**
Total (A+B)	**12/31/2019**	**8,083,878**	**(126)**	**838,820**	**(84)**	**88,669**

Part E - Information on Risks and relating hedging policies

B.3 Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geography

(continued)

(Amounts in €thousand)

Exposures/Geographical Area	America	Asia		Rest of the world	
	Total impairments	Net exposures	Total impairments	Net exposures	Total impairments
A. On-balance sheet exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-
A.3 Impaired past-due exposures	-	-	-	-	-
A.4 Not impaired exposures	(4)	-	-	432,664	(28)
Total (A)	**(4)**	**-**	**-**	**432,664**	**(28)**
B. Off-balance sheet credit exposures					
B.1 Impaired exposure	-	-	-	-	-
B.2 Unimpaired exposure	-	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**
Total (A+B) 12/31/2020	**(4)**	**-**	**-**	**432,664**	**(28)**
Total (A+B) 12/31/2019	**(68)**	**-**	**-**	**465,887**	**-**

Exposures connected to the counterparty risk related to securities lending or borrowing transactions are not included.

Part E - Information on Risks and relating hedging policies

B.3 Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geography

(Amounts in € thousand)

Exposures / Geographical Area		North-West Italy		North-East Italy		Central Italy		South - Italy and Islands	
		Net exposures	Total impairments	Net exposures	Total impairments	Net exposures	Total impairments	Net exposures	Total impairments
A. On-balance sheet exposures									
A.1 Bad loans		-	-	-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-	-	-
A.3 Impaired past-due exposures		-	-	-	-	-	-	-	-
A.4 Unimpaired exposures		5,911,249	(13)	109,582	(12)	285,579	(18)	-	-
TOTAL		**5,911,249**	**(13)**	**109,582**	**(12)**	**285,579**	**(18)**	**-**	**-**
B. Off-balance sheet credit exposures									
B.1 Impaired exposures		-	-	-	-	-	-	-	-
B.2 Unimpaired exposures		17,170	-	-	-	-	-	-	-
Total (B)		**17,170**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2020**	**5,928,419**	**(13)**	**109,582**	**(12)**	**285,579**	**(18)**	**-**	**-**
Total (A+B)	**12/31/2019**	**7,718,586**	**(87)**	**99,652**	**(26)**	**265,640**	**(13)**	**-**	**-**

Part E - Information on Risks and relating hedging policies

B.4 Large exposures

As at December 31, 2020 the following "risk positions" constituted "large exposure" pursuant to the provisions of the Implementing Regulation (EU) no. 680/2014 of the Commission of 16 April 2014 which establishes technical implementation rules with regard to the reporting of entities for supervisory purposes in accordance with Regulation (EU) no. 575/2013 of the European Parliament and of the Council, and subsequent Regulations that modify its content, are the following:

- book value: €24,799,655 thousand, excluding the reverse repo transactions;
- non-weighted value: €25,763,322 thousand;
- weighted value: €1,280,556 thousand;
- number of "risk positions": 26.

It should be noted that, in compliance with the EBA Guidelines on connected customers pursuant to Article 4, paragraph 1, point 39) of Regulation (EU) no. 575/2013, the large exposures also include counterparties that have links with central administrations and that, although they do not exceed the threshold of 10% of the eligible capital for large exposures individually, exceed this limit considering also the exposure to the sovereign state to which they are connected with a control bond.

Following the deconsolidation of FinecoBank from the UniCredit Group took place, FinecoBank and UniCredit S.p.A. have entered into a contract (Pledge Agreement) which provides for the granting by UniCredit S.p.A. of financial guarantees in favor of FinecoBank aimed at guaranteeing credit risk exposures represented by UniCredit bonds, until their natural expiry, from the financial guarantees issued by FinecoBank in favor of the Agency of Enter at the request of UniCredit SpA, until they are completely extinguished. These guarantees meet the requirements of the applicable legislation to be eligible in the context of credit risk mitigation techniques (CRM), with consequent reduction of risk-weighted assets and exposure for large exposures of the Group.

Finally, please note that deferred tax assets within the exposure towards the Italian Central Government have been exempted and, therefore, their weighted value is null.

Part E - Information on Risks and relating hedging policies

C. Securitisation transactions

Qualitative information

No data to report.

Quantitative information

No data to report.

D. Sales Transactions
A. Financial assets sold and partially derecognised

Qualitative information

The Bank carries out repos using securities of its proprietary portfolio and securities not recognised in assets, received through reverse repos and securities lending.

Securities from its proprietary portfolio used in repos were not derecognized as the Bank carries out repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of the transaction and maintains all the risks associated with ownership of the securities.

Part E - Information on Risks and relating hedging policies

Quantitative information

E.1 Financial assets sold but not derecognised and associated financial liabilities: carrying value

(Amounts in €thousand)

		Financial assets sold but not derecognised				Associated financial liabilities		
		Carrying amount	of which: securisation	of which: repurchase agreement	of which: impaired	Carrying amount	of which: securisation	of which: repurchase agreement
A. Financial assets held for trading		**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities		-	-	-	X	-	-	-
2. Equity instruments		-	-	-	X	-	-	-
3. Loans		-	-	-	X	-	-	-
4. Derivative instruments		-	-	-	X	-	-	-
B. Other financial assets mandatorily at fair value		**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities		-	-	-	-	-	-	-
2. Equity instruments		-	-	-	X	-	-	-
3. Loans		-	-	-	-	-	-	-
C. Financial assets designated at fair value		**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities		-	-	-	-	-	-	-
2. Loans		-	-	-	-	-	-	-
D. Financial assets at fair value through other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities		-	-	-	-	-	-	-
2. Equity instruments		-	-	-	X	-	-	-
3. Loans		-	-	-	-	-	-	-
E. Financial assets at amortised cost		**2,125,687**	**-**	**2,125,687**	**-**	**2,174,829**	**-**	**2,174,829**
1. Debt securities		2,125,687	-	2,125,687	-	2,174,829	-	2,174,829
2. Loans		-	-	-	-	-	-	-
Total	**12/31/2020**	**2,125,687**	**-**	**2,125,687**	**-**	**2,174,829**	**-**	**2,174,829**
Total	**12/31/2019**	**1,345,285**	**-**	**1,345,285**	**-**	**1,390,616**	**-**	**1,390,616**

Please note that the amount of financial liabilities in the table above has been shown gross of the accounting off-setting made according to IAS 32.

E.2 Financial assets sold partially recognized and associated financial liabilities: carrying value

No data to report.

E.3 Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognised: fair value

No data to report.

Part E - Information on Risks and relating hedging policies

B. Assets sold and fully derecognised with recognition of continuing involvement

Qualitative information

No data to report.

Qualitative information

No data to report.

E.4 Covered bond transactions

No data to report.

F. Credit Risk Measurement Models

Credit Risk Measurement – Trading Book

The monitoring of credit risk as part of the management of the trading book is conducted through the rating of all financial instruments held.

Credit Risk Measurement – Banking Book

The banking book of the Bank consists mainly of securities, current accounts with credit institution and deposits with Bank of Italy. Retail customer activities are limited to the granting of personal loans, mortgages, credit cards and credit lines.

Information on Sovereign Exposures

The Bank is exposed to the sovereign debt of some countries, having invested a portion of its assets in debt securities issued by governments and recognised in the item “Financial assets designated at fair value through other comprehensive income” and in “Financial assets measured at amortised cost”. The following table shows the face value, the book value and the fair value of these exposures as at December 31, 2020. The Bank is exposed to debt securities issued by sovereign entities which are classified under the item "Other financial assets mandatorily at fair value" for € 47 thousand.

In addition, the Bank hold investments in debt securities issued by Supranational institutions and Agencies accounted for in "Financial assets at amortized cost” (for further details, see the Part B of these Notes to the accounts).

Part E - Information on Risks and relating hedging policies

(Amounts in €thousand)

	Nominal value as at	Carrying amount as at	Fair value as at	% Financial statements item
	12/31/2020	12/31/2020	12/31/2020	12/31/2020
Italy	**5,402,896**	**5,920,734**	**6,275,387**	**18.7%**
Financial assets at amortised cost	5,402,896	5,920,734	6,275,387	20.4%
Spain	**3,900,000**	**4,321,136**	**4,477,543**	**13.6%**
Financial assets at amortised cost	3,900,000	4,321,136	4,477,543	14.9%
Germany	**125,000**	**126,941**	**135,933**	**0.4%**
Financial assets at amortised cost	125,000	126,941	135,933	0.4%
Poland	**23,000**	**27,356**	**28,682**	**0.1%**
Financial assets at amortised cost	23,000	27,356	28,682	0.1%
France	**1,183,500**	**1,228,276**	**1,284,327**	**3.9%**
Financial assets at fair value through other comprehensive income	35,000	37,275	37,275	25.9%
Financial assets at amortised cost	1,148,500	1,191,001	1,247,052	4.1%
U.S.A.	**665,797**	**677,944**	**684,432**	**2.1%**
Financial assets at fair value through other comprehensive income	65,194	65,874	65,874	45.8%
Financial assets at amortised cost	600,603	612,070	618,558	2.1%
Austria	**512,500**	**520,526**	**555,147**	**1.6%**
Financial assets at amortised cost	512,500	520,526	555,147	1.8%
Ireland	**895,500**	**957,319**	**1,010,485**	**3.0%**
Financial assets at fair value through other comprehensive income	35,000	40,544	40,544	28.2%
Financial assets at amortised cost	860,500	916,775	969,941	3.2%
United Kingdom	**38,931**	**39,099**	**39,094**	**0.1%**
Financial assets at amortised cost	38,931	39,099	39,094	0.1%
Belgium	**540,000**	**559,997**	**596,409**	**1.8%**
Financial assets at amortised cost	540,000	559,997	596,409	1.9%
Portugal	**330,000**	**393,700**	**407,179**	**1.2%**
Financial assets at amortised cost	330,000	393,700	407,179	1.4%
Switzerland	**46,288**	**46,662**	**46,610**	**0.1%**
Financial assets at amortised cost	46,288	46,662	46,610	0.2%
Saudi Arabia	**80,000**	**80,384**	**82,872**	**0.3%**
Financial assets at amortised cost	80,000	80,384	82,872	0.3%
Chile	**50,100**	**52,668**	**54,044**	**0.2%**
Financial assets at amortised cost	50,100	52,668	54,044	0.2%
Israel	**128,000**	**140,732**	**142,043**	**0.4%**
Financial assets at amortised cost	128,000	140,732	142,043	0.5%
China	**75,000**	**74,494**	**74,803**	**0.2%**
Financial assets at amortised cost	75,000	74,494	74,803	0.3%
Total sovereign exposures	**13,996,512**	**15,167,968**	**15,894,990**	**47.8%**

The% reported in line with Sovereign counterparties and in the item "Total Sovereign exposures" have been determined on the total assets of the Bank, while the% reported in lien with the balance sheet items were determined on the total of the individual items of the financial statements.

Please note that securities denominated in currencies other than the euro have been converted into euro according to the spot exchange rate at the reference date of the financial statements.

As at December 31, 2020, investments in debt securities issued by Sovereign States accounted for 47.8% of the Bank's total assets and none of them were no structured debt securities. The Bank is therefore exposed to fluctuations in the price of the public debt securities of the countries listed above. Tensions or volatility in the government bond market may negatively affect on the Bank's financial position and performance.

Part E - Information on Risks and relating hedging policies

The following table shows the sovereign ratings as at December 31, 2020 for countries to which the Bank is exposed, provided by Fitch Ratings, Moody's and Standard & Poor's.

	Moody's	Fitch Ratings	Standard & Poor's
Italy	Baa3	BBB-	BBB
Spain	Baa1	A-	A
Germany	Aaa	AAA	AAA
Poland	A2	A-	A-
France	Aa2	AA	AA
USA	Aaa	AAA	AA+
Austria	Aa1	AA+	AA+
Ireland	A2	A+	AA-
Belgium	Aa3	AA-	AA
Portugal	Baa3	BBB	BBB
United Kingdom	Aa3	AA-	AA
Switzerland	Aaa	AAA	AAA
Saudi Arabia	A1	A	A-
Chile	A1	A-	A+
Israel	A1	A+	AA-
China	A1	A+	A+

Part E - Information on Risks and relating hedging policies

Section 2 - Market risk

Market risk derives from changes in market variables (interest rates, securities prices, exchange rates, etc.) affecting the economic value of the Bank's portfolio. The latter includes assets held in the trading book (assets held for trading) as well as those in the banking book, i.e. the transactions connected to strategic investment choices.

Risk Management Strategies and Processes

The Board of Directors of FinecoBank sets strategic guidelines for market risks taking, approves the market risk general framework and any significant changes, relating to the organisational structure, strategies, and methodologies and defines maximum risk appetite level.

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

Market risk in FinecoBank is defined through two sets of limits:

- Overall measures of market risk (e.g. VaR): which are meant to establish a boundary to the internal capital absorption and to the economic loss accepted in trading activities; these limits must be consistent with assigned revenue targets and the defined risk taking capacity;
- Granular measures of market risk (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with the overall limits; in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for granular limits aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

Structure and Organisation

For details of the responsibilities of the Market Risks function, within the Parent Company's Risk Management Unit, please refer to the same section of the notes to the consolidated accounts.

Impacts of the crisis unfolded by COVID-19 pandemic on market risks

During 2020, no impacts on the market risk profile resulting from the health emergency were recorded, neither with regard to the banking book nor with regard to the trading book. Following the COVID-19 pandemic, FinecoBank did not change the strategies, objectives or policies for the management, measurement and control of market risks.

Risk measurement and reporting framework

Trading Book

The main tool used by the Bank to measure the market risk of trading positions is Value at Risk (VaR), calculated using the historic simulation approach.

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

Part E - Information on Risks and relating hedging policies

Banking Book

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

Market risk in the banking book mainly consists of credit spread risk, interest rate risk and exchange rate risk.
The first one mainly arises from investments in debt securities held for liquidity purposes. Market risk associated with the bond portfolio is monitored and restrained by limits on the notional amount, Economic Value sensitivity and the Value at Risk.

The second one, interest rate risk is managed for stabilization purposes. The banking book interest rate risk measure covers the dual aspect of the value and the net interest income/expense of the Bank. 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 Bank may be viewed as the present value of the expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities. A relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1 basis point rate shock. Such measure is considered relevant to assess the economic value impact of various changes in the yield curve. The economic value sensitivity is also calculated for a 200bp parallel shock. A monitoring variable from this perspective is the value at risk resulting from interest rate risk component only;
- Income perspective: the focus of analysis is the impact of changes of interest rates on accrued or reported Net Interest Income that is the difference between revenues generated by interest sensitive assets and the cost related to interest sensitive liabilities. An example of a risk measure used is the Net Interest Income sensitivity for a 100bp parallel shock in rates. Such measure provides an indication of the impact that such a shock would have on the net interest margin over the next 12 months.

The third one is exchange rate risk. This exposure mainly derives from a mismatching of assets and liabilities in USD. Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

Procedures and methodologies for valuation of Trading Book positions

The Bank ensures that the value applied to each trading book position appropriately reflects the current fair (market) value, i.e. the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of each financial instrument is based on, or derived from, observable market prices or inputs. The availability of observable prices or other market variablesdiffers by product and market, and might change over time.

If observable prices or parameters are readily and regularly available (i.e. satisfying adequate liquidity requirements), they are directly employed in the determination of fair value (mark-to-market).

In non-active markets or for certain instruments, for which observable prices or inputs are not available, fair value is calculated using valuation techniques that are appropriate for the specific instrument (mark-to-model). This approach involves estimation and judgement, therefore, it might require valuation adjustments in order to take into account bid-ask spreads, liquidity and counterparty risk, besides the employed pricing model. In addition, each pricing model used for *fair value* calculation is validated by a dedicated function independent from business units.

In order to ensure an adequate separation between developing functions and validating functions, all valuation models developed shall be centrally tested and validated by functions fully independent from those that have developed the model thereof. Model validation is also centrally carried out for any new system or analysis tool whose outcome has a potential impact on the Bank's economic results.

In addition to daily marking to market or marking to model, the Risk Management function of the Holding Company carries out an Independent Price Verification (IPV). This is the process through which market prices or model inputs are regularly verified for accuracy and independence. Whereas marking to market or marking to model may be performed daily by front-office dealers, the verification of market prices and model inputs is performed on a monthly basis.

Risk measures

VaR

The VaR calculated within market risk measurement for both the banking and trading book is based on the historical simulation approach. The selected model has several advantages:

- it is easy to understand and communicate;
- it does not require any specific assumptions about the functional form of the distribution of yields of the risk factors;
- it does not require an estimation of the variance-covariance matrix of the market factors that may affect the value of the portfolio.

Part E - Information on Risks and relating hedging policies

- it captures the correlation structure reflected in the simultaneous changes in market factors, implicitly assuming that it will remain constant in the future.

On the other hand VaR models based on historical simulations do not provide any information on the amount of the loss exceeding the VaR. This why the Bank's framework uses additional instruments such as stress tests.

2.1 Interest rate risk and price risk – regulatory trading book

Qualitative information

A. General Matters

The trading book is used to hold debt securities (ordinary and subordinated, structured and plain vanilla), equity instruments, and certificates – listed and non-listed – related to brokerage activities with retail customers.

The Bank does not perform proprietary trading and does not assume speculative positions in its books. Accounting movements in the Bank's trading book are recorded against brokerage activities with retail customers, in particular for OTC instruments trading. Other movements in the trading book are recorded for the own account dealing, available for several securities when the Bank takes on the role of counterparty to the customer. This activity is performed as a result of the options introduced by the MiFID which allow the execution of orders for financial instruments in a number of execution venues including internal execution.

B. Processes for managing and methods for measuring interest rate risk and price risk

For a characterization of both internal risk monitoring, managing processes and risk assessment methodologies, please refer to the introduction.

Part E - Information on Risks and relating hedging policies

Quantitative information

1. Regulatory trading book: distribution by maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – Currency: Euro

(Amounts in €thousand)

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	72	-	-	-
- Others derivates								
+ Long positions	351	77,558	-	-	-	297	1,653	-
+ Short positions	352	77,176	-	-	-	751	1,557	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	460	-	-	-	-
- Others derivatives								
+ Long positions	-	50,194	3,050	38,950	-	-	-	-
+ Short positions	-	60,936	800	31,940	-	-	-	-

Item 3.1 “Financial Derivatives with underlying securities - Other Derivatives” includes spot contracts for the purchase and sale of securities, other than shares and UCITS units, to be settled in times established by market practices ("regular way").

Item 3.2 “Financial Derivatives without underlying securities - Other Derivatives” includes spot contracts for the purchase and sale of foreign currencies, to be settled in times established by market practices ("regular way").

Part E - Information on Risks and relating hedging policies

Currency: Other currencies

(Amounts in €thousand)

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others derivates								
+ Long positions	-	236,495	-	-	-	-	53	-
+ Short positions	-	236,415	-	-	-	-	53	-
3.2 Without underlying security								
- Options								
+ Long positions	-	294	-	921	-	-	-	-
+ Short positions	-	294	-	295	-	-	-	-
- Others derivatives								
+ Long positions	-	84,579	1,066	44,879	-	-	-	-
+ Short positions	-	73,728	3,207	51,706	-	-	-	-

The effects of changes in the yield curve on net interest margin arising from instruments in the trading book are negligible. For similar considerations regarding the banking book, see paragraph 2. Banking book: internal models and other methods of sensitivity analysis.

Part E - Information on Risks and relating hedging policies

2. Regulatory trading book: distribution of exposures in equity instruments and share indices for the main stock market countries

(Amounts in €thousand)

Type of transaction/listing index	Listed						Unlisted
	U.S.A.	UNITED KINGDOM	ITALY	GERMANY	FRANCE	OTHER COUNTRY	
A. Equity instruments							
- long positions	5,708	930	1,522	690	421	1,603	-
- short positions	256	9	163	3	12	51	-
B. Unsettled equity instrument trades							
- long positions	222,548	133	68,554	7,018	113	12,033	-
- short positions	222,740	38	68,600	7,031	110	11,993	-
C. Other equity instruments derivatives							
- long positions	2,120	26	465	57	49	1,562	-
- short positions	7,271	1,074	1,774	767	451	1,737	-
D. Share index derivatives							
- long positions	14,632	736	2,133	7,688	798	898	-
- short positions	15,899	766	3,231	7,387	697	1,106	-

3. Regulatory trading book: internal models and other methods of sensitivity analysis

The Bank monitors the VaR of the Trading Book on a daily basis.

As at December 31, 2020, the daily VaR of the trading book amounted to €260 thousand. The average for the year 2020 is €203 thousand, with a maximum peak of €1,163 thousand and a minimum of €12 thousand.

The volatility in the price of instruments determines direct impacts on the income statement.

2.2 Interest rate risk and price risk – banking book

Qualitative information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk consists of changes in interest rates affecting:

- the net interest margin, thus, the Bank's earnings;
- the net present value of assets and liabilities, as well as the present value of future cash flows.

The Bank measures and monitors interest rate risk daily, within the methodological framework and the corresponding limits or thresholds approved by the Board of Director. Such limits concern to the sensitivity of the net interest margin and the economic value.

Interest rate risk has an impact on every position resulting from strategic investment decisions (banking book).

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

- gap risk: this derives from the term structure of the banking book and describes the risk arising from the instrument's timing of interest rate update. The gap risk also includes the repricing risk, arising from time mismatches in terms of the repricing of the Bank's assets and liabilities. These mismatches result in a risk associated with the yield curve. This risk relates to the Bank's exposure to changes in the slope and shape of the yield curve.
- basis risk: this can be divided into two types of risk:
  - tenor risk, arising from the mismatch between instrument expiry and the change in interest rates;
  - currency risk, defined as the risk of a potential offsetting between interest rate sensitivities arising from exposure to the interest rate risk in various currencies;

Part E - Information on Risks and relating hedging policies

- option risk – risk resulting from implicit or explicit options in the Bank's banking book positions.

Within the organisational framework described above, the Board of Directors approves the limits on interest rate. These limits are set in terms of VaR (calculated using the methodology described above in relation to the trading book). The Parent Company is responsible for managing the exposure to interest rate risk within the limits assigned.

In order to assess the effects of changes in the yield curve on the banking book, scenario analyses involving the parallel shifts in the rate curve of +/- 100 bps and +/- 200 bps are conducted at weekly intervals; further six standardized scenarios proposed by EBA guidelines are also conducted on a weekly basis. For more details see section *2. Banking book: internal models and other methods of sensitivity analysis.*

.

Part E - Information on Risks and relating hedging policies

Quantitative information

1. Banking book: distribution by maturity (by repricing date) of financial assets and liabilities – Currency: Euro

(Amounts in € thousand)

Type/maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months to 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**2,110,688**	**7,479,309**	**447,617**	**552,327**	**4,525,344**	**11,909,722**	**921,888**	**-**
1.1 Debt securities	-	6,356,018	382,521	430,455	3,915,489	11,511,882	379,196	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	6,356,018	382,521	430,455	3,915,489	11,511,882	379,196	-
1.2 Loans to banks	243,490	275,351	-	183	-	-	-	-
1.3 Loans to customers	1,867,198	847,940	65,096	121,689	609,855	397,840	542,692	-
- current accounts	1,600,854	88	85	185	913	-	-	-
- others loans	266,344	847,852	65,011	121,504	608,942	397,840	542,692	-
- with early redemption option	4,017	410,380	64,388	119,447	605,052	397,810	542,641	-
- others	262,327	437,472	623	2,057	3,890	30	51	-
2. On-balance sheet liabilities	**27,068,767**	**69,120**	**2,831**	**78,746**	**980,256**	**23,517**	**1,691**	**-**
2.1 Deposits from customers	27,011,270	69,046	2,741	25,141	29,117	21,395	1,469	-
- current accounts	26,901,774	-	-	-	-	-	-	-
- other payables	109,496	69,046	2,741	25,141	29,117	21,395	1,469	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	109,496	69,046	2,741	25,141	29,117	21,395	1,469	-
2.2 Deposits from banks	57,497	74	90	53,605	951,139	2,122	222	-
- current accounts	43,207	-	-	-	-	-	-	-
- other payables	14,290	74	90	53,605	951,139	2,122	222	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**6,901,792**	**249,123**	**48,272**	**1,309,637**	**4,626,415**	**620,315**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	6,901,792	249,123	48,272	1,309,637	4,626,415	620,315	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others derivatives	-	6,901,792	249,123	48,272	1,309,637	4,626,415	620,315	-
+ Long positions	-	6,307,777	-	-	430,000	140,000	-	-
+ Short positions	-	594,015	249,123	48,272	879,637	4,486,415	620,315	-
4. Other off-balance sheet transactions	**3,243**	**8,505**	**7,281**	**40**	**1,131**	**-**	**-**	**-**
+ Long positions	576	1,348	7,005	40	1,131	-	-	-
+ Short positions	2,667	7,157	276	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

Currency: Other currencies

(Amounts in €thousand)

Type/maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months to 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**210,763**	**183,029**	**187,690**	**440,873**	**7,068**	**113,259**	**-**	**-**
1.1 Debt securities	-	88,280	187,690	439,935	7,051	113,259	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	88,280	187,690	439,935	7,051	113,259	-	-
1.2 Loans to banks	207,038	33,423	-	938	-	-	-	-
1.3 Loans to customers	3,725	61,326	-	-	17	-	-	-
- current accounts	663	-	-	-	8	-	-	-
- others loans	3,062	61,326	-	-	9	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	3,062	61,326	-	-	9	-	-	-
2. On-balance sheet liabilities	**1,141,915**	**16,817**	**23**	**54**	**234**	**-**	**-**	**-**
2.1 Deposits from customers	1,141,804	16,817	23	54	234	-	-	-
- current accounts	1,131,975	-	-	-	-	-	-	-
- other payables	9,829	16,817	23	54	234	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	9,829	16,817	23	54	234	-	-	-
2.2 Deposits from banks	111	-	-	-	-	-	-	-
- current accounts	110	-	-	-	-	-	-	-
- other payables	1	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	**-**	**18,279**	**18,279**	**-**	**-**	**-**	**-**	**-**
+ Long positions	-	5,553	12,726	-	-	-	-	-
+ Short positions	-	12,726	5,553	-	-	-	-	-

For a description of the effects of a change in interest rates on net interest margin, profit (loss) for the year, shareholders' equity and the results of scenario analysis, see paragraph 2. Banking book: internal models and other methods of sensitivity analysis

Part E - Information on Risks and relating hedging policies

2. Banking book: internal models and other methods of sensitivity analysis

In order to measure interest rate risk in the Bank's financial statements it is necessary to measure the sensibility of loans and deposits to changes in the yield curve. FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of asset and liability items that do not have a contractual maturity; indeed even though some assets and liabilities may be payable on demand, they could actually show some stickiness.

The following table provides the results of the analyses conducted in all currencies.

(Amounts in € thousand)

	Value analysis (shift + 200 bp)	Value analysis (shift - 200 bp)	Value analysis (shift +1 bp)	Irvar*	Interest rate analysis (+100bp)	Interest rate analysis (-30bp)
12/31/2020	-14,412	2,704	-409	-4,156	128,299	-34,585

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

The sensitivity analysis on the Bank's capital, which was conducted assuming a shift of + 200 basis points on the euro interest rate curve, showed a negative impact of €-14,412 thousand. A shift of -200 basis points showed a positive impact of €2,704 thousand.

The sensitivity analysis on Group's capital, which was conducted assuming a shift of + 1 basis point, showed a negative impact of €-409 thousand.

As of December 31, 2020, the interest rate VaR figure for the Bank came to approximately €4,156 thousand. The average for the year 2020 is equal to € 2,467 thousand with a maximum peak of € 6,450 thousand and a minimum of €791 thousand.

Total VaR, including the Credit Spread Risk component arising mainly from government securities held as investment of liquidity and including the Credit Spread Risk component deriving from UniCredit instruments, amounts to €174,391 thousand. The average for the year 2020 is equal to € 141,976 thousand with a maximum peak of €175,600 thousand and a minimum of €32,299 thousand.

The sensitivity analysis on net interest margin (NIM), which was conducted assuming a shift of +100 basis points on the euro interest rate curve, showed a positive impact of €128,299 thousand. A shift of -30 basis points would have a negative impact of -€34,585 thousand on the net interest margin over the next 12 months.

2.3 Exchange Rate Risk

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

As part of its treasury activities, the Bank collects funds in foreign currencies, mainly US dollars, through customer deposits, subsequently investing these funds mainly in bank deposits and bonds with leading credit institutions, denominated in the same currency. The impact on balance sheet items is estimated through the Forex VaR indicator.

The VaR of the Bank's positions is not used for the calculation of Pillar 1 capital requirement, as it is not required by the selected traditional standardised approach. The metric described is therefore only used for managerial and risk monitoring purposes.

B. Exchange rate risk hedging

Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

The component of exchange rate risk that contributes to the formation of the overall VaR is usually tied to the temporal mismatch between assets and liabilities in US dollars.

Part E - Information on Risks and relating hedging policies

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives

(Amounts in €thousand)

Items	Currency					
	USD	GBP	CHF	JPY	AUD	OTHER CURRENCIES
A. Financial assets	**935,408**	**123,546**	**78,684**	**1,434**	**3,980**	**16,796**
A.1 Debt securities	726,689	55,814	53,713			
A.2 Equity securities	16,579	507		7		74
A.3 Loans to banks	128,682	65,718	24,884	1,427	3,980	16,707
A.4 Loans to customers	63,458	1,507	87			15
A.5 Other financial assets						
B. Other assets	**68**	**252**	**1**			**225**
C. Financial liabilities	**936,005**	**123,961**	**78,742**	**1,315**	**-**	**19,287**
C.1 Deposits from banks	1					110
C.2 Deposits from customers	936,004	123,961	78,742	1,315		19,177
C.3 Debt securities in issue						
C.4 Other financial liabilities						
D. Other liabilities	**922**	**262**	**33**		**7**	**395**
E. Financial derivatives						
- Options						
+ Long positions	809	294		112		
+ Short positions	595	22		1		
- Other derivatives						
+ Long positions	78,316	16,896	6,011	10,247	6,216	14,134
+ Short positions	75,010	18,342	5,924	10,305	6,286	13,956
Total assets	**1,014,601**	**140,988**	**84,696**	**11,793**	**10,196**	**31,155**
Total liabilities	**1,012,532**	**142,587**	**84,699**	**11,621**	**6,293**	**33,638**
Balance (+/-)	**2,069**	**(1,599)**	**(3)**	**172**	**3,903**	**(2,483)**

The impact of changes in exchange rates are quantified by the daily Forex VaR of the overall portfolio, as described in the following paragraph.

2. Internal models and other methods of sensitivity analysis

As at December 31, 2020, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately €30 thousand. The average for the year 2020 is equal to €51 thousand with a maximum peak of €125 thousand and a minimum of €21 thousand.

Part E - Information on Risks and relating hedging policies

Section 3 - Derivative instruments and hedging policies

3.1 Trading book financial derivatives

A. Financial derivatives

A.1 Hedging financial derivatives: end of period notional amounts

(Amounts in € thousand)

Underlying assets / Type of derivatives	Total 12/31/2020				Total 12/31/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	without central counterparties: with netting agreement	without central counterparties: without netting agreement		Central Counterparts	without central counterparties: with netting agreement	without central counterparties: without netting agreement	
1. Debt securities and interest rate indexes	**-**	**-**	**470**	**456**	**-**	**-**	**878**	**714**
a) Options	-	-	24	-	-	-	4	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	456	-	-	-	714
e) Others	-	-	446	-	-	-	874	-
2. Equities instruments and share indices	**-**	**-**	**61,840**	**15,564**	**-**	**-**	**68,169**	**38,444**
a) Options	-	-	5,866	-	-	-	72	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	15,564	-	-	-	38,444
e) Others	-	-	55,974	-	-	-	68,097	-
3. Currencies and gold	**-**	**-**	**164,932**	**154**	**-**	**-**	**164,604**	**136**
a) Options	-	-	1,215	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	154	-	-	-	136
e) Others	-	-	163,717	-	-	-	164,604	-
4. Commodities	**-**	**-**	**1,966**	**541**	**-**	**-**	**1,367**	**1,126**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**229,208**	**16,715**	**-**	**-**	**235,018**	**40,420**

Letter e) Other in the “Over the counter – Without central counter-parties – not included in netting agreement” column consists of CFD derivatives.

Part E - Information on Risks and relating hedging policies

A.2 Hedging financial derivatives: gross positive and negative fair value – breakdown by product

(Amounts in €thousand)

Underlying assets/type of derivatives	Total 12/31/2020				Total 12/31/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	Without central counterparties			Central Counterparts	Without central counterparties		
		With netting agreement	Without netting agreement			With netting agreement	Without netting agreement	
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	22	-	-	-	35
g) Others	-	-	3,330	-	-	-	3,192	-
Total	**-**	**-**	**3,330**	**22**	**-**	**-**	**3,192**	**35**
2. Negative Fair value								
a) Options	-	-	328	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	52	-	-	-	57
g) Others	-	-	1,495	-	-	-	523	-
Total	**-**	**-**	**1,823**	**52**	**-**	**-**	**523**	**57**

Part E - Information on Risks and relating hedging policies

A.3 OTC trading book financial derivatives: notional amounts, gross positive and negative fair value by counterparty

(Amounts in €thousand)

Underlying assets	Central counterparties	Banks	Other financial entities	Other entities
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	X	-	-	470
- positive fair value	X	-	-	3
- negative fair value	X	-	-	-
2) Equity instruments and share indices				
- notional amount	X	-	72	61,768
- positive fair value	X	-	-	1,935
- negative fair value	X	-	-	1,020
3) Currencies and gold				
- notional amount	X	73,551	-	91,380
- positive fair value	X	156	-	1,224
- negative fair value	X	73	-	701
4) Commodities				
- notional amount	X	-	-	1,966
- positive fair value	X	-	-	14
- negative fair value	X	-	-	29
5) Others				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and share indices	-			
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-			
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	-			
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.4 OTC financial derivatives - residual maturity: notional values

(Amounts in €thousand)

Underlying/maturity		Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivative contracts on debt securities and interest rates		446	-	24	470
A.2 Financial derivative contracts on equity instruments and share indices		14,827	84	46,928	61,839
A.3 Financial derivatives on exchange rates and gold		164,931	-	-	164,931
A.4 Financial derivatives on commodities		1,966	-	-	1,966
A.5 Financial derivatives on other instruments		-	-	-	-
Total	**12/31/2020**	**182,170**	**84**	**46,952**	**229,206**
Total	**12/31/2019**	**174,324**	**-**	**60,695**	**235,019**

B. Credit derivatives

No data to report.

3.2 Hedge account

Qualitative information

The Bank does not provide the disclosure pursuant to IFRS 7, paragraph 24 H, as it does not have hedging relationships to which the exceptions referred to in paragraphs 6.8.4 - 6.8.12 of IFRS 9 apply, or in paragraphs 102D – 102N of IAS 39.

In this regard, it should be noted that the Bank has only fair value hedges in place which provide for the exchange of the fixed rate against Euribor and whose valuation, as collateralised, is carried out by discounting future flows with the OIS curve. The full transition to the new calculation method was completed in November 2019 and Euribor is therefore BMR-compliant and continues to be used after January 1, 2020.

With reference to the OIS curve, from 27 July 2020 (postponing the previous deadline, of 22 June 2020, following the COVID-19 emergency) the clearing houses (Eurex \ LCH) used by FinecoBank have communicated the replacement of the Eonia rate with the € STR rate anticipating its planned disposal, which will take place at the end of 2021.

A. Fair value hedging

Fair value hedging strategies, with the aim of complying with the interest rate risk limits for the banking book, are implemented using unlisted derivative contracts. The latter, typically interest rate swaps, represent the family of instruments used mainly.

The hedges adopted are normally classified as generic that is, connected to amounts of money contained in portfolios of assets or liabilities. There are however hedging derivatives on fixed rate bonds, which carry out specific hedges. The derivatives subscribed for the purpose of hedging exactly replicate the hedged security in terms of notional, maturity, interest payment dates.

B. Cash flow hedging

Currently there are no cash flow hedging operations generated as part of the Bank's operations.

C. Hedging a net investment in a foreign entity

Currently there are no “hedging a net investment in a foreign entity” operations generated as part of the Bank's operations.

Part E - Information on Risks and relating hedging policies

D. Hedge instrument

A generic hedging relationship of an asset / liability portfolio pursues the objective of offsetting the deviations in value of the hedged item contained in a generic portfolio of fixed-rate assets / liabilities.

The ineffectiveness of the hedge is represented by the difference between the change in the fair value of the hedging instruments and the change in the fair value of the hedged amount. The Bank uses a test method based on sensitivity analisys. To this end, the exposures of the total sensitivity of the hedged item and that relating to the hedging derivative are correlated. The sensitivity expresses the elasticity with respect to each of the rates that make up the risk-free curve and is calculated as a change in the fair value in relation to an increase in the rate equal to a basis point. The test verifies the effectiveness by analysing the "reduction" of the sensitivity of the overall position after hedging and comparing it with respect to the same measure referred to the item being hedged.

The effectiveness test is carried out separately for interest rate swaps to hedge assets (mortgages) and for interest rate swaps to hedge liabilities (core insensitive component of on demand items). In a specific hedging relationship, the derivatives subscribed for the purpose of hedging exactly replicate the hedged security in terms of notional, maturity, interest payment dates.

E. Hedge item

The hedged assets are represented by mortgages granted to fixed-rate customers accounted and fixed rate bonds for in "Financial assets at amortized cost", while hedged liabilities are represented by direct customer current deposits (insensible core liquidity), recorded under "Financial liabilities at amortized cost ", modeled according to the model of sight items adopted by the Bank.

The hedged assets also include fixed rate securities, accounted for in the "Financial assets at amortized cost", also covered for the interest rate risk component with Interest Rate swaps which exchange the fixed rate coupon with a variable rate.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: end of period notional amounts

(Amounts in € thousand)

Underlying assets/type of derivatives	Total 31/12/2020				Total 31/12/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	without central counterparties			Central Counterparts	without central counterparties		
		with netting agreement	without netting agreement			with netting agreement	without netting agreement	
1. Debt securities and interest rate indexes	**6,627,777**	**250,000**	**-**	**-**	**4,354,706**	**250,000**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	6,627,777	250,000	-	-	4,354,706	250,000	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Equity instruments and share indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**6,627,777**	**250,000**	**-**	**-**	**4,354,706**	**250,000**	**-**	**-**

Part E - Information on Risks and relating hedging policies

A.2 Hedging financial derivatives: gross positive and negative fair value – breakdown by product

(Amounts in €thousand)

Underlying assets/Types of derivatives	Positive and negative fair value								Change in the value used to calculate the uneffectiveness of the hedge	
	Total 12/31/2020				Total 12/31/2019				Total 12/31/2020	Total 12/31/2019
	Over the counter			Organized markets	Over the counter			Organized markets		
	Central counterparts	Without central counterparties: With netting arrangements	Without central counterparties: Without netting arrangements		Central counterparts	Without central counterparties: With netting arrangements	Without central counterparties: Without netting arrangements			
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	17,104	1,899	-	-	33,922	2,138	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**17,104**	**1,899**	**-**	**-**	**33,922**	**2,138**	**-**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	214,388	-	-	-	80,852	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**214,388**	**-**	**-**	**-**	**80,852**	**-**	**-**	**-**	**-**	**-**

Part E - Information on Risks and relating hedging policies

A.3 OTC hedging financial derivative: notional amounts, gross positive and negative fair value by counterparty

(Amounts in €thousand)

Underlyings assets	Central Counterparts	Banks	Other financial entities	Other entities
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity instruments and share indices				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Others				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	6,627,777	250,000	-	-
- positive fair value	17,105	1,898	-	-
- negative fair value	214,388	-	-	-
2) Equity instruments and share indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.4 OTC hedging financial derivative - residual maturity: notional values

(Amounts in €thousand)

Underlying/maturity		Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and		321,411	1,309,637	5,246,730	6,877,778
A.2 Financial derivatives on equity instruments and		-	-	-	-
A.3 Financial derivatives on exchange rates and gold		-	-	-	-
A.3 Financial derivatives on commodities		-	-	-	-
A.5 Financial derivatives on other instruments		-	-	-	-
Total	**12/31/2020**	**321,411**	**1,309,637**	**5,246,730**	**6,877,778**
Total	**12/31/2019**	**55,905**	**1,019,873**	**3,528,928**	**4,604,706**

B. Hedging credit derivatives

No data to report.

C. Hedging non derivative instruments

No data to report.

D. Hedge item

D.1 Fair value hedging

The Bank has taken advantage of the option to continue to apply the existing IAS 39 hedge accounting requirements for all hedging accounts.

The Bank, therefore, does not present the disclosure required by this section as it does not apply the accounting rules of coverage in accordance with IFRS 9. For completeness of information, it should be noted that:

- the monetary amount of "Financial assets at amortized cost" hedged amounted to €1,246,777 thousand, subject to generic hedging, referring exclusively to mortgages;
- the amount of "Financial liabilities at amortized cost" covered amounted to €570,000 thousand, subject to generic hedging, referring exclusively to the core deposits,
- the book value of "Financial assets at amortized cost" amounted to €5,061,00 thousand, subject to specific hedging, referring exclusively to owned securities.

D.2 Cash flow hedging and hedging a net investment in a foreign entity

No data to report.

E. Effects of hedging transactions at shareholders' equity

No data to report.

1.3.3 Other information on trading book and hedging derivative instruments

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair values by counterparty

No data to report.

Part E - Information on Risks and relating hedging policies

Section 4 - Liquidity Risk

Qualitative information

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk can be briefly defined as the risk that the Bank, 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 Bank are as follows:

- tshort-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);
- tmarket liquidity risk is the risk that the Bank 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 Bank may not be able to liquidate the positions thereof;
- tstructural liquidity risk is defined as the Bank'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 Bank;
- tstress 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 Bank may not be able to deal effectively with any planned cash outflows.

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

At the reporting date, there were no "Contingent liquidity and funding needs", such as, for example, accelerated repayment clauses or the issue of additional guarantees relating to a downgrade of the Bank.

The key principles

The Bank'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.

During 2020 the Bank 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, defining roles and responsibilities of corporate Bodies and functions, both for the Parent Company and its Legal Entities.

Roles and responsibilities

The "Group Liquidity Policy" establishes the principles adopted in terms of internal governance, which envisage the involvement of the Treasury and Risk Management functions.

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

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

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

- Short-term liquidity risk management (operational liquidity), which considers the events that may impact upon the Bank's liquidity position from one day up to one year. The primary objective is to maintain the Bank's capacity to fulfil its ordinary and extraordinary payment obligations while minimising the relevant costs;
- Structural liquidity risk management (structural risk), which considers the events that may impact upon the Bank'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);

Part E - Information on Risks and relating hedging policies

- Stress tests: Liquidity risk is a low probability, high impact event. Therefore stress testing is a tool able to reveal potential vulnerabilities. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and combinations thereof.

In this context, the Bank takes into account all of the assets, liabilities, off-balance sheet positions and present and future events that generate certain or potential cash flows, thereby protecting the Bank from risks related to the transformation of maturity.

Short term liquidity management

Short-term liquidity management aims at ensuring that the Bank remains in a position to fulfil its cash payment obligations always, whether expected or unexpected, focusing on the exposure for the first twelve months.

On a daily basis, the Bank calculates the Operative Maturity Ladder, which measures the cash inflows and outflows affecting the monetary base, with details of the main temporal buckets.

The Bank's objective is to provide sufficient short-term liquidity to deal with a particularly adverse liquidity crises for at least three months.

Structural liquidity management

The objective of the Bank's structural liquidity management is to maintain an adequate ratio between medium/long term assets and liabilities (generally over one year), with a view to avoiding pressures on short-term funding sources, both current and future. To this end, the Bank 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.

Liquidity Stress Test

Stress testing is a risk management tool used to evaluate the potential effects of a specific event on an entity's financial position. As a forward looking tool, liquidity stress testing is used to assess the institution's liquidity risk.

Periodically the Bank carries out scenario analysis to evaluate the impact of simultaneous changes in various risk factors, defining a hypothetical and consistent stress event whose assumptions are mainly consist of outflows of demand deposits and a decrease in the value of Sovereign Bonds (Counterbalancing Capacity).

Behavioural modelling of Liabilities

FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of liability items not having a contractual maturity; indeed, even though some assets and liabilities may be payable on demand, they could actually show some stickiness.

More specifically, liabilities modelling aims to build a profile reflecting at that best the behavioural characteristics of the items. An example is on sight deposit: estimates of the maturity profile reflect the perceived stickiness. Such behavioural models are developed by FinecoBank's Risk Management function and validated by the Internal Validation function.

Contingency Liquidity Management

The objective of FinecoBank "Contingency Plan on liquidity risk", defined in the Group Liquidity Policy, is to ensure timely implementation of effective interventions also during the initial stage of a liquidity crisis, through a clear identification of individuals, powers, responsibilities, communication, and reporting criteria, with the aim of increasing significantly the probability of successfully overcoming the state of emergency. This is achieved through:

- activation of extraordinary liquidity governance and operating model;
- consistent communication both internal and external;
- a set of available mitigating liquidity actions;
- a set of early warning indicators, also included within the Group Recovery Plan, showing any possible evidence of a developing liquidity crisis.

Part E - Information on Risks and relating hedging policies

Internal Liquidity Adequacy Assessment Process (ILAAP)

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

The 2020 Internal Liquidity Adequacy Assessment Process will include COVID-19 impacts on the Bank's liquidity adequacy as at December 31, 2020. The outcomes of COVID-19 scenarios run so far did not show any criticality or relevant impacts for the Bank, as proprietary ILAAP scenarios regularly carried out by FinecoBank are characterized by a higher severity level.

Impacts of the crisis unfolded by COVID-19 pandemic on liquidity

In March 2020, FinecoBank has recorded a sharp increase in direct customer deposits due to the high market uncertainty resulting from COVID-19 pandemic; in April and May 2020 direct funding has decreased as the outcome of further liquidity investment from customers. In the second half-year 2020, incoming and outgoing liquidity flows have normalized, showing the stability of the Bank's liquidity position. From the beginning of 2020, direct funding as a whole has increased.

As far as liquidity risk is concerned, it should be noted that FinecoBank has not changed its strategies and objectives as well as its management, measurement and control policies.

Part E - Information on Risks and relating hedging policies

Quantitative information

1. Time breakdown by contractual residual maturity of financial assets and liabilities – Currency: Euro

(Amounts in €thousand)

Items/time buckets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 month	Between 3 and 6 month	Between 6 and 1 year	Between 1 and 5 year	Over 5 years	Unspecified maturity
A. On-balance sheet assets	**2,100,303**	**403,101**	**271,265**	**123,738**	**222,995**	**789,666**	**1,811,211**	**8,895,192**	**12,358,767**	**271,510**
A.1 Government securities	-	-	2,786	25,692	54,539	308,935	521,650	3,924,027	9,478,608	-
A.2 Debt securities	-	384,844	3,166	2,838	14,017	401,710	1,140,547	4,282,500	1,701,063	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,100,303	18,257	265,313	95,208	154,439	79,021	149,014	688,665	1,179,096	271,510
- Banks	243,517	581	-	3,275	-	-	183	-	-	271,510
- Customers	1,856,786	17,676	265,313	91,933	154,439	79,021	148,831	688,665	1,179,096	-
B. On-balance sheet liabilities	**27,101,507**	**8,892**	**1,648**	**2,936**	**55,868**	**3,041**	**79,203**	**980,652**	**25,245**	**-**
B.1 Deposits and current accounts	26,946,377	5	9	37	67	60	30	1	-	-
- Banks	43,207	-	-	-	-	-	-	-	-	-
- Customers	26,903,170	5	9	37	67	60	30	1	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	155,130	8,887	1,639	2,899	55,801	2,981	79,173	980,651	25,245	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	104,880	10	-	456	-	-	-	68	946
- Short positions	-	105,784	103	-	-	-	-	72	523	943
C.2 Financial derivatives without exchange of capital										
- Long positions	602	-	-	12,801	5,190	21,800	36,600	-	-	-
- Short positions	387	-	657	13,165	12,790	29,978	54,727	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	3,747	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	3,747	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	140	108	601	291	72	7,005	476	1,131	-	-
- Short positions	2,667	6,721	-	436	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

Currency: Other currencies

(Amounts in €thousand)

Items/time buckets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 month	Between 3 and 6 month	Between 6 and 1 year	Between 1 and 5 year	Over 5 years	Unspecified maturity
A. On-balance sheet assets	**211,032**	**9,967**	**20,697**	**56,079**	**48,921**	**224,697**	**436,974**	**23,187**	**114,091**	**-**
A.1 Government securities	-	-	17,968	54,882	1,569	191,293	435,866	-	114,091	-
A.2 Debt securities	-	-	34	-	-	34	170	23,165	-	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	211,032	9,967	2,695	1,197	47,352	33,370	938	22	-	-
- Banks	207,045	-	-	55	16	33,370	938	-	-	-
- Customers	3,987	9,967	2,695	1,142	47,336	-	-	22	-	-
B. On-balance sheet liabilities	**1,142,187**	**7,092**	**107**	**317**	**9,338**	**24**	**55**	**234**	**9**	**-**
B.1 Deposits and current accounts	1,132,113	-	-	-	-	-	-	-	-	-
- Banks	110	-	-	-	-	-	-	-	-	-
- Customers	1,132,003	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	10,074	7,092	107	317	9,338	24	55	234	9	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	266,092	102	-	354	-	-	-	-	49
- Short positions	-	264,901	10	269	226	-	-	-	-	49
C.2 Financial derivatives without exchange of capital										
- Long positions	2,728	-	-	-	-	-	-	-	-	-
- Short positions	1,489	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	5,553	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	5,553	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	-	-	-	12,726	-	-	-	-
- Short positions	-	12,726	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

Section 5 - Operating risk

Qualitative information

A. General aspects, operational processes and methods for measuring operational risk

Operational risk definition

Operational risk is defined as the risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, financial advisors, systems or by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk.

For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, customer claims, product distribution, fines and penalties for regulatory breaches, damage to the Company's physical assets, business disruption and system failures, and management of processes.

Operational risk framework

The Board of Director has approved the policies and procedures for controlling, measuring and mitigating the Bank's operational risks. The operational and reputational risk Policy, which has been updated and approved by the Board of Directors in February 2020, defines the roles of corporate bodies and of the risk management function as well as any interactions with other functions involved in the process. Besides setting roles and responsibilities, the policy describes the risk measuring and monitoring process and the activities carried out for mitigation and prevention purposes.

Organisational structure

The Board of Directors is responsible for approving all aspects relating to the operational risk framework and verifying the adequacy of the measurement and control system and is regularly updated on changes to the risk profile and operational risk exposure. The reports produced by the Risk Management function for the Board of Directors ensure that management and control bodies are constantly updated on operational risk trend within the Group and they are able to actively intervene in the management and mitigation of the risks. The Chief Risk Officer and Risk Management's participation in the Products Committee also ensures oversight of the operational risk associated with the Bank's new business activities.

The Operational Risk Management (ORM) team is part of the broader Risk Management function which reports to the Chief Risk Officer of FinecoBank who in turn reports directly to the Chief Executive Officer and General Manager. For details on the activities carried out by the Operational Risk Team, please refer to the same section of the notes to the consolidated accounts.

Operational risk management and mitigation

Operational risk management consists in the review of processes meant to reduce the identified risks, the management of the related insurance policies, as well as the identification of the suitable franchise and excess values thereof.

In order to identify and develop new mitigation measures, it has been established a Permanent Work Group (PWG). The PWG, which includes FinecoBank's CRO, the Risk Manager as well as Information Security & Fraud Manager and Organization, is meant to allow participating functions to share their respective expertise in relation to projects planned or under way, new processes and products, or changes to them, and anything else that might affect the Bank's risk profile.

As part of operational risk prevention and controls on the sales network, FinecoBank Risk Management function has focused its activities on fraud prevention. The development of remote monitoring aimed at preventing frauds has led to the creation of a system called System of Fraud Identification and Analysis (SoFIA). Such system can process a larger amount of data and information than individual indicators. The system works though an alert mechanism detecting any irregularity on a daily basis. In this way, all of the names highlighted to be checked are assessed at the same time with regard to all remote indicators (22 indicators).

On the basis of qualitative and quantitative assessments of these indicators, the assigned staff select any cases that need to be reported to the Network Controls, Monitoring and Network Services Department – reporting directly to the Chief Executive Officer – for subsequent examination.

Moreover, the Operational & Reputational Risk team is updated annually on the results of the tests conducted in accordance with the Business Continuity and Disaster Recovery plans.

In addition to the aforementioned controls, reputational risks are monitored through the risk assessment carried out by the risk management function throughout the definition, development and approval phase of the Bank's products. To that end both the Chief Risk Officer and the Risk Management attend the Product Committee.

Part E - Information on Risks and relating hedging policies

Risk measurement system

FinecoBank applies the standardized method (TSA) for the calculation of capital requirements for operational risk. Nevertheless, the governance, the oversight and the reporting framework previously adopted and developed for the internal method for measuring the capital requirement (AMA), have been retained.

The Operational and Reputational Risk function carried out the collection and classification of loss data, external loss data, as well as loss data resulting from scenario analysis and risk indicators.

The collection and classification of operating losses is carried out for internal prevention and improvement purposes. As far as risk indicators are concerned, there are currently 63 key risk indicators divided into control areas (Credit Cards, Compliance, HR, Legal, Operations securities, Payment Systems, Claims, Risk Management, IT systems, Security, Administration and Audit), with which the Bank mean to measure its exposure to operational risk. Should indicators show irregular values, this might be related to changes in the exposure to operational risk. In 2020, a set of ESG relevant indicators has been identified within an operational and reputational risk-monitoring dashboard. Any irregular value of such risk indicators may signal risks related to customer relationship (e.g. client claims, unavailability or security issues in the ICT system), with employees (e.g. high turnover) or with regulators, which may affect business sustainability.

Scenario analyses allow the assessment of the Bank's exposure to operational risk characterised by low frequency but high potential impact. Scenarios are set by analysing internal losses, external events, risk indicator trends, critical processes, products and risk classes.

Risk capital for operational risk used for regulatory purposes as at December 31, 2020, amounted to €95.590 thousand.

Risks arising from significant legal disputes

The Bank, only referred to FinecoBank, is involved in individually insignificant legal proceedings over which there is considerable uncertainty regarding the outcome and the amount of possible charges, which the Bank could be forced to incur. Where it is possible to reliably estimate the amount of possible charges and the charges are considered likely, provisions have been made in an appropriate amount based on the circumstances and consistent with applicable international accounting standards, by making the best possible estimate of the amount that the Bank will reasonably be expected to incur in discharging its obligations. Specifically, as a precaution against these obligations and customer claims that have not yet resulted in legal proceedings, as at December 31, 2020, FinecoBank had a provision in place for risks and charges of € 24,627 thousand. This provision includes the legal costs borne by the Bank in the event of an adverse conclusion of the dispute plus the estimated expenses to be paid to legal advisors and/or any experts who assist the Bank in ongoing disputes to the extent that it is believed that they will not be reimbursed by the counterparties. This estimate was determined by the Bank, in relation to the current dispute, mainly based on the analysis of Forensic official tariffs provided for by current legislation.

Risks arising from tax disputes and audits

Risks arising from tax disputes and audits as at December 31, 2020 mainly relate to a notice of assessment for the year 2003 received by FinecoBank containing an objection to the use of tax credits for € 2.3 million, in relation to which the Bank has appealed to the Supreme Court as it considers its position to be well-founded. The Bank has already paid the additional taxes and interest due.

With regard to the aforementioned dispute, the higher taxes, interests and penalties have already been recognised in the income statement with a contra entry, respectively, in tax liabilities and the provision for risks and charges. Moreover, tax receivables for the amounts paid to the tax administration have been recognised.

In light of the foregoing, as at December 31, 2020 the Bank had in place provisions that adequately reflect the specific circumstances and are in line with international accounting standards; specifically, to tax liabilities of for a total of € 5.6 million, for higher tax, and to provisions for risks and charges of € 3.7 million, for penalties and interest.

The assessment of ICT operational risk

The prudential regulations require Banks to conduct an analysis, at least annually, of the Bank's ICT risk and to submit the results of the assessment made to the Board of Directors.

In particular, regulations have introduced standards and specific requirements for managing and assessing ICT risk that require Banks to assess the exposure to these risks, not only by gathering and analysing economic losses, but also by considering additional information, such as ICT incidents occurred and information related to the riskiness of the Bank's assets (hardware and software).

FinecoBank has established and adopted a framework for the assessment of ICT risk: the results of the analysis, conducted in collaboration with the Bank's Business, ICT and Organisation structures, were reported to the Board of Directors in the month of December 2020. The analysis showed that, with respect to the business volumes processed and the complexity of the processes involved, the residual IT risk of FinecoBank is on average low. The exposure to residual risk has been formally accepted by Fineco's Top Management without the need to identify additional mitigation measures.

Part E - Information on Risks and relating hedging policies

The Bank's goal is also to protect customers and the business by ensuring data security, declined in its characteristics of availability, confidentiality and integrity. Particular attention is in fact paid to the issues of Cyber Security & Fraud Management from the system design phase, as enabling elements for the correct definition of solutions and services offered, also taking advantage of the opportunities offered by the evolving regulatory context, in order to create full security for the customer while maintaining ease of use.. For further information on Cyber Security and Fraud Management, please refer to the Consolidated Non-Financial statement of the FinecoBank Group as at December 31, 2020, published on the FinecoBank website (https://www.finecobank.com).

Analysis of operational and security risks related to payment services

In accordance with the 28th update of Bank of Italy Circular 285, the Bank carries out an assessment of operational and security risks related to payment services provided by the Bank. The adequacy of mitigation measures and control mechanisms in place are also in scope. The resulting report for the year 2020 will be sent to the Bank of Italy within April 30, 2020, according to the rule thereof. No issue has been detected from the 2019 resulting report.

Impacts of the crisis unfolded by COVID-19

No relevant impacts have been detected, except for physiological slowdown of certain operational activities in relation to the early stages of the emergency and the arrangement of procedures related to government measures adopted in response to the crisis. Available KRI are not showing any risk profile change, and it has not been detected any operational loss strictly connected with COVID 19 so far.

As far as operational risk is concerned, it should be noted that FinecoBank has not changed its strategies and objectives as well as its management, measurement and control policies.

Quantitative information

Operational loss analyses enable FinecoBank’s Operational & Reputational Risk team to make assessments on the Bank’s exposure to operational risk and to identify any critical areas.

The main sources of operating losses are shown below by "event type", i.e. by type of event that generated them according to the Basel 2 framework:

- Internal fraud: losses due to unauthorised activities, fraud, embezzlement or infringement of laws, regulations or company directives that involve at least one internal staff member of the Bank or a resource hired under an agency contract (PFA);
- External fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the Bank;
- Employment practices and workplace safety: losses due to actions not compliant with the law or to agreements regarding employment, health and safety, to the payment of compensation for bodily harm, or to cases of discrimination or non-application of equality conditions;
- Customers, products and professional practices: losses arising from non-fulfilment of professional obligations towards customers or from the nature or characteristics of the products or services provided;
- Damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- Business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- Process management, execution and delivery: losses due to deficiencies in the completion of transactions or management of processes, as well as losses due to relations with commercial counterparties, vendors and suppliers.

Section 6 - Other risks

Although the risk types described above represent the main categories, there are others the Bank considers nevertheless important. According to Pillar 2 regulatory requirements, the Bank annually carries out a risk assessment identification process aimed at identifying all relevant risks different from Pillar One risks (credit, market and operational), to which the Bank is, or may be exposed to.

After the identification of all relevant risks, the best method for analyzing them shall be identified, whether quantitative or qualitative. The quantitative measurement may be carried out through several tools, such as scenario analysis (this is the choice in particular for hard quantifiable risk such as the reputational risk and the compliance risk), VaR or the Internal Capital calculation. The latter stands for the capital needed to cope with potential losses arising from the Bank’s activities, and takes into consideration all risks defined by the Bank itself quantifiable in terms of capital, consistently with pillar two requirements.

During 2020, also the climate and environmental risks as well as ESG risks were introduced in the Bank risk map.

Part E - Information on Risks and relating hedging policies

The main risks considered in the overall Group Internal Capital as of December 2020 are default risk, concentration risk, migration risk, market risk, interest rate risk, credit spread risk, operational risk, business risk, and real estate risk. The overall Internal Capital is periodically exposed to stress test exercises. Such tools allows to assess the Bank's vulnerabilities to exceptional but plausible events, providing additional information with respect to monitoring activities.

Environmental risk

The Bank has long been sensitive to issues related to climate change and is constantly committed to monitoring the effects and assessing, in the context of risk governance, the repercussions and effects on its credit and asset management activities.

Considering the business activity carried out and the adopted business model, Fineco believes having a moderate environmental impact, as well as being exposed to climate change to a limited extent. The investment policy is in fact based on granting of credit to Retail customers and investing mainly in financial instruments of Central Administrations (Government Bonds). Credit granting to large, small and medium-sized enterprises and corporate projects or plants financing is not part of the Bank's policy.

The limited exposure to firms preserves the Bank both from the risk of causing impacts on the environment through financing counterparties associated with a high environmental risk (e.g. industries in the energy sector) and from the risk of indirectly being affect by any possible environmental events damaging its customers. The high diversification of the commercial portfolio (both in individual and territorial terms) protects indeed the Bank from the possible deterioration of the solvency of customers due to environmental factors, such as atmospheric events or natural disasters.

The environmental impact of the FinecoBank Group is therefore mainly attributable to the direct consumption of resources at its operating offices and financial advisors offices. For the initiatives promoted by the Bank, aimed at reducing consumption at its operating offices, please refer to the Consolidated Non-Financial statement as of December 31, 2020.

ECB expectation concerning climate and environmental risks suggest that Banks should specifically include such risks in the Risk Appetite Framework, both for what concerns the strategy and monitoring and measurement through dedicated indicators. Following the analysis on the Fineco business model, the Bank's exposures and risk factors, the Risk Management function has identified as a potential risk area, in terms of impact, the deterioration of real estate collateral covering mortgages. The exposure at such risk has been assessed in a medium/long term and marked as a low impact physical risk. As far as transition risk is concerned, no potential, relevant impact has been identified.

Despite the negligible exposure to climate and environmental risk, it was considered appropriate to include a specific indicator within the 2021 Risk Appetite Dashboard, aimed at monitoring the quality of real estate collateral subject to a high seismic, landslide or hydraulic risk.

In addition to this, as part of the design and implementation process, on a voluntary basis, of the Environmental Management System compliant with the requirements of EMAS regulation no. 1221/2009/EC, at the end of 2020 the initial Environmental Analysis was being completed, a tool that allows to map the needs and expectations of stakeholders in the environmental field, detecting their respective risks for FinecoBank, as well as defining a risk classification generated and suffered by the organization connected to the most significant environmental aspects on the basis of company activities. The definitive analyses will be released in the course of the year 2021.

Risks associated with "Brexit"

The Bank is adopting all the necessary measures, following the exit of the United Kingdom from the European Union, in order to minimise as much as possible impacts to the services offered to UK customers.

FinecoBank offers remote services in the UK, thanks to the MiFid passporting for financial products which will be valid even after the Brexit event.

In order to continue to develop the business in the UK, FinecoBank has, in fact, started the preparatory procedures for the activation of the Temporary Regime envisaged by the British authorities, with whom it is in continuous contact for future developments in this regard.

Part F – Shareholders' equity

Section 1 - Bank's shareholders' equity

Qualitative information

The control of capital adequacy at individual and consolidated level is performed by the capital management activity where the size and optimal combination among the various capitalization instruments are defined, in compliance with regulatory constraints and in line with the risk profile assumed by the Bank.

The Bank assigns a priority role to the activities aimed at the management and allocation of capital according to the risks assumed, for the purpose of developing its operations with a view to creating value. The activities are articulated in the different phases of the planning and control process and, in particular, in the plan and budget processes and in the monitoring processes. In the dynamic management of capital, therefore, the Bank draws up the financial plan and monitors the regulatory capital requirements, anticipating the appropriate interventions necessary to achieve the objectives.

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

The shareholders' equity includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement[45], issued for a total of €200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, intended to trade on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of €300 million. The coupon for the first 5 years has been fixed at 5.875%.

[45] Unrated and unlisted

Part F – Shareholders' equity

Quantitative information

B.1 Bank's shareholders' equity: breakdown

(Amounts in €thousand)

Items/Amounts	Amount 12/31/2020	Amount 12/31/2019
1. Share capital	201,153	200,941
2. Share premium reserve	1,934	1,934
3. Reserves	648,882	384,459
- from earnings	617,699	351,802
a) legal	40,229	40,188
c) treasury shares	1,189	7,351
d) others	576,281	304,263
- others	31,183	32,657
4. Equity instruments	500,000	500,000
5. (Treasury shares)	(1,189)	(7,351)
6. Revaluation Reserves:	(2,833)	1,002
- Financial assets (other equity securities) designated at fair value through other comprehensive income	2,379	3,159
- Actuarial gains (losses) on defined benefit plans	(5,212)	(2,157)
7. Net profit (loss) for the year	323,123	285,891
Total	**1,671,070**	**1,366,876**

B.2 Revaluation reserves for financial assets at fair value through comprehensive income: breakdown

(Amounts in €thousand)

Items/Amount	Total 12/31/2020		Total 12/31/2019	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	2,379	-	3,556	(397)
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
Total	**2,379**	**-**	**3,556**	**(397)**

Part F – Shareholders' equity

B.3 Revaluation reserves for financial assets at fair value through comprehensive income: annual changes

(Amounts in €thousand)

	Debt securities	Equity securities	Loans
1. Opening balance	**3,159**	**-**	**-**
2. Increases	**1,261**	**-**	**-**
2.1 Fair value increases	1,250	-	-
2.2 Adjustments for credit risk	11	X	-
2.3 Reclassification through profit or loss of realised negative reserves	-	X	-
2.4 Transfer from other shareholder's equity item (equity securities)	-	-	-
2.5 Other changes	-	-	-
- of which: business combinations	-	-	-
3. Decreases	**(2,041)**	**-**	**-**
3.1 Fair value reductions	-	-	-
3.2 Recoveries for credit risk	-	-	-
3.3 Reclassification through profit or loss of realised positive reserves	(2,041)	X	-
3.4 Transfer to other shareholder's equity item (equity securities)	-	-	-
3.5 Other changes	-	-	-
- of which: business combinations	-	-	-
4. Closing balance	**2,379**	**-**	**-**

Part F – Shareholders' equity

B.4 Revaluation reserves on defined benefit obligations: annual changes

(Amounts in €thousand)

	Actuarial gains (losses) on defined benefits plans
1. Opening balance	**(2,157)**
2. Increases	**-**
2.1 Fair value increases	-
2.2 Other changes	-
3. Decreases	**(3,055)**
3.1 Fair value reductions	(3,055)
3.2 Other changes	-
4. Closing balance	**(5,212)**

Section 2 - Own funds and regulatory ratios

Please refer to the information on own funds and the capital adequacy contained in the document "FinecoBank Group public disclosure – Pillar III as at 31 December 2020", as required by Regulation (EU) 575/2013 subsequently updated in the Regulation (EU) 876/2019 of the European Parliament and of the Council and by Regulation (EU) 2020/873 (so-called CRR Quick-fix) of the European Parliament and of the Council., published on the Company's website www.finecobank.com .

Part G – Business combination

Section 1 – Business combinations completed during the year

No information to report.

Section 2 – Business combinations completed after year-end

No information to report.

Section 3 – Retrospective adjustments

No information to report.

Part H – Related-party transactions

Information on the fees paid to key management personnel and on related-party transactions, pursuant to IAS 24 is shown below.

1. Details of compensation for key management personnel

Key management personnel are persons having authority and responsibility for planning, directing, and controlling the Companies' activities, directly or indirectly. This category includes Board members and members of the Board of Statutory Auditors, pursuant to requirements of the Bank of Italy Circular no. 262 of December 22, 2005 as amended and updated, as well as the Chief Executive Officer and General Manager, the Deputy General Manager/GBS Manager, the Chief Financial Officer, the PFA Network Commercial and Private Banking Manager, the Deputy General Manager/Global Business Manager.

(Amounts in € thousand)

Items/sectors	**Total 2020**	**Total 2019**
Remuneration paid to "Key Management Personnel", Directors and the Board of Statutory Auditors		
a) short-term benefits	6,974	6,267
b) post-employment benefits	257	305
of which under defined benefit plans	-	-
of which under defined contribution plans	*257*	*305*
c) other long-term employee benefits	-	-
d) termination benefits	-	-
e) share-based payments	2,480	2,437
Total	**9,711**	**9,009**

2. Related-party transactions

The Board of Directors, in order to ensure continued compliance with applicable legal and regulatory provisions on corporate disclosure on transactions with persons in potential conflict of interest, during the meeting on November 5, 2019 and with the prior favourable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors approved the new "Global Policy for the management managing of transactions with subjects persons in potential conflict of interest of the FinecoBank Group" (the "Procedures Global Policy").

The aforementioned Global Policy includes the provisions to be complied with when managing:

- related parties transactions pursuant to the Consob Regulation adopted by resolution on March 12, 2010, no. 17221 as subsequently amended;
- transactions with associated persons pursuant to the regulations on "Risk activities and conflicts of interest with Associated Persons", laid down by Bank of Italy Circular on December 27, 2006, no. 263, Title V, Chapter 5 ("New regulations for the prudential supervision of banks", as amended);
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 on September 1, 1993, showing the "Consolidated Law on Banking".

Considering the above, during 2020, intercompany transactions and transactions with other Italian and foreign related parties, smaller transactions, were conducted within the ordinary course of the Bank's business and related financial activities, and were carried out under standard conditions or conditions similar to those applied to transactions with unrelated third parties; in the same period, no other transactions were undertaken with related parties that could significantly affect the Bank's asset situation and results, or atypical and/or unusual transactions, including intercompany and related party transactions.

Part H – Related-party transactions

The following statement shows the outstanding assets, liabilities, guarantees and commitments as at December 31, 2020, for each group of related parties pursuant to IAS 24:

(Amounts in € thousand)

	Amounts as at December 31, 2020					
	Directors, board of statutory auditors and key management personnel	Other related parties	Total	% of carrying amount	Shareholders	% of carrying amount
Financial assets at amortised cost b) loans and receivable with customers	942	24	966	0.00%	3,189	0.02%
Total assets	**942**	**24**	**966**	**0.00%**	**3,189**	**0.01%**
Financial liabilities at amortised cost b) deposits from customers	1,592	564	2,156	0.01%	-	-
Other liabilities	195	-	195	0.07%	-	-
Total liabilities	**1,787**	**564**	**2,351**	**0.01%**	**-**	**-**
Commitments and financial guarantees given	**158**	**7**	**165**	**0.38%**	**-**	**-**

The following table sets out the impact of transactions with related parties on the main Income Statement items, for each group of related parties.

(Amounts in € thousand)

	Income Statement year 2020					
	Directors, board of statutory auditors and key management personnel	Other related parties	Total	% of carrying amount	Shareholders	% of carrying amount
Interest income and similar revenues	2	-	2	0.00%	-	-
Fee and commission income	5	4	9	0.00%	18,014	2.87%
Impairment losses/writebacks	-	-	-	0.00%	5	(0.05)%
Other net operating income	52	7	59	0.05%	-	-
Total income statement	**59**	**12**	**71**		**18,019**	

With regard to the category "Directors, Board of Statutory Auditors and Key Management Personnel", in application of the special regulations laid down in Article 136 of Legislative Decree 385/93 (Consolidated Law on Banking), the obligations established for persons that perform administrative, management and control functions pursuant to those regulations were unanimously approved by a resolution of the Board of Directors with the favourable vote of all members of the Board of Statutory Auditors, in accordance with Article 136 of said Consolidated Law on Banking.

The category "Directors, Board of Statutory Auditors and Key Management Personnel" includes their dealings (excluding their remuneration, which are discussed in point 1. *Details of compensation for key management personnel*) and dealings with the Head of Internal Audit of FinecoBank, mainly concerning assets for credit card use, mortgages and liabilities for funds held by them with the Bank. The income statement for 2020 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Other related parties" category, where present, includes:

- close family members of key management personnel (i.e., relatives who could be expected to influence, or be influenced by the party involved);
- companies controlled (or jointly controlled) by, or associated with, "key management personnel" or their close family members;
- Group employee post-employment benefit plans.

Transactions with "Other related parties" mainly refer to assets for credit card use and liabilities for funds held with the Bank. The income statement for 2020 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Shareholders" category includes the shareholders and their subsidiaries holding which at December 31, 2020 held an investment in FinecoBank higher than 3% of the share capital represented by shares with voting rights. The balance sheet amounts include for current receivables and debts associated with the provision of financial services referring to the commissions to be cashed for the placement and management of asset management products. The income statement includes the same fees and commissions accrued for the 2020 financial year.

Part H – Related-party transactions

Outstanding amounts as at 31 December 2020 and the economic components accrued during the year 2020 with Fineco Asset Management DAC are excluded, as shown in the table below.

Transactions with the FinecoBank Group's companies

(Amounts in € thousand)

Fineco Asset Management DAC	Total 12/31/2020
Assets	**8,287**
Financial assets at amortised cost b) loans and receivables with customers	8,058
Other assets	229
Income statement	**138,137**
Fee and commission income	85,951
Dividend income and similar revenue	52,059
Other net operating income	127

Part I – Share-based payments

Qualitative information

1. Description of share-based payments

For the description share-based payments, see paragraph A. Qualitative information - 1. Description of the share-based payments - Part I of the Notes to the consolidated accounts.

Quantitative information

1. Annual changes

(Amounts in €thousand)

Items / Number of options and exercise price	Total 12/31/2020			Total 12/31/2019		
	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity
A. Opening balance	**2,562,510**	**-**	**Jun-21**	**3,580,245**	**-**	**Sep-20**
B. Increases	**204,799**	**-**	**X**	**227,429**	**-**	**X**
B.1 New issues	204,799	-	Jul-22	227,429	-	Dec-21
B.2 Other increases	-	-	X	-	-	X
C. Decreases	**(1,311,134)**	**-**	**X**	**(1,245,164)**	**-**	**X**
C.1 Cancelled	(1,440)	-	X	(45,785)	-	X
C.2 Exercised	(1,309,694)	-	X	(1,199,379)	-	X
C.3 Expired	-	-	X	-	-	X
C.4 Other changes	-	-	X	-	-	X
D. Closing balances	**1,456,175**	**-**	**Oct-22**	**2,562,510**	**-**	**Jun-21**
E. Vesting options at the end of the year	**397,795**	**-**	**X**	**676,318**	**-**	**X**

The number of shares specified in the above table only refers to plans for which the number of shares allotted to individual beneficiaries has already been defined. The average prices for the year have not been stated because only freely allocated shares were involved.

2. Other information

Effects on Profit and Loss

The income statement and balance-sheet effects of the incentive systems based on FinecoBank shares are shown below, except for the balance of the reserve related to equity-settled plans. The share-based incentive plans of UniCredit S.p.A. economic effects no longer mature.

The income statement impact is determined each year based on the vesting period of the instruments.

Part I – Share-based payments

Financial statement presentation related to payments based on shares

(Amounts in € thousand)

	Total 12/31/2020		Total 12/31/2019	
	Total	Vested plans	Total	Vested plans
Costs	5,048		5,502	
- connected to Equity Settled Plans	*5,045*		*5,484*	
- connected to Cash Settled Plans	*3*		*18*	
Sums paid to UniCredit S.p.A. for vested plans		12		122
Sums collected by UniCredit S.p.A. for vested plans		-		10
Payable due to UniCredit S.p.A.	47		59	
Credit accrued towards Unicredit S.p.A.	69		69	
Credit accrued towards Fineco AM	160		116	
Payable due to personal financial advisors for Cash Settled plans	-		83	

Please note that the charges relating to Equity Settled Plans were recognised as Administrative costs – Staff expenses with respect to the plans granted to employees and as Administrative costs or Fee and commission expense with regard to plans granted to personal financial advisors. Charges relating to Cash Settled Plans granted to financial advisors have been recognised as Fee and commission expenses.

Part L – Segment reporting

Segment reporting information, as required by IFRS 8 is presented exclusively in consolidated form. Therefore, reference should be made to the segment reporting disclosure provided in Part L of the notes to the consolidated accounts.

Part M – Leasing

Section 1 - Lessee

Qualitative information

The leasing contracts that fall within the scope of application of the standard IFRS16 are represented by the lease contracts of the properties used by the Bank and by the financial shops used by financial advisors and managed directly by the Bank, in addition to lease contracts for machinery and cars.

The Bank is potentially exposed to outgoing financial flows, for variable payments due for leasing (in particular referring to the ISTAT revaluation), not included in the initial valuation of the lease liability.

The Bank has determined the duration of the lease, for each individual contract, considering the "non-cancellable" period during which it has the right to use the underlying asset and taking into account all the contractual aspects that can change this duration, including, in particular, the possible presence of:

- periods covered by a right of resolution (with related penalties) or an option to extend the lease to the lessee, the lessor alone, or to both, even at different periods over the duration of the contract;
- periods covered by an option to purchase the underlying asset.

In general, with regard to contracts that provide the option right for the Bank to automatically renew the lease at the end of an initial contractual period, the duration of lease has determined based on historical experience (in particular for the Bank) and the information available at the date, considering in addition to the non-cancellable period also the period subject to the extension option (first contract renewal period), except for the existence of business plans to dispose of the leased asset as well as clear and documented assessments by the competent Bank structures that lead to consider reasonable the failure to exercise the option to renew or exercise the termination option, also taking into account, with particular regard to the financial shops in use by the financial advisors of the Bank, the commercial strategies of recruitment and territorial organization of the network.

The Bank has not provided guarantees on the residual value of the leased asset and has no commitments for the stipulation of lease contracts not included in the value of the lease liability recognized in the financial statements.

In accordance with the rules set by the standard, which grants exemptions in this regard, contracts underlying the so-called "Low-value assets" (for which the threshold was set at €5 thousand) mainly consisting of mobile phone rental contracts, all leasing contracts with a contractual duration of 12 months or less (so-called "short term lease") it was decided not to apply the principle to the leasing of intangible assets (mainly represented by software leasing). For these contracts, the related fees are recognized in the income statement on accrual basis for the corresponding duration.

Quantitative information

With regard to the information on the rights of use acquired with the lease, please refer to Part B - Assets - Section 8 - Tangible assets - Item 80 of these notes to the accounts.

With regard to the information on the lease liabilities, please refer to Part B - Liabilities - Section 1 - Financial liabilities at amortized cost - Item 10 of these notes to the accounts.

Furthermore, with regard to the information on:

- interest expenses on leasing liabilities, please refer to Part C - Section 1 - Item 20;
- the other charges connected with the rights of use acquired with the lease, please refer to Part C - Section 14 - Net impairments / write-backs on property, plant and equipment - Item 180.

It should be noted that no gains and losses deriving from sale and leaseback transactions have been recorded, as well as income deriving from sub-lease transactions.

Part M – Leasing

The depreciation recognized for the year for right-of-use assets by class of underlying asset is shown below:

(Amounts in € thousand)

Assets	Depreciation 2020	Depreciation 2019
Right of use		
1. Property, plant and equipment	**(11.117)**	**(2.180)**
1.1 land	-	-
1.2 buildings	(10.862)	(1.931)
1.3 ofcice furniture and fittings	-	-
1.4 electronic systems	-	-
1.5 other	(255)	(249)

At 31 December 2020 there are no short-term leasing commitments for which the cost has not already been recognized in the 2020 income statement.

Section 2 - Lessor

Qualitative information

The Bank has leasing operations, in its capacity as lessor, represented exclusively by lease contracts for a part of the surface of the property owned, located in Milan Piazza Durante, 11, classified as operating leases in the financial statements.

With reference to the ways in which the lessor manages the risk associated with the rights it maintain on the underlying assets, it should be noted that the contracts include clauses that prohibit the tenant from transferring the contract to third parties without the written consent of the lessor, periodic updates of the rent according to the ascertained variation of the ISTAT index for consumer prices for the families of workers and employees and a contractual expiry at the end of which, in the event of non-renewal where required, the lease contract ceases and the premises fall within the availability of the lessor.

Quantitative information

Payments due for operating leases have been recognized in the consolidated income statement as income. For more details, please refer to Part C - Section 16 - Other operating income and charges - Item 230 of these notes to the accounts.

1. Balance sheet and income statement information

The Bank has not recognized leasing loans. As regards the activities granted under operating leasing, as previously described, the Group has leasing transactions in place as lessor represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11.

The payments due for the operating lease have been recognized, on an accrual basis, in the consolidated income statement as income. For more details, please refer to that illustrated in Part C - Section 14 - Other operating expenses and income - Item 230 of these notes to the accounts.

Part M – Leasing

2. Financial lease

2.1 Classification by time bands of the payments to be received and reconciliation with the loans for leasing entered in the assets

No information to report.

2.2 Other information

No information to report.

3. Operating lease

3.1 Classification by time bands of the payments to be received

A maturity analysis of the undiscounted lease payments to be received is shown below. It should be noted that the payments refer to the contractual rents provided for in the lease contracts of part of the property owned by FinecoBank, which allow tenants to withdraw early in compliance with the notice provided in the contract.

(Amounts in €thousand)

Maturity ranges	Total 12/31/2020 Lease payments receivables	Total 12/31/2019 Pagamenti da ricevere per il leasing
Up to one year	730	957
Over one year up to 2 years	730	570
Over 2 years up to 3 years	730	570
Over 3 years up to 4 years	730	570
Over 4 years up to 5 years	160	570
For over 5 years	40	47
Total	**3,120**	**3,284**

3.2 Other information

As indicated above, the Bank has leasing transactions in place as a lessor represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11. For information on the methods with the which the Bank manages the risk associated with the rights it retains on the underlying assets, please refer to the paragraph "Qualitative information" included in this section.

Attachment 1 - Reconciliation of condensed accounts to mandatory reporting schedule

(Amounts in € thousand)

	Amounts as at	
Assets	**12/31/2020**	**12/31/2019**
Cash and cash balances = item 10	1,760,348	754,386
Financial assets held for trading	16,997	7,933
20. Financial assets at fair value through profit or loss a) financial assets held for trading	*16,997*	*7,933*
Loans and receivables with banks	760,423	549,632
40. Financial assets at amortised cost a) loans and receivables with banks	*8,234,281*	*9,423,961*
less: Financial assets at amortised cost a) loans and receivables with banks - Debt securities	*(7,473,858)*	*(8,874,329)*
Loans and receivables with customers	4,517,351	3,668,933
40. Financial assets at amortised cost b) loans and receivables with customers	*20,828,706*	*16,765,571*
less: Financial assets at amortised cost b) loans and receivables with customers - Debt securities	*(16,311,355)*	*(13,096,638)*
Financial investments	23,942,488	22,307,025
20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	*10,578*	*11,359*
30. Financial asset at fair value through other comprehensive income	*143,698*	*321,699*
70. Equity investments	*3,000*	*3,000*
Financial assets at amortised cost a) loans and receivables with banks - Debt securities	*7,473,858*	*8,874,329*
Financial assets at amortised cost b) loans and receivables with customers - Debt securities	*16,311,355*	*13,096,638*
Hedging instruments	74,451	64,939
50. Hedging derivatives	*19,003*	*36,059*
60. Changes in fair value of portfolio hedged financial assets (+/-)	*55,448*	*28,880*
Property, plant and equipment = item 80	150,883	150,925
Goodwill = item 90. Intangible assets of which: goodwill	89,602	89,602
Other intangible assets = item 90 net of goodwill	39,438	37,280
Tax assets = item 100	13,302	23,450
Other assets = item 120	359,810	342,284
Total assets	**31,725,094**	**27,996,389**

Attachment 1 - Reconciliation of condensed accounts to mandatory reporting schedule

(Amounts in € thousand)

Liabilities and Shareholder's Equity	Amounts as at 12/31/2020	12/31/2019
Deposits from banks	1,064,859	154,653
10. Financial liabilities at amortised cost a) deposits from banks	*1,064,859*	*154,653*
Deposits from customers	28,350,321	25,912,444
10. Financial liabilities at amortised cost b) deposits from customers	*28,350,321*	*25,912,444*
Financial liabilities held for trading = item 20	5,889	3,777
Hedging instruments	232,102	94,950
40. Hedging derivatives	*214,388*	*80,852*
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	*17,714*	*14,098*
Tax liabilities = item 60	13,324	11,344
Other liabilities	387,529	452,345
80. Other liabilities	*269,964*	*340,456*
90. Provisions for employee severance pay	*4,924*	*4,810*
100. Provisions for risks and charges	*112,641*	*107,079*
Shareholders' Equity	1,671,070	1,366,876
- capital and reserves	1,350,780	1,079,983
130. Equity instruments	*500,000*	*500,000*
140. Reserves	*648,882*	*384,459*
150. Share premium reserve	*1,934*	*1,934*
160. Share capital	*201,153*	*200,941*
170. Treasury shares (-)	*(1,189)*	*(7,351)*
- revaluation reserves	(2,833)	1,002
110. Revaluation reserves of which: financial assets at fair value through other comprehensive income	*2,378*	*3,159*
110. Revaluation reserves for actuarial net gains (losses) for defined benefit plans	*(5,211)*	*(2,157)*
- net profit = item 180	323,123	285,891
Total liabilities and shareholders' equity	**31,725,094**	**27,996,389**

Attachment 1 - Reconciliation of condensed accounts to mandatory reporting schedule

INCOME STATEMENT	Year 2020	Year 2019
Net interest	270,976	281,391
30. Net interest margin	*267,919*	*281,391*
+ net commissions on Treasury securities lending	*3,057*	-
Dividends and other income from equity investments	52,059	48,301
70. Dividend income and similar revenue	*52,167*	49,996
less: dividends from held-for-trading equity instruments included in item 70	*(56)*	*(48)*
less: dividends from mandatorily at fair value equity instruments included in item 70	*(52)*	*(1,647)*
Net fee and commission income = item 60	336,545	262,710
60. Net fee and commission income	*339,602*	*262,710*
Less: net commissions on Treasury securities lending	*(3,057)*	-
Net trading, hedging and fair value income	95,678	44,607
80. Gains (losses) on financial assets and liabilities held for trading	*87,611*	*41,346*
90. Fair value adjustments in hedge accounting	*(259)*	*(160)*
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	*(786)*	*(1,910)*
100. Gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income	*1,770*	*727*
+ dividends from held-for-trading equity instruments included in item 70	*56*	*48*
+ dividends from mandatorily at fair value equity instruments included in item 70	*52*	*1,647*
+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*7,234*	*2,909*
Net other expenses/income	2,145	955
200. Other net operating income	*110,447*	102,894
less: other net operating income - of which: recovery of expenses	*(110,512)*	*(104,068)*
less: adjustments of leasehold improvements	*2,209*	*2,129*
100. Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost (unimpaired)	*7,235*	*2,909*
less: gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*(7,234)*	*(2,909)*
OPERATING INCOME	**757,403**	**637,964**
Staff expenses	(95,021)	(86,067)
160. Administrative expenses - a) staff expenses	*(95,021)*	*(86,067)*
Other administrative expenses	(250,935)	(237,860)
160. Administrative expenses - b) other administrative expenses	*(275,531)*	*(253,860)*
less: ex-ante contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*26,805*	*18,129*
+ adjustments of leasehold improvements	*(2,209)*	*(2,129)*
Recovery of expenses	110,512	104,068
200. Other net operating income- of which: recovery of expenses	*110,512*	*104,068*
Impairment/write-backs on intangible and tangible assets	(25,193)	(22,627)
180. Impairment/write-backs on property, plant and equipment	*(19,489)*	*(17,231)*
190. Impairment/write-backs on intangible assets	*(5,704)*	*(5,396)*
Operating costs	**(260,637)**	**(242,486)**
Operating profit (loss)	**496,766**	**395,478**
Net impairment losses on loans and provisions for guaranteed and commitments	(3,334)	(1,966)
130. Impairment losses/writebacks on: a) financial assets at amortised cost	*(9,559)*	*5,382*
less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*6,241*	*(7,375)*
130. Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income	*(15)*	*2*
less: impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*15*	*(2)*
140. Profit/loss from contract changes without cancellation	*23*	-
170. Net provisions for risks and charges a) provision for credit risk of commitments and financial guarantees given	*(39)*	*27*
Net operating profit (loss)	**493,432**	**393,512**
Other charges and provisions	(34,076)	(27,152)
1700. Net provisions for risks and charges b) other net provision	*(7,271)*	*(9,023)*
+ ex-ante contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*(26,805)*	*(18,129)*
Net income from investments	(6,262)	7,377
+ impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*(6,241)*	*7,375*
+ impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*(15)*	*2*
250. Gains (losses) on disposal of investments	*(6)*	-
Profit (loss) before tax from continuing operations	**453,094**	**373,737**
Income tax for the year = item 270	(129,971)	(87,846)
Net profit (loss) before tax from continuing operations	**323,123**	**285,891**
Profit (loss) for the year	**323,123**	**285,891**

Certification of annual financial statements pursuant to article 81-ter of Consob regulation no. 11971 of May 14, 1999 and subsequent amendements

1. The undersigned, Alessandro Foti, as Managing Director and General Manager of FinecoBank S.p.A., and Lorena Pelliciari, as Nominated Official in charge of drawing up company accounts of FinecoBank S.p.A, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of February 24, 1998, do hereby certify:

- the adequacy in relation to the Company's features and
- the actual application

of the administrative and accounting procedures used in the preparation of the financial statements for the year ended December 31, 2020.

2. The adequacy of the administrative and accounting procedures employed to draw up the financial statements for the year has been evaluated by applying a model defined in accordance with the "Internal Control - Integrated Framework (CoSO)" and the "Control Objective for IT and Related Technologies (Cobit)", which are international commonly accepted standards for the internal control system and for financial reporting.

3. The undersigned also certify that:

3.1 the Annual Report and Accounts:

a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of July 19, 2002;
b) correspond to the results of the books and accounting records;
c) are suitable to provide an accurate representation of the financial position and performance of the issuer;

3.2 the Report on operations contains a reliable operating and financial review of the issuer, as well as the description of its exposure to the main risks and uncertainties.

Milan, February 09, 2021

FinecoBank S.p.A.
The Chief Executive Officer and
General Manager
Alessandro Foti

FinecoBank S.p.A.
The Manager Responsible for Preparing
the Company's Financial Reports
Lorena Pelliciari

Deloitte & Touche S.p.A.
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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
FinecoBank Banca Fineco S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of FinecoBank Banca Fineco S.p.A. (the "Bank"), which comprise the balance sheet as at December 31, 2020, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the related notes to the accounts.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of provisions for risks and charges related to legal disputes	
Description of the key audit matter	As represented in the notes to the accounts, Part B – *Balance* Sheet - Section 10 of the Liabilities - *Provisions for risks and charges*, item 100 “Provisions for risks and charges: c) other provisions for risks and charges” of the balance sheet - liabilities of the financial statements as at December 31, 2020 includes provisions for legal disputes amounting to Euro 24.6 million related to complaints and disputes for damage to customers arising from the unlawful behavior of the Bank's personal financial advisors, pending disputes with personal financial advisors and other ongoing court and out-of-court litigations with customers in relation to the normal banking activity. In Part E – *Information on Risks and relating Hedging Policies* - Section 5 – *Operational Risks*, paragraph “Risks arising from significant legal disputes” of the notes to the accounts, the Directors point out that, in relation to the pending legal proceedings against the Bank, which are individually irrelevant, there is considerable uncertainty about the possible outcome and the extent of the possible charge that the Bank could incur; where it is possible to reliably estimate the amount of charges and the charges themselves are considered probable, provisions have been made to the extent deemed appropriate given the specific circumstances and in accordance with the international accounting standards, making the best possible estimate of the amount that reasonably the Bank will have to pay to settle its obligations. Paragraph “*Risks and uncertainties related to the use of estimates*” of Part A – *Accounting Policies*, A. 1 – *General*, Section 4 – *Other matters* of the notes to the accounts, contains information on the subjectivity and complexity of the estimation process adopted to support the carrying amount of some items subject to evaluation. For some of them, including provisions for risks and charges, the complexity and the subjectivity of the estimates are affected by the articulation of the assumptions, the number and variability of the available information and the uncertainties regarding the final future outcomes of proceedings, disputes and litigations. Given the number of complaints and disputes, albeit physiological with respect to the Bank's typical operations, and the complexity and articulation of the estimation process, considered the uncertainties related to their outcome, we have considered the estimate of provisions for risks and charges for legal disputes as a key audit matter of the financial statements as at December 31, 2020.
Audit procedures performed	Our audit procedures included, among others, the following: • analysis and understanding of the relevant controls implemented by the Bank, in order to identify, manage and monitor complaints from customers and legal disputes with them arising from the banking operations and the activity of the Bank’s personal financial advisors;

- analysis and understanding of the process adopted by the Management in estimating provisions and evaluation of the reasonableness of criteria, methods and assumptions used;
- periodic meetings with the heads of the Bank's appointed departments for analysis and discussion of the status of litigations and complaints;
- analysis of the relevant documentation, including the register of complaints and reports prepared by control functions of the Bank;
- obtaining and examining responses to requests for information to the legal advisors appointed by the Bank;
- verification, for a selection of disputes and complaints and on the basis of the data and information available gathered as a result of the above procedures, of the appropriateness of the related provision and of the accuracy and completeness of the data used for the estimates.

Lastly, we verified the completeness and compliance of the disclosures provided in the notes to the accounts with respect to the requirements of the relevant accounting standards.

Disbursement, classification and evaluation of financial assets at amortised cost - loans to customers	
Description of the key audit matter	As represented in the notes to the accounts, Part B – *Balance Sheet* - Section 4 of the Assets - *Financial assets at amortised cost*, and in the report on operations, as at December 31, 2020 financial assets at amortised cost – loans to customers amount to Euro 4,517 million (net book value, including Euro 25.5 million of non-performing loans net of impairment losses of Euro 21.9 million). Part A – *Accounting Policies* of the notes to the accounts includes the description of the processes for the classification and evaluation of credit exposures for which the Bank refers to the sector regulations, supplemented by the internal provisions governing, in accordance with the applicable accounting standards, the classification and transfer rules within the various risk categories and related evaluation methods. The Bank also considered the particular context of macroeconomic uncertainty resulting from the pandemic emergency as well as the effects of the legislative and not-legislative moratorium measures issued during the year, as well as the other support measures introduced by the Government. Part E - *Information on Risks and relating Hedging Policies* – Section 1 – *Credit risk* also illustrates the credit risk management policies. Considering the significance of the amount of loans to customers recorded in the financial statements and the complexity of systems of measurement, management and control of credit risk adopted by the Bank, taking into account also the current macroeconomic scenario associated with the Covid-19 health emergency, we have considered the disbursement, classification and evaluation of the loans to customers as a key audit matter of the financial statements of the Bank as at December 31, 2020.

Audit procedures performed	We have preliminarily acquired a knowledge of the credit process which included, in particular, the understanding of the organizational and procedural safeguards established by the Bank's internal regulations and implemented by the Bank itself with reference to: • assessment of creditworthiness in order to grant the credit; • measurement and monitoring of credit quality; • classification and evaluation of credit exposures in compliance with the sector regulations and in accordance with applicable accounting standards. This activity included the verification of the implementation of the corresponding Bank processes and related procedures, as well as the operational effectiveness of the relevant controls regarding the credit grant and disbursement process. The audit procedures, performed also with the support of specialists belonging to our network where deemed appropriate, included, among others, the following: • analysis and understanding of the IT systems and applications used; • obtaining and examining responses to requests of confirmations to the customers sent on a sample basis; • obtaining and analysis of the monitoring reports prepared by competent Bank departments and organizational units involved; • as regard performing loans (in stage 1 and stage 2, based on the IFRS 9 classification), verification, on a sample basis, of the classification in accordance with the sector regulations and examination of the reasonableness of the evaluation criteria and of the assumptions adopted by the Bank in determining the impairment losses, also considering the complexity and the uncertainties associated with the current macroeconomic context resulting from the pandemic emergency; • as regard non-performing loans (in stage 3, based on the IFRS 9 classification), verification on a sample basis of the classification and of the related evaluation in compliance with the sector regulations and the applicable accounting standards. Lastly, we verified the completeness and compliance of the disclosures provided in the notes to the accounts with respect to the requirements of the applicable accounting standards and the relevant legislation as well as the communications issued by the Supervisory Authorities following the Covid-19 pandemic emergency.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of FinecoBank Banca Fineco S.p.A. has appointed us on April 16, 2013 as auditors of the Bank for the years from December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of FinecoBank Banca Fineco S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of the Bank as at December 31, 2020, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, paragraph 4 of Legislative Decree 58/98 with the financial statements of FinecoBank Banca Fineco S.p.A. as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of FinecoBank Banca Fineco S.p.A. as at December 31, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Alessandro Grazioli
Partner

Milan, Italy
March 31, 2021

This report has been translated into the English language solely for the convenience of international readers.

FINECOBANK S.P.A.

Report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to Art. 153 of the Consolidated Law on Finance (TUF)

Dear Shareholders,

Pursuant to Art. 153 of Legislative Decree 24 February 1998 No. 58 (TUF), the Board of Statutory Auditors (the "Board") of FinecoBank S.p.A. ("FinecoBank" or the "Bank") reports on the supervisory activity carried out during the year ended on 31 December 2020 ("Year").

In 2020, the Board of Statutory Auditors performed its institutional tasks in compliance with the Italian Civil Code, Legislative Decrees No. 385/1993 (Consolidated Law on Banking - TUB), No. 58/1998 (TUF) and No. 39/2010 (Consolidated Law on Statutory Audits), with statutory regulations and regulations issued by supervisory and control authorities, and taking into account the Rules of Conduct of the Board of Statutory Auditors issued by the National Council of Chartered Accountants and Accounting Experts.

In compliance with the guidelines issued by CONSOB, published in notice No. DEM/ 1025564 of 6 April 2001, we would like to specify the following.

1. Appointment and activities of the Board of Statutory Auditors

The Board of Statutory Auditors was appointed by the FinecoBank Shareholders' Meeting of 28 April 2020 and will remain in office until the Shareholders' Meeting for the approval of the Company's Financial Statements for the year ended 31 December 2022.

The Board supervised compliance with the regulations relating to the election of the supervisory body pursuant to CONSOB Communication No. DEM/9017893 of 26/2/2009 and Art. 144-sexies, paragraph 5 of the Consob Issuers' Regulation.

The appointment concerned the entire Board of Statutory Auditors (consisting of three Standing Auditors and two Alternate Auditors), for the years 2020-2022, in the persons of Elena Spagnol, Massimo Gatto and Chiara Orlandini, as Standing Auditors, and Luisa Marina Pasotti and Giacomo Ramenghi, as Alternate Auditors. The composition of the Board was structured differently during the year, with Luisa Marina Pasotti and Giacomo Ramenghi taking over as Statutory Auditors following the resignations of the Chairman, Elena Spagnol and Chiara Orlandini, with effect from 1 October and 12 October 2020 respectively. In accordance with the provisions of paragraph 12 of Art. 23 of the Articles of Association, the chairmanship was assigned to Ms Luisa Marina Pasotti, holding first place on the list of Alternate Auditors of the only list presented.

The Board of Statutory Auditors ensured that the Statutory Auditors in office met the legal and regulatory requirements:

- on 8 May 2020, following the appointment of Elena Spagnol as Chairman of the Board of Statutory Auditors, Chiara Orlandini and Massimo Gatto as Standing Auditors and Luisa Marina Pasotti and Giacomo Ramenghi as Alternate Auditors, by virtue of the resolution of the Shareholders' Meeting of 28 April 2020;
- on 12 October 2020, following the appointment of Luisa Marina Pasotti as Statutory Auditor and Chairman of the Board of Statutory Auditors, following Elena Spagnol's resignation;
- on 6 November 2020, following the appointment of Giacomo Ramenghi as Standing Auditor, following Chiara Orlandini's resignation.

In compliance with the provisions of the Corporate Bodies Regulations, adopted in application of the Supervisory Provisions on corporate governance and in line with the recommendations of the Corporate Governance Code[1], in relation to 2020 and the first few months of 2021, the Board carried out the annual Self-assessment process in the session of 15 March 2021, positively assessing the suitability of all the members of the Board of Statutory Auditors,

[1] With a resolution on 15 December 2020, the Board of Directors subscribed to the new *Corporate Governance* Code for listed companies, approved on 31 January 2020 by the Italian Committee for *Corporate Governance*, and in force from 1 January 2021

as well finding the composition of the Board itself adequate in relation to the legal requirements, highlighting a balanced distribution of expertise across the Board of Statutory Auditors. The Board reported the self-assessment to the Board of Directors at the meeting of 16 March 2021.

On 18 February 2020, the extraordinary session of the Shareholders' Meeting approved some amendments to the text of the Articles of Association, including those to Art. 23, paragraph 2 regarding the requirements of the members of the Board of Statutory Auditors. In this regard, the application of the criteria referred to in the dedicated European legislation was explicitly mentioned, providing, in addition to the requirements of professionalism and integrity, also the criteria of competence, correctness, availability of time and limit to the number of offices held. In relation to the regulatory changes resulting from the entry into force of the Ministerial Decree of 23 November 2020, No. 169 regarding the eligibility requirements of bank officers, the Board of FinecoBank in the same session of 15 March 2021 updated the document drawn up in 2020 entitled *"Qualitative and Quantitative Composition of the Board of Statutory Auditors of FinecoBank S.p.A"* pursuant to Art. 12 of Ministerial Decree 169/2020, aimed at identifying the qualitative and quantitative composition considered optimal for the effective performance of the tasks and responsibilities entrusted to the Statutory Auditors of Fineco by law, the supervisory provisions and the Articles of Association.

The Board of Statutory Auditors met thirty-five times during 2020. The average duration of meetings was approximately 2 hours and 27 minutes. Furthermore, the Board participated in 2 Shareholders' Meetings, including in the extraordinary session, 15 meetings of the Board of Directors and 17 meetings of the Risks and Related Parties Committee. At least one Statutory Auditor participated in the 15 meetings of the Remuneration Committee, as well as the 8 meetings of the Corporate Governance and Environmental and Social Sustainability Committee and the 5 meetings of the Appointments Committee (as renamed following the establishment of the new Corporate Governance and Environmental and Social Sustainability Committee) held starting from the date of their establishment approved by the Board of Directors on 28 April 2020, in compliance with the recommendations in the document "Qualitative and Quantitative Composition of the Board of Directors of FinecoBank S.p.A."[2] .

During the Year, all the Statutory Auditors participated in “induction and training” courses organised by the Bank and, in specific cases, in external refresher courses.

The self-assessment process of the Board of Directors carried out by an external company, which ended in February 2021, also involved the Chairman of the Board.

2. Transactions of greatest significance economically, financially and to equity

2020 was marked by the health emergency caused by the Covid-19 pandemic.

To deal with the economic contraction, the Italian government adopted extraordinary support measures. FinecoBank, in addition to the moratorium on mortgage payments through use of the CONSAP Fund (in accordance with the government's Cura Italia Decree), has taken the following measures:

- subscribed to the ABI-Consumer Associations Agreement for the moratorium of loans to households as a result of the Covid-19 pandemic (personal loans and mortgages other than those meeting the conditions for access to the Gasparrini Fund), in line with the EBA Guidelines;
- introduced a new unsecured credit line that gives eligible customers an advance on ordinary or extraordinary unemployment benefits while awaiting payment from the appropriate entities.

In relation to both moratoriums, no significant losses were noted.

The limited impact on the financial statements related to the pandemic situation confirms the Bank's capital solidity: the current crisis triggered by the Covid-19 pandemic has not had specific effects on the strategic direction,

[2] It should be noted that on the occasion of the preparation of the "Qualitative and Quantitative Composition of the Board of Directors of FinecoBank S.p.A." for the purpose of the appointment of the new corporate bodies by the Shareholders' Meeting of 28 April 2020, the outgoing Board of Directors recommended establishing, as a departure from previous mandates, a special committee with exclusive expertise in matters of sustainability. Before that date, these responsibilities were vested in the Appointments Committee which was called the "*Corporate Governance*, Appointments and Sustainability Committee" which had 10 meetings up to 28 April 2020.

objectives and business model of the Bank, since FinecoBank is a direct multichannel bank, one of the most important Fintech banks in Europe, has a focus on online trading, is not based on a network of branches and therefore structurally less exposed to pandemic risk.

The Group guaranteed operational continuity with remote working for all employees, while ensuring the same levels of service and the effectiveness of the internal control system.

FinecoBank participated in the 6th tranche of the programme relating to the TLTRO (Targeted Longer-Term Refinancing Operations) III (16 December 2020) for an amount of €950 million, equal to half of the loans eligible on the date of 28 February 2019.

In relation to the Recommendations of the European Central Bank and the Bank of Italy, the Board of Directors of FinecoBank proposed to the Shareholders' Meeting the allocation to the reserves of the entire profit for the year 2020, as previously resolved for 2019, and no payment of dividends. This resulted in an increase in the Group's regulatory capital requirements to above the regulatory limits and targets set in the RAF.

FinecoBank has exclusive control of the Irish designated trading company Fineco Asset Management DAC, which carries out asset management activities in the Irish territory for Italian retail customers and institutional customers, residing mainly in Luxembourg and Ireland. During 2020, no events (accounting or otherwise) occurred such as to determine the recognition of an impairment on the equity investment recognised at cost, the amount of which is also significantly lower than the value of the shareholders' equity of the same.

At the reporting date, the Bank does not hold equity investments in associated companies.

3. Atypical or unusual transactions

The Report on Operations, the information received at the Board of Directors' meetings and from the Chairman and the CEO, the management and the Auditing Company did not point to the existence of atypical and/or unusual transactions, including infra-group or those with related parties.

4. Infra-group or related-party transactions

Infra-group or related-party transactions are highlighted in the Report on Operations and in the appropriate section of the Explanatory Notes, with an indication of the assets, liabilities, guarantees and commitments outstanding as of 31 December 2020, divided by the various types of related parties pursuant to IAS 24.

The transactions are of lesser importance, falling within the course of the Bank's ordinary business and associated financial activities, carried out under standard conditions, hence under the terms normally applied to transactions with unrelated parties; no other transactions were undertaken with related parties that could significantly affect the Bank's or the FinecoBank Group's asset situation and results.

With reference to the category "Directors, Board of Statutory Auditors and key management personnel", in application of the special regulations provided for by Art. 136 of Legislative Decree 385/93 (TUB), the obligations put in place for persons who carry out administrative, management and control functions pursuant to the aforementioned rule were the subject of a unanimous resolution of the Board of Directors adopted with the favourable vote of all the members of the Board of Statutory Auditors, according to the procedures and criteria provided for by the aforementioned Art. 136 of the TUB.

During the year, the Board participated in all meetings of the Risks and Related Parties Committee, in which transactions with related parties and with associated parties were also examined in compliance with the " *Global Policy* for the management of transactions with parties in potential conflict of interest of FinecoBank Group" approved by the Board of Directors in the meeting of 5 November 2019 and updated in January 2021, with the prior favourable opinions of the Risks and Related Parties Committee and the Board of Statutory Auditors.

The Board of Statutory Auditors monitored compliance with the procedural rules adopted by the Bank, as well as compliance with the provisions on transparency and information to the public and verified that, in the Consolidated Report on Operations and in the Notes to the Financial Statements, the Board of Directors had provided adequate information on related party transactions based on current regulations.

5. Supervision of the statutory audit and the independence of the Auditing Company

The Board of Statutory Auditors, identified by Art. 19 of Legislative Decree 39/2010 in the updated version following the reform of external audits implemented by Legislative Decree 135/2016 “Internal control and external audit committee”, monitored the financial reporting process, the external audit and the independence of the Auditing Company, in particular as regards the provision of services other than auditing.

The Board of Statutory Auditors examined the audit reports issued on 31 March 2021 by the Auditing Company Deloitte & Touche S.p.A. pursuant to Art. 14 of Legislative Decree no. 39/2010 and Art. 10 of EU regulation 537/2014, on the financial statements and consolidated financial statements of the Group at 31 December 2020. In particular, these reports:

- express an opinion without findings on the individual and consolidated financial statements of FinecoBank at 31 December 2020, asserting that the financial statements provide a truthful and correct representation of the equity and financial situation, the economic result and the cash flows in accordance with the IFRS adopted by the European Union, as well as the provisions issued in implementation of Art. 9 of Legislative Decree 38/2005 and of Art. 43 of Legislative Decree 136/2015;
- express a judgment of consistency and compliance, showing that the Report on Operations accompanying the individual and consolidated financial statements at 31 December 2020, is consistent with those statements and prepared in compliance with the law, as well as the specific information contained in the Report on Corporate Governance and Ownership Structures indicated in Art. 123-bis, paragraph 4 of the TUF;
- with reference to any significant errors in the Report on Operations, they declare, on the basis of the knowledge and understanding of the company and the related context acquired during the audit, that they have nothing to report.

On 31 March 2021, the Auditing Company presented the supplementary report to the Board, pursuant to Art. 11 of EU regulation No. 537/2014, which does not reveal significant deficiencies in the internal control system in relation to the financial reporting process deserving to be brought to the attention of those in charge of governance. Together with the Supplementary Report, the Auditing Company provided the Board with the declaration on independence (Art. 6 of the aforementioned EU regulation) which does not reveal any situations that could compromise their independence.

The Board had many regular meetings, in compliance with Art. 150, paragraph 3 of the TUF and the instructions in Legislative Decree No. 39/2010, with the Auditing Company, in which they examined the 2020 audit plan, verifying its adequacy, following its execution and promptly exchanging data and information relevant to the performance of their respective tasks, without any particular findings that required notification or facts worthy of censure that required formulating specific reports pursuant to Art. 155, paragraph 2 of the TUF. The Explanatory Notes include the disclosure of the external audit fees, as well as the fees for permitted services other than the audit provided in the year ended 31 December 2020, to FinecoBank and the subsidiary by the Auditing Company and by the entities of the network that the Auditing Company belongs to.

These fees (net of VAT and expenses) are shown below for FinecoBank:

Type of service	***Service provider***	***Fees***
Audit	Deloitte & Touche S.p.A.	190,752
Certification services	Deloitte & Touche S.p.A.	181,000
Other services	Deloitte & Touche S.p.A	10,000
TOTAL	**EUR**	**381,752**

and for the subsidiary Fineco Asset Management DAC:

Type of service	***Service provider***	***Fees***
Audit	Deloitte Ireland LLP	15,000
Certification services	Deloitte Ireland LLP	22,500
TOTAL	**EUR**	***37,500***

Certification services refer to: *i*) services aimed at issuing the comfort letter on the Consolidated Financial Statements of the Fineco Group; ii) issuance of the report required by Art. 23 paragraph 7 of the Bank of Italy Regulation of 5 December 2019 implementing articles 4-undecies and 6, paragraph 1, letters b) and c-bis) of Legislative Decree 58/98 with reference to the document prepared by FinecoBank S.p.A. to illustrate the safeguards adopted in accordance with the provisions of Part 3 of the Regulation and articles 22 and 23, paragraph 4-bis of Legislative Decree 58/98 (TUF) and related provisions implementation (the "Descriptive Document"); *iii)* limited voluntary audit of the consolidated balance sheet, the consolidated income statement for the period, the statement of comprehensive consolidated income for the period, the statement of changes in consolidated shareholders' equity for the period and the related explanatory notes of FinecoBank and the consolidated company at 31 March and 30 September, also prepared for the purpose of calculating the consolidated profit for the period in the Tier 1 primary capital of the FinecoBank Group in accordance with the provisions of EU Regulation No. 575/2013.

During 2020, the Board of Statutory Auditors did not authorise additional services.

It should be noted that in the last quarter of 2020, the internal regulations on the management of contractual relationships with the Auditing Company appointed to carry out the external audit of the Group were updated, with the definition of principles and rules for a prudent and transparent management of relations with the Auditing Company for the provision of statutory auditing services, as well as other services carried out in compliance with EU Regulation 537/2014, inspired by the highest degree of independence of the same and in compliance with the provisions contained in the applicable EU and national legislation.

6. Assigning the statutory audit for the period 2022-2030

With the approval of the Financial Statements of the Company for the financial year as at 31 December 2021 by the Shareholders' Meeting of FinecoBank, which will be called in 2022, the mandate for the statutory audit of the accounts for the nine-year period 2013 - 2021, assigned to Deloitte & Touche S.p.A. by the same Shareholders' Meeting on 16 April 2013, will expire.

On the basis of current legislation, as it cannot be further renewed with Deloitte & Touche S.p.A., the new assignment for the statutory audit must be entrusted by the Shareholders' Meeting on the reasoned proposal of the Board of Statutory Auditors in its capacity as Internal Control and Accounting Audit Committee, pursuant to Art. 19 of Legislative Decree 39/2010, following a specific selection procedure according to the criteria and procedures set out in Art. 16 of European Regulation No. 537/2014 (hereinafter "European Regulation").

The Board of Statutory Auditors, in agreement with the competent corporate functions, deemed it appropriate to bring forward the start of the selection procedure for the assignment of the statutory audit assignment for the period 2022 - 2030, a widespread practice among the main listed companies, to ensure an adequate handover between the outgoing Auditing Company and the new one, as well as to allow compliance with the time limits set to safeguard the Auditing Company's independence (so-called cooling in period pursuant to Art. 5 of the European Regulation, which provides that the Auditing Company refrains from providing certain types of services other than the statutory audit starting from the financial year immediately preceding the first audit year).

As a company that carries out the management and coordination activities referred to in Art. 2497 bis of the Italian Civil Code, the Parent Company FinecoBank S.p.A. has chosen to have a single Group auditor, including to increase the efficiency of the audit process of the FinecoBank Group, since the company appointed to audit the Consolidated Financial Statements is entirely responsible for expressing the relative judgment (European Directive 2006/43/EC and, for Italy, Legislative Decree 39/2010). The selection procedure for the assignment of the statutory audit for the period 2022 - 2030 ensures the decision-making autonomy of the competent bodies of the Group companies in relation to their governance rules and any legal limits.

Given the above, it was deemed appropriate to provide that the Shareholders' Meeting, called to approve the Company's financial statements at 31 December 2020, would also be called to resolve on the assignment of the statutory audit of FinecoBank S.p.A. and the determination of the consideration and the related adjustment criteria, on the reasoned proposal of the Board of Statutory Auditors.

In accordance with the provisions of the aforementioned Art. 16 of the European Regulation, since it is the assignment of the statutory audit for a Public Interest Entity ("PIE") as defined by Art. 16 of Legislative Decree 39/2010, the proposal formulated by the Board, submitted for approval to the Shareholders' Meeting, identifies two possible alternatives for the assignment of the appointment, expressing a duly reasoned preference for one of the two.

The proposal was not influenced by third parties and none of the type clauses referred to in Art. 16 paragraph 6 of the European Regulation have been applied.

7. Supervisory activity on the adequacy of the administrative-accounting system and its reliability in correctly representing management events

The Board of Statutory Auditors supervised compliance with the regulations governing the structured administrative and accounting process, by virtue of which the Nominated Official in charge of drawing up company accounts and the Chief Executive Officer and General Manager issue the certifications required by Art. 154-bis of the TUF.

The Board, as the Internal Control and Audit Committee, also monitored the financial reporting process, without encountering any problems or critical concerns.

The administrative and accounting procedures for the preparation of the Company's Financial Statements, the Consolidated Financial Statements and any other financial communication, have been prepared under the responsibility of the Nominated Officer who, together with the Chief Executive Officer and General Manager, in the periodic reporting on the same and, finally, in the "Report on the internal control system on financial reporting in compliance with Law No. 262/2005", approved by the Board of Directors on 9 February 2021, certifies its adequacy on the basis of the tests of effective application of the controls, in relation to the characteristics of the Fineco Group and the effective application of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements and the Financial Statements of the Company as at 31 December 2020.

The Nominated Official, the Chief Executive Officer and General Manager also certify that the Consolidated Financial Statements and the Financial Statements of the Company:

- were prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of 19 July 2002;
- correspond to results in the accounts, books and records;
- are suitable for providing a true and correct representation of the issuer's equity, economic and financial situation.

During the meetings with the Board of Statutory Auditors, the Nominated Official did not report any shortcomings in the operating and control processes that could invalidate the aforementioned judgment of adequacy and effective application of the administrative and accounting procedures for the purpose of correct economic, equity and financial representation of the management facts in compliance with the adopted accounting standards.

On a regular basis, the Nominated Official submits to the Board of Directors an update of the situation of the activities carried out and the progress of the activities aimed at improving the Internal Control System relating to Financial Reporting.

During the periodic meetings to exchange information, the Auditing Company did not report any significant critical issues with the internal control system inherent in the financial reporting process.

The Board supervised the preparation of the Company's Financial Statements and the Consolidated Financial Statements at 31 December 2020, in compliance with the accounting standards issued by the International Accounting Standards Board (IASB), including the related SIC and IFRIC interpretative documents, approved by the European Commission, as provided for by European Union Regulation No. 1606/2002 of 19 July 2002, and applicable to the financial statements for the years starting from 1 January 2020.

The Financial Statements of the Company and the Consolidated Financial Statements at 31 December 2020 are made up of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and the Explanatory Notes and are accompanied by the "Report on Operations" and the Certification required by Art. 81-ter of the CONSOB Regulation No. 11971 of 14 May 1999 and subsequent amendments and additions issued on 11 February 2020. The financial statements also use the financial statement and explanatory note structure provided for by the instructions established by the Bank of Italy with Circular No. 262 of 22/12/2005, as updated and modified.

Pursuant to the Bank of Italy/Consob/Isvap Document No. 4 of 3 March 2010 and the internal regulations implementing Law No. 262/2005, it is acknowledged that during the session of 19/01/2021, the Board of Directors approved, in advance and independently from the time of approval of the financial statements, the methodology for carrying out the impairment test of goodwill, which remained unchanged compared to that used for the test at 31 December 2019, in accordance with the provisions of IAS 36. The results confirm the sustainability of the value of the goodwill recorded in the financial statements.

In the light of the evidence found and the information provided by the Nominated Official, as well as the observations of the Auditing Company, the Board of Statutory Auditors has reason to believe that the administrative and accounting system of the Bank is reliable and adequate to ensure a complete, timely and reliable representation of management events, in compliance with the adopted accounting standards.

8. Consolidated Non-financial Statement pursuant to Legislative Decree No. 254/2016 (NFS)

Legislative Decree No. 254/2016 (Decree), in implementation of Directive No. 2014/95/EU, introduced into our system an obligation for public interest entities (PIE), which exceed certain size thresholds, to draw up a non-financial statement aimed at "*ensuring the understanding of the company's activity, its performance, its results and the impact produced by it*", in relation to environmental, social and personnel issues, respect for human rights and the fight against active and passive corruption, which are relevant taking into account the activities and characteristics of the company.

In compliance with the provisions of Legislative Decree No. 254/2016, Fineco has prepared the consolidated non-financial statement for 2020 (hereinafter also "NFS").

Fineco's commitment in terms of sustainability is demonstrated by the preparation of the NFS relating to 2020, not only to fulfil the obligations set out in articles 3 and 4 of Legislative Decree No. 254/16.

In this second Non-Financial Statement, Fineco intended to go beyond the concept of mere end-of-year reporting, setting out the plan to align the Bank's commitments to the 17 United Nations Sustainable Development Goals.

Fineco's approach is now being accompanied by a set of ESG goals to be achieved by 2023, divided into six strategic guidelines: increasing the offer of products and services with social and environmental value; combatting climate change through the implementation of an Environmental Management System; promoting a responsible supply chain; focussing on people, support for local communities and strengthening dialogue with socially responsible investors, as well as participation in initiatives that may support the Bank's commitment to sustainable development.

In 2020, the Board also took note of the progress made in achieving the ESG goals, including the Bank's participation in two important voluntary initiatives of the United Nations: the Global Compact, which promotes corporate social responsibility through adherence to Ten Core Principles, and the Principles for Responsible Banking, launched in September 2019 to bring the banking industry closer to the Sustainable Development Goals and the objectives set in the 2015 Paris Climate Agreement. The Bank also started the implementation of the Environmental Management System in accordance with EMAS Regulation No. 1221/2009/EC, together with numerous initiatives designed to ensure the well-being of all our employees and to support them in a highly complex period".

Through the Irish subsidiary Fineco Asset Management DAC, Fineco has also expanded the range of ESG products, moving the company further towards sustainability. FAM has signed up to the United Nations Principles for Responsible Investment, aimed at developing a sustainable financial system by integrating social, environmental and good governance criteria into investment practices.

The Board of Statutory Auditors oversees compliance with the relevant legal provisions, defined by Legislative Decree No. 254/2016.

In accordance with Art. 3, paragraph 10, of Legislative Decree No. 254/2016, the verification of compliance of the information provided with the reference and reporting standards adopted is the responsibility of the auditors, with a specific report, distinct from that of Art. 14 of Legislative Decree No. 39/2010.

This NFS was submitted for review and assessment by the Corporate Governance and Environmental and Social Sustainability Committee and the Risk and Related Parties Committee on 28 January 2021 and approved by the Board of Directors on 9 February 2021.

The Board of Statutory Auditors received periodic updates on the progress of the preparatory activities for the preparation of the NFS and examined the documentation made available; it analysed Assonime Circular No. 13 of 12 June 2017 commenting on Legislative Decree No. 254/2016 and No. 4 of 11 February 2019 (Updates regarding non-financial reporting).

The Board of Statutory Auditors met the Auditing Company for a preliminary indication regarding the method of examination adopted and also took note of the "Report on the audit of the consolidated financial statements" (Report) relating to the year ended 31 December 2020, issued on 31/03/2021, in which the Auditing Company, after having expressly indicated the procedures carried out, concludes that no elements arose that would suggest that the FinecoBank Group's NFS relating to the year ended 31 December 2020, has not been drawn up, in all significant aspects, in compliance with the requirements of articles 3 and 4 of the Decree and the GRI Standards (Global Reporting Initiative).

It should be noted that the NFS is made public by the Bank together with the documents relating to the 2020 financial statements.

On the basis of the information acquired, the Board of Statutory Auditors states that, during the examination relating to the Non-Financial Statement, no factors of non-compliance and/or breach of the relative regulatory provisions came to its attention.

9. Supervision of the adequacy of the internal control and risk management system and the adequacy of the control functions

The Board of Statutory Auditors acquired information, held meetings with the corporate functions and supervised the functioning and adequacy of the internal control system.

In implementation of the provisions of the Bank of Italy Circular No. 285/2013 and subsequent updates, the Bank has adopted the "Document of the Bodies and Functions with Control Tasks" which defines the Internal Control System of the Bank with the analytical identification of the tasks and responsibilities of Corporate bodies and control functions, updated with the resolution of the Board of Directors of July 2020.

FinecoBank's internal control system complies with the principles of the Corporate Governance Code (the English term used also in the Italian language from 2021) for listed companies, applicable sector regulations and best practices.

In relation to the division of responsibilities, the Regulations of the Corporate Bodies updated in May 2020 and, subsequently, in March 2021, establish that the responsibility for the Internal Control and Risk System rests with the Board of Directors, which has a guidance and assessment role for the system's adequacy and identifies internally:

- the director in charge of setting up and maintaining an effective internal control and risk management system (the "Director in Charge");
- an internal Committee - called the "Risks and Related Parties Committee" - composed exclusively of independent directors, with the task of supporting, with adequate preliminary activity, the assessments and decisions of the Board of Directors relating to the Internal Control and Management System Risks, as well as those relating to the approval of periodic financial reports. The Board of Statutory Auditors attended all the meetings of this Committee.

On 9 February 2021, the document "2020 Managerial Assessment of the Internal Control and Risks System" was presented to the Board of Directors in which the Chief Executive Officer and General Manager of the Bank declared, in the light of the analyses carried out, that FinecoBank's internal Control System is "Mostly Satisfactory", on a scale of ratings structured on four levels, in ascending order: "Not Satisfactory", "Almost Satisfactory", "Mostly Satisfactory" and "Adequate", confirming the assessment expressed in February 2020, although it notes some areas for improvement for which appropriate corrective actions have already been defined.

The Bank has established permanent and independent corporate control functions: i) Compliance; ii) Risk Management; iii) Internal Audit. A similar control system structure was defined for the subsidiary FAM, for which the Head of the Internal Audit function was appointed in the second quarter of 2020 with effect from 3 June 2020, thereby ending the current outsourcing to PricewaterhouseCoopers.

<u>Internal audit</u>

The Board acknowledges that the quarterly reports and the annual report prepared by Internal Audit for its own assessment of the Internal Control System - also containing sections dedicated to the results of the Audit activity carried out on the Bank's processes, the Network of Personal Financial Advisors and the Audit Findings including their time-based composition - were duly presented to the Risks and Related Parties Committee, the Board of Statutory Auditors and the Board of Directors and discussed there. The Report as at 31/12/2020 also provides information on the structure and staff of the *Internal Audit function;* furthermore, considering the role of the *Parent Company's Internal Audit* function, the Report includes a summary of the results of the activities carried out by the *Internal Audit* function of the subsidiary Fineco *Asset Management* DAC and on the assessment of the internal control system expressed by the local manager of the function.

In September 2020, the Board of Directors approved, with the favourable opinion of the Risks and Related Parties Committee, after consulting the Board of Statutory Auditors, the amendment of the 2020 annual plan in relation to unplanned audits that took place following the approval resolved in January 2020.

In the course of its activity, the Board monitored compliance with the Audit plan - in relation to both the central structures and processes of the network of Personal Financial Advisors - verifying the timing of effective implementation and the reasons underlying the changes.

During 2020, all the audits required by the amended plan on the Bank's processes were carried out, with assessments of[3] Mostly Satisfactory and Good, with the exception of two audits with Partially Satisfactory assessments, for which the corrective actions planned by the management to address the emerging shortcomings are in progress and subject to periodic monitoring by the Board of Statutory Auditors. The audit plan relating to the network of Personal Financial Advisors was also completed, which provided for 400 audits to be carried out; 86% of the audits reported a positive assessment (mostly satisfactory/good); 351 of the 400 audits were carried out off site: starting from the second quarter of 2020, the on-site audit activities on the Network of Personal Financial Advisors were suspended due to the Covid-19 health emergency, with off-site audits activated on the PFAs selected based on time coverage, the need for follow-ups on previous audits and the emergence of risk factors.

The internal control system of FinecoBank S.p.A. was assessed as "mostly satisfactory" by the internal audit function and the second level control activities carried out in 2020 by Risk Management and Compliance in relation to the processes audited during the year were assessed to be adequate on the whole.

The Board has also taken note of the "Report on FinecoBank's internal audit activity referred to in the Consob Manual of the disclosure obligations of the supervised subjects", prepared by Internal Audit on the basis of its activities carried out in 2020 in the area of investment, presented to the Board of Statutory Auditors, the Risks and Related Parties Committee and in the meeting of 15 March 2021 and subsequently to the Board of Directors. The analyses carried out highlighted the overall general adequacy of the safeguards defined to mitigate the risks that characterise the Bank's business*,* identified with the audit activities carried out in 2020, both on the Bank's processes and on the network of Personal Financial Advisors (PFAs). In relation to this Report, the Board of Statutory Auditors will formulate its Considerations to Consob within the established terms.

The Board of Statutory Auditors examined the Audit Reports issued by Internal Audit in 2020, using the information contained therein to carry out its activities and to monitor the implementation of the recommendations and corrective actions contained therein, with a particular focus on the Heads of the relevant organisational areas, in relation to the respect of deadlines for the carrying out planned remedial activities, including those related to some regulatory areas (citing Mifid II, PSD2, Outsourcing).

The local Head of the Internal Audit function, who completed the audit checks required by the plan, assessed the internal control system Mostly Satisfactory.

With effect from January 2021, the Internal Audit function was reclassified as Management. As of 31/12/2020, the staff of the Function totalled 19, of which 3 joined in 2020. Compared to the sizing target defined following the re-internalisation of the function, which took place in 2019 on the exit from the UniCredit Group, 3 members of staff remain to be identified for process audit activities; the recruitment activity continues to fill the gap during 2021.

[3] The assessment scale, amended from 01/01/2020, includes the following values: *good*, *mostly satisfactory*, *partially satisfactory*, *unsatisfactory*

Risk Management

During 2020, the Board periodically met with the Chief Risk Officer to assess, among other things, his work and get more in-depth information reports prepared by him for the Corporate Bodies, supervising, also through participation in the meetings of the Risks and Related Parties Committee, the effectiveness, completeness, functionality and reliability of the internal control and risk management system and the Risk Appetite Framework, in line with the provisions of the Corporate Governance Code and supervisory provisions.

It also supervised the internalisation process of the ICAAP and ILAAP action plan, following the Bank's exit from the UniCredit Group.

On 16 March 2021, the CRO function, in compliance with the prudential supervisory provisions, submitted the "Annual report on the Group's risk exposures at 31 December 2020" to the Board of Directors which, among other things, details the activities carried out in 2020, including of an extraordinary nature mainly as a result of the conclusion of the development project of the services previously provided by the former Parent Company UniCredit under the Master Service Agreement (MSA), expiring in December 2020. In particular, the extraordinary activity focused on the following matters:

- the development and validation of internal capital calculation models for credit, market and business risks, with the methodological and information support of external suppliers; the new methodologies fully replace the proprietary models of the former Parent Company UniCredit;
- the revision of the regulatory framework, replacing UniCredit methodologies, internal regulations and derivation processes;
- the definition of a method for calculating the risk parameters (PD, LGD) used for the purpose of calculating the IFRS 9 provisions for trade receivables, previously calculated by UniCredit;
- the adoption of new applications for risk measurement (e.g. to calculate market risk metrics and collect Group operating loss data);
- the analysis of best practices and the regulatory framework relating to the "ESG" area and the structure, as far as it is concerned, of the activities of the CRO Department (Risk Appetite Framework, definition of indicators, ...);
- the collaboration in the project of analysis, interpretation and implementation of the so-called “CRR2” regulatory package, with particular reference to the regulations on Large Exposures and the “Fundamental Review of the Trading Book ” (FRTB) used to calculate the regulatory requirement for market risks.

The drafting of the ICAAP/ILAAP 2020 Report is added to these activities, previously prepared by UniCredit as Parent Company and including integration with the specific Covid-19 stress test exercises requested by the Bank of Italy. The ICCAP/ILAAP report, currently being defined, will be put on the agenda of the Board of Directors in April 2021 and subsequently submitted to the Bank of Italy.

With reference to ordinary activities, this includes the monitoring of the Risk Appetite Framework (RAF), the adequacy of the Bank's Internal Capital (ICAAP) and the operational limits for the assumption of the various types of risk, the monitoring of the risks of the activity carried out by the Group in its various areas (credit, market, operational, liquidity, business), the monitoring of the regulatory framework relevant to the Group, the management and control activity, for the areas within its remit, of the subsidiary Fineco Asset Management, the periodic validation of the internal management models adopted, as well as the proposal of risk mitigation policies where deemed necessary, and the quarterly reporting to the Corporate Bodies and supervisory authorities.

In the "Annual report on the Group's risk exposures at 31 December 2020", the Risk Management function noted that over the previous year, exceedances of the limits set by the approved policies were managed through the escalation processes and, as envisaged, the Corporate Bodies were informed in the quarterly report on risk exposures.

In January 2020, FinecoBank approved - in accordance with the provisions of the Bank of Italy - the document "Group Risk Appetite 2020", the metrics of which, including the interest rate risk in relation to hedging policies, were assessed by the Risk Committee and Related Parties (meeting of 13 January 2020), and which is also aimed at verifying the consistency between the business model, the RAF itself and the budget process.

With reference to the capital requirement relating to operational risk, following the deconsolidation from the UniCredit Group, the Bank initiated and completed, with effect from 31 December 2019, the process necessary to pass the adoption of the Standardised approach (TSA). Moreover, the governance, controls and reporting framework required by the internal method for measuring the capital requirement (AMA), previously adopted and developed, were maintained. In particular, the Operational and Reputational Risks function collects and classifies loss data and assumed loss data through scenario analysis and risk indicators: the collection and classification of operating losses is carried out with the aim of internal prevention and improvement, while scenario analyses make it possible to estimate the Group's exposure to operational risks, characterised by a low frequency, but with a significant potential impact.

On 13 October 2020, the Board of Directors approved changes to the organisational structure with effect from 1 January 2021, following a process that also saw the involvement of the Board of Statutory Auditors (for more details, see the paragraph "Supervisory activities on the adequacy of the organisational structure”).

At 31 December 2020, the Chief Risk Officer Department has 18 members of staff and is internally organised into five Teams; three of these are structured in relation to the individual risk profiles considered to be of greatest importance for the Group (credit, market and operational), while two Teams are dedicated to activities which are cross-cut the various risk profiles.

Following the deconsolidation of the UniCredit Group, FinecoBank assumed the status of Parent Company and, consequently, is required to draw up a Recovery Plan pursuant to Art. 69-quinquies of the TUB.

The Regulatory Affairs team, reporting directly to the Chief Executive Officer and General Manager, defined the Plan which, prior to presentation to the Internal Control Business Committee, the Risks and Related Parties Committee, the Board of Statutory Auditors and the Board of Directors, was subjected to examination by the Internal Audit and subsequently submitted to the Bank of Italy.

The Board judged the risk management system as adequate overall for the size and characteristics of the company.

Compliance

During the year, the Board of Statutory Auditors held periodic meetings with the Head of the Bank's Compliance function, to assess the planning of controls based on the risks highlighted and the results of the second level controls carried out, verifying and recommending compliance with the timescales envisaged in quarterly monitoring for the closure of corrective actions identified from time to time and paying particular attention to the residual risks highlighted in said monitoring.

The Board also took note of the "Report on the 2020 activities of the Compliance function of FinecoBank S.p.A.", in which the Function expresses a summary "mostly satisfactory" opinion, as no significant critical issues emerging from the activities carried out in 2020. In particular, the assessment of the primary risks of non-compliance subject to the direct supervision of the Compliance function, carried out also taking into account the results of the second level controls, the findings formulated by the Internal Audit function and the Supervisory Authorities, and indirect supervision, did not identified any regulatory area with a risk level higher than "Medium"[4].

The Board of Statutory Auditors prepared its own "Observations" which will accompany the Report to be sent to CONSOB within thirty days of the approval of the Company's financial statements.

During 2020, the results of the monitoring carried out were presented to the Risks and Related Parties Committee, the Board of Statutory Auditors and the Board of Directors through quarterly reports.

The organisational model of the function was revised on the basis of a plan defined on the exit from the UniCredit Group. In particular, the plan concerned:

- the strengthening of the Anti-Money Laundering Service team, through the appointment of a new head with international experience in the AML field and the addition of other internal staff members;
- the appointment of a person responsible for the Reporting of Suspicious Transactions (SOS) and the establishment of the SOS team for managing such reports, an activity previously carried out by UniCredit;
- the addition of other specialist figures for monitoring regulatory changes and for carrying out second-level controls.

The staff of the function, which in July 2020 was classified as Management, was strengthened in 2020 with the addition of 2 new staff members; 2 additional staff members are planned for 2021.

Data Protection Officer

The FinecoBank Data Protection Officer (DPO) prepared the "The FinecoBank S.p.A. Data Protection Officer's Report - Year 2020", presented to the Board of Directors on 16 March 2021, after examination by the Risks and Related Parties Committee, and to the Board of Statutory Auditors, to summarise the results of the activities carried out and the initiatives undertaken to protect processed personal data and manage the risk of breach, on ascertained malfunctions and the related corrective actions adopted, as well as on the training of personnel, in compliance with that required by the General Data Protection Regulation (GDPR).

The revision of internal regulations is expected to be finalised in 2021, to complete the adaptation to the current corporate context.

Anti-money laundering

During the reporting period, the Bank completed the organisational reorganisation of the Anti-Money Laundering Function following the deconsolidation from the UniCredit Group. In the meeting of 13 October 2020, the Board of Directors appointed, with effect from January 2021 and with the favourable opinion of the Board of Statutory Auditors, a new Head of the Function, transferring the responsibility from the Head of the *Compliance* Department to the Head of the Anti-Money Laundering and Anti-Terrorism Service and consequent creation of the new *Anti-Money Laundering Function unit*, to which the *Anti-Money Laundering and Anti-Terrorism* and *Suspicious Transaction Reporting Teams*, previously located within the *Compliance* Department, report. The Head of the Anti-Money Laundering Function therefore reports to the Head of the *Compliance* Department.

[4] The *compliance* risk is represented, in increasing order, by the "*limited*", "*medium*", "*significant*" and "*critical*" values.

The measures were also carried out relating to the adaptation to the Bank of Italy's "Provisions relating to customer due diligence for combatting money laundering and terrorist financing" of 30 July 2019 and the Bank of Italy's "Provisions for the conservation and making available of documents, data and information" of 24 March 2020. In this context, the internal reference legislation was updated (*Global Policy* and *Global Operational Regulation*).

The periodic disclosure as at 31 December 2020 is being prepared.

The percentages of compulsory training courses taken in December 2020, amounted to over 96% for employees and over 97% for Personal Financial Advisors.

During the reporting period, no inspections were initiated by the Regulators, no findings were formulated and no communications on AML were received. In December 2020, the Internal Audit function launched an audit on the Bank's anti-money laundering measures, including the follow-up activity of the previous audit activity, assessed as "Unsatisfactory" at the end of 2018.

Complaints

The Board of Statutory Auditors also took note of the "Report on the overall situation of complaints received by FinecoBank S.p.A. in 2020", prepared by the *Complaints* function, concerning both complaints relating to the provision of investment services and other complaints.

The complaints received did not reveal significant shortcomings in the internal procedures and organisation of the Company.

At the end of 2019, the Antitrust Authority (AGCM) initiated a procedure for misleading advertising due to the use, from June 2014 to September 2019, of the "zero fee forever" claim in the promotion of the Fineco current account, given that the Bank, in November 2019, with a unilateral amendment, increased the fee from zero to €3.95 per month. In December 2020, the AGCM communicated to FinecoBank that the proceedings were closed with no infringement found (and therefore no penalty applied), deciding that the commitments presented by the Bank were sufficient to rule out the commercial practice under investigation.

Whistleblowing

In compliance with the Supervisory Provisions of the Bank of Italy (Circular No. 285/2013 and subsequent updates) and with Law No. 179/2017, which introduces new provisions to protect those who report crimes or irregularities of which they have become aware in the context of a public or private employment relationship, the FinecoBank S.p.A. Group has defined, and governs with internal regulations (Global Compliance Policy - Whistleblowing, approved by the Board of Directors on 25 February 2020), a process aimed at allowing Personnel and Third Parties to report acts or facts that may constitute a breach of the rules governing banking activities, making reporting channels available and undertaking to maintain the confidentiality of the personal data of the Whistleblower and the Reported party.

The Compliance function prepared the "Report on the internal system for reporting breaches (so-called Whistleblowing)", presented to the Board of Directors on 16 March 2021, after examination by the Risks and Related Parties Committee, and to the Board of Statutory Auditors; the Report summarises the information concerning five reports received during 2020, of which three were not relevant to the purposes of the procedure, one led to the ascertainment of offences and/or irregularities that gave rise to measures against the reported parties, one, received in November 2020, was closed at the beginning of 2021.

Supervisory Body

FinecoBank avails itself of a body specifically set up to carry out the functions of the Supervisory Body pursuant to Legislative Decree No. 231/2001. From 9 June 2020, the composition of the Supervisory Body was changed for the three-year period 2020-2022, following the renewal of the corporate bodies at the Shareholders' Meeting of 28 April 2020 and in the light of the Bank’s new corporate and governance structure, with a view to rationalisation and to consolidate its role of independence while preserving the skills it represents, with a reduction from four to three of the total number of members, of which two are external and one internal to the Bank, i.e. the Internal Audit Manager.

The Board of Statutory Auditors met with the Supervisory Body in 2020 and examined the “Information report on the activity carried out by the Supervisory Body (SB) pursuant to Legislative Decree No. 231 of 8 June 2001, as of 31 December 2020". From the results of the activities carried out by the SB no breaches of the relevant legislation emerged and it was noted that, among other things, the SB has:

- proposed updates, approved by the Bank's Board of Directors in the sessions of 17 September and 15 December 2020, of the FinecoBank Model, in relation to its new composition, of the annex "List of predicate offences and individual types of offence", for the inclusion of tax offences and of the SB 231 operating regulations;
- monitored the review of the 231 Decision Protocols, following both the Bank's exit from the UniCredit Group, and the regulatory changes introduced, examining and approving the update plan of the same;
- approved the update of 12 decision protocols from the Regulatory Affairs Team and four from the CFO;
- analysed the developments and conclusions, expressing its assessments on the main discussions with the supervisory authorities (Consob, Bank of Italy, AGCM);
- analysed the flows received relating to periodic and occasional reports on conduct contrary to the principles set out in the Decree;
- monitored and supervised the adequacy of the initiatives undertaken to contain the spread of the Covid-19 virus and to manage the associated risk, in line with the current DPCM and the ABI Protocol on the matter;
- analysed the following periodic reports: compliance function annual report (2019), complaints annual report (2019), head of anti-money laundering report (2019) and periodic disclosures - anti-money laundering measures (second half 2019 and first half 2020), annual whistleblowing report (2019), internal audit function annual report (2019) and quarterly reports (2019), annual technical report on occupational health and safety pursuant to Legislative Decree No. 81/2008 (2019) and updating of the activities related to the assessment of the stress risk from related work, half-yearly report on the internal control system on Financial Reporting pursuant to Law No. 262/2005 (second half 2019 and first half 2020), half-yearly reports on the activities carried out by the Network Controls Unit (second half 2019 and first half 2020);
- analysed the changes made to the Bank's delegation system;
- examined the results of the controls carried out by the Internal Audit function in 2020, in the name and on behalf of the Body itself.

On the basis of the documentation examined, the information received and the checks carried out in the course of its supervisory activity, the Board of Statutory Auditors, while recalling the existence of some corrective measures in progress, considers the Internal Control System as adequate overall.

10.Supervisory activity on the adequacy of the organisational structure

The Board of Statutory Auditors monitored the adequacy of the organisational structure and its correct functioning during various meetings with senior management and with the Heads of the various areas and functions; no significant organisational deficiencies emerged from this supervisory activity.

During 2020, in particular, the Board supervised the initiatives aimed at improving the company organisation and took note of the changes, duly approved by the Board of Directors after having consulted, where necessary, the competent committees, made to the Bank's structures, the related company organisation chart - clearly identifying the functions, tasks and lines of responsibility - and the internal regulations.

In particular, in April 2020, some changes were made to the organisational structure of the Chief Risk Officer Department with the creation of new structures, the renaming of an existing structure and the redistribution of some activities for better management of the same.

In July 2020, there were organisational changes to the Compliance and HR functions. Both structures have been classified as Management by increasing the level of their underlying structures. In addition, specialist teams were created in the Compliance Department to report to the existing structures. As part of the internalisation of activities relating to property management, following the exit of FinecoBank from the UniCredit Banking Group, the Network Logistics structure was improved and re-named Real Estate to better represent the new area of responsibility.

In October 2020, with effect from 1 January 2021, organisational changes were made that affected the Compliance Department, with the creation of the Anti-Money Laundering Function unit, as already detailed above in the "Anti-Money Laundering" paragraph. The Internal Audit function, the Administration and Supervisory Reporting department - reporting to the Chief Financial Officer Department - as well as the Marketing, Advertising & Events, Products & Services and Advisory, Third Party & Private Banking Solutions structures report to the Global Business Deputy General Manager. Consequently, some of the underlying structures were in turn reclassified.

Furthermore, again in October 2020, with effect from 1 January 2021, the Chief Lending Officer Department and its divisions were established, reporting directly to the Chief Executive Officer and the remit and responsibilities of the Chief Risk Officer Department, which maintains responsibility for second level controls of risks (risk management), were reorganised. Finally, the Internal Regulations were updated, including to better specify the activities carried out by the structures belonging to the Network Controls, Monitoring and Network Services Department.

The Board gave its autonomous conclusions in relation to the new organisational structure defined in October 2020 with effect from 1 January 2021 in compliance with supervisory regulations.

The Bank's Internal Regulation - approved in its latest version by the Board of Directors on 19/01/2021, with effect from 01/02/2021 - describes the organisational model and the structure into which it is divided (bodies, departments, teams).

In 2021, the Bank will conclude the Insourcing Plan defined following the exit from the UniCredit group, finalising the consequent adaptation of internal, operational and control procedures and processes.

In accordance with the applicable legislation and the Global Policy on "Outsourcing and Internalisation", updated in July 2020, the Internal Audit function is currently preparing the Report required by the supervisory provisions relating to the controls carried out on the important outsourced operational or control functions and any deficiencies found, on which the Board of Statutory Auditors will express its considerations.

It should be noted that since July 2017, the Bank has been under the cooperative compliance regime established by Legislative Decree No. 128/2015, which taxpayers equipped with a tax risk detection, measurement and control system can join.

Starting from September 2019, following the classification process carried out by the Supervisory Authorities after leaving the UniCredit Group, FinecoBank is subject to the supervision of the Bank of Italy. In November 2019, FinecoBank was included in the list of "High Priority" Less Significant Institutions (LSI), following a decision by the Supervisory Board of the ECB. In January 2021, the LSI High Priority classification was communicated by the Bank of Italy also for 2021.

On the basis of the documentation examined and the information received in carrying out the supervisory activities, in the presence of an organisation chart and the related company regulations that detail the roles and responsibilities of the organisational structures, having verified the correct exercise of the system of powers issued by the Board of Directors and the definition, application and monitoring of precise company regulations aimed at carrying out the activities of each function of FinecoBank, the Board of Statutory Auditors assessed the overall organisational structure of the Bank as adequate.

11. Supervisory activity on the adequacy of the instructions given to subsidiaries

FinecoBank, registered as the "Parent Company" of the "FinecoBank Banking Group" in the Register of banking groups (together with the subsidiary FAM) exercises management and coordination activities over the Group in accordance with current legislation.

With regard to the subsidiary FAM, from the analysis of the information requested by the Board of Statutory Auditors from the CEO pursuant to Art. 151, paragraph 2 of the TUF and the audit results, no critical issues emerged.

12. Functionality and adequacy of the business continuity plan

The Board acknowledges the continuous supervision, in line with the current Provisions referred to in the Circular of the Bank of Italy No. 285 and with internal regulations, the Bank's Business Continuity Plan and the successful execution of the Business Continuity and Disaster Recovery tests planned annually.

During the 2020 financial year, the emergency and crisis management plan and the pandemic management plan were appropriately updated by adopting remote working, as the main emergency management measure, in addition to preventive and behavioural measures, implemented in accordance with the instructions from the National Health Service and other emergency management bodies. The aforementioned updated plans were approved by the Board of Directors in 2020; the business continuity plan was verified with specific test sessions, to ensure its effectiveness and adequacy, adapted to the ongoing pandemic emergency situation.

13. Remuneration policies

During 2020, in accordance with the provisions of the Supervisory Authorities on "Remuneration and incentive policies and practices", the Board of Statutory Auditors verified the adequacy and compliance with the regulatory framework of the remuneration policies and practices adopted by FinecoBank and the related business processes, issuing, where necessary, their favourable opinions to the Board of Directors.

The Bank implemented the 2020 Remuneration Policy and, on 16 March 2021, taking into account the favourable opinion of the Remuneration Committee, approved the "Report on the remuneration policy and remuneration paid by FinecoBank for the year 2021", formulated by the Human Resources function with the contribution, for the parts within their remit, of the Compliance, CRO, CFO and Network Controls, Monitoring and Network Services functions. The Report on the remuneration policy and remuneration paid, which includes the identification of the Identified Staff, was drawn up in compliance with the relevant legislation, acknowledging the amendments introduced by EU Directive No. 2017/828 (Shareholder Rights Directive II), implemented with Legislative Decree No. 49/2019 and Consob Resolution No. 21623 of 10 December 2020, and some of the proposed amendments to the provisions on remuneration and incentive policies and practices in banks and banking groups, contained in the Bank of Italy Circular No. 285/2013, aimed at implementing the changes introduced by EU Directive No. 2019/878 (so-called CRD V) amending EU Directive No. 2013/36 (so-called CRD IV). The main changes concerned: i) the insertion of a specific paragraph relating to the gender neutrality of the remuneration system, which responds to the regulator's request to ensure that the defined and implemented remuneration policies are neutral with respect to the gender of personnel and that they contribute to pursuing complete equality among all employees[5]; ii) an indication of the parts of the remuneration policy from which it is possible to derogate in exceptional circumstances, and the related procedure; iii) a series of comparative disclosures required by the regulator in relation to the annual change in the company's results, total remuneration of the parties for whom the information is provided by name and the average remuneration of employees; iv) the progressive integration of the principles of environmental, social and governance sustainability in the context of business decisions and management of the Group's operations; v) the increase in the deferral period of the variable component (increased from the current 3-5 years to 4-5 years. This document also acknowledges the remuneration policy applied to members of the network of FinecoBank Personal Financial Advisors, in line with their specific remuneration requirements.

As required by EU Directive No. 2017/828, the document consists of two separate sections: Section I "Report on the 2021 remuneration policy" and Section II "Annual report on the remuneration paid in 2020". Pursuant to Art. 123-ter, paragraph 3-ter and paragraph 6 of the TUF, the Shareholders' Meeting is called to resolve in favour or against Sections I and II. The resolution on Section I is binding, while the resolution on Section II is not binding.

The 2021 remuneration policy, including the "Annual Remuneration Report" with the "2021 remuneration plans based on financial instruments" enclosed, was made available to the public pursuant to Consob Regulation No. 11971/1999; the Report simultaneously fulfils the disclosure obligations pursuant to articles 114-bis and 123-ter of the TUF and the obligations established by banking legislation.

The Board of Statutory Auditors took note of the report issued by the Internal Audit Function on 05/03/2021, which concludes with the formulation of a "good" opinion, having ascertained the correct fulfilment of the obligations provided for by the relevant legislation, the general compliance of the remuneration to the current regulatory context and sustainability with respect to the Bank's capital and income conditions, the dissemination of the Group Policies to the subsidiary Fineco Asset Management DAC and the correct functioning of the bodies in charge, including the Remuneration Committee and the Board of Directors.

[5] In the meeting of 15 December 2020, the Board of Directors approved the new "Gender Equality" *Global Policy* to define the guidelines to be applied to the Group in terms of gender equality, with the aim of underlining the Group's commitment to creating a fair, appropriate and respectful working environment where people are supported in a spirit of inclusion, with the right to recognition based on their merits and can enjoy career and success opportunities regardless of their gender.

14. Opinions issued in accordance with the law

The Board of Statutory Auditors was called to express its opinion on the changes to the “Global Policy for the management of transactions with parties in potential conflict of interest of FinecoBank Group” approved by the Board of Directors in January 2021. The Board expressed its observations related to: "Report on Internal Audit activities carried out in 2020 on investment services"; "Annual report on the Group's risk exposures at 31/12/2020"; Annual Report "Outsourcing - Controls on important operational functions outsourced and IT services outsourced or provided by third parties"; “Annual Report on the 2020 activities of the Compliance function”.

In addition, in view of the resolutions pertaining to the Board of Directors, as required by the Code of listed companies in force in 2020 - Art. 7, criterion 7.C.1 of the Corporate Governance Code, it expressed its observations in relation to the 2020 Internal Audit activity plan.

Pursuant to Art. 2386 of the Italian Civil Code and Art. 13 of the Articles of Association, the Board of Directors of 15 January 2020 resolved on the appointment, by co-option, of Mr Andrea Zappia as the new Director of FinecoBank, for the purposes of reinstating the Board, following the resignation of the Director Ms Manuela D'Onofrio on 10 May 2019.

The Board, which had previously approved the co-option of Mr Zappia as a director of FinecoBank, subsequently acknowledged that it had verified the correct application of the assessment criteria and procedures adopted, pursuant to the TUF, the TUB, the Articles of Association and the Corporate Governance Code of listed companies, by the Board of Directors for the assessment of the independence of Mr Zappia.

In the meeting of 28 April 2020, pursuant to Art. 2389, paragraph 3 of the Italian Civil Code, the Board expressed its favourable opinion to the Board of Directors on the proposal for the distribution of the remuneration defined by the Shareholders' Meeting with the approval of the Remuneration Policy.

On the same date, the Board pursuant to Art. 154 bis of Legislative Decree of 24/02/98 (TUF) expressed a favourable opinion on the confirmation of Ms Lorena Pelliciari as the Nominated Officer for the three years 2020-2022.

On 5 June 2020, the Board assessed the document "Corporate governance project", drawn up by the competent corporate functions pursuant to Circular No. 285/13 of the Bank of Italy, deeming it compliant with the requirements of the Supervisory Provisions and aligned with the corporate governance documents and therefore expressed a favourable opinion for its approval by the Board of Directors.

15. Observations on compliance with the principles of correct administration

The Board monitored compliance with the law and the Articles of Association and compliance with the principles of correct administration both in carrying out its activities, including participation in the meetings of the Board of Directors and the Board Committees, and during meetings with management and with the Heads of the various Areas and Functions of the Bank.

Participation in the meetings of the Board of Directors made it possible to periodically obtain information from the Directors on the activities carried out and on the transactions approved during the year.

During the meetings of the Board of Directors, the Board also ascertained that, pursuant to Art. 150, paragraph 1 of the TUF, the delegated subjects reported on transactions carried out in function of the powers attributed to them.

The frequency of the meetings of the Board of Directors, the information provided during the meetings and, in general, the set of information flows, put in place, are in the Board of Statutory Auditors opinion exhaustive with respect to the obligations of law, the Articles of Association and the applicable regulations.

The Board of Statutory Auditors verified compliance with the disclosure obligations regarding regulated information, inside information or information requested by the supervisory authorities.

During the meetings of the Risks and Related Parties Committee and the Board of Directors, the Statutory Auditors examined the quarterly reports of the Bank's control functions and the reports of the Nominated Officer, and verified that the reports and information required by supervisory regulations were respected.

On 16 March 2021, the FinecoBank Board of Directors approved, with reference to 2020, the Report on corporate governance and ownership structures pursuant to Art. 123-bis of the TUF.

On the basis of the information acquired, the Board of Statutory Auditors did not become aware of any transactions in conflict with the principles of correct administration or approved and implemented not in compliance with the law, the Articles of Association, or in conflict with the resolutions passed by the Shareholders' Meeting, or manifestly imprudent or risky or such as to compromise the integrity of the corporate assets.

16.Committees in compliance with the Corporate Governance Code for listed companies

FinecoBank subscribes to the Corporate Governance Code for listed companies ("Code")[6] and, in compliance with the Code, the Corporate Governance and Environmental and Social Sustainability Committee, the Appointments Committee (until 28 April 2020, these two committees were merged into the Corporate Governance Nomination and Sustainability Committee) the Remuneration Committee and the Risks and Related Parties Committee operate within the Board of Directors, with proposal, advisory and coordination functions. The committees are made up of independent non-executive directors.

The Board of Statutory Auditors found that the corporate governance rules expressed in the aforementioned Code had been correctly applied.

The Board of Statutory Auditors was appointed by the FinecoBank Shareholders' Meeting of 28 April 2020 and will remain in office until the Shareholders' Meeting for the approval of the Company's Financial Statements for the year ended 31 December 2022.

It should be noted that in accordance with current legislation and the Corporate Governance Code for listed companies, at the meeting of 16 March 2021, the Board of Directors, after consulting the Appointments Committee, carried out the annual verification of the existence of the independence requirement for the majority of Directors, reporting the results in the Report on corporate governance and ownership structures for the financial year 1/1/2020 - 31/12/2020, in addition to maintaining the requirements of integrity and professionalism and compliance with the prohibition of interlocking. The Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members.

In compliance with the provisions of the current Supervisory Provisions for banks on corporate governance, the Board of Directors identified its own qualitative and quantitative composition as optimal for the effective fulfilment of the tasks and responsibilities entrusted to it by law, the Supervisory Provisions and the Articles of Association.

[6] See note 1.

17. Other activities of the Board of Statutory Auditors

17.1 Management of Inside Information

FinecoBank has drawn up specific regulations to guarantee the correct management of inside information within the Group in accordance with current laws and regulations.

In compliance with current legislation, the Board of Directors, most recently on 9 June 2020, approved the current version of the Code of Conduct on internal dealing to regulate the management, processing and communication of information relating to transactions on FinecoBank shares and listed debt instruments, as well as on derivatives and related financial instruments carried out by relevant persons and persons closely associated with them.

On the same date, the Board of Directors approved the update of the regulations for Personal Transactions involving financial instruments carried out by Relevant Persons - "Personal Account Dealing Global Policy" and "Market Abuse Global Policy " - to ensure Group compliance with the requirements dictated by the legislation on the abuse of inside information, unlawful disclosure of inside information and market manipulation, as well as measures to prevent market abuse.

17.2 Complaints pursuant to Art. 2408 of the Italian Civil Code

During 2020, the Board received a complaint pursuant to Art. 2408 of the Italian Civil Code via certified email. The Board, including by making use of FinecoBank's Internal Audit function, carried out the appropriate checks on compliance with external and internal regulations in relation to that stated in the report. No irregularities attributable to FinecoBank emerged from these checks.

17.3 Details of any initiatives undertaken and related outcomes

During the year, the Board of Statutory Auditors received no complaints.

18. Significant events after the end of the year

Pursuant to Art. 2386 of the Italian Civil Code and Art. 13 of the Articles of Association, on 16 March 2021, the Board of Directors resolved on the co-option of Ms Alessandra Pasini as the new Director of FinecoBank, for the purpose of reinstating the Board, following the resignation of the Director Mr Andrea Zappia on 9 February 2021, with effect from 1 March, subject to the positive opinion from the Appointments Committee and approval of the Board of Statutory Auditors, which also verified the correct application of the criteria and procedures adopted by the Board of Directors to assess independence.

The Covid-19 health emergency continues in 2021, with the consequent need to continue with the working methods in place as a result of the emergency measures.

19. Final comments and conclusions

In its supervisory activity, the Board of Statutory Auditors did not find significant irregularities or omissions and/or facts worthy of censure, nor did it become aware of transactions not compliant with the principles of proper administration, resolved and implemented not in compliance with the law or company Articles of Association, not in the interests of FinecoBank, in conflict with the resolutions taken by the Shareholders' Meeting, or manifestly imprudent or risky, such as to compromise the integrity of the company's assets.

The Board confirms that it has duly noted CONSOB references No. 6/20 of 09/04/2020 and No. 1/21 of 16/02/2021 in relation to the provisions of the ESMA document on the 2020 common European supervisory priorities of 28 October 2020, which, in light of the consequences of the Covid-19 pandemic, and specifically for what is within the remit of the supervisory body, have led to the need to: (i) strengthen the information flows with the administrative body responsible for preparing the draft financial statements; (ii) promote effective and timely communication with the auditors, for the purpose of the mutual exchange of information useful for the performance of their respective duties, also pursuant to Art. 150, paragraph 3 of the TUF. The Board, again in the context of the aforementioned recommendations, confirms that it has also paid adequate attention to the existence of the assumption of business continuity and the adequacy of the internal control system, noting in this regard no specific critical issues in having carried out checks off site. Adequate information exchanges also took place with regard to the investee Fineco Asset Management DAC.

19.1 Considerations regarding the Consolidated Financial Statements

With reference to the Group's Consolidated Financial Statements, the Board of Statutory Auditors, considering the content of the reports issued by the Auditing Company, acknowledges that the same have been drawn up in application of Legislative Decree No. 38/05, in compliance with the accounting standards issued by the International Accounting Standards Board (IASB), including the related SIC and IFRIC interpretative documents, approved by the European Commission, as required by the European Union Regulation No. 1606/2002 of 19 July 2002, and applicable to the financial statements for the years starting from 1 January 2020.

They have also been prepared on the basis of the “Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies of banking groups” issued by the Bank of Italy, as well as additions to the provisions of Circular No. 262 of 2005 "Banks’ financial statements: layouts and preparation" introduced in relation to the impact of Covid-19.

The report on operations provides information on the performance of the subsidiary.

19.2 Observations regarding the Company's financial statements for the year as at 31/12/2020 and their approval

Taking into account all the foregoing, the Board of Statutory Auditors, having taken into consideration the content of the reports issued by the Auditing Company, having taken note of the certifications issued jointly by the Chief Executive Officer and General Manager and by the Nominated Official, does not report, as far as its remit is concerned, factors hindering the approval of the Company Financial Statements of FinecoBank S.p.A. for the year ended on 31 December 2020, accompanied by the Explanatory Notes, as resolved by the Board of Directors on 9 February 2021.

There were no conditions for the Board to exercise the faculty to make proposals to the Shareholders' Meeting pursuant to Art. 153, second paragraph of the TUF.

The Board of Statutory Auditors expresses a favourable opinion on the allocation of the profit for the year as at 31/12/2020 fully to the Reserves, as formulated and proposed by the Board of Directors.

Finally, the Board of Statutory Auditors acknowledges that the opinion on the allocation of the profit of the year has been formulated according to the recommendation of the Bank of Italy of 16 December 2020, in line with Recommendation ECB/2020/62 adopted by the European Central Bank on 15 December 2020, published in the Official Journal of the European Union on 18/12/2020, concerning dividend distribution policies in the economic context aggravated by the Covid-19 emergency.

Varese, 31.03.2021

The Statutory Auditors

Luisa Marina Pasotti (Chairman)

Massimo Gatto (Member)

Giacomo Ramenghi (Member)

Glossary

Additional Tier 1

Equity instruments in line with the provisions of Regulation (EU) No.575/2013 (CRR) on prudential requirements for credit institutions and investment firms, which have the following characteristics:

- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding;
- the instrument is perpetual or has a maturity equal to duration of the entity;
- it maintains within the full discretion of the issuer the possibility to perform a write-up of the nominal value after the occurrence of a capital event that has determined a write-down;
- no provisions that force the issuer to provide for payments (must-pay clauses) following genuine events under the direct control of the parties.

Accelerated book building offering

Procedure through which particularly large shareholdings are sold to institutional investors. This type of transaction is used by majority shareholders to sell share packages or by the company to rapidly obtain capital (for acquisitions or to refinance debt).

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.

Assets under management

Investment funds, segregated accounts and insurance products.

Assets Under Custody

Government securities, bonds and shares.

Audit

Audit Process of controlling a company's activities and accounting, carried out either by an internal body (internal audit) or by an external firm of auditors (external audit).

Available financial resources (AFR)

AFR are the resources that can be used to safeguard the bank from insolvency. The AFR are an economic measure that consider the potential reserves, hybrid debt instruments, IFRS reserves, goodwill and other intangible assets, treasury shares held and the expected profits.

Bad exposure

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

Banking book

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

Bail-in

Resolution measures adopted by the competent authorities that can involve the conversion of debt instruments into shares or the reduction in the value of liabilities, imposing losses on certain categories of creditors in accordance with the BRRD.

Basel 2

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

- Pillar 1: while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorisation by the Regulatory Authority;

Glossary

- Pillar 2: requires banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar I), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Supervisory Authority's task to examine the ICAAP process, formulate an overall judgement and, where necessary, apply the appropriate corrective measures;
- Pillar III: introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

Basel 3

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

Bank Recovery and Resolution Directive or BRRD

Refers to the Directive approved by the European Parliament and the Council, respectively. On April 15 and May 6, 2014, regarding the establishment of a recovery and resolution framework for the crisis affecting credit institutions and investment firms.

Basis point

The bp or basis point represents 0.01% of a particular amount, or one hundredth of a percentage point. 100 basis points are equivalent to 1%.

Best practice

Behaviour commensurate with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.

Budget

Statement forecasting the future costs and revenues of a business.

Capital conservation buffer

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

CDS – Credit Default Swap

A derivative in which a seller of protection engages, for a fee, to pay the buyer of protection a fixed amount if a certain event indicating a deterioration of the creditworthiness of a reference entity occurs.

CFO

Chief Financial Officer.

CGU – Cash Generating Unit

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Common Equity Tier 1 or CET 1

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

Glossary

Clawback clause

Action of repayment of the bonus received when, after its disbursement, intentional or negligent conduct of the employee emerges that, if it had been known at the time of disbursement, would have been sufficient not to satisfy the assessment of compliance, or that disbursement has been made in breach of legal or regulatory provisions.

Corporate

Customer segment consisting of medium to large businesses.

Cost/income ratio

The ratio of operating expenses to operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

Cost of Risk

The ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the averages of the last four quarters, calculated as the average balance at the end of the quarter and the balance at the end of the previous quarter). The scope only includes loans to commercial customers. It is one of the risk indicators of bank assets: the lower the ratio, the less risky the bank assets.

CoR (incentive system)

The ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the balance at period end and the balance at December 31 of the previous year). The scope of the exposures excludes positions deriving from bonds and advances to personal financial advisors.

Countercyclical capital buffer

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

Covenant

A loan agreement clause whereby the lender is entitled to restructure or call in the loan upon occurrence of the events specified in the clause, which ties changes in the borrower's earnings and financial performance to default events/events modifying the contractual terms and conditions (maturity, interest rates, etc.).

Covered bond

A bond which, in addition to being guaranteed by the issuing bank, may also be covered by a portfolio of mortgages or other high-quality loans transferred, for that purpose, to a specific SPV – Special Purpose Vehicle (q.v.).

Credit Quality – EL

EL%= EL/EAD

Represents the expected loss as a percentage of the exposure in the event of default (EAD) of the performing portfolio.

The perimeter is the customers of the performing portfolio.

Credit quality step

A Step, based on external ratings, which is used to assign risk weights under the standardised approach for credit risk.

Glossary

CRD (Capital Requirements Directives)

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

Credit risk

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

Credit counterparty risk

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

CRM - Credit Risk Mitigation

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

CRO

Chief Risk Officer.

Default

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

Direct deposits

Current accounts, repos and time deposits.

EAD – Exposure At Default

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

EBA European Banking Authority

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

ECA

Export Credit Agency.

ECAI

External Credit Assessment Institution.

ECB

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

Economic capital

Capital level that is required by a bank to cover the losses that may occur with at a time horizon of one year and a certain probability or confidence level. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on the degree of diversification of the portfolio itself.

Glossary

EPS – Earnings Per Shares

An indicator of a company’s profitability calculated by dividing the net profit by the average total outstanding shares (excluding treasury shares).

EPS – Diluted Earnings Per Shares

An indicator of a company’s profitability calculated by dividing the net profit by the average total diluted outstanding shares (excluding treasury shares).

EVA (Economic Value Added)

EVA is an indicator of the value created by a company. It shows the firm's ability to create value; calculated as the difference between net profit excluding extraordinary charges and related tax effects (integration costs and net profits from extraordinary investments), and the figurative cost of the allocated capital; the latter was calculated using either the greater of the regulatory capital and the economic capital absorbed either using the book value of shareholders' equity (average of single end quarters).

Expected Losses

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

Fair value

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

Forbearance/Forborne exposures

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

Funding

Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.

Futures

Standardised contracts through which parties undertake to exchange money, transferable securities or goods at a set price at a future date. These contracts are traded on regulated markets, where their execution is guaranteed.

Goodwill

The additional sum paid for the acquisition of an equity interest, equal to the difference between the cost and the corresponding share of net assets, for the portion not attributable to the identifiable assets of the acquired company.

Guided products & services

The Bank’s products and/or services developed by investing in UCITs selected from among those distributed for each asset class taking into account customers' different risk profiles and offered to the Bank’s customers under the guided open architecture model. At the date of this report, the guided products category included the “Core Series” umbrella fund of funds, “Core Funds”, the Individual Savings Plans (“Piani Individuali di Risparmio” or “PIR”) and the “Core Unit”, “Advice Unit”, “Core Multiramo”, “Advice Top Valor”, “Old Mutual”, “Best in class”, “FAM Evolution”, “Core Pension”, “Private Client Insurance” e “GP Private value” unit-linked policies, while the “Fineco Advice”, “Fineco Stars” and “Fineco Plus” advanced advisory services (for investment) fall under the guided service category.

Guided Products & Services/AUM

The ratio of Guided Products & Services (q.v.) to Assets under Management (q.v.).

Guided Products & Services/TFA

The ratio of Guided Products & Services to Total Financial Assets.

HNWI

High Net Worth Individual, i.e. Private customers with TFA of over one million euros.

Glossary

IAS/IFRS

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

ICAAP – Internal Capital Adequacy Assessment Process

See "Basel 2 – Pillar 2".

Impairment

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

Impaired loans

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

Internal Capital

Represents the amount of capital required to cover potential losses and is required to support the business activities and positions held. Internal Capital is the sum of the aggregated Economic Capital and a cushion that considers the effects of the cycle and model risk.

(Internal) validation

Expert unit, internal but sufficiently independent, that verifies the adequacy of internal models for internal and regulatory purposes and issues a formal opinion about their usefulness and effectiveness. Usually a prerequisite for the validation process carried out by the authorities.

Index linked

Policies whose performance at maturity depends on a benchmark parameter that may be a share index, a basket of securities or another indicator.

IRB – Internal Rating Based

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

IRS – Interest Rate Swap

See "Swap".

Joint venture

Agreement between two or more companies for the conduct of a given economic activity, usually through the constitution of a joint stock company.

Glossary

Ke

The cost of equity is the minimum return on investment required by the shareholder. It is the sum of a risk-free rate and an additional spread remunerating the shareholder for the credit risk and the volatility of the share price. The cost of capital is based on medium-long term averages of market parameters.

KPI - “Key Performance Indicators”

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

Key Risk Indicators

The risk indicators are quantitative metrics that reflect exposure to Operational Risks of specific processes or products: the value expressed by an indicator should be related to changes in risk levels.

Large exposures

The sum of all the exposures towards a counterparty that are equal to or more than 10% of the eligible capital of the Issuer, when: (i) the exposures are the sum of the on-balance-sheet risk assets and the off-balance-sheet operations with a counterparty, as defined by the regulations on credit risk, without applying the weighting factors established therein (these exposures do not include the risk assets deducted in the determination of the Own Funds); (ii) a counterparty is a customer or a group of connected customers.

LCP

Loss Confirmation Period.

LCR - Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is structured in such a way as to ensure that an institution maintains an adequate level of high quality non-restricted liquid assets that can be converted into cash to meet its liquidity needs over a period of 30 calendar days in a particularly acute liquidity stress scenario specified by the supervisory authorities. The LCR is defined as the ratio between the stock of high quality liquid assets and the total cash outflows in the next 30 calendar days.

Leasing

Contract whereby one party (the lessor) conveys the right to use an asset to another party (the lessee) for a given period of time and in exchange for consideration.

LGD – Loss Given Default

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

Liquidity risk

The risk of the company being unable to meet its payment commitments due to the inability to liquidate assets or obtain sufficient funding from the market (funding liquidity risk) or due to the difficulty/inability to easily liquidate positions in financial assets without significantly and unfavourably affecting the price because of insufficient depth or temporary malfunction of the financial market (market liquidity risk).

Long and Short Margining

Margining is a trading method that allows investors to buy (long leverage) or sell (short selling) by investing only a part of the liquidity required.

Market risk

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

Glossary

Master servicing agreement

Type of contract under which two or more parties regulate the key terms of subsequent transactions and/or further agreements to be implemented between them in the future.

Maturity Ladder

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

Model Risk Category

The MRCs have been introduced at the group level in order to characterise the types of operational loss in more detail. They are obtained from the combination of the seven event types established by Basel II with one or more of products offered to customers.

Non-performing exposures

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

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

NSFR - Net Stable Funding Ratio

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

NSFR Adjusted

The NSFR Adjusted ratio is based on the regulatory ratio NSFR (Net Stable Funding Ratio) but is adjusted by maturity (i.e. by bucket) considering maturities of more than 3 and 5 years respectively. The NSFR Adjusted is therefore used to monitor and control the structural liquidity situation on maturities over the year. The NSFR is defined as the ratio between the cumulative liabilities over the year and the cumulative assets over the year.

Operational risk

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

Option

The right, but not the commitment, acquired by the payment of a premium, to buy (call option) or sell (put option) a financial instrument at a given price (strike price) by or at a determined future date (American option/European option).

OTC – Over The Counter

Over-the-counter (OTC) trading consists of the exchange of financial instruments such as shares, bonds, derivatives or goods directly between two counterparties. The OTC markets do not have standardised contracts or buying/selling procedures and are not associated with a set of rules (admissions, controls, obligations of information, etc.) like those that govern the official markets.

Own funds or Total Capital

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

Glossary

Past-due and/or overdrawn impaired exposures

On-balance sheet exposures, other than those classified as bad loans or unlikely to pay that are past due or overdrawn at the reporting date. They represent the total exposure to any borrower not included in the unlikely to pay and bad loans categories, who at the reporting date has expired facilities or unauthorised overdrafts that are more than 90 days past due and meet the requirements set out by local supervisory regulations for their classification under the "past due exposures" category (TSA banks) or “defaulted exposures” (IRB banks).

Payout ratio

The percentage of net income that is distributed to shareholders. The percentage paid out is determined mainly on the basis of the company’s self-financing needs and the return expected by shareholders.

PD – Probability of Default

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

Private banking

Financial services aimed at "high-end" private customers for the global management of financial needs.

RARORAC - Risk adjusted Return on Risk adjusted Capital

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

Rating

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

Retail

Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.

Return on asset – R.O.A.

Ratio of net profit after tax to total assets.

Risk Taking Capacity

Ratio between Available Financial Resources and Internal Capital.

Risk-weighted assets

See the item “RWA - Risk-Weighted Assets”.

ROAC – Return on Allocated Capital

An indicator calculated as ratio of net operating profit to the average of the quarters of the year of the allocated capital (calculated with the same methods envisaged for the calculation of the EVA).

ROE

Ratio between net profit and the average shareholders’ equity for the period (excluding dividends and any donations expected to be distributed and the revaluation reserves), calculated as the average of the balance at the end of the period and that of the previous December 31st.

RWA - Risk-Weighted Assets

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

Glossary

Sensitivity

The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.

Sensitivity Analysis

Sensitivity analysis quantifies the change in value of a financial portfolio resulting from an unfavourable change in major risk factors (interest rate, exchange rate, equity).

SME

Small and medium enterprises.

SPV –Special Purpose Vehicle

An entity – partnership, limited company or trust – set up to pursue specific objectives, such as isolating financial risk or obtaining special regulatory or tax treatment for specific portfolios of financial assets. SPV's operations are accordingly limited by a set of rules designed for this purpose. In general the SPVs' sponsors (q.v.) do not hold equity in them. The equity is held by other entities in order to ensure that there is no shareholder relationship with the Sponsor (q.v.). SPVs are usually bankruptcy-remote, in that their assets cannot be claimed by the creditors of the sponsor, even if the latter becomes insolvent.

Swap

A transaction that generally consists of the exchange of financial streams between operators according to different contractual arrangements. In the case of an interest rate swap (IRS), the counterparties exchange payment streams that may or may not be linked to interest rates, calculated on a notional principal amount (for example, counterparty pays a stream on the basis of a fixed rate, while the other does so on the basis of a variable rate). In the case of a currency swap, the counterparties exchange specific amounts in two different currencies, with these amounts being exchanged back in due course according to predefined arrangements that may concern both the capital (notional) and the streams of interest payments.

Tier 1 Capital

Tier 1 capital (tier 1) includes Common Equity Tier 1 - CET1 and Tier 1 additional capital (Additional Tier 1 - AT1).

Tier 1 Capital Ratio

The percentage of a bank's Tier 1 Capital to its risk weighted assets "RWA – Risk Weighted Assets" (q.v.).

Total Financial Assets - TFA

Assets Under Management (q.v.), Assets Under Custody (q.v.) and Direct Deposits (q.v.).

Trading Book

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

UCI – Undertakings for Collective Investment

This term includes "UCITS – Undertakings for Collective Investment in Transferable Securities" (q.v.) and collective investment funds (real estate collective investment funds, closed-end investment funds).

UCITS – Undertakings for Collective Investment in Transferable Securities

This term covers open-end real estate investment funds, both Italian and foreign, and investment companies with variable capital. The latter are joint stock companies that have the sole purpose of collective investment of the assets gathered through a public offer of their own shares.

Glossary

Unlikely to pay

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

VaR – Value at Risk

A method used for quantifying risk. It measures potential future losses which will not be exceeded within a specified period and with a specified probability.