FINECOBANK GROUP PUBLIC DISCLOSURE - PILLAR III

AS AT 30 JUNE 2021

FINECO. SIMPLIFYING BANKING.

Contents

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

Introduction

The FinecoBank Group public disclosure Pillar III – (hereafter "Disclosure") has been prepared in accordance with the prudential rules for banks and investment companies, which came into force on January 1, 2014 and is contained in Directive 2013/36/EU (Capital Requirements Directive, CRD IV) and in Regulation 575/2013/EU (Capital Requirements Regulation, CRR), 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. Consistent with the regulatory changes introduced by CRR II, in order to rationalize and homogenize the disclosures to be provided periodically to the market, the EBA, responding to the mandate given to it by Article 434 a "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) 637/2021 of 15 March 2021 laying down 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 and repealing Implementing Regulation (EU) No 1423/2013, Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and 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 I Part Eight in conjunction with the financial statements. This public disclosure obligation aims to integrate the minimum capital requirements (Pillar 1) and the prudential control process (Pillar 2), through the identification of a set of disclosure transparency requirements that allow market participants to have relevant, complete and reliable information about capital adequacy, risk exposure and the general characteristics of the systems responsible for identifying, measuring and managing these risks.

FinecoBank qualifies as a "Large Institution" under the CRR and therefore publishes its Public Disclosure as at 30 June 2021, reporting the information required to large institutions on a half-yearly basis. 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, together with the first half Financial Reports.

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

The subject is therefore regulated:

- by the CRR, Part 8 "Disclosure by institutions" (art. 431–455);
- by regulations of the European Commission, the preparation of which may be delegated to the EBA, containing the regulatory or implementing technical standards to govern the uniform models for publishing the various types of information. In particular, reference is made to the following guidelines and regulations:
    - 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);
    - 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.

Introduction

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

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

Taking into account the Recommendations of the European Central Bank and the Bank of Italy issued on December 15, 2020 and December 16, 2020, respectively, relating to dividend policy in the context resulting from the Covid-19 pandemic, FinecoBank's Board of Directors on February 9, 2021 had resolved to propose to the Shareholders' Meeting that the entire profit for the year 2020 be allocated to reserves, a proposal approved by the Shareholders' Meeting on April 28, 2021. It is recalled that also the Board of Directors' meeting of April 6, 2020, taking into account the Recommendations of March 27, 2020 of the European Central Bank and the Bank of Italy, had proposed to the Shareholders' Meeting the allocation to reserves of the entire profit for the year 2019, a proposal approved by the Shareholders' Meeting of April 28, 2020.

In July 2021 the European Central Bank and the Bank of Italy, on 23 July 2021 and 27 July 2021 respectively, communicated their decision not to extend their respective Recommendations on dividends beyond 30 September 2021. However, the previous Recommendation on dividends and remuneration policies remains in force until September 30, 2021: with reference to dividends, the next decisions will therefore have to be taken in the fourth quarter of 2021.

Without prejudice to the ongoing dialogue with the Bank of Italy, taking into account the shareholders' equity resulting from the financial statements for the year ended December 31, 2020, the sustainability of the business model and the regulatory constraints to which FinecoBank is subject, also in its capacity as Parent Company of the FinecoBank Banking Group, the Board of Directors of August 3, 2021 resolved to propose to the Shareholders' Meeting to be held on October 21st, 2021 the distribution of a unit dividend of 0.53 euro for each of the 609,899,770 shares, to be distributed to Shareholders holding ordinary shares entitled to payment on the scheduled dividend date, for a total amount of 323.2 euro million, drawn from the available profit reserves. Therefore, the retained earnings included in Common Equity Tier 1 Capital as at June 30, 2021 have been estimated considering foreseeable 2021 dividends of 129.3 million euros and foreseeable charges of 324.7 million euros. The foreseeable charges conservatively include dividends drawn from the above-mentioned available earnings reserves, which the Board of Directors meeting on August 3, 2021 resolved to propose to the Shareholders' Meeting to distribute during the fourth quarter of 2021, and accrued coupons, net of the related taxation, accrued on Additional Tier 1 financial instruments issued by FinecoBank, in the amount of 1.5 euro million.

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

- the introduction of a transitional period, from January 1, 2020 to December 31, 2022, during which institutions may exclude from the calculation of their CET1 capital the amount of unrealized gains and losses accumulated starting from December 31, 2019 on debt instruments measured at fair value recognized in other comprehensive income corresponding to exposures to central government regional governments or local authorities as defined in Article 115(2) of the CRR, and to public sector entities as defined in Article 116(4) of the CRR, excluding impaired financial assets ("Temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in light of the COVID-19 pandemic"). As of June 30, 2021, the Group did not make use of the option to apply the temporary treatment;
- the extension until December 31, 2024 of the transitional regime that allows to reduce the potential impact on CET1 deriving from the increase in provisions for expected losses on receivables calculated according to the IFRS 9 impairment model, through the gradual inclusion in CET1 ("Temporary treatment to mitigate the impact of the introduction of IFRS 9 on own funds"). It is envisaged that banks that had previously decided to make use or not to make use of the transitional provisions can revoke their decision at any time during the new transitional period. As of June 30, 2021, the Group did not make use of the option to apply the temporary treatment;
- the anticipation by one year of the more favourable prudential treatment of certain loans backed by pensions or salaries, for exposures to SMEs and for exposures to entities that operate or finance physical structures or facilities, systems and networks that provide or support essential public services. These provisions have not had any impact on the Group's capital requirements;
- the reintroduction until December 31, 2024 of the transitional treatment provided for public debt issued in the currency of another member state, which allows for the application of a more 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 have not had any impact on the Group risk weighted assets as of June, 30, 2021;
- amendment of the discipline of calendar provisioning in order to align the treatment of impaired exposures backed by government guarantees or counter-guarantees granted by individual national governments with that reserved for impaired exposures guaranteed or insured by official export credit agencies, so that for the first seven years there is no minimum level of provisioning on the guaranteed part;
- the anticipation of the partial deduction from CET1 of intangible assets represented by software. On October 14, 2020, the final draft of regulatory technical standards (RTS) specifying the prudential treatment of assets in the form of software was published, which entered into force as of December 22, 2020 with the publication of EU Delegated Regulation 2020/2176 in the European Official Journal. The intangible assets not deducted from CET 1 capital have been included in the RWA for credit risk with a risk weight of 100%.

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

- 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 30 June 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/2020/02[1]);
- loans subject to forbearance measures applied in response to the COVID-19 crisis;
- new loans guaranteed by the State or other public entity in response to the COVID-19 crisis.

During the first half of 2021, the European Central Bank Governing Council renewed its very accommodative monetary policy stance, in particular as follows:

- the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.50% respectively;
- the Governing Council will continue to conduct net asset purchases under the pandemic emergency purchase programme (PEPP) with a total envelope of €1,850 billion until at least the end of March 2022 and, in any case, until it judges that the coronavirus crisis phase is over. Purchases will be made flexibly according to market conditions and with a view to preventing a tightening of financing conditions that is inconsistent with countering the downward impact of the pandemic on the projected path of inflation. In addition, the flexibility of purchases over time, across asset classes and among jurisdictions will continue to support the smooth transmission of monetary policy. The Governing Council will continue to reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2023. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance;
- net purchases under the asset purchase programme (APP) will continue at a monthly pace of 20 euro billion. The Governing Council continues to expect monthly net asset purchases under the APP to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates. The Governing Council also intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when it starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation;
- finally, the Governing Council will continue to provide ample liquidity through its refinancing operations. The funding obtained through the TLTRO III plays a crucial role in supporting bank lending to firms and households.

In view of the provisions contained in the Bank of Italy Communication of June 30, 2021, declaring the existence of exceptional circumstances that began on December 31, 2019, starting from the reference date of June 30, 2021, the FinecoBank Group has applied the provisions of Article 429a of the CRR, which allows certain exposures to central banks to be excluded from the overall exposure measure of Leverage ratio in view of the COVID-19 pandemic, resulting in a recalculation of the applicable minimum regulatory requirement ("adjusted leverage ratio"), which as at 30 June 2021 was 3.16%. At June 30, 2021 the value of the exemption amounts to 1,845 euro thousand, with an impact on the indicator of +0.22%, which brings the leverage ratio calculated without the above exclusion from 4.03% to 3.81%.

That said, there were no further significant actions by regulators during the first half of 2021 as compared to those rolled out during 2020, the guidance for which remains valid.

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. Finally, for the publication of qualitative and quantitative information, FinecoBank has adopted, firstly, the models provided by the EU Regulations or by the applicable EBA Guidelines mentioned above, secondly, free models. In this regard, 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.

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

Introduction

Reference to regulatory reporting requirements on a semi-annual basis: Implementing Regulation (EU) 637/2021

The table below shows the templates required on a semi-annual basis, applicable to FinecoBank Group. Therefore, the following templates are excluded:

- EU CR6; EU CR7; EU CR7a; EU CR8; EU CR10; EU CCR4; EU CCR7; EU MR2-A; EU MR2-B; EU MR3; EU MR4 as the Group does not use internal models, either as part of the calculation of credit and counterparty risk, or as part of the calculation of market risk;
- EU CCR6; EU CQ7; EU-SEC1; EU-SEC2; EU-SEC3; EU-SEC4; EU-SEC5 as the Group has no exposures that fall into the types indicated;
- EU CR2a; EU CQ2; EU CQ6; EU CQ8 because 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 equal to 5% or more.

TABLE	TOPIC	CHAPTER
EU OV1	Overview of total risk exposure amounts	Own funds requirements and risk-weighted exposure amounts
EU KM1	Key metrics	Key metrics
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 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
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 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 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 CQ7	Collateral obtained by taking possession and execution processes	Exposures to credit risk and dilution risk
EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Disclosure of the use of credit risk mitigation techniques
EU CR4	Standardised approach – Credit risk exposure and CRM effects	Disclosure of the use of the Standardized Approach
EU CR5	Standardised approach	Disclosure of the use of the Standardized Approach
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 MR1	Market risk under the standardised approach	Market risk

Introduction

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

TABLE	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 and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	Exposures to credit risk and dilution risk
EBA Guidelines 2020/12		
Template IFRS 9/Article 468-FL	Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR	Own Funds

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 June 30, 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 June 2022.

Reference to the information required by the Part Eight of CRR

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

ARTICLE	TOPIC	CHAPTER
437	Disclosure of own funds	Own Funds
438	Disclosure of own funds requirements and risk-weighted exposure amounts	Own funds requirements and risk-weighted exposure amounts
439	Disclosure of exposures to counterparty credit risk	Exposures to counterparty credit risk
440	Disclosure of countercyclical capital buffers	Countercyclical capital buffers
442	Disclosure of exposures to credit risk and dilution risk	Exposures to credit risk and dilution risk
444	Disclosure of the use of the Standardised Approach	Disclosure of the use of the Standardised Approach
445	Disclosure of exposure to market risk	Market risk
447	Disclosure of key metrics	Key metrics
448	Disclosure of exposures to interest rate risk on positions not held in the trading book	Exposures to interest rate risk on positions not held in the trading book
449	Disclosure of exposures to securitisation positions	Not applicable
451	Disclosure of the leverage ratio	Leverage
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	Use of credit risk mitigation techniques; Disclosure of the use of the Standardised Approach
455	Use of internal market risk models	Not applicable

It should be noted that the information referred to in the sections of the articles listed above for which a semi-annual frequency is required, as detailed in 433a of the CRR, is subject to publication in this document.

Key metrics

Below is reported the EU KM1 table on key metrics, the details and qualitative information of which are reported within the document in the specific dedicated sections.

La seguente tabella EU KM1 riporta le informazioni richieste all'articolo 447 del CRR, in particolare:

- the composition of own funds and 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 June 30, 2021 are largely met

As anticipated in the Introduction, in the calculation of CET1 Capital as at June 30, 2021, the dividends drawn from the available profit reserves, in relation to which the Board of Directors of August 3, 2021 resolved to propose to the Shareholders' Meeting the distribution during the fourth quarter of 2021, were considered in the foreseeable charges. It should be noted that the figures as at September 30, 2020 and June 30, 2020 shown in the table below included the 2020 foreseeable dividends that were reduced to zero as at December 31, 2020, following the recommendations of the European Central Bank and the Bank of Italy, issued on December 15, 2020 and December 16, 2020, respectively.

EU KM1 – Key metrics

(Amounts in thousand)

		a	b	c	d	e
		2021/06/30	2021/03/31	2020/12/31	2020/09/30	2020/06/30
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	823,545	1,115,841	1,088,909	824,404	816,955
2	Tier 1 capital	1,323,545	1,615,841	1,588,909	1,324,404	1,316,955
3	Total capital	1,323,545	1,615,841	1,588,909	1,324,404	1,316,955
	Risk-weighted exposure amounts					
4	Total risk exposure amount	4,430,634	4,208,358	3,812,385	3,540,651	3,387,496
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	18.59%	26.51%	28.56%	23.28%	24.12%
6	Tier 1 ratio (%)	29.87%	38.40%	41.68%	37.41%	38.88%
7	Total capital ratio (%)	29.87%	38.40%	41.68%	37.41%	38.88%
	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%	0.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.04%	1.04%	1.04%	1.04%	0.00%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.40%	1.40%	1.40%	1.40%	0.00%
EU 7d	Total SREP own funds requirements (%)	9.86%	9.86%	9.86%	9.86%	8.00%
	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%	0.003%	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%	2.503%	2.503%	2.503%
EU 11a	Overall capital requirements (%)	12.365%	12.365%	12.363%	12.363%	10.503%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.73%	16.65%	18.70%	13.42%	16.12%

Key metrics

Continued EU KM1 – Key metrics

(Amounts in thousand)

		a	b	c	d	e
		2021/06/30	2021/03/31	2020/12/31	2020/09/30	2020/06/30
	Leverage ratio					
13	Total exposure measure	32,851,896	33,844,724	32,792,126	30,431,184	29,868,320
14	Leverage ratio (%)	4.03%	4.77%	4.85%	4.35%	4.41%
	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 (%)	3.16%	0.00%	0.00%	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 (%)	3.16%	0.00%	0.00%	0.00%	0.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	17,140,336	16,588,447	16,207,278	15,811,900	15,529,884
EU 16a	Cash outflows - Total weighted value	3,502,658	3,423,112	3,380,730	3,279,704	3,193,287
EU 16b	Cash inflows - Total weighted value	1,418,702	1,425,800	1,467,603	1,442,288	1,440,370
16	Total net cash outflows (adjusted value)	2,083,956	1,997,312	1,913,127	1,837,416	1,752,917
17	Liquidity coverage ratio (%)	834.44%	841.27%	858.09%	871.38%	901.60%
	Net Stable Funding Ratio					
18	Total available stable funding	29,260,008				
19	Total required stable funding	9,098,757				
20	NSFR ratio (%)	321.58%				

Please note that the EU KM1 table does not show the NSFR ratio for previous periods, as this metric came in force starting from June 2021.

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 1,323,545 euro thousand as at June 30, 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 of June 30, 2021 have been estimated considering foreseeable 2021 dividends of 129.3 euro million and foreseeable charges of 324.7 euro million assuming that the conditions set forth in Article 26(2) of EU Regulation 575/2013 (CRR) are met. The foreseeable charges include, prudentially, the dividends drawn from the available earnings reserves, which the Board of Directors meeting on August 3, 2021 resolved to propose to the Shareholders' Meeting to distribute during the fourth quarter of 2021, as described above, and the coupons, net of the related taxation, accrued on the Additional Tier 1 financial instruments issued by FinecoBank, in the amount of 1.5 euro million.

The following Tables EU CC1 and EU CC2 show the information required on a semi-annual basis by article 437 letter a) of the CRR. Specifically, the composition of regulatory capital (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) is reported as well as a reconciliation of these elements to the balance sheet in the condensed consolidated interim financial statements, included in the consolidated interim financial report as of June 30, 2021, which is subject to limited audit.

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
		2021/06/30	
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts (A)	201,684	*22, 23 and 27*
	of which ordinary shares	*201,684*	*22, 23 and 27*
2	Retained earnings (B)	946,874	21
3	Accumulated other comprehensive income (and other reserves) (C)	31,376	19 and 21
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend (D)	(237,293)	25 and 26
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**942,641**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount) (E)	(380)	29
8	Intangible assets (net of related tax liability) (negative amount) (F)	(116,042)	8 and 9
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount) (G)	(2,356)	24,28 and 31
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative (H)	(308)	30
EU-20c	*of which: securitisation positions (negative amount)*	*(308)*	*30*
27a	Other regulatory adjustments	(9)	32
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(119,095)**	
29	**Common Equity Tier 1 (CET1) capital**	**823,545**	
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts (I)	500,000	20
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**500,000**	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
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)**	**1,323,545**	
	Tier 2 (T2) capital: instruments		
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**	
	Tier 2 (T2) capital: regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**-**	
59	**Total capital (TC = T1 + T2)**	**1,323,545**	33
60	**Total Risk exposure amount**	**4,430,634**	

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
		2021/06/30	
	Capital ratios and requirements including buffers		
61	Common Equity Tier 1 capital	18.59%	
62	Tier 1 capital	29.87%	
63	Total capital	29.87%	
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**	**10.54%**	
	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)	13,717	
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)	37,392	
	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 table “EU CC1 - composition of regulatory own funds” (Article 437, paragraph 1, letters d) e e) of CRR)

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

A. The item comprises the share capital of 609,899,770 ordinary shares with a par value of 0.33 euro, totalling 201,267 euro thousand, the share premium reserve 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, for an amount of 1,517 euro thousand, which in application of Art. 28 of CRR 575/2013 cannot be qualified as own funds.

B. The item comprises the legal reserve, the extraordinary reserve, consolidation reserve and other net profit reserves. The change versus December 31st 2020 is mainly due to the recognition of coupons, net of related taxes, relating to Additional Tier 1 issued in 2018 and Additional Tier 1 issued in 2019, amounting to -9,884 euro thousand.

C. Accumulated other comprehensive income (AOCI) consists of: the net positive reserve for debt securities issued by central governments held in the "Financial assets measured at fair value with impact on other comprehensive income" portfolio, amounting to 1,767 euro thousand, which reports a negative change of 612 euro thousand during first half 2021 and the negative reserve for defined benefit plans, amounting to 3,630 euro thousand which reports a positive change of 1,582 euro thousand during first half 2021 as a result of the recognition of actuarial gains mainly attributable to the for the Supplementary customer indemnity. The item also includes Other reserves related to equity settled plans for 33,239 euro thousand.

D. The amount recognized in Own Funds as of June, 30 2021, has been estimated considering 2021 foreseeable dividends equal to 129,250 euro thousand and foreseeable charges equal to 324,713 euro thousand, calculated as described above.

E. This item includes the filter relating to the additional valuation adjustments (AVA) for an amount of 380 euro thousand calculated on the balance sheet assets and liabilities measured at fair value, calculated using the simplified method.

F. This item includes goodwill net of deferred taxation for 89,001 euro thousand and other intangible assets net of deferred taxation for 27,042 euro thousand. The change compared to December 31, 2020 mainly reflects the goodwill realignment transaction carried out by FinecoBank, under Article 110 of Decree-Law 104 of 2020, which caused a reduction of Deferred Tax Liabilities (DTL) for an amount of 24.5 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 66 euro thousand. The change compared to December 31, 2020 mainly reflects the purchase of n. 55,000 shares, for an amount of 0.8 euro million, in relation to the 2020 PFA Incentive System for personal financial advisors identified as key personnel and the allocation of FinecoBank ordinary shares held in the portfolio to personal financial advisors, under the “2016 PFA Incentive Systems”, “2017 PFA Incentive Systems”, “2018 PFA Incentive Systems” and “2019 PFA Incentive Systems” plans.

H. The item includes the balance sheet amount of exposures in equity instruments relating to the Voluntary Scheme contribution made in 2017 as part of the intervention for the recovery of Caricesena, Carimi e Carismi. 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 Capital is made by:

    i. the bond Additional Tier 1 issued on January 31st, 2018. The financial instrument is a perpetual, private placement, issued for a total of 200 euro million, entirely subscribed by UniCredit S.p.A.. The coupon for the first 5,5 years is fixed at 4.82%. During the first half 2021 the coupon payment was recognized as a reduction of 3,495 euro thousand in the extraordinary reserve, net of the related taxes;

    ii. the bond Additional Tier 1 issued on July 11th, 2019. The financial instrument is a perpetual, public placement, intended to trade on Euronext Dublin’s non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of €300 million. The coupon for the first 5 years has been fixed at 5.875%. During the first half 2021 the coupon payment was recognized as a reduction of 6,389 euro thousand in the extraordinary reserve, net of the related taxes.

Please note that as of June 30, 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.

Con riferimento alle disposizioni contenute nel CRR *Quick-fix*, si precisa che il Gruppo non si è avvalso della facoltà di applicare i regimi transitori in merito ai profitti e perdite non realizzati misurati al valore equo rilevato nelle altre componenti di conto economico complessivo alla luce della pandemia di COVID-19 e agli impatti dell'introduzione dell'IFRS 9, di conseguenza i fondi propri e il capitale del Gruppo FinecoBank al 30 giugno 2021 riflettono già pienamente l'impatto di tali elementi. Pertanto la tabella “Modello IFRS9-FL: Confronto dei fondi propri e dei coefficienti patrimoniali e di leva finanziaria degli enti, con e senza l’applicazione delle disposizioni transitorie in materia di IFRS9 o analoghe perdite attese su crediti” non è oggetto di pubblicazione.

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 30 June 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 30/06/2021	Under regulatory scope of consolidation 30/06/2021	Reference
	Assets			
1	10. Cash and cash balances	1,562,295		
2	20. Financial assets at fair value through profit and loss	28,231	-	
	a) financial assets held for trading	21,393	-	
	c) other financial assets mandatorily at fair value	6,838	-	
3	30. Financial assets at fair value through other comprehensive income	143,443	-	
4	40. Financial assets at amortised cost	30,437,421	-	
	a) loans and receivables with bank	7,408,403	-	
	b) loans and receivables with customers	23,029,018	-	
5	50. Hedging derivatives	65,252	-	
6	60. Changes in fair value of portfolio hedged financial assets (+/-)	19,799	-	
7	90. Property, plant and equipment	153,030	-	
8	100. Intangible assets	127,791	(117,884)	8
	- goodwill	89,602	(89,602)	
9	110. Tax assets	38,323	1,841	8
	b) deferred tax assets	38,323	1,841	
10	130. Other assets	329,175	-	
	Total assets	**32,904,760**	-	
	Liabilities and Shareholding's equity			
11	10. Financial liabilities at amortised cost	30,314,280		
	a) deposits from banks	1,172,802	-	
	b) deposits from customers	29,141,477	-	
12	20. Financial liabilities held for trading	4,937	-	

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	Reference
		30/06/2021	30/06/2021	
13	40. Hedging derivatives	105,693	-	
14	50. Changes in fair value of portfolio hedged financial liabilities (+/-)	12,893	-	
15	60. Tax liabilities	35,666	-	
	a) current tax assets	35,666	-	
16	80. Other liabilities	421,427	-	
17	90. Provisions for employee severance pay	4,941	-	
18	100. Provisions for risks and charges:	108,242	-	
	a) commitments and guarantees given	96	-	
	c) other provisions for risks and charges	108,146	-	
19	120. Revaluation reserves	(1,863)	(1,863)	2 and 3
20	140. Equity instruments	500,000	500,000	30
21	150. Reserves	980,113	980,113	2 and 3
22	160. Share premium reserve	1,934	1,934	1
23	170. Share capital	201,267	201,267	1
24	180. Treasury shares (-)	(1,440)	(1,440)	16
25	200. Net Profit (Loss) for the year	216,670	216,670	EU 5a
	Total other elements, of which:		**(457,093)**	
26	Net profits not included in Own Funds		(453,963)	EU 5a
27	Own CET1 instruments held by customers who simultaneously used a line of credit		(1,517)	1
28	Treasury shares that the Bank has an actual or contingent obligation to purchase		(850)	16
29	Prudential filters (-) fair value adjustments		(380)	7
30	Prudential filters (-) deduction of the exposure in equity instruments to the Voluntary Scheme with underlying positions to securitization		(308)	EU20a-Eu20c
31	Deductions of holdings of own Common Equity Tier 1 capital instruments synthetically held		(66)	16
32	Insufficient coverage for non-performing exposures		(9)	27a
	Total Liabilities and Shareholding's equity	**32,904,760**		
33	**Total Own Funds**		**1,323,545**	59

I dati contabili del Perimetro di bilancio e del Perimetro prudenziale non presentano differenze.
Il segno (+/-) rappresenta la contribuzione (positiva / negativa) ai Fondi Propri.

Own Funds

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

(Amounts in thousand)

	2021.01.01 / 2021.06.30	2020.01.01 / 2020.12.31
Common Equity Tier 1 Capital - CET1		
Start of period	**1,088,909**	**778,083**
Instruments and Reserves		
Share capital and issue-premium reserves	(696)	908
of which: own CET1 instruments held by customers who simultaneously used a line of credit	*(810)*	(697)
CET1 instruments that the Bank has an actual or contingent obligation to purchase	150	(1,000)
Retained earnings	(8,500)	(19,994)
Accumulated other comprehensive income (AOCI) and other reserves	3,026	(5,307)
Net profit of the period	216,670	322,067
Dividends and other foreseeable charges	(453,963)	
Regulatory adjustments		
Additional regulatory adjustments	104	22
Intangible assets net of related liabilities	(21,898)	7,972
Transitional adjustments related to IAS19	-	-
Direct, indirect and synthetic holdings by an institution of own CET1 instruments	(261)	6,157
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative: securitisation positions	13	1
Regulatory adjustments related to unrealized gains and losses under Articles 467 and 468	-	-
Amount to be deducted from or added to CET1 Capital in relation to additional filters and deductions applied before CRR treatment	-	-
Insufficient coverage for non-performing exposures	(9)	
End of period	**823,545**	**1,088,909**
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	**1,323,545**	**1,588,909**

Own Funds totalled 1,323,545 euro thousand, showing a decrease of 265,364 euro thousand on December 31, 2020 mainly attributable to the combination of the following factors:

- the decrease in the item "Retained earnings" mainly due to the reduction in profit reserves as a consequence of the recognition of the coupons paid, net of related taxes, related to the Additional Tier 1 issued in 2018 to the Additional Tier 1 instrument issued in 2019, for an amount equal to -9,884 euro thousand;
- net profit for the period equal to 216,670 euro thousand net of all foreseeable dividends and charges:
    - o 130,716 euro thousand 2021 foreseeable dividends, equal to 129,250 euro thousand, and accrued coupons calculated on Additional Tier 1 instruments issued by the Bank, equal to 1,466 euro thousand;
    - o 323,247 euro thousand dividends drawn from the available profit reserves, in relation to which the Board of Directors of August 3, 2021 resolved to propose to the Shareholders' Meeting the distribution during the fourth quarter of 2021.

- the decrease in the item “Intangible assets net of related liabilities” following the goodwill realignment transaction carried out by FinecoBank, under Article 110 of Decree-Law 104 of 2020, which caused a reduction of Deferred Tax Liabilities (DTL) for an amount of 24,482 euro thousand.

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 financial plan and monitors the regulatory capital requirements, anticipating the appropriate actions to achieve the targets.

On the basis of the EU regulations set out in Directive 2013/36/EU and Regulation No 575/2013/EU 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 at 30 June 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 (Enhanced Disclosure Task Force – EDTF recommendation)

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 at 30 June 2021, FinecoBank ratios are compliant with the above requirements.

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

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

Own funds requirements and risk-weighted exposure amounts

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 also to provide indications to the decision-making bodies. The monitoring is accompanied by an efficient and appropriate communications system, both for management purposes and communications with the supervisory authorities.

With reference to the risk-weighted exposures (RWA) as at 30 June 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 at June 30, 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. This bond meets the requirements of the applicable regulations in order to be eligible for credit risk mitigation techniques (CRM), with a consequent reduction in risk-weighted exposures and exposure for the purposes of Large Exposures.

Disclosure on Brexit

As of February 1, 2020, following its exit from the European Union, the United Kingdom ceased to be a member state. The Withdrawal Agreement entered into subsequently ("Withdrawal Agreement") provided for a transition period until December 31, 2020, during which time the application of European Union law to the United Kingdom remained unchanged. As of January 1, 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 table shows the information required on a half-yearly basis 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
		2021/06/30	2020/12/31	2021/06/30
1	Credit risk (excluding CCR)	2,683,221	2,336,694	214,658
2	*Of which the standardised approach*	*2,683,221*	2,336,694	*214,658*
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	496,305	236,066	39,704
7	*Of which the standardised approach*	*24,449*	3,696	*1,956*
8	*Of which internal model method (IMM)*	-	-	-
EU 8a	*Of which exposures to a CCP*	*10,668*	7,792	*853*
EU 8b	*Of which credit valuation adjustment - CVA*	*275*	1,001	*22*
9	*Of which other CCR*	*460,913*	223,577	*36,873*
15	Settlement risk	14	11	1
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)	56,223	44,744	4,498
21	*Of which the standardised approach*	*56,223*	44,744	*4,498*
22	*Of which IMA*	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	1,194,871	1,194,871	95,590
EU 23a	*Of which basic indicator approach*	-	-	-
EU 23b	*Of which standardised approach*	*1,194,871*	1,194,871	*95,590*
EU 23c	*Of which advanced measurement approach*	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	37,392	66,536	2,991
29	**Total**	**4,430,634**	**3,812,385**	**354,451**

The increase in RWA compared to December 31, 2020 is mainly attributable to credit risk due to business growth, in particular lending to customers, financial investments and counterparty risk, due, in particular, to the introduction of the new SA-CCR methodology required by CRR II as of June 2021.

FinecoBank Group does not exceed the thresholds for deduction from Common Equity Tier 1 Capital; therefore, the above numbers include 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 January 1, 2016. The buffer is reviewed on a quarterly basis. The European legislation was implemented in Italy through the Bank of Italy Circular 285/2013 (Supervisory regulations for banks), which contain specific rules on the CCyB. Legislative Decree 72 of May 12, 2015 identified the Bank of Italy as the authority designated to adopt the macro prudential measures in the banking sector, including the CCyB. The rules apply at individual and consolidated level to banks and investment firms 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 the territory in question, divided by its total own funds requirements for credit risk that relates to all of its relevant credit exposures.

During 2020, because of the COVID-19 health emergency, some National Authorities revised the countercyclical capital buffer ratios applicable to states, with the aim of reducing the capital requirement to be held against it. Based on the analysis of reference indicators, the Bank of Italy has decided to maintain the countercyclical capital reserve ratio (relating to exposures to Italian counterparties) for the second quarter of 2021 at 0%, unchanged versus the fourth quarter of 2020.

The Group's specific countercyclical capital buffer as at June 30, 2021 was 0.005% at consolidated level, corresponding to around 213 euro thousand. There is no significant impact on the Group's capital surplus versus requirements.

The following EU CCyB1 and EU CCyB2 tables show the information required on a semi-annual basis in Article 440 of the CRR. In particular, they show:

a) the amount of the group-specific countercyclical capital buffer;

b) 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)

		Data as of 2021/06/30
1	Total risk exposure amount	4,430,634
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

	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
Abu Dhabi	457	-	574	-	-	1,031	14	-	-	14	169	0.007%	0.000%
Afghanistan	1	-	19	-	-	20	-	-	-	-	1	0.000%	0.000%
Albania	1	-	-	-	-	1	-	-	-	-	1	0.000%	0.000%
Argentina	114	-	9	-	-	123	3	-	-	3	41	0.002%	0.000%
Australia	151	-	-	-	-	151	4	-	-	4	54	0.002%	0.000%
Austria	307	-	16	-	-	323	24	-	-	24	304	0.012%	0.000%
Bahrein	6	-	-	-	-	6	-	-	-	-	5	0.000%	0.000%
Belgium	17	-	138	-	-	154	1	-	-	1	16	0.001%	0.000%
Bermuda	1,407	-	36	-	-	1,444	113	-	-	113	1,411	0.055%	0.000%
Brazil	252	-	690	-	-	942	8	-	-	8	94	0.004%	0.000%
British Virgin	1	-	2	-	-	3	-	-	-	-	1	0.000%	0.000%
Bulgaria	3	-	4	-	-	7	-	-	-	-	2	0.000%	0.500%
Canada	6	-	151	-	-	157	-	12	-	12	149	0.006%	0.000%
Cayman Islands	-	-	40,181	-	-	40,181	-	91	-	91	1,136	0.044%	0.000%
Chile	1	-	20	-	-	21	-	-	-	-	1	0.000%	0.000%
China	7	-	95	-	-	102	-	-	-	-	5	0.000%	0.000%
Colombia	1	-	-	-	-	1	-	-	-	-	1	0.000%	0.000%
Croatia	5	-	-	-	-	5	-	-	-	-	4	0.000%	0.000%
Curacao	-	-	16	-	-	16	-	-	-	-	-	0.000%	0.000%
Czech Republic	13	-	-	-	-	13	1	-	-	1	10	0.000%	1.000%
Denmark	1	-	-	-	-	1	-	-	-	-	-	0.000%	0.000%
Ecuador	1	-	-	-	-	1	-	-	-	-	1	0.000%	0.000%
Faroer Islands	-	-	3	-	-	3	-	-	-	-	1	0.000%	0.000%
Finland	-	-	138	-	-	138	-	7	-	7	84	0.003%	0.000%
France	319,421	-	4,861	-	-	324,282	2,881	73	-	2,954	36,928	1.428%	0.000%
Georgia	2	-	-	-	-	2	-	-	-	-	1	0.000%	0.000%
Germany	57,958	-	74,032	-	-	131,989	553	184	-	737	9,210	0.356%	0.000%
Ghana	3	-	3	-	-	7	-	-	-	-	3	0.000%	0.000%
Gibraltar	-	-	2	-	-	2	-	-	-	-	2	0.000%	0.000%
Greece	4	-	-	-	-	4	-	-	-	-	3	0.000%	0.000%
Guernsey	-	-	3	-	-	3	-	-	-	-	-	0.000%	0.000%
Hong Kong	-	-	6	-	-	6	-	-	-	-	-	0.000%	1.000%
Hungary	1	-	-	-	-	1	-	-	-	-	1	0.000%	0.000%
India	6	-	-	-	-	6	-	-	-	-	5	0.000%	0.000%
Iraq	1	-	-	-	-	1	-	-	-	-	1	0.000%	0.000%
Ireland	36,174	-	9,171	-	-	45,345	3,366	6	-	3,372	42,150	1.630%	0.000%
Island of MAN	-	-	8	-	-	8	-	-	-	-	1	0.000%	0.000%
Israel	1	-	50	-	-	51	-	-	-	-	1	0.000%	0.000%
Italy	3,938, 165	-	536,125	-	-	4,474,290	167,371	1,144	-	168,515	2,106,433	81.472%	0.000%
Japan	1	-	-	-	-	1	-	-	-	-	-	0.000%	0.000%
Jersey	-	-	8,741	-	-	8,741	-	2	-	2	24	0.001%	0.000%
Jordan	-	-	34	-	-	34	-	-	-	-	-	0.000%	0.000%
Kazakhstan	1	-	-	-	-	1	-	-	-	-	1	0.000%	0.000%

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

	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			
Kenya	1	-	-	-	-	1	-	-	-	-	1	0.000%	0.000%
Liberia	-	-	54	-	-	54	-	4	-	4	46	0.000%	0.000%
Libya	1	-	-	-	-	1	-	-	-	-	1	0.000%	0.000%
Luxembourg	24,554	-	9,383	-	-	33,937	1,937	36	-	1,973	24,662	0.954%	0.500%
Macedonia	-	-	164	-	-	164	-	-	-	-	-	0.000%	0.000%
Malaysia	184	-	-	-	-	184	5	-	-	5	66	0.003%	0.000%
Mexico	14	-	-	-	-	14	1	-	-	1	11	0.000%	0.000%
Moldavia	1	-	-	-	-	1	-	-	-	-	1	0.000%	0.000%
Principality of Monaco	5	-	-	-	-	5	-	-	-	-	4	0.000%	0.000%
Mongolia	1	-	-	-	-	1	-	-	-	-	1	0.000%	0.000%
Mozambique	-	-	17	-	-	17	-	-	-	-	-	0.000%	0.000%
Netherlands	10,984	-	184,509	-	-	195,493	160	181	-	342	4,269	0.165%	0.000%
New Zealand	3	-	-	-	-	3	-	-	-	-	3	0.000%	0.000%
Nicaragua	-	-	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Nigeria	1	-	11	-	-	12	-	-	-	-	1	0.000%	0.000%
Norway	1	-	218	-	-	219	-	7	-	7	90	0.003%	1.000%
Panama	1	-	1,780	-	-	1,780	-	44	-	44	546	0.021%	0.000%
Paraguay	4	-	-	-	-	4	-	-	-	-	3	0.000%	0.000%
Peru	4	-	-	-	-	4	-	-	-	-	3	0.000%	0.000%
Philippines	242	-	-	-	-	242	7	-	-	7	85	0.000%	0.000%
Poland	1	-	-	-	-	1	-	-	-	-	1	0.000%	0.000%
Portugal	7,509	-	17	-	-	7,526	122	-	-	122	1,521	0.059%	0.000%
Qatar	10	-	55	-	-	65	1	-	-	1	7	0.000%	0.000%
Romania	370	-	7	-	-	376	11	-	-	11	136	0.005%	0.000%
Russia	428	-	21	-	-	449	14	-	-	14	173	0.007%	0.000%
San Marino	8	-	40	-	-	48	-	-	-	-	6	0.000%	0.000%
Saudi Arabia	10	-	94	-	-	104	1	-	-	1	7	0.000%	0.000%
Serbia	1	-	-	-	-	1	-	-	-	-	-	0.000%	0.000%
Singapore	5	-	9	-	-	14	-	-	-	-	4	0.000%	0.000%
South African Republic	39	-	208	-	-	248	3	5	-	8	99	0.004%	0.000%
South Korea	-	-	5	-	-	5	-	-	-	-	-	0.000%	0.000%
Spain	54,054	-	1,271	-	-	55,325	438	2	-	440	5,499	0.213%	0.000%
Sri Lanka	-	-	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Sweden	66	-	419	-	-	486	3	-	-	3	40	0.002%	0.000%
Switzerland	690	-	2,151	-	-	2,841	34	1	-	35	435	0.017%	0.000%
Thailand	10	-	5	-	-	15	1	-	-	1	7	0.000%	0.000%
Trinidad and Tobago	1	-	-	-	-	1	-	-	-	-	1	0.000%	0.000%
Tunisia	15	-	-	-	-	15	1	-	-	1	11	0.000%	0.000%
Turkey	6	-	-	-	-	6	-	-	-	-	4	0.000%	0.000%
U.S.A.	5,350	-	355,758	-	-	361,108	419	610	-	1,029	12,867	0.498%	0.000%
Uganda	2	-	-	-	-	2	-	-	-	-	2	0.000%	0.000%
Ukraine	6	-	57	-	-	63	-	1	-	2	23	0.001%	0.000%
United Kingdom	336,521	-	13,595	-	-	350,116	26,804	116	-	26,921	336,507	13.02%	0.000%
Uruguay	2	-	-	-	-	2	-	-	-	-	2	0.000%	0.000%
Uzbekistan	1	-	-	-	-	1	-	-	-	-	1	0.000%	0.000%
Venezuela	1	-	-	-	-	1	-	-	-	-	-	0.000%	0.000%
Vietnam	174	-	-	-	-	174	5	-	-	5	61	0.002%	0.000%
Total	**4,795,775**	**-**	**1,244,980**	**-**	**-**	**6,040,755**	**204,311**	**2,526**	**-**	**206,837**	**2,585,469**		**0.005%**

Exposures to credit risk and dilution risk

The following templates EU CR1, EU CR1-A, EU CR2, EU CQ1, EU CQ4, EU CQ5 show the information required on a semi-annual basis in article 442 CRR, letters c), e), f) and 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.

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**	**2,144,820**	**2,144,820**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**5,386,829**	**5,372,352**	**14,477**	**24,310**	**-**	**24,310**
020	Central banks	-	-	-	-	-	-
030	General governments	4	4	0	-	-	-
040	Credit institutions	108,614	108,614	-	-	-	-
050	Other financial corporations	383,864	383,680	184	2	-	2
060	Non-financial corporations	934	919	16	73	-	73
070	*of which SMEs*	*464*	*452*	*12*	*71*	-	*71*
080	Households	4,893,412	4,879,135	14,277	24,235	-	24,235
090	**Debt securities**	**24,625,632**	**24,625,563**	**-**	**0**	**-**	**-**
100	Central banks	-	-	-	-	-	-
110	General governments	17,908,854	17,908,789	-	-	-	-
120	Credit institutions	6,716,778	6,716,773	-	-	-	-
130	Other financial corporations	-	-	-	0	-	-
140	Non-financial corporations	-	-	-	0	-	-
150	**Off-balance-sheet-exposures**	**2,186,950**	**73,362**	**768**	**101**	**-**	**101**
160	Central banks	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-
180	Credit institutions	24,728	17,170	-	-	-	-
190	Other financial corporations	133,329	1,288	-	-	-	-
200	Non-financial corporations	368	108	-	-	-	-
210	Households	2,028,525	54,795	768	101	-	101
220	**Total**	**34,344,230**	**32,216,096**	**15,245**	**24,411**	**-**	**24,411**

Exposures to credit risk and dilution risk

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**	**(59)**	**(59)**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**(13,383)**	**(9,745)**	**(3,638)**	**(19,782)**	**-**	**(19,782)**
020	Central banks	-	-	-	-	-	-
030	General governments	(0)	(0)	(0)	-	-	-
040	Credit institutions	(7)	(7)	-	-	-	-
050	Other financial corporations	(215)	(83)	(132)	(2)	-	(2)
060	Non-financial corporations	(4)	(2)	(2)	(53)	-	(53)
070	*of which SMEs*	*(3)*	*(1)*	*(2)*	*(49)*	-	*(49)*
080	Households	(13,157)	(9,653)	(3,504)	(19,727)	-	(19,727)
090	**Debt securities**	**(5,824)**	**(5,824)**	**-**	**-**	**-**	**-**
100	Central banks	-	-	-	-	-	-
110	General governments	(5,701)	(5,701)	-	-	-	-
120	Credit institutions	(123)	(123)	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-
150	**Off-balance-sheet-exposures**	**(96)**	**(96)**	**-**	**-**	**-**	**-**
160	Central banks	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-
180	Credit institutions	(0)	(0)	-	-	-	-
190	Other financial corporations	-	-	-	-	-	-
200	Non-financial corporations	(0)	(0)	-	-	-	-
210	Households	(95)	(95)	-	-	-	-
220	**Total**	**(19,362)**	**(15,724)**	**(3,638)**	**(19,782)**	**-**	**(19,782)**

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**	**-**	**4,027,651**	**1,305**
020	Central banks	-	-	-
030	General governments	-	-	-
040	Credit institutions	-	1,183	-
050	Other financial corporations	-	61	-
060	Non-financial corporations	-	630	-
070	*of which SMEs*	-	*423*	-
080	Households	-	4,025,778	1,305
090	**Debt securities**	**-**	**4,972,633**	**-**
100	Central banks	-	-	-
110	General governments	-	-	-
120	Credit institutions	-	4,972,633	-
130	Other financial corporations	-	-	-
140	Non-financial corporations	-	-	-
150	**Off-balance-sheet-exposures**	**-**	**64,886**	**-**
160	Central banks	-	-	-
170	General governments	-	-	-
180	Credit institutions	-	17,166	-
190	Other financial corporations	-	-	-
200	Non-financial corporations	-	108	-
210	Households	-	47,612	-
220	**Total**	**-**	**9,065,170**	**1,305**

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	4,002,420	942,835	355,930	2,205,214	2,115	7,508,514
2	Debt securities	3,863,483	-	7,268,879	13,487,433	-	24,619,795
3	**Total**	**7,865,903**	**942,835**	**7,624,809**	**15,692,647**	**2,115**	**32,128,309**

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	3,786
030	Outflows from non-performing portfolios	(4,965)
040	*Outflows due to write-offs*	*(3,031)*
050	*Outflow due to other situations*	*(1,934)*
060	**Final stock of non-performing loans and advances**	**24,310**

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	1,735	796	796	796
020	*Central banks*	-	-	-	-
030	*General governments*	-	-	-	-
040	*Credit institutions*	-	-	-	-
050	*Other financial corporations*	-	-	-	-
060	*Non-financial corporations*	-	-	-	-
070	*Households*	*1,735*	*796*	*796*	*796*
080	Debt Securities	-	-	-	-
090	Loan commitments given	21	-	-	-
100	**Total**	**1,756**	**796**	**796**	**796**

Exposures to credit risk and dilution risk

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	(30)	(568)	1,665	74
020	*Central banks*	-	-	-	-
030	*General governments*	-	-	-	-
040	*Credit institutions*	-	-	-	-
050	*Other financial corporations*	-	-	-	-
060	*Non-financial corporations*	-	-	-	-
070	*Households*	*(30)*	*(568)*	1,665	74
080	Debt Securities	-	-	-	-
090	Loan commitments given	-	-	-	-
100	**Total**	**(30)**	**(568)**	**1,665**	**74**

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			
1	**On-balance sheet exposures**	**30,036,772**	**24,310**	**(38,988)**		**-**
2	Italy	16,609,410	24,234	(36,533)		-
3	Spain	5,174,628	3	(1,255)		-
4	France	2,000,292	-	(152)		-
5	European international organisations	1,192,138	-	(53)		-
6	Ireland	1,033,131	-	(178)		-
7	Belgium	829,841	-	(157)		-
8	USA	696,444	-	(38)		-
9	Austria	629,041	-	(27)		-
10	Other Countries	1,871,847	73	(596)		-
11	**Off-balance sheet exposures**	**2,187,051**	**101**		**(96)**	
12	Italy	2,059,594	101		(96)	
13	Germany	100,141	-		-	
14	Other Countries	27,316	-		-	
15	**Total**	**32,223,823**	**24,411**	**(38,988)**	**(96)**	**-**

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".

Exposures to credit risk and dilution risk

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

For off-balance sheet exposures, the item "Other countries" includes exposures to the following countries: the United Kingdom, France, Switzerland, Abu Dhabi, Romania, Ireland, Bulgaria, Russia, Luxembourg, Portugal, Spain, the United States, Thailand, Indonesia, Canada, Argentina, the Republic of South Africa, Singapore, China, San Marino, Chile, Austria, Albania, Malta, Panama, Brazil, Poland, Belgium, the Netherlands, Qatar, Turkey, Croatia, Moldova, India, Norway, Egypt, Georgia, Zimbabwe, Ecuador, Australia and Mexico.

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	427	2	(1)	-
020	Mining and quarrying	-	-	-	-
030	Manufacturing	48	5	(4)	-
040	Electricity, gas, steam and air conditioning supply	2	-	-	-
050	Water supply	1	-	-	-
060	Construction	26	12	(8)	-
070	Wholesale and retail trade	43	15	(13)	-
080	Transport and storage	98	1	(2)	-
090	Accommodation and food service activities	11	4	(3)	-
100	Information and communication	19	6	(5)	-
110	Financial and insurance activities	-	-	-	-
120	Real estate activities	42	12	(8)	-
130	Professional, scientific and technical activities	57	9	(6)	-
140	Administrative and support service activities	217	4	(3)	-
150	Public administration and defence, compulsory social security	-	-	-	-
160	Education	6	-	-	-
170	Human health services and social work activities	4	-	-	-
180	Arts, entertainment and recreation	4	2	(1)	-
190	Other services	2	1	(1)	-
200	**Total**	**1,007**	**73**	**(57)**	**-**

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.

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

With the communication of June 30, 2020, the Bank of Italy implemented the EBA Guidelines on reporting and public disclosure requirements on exposures subject to measures applied in light of the COVID-19 crisis (EBA/GL/2020/07), which are therefore also applicable to less significant banks and banking groups.

The following are the tables subject to public disclosure pursuant to the aforementioned EBA guidelines as at June 30, 2021.

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 June 30, 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**	**4,937**	**4,937**	**-**	**-**	**-**	**-**	**-**
2	of which: Households	**4,937**	4,937	-	-	-	-	-
3	*of which: Collateralised by residential immovable property*	***4,606***	*4,606*	-	-	-	-	-
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**	**(63)**	**(63)**	**-**	**-**	**-**	**-**	**-**	**-**
2	of which: Households	**(63)**	(63)	-	-	-	-	-	-
3	*of which: Collateralised by residential immovable property*	***(52)***	*(52)*	-	-	-	-	-	-
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 legislative moratorium include the initiatives of the Italian government that provide for the extension of the solidarity fund for first-time home mortgages (the so-called Gasparrini Fund) to employees, self-employed workers and freelance professionals, on the occurrence of certain conditions resulting from the restrictions adopted for the COVID-19 emergency. In these circumstances, it is possible to suspend loan repayments for a temporary period and bear the payment of compensatory interest to the extent of 50% of the interest accrued on the residual debt during the period of suspension. Consap sustains the further 50% of the accrued interest with recourse to the Gasparrini Fund. With reference to non-legislative moratoria, the Group has adhered to the ABI-Association of Consumers Agreement for the suspension of loans to households following the COVID-19 pandemic (personal loans and mortgages other than those falling within the conditions for recourse to the CONSAP Fund), in line with the EBA Guidelines. The above initiatives exclusively regarded the Bank's customers belonging to the household sector.

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

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

(Amounts in thousand)

		a	b	c	d	e	f	g	h	i
		Number of obligors	Gross carrying amount							
				Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	516	34,918							
2	Loans and advances subject to moratorium (granted)	463	31,091	21,307	26,154	536	4,006	395	-	-
3	of which: Households		31,091	21,307	26,154	536	4,006	395	-	-
4	of which: Collateralised by residential immovable property		28,027	21,307	23,422	353	3,899	354	-	-
5	of which: Non-financial corporations		-	-	-	-	-	-	-	-
6	of which: Small and Medium-sized Enterprises		-	-	-	-	-	-	-	-
7	of which: Collateralised by commercial immovable property		-	-	-	-	-	-	-	-

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

Disclosure of the use of the Standardized 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	On-balance-sheet exposures	Off-balance-sheet exposures
		a	b	c	d	e	f
1	Central governments or central banks	18,052,172	99,716	18,052,172	99,716	253,344	1.40%
2	Regional government or local authorities	938,820	-	938,820	-	-	0.00%
3	Public sector entities	474,685	-	474,685	-	1	0.00%
4	Multilateral development banks	431,084	-	431,084	-	-	0.00%
5	International organisations	761,002	-	761,002	-	-	0.00%
6	Institutions	5,680,365	18,425	707,732	1,257	155,276	21.90%
7	Corporates	483,906	44,845	267,060	2,405	269,465	100.00%
8	Retail	2,277,452	1,663,907	1,146,172	2,386	861,418	75.00%
9	Secured by mortgages on immovable property	2,078,727	57	2,078,727	11	728,099	35.03%
10	Exposures in default	4,507	101	4,209	2	4,219	100.19%
11	Exposures associated with particularly high risk	882	-	882	-	1,324	150.00%
12	Covered bonds	679,878	-	679,878	-	70,141	10.32%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
14	Collective investment undertakings	513	-	513	-	6,417	1250.00%
15	Equity	5,064	-	5,064	-	5,064	100.00%
16	Other items	328,460	-	328,460	-	328,453	100.00%
17	**TOTAL**	**32,197,517**	**1,827,051**	**25,876,460**	**105,777**	**2,683,221**	**10.33%**

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 stood at 10.33%, up slightly from 9.7% as at December 31, 2020.

Disclosure of the use of the Standardized Approach

EU CR5: Standardised approach

(Amounts in thousand)

	Exposure classes	Risk weight								
		0%	2%	4%	10%	20%	35%	50%	70%	75%
		a	b	c	d	e	f	g	h	i
1	Central governments or central banks	17,402,063	-	-	-	659,130	-	50,530	-	-
2	Regional government or local authorities	938,820	-	-	-	-	-	-	-	-
3	Public sector entities	474,681	-	-	-	4	-	-	-	-
4	Multilateral development banks	431,084	-	-	-	-	-	-	-	-
5	International organisations	761,002	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	1,697,307	-	33,836	-	-
7	Corporates	-	430,134	-	-	-	-	-	-	-
8	Retail exposures	-	-	-	-	-	-	-	-	1,151,430
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	2,075,133	3,606	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	658,345	21,533	-	-	-	-
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**	**20,007,656**	**430,134**	**-**	**658,345**	**2,377,974**	**2,075,133**	**87,972**	**-**	**1,151,430**

Continued EU CR5: Standardised approach

(Amounts in € thousand)

	Exposure classes	Risk weight 100% j	150% k	250% l	370% m	1250% n	Others o	Total p	Of which unrated q
1	Central governments or central banks	2,773	1	37,392	-	-	-	18,151,891	-
2	Regional government or local authorities	-	-	-	-	-	-	938,820	938,820
3	Public sector entities	-	-	-	-	-	-	474,685	474,685
4	Multilateral development banks	-	-	-	-	-	-	431,084	-
5	International organisations	-	-	-	-	-	-	761,002	-
6	Institutions	678	-	1,255	-	-	-	2,163,210	2,163,210
7	Corporates	546,597	-	-	-	-	-	546,597	546,597
8	Retail exposures	-	-	-	-	-	-	1,151,430	1,151,430
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	2,078,739	2,078,739
10	Exposures in default	4,195	16	-	-	-	-	4,211	4,211
11	Exposures associated with particularly high risk	-	882	-	-	-	-	882	882
12	Covered bonds	-	-	-	-	-	-	679,878	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	513	-	513	513
15	Equity exposures	5,064	-	-	-	-	-	5,064	5,064
16	Other items	328,453	-	-	-	-	-	328,460	328,460
17	**TOTAL**	**887,760**	**899**	**38,647**	**-**	**513**	**-**	**27,716,466**	**7,692,611**

Disclosure on the use of the credit risk mitigation techniques

The following table 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 model: credit risk exposure and CRM effects set out in the chapter "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	3,527,003	4,028,956	4,028,956	-	-
2	Debt securities	19,652,999	4,972,633	4,972,633	-	
3	**Total**	**23,180,002**	**9,001,588**	**9,001,588**	**-**	**-**
4	*Of which non-performing exposures*	*23,005*	*1,305*	*1,305*	-	-
5	*Of which defaulted*	*23,005*	*1,305*			

Secured exposures include exposures secured by real estate for 2,078,784 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 6,534,259 euro thousand, mainly represented by debt securities, units of UCITS and equity securities.

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.

Information on credit derivative contracts has not been reported as the Group does not have any such transactions in place at June 30, 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)	1,053	18,254		1,4	27,017	27,017	27,017	24,449
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)					1,496,675	1,213,857	1,213,857	447,105
5	VaR for SFTs					-	-	-	-
6	**Total**					**1,523,692**	**1,240,874**	**1,240,874**	**471,554**

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 does not have any 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	945	275
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**	**945**	**275**

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	-	-	-	-	0
2	Regional government or local authorities	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	-	430,134	-	-	1,023,749	338
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**	**430,134**	**-**	**-**	**1,023,749**	**338**

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

(Amounts in thousand)

	Classi di esposizioni	Risk weight					
		g	h	i	j	k	l
		70%	75%	100%	150%	Altri	Total exposure value
1	Central governments or central banks	-	-	-	1	-	3
2	Regional government or local authorities	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	-	-	-	-	-	1,454,221
7	Corporates	-	-	277,133	-	-	277,133
8	Retail exposures	-	2,872	-	-	-	2,872
9	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-
11	**Total exposure value**	**-**	**2,872**	**277,133**	**1**	**-**	**1,734,229**

Exposures to counterparty credit risk

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	-	8,229	-	-
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**	**-**	**8,229**	**-**	**-**

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.

Exposures to counterparty credit risk

EU CCR8 – Exposures to CCPs

(Amounts in thousand)

		Exposure value	RWEA
		a	b
1	**Exposures to QCCPs (total)**		**10,656**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	327,388	7,436
3	*(i) OTC derivatives*	*327,388*	*7,436*
4	*(ii) Exchange-traded derivatives*	-	-
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	160,978	3,220
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**12**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	12	12
13	*(i) OTC derivatives*	*12*	*12*
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	-	-

Market risk

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.

EU MR1 – Market risk under the standardised approach

(Amounts in thousand)

		a
		RWEA
	Outright products	
1	Interest rate risk (general and specific)	18,611
2	Equity risk (general and specific)	34,827
3	Foreign exchange risk	37
4	Commodity risk	2,748
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	**Securitisation (specific risk)**	**-**
9	**Total**	**56,223**

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

Exposures to interest rate risk on positions not held in the trading book

Fineco's interest rate risk management aims at ensuring the financial stability of the balance sheet, regardless of the negative effects that changes in interest rates could have on both earnings and economic value of equity. This is achieved through an adequate asset/liability structure and by maintaining the interest margin and the economic value sensitivities within the threshold set by the Board of Directors in the Risk Appetite Framework of the Group.

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

The risk measures used to monitor the effects of interest rates shocks on the economic value of assets and liabilities ("*Economic value perspective*") are the BP01 and the EV Sensitivity. The first represents the sensitivity of the economic value, over several predefined time buckets, under a 1 bp parallel shift and is calculated in order to assess the impact on the economic value of a sudden change in the yield curve. The metric is monitored on a daily basis against the granular limits set by the Board of Directors.

The second measure is represented by the sensitivity of the economic value of equity measured under any of the six scenarios as set out in the EBA Guidelines on the management of interest rate risk arising from non-trading activities. This measure, compared to the institution's Own Funds, represents the EV Sensitivity indicator included in the Group's RAF; the indicator is monitored on a daily basis and reported quarterly as part of the Group's RAF processes.

From the earning perspective ("*Income perspective*"), the analysis focuses on the impact of interest rates shifts on the net interest margin, represented by the difference between the interest income and expenses. The risk indicator monitored is the Net Interest Income Sensitivity (NII Sensitivity), measured under 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 on a daily basis and reported quarterly as part of the Group's RAF processes.

The table below provides a representation of the trend observed in the sensitivity of economic value and the interest margin under the six regulatory scenarios measured by implementing the methodological framework provided by the EBA guidelines mentioned above.

EU IRRBB1 - Interest rate risks of non-trading book activities

(Amounts in thousand)

	Supervisory shock scenarios	a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		2021/06/30	2020/12/31	2021/06/30	2020/12/31
1	Parallel up	68,685	(14,312)	133,969	134,281
2	Parallel down	(15,258)	2,704	(55,020)	(55,181)
3	Steepener	(16,598)	(22,565)		
4	Flattener	20,213	2,257		
5	Short rates up	35,679	(6,076)		
6	Short rates down	(26,623)	966		

Liquidity requirements

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, subsequently amended by Delegated Regulation (EU) 2018/1620 of July 13, 2018, 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 repealing Implementing Regulation (EU) 680/2014 laying down implementing technical standards with regard to the reporting by institutions for supervisory purposes in accordance with the CRR regulation.
- 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 on a semi-annual basis 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 thousand)

	Scope of consolidation: consolidated	b	c	d	e	f	g	h
		Total unweighted value (average)			Total weighted value (average)			
EU 1a	**Quarter ending on**	**2021/06/30**	**2021/03/31**	**2020/12/31**	**2020/09/30**	**2021/06/30**	**2021/03/31**	**2020/12/31**	**2020/09/30**
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)					17,140,336	16,588,447	16,207,278	15,811,900
	CASH – OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	26,957,215	26,442,225	25,832,272	25,264,973	1,895,008	1,854,048	1,803,695	1,743,205
3	*Stable deposits*	*19,647,504*	*19,362,431*	*19,164,051*	*19,143,915*	*982,375*	*968,122*	*958,203*	*957,196*
4	*Less stable deposits*	*7,293,233*	*7,060,741*	*6,649,169*	*6,109,447*	*912,633*	*885,927*	*845,492*	*786,009*
5	*Unsecured wholesale funding*	*805,415*	*813,423*	*854,178*	*880,216*	*475,777*	*464,896*	*464,563*	*459,813*
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	*805,415*	*813,423*	*854,178*	*880,216*	*475,777*	*464,896*	*464,563*	*459,813*
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					*133,311*	*127,166*	*138,764*	*164,778*
10	Additional requirements	167,111	160,914	148,101	142,968	164,128	158,660	145,781	140,961
11	*Outflows related to derivative exposures and other collateral requirements*	*163,956*	*158,528*	*145,649*	*140,845*	*163,956*	*158,528*	*145,649*	*140,845*
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	*3,155*	*2,386*	*2,451*	*2,123*	*172*	*132*	*132*	*116*
14	Other contractual funding obligations	695,532	710,734	752,449	733,083	624,196	609,480	617,885	563,381
15	Other contingent funding obligations	2,566,952	2,497,571	2,457,035	2,417,866	210,239	208,861	210,042	207,566
16	TOTAL CASH OUTFLOWS					3,502,658	3,423,112	3,380,730	3,279,704
	CASH – INFLOWS								
17	Secured lending (e.g. reverse repos)	1,081,599	871,401	735,306	659,579	65,926	78,414	84,383	90,661
18	Inflows from fully performing exposures	551,175	529,972	540,164	550,151	428,937	411,762	417,866	422,292
19	Other cash inflows	2,207,712	2,145,239	2,113,552	2,021,589	923,839	935,624	965,354	929,335
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	*3,840,485*	*3,546,612*	*3,389,022*	*3,231,319*	*1,418,702*	*1,425,800*	*1,467,603*	*1,442,288*
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows Subject to 90% Cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows Subject to 75% Cap*	*3,819,874*	*3,508,784*	*3,351,194*	*3,193,491*	*1,418,702*	*1,425,800*	*1,467,603*	*1,442,288*
	TOTAL ADJUSTED VALUE								
21	LIQUIDITY BUFFER					17,140,336	16,588,447	16,207,278	15,811,900
22	TOTAL NET CASH OUTFLOWS					2,083,956	1,997,312	1,913,127	1,837,416
23	LIQUIDITY COVERAGE RATIO (%)					834.44%	841.27%	858.09%	871.38%

Liquidity requirements

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

Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

The liquidity coverage ratio stood at 866.91% as at June 30, 2021, decreasing from 925.98% recorded in December 2020. The change was primarily due to an increase in outflows, particularly for non-operating deposits with financial counterparties and liabilities due to increased customer transactions for securities receivable. The increase in outflows was partially offset by an increase in the buffer due to the purchase of securities qualifying as high quality liquid assets.

Explanations on the changes in the LCR over time

With reference to the average ratios shown in the table and calculated on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, the decreasing trend is due to a constant increase in outflows mainly due to greater operations in derivatives, an increase in operations with clients for securities receivable and an increase in retail deposits and non-operating deposits.

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. Despite the pandemic continuing, all liquidity adequacy indicators and analyses were comfortably within the regulatory and internally established limits. Lastly, FinecoBank experienced no difficulty or worsening of conditions in accessing markets or of the conditions for closing market transactions (repos and securities trading) in terms of volume and price.
For more details on liquidity management and liquidity risk, see Part E - Information on risks and related hedging policies of notes to the accounts of the consolidated first half financial reports as at 30 June 2021.

Actual concentration of funding sources

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

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

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

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

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

As an additional funding source, being an active counterparty of monetary policy open market ECB operations, FinecoBank can access the central bank refinancing operations. The enduring easing stance of the ECB monetary policy caused by the macroeconomic scenario let FinecoBank increase its funding sources by participating, starting from December 2020, to the sixth tranche of the Targeted Longer Term Refinancing Operations III (TLTRO III) program for an amount of 950 euro million and subsequently, in March 2021, with participation in the seventh tranche of the TLTRO III program for 95 euro million.

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

The liquidity reserve consists primarily of securities classified as level 1 HQLA by Article 8 of Regulation 2015/61, in particular government securities.

Derivative exposures and potential collateral calls

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

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

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

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

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. For FinecoBank Group as at 31 December 2020 the only significant currency is euro.

Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

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

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

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

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

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

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

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

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";
- 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	1,440,285	-	-	-	1,440,285
2	*Own funds*	*1,440,285*	-	-	-	-
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		27,398,485	127,707	-	25,808,272
5	*Stable deposits*		*20,693,975*	-	-	*19,659,276*
6	*Less stable deposits*		*6,704,510*	*127,707*	-	*6,148,996*
7	Wholesale funding		2,731,633	53	1,040,385	1,425,108
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		*2,731,633*	*53*	*1,040,385*	*1,425,108*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	80,010	512,076	-	586,344	586,344
12	*NSFR derivative liabilities*	*80,010*				
13	*All other liabilities and capital instruments not included in the above categories*		*512,076*	-	*586,344*	*586,344*
14	**Total available stable funding (ASF)**					**29,260,008**
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					1,761,146
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 purposes		-	-	-	-
17	Performing loans and securities:		3,875,290	3,678,760	3,413,278	6,467,612
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		*221*	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*334,678*	*14,333*	*288,615*	*329,190*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*2,109,535*	*460,392*	*16,338*	*1,298,826*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*578,411*	-	*125*	*289,287*
22	*Performing residential mortgages, of which:*		*97,764*	*1,697,894*	*281,222*	*1,081,727*
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*97,680*	*1,676,451*	*275,703*	*1,066,273*
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*		*1,333,092*	*1,506,142*	*2,827,102*	*3,757,868*
25	Interdependent assets		-	-	-	-
26	Other assets:	-	660	286	968	855
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		*100,523*			*85,445*
29	*NSFR derivative assets*		*65,252*			-
30	*NSFR derivative liabilities before deduction of variation margin posted*		*21,444*			*1,072*
31	*All other assets not included in the above categories*		*375,118*	*512*	*682,971*	*685,071*
32	Off-balance sheet items		-	-	6,254	313
33	**Total RSF**					**9,098,757**
34	**Net Stable Funding Ratio (%)**					**321.58%**

Liquidity requirements

The Net Stable Funding Ratio (NSFR) as of June 2021 is equal to 321.58%. The available amount of stable funding (ASF) is 29,260 euro million, while the required amount of stable funding (RSF) is 9,099 euro million. The available amount of stable funding mainly consists of stable and less stable deposits with retail customers for approximately 25,808 euro million (weighted value). The mandatory amount of weighted stable funding is mainly made up of loans, considering that the securities owned, being mainly of very high quality level 1, are subject to a weighting factor of 0%.

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[2], 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[3], 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[4] 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 1,845 euro thousand, 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 3.81% is shown in line 25a of table EU LR2 - LRCom. The Adjusted Leverage ratio representing the minimum regulatory requirement for the leverage ratio of 3.16% is reported on line 26 of Table EU LR2 - LRCom.

[2] Asset means the exposure value as defined in Article 111 paragraph 1 of CRR first sentence.
[3] 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.
[4] '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
		2021/06/30
1	Total assets as per published financial statements	32,904,759
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))	(1,845,321)
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	320,635
9	Adjustment for securities financing transactions (SFTs)	1,238,347
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	346,495
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	(380)
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	(112,639)
13	**Total exposure measure**	**32,851,896**

EU LR2 - LRCom: Leverage ratio common disclosure

The template shows the leverage ratio as of June 30, 2021, compared with the data as of December 31, 2020, 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.

Leverage

(Amounts in thousand)

		CRR leverage ratio exposures	
		a	b
		2021.06.30	2020.12.31
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	30,874,174	31,600,528
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)	(26,710)	(191,536)
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)	(116,730)	(94,949)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**30,730,734**	**31,314,043**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	94,484	20,815
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	321,450	92,429
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**	**415,934**	**113,244**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	1,348,746	2,325,031
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(1,130,708)	(2,168,896)
16	Counterparty credit risk exposure for SFT assets	1,238,347	1,019,590
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**	**1,456,385**	**1,175,725**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	1,741,678	1,454,199
20	(Adjustments for conversion to credit equivalent amounts)	(1,492,834)	(1,265,085)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**248,844**	**189,114**

Continued **EU LR2 - LRCom: Leverage ratio common disclosure**

(Amounts in thousand)

		CRR leverage ratio exposures	
		a	b
		2021.06.30	2020.12.31
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**	**1,323,545**	**1,588,909**
24	**Total exposure measure**	**32,851,896**	**32,792,126**
Leverage ratio			
25	Leverage ratio (%)	4.03%	4.85%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.03%	4.85%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	3.81%	4.85%
26	Regulatory minimum leverage ratio requirement (%)	3.16%	-
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital	-	-
Leverage ratio buffer requirement (%)			
EU-27a	Overall leverage ratio requirement (%)	3.16%	-
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	“Fully phased in”	“Fully phased in”

The total exposure measure of the Leverage ratio showed an increase attributable to the growth in SFT transactions, the increases for potential future exposures associated with derivative transactions because of the entry into force of the SA-CCR Method and the growth in direct funding from customers, which led to an increase in balance sheet assets. On the other hand, as previously described, the Group applied the provisions of Article 429a of the CRR, which allow for the exclusion of certain exposures to central banks from the total exposure measure in light of the COVID-19 pandemic.

There was also a reduction in the leverage ratio as a result of the reduction in Class 1 Capital from which the foreseeable charges represented by the dividends drawn on the available reserves of profits, which the Board of Directors on August 3, 2021 resolved to propose to the Shareholders' Meeting for distribution in the fourth quarter of 2021, as described above, were deducted.

Leverage

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
		2021/06/30
EU - 1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**30,849,529**
EU - 2	Trading book exposures	18,057
EU - 3	Banking book exposures, of which:	30,831,471
EU - 4	Covered bonds	679,878
EU - 5	Exposures treated as sovereigns	18,915,864
EU - 6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	4
EU - 7	Institutions	5,966,575
EU - 8	Secured by mortgages of immovable properties	2,078,727
EU - 9	Retail exposures	2,277,451
EU - 10	Corporates	483,905
EU - 11	Exposures in default	4,507
EU - 12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	424,559

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.

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.

Glossary

CLO

Chief Lending Officer.

Covered bond

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

CRD (Capital Requirement Directive)

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

Impaired loans

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

CRM - Credit Risk Mitigation

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

CRO

Chief Risk Officer.

CRR (Capital Requirement Regulation)

U Regulation No.575/2013 of the European Parliament and of the Council of 26 June 2013, and subsequent update of Regulation (EU) No.2019/876 of the European Parliament and of the Council of 20 May 2019 ("CRR2"), on prudential requirements for credit institutions and investment firms and amending EU Regulation No.648/2012.

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.

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.

Own Funds or Total Capital

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

Forbearance/ Forborne exposures

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

IAS/IFRS

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

ICAAP – Internal Capital Adequacy Assessment Process

See “Basilea 2 – Pillar 2”.

Impairment

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

Unlikely to Pay

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

IRB – Internal Rating Based

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

Maturity Ladder

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

NSFR - Net Stable Funding Ratio

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

NPLs – Non performing loans

Non-Performing Loans (NPLs) are exposures to entities that, due to a worsening of their economic and financial situation, are not able to 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.

Commercial Portfolio

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

Tier 1 Capital Ratio

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

Rating

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

Credit risk

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

Counterparty credit risk

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

Glossary

Market risk

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

Operational risk

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

Countercyclical capital buffer

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

Capital conservation buffer

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

ROAC – Return on Allocated Capital

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

RWA – Risk Weighted Assets

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

Sensitivity

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

Bad loans

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

Trading book

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

TLTRO - *Targeted Longer-Term Refinancing Operations*

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

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

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

DECLARES

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

Milan, August 3, 2021

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, August 3, 2021

FinecoBank S.p.A. The Chief Executive Officer and General Manager Alessandro Foti	FinecoBank S.p.A. The Manager Responsible for Preparing the Company's Financial Reports Lorena Pelliciari

finecobank.com