FINECOBANK GROUP PUBLIC DISCLOSURE – PILLAR III

AS AT 31 DECEMBER 2021

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"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

The Group FinecoBank public disclosure Pillar III – (hereafter "Disclosure") has been prepared in accordance with the prudential rules for banks and investment firms, which came into force on January 1, 2014 and is contained in Directive 2013/36/EU (Capital Requirements Directive, CRD IV) and in Regulation 575/2013/EU (Capital Requirements Regulation, CRR), and subsequent Directives and Regulations amending its content, including, in particular, the Directive (EU) 2019/878 (so called CRD V), the Regulation (EU) 2019/876 of the European Parliament and of the Council (so-called CRR II) and the Regulation (EU) 2020/873 of the European Parliament and of the Council (so called CRR Quick-fix). In the rest of this document, the term "CRR" refers to Regulation no. 575/2013/EU as subsequently amended.

Following the publication in the Official Journal of the European Union on June 7, 2019 of Regulation (EU) 2019/876, which is part of the broader reform package that also includes CRD V (Capital Requirements Directive V), BRRD II (Banking Recovery and Resolution Directive II) and SRMR II (Single Resolution Mechanism Regulation II), significant changes have been envisaged with particular reference to Part eight of the CRR. Consistently with the regulatory changes introduced by CRR II, in order to rationalize and homogenize the disclosures to be provided periodically to the market, the EBA, responding to the mandate given to it by Article 434a "Disclosure templates" of CRR II, in June 2020 published the implementing technical standards (EBA/ITS/2020/04), intended for all institutions subject to the disclosure requirements of Part eight of CRR. These implementing technical standards were transposed by Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to Titles II and III of Part Eight, of Regulation (EU) No 575/2013 and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295. These provisions are applicable as of June 2021.

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

The CRR requires Institutions to publish the information set out in Title II and III of Part Eight in conjunction with the financial statements. The purpose of this disclosure requirement is to integrate the minimum capital requirements (Pillar 1) and the prudential control process (Pillar 2), by identifying a set of disclosure transparency requirements that allow market participants to have relevant, complete and reliable information about capital adequacy, risk exposure and the general characteristics of the systems in place to identify, measure and manage those risks.

FinecoBank qualifies as a "Large Institution" under Part Eight of the CRR and, therefore, all information required to them on an annual basis has been published in this Public Disclosure as of 31 December 2021. In addition, it should be noted that following the exceeding of the size threshold of significance of the total value of assets of 30 euro billion, identified by Regulation 468/2014 (MVU) establishing the framework for cooperation under the Single Supervisory Mechanism between the European Central Bank and the competent national authorities and with the designated national authorities, the European Central Bank has taken the decision to classify FinecoBank as a significant institution, as of 1 January 2022. Therefore, from that date Fineco falls under the direct supervision of the European Central Bank.

In line with Article 433 of the CRR, FinecoBank S.p.A., as the Parent Company of the FinecoBank Banking Group (hereinafter the "Group"), publishes its Public Disclosure at a consolidated level, along with the financial statements.

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

The subject is therefore regulated:

- by the Part Eight of CRR, "Disclosure by institutions" (art. 431–455);
- by the Regulations of the European Commission, the preparation of which may be delegated to the EBA, containing the regulatory or implementing technical standards to govern the uniform models for publishing the various types of information. In particular, reference is made to the following guidelines and regulations:
    - Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295 (EBA/RTS/2020/20 implemented by the Implementing Regulation 2021/637);
    - guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013 (EBA/GL/2014/14);
    - guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds (EBA/GL/2018/01);
    - guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07);

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

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

With regard to the initiatives put in place in 2020, which are still in force, please also note Regulation (EU) 873/2020 ("CRR "Quick-fix") of the EU Parliament and Council published on 26 June 2020, amending Regulation (EU) 575/2013 ("CRR") and Regulation (EU) 876/2019 ("CRR II"), which made a number of adjustments to the prudential framework in light of the Covid-19 health emergency, allowing credit institutions to apply specific transitional provisions, with the aim of providing capital support to enable credit institutions to continue to support the real economy in the context of the Covid-19 pandemic. This Regulation also anticipated the application of certain measures contained in CRR II, which are therefore valid until the latter enters into force on 28 June 2021. The main measures still in force include the following:

- the introduction of a transitional period, from 1 January 2020 to 31 December 31 2022, during which institutions may exclude from the calculation of their CET1 capital the amount of unrealized gains and losses accumulated starting from 31 December 2019 on debt instruments measured at fair value recognized in other comprehensive income corresponding to exposures to central government regional governments or local authorities as defined in Article 115(2) of the CRR, and to public sector entities as defined in Article 116(4) of the CRR, excluding impaired financial assets ("Temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in light of the COVID-19 pandemic"). As of 31 December 2021, the Group did not make use of the option to apply the temporary treatment;
- the extension until 31 December 2024 of the transitional regime that allows to reduce the potential impact on CET1 deriving from the increase in provisions for expected losses on receivables calculated according to the IFRS 9 impairment model, through the gradual inclusion in CET1 ("Temporary treatment to mitigate the impact of the introduction of IFRS 9 on own funds"). It is envisaged that banks that had previously decided to make use or not to make use of the transitional provisions can revoke their decision at any time during the new transitional period. As of 31 December 2021, the Group did not make use of the option to apply the temporary treatment;
- the reintroduction until 31 December 2024 of the transitional treatment provided for public debt issued in the currency of another member state, which allows for the application of a more favourable risk weight, which increases progressively until the end of the transitional period, for exposures to central governments and central banks of member states denominated in the national currency of another member state ("Temporary treatment of public debt issued in the currency of another member state"). This treatment had no impact on the Group risk weighted assets as of 31 December 2021.

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

- the extension of the disclosure period due to the extension of the transitional arrangements for IFRS 9 and the introduction of additional qualitative disclosure requirements aimed at covering decisions taken as part of the discretions provided for in article 473a CRR, as amended by the CRR Quick-fix;
- the introduction of new disclosure requirements relating to the transitional prudential treatment provided for unrealized gains and losses on exposures to central governments, regional governments or local authorities referred to in article 115, paragraph 2 of the CRR, and to public sector entities referred to in article 116, paragraph 4 of the CRR, excluding impaired financial assets measured at fair value with an impact on comprehensive income.

With reference to the abovementioned transitional provisions introduced by the CRR Quick-fix, since the Group, as at 31 December 2021, did not make use of the option to apply the "Temporary treatment to mitigate the impact of the introduction of IFRS 9 on own funds" and the "Temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in light of the COVID-19 pandemic", own funds and capital already reflect the full impact of the above components and, consequently, the disclosure requirements specified in EBA Guidelines 2020/12 do not apply.

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

- loans subject to "moratoria" that fall within the scope of the EBA Guidelines on legislative and non-legislative moratoria on loan payments applied in light of the COVID-19 crisis (EBA/GL/2020/021[1]);

[1] These Guidelines were amended by the subsequent EBA/GL/2020/15 by which the EBA reactivated the guidelines on legislative and other moratoria and not until

Introduction

- loans subject to forbearance measures applied in response to the COVID-19 crisis;
- new loans guaranteed by the State or other public entity in response to the COVID-19 crisis.

Despite the noticeable reduction in the volumes of loans within the scope of COVID-19 reporting and disclosure (loans under various forms of payment moratoria and public guarantee schemes), given the ongoing COVID-19 pandemic and the uncertainty over its future development, the EBA confirmed on 17 January 2022 the need to continue monitoring exposures and the credit quality of loans benefitting from various public support. To facilitate such monitoring, the Guidelines on the reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis adopted on 2 June 2020 continue to apply until further notice. The Bank of Italy has implemented these EBA guidelines on reporting and disclosure.

In view of the provisions contained in the communications of the European Central Bank and the Bank of Italy of 18 June 2021 and 30 June 2021 respectively, declaring the existence of exceptional circumstances that began on 31 December 2019, starting from the reference date of 30 June 2021, the FinecoBank Group has applied the provisions of Article 429a of the CRR, which allows the exclusion of certain exposures to central banks from the total leverage exposure in light of the COVID-19 pandemic. As of 31 December 2021, the value of the exemption amounted to 1,554 euro million, with an impact on the indicator of +0.18%. The leverage ratio stood at 4.02%, a level well above the minimum applicable regulatory requirement (adjusted leverage ratio) of 3.19%. Please note that this transitional treatment is foreseen until March 2022.

It should be noted that ECB Banking Supervision, in cooperation with the national competent authorities, has performed a thorough assessment of the main risks and vulnerabilities faced by the significant institutions under its direct supervision and has set its strategic priorities for the next three years accordingly. The three priorities identified for 2022-2024 aim to ensure that banks:

- emerge from the pandemic healthy;
- seize the opportunity to address structural weaknesses via effective digitalisation strategies and enhanced governance;
- tackle emerging risks, including climate-related and environmental risks, IT and cyber risks.

For each priority, ECB Banking Supervision has developed a set of strategic objectives and underlying work programmes, spanning the next three years, which aim to address the most material vulnerabilities identified during 2021 risks and priorities exercise.

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

The key elements of this policy are:

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

This document has been prepared in accordance with the indications of the EBA guidelines in compliance with the proportionality principle and publishing only information that is material and not exclusive or confidential in accordance with Article 432 of the CRR. In this regard, it should be noted that for the publication of qualitative and quantitative information, FinecoBank has adopted, firstly, the models provided by the EU Regulations or by the applicable EBA Guidelines mentioned above, secondly, free models. The tables below report references to the location, in this document, of the required information.

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

Finally, it should be noted that the 2021 financial year was affected by the health emergency caused by the COVID-19 pandemic, the evolution of which in the near future is still difficult to predict; in addition, there is the general uncertainty arising from the military conflict between Russia and Ukraine, which has triggered an international crisis. Therefore, it is not possible to exclude that the main risks represented in this document may change according to the future scenarios in which the Group will operate.

31 March 2021, previously applicable initially until 30 June and then until 30 September 2020.

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Reference to regulatory reporting requirements with annual frequency: Implementing Regulation (EU) 2021/637

The table below shows the location in this document of the disclosures made to the market on an annual basis, applicable to the FinecoBank Group. Therefore, the following templates/tables are excluded:

- EU LI3 as the Group has no differences between the scope of accounting and regulatory consolidation;
- EU INS1; EU INS2 as the Group has no holdings in insurance companies;
- EU CRE; EU CR6; EU CR6a; EU CR7; EU CR7a; EU CR8; EU CR9; EU CR9.1; EU CR10; EU CCR4; EU CCR7; EU MRB; EU MR2-A; EU MR2-B; EU MR3; EU MR4 as the Group does not use internal models, neither in the determination of credit and counterparty risk nor in the determination of market risks;
- EU CCR6; EU CQ7; EU SECA; EU SEC1; EU SEC2; EU SEC3; EU SEC4; EU SEC5 as the Group does not have any exposures that fall within the types indicated;
- EU PV1 because the Group does not use the core approach to determine the additional valuation adjustment for the prudent valuation;
- EU CR2a; EU CQ2; EU CQ6; EU CQ8 as the Group does not have a ratio of the gross carrying amount of impaired loans and advances to the total gross carrying amount of loans and advances of 5% or more.

TEMPLATE	TOPIC	CHAPTER
Implementing Regulation 2021/637		
EU OVA	Institution risk management approach	Risk management objectives and policies
EU OVB	Disclosure on governance arrangements	Risk management objectives and policies
EU OVC	ICAAP information	Risk management objectives and policies
EU LI1	Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories	Scope of application
EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Scope of application
EU LIA	Explanations of differences between accounting and regulatory exposure amounts	Scope of application
EU LIB	Other qualitative information on the scope of application	Scope of application
EU OV1	Overview of total risk exposure amounts	Own funds requirements and risk-weighted exposure amounts
EU KM1	Key metrics	Key metrics
EU CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	Own Funds
EU CC1	Composition of regulatory own funds	Own Funds
EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Own Funds
EU CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	Countercyclical capital buffers
EU CCyB2	Amount of institution-specific countercyclical capital buffer	Countercyclical capital buffers
EU AE1	Encumbered and unencumbered assets	Encumbered and unencumbered assets
EU AE2	Collateral received and own debt securities issued	Encumbered and unencumbered assets
EU AE3	Sources of encumbrance	Encumbered and unencumbered assets
EU AE4	Accompanying narrative information	Encumbered and unencumbered assets
EU LRA	Disclosure of LR qualitative information	Leverage
EU LR1 - LRSum	Summary reconciliation of accounting assets and leverage ratio exposures	Leverage
EU LR2 - LRCom	Leverage ratio common disclosure	Leverage
EU LR3 - LRSpl	Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Leverage

Continued: Reference to regulatory reporting requirements with annual frequency: Implementing Regulation (EU) 2021/637

TEMPLATE	TOPIC	CHAPTER
Implementing Regulation 2021/637		
EI LIQA	Liquidity risk management	Liquidity requirements
EU LIQ1	Quantitative information of LCR	Liquidity requirements
EU LIQB	Qualitative information on LCR, which complements template EU LIQ1	Liquidity requirements
EU LIQ2	Net Stable Funding Ratio	Liquidity requirements
EU CRA	General qualitative information about credit risk	Risk management objectives and policies
EU CRB	Additional disclosure related to the credit quality of assets	Exposures to credit risk and dilution risk
EU CR1-A	Maturity of exposures	Exposures to credit risk and dilution risk
EU CR2	Changes in the stock of non-performing loans and advances	Exposures to credit risk and dilution risk
EU CR1	Performing and non-performing exposures and related provisions	Exposures to credit risk and dilution risk
EU CQ1	Credit quality of forborne exposures	Exposures to credit risk and dilution risk
EU CQ3	Credit quality of performing and non-performing exposures by past due days	Exposures to credit risk and dilution risk
EU CQ4	Quality of non-performing exposures by geography	Exposures to credit risk and dilution risk
EU CQ5	Credit quality of loans and advances to non-financial corporations by industry	Exposures to credit risk and dilution risk
EU CRC	Qualitative disclosure requirements related to CRM techniques	Disclosure of the use of credit risk mitigation techniques
EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Disclosure of the use of credit risk mitigation techniques
EU CRD	Qualitative disclosure requirements related to standardised approach	Disclosure of the use of the Standardised Approach
EU CR4	Standardised approach – Credit risk exposure and CRM effects	Disclosure of the use of the Standardised Approach
EU CR5	Standardised approach	Disclosure of the use of the Standardised Approach
EU CCRA	Qualitative disclosure related to CCR	Exposures to counterparty credit risk
EU CCR1	Analysis of CCR exposure by approach	Exposures to counterparty credit risk
EU CCR2	Transactions subject to own funds requirements for CVA risk	Exposures to counterparty credit risk
EU CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights	Exposures to counterparty credit risk
EU CCR5	Composition of collateral for CCR exposures	Exposures to counterparty credit risk
EU CCR8	Exposures to CCPs	Exposures to counterparty credit risk
EU MRA	Qualitative disclosure requirements related to market risk	Risk management objectives and policies; Market risk
EU MR1	Market risk under the standardised approach	Market risk
EU ORA	Qualitative information on operational risk	Risk management objectives and policies; Operational risk management
EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Operational risk management
EU REMA	Remuneration policy	Remuneration policy
EU REM1	Remuneration awarded for the financial year	Remuneration policy
EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Remuneration policy
EU REM3	Deferred remuneration	Remuneration policy
EU REM4	Remuneration of 1 million EUR or more per year	Remuneration policy
EU REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Remuneration policy

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Reference to EBA requirements: EBA/GL/2020/07 and EBA/GL/2020/12

TEMPLATE	TOPIC	CHAPTER
EBA Guidelines 2020/07		
Template 1	Information on loans and advances subject to legislative and non-legislative moratoria	Exposures to credit risk and dilution risk
Template 2	Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria	Exposures to credit risk and dilution risk
Template 3	Information on newly originated loans granted under the new public guarantee schemes introduced in response to the COVID-19 crisis	Exposures to credit risk and dilution risk
EBA Guidelines 2020/12		
Template IFRS9/Article 468/FL	Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR	Own Funds

Please note that the "Template IFRS9/Article 468/FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR" is not subject to publication because, as previously mentioned, the Group did not make use of the option to apply the "Temporary treatment to mitigate the impact of the introduction of IFRS 9 on own funds" and the "Temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in light of the COVID-19 pandemic". Therefore, FinecoBank Group's capital and own funds as of 31 December 2021 already reflect the full impact of these items.

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

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

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Reference to the information required by the Part Eight of CRR

The table shows the information required, on annual basis, by Regulation (EU) n.575/2013 and subsequent amendments.

ARTICLE	TOPIC	CHAPTER
435	Disclosure of risk management objectives and policies	Risk management objectives and policies
436	Disclosure of the scope of application	Scope of application
437	Disclosure of own funds	Own Funds
437a	Disclosure of own funds and eligible liabilities	Not applicable
438	Disclosure of own funds requirements and risk-weighted exposure amounts	Risk management objectives and policies; Own funds requirements and risk-weighted exposure amounts; Key metrics
439	Disclosure of exposures to counterparty credit risk	Risk management objectives and policies; Exposures to counterparty credit risk
440	Disclosure of countercyclical capital buffers	Countercyclical capital buffers
441	Disclosure of indicators of global systemic importance	Not applicable
442	Disclosure of exposures to credit risk and dilution risk	Risk management objectives and policies; Exposures to credit risk and dilution risk
443	Disclosure of encumbered and unencumbered assets	Encumbered and unencumbered assets
444	Disclosure of the use of the Standardised Approach	Disclosure of the use of the Standardised Approach
445	Disclosure of exposure to market risk	Risk management objectives and policies; Market risk
446	Disclosure of operational risk management	Risk management objectives and policies; Operational risk management
447	Disclosure of key metrics	Key metrics
448	Disclosure of exposures to interest rate risk on positions not held in the trading book	Exposure to interest rate risk on positions not held in the trading book
449	Disclosure of exposures to securitisation positions	Not applicable
449a	Disclosure of environmental, social and governance risks (ESG risks)	NA (annual frequency starting from June 2022)
450	Disclosure of remuneration policy	Remuneration policy
451	Disclosure of the leverage ratio	Leverage ratio
451a	Disclosure of liquidity requirements	Liquidity requirements
452	Disclosure of the use of the IRB Approach to credit risk	Not applicable
453	Disclosure of the use of credit risk mitigation techniques	Disclosure of the use of credit risk mitigation techniques; Disclosure of the use of the Standardised Approach
454	Disclosure of the use of the Advanced Measurement Approaches to operational risk	Not applicable
455	Use of internal market risk models	Not applicable

Please note that the information in the sections of the articles listed above for which annual frequency is required for "Large institutions", as detailed in the article 433a of CRR, is subject to publication in this document.

Risk management objectives and policies

Below is the information referred to in the EU OVA table on the institution's risk management method, required in Article 435, paragraph 1, of the CRR; in particular:

- risk management strategies and processes, the risk governance structure, the scope and characteristics of the reporting systems;
- the statement approved by the Board of Directors regarding the Group's risk profile associated with the corporate strategy and the adequacy of the implemented risk management framework.

With regard to risk measurement systems, please refer to the chapters dedicated to individual risks, namely "Credit and dilution risk exposures", "Exposures to counterparty risk", "Operational Risk Management" and "Market risk".

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

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

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

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

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

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

Risk governance

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

On June 10, 2021, in the context of the ICAAP and ILAAP 2020 annual report, the Board of Directors of the Parent Company FinecoBank has approved the final version of the declaration called "Capital Adequacy Statement". The statement certifies that the risk governance, the risk management systems and the Group's Internal Capital are adequate to cover the Group's risk profile and the activities deriving from its business model.

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

- the Board of Directors;
- the Chief Executive Officer and General Manager;
- the Board of Statutory Auditors;
- the Risk and Related Parties Committee;
- the Remuneration Committee;

- the Appointments Committee;
- the Corporate Governance, Environmental and Social Sustainability Committee;
- the Supervisory Body established pursuant to Legislative Decree 231/01;
- the corporate control functions (CRO, Compliance, Internal Audit) as well as other corporate functions in charge of specific control tasks.

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

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

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

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

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

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

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

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

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

The CRO Department, as the risk management function, oversees the correct functioning of the Group's risk framework by defining the appropriate methodologies for identifying and measuring the overall current and future risks, in accordance with the regulatory provisions, the management decisions of the Bank identified in the Group's risk appetite (RAF) and the principles and policies defined by the CRO, carrying out a monitoring activity and verifying compliance with the established limits.

The CRO, with the contribution of the Chief Lending Officer (CLO) and the Chief Financial Officer (CFO), each for their own areas of competence, is responsible for proposing the Group Risk Appetite Framework and defining, in line with the strategies and the corporate objectives, risk management guidelines and policies, coordinating and verifying their implementation by the units in charge, also in different corporate areas.

The risk management systems described in the following paragraphs are aligned with the Group's risk strategy and consistent with its risk profile.

Organization of the risk management function

The CRO Department, headed by the Chief Risk Officer (CRO), is independent from risk taking functions, and is responsible for the credit, market, operational and reputational risks to which the Group is exposed. The risk control activity also involves monitoring business, reputational, liquidity and sustainability risks.

In particular, the Parent Company CRO Department:

- is involved in the RAF setting, risk governance policies and the various steps of the risk management process as well as in setting operational limits for the exposure towards several types of risk. In this context, the CRO Department is responsible, among other things, of proposing the quantitative and qualitative parameters necessary for the definition of the RAF, which also refer to stress scenarios. In case of changes in the internal and external operational context of the Group, the unit provide the proper adjustments of the selected parameters;
- verify the adequacy of RAF;
- continuously verifies the adequacy of the risk management process and operational limits;
- develops and maintains risk control models;
- ensures the effective implementation of the ICT risk assessment methodology, supporting and coordinating the individual functions involved, each one for their competence, during the ICT risk assessment process;
- defines common operational risk assessment metrics consistent with the RAF, coordinating with the compliance function, the ICT function and the business continuity function;
- defines risk assessment methodologies for assessing and controlling risks deriving from environmental, social and governance (ESG) factors, as well as reputational risks, coordinating with the compliance Function, the sustainability Function and other corporate functions involved;
- assists the corporate bodies in assessing strategic risk by monitoring significant variables;
- develops and maintains indicators capable of highlighting irregularities and inefficiencies in the risk measurement and control framework;
- analyzes the risks arising from new products and services. In particular, the identification of risks related to new products and services is guaranteed by the permanent participation of the CRO in the product committee;
- carries out second-level controls aimed at verifying the correct performance of the credit process at both individual and portfolio level;
- continuously monitors the actual risk assumed by the Group and its consistency with the risk objectives as well as compliance with the operating limits assigned to the operating structures in relation to the assumption of the several types of risk.

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

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

- credit risks, including counterparty risk and country risk, as well as the development and maintenance of managerial risk models are the responsibility of the Credit Risk & Internal Capital structure;
- the validation of internally developed managerial risk models is the responsibility of the Internal Validation structure;
- market risks, including liquidity risk, interest rate risk and exchange rate risk, are responsibility of the Market & Liquidity Risk Team;
- operational risks, including reputational and ICT risks, are responsibility of the Operational & Reputational Risk Team;
- the monitoring of the Risk Appetite, the relevant external legislation, the updating of the internal policies and the drafting of the Group ICAAP / ILAAP Report is responsibility of the Risk Regulation and Reporting Team.

As a horizontal risk category, the risks deriving from Environmental, Social and Governance (ESG) factors are managed by each team for their own areas of competence.

Risk Culture

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

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

- it has been adopted a Global Policy "Charter of Integrity and Code of Conduct of the FinecoBank Group" which defines the principles and values with which the Group wishes to conform its operations, as well as the set of rights, duties and responsibilities it assumes towards of all stakeholders, whom it undertakes to respect, and who represent a decisive guide in corporate decisions and conduct;
- the methods and mechanisms for safeguarding the various operating and regulatory limits that the Group must comply with in carrying out its business activities are shared with the business functions;
- Managerial Committees were set up in order to ensure a widespread level of risk awareness at all organizational levels, with the involvement of both business and control structures (so-called "tone from the top");
- incentive mechanisms were implemented that consider a weighting for the risks associated with the annual performance of a subset of the RAF indicators (so-called "CRO Dashboard");
- ongoing relationships are maintained with the Chief Risk Officers of the Parent Company and the Legal Entities, to share information on the risk profile and development plans to improve their evolution and risk management;

- periodic induction activities are carried out with the Board of Directors and in-depth analysis of risk topics with the Risks and Related Parties Committee;
- specific training courses are offered to employees in order to develop a common risk understanding and knowledge (for example concerning operational and reputational risks).

Risk appetite setting and relevant risk management processes

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

The main objectives of the Risk Appetite are:

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

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

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

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

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

In line with the principle of progressive integration of the environmental and social sustainability (ESG) set out in the risk appetite statement, and in accordance with the most recent indications issued by regulators on the subject, the Risk Appetite Dashboard integrates some risk / performance indicators aimed at monitoring, respectively, ESG objectives on strategic investments in the Group’s portfolio and the concentration of real estate guarantees in areas with high seismic / hydrogeological risk (specifically protecting against climate and environmental risk). Furthermore, during 2021, the RAF was updated in order to introduce some new elements in the field of conduct risk and transparency.

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

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

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

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

Intragroup and related parties transaction

On December 31, 2021, FinecoBank does not have any transactions either with the subsidiary Fineco Asset Management, or with other related parties that could have a significant impact on its risk profile and / or the Group’s risk profile.

Risk management objectives and policies

Relevant risks

Credit and counterparty risk

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

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

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

Counterparty risk may arise from:

- over the counter (OTC) derivatives;
- *Operation in Securities Financing Transaction* (repurchase agreements and stock lending operations);
- transactions with medium / long-term settlement.

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

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

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

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

- monitor, through second-level controls, the credit granted to customers, focusing more generally on the overall quality of the Bank's loan portfolio, promptly detecting any anomalies;
- support the CLO Department in the development and maintenance of the scoring models used by the Bank to assess the creditworthiness of its retail customers;
- verify, through second-level controls, the correct execution of the performance monitoring on individual exposures, assessing the consistency of prudential classifications and the adequacy of value adjustments;
- monitor, through second-level controls, the degree of concentration of financial collateral towards individual issuers, and real estate collateral in areas with high climatic and environmental risk;
- analyze the riskiness of individual products, periodically verifying the consistency of retail customer’s default rates calculated by the CLO Department;
- define a reporting model for the Group by specifying the rules for identifying stocks and flows;
- define credit parameters (PD and LGD) useful for product pricing, as part of the launch of new credit products;
- develop and maintain the methodologies for calculating expected losses in accordance with the IFRS9 accounting standard, and carry out data quality checks on provisions;
- developing and maintaining the models for calculating the Internal Capital of credit risks and applying the related stress scenarios;
- monitor credit risk and country risk deriving from the Group's strategic investments, taking into adequate consideration the exposure of counterparties to environmental, social and governance (ESG) risks, and their ability to deal with them;
- systematically verify compliance with the operating limits relating to margin trading activities and formulate scenario analyzes (stress tests) for assessing the sustainability of operations from an economic and capital point of view;
- support the CFO Department in formulating forecast and budget data relating to credit provisioning.

On December 31, 2021, the FinecoBank Group did not experience significant impacts in terms of deterioration of the credit portfolio directly related from the spread of the COVID-19 pandemic; for this reason, the Group did not deem it necessary to change either its credit strategies or its credit risk management, measurement and control policies.

For details on the support measures granted by FinecoBank to its customers, please refer to the section “Credit risk: value adjustments on loans”.

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

Market and liquidity risk

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

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

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

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

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

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

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

Il rischio di liquidità può essere sinteticamente definito come il rischio che il Gruppo, anche a causa di eventi futuri inattesi, non sia in grado di far fronte ai propri obblighi di pagamento ovvero di gestire in maniera efficiente la corrispondenza dei flussi di cassa attesi in entrata e in uscita.

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

- the short-term liquidity risk, which refers to the risk of imbalance between the amount and / or maturity of short-term cash inflows and outflows (less than one year);
- market liquidity risk, which represents the risk that the Group may face a significant and adverse price change, generated by exogenous and endogenous factors leading to losses, in the sale of liquid assets. In the worst-case scenario, the Group may not be able to sell these positions;
- structural liquidity risk, defined as the Group's inability to procure, in a stable and sustainable manner, the funds necessary to maintain an adequate ratio between assets and liabilities in the medium / long term (beyond the year) for a reasonable price without impacting the daily operations or the Group financial situation;
- the risk of stress or contingency, which is linked to future and unexpected obligations (for example withdrawal of deposits) and could require the Group to have a greater amount of liquidity than the one currently considered necessary to manage ordinary business;
- funding risk, which refers to the event that the Group is not able to effectively deal with any expected cash outflows.

To deal with its exposure to liquidity risk, the Group invests its liquidity core component, i.e., the liquidity component estimated as persistent and stable in medium / long-term investments by internal models. The non-core liquidity is used in liquid or easily salable assets, such as, for example, sight deposits, short-term loans or government securities eligible for short-term financing at the Central Bank.

The Group has a "Group Liquidity Policy", which establishes the principles and rules that the Group applies in liquidity ordinary and emergency management. The document also describes first and second level control activities and the liquidity governance, defining roles and responsibilities of the Parent Company's internal bodies and functions, which envisage the involvement of the Finance Team, the CRO Department, and the subsidiary. In March 2021, the Policy was updated in order to ensure consistency between the Liquidity Risk Contingency Plan, the Capital Contingency Plan, the Group RAF and the Group Recovery Plan.

Annually, the Group assesses the adequacy of the liquidity risk governance and management system (ILAAP process) and informs the supervisory authority according to the terms set out in the relevant legislation.

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

- monitor market risks, interest rate risks, exchange rate risks and liquidity risks on the basis of defined and validated models;
- systematically check compliance with the operating limits relating to trading activities, with reference to the Value at Risk (VaR) of the Trading Book;
- systematically check compliance with operating limits related to internalization activities, with reference to intraday VaR, end of the day Profit & Loss (P&L) and the maximum end of the day and intraday exposure;
- prepare periodic reports on compliance with operating limits;
- identify liquidity risks in collaboration with the CFO;
- monitor the limits related to the remunerated portfolio and check the consistency of product pricing policies;

- monitor the effectiveness of exchange risk hedges, with reference to the Forex VaR;
- carry out second level controls on the alignment to market conditions of transactions with Related Parties carried out by the Treasury Unit and by the Exchange Traded & OTC Markets Unit (investment in bonds, stock lending).

The Finance Team, as part of the controls related to liquidity risk, defines, in coordination with Planning, Capital Management, the CRO, Regulatory Affairs, the Investment Plan, the Funding Plan and the Contingency Funding Plan. The Team also carries out first line controls, i.e., controls inherent in the operational processes and aimed at ensuring compliance with liquidity risk limits through the correct performance of management from an operational and regulatory point of view.

Second level controls consist of monitoring and analysing regulatory and managerial liquidity metrics and in particular:

- daily analysing of the Operative Maturity Ladder report to ensure that the cumulative liquidity balance is positive in all time buckets;
- monthly monitoring of the Liquidity Coverage Ratio index to verify compliance with both the regulatory limit and internally set prudential thresholds, analysing where necessary any significant deviations due to endogenous or exogenous events;
- quarterly analysis of the Net Stable Funding Ratio index to verify the adequate availability of stable funding and evaluate any investment, modeling and collection operations in order to ensure the consistency of the index with the thresholds defined in the Risk Appetite Framework.

On December 31, 2021 there are no potential cash outflows “Contingent liquidity and funding needs”, such as, for example, accelerated repayment clauses or the release of further collateral connected with a downgrade of the Group itself.

During 2021, no impacts on the market risk profile deriving from the health emergency were recorded, neither on the banking book nor on the trading book. Overall funding has also increased since the start of the pandemic crisis and the Group's liquidity position is stable. Consequently, the Group has not changed the strategies, objectives or policies for liquidity and market risk management, measurement and control.

Operational and reputational risk

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

The exposure to Operational and Reputational Risks is measured by the Group through a series of indicators called Key Risk Indicators (KRI), maintained by the Operational & Reputational Risk Team. Key Risk Indicators are divided into control areas (Payment Cards, Compliance, HR, Legal, Securities Operations, Payment Systems, Complaints, Risk management, IT systems, Security, Administration, Audit, Reputation, Transparency, AML / CFT). Any anomalous values registered by indicators is brought to the attention of the Board of Directors through the quarterly report on the Group's risk exposures.

Within the operational and reputational risk monitoring dashboard, a set of ESG relevant indicators has been identified, as their anomalous value could signal specific risks relating to the relationship with customers (e.g., complaints received from customers, problems availability or security in IT systems), with personnel (e.g. turnover) or with Regulators with consequences on the sustainability of the business. Finally, during 2021 the number of indicators was further increased in order to strengthen controls on the subject of conduct risk and banking transparency.

During 2021, with the adoption of the Global Policy "Operational Risk Management Framework for the assessment of IT and Cyber risk", the Group has defined a common approach for ICT risk assessment. The outcome of the analysis, carried out with the collaboration of the business, ICT and Organization structures of the Group, was submitted to the attention of the Board of Directors in December 2021. The analysis showed that, compared to the volumes of business treated and the complexity of the processes involved, FinecoBank's residual ICT risk is on average low. The residual risk exposure was formally accepted by Fineco process managers without the need to identify further mitigation measures.

The Group's goal is also to protect the customers and the business by ensuring data security, expressed in its characteristics of availability, confidentiality and integrity. Particular attention is in fact paid to Cyber Security & Fraud Management issues right from the system design phase, as elements enabling the correct definition of the solutions and services offered, also taking advantage of the opportunities offered by the evolving regulatory context, in order to ensure a comprehensive customer security while maintaining user-friendly solutions. For further details on Cyber Security and Fraud Management, please refer to the Consolidated Non-Financial Disclosure of December 2021 of the FinecoBank Group, published on the FinecoBank website (https://www.finecobank.com).

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

- internal fraud;
- external fraud;
- employment practices and workplace safety;
- clients, products and business practices;
- damages to physical assets;

- business disruption and system failures;
- execution, delivery and process management.

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

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

- define the operational risk mitigation and control system, in compliance with the provisions of external legislation and, in accordance with the indications of the Board of Directors, with the operational evolution of the Group;
- regularly prepare reports on exposure to operational and reputational risks aimed at informing and supporting management decisions;
- predisporre un sistema di Indicatori di Rischio per prevenire i rischi operativi e reputazionali, anche derivanti da fattori ambientali, sociali e di governance (ESG);
- ensure that operational loss data recorded by the different departments of the Group be regularly and promptly recorded;
- carry out, in collaboration with the other company functions, scenario analysis aimed at identifying and preventing potentially high impact losses, even if unlikely;
- propose operational risk mitigation strategies to the CRO;
- provide support and training on the control of operational risks to the Group's structures;
- ensure the monitoring of reputational risk within the perimeter defined by the Group;
- carry out systematic remote controls, through Risk Indicators, on the entire network of financial advisors, in order to mitigate fraud risk arising from financial advisors operations;
- carry out ex-post controls on the monitoring carried out by the Control Network, Monitoring and Network Services Department in relation to internal frauds perpetrated by financial advisors against customers, in order to identify areas for improvement;
- implement and update the early warning indicators management system also in relation to new company activities and regulations;
- evaluate the effectiveness of insurance coverage on financial advisors bad behavior, considering renewals, limits and deductibles;
- assess the operational and / or reputational risks resulting from the most significant transactions (e.g., significant outsourcing agreements), ensuring their consistency with the RAF;
- ensure the effective implementation of the IT risk assessment methodology, supporting and coordinating the individual functions involved, each within their competence, during the ICT risk assessment process.

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

During 2021, the KRIs did not provide any indication of changes in the Group's risk profile nor were there any operational losses related to the COVID-19 emergency; for this reason, the Group did not deem it necessary to change the strategies, objectives or policies for the management, measurement and control of operational and reputational risks.

Risks arising from Environmental, Social and Governance (ESG) factors

Since 2020, the FinecoBank Group has begun a progressive integration of Environmental, Social and Governance risks into its risk management framework.

In the context of the annual Risk Inventory process for 2022, a focus on ESG risks and reputational risks was prepared. Since these are transversal risks, the analysis had as object of assessment the impact of environmental, social, reputational and governance risk factors on the traditional risk categories already managed and monitored by the Group.

The assessment of ESG risks, consistently with the priorities highlighted by the Regulators, focused on climate and environmental risks, and did not show a high incidence of the latter on the Group's risk profile. In fact, the limited exposure to companies protects the Group both from the risk of causing indirect impacts on the environment through the financing of counterparties with high environmental risk (e.g., industries in the energy sector) and from the risk of suffering the indirect effect of possible environmental events affecting its customers. In fact, the high diversification of the commercial portfolio (both in individual and territorial terms) protects against any deterioration in the solvency of customers due to environmental factors, such as extreme weather events or natural disasters. In particular, in consideration of the FinecoBank's business model, the risk categories impacted by ESG factors were credit risks, which, albeit marginally, could suffer the negative effects of physical and transitional events, and business risk, that in the long term may suffer the impacts deriving from changes in customer preferences as part of the adjustment process towards a low-emission economy.

In order to mitigate exposures to ESG risks, as part of the second level controls on credit risks, a series of monitoring activities has been envisaged. Such activities are aimed at safeguarding the most vulnerable areas, including by way of example the adoption of a specific environmental risk indicator (ND-Gain) in the context of country risk monitoring and the monitoring of real estate collateral concentration in areas with high climatic and environmental impacts under the RAF. In addition, ICAAP stress tests take into account both physical risk (deterioration of real estate as collateral for mortgage loans) and transition risk (change in customer preferences towards more ESG choices).

Risk management objectives and policies

For further information on the risks deriving from environmental, social and governance factors to which the Group is exposed, please refer to the 2021 Non-Financial Statement.

Other relevant risks

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

After identifying all relevant risks, the best method for analyzing them is defined: qualitative and quantitative. Quantitative measurement can be carried out using multiple tools, such as scenario analysis (in particular for risks that are difficult to quantify, such as reputational risk or compliance risk), VaR or by calculating Internal Capital. The latter represents the capital necessary for possible losses relating to the Group's activities and takes into account all risks defined by the Group as quantifiable in terms of Internal Capital in line with pillar II regulatory requirements. As of December 2021, the main risks included within the Overall Internal Capital of the Group are those of default, concentration, migration, market, interest rate, credit spread, operating, business and real estate. The Total Internal Capital is periodically subject to stress test exercises; this tool makes it possible to assess the vulnerability of the Group to "exceptional but plausible" events and provides additional information with respect to monitoring activities.

Disclosure on governance arrangements

The information in the EU OVB table on governance systems as required by Article 435(2)(a) to (e) of the CRR is provided below.

For information on the number of director positions held by members of the governance body, see section 4.3.2 of the Corporate Governance Report published on the bank's website www.finecobank.com under "governance".

Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise

In order to adopt the highest market standards, and based on the principles of efficiency and transparency, FinecoBank has approved the process to regulate the selection of candidates for the position of member of the Bank's board of directors, by the board itself (the "**Selection Process**").

In particular, the selection process applies to cases in which:

- the Board decides to submit a list of candidates to the Shareholders' Meeting;
- the Board is asked to substitute one or more directors in accordance with Article 2386 Civil Code;
- when publishing the qualitative-quantitative profiles on its website, the Board identifies possible names for the position of Director.

The Process also applies to the selection of candidates for the position of Chairman and Chief Executive Officer.

In the context of the selection process, the Nomination Committee, as required by the applicable laws and regulations, plays a central role and assists the Board of Directors in defining the roles and ability/experience and skills required for the position, and in identifying candidates for directorships.

The main entities involved in the process are:

The Board of Directors:

- approves the process for selecting candidates for membership of the Board of Directors;
- approves the Quali-Quantitative Profile;
- identifies the profile of the candidates, appoints the directors who will replace the outgoing board members and identifies candidates for the position of director where lists are submitted by the board to the Shareholders' Meeting, or potential candidates for the position of director where quali-quantitative profiles are published on the website.

The Nomination Committee:

- assists the Board of Directors in the various phases of the selection process;
- identifies the External Consultant on which the Committee Chairman confers the assignment;
- carries out the preliminary investigation for drafting of the Quali-Quantitative Profile;
- proposes the profile of ideal candidates and the proposed short list of candidates.

The Chairman of the Nomination Committee: ensures that the methods with which the process is carried out are effective and consistent with the aims of the Selection Process itself.

The External Consultant is one or more companies that:

- supports the Nomination Committee in the drafting of the Quali-Quantitative Profile;
- collaborates in defining the profile of candidates to be sought;
- provides support for the search for potential candidates ("head hunting").

If a list is submitted, or if the Board is called upon to replace one or more Directors pursuant to art. 2386 of the Italian Civil Code, or if it is called upon to identify, upon publication of the Quali-Quantitative Profile on the website, the possible candidates it deems suitable to hold the office of Director, the Nomination Committee:

- takes into account the results:
  - of the most recent self-assessment in order to assess the necessary updates to the Board's Quali-Quantitative Profile, where required;
  - in the case of submission of the List, of the peer-to-peer assessment, in order to identify a selection criterion and constitute the shortlist of members in office to be reappointed;
- constructs the "skills matrix" of the Board in order to highlight those skills to be sought in order to achieve the Board's Quali-Quantitative Profile;
- defines the profile of the persons to be sought and formulate the proposal to be submitted to the Board of Directors for approval.

The Board of Directors approves the profile of the ideal candidate(s) to be sought.

For more information on the process for selecting candidates to the position of director and appointing the board, please refer to Annex B to FinecoBank's Corporate Bodies' Regulation, as well as to sections 4.3 and 7.2 of the Corporate Governance Report and Ownership Structures, published on the bank's website www.finecobank.com under the section "governance".

Risk management objectives and policies

With reference to the knowledge, skills and experience of the members of the Board of Directors, reference should be made to the curricula vitae annexed to the Corporate Governance Report and Ownership Structures, published on the bank’s website www.finecobank.com under the section “governance”, as well as to the document entitled “List of skills possessed by the Directors” in compliance with the provisions of the document Qualitative and quantitative composition of FinecoBank Board of Directors” available on the bank’s website www.finecobank.com under the section “corporate – governance – company boards”.

Information on the diversity policy with regard of the members of the management body

Pursuant to the Corporate Bodies' Regulation, the number of Directors must be commensurate with the size and complexity of the Bank’s organizational structure, and allow for the supervision of all corporate operations, as far as management and control are concerned. Furthermore, this number should ensure that the Board of Directors includes (i) various representatives of the shareholder body, (ii) the professional expertise necessary to foster internal dialogue, and (iii) a sufficient number of independent members in accordance with the Corporate Governance Code. Finally, the Board’s composition shall ensure the gender balance provided for by the applicable legislation and reflect an adequate degree of diversification in terms of, inter alia, skills, experience, age and international outlook, which will be decided, on the occasion of each renewal of the body, following the completion of the self-assessment process of the Board of Directors as set out in Annex A to the Corporate Bodies' Regulation and communicated to shareholders and the market by publishing the document on the qualitative and quantitative composition of the body. Please bear in mind that in order to ensure that the Board functions properly, the Board of Directors has established requirements that FinecoBank Directors must possess, in addition to those envisaged under applicable legal and regulatory provisions, and the number of directorships positions they may hold in other companies, as illustrated in the document entitled “Qualitative and quantitative composition of the Board of Directors of FinecoBank S.p.A. (last version approved by the Board of Directors at its meeting of 16 March 2021), which is published on FinecoBank’s website under the section “corporate – governance – shareholders’ meeting 2021”.

With reference to information on the diversity of the Board and in particular on the issue of gender equality, reference should be made to the section 4.3.1 of the Corporate Governance Report published on the bank’s website www.finecobank.com under the section “governance”.

Risk and Related Parties Committee

The Board of Directors has set up an internal Risk and Related Parties Committee whose composition, functioning, organisation and activities are governed by the Corporate Bodies’ Regulation.

In the year 2021, the Committee met a total of 23 times; the meetings lasted an average three and a half hours, analysing the results of the activities carried out by the control functions (e.g., audit, compliance, anti-money laundering and risk management) through an in-depth review of the periodic and/or ad-hoc reports drawn up by the functions. Minutes were taken for each meeting by the designated Secretary.

For more information on the role of the Risks and Related Parties Committee and on its activities, please refer to FinecoBank’s Corporate Bodies’ Regulation, as well as to section 7 of the Corporate Governance Report and Ownership Structures, published on the bank’s website www.finecobank.com under the section “governance”.

Description on the information flow on risk to the management body

The corporate control functions (Compliance, Risk Management, Internal Audit and Anti-Money Laundering) send periodic flows directly to each of the Corporate Bodies, for the aspects falling within their remit.

These reports are typically prepared on the basis of specific requirements according to the applicable rules and regulations or internal self-regulations as identified by the Board of Directors in accordance with the Supervisory Regulations.

These reports must be sent directly to the Board of Statutory Auditors by the heads of these functions.

Furthermore, in order to implement the necessary organisational controls for the proper management of information flows and to provide the necessary information on other aspects (forms, tasks and duties and other content), specific organisational procedures have been adopted that accurately describe the activities and controls related to the “Management of the Board of Directors”, the “Management of confidential information”, based on the complexity of the information in question, as well as the “Global Policy for the management of transactions with parties in potential conflict of interest of the FinecoBank Group”.

For more information, please refer to FinecoBank’s Corporate Bodies’ Regulation, as well as to section 9 of the Corporate Governance Report and Ownership Structures, published on the bank’s website www.finecobank.com under the section “governance”.

Risk management objectives and policies

ICAAP Information

Below is the qualitative information referred to in the EU OVC table on the ICAAP (Internal Capital Adequacy Assessment Process), required in Article 438, letter a) of the CRR and relating to the method for assessing capital adequacy.

The internal capital adequacy assessment process (ICAAP) represents the process by which Entities carries out an autonomous evaluation, current and forward looking, of capital adequacy in relation to their risk exposure and corporate strategies.

The Group capital adequacy is assessed from a regulatory perspective and an economic perspective. As suggested by the "ECB Guide on the Internal Capital Adequacy Assessment Process (ICAAP)", the two perspectives complement each other. In particular:

- the **regulatory perspective** represents a multi-year assessment of the institution's ability to meet all regulatory requirements and supervisory expectations, as well as to cope with other external financial constraints, on an ongoing basis over the medium term. The goal is to ensure, also in a forward-looking perspective, that the allocation of Own Funds is sufficient to comply with the overall capital requirement (including P2R) and the Pillar 2 Guidance (P2G). To this end, the levels of indicators, such as the CET1 Ratio, Tier1 Ratio, Total Capital Ratio and the Leverage Ratio shall be higher than regulatory limits and the thresholds set in the Group Risk Appetite;
- the **Economic perspective** requires to measure the institution's ability to cope with its relevant risks (both those covered by Pillar I and II) and to check the coverage adequacy with respect to the available financial resources. In FinecoBank, the risk absorption is represented by the Overall Internal Capital, i.e., the capital requirement relating to a specific risk category which the Bank deems necessary to cover unexpected (those which exceed a given expected level). The ratio between Internal Capital and Available Financial Resources is called Risk Taking Capacity indicator, which represents the Pillar II capital adequacy metric.

The objective of the dual perspective is to take into account the mutual integration of information between Pillar I and II; in particular, the Guidelines suggest including in the regulatory perspective not only the typical regulatory risks (credit, market and operational) but also those nevertheless relevant to the Group in Pillar II (for example business risk or interest rate risk).

Preparatory to the ICAAP is the annual risk identification and mapping process as part of the Group's overall RAF setting process. The activity involves the identification by the CRO Department of the Parent Company 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. In this context, the Group defines the risks (other than credit, counterparty, market and operational risks) that shall be measured with quantitative methods and covered by the Internal Capital, and those for which control or mitigation measures (in combination or alternatively) would be more appropriate.

With reference to the regulatory perspective, the calculation of the RWAs for pillar I risks (credit, market and operational), aimed at determining the regulatory requirement, takes place through the standardized methods identified by regulation 575/2013 (CRR).

With reference to the economic perspective, for the calculation of the internal capital the Group has adopted its own methodology based on the estimate of the unexpected loss with a given time horizon (1 year) and with a certain probability. In particular:

- for **credit risks**, the internal capital is estimated by calculating the distribution of losses, i.e., the curve that expresses in an aggregate form the ratio between the probability of occurrence of the events of default of the counterparties and the overall potential loss for the Group associated. The category also considers default risk, i.e., the risk of counterparty insolvency, concentration risk and migration risk, i.e., the risk of deterioration of the creditworthiness of a counterparty (downgrade);
- for **market risks**, the estimate of Internal Capital is based on the estimate of the VaR of market risks using the historical simulation method. The simulation of the P&L series is carried out considering all risk factors (credit spread, interest rate, exchange rate, ...), reflecting not only historical volatility and correlation levels, but the entire historical distribution of risk factors (for example asymmetry and kurtosis);
- for **business risk**, the estimate of internal capital is based on the analysis of the quarterly historical series of the company's gross operating profit. The goal is to isolate the unpredictable profit trend as the volatility of this share represents the actual exposure to business risk;
- for **real estate risk**, in line with the regulatory perspective, is considered the regulatory requirement equal to 8% of the Risk Weighted Assets of the real estate book value and of the expected cash flows from leased properties;
- for **operational risk**, on the other hand, is adopted the same regulatory approach adopted for pillar I (Standardized method).

Stress test scenarios are conducted for both the Economic and the Regulatory perspectives, used to provide Corporate Bodies with a better risk exposure assessment and the related mitigation and control systems; stress tests outcomes are used for strategic management purposes of the Group but do not define the level of capital adequacy.

There are two ICAAP scenarios applied, of increasing intensity, Moderate and Adverse; both are based on a consistent macroeconomic and financial framework, applied uniformly to the variables considered.

Eventually, in light of the growing attention to environmental issues by the main prudential and regulatory authorities at a global level and the recent regulatory developments on financial risks linked to environmental, social and governance (ESG) factors, the stress program for the 2021 was enriched with a further scenario analysis focused on this particular area.

With reference to the 2021 ICAAP process, concerning the data as of December 31, 2020, the Group confirmed its capital adequacy. All the indicators relating to the Economic and Regulatory perspective are above the minimum regulatory levels and the objectives defined in the Risk Appetite. The stress tests, on the other hand, confirmed the solidity of the Group, which remains at very high levels of capitalization.

Risk management objectives and policies

SREP information

The ICAAP process, together with the ILAAP process, i.e., the internal process for assessing the adequacy of the liquidity risk governance and management system, is subject to review by the supervisory authorities as part of the Supervisory Review and Evaluation Process (SREP). This process is aimed at formulating an overall assessment on the Bank and implementing corrective measures, where necessary.

The elements subject to assessment in the SREP process are the feasibility and sustainability of the business model, the adequacy of governance and risk management, capital risk assessment, liquidity and funding risk assessment. The final SREP assessment may result into:

- additional quantitative capital measures. Specifically, Banks are required to hold an additional Pillar I regulatory requirement aimed at capturing underestimated risks or those not included in Pillar I (so-called Pillar 2 Requirement, P2R). In addition, the Supervisory Authority may ask to hold an additional buffer aimed at maintaining sufficient capital in stressed situations (Pillar 2 Guidance, P2G);
- additional quantitative liquidity measures;
- other supervisory measures.

In 2021, the SREP process relating to December 31st 2020 was conducted by the Bank of Italy, as the FinecoBank Group was classified as "Less Significant Institution High Priority", and fell within the scope of the latter's competence.

As reported in the introductory chapter, on 15 September 2021, the European Central Bank notified its intention to adopt a decision relating to the classification of FinecoBank as a Significant Institution, starting from 1 January 2022. This decision is justified by the overcoming, on 31 December 2020, of the significance threshold in the total value of assets, equal to 30 billion euro, identified by the aforementioned regulation 468/2014 (SSM). As a consequence, in 2022, the annual supervisory review and evaluation process (SREP) will be carried out by a Joint Supervisory Team (JST), composed of analysts from the ECB's DG "Specialized Institutions & LSIs" and the “Banking Supervision 1 Service” of the Bank Italy.

Scope of application

Name of the bank to which the disclosure requirements apply

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

It should be noted that on 22 July 2021, FinecoBank completed the acquisition of a 20% stake in Hi-MTF Sim S.p.A; this stake, which is subject to significant influence, was consolidated using the equity method.

Differences in the basis of consolidation for accounting and prudential purposes

The information contained in this document refers only to the "Banking Group", as defined by current supervisory regulations.

EU LI1 and EU LI2 templates on the differences between the scope of accounting consolidation and the scope of regulatory consolidation and the association of balance sheet categories with regulatory risk categories and the sources of differences between exposure amounts determined for regulatory purposes and the carrying amounts in the balance sheet, required by Article 436(c) and (d) of the CRR, are provided below. Please note that columns (a) and (b) of EU LI1 are merged as the scope of accounting consolidation and the scope of prudential consolidation are the same.

In addition, the qualitative disclosures in the EU LIA table on the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation and the exposure amount used for regulatory purposes and in the EU LIB table on any impediment to the prompt transfer of own funds required by Article 436(b), (d) and (f) of the CRR are provided below.

EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

(Amounts in € thousand)

		a-b	c	d	e	f	g
		Carrying values as reported in published financial statement and under scope of prudential consolidation	Carrying values of items				
			subject to the credit risk framework	subject to the CCR framework	subject to the securitisation framework	subject to the market risk framework	not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset classes according to the balance sheet in the published financial statements						
1	10. Cash and cash balances	1,464,182	1,464,182	-	-	-	-
2	20. Financial assets at fair value through profit and loss	25,778	5,233	3,310	-	16,930	305
	a) financial assets held for trading	20,240	-	3,310	-	16,930	-
	c) other financial assets mandatorily at fair value	5,538	5,233	-	-	-	305
3	30. Financial assets at fair value through other comprehensive income	39,017	39,017	-	-	-	-
4	40. Financial assets at amortised cost	30,895,959	30,456,371	193,499	-	-	246,090
	a) loans and receivables with banks	5,757,506	5,757,285	222	-	-	-
	b) loans and receivables with customers	25,138,453	24,699,086	193,276	-	-	246,090
5	50. Hedging derivatives	127,448	-	127,448	-	-	-
6	60. Changes in fair value of portfolio hedged financial assets (+/-)	(1,535)	-	-	-	-	(1,535)
7	70. Equity investments	1,294	1,294	-	-	-	-
8	90. Property, plant and equipment	150,347	150,347	-	-	-	-
9	100. Intangible assets	128,686	11,500	-	-	-	117,186
	- of which: goodwill	89,602	-	-	-	-	89,602
10	110. Tax assets	42,974	44,912	-	-	-	(1,938)
	b) deferred tax assets	42,974	44,912	-	-	-	(1,938)
11	130. Other assets	993,025	993,025	-	-	-	-
	Total assets	**33,867,175**	**33,165,881**	**324,256**	**-**	**16,930**	**360,108**

Continued: EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

(Amounts in € thousand)

		a-b	c	d	e	f	g
		Carrying values as reported in published financial statement and under scope of prudential consolidation	Carrying values of items				
			subject to the credit risk framework	subject to the CCR framework	subject to the securitisation framework	subject to the market risk framework	not subject to own funds requirements or subject to deduction from own funds
	Breakdown by liability classes according to the balance sheet in the published financial statements						
12	10. Financial liabilities at amortised cost	31,570,201	-	147,217	-	-	31,422,984
	a) deposits from banks	1,225,213	-	46,916	-	-	1,178,297
	b) deposits from customers	29,847,722	-	100,301	-	-	29,747,421
	c) debt securities in issue	497,266	-	-	-	-	497,266
13	20. Financial liabilities held for trading	4,417	-	2,214	-	2,203	-
14	40. Hedging derivatives	57,313	-	57,313	-	-	-
15	50. Changes in fair value of portfolio hedged financial liabilities (+/-)	7,950	-	-	-	-	7,950
16	60. Tax liabilities	35,864	-	-	-	-	35,864
	a) current tax liabilities	35,864	-	-	-	-	35,864
17	80. Other liabilities	342,844	-	-	-	-	342,844
18	90. Provisions for employee severance pay	5,033	-	-	-	-	5,033
19	100. Provisions for risks and charges:	116,756	-	-	-	-	116,756
	a) commitments and guarantees given	52	-	-	-	-	52
	c) other provisions for risks and charges	116,704	-	-	-	-	116,704
20	120. Revaluation reserves	(5,877)	-	-	-	-	(5,877)
21	140. Equity instruments	500,000	-	-	-	-	500,000
22	150. Reserves	650,202	-	-	-	-	650,202
23	160. Share premium reserve	1,934	-	-	-	-	1,934
24	170. Share capital	201,267	-	-	-	-	201,267
25	180. Treasury shares (-)	(1,440)	-	-	-	-	(1,440)
26	200. Net Profit (Loss) for the year	380,711	-	-	-	-	380,711
	Total liabilities	**33,867,175**	**-**	**206,744**	**-**	**2,203**	**33,658,228**

The allocation of the amounts in column a-b) across columns from c) to f) is based on the following approach:

- for balance sheet assets' items such amount depends on the risk categories, they may be subject to, including also those items which do not involve capital requirement;
- the liability items have been classified by taking into account the amount of liabilities involved in the calculation of risk-weighted assets or used to offset asset items;
- derivative contracts that are included in financial assets and liabilities held for trading have been included in column d) and subject to the CCR framework, but are also subject to market risk framework (column f);
- with reference to tax assets and liabilities, the amounts disclosed are calculated net of deferred tax liabilities according to CRR netting rules, which are different from the accounting netting rules reflected into the carrying values under column a-b).

The amount of Total Assets disclosed under the column g) includes the following items:

- items subject to deduction from own funds of 115,553 thousand euros, primarily due to "Intangible assets" (amounting to 117,186 thousand euros) and deferred tax liabilities (amounting to 1,934 thousand euros) used to reduce the amount of "Intangible assets";
- items not subject to own funds requirements amounting to 244,555 thousand euros, mainly due to assets provided as collateral to a CCP that cannot be claimed in the event of insolvency proceedings, should the CCP become insolvent (art. 306 of the CRR).

For items under the balance sheet liabilities side, in addition to the liabilities which are not included in the regulatory framework for risk-weighted exposures (for a total of 33,414,871 thousand euros), column g) includes the following prudential elements/filters deducted from Own Funds:

- direct holdings of own CET1 instruments held for 1,440 thousand euro;
- dividends and other foreseeable charges related to accrued interest on Additional Tier 1 instruments issued by FinecoBank amounting to 239,451 thousand euros.

EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

(Amounts in € thousand)

		a	b	c	d	e
			Items subject to			
		Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	**33,507,067**	**33,165,881**	**-**	**324,256**	**16,930**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	**(208,947)**	**-**	**-**	**(206,744)**	**(2,203)**
3	**Total net amount under the scope of prudential consolidation**	**33,298,120**	**33,165,881**	**-**	**117,512**	**14,727**
4	Off-balance-sheet amounts	1,863,897	1,863,897	-	-	
5	Differences in valuations	-	-	-	-	
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	
7	Differences due to consideration of provisions	-	-	-	-	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(6.677.179)	(6,417,964)	-	(259.215)	
9	Differences due to credit conversion factors	(908,772)	(908,772)	-	-	
10	Differences due to Securitisation with risk transfer	-	-	-	-	
11	Other differences	2.098.430	-	-	2.098.430	
12	**Exposure amounts considered for regulatory purposes**	**29,674,497**	**27,703,042**	**-**	**1,956,727**	**14,727**

EU LIA - Explanations of differences between accounting and regulatory exposure amounts

The template EU LI2 provides the reconciliation between the carrying value amount under the scope of regulatory consolidation (as reported in template EU LI1), and the exposure amount considered for regulatory purposes (i.e., EAD) for the exposures subject to credit risk, CCR and market risk.

With reference to the rows 1 and 2, the amounts disclosed in columns from b) to e) correspond to the carrying value under the scope of regulatory consolidation of the balance sheet assets and liabilities, as reported in columns from c) to f) of template EU LI1 in the present section.

The amount shown in line 3 is equal to the value of line 1 reduced by the value of line 2 of this model.

Off-balance sheet amounts and differences due to credit conversion factors mainly relate to available margin on overdraft facilities that are subject to more favorable credit conversion factors for the purpose of calculation of exposure subject to the regulatory requirements.

In the calculation of the exposure subject to the credit risk framework, the difference due to CRM techniques refers to the effects recognized, in accordance with the CRR, to collateral received in pledge, in particular UCITS shares.

In the framework of counterparty risk, the difference due to CRM techniques, includes recognition of master netting agreements, offsetting with collateral on OTC derivatives, recognition of collateral under the financial collateral comprehensive method for SFT. The other differences are due to the application of the SA-CCR method for derivative exposures and the counterparty risk of SFT not booked in the financial statements.

Scope of application

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

FinecoBank is a banking group subject to the prudential rules laid down in Directive (EU) 2019/878 of the European Parliament and of the Council (so-called CRD V) amending Directive 2013/36/EU on the "access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" and Regulation (EU) 2013/575 of the European Parliament and of the Council "prudential requirements for credit institutions and investment firms" and subsequent Directives and Regulations amending its content, including, in particular, the Directive (EU) 2019/878 (so called CRD V), the Regulation (EU) 2019/876 of the European Parliament and of the Council (so-called CRR II) and the Regulation (EU) 2020/873 of the European Parliament and of the Council (so called CRR Quick-fix). At present, the only subsidiary is Fineco AM, a company incorporated under Irish law which, although not subject to the CRR/CRD, is subject to local rules designed to preserve adequate capitalisation in relation to assets under management and operating expenses; therefore, the subsidiary's ability to distribute capital or dividends is subject to compliance with these rules in terms of capital requirements.

Key metrics

The EU KM1 template on key metrics is presented below, the details and qualitative information of which are reported in the specific sections of this document.

The following EU KM1 template contains the information required by Article 447 of the CRR, in particular:

- the composition of their own funds and their own funds requirements;
- the total amount of risk exposure;
- the amount and composition of additional own funds that institutions are required to hold;
- the combined buffer requirement that institutions are required to hold;
- the leverage ratio and exposure measure;
- information in relation to liquidity coverage ratio;
- information in relation to net stable funding requirement.

All minimum requirements applicable to the FinecoBank Group as of 31 December 2021 are largely met.

The calculation of Own Funds, and in particular of CET1 capital, on 31 December 2021 took into account dividends to be distributed from 2021 profits for a total amount of 237,947 euro thousand, which the Board of Directors will propose for approval at the Shareholders' Meeting to be held on 28 April 2022.

With reference to Own Funds, and in particular to CET1 Capital, shown in the table below, it should be noted that the figures as at 30 September 2021 and 30 June 2021 were determined by considering in the foreseeable charges the dividends drawn from the available profit reserves, amounting to 323,247 euro thousand, approved by the Shareholders' Meeting on 21 October 2021, on the proposal of the Board of Directors on 3 August 2021, and paid on 24 November 2021, while the figures as at 31 March 2021 and 31 December 2020 included the 2019 and 2020 profits, entirely allocated to reserves in accordance with the recommendations of the European Central Bank and the Bank of Italy on dividend policy in force at the time.

It is recalled that, taking into account the European Central Bank and the Bank of Italy recommendations issued on 15 December 2020 and 16 December 2020 respectively, relating to dividend policy in the context of the Covid-19 pandemic, the Shareholders' Meetings of 28 April 2020 and 28 April 2021 approved the allocation to reserves of the entire profit for the financial years 2019 and 2020 respectively. Subsequently, following the European Central Bank's decision of 23 July 2021 not to extend Recommendation ECB/2020/62 beyond September 2021 and the publication on 27 July of the Bank of Italy's new recommendation on the distribution of dividends and banks' variable remuneration policies, Fineco's Board of Directors on 3 August 2021 had resolved to propose to the Shareholders' Meeting the distribution of a unit dividend of 0.53 euro for each of the 609, 899,770 shares for a total amount of 323,247 euro thousand, drawn from available profit reserves.

EU KM1 - Key metrics

(Amounts in € thousand)

		a	b	c	d	e
		12/31/2021	**9/30/2021**	**6/30/2021**	**3/31/2021**	**12/31/2020**
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	868,214	841,297	823,545	1,115,841	1,088,909
2	Tier 1 capital	1,368,214	1,341,297	1,323,545	1,615,841	1,588,909
3	Total capital	1,368,214	1,341,297	1,323,545	1,615,841	1,588,909
	Risk-weighted exposure amounts					
4	Total risk exposure amount	4,617,708	4,580,050	4,430,634	4,208,358	3,812,385
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	18.80%	18.37%	18.59%	26,51%	28,56%
6	Tier 1 ratio (%)	29.63%	29.29%	29.87%	38,40%	41,68%
7	Total capital ratio (%)	29.63%	29.29%	29.87%	38,40%	41,68%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.86%	1.86%	1.86%	1,86%	1,86%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.04%	1.04%	1.04%	1,04%	1,04%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.40%	1.40%	1.40%	1,40%	1,40%
EU 7d	Total SREP own funds requirements (%)	9.86%	9.86%	9.86%	9,86%	9,86%

Continued: EU KM1 - Key metrics

(Amounts in € thousand)

		a	b	c	d	e
		12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.005%	0.005%	0.005%	0.003%	0.003%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	2.505%	2.505%	2.505%	2.503%	2.503%
EU 11a	Overall capital requirements (%)	12.365%	12.365%	12.365%	12.363%	12.363%
12	CET1 available after meeting the total SREP own funds requirements (%)	13.26%	12.83%	13.05%	20.97%	23.02%
	Leverage ratio					
13	Total exposure measure	34,045,310	33,223,505	32,851,896	33,844,724	32,792,126
14	Leverage ratio (%)	4.02%	4.04%	4.03%	4.77%	4.85%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.19%	3.19%	3.19%	0.00%	0.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.19%	3.19%	3.19%	-	-
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	18,385,292	17,827,332	17,140,336	16,588,447	16,207,278
EU 16a	Cash outflows - Total weighted value	3,703,558	3,596,183	3,502,658	3,423,112	3,380,730
EU 16b	Cash inflows - Total weighted value	1,463,918	1,412,908	1,418,702	1,425,800	1,467,603
16	Total net cash outflows (adjusted value)	2,239,640	2,183,275	2,083,956	1,997,312	1,913,127
17	Liquidity coverage ratio (%)	828.09%	824.61%	834.44%	841.27%	858.09%
	Net Stable Funding Ratio					
18	Total available stable funding	29,534,899	29,006,232	29,260,008		
19	Total required stable funding	9,080,548	8,730,136	9,104,320		
20	NSFR ratio (%)	325.25%	332.25%	321.39%		

Please note that the EU KM1 template shows the NSFR starting from 30/06/2021, as this metric came in force stating from that date. In addition, the information on the Liquidity Coverage Ratio refers to the weighted average values, consistent with the representation provided in the EU LIQ1 template.

Own Funds

From January 1, 2014, the calculation of the capital requirements takes account of the “Basel 3” regulatory framework, transposed in the Regulation 575/2013/EU on the prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – “CRR”) and subsequent Regulations amending its content, in particular Regulation (EU) 876/2019 ("CRR II"), and the Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive 4 – “CRD 4”), and subsequent Directive that modify its content, which transpose into the European Union the standards defined by the Basel Committee for Banking Supervision (so-called Basel 3 framework), collected and implemented by the Bank of Italy through Circular no. 285 of 17 December 2013 "Supervisory Provisions for Banks" and subsequent updates.

Those regulations establish the following structure for Own Funds:

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

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

Own funds, which amounted to 1,368,214 euro thousand as of 31 December 2021, consisted of Common Equity Tier 1 (CET1) and Additional Tier 1 capital, there were no Tier 2 items. The retained earnings included in Common Equity Tier 1 Capital as at 31 December 2021 were calculated considering dividends to be distributed for a total of 237,947 euro thousand, which the Board of Directors will propose to approve to the Shareholders' Meeting called for 28 April 2022, and foreseeable charges of 1,504 euro thousand represented by the coupons, net of the related taxation, accrued on the Additional Tier 1 financial instruments issued by FinecoBank, assuming that the conditions set out in Article 26(2) of EU Regulation 575/2013 (CRR) are met.

The following EU CC1 and EU CC2 templates show the information required by article 437 letters a) d), e) and f) of the CRR. Specifically, the composition of regulatory capital is reported (elements of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, filters and deductions applied to the institution's own funds) as well as a reconciliation of these elements to the balance sheet in the audited consolidated financial statements as of 31 December 2021. In addition, the EU CCA table shows the characteristics of capital instruments and eligible liabilities issued by Fineco, as required by Article 437 (b) and (c) of the CRR.

EU CC1 - Composition of regulatory own funds

(Amounts in € thousand)

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		12/31/2021	
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts (A)	200,816	22, 23 e 27
	of which: ordinary shares	200,816	22, 23 e 27
2	Retained earnings (B)	613,809	21
3	Accumulated other comprehensive income (and other reserves) (C)	30,515	19 e 21
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend (D)	141,260	25 e 26
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**986,400**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount) (E)	(262)	29
8	Intangible assets (net of related tax liability) (negative amount) (F)	(115,248)	8 e 9
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount) (G)	(2,371)	24,28 e 31
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative (H)	(305)	30
EU-20b	*of which: qualifying holdings outside the financial sector (negative amount)*	-	
EU-20c	*of which: securitisation positions (negative amount)*	*(305)*	*30*
EU-20d	*of which: free deliveries (negative amount)*	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	*of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	-	

Continued: EU CC1 - Composition of regulatory own funds

(Amounts in € thousand)

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		12/31/2021	
25	*of which: deferred tax assets arising from temporary differences*	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	-
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments	-	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(118,186)**	
29	**Common Equity Tier 1 (CET1) capital**	**868,214**	
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts (I)	500,000	20
31	*of which: classified as equity under applicable accounting standards*	*500,000*	
32	*of which: classified as liabilities under applicable accounting standards*	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	*of which: instruments issued by subsidiaries subject to phase out*	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**500,000**	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	
44	**Additional Tier 1 (AT1) capital**	**500,000**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,368,214**	**33**

Continued: EU CC1 - Composition of regulatory own funds

(Amounts in € thousand)

		(a)	(b)
		Amounts 12/31/2021	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	*of which: instruments issued by subsidiaries subject to phase out*	-	
50	Credit risk adjustments	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**-**	
59	**Total capital (TC = T1 + T2)**	**1,368,214**	
60	**Total Risk exposure amount**	**4,617,708**	
	Capital ratios and requirements including buffers		
61	Common Equity Tier 1 capital	18.80%	
62	Tier 1 capital	29.63%	
63	Total capital	29.63%	
64	Institution CET1 overall capital requirements	8.04%	
65	*of which: capital conservation buffer requirement*	*2.50%*	
66	*of which: countercyclical capital buffer requirement*	*0.005%*	
67	*of which: systemic risk buffer requirement*	*0.00%*	
EU-67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement*	*0.00%*	
EU-67b	*of which: additional own funds requirements to address the risks other than the risk of excessive leverage*	*1.04%*	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**13.26%**	

Continued: EU CC1 - Composition of regulatory own funds

(Amounts in € thousand)

		(a)	(b)
		Amounts 12/31/2021	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	13,623	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	42,140	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Notes to the template "EU CC1 - composition of regulatory own funds" (Article 437, paragraph 1, letters d) e e) of CRR)

Amounts and sub-amounts that are not applicable are not reported.

A. This item is made up of the share capital, consisting of 609,899,770 ordinary shares with a nominal value of 0.33 euro, in the amount of 201,267 euro thousand, the share premium reserve, in the amount of 1,934 euro thousand, net of own CET1 instruments held by customers who simultaneously used a line of credit, even if not granted for this purpose, in the amount of 2,385 euro thousand, which due to Article 28 of European Regulation 575/2013 cannot be qualified as own funds.

B. The item is made up of the legal reserve, the extraordinary reserve, consolidation reserve and other net profit reserves.

C. Accumulated other comprehensive income (AOCI) consisted of the net positive reserve of debt securities issued by central governments held in the "Financial assets at fair value through profit or loss" portfolio, for 410 euro thousand, and the negative reserve of defined benefit plans for 6,287 euro thousand. The item also includes Other reserves related to equity settled plans for 36,392 euro thousand.

D. The amount recognised in Own Funds as of 31 December 2021 was calculated considering dividends to be distributed for 2021 amounting to 237,947 euro thousand and foreseeable charges of 1,504 euro thousand, determined as described previously.

E. This item includes the filter for additional valuation adjustments (AVA) in the amount of 262 euro thousand calculated on the balance sheet assets and liabilities measured at fair value, determined using the simplified method.

F. This item includes goodwill net of deferred taxation for 89,151 euro thousand and other intangible assets net of deferred taxation for 26,097 euro thousand.

G. This item includes treasury shares directly held in the amount of 1,440 euro thousand, treasury shares that the Bank has an actual or contingent obligation to purchase in the amount of 850 euro thousand, equal to the maximum outlay provided by the repurchase of treasury shares in implementation of the long-term incentive plan “2021 PFA System” authorized by the Supervisory Authority, and treasury shares synthetically held in the amount of 81 euro thousand.

H. The item includes the balance sheet amount of exposures in equity instruments relating to the Voluntary Scheme contribution made in 2017 as part of the intervention for the recovery of Caricesena, Carimi e Carismi. The equity instruments represent an indirect exposure in junior and mezzanine debt under the securitization subscribed by the Voluntary Scheme, and therefore they are deduced from Own Funds.

I. Additional Tier 1 consists of:

   i. the Additional Tier 1 bond issued on 31 January 2018. The financial instrument is a perpetual, private placement, issued for a total of 200 euro million, entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years is fixed at 4.82%. During the year 2021 the coupon payment was recognized as a reduction of 6,989 euro thousand in the extraordinary reserve, net of the related taxes;

   ii. the Additional Tier 1 bond 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 euro million. The coupon for the first 5 years has been fixed at 5.875%. During the year 2021 the coupon payment was recognized as a reduction of 12,778 euro thousand in the extraordinary reserve, net of the related taxes.

Please note that as of 31 December 2021 the amount of deferred tax assets (DTAs) that are based on future profitability and arise from temporary differences net of the related deferred tax liabilities (DTLs) do not exceed the threshold for deduction from Own Funds.

With reference to the provisions contained in the CRR Quick-fix, it should be noted that the Group has not made use of the option to apply the transitional regimes related to unrealized gains and losses measured at fair value recognized in other comprehensive income in light of the COVID-19 pandemic and to the introduction of IFRS 9, as a result, FinecoBank Group's own funds and capital as at 31 December 2021 already fully reflect the impact of this items. Therefore, the table "Template IFRS 9/Article 468-FL: Comparison of institutions’ own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR" is not subject to publication.

EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

(Amounts in € thousand)

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref. to template CC1
		12.31.2021	12.31.2021	
	Balance sheet - Assets			
1	10. Cash and cash balances	1,464,182	-	
2	20. Financial assets at fair value through profit and loss	25,778	-	
	a) financial assets held for trading	20,240	-	
	c) other financial assets mandatorily at fair value	5,538	-	
3	30. Financial assets at fair value through other comprehensive income	39,017	-	
4	40. Financial assets at amortised cost	30,895,959	-	
	a) loans and receivables with banks	5,757,506	-	
	b) loans and receivables with customers	25,138,453	-	
5	50. Hedging derivatives	127,448	-	
6	60. Changes in fair value of portfolio hedged financial assets (+/-)	(1,535)	-	
7	70. Equity investments	1,294	-	
8	90. Property, plant and equipment	150,347	-	
9	100. Intangible assets	128,686	(117,186)	8
	- of which: goodwill	89,602	(89,602)	
10	110. Tax assets	42,974	1,938	8
	b) deferred tax assets	42,974	1,938	
11	130. Other assets	993,025	-	
	Total assets	**33,867,175**	**-**	
	Liabilities and shareholders' equity			
12	10. Financial liabilities at amortised cost	31,570,201	-	
	a) deposits from banks	1,225,213	-	
	b) deposits from customers	29,847,722	-	
	c) debt securities in issue	497,266	-	
13	20. Financial liabilities held for trading	4,417	-	
14	40. Hedging derivatives	57,313	-	
15	50. Changes in fair value of portfolio hedged financial liabilities (+/-)	7,950	-	
16	60. Tax liabilities	35,864	-	
	a) current tax liabilities	35,864	-	
17	80. Other liabilities	342,844	-	
18	90. Provisions for employee severance pay	5,033	-	
19	100. Provisions for risks and charges:	116,756	-	
	a) commitments and guarantees given	52	-	
	c) other provisions for risks and charges	116,704	-	
20	120. Revaluation reserves	(5,877)	(5,877)	2 e 3
21	140. Equity instruments	500,000	500,000	30
22	150. Reserves	650,202	650,202	2 e 3

Continued: EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

(Amounts in € thousand)

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref. to template CC1
		12.31.2021	12.31.2021	
23	160. Share premium reserve	1,934	1,934	1
24	170. Share capital	201,267	201,267	1
25	180. Treasury shares (-)	(1,440)	(1,440)	16
26	200. Net Profit (Loss) for the year	380,711	380,711	EU5a
	Total liabilities and Shareholders' equity	**33,867,175**	**-**	
	Total other elements, of which:		**(243,335)**	
27	Net profits not included in Own Funds		(239,451)	EU5a
28	Own CET1 instruments held by customers who simultaneously used a line of credit		(2,385)	1
29	Treasury shares that the Bank has an actual or contingent obligation to purchase		(850)	16
30	Prudential filters (-) fair value adjustments		(262)	7
31	Prudential filters (-) deduction of the exposure in equity instruments to the Voluntary Scheme with underlying positions to securitization		(305)	EU20a-EU20c
32	Deductions of holdings of own Common Equity Tier 1 capital instruments synthetically		(81)	16
33	**Total Own Funds**		**1,368,214**	59

There are no differences in the accounting figures for the Balance Sheet Perimeter and the Prudential Perimeter.

The sign (+/-) represents the contribution (positive/negative) to Own Funds.

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Own Funds evolution (*Enhanced Disclosure Task Force* recommendation – EDTF)

(Amounts in € thousand)

	07.01.2021 /12.31.2021	07.01.2021 /12.31.2021
Common Equity Tier 1 Capital - CET1		
Start of period	**823,545**	**1,088,909**
Instruments and Reserves		
Share capital and issue-premium reserves	(867)	(696)
of which: own CET1 instruments held by customers who simultaneously used a line of credit	(867)	(810)
CET1 instruments that the Bank has an actual or contingent obligation to purchase	-	150
Retained earnings	(333,065)	(8,500)
Accumulated other comprehensive income (AOCI) and other reserves	(861)	3,026
Net profit of the period	164,041	216,670
Dividends and other foreseeable charges	(108,734)	(130,716)
Foreseeable charges represented by dividends from retained earnings	323,247	(323,247)
Regulatory adjustments		
Additional regulatory adjustments	118	104
Intangible assets net of related liabilities	794	(21,898)
Direct, indirect and synthetic holdings by an institution of own CET1 instruments	(15)	(261)
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative: securitisation positions	2	13
Insufficient coverage for non-performing exposures	9	(9)
End of period	**868,214**	**823,545**
Additional Tier 1 – AT1 Capital		
Start of period	**500,000**	**500,000**
Additional Tier 1 issued in the period	-	-
End of period	**500,000**	**500,000**
TIER 2 – T2 Capital		
Start of period	-	-
Other transitional adjustments on Tier 2 capital	-	-
End of period	-	-
TOTAL OWN FUNDS	**1,368,214**	**1,323,545**

Own Funds amounted to 1,368,214 euro thousand, showing an increase of 44,669 euro thousand compared to 30 June 2021, mainly due to the combination of the following factors:

- profit for the second half of 2021 of 164,041 euro thousand, net of dividends and foreseeable charges of 108,734 euro thousand;
- recognition of coupons, net of related taxes, paid on Additional Tier 1 instruments issued in 2018 and 2019, for a total amount of 9,884 euro thousand.

The change in the item "Undistributed earnings and reserves", equal to -333,065, includes the aforementioned payment of Additional Tier 1 coupons and dividends from available earnings reserves distributed during the fourth quarter of 2021, for an amount of 323,247 euro thousand, which did not cause any change in equity, as they are already included in the foreseeable charges on 30 June 2021. The item "Expected charges represented by dividends from retained earnings", in fact, recorded a positive change of the same amount.

EU CCA - Main features of regulatory own funds instruments and eligible liabilities instruments

1	Issuer	FinecoBank S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0000072170
2a	Public or private placement	Public
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	"N/A"
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo (FinecoBank S.p.A.) and Consolidated (FinecoBank Group)
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	201
9	Nominal amount of instrument (amount in euro million)	201
9a	Issue price	N/A
9b	Redemption price	N/A
10	Accounting classification	Shareholders equity
11	Original date of issuance	N/A
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	"N/A"
15	Optional call date, contingent call dates and redemption amount	"N/A"
16	Subsequent call dates, if applicable	"N/A"
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	"N/A"
19	Existence of a dividend stopper	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	"N/A"
22	Noncumulative or cumulative	"N/A"
23	Convertible or non-convertible	"N/A"
24	If convertible, conversion trigger(s)	"N/A"
25	If convertible, fully or partially	"N/A"
26	If convertible, conversion rate	"N/A"
27	If convertible, mandatory or optional conversion	"N/A"
28	If convertible, specify instrument type convertible into	"N/A"
29	If convertible, specify issuer of instrument it converts into	"N/A"
30	Write-down features	"N/A"
31	If write-down, write-down trigger(s)	"N/A"
32	If write-down, full or partial	"N/A"
33	If write-down, permanent or temporary	"N/A"
34	If temporary write-down, description of write-up mechanism	"N/A"
34a	Type of subordination (only for eligible liabilities)	"N/A"
34b	Ranking of the instrument in normal insolvency proceedings	IT1
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	"N/A"
37a	Link to the full term and conditions of the instrument (signposting)	

Continued: EU CCA - Main features of regulatory own funds instruments and eligible liabilities instruments

1	Issuer	FinecoBank S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1764695018
2a	Public or private placement	Private
3	Governing law(s) of the instrument	English law, with the exception of the provisions on the status of securities (position in the hierarchy of subordination (ranking) and waivers of compensation rights (set-off / netting)) and on the contractual recognition of the powers of bail-in statutes, governed by Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	YES
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo (FinecoBank S.p.A.) and Consolidated (FinecoBank Group)
7	Instrument type (types to be specified by each jurisdiction)	Bond - Art. 51 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	200
9	Nominal amount of instrument (amount in euro million)	200
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Shareholders equity
11	Original date of issuance	31/01/2018
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	YES
15	Optional call date, contingent call dates and redemption amount	First optional early repayment date: 03/06/2023. 100% refund of the principal amount plus interest accrued on the repayment date. "Regulatory call - Capital Event": 100% repayment of the principal amount plus accrued interest on the redemption date. "Tax event": 100% refund of the principal amount plus interest accrued on the repayment date. "Repurchases": the Issuer may repurchase the Notes, also for market making purposes, in any case with the authorization of the competent authority.
16	Subsequent call dates, if applicable	Every 3 June and 3 December following the first optional early repayment date
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.82% at year until 3 June 2023; subsequently reset every 5 years to the 5-year Mid-Swap Rate + 445.5 bps
19	Existence of a dividend stopper	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary. Insufficiency of elements of distributable capital; Distributions exceeding the Maximum Distributable Amount; "Loss Absorption Event"; Option at full discretion
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	NO
22	Noncumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Not convertible
24	If convertible, conversion trigger(s)	"N/A"
25	If convertible, fully or partially	"N/A"
26	If convertible, conversion rate	"N/A"
27	If convertible, mandatory or optional conversion	"N/A"
28	If convertible, specify instrument type convertible into	"N/A"
29	If convertible, specify issuer of instrument it converts into	"N/A"
30	Write-down features	YES
31	If write-down, write-down trigger(s)	Capital shortfall
32	If write-down, full or partial	Partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If the Issuer has a positive net income, the Issuer may, in its total discretion and without prejudice to the Maximum Distributable Amount, increase the prevailing Principal Amount of the Bonds on a pro-quota basis with similar Additional Tier 1 instruments.
34a	Type of subordination (only for eligible liabilities)	"N/A"
34b	Ranking of the instrument in normal insolvency proceedings	
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior bond preferred
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	"N/A"
37a	Link to the full term and conditions of the instrument (signposting)	

Continued: EU CCA - Main features of regulatory own funds instruments and eligible liabilities instruments

1	Issuer	FinecoBank S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2029623191
2a	Public or private placement	Public
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	YES
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo (FinecoBank S.p.A.) and Consolidated (FinecoBank Group)
7	Instrument type (types to be specified by each jurisdiction)	Bond - Art. 51 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	300
9	Nominal amount of instrument (amount in euro million)	300
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Shareholders equity
11	Original date of issuance	18/07/2019
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	YES
15	Optional call date, contingent call dates and redemption amount	First optional early repayment date: 03/12/2024. 100% refund of the principal amount plus interest accrued on the repayment date. "Regulatory call - Capital Event": 100% repayment of the principal amount plus accrued interest on the redemption date. "Tax event": 100% refund of the principal amount plus interest accrued on the repayment date. "Repurchases": the Issuer may repurchase the Notes, also for market making purposes, in any case with the authorization of the competent authority.
16	Subsequent call dates, if applicable	Every 3 June and 3 December following the first optional early
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.875% at year until 3 December 2024; subsequently reset every 5 years to the 5-year Mid-Swap Rate +614.4 bps
19	Existence of a dividend stopper	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary. Insufficiency of elements of distributable capital; Distributions exceeding the Maximum Distributable Amount; "Loss Absorption Event"; Option at full discretion
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	NO
22	Noncumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Not convertible
24	If convertible, conversion trigger(s)	"N/A"
25	If convertible, fully or partially	"N/A"
26	If convertible, conversion rate	"N/A"
27	If convertible, mandatory or optional conversion	"N/A"
28	If convertible, specify instrument type convertible into	"N/A"
29	If convertible, specify issuer of instrument it converts into	"N/A"
30	Write-down features	YES
31	If write-down, write-down trigger(s)	Capital shortfall
32	If write-down, full or partial	Partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If the Issuer has a positive net income, the Issuer may, in its total discretion and without prejudice to the Maximum Distributable Amount, increase the prevailing Principal Amount of the Bonds on a pro-quota basis with similar Additional Tier 1 instruments.
34a	Type of subordination (only for eligible liabilities)	"N/A"
34b	Ranking of the instrument in normal insolvency proceedings	IT2
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior bond preferred
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	"N/A"
37a	Link to the full term and conditions of the instrument (signposting)	https://images.finecobank.com/docs/pdf/pub/corporate/investors/listing-particulars.pdf

Continued: EU CCA - Main features of regulatory own funds instruments and eligible liabilities instruments

1	Issuer	FinecoBank S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2398807383
2a	Public or private placement	Public
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	YES
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	"N/A"
5	Post-transitional CRR rules	Eligible Liabilities
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo (FinecoBank S.p.A.) and Consolidated (FinecoBank Group)
7	Instrument type (types to be specified by each jurisdiction)	Senior Preferred
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	497
9	Nominal amount of instrument (amount in euro million)	500
9a	Issue price	99,71
9b	Redemption price	100
10	Accounting classification	Liabilities - amortised cost
11	Original date of issuance	21/10/2021
12	Perpetual or dated	Dated
13	Original maturity date	21/10/2027
14	Issuer call subject to prior supervisory approval	YES
15	Optional call date, contingent call dates and redemption amount	21/10/2026
16	Subsequent call dates, if applicable	"N/A"
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed to floating
18	Coupon rate and any related index	0.500% from the issue date until the optional early redemption date (excluded) to be paid in arrears on 21/10 of each year; thereafter, if the bond is not redeemed early, Euribor 3M+ 0.70% to be paid quarterly until maturity.
19	Existence of a dividend stopper	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	NO
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Not convertible
24	If convertible, conversion trigger(s)	"N/A"
25	If convertible, fully or partially	"N/A"
26	If convertible, conversion rate	"N/A"
27	If convertible, mandatory or optional conversion	"N/A"
28	If convertible, specify instrument type convertible into	"N/A"
29	If convertible, specify issuer of instrument it converts into	"N/A"
30	Write-down features	NO
31	If write-down, write-down trigger(s)	"N/A"
32	If write-down, full or partial	"N/A"
33	If write-down, permanent or temporary	"N/A"
34	If temporary write-down, description of write-up mechanism	"N/A"
34a	Type of subordination (only for eligible liabilities)	"N/A"
34b	Ranking of the instrument in normal insolvency proceedings	IT4
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deposits
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	"N/A"
37a	Link to the full term and conditions of the instrument (signposting)	https://images.finecobank.com/docs/pdf/pub/corporate/investors/fineco-senior-preferred-listing-particulars.pdf

Own funds requirements and risk-weighted exposure amounts

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

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

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

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

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

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

- Capital Conservation Buffer (CCB) according to the article 129 of CRDIV, which is equal to 2.5% of the total Group risk weighted assets;
- Institution specific countercyclical capital buffer (CCyB) to be applied in periods of excessive credit growth, coherently with the article 160 of CRDIV (paragraphs 1 to 4) which for the Bank is equal to 0.005% as of 31 December 2021. This buffer is calculated depending on the geographical distribution of the relevant Group's credit exposures and on the national authorities' decisions, which define country-specific buffers.

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

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

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

Capital requirements and buffers for FinecoBank Group

Requirements	CET1	T1	TOTAL CAPITAL
A) Pillar 1 requirements	4.500%	6.000%	8.000%
B) Pillar 2 requirements	1.040%	1.400%	1.860%
C) TSCR (A+B)	**5.540%**	**7.400%**	**9.860%**
D) Combined Buffer requirement, of which:	2.505%	2.505%	2.505%
1. Capital Conservation Buffer (CCB)	2.500%	2.500%	2.500%
2. Institution-specific Countercyclical Capital Buffer (CCyB)	0.005%	0.005%	0.005%
E) Overall Capital Requirement (C+D)	**8.045%**	**9.905%**	**12.365%**

As of 31 December 2021, FinecoBank ratios are compliant with the above requirements.

Finally, it should be noted that, at the end of the administrative process related to the determination of the Minimum Requirements of Own Funds and Eligible Liabilities (MREL), in August 2021 FinecoBank has received from Bank of Italy, in agreement with the SRB, the Resolution decision. The Bank shall comply with MREL on a consolidated basis, starting from 1st of January 2024, with an intermediate binding target from 1st of January 2022. In particular, FinecoBank must comply with a MREL requirement at a level of 18.33% of TREA (Total Risk Exposure Amount) – 20.83% including the Combined Buffer Requirement – and of 5.18% of LRE (Leverage Ratio Exposure), with an intermediate target at 4.11% from 1st of January 2022. In order to comply with the requirements and the calculation of other eligible liabilities issued by Fineco, there is no subordination requirement in the issuance of eligible MREL instruments (e.g., Senior unsecured). As of 31 December 2021, the Group complied with the above-mentioned requirements, also thanks to the placement on 14 October 2021 of the first issue on the market of Senior Preferred instruments, addressed to qualified investors, for a total amount of approximately 500 euro million.

Own funds requirements and risk-weighted exposure amounts

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

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

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

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

- Risk or employed capital: this is the equity component provided by shareholders (employed capital) for which a return that is greater than or equal to expectations (cost of equity) must be provided;
- Capital at risk: this is the portion of capital and reserves that is used (the budgeted amount or allocated capital) or was used to cover (at period-end - absorbed capital) risks assumed to pursue the objective of creating value.

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

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

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

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

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

With reference to the risk-weighted exposures (RWA) as at 31 December 2021, it should be noted that following the deconsolidation of FinecoBank from the UniCredit Group, FinecoBank and UniCredit S.p.A. entered into a contract ("Pledge Agreement") that provides for the granting by UniCredit S.p.A. of financial guarantees in favour of FinecoBank aimed at guaranteeing the credit risk exposures represented by the UniCredit bonds, until the natural maturity of the same, and by the financial guarantees issued by FinecoBank in favour of the Italian Tax Agency ("Agenzia delle Entrate") at the request of UniCredit S.p.A, until they are completely extinguished. This guarantee as of 31 December 2021 is represented by the bond "Impresa2 FRN 20/12/2061 Asset Backed", issued by Impresa Two S.r.l. as part of a securitization transaction pursuant to Law 130/99 relating to receivables from businesses sold by UniCredit S.p.A., and repurchased by UniCredit S.p.A. itself, and, to a lesser extent, by Italian government bonds. Both guarantees meet the requirements of the applicable regulations to be eligible for credit risk mitigation techniques (CRM).

Disclosure on Brexit

As of 1 February 2020, following its exit from the European Union, the United Kingdom ceased to be a member state. The Withdrawal Agreement entered into subsequently provided for a transition period until 31 December 2020, during which time the application of European Union law to the United Kingdom remained unchanged. As of 1 January 2021, the transitional period is no longer applicable and consequently the United Kingdom has been regarded as a third country.

This new treatment has had an impact on the Group's RWA as the regulatory treatment of UK counterparties has changed in accordance with CRR Articles 107(3), 119 and 114.

The following EU OV1 template shows the information required under Article 438 letter d) of the CRR. In particular, it shows the total amount of risk-weighted exposure and the corresponding total own funds requirement, broken down by the different risk categories.

Own funds requirements and risk-weighted exposure amounts

EU OV1 - Overview of total risk exposure amounts

(Amounts in € thousand)

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		12/31/2021	9/30/2021	12/31/2021
1	Credit risk (excluding CCR)	2,808,269	2,791,493	224,662
2	*Of which the standardised approach*	*2,808,269*	*2,791,493*	*224,662*
3	*Of which the Foundation IRB (F-IRB) approach*	-	-	-
4	*Of which slotting approach*	-	-	-
EU 4a	*Of which equities under the simple risk weighted approach*	-	-	-
5	*Of which the Advanced IRB (A-IRB) approach*	-	-	-
6	Counterparty credit risk - CCR	506,531	517,832	40,523
7	*Of which the standardised approach*	*21,563*	*25,341*	*1,725*
8	*Of which internal model method (IMM)*	-	-	-
EU 8a	*Of which exposures to a CCP*	*13,426*	*9,036*	*1,074*
EU 8b	*Of which credit valuation adjustment - CVA*	*1,391*	*997*	*111*
9	*Of which other CCR*	*470,152*	*482,457*	*37,612*
15	Settlement risk	81	12	6
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	*Of which SEC-IRBA approach*	-	-	-
18	*Of which SEC-ERBA (including IAA)*	-	-	-
19	*Of which SEC-SA approach*	-	-	-
EU 19a	*Of which 1250% / deduction*	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	46,594	75,841	3,728
21	*Of which the standardised approach*	*46,594*	*75,841*	*3,728*
22	*Of which IMA*	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	1,256,233	1,194,871	100,499
EU 23a	*Of which basic indicator approach*	-	-	-
EU 23b	*Of which standardised approach*	*1,256,233*	*1,194,871*	*100,499*
EU 23c	*Of which advanced measurement approach*	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	108,587	125,468	8,687
29	**Total**	**4,617,708**	**4,580,050**	**369,417**

The increase in risk exposures (TREA) during the fourth quarter of 2021 is mainly attributable to the update of the Relevant Indicator (the inclusion of 2021 revenues and the exclusion of 2018 revenues resulted in an increase in operational risk) and, to a lesser extent, the increase in credit risk due to business growth, in particular customer lending.

FinecoBank Group does not exceed the thresholds for deduction from Common Equity Tier 1 Capital; therefore, the above template includes RWA related to DTA weighted at 250%.

Countercyclical capital buffers

Article 136 of the directive EU/2013/36 (Capital Requirements Directive, CRD4), and subsequent amendments, establishes the requirement for the designated national authorities to set up an operational framework for establishing the countercyclical capital buffer (CCyB) with effect from 1 January 2016. The buffer is reviewed on a quarterly basis. The European legislation was implemented in Italy through the Bank of Italy Circular 285/2013 (Supervisory regulations for banks), which contain specific rules on the CCyB. Legislative Decree 72 of May 12, 2015 identified the Bank of Italy as the authority designated to adopt the macro prudential measures in the banking sector, including the CCyB. The rules apply at individual and consolidated level to banks and investment firms and the countercyclical capital buffer cannot exceed 2.5%.

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

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

Based on the analysis of the benchmark indicators, the Bank of Italy has decided to maintain the countercyclical capital buffer ratio (related to exposures to Italian counterparties representing 82.8% of exposures) also for the fourth quarter of 2021 at 0%, unchanged from 2020.

The following EU CCyB2 and EU CCyB1 templates contain the information required by Article 440 of the CRR. In particular, they show:

- the amount of the group-specific countercyclical capital buffer;
- the geographical distribution of the risk-weighted exposure amounts and amounts of its credit exposures used as the basis for the calculation of the relevant countercyclical capital buffers.

EU CCyB2 - Amount of institution-specific countercyclical capital buffer

(Amounts in € thousand)

		a
1	Total risk exposure amount	4,617,708
2	Institution specific countercyclical capital buffer rate	0.005%
3	Institution specific countercyclical capital buffer requirement	213

Countercyclical capital buffers

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

(Amounts in € thousand)

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Abu Dhabi	498	-	16	-	-	514	17	-	-	17	213	0.008%	-
Albania	-	-	1	-	-	1	-	-	-	-	-	-	-
Argentina	109	-	-	-	-	109	3	-	-	3	39	0.001%	-
Australia	150	-	-	-	-	150	4	-	-	4	55	0.002%	-
Austria	385	-	1	-	-	386	31	-	-	31	382	0.014%	-
Bermuda	1,469	-	30	-	-	1,500	118	-	-	118	1.471	0,053%	-
Bulgaria	12	-	-	-	-	12	1	-	-	1	9	-	0.500%
Bahrain	7	-	-	-	-	7	-	-	-	-	5	-	-
Belgium	55	-	128	-	-	183	3	-	-	4	47	0.002%	-
Brasile	244	-	-	-	-	244	7	-	-	7	90	0.003%	-
Canada	8	-	230	-	-	239	1	10	-	11	132	0.005%	-
Colombia	3	-	-	-	-	3	-	-	-	-	2	-	-
Costa Rica	-	-	3	-	-	3	-	-	-	-	-	-	-
Curacao	-	-	14	-	-	14	-	-	-	-	-	-	-
Cayman Island	-	-	52,021	-	-	52,021	-	79	-	79	993	0.036%	-
Czech Republic	11	-	-	-	-	11	1	-	-	1	8	-	0,500%
Chile	3	-	-	-	-	3	-	-	-	-	2	-	-
China	10	-	123	-	-	133	1	-	-	1	8	-	-
Croatia	7	-	-	-	-	7	-	-	-	-	6	-	-
Denmark	1	-	-	-	-	1	-	-	-	-	1	-	-
Dominican Republic	2	-	-	-	-	2	-	-	-	-	1	-	-
Ecuador	3	-	-	-	-	3	-	-	-	-	2	-	-
Etiopia	3	-	-	-	-	3	-	-	-	-	3	-	-
Faroer Islands	-	-	2	-	-	2	-	-	-	-	1	-	-
Finland	-	-	131	-	-	131	-	7	-	7	85	0.003%	-
France	319,649	-	5,708	-	-	325,357	2,869	74	-	2,943	36,786	1.332%	-
Georgia	3	-	-	-	-	3	-	-	-	-	2	-	-
Ghana	1	-	-	-	-	1	-	-	-	-	1	-	-
Guernsey	-	-	2	-	-	2	-	-	-	-	-	-	-
Germany	58,795	-	33,685	-	-	92,479	593	111	-	704	8,802	0.319%	-
Greece	5	-	-	-	-	5	-	-	-	-	4	-	-
Hungary	1	-	10	-	-	11	-	-	-	-	-	-	-
India	7	-	-	-	-	7	-	-	-	-	5	-	-
Iraq	4	-	-	-	-	4	-	-	-	-	3	-	-
Ireland	33,329	-	7,542	-	-	40,872	2,773	3	-	2,776	34,695	1.257%	-
Israel	1	-	200	-	-	202	-	-	-	-	1	-	-
Italy	4,361,354	-	422,345	-	-	4,783,699	181,729	1,113	-	182,842	2,285,522	82.782%	-
Jersey	-	-	2,159	-	-	2,159	-	4	-	4	47	0.002%	-
Japan	1	-	-	-	-	1	-	-	-	-	-	-	-
Kuwait	2	-	-	-	-	2	-	-	-	-	1	-	-

Continued: EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

(Amounts in € thousand)

	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Kazakhstan	4	-	-	-	-	4	-	-	-	-	3	-	-
Liberia	-	-	6	-	-	6	-	-	-	-	-	-	-
Lebanon	3	-	-	-	-	3	-	-	-	-	2	-	-
Libya	1	-	-	-	-	1	-	-	-	-	1	-	-
Lithuania	-	-	4	-	-	4	-	-	-	-	-	-	-
Luxembourg	25,054	-	5,213	-	-	30,267	1,978	35	-	2,013	25,163	0.911%	0.500%
Malaysia	169	-	-	-	-	169	5	-	-	5	60	0.002%	-
Malta	5	-	10	-	-	15	-	-	-	-	4	-	-
Mongolia	1	-	-	-	-	1	-	-	-	-	1	-	-
Man Island	-	-	3	-	-	3	-	-	-	-	-	-	-
Mexico	13	-	10	-	-	23	1	-	-	1	10	-	-
Moldova	3	-	-	-	-	4	-	-	-	-	3	-	-
Monaco, Principality of	6	-	6	-	-	11	-	-	-	-	4	-	-
Nicaragua	1	-	-	-	-	1	-	-	-	-	1	-	-
Nigeria	3	-	-	-	-	3	-	-	-	-	2	-	-
Netherlands	11,213	-	56,818	-	-	68,030	177	94	-	271	3,384	0.123%	-
New Zealand	6	-	-	-	-	6	-	-	-	-	4	-	-
Norway	45	-	259	-	-	304	3	7	-	10	127	0.005%	1.000%
Panama	-	-	1,325	-	-	1,325	-	12	-	12	147	0.005%	-
Paraguay	4	-	-	-	-	4	-	-	-	-	3	-	-
Peru	2	-	-	-	-	2	-	-	-	-	1	-	-
Philippines	233	-	-	-	-	233	7	-	-	7	82	0.003%	-
Poland	1	-	-	-	-	1	-	-	-	-	1	-	-
Portugal	7,502	-	1	-	-	7,503	61	-	-	61	764	0.028%	-
Qatar	10	-	14	-	-	24	1	-	-	1	8	-	-
Romania	466	-	-	-	-	466	17	-	-	17	214	0.008%	-
Russia	418	-	14	-	-	432	14	-	-	14	172	0.006%	-
Saudi Arabia	11	-	1	-	-	11	1	-	-	1	8	-	-
San Marino	10	-	-	-	-	10	1	-	-	1	8	-	-
Serbia	2	-	-	-	-	2	-	-	-	-	2	-	-
Singapore	6	-	-	-	-	6	-	-	-	-	5	-	-
Slovenia	1	-	-	-	-	1	-	-	-	-	1	-	-
South African Republic	47	-	55	-	-	102	3	-	-	3	38	0.001%	-
South Korea	3	-	-	-	-	3	-	-	-	-	2	-	-
Spain	18,199	-	3,471	-	-	21,671	155	2	-	157	1,967	0.071%	-
Sweden	47	-	99	-	-	146	1	1	-	2	28	0.001%	1.000%
Switzerland	746	-	2,192	-	-	2,937	26	5	-	31	386	0.014%	-

Countercyclical capital buffers

Continued: EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

(Amounts in € thousand)

	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Tunisia	11	-	-	-	-	11	1	-	-	1	8	-	-
Thailand	11	-	-	-	-	11	1	-	-	1	8	-	-
Trinidad and Tobago	-	-	2	-	-	2	-	-	-	-	-	-	-
Turkey	7	-	-	-	-	7	-	-	-	-	5	-	-
U.S.A.	5,186	-	318,685	-	-	323,871	406	750	-	1,156	14,451	0.523%	-
Uganda	2	-	-	-	-	2	-	-	-	-	1	-	-
Uruguay	1	-	-	-	-	1	-	-	-	-	1	-	-
Uzbekistan	2	-	-	-	-	2	-	-	-	-	2	-	-
United Kingdom	345,125	-	10,746	-	-	355,871	27,492	52	-	27,545	344,306	12.471%	-
Venezuela	5	-	4	-	-	9	-	-	-	-	4	-	-
Viet-Nam	170	-	-	-	-	170	5	-	-	5	60	0.002%	-
Zambia	-	-	7	-	-	7	-	-	-	-	-	-	-
Total	**5,190,891**	**-**	**923,296**	**-**	**-**	**6,114,187**	**218,510**	**2,360**	**-**	**220,870**	**2.760.881**	**100.00%**	

Exposures to credit risk and dilution risk

Below is the qualitative information referred to in the EU CRB table on the credit quality of assets, required in Article 442, letters a) and b), of the CRR, in particular:

- the scope and definitions of impaired exposures (bad debts, unlikely to pay and overdue) used for accounting and regulatory purposes, as specified in the EBA guidelines on the definition of default pursuant to Article 178 of the CRR;
- the extent of past due exposures (more than 90 days) that are not considered as impaired exposures and the related reasons;
- a description of the methods used to determine the generic and specific credit value adjustments.

With regard to the general qualitative information on credit risk referred to in the EU CRA table, please refer to the chapter "Risk management objectives and policies".

Definitions of impaired exposures

Non-performing exposures correspond, in accordance with the provisions of the Bank of Italy rules, defined in Circular No. 272 of 30 July 2008 and subsequent updates, to the aggregate of Non-Performing Exposures referred to in regulation 630/2019, which amends Regulation (EU) n. 575/2013 and Implementing Regulation (EU) no. 451/2021 of the Commission. Based on these regulations, which are based on technical standards developed by the European Banking Authority (Implementing Technical Standards; hereinafter, ITS), non-performing are defined as exposures that meet one or both of the following criteria:

- material exposures overdue for more than 90 days;
- exposures for which the company considers it unlikely that the debtor will be able to fully fulfill its credit obligations (unlikely to pay), without enforcing and selling the guarantees, regardless of the existence of any past due and / or overdue exposures and the number of days past due.

With regard to past due exposures, starting from January 1st, 2021 is applicable the new definition of default, defined by regulation 2018/171 and by the EBA/GL/2016/07 Guidelines. Based on the latter, a default is considered to have occurred if the debtor is overdue for more than 90 days on a material credit obligation to the institution. The relevance of the overdue credit obligation is measured through an absolute threshold and a relative threshold:

- the absolute threshold is equal to € 100 for retail customers and € 500 for other types of exposure;
- the relative threshold is represented by the percentage that expresses the ratio between the amount of the past due credit obligation and the total amount of all exposures to the same debtor recorded in the institution's balance sheet. This threshold was defined by both the ECB and the Bank of Italy equal to 1%.

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

With regard to unlikely to pay, in order to assess the debtor's unlikeliness to fulfill its credit obligations, the Group uses alerts that exploit both internal information (for example, the debtor's application for a forbearance measure) and data from external databases (for example those coming from the central credit register).

The Group has pursued a substantial alignment between the concept of "default" governed by Art. 178 EU Regulation n. 575/2013 and that of "impaired" defined in the IFRS 9 accounting standard. For further information on this subject, please refer to the following paragraph.

Furthermore, the aforementioned Circular No. 272 establishes that the aggregate of impaired exposures is broken down into the following categories:

- bad exposures, i.e.: on-balance-sheet and off-balance-sheet exposures to customers who are in a state of insolvency, even if the latter has not been recognised in a court of law. The assessment is performed on a granular basis (also by verifying statistically defined coverage levels for some loan portfolios below a predefined threshold) or, for individually insignificant amounts, on a flat basis by type of homogeneous exposure;
- unlikely to pay exposures: on-balance-sheet and off-balance-sheet exposures for which the conditions for the classification of the debtor under bad loans are not met and for which there is an assessment of the improbability that, in the absence of actions such as the enforcement of guarantees, the debtor will be able to fulfill fully (in principal and / or interest) its credit obligations. This evaluation is carried out regardless of the presence of any overdue and unpaid amounts (or installments). The classification to Unlikely to Pay is not necessarily linked to the explicit presence of irregularities (non-repayment), but is rather linked to the existence of default risk evidences. Unlikely to Pay are assessed analytically in the financial statements (also through the comparison with statistically defined coverage levels for some loan portfolios below a predefined threshold) or by applying percentages determined on a flat-rate basis for types of homogeneous exposures;
- past due/overdue exposures: represent cash exposures, other than those classified among bad loans or unlikely to pay which, at the reference date, are overdue or overrun. Overdue exposures are determined with reference to the individual debtor. In particular, they represent the entire exposure to counterparties, other than those classified in the category of unlikely to pay and bad loans, which at the reference date are overdue for more than 90 days. The amount of capital, interest or unpaid commissions at the due date exceed both the following thresholds: a) absolute limit equal to 100 euro for retail exposures and equal to 500 euro for exposures other than retail ones; b) relative limit of 1% given by the ratio between the total amount past due and / or overdue and the total amount of all credit exposures to the same debtor. Impaired past due and / or overdue exposures are valued on a lump sum basis on a historical / statistical basis.

Finally, the aforementioned regulations also define the forborne, i.e., exposures that have been subject to forbearance measures towards a debtor who is already or is about to face difficulties in meeting its financial commitments (financial difficulties).

In particular, art. 47 b of Regulation 575/2013 defines a forbearance measure as:

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

Forborne exposures may be classified among performing loans or non-performing loans. Exposures classified as unlikely to pay and qualified as forborne, can be reclassified under performing loans only after at least one year has elapsed from the moment of origination or from the last migration to non-performing. Exposures also need to satisfy a series of conditions, including the absence of overdue payments exceeding 30 days.

With reference to particular socio-economic scenarios, characterized by a high degree severity, the Group, considering the role and social responsibility it is invested in, may join initiatives aimed at supporting families and / or companies in temporary difficulty. These initiatives, which can be promoted by the State or by sector associations (ABI / MEF), consist in the suspension of payment installments for a specific period (payment moratoriums).

In the aforementioned circumstances, for the purposes of prudential and accounting classifications, the Group complies with any indications provided by the main European and international supervisory authorities and standard setters. In the absence of such indications, the classification takes place on the basis of the regular prudential framework, in accordance with the principles described above.

With regard to the classification criteria of the exposures impacted by the COVID-19 pandemic crisis, please refer to the paragraph “Changes due to COVID-19”.

Description of the methods adopted to determine credit provisioning

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

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

- Stage 1: includes newly originated or acquired credit exposures as well as exposures that have registered a significant increase in credit risk with respect to the initial recognition date;
- Stage 2: includes credit exposures which, although performing, have undergone a significant increase in credit risk with respect to the initial recognition date;
- Stage 3: includes impaired credit exposures.

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

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

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

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

The Stage Allocation evaluation model always operates at the single exposure level and is based on a combination of relative and absolute elements. The main elements are:

- the comparison between the counterparty's rating at the reference date and that recorded at the date of origination / purchase of the securities. The methodology provides that the position goes to stage 2 when a certain threshold is exceeded, set in terms of notch by the rating detected at the date of first recognition;
- absolute elements such as the backstops required by law (e.g., 30 days overdue);
- additional internal evidence (e.g., forborne-performing classification).

Exposures to credit risk and dilution risk

With reference to the institutional counterparties with which the Group carries out credit business, starting from January 2021, the Group has replaced the approach based on the comparison between the PD resulting from the internal UniCredit models at origination date and at the reporting date with the comparison between the rating at the reference date and that recorded at first recognition. The method, which makes use of the external rating assigned by the Moody's agency, is also applicable to financial instruments purchased by the Group as investments. This is to replace the previous approach based on the low-risk exemption principle. The latter approach, expressly envisaged by the accounting standard, provide for an exemption to the transition to stage 2 for securities that, at the reporting date, are low risk (investment grade) and provides for classification in stage 2 for all financial instruments classified as non-investment grade at the reference date, regardless of the riskiness of the instrument at first recognition.

With reference to retail counterparties, in the absence of internal ratings, the Group makes use of the backstops envisaged by the current legislation and further internal evidence. In this context, all exposures having more than 30 days past due, or for which additional information suggest a deterioration in the counterparty's creditworthiness, shall be classified in stage 2.

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

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

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

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

Risk parameters and definitions used in provisioning

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

In particular:

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

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

The main adjustments are aimed at:

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

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

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

Forward looking information used in provisioning

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

Specifically, the forward-looking component is determined by three macroeconomic scenarios, a baseline scenario, a positive scenario and an adverse scenario. The baseline scenario is the central reference scenario as the one consistent with ECB economic forecasts and the one considered most likely; the positive and adverse scenarios represent alternative realizations, respectively better and worse.

For more information on the scenarios used to acknowledge the deterioration of the macroeconomic situation caused by the COVID 19 pandemic crisis, please refer to paragraph 2.3 "Methods for measuring expected losses" reported in part E of the notes to the consolidated financial statements on 31 December 2021.

Classification of exposures into risk categories

The classification into the different risk categories is carried out according to the provisions of regulation 575/2013 (CRR), the relevant EBA guidelines (EBA/GL/ 2018/06 Guidelines on the management non-performing exposures and forbearance) and the Circular 272 of the Bank of Italy. For further details, reference is made to the paragraph “Definitions of impaired exposures”.

Changes due to COVID 19

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

In addition to the provisions of law decree no. 18 of 17 March 2020, the FinecoBank Group has joined some initiatives promoted by the Italian Banking Association (ABI), available until March 31, 2021.

In line with the indications provided by the Supervisory Authorities, until March 31, 2021, EBA compliant moratoria were kept at Stage 1 of the staging allocation. The transition to stage two was nevertheless carried out in the occurrence of additional factors suggesting a significant increase in credit risk, such as, for example, the overrun of other credit lines not subject to a moratorium by more than 30 days or the acknowledgment of negative information on the customer's creditworthiness from external databases.

Following the EBA's failure to renew its guidelines on legislative and non-legislative moratoriums, all the moratoriums granted after March 31, 2021 were assessed and classified on a case-by-case basis, in accordance with the provisions of the current prudential and accounting framework. To this end, the assessment of the debtor's economic difficulty was considered decisive and was assessed according to the income / financial situation of the beneficiary of the support measure.

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

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

The following templates EU CR1, EU CR1-A, EU CR2, EU CQ1, EU CQ4, EU CQ5 show the information required by article 442 of CRR, letters from c) to g), in particular:

- information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received;
- the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off balance-sheet exposures;
- any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-of;
- the breakdown of loans and debt securities by residual maturity.

Please note that EU CQ7 template "Collateral obtained by taking possession and execution processes" is not provided as it has no values.

EU CR1 - Performing and non-performing exposures and related provisions

(Amounts in € thousand)

		a	b	c	d	e	f
		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3
005	**Cash balances at central banks and other demand deposits**	**1,761,925**	**1,761,925**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**6,091,531**	**6,075,890**	**15,640**	**24,541**	**-**	**24,541**
020	Central banks	-	-	-	-	-	-
030	General governments	5	5	-	-	-	-
040	Credit institutions	81,830	81,830	-	-	-	-
050	Other financial corporations	377,634	377,446	188	3	-	3
060	Non-financial corporations	724	708	16	76	-	76
070	*of which SMEs*	*304*	*294*	*11*	*74*	-	*74*
080	Households	5,631,338	5,615,901	15,436	24,462	-	24,462
090	**Debt securities**	**24,559,448**	**24,559,373**	**-**	**-**	**-**	**-**
100	Central banks	-	-	-	-	-	-
110	General governments	19,181,740	19,181,669	-	-	-	-
120	Credit institutions	5,377,708	5,377,705	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	**2,077,499**	**45,324**	**420**	**97**	**-**	**97**
160	Central banks	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-
180	Credit institutions	18,519	17,170	-	-	-	-
190	Other financial corporations	21,237	-	-	-	-	-
200	Non-financial corporations	668	55	-	-	-	-
210	Households	2,037,075	28,099	420	97	-	97
220	**Total**	**34,490,403**	**32,442,513**	**16,061**	**24,638**	**-**	**24,638**

Continued: EU CR1 - Performing and non-performing exposures and related provisions

(Amounts in € thousand)

		g	h	i	j	k	l
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3
005	**Cash balances at central banks and other demand deposits**	**(38)**	**(38)**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**(12,494)**	**(8,620)**	**(3,874)**	**(20,160)**	**-**	**(20,160)**
020	Central banks	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-
040	Credit institutions	(8)	(8)	-	-	-	-
050	Other financial corporations	(195)	(57)	(138)	(2)	-	(2)
060	Non-financial corporations	(6)	(3)	(2)	(55)	-	(55)
070	*of which SMEs*	*(4)*	*(2)*	*(2)*	*(53)*	-	*(53)*
080	Households	(12,285)	(8,552)	(3,733)	(20,103)	-	(20,103)
090	**Debt securities**	**(5,860)**	**(5,860)**	**-**	**-**	**-**	**-**
100	Central banks	-	-	-	-	-	-
110	General governments	(5,799)	(5,799)	-	-	-	-
120	Credit institutions	(61)	(61)	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	**(52)**	**(52)**	**-**	**-**	**-**	**-**
160	Central banks	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-
180	Credit institutions	-	-	-	-	-	-
190	Other financial corporations	-	-	-	-	-	-
200	Non-financial corporations	-	-	-	-	-	-
210	Households	(51)	(51)	-	-	-	-
220	**Total**	**(18,444)**	**(14,570)**	**(3,874)**	**(20,160)**	**-**	**(20,160)**

Continued: EU CR1 - Performing and non-performing exposures and related provisions

(Amounts in € thousand)

		m	n	o
		Accumulated partial write-off	Collateral and financial guarantees received	
			On performing exposures	On non-performing
005	**Cash balances at central banks and other demand deposits**	**-**	**-**	**-**
010	**Loans and advances**	**-**	**4,701,617**	**984**
020	Central banks	-	-	-
030	General governments	-	-	-
040	Credit institutions	-	215	-
050	Other financial corporations	-	67	-
060	Non-financial corporations	-	365	-
070	*of which SMEs*	-	*234*	-
080	Households	-	4,700,970	984
090	**Debt securities**	**-**	**3,856,364**	**-**
100	Central banks	-	-	-
110	General governments	-	-	-
120	Credit institutions	-	3,856,364	-
130	Other financial corporations	-	-	-
140	Non-financial corporations	-	-	-
150	**Off-balance-sheet exposures**	**-**	**43,394**	**-**
160	Central banks	-	-	-
170	General governments	-	-	-
180	Credit institutions	-	17,166	-
190	Other financial corporations	-	-	-
200	Non-financial corporations	-	54	-
210	Households	-	26,174	-
220	**Total**	**-**	**8,601,375**	**984**

EU CR1-A - Maturity of exposures

(Amounts in € thousand)

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	-	331,952	367,946	2,306,328	2,141	3,008,366
2	Debt securities	-	3,688,589	6,713,001	14,151,998	-	24,553,588
3	**Total**	**-**	**4,020,541**	**7,080,946**	**16,458,326**	**2,141**	**27,561,954**

EU CR2 - Changes in the stock of non-performing loans and advances

(Amounts in € thousand)

		a
		GROSS CARRYING AMOUNT
010	**Initial stock of non-performing loans and advances**	**25,489**
020	Inflows to non-performing portfolios	5,500
030	Outflows from non-performing portfolios	(6,448)
040	*Outflows due to write-offs*	*(3,573)*
050	*Outflow due to other situations*	*(2,875)*
060	**Final stock of non-performing loans and advances**	**24,541**

EU CQ1 - Credit quality of forborne exposures

(Amounts in € thousand)

		a	b	c	d
		Gross carrying amount/nominal amount of exposures with forbearance measures			
		Performing forborne	Non-performing forborne		
				Of which defaulted	Of which impaired
005	Cash balances at central banks and other demand deposits	-	-	-	-
010	Loans and advances	1,991	750	750	750
020	*Central banks*	-	-	-	-
030	*General governments*	-	-	-	-
040	*Credit institutions*	-	-	-	-
050	*Other financial corporations*	-	-	-	-
060	*Non-financial corporations*	-	-	-	-
070	*Households*	*1,991*	*750*	*750*	*750*
080	Debt Securities	-	-	-	-
090	Loan commitments given	32	-	-	-
100	**Total**	**2,023**	**750**	**750**	**750**

Continued: EU CQ1 - Credit quality of forborne exposures

(Amounts in € thousand)

		e	f	g	h
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	-	-	-	-
010	Loans and advances	(37)	(533)	1,821	74
020	*Central banks*	-	-	-	-
030	*General governments*	-	-	-	-
040	*Credit institutions*	-	-	-	-
050	*Other financial corporations*	-	-	-	-
060	*Non-financial corporations*	-	-	-	-
070	*Households*	*(37)*	*(533)*	*1,821*	*74*
080	Debt Securities	-	-	-	-
090	Loan commitments given	-	-	-	-
100	**Total**	**(37)**	**(533)**	**1,821**	**74**

EU CQ3 - Credit quality of performing and non-performing exposures by past due days

(Amounts in € thousand)

		a	b	c	d	e	f
		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days
005	Cash balances at central banks and other demand deposits	1,761,925	1,761,925	-	-	-	-
010	**Loans and advances**	**6,091,531**	**6,087,049**	**4,482**	**24,541**	**817**	**1,306**
020	Central banks	-	-	-	-	-	-
030	General governments	5	5	-	-	-	-
040	Credit institutions	81,830	81,830	-	-	-	-
050	Other financial corporations	377,634	377,633	-	3	-	-
060	Non-financial corporations	724	708	16	76	1	5
070	of which SMEs	304	294	11	74	1	5
080	Households	5,631,338	5,626,873	4,465	24,462	816	1,301
090	**Debt securities**	**24,559,448**	**24,559,448**	**-**	**-**	**-**	**-**
100	Central banks	-	-	-	-	-	-
110	General governments	19,181,740	19,181,740	-	-	-	-
120	Credit institutions	5,377,708	5,377,708	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	**2,077,499**			**97**		
160	Central banks	-			-		
170	General governments	-			-		
180	Credit institutions	18,519			-		
190	Other financial corporations	21,237			-		
200	Non-financial corporations	668			-		
210	Households	2,037,075			97		
220	**Total**	**34,490,403**	**32,408,422**	**4,482**	**24,638**	**817**	**1,306**

Continued: EU CQ3 - Credit quality of performing and non-performing exposures by past due days

(Amounts in € thousand)

		g	h	i	j	k	l
		Gross carrying amount/nominal amount					
		Non-performing exposures					
		Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-
010	**Loans and advances**	**2,047**	**3,731**	**9,636**	**3,517**	**3,486**	**24,541**
020	Central banks	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-
050	Other financial corporations	1	-	-	1	1	3
060	Non-financial corporations	11	8	37	10	4	76
070	of which SMEs	10	8	37	9	4	74
080	Households	2,035	3,723	9,599	3,506	3,481	24,462
090	**Debt securities**	**-**	**-**	**-**	**-**	**-**	**-**
100	Central banks	-	-	-	-	-	-
110	General governments	-	-	-	-	-	-
120	Credit institutions	-	-	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-
150	**Off-balance-sheet exposures**						**97**
160	Central banks						-
170	General governments						-
180	Credit institutions						-
190	Other financial corporations						-
200	Non-financial corporations						-
210	Households						97
220	**Total**	**2,047**	**3,731**	**9,636**	**3,517**	**3,486**	**24,638**

EU CQ4 - Quality of non-performing exposures by geography

(Amounts in € thousand)

		a	c	e	f	g
		Gross carrying/nominal amount		Accumulated impairment	Provisions on off-balance- sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which defaulted			
010	**On-balance-sheet exposures**	30,675,518	24,541	(38,511)	-	-
020	Italy	17,272,080	24,465	(36,688)	-	-
030	Spain	5,411,023	3	(988)	-	-
040	France	1,908,099	-	(67)	-	-
050	European international organisations	1,192,329	-	(41)	-	-
060	Ireland	1,024,279	-	(171)	-	-
070	Belgium	831,160	-	(75)	-	-
080	U.S.A.	746,335	-	(42)	-	-
090	Austria	629,777	-	(21)	-	-
100	Other Countries	1,660,436	73	(418)	-	-
110	**Off-balance-sheet exposures**	2,077,598	97	-	51	-
120	Italy	2,041,780	97	-	50	-
130	Other Countries	35,818	-	-	1	-
140	**TOTAL**	**32,753,116**	**24,638**	**(38,511)**	**51**	**-**

Note that columns b and d of the EU CQ4 template are not shown because FinecoBank does not have a ratio of the gross carrying amount of impaired loans and advances to the total gross carrying amount of loans and advances of 5% or more.

The template above shows the countries to which FinecoBank has significant exposures. Exposures equal to or less than 2% of total On-balance /Off-balance sheet exposures have been included under "Other Countries".

For on-balance-sheet exposures, exposures to the following countries have been grouped under "Other Countries": Germany, Portugal, Chile, China, the United Kingdom, Saudi Arabia, Switzerland, Norway, Latvia, Luxembourg, Iceland, the Netherlands, Finland, Abu Dhabi, Bermuda, Thailand, Russia, Romania, Bulgaria, Malaysia, the Republic of South Africa, Brazil, the Philippines, Vietnam, Australia, Singapore, Argentina, Sweden, Hungary, Mexico, the Principality of Monaco, San Marino, Indonesia, Moldova, Kazakhstan, Tunisia, the Czech Republic, Qatar and Panama. South Africa, Brazil, Philippines, Vietnam, Australia, Singapore, Argentina, Sweden, Hungary, Mexico, Monaco, San Marino, Indonesia, Moldova, Kazakhstan, Tunisia, Czech Republic, Qatar, Panama, Canada, Croatia, Lithuania, India, Turkey, Bahrain, New Zealand, Malta, Greece, Vatican City, Venezuela, Paraguay, Iraq, Ethiopia, Ecuador, Colombia, Lebanon, Georgia, Nigeria, South Korea, Uzbekistan, Serbia, Uganda, Peru, Kuwait, Dominican Republic, Israel, Mongolia, Libya, Uruguay, Poland, Ghana, Denmark, Nicaragua, Slovenia, Albania, Slovakia, Egypt, Afghanistan, Zimbabwe, Japan, Taiwan, Cambodia, Pakistan, Zambia, Morocco, Trinidad and Tobago, Angola, Ukraine, Mauritius, Sri Lanka, Kenya, Marshall Islands, Hong Kong, Equatorial Guinea, Cyprus, Costa Rica, Seychelles, Senegal, Gambia, Tanzania, Madagascar, Bahamas, Jordan, Laos, Oman, Mozambique, Nigeria, Kyrgyzstan, Bangladesh, Montenegro, Belarus, Namibia, Honduras, Algeria, Liberia.

For off-balance sheet exposures, exposures to the following countries have been grouped under "Other Countries": UK, Switzerland, France, Abu Dhabi, Romania, Germany, Spain, Russia, Canada, Portugal, Indonesia, Netherlands, Ireland, Bulgaria, Morocco, Czech Republic, Singapore, South Africa, USA, Thailand, San Marino, Saudi Arabia, Kenya, Qatar, China, Belgium, Brazil, Lithuania, Poland, Albania, Georgia, Croatia, Austria, Norway, Greece, India, Zimbabwe, Australia, Ecuador, New Zealand, Chile, Moldova.

EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry

(Amounts in € thousand)

		a	c	e	f
		Gross carrying amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which defaulted		
010	Agriculture, forestry and fishing	238	2	(1)	-
020	Mining and quarrying	-	-	-	-
030	Manufacturing	119	6	(6)	-
040	Electricity, gas, steam and air conditioning supply	2	-	-	-
050	Water supply	1	-	-	-
060	Construction	34	14	(10)	-
070	Wholesale and retail trade	48	17	(15)	-
080	Transport and storage	53	1	(1)	-
090	Accommodation and food service activities	15	4	(3)	-
100	Information and communication	23	7	(6)	-
110	Financial and insurance activities	-	-	-	-
120	Real estate activities	52	6	(5)	-
130	Professional, scientific and technical activities	54	10	(7)	-
140	Administrative and support service activities	147	4	(4)	-
150	Public administration and defense, compulsory social security	-	-	-	-
160	Education	4	-	-	-
170	Human health services and social work activities	4	-	-	-
180	Arts, entertainment and recreation	5	2	(1)	-
190	Other services	2	2	(1)	-
200	**Total**	**800**	**76**	**(60)**	**-**

Note that columns b and d of the EU CQ5 template are not shown because FinecoBank does not have a ratio of the gross carrying amount of impaired loans and advances to the total gross carrying amount of loans and advances of 5% or more.

Exposures to credit risk and dilution risk

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

The following are the publicly disclosed templates pursuant to the EBA's Guidelines on reporting and public disclosure requirements for exposures subject to COVID-19 crisis measures (EBA/GL/2020/07).

Please note that Template 3 "Information on newly originated loans granted under the new public guarantee schemes introduced in response to the COVID-19 crisis" is not reported as it is lacking in values.

The Template 1 includes loans for which the period of the legislative and non-legislative moratorium has not yet expired as of 31 December 2021; the Template 2, on the other hand, also includes loans for which the moratorium period has already expired.

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

(Amounts in € thousand)

		a	b	c	d	e	f	g
		Gross carrying amount						
			Performing			Non performing		
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
1	**Loans and advances subject to moratorium**	**124**	**124**	**-**	**-**	**-**	**-**	**-**
2	of which: Households	**124**	124	-	-	-	-	-
3	*of which: Collateralised by residential immovable property*	***122***	*122*	-	-	-	-	-
4	of which: Non-financial corporations	**-**	-	-	-	-	-	-
5	*of which: Small and Medium-sized Enterprises*	**-**	-	-	-	-	-	-
6	*of which: Collateralised by commercial immovable property*	**-**	-	-	-	-	-	-

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

(Amounts in € thousand)

		h	i	j	k	l	m	n	o
		Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	**Loans and advances subject to moratorium**	**(1)**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**
2	of which: Households	**(1)**	(1)	-	-	-	-	-	-
3	*of which: Collateralised by residential immovable property*	***(1)***	*(1)*	-	-	-	-	-	-
4	of which: Non-financial corporations	**-**	-	-	-	-	-	-	-
5	*of which: Small and Medium-sized Enterprises*	**-**	-	-	-	-	-	-	-
6	*of which: Collateralised by commercial immovable property*	**-**	-	-	-	-	-	-	-

Loans subject to a legislative moratorium include the initiatives of the Italian government that provide for the extension of the first home loan solidarity fund (the so-called Gasparrini Fund) to employees, self-employed and freelance workers, upon the occurrence of certain conditions resulting from the restrictions adopted for the COVID-19 emergency, granted by the Group until 31 March 2021 (moratoria granted after this date are not included in the table above). In such circumstances, it is possible to suspend the instalments of the loans for a temporary period of time and bear the compensatory interest payment to the extent of 50% of the interest accrued on the outstanding debt during the suspension period. The additional 50% of the accrued interest is borne by Consap through recourse to the Gasparrini Fund. It should be noted that moratoria granted after 31 March 2021, in line with EBA guidelines on legislative and non-legislative moratoria, have been assessed and classified on a case-by-case basis, in accordance with the current prudential and accounting framework, and are not included in the template above.

With reference to non-legislative moratoria, the Group adhered to the ABI-Associazioni dei consumatori agreement, valid until 31 March 2021, for the suspension of loans to households following the COVID-19 epidemic event (personal loans and mortgages other than those falling under the conditions for recourse to the CONSAP Fund), in line with the EBA Guidelines. The above initiatives concerned exclusively the Bank's customers belonging to the household sector.

Both moratoria, where there are no additional elements not strictly related to the moratorium under review, have been recognised in the accounts by applying modification accounting, in line with ESMA guidance, as the contractual changes have been assessed as not material. The Group conducted a qualitative assessment and considered that these support measures provide temporary relief to debtors affected by the COVID-19 pandemic, without significantly affecting the economic value of the loan. Considering that interest accrues on the postponed amounts (100% borne by the customer in the case of ABI agreement moratoria or 50% borne by the customer and 50% borne by Consap in the case of moratoria), no significant modification loss was detected.

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

(Amounts in € thousand)

		a	b	c	d	e	f	g	h	i
			Gross carrying amount							
		Number of obligors		Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	499	34,751							
2	Loans and advances subject to moratorium (granted)	445	31,037	24,717	30,913	124	-	-	-	-
3	of which: Households		31,037	24,717	30,913	124	-	-	-	-
4	of which: Collateralised by residential immovable property		28,545	24,717	28,423	122	-	-	-	-
5	of which: Non-financial corporations		-	-	-	-	-	-	-	-
6	of which: Small and Medium-sized Enterprises		-	-	-	-	-	-	-	-
7	of which: Collateralised by commercial immovable property		-	-	-	-	-	-	-	-

As shown in the table above, as of 31 December 2021, the outstanding moratoria in accordance with EBA guidelines are EUR 124,000. Please note that the legislative moratoria were granted for a maximum period of 18 months in total.

Disclosure of the use of the Standardised Approach

The qualitative information set out in the EU CRD table on the use of the Standardised Approach required by Article 444 (a) to (d) of the CRR is provided below, in particular:

- the names of the nominated External Credit Assessment Institutions (ECAIs);
- the exposure classes for which each ECAI is used;
- a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book.

With regard to the association of the external rating of each nominated ECAI with the risk weights corresponding to the credit quality steps, Fineco complies with the association published by the EBA.

For the purpose of determining credit risk weightings under the standardised approach, the Group adopts the ratings of the following external rating agencies: Moody's Investor Service, Standard & Poor's Rating Service and Fitch Ratings.

It should be noted that for the purposes of determining the capital requirement, in compliance with the regulations, where there are two assessments of the same client, the more prudent one is adopted, in the case of three assessments the intermediate one, if all the assessments are present, the second best one is adopted.

The following table shows the regulatory asset classes for which each ECAI is used with the characteristics of the reference ratings[2].

List of the nominated external rating agencies

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

It should be noted that Fineco does not use the credit assessments of ECAIs to determine the capital requirement for exposures to institutions, so these exposures are assigned the risk weight corresponding to the credit quality step in which the exposures to the central government of the institution concerned are classified, as indicated in Table 5 of Article 121 of the CRR.

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

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

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

Disclosure of the use of the Standardised Approach

The following EU CR4 and EU CR5 templates show the information required on a semi-annual basis under Article 444 letter e) of the CRR. In particular, the values of exposures, with and without credit risk mitigation, associated with each credit quality class, by exposure class, as well as the values of exposures deducted from own funds, are shown.

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

(Amounts in € thousand)

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	19,691,565	-	19,691,565	-	231,826	1%
2	Regional government or local authorities	964,357	-	964,357	-	-	0%
3	Public sector entities	374,972	-	374,972	-	1	0%
4	Multilateral development banks	431,917	-	431,917	-	-	0%
5	International organisations	760,371	-	760,371	-	-	0%
6	Institutions	4,421,054	17,170	564,690	2	120,231	21%
7	Corporates	604,798	159,199	299,547	3,440	302,988	100%
8	Retail	2,532,336	1,687,393	1,225,782	1,985	920,825	75%
9	Secured by mortgages on immovable property	2,476,373	39	2,476,373	8	867,267	35%
10	Exposures in default	4,285	97	4,183	2	4,197	100%
11	Exposures associated with particularly high risk	152	-	152	-	227	150%
12	Covered bonds	604,799	-	604,799	-	60,480	10%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
14	Collective investment undertakings	116	-	116	-	1,453	1250%
15	Equity	4,889	-	4,889	-	4,889	100%
16	Other items	293,891	-	293,891	-	293,884	100%
17	**TOTAL**	**33,165,876**	**1,863,897**	**27,697,605**	**5,438**	**2,808,269**	**10%**

The net value of the exposures refers to on-balance sheet assets or off-balance sheet items that give rise to credit risk as defined by the CRR, thus excluding exposures subject to counterparty risk. With reference to post-CCF and CRM exposures, there was a gradual reduction in exposures to UniCredit S.p.A., which benefits from the risk mitigation applied following the signing of the aforementioned Pledge Agreement. The RWA density stood at 10%, up slightly from 9.7% in December 2020.

Disclosure of the use of the Standardised Approach

EU CR5 - Standardised approach

(Amounts in € thousand)

		Risk weight								
		0%	2%	4%	10%	20%	35%	50%	70%	75%
	Exposure classes	a	b	c	d	e	f	g	h	i
1	Central governments or central banks	19,107,699	-	-	-	485,915	-	53,037	-	-
2	Regional government or local authorities	964,357	-	-	-	-	-	-	-	-
3	Public sector entities	374,967	-	-	-	5	-	-	-	-
4	Multilateral development banks	431,917	-	-	-	-	-	-	-	-
5	International organisations	760,371	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	549,565	-	13,501	-	-
7	Corporates	-	-	-	-	-	-	-	-	-
8	Retail exposures	-	-	-	-	-	-	-	-	1,227,767
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	2,472,820	3,561	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	604,799	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-
16	Other items	7	-	-	-	-	-	-	-	-
17	**TOTAL**	**21,639,319**	**-**	**-**	**604,799**	**1,035,486**	**2,472,820**	**70,098**	**-**	**1,227,767**

Continued: EU CR5 - Standardised approach

(Amounts in € thousand)

		0						Total	Of which unrated
		100%	150%	250%	370%	1250%	Others		
	Exposure classes	j	k	l	m	n	o	p	q
1	Central governments or central banks	2,773	-	42,140	-	-	-	19,691,565	-
2	Regional government or local authorities	-	-	-	-	-	-	964,357	964,357
3	Public sector entities	-	-	-	-	-	-	374,972	374,972
4	Multilateral development banks	-	-	-	-	-	-	431,917	-
5	International organisations	-	-	-	-	-	-	760,371	-
6	Institutions	331	-	1,294	-	-	-	564,692	564,692
7	Corporates	302,987	-	-	-	-	-	302,987	302,987
8	Retail exposures	-	-	-	-	-	-	1,227,767	1,227,767
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	2,476,381	2,476,381
10	Exposures in default	4,162	24	-	-	-	-	4.186	4,186
11	Exposures associated with particularly high risk	-	152	-	-	-	-	152	152
12	Covered bonds	-	-	-	-	-	-	604,799	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	116	-	116	116
15	Equity exposures	4,889	-	-	-	-	-	4,889	4,889
16	Other items	293,884	-	-	-	-	-	293,891	293,891
17	**TOTAL**	**609,026**	**175**	**43,435**	**-**	**116**	**-**	**27.703.043**	**6,214,391**

Disclosure of the use of credit risk mitigation techniques

Below is the qualitative information referred to in the EU CRC table on CRM techniques, required in Article 453, letters a) to e) of the CRR. In particular:

- a description of the fundamental characteristics of the policies and processes relating to on- and off-balance sheet netting and an indication of the extent to which Fineco makes use of netting;
- the fundamental characteristics of the policies and processes relating to the assessment and management of eligible collateral;
- a description of the main types of funded credit protection accepted by the institution to mitigate credit risk;
- information on market or credit risk concentrations as part of the credit mitigation tools adopted.

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

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

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

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

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

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

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

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

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

Policies and processes concerning on-balance sheet and "off-balance sheet" compensation with an indication of the extent to which the Group makes use of compensation

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

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

The Group applies balance sheet netting to repurchase agreements and reverse repurchase agreements executed on the MTS market, settled through a clearing house.

As far as off-balance sheet netting is concerned, the Group mainly uses compensation on derivatives, repurchase agreements and securities lending with institutional counterparties. The goal is to reduce risk and gain benefits in terms of lower capital absorption through netting agreements signed with specific counterparties, the effectiveness of which depends on the selection of suitable assets to be considered eligible for mitigation purposes. Relationships with institutional counterparties are governed by standardised and recognised market contracts such as the ISDA Master Agreement, Global Master Stock Lending Agreement and Global Master Repurchase Agreement. In this regard, it should be noted that in the absence of a standardized contract and a series of minimum requirements[3], the Global Policy "Credit Business with financial institutions, banks, sovereign and

[3] As a way of example, the exchange of collateral in the form of cash at least with a daily frequency is worth mentioning.

corporate counterparties" does not allow to consider the reduction of the exposure towards the counterparty deriving from a credit risk mitigation technique. The matter is relevant for the purpose of plafond allocation for the counterparty.

Policies and processes for collateral evaluation and management

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

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

- bond instruments listed on regulated markets, having an issue rating at least investment grade[4], and sufficiently liquid to be timely sold if necessary;
- shares listed on regulated markets that are part of one of the world's leading stocks indices;
- corporate stocks and mutual funds shares with at least daily listing.

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

It should be noted that, for the purpose of mitigating the exposure to UniCredit SpA, the Bank, as part of the "Pledge Agreement" described above, also accepts securitized financial instruments (ABS) not subject to re-securitization, which comply with the minimum requirements established by law prudential for CRM purposes. The latter represents a key feature for the collateral to be considered eligible in the context of credit risk mitigation (CRM), resulting in a reduction in risk weighted asset and exposure for the large exposure purposes. To this end, the aforementioned contract provides that if a guarantee is no longer eligible for CRM purposes, it shall be immediately replaced by an admissible one.

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

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

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

The principles for monitoring and management of real estate guarantees are described in the local policy “Normativa erogazione crediti commerciali”.

Main types of guarantor and counterparties with credit derivatives in place and creditworthiness thereof

No data to report.

Information about market or credit risk concentrations within the adopted credit risk mitigation measures

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

As far as concentration risk is concerned, it should be noted that starting from June 30, 2021, in application of regulation 876/2019 (CRR2), the mandatory substitution principle was introduced also on financial collateral (funded credit protection). According to this principle, institutions shall consider the fraction of the guaranteed exposure as an exposure to the guarantor and not to the customer, provided that the first is assigned a risk weighting factor lower than or equal to the second. The change is relevant in the context of large exposures, since, like direct exposures, a concentration of indirect exposures to a single guarantor or Group of guarantors would also be subject to the regulatory limit of 25% of the entity's Tier 1 capital.

In order to control concentration risk of financial collateral, the Group has implemented a set of first and second level monitoring.

As far as credit business with institutional counterparties is concerned, the Group has set up a Working Group that involves the proposing functions of the CFO Department (mainly the Finance function), the CRO Department, as the risk management function, the CLO Department, in its role of assignee of the risk ceiling, and other technical support functions. The objective of the Working Group is to assess the technical feasibility of new

[4] For the purposes of this assessment, it is considered the second best rating among those issued by the three major international rating agencies (S&P, Moody's and Fitch).

business proposals with institutional counterparties and their consistency with regulatory requirements, including those relating to the collateral concentration.

With regard to financial collateral acquired as a pledge to guarantee overdraft facilities, the CRO Department regularly carries out second-level monitoring on the degree of concentration towards individual issuers or groups of issuers, and informs the Board of Directors of the Parent Company in the quarterly report on the Group's risk exposures.

The following template provides information on the Group's use of credit risk mitigation techniques (CRR Article 453(f)) and covers all CRM techniques recognized under applicable accounting rules, regardless of whether such techniques are recognized under the CRR, including, but not limited to, all types of collateral, financial guarantees and credit derivatives used for all secured exposures.

For the remaining information required on a semi-annual basis in Article 453 of the CRR, letters g), h), i), please refer to the EU CR4 template: credit risk exposure and CRM effects set out in the chapter "Disclosure of the use of the Standardised Approach".

EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

(Amounts in € thousand)

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	3,175,396	4,702,601	4,702,601	-	-
2	Debt securities	20,703,083	3,856,364	3,856,364	-	-
3	**Total**	**23,878,480**	**8,558,965**	**8,558,965**	**-**	**-**
4	*Of which non-performing exposures*	*23,557*	*984*	*984*	-	-
5	*Of which defaulted*	*23,557*	*984*			

Secured exposures include exposures secured by real estate for 2,479,352 euro thousand.

With reference to the remaining guaranteed exposures, it should be noted that the related guarantees were considered eligible as CRM techniques pursuant to Part Three, Title II, Chapter 4 of the CRR, for the purposes of reducing capital requirements, for an amount of 5,659,287 euro thousand, mainly represented by debt securities, units of UCITS and equity securities.

Exposures to counterparty credit risk

Below is the information in the EU CCRA table on counterparty risk, required in Article 439, letters a) to d) of the CRR. In particular:

- a description of the methodology used to assign the limits defined in terms of internal capital and credit exposures to the counterparty, including the methods for assigning these limits to CCP exposures;
- the description of the policies concerning wrong-way risk defined in Article 291 of the CRR;
- the amount of collateral that the institution would have to provide in the event of a downgrade of its credit rating.

With regard to the description of the policies on guarantees and other credit risk mitigation tools, please refer to the chapter "Information on the use of risk mitigation techniques".

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

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

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

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

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

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

Both the activity in OTC derivatives and "Stock Lending", "Collateral Switch" and "Unsecured Lending" transactions are regulated by standard contracts that provide for a form of bilateral clearing (ISDA for derivatives and GMSLA for Stock Lending). Such agreements do not envisage the payment of further collateral in the event of a downgrade of the rating assigned to FinecoBank.

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

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

Institutional counterparties with which the Group carries out credit business comply with the minimum standards set by the Global Policy "Lending Activities with Financial Institutions, Banks, Sovereign States and Corporate counterparties". Along with the counterparty's creditworthiness, the Group takes due account the nature of the credit activity to be carried out with the counterparty and the underlying collateral in order to identify any wrong-way risk. In general, the Group does not accept instruments issued by the counterparty itself as collateral.

As mentioned in the chapter "Exposures to credit risk and dilution risk", the Group has in place a mechanism for allocating ceilings (plafond) at Group level, which allows the Parent Company to establish limits on the maximum exposure towards each individual "Economic Group", thus controlling the absorption in terms of internal capital. Risk limits are established according to a prudential approach, always in compliance with the regulatory limits on large exposures. Compliance with the assigned ceilings and the regulatory limits is ensured by both business and operating units through line controls and by control functions through second level controls. The risk ceiling system also applies to exposures to central counterparties.

Starting from June 30, 2021, in accordance with the provisions of regulation 2018/876 (CRR II), in order to determine the exposure value for counterparty risk, the Group uses the Financial Collateral Comprehensive method for SFT exposures and the SA-CCR method for OTC derivatives. The new method, which replaces two of the previous CRR methodologies (standardized method and market value method), provides that the value of the counterparty risk exposure, concerning a set of netting assets, is given by the product of a factor (equal to 1.4), and the sum of the counterparty replacement cost in the event of insolvency and the potential future exposure.

Exposures to counterparty credit risk

The following templates EU CCR1, EU CCR2, EU CCR3, EU CCR5 and EU CCR8 show the information required on a semi-annual basis in Article 439 of the CRR, letters e) to l). In particular:

- the amount of segregated and unsegregated collateral received and posted per type of collateral, further broken down between collateral used for derivatives and securities financing transactions;
- for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the applicable method and the associated risk exposure amounts broken down by applicable method;
- for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the applicable method, and the associated risk exposure amounts broken down by applicable method;
- the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method;
- the exposure value to central counterparties and the associated risk exposures, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures.

Derivative exposure is calculated according to the SA-CCR methodology.

Information on credit derivative contracts has not been reported as the Group does not have any such transactions in place as of 31 December 2021.

EU CCR1 - Analysis of CCR exposure by approach

(Amounts in € thousand)

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	**Potential future exposure (PFE)**	**EEPE**	**Alpha used for computing regulatory exposure value**	**Exposure value pre-CRM**	**Exposure value post-CRM**	**Exposure value**	**RWEA**
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	1,074	16,875		1.4	25,129	25,129	25,129	21,563
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*			-		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			-		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					1,535,070	1,283,808	1,283,808	467,550
5	VaR for SFTs					-	-	-	-
6	**Total**					**1,560,199**	**1,308,937**	**1,308,937**	**489,113**

FinecoBank applies the SA-CCR method for derivatives and the comprehensive method for the treatment of financial collateral for SFTs. The exposures refer to the Parent Company FinecoBank only as the subsidiary FAM has no derivative exposures.

Exposures to counterparty credit risk

EU CCR2 - Transactions subject to own funds requirements for CVA risk

(Amounts in € thousand)

		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	*(i) VaR component (including the 3× multiplier)*		-
3	*(ii) stressed VaR component (including the 3× multiplier)*		-
4	Transactions subject to the Standardised method	4,775	1,391
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**4,775**	**1,391**

EU CCR3 - Standardised approach: CCR exposures by regulatory exposure class and risk weights

(Amounts in € thousand)

	Exposure classes	Risk weight					
		a	b	c	d	e	f
		0%	2%	4%	10%	20%	50%
1	Central governments or central banks	2	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	-	644,412	-	-	1,026,991	753
7	Corporates	-	-	-	-	-	-
8	Retail exposures	-	-	-	-	-	-
9	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-
11	**Total exposure value**	**2**	**644,412**	**-**	**-**	**1,026,991**	**753**

Continued: EU CCR3 - Standardised approach: CCR exposures by regulatory exposure class and risk weights

(Amounts in € thousand)

	Exposure classes	Risk weight					
		g	h	i	j	k	l
		70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	-	-	-	-	-	3
2	Regional government or local authorities	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	-	-	8,846	-	-	1,681,001
7	Corporates	-	-	273,481	-	-	273,481
8	Retail exposures	-	2,235	-	-	-	2,235
9	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
10	Other items	-	-	-	7	-	7
11	**Total exposure value**	**-**	**2,235**	**282,326**	**8**	**-**	**1,956,728**

EU CCR5 - Composition of collateral for CCR exposures

(Amounts in € thousand)

	Collateral type	a	b	c	d
		Collateral used in derivative transactions			
		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	1,540	-	-
2	Cash – other currencies	-	-	-	-
3	Domestic sovereign debt	-	-	-	-
4	Other sovereign debt	-	-	-	-
5	Government agency debt	-	-	-	-
6	Corporate bonds	-	-	-	-
7	Equity securities	-	-	-	-
8	Other collateral	-	-	-	-
9	**Total**	**-**	**1,540**	**-**	**-**

Continued: EU CCR5 - Composition of collateral for CCR exposures

(Amounts in € thousand)

	Collateral type	e	f	g	h
		Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	-	-	-
2	Cash – other currencies	-	-	-	-
3	Domestic sovereign debt	-	-	-	-
4	Other sovereign debt	-	-	-	-
5	Government agency debt	-	-	-	-
6	Corporate bonds	-	-	-	-
7	Equity securities	-	-	-	-
8	Other collateral	-	-	-	-
9	**Total**	**-**	**-**	**-**	**-**

Collateral used in SFTs is not reported because, as described above, financial collateral for SFTs is treated using the full method as part of credit risk mitigation techniques.

EU CCR8 - Exposures to CCPs

(Amounts in € thousand)

		Exposure value	RWEA
		a	b
1	**Exposures to QCCPs (total)**		**13,426**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	517,689	10,962
3	*(i) OTC derivatives*	*514,051*	*10,281*
4	*(ii) Exchange-traded derivatives*	*3,638*	*681*
5	*(iii) SFTs*	-	-
6	*(iv) Netting sets where cross-product netting has been approved*	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	117,040	2,464
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	*(i) OTC derivatives*	-	-
14	*(ii) Exchange-traded derivatives*	-	-
15	*(iii) SFTs*	-	-
16	*(iv) Netting sets where cross-product netting has been approved*	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Operational risk management

Below is the qualitative information referred to in the EU ORA table on operational risk, required by Article 435, paragraph 1, letters a), d) of the CRR, in particular the qualitative information relating to the methods for assessing the minimum requirements of own funds.

Please refer to the chapter “Risk management objectives and policies” for information on operational risk management objectives and policies.

On December 31, 2021, for the purposes of calculating the regulatory requirement for operational risk, the Group applies the Standardized Approach. Although the adoption of the standardized method does not require it, the Group maintains the governance, the controls and the reporting framework of the AMA (Advanced Measurement Approach) method, previously adopted for the measurement of the capital requirements. The choice was made both to ensure better monitoring and control of operational and reputational risks, and in view of the future adoption of the new Standardized Measurement Approach (SMA) envisaged by the Basel III reform package. The new framework introduces the mandatory disclosure of annual operational losses and the obligation to develop an adequate internal loss data archive able to collect all operational events recorded by consolidated entities.

As required by Article 317 of the CRR, in order to determine the own funds requirements for operational risk adopting the standardized method, the entity must divide its activities into the business lines envisaged by the rule and classify the relevant indicator in the business line concerned. The annual requirement on own funds for each business line is equal to the multiplication of the relevant indicator classified in the business line by the corresponding beta factor. The Own Fund Requirement for operational risk is calculated as the three-year average of the sum of the Annual Own Fund Requirements for all Business Lines.

The relevant indicator, on which the Standardized method for determining operational risk regulatory requirements, is calculated as the sum of the positive and negative elements listed below:

- Interest receivable and similar income;
- Interest payable and similar charges;
- Income from shares and other variable/fixed-yield securities;
- Commissions/fees receivable;
- Commissions/fees payable;
- Net profit or net loss on financial operations;
- Other operating income.

These elements are corrected on the basis of specific requirements, defined by the legislation (article 316 CRR).

For the purposes of calculating own funds requirement according to the Standardized Approach, the Group's activities have been classified into business lines, based on a procedure approved by the Board of Directors, and in accordance with the principles set out in Articles 317 (Table 2) and 318 CRR.

Below is the EU OR1 template regarding the calculation of own funds requirements for operational risk and risk-weighted exposure amounts, as required by Article 446 of the CRR

EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

(Amounts in € thousand)

		a	b	c	d	e
		RELEVANT INDICATOR				
	Banking activities	Year-3	Year-2	Last year	Own funds requirements	Risk exposure amount
1	Banking activities subject to basic indicator approach	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	758,937	877,800	914,457	100,499	1,256,233
3	Subject to TSA:	758,937	877,800	914,457		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Market risk

Below is the qualitative information referred to in the EU MRA table on market risk, required by Article 435, paragraph 1, letters a) to d) of the CRR, in particular the scope and nature of the reporting and measurement systems market risk.

As regards the description of the strategies and processes for managing market risk and the structure and organization of the market risk management function, please refer to the chapter “Risk management objectives and policies”.

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

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

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

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

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

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

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

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

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

- Economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the Group can be viewed as the present value of the expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities. A relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1 basis point rate shock. This measure is recorded in order to assess the economic value impact of various changes in the yield curve. The economic value sensitivity is also calculated for a 200bp parallel shock. A monitoring variable from this perspective is the value at risk resulting from interest rate risk exposure only;
- Income perspective: the focus of the analysis is the impact of changes of interest rates on Net Interest Income that is the difference between revenues generated by interest-sensitive assets and the cost related to interest-sensitive liabilities. An example of a risk measure used is Net Interest Income sensitivity for a parallel shock in rates equal to 100bp positive and for 25bp negative. Such measure provides evidence of the impact on the net interest income over the next 12 months if such shock should occur.

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

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

The following template provides the breakdown and components of the own funds requirements under the standardized approach for market risk, pursuant to Article 445 of the CRR.

Market risk

EU MR1 - Market risk under the standardised approach

(Amounts in € thousand)

		a
		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	12,186
2	Equity risk (general and specific)	31,839
3	Foreign exchange risk	-
4	Commodity risk	2,569
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	**Securitisation (specific risk)**	**-**
9	**Total**	**46,594**

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

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

Below is the information referred to in the IRRBBA table and the IRRBB1 form required in Article 448 of the CRR. In particular:

- the description of the main modeling and parametric assumptions used to calculate changes in the economic value of equity and net interest income pursuant to the EU IRRBB1 model; the explanation of the relevance of the risk measures published in the EU IRRBB1 model and of any significant changes in these risk measures from the previous reporting reference date; the description of the methods according to which Fineco defines, measures, mitigates and controls interest rate risk of its activities outside the trading book; a description of the overall management and mitigation strategies for these risks; the average and maximum maturity date for the review of the conditions assigned to unrestricted deposits;
- changes in the economic value of equity calculated on the basis of the six prudential shock scenarios referred to in Article 98, paragraph 5, of Directive 2013/36 / EU for the current and previous reporting period; the changes in net interest income calculated on the basis of the two prudential shock scenarios referred to in Article 98 (5) of Directive 2013/36 / EU for the current and previous reporting periods.

Interest rate risk management in FinecoBank aims to ensure financial stability in the financial statement, regardless of the variation effects of interest rates on the net interest income and the economic value; this is achieved through an adequate asset / liability structure and maintaining the sensitivity of the interest income and economic value within the threshold established by the Board of Directors in the Risk Appetite Framework.

In particular, in full compliance with the regulatory provisions, FinecoBank assesses interest rate risk according to two different but complementary perspectives: Economic value perspective and Income perspective.

The risk measures used to monitor the effects of changes in interest rates on the economic value of assets and liabilities ("Economic value perspective") are BP01 and EV Sensitivity. The first represents the sensitivity of the economic value per time bucket for a rate shock of 1 bp and is calculated in order to evaluate the impact on the economic value of possible changes in the yield curve. The metric is monitored daily against the set operational granular limits.

The second measure is given by the sensitivity to the economic value of the balance sheet, modeled according to the outcomes of the internal sight items model, which provides a "core" share of deposits payable equal to 59.31% and with an average repricing profile of 5 years (maximum maturity 10 years). The change is calculated in application of the six scenarios defined by EBA in the “Guidelines on the management of interest rate risk arising from non-trading activities”. This change, compared to Own Funds, represents the EV Sensitivity indicator included in the Group's RAF which is monitored daily and reported quarterly as part of the Group's RAF processes.

From the income perspective ("Income perspective"), the analysis focuses on the impact of changes in interest rates on the net interest income, that is, on the difference between interest income and passive interests. The risk measure used is Net Interest Income Sensitivity (NII Sensitivity), in application of parallel shocks. This measure provides an indication of the impact that this shock would have on the interest margin over the next 12 months. The NII Sensitivity indicator is also monitored daily and reported quarterly as part of the Group's RAF processes.

The model below provides a representation of the sensitivity trend of the economic value and the interest income in application of the six regulatory scenarios measured by incorporating the methodological instructions provided by the EBA guidelines mentioned above.

EU IRRBB1 - Interest rate risk on positions not included in the trading book

(Amounts in € thousands)

	Supervisory shock scenarios	a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		12/31/2021	06/30/2021	12/31/2021	06/30/2021
1	Parallel Up	55,009	68,685	136,991	133,969
2	Parallel Down	(18,202)	(15,258)	(50,005)	(55,020)
3	Steepener shock (decrease in short rates and increase in long rates)	772	(16,598)		
4	flattener shock (increase in short rates and decrease in long rates)	6,551	20,213		
5	Short rates up	20,764	35,679		
6	Short rates down	(22,380)	(26,623)		

Liquidity requirements

Below is the information referred to in the EU LIQA table required in Article 451bis paragraph 4 of the CRR relating to the systems, processes and strategies put in place to identify, measure, manage and monitor liquidity risk.

The section also contains a statement approved by the Board of Directors regarding the Group's liquidity risk profile associated with its business strategy and the adequacy of the liquidity risk management measures implemented.

The Group's purpose is to maintain liquidity at a level that allows conducting the main operations safely, financing its activities at the best rate conditions in normal operating circumstances and always remaining 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.

Funding is characterised by multi-channels and is almost entirely made up of sight deposits collected in a widespread and granular manner from retail customers. Although the latter are the predominant collection channel, in the course of 2020-2021 the Bank further expanded its collection sources through:

- participation in the sixth and seventh tranches of the Targeted Longer Term Refinancing Operations III (TLTRO III) program, respectively on a value date of 16 December 2020 and 24 March 2021, for a total of 1,045 million euros;
- the issue, on October 21, 2021, for a nominal amount of 500 million euros of a senior preferred bond, fixed to floating rate, with an early repayment option exercisable on 21 October 2026 and maturing on 21 October 2027, in order to comply with the MREL final target requirement currently requested to the Group and calculated on the Leverage Ratio Exposure (5.18%), which will come into force starting from January 1st, 2024.

The FinecoBank Group ensures that liquidity risk management measures are adequate to the Group's liquidity risk profile and consistent with the latter's strategy.

The Group has a "Group Liquidity Policy", directly applicable to the Parent Company itself and to the Legal Entities, with the aim of defining the principles and rules supervising liquidity management and related risks in the Group. In particular, the Policy describes the management of liquidity and its risks in standard conditions and in crisis conditions, the first and second level control activities and the Group governance on the matter, defining the roles and responsibilities of the corporate Bodies and functions of the Parent Company. The mostly involved are the Finance structure, the CRO Department, and the subsidiary, for which we refer to the chapter General information requirement. In March 2021, the “Group Liquidity Policy” was updated in order to align the escalation processes with the overall review of the Group's Contingency Plans. In addition, the annual liquidity adequacy self-assessment criteria were also slightly modified.

Liquidity risk supervision in the FinecoBank Group is carried out by setting and monitoring of internal limits in line with the risk profile defined by the Board of Directors in the Group RAF. The liquidity risk profile is optimized according to an efficiency criterion and cost-effectiveness, and the establishment and maintenance of liquidity reserves is represented by high quality and liquid assets.

Liquidity risk management measures in a context of normal course of business (going concern) refer to two complementary processes:

- strategic liquidity management, which includes the definition of the short-term and structural net liquidity balance, and the methods for achieving and maintaining them;
- ordinary liquidity management, which translates into the execution of daily operational activities and the application of first level controls.

To these processes, carried out by the Finance function, are added the activities carried out by the CRO Department which consist of monitoring compliance with the liquidity risk limits and rules (second level controls), the application of risk metrics and the evaluation of the chosen methodologies and in particular in the execution of stress tests on the liquidity position.

More specifically, liquidity strategic management includes:

- the ordinary planning process, with which the Finance function, on a daily basis, through the forward-looking quantification of the flows, plans the ordinary needs of daily liquidity management;
- collection planning, which envisage the annual arrangement by the Finance function of the Funding Plan, identifying the funding policies in the medium and short term in qualitative and quantitative terms;
- investment planning, which is carried out through the arrangement of the Investment Plan by the CFO Department, which defines the size and main characteristics of the investment portfolio.

As far as ordinary management is concerned, reference is made to first level monitoring, which envisages in particular:

- intra-day liquidity management, through the analysis of the Bank's ordinary and extraordinary liquidity outflow, i.e., timely payments with particular attention to those programmed and foreseeable, compliance with the assigned limits (credit lines, large exposures) and compliance with the regulatory and operational constraints governing relations with the Central Bank (Mandatory reserve, Target operating day);
- Short-term liquidity risk management (operational liquidity), which considers the events that may affect 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 minimizing the relevant costs. To that extent on a daily basis, the Group calculates the Operative Maturity Ladder, which measures the cash inflows and outflows affecting the monetary base, with details of the main temporal buckets. Focus is on the Adjusted Cumulative

Gap as the Group's objective is to provide sufficient short-term liquidity to deal with a particularly adverse liquidity crises for at least three months. Since the beginning of the pandemic crisis, FinecoBank did not experience any adverse liquidity event and any significant impact on liquidity reserves and on ordinary and extraordinary funding sources. The Group's Counterbalancing Capacity has not been negatively impacted by the pandemic and the Adjusted Cumulative Gap increased despite all mainly due to the fresh Government bonds purchases;
- Structural liquidity risk management (structural risk), which considers the events that may affect the Group's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoiding pressures on short-term funding sources (both current and future). To this end, the Group adopts a prudent approach to its investments of liquidity, taking into account funding maturities. The indicator used and monitored as part of the wider Risk Appetite Framework (NSFR) ensures that assets and liabilities have a sustainable maturity structure. The NSFR is defined as the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The ASF is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The ASF and the RSF are calculated applying specific weights to the on and off-balance positions of the Group. Under this profile, it should be noted that, starting from June 2021, the indicator has become regulatory, with a minimum threshold equal to 100%. We would also like to recall the introduction in 2020 of a new indicator called "structural ratio", having the purpose to managerially monitor the risk of maturity transformation, taking into consideration the specificities of Fineco's funding. Such indicator complements the regulatory indicator NSFR, and shares most of the operating principles thereof. To properly manage structural liquidity and to correctly estimate interest rate risk and the related hedgings, the Group considers all assets and liabilities, all off balance positions and all present and future events generating cash flows both known or forecasted. By doing so, the Group seeks a hedging towards risks coming from maturity transformation. To that extent, FinecoBank has developed specific managerial behavioral models aimed at defining a bucketing of the liabilities without a contractually defined maturity (sigh deposits). Many on call liabilities, in fact, present higher than expected trend stickiness. More specifically liabilities modelling is aimed at building a maturity profile better reflecting behavioral maturities of the different funding sources. For example, for on call liabilities, the estimate of the maturity profile is based on the perceived stickiness. Behavioral models are developed by the Parent Company Credit Risk and Internal Capital structure, and validated by Group's Internal Validation structure.

Another core pillar of liquidity risk management consists in the regular execution of stress tests on the Bank's liquidity position to identify possible sources of liquidity stress that could emerge in the short and medium term. Liquidity risk is a low-probability and high-impact event; therefore, stress testing techniques represent a forecasting tool for assessing potential vulnerabilities. In 2021, for ICAAP purposes, stress tests were carried out considering sources of systemic and specific risk, as well as a combination of the two; the risk factors considered concerned in particular customer current accounts, foreseeing significant liquidity outflows and a decrease in the value of the government bonds in the Bank's portfolio.

Contingency Liquidity Management

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

- the Contingency Funding Plan (CFP);
- the Liquidity Risk Contingency Plan (specific operational model).

The Contingency Funding Plan is drafted and approved on a yearly basis alongside and in accordance with the financial budgeting process. The CFP defines the Group's available set of liquidity management measures (detailed in terms of forecasted volumes and time of execution) to be activated in case of funding constraints and tensions.

The CFP might be updated during the year in case of unexpected events, capable to jeopardize the execution thereof, or in case of changes in financial market conditions.

Among the cases contemplated by the CFP, the following are worth mentioning:

Risk Type	***Systemic risks***	***Default of a core Banking Group***
		Downgrade of the Italian Republic
		Political stress in the euro area (break up)
		Pandemic crisis
	FinecoBank Group idiosyncratic risks	***Reputational damage***
		Technical issues
		Group's downgrade

In order to promptly identify any crisis situation and be able to cope with it in a preventive and effective manner, the managers entrusted with liquidity risk monitoring and control tasks (CRO Department - Market & Liquidity Risk Team) as well as liquidity management tasks (Treasury), identify and monitor, each for their own area of competence, a series of early warning indicators.

Liquidity requirements

In case of a significant deterioration of the monitored indicators, the first and second level control functions promptly escalate to the Group's decision-making bodies (CRO, CFO, CRPC, BoD) in order to trigger the due sharing processes of the countermeasures to be activated, according to the severity of the situation. Countermeasures thereof are consistent and proportional to the FinecoBank's business model, focused on funding in the retail segment and investments in high quality financial assets.

The Liquidity Risk Contingency Plan defines the instruments to monitor and deal with liquidity crisis in order to provide the Group with an efficient operational model able to timely tackle liquidity tensions minimizing the relative potential negative impacts.

More specifically the Contingency Plan envisages:

- the employment of indicators aimed at detecting the beginning of potential liquidity crisis, both idiosyncratic or systemic (i.e., Early Warning Indicators, primary and secondary indicators considered also in the Group's Recovery Plan framework);
- the engagement and escalation process to be followed by internal departments in charge of crisis management together with the related emergency and communication procedures (i.e., definition of the actors involved and of the according roles and responsibilities).

Internal Liquidity Adequacy Assessment Process (ILAAP)

In accordance with regulatory provisions, the Group annually assesses the adequacy of the liquidity risk governance and management system (ILAAP) and informs the Supervisory Authority according to the terms provided for by the relevant legislation.

On 10 June 2021, in the context of the 2020 ICAAP and ILAAP annual report, the Board of Directors of the Parent Company FinecoBank has approved the final version of the Liquidity Adequacy Statement (LAS), in which it certifies that the liquidity risk governance and management system it is adequate to cover the Group's liquidity risk profile.

Liquidity Coverage Ratio - LCR

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

- with reference to the requirements to be met:
  - CRR article 412 "Liquidity coverage requirement ;
  - Delegated Regulation (EU) 2015/61 of October 10, 2014 and subsequent amendments, which establishes the rules specifying in detail the liquidity coverage requirement set forth in Article 412(1) of the CRR. Specifically, for each year of the transitional period, the requirement that all banks authorized in Italy must comply with is 100%;
  - Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the reporting by institutions for supervisory purposes and repealing Implementing Regulation (EU) No 680/2014.
- with reference to the disclosure information to be published:
  - CRR article 435 defining disclosure requirements for each risk category, including key ratios (letter f) and CRR article 451a defining disclosure of liquidity requirements;
  - Article 7 of Implementing Regulation (EU) 637/2021 laying down implementing technical standards with regard to liquidity reporting;
  - EDTF recommendation ("Enhancing the risk disclosures of banks") no. 4, which requires the publication of key ratios (including LCR).

The following EU LIQ1 template and EU LIQB section report the information required under Article 451a paragraph 2 of the CRR. In particular:

- the average of the liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;
- the average of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;
- the averages of their liquidity outflows, inflows and net liquidity outflows, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.

Liquidity requirements

EU LIQ1 - Quantitative information of LCR

(Amounts in € thousands)

Scope of consolidation: consolidated		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	**Quarter ending on**	**12/31/2021**	**09/30/2021**	**06/30/2021**	**03/31/2021**	**12/31/2021**	**09/30/2021**	**06/30/2021**	**03/31/2021**
EU 1b	**Number of data points used in the calculation of averages**	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					18,385,292	17,827,332	17,140,336	16,588,447
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	27,948,603	27,577,416	26,957,215	26,442,225	1,966,190	1,941,753	1,895,008	1,854,048
3	*Stable deposits*	*20,450,462*	*20,109,440*	*19,647,504*	*19,362,431*	*1,022,523*	*1,005,472*	*982,375*	*968,122*
4	*Less stable deposits*	*7,498,141*	*7,460,533*	*7,293,233*	*7,060,741*	*943,667*	*936,281*	*912,633*	*885,927*
5	*Unsecured wholesale funding*	*870,901*	*802,207*	*805,415*	*813,423*	*527,665*	*484,838*	*475,777*	*464,896*
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	*870,901*	*802,207*	*805,415*	*813,423*	*527,665*	*484,838*	*475,777*	*464,896*
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					*146,666*	*145,535*	*133,311*	*127,166*
10	Additional requirements	170,712	170,014	167,111	160,914	168,714	167,540	164,128	158,660
11	*Outflows related to derivative exposures and other collateral requirements*	*168,599*	*167,398*	*163,956*	*158,528*	*168,599*	*167,398*	*163,956*	*158,528*
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	*2,113*	*2,616*	*3,155*	*2,386*	*115*	*142*	*172*	*132*
14	Other contractual funding obligations	692,808	670,982	695,532	710,734	679,671	643,914	624,196	609,480
15	Other contingent funding obligations	2,754,227	2,659,256	2,566,952	2,497,571	214,652	212,603	210,239	208,861
16	TOTAL CASH OUTFLOWS					3,703,558	3,596,183	3,502,658	3,423,112
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	1,100,666	1,171,195	1,060,988	833,574	56,397	50,384	65,926	78,414
18	Inflows from fully performing exposures	542,104	551,438	551,175	529,972	413,980	427,926	428,937	411,762
19	Other cash inflows	2,455,351	2,299,916	2,207,712	2,145,239	993,541	934,599	923,839	935,624
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	*4,098,121*	*4,022,549*	*3,819,874*	*3,508,784*	*1,463,918*	*1,412,908*	*1,418,702*	*1,425,800*
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*4,098,121*	*4,022,549*	*3,819,874*	*3,508,784*	*1,463,918*	*1,412,908*	*1,418,702*	*1,425,800*
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					18,385,292	17,827,332	17,140,336	16,588,447
22	TOTAL NET CASH OUTFLOWS					2,239,640	2,183,275	2,083,956	1,997,312
23	LIQUIDITY COVERAGE RATIO					828.09%	824.61%	834.44%	841.27%

Liquidity requirements

EU LIQB: qualitative information on LCR, which complements template EU LIQ1

With reference to the average ratios shown in the template and calculated on end-of-the-month observations over the preceding 12 months, the trend shows a slight decrease, driven by an increase in outflows in line with the increase in liabilities recognised in the Group's balance sheet, mainly retail deposits and non-operating deposits. There was also an increase in the liquidity buffer due to the purchase of securities that are part of the high-quality liquid assets.

The public health emergency caused by the pandemic and the consequent economic and financial crisis have not affected the Group's overall liquidity, which remained solid and stable. During 2021, despite the pandemic continuing, all liquidity adequacy indicators were comfortably within the regulatory and internally established limits. Finally, FinecoBank did not have any difficulties or worsening in the conditions of access to the markets and in the closing of the relative transactions (repurchase agreements, purchase and sale of securities) in terms of volumes and prices.

Concentration of liquidity and funding sources

The concentration risk of funding sources can arise when the Group leverages on a limited number of funding sources with characteristics that could cause liquidity problems in the event of outflows concentrated on a single channel.

The Group's funding, although mainly made up of sight deposits of FinecoBank retail customers, is characterised by multi-channelling and the funding is therefore not threatened by the withdrawal of funds by a limited number of counterparties or by the disappearance of a funding channel.

Moreover, while confirming sight deposits as its predominant funding source, during 2021 the Bank further diversified its liquidity sources through:

- the participation in the seventh tranche of the Targeted Longer Term Refinancing Operations III (TLTRO III) program for value date 24 March 2021 and for 95 million euro, that, together with the participation to the sixth tranche with value date 16 December 2020, brought the total amount raised in this program to a total of 1,045 million euro;
- the issuance, on 21 October 2021, for a nominal of 500 million euro of a senior preferred bond, fixed to floating rate, callable on 21 October 2026 and maturing on 21 October 2027, with the aim of complying immediately with the fully loaded MREL requirement on the Leverage Ratio Exposure (5.18%), which will come into effect from 1 January 2024.

The aforementioned transactions while allowing for a diversification of the sources of funding, particularly in the medium and long term, reflect the Group strategies (support of the lending activity and reduction of the cost of funding) and the regulatory MREL requirement rather than the funding restructuring needs.

In addition, FinecoBank has developed the Sight Deposit Model and the related controls, as well as specific stress tests and controls on current account stability.

The Sight Deposit Model is a statistical model whose objective is to estimate the portion of available funds on accounts that customers decide to keep stably liquid. That share is calculated as the ratio among liquidity kept on current accounts and the overall financial position of the client with the bank. At the same time, the Model estimates the “Core insensible” liquidity which is the amount of fixed-rate sight deposits considered to be consistently held despite of rate changes/hikes that can be used to finance fixed-rate loans.

Risk Management checks monthly that the liquidity held within the year complies with the results of the Sight Deposit Model.

Basing funding almost only on deposits, even if collected in a widespread and granular manner from customers, can nevertheless expose the Group to a concentration in terms of maturity. In order to control this risk, FinecoBank periodically monitors specific indicators, both regulatory (such as the Net Stable Funding Ratio) and managerial.

As for the regulatory indicators, the effectiveness of the funding measures provided by FinecoBank is demonstrated by the levels well above the regulatory limits of the calculated and monitored liquidity ratios (LCR and NSFR).

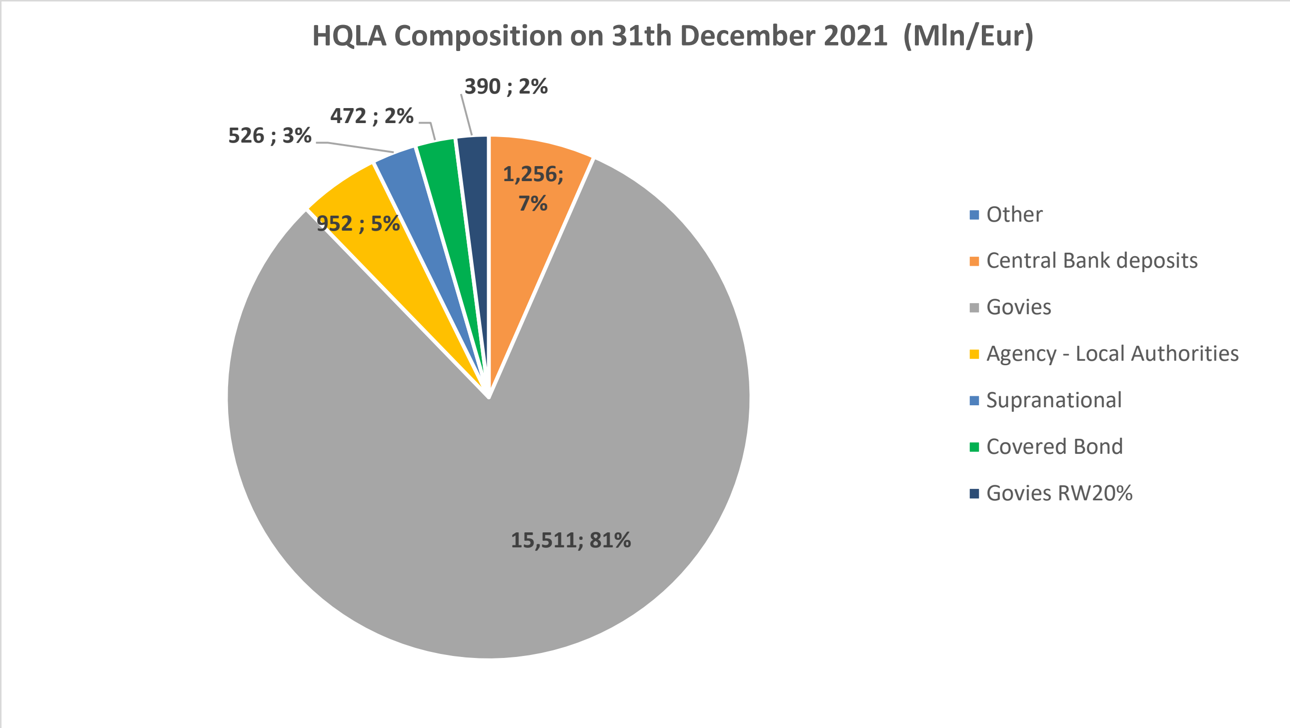
With reference to the managerial indicators, the Risk Management calculates the so-called Structural Ratio.

The calculation of the Structural Ratio replaces the NSFR adjusted for maturity, and shares with it numerous assumptions. In detail, the indicator considers the contractual maturities of the bank's assets and liabilities with the exclusion of sight deposits, represented according to the Sight Deposit Model.

High-level description of the composition of the institution's liquidity buffer

The liquidity buffer consists mainly of securities classified as level 1 HQLA by art. 8 of Regulation 2015/61 and in particular of government bonds.

More specifically, the level of HQLA is equal to approximately 19.11 billion euros as of 31 December 2021 and is mainly composed of government bonds part of Fineco proprietary portfolio, of the liquidity deposited with the Bank of Italy (cumulative balance of the HAM account - Home Accounting Module and the DCA TIPS - Target Instant Payment Settlement Dedicated Cash Account) and of the securities received through reverse repurchase agreements carried out by Treasury as part of the active management of the Bank's securities portfolio.



Exposures in derivatives and potential requests for collateral

FinecoBank enters into derivative contracts both with central counterparties and third-party counterparties (OTC), with various underlying and hedging the following risk factors: changes in interest rates, exchange rates, and securities prices.

At the time of entering into new contracts and upon changes in market conditions the Group's liquidity position gets impacted by the obligation to provide margins proportional to the positions held and to the delta registered in market prices. The Group is in fact required to pay initial margins and daily variations margins in the form of cash or other liquid collateral.

FinecoBank is able to estimate and check the required margins on a daily basis using specific tools provided by clearing brokers. The correct execution of margin payments is also monitored on a daily basis, both in case of cash payment or in case of provision through the allocation of securities as collateral. In this second case, Treasury identifies the securities to be used which will then be included in the specific reports relating to the encumbered assets.

The sensitivity, calculated daily using Group's ALM tool, allows the estimation of the potential absorption of liquidity generated by specific market curve shocks.

Currency mismatch

The Group operates mainly in euro. EU regulations prescribe the monitoring and the communications of a foreign currencies LCR if the aggregated liabilities denominated in foreign currencies can be considered significant i.e. equal or higher than the 5% of the overall balance sheet liabilities of the Group. As of 31 December 2021, the only significant currency for the Group is euro.

Other elements in the calculation of the LCR that are not relevant in the LCR disclosure model, but that the institution considers relevant to its liquidity profile

FinecoBank has so far adopted an indirect participation to the European payment system and to its relevant ancillary system with the only exception of the instant payment infrastructure. Fineco in fact adhered directly to such sector by opening on the 22/11/2021 its own TIPS DCA which is adding up to previous available instant payment account on RT1. FinecoBank decided not to replace RT1 with TIPS but to keep both in order to achieve a wider reachability.

Participation in the payment systems, albeit mainly indirect as described above, in any case requires the availability of adequate procedures to manage intraday liquidity risk.

Leveraging on available IT systems (both internal and systemic) Treasury actively manages all its intraday liquidity needs and guarantees the fulfilment of all payment and settlement obligations both in business as usual or contingency situations.

FinecoBank mainly faces intraday liquidity obligations towards:

- Central Bank, in relation to the activities processed on HAM and DCA TIPS accounts and consisting:
  - in the fulfilment of the request to keep on both accounts, individually and on a consolidated level, during the opening hours and especially at close of business, a positive balance sufficient to allow the respect of minimum reserve requirements on average balances held during the maintenance period;
  - in the execution of adequate and punctual daily funding and defunding transactions respecting specific system cut off times for each account;
  - in granting proper and sufficient funding on HAM and TIPS account, respectively to meet up with periodical debit postings by Central Bank and to manage the flows being processed 24/7;
- EBA, in relation to the 24/7 activity on RT1 and consisting:
  - in the execution of adequate and punctual daily funding transactions to be estimated based on the expected daily flows and considering a top up suitable to create a prudential balance to manage overnight and weekend flows;
  - in the setup of upper limits representing operational balances cap thresholds that trigger automatic defunding transactions to bring back overall available liquidity to a prudential level able at the same to reduce cost opportunity and fragmentation of the payment capacity in euro;
- correspondent banks, in relation to the operational account and payment operation and consisting:
  - in the execution of adequate and punctual daily funding transactions to be estimated based on the expected daily flows and to be processed respecting daily cut off times specific of the counterparty or of the market, product, currency involved;
  - in the execution of close of business defunding transactions to keep balances within the credit lines granted to the every single counterparty.

FinecoBank's Group in fact adopts a simplified cash management model in major currencies which implies the distribution of its payment capacity on main operational accounts held with Bank of Italy (HAM and TIPS DCA accounts) as far as euro is concerned and on specific operational accounts held with the correspondent banks offering payments and cash management services in relation to foreign currencies and to a residual part of Euro available liquidity.

Treasury monitors daily and in real time the balance of all the above-mentioned account (with specific focus on opening and close of business available liquidity) in order to guarantee:

- punctuality of ordinary and extraordinary cash flows with greater focus on time recurring and predictable payments;
- respect of assigned limits;
- respect of regulatory and operational obligations with greater focus on those related to the relationships with the Central Bank as Minimum Reserve requirements.

In order to guarantee operational continuity in contingency situations, the process relating to the management of intra-day liquidity is included in the company's Business Continuity Plan where appropriate back-up and operational contingency measures are identified.

Liquidity requirements

Net Stable Funding Ratio - “NSFR”

The Net Stable Funding Ratio ("NSFR") is the regulatory metric designed to ensure that long-term assets and off-balance sheet items are adequately met with a stable set of funding instruments (funding) under both normal and stressed conditions. The underlying regulatory framework is represented by:

- with reference to the requirements to be met:
  - CRR article 413 “Stable funding requirement” and the new Articles 428a et seq. of Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (CRR2)
  - Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council as regards reporting by institutions for supervisory purposes and repealing Implementing Regulation (EU) No 680/2014
- with reference to the disclosure information to be published:
  - CRR article 435 defining disclosure requirements for each risk category, including key ratios (letter f) and CRR article 451a defining disclosure of liquidity requirements;
  - Article 7 of Implementing Regulation (EU) 637/2021 laying down implementing technical standards with regard to liquidity reporting.

The following EU LIQ2 template shows the information required on a half-yearly basis under Article 451a paragraph 3 of the CRR. In particular:

- quarter-end figures of net stable funding ratio;
- an overview of the amount of available stable funding;
- an overview of the amount of required stable funding.

Liquidity requirements

EU LIQ2 – Net Stable Funding Ratio

(Amounts in € thousand)

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	Capital items and instruments	1,484,030	-	-	-	1,484,030
2	*Own funds*	*1,484,030*	-	-	-	*1,484,030*
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		28,667,251	-	-	26,847,692
5	*Stable deposits*		*20,943,338*	-	-	*19,896,171*
6	*Less stable deposits*		*7,723,912*	-	-	*6,951,521*
7	Wholesale funding:		2,467,348	66,945	497,761	911,533
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		*2,467,348*	*66,945*	*497,761*	*911,533*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	141,204	5,103	289,092	291,643
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		*141,204*	*5,103*	*289,092*	*291,643*
14	**Total available stable funding (ASF)**					**29,534,899**
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					1,434,516
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational		-	-	-	-
17	Performing loans and securities:		4,844,140	963,019	4,808,223	6,451,721
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*412,986*	*281*	*276*	*41,715*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*2,494,251*	*87,297*	*351,790*	*3,181,723*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	*1,590,143*
22	*Performing residential mortgages, of which:*		*69,628*	*70,085*	*2,341,002*	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*69,628*	*70,085*	*2,338,902*	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*1,867,276*	*805,355*	*2,115,156*	*3,228,283*
25	Interdependent assets		-	-	-	-
26	Other assets:	-	1,613,519	3,667	455,938	1,194,161
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		*117,023*	-	-	*99,470*
29	*NSFR derivative assets*		*130,249*			*130,249*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*59,528*			*2,976*
31	*All other assets not included in the above categories*		*1,306,719*	*3,667*	*455,938*	*961,466*
32	Off-balance-sheet items		1,047	-	97	149
33	**Total RSF**					**9,080,548**
34	**Net Stable Funding Ratio (%)**					**325.25%**

Liquidity requirements

Net Stable Funding Ratio – "NSFR" as of 31 December 2021 is equal to 325.25%. The available amount of stable funding (ASF) is equal to 29,534 euro million while the required amount of stable funding (RSF) is 9,081 euro million. The available amount of stable funding mainly consists of stable and less stable deposits with retail customers for approximately 26,848 euro million (weighted value). The mandatory amount of weighted stable funding is mainly made up of loans and unlisted bonds issued by credit institutions that are not included in the LCR reporting buffer, considering that the securities owned, being mainly of very high-quality level 1, are subject to a weighting factor of 0%.

Encumbered and unencumbered assets

Below are the templates EU AE1, EU AE2 and EU AE3 (quantitative information) and the table EU AE4 (qualitative information) relating to all forms of encumbrance on the Group's assets, as required by Article 443 of the CRR, in particular:

- the information on encumbered and unencumbered assets;
- collateral received and debt securities issued;
- the sources of encumbrance.

It should be noted note that the amounts shown in the tables below represent median values, which correspond to the median of the sum of the four quarterly end-of-period values of the last twelve months.

EU AE1 - Encumbered and unencumbered assets

(Amounts in € thousand)

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			Of which notionally eligible EHQLA and HQLA		Of which notionally eligible EHQLA and HQLA		Of which EHQLA and HQLA		Of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the disclosing institution**	**5,034,639**	**4,614,026**			**28,087,319**	**16,010,746**		
030	Equity instruments	-	-	-	-	22,202,881	-	22,202,881	-
040	Debt securities	4,762,559	4,614,026	4,869,161	4,792,366	19,754,381	14,479,371	20,231,780	14,867,390
050	of which: covered bonds	-	-	-	-	811,810	533,983	823,656	544,059
060	of which: securitisations	-	-	-	-	-	-	-	-
070	of which: issued by general governments	4,456,132	4,456,132	4,627,811	4,627,811	13,675,087	13,584,437	14,053,494	13,993,103
080	of which issued by financial corporations	297,522	157,894	305,426	164,106	6,169,942	1,072,044	6,238,677	1,097,717
090	of which issued by non-financial corporations	-	-	-	-	-	-	-	-
120	Other assets	266,099	-			8,408,240	1,562,608		

Encumbered and unencumbered assets

EU AE2 - Collateral received and own debt securities issued

(Amounts in € thousand)

		Fair Value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair Value of collateral received or own debt securities issued available for encumbrance	
			Of which notionally eligible EHQLA and HQLA		Of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the reporting institution**	**131,359**	**-**	**2,158,302**	**1,520,179**
140	Loans on demand	-	-	-	-
150	Equity instruments	130,222	-	292,124	-
160	Debt securities	562	-	1,876,262	1,520,179
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	1,492,474	1,472,485
200	of which: issued by financial corporations	562	-	97,873	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**			-	-
241	**Own covered bonds and asset-backed securities issued and not yet pledged**	-	-		
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**5,172,291**	**4,614,026**		

EU AE3 - Sources of encumbrance

(Amounts in € thousand)

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations, encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**3,213,209**	**3,443,175**

EU AE4 - Accompanying narrative information

Encumbered assets mainly consist of Governments bonds used as underlying assets in Repo transactions carried out on the MTS market, stock lending transactions (unsecured lending and collateral switch) and in monetary policy transactions with the Central Bank. In addition, there are securities pledged as collateral and deposited with central counterparty clearing systems (CCPs) and other financial institutions as a condition of access to the service, as well as default funds, initial margins and variation margins for repurchase agreements and derivative contracts.

Collateral received consists mainly of:

- bonds, shares and UCITS units received as a guarantee of current account overdraft lines;
- government bonds received as underlying assets in Repo transactions carried out on the MTS market;
- bonds and shares received under both cash-secured stock lending transactions, which are in substance equivalent to repurchase agreements, and collateralised stock lending transactions (Collateral Switch);
- the specific asset backed bond "Impresa2 FRN 20/12/2061 Asset Backed" and Italian government bond received as collateral to mitigate exposures to UniCredit S.p.A. under the Pledge Agreement.

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

Encumbered and unencumbered assets

With respect to the value of unencumbered assets, FinecoBank considers as non-available for encumbrance, during business-as-usual operations, all assets included in row 120 “Other assets” of Template EU AE1 “Encumbered and unencumbered assets” other than loans and represented mainly by material and immaterial, fiscal and hedging assets.

Leverage

The Basel 3 prudential regulation (BCBS) introduced the requirement of calculation, reporting, and publication of leverage ratio that is an additional regulatory requirement to risk-based indicators.

The leverage ratio has the following objectives:

- restricting the build-up of leverage in the banking sector;
- strengthening capital requirements with a simple, non-risk-based supplementary measure.

The ratio is calculated according to the rules set out in "Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council as regards reporting by institutions for supervisory purposes and repealing Implementing Regulation (EU) No 680/2014".

This disclosure is also made in accordance with the provisions of "Commission Implementing Regulation (EU) 637/2021 of March 15, 2021, which repealed the previous Implementing Regulation (EU) 2016/200 and establishes implementing technical standards regarding the publication by institutions of the information referred to in Part Eight, Titles II and III, of Regulation (EU) No 575/2013 of the European Parliament and of the Council.

Contents

CRR Article 429 defined the leverage ratio as the Bank's capital measure divided by the total exposure and it is expressed ad percentage between:

- Tier 1 Capital;
- total exposure, calculated as sum of all assets and off-balance sheet items not deducted when determining the Tier 1 Capital measure.

The CRR defines the minimum requirement for the leverage ratio under Pillar 1 as 3%, applicable from June 2021.

The measure of overall exposure includes (the articles mentioned refer to the CRR):

- assets[5], excluding derivative contracts listed in Annex II of CRR, credit derivatives and the positions referred to in Article 429e, calculated in accordance with Article 429b paragraph 1;
- derivative contracts listed in Annex II of CRR and credit derivatives, including those contracts and credit derivatives that are off-balance-sheet, calculated in accordance with Articles 429c and 429d;
- add-ons for counterparty credit risk of securities financing transactions[6], including those that are off-balance sheet, calculated in accordance with Article 429e;
- off-balance-sheet items, excluding derivative contracts listed in Annex II of CRR, credit derivatives, securities financing transactions and positions referred to in Articles 429d and 429g, calculated in accordance with Article 429f;
- regular-way purchases or sales[7] awaiting settlement, calculated in accordance with Article 429g.

and is calculated in accordance with the following principles:

- physical or financial collateral, guarantees or credit risk mitigation purchased shall not be used to reduce the total exposure measure;
- assets shall not be netted with liabilities. However, institutions may reduce the exposure value of a prefinancing loan or an intermediate loan by the positive balance on the savings account of the debtor to which the loan was granted and only include the resulting amount in the total exposure measure, provided that all the conditions set in article 429b, paragraph 8 CRR are met;
- article 429a permits the exclusion of certain specific exposures from the measure of overall exposure.

As anticipated in the introduction, it should be noted that, given the provisions contained in the Bank of Italy's Communication of June 30, 2021, declaring the existence of exceptional circumstances that began on December 31, 2019, as of the reference date of June 30, 2021, the Group has applied the provisions of Article 429a of the CRR, which allow certain exposures to central banks to be excluded from the overall exposure in light of the COVID-19 pandemic. The amount of the excluded exposures, amounting to 1,554 euro million, is shown in line 4 of the following table EU LR1 - LRSum. The leverage ratio excluding the impact of the applicable temporary exemption of central bank reserves of 3.84% is shown in line 25a of table EU LR2 - LRCom. The Adjusted Leverage ratio representing the minimum regulatory requirement for the leverage ratio of 3.19% is reported on line 26 of Table EU LR2 – LRCom.

[5] Asset means the exposure value as defined in Article 111 paragraph 1 of CRR first sentence.
[6] Repurchase transactions, securities or commodities lending or borrowing transactions, or a margin lending transactions, which are transactions in which an institution extends credit in connection with the purchase, sale, retention, or trading of securities. Margin loans do not include other loans that are collateralized by securities.
[7] 'Regular-way purchase or sale' means a purchase or a sale of a security under contracts for which the terms require delivery of the security within the period established generally by law or convention in the marketplace concerned.

Leverage

EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

The template provides the reconciliation between the total exposure (denominator of the indicator) and the balance sheet values, in accordance with Article 451 paragraph 1) letter b) of the CRR.

(Amounts in € thousand)

		a
		Applicable amount
		12/31/2021
1	Total assets as per published financial statements	33,867,177
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	(1,554,439)
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	381,220
9	Adjustment for securities financing transactions (SFTs)	1,231,234
10	Adjustment for off-balance-sheet items (i.e., conversion to credit equivalent amounts of off-balance-sheet exposures)	233,082
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a (1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a (1) CRR)	-
12	Other adjustments	(112,965)
13	**Total exposure measure**	**34,045,310**

EU LR2 - LRCom: Leverage ratio common disclosure

The template shows the leverage ratio as of December 31, 2021, compared with the data as of September 30, 2021, and the breakdown of the total exposure into the main categories, in accordance with the provisions of Article 451(1)(a) and (b) and Article 451(3) of the CRR taking into account, where applicable, Article 451(1)(c) and Article 451(2) of the CRR. With reference to the provisions contained in the CRR Quick-fix, it should be noted that the Group has not made use of the option to apply the following provisions:

- temporary treatment of unrealized gains and losses measured at fair value recognized in other comprehensive income in light of the COVID-19 pandemic;
- temporary treatment to mitigate the impact of the introduction of IFRS 9 on own funds.

Therefore, capital and own funds already account for the full impact of the above components.

(Amounts in € thousand)

		CRR leverage ratio exposures	
		a	b
		12/31/2021	09/30/2021
On-balance-sheet exposures (excluding derivatives and SFTs)			
1	On-balance-sheet items (excluding derivatives, SFTs, but including collateral)	31,991,331	31,178,843
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	(7,806)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(115,815)	(116,363)
7	**Total on-balance-sheet exposures (excluding derivatives and SFTs)**	**31,875,516**	**31,054,675**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e., net of eligible cash variation margin)	112,583	114,741
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	399,395	327,035
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original exposure method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**511,979**	**441,776**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	3,261,314	1,988,581
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(3,067,815)	(1,765,383)
16	Counterparty credit risk exposure for SFT assets	1,231,234	1,235,351
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e (5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**1,424,733**	**1,458,549**
Other off-balance-sheet exposures			
19	Off-balance-sheet exposures at gross notional amount	1,870,210	1,859,321
20	(Adjustments for conversion to credit equivalent amounts)	(1,637,128)	(1,590,815)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance-sheet exposures)	-	-
22	**Off-balance-sheet exposures**	**233,082**	**268,506**

Continued: EU LR2 - LRCom: Leverage ratio common disclosure

(Amounts in € thousand)

		CRR leverage ratio exposures	
		a	b
		12/31/2021	09/30/2021
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a (1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off-balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a (1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a (1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	**(Total exempted exposures)**	**-**	**-**
Capital and total exposure measure			
23	**Tier 1 capital**	**1,368,214**	**1,341,297**
24	**Total exposure measure**	**34,045,310**	**33,223,505**
Leverage ratio			
25	Leverage ratio (%)	4.02%	4.04%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.02%	4.04%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	3.84%	3.80%
26	Regulatory minimum leverage ratio requirement (%)	3.19%	3.19%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital	-	-
27	Leverage ratio Buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.19%	3.19%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	-	-
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	219.990	216.572
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	193,499	223,198
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	34,071,802	33,216,879
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	35,626,240	35,269,574
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.02%	4.04%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3.84%	3.80%

EU LR3 - LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)

The template provides, for exposures other than SFT derivatives and exempted exposures, the distribution by counterparty class, in accordance with Article 451 paragraph 1) letter b) of the CRR.

(Amounts in € thousand)

		a
		CRR leverage ratio exposures
		12/31/2021
EU - 1	**Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**31,920,166**
EU - 2	Trading book exposures	16,930
EU - 3	Banking book exposures, of which:	31,903,235
EU - 4	Covered bonds	604,799
EU - 5	Exposures treated as sovereigns	20,671,595
EU - 6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	5
EU - 7	Institutions	4,667,144
EU - 8	Secured by mortgages of immovable properties	2,476,373
EU - 9	Retail exposures	2,532,336
EU - 10	Corporates	604,798
EU - 11	Exposures in default	4,285
EU - 12	Other exposures (e.g., equity, securitisations, and other non-credit obligation assets)	341,901

The information in the EU LRA table required by Article 451(1) (e) and (d) of the CRR is set out below, in particular:

- a description of the factors that had an impact on the leverage ratio;
- a description of the processes used to manage leverage risk.

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

The total exposure measure of the Leverage ratio showed an increase in 4Q21 attributable to the growth in direct funding from customers, which led to an increase in balance sheet assets, and to the decrease of certain exposures to central banks that, as previously described, are excluded from the total exposure measure of the Leverage under the Article 429a of the CRR.

Tier 1 capital showed an increase mainly due to profits for the period net of dividends to be distributed and foreseeable charges, as described above.

Processes used to manage the risk of excessive leverage

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

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

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

Remuneration policy

Below is the information on the Group's remuneration policies required by Article 450 of the CRR.

For further details, please refer to the "Remuneration policy and report", available on FinecoBank's website at www.finecobank.com.

EU REMA - Remuneration policy

This section provides qualitative information on the main elements of the FinecoBank Group's remuneration policies and how these policies are implemented:

a) Information relating to the bodies that oversee remuneration.

The body that oversees the application of the Remuneration Policy and the design of the compensation systems is the Remuneration Committee. The Committee is composed by 3 non-executive Directors, which are independent pursuant to art. 148 TUF and art. 2 of the Corporate Governance Code. As required by the "Corporate Governance Rules" internal regulation, the Committee has the role of presenting proposals and issuing opinions to the Board of Directors in relation to the Group's remuneration strategy, including, by way of example, the criteria for determining remuneration, performance targets, equity incentive plans etc., also supervising the overall consistency and application of the approved Remuneration Policy (for more details on the role of the Remuneration Committee, refer to Section II, p. 2.1 of the 2022 Remuneration Policy). The Remuneration Committee held 11 meetings in 2021.

As provided for by the applicable legislation, in 2021 the Committee, in performing its duties, was supported by an external consultant (Willis Towers Watson), specialized in advisory services, (providing, for example, market practices analysis on remuneration, updates on the reference regulatory framework, proposals for the definition of the peer group, etc.). The external advisor, whose independence had been previously verified, was appointed by the Remuneration Committee following a selection process, within the budget assigned by the Board of Directors.

The remuneration policy of the FinecoBank Group applies to the company FinecoBank S.p.A, the parent company of the Group, with reference to the employees, taking into account the specifics of their roles and duties, and to the Financial Advisors in line with the specific remuneration of the latter. Specific provisions contained in the Remuneration Policy apply exclusively to the Group's Identified Staff, as identified according to the criteria established by the relevant legislation. FinecoBank, in its capacity as parent company, ensures that the remuneration in the group companies, with specific reference to the subsidiary Fineco Asset Management DAC, is compliant with the principles and rules established by the Group Remuneration Policy and with the specific industry and local regulatory framework.

As a result of the analysis, conducted in line with the provisions of the Circular no. 285 of 2013 of the Bank of Italy and the new EU Delegated Regulation 604/2014, the following categories of employees of staff whose professional activities have a material impact on institutions' risk profile have been defined for 2021:

- non-Executive Directors member of the Board,
- Chief Executive Officer and General Manager,
- Executives with strategic responsibility,
- Executive positions in Company Control Functions (Compliance, Risk management, Internal Audit and Anti-Money Laundering) and
- Other positions that are responsible for strategic decisions which may have a relevant impact on the Group's risk profile (e.g., Human Resources, Legal Affairs, etc.).

In any case, all employees with Global band title equal to or greater than Senior Vice President are included among the Identified Staff. The Financial Advisors belonging to the 2021 Identified Staff are those who have an overall annual remuneration equal to or greater than 750,000 Euro and those who coordinate Financial Advisors with total assets equal to or greater than 5% of the total assets attributable to the Network. For more details, refer to Section I paragraph 5.1 of the 2021 Remuneration Policy.

b) Information relating to the design and structure of the remuneration system for identified staff.

The principles established by the Remuneration Policy are the pillars used to define the remuneration systems. Fineco's approach to remuneration, consistent with the legislation and best market practices, ensures the link to performance, external context and market practices, business strategies and long-term interests of shareholders. Notably, the Remuneration Policy aims to define incentive systems consistent with corporate values and objectives (including those of sustainable finance that take into account environmental, social and governance (ESG) factors), with company results and with an effective risk management in line with the reference framework for determining the risk appetite and with capital and liquidity levels. Appropriate remuneration and incentive mechanisms strive to support the creation of a working environment that is inclusive of any form of diversity and capable of encouraging the expression of individual potential, attracting, retaining and motivating highly qualified resources. In line with our remuneration governance model characterized by clarity, reliability and transparency in the decision-making processes, the Remuneration Policy is drawn up by the Human Resources function, with the involvement of the other company functions based on the area of expertise and validated by the Compliance and Risk Management function before being submitted to the Remuneration Committee. The Remuneration Policy, upon proposal of the Remuneration Committee, is submitted annually to the Board of Directors and subsequently to the Shareholders' Meeting for approval, in line with regulatory requirements.

The link between profitability, risk and remuneration is guaranteed by directly linking the bonus pool with company results and relevant risk profiles as defined in the reference framework for determining the risk appetite. Notably, specific entry conditions are defined, which act as an ex-ante risk adjustment mechanisms and assess the Group's performance in terms of profitability, capital and liquidity. Only if all entry conditions are met, the bonus pool is confirmed with the possibility of applying further adjustments based on the overall assessment of the risk factors included in the risk-weighting mechanism “CRO dashboard”. The CRO dashboard includes specific risk indicators taken from the Risk Appetite Framework (This process also applies to the definition of the bonus pool for Financial Advisors). Once the bonus pool is defined, individual bonuses are determined within the annual performance appraisal process, based on the principles of transparency and clarity to ensure a direct link between variable remuneration and performance. The variable remuneration awarded or paid is subject to ex-post risk adjustment mechanisms (malus and claw back respectively) that take into account individual behavior. Notably, these measures make it possible to reduce, cancel or request the return of any form of variable remuneration. For more details, please refer to the Focus on “Compliance breach, individual malus and claw back” in Section I paragraph 3.2 of the Remuneration Policy.

In 2021, the Remuneration Committee reviewed the 2020 Remuneration Policy making appropriate changes in order to comply with the most recent updates of the regulatory framework and in line with market practices. The following are the main changes introduced compared to 2020:

- With reference to the variable remuneration payment structures, the deferral period is extended from 4 to 5 years for the roles identified by the regulations with no significant variable remuneration. For the other Identified Staff with a no significant variable remuneration, the deferral period is extended from 3 to 4 years.
- A share-based Long-term Incentive Plan was approved for selected Employees, considered “key resources”. The plan sets objectives for the three-year performance period 2021-2023 in terms of value creation, industrial sustainability, risk and stakeholder value (ESG), in line with the long-term objectives of the 2020-2023 Multi Year Plan. The Plan provides for entry and malus conditions, claw-back conditions and a specific risk-adjustment mechanism.
- In the Remuneration Report, a specific paragraph has been included on comparison data pertaining to the annual change in remuneration and company's results, as requested by the update of the Consob Issuers' Regulation (11 December 2020).
- A specific section on gender neutrality of the Remuneration Policy has been added.

Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee. In order to guarantee the independence of the corporate control functions (Internal Audit, Compliance, Risk Management, Anti-Money Laundering) from the results of the areas they monitor and to minimize potential conflicts of interest, no economic objectives or objectives linked to the economic results of the monitored areas are assigned. The individual objectives for the employees of these functions primarily reflect the performance of their own function. Additionally, the variable remuneration of Identified Staff of the Company Control Functions cannot exceed 1/3 of the fixed remuneration in line with the applicable regulatory framework and the incentive systems reflect the nature of their responsibilities and consistent with market practices. In order to adequately remunerate qualified and expert personnel in these functions, the Identified staff belonging to the corporate control functions benefit from a specific “Role based allowance”, classified as fixed remuneration. Economic goals are also avoided for the Head of Human Resources and the Manager in charge of financial statements, whose remuneration is predominantly fixed. For the Identified Staff belonging to the Control Functions, Human Resources and Manager in Charge, any implications on the annual bonus of the application of the Zero Factor clause, which is activated in the event of failure to achieve at least one of the access conditions, are assessed in a manner specifically by the Board of Directors, considering their independence from the economic results of the areas under their control. For the Identified Staff belonging to the Control Functions, Human Resources and Manager in Charge of the Financial Statements, the implications on the annual bonus of the application of the Zero Factor will be specifically assessed by the Board of Directors, considering their independence with respect to the economic results of the areas subject to their control. From a governance point of view, the Remuneration Committee directly supervises the remuneration of all Identified Staff belonging to the corporate control functions, regardless of their global band title, making proposals to the Board of Directors on the amounts of remuneration to be awarded.

Non-standard remuneration is subject to an-hoc decision-making process through the involvement of the relevant functions and, where required, by the corporate bodies, and is limited only to exceptional situations related to new hires, the launch of special projects, the achievement of extraordinary results, high retention risk for critical/strategic employees/roles. Welcome bonuses, special awards, retention bonuses are considered variable remuneration and as such, is subject to the applicable rules (e.g., maximum ratio between variable and fix remuneration, deferral scheme) as well as to malus conditions and claw-back actions, as legally enforceable. Role-Based Allowances are considered fixed remuneration. Non-standard remuneration must in any case comply with regulations in force and the governance processes of FinecoBank S.p.A. and FinecoBank Group, is periodically monitored and subject to disclosure. With reference to severance pay, the Shareholders' Meeting of 10 April 2019 approved the Termination Payments Policy (so-called "Severance"), incorporating the regulatory provisions of the Circular no. 285/ 2013 of the Bank of Italy, and in particular the provisions regarding the amounts agreed in view of or on the occasion of the early termination of the employment relationship. For more details, refer to Section I paragraph 3.3 of the 2021 Remuneration Policy.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

As described in point b), the link between risk and remuneration is guaranteed by directly linking the bonus pool with the relevant risk profiles as defined in the reference framework for determining the risk appetite. Notably, only if all entry conditions are met, the bonus pool is confirmed with the possibility of applying further adjustments (as a multiplier) based on the overall assessment of the risk factors included in the “CRO dashboard”. The CRO dashboard is risk-adjustment mechanism that includes specific risk indicators taken from the Risk Appetite Framework, such as, by way of example, capital, liquidity, credit, operational risk etc. The Risk Management function performs the CRO Dashboard evaluation resulting in a multiplier of the bonus pool according to a negative (50% and 75%), neutral (100%) or positive (110% and 120%) ranges[8]. The opportunity to award an extra

[8] The risk-adjustment mechanism applies also to the bonus pool for financial advisors with a correction range from 50% to 125%

performance in the bonus pool can only be granted in case of positive EVA at the end of the financial year. For more details, refer to Section I paragraph 5.2 and 5.3 of the 2021 Remuneration Policy.

d) The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD.

In compliance with the applicable regulatory provisions, the Ordinary Shareholders' Meeting of FinecoBank established a maximum ratio between the variable and fixed component of the remuneration equal to 2:1 for employees belonging to the business functions. For the rest of the employees, a maximum ratio equal to 1:1 is usually adopted. The variable remuneration of Identified Staff in company control functions cannot exceed 1/3 of the fixed remuneration. The remuneration is predominantly fixed for the Head of Human Resources and the Manager in charge of financial statements. For the aforementioned Functions, the incentive mechanisms are consistent with the assigned tasks as well as independent from the results of the areas under their control. With reference to applicable regulations, for Financial Advisors belonging to Identified Staff, a 2:1 ratio is applied between the non-recurring and the recurring component of the remuneration. The adoption of a ratio of 2:1 between variable and fixed compensation does not have any implication on the Bank's capacity to continue to respect all prudential rules, in particular capital requirements.

e) Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration.

The link between profitability and remuneration is guaranteed by directly linking the bonus pool with company results. Notably, specific entry conditions are defined, which assess the Group's performance in terms of profitability, capital and liquidity. Entry conditions take into consideration, in fact, the following corporate performance indicators: Net Operating Profit adjusted, Net Profit, CET1 Ratio, Liquidity Coverage Ratio, Net Stable Funding Ratio (for the definitions, refer to Section I, paragraph 5.2 of the 2021 Remuneration Policy). The achievement of all entry conditions allows to confirm the bonus pool defined in the budget phase by applying the "funding rate", a percentage of the Net Operating Profit (net of Provisions for Risk and Charges, corresponding to Profit Before Tax), and taking into consideration historical data analysis, expected profitability, business strategy and previous year pool. Further adjustments to the bonus pool can be applied on the basis of the overall assessment of the risk factors included in the so-called "CRO dashboard (as described in point c). For the subsidiary Fineco Asset Management DAC, additional entry conditions are envisaged at local level, which reflect the specific nature of the business, as well as other performance and risk adjustment parameters. With regard to employees, individual bonuses are defined within the annual performance appraisal process, based on the principles of transparency and clarity to ensure a direct link between variable remuneration and performance, taking into consideration the internal benchmarking analysis based on the role and in compliance with the maximum ratio between variable and fixed remuneration approved by the Shareholder's Meeting. The annual performance appraisal process requires a goal-setting phase at the beginning of the year for all Identified Staff. The individual goals are assigned through the Scorecard, which adequately balances economic-financial and non-economic factors, and require a minimum of 5 and maximum 8 goals that reflect the Bank and FinecoBank Group's strategy. The Scorecard includes 4-6 quantitative/strategic goals, equally weighted, with an overall incidence of 70% on the Scorecard, and up to 2 qualitative/sustainable goals (if the case, equally weighted) with a 30% incidence on the Scorecard. For Company Control Functions, Human Resources department and the Manager in charge of financial statements, no goals linked to economic results area assigned, in order to minimize potential conflicts of interest and be independent from the results of the respective areas. The appraisal system is based on a 5-rating scale with a descriptive outcome (from "Below Expectations" to "Greatly Exceeds Expectations"), which drives the definition of the individual bonus amount. Additionally, individual behaviors (compliance with internal and external rules and regulations, absence of disciplinary actions and completion of mandatory training) are also considered in order to award bonuses. With regard to Financial Advisor Identified Staff, the performance assessment is based on specific parameters (by way of example, net sales, development activities, percentage of achievement of the group net sales target, etc.). Additionally, individual compliance with internal and external rules and regulations and with the values of integrity of FinecoBank and the absence of disciplinary actions are verified.

Variable remuneration is linked to company performance, as described in the previous point related to the bonus pool, the amount of which is directly proportional to the results achieved by the Bank. Individual bonus amounts are defined within the annual performance appraisal process, based on the principles of transparency and clarity to ensure a direct link between variable remuneration and performance.

Bonus is delivered through immediate (upfront) and deferred installments - in cash or in FinecoBank ordinary shares - over a maximum 6-year period. No other financial instruments are currently envisaged. In line with Circular no. 285/2013 of the Bank of Italy, at least 50% of the overall variable remuneration of Identified Staff is paid in FinecoBank ordinary shares. 56% of the bonus of the Chief Executive Officer and General Manager and for other roles provided for by the law (such as Deputy General Managers, Managers of the main business areas, direct reports to the body with management functions or strategic supervision etc.) with significant variable remuneration is paid in shares. The share quota is equal to 55% for the roles provided by law with no significant variable remuneration. Finally, for the other identified staff with no significant amount of total variable remuneration, the share component of the variable remuneration is equal to 50%. With reference to Financial Advisors, a balanced structure of payments in cash (50%) and shares (50%) was defined in 2021.

Specific entry conditions link the bonus pool to company performance, based on profitability, capital and liquidity indicators. The bonus pool is confirmed only if all entry conditions are met. If even one entry condition is not met, the Zero Factor clause is applied to the Identified Staff* thus zeroing out the bonus pool for the reference year while previous systems deferrals could be reduced from 50% to 100% of their value, based on final actual results. For the rest of the population a significant reduction will be applied. It is understood that the Board of Directors can allocate part of the pool for retention purposes or to ensure the competitiveness on the market. For the Identified Staff belonging to the Control Functions, Human Resources and Manager in Charge of the Financial Statements, the implications on the annual bonus of the application of the Zero Factor will be specifically assessed by the Board of Directors, considering their independence with respect to the economic results of the areas subject to their control.

f) Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance.

Bonus is delivered through immediate (upfront) and deferred instalments - in cash or in FinecoBank ordinary shares - over a maximum 6-year period. The payment structure has been defined in line with Bank of Italy provisions requiring a retention period for both upfront and deferred shares. The 2021 payment schemes are based on two time horizons (5 and 6 total years) differentiated on the basis of the target population and of the total amount of variable remuneration awarded for the performance year. For the CEO and GM and other roles provided by law with a significant amount of total variable remuneration in the performance year (>430,000 €) a 5-year deferral scheme applies with an overall payout structure of 6 years, with 60% of bonus deferred. 56% of the variable remuneration is delivered in shares (of which 20% upfront and 36% deferred), while 44% is paid in cash (of which 20% upfront and 24% deferred). For the other roles provided by law with no significant amount of total variable remuneration (≤430,000 €) a 5-year payout scheme applies with an overall payout structure of 6 years, with 50% of bonus deferred. 55% of the variable remuneration is delivered in shares (of which 25% upfront and 30% deferred), while 45% is paid in cash (of which 25% upfront and 20% deferred). For the other identified staff with no significant amount of total variable remuneration a 4-year deferral scheme applies with an overall payout structure of 5 years, with 40% of bonus deferred. 50% of the variable remuneration is delivered in shares (of which 30% upfront and 20% deferred), and 50% is paid in cash (of which 30% upfront and 20% deferred). No deferral was applied and the entire amount was paid in cash for annual variable remuneration equal to or less than 75,000 €. Regarding Financial Advisors, for the Identified Staff with a significant amount of total variable remuneration a 4-year deferral scheme applies with an overall payout structure of 5 years, with 60% of bonus deferred. 40% of the bonus is deferred over a 4-year period for the Identified Staff with no significant amount of total variable remuneration. In order to align the long-term interests of the Bank's Management with the long-term value creation for shareholders, a share based long-term incentive plan was launched. The Plan sets performance goals for the three-year performance period 2021-2023 in terms of value creation, industrial sustainability, risk and stakeholder value (ESG), in line with the 2020-2023 Multi Year Plan. The Plan performance goals such as ROAC, Net Sales of AUM, Cost Income Ratio, Cost of Risk on commercial loans, as well as ESG parameters, within the stakeholder value goal, namely customer satisfaction, people engagement and ESG rating for all new funds. The Plan provides for entry and malus conditions, claw-back conditions and a specific risk-adjustment mechanism. The plan provides for the allocation of FinecoBank ordinary shares to be delivered in several instalments over a multi-year period starting from 2024, defined according to the categories of beneficiaries and in line with applicable regulatory provisions. For further details, please refer to Section I paragraph 6 of the 2021 Remuneration Policy.

Malus and claw-back clauses may be activated in order to take into account individual behaviors[9] adopted in the reference period in which the variable remuneration in accrued. The malus clause, (i.e., the reduction/cancelation of the variable remuneration) can be activated within the referred period to the variable remuneration to be awarded or awarded but not already paid. The claw-back clause, (i.e. the return of all or part of the variable remuneration) can be activated with reference to the overall variable remuneration already paid, awarded for the performance period which the "violation" is referred to, without prejudice to more restrictive local laws or provisions and as legally enforceable, for a period up to 5 years after each instalment (upfront or deferred) has become available to the beneficiary (that means after deferrals and/or applicable holding period), even after the termination of the employment relationship.

Malus and claw-back can be activated in case the individual:

- has adopted conduct that does not comply with legal, regulatory or statutory provisions or with codes of ethics or conduct applicable to the bank, which resulted in a significant loss for the bank or for customers;
- has displayed further conduct that does not comply with legal, regulatory or statutory provisions or with codes of ethics or conduct applicable to the bank, in the cases envisaged by the latter;
- has contributed with fraudulent behavior or gross negligence to incurring significant financial losses, or by his conduct had a negative impact on the risk profile or on other regulatory requirements at Bank or FinecoBank Group level;
- has engaged in misconduct and/or fails to take expected actions which contributed to significant reputational harm to the Bank or the FinecoBank Group, or which were subject to disciplinary measures by the Authority;
- is the subject of disciplinary measures and initiatives envisaged in respect of fraudulent behavior or characterized by gross negligence during the reference period;
- has infringed the requirements set out by articles 26 TUB and 53 TUB, where applicable, or the obligations regarding remuneration and incentives.

Furthermore, malus and claw-back reflect the performance levels net of the risks assumed or actually achieved. The entry conditions as described in point e) work as malus conditions for the deferrals of previous year's incentive systems. For more details, refer to Section I paragraph 3.2 of the 2021 Remuneration Policy.

Share ownership guidelines set minimum levels for company share ownership for covered Executives, aiming to align managerial interests to those of shareholders by assuring appropriate levels of personal investment in FinecoBank shares over time. FinecoBank Board of Directors and Shareholders Meeting approved the following share ownership guidelines:

- 1 x annual fixed remuneration for the Chief Executive Officer and General Manager
- 0.5 x annual fixed remuneration for the other Executives with strategic responsibilities

[9] Malus and claw back clauses apply also to Financial Advisors, compatibly with the specificity of their role

As a rule, the established such levels should be reached within 5 years from the first appointment in the role and they should be maintained for the entire duration of the office. The established levels should be reached through a linear pro-rata approach during the 5-year period, providing for a minimum portion every year, also considering the vesting equity granted under incentive plans.

g) The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR.

The overall variable remuneration (bonus pool) is defined consistently with the performance of the Bank, by applying the funding rate, a percentage of the Net Operating Profit (net of Provisions for Risk and Charges, corresponding to Profit Before Tax), and taking into consideration historical data analysis, expected profitability, business strategy and previous year pool. Further adjustments to the bonus pool can be applied on the basis of the overall assessment of the risk factors included in the so-called "CRO dashboard (as described in point c). Furthermore, as described in point e), in order to confirm the bonus pool, all entry conditions - which take into account corporate performance indicators such as Adjusted Net Operating Profit, Net Profit, CET1 Ratio etc. - must be met. The incentive system provides a balanced structure of "upfront" and "deferred" payments, in cash and/or in shares, to be paid over a multi-year period for all Identified Staff. With reference to the criteria adopted for balancing the share and cash components, please refer to point e) and for the description of the payout schemes refer to point f).

h) Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management.

Please refer to the 2021 Remuneration Report, Section II of the 2022 Remuneration Policy and Report.

i) Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.

With reference to the remuneration paid in 2021, no derogation was applied pertaining to art. 94 paragraph 3 of the CRD as, at the time, it was not yet formally transposed into the Italian legal system. The 2021 Remuneration Policy set a specific threshold (so-called materiality threshold) of € 75,000, below which no deferral was applied to the short-term variable remuneration.

j) Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450(2) CRR.

Please refer to the 2021 Remuneration Report, Section II of the 2022 Remuneration Policy and Report.

EU REM1 - Remuneration awarded for the financial year

(Amounts in euro)

			a	b	c	d
			MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff**
1	**Fixed remuneration**	Number of identified staff	11	1	4	26
2		**Total fixed remuneration**	**1,270,570**	**1,000,000**	**1,840,000**	**11,641,881**
3		Of which: cash-based	1,270,570	1,000,000	1,840,000	11,641,881
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
7		Of which: other forms	-	-	-	-
9	**Variable remuneration**	Number of identified staff	-	1	4	26
10		**Total variable remuneration**	**-**	**1,000,000**	**2,240,000**	**4,478,610**
11		Of which: cash-based	-	440,000	987,840	2,310,851
12		*Of which: deferred*	-	240,000	528,640	928,609
EU-13a		Of which: shares or equivalent ownership interests	-	560,000	1,252,160	1,860,879
EU-14a		*Of which: deferred*	-	360,000	792,960	875,325
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		*Of which: deferred*	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	306,880
EU-14y		*Of which: deferred*	-	-	-	197,280
15		Of which: other forms	-	-	-	-
16		*Of which: deferred*	-	-	-	-
17	**Total remuneration (2 + 10)**		**1,270,570**	**2,000,000**	**4,080,000**	**16,120,490**

Notes

Management Body Supervisory function: includes all members who held the office of director during the year 2021, even for a fraction of the year (therefore a director who resigned during the year and a director appointed during the year are also considered).

Other identified staff: includes the recurring and non-recurring remuneration of the 10 Financial Advisors classified as Identified Staff for the year 2021.

EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

(Amounts in euro)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	1	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	119,135	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	-
7	Severance payments awarded during the financial year - Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

Note row 5: amount paid in 2021 to an Executive with Strategic Responsibilities whose employment relationship ended in 2018.

EU REM3 - Deferred remuneration

(Amounts in euro)

	Deferred and retained remuneration	a Total amount of deferred remuneration awarded for previous performance periods	b Of which due to vest in the financial year	c Of which vesting in subsequent financial years	d Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year
1	**MB Supervisory function**	**-**	**-**	**-**	**-**
2	Cash-based	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-
5	Other instruments	-	-	-	-
6	Other forms	-	-	-	-
7	**MB Management function**	**3,347,200**	**486,200**	**2,861,000**	**-**
8	Cash-based	896,200	214,200	682,000	-
9	Shares or equivalent ownership interests	2,451,000	272,000	2,179,000	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-
11	Other instruments	-	-	-	-
12	Other forms	-	-	-	-
13	**Other senior management**	**5,044,535**	**1,388,357**	**3,656,178**	**-**
14	Cash-based	1,814,419	408,992	1,405,427	-
15	Shares or equivalent ownership interests	3,230,115	979,365	2,250,750	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-
17	Other instruments	-	-	-	-
18	Other forms	-	-	-	-
19	**Other identified staff**	**3,179,343**	**909,357**	**2,269,986**	**-**
20	Cash-based	1,269,078	239,712	1,029,365	-
21	Shares or equivalent ownership interests	1,638,100	637,645	1,000,455	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-
23	Other instruments	272,166	32,000	240,166	-
24	Other forms	-	-	-	-
25	**Total amount**	**11,571,078**	**2,783,914**	**8,787,164**	**-**

Notes

Other identified staff: includes data pertaining to the non-recurring remuneration of the Financial Advisors classified as Identified Staff for the year 2021.

Other senior management: included an Executive with strategic responsibility whose employment relationship ended in 2018.

Continued EU REM3 - Deferred remuneration

(Amounts in euro)

	Deferred and retained remuneration	e	f	EU - g	EU - h
		Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function**	**-**	**-**	**-**	**-**
2	Cash-based	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-
5	Other instruments	-	-	-	-
6	Other forms	-	-	-	-
7	**MB Management function**	**-**	**136,001**	**874,068**	**226,100**
8	Cash-based	-	-	170,000	-
9	Shares or equivalent ownership interests	-	136,001	704,068	226,100
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-
11	Other instruments	-	-	-	-
12	Other forms	-	-	-	-
13	**Other senior management**	**-**	**504,639**	**1,626,691**	**428,320**
14	Cash-based	-	-	297,000	-
15	Shares or equivalent ownership interests	-	504,639	1,329,691	428,320
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-
17	Other instruments	-	-	-	-
18	Other forms	-	-	-	-
19	**Other identified staff**	**-**	**230,098**	**804,279**	**278,585**
20	Cash-based	-	-	182,585	-
21	Shares or equivalent ownership interests	-	229,406	621,694	278,585
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-
23	Other instruments	-	692	-	-
24	Other forms	-	-	-	-
25	**Total amount**	**-**	**870,738**	**3,305,038**	**933,005**

Notes

Other identified staff: includes data pertaining to the non-recurring remuneration of the Financial Advisors classified as Identified Staff for the year 2021.

Other senior management: included an Executive with strategic responsibility whose employment relationship ended in 2018.

Column f: the total amount considers the amounts vested in 2021 (column b) and results from the change in the prices of the instruments (value at the grant compared to the current value).

Column EU-h: the total amount includes the deferred portions of previous years' incentive systems vested before 2021 and subject to retention in 2021.

EU REM4 - Remuneration of 1 million EUR or more per year

	EUR	a Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	3
2	1 500 000 to below 2 000 000	-
3	2 000 000 to below 2 500 000	1
4	2 500 000 to below 3 000 000	-
5	3 000 000 to below 3 500 000	-
6	3 500 000 to below 4 000 000	-
7	4 000 000 to below 4 500 000	-
8	4 500 000 to below 5 000 000	-
9	5 000 000 to below 6 000 000	-
10	6 000 000 to below 7 000 000	-
11	7 000 000 to below 8 000 000	-

EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

(Amounts in euro)

		a	b	c		d	e	f	g	h	i	j
		Management body remuneration				Business areas						
		MB Supervisory function	MB Management function	Total MB		Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Tot
1	Total number of identified staff											42
2	*Of which: members of the MB*	*11*	*1*	*12*								
3	*Of which: other senior management*					-	-	-	*4*	-	-	
4	*Of which: other identified staff*					-	-	-	*12*	*4*	*10*	
5	Total remuneration of identified staff	1,270,570	2,000,000	3,270,570	-	-	-	-	8,154,968	812,506	11,233,016	
6	*Of which: variable remuneration*	-	*1,000,000*	*1,000,000*	-	-	-	-	*4,074,400*	*186,333*	*2,457,877*	
7	*Of which: fixed remuneration*	*1,270,570*	*1,000,000*	*2,270,570*	-	-	-	-	*4,080,568*	*626,173*	*8,775,140*	

Notes

Management Body Supervisory function: includes all members who held the office of director during the year 2021, even for a fraction of the year (therefore a director who resigned during the year and a director appointed during the year are also considered).

All other: includes the recurring and non-recurring remuneration of the 10 Financial Advisors classified as Identified Staff for the year 2021

Glossary

Adjusted Leverage ratio

Adjusted leverage ratio requirement, calculated by applying the provisions of CRR Article 429a, which allows certain exposures to central banks to be excluded from the overall leverage exposure in light of the COVID-19 pandemic.

AMA (Advanced Measurement Approach)

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

Risk Weighted assets

See the item “RWA – Risk Weighted Assets”.

Banking book

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

Basel 2

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

Pillar 1: while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been established for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorization by the Supervisory Authority;

Pillar 2: it requires banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar I), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Supervisory Authority's task to examine the ICAAP process, formulate an overall judgement and, where necessary, apply the appropriate corrective measures;

Pillar III: introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

Basel 3

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

Internal Capital

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

Total Internal Capital

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

Common Equity Tier 1 Capital or CET 1

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

Tier 1 Capital

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

Tier 2 Capital

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

CFO

Chief Financial Officer.

Credit rating

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

CLO

Chief Lending Officer.

Commercial Loans

Loans to ordinary customers, i.e., loans granted to customers relating to drawdowns on current account credit facilities, credit cards, personal loans, mortgages and unsecured grants.

Covered bond

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

CRD (Capital Requirement Directive)

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

Impaired loans

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

CRM - Credit Risk Mitigation

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

CRO

Chief Risk Officer.

Default

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

EAD – Exposure At Default

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

EBA - European Banking Authority

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

ECAI - External Credit Assessment Institution

External Credit Assessment Institution.

Glossary

ECB - European Central Bank

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

Expected Losses

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

Non performing exposures

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

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

Past-due and/or overdrawn impaired exposures

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

Fair value

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

Total Capital

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

Forbearance/Forborne exposures

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

IAS/IFRS

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

ICAAP – Internal Capital Adequacy Assessment Process

See “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.

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.

Glossary

IRB – Internal Rating Based

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

Maturity Ladder

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

NSFR - Net Stable Funding Ratio

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

NPLs – Non performing loans

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

KPI - “Key Performance Indicators”

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

LCP

Loss Confirmation Period.

LCR - Liquidity Coverage Ratio

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

LGD – Loss Given Default

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

PD – Probability of Default

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

Tier 1 Capital Ratio

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

Rating

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

Credit risk

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

Glossary

Counterparty credit risk

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

Market risk

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

Operational risk

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

Countercyclical capital buffer

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

Capital conservation buffer

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

ROAC – Return on Allocated Capital

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

RWA – Risk Weighted Assets

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

Sensitivity

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

Bad loans

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

Trading book

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

TLTRO - *Targeted Longer-Term Refinancing Operations*

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

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

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

DECLARES

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

Milan, March 15th, 2022

FinecoBank S.p.A.
The Manager Responsible for preparing
the Company's Financial Reports
Lorena Pelliciari

Statement of compliance with formal policy and internal processes, systems and controls

The undersigned, Alessandro Foti, as Chief Executive Officer and General Manager, and Lorena Pelliciari, as Manager Responsible for preparing Financial Reports of FinecoBank S.p.A.

CERTIFY

in accordance with the disclosure requirements pursuant to Part Eight of Regulation (EU) No. 575/2013 (as amended), that the information provided pursuant to the aforementioned Part Eight has been prepared in accordance with the internal control processes agreed upon at the level of the management body.

Milan, March 15th, 2022

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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