Pillar 3 Report 2020

Disclosure of information in the scope of

Article 431 of Regulation (EU) No. 575/2013

of the European Parliament and of the Council

21 July 2021

(With reference to 31 December 2020)

Index

Foreword

This report is prepared in accordance with the regulatory requirements set out in Part VIII of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June 2013 (CRR or Regulation (EU) No. 575/2013) on the disclosure of information of prudential relevance (Pillar III), and the guidelines of EBA (EBA/GL/2016/11), of 4 August 2017, on the requirements of such disclosure, as a complement to the information required in the scope of the annual financial statements.

On this basis, the information disclosed in this report complies with the requirements set out in the CRR, for Finantipar, S.A. (on a consolidated basis) whilst "parent institution in the EU" (hereinafter "Finantipar") and for Banco Finantia, S.A. (on sub-consolidated basis, hereinafter "Banco Finantia") regarding the information specified in articles 437, 438, 440, 442, 450, 451 and 453) and is structured in accordance with Title II and Title III of Part VIII of the CRR, as follows:

1 Scope of application (article 436)

2 Risk management objectives and policies (article 435)

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4 Capital requirements (article 438)

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7 Indicators of global systemic importance (article 441)

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10 Use of ECAIs (article 444)

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14 Exposure to interest rate risk on positions not included in the trading book (article 448)

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16 Remuneration policy (article 450)

17 Leverage (article 451)

18 Use of the IRB Approach to credit risk (article 452)

19 Use of credit risk mitigation techniques (article 453)

20 Use of the Advanced Measurement Approaches to operational risk (article 454)

21 Use of Internal Market Risk Models (article 455)

The information disclosed in this report was prepared with reference to 31 December 2020 and applies to the Finantipar consolidation perimeter, including all its subsidiaries (referred to in this report as "Group" or "Finantipar Group").

Banco Finantia is an institution controlled by Finantipar and is the entity that conducts the Group's business activities, directly or through its subsidiaries, following its own strategy, which is incorporated at Finantipar consolidated level.

Finantipar Group disclosure policy

Finantipar Group's Disclosure Policy has approved by the Board of Directors was drafted in accordance with article 431.º, n.º 3, first paragraph and article 434.º, n.º 1 in Part VIII of Regulation (EU) No. 575/2013. This Policy aims to ensure that the disclosure requirements laid down in Part VIII of CRR, are subject (at least) to the same level of verification and internal procedures than the management information disclosed in the Annual Report and Accounts and to establish the internal controls and procedures in place to assess their appropriateness. In this context, the Board of Directors and heads of department are responsible to establish and maintain an adequate and efficient internal control system to support information disclosures, including the disclosure requirements laid down in Part VIII of CRR, ensuring as well their appropriateness and verification.

Statement

The Board of Directors of Finantipar and the Board of Directors of Banco Finantia certify that the present document was prepared with reference to 31 December 2020 and that the procedures deemed necessary for the public disclosure of the information have been carried out and that, to the best of their knowledge, all the information disclosed is true and reliable.

The information reported in this document, with reference to 31 December 2020, suffered during the year of 2020 influence of the outbreak caused by Covid-19 that spread globally, affecting less developed and more vulnerable geographic areas, and in which the measures decreed to contain them caused severe impacts on the markets, particularly the financial ones, negatively affecting economic activity worldwide. The relief of the containment measures, vaccination global programs and the support provided by central banks and governments on an unprecedented scale have led to some optimism and have mitigated the negative effects of the spread of the virus. Although there is already a certain economic recovery in some countries, it has not been translated into the creation of enough jobs to restore pre-pandemic employment levels. In 2020, around 22 million jobs were lost in the most developed economies and 140 million worldwide. In some sectors the labor market has been heavily harassed, especially those linked to transport, tourism, catering and the arts. Teleworking has become dominant for many skilled workers, but has remained residual in many low-skilled professions. It is, therefore, within this context that the econcomic recovery will tend to be long, uneven and very uncertain.

The Board of Directors of Finantipar and the Board of Directors of Banco Finantia are monitoring the evolution of the situation, and as of this date, there are no stable data to assess the short and medium term impacts on the Group's activity and risk profile.

1 Scope of application (Article 436)

1.1 Finantipar Group

Finantipar is a limited liability company, incorporated on 15 June 1992, with its registered office in Portugal, at Rua General Firmino Miguel, no. 5, in Lisbon. Finantipar and its subsidiaries ("Group" or "Finantipar Group") have as corporate object the pursue of all activities related with financial transactions and services permitted to credit institutions, with special focus in the areas of capital markets, corporate and investment banking, corporate finance (including mergers and acquisitions), wholesale financing and private banking. Subsidiaries have branches and/or representative offices in Portugal, Spain, United Kingdom, United States of America, Malta and Netherlands.

Finantipar's corporate purpose is to provide economic and financial advisory services, having continued its activity during 2020, including holding a majority stake in Banco Finantia.

By virtue of having a controlling stake in Banco Finantia, Finantipar constitutes the "parent company" of the Group and is subject to the supervision of the Banco de Portugal based on its consolidated financial situation.

In this sense, the present report has as its focus the description and the disclosure of aspects related to the activity developed by Banco Finantia. However, since this report must be carried out on a consolidated basis, from a quantitative perspective, the analyses presented are at the Finantipar level.

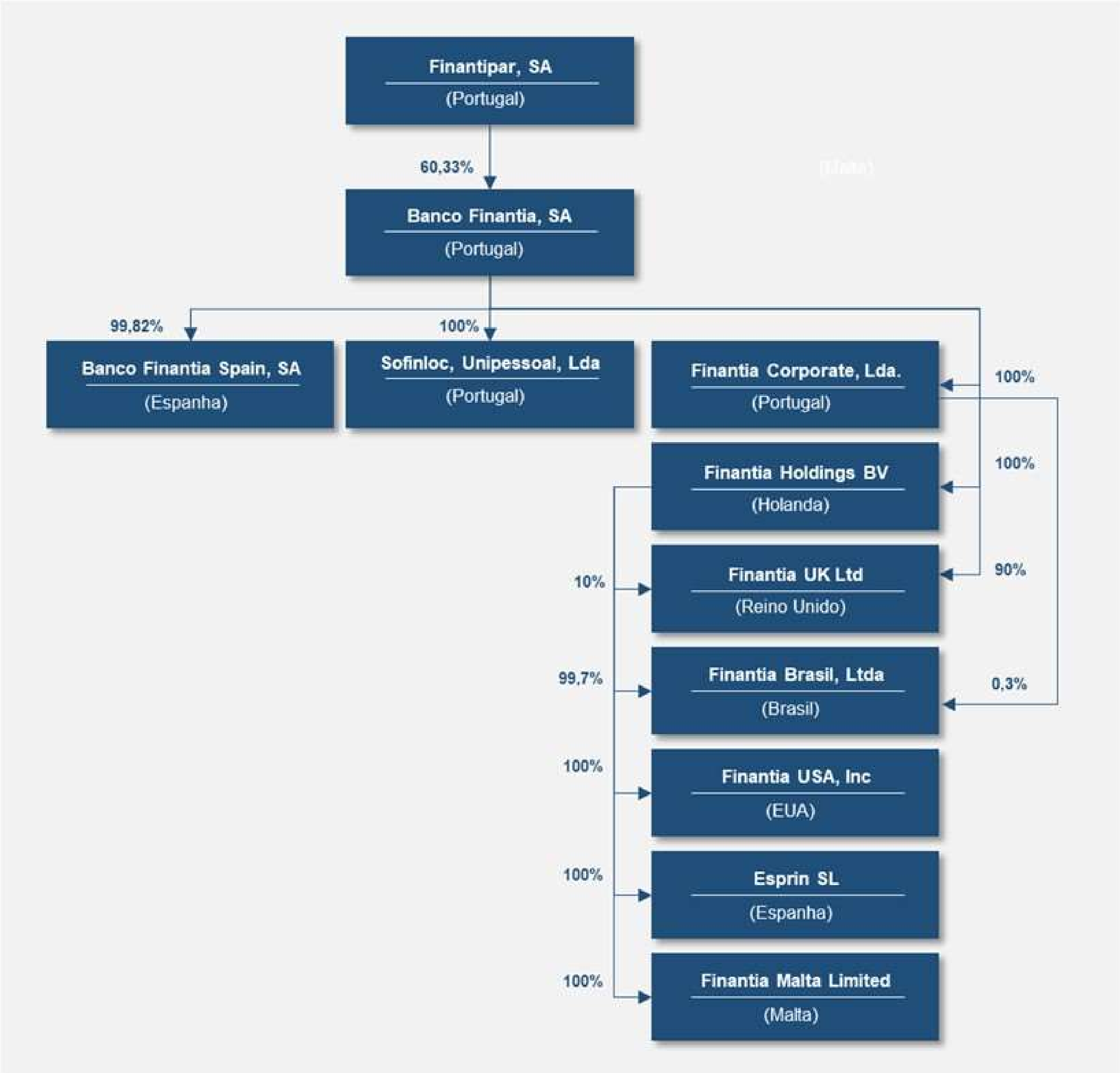
The following organizational chart identifies the entities that comprise the Group, as well as the jurisdictions where they have their registered offices. Of these entities, only Banco Finantia and Banco Finantia Spain, S.A. (“Banco Finantia Spain”) carry out a banking activity.

There are no differences at the consolidation base level for accounting and prudential purposes, with all the entities included in the consolidation perimeter being consolidated using the full consolidation method.

Pursuant to paragraph c) of article 436 of the CRR, it is informed that there are no current or foreseeable significant legal or factual impediments to a timely transfer of own funds or prompt repayment of liabilities between the parent company and its subsidiaries.

Organizational Chart of the Finantipar Group

(31 December 2020)



The following changes that occurred in 2020 and the first semester of 2021 in the Group's structure are highlighted:

- Sofinloc, S.A changed its legal nature to a sole proprietary limited company, and its company name to Sofinloc, Unipessoal, Lda;
- Finantia Brasil, Ltda's office was closed and is presently undergoing liquidation proceedings;
- The merger by incorporating Banco Finantia Spain into Banco Finantia and its convertion into a branch through which Banco Finantia will start to develop directly in Spain the business activities formerly undertaken by Banco Finantia Spain are currently in progress.

1.2 Description of the activity developed by the various Group entities

Banco Finantia, S.A.

Banco Finantia is an independent bank, with 30 years of domestic and international experience, and a reference institution in Portugal in the areas of investment and private banking. Throughout the 30 years, Banco Finantia was always solid and profitable, presenting capital ratios above sector average – in 31 December 2020 its Common Equity Tier 1 (CET1) ratio was 27.3%.

It operates in two important niche markets:

1) Corporate & Investment Banking - Capital markets, fixed-income products to companies and investors, corporate loans, financial restructurings and financial advisory services focusing on cross-border Mergers and Acquisitions;

2) Private Banking - quality personalized services, for affluent and wealthy customers.

Banco Finantia focuses, geographically, on Portugal, Spain, and Brazil and on the Commonwealth of Independent States (CIS) countries, having as its main operating units banks in Portugal and Spain, broker-dealers in the United Kingdom and the United States, and an auxiliary subsidiary in Malta.

Banco Finantia Spain, S.A.

Banco Finantia Spain develops its activity in the market segment of Private Banking and Capital Markets and has invested significantly on the provision of Private Banking and Personal Banking services to its customers.

Given its experience, discretion and independent posture, Banco Finantia Spain is in a privileged position to offer Private Banking services to its customers. The products and services offered include the discretionary management of portfolios and the trading of shares, bonds and investment funds; investment advice on bonds, shares and investment funds; deposits; and the custodianship of securities.

The intended strategy, as mentioned above, and within scope of a reorganization process, to replace the spanish affiliate of Banco Finantia by a spanish branch, from which Banco Finantia will act direclty in Spain, through a branch, which will continue to proceed in developing Banco Finantia Spain's business activities, not being foreseen any changes regarding activities and services provided.

Sofinloc, Unipessoal,Lda.

Sofinloc is dedicated exclusively to the activity of recovery and management of non-performing loans.

On 17 November 2020, the Sofinloc, S.A. changed its legal nature to a sole proprietary limited company, changing its name to Sofinloc, Unipessoal, Lda.

Finantipar

Finantia Corporate Lda.

Finantia Corporate, Lda. is wholly owned by Banco Finantia and is an auxiliary services company which object is to provide investment, administrative, technical and consultancy services and general business support to Group companies.

Finantia Holdings BV

Finantia Holdings, with registered office in Holland, is wholly owned by Banco Finantia and has as its object the management of holdings as an indirect form of carrying out economic activities.

Finantia UK Limited

Finantia UK is an investment firm that engages in intermediation activities and operates in the areas of Capital Markets (fixed income) and of Financial Advisory in Corporate Banking and in syndicated loans for professional customers, following the strategic guidelines established for the Group.

Finantia Brasil Ltda. (in liquidation proceedings)

Finantia Brasil is currently in a liquidation proceedings, during the second trimester of 2021 company's office in Brazil have been closed.

Finantia USA, Inc.

Finantia USA Inc., is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority ("FINRA"). Finantia USA Inc., is 100% owned by Finantia Holdings BV, which is a subsidiary of Banco Finantia. Finantia USA Inc. acts as broker for institutional customers in the acquisition of foreign securities.

Esprin SL

Esprin – Española de Promociones, having as its object of management and administration of securities representative of the capital of other entities. This company is, indirectly, wholly owned by Banco Finantia.

Finantia Malta Limited

Finantia Malta Limited manages its own asset portfolio, in accordance with the strategic guidelines established by the Group. Establishes commercial arrangements and channel relevant information to generate business activites at Group level.

2 Risk management objectives and policies (Article 435)

2.1 Statement on the adequacy of the risk management systems

The Board of Directors of Finantipar and the Board of Directors of Banco Finantia confirm that the risk management system implemented, as well as the processes and measures to ensure that the defined risk limits are met, is adequate to ensure the correct development of the business strategy, taking into account the risk profile and size of the Group.

2.2 Statement of the General Risk profile and its relation with the Business Strategy

The Group's risk management policies are based on a conservative approach, reflected in its robust capital ratios and liquidity position. As fundamental principle underlying the management and formulation of risk strategies is the understanding of the risks to which the institution is exposed and the implementation of a comprehensive risk appetite structure for the Group.

On that basis, the Group has established the five fundamental principles that outline its risk appetite, and that guide its activity, business model and business strategy:

- **Solvency principle:** the Group undertakes to maintain an adequate level of capital to accommodate unexpected losses, both under normal and adverse conditions, in order to be perceived as a solid and robust entity;
- **Liquidity principle:** the Group undertakes to maintain a stable financing structure and sufficient liquidity to meet its financial obligations, ensuring its continuity even under stress scenarios;
- **Profitability principle:** the Group undertakes to provide its shareholders with a return adequate to the risks assumed;
- **Sustainability principle:** the Group considers that it is of strategic importance to maintain sustainable levels of activity and exposure to risk, whilst preserving its image and reputation and engaging in social contribution actions. With this objective, the Group works on the proper definition, communication and implementation of its risk strategy and appetite; and
- **Business continuity principle:** the Group commits to develop and implement a business continuity plan to ensure the ability to operate on an ongoing basis and limit losses in the event of severe business disruption. Such continuity plan will establish an Emergency Committee lead by an Executive Board Member, ensure legal/regulatory and market requirements and shall be tested at least annually.

As of 31 December 2020 and 2019, Finantipar and Banco Finantia's capital ratios can be analysed as follows:

million euros, except for %

Finantipar	Dec-20	Dec-19
Common Equity Tier 1 capital	381.8	395.2
Tier 1 capital	396.8	404.1
Total capital	416.9	425.4
Risk weighted exposures (RWA)	1,770.1	1,948.7
Ratio CET1	21.6%	20.3%
Ratio Tier 1	22.4%	20.7%
Ratio Total Capital	23.6%	21.8%

million euros, except for %

Banco Finantia	Dec-20	Dec-19
Common Equity Tier 1 capital	473.4	459.9
Tier 1 capital	473.4	459.9
Total capital	473.5	459.9
Risk weighted exposures (RWA)	1,736.1	1,924.8
Ratio CET1	27.3%	23.9%
Ratio Tier 1	27.3%	23.9%
Ratio Total Capital	27.3%	23.9%

2.3 The Strategies and management processes of those risks

Risk Management Model

Finantipar whilst "parent company" is subject to supervision on a consolidated basis and, as such, is responsible for providing information on all the elements that are necessary for the supervision and maintenance of the Finantipar Group's (the "Group") internal control system. Regarding Risk Management, Finantipar is responsible for establishing and monitoring the Group's Risk Management Model, as summarized below.

In addition to the regulatory perspective, the Group also evaluates risks and financial resources from an economic perspective, through the Internal Capital Adequacy Assessment Process ("ICAAP") and the Internal Liquidity Adequacy Assessment Process (ILAAP).

The management of Finantipar rests with its Board of Directors, which has delegated the broader powers of the day-to-day management of the company to a managing director.

Finantipar's risk management corresponds, globally, to the risk management of Banco Finantia and of its subsidiaries. Finantipar monitors the evolution of the various risks through the reports produced by Banco Finantia and its subsidiaries and the respective implications on Finantipar's results and ratios.

It is the responsibility of the Board of Directors of Banco Finantia to approve and periodically review the strategies and policies regarding the assumption, management and control of the risks to which the Group is or may be subject and to regularly monitor the activity of the Risk Management Function. In this context, the Board of Directors of Banco Finantia is responsible, amongst others, at least on an annual basis for the revision and the approval of the Risk Appetite Framework (RAF).

The management of Banco Finantia is the responsibility of its Board of Directors ("BoD"), which has delegated the broader powers of the day-to-day management of Banco Finantia to three managing directors (MD).

The MD chair internal committees whose role is to monitor the management of the main areas of the Bank. Banco Finantia's committees allows for a continuous flow of information between the heads of departments and the directors of Banco Finantia, as well as between the Board of Directors of Banco Finantia and the Board of Directors of Finantipar.

The overall risk management of Banco Finantia is the responsibility of the MD. The Finance and Risk Committee has as main function the global risk monitoring.

The MD are further responsible for the implementation and maintenance of an adequate and efficient internal control system based on an appropriate and effective risk management system.

The Finance and Risk Committee, which meets monthly and includes two MD, is responsible for assessing and monitoring the various risks to which the Bank and, by extension, Finantipar are exposed, with special incidence on the limits and tolerances of the RAF.

Risk Management is the responsibility of the Risk Department (RD), centralized and independent, which is in charge of the management, analysis and control of all Group risks.

The RD guarantees that the Risk Management Function, namely: (i) ensures the effective application of the risk management system, through the continuous monitoring of its adequacy and effectiveness, as well as of the measures taken to correct any weaknesses; (ii) provides advice to the management and supervisory bodies; (iii) prepares and submits periodic risk management reports that enable the management body to monitor the various risks to which the Bank is subject; (iv) developes, implements and monitors the ICAAP and ILAAP processes, coordinating the respective preparation of the reports; and (v) promotes the integration of risk principles into the institution's daily activities, ensuring that significant business aspects are included in the risk management framework.

The Bank recognizes that the definition and assessment of adequate capital levels to support the risk profile, as well as the appropriate controls, are essential elements for the implementation of a sustainable business strategy. The planning of the evolution and behaviour of internal capital is crucial to ensure its continued adequacy for the risk profile, strategic objectives and business objectives.

The Bank's risk management model is based on an integrated set of processes, duly planned, reviewed and documented, aimed at ensuring an appropriate understanding of the nature and magnitude of the risks underlying its activity, enabling an adequate implementation of the respective strategy and compliance with the objectives.

This model is based on processes of identification, assessment, monitoring and control of all the risks subjacent to the Bank's activity, which are supported by appropriate and clearly defined policies and procedures to ensure that the established objectives are achieved and that the necessary measures are taken to adequately respond to previously identified risks. In this manner, the risk management model covers all products, activities, processes and systems, considering all the risks underlying its activity and taking into account its size and complexity, as well as the nature and magnitude of the risks.

The risk management model respects the principles recognized and accepted at international and national level and are in line with Notice 3/2020 and with the Instruction 18/2020 of the Banco de Portugal as well as with the "Guidelines on Internal Governance under Directive 2013/36/EU" (EBA/GL/2017/01) issued by the European Banking Authority (EBA).

Risk management has an active influence on the decision-making of the EC, of the Finance and Risk Committee and the Board of Directors of the Bank.

In short, the risk management system ensures:

> An adequate identification, evaluation, monitoring, control and mitigation of all material risks to which the Group is exposed to;
> The adequacy of internal capital to the risk profile, business model and strategic planning; and
> The integration of the risk management process into the Group's culture and decision-making process.

Risk Profile

The risk profile of the Group is determined through the analysis of the adherence of the risk matrices to the Group's reality and the subsequent listing and description of the risks to which it is exposed, taking into account the applicable legislation on the risk management system and the activity developed by the Group.

For such, the Group considers in its internal evaluation the following risk categories: a) financial risks - credit, market, interest rate and credit spread of the banking book, foreign exchange rate, market risk in trading book, liquidity; and b) the non-financial risks - business model/strategy, internal government, operational, compliance which includes compliance risk and the money-laudering and terrorism financing risk and reputational.

The evolution of the Group's risk profile is monitored through a number of indicators, in particular those established under the RAF, making it possible to guarantee that decisions that may affect the Group's risk exposure do not exceed the institution's risk appetite levels.

All risk categories contributing to the Group's risk profile are analysed, discussed and monitored monthly by the Finance and Risk Committee from the perspective of the exposure levels (and possible measures to increase effectiveness and risk mitigation), ICAAP, ILAAP and RAF, which are reported to the BD.

Credit risk

Credit risk derives from the possibility that a counterparty defaults or the credit quality of a given financial instrument degrades. The Group's objective is to maintain a high-quality asset portfolio, based on a prudent credit policy. The Group is also constantly concerned to diversify its own portfolio, as a way to mitigate the credit concentration risk.

The Group developed an expected credit loss model (ECL), in accordance with IFRS 9 requirements, where the ECL corresponds to the weighted average of the credit losses, using as weighting factor the probability of occurrence of default events.

A credit loss is the difference between the cash flows due to an entity in accordance with the agreed contract, and the cash flows that the entity expects to receive, discounted at the original effective interest rate. To calculate expected cash flows, consideration should be given to amounts that may be generated by collateral or any other risk mitigant.

On that basis, impairment is measured as: (i) Expected credit losses for 12 months: corresponding to the expected losses resulting from possible default events of the financial instrument in the 12 months following the reporting date and (ii) Expected credit losses over the lifetime of the instrument: corresponding to the expected losses that may occur from a default event over the entire lifetime of a financial instrument.

The method of calculating impairment is based on the classification of the instruments into three stages, taking into account the changes in the credit risk of the financial asset since its initial recognition, as follows:

1) Stage 1: where the ECL is recognized for 12 months;

2) Stage 2: where the ECL is recognized over the lifetime of the assets; and

3) Stage 3: where ECL is recognized over the lifetime of the asset, with its respective PD being 100%.

The Group recognizes that within the scope of its risk management model, the definition and evaluation of adequate capital levels to support the risk profile are essential elements for the implementation of a sustainable business strategy. Thus, the planning of the internal capital evolution and the maintenance of appropriate levels of capital in relation to the economic capital requirements (ascertained in the internal capital adequacy assessment process - ICAAP) are crucial to ensure the continuous adequacy of the risk profile to the Group’s strategic objectives.

Market risk in trading book

Market risk consists of the probability of negative impacts on results or capital due to unfavourable movements in the market price of the trading book instruments.

The Group adopted the strategy of managing the market risk associated with its trading book (fixed income) in a conservative manner, through the definition of prudent exposure limits and holding periods, as well as through its the daily monitoring.

Interest Rate Risk and Credit Spread Risk in the banking book – IRRBB&CSRBB

The risk of occurring unfavourable variations in the value of the instruments which form the banking book presents two aspects or subcategories:

> the interest rate risk in the banking book (IRRBB), derives from the probability of the occurrence of negative impacts caused by unfavourable changes in the interest rates; and

> the credit spread risk in the banking book (CSRBB), resulting from the probability of the occurrence of negative impacts caused by unfavourable changes in the credit spread that are not explained either by the IRRBB or by default risk.

Interest Rate Risk in the banking book

Interest rate risk – Interest Rate Risk in the Banking Book (IRRBB) – derives from the probability of negative impacts caused by unfavourable changes in interest rates as a result of maturity mismatches between assets and liabilities.

The Group adopted the strategy of minimizing the interest rate risk associated with its fixed-rate assets through the use of hedging instruments of this type of risk (usually IRS – Interest Rate Swaps), thereby maintaining a balanced structure between assets and liabilities in terms of fixed-rate mismatch.

The Group monitors the distribution of its fixed-rate assets over time intervals, net of the corresponding fixed-rate liabilities and hedging instruments used.

Considering the nature and characteristics of the Group's business, as well as the processes implemented for the monitoring and mitigation of interest rate risk, the Group also analyses the behaviour of VaR ("Value at Risk") related to interest rate risk. VaR is calculated using the historical simulation approach, based on a one year rate history, a one-day holding period, and a 99% confidence interval. This model is validated with back tests.

Within the scope of ICAAP, the Group has been applying the VaR methodology for the allocation of economic capital to interest rate risk. The economic capital requirements for this risk are calculated through the historical simulation, based on a ten-year historical rate, a one-year holding period and a 99.9% confidence interval.

Credit spread risk in the banking book

Credit Spread Risk in the Banking Book (CSRBB) - refers to the risk arising from changes in the price of a financial asset subject to credit risk that are not explained either by the IRRBB or by the default risk / jump to default risk.

The adoption of control measures through the monitoring of securities spreads, the monitoring of fair value reserves, and the analysis of historical price series together with the monitoring of the limit for economic capital for CSRBB within the scope of the RAF, allows a timely management of this risk, reducing its impact on the Group's risk profile.

Within the scope of ICAAP, the Group has been applying the VaR methodology for allocating economic capital to the CSRBB. The economic capital requirements for this risk are calculated through historical simulation, net of classic credit risk, based on a ten-year history of rates, a one-year holding period and a 99.9% confidence interval.

Foreign Exchange Rate Risk

Foreign exchange rate risk is characterized by the probability of negative impacts due to unfavourable changes in foreign exchange rates and adverse changes in the price of foreign currency instruments.

It is the Group's policy to operate only with assets and liabilities denominated in EUR or USD (positions in other currencies are sporadic and insignificant).

The Group adopted the strategy of minimizing the foreign exchange rate risk associated with its assets and liabilities. Thus, foreign exchange rate risk is regularly hedged in order to ensure a comfortable foreign currency exposure margin against the pre-established limits, and said exposure is monitored on a daily basis, both for the on sight position and for the forward position.

Within the scope of ICAAP, the Group has been applying the VaR methodology for the allocation of economic capital to foreign exchange rate risk. The economic capital requirements for this risk are calculated through the historical simulation, based on a ten-year historical rate, a one-year holding period and a 99.9% confidence interval.

Liquidity Risk

Liquidity risk is defined as the possibility of a financial institution defaulting on its maturity dates due to its inability to liquidate assets, obtain financing or refinance liabilities on a timely basis.

In liquidity risk management, and in the scope of the Internal Liquidity Adequacy Assessment Process (ILAAP) the Group aims to ensure a stable and robust liquidity position, through the holding of liquid assets, the control of liquidity gaps and the monitoring of a liquidity buffer, which allow to balance contractual financial outflows in stress situations.

Liquidity risk management is carried out in a way to keep all liquidity levels within the pre-established limits, in accordance with two main parameters: (i) cash flow management, through the daily calculation of financial flows and treasury balances over an extensive time horizon, allowing for the maintenance of a positive cash balance over normal and stress temporal horizons and (ii) inventory management, with the daily calculation of liquidity metrics in order to ensure their maintenance within the pre-established limits determined by the Group.

The Treasury Department monitors the Group's liquidity risk on a daily basis in the two aforementioned aspects. The Risk Department is responsible for the periodic analysis of the Group's liquidity risk management, preparing a monthly report to the Finance and Risk Committee.

The metrics monitored by the Group and that are used to measure liquidity risk in the context of balance sheet management include, amongst others, the LCR (Liquidity Coverage Ratio) and the NSFR (Net Stable Funding Ratio) prudential ratios, as well as a broad set internal ratios related to liquidity mismatches, concentration of major counterparties, distribution of repayment flows of the main liabilities, collateral of the repos operations, asset liquidity characteristics and immediate liquidity.

Non-financial Risks

Non-financial risks for the Group include, business model/strategy risks, governance risk, operational risk, compliance risk (which includes compliance risk and the money laundering and terrorist financing risk) and reputational risk. These risks consist of the likelihood of negative impacts on the results or on capital arising, essentially, (i) for operational risk, from operational failures, inadequacy of information and technology systems, conduct errors or model weaknesses, (ii) for compliance risk, from non-compliance with laws and regulations, (iii) for reputation risk, from a negative perception of the institution's public image, (iv) for business model/strategy risk, from inadequate plans and strategic decisions, and (v) for governance risk, from inadequate governance structure, definition of responsibilities and internal control framework.

The management of non-financial risks has been gaining increasing relevance in the Group. In this context, advanced tools and methods have been developed, focused on the identification, evaluation, monitoring and control of these types of risks. Among others, these tools include risk matrices and controls, heat-maps and spider-charts, with inputs derived from an extensive and comprehensive process of self-assessment specifically directed at non-financial risks. This process serves as a basis for the definition of action plans for non-financial risks.

In addition to the maintenance of risk matrices, the Group maintains an organized process of collecting and performance on the various categories of non-financial risks, as well as recording the resulting information in a database of non-financial risks. This database includes, amongst others, records of the (i) events, (ii) possible associated losses, and (iii) corrective and/or mitigating measures implemented. It matters to highlight that the Group maintains a central database of findings (Group wide) which provides valuable insights in monitoring ation plans from a Risk Management perspective within the scope of management of non-financial risks.

In the scope of ICAAP, and although there are no relevant historical losses, the Group has been using the Basic Indicator Approach (BIA) methodology to quantify operational risk and internally developed methodologies to quantify compliance, reputation and business model/strategy risks.

During the course of 2020, several training actions were carried out in the area of non-financial risks, namely training on Prevention of Money Laundering, RGDP and Cybersecurity, among others. For 2021, the Bank will continue to focus on training as a form of reducing non-financial risks.

2.4 Structure and organization of the relevant risk management unit

The Board of Directors is responsible to ensure that the internal control framework is based on a risk management approach which allows to identify, assess, follow and monitor all risk and to implement a risk management function, in accordance with Notice 3/2020 of the Banco de Portugal and the EBA ”Guidelines on Internal Governance under Directive 2013/36/EU” da EBA (EBA/GL/2017/11).

The Group’s risk management is under the responsibility of the Risk Department, that is responsible for:

- Assisting the Board of Directors, the Audit Committee and the managing directors in establishing strategies, developing and submit to their approval, policies and procedures to attain and keep the pretended risk profile;
- Drafting, review and monitor the RAF, with the aim to ensure that Group´s risk profile is aligned with its objectives and submit proposals for its amendments to the Audit Committee, for appraisal and issuance of a prior opinion, and to the Board of Directors, for approval;
- Develop, implement and monitor internal assessment processes for the adequacy of the capital and liquidity levels (ICAAP and ILAAP), in order to ensure that the Group has adequate capital and liquidity for its risk profile;
- Defining and implement risk management policies and procedures, in accordance with the business strategy, the risk management culture and the RAF, as well as the regulations in force, promoting the integration of risk principles in the Group's daily activities and ensuring that there is no significant aspect of the business not included in the risk management framework
- Ensuring the effective application and review of the risk management system, namely through the definition and implementation of processes for the identification, assessment, monitoring and control of all existing and emerging financial and non-financial risks;
- Systematically revisit exposures and the risk profile, in order to ensure that the risk levels assumed comply with the established objectives and limits;
- Carrying out the function independently from the departments and subsidiaries it monitors and/or controls, having direct access to the Board of Directors, the Audit Committee and the remaining committees, being able, on its own initiative, to transmit any information or send directly, to the Audit Committee, any document that it deems relevant, without the need for a request or prior communication to the Board of Directors;
- Defining the criteria and methodologies for assessing and quantifying the risks to which the Group is exposed;
- Preparing monthly information for the Finance and Risk Committee, namely the Finance and Risk Committee Report, which is subsequently submitted to the Board of Directors;
- Carrying out the appropriate continuous monitoring of situations identified with regard to corrective and prospective measures, and opportunities for improvement in the risk management scope to ensure that the necessary corrective measures are taken and that same are properly managed;
- Promoting the integration of the risk principles into the institution's daily activities, ensuring that there are no significant business aspects not included in the risk management framework; and
- Actively participating in the definition and review of the institution’s strategic management of capital and liquidity.

The head of the risk management function reports functionally to the Board of Directors and to the Audit Committee. The functional reporting comprises a set of interactions that provide management and supervisory bodies with an adequate knowledge, and allow for the monitoring and evaluation of the risk management function’s activity, as well as ensuring that the risk management function has direct and unconditional access to those bodies and that the function has the conditions and resources necessary to act independently, in order to have a holistic view of all risk categories to which the Group is, or may become, exposed. Complementing the functional reporting, the risk management function reports hierarchically to a director with executive functions which aims at a more immediate monitoring of the daily functioning and current activity of the risk management function, specifically the assistance and support to the risk management function, when necessary, in order to ensure the cooperation of the operational areas in a timely consideration of the reports issued and implementation of recommendations within the scope of the work of the respective functions.

The Group confers on the head of the risk management function the necessary powers to perform the functions independently, granting access to the relevant information. The risk management function is independent of the other functional areas of Banco Finantia subject to assessment, namely of the commercial areas, thereby granting it the conditions to perform its competencies in an objective and autonomous manner. In addition, at the level of the remuneration policy of its employees, the Group has implemented some specificities applicable to employees exercising internal control functions, designated Key Function Holders. The determination of the remuneration of these employees, which includes the head of the risk management function, is subject to certain rules and procedures that aim to guarantee the performance of their duties in an objective manner and to safeguard its effective independence.

The interaction process of the risk management function with the other structure units is of fundamental importance to the execution of its activities and attributions in the scope of risk management and internal control (in the latter case, in the interaction with the Internal Audit Function and with the Compliance Function). In addition, the risk management function participates in a number of internal risk-related forums, including the Finance and Risk Committee and other periodic meetings, in which the heads and representatives of the various Group areas participate, thereby enhancing the interaction between the risk management function and the other structure units.

It is the responsibility of the Risk Department to control the limits and tolerances defined in the Group's RAF, approved by the Board of Directors. It is also responsible for drawing up proposals for changes to limits and tolerances, supervising the quality of the calculation of the metrics in light of the parameters provided to the Risk Department by the other structure units, monitoring the evolution of the Bank’s risk profile through the RAF metrics and for providing timely advice to the management and supervisory bodies about possible deviations in the adequacy of the risk assumed by the institution in light of its risk appetite.

The purpose of the RAF is to determine risk appetite and it is an integral part of the Group's strategic planning process, thus evidencing the link between the strategy and the risk appetite. It provides a common structure regarding the activity of the entire Group for the communication to, and the understanding and evaluation by top management and by the management and supervisory bodies of the types of risks and of the respective levels to be assumed, explicitly defining the limits and tolerances within which the management of the business must operate. The RAF constitutes a holistic approach that includes policies, controls and systems through which the risk appetite is established, communicated and monitored. In this manner, in addition to defining limits and tolerances to risk, the RAF clarifies the actions to be taken in the event of those being exceeded and establishes the responsibilities and the roles of those responsible for the implementation and maintenance of same.

The risk indictor control schedule (dashboard) established by the RAF is updated on a monthly basis and is included in the Finance and Risk Committee Report, which is submitted monthly to the Finance and Risk Committee, the Board of Directors of Finantipar and the Board of Directors of Banco Finantia, which include the members of the Audit Committee, for analysis and follow-up. The RAF dashboard presents several risk metrics to which the institution is exposed, as well as their respective limits and tolerances. These metrics are aggregated into groups, including solvency, liquidity, profitability, credit risk, credit spread and interest rate risk and foreign currency risk and non-financial risks.

2.5 Scope and nature of the reporting and mediation systems of risks

The risk measurement and reporting systems in the Group are supported by information universes that are an integral part of the Group's information management system. These information universes are centralized in the Group's information management tool, Business Objects, where all the information is constantly updated, historically maintained and available to the end user.

The two major information universes are BFM (Bank Fusion Midas) and MIS. The former serves the accounting purpose, whilst the latter collects and processes the information resulting from the normal operations of the Group's activity. These operations are recorded by the Front-Office, Middle-Office and Operations' teams through the TOMS (Bloomberg), Kondor+ (Thomson Reuters) and BFM interfaces.

2.6 Risk coverage and mitigation policies

The Group's risk management system, including the hedging and risk mitigation policies and the strategies and processes to control their effectiveness, aims to ensure that the risks to which the Group is exposed remain at the level defined by the management body and do not significantly affect the Group's financial position, thereby enabling the proper implementation of the strategy, the meeting of the objectives and the taking of the necessary actions to respond to the risks.

Hence, within the scope of the risk management system, the Group acts to ensure, on a timely basis, the prevention of undesired or unauthorized situations and the detection of these situations should they occur, so that the immediate adoption of corrective risk mitigation measures is possible. In this context, the Group established its RAF, whereby it defined the overall and specific objectives with regard to the risk profile and the degree of risk tolerance, as well as the escalation process in the event limits or tolerances are exceeded.

Coverage and risk mitigation policies and strategies and the processes to control their effectiveness are continuously monitored, both by the Risk Department in the scope of the regular exercise of its functions, or monthly by the Finance and Risk Committee, covering all the categories of risk to which the Group is exposed.

Credit risk

The Group seeks to minimize credit risk through a careful analysis, applying strict standards of credit analysis to its debtors and counterparties, as well as a systematic monitoring of the economic environment and other aspects that may contribute to the deterioration of the quality of the credit granted.

In addition, the Group seeks to mitigate credit risk through the diversification of the loan portfolio - by geographical area, counterparties, sectors of activity, entity types and instrument types.

Credit Risk Management policies and procedures are subject to periodic review, being ratified by the competent body.

Exposure to credit risk is only possible after a credit limit is assigned to the risk entity. It is the responsibility of the Credit Department to analyse and prepare its opinion, proposing a limit, which is then approved according to the procedures formalized in the institution. It should be noted that credit exposures above 40 million euros or in derogation from the opinion issued by the person responsible for Credit will have to obtain the approval of the Board of Directors.

Compliance with these limits is monitored daily by the Risk Department, that is also responsible for monitoring the geographical concentration by country and region. The Finance and Risk Committee monitors monthly compliance with the limits and with the composition of the portfolio.

Being the main risk to which the Group is exposed, specific indicators were set up in the scope of the RAF to monitor it against the respective limits and tolerances approved by the Board of Directors. Thus, from the RAF dashboard, on a monthly basis, the Finance and Risk Committee monitors several metrics related to credit risk, namely impaired assets, non-performing exposures (NPE) and concentration risk, amongst others that are reported to the Board of Directors in line with the risk management function.

Market risk in trading book

Although the trading book is of minor importance (see chapter 11), the Group has a market risk mitigation policy, based on several measures to mitigate this risk in order to reduce the potential for negative impact from a residual risk perspective, in particular the definition of aggregate exposure limits and holding periods.

Interest rate risk in banking book

Interest rate risk coverage is ensured through the contracting of interest rate derivative financial instruments, which allow for the matching of maturities and average refixing periods of the rates of these assets with those resulting from the liabilities.

The systematic monitoring of the distribution of assets and liabilities is carried out in accordance with their rate refixinf periods, proceeding regularly to the hedging of risks in case they come close to the limits defined by the Board of Directors and formalized within the scope of the RAF, through the use of appropriate instruments (currently interest rate swaps).

The interest rate risk metric subject to the limit mentioned in the RAF is based on the calculation of the impact on the consolidated net equity, measured as a percentage of own funds, of the variation of 200 basis points in the yield curves in EUR and USD, considering the temporal bands in Instruction 03/2020 of the Banco de Portugal.

Concerning interest rate risk, an analysis is also carried out of the interest rate mismatch (gap analysis), a methodology used to measure the risk resulting from the temporal mismatch of the maturities of the fixed-rate assets, liabilities and off-balance-sheet instruments of the Group, distributed by time buckets. This analysis is carried out monthly by the Risk Department and monitored monthly in the Finance and Risk Committee.

Hedge effectiveness is the extent to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or in the cash flows of the hedging instrument. The effectiveness of the interest rate risk hedging strategies is assessed monthly in the Finance and Risk Committee.

Credit spread risk in the banking book

Credit Spread Risk in the Banking Book (CSRBB) mitigation is ensured by monitoring the structure of the banking portfolio, by balancing investment grade (IG) exposures and non-investment grade (HY) exposures. This diversification in terms of credit quality is complemented by diversification in the sectors of economic activity, in countries, and also by geographic regions, which allow occasional increases in the CSRBB in part of the portfolio will not lead to the spread of other duly diversified parts.

The adoption of control measures through the monitoring of securities spreads, the monitoring of fair value reserves, and the analysis of historical price series together with the monitoring of the limit for economic capital for CSRBB within the scope of the RAF, allows for control the low level of these risks, making its impact in line with the Group's risk profile.

The Financial and Risk Committee assess the effectiveness of the credit spread risk reduction strategies monthly.

Foreign Exchange Rate Risk

The foreign exchange rate position is systematically monitored, with the foreign exchange rate risk being regularly hedged if it comes close to the limits defined by the Board of Directors and formalized in the scope of the RAF, through the use of appropriate instruments (e.g. spots, forwards, swaps).

For foreign exchange rate risk, the Risk Department calculates the foreign exchange position daily, both from a regulatory and accounting perspective. All analyses produced are sent to various members of the Finance and Risk Committee. The information prepared for the monthly meeting of the Finance and Risk Committee, in addition to the RAF dashboard, includes a specific schedule dedicated to the foreign exchange rate position.

Liquidity risk

In the scope of defining its liquidity management policies, the Group adopts conservative rules, in order to be able to sustain the normal development of its activities, minimizing liquidity risk. The liquidity risk management in the Group is carried out in a global and centralized manner, in line with the ILAAP, being the responsibility of the Treasury Department, with the second line of defence control being exercised by the Risk Department, and with monthly monitoring by the Finance and Risk Committee.

Being a critical risk for the Group, specific indicators for its monitoring were defined in the RAF together with the respective limits and tolerances approved by the Board of Directors. Thus, from the RAF dashboard, on a monthly basis, the Finance and Risk Committee monitors a number of liquidity risk metrics, both in terms of immediate liquidity, as well as of the concentration and stability of financing sources, amongst others.

In addition, the Finance and Risk Committee monitors, monthly, several other liquidity metrics, safeguarding the continued and constant compliance with the Group's internal liquidity policies.

Non-financial Risks

The non-financial risks of the Group are essentially associated with operational failures, inadequacy of information and technology systems, conduct errors, model weaknesses (operational risk), regulatory non-compliance (compliance risk), inadequate definition or implementation of strategic decisions (business model/strategy risk) and negative perception of its public image (reputation risk), and inadequate organizational structure and internal governance (risk of internal governance) that may surge as a result of the development of its activity.

Non-financial risks are continuously monitored and controlled, with various mitigation measures being adopted in order to reduce the potential negative impact of these risks from a residual risk perspective.

To monitor operational risk, there are established mechanisms for regular communication on operational risk events associated with operational, information systems, conduct and model risks, which include a description of the risk as well as its classification into three grades (high, medium and low).

These mechanisms aim to minimize operational risk events and related losses, allowing for a close follow-up of these events and a fast acting on their resolution and the introduction of risk mitigation measures to avoid future occurrences of the same events and potential associated losses.

Additionally, it is intended to monitor the net losses associated with operational risk events through the definition of limits and tolerances for this metric in the RAF, permitting, in this manner, to mitigate the Group's operational risk. The RAF dashboard is reported monthly to the Finance and Risk Committee.

The Group objective is the minimization of non-compliance breaches and related losses, complying with laws, regulations and guidelines relevant to its nature and business activity, bearing in mind that risk mitigation measures and controls must be adequate to the inherent level of compliance risk subjacent to the activities of the Group. The Group maintains a close track on its internal policies and is focused in strengthening the effectiveness of controls in order to avoid compliance breaches. The Group maintains an updated compliance risk database which includes the registry of compliance tables, eventual breaches, and time of resolution and implementation of mitigation measures.

In addition, there are complementary risk mitigation measures, in order to strengthen the compliance risk monitoring process.

The above mentioned monitoring is complemented by the monitoring of the response time to high- and medium-level non-compliance, measured by the period between the identification of a non-compliance and the preparation of an action plan by the Compliance Department for the structural resolution thereof, through the definition of limits and tolerances for this metric in the RAF, allowing, in this manner, for the mitigation of the Group’s compliance risk. The RAF dashboard is reported monthly to the Finance and Risk Committee.

To monitor business model/strategy risk, there are established mechanisms, described below, with the objective of mitigating the risk of exposure to the risk of inadequate definition or implementation of strategic decisions. To this end, the Group, on the one hand, monitors the evolution of the commercial activities developed and the main indicators, based on the strategic plan "Strategic Planning Finantipar Group" and the resulting business plan, and, on the other hand, identifies aspects that may cause adverse impacts on said activities, and which call for the adoption of adequate measures. These indicators include, amongst others, the loan portfolio, the funding, the capital and the net interest income margin, in respect of which the Group is focused on sustainable growth, and the shareholder structure, in respect of which the Group is focused on stability. The evolution of these indicators is monitored through the analysis of the management accounts as well as of the regular schedules that are reported monthly to the Finance and Risk Committee. Possible strategy risk events are reported to the Finance and Risk Committee on a monthly basis.

Additionally, it is intended to monitor the profitability of the Group's assets through the definition of limits and tolerances for this metric in the RAF, allowing, in this manner, for the mitigation of the Group's strategy risk. The RAF dashboard is reported monthly to the Finance and Risk Committee.

To monitor reputation risk, there are established mechanisms, described below, with the objective of mitigating the risk of a negative perception of the Group's public image. To this end, the Group monitors the evolution of that image, as well as the evolution of the assessment of any vulnerabilities that may negatively affect same, and which call for the adoption of adequate measures. In particular, press releases and public opinion, in general, cyber-attack attempts/occurrences and complaints from customers and counterparts. Possible reputation risk events are reported to the Finance and Risk Committee on a monthly basis, which is complemented by the non-financial risks report.

Additionally, it is intended to monitor the variation of customer deposits through the definition of limits and tolerances for this metric in the RAF, allowing, in this manner, for the mitigation of the Group's reputation risk. The RAF dashboard is reported monthly to the Finance and Risk Committee.

With regard to internal governance risk mitigation, it is important to mention that the Group has internal control functions with statute, authority and independence in the organizational structure. It has a risk management system that makes it possible to identify, assess, monitor and control risks that may affect the objectives and defined strategy, and which also allows decision-making to respond to deviations or unexpected events. There is a set of reports that ensure the communication of information on risk management and internal control matters to the management and supervisory bodies. Risk, internal control and compliance policies are reviewed at adequate intervals and communicated to all employees.

2.7 Information on the governance system

The information required by paragraph a) of no. 2, article 435, is indicated in the following table.

Number of positions held by members of the management body of Finantipar as at 31 December 2020:

Member of the Board of Directors	Group Companies	Non-Group Companies
Eduardo de Almeida Catroga	-	1
João Carlos Rodrigues Sabido Silva	-	1
Sandra Paulino Guerreiro Matos Chaves	-	-

As regards the disclosure of the information referred to in paragraph b) and c) of no. 2 of article 435 of Regulation (EU) 575/2013, the "Policy for the Selection and Adequacy Assessment of Members of the Management Body, of the Supervisory Body and of Key Function Holders " of the Group, establishes that the members of the management body shall meet the necessary requirements of repute, professional qualification, independence and availability, considering the nature, size and complexity of the activity and the demands and responsibilities associated with the specific functions to be carried out.

On the other hand, in the scope of the individual assessment of members of the management and supervisory bodies, a collective assessment of the body as a whole must be made, in order to verify whether the body itself, considering its composition, collectively possesses the qualification and professional experience in relevant areas, and an adequate independence and sufficient availability to fulfil its legal and statutory functions.

With regard to the diversification policy of the members of the corporate bodies, chapter “4.2.1. Requirements of collective adequacy” of the "Policy for the Selection and Adequacy Assessment of Members of the Management Body, of the Supervisory Body and of Key Function Holders " of the Group, that can be consulted at https://www.finantia.pt/pt/outra-informacao-obrigatoria, establishes that “diversity in the composition of the management and supervisory bodies, namely diversity of gender, professional values and generational diversity, to improve the performance of the respective body and to ensure a better balance in its composition, should be promoted.", document.

Regarding paragraph d) of no. 2 of article 435, and despite the fact that a risk committee has not been formally established, as this is only mandatory for significant institutions in terms of size, internal organization and nature, scope and complexity of their activities, the functions assigned to the risk committee are performed by the Audit Committee of Banco Finantia, under the terms of article 115º-L of the General Regime for Credit Institutions and Financial Companies, as Banco Finantia, including its subsidiaries, is the entity that carryies out the Group's operational activities.

Finantipar

Finantipar, in turn, as the parent company, monitors the evolution of the risk profile and control through the reports produced by Banco Finantia and the respective implications for the Group, and is responsible for establishing and monitoring the Risk Management Model of the Group.

Thus, the ultimate responsibility for the strategies and policies relating to the Group's risk assumption, management, and control rest with the Board of Directors of Banco Finantia.

The Finance and Risk Committee is composed of two managing directors and includes the heads of the following departments: Treasury, Principal Investments, Corporate Banking, Accounting, Consolidation and Financial Information, Risk, Credit and Compliance. Further to an invitation from the Chairman of the Finance and Risk Committee, the managing director of Finantipar and the heads of other other departments may also participate in the meeting.

The Finance and Risk Committee meets monthly, and a report is distributed covering all aspects of the Group's financial activity/risks (including of Finantipar). Minutes are kept of the meetings and filed in the Intranet, to which, in addition to the members of the Finance and Risk Committee, the members of the Board of Directors, of the Audit Committee and the employees of the Departments assigned to internal control functions.

The heads of the various departments that take part are responsible to inform members of their respective departments of any decisions taken that are relevant to the performance of their duties.

In chapter 2.4 of this Report, a detailed description of the flow of risk information to the management body is also presented.

3 Own funds (article 437)

Own funds are calculated in accordance with the prudential framework established by Regulation (EU) No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), both issued by the European Parliament and Council, on 26 June 2013 ("Basel III").

3.1 Reconciliation of the own funds elements

thousand euros, except for %

Elements of own funds	Finantipar	Banco Finantia
Share capital	19,507	150,000
Share premium	18,208	12,849
Retained earnings	279,072	306,667
Fair value reserves	6,077	9,099
Minority interests in CET1	62,742	89
Intangible assets	(1,154)	(566)
Treasury shares	(751)	(2,873)
Requirements for prudent valuation (AVA)	(1,892)	(1,863)
Common Equity Tier 1 capital	**381,809**	**473,403**
Instruments issued by subsidiaries that are given recognition in AT1 Capital	15,026	21
Tier 1 capital	**396,835**	**473,424**
Instruments issued by subsidiaries that are given recognition in T2 Capital	20,035	28
Total capital	**416,869**	**473,453**
RWA	**1,770,086**	**1,736,066**
CET1 (%)	**21.6%**	**27.3%**
Tier 1 (%)	**22.4%**	**27.3%**
Total Capital (%)	**23.6%**	**27.3%**

3.2 Description of the main characteristics of the own funds instruments

Own funds comprise Tier 1 capital and Tier 2 capital.

Tier 1 capital consist of the sum of the core capital - Common Equity Tier 1 ("CET1") and the additional Tier 1 capital (AT1 Capital). As of 31 December 2020, additional tier 1 (AT1) and tier 2 (T2) only includes minority interests.

Both Tier 1 own funds and Total own funds complies with the minimum prudential requirements established by Banco de Portugal based on the results of the Supervisory Review and Evaluation Process (SREP).

The following table presents the breakdown of own funds as at 31 December 2020:

thousand euros

Own Funds as at December 2020

	Finantipar	Banco Finantia
Own Funds	**416,869**	**473,453**
Tier 1 Capital	**396,835**	**473,424**
Common Equity Tier 1 Copital	**381,809**	**473,403**
Capital instruments eligible as CET1 Capital	36,964	159,977
Paid up capital instruments	19,507	150,000
Share premium	18,208	12,849
(-) Own CET1 instruments	(751)	(2,873)
Retained earnings	85,223	23,687
Previous years retained earnings	70,545	0
Eligible year results	14,678	23,687
Accumulated other comprehensive income	6,077	9,099
Other reserves	193,849	282,980
Minority interest given recognition in CET1 capital	62,742	89
Transitional adjustments due to additional minority interests	0	0
Adjustments to CET1 due to prudential filters	(1,892)	(1,863)
(-) Goodwill	(588)	0
(-) Other intangible assets	(566)	(566)
Additional Tier 1 Capital	**15,026**	**21**
Instruments issued by subsidiaries that are given recognition in AT1 Capital	15,026	21
Tier 2 Capital	**20,035**	**28**
Instruments issued by subsidiaries that are given recognition in T2 Capital	20,035	28

The analysis of the table demonstrates that a large part of the own funds is comprised of capital, retained earnings and reserves.

The following table presents a description of the main characteristics of own funds instruments issued, in accordance with paragraphs (b) and (c) of article 437 of Regulation (EU) 575/2013.

	Capital Instruments main features template - Finantipar ([1])	Shares
1	Issuer	Finantipar, S.A.
2	Unique identifier (eg, CUSIP, ISIN or Bloomberg identifier to private placement)	PTFNA0AN0006
3	Governing law(s) of the instrument	Portuguese
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1 Capital
5	Post-transitional CRR rules	Common Equity Tier 1 Capital
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Individual basis
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	The amount recognised in regulatory capital and the issue amount are identical.
9	Nominal amount of instrument	
9a	Issue price	
9b	Redemption price	
10	Accounting classification	Paid up capital instruments
11	Original date of issuance	15/06/1992
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Dividend
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Total
20b	Fully discretionary, partially discretionary or mandatory (in terms of amt)	Total
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible intoSe convertíveis, especificar em que tipo de instrumento p	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	
36	Non-compliant transitioned features	
37	If yes, specify non-compliant features	

([1]) Show "N/A" if the question is not relevant.

	Capital Instruments main features template - Banco Finantia ([1])	Shares
1	Issuer	Banco Finantia, S.A.
2	Unique identifier (eg, CUSIP, ISIN or Bloomberg identifier to private placement)	PTFBI0AN0012
3	Governing law(s) of the instrument	Portuguese
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1 Capital
5	Post-transitional CRR rules	Common Equity Tier 1 Capital
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Individual basis
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	The amount recognised in regulatory capital and the issue amount are identical.
9	Nominal amount of instrument	
9a	Issue price	
9b	Redemption price	
10	Accounting classification	Paid up capital instruments
11	Original date of issuance	31/07/1987
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Dividend
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Total
20b	Fully discretionary, partially discretionary or mandatory (in terms of amt)	Total
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible intoSe convertíveis, especificar em que tipo de instrumento p	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	
36	Non-compliant transitioned features	
37	If yes, specify non-compliant features	

([1]) Show "N/A" if the question is not relevant.

In accordance with paragraphs d) and e) of article 437 of Regulation (EU) 575/2013, the following table is presented, in which the applied filters, deductions, and elements not deducted from own funds are disclosed:

thousand euros

		(A) Amount at disclosure date		(B) Regulation (EU) No 575/2013 article reference
		Finantipar	Banco Finantia	
	Common Equity Tier 1 capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	37,715	162,849	26 (1), 27, 28, 29
	of which: Instrument type 1	37,715	162,849	EBA list 26 (3)
	of which: Instrument type 2	0	0	EBA list 26 (3)
	of which: Instrument type 3	0	0	EBA list 26 (3)
2	Retained earnings	85,223	23,687	26 (1) (c)
3	Accumulated other comprehensive income (and other reserve, to include unrealised gains and losses under the applicable accounting standards)	199,926	292,079	26 (1)
3a	Funds for general banking risk	0	0	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	0	486 (2)
5	Minority interests (amount allowed in consolidated CET1)	62,742	89	84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	0	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**385,606**	**478,704**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments	(1,892)	(1,863)	34, 105
8	Intangible assets (net of related tax liability)	(1,154)	(566)	36 (1) (b), 37
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met)	0	0	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	0	0	33(1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	0	0	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)	0	0	32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0	33(1) (b)
15	Defined-benefit pension fund assets	0	0	36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments	(751)	(2,873)	36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	0	0	36 (1) (g), 44
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	0	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	0	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	0	36 (1) (k)
20b	of which: qualifying holdings outside the financial sector	0	0	36 (1) (k) (i), 89 to 91
20c	of which: securitisation positions	0	0	(b), 258
20d	of which: free deliveries	0	0	36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary difference (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0	0	36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold	0	0	48 (1)
23	of which: 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	0	0	36 (1) (i), 48 (1) (b)
24	Empty set in the EU			
25	of which: deferred tax assets arising from temporary difference			36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year	0	0	36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items	0	0	36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution	0	0	36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(3,797)**	**(5,301)**	
29	**Common Equity Tier 1 (CET1) capital**	381,809	473,403	

Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	0	0	51, 52
31	of which: classified as equity under applicable accounting standards	0	0	
32	of which: classified as liabilities under applicable accounting standards	0	0	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	0	486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	15,026	21	85, 86
35	of which: instruments issued by subsidiaries subject to phase-out	0	0	486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**15,026**	**21**	
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments	0	0	52 (1) (b), 56 (a), 57
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the own funds of the institution	0	0	56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	0	0	56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	0	0	56 (d), 59, 79
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013	0	0	
42	Qualifying T2 deductions that exceed the T2 capital of the institution	0	0	56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	**0**	
44	**Additional Tier 1 (AT1) capital**	**15,026**	**21**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**396,835**	**473,424**	
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	0	0	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	0	486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	20,035	28	87, 88
49	of which: instruments issued by subsidiaries subject to phase-out	0	0	486 (4)
50	Credit risk adjustments	0	0	62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustment**	**20,035**	**28**	
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans	0	0	63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to artificially inflate the own funds of the institution	0	0	66 (b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	0	0	66 (c), 69, 70, 79
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	0	0	66 (d), 69, 79
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013	0	0	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	**0**	
58	**Tier 2 (T2) capital**	**20,035**	**28**	
59	**Total capital (TC = T1 + T2)**	**416,869**	**473,453**	
60	**Total risk-weighted assets**	**1,770,086**	**1,736,066**	

Capital ratios and buffers				
61	Common Equity Tier 1	21.6%	27.3%	92 (2) (a), 465
62	Tier 1	22.4%	27.3%	92 (2) (b), 465
63	Total capital	23.6%	27.3%	92 (2) (c)
64	Institution-specific buffer requirement	2.5%	2.5%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: countercyclical buffer requirement	0.0%	0.0%	
67	of which: systemic risk buffer requirement			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer			CRD 131
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	22.4%	27.3%	CRD 128
69	[non-relevant in EU regulation]			
70	[non-relevant in EU regulation]			
71	[non-relevant in EU regulation]			

Amounts below the thresholds for deduction (before risk-weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	36 (1) (i), 45, 48
74	Empty set in the EU	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	36 (1) (c), 38, 48
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)	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements	484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase-out arrangements	484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase-out arrangements	484 (5), 486 (4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	484 (5), 486 (4) & (5)

4 Capital Requirements (article 438)

4.1 Summary of the method used to assess the adequacy of internal capital

In addition to the regulatory perspective, the Group also evaluates risks and financial resources available (Risk Taking Capacity "RTC") from an economic perspective, by conducting the internal capital adequacy self-assessment exercise (ICAAP) envisaged in Pillar 2 of Basel III and in line with Instruction No. 15/2007 from Banco de Portugal.

The risks and the RTC are estimated on a going concern basis to ensure that the Group is able, at all times, to liquidate all its liabilities in a timely manner.

To quantify the risks, the Group has developed a number of internal capital requirement calculations that estimate the maximum potential loss over a one-year period, with a 99.9% confidence interval. These methodologies cover all categories of risk to which the Group is exposed, except for the market risk in the trading book and operational risk, for which regulatory requirements are used.

The Group has assumed a conservative perspective for the economic capital requirements, considering the higher between the regulatory and the internal capital requirements, by risk category.

The ICAAP results are continuously monitored to ensure that the Group's capital is sufficient to cover the risks, incurred or potential, and are reported monthly to the Finance and Risk Committee. From the analysis of the results, it can be concluded that the Group has a solid and robust capital position, presenting a coverage ratio substantially above the internal minimum level defined in the RAF.

The aforementioned monthly capital adequacy analysis is supplemented at the end of each year by a prospective analysis of the economic capital requirements and of the financial resources available, over a three-year horizon, in the scope of the annual ICAAP exercise and of the preparation of the Group's Funding and Capital Plan.

The above-mentioned monitoring is supplemented by the performance of stress tests, which cover all categories of risk to which the Group is exposed.

The stress tests aim to provide a better understanding of the Group's risk profile, allowing for the assessment of the internal capital and of the capacity to absorb shocks, and to facilitate the detection of vulnerabilities in the Group's exposure to different risk categories.

Two types of stress tests are performed:

> Sensitivity analyses, carried out regularly - consist of assessing the impact on the Group's financial condition resulting from the application of shocks to risk parameters (including, amongst others, PD, LGD, ratings, interest rates with and free of risk and foreign exchange rates).
> Scenario analyses, carried out annually - consist of assessing the impact on the Group's financial condition resulting from the application of simultaneous and consecutive shocks to several factors that affect the business plan. In 2021, the scenario used under the ICAAP 2020 stress test was designed taking into consideration the possible impacts arising from a systemic crisis, modeled based on the history of the crisis caused by the Covid-19 pandemic.

The results of the stress tests reinforce the conclusion that the Group has a solid and robust capital position. The scenario analyses performed as of 31 December 2020 resulted in a coverage ration always above the minimum internal level defined in RAF.

4.2 Credit risk – own funds minimum requirements

The Group applies the Standardised Approach in the calculation of the capital requirements for credit risk, in accordance with the prudential rules in force at the reference date, according to article 112, Title II, Part III, Chapter 2.

Under this method, exposures (elsewhere also “positions at risk”) are classified according to the counterparty, by risk classes. The exposure value of an asset element corresponds to its net carrying amount after making the adjustments for specific credit risk, additional value adjustments and other own funds’ reductions, related to the asset element.

To calculate the amounts of the risk weighted assets ("RWA"), risk weighting coefficients are applied to all exposures, unless deducted from own funds. The application of risk weighting coefficients is based on the risk class to which the exposure is allocated and on its credit quality. Credit quality is determined by reference to ECAI (External Credit Assessment Institutions) credit assessments. Whenever necessary to determine capital requirements, 8% of the risk-weighted exposure amounts is considered.

An external credit assessment may only be used to determine the risk-weighting coefficient of an exposure if it has been issued by an ECAI or has been approved by an ECAI in accordance with Regulation (EC) No. 1060/2009. EBA publishes on its website the list of ECAIs authorized under no. 4 of article 2 and no. 3 of article 18 of Regulation (EC) No. 1060/2009.

Under EBA guidelines (in line with paragraph c) to f) of article 438), the capital requirements and the corresponding RWA exposures on a quarterly basis, as presented in the following table, provide an overview of the denominator used in the calculation of the capital requirements as at 31 December 2020:

thousand euros

Finantipar			RWAs		Minimum capital requirements
			Dec-20	Sep-20	Dec-20
	1	**Credit risk (excluding CCR)**	**1,596,985**	**1,629,413**	**127,759**
Art. 438.º (c) (d)	2	Of which the standardised approach	1,596,985	1,629,413	127,759
Art. 438.º (c) (d)	3	Of which the foundation IRB (FIRB) approach	-	-	-
Art. 438.º (c) (d)	4	Of which the advanced IRB (AIRB) approach	-	-	-
Art. 438.º (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-
Art.107.º Art.438º (c) (d)	**6**	**CCR**	**70,420**	**72,250**	**5,634**
Art.438º (c) (d)	7	Of which mark to market	67,676	69,988	5,414
Art.438º (c) (d)	8	Of which original exposure			-
	9	Of which the standardised approach			-
	10	Of which internal model method (IMM)			-
Art.438º (c) (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP			-
Art.438º (c) (d)	12	Of which, credit value adjustment (CVA)	2,744	2,262	220
Art.438º (e)	**13**	**Settlement risk**	**-**	**-**	**-**
Art.449º (o) (i)	**14**	**Securitisation exposures in the banking book (after the cap)**	**-**	**-**	**-**
	15	Of which IRB approach	-	-	-
	16	Of which IRB supervisory formula approach (SFA)	-	-	-
	17	Of which internal assessment approach (IAA)	-	-	-
	18	Of which standardised approach	-	-	-
Art.438º (e)	**19**	**Market risk**	**13,171**	**64,748**	**1,054**
	20	Of which the standardised approach	13,171	64,748	1,054
	21	Of which IMA	-	-	-
Art.438º (e)	**22**	**Large exposures**	**-**	**-**	**-**
Art.438º (f)	**23**	**Operational risk**	**89,511**	**95,822**	**7,161**
	24	Of which basic indicator approach	89,511	95,822	7,161
	25	Of which standardised approach	-	-	-
	26	Of which advanced measurement approach	-	-	-
Art.437º (2), Art. 48º e Art.60º	**27**	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**-**	**-**	**-**
Art. 500.º	**28**	**Floor adjustment**	**-**	**-**	**-**
	29	**Total**	**1,770,086**	**1,862,234**	**141,607**

Template 4: EU OV 1 - General information about RWAs, suggested by the EBA Guidelines (EBA/GL/2016/11)

thousand euros

Banco Finantia			RWAs		Minimum capital requirements
			Dec-20	Sep-20	Dec-20
	1	**Credit risk (excluding CCR)**	**1,564,858**	**1,605,145**	**125,189**
Art. 438.º (c) (d)	2	Of which the standardised approach	1,564,858	1,605,145	125,189
Art. 438.º (c) (d)	3	Of which the foundation IRB (FIRB) approach	-	-	-
Art. 438.º (c) (d)	4	Of which the advanced IRB (AIRB) approach	-	-	-
Art. 438.º (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-
Art.107.º Art.438º (c) (d)	6	**CCR**	**70,420**	**72,250**	**5,634**
Art.438º (c) (d)	7	Of which mark to market	67,676	69,988	5,414
Art.438º (c) (d)	8	Of which original exposure			-
	9	Of which the standardised approach			-
	10	Of which internal model method (IMM)			-
Art.438º (c) (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP			-
Art.438º (c) (d)	12	Of which, credit value adjustment (CVA)	2,744	2,262	220
Art.438º (e)	**13**	**Settlement risk**	**-**	**-**	**-**
Art.449º (o) (i)	**14**	**Securitisation exposures in the banking book (after the cap)**	**-**	**-**	**-**
	15	Of which IRB approach	-	-	-
	16	Of which IRB supervisory formula approach (SFA)	-	-	-
	17	Of which internal assessment approach (IAA)	-	-	-
	18	Of which standardised approach	-	-	-
Art.438º (e)	**19**	**Market risk**	**13,171**	**64,753**	**1,054**
	20	Of which the standardised approach	13,171	64,753	1,054
	21	Of which IMA	-	-	-
Art.438º (e)	**22**	**Large exposures**	**-**	**-**	**-**
Art.438º (f)	**23**	**Operational risk**	**87,617**	**94,147**	**7,009**
	24	Of which basic indicator approach	87,617	94,147	7,009
	25	Of which standardised approach	-	-	-
	26	Of which advanced measurement approach	-	-	-
Art.437º (2), Art. 48º e Art.60º	**27**	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**-**	**-**	**-**
Art. 500.º	**28**	**Floor adjustment**	**-**	**-**	**-**
	29	**Total**	**1,736,066**	**1,836,296**	**138,885**

Template 4: EU OV 1 - General information about RWAs, suggested by the EBA Guidelines (EBA/GL/2016/11)

As it can be verified, there was stability in the evolution of the RWA and in its structure between September and December 2020.

With another level of risk disaggregation, as at 31 December 2020, the amount of the risk-weighted exposure amounts can be analysed below:

thousand euros, except for %

Risk weighted exposures (RWA)	Finantipar		Banco Finantia	
	RWA	8% of RWA	RWA	8% of RWA
CREDIT AND COUNTERPARTY RISK				
Central governments or central banks	193,206	15,457	192,588	15,407
Regional governments or local authorities	3,222	258	3,160	253
Institutions	291,818	23,345	286,668	22,933
Corporates	1,144,559	91,565	1,118,270	89,462
Retail	72	6	72	6
Multilateral development banks	-	-	-	-
Defaulted exposures	16,398	1,312	16,398	1,312
Equity exposures	-	-	-	-
Other exposures	15,386	1,231	15,378	1,230
Securitisation positions	-	-	-	-
sub-total	**1,664,661**	**133,173**	**1,632,534**	**130,603**
RISK EXPOSURES AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES				
Position risk	13,171	1,054	13,171	1,054
Foreign exchange risk	-	-	-	-
Commodities risk	-	-	-	-
sub-total	**13,171**	**1,054**	**13,171**	**1,054**
OPERATIONAL RISK (OpR)				
OpR Basic indicator approach	89,511	7,161	87,617	7,009
sub-total	**89,511**	**7,161**	**87,617**	**7,009**
Credit valuation adjustment - CVA				
Standardised method	2,744	220	2,744	220
sub-total	**2,744**	**220**	**2,744**	**220**
TOTAL	**1,770,086**	**141,607**	**1,736,066**	**138,885**

This table presents the capital requirements as at 31 December 2020, calculated in accordance with prudential rules in force at that date and with the risk classes detailed in accordance with article 112 of the CRR.

4.3 Market risk - Minimum requirements for own funds

The Group only uses the standard method on the trading book, with no trading book sub-portfolio being covered by the Internal Models method.

The risks of the trading book are assessed in accordance with the provisions of Regulation (EU) No. 575/2013, with the respective requirements being set out in the previous table, namely in the position risk, according to article 92, in number 3, paragraphs (b) and (c).

As regards foreign exchange rate risk, the standard method for calculating the respective minimum fund requirements is also used, with the calculation of the minimum requirements for commodity risk not being applicable to its activity.

5 Exposure to counterparty credit risk (article 439)

Credit risk consists of the likelihood of negative impacts on results or capital due to the inability of a counterparty to meet its financial commitments to the Group, including possible restrictions on the transfer of payments from abroad.

The Group has sought to minimize credit risk through a careful analysis, based on strict credit analysis standards of its debtors and counterparties, as well as a systematic monitoring of the economic environment and other aspects that may contribute to the deterioration of the quality of the credit granted.

The main sources of credit risk are on-balance sheet and off-balance sheet operations, covering the most diverse financial instruments, namely credit, trade finance, swaps, bonds, guarantees or interbank transactions.

It is fundamental to identify, measure, monitor and control credit risk, considering not only individual or transactional credit risk, but also in overall portfolio terms and its correlations with risks of another nature.

Credit risk is sought to be mitigated through the diversification of the loan portfolio - by geographical area, counterparties and sectors of activity.

Credit Risk Management policies and procedures are subject to periodic review, being ratified by the competent body. These policies are contained in the Credit Risk Management Manual and in the Manual of the Risk Department.

Exposure to credit risk is only possible after a credit limit is assigned to the risk entity. It is the responsibility of the Credit Department to analyse and prepare its opinion, proposing a limit. For the approval of the proposal, the signature of two managing directors of Banco Finantia is required and may require the approval of all members of the Board of Directors, depending on the requested limit amount. Compliance with these limits is monitored daily by the Risk Department, which is also responsible for monitoring the geographical concentration, by countries and regions. The Finance and Risk Committee monitors both the compliance with the limits and the composition of the portfolio on a monthly basis.

The instruments belonging to the banking portfolio are subject to prudential capital requirements for credit risk.

Counterparty credit risk derives from the risk of default of a particular counterparty on a transaction before the final settlement of its respective financial flows.

Hence, policies aimed at securing guarantees and establishing credit reserves is based on the monitoring and analysis of the counterparty risk associated with a set of financial transactions involving financial instruments. This analysis aims to determine the need for a margin deposit/reimbursement, to cover all or part of this risk, with the collateral being cash or securities to be deposited in a so-called "Margin Account".

Policies relating to the risks of unfavourable correlation consist of a constant effort to diversify counterparties, including regional diversification, to mitigate the effects of a possible contagion in the financial markets. In particular, the Group established an important metric to monitor the degree of counterparty diversification in Money Market and Repos operations, with this being the weight of the largest Repos and MM counterparties. This metric has been included in the RAF and its monthly monitoring in the Finance and Risk Committee ensures that the granularity of the counterparties complies with the limit and tolerance approved by the Board of Directors, which allows for the mitigation of the risks of unfavourable correlation amongst the Group's counterparties.

5.1 Methodologies used to allocate internal capital

The allocation of economic capital for counterparty credit risk is the responsibility of the Risk Department. The requirement determined by the internal model is compared with the regulatory requirement and the larger of the two is used to allocate economic capital to counterparty credit risk. The internal model under the ICAAP for counterparty credit risk, which takes into account the concept of future potential exposure (FPE), was developed by the Risk Department. This model is based on historical simulations and was approved by the Board of Directors. The counterparty credit exposure limits are set in EUR and are monitored based on the respective net exposure by counterparty.

Counterparty credit risk limits are set at EUR and are monitored based on the respective net counterparty exposures plus potential future exposures.

5.2 Net credit risk related to derivative instruments

The information related to positive gross amount of the contracts calculated according to the fair value, the benefits in terms of remuneration, current credit risk after remuneration, guarantees held and the net credit risk related to derivative instruments is presented in the financial statements of Finantipar and Banco Finantia, namely in Note 27 (Activity risk management) – (http://finantipar.finantia.com/ and https://www.finantia.com/pt/banco-finantia_pt/informacao-financeira/).

5.3 Measures for the exposure amount

The Measures for the exposure amount according to the methods defined in Part III, Title III, Chapter 6, sections 3 to 6, depending on the method applicable, namely for repurchase operations and credit derivatives are subject to prudential capital requirements for counterparty credit risk.

For these operations, the exposure is determined using the mark-to-market valuation method, defined in article 274 of the CRR, which consists of adding to the market value of the operation, when positive, its potential future appreciation, which results from the multiplication of the notional by a prudential factor in function of the type of contract.

As at 31 December 2020, the amount of the risk-weighted exposure amount for derivative financial instruments can be analysed as follows:

thousand euros

Derivative financial instruments	Finantipar			Banco Finantia		
	Institutions	Corporates	TOTAL	Institutions	Corporates	TOTAL
Original risk exposure	55,917	-	55,917	55,917	-	55,917
Credit risk mitigation techniques	-	-	-	-	-	-
Adjusted risk exposure	55,917	-	55,917	55,917	-	55,917
Amount of the risk-weighted exposure amount	**21,602**	**-**	**21,602**	**21,602**	**-**	**21,602**

The Credit Valuation Adjustment (CVA) is applied to all transactions of this type under Part III, Title VI of the CRR. The CVA reflects the current market value of the counterparty's credit risk for the institution calculating it.

The following table presents a comprehensive overview of the methods used to calculate the regulatory exposure of Counterparty Credit Risk (CCR) and the main parameters used by each method, as well as the risk-weighted exposures, as at 31 December 2020.

thousand euros

Finantipar and Banco Finantia	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		189,156	80,910			270,067	89,278
Total							**89,278**

Template 25: EU CCR1suggested by the EBA Guidelines (EBA/GL/2016/11)

The following table presents an overview of the impact of the offsetting and collateral held in exposures for which the exposure amount is valued in accordance with Part III, Title II, Chapter 6 of the CRR, as at 31 December 2020.

thousand euros

Finantipar and Banco Finantia	Gross positive fair value or net carrying amount [1]	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	40,729		40,729		40,729
SFT	536,584		536,584		536,584
Total	**577,313**		**577,313**		**577,313**

[1] corresponds to the positive amount of the contracts calculated in terms of the fair value and the value of the contract operation calculated in terms of amortized cost.

Template 31: EU CCR5-A suggested by the EBA Guidelines (EBA/GL/2016/11)

Finantipar

The following table presents the exposure to counterparty risk by asset classes and asset weighting coefficients, as at 31 December 2020. An analysis of the table reveals that counterparty risk is concentrated in the exposure class of “institutions”.

Exposures value for credit risk by exposures classes and risk weight

thousand euros

Finantipar and Banco Finantia													
Exposures classes	Risk weight											Total	Of which unrated
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
1 Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	
2 Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	
4 Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-	-	
5 International Organisations	-	-	-	-	-	-	-	-	-	-	-	-	
6 Institutions	-	-	-	-	155,292	113,110	-	-	1,665	-	-	270,067	
7 Corporates	-	-	-	-	-	-	-	-	-	-	-	-	
8 Retail	-	-	-	-	-	-	-	-	-	-	-	-	
9 Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	
10 Other items	-	-	-	-	-	-	-	-	-	-	-	-	
11 Total	-	-	-	-	**155,292**	**113,110**	-	-	**1,665**	-	-	**270,067**	

Template 28: EU CCR3 suggested by the EBA Guidelines (EBA/GL/2016/11)

Risk-weighted assets (RWA) by exposures classes and risk weight

thousand euros

Finantipar and Banco Finantia													
Exposures classes	Risk weight											Total	Of which unrated
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
1 Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	
2 Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	
4 Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-	-	
5 International Organisations	-	-	-	-	-	-	-	-	-	-	-	-	
6 Institutions	-	-	-	-	31,058	56,555	-	-	1,665	-	-	89,278	
7 Corporates	-	-	-	-	-	-	-	-	-	-	-	-	
8 Retail	-	-	-	-	-	-	-	-	-	-	-	-	
9 Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	
10 Other items	-	-	-	-	-	-	-	-	-	-	-	-	
11 Total	-	-	-	-	**31,058**	**56,555**	-	-	**1,665**	-	-	**89,278**	

Template 28: EU CCR3 suggested by the EBA Guidelines (EBA/GL/2016/11)

The RWA and the corresponding exposure amount of transactions subject to capital requirements for CVA according to Part III, Title VI is presented in the following table:

thousand euros

Finantipar and Banco Finantia	Exposure value	RWAs
1 Total portfolios subject to the advanced method		
2 (i) VaR component (including the 3× multiplier)		
3 (ii) SVaR component (including the 3× multiplier)		
4 All portfolios subject to the standardised method	29,386	2,744
EU4 Based on the original exposure method		
5 Total subject to the CVA capital charge	**29,386**	**2,744**

Template 26: EU CCR2 suggested by the EBA Guidelines (EBA/GL/2016/11)

For purposes of calculating capital requirements, the Group uses the standardised approach. The exposure value is the value used to calculate the risk-weighted exposure. The RWA corresponds to the capital requirement for CVA multiplied by the factor presented in article 92 in number 4, paragraph b) of the CRR.

6 Capital buffers (article 440)

The countercyclical buffer corresponds to an additional reserve consisting of Tier 1 (CET1) capital, which aims to protect the banking sector in periods when systemic cyclical risk increases due to excessive credit growth. When risks materialize or decrease, this additional reserve of own funds ensures that the banking sector has greater capacity to absorb losses and remain solvent, without interrupting the granting of credit to the real economy.

The General Regime of Credit Institutions and Financial Companies (Title VII-A - Section III) establishes the legal basis for the implementation of the countercyclical buffer in Portugal. In this scope, the Banco de Portugal is responsible for defining and disclosing, on a quarterly basis, the percentage of the countercyclical reserve applicable to all credit institutions and investment companies with credit exposures over the domestic non-financial private sector. The percentage shall be defined between 0% and 2.5% (of the total amount of exposures), except when exceptional circumstances justify the definition of a higher percentage.

The reserve percentage for each institution, i.e. the "institution-specific countercyclical reserve percentage", is a weighted average of the countercyclical reserve percentages applicable in the countries where the institution's credit exposures are located. The percentages of countercyclical reserve up to 2.5% shall be mutually and automatically reciprocal, if defined by other EU/EEA Member States. If defined by third country authorities, reserve percentages up to 2.5% shall be recognized, provided that the table for the definition of the countercyclical reserve of the third country is considered by the Banco de Portugal as equivalent. If the countercyclical reserve percentages fixed by other EU/EEA Member States or third countries are higher than 2.5%, the Banco de Portugal shall decide on their recognition on a case-by-case basis.

As reported by the Banco de Portugal on 30 September 2020, and following a decision of the respective Board of Directors, the percentage of countercyclical reserve applicable to exposures and credit to the domestic non-financial private sector for the 4th quarter remains at 0% of the amount of the total exposure (https://www.bportugal.pt/page/reserva-contraciclica).

As at 31 December 2020, the specific countercyclical buffer is 0%, as demonstrated below:

thousand euros, except for %

Finantipar	
Total risk exposure amount	**1,770,086**
Institution specific countercyclical buffer rate	**0.00%**
Institution specific countercyclical buffer requirement	**-**

Template suggested by Delegated Regulation (EU) 2015/1555

thousand euros, except for %

Banco Finantia	
Total risk exposure amount	**1,736,066**
Institution specific countercyclical buffer rate	**0.00%**
Institution specific countercyclical buffer requirement	**-**

Template suggested by Delegated Regulation (EU) 2015/1555

7 Indicators of global systemic importance (article 441)

Not applicable as Finantipar and Banco Finantia are not institutions identified as Global Systemically Important Institutions (G-SII) under article 131 of Directive 2013/36/EU.

8 Credit risk adjustments (article 442)

Definitions, for accounting purposes, of "past due credit", "impaired credit" and "default credit"

The Group classifies as past due credit the capital instalments and accrued interest amounts unpaid after their due date. At the date of the termination of the contracts, all capital instalments, due or past due, are considered past due.

The Group regularly assesses the existence of objective evidence of impairment in its loan portfolio. A loan, or a loan portfolio, defined as a group of loans with similar risk characteristics, is impaired when: (i) there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition and (ii) when this event (or events) has an impact on the recoverable amount of the future cash flows from that loan, or loan portfolio, that can be reliably estimated.

Any instruments that show a default (delay) of more than 90 days in the payment of principal or interest, regardless of the amount owed, are considered in default.

Since 1 January 2018, in this scope are also considered all the general principles defined under IFRS 9 and the guidelines regarding credit impairment calculation established by Banco de Portugal´s Carta Circular 2018/00000062 of 15 November 2018, whenever applicable.

Description of the type of value adjustments and of provisions associated with exposures objet of impairment

IFRS 9 establishes a new set of rules for the accounting and recognition of financial instruments, based on three pillars: classification and measurement of financial assets, recording of impairment and hedge accounting.

Requires that all financial assets, for measurement purposes, be classified in one of the following categories: 1) Financial assets at amortized cost; 2) Financial assets at fair value through other comprehensive income (FVOCI); and 3) Financial assets at fair value through profit or loss.

The requirements of IFRS 9 determine that the recognition of expected losses, whether assessed on an individual or collective basis, take into account all reasonable, reliable and reasoned information that is available on each reporting date, including information in a forward looking perspective.

The Group recognizes impairment losses for financial assets measured at amortized cost and at fair value through other comprehensive income, as well as for other exposures that have an associated credit risk, such as bank guarantees and irrevocable commitments.

IFRS 9 introduces the Expected Credit Loss (ECL) model, in lieu of the incurred loss model (IAS39). The ECL corresponds to the weighted average of the credit losses, using as weighting factor the probability of occurrence of default events. A credit loss is the difference between the cash flows due to an entity in accordance with the agreed contract, and the cash flows that the entity expects to receive, discounted at the original effective interest rate. To calculate expected cash flows, consideration should be given to amounts that may be generated by collateral or any other risk mitigant.

Impairment is measured as: i) Expected credit losses for 12 months – expected losses resulting from possible default events of the financial instrument in the 12 months following the reporting date. It does not represent the loss of expected cash flows over the next 12 months, instead it is the effect of any credit loss on an asset weighted by the likelihood that such loss will occur in the next 12 months; and ii) Expected credit losses over the lifetime of the instrument – expected losses that may occur from a default event over the life of a financial instrument. As the expected credit losses consider the amounts and the payment periods, the credit loss also occurs when there is a considerable delay in payments, even when the entity estimates the full receipt of the amounts. The ECL over the lifetime of the asset represents the expected credit losses that result from all possible default events over the life of the financial instrument. The lifetime of the instrument is understood as the maximum contractual period during which the Group is exposed to the credit risk related to that operation.

In this context, the determination of impairment is based on the classification of the instruments into 3 stages, considering the changes in the credit risk of the financial asset since its initial recognition. The stages are defined as follows:

Stage 1: all operations for which there is no significant increase in credit risk since their initial recognition or that have a low credit risk at the reporting date are classified in this stage. For these assets, credit losses expected for 12 months are recognized and interest receivable is calculated on the gross book value of the asset using the effective interest rate method;

Stage 2: all operations in which there is a significant increase in credit risk since their initial recognition but do not, at the reporting date, evidence impairment are classified in this stage. For these assets, the credit loss recognized is that expected over the lifetime of the instrument, but the interest receivable is calculated on the gross book value of the asset using the effective interest rate method;

Stage 3: includes instruments that present evidence of impairment at the reporting date. For these assets, the credit loss recognized is that expected over the lifetime of the asset and the interest receivable is calculated on the book value net of the provision for credit, using the effective interest rate method.

According to IFRS 9, the transition from expected credit losses for 12 months to expected credit losses over the lifetime is based on the concept of a significant increase in credit risk for the remaining life of the asset when compared with the credit risk at the time of its acquisition/origination.

The significant increase in credit risk (SICR) is determined according to a set of both quantitative and qualitative criteria. Several approaches may be used to assess whether there has been a significant increase in credit risk, but the following elements should always be considered: i) the change in the risk of non-compliance since the initial recognition; ii) the expected life of the instrument; and iii) adequate support information that is available at no cost or significant effort, which may affect credit risk.

The main criteria used by the Group to assess whether there is a significant increase in credit risk are based, among others, on the following indications: i) the existence of arrears in the payment of principal and/or interest in excess of 30 days; ii) a negative evolution of the external rating attributed to the issuer, based on the limits established internally based on a rating migration matrix; iii) significant negative fair value changes in portfolio instruments observed in the market; iv) the existence of depreciative market information; v) potential breach of contractual covenants; and vi) restructuring or operational reorganization processes.

The credit risk of a financial instrument is assessed without taking into account its collateral; this means that a financial instrument may not be considered as having a low credit risk simply because this is mitigated by its collateral. The collateral is only considered for the calculation of its recoverable amount.

All financial instruments subject to impairment losses are considered under the expected credit loss measurement model (ECL).

The ECL model considers as inputs: i) information for the construction of future cash flows; ii) information regarding the stage of the instrument; and iii) forward-looking and point-in-time information on the expected loss.

The future cash flows as well as the “Exposure at Default” (EAD) of each financial instrument are calculated based on contractual and system information, namely, maturity date, coupon periodicity, coupon rate and amortized cost.

The EAD represents the expected exposure if the exposure goes into default. The Group derives the EAD values from the counterparty's current exposure and from potential changes to its current value as a result of contractual conditions, including amortizations and prepayments.

The expected forward-looking and point-in-time loss is determined based on the market-based curve spreads considered for each instrument. The methodology developed by the Group is based on the construction of the temporal structure of the Default Probabilities (PD) implicit in the market curves, in this manner incorporating forward-looking and point-in-time information, given that it reflects the current economic environment as well as future market expectations. This information is made available by entity or segmented based on currency, economic sector and rating. If a specific curve is not available for the instrument, a generic curve is assigned according to the asset segment analysed.

The Loss Given Default (LGD) rate corresponds to the percentage of debt that will not be recovered in the event of customer default. The calculation of the LGD is made based on internal historical and market information, considering the cash flows associated with the contracts from the moment of default until their settlement or until there are no relevant recovery expectations.

The Group has IT tools that support the calculation and management of the parameters considered in the ECL model for almost the entire credit portfolio and for the main risk segments. These tools are integrated in the monitoring and risk management process and are developed and calibrated according to the experience and strategy adopted.

Finantipar

Estimates of expected credit losses – Individual analysis

All instruments that are classified as stage 1 with signs of impairment and for which a SICR indicator exists and all the instruments classified in stage 2 or stage 3 are subject to individual analysis.

For instruments classified as stage 1 that show evidence of impairment and for which a SICR indicator exists, it is determined whether or not there is a significant increase in credit risk and, consequently, whether the instrument should be transferred to stage 2 or stage 3.

Estimates of expected credit losses – Collective analysis

Operations that are not subject to an individual impairment analysis are grouped taking into account their risk characteristics and subject to a collective impairment analysis.

The expected credit losses are estimates of credit losses that are determined as follows: i) financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive; and ii) financial assets with impairment at the reporting date: the difference between the gross accounting value and the present value of the estimated cash flows.

The main inputs used to measure the expected credit losses on a collective basis include the following variables: i) Probability of Default – PD; ii) Loss Given Default – LGD; and iii) Exposure at Default – EAD.

When financial asset are credit impaired, after all recovery measures being taken in accordance with Group´s policies and when the recovery expectations are significantly reduced, the Group recognizes a credit written off against assets in the period in which it is considered irrecoverable in whole or in part, with the gross carrying amount of a financial asset being reduced by the amount of such annulment, and coming to represent the estimated recovery amount. Credits written off are recorded as off-balance sheet items. Subsequent recoveries of credit written off are recognized in profit against decrease of credit impairment during the period.

Within the scope of IFRS 9 transition period, the Group decided not to apply the the transitional period arrangements for mitigating the impact of the introduction of IFRS 9 on own funds under n.8 of article 473a of Regulation (EU) No 575/2013.

Indication of value adjustments and of amounts recovered recorded directly in the income statement, relating to the financial period in question and to the prior financial period

Recoveries of loans previously written off from assets are recognized in the income statement though the reduction of the amount of the impairment losses for the period. During the 2020 financial year, the Group and the Bank recovered Euros 9,834 thousand (2019: Euros 5,640 thousand) related to loans previously written off.

Concentration risk

Concentration risk is taken into account in the process of approving exposure limits for a group of counterparties, there being maximum amounts for these limits, based on the type of counterparty and its rating.

Country and sector exposure control is carried out by the Treasury Department and the Risk Department at least monthly, and the results are reported to the Finance and Risk Committee.

As at 31 December 2020, the total of the original exposures, after the accounting offsetting and broken down by risk classes can be analysed as follows:

thousand euros

Exposures classes	Finantipar		Banco Finantia	
	Original exposure, after accounting offsets	Original exposure (average over the period)	Original exposure, after accounting offsets	Original exposure (average over the period)
Central governments or central banks	626,245	610,129	625,030	609,449
Regional governments or local authorities	16,108	30,041	15,802	29,733
Institutions	599,058	617,677	593,908	613,607
Corporates	1,100,508	1,092,846	1,074,211	1,071,497
Retail	96	125	96	125
Exposures in default	29,376	31,002	29,376	31,002
Other items	15,494	15,678	15,486	15,671
TOTAL	**2,386,886**	**2,397,497**	**2,353,909**	**2,371,085**

Note: the average value of the "Original exposure" corresponds to the value of the semiannual positions of the respective year.
This framework is intended to respond to the template 6 CRB-A to the EBA's new guidelines (EBA/GL/2016/11)

The amount of the original position is the exposure amount before impairment, without considering the effect of existent mitigants.

The following table presents the total amount and the average amount of the net exposures over the period by risk classes:

thousand euros

Finantipar	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	626,102	593,357
Regional governments or local authorities	16,108	33,836
Institutions	599,053	648,166
Corporates	1,099,342	1,105,496
Of which: SMEs	-	-
Retail	96	142
Of which: SMEs	-	-
Exposures in default	16,398	14,288
Other exposures	15,477	16,012
Total standardised approach	**2,372,577**	**2,411,297**
Total	**2,372,577**	**2,411,297**

Note: the net value of exposures corresponds to the net exposure to value adjustments and provisions.
The average value of the net exposure corresponds to the value of the quarterly positions of the respective year.
Template 7: EU CCB-B sugsuggested by the EBA Guidelines (EBA/GL/2016/11)

thousand euros

Banco Finantia	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	624,887	592,945
Regional governments or local authorities	15,802	33,528
Public sector entities	-	-
Institutions	593,903	644,156
Corporates	1,073,053	1,086,517
Of which: SMEs	-	-
Retail	96	142
Of which: SMEs	-	-
Exposures in default	16,398	14,288
Other exposures	15,469	16,006
Total standardised approach	**2,339,609**	**2,387,583**
Total	**2,339,609**	**2,387,583**

Note: the net value of exposures corresponds to the net exposure to value adjustments and provisions.

The average value of the net exposure corresponds to the value of the quarterly positions of the respective year.

Template 7: EU CCB-B sugsuggested by the EBA Guidelines (EBA/GL/2016/11)

As at 31 December 2020, the Group had no exposure to any country above 10% of the total net value of the exposures. The geographical distribution (by geographical zone) of exposures broken down by risk classes can be analysed as follows:

thousand euros, except for %

Finantipar

Exposures classes	Dec-20					
	European Union	Europe (Non-EU)	North & Central America	South America	Asia & Middle East & Oceania	Africa
Central governments or central banks	416,464	10,781	47,308	34,038	63,119	54,392
Regional governments or local authorities	16,108	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Institutions	409,750	3,580	58,220	12,885	89,494	25,126
Corporates	223,554	113,065	183,825	291,038	232,010	55,850
Retail	96	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-
Exposures in default	6,662	-	-	7,460	2,277	-
Equity exposures	-	-	-	-	-	
Other exposures	15,473	-	4	-	-	-
Total Net Value	**1,088,107**	**127,426**	**289,356**	**345,420**	**386,900**	**135,368**
% of Total Net Value	**45.9%**	**5.4%**	**12.2%**	**14.6%**	**16.3%**	**5.7%**

This framework is intended to respond to the template CRB-C to the EBA's new guidelines (EBA/GL/2016/11)

thousand euros, except for %

Banco Finantia

Exposures classes	Dec-20					
	European Union	Europe (Non-EU)	North & Central America	South America	Asia & Middle East & Oceania	Africa
Central governments or central banks	416,459	10,781	46,099	34,038	63,119	54,392
Regional governments or local authorities	15,802	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Institutions	407,195	3,580	55,624	12,885	89,494	25,126
Corporates	202,486	113,065	178,604	291,038	232,010	55,850
Retail	96	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-
Exposures in default	6,662	-	-	7,460	2,277	-
Equity exposures	-	-	-	-	-	
Other exposures	15,466	-	4	-	-	-
Total Net Value	**1,064,164**	**127,426**	**280,331**	**345,420**	**386,900**	**135,368**
% of Total Net Value	**45.5%**	**5.4%**	**12.0%**	**14.8%**	**16.5%**	**5.8%**

This framework is intended to respond to the template CRB-C to the EBA's new guidelines (EBA/GL/2016/11)

As at 31 December 2019, the geographical distribution (by geographical zone) of exposures broken down by risk classes can be analysed as follows:

thousand euros, except for %

Finantipar

Exposures classes	Dec-19					
	European Union	Europe (Non-EU)	North & Central America	South America	Asia & Middle East & Oceania	Africa
Central governments or central banks	305,399	11,087	35,324	34,453	79,233	54,578
Regional governments or local authorities	60,693	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Institutions	411,608	3,008	56,924	21,511	121,626	22,690
Corporates	223,232	161,167	224,996	296,107	243,002	77,765
Retail	257	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-
Exposures in default	2,906	-	-	9,303	1,134	-
Equity exposures	-	-	-	-	-	
Other exposures	17,430	-	6	-	-	-
Total Net Value	**1,021,525**	**175,262**	**317,250**	**361,374**	**444,995**	**155,032**
% of Total Net Value	**41.3%**	**7.1%**	**12.8%**	**14.6%**	**18.0%**	**6.3%**

This framework is intended to respond to the template CRB-C to the EBA's new guidelines (EBA/GL/2016/11)

thousand euros, except for %

Banco Finantia

Exposures classes	Dec-19					
	European Union	Europe (Non-EU)	North & Central America	South America	Asia & Middle East & Oceania	Africa
Central governments or central banks	298,909	11,087	35,324	34,453	79,233	54,578
Regional governments or local authorities	60,381	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Institutions	409,976	3,008	55,381	21,511	121,626	22,690
Corporates	207,495	161,167	221,697	296,107	243,002	77,765
Retail	257	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-
Exposures in default	2,906	-	-	9,303	1,134	-
Equity exposures	-	-	-	-	-	
Other exposures	17,426	-	6	-	-	-
Total Net Value	**997,351**	**175,262**	**312,408**	**361,374**	**444,995**	**155,032**
% of Total Net Value	**40.8%**	**7.2%**	**12.8%**	**14.8%**	**18.2%**	**6.3%**

This framework is intended to respond to the template CRB-C to the EBA's new guidelines (EBA/GL/2016/11)

As at 31 December 2020, the breakdown by sector of activity can be analysed as follows:

thousand euros, except for %

Exposures classes	Finantipar				
	Sovereigns	Financial Corporates	Others Corporates	Households	Others
Central governments or central banks	626,102	-	-	-	-
Regional governments or local authorities	16,108	-	-	-	-
Multilateral development banks	-	-	-	-	-
Institutions	-	599,053	-	-	-
Corporates	-	195,636	903,706	-	-
Retail	-	-	-	96	-
Exposures in default	-	-	9,736	6,662	-
Equity exposures	-	-	-	-	-
Other exposures	-	-	14,732	-	745
Total original exposure	**642,210**	**794,689**	**928,175**	**6,758**	**745**
% of total original exposure	**27.1%**	**33.5%**	**39.1%**	**0.3%**	**0.0%**

This framework is intended to respond to the template 9 CRB-D to the EBA's new guidelines (EBA/GL/2016/11)

thousand euros, except for %

Exposures classes	Banco Finantia				
	Sovereigns	Financial Corporates	Others Corporates	Households	Others
Central governments or central banks	624,887	-	-	-	-
Regional governments or local authorities	15,802	-	-	-	-
Multilateral development banks	-	-	-	-	-
Institutions	-	593,903	-	-	-
Corporates	-	189,326	883,727	-	-
Retail	-	-	-	96	-
Exposures in default	-	-	9,736	6,662	-
Equity exposures	-	-	-	-	-
Other exposures	-	-	14,732	-	737
Total original exposure	**640,689**	**783,229**	**908,196**	**6,758**	**737**
% of total original exposure	**27.4%**	**33.5%**	**38.8%**	**0.3%**	**0.0%**

This framework is intended to respond to the template 9 CRB-D to the EBA's new guidelines (EBA/GL/2016/11)

The residual maturity (RM) broken down by the various asset classes can be analysed as follows:

thousands of euros, except for %

Exposure classes	Finantipar				
	On demand	RM <1 year	1 year<RM< 5 years	RM > 5 years	No stated maturity
Central governments or central banks	40,346	14,120	60,541	511,094	-
Regional governments or local authorities	-	16,108	-	-	-
Multilateral development banks	-	-	-	-	-
Institutions	21,067	297,806	200,226	79,955	-
Corporates	-	48,564	453,744	597,034	-
Retail	-	32	64	-	-
Exposures in default	-	-	-	-	16,398
Equity exposures	-	-	-	-	-
Other exposures	92	15,386	-	-	-
Total standardised approach	**61,505**	**392,016**	**714,575**	**1,188,083**	**16,398**
% for total original exposure	**2.6%**	**16.5%**	**30.1%**	**50.1%**	**0.7%**

Template 10: EU CRB-E suggested by the EBA Guidelines (EBA/GL/2016/11)

thousands of euros, except for %

Exposure classes	Banco Finantia				
	On demand	RM <1 year	1 year<RM< 5 years	RM > 5 years	No stated maturity
Central governments or central banks	40,346	14,115	60,541	509,885	-
Regional governments or local authorities	-	15,802	-	-	-
Multilateral development banks	-	-	-	-	-
Institutions	21,067	297,805	197,671	77,359	-
Corporates	-	46,278	438,171	588,604	-
Retail	-	32	64	-	-
Exposures in default	-	-	-	-	16,398
Equity exposures	-	-	-	-	-
Other exposures	92	15,378	-	-	-
Total standardised approach	**61,505**	**389,410**	**696,448**	**1,175,848**	**16,398**
% for total original exposure	**2.6%**	**16.6%**	**29.8%**	**50.3%**	**0.7%**

Template 10: EU CRB-E suggested by the EBA Guidelines (EBA/GL/2016/11)

The following table provides a breakdown of the exposures by risk classes, in default and performing, and the credit risk adjustments as at 31 December 2020.

thousands of euros

Finantipar	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks	-	626,245	143	-	-	(825)	626,102
Regional governments or local authorities	-	16,108	-	-	-	-	16,108
Public sector entities	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-
Institutions	-	599,058	5	-	-	(873)	599,053
Corporates	-	1,100,508	1,166	-	-	(4,314)	1,099,342
Of which: SMEs	-	-	-	-	-	-	-
Retail	-	96	0	-	-	1	96
Of which: SMEs	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-
Of which: SMEs	-	-	-	-	-	-	-
Exposures in default	29,376		12,978	-	-	(6,868)	16,398
Items associated with particularly high risk	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-
Claims on institutions and corporates with a shortterm credit assessment	-	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-
Other exposures	-	15,494	17	-	-	235	15,477
Total standardised approach	**29,376**	**2,357,510**	**14,308**	**-**	**-**	**(12,645)**	**2,372,577**
Total	**29,376**	**2,357,510**	**14,308**	**-**	**-**	**(12,645)**	**2,372,577**
Of which: Loans	6,665	129,412	546	-	-	(332)	135,531
Of which: Debt securities	18,084	1,779,686	10,839	-	-	(12,568)	1,786,930
Of which: Offbalance-sheet exposures	-	14,217	5	-	-	20	14,212

Template 11: EU CR1-A suggested by the EBA Guidelines (EBA/GL/2016/11)

thousands of euros

Banco Finantia	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks	-	625,030	143	-	-	(825)	624,887
Regional governments or local authorities	-	15,802	-	-	-	-	15,802
Public sector entities	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-
Institutions	-	593,908	5	-	-	(873)	593,903
Corporates	-	1,074,211	1,158	-	-	(4,197)	1,073,053
Of which: SMEs	-	-	-	-	-	-	-
Retail	-	96	0	-	-	1	96
Of which: SMEs	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-
Of which: SMEs	-	-	-	-	-	-	-
Exposures in default	29,376	-	12,978	-	-	(6,868)	16,398
Items associated with particularly high risk	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-
Claims on institutions and corporates with a shortterm credit assessment	-	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-
Other exposures	-	15,486	17	-	-	235	15,469
Total standardised approach	**29,376**	**2,324,533**	**14,300**	**-**	**-**	**(12,528)**	**2,339,609**
Total	**29,376**	**2,324,533**	**14,300**	**-**	**-**	**(12,528)**	**2,339,609**
Of which: Loans	6,665	140,704	3,383	-	-	(332)	143,986
Of which: Debt securities	18,084	1,764,806	20,971	-	-	(12,451)	1,761,919
Of which: Offbalance-sheet exposures	-	14,217	5	-	-	20	14,212

Template 11: EU CR1-A suggested by the EBA Guidelines (EBA/GL/2016/11)

As at 31 December 2020, the analysis of the exposures by risk classes, in default and performing by type of counterparty is presented in the following tables:

thousands of euros

Finantipar	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
Sovereigns	-	642,353	143	-	-	(3,336)	642,210
Financial Corporates	-	795,392	702	-	-	(865)	794,689
Others Corporates	22,711	918,924	13,460	-	-	(4,587)	928,175
Households	6,665	96	3	-	-	367	6,758
Others	-	745	-	-	-	(4,224)	745
Total	**29,376**	**2,357,510**	**14,308**	**-**	**-**	**(12,645)**	**2,372,577**

This framework is intended to respond to the template 12 CR1-B to the EBA's new guidelines (EBA/GL/2016/11)

thousands of euros

Banco Finantia	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
Sovereigns	-	640,832	143	-	-	(3,336)	640,689
Financial Corporates	-	783,931	702	-	-	(865)	783,229
Others Corporates	22,711	898,936	13,451	-	-	(4,498)	908,196
Households	6,665	96	3	-	-	367	6,758
Others	-	737	-	-	-	(4,196)	737
Total	**29,376**	**2,324,533**	**14,300**	**-**	**-**	**(12,528)**	**2,339,609**

This framework is intended to respond to the template 12 CR1-B to the EBA's new guidelines (EBA/GL/2016/11)

The geographical breakdown of the following table presents the materially significant geographical areas, considering all the countries in respect of which the Group has exposure.

thousands of euros

Finantipar	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
European Union	6,665	1,081,592	150	-	-	202	1,088,107
Europe (Non-EU)	-	127,426	-	-	-	(129)	127,426
North & Central America	-	290,075	719	-	-	(1,617)	289,356
South America	20,434	338,101	13,115	-	-	(7,083)	345,420
Asia & Middle East & Oceania	2,277	384,858	235	-	-	(3,943)	386,900
Africa	-	135,458	90	-	-	(74)	135,368
Total	**29,376**	**2,357,510**	**14,308**	**-**	**-**	**(12,645)**	**2,372,577**

Template 13: EU CR1-C suggested by the EBA Guidelines (EBA/GL/2016/11)

thousands of euros

Banco Finantia	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
European Union	6,665	1,057,641	141	-	-	255	1,064,164
Europe (Non-EU)	-	127,426	-	-	-	(129)	127,426
North & Central America	-	281,049	719	-	-	(1,563)	280,331
South America	20,434	338,101	13,115	-	-	(7,074)	345,420
Asia & Middle East & Oceania	2,277	384,858	235	-	-	(3,943)	386,900
Africa	-	135,458	90	-	-	(74)	135,368
Total	**29,376**	**2,324,533**	**14,300**	**-**	**-**	**(12,528)**	**2,339,609**

Template 13: EU CR1-C suggested by the EBA Guidelines (EBA/GL/2016/11)

Impaired positions and the exposures by days in arrears can be analysed as follows:

thousands of euros

Finantipar and Banco Finantia	Gross carrying values					
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	128	6	1	4	2	6,620
Debt securities	-	-	-	-	-	22,711
Total exposures	128	6	1	4	2	29,331

Template 14: EU CR1-D suggested by the EBA Guidelines (EBA/GL/2016/11)

As at 31 December 2020, Forborne positions can be analysed as follows:

thousands of euros

Banco Finantia and Finantipar	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	66	75	75	0	0	-3	0	0
Central banks	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0
Households	66	75	75	0	0	-3	0	0
Debt Securities	0	5,609	0	0	0	0	0	0
Loan commitments given	0	0	0	0	0	0	0	0
Total	**66**	**5,684**	**75**	**0**	**0**	**-3**	**0**	**0**

Template 1: Credit quality of forborne exposures, suggested by the EBA Guidelines (EBA/GL/2018/10)
According the amounts presented in the FINREP (template 18 and 19)

As at 31 December 2020, the following table presents a general summary of productive and non-productive exposures, and credit risk adjustments, by type of exposure.

thousands of euros

Finantipar	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	263,329	263,322	7	11,292	0	8	4,629	1	77	225	6,352	11,292
Central banks	59,964	59,964	0	0	0	0	0	0	0	0	0	0
General governments	14,001	14,001	0	0	0	0	0	0	0	0	0	0
Credit institutions	93,702	93,702	0	0	0	0	0	0	0	0	0	0
Other financial corporations	65,482	65,482	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	30,085	30,085	0	4,627	0	0	4,627	0	0	0	0	4,627
Of which SMEs	0	0	0	0	0	0	0	0	0	0	0	0
Households	96	89	7	6,665	0	8	2	1	77	225	6,352	6,665
Debt securities	1,786,907	1,786,907	64,221	31,395	13,140	0	0	7,031	11,223	0	0	25,786
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
General governments	561,476	561,476	8,977	5,609	5,609	0	0	0	0	0	0	0
Credit institutions	262,495	262,495	0	0	0	0	0	0	0	0	0	0
Other financial corporations	290,172	290,172	12,418	10,023	7,532	0	0	0	2,491	0	0	10,023
Non-financial corporations	672,764	672,764	42,826	15,763	0	0	0	7,031	8,732	0	0	15,763
Off-balance-sheet exposures	94,444			0								0
Central banks	80,227			0								0
General governments	0			0								0
Credit institutions	4,375			0								0
Other financial corporations	3,920			0								0
Non-financial corporations	5,922			0								0
Households	0			0								0
Total	**2,144,681**	**2,050,229**	**64,229**	**42,687**	**13,140**	**8**	**4,629**	**7,032**	**11,301**	**225**	**6,352**	**37,078**

Template 3: Credit quality of performing and non-performing exposures by past due days, suggested by the EBA Guidelines (EBA/GL/2018/10)
According the amounts presented in the FINREP (template 18 and 19)

It can be verified that of the total gross exposure of Euros 2,187,368 thousand, only about 2.0% is related to non-productive exposures.

thousands of euros

Banco Finantia	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	263,329	263,322	7	11,292	0	8	4,629	1	77	225	6,352	11,292
Central banks	59,963	59,963	0	0	0	0	0	0	0	0	0	0
General governments	14,001	14,001	0	0	0	0	0	0	0	0	0	0
Credit institutions	93,702	93,702	0	0	0	0	0	0	0	0	0	0
Other financial corporations	65,482	65,482	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	30,085	30,085	0	4,627	0	0	4,627	0	0	0	0	4,627
Of which SMEs	0	0	0	0	0	0	0	0	0	0	0	0
Households	96	89	7	6,665	0	8	2	1	77	225	6,352	6,665
Debt securities	1,753,771	1,753,771	0	31,395	13,140	0	0	7,031	11,223	0	0	25,786
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
General governments	559,959	559,959	0	5,609	5,609	0	0	0	0	0	0	0
Credit institutions	257,316	257,316	0	0	0	0	0	0	0	0	0	0
Other financial corporations	283,829	283,829	0	10,023	7,532	0	0	0	2,491	0	0	10,023
Non-financial corporations	652,667	652,667	0	15,763	0	0	0	7,031	8,732	0	0	15,763
Off-balance-sheet exposures	94,444			0								0
Central banks	80,227			0								0
General governments	0			0								0
Credit institutions	4,375			0								0
Other financial corporations	3,920			0								0
Non-financial corporations	5,922			0								0
Households	0			0								0
Total	**2,111,544**	**2,017,093**	**7**	**42,687**	**13,140**	**8**	**4,629**	**7,032**	**11,301**	**225**	**6,352**	**37,078**

Template 3: Credit quality of performing and non-performing exposures by past due days, suggested by the EBA Guidelines (EBA/GL/2018/10)
According the amounts presented in the FINREP (template 18 and 19)

It can be verified that of the total gross exposure of Euros 2,154,231, only about 2.0% is related to non-productive exposures.

As at 31 Decemebr 2020, the following table presents a general summary of the credit quality of non-productive exposures and respective impairments, provisions and valuation adjustments by portfolio and exposure class:

thousands of euros

Finantipar	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advances	263,329	263,322	7	11,292	0	11,292	-954	-544	0	-2,837	0	-2,837	-82,343	0	0
Central banks	59,964	59,964	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	14,001	14,001	0	0	0	0	-127	-37	0	0	0	0	0	0	0
Credit institutions	93,702	93,702	0	0	0	0	-293	-159	0	0	0	0	0	0	0
Other financial corporations	65,482	65,482	0	0	0	0	-329	-144	0	0	0	0	0	0	0
Non-financial corporations	30,085	30,085	0	4,627	0	4,627	-205	-205	0	-2,834	0	-2,834	0	0	0
Of which SMEs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Households	96	89	7	6,665	0	6,665	0	0	0	-3	0	-3	-82,343	0	0
Debt securities	1,786,907	1,722,686	64,221	31,395	0	31,395	-12,699	-7,798	-4,901	-17,843	0	-17,843	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	561,476	552,500	8,977	5,609	0	5,609	-1,461	-1,104	-357	0	0	0	0	0	0
Credit institutions	262,495	262,495	0	0	0	0	-2,147	-2,147	0	0	0	0	0	0	0
Other financial corporations	290,172	277,754	12,418	10,023	0	10,023	-1,642	-1,037	-605	-5,171	0	-5,171	0	0	0
Non-financial corporations	672,764	629,938	42,826	15,763	0	15,763	-7,448	-3,510	-3,939	-12,671	0	-12,671	0	0	0
Off-balance-sheet exposures	94,444	94,444	0	0	0	0	5	5	0	0	0	0		0	0
Central banks	80,227	80,227	0	0	0	0	0	0	0	0	0	0		0	0
General governments	0	0	0	0	0	0	0	0	0	0	0	0		0	0
Credit institutions	4,375	4,375	0	0	0	0	3	3	0	0	0	0		0	0
Other financial corporations	3,920	3,920	0	0	0	0	1	1	0	0	0	0		0	0
Non-financial corporations	5,922	5,922	0	0	0	0	1	1	0	0	0	0		0	0
Households	0	0	0	0	0	0	0	0	0	0	0	0		0	0
Total	**2,144,681**	**2,080,452**	**64,229**	**42,687**	**0**	**42,687**	**-13,648**	**-8,338**	**-4,901**	**-20,680**	**0**	**-20,680**	**-82,343**	**0**	**0**

Template 4: Performing and non-performing exposures and related provisions, suggested by the EBA Guidelines (EBA/GL/2018/10)
According the amounts presented in the FINREP (template 18 and 19)

thousands of euros

Banco Finantia	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advances	263,329	263,322	7	11,292	0	11,292	-954	-953	0	-2,837	0	-2,837	-82,343	0	0
Central banks	59,963	59,963	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	14,001	14,001	0	0	0	0	-127	-127	0	0	0	0	0	0	0
Credit institutions	93,702	93,702	0	0	0	0	-293	-293	0	0	0	0	0	0	0
Other financial corporations	65,482	65,482	0	0	0	0	-329	-329	0	0	0	0	0	0	0
Non-financial corporations	30,085	30,085	0	4,627	0	4,627	-205	-205	0	-2,834	0	-2,834	0	0	0
Of which SMEs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Households	96	89	7	6,665	0	6,665	0	0	0	-3	0	-3	-82,343	0	0
Debt securities	1,753,771	1,691,582	62,189	31,395	0	31,395	-12,518	-7,659	-4,859	-17,843	0	-17,843	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	559,959	550,983	8,977	5,609	0	5,609	-1,460	-1,103	-357	0	0	0	0	0	0
Credit institutions	257,316	257,316	0	0	0	0	-2,119	-2,119	0	0	0	0	0	0	0
Other financial corporations	283,829	271,411	12,418	10,023	0	10,023	-1,609	-1,004	-605	-5,171	0	-5,171	0	0	0
Non-financial corporations	652,667	611,872	40,794	15,763	0	15,763	-7,329	-3,433	-3,896	-12,671	0	-12,671	0	0	0
Off-balance-sheet exposures	94,444	94,444	0	0	0	0	5	5	0	0	0	0		0	0
Central banks	80,227	80,227	0	0	0	0	0	0	0	0	0	0		0	0
General governments	0	0	0	0	0	0	0	0	0	0	0	0		0	0
Credit institutions	4,375	4,375	0	0	0	0	3	3	0	0	0	0		0	0
Other financial corporations	3,920	3,920	0	0	0	0	1	1	0	0	0	0		0	0
Non-financial corporations	5,922	5,922	0	0	0	0	1	1	0	0	0	0		0	0
Households	0	0	0	0	0	0	0	0	0	0	0	0		0	0
Total	**2,111,544**	**2,049,347**	**62,197**	**42,687**	**0**	**42,687**	**-13,466**	**-8,608**	**-4,859**	**-20,680**	**0**	**-20,680**	**-82,343**	**0**	**0**

Template 4: Performing and non-performing exposures and related provisions, suggested by the EBA Guidelines (EBA/GL/2018/10)
According the amounts presented in the FINREP (template 18 and 19)

The following table presents the collateral obtained during 2020 by taking possession:

thousands of euros

Banco Finantia and Finantipar	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	0	0
Other than PP&E	0	0
Residential immovable property	0	0
Commercial Immovable property	0	0
Movable property (auto, shipping, etc.)	0	0
Equity and debt instruments	0	0
Other	0	0
Total	**0**	**0**

Template 9: Collateral obtained by taking possession and execution processes, suggested by the EBA Guidelines (EBA/GL/2018/10)

Adjustments for specific and general credit risk

The evolution of individual and collective impairment during 2020, with each caption broken down, is presented as follows:

> Opening balance: Impairment stock as at 1 January 2020;

> Increases due to amounts allocated to provisions for expected losses during the period:
- Impairment constituted due to the contracting of new loans;
- Impairment increases due to changes in the type of analysis (collective or individual);
- Impairment increases due to a deterioration from the initial recognition.

> Reductions due to amounts used against accumulated credit risk adjustments:
- Impairments annulled due to settlement/amortization of loans;
- Impairment decreases due to changes in the type of analysis (collective or individual);
- Impairment decreases due to an improvement from the initial recognition;

> Decreases due to amounts used against accumulated credit risk adjustments: represents the application of the Group's credit write-off policy;

> Closing Balance: Impairment Stock as at 31 December 2020.

thousands of euros

	Finantipar	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance**	33,311	-
2	Increases due to amounts set aside for estimated loan losses during the period	39,087	-
3	Decreases due to amounts reversed for estimated loan losses during the period	(26,187)	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	(7,581)	-
5	Transfers between credit risk adjustments	-	-
6	Impact of exchange rate differences	(3,145)	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	(1,152)	-
9	**Closing balance**	34,333	-
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	9,834	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	12,900	-

Template 16: EU CR2-A suggested by the EBA Guidelines (EBA/GL/2016/11)

thousands of euros

	Banco Finantia	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance**	33,246	-
2	Increases due to amounts set aside for estimated loan losses during the period	38,961	-
3	Decreases due to amounts reversed for estimated loan losses during the period	(26,178)	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	(7,581)	-
5	Transfers between credit risk adjustments	-	-
6	Impact of exchange rate differences	(3,145)	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	(1,152)	-
9	**Closing balance**	34,151	-
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	9,834	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	12,783	-

Template 16: EU CR2-A suggested by the EBA Guidelines (EBA/GL/2016/11)

The table below details the changes in the total loans and debt securities in default:

thousands of euros

Finantipar and Banco Finantia	Gross carrying value defaulted exposures
1 **Opening balance**	**31,743**
2 Loans and debt securities that have defaulted or impaired since the last reporting period	(4,501)
3 Returned to non-defaulted status	4,583
4 Amounts written off	(2,449)
5 Other changes	-
6 **Closing balance**	**29,376**

Template 17: EU CR2-B suggested by the EBA Guidelines (EBA/GL/2016/11)

9 Unencumbered assets (article 443)

The encumbered assets comprise mostly debt securities recognized in the balance sheet provided as collateral in repo operations. In 2019 and 2020, the Group increased the number of active counterparties in the repo market, having also increased the average maturity of the operations, thereby contributing to the diversification of its funding sources. As at 31 December 2020 and 2019, there has been no funding from the European Central Bank.

As at 31 December 2020, the composition of the encumbered and unencumbered assets is as follows:

thousands of euros

Finantipar	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets	692,809		1,445,906	
Equity instruments	-	-	-	-
Debt securities	692,809	692,247	1,103,908	1,234,393
Other assets	-		341,998	

This framework is intended to respond to the EBA's new guidelines (EBA/GL/2014/03)

thousands of euros

Banco Finantia	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets	692,809		1,412,350	
Equity instruments	-	-	-	-
Debt securities	692,809	692,247	1,070,954	1,201,381
Other assets	-		341,396	

This framework is intended to respond to the EBA's new guidelines (EBA/GL/2014/03)

As at 31 December 2020, the detail of the collateral received is as follows:

thousands of euros

Finantipar	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	3,454	-
Equity instruments	-	-
Debt securities	3,454	-
Other collateral received	-	-
Own debt securities issued other than own covered bonds or ABSs	-	-

This framework is intended to respond to the EBA's new guidelines (EBA/GL/2014/03)

thousands of euros

Banco Finantia	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	3,454	-
Equity instruments	-	-
Debt securities	3,454	-
Other collateral received	-	-
Own debt securities issued other than own covered bonds or ABSs	-	-

This framework is intended to respond to the EBA's new guidelines (EBA/GL/2014/03)

As at 31 December 2020, liabilities associated with encumbered assets received were as follows:

thousands of euros

Finantipar	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	536,584	696,264

This framework is intended to respond to the EBA's new guidelines (EBA/GL/2014/03)

thousands of euros

Banco Finantia	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	536,584	696,264

This framework is intended to respond to the EBA's new guidelines (EBA/GL/2014/03)

In the Group, the main reason for the encumbrance of assets arises from financing needs, namely through repos transactions over debt securities from its own portfolio.

Asset encumbrance can also be triggered for several reasons, namely:

> Due to the existence of the initial margin or trading margin underlying derivative financial instrument transactions;

> Due to the existence of legal requirements such as the assets pledged to the Deposits Guarantee Fund and the Investors Compensation Scheme;

> Due to the financing needs of the activity.

In relation to the main sources of encumbrance, the following additional information is disclosed:

> Derivative transactions:

Collateral is transferred under Credit Support Annexes (CSA) existing between Group companies and various counterparties in the scope of International Standard Swaps and Derivatives Association (ISDA) standard contracts. Each CSA constitutes an operation under the ISDA agreement, celebrated between the Group and the respective counterparty, under which terms the party that at any time is obligated to provide collateral transfers the money or securities (as agreed) to the counterparty. There is a legally effective ownership change of the money or securities transferred.

In the CSA, which are subject to negotiation between the parties, the conditions applicable with respect to collateral are established, namely (i) the periodicity of the valuation of the market value of the derivative operations contracted between the parties; (ii) the threshold (iii) the Independent Amount and (iv) the Minimum Transfer Amount.

> Sale transactions with repurchase agreement:

In the case of transactions under Global Master Repurchase Agreements (GMRA) between Group companies and counterparties, the parties agree that in case one of the parties has a Net Exposure in relation to the other party, said party may request a margin transfer in an amount at least equal to the value of the Net Exposure. The need for an Initial Margin may also be established.

10 Use of ECAIs (article 444)

As mentioned above, the Group uses the Standardised Approach in the calculation of capital requirements for credit risk coverage.

On that basis, the risk-weighted exposure amounts are determined based on weighting coefficients as defined in the CRR. The application of these weighting coefficients is based on the class to which the exposure is allocated and its credit quality. Credit quality can be determined based on credit assessments from external rating agencies (ECAIs), or of credit assessments from export credit agencies (ECA).

As regards the banking portfolio, i.e. for all risk classes except retail, the Group uses the credit ratings of three internationally recognized rating agencies (Standard&Poor’s, Fitch e DBRS).

When only one credit assessment, established by a recognized ECAI, is available for a given exposure, this valuation is used to determine the applicable risk-weighting coefficient. When there are two credit assessments, established by recognized ECAIs, with different risk weighting coefficients, the highest risk-weighting coefficient is applied. When there are more than two credit assessments, established by recognized ECAIs, the two lowest risk weighting coefficients serve as the reference. If the two risk weighting coefficients are different, the highest is applied. If they are identical, that risk-weighting coefficient is applied.

When a credit assessment exists for a given issue or credit line, in which the exposure is included, that credit assessment is used to determine the applicable risk-weighting coefficient. When there is no credit assessment directly applicable to a particular exposure, but there is a credit assessment for a given issue or credit line, in which the exposure is not included, or a general credit assessment of the issuer, such credit assessment is used in the cases defined in article 139 of the CRR.

The following table indicates the exposure values, after the conversion factor and after the credit risk reduction associated with each level of credit quality at 31 December 2020:

thousands of euros

Finantipar

Exposure classes	Risk weight									Total	Of which unrated
	0%	10%	20%	50%	75%	100%	150%	250%	Deducted		
Central governments or central banks	413,197	-	6,011	45,191	-	152,827	5,609	3,267	-	626,102	4,971
Regional government or local authorities	-	-	16,108	-	-		-	-	-	16,108	-
Institutions	300	899	194,050	204,129	-	150,853	-	-	-	550,231	-
Corporates	3,919	-	734	5,548	-	984,145	104,995		-	1,099,342	99,769
Retail	-	-	-	-	96		-	-	-	96	96
Exposures in default	-	-	-	-	-	16,398	-		-	16,398	-
Other items	92	-	-	-	-	15,386	-	-	-	15,477	650
Total	**417,508**	**899**	**216,904**	**254,868**	**96**	**1,319,610**	**110,604**	**3,267**	**-**	**2,323,755**	**105,486**

Template 20: EU CR5 suggested by the EBA Guidelines (EBA/GL/2016/11).

thousands of euros

Banco Finantia

Exposure classes	Risk weight									Total	Of which unrated
	0%	10%	20%	50%	75%	100%	150%	250%	Deducted		
Central governments or central banks	413,197	-	6,011	43,982	-	152,827	5,609	3,262	-	624,887	4,971
Regional government or local authorities	-	-	15,802	-	-	-	-	-	-	15,802	-
Institutions	300	899	194,049	204,129	-	145,703	-	-	-	545,081	-
Corporates	3,919	-	734	5,548	-	957,857	104,995	-	-	1,073,053	90,221
Retail	-	-	-	-	96	-	-	-	-	96	96
Exposures in default	-	-	-	-	-	16,398	-	-	-	16,398	-
Other items	92	-	-	-	-	15,378	-	-	-	15,469	646
Total	**417,508**	**899**	**216,596**	**253,659**	**96**	**1,288,163**	**110,604**	**3,262**	**-**	**2,290,787**	**95,934**

Template 20: EU CR5 suggested by the EBA Guidelines (EBA/GL/2016/11).

This table shows the risk-weighted exposure amount for which no rating recognized by an ECAI exists or for which a specific risk-weighting coefficient is applied depending on its risk class.

11 Exposure to market risk (article 445)

The concept of market risk reflects the potential loss that can be recorded by a given book as a result of changes in interest rates and foreign exchange rates, and/or the prices of the different financial instruments that comprise it. For purposes of profitability analysis, and risk quantification and control, the trading book is characterized by positions held by the Group which purpose is to obtain short-term gains through sale or appreciation.

The following table presents the risk-weighted exposures (RWA) and the capital requirements for market risk as at 31 December 2020:

thousands of euros

Finantipar	Dec/20		Jun/20	
	RWA	Capital requirements	RWA	Capital requirements
Outright products				
Interest rate risk (general and specific)	13,171	1,054	15,903	1,272
Equity risk (general and specific)	-	-	-	-
Foreign exchange risk	-	-	71,735	5,739
Commodity risk	-	-	-	-
Options				
Simplified approach	-	-	-	-
Delta-plus method	-	-	-	-
Scenario approach	-	-	-	-
Securitisation (specific risk)	-	-	-	-
Total	**13,171**	**1,054**	**87,638**	**7,011**

Template 34: EU MR1 suggested by the EBA Guidelines (EBA/GL/2016/11)

thousands of euros

Banco Finantia	Dec/20		Jun/20	
	RWA	Capital requirements	RWA	Capital requirements
Outright products				
Interest rate risk (general and specific)	13,171	1,054	15,903	1,272
Equity risk (general and specific)	-	-	-	-
Foreign exchange risk	-	-	71,740	5,739
Commodity risk	-	-	-	-
Options				
Simplified approach	-	-	-	-
Delta-plus method	-	-	-	-
Scenario approach	-	-	-	-
Securitisation (specific risk)	-	-	-	-
Total	**13,171**	**1,054**	**87,643**	**7,011**

Template 34: EU MR1 suggested by the EBA Guidelines (EBA/GL/2016/11)

12 Operational risk (article 446)

Description of the calculation methodology of capital requirements

The Group calculates the capital requirements for operational risk using the basic indicator method, using the methodology described in Regulation (EU) No. 575/2013.

Accounting elements considered to calculate the relevant indicator (Basic indicator method)

The relevant indicator for the calculation of capital requirements for operational risk is the sum of the financial margin with the operating income, on which the factor of 15% of the average of the last three years is applied in order to calculate the amount of the requirements.

The accounting captions in the income statement that form an integral part of the relevant indicator are as follows:

+ Interest and similar income
- Interest and similar charges
+ Income from equity instruments
+ Income from services and commissions
- Charges with services and commissions
+ Results of financial operations
+ Other operating income

thousands of euros

Operational risk	Finantipar	Banco Finantia
Relevant indicator		
2020	44,155	43,233
2019	48,432	47,678
2018	50,630	49,276
Own funds requirements for operational risk (A)	**7,161**	**7,009**
RWA of operational risk (A)/8%	**89,511**	**87,617**

13 Exposures in equities (article 447)

As at 31 December 2020, the Group holds an immaterial position in shares in the banking portfolio.

14 Exposure to interest rate risk in the banking book (article 448)

The interest rate risk of the banking portfolio arises from differences between the assets and liabilities of the banking portfolio in terms of the nature of the interest rate (fixed or variable), maturity and interest rate resetting periods, consubstantiating the possibility of losses arising from changes in the interest rate due to these differences.

Interest rate risk is measured by analysing the temporal mismatch of the maturities of assets, liabilities and fixed-rate off-balance sheet instruments, through their distribution by time buckets. These analyses are prepared monthly. On these mismatches, at least four times a year, sensitivity analyses (shocks) are applied with regard to market interest rate changes.

The interest rate risk of the banking portfolio is calculated using a Value-at-Risk (VaR) model, using the historical simulation method. This risk is subject to periodic control, through the calculation of the VaR and of the temporal mismatch. Interest rate risk is hedged, by decision of the Finance and Risk Committee; through appropriate instruments (currently interest rate swaps).

The following tables present the analysis of the interest rate risk in the banking portfolio from the internal perspective based on model mismatch maps:

thousands of euros, except for %

Finantipar			Impact	
			31/12/2020	31/12/2019
Total capital impact of a 200 bp shock in interest rates:	Amount	200	-60 542	-53 327
		-200	+74 980	+65 857
	% Total capital	200	-11,86%	-10,72%
		-200	14,69%	13,24%

"+ 200" = upward 200 basis point parallel rate shock

"- 200" = downward 200 basis point parallel rate shock

By currency, the above shocks are split as follows: USD between 32% to 33% and EUR between 67% to 68%.

thousands of euros, except for %

Banco Finantia			Impact	
			31/12/2020	31/12/2019
Total capital impact of a 200 bp shock in interest rates:	Amount	+ 200	-58 353	-51 282
		- 200	+72 504	+63 525
	% Total capital	+ 200	-12,23%	-11,04%
		- 200	15,20%	13,68%

"+ 200" = upward 200 basis point parallel rate shock

"- 200" = downward 200 basis point parallel rate shock

By currency, the above shocks are split as follows: USD between 33% to 34% and EUR between 66% to 67%.

15 Exposure to securitization positions (article 449)

As at 31 December 2020 and 2019 there is no exposure to securitization positions. The Group did not participate in the issue of securitization operations.

16 Remuneration policy (article 450)

As regards the remuneration policies and practices of Finantipar and Banco Finantia, the Group generally meets the requirements established in a manner appropriate to its size and internal organization, as well as to the nature, scope and complexity of the activities carried out.

The information on the remuneration policies and practices required by article 450 of Regulation (EU) No. 575/2013 is detailed and disclosed in Part II. Remuneration, pages 12-16 of the "Report on the Structure and the Corporate Governance Practices of Finantipar" and in Part II. Remuneration, pages 25-36 of the "Report on the Structure and the Corporate Governance Practices of Banco Finantia" (annex and an integral part of the Annual Report and Accounts for 2020 of each of the companies), which can be accessed at http://finantipar.finantia.com/ and https://www.finantia.pt/pt/banco-finantia_pt/informacaofinanceira/ respectively, supplemented by the following information:

(i) For purposes of the disclosure of information within the scope of paragraph a) of no. 1 of article 450, the Remuneration Committee of Finantipar was appointed at the General Shareholders Meeting of Finantipar held on 28 April 2017 for the triennium 2017/2019 and within the course of the current mandate, held a meeting on July 13, 2017 to define the fixed remuneration of the managing director, where it also decided that non-executive directors would not receive any remuneration.

The Remuneration Committee of Banco Finantia was appointed at the General Shareholders Meeting of the Bank held on 27 November 2017 for the triennium 2017/2019, where by deliberation of the General Shareholders Meeting of Banco Finantia held on 31 may 2019, the mandate was changed for the triennium 2019/2021. Banco Finantia's Remuneration Committee met 1 (one) time in 2020.

Banco Finantia' s Remuneration Committee undertakes annually an independent analysis of the remuneration policy and practices adopted by the institution, in compliance with the provisions of paragraph 6 of article 115-C of the General Regime for Credit Institutions and Financial Companies ("RGICSF") and the Notice no. 3/2020 of the Bank of Portugal (previously and in accordance with Notice no. 10/2011 of the Bank of Portugal, of 9 January). The Remuneration Committee of Banco Finantia submitted to the General Shareholders Meeting of Banco Finantia held on 28 May 2020, the main conclusions of the evaluation carried out, where it considers that the remuneration policy complies with the legislation and regulations in force, is being effectively applied in the institution and is adequate and proportional to the size, internal organization, nature, scope and complexity of the activities carried out by the institution, and is coherent, not encouraging excessive and imprudent risk taking.

As regards the aggregate quantitative data on the remuneration of persons having a significant impact on the risk profile of Banco Finantia, as of 31 December 2020, the institution identified the members of the management and supervisory bodies and employees with essential functions, thereby including the persons responsible for the internal control functions, the person responsible for the Treasury Department and the person responsible for the Accounting, Consolidation and Financial Information Department.

The information requested in points (i) and (vi) of paragraph h) of no. 1 of article 450 of Regulation (EU) No. 575 / 2013 for members of the management and supervisory bodies is detailed in the "Report on the Structure and the Corporate Governance Practices of Finantipar", in Part II. Remuneration, Chapter B.1 Remuneration Policy of the Members of the Management and Supervisory Bodies, in pages 12-16 and in the "Report on the Structure and the Corporate Governance Practices of Banco Finantia" in Part II. Remuneration, Chapter 2. Remuneration Policy of the Members of the Management and Supervisory Bodies, in pages 25-36. No stock or option attribution programme is in force for the employees of Banco Finantia.

As for the employees identified as key function holders, on 31 December 2020, these included the responsible for the internal control functions, that includes the persons responsible for the Internal Audit function, Compliance function and Risk Management function, as well as the person responsible for the Treasury department and the person responsible for the Accounting, Consolidation and Financial Information department. Employees identified as key function holders in the year 2020 earned altogether an aggregate fixed remuneration of € 365,909.11 and an aggregate amount of € 38,000 of variable remuneration was also paid in 2020, relating to 2019 and to a portion of a deferred variable remuneration from 2017 fiscal year.

17 Leverage (article 451)

The calculation of the regulatory leverage ratio is done in accordance with article 429 of Regulation (EU) No. 575/2013, as amended by Delegate Act No. 62/2015, of 10 October 2014.

The leverage ratio is defined as the proportion of tier 1 capital divided by the exposure measure, consisting of on-balance sheet and off-balance sheet assets considered after some adjustments, associated, namely, with intra-group exposures, with securities financing transactions (SFTs), with values deducted from the numerator of the total capital ratio and with off-balance sheet elements, which aim to adequately address the different risk profiles of these exposures (in SFTs and derivatives add-ons are considered for future risks, whilst in the remaining off-balance sheet elements different conversion in credit ratios are applied according to the inherent risk of each exposure).

thousands of euros

	Capital and total exposure mesure		
		Finantipar	**Banco Finantia**
20	Tier 1 capital	396,835	473,424
21	Leverage ratio total exposure measure	2,162,863	2,129,894
	Leverage ratio		
22	**Leverage ratio**	**18.3%**	**22.2%**

This framework is intended to respond to the template of Commission Implementation Regulation (EU) 2016/200

In calculating this ratio, the current regulatory standards are complied with, namely the provisions of Regulation (EU) 575/2013, as updated by Commission Delegated Regulation (EU) 2015/62, of 10 October, by Commission Implementing Regulation (EU) 2016/200, of 15 February and by Commission Implementing Regulation (EU) 2016/428, of 23 March, all of the European Commission.

The following tables present the breakdown of total exposure (ratio denominator) and the reconciliation of the total exposure measure with the relevant information disclosed in published financial statements as at 31 December 2020:

thousands of euros

	CRR leverage ratio exposures	Finantipar	Banco Finantia
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,094,490	2,060,933
2	(Asset amounts deducted in determining Tier 1 capital)	(1,154)	(566)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	2,093,336	2,060,368
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	40,729	40,729
5	Add-on amounts for PFE associated with all derivatives transactions (markto-market method)	15,189	15,189
EU-5	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	**Total derivatives exposures**	55,917	55,917
	SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	3,497	3,497
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	**Total securities financing transaction exposures**	3,497	3,497
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	10,112	10,112
18	(Adjustments for conversion to credit equivalent amounts)	-	-
19	**Other off-balance sheet exposures**	10,112	10,112
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-

This framework is intended to respond to the template of Commission Implementation Regulation (EU) 2016/200

The following table presents the reconciliation of the total exposure measure with the relevant information disclosed in published financial statements as at 31 December 2020:

thousands of euros

	Summary reconciliation of accounting assets and leverage ratio exposures	Finantipar	Banco Finantia
1	Total assets as per published financial statements	2,138,716	2,105,159
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-	-
4	Adjustments for derivative financial instruments	15,189	15,189
5	Adjustment for securities financing transactions (SFTs)	-	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	10,112	10,112
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-	-
7	Other adjustments	(1,154)	(566)
8	**Leverage ratio total exposure measure**	**2,162,863**	**2,129,894**

This framework is intended to respond to the template of Commission Implementation Regulation (EU) 2016/200

The Group does not face a risk of excessive leverage, taking into account the level of its leverage ratio as at 31 December 2020 (18.3% and 22.2%, respectively for Finantipar and for Banco Finantia) and the defined regulatory minimum (3%). The leverage ratio is monitored on a monthly basis to verify whether corrective measures are required, with this being one of the metrics monitored under the RAF, through the validation of the maintenance of the current levels within the limits and tolerances defined by the Board of Directors.

That laid down in article 429, no. 11, of the CRR is not applicable to the Group.

18 Use of the IRB approach to credit risk (article 452)

Not applicable. The Group and its subsidiaries do not calculate the risk-weighted exposure amounts in accordance with the IRB Method.

19 Use of credit risk mitigation techniques (article 453)

"Credit risk mitigation" is a technique used to reduce the credit risk associated with one or more exposures held by the institution, the most common being "real credit protection" and "personal credit protection".

"Real credit protection" is a credit risk mitigation technique in which the reduction of the credit risk on an institution's exposure results from the institution's right - in the event of counterparty default or the occurrence of other specified credit events related to the counterparty - to liquidate, to obtain transfer or possession, to withhold certain assets or amounts, to reduce the exposure amount to the amount corresponding to the difference between the amount of the exposure and the amount of a claim on the institution, or replace it with that amount, whilst "personal credit protection" consists of a credit risk mitigation technique in which the reduction of the credit risk on an institution's exposure results from the obligation assumed by a third party to pay a certain amount in case of default of the borrower or the occurrence of other specified credit events;

The Group uses credit risk mitigation techniques to mitigate exposure to this risk, namely through collateral, such as cash deposits, eligible financial instruments, and other assets, as well as personal guarantees. Although some of the guarantees received may not be eligible as risk mitigation under the CRR, economically they effectively reduce the credit risk to which the Group is exposed.

The existence of guarantees is an element of consideration in the analysis of the credit risk of the investments made, being considered a risk mitigation element.

With respect to transactions with derivative financial instruments, the Group uses standard agreements as a way to mitigate credit risk, establishing the contractual relations with its counterparties through the signing of framework contracts in which the obligations are clearly defined.

In relation to interest rate risk hedging, this is ensured through the contracting of interest rate derivative instruments, which allow for the matching of maturities and average rate resetting periods of those assets with those resulting from the liabilities of the corresponding securitization operations.

The systematic monitoring of the distribution of assets and liabilities is carried out according to their rate resetting periods, and the risks that exceed the limits defined by the Finance and Risk Committee are regularly covered, through the use of appropriate instruments (currently interest rate swaps).

The foreign exchange position is systematically monitored, and the foreign exchange rate risk that exceeds the limits set by the Finance and Risk Committee is regularly hedged, using appropriate instruments (e.g. spots, forwards, and swaps).

The following table presents as at 31 December 2020, the book value of the exposures for which the Group uses risk mitigation techniques:

thousands of euros

Finantipar and Banco Finantia	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 Total loans	102	48,924	48,822	-	-
2 Total debt securities	-	-	-	-	-
2a Total collateral	-	-	-	-	-
3 Total exposures	**102**	**48,924**	**48,822**	-	-
4 Of which defaulted	-	-	-	-	-

Template 18: EU CR3 suggested by the EBA Guidelines (EBA/GL/2016/11)

The following table demonstrates the effect of the prudential mitigation of collateral and the capital requirement, by risk class, as at 31 December 2020, applied under Part III, Title II, Chapter 4 of the CRR.

thousands of euros

Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density
Institutions	48,924	-	102	-	-	0%

Template 19: EU CR4 suggested by the EBA Guidelines (EBA/GL/2016/11)

The table above does not include derivative financial instruments, repurchase transactions, loan or securities or commodities transactions, long-settlement transactions and margin-lending transactions subject to Part III, Title II, Chapter 6 or subject to article 92, no. 3, paragraph f) of the CRR.

The exposures before credit conversion factors (CCF) and credit risk mitigation techniques (CRM) correspond to the exposure net of the value of adjustments and provisions. The RWA density, expressed as a percentage, results from the risk-weighted total exposures over the exposures after the application of CCF and CRM.

20 Use of the advanced measurement approaches to operational risk (article 454)

Not applicable. The Group and its subsidiaries do not use the Advanced Measurement Approaches provided for in articles 321 to 324 of the CRR in calculating their own funds requirements for operational risk.

21 Use of internal market risk models (article 455)

Not applicable. The Group and its subsidiaries do not use internal market risk models when calculating their capital requirements.

22 Exposures subject to measures applied in response to COVID-19 crisis

The Covid-19 pandemic conditioned economic activity practically throughout the year 2020, with uncertainty prevailing over its intensity and evolution.

In this context, several measures to support the economy have been adopted by various governments, as well as flexibility measures by regulators and supervisory authorities in order to maximize the capacity of institutions to grant loans and absorb losses related to the Covid-19 pandemic, thus preserving their resilience.

The Portuguese Government has also instituted a credit moratorium on financial institutions with the objective of supporting families and companies in an adverse context of a sharp drop in income caused by the Covid19 pandemic. This public moratorium establishes exceptional measures to protect the credits of beneficiary entities in the context of the Covid-19 pandemic, allowing the deferral of the fulfilment of responsibilities, when they represent credits assumed by the beneficiary entities vis-à-vis the Bank, which are not overdue on the date of receipt of the declaration of adherence to the public moratorium.

In line with the recommendations of the European Banking Authority (EBA) regarding the disclosure of information on exposures subject to measures applied in response to the Covid-19 crisis, it should be noted that as at 31 December 2020, the Group did not hold any exposures related to credit moratoria and loans granted under the credit lines guaranteed by the Portuguese State.

TRANSLATION NOTE

The above translation is a free translation of the original document issued in the Portuguese language. In the event of discrepancies or misinterpretations, the original version shall prevail.