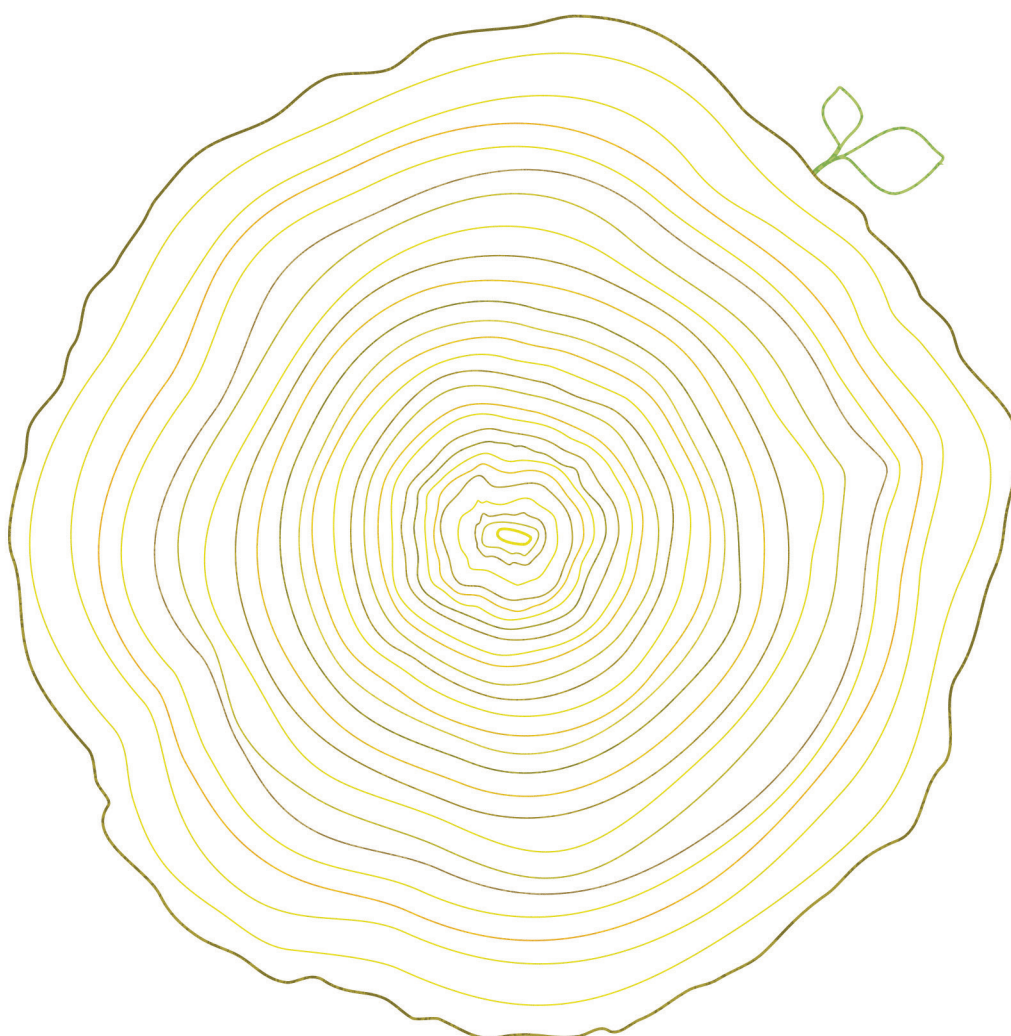


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BASEL III PILLAR 3
PUBLIC DISCLOSURE AT 31 DECEMBER 2021
BANCOPOSTA RFC



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Introduction

Notes on the report

The prudential standards for banks include public disclosure obligations on capital adequacy, risk exposure and the general characteristics of the systems used to identify, measure and manage risk, in addition to requirements regarding the disclosure of information on governance systems, including remuneration policies and practices.

The prudential Supervisory Provisions applicable to banks and investment firms from 1 January 2014 are contained in Bank of Italy Circular 285/2013, the purpose of which was to implement Regulation (EU) 575/2013 (the Capital Requirements Regulation, or “CRR”) and Directive 2013/36/EU (the Capital Requirements Directive, or “CRD IV”), containing the reforms required in order to introduce the “Basel III” standards.

The public disclosure obligations are regulated by the CRR (Parts 8 and 10, Title I, Chapter 3), European Commission regulations containing regulatory and implementing technical standards and the Guidelines set out by the EBA¹.

Banks are required to publish information with a frequency that depends on which category they belong to (large institutions, small and non-complex institutions, other listed institutions and other non-listed institutions).

Application of the prudential regulation for banks was extended to BancoPosta RFC by the third update of Bank of Italy Circular 285/2013, dated 27 May 2014². Application was made possible by the establishment, in May 2011, of BancoPosta RFC.

In making the prudential regulation for banks applicable to BancoPosta RFC, the Supervisory Authority took into account the entity’s peculiar nature, which has made it necessary to apply certain exemptions. These primarily regard the regulations governing “large exposures” and “related parties”, the countercyclical capital buffer³, the Leverage Ratio, and the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

In addition to Pillar 1 capital requirements (credit, counterparty, market and operational risks) and the self-assessment of capital adequacy with respect to all the identified risks (ICAAP/ILAAP - Internal Capital Adequacy Assessment Process/Internal Liquidity Adequacy Assessment Process), requiring preparation of an annual report to be sent to the Bank of Italy for the purposes of the Bank’s SREP (Supervisory Review and Evaluation Process), the prudential regulation applied to BancoPosta RFC also require public disclosure of capital adequacy, risk exposure and the general characteristics of the related management and control systems.

In August 2020, the EBA issued the “*Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR ‘quick fix’ in response to the COVID-19 pandemic*” (EBA/GL/2020/12), which define the disclosure templates relating to the impact on own funds of Regulation (EU) 2017/2395 containing “Transitional arrangements or mitigating the impact of the introduction of IFRS 9 on own funds”. BancoPosta RFC opted for the transitional arrangement in accordance with the “dynamic” approach. To mitigate the potential impact of a sudden increase in provisions for expected credit losses caused by the COVID-19 pandemic, Regulation (EU) 2020/873 of 24 June 2020 (CRR “Quick fix”) introduced a two-year extension of the transitional arrangements. For more details, reference is made to chapter 3.

In addition, as it opted for the “dynamic” approach, BancoPosta RFC is required to disclose also information on own funds, Common Equity Tier 1, Tier 1 capital, CET 1 Capital Ratio, Tier 1 Capital Ratio and, in case it does not apply such transitional arrangement, fully loaded Total Capital Ratio.

1. From 28 June 2021, the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 is in force, which lays down implementing technical standards (ITS) with regard to public disclosures by institutions of the information referred to Titles II and III of Part Eight of the CRR and which repeals Commission Implementing Regulation (EU) no. 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Delegated Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295.
2. Amended with Update no. 34 of 22 September 2020.
3. The Supervisory Authority decided not to set prudential limits for “large exposures”, “related parties” or the countercyclical capital buffer, given that BancoPosta RFC is prohibited from making loans to members of the public. BancoPosta is, however, required to disclose “large exposures” and “related parties”.

Annex 3 contains the disclosure requirements introduced by the new Regulation (EU) 2021/637, by EBA/GL/2020/12 on reporting in the IFRS 9 transitional period and by ITS EBA 2021/07 on interest rate risk⁴. The annex also contains the additional tables that BancoPosta RFC considered useful to include in order to provide more thorough disclosure according to the requirements of article 431, section 3 of the CRR.

BancoPosta RFC's public disclosure of risks is published on an annual basis in accordance with article 433-*quater* of the CRR and is produced in line with an internal procedure that sets out its internal controls and process. The fundamental elements of such procedure are:

- identification of the roles and responsibilities;
- identification of the information to be published;
- production and reconciliation of the information;
- drafting of the Public Disclosure;
- release of the declaration by the Manager Responsible for Financial Reporting;
- presentation to the BoD of the Disclosure and approval of the declarations;
- layout of the Public Disclosure;
- publication of the Public Disclosure.

The document is, therefore, submitted to the Board of Directors for approval of the statements made by the BancoPosta General Manager contained in this document, regarding the adequacy of risk management processes and BancoPosta RFC's overall risk profile. In accordance with art. 154-*bis* of Legislative Decree no. 58/98, the document also includes the attestation by the manager responsible for financial reporting, who declares that it is consistent with the underlying accounting books and records. Lastly, the document, in compliance with the requirements of article 431, paragraph 3 of the CRR, is accompanied by the statement, by the BancoPosta General Manager, which declares that the disclosure is prepared pursuant to Part Eight of the CRR, in line with the formal policy and the internal processes, systems and controls agreed at the level of the BancoPosta General Manager.

Unless otherwise stated, all amounts in this report are shown in millions of euros.

Poste Italiane publishes this Basel III Pillar 3 Report and subsequent revisions on its website at: http://www.posteitaliane.it/it/documenti_bancoposta.html

The "Report on corporate governance and ownership structure" (available in the "Governance" section on the website: <https://www.posteitaliane.it/it/governance.html>) provides all the information on the governance of Poste Italiane SpA required by paragraph 2 of article 435 of the CRR.

4. Final Report - Draft implementing technical standards amending Implementing Regulation (EU) No 637/2021 on disclosure of information on exposures to interest rate risk on positions not held in the trading book in accordance with Article 448 of Regulation (EU) No 575/2013.

1. Risk management policies and objectives

Existing statutory and regulatory provisions consider BancoPosta RFC to be comparable to a bank in term of controls, establishing that the related operations must be carried out in compliance with the provisions of the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF), which apply to the corresponding activities carried out by banks, brokers and other regulated intermediaries, with the exception of specific provisions adopted by the relevant authorities.

The prudential provisions have imposed the same obligations on BancoPosta as those applicable to banks, requiring it to establish a system of internal controls in line with the provisions laid down in Part I - Title IV - Chapter 3 of Bank of Italy Circular 285/2013, requiring, among other things, achievement of the following objectives:

- oversight of implementation of the Company's strategies and policies;
- the containment of risks within the limits set by the entity's Risk Appetite Framework (RAF);
- protection of the value of assets and against losses;
- effective and efficient internal processes;
- reliable and secure corporate information and IT systems and procedures;
- prevention of the risk that the entity is involved, voluntarily or involuntarily, in illegal activities (with particular regard to money laundering, usury and the financing of terrorism);
- the compliance of transactions with the law and supervisory requirements, and with internal policies, regulations and procedures.

The Bank of Italy's prudential provisions also require each intermediary to define a Strategic Plan and Budget, a RAF, the ICAAP process and the system of internal controls through an integrated process that aims to ensure that the entity's business activity is sustainable in terms of its adopted strategies and policies, and in relation to the pre-determined target risk profile.

1.1 Risk management strategies and processes

The risk management process, implemented before extension of the Supervisory Provisions to include BancoPosta RFC, has been further strengthened following compliance with prudential standards. BancoPosta RFC pays great attention to the risk management process, consisting of a body of rules, procedures, resources (human, technological and organisational) and controls designed to identify, measure or assess, monitor, prevent or mitigate and communicate to the appropriate organisational levels all the risks assumed or assumable⁵.

Within the overall risk management system, the Internal Control and Risk Management System (or "SCIGR") is particularly important, created in line with the corporate governance requirements for listed companies and the Supervisory Provisions applicable to BancoPosta's business activity. It also ensures that the business activity is in line with the Company's strategies and policies and is based on principles of a sound and prudent management. For this reason, the SCIGR has strategic importance and regards the entire organisation, in addition to the various control functions.

The Poste Italiane SCIGR is a combination of tools, organisational structures, corporate rules and policies designed to ensure that the business activity is managed according to the principles of soundness and fairness and is consistent with the corporate objectives, through an adequate definitions of players, duties and responsibilities of the various corporate bodies and control functions as well as through the identification, measurement, management and monitoring of the main risks, and through the structuring of adequate reporting lines to guarantee the flow of information.

5. See the Part 1 - Title IV - Chapter 3 of Bank of Italy Circular 285/2013.

An effective SCIGR fosters informed decision-making and helps to protect corporate assets and BancoPosta RFC, the efficiency and effectiveness of corporate processes, the reliability of the information provided to management and the market, compliance with laws and regulations, the Articles of Association and internal rules and policies.

The document aims to disseminate the SCIGR guidelines issued by Poste Italiane's Board of Directors, which include:

- reference principles and framework;
- SCIGR architecture;
- duties and responsibilities of Poste Italiane's SCIGR players;
- implementation of SCIGR in the subsidiaries;
- manners of coordination and collaboration among control functions;
- reporting lines between the different functions/corporate bodies and between these and management.

BancoPosta RFC carries out three different types of control in line with prudential regulation:

- first-level controls: line controls designed to ensure that operations are conducted correctly.

These controls are conducted by operating units themselves (e.g., hierarchical, systematic and sample controls), in part using dedicated units whose sole role is to conduct controls and which report to the heads of the operating units, or in the form of controls conducted within the back office;

- second-level controls: risk and compliance controls with the aim of ensuring, among other things:
 - a. correct implementation of the risk management process;
 - b. respect for the operating limits assigned to the various functions;
 - c. the compliance of operations with the related regulations, including self-regulatory guidelines.

These controls are conducted by BancoPosta's Risk Management, which includes BancoPosta's Anti-Money-Laundering and Compliance unit;

- third-level controls: controls that aim to identify violations of procedures and regulations and periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the system of internal controls and of the IT system (ICT audit), with a frequency predetermined on the basis of the nature and intensity of risks.

These controls are carried out by BancoPosta's Internal Auditing function.

Definition and approval of the guidelines for the SCIGR and of risk management policies is the responsibility of corporate bodies (the CEO, the Board of Directors and the Board of Statutory Auditors), as is implementation of strategic guidelines and objectives and, in particular, of the RAF and the ICAAP, and assessment of the adequacy of the system of internal controls and the organisational structure.

The BancoPosta General Manager exercises the powers of ordinary administration delegated by the CEO of Poste Italiane and is the party, within BancoPosta RFC, responsible for proposing, implementing and controlling the guidance provided by the Board of Directors and the CEO, reporting directly to them.

In December 2014, when approving the strategic plan and annual budget, the Board of Directors defined a risk appetite framework (the "RAF"), summarising the strategies to be followed by BancoPosta RFC when assuming risks in line with the Business Plan, the business model and the ICAAP. Specifically:

- the Board of Directors has defined and approved risk appetite targets, risk tolerance thresholds and risk capacity limits;
- a structured process is used to assess the direction in which operations are developing, as part of the wider strategic planning and budgeting process, resulting in definition of the risk appetite. This process enables an assessment of the financial sustainability of the strategic plan and to highlight circumstances in which the assumption of certain categories of risk must be avoided or contained;
- the scope of risk appetite monitoring and the related metrics have been defined;
- procedures and management actions (so-called escalation) have been provided for should it be necessary to reduce the degree of risk to within the pre-determined threshold or limits.

Oversight of the effective risk profile, with respect to the targets set out in the RAF, involves monitoring the following:

- **capital adequacy**, with the aim of assessing whether or not capital is sufficient to cover Pillar 1 and 2 capital requirements generated by the key risks to which BancoPosta RFC is exposed;
- **capital allocation**, to monitor the optimum composition, in terms of required capital, of the key risks to which BancoPosta RFC is exposed on the basis of its business model;
- **financial structure**, monitored in order to ensure a form of control that is both consistent with regulatory requirements regarding the leverage ratio and with the needs of the business, with the aim of overseeing the composition of funding (private customer or bank deposits) on the basis of the entity's business activity;
- **liquidity**, with the aim of monitoring short- and medium/long-term liquidity;
- **economic performance**, with the aim of overseeing not just the overall risk profile, but also the earnings profile, taking into account the role carried out in terms of viability and capital growth.

Risks that are difficult to quantify (reputational and strategic risk) are covered in a specific section of the RAF in order to monitor their evolution and activate the internal management processes and the internal control system.

In 2021, BancoPosta RFC worked on the integration of climate change risk into the routine processes of risk assessment and monitoring, finalising the mapping of this type of risk, launching analyses for an initial impact assessment on the main processes/products and identifying the risk mitigation actions for sustainable business development.

Following introduction of the RAF and to ensure compliance with it, operating limits have been established for the main types of risk. Operating units must respect these limits.

To ensure correct implementation of the RAF, BancoPosta RFC requires compliance with the risk appetite to be subject to:

- *ex-post* assessment by monitoring the risk profile of each of the above areas at least on a quarterly basis;
- *ex-ante* checks by evaluating Most Significant Transactions, meaning transactions that, due their size, innovative nature or expected impact on the risk/return profile, may have a material impact on achievement of the risk appetite targets defined and approved by the Board of Directors.

1.2 Structure and organisation of the Risk Management unit

Within BancoPosta RFC, the role of the risk control function required by the Supervisory Provisions is played by BancoPosta's *Risk Management and Outsourcing Governance* unit. This unit reports, in coordination with the Group Risk Management function, to Poste Italiane SpA's Board of Directors, the CEO and the BancoPosta General Manager, preparing the necessary reports on specific matters required by the above standards (e.g. the work plan, the annual report and the dashboard) for Poste Italiane's corporate bodies (Board of Directors and Board of Statutory Auditors), in their respective roles of strategic oversight and control of BancoPosta RFC.

BancoPosta's *Risk Management and Outsourcing Governance* unit contributes to the integrated risk management process, operating in keeping with the standards defined by the *Group Sustainable Development, Risk and Compliance* function and ensuring that information is shared at consolidated level. In particular, the BancoPosta RFC Risk Management unit:

- ensures, with specific regard to BancoPosta RFC, an integrated, retrospective and prospective view of BancoPosta RFC's risk, capital and organisational adequacy (ICAAP);
- develops, in compliance with the supervisory provisions, systems and methods for managing and measuring BancoPosta RFC's significant risks, identifying, classifying and updating continuously risk events;
- measures Poste Italiane's financial risks.

Furthermore, the BancoPosta RFC *Risk Management and Outsourcing Governance* unit:

- is involved in the definition and implementation of the RAF and risk management policies, through an adequate risk management process, as well as in setting operating limits to the various types of risk;
- determines the risk appetite in keeping with the targets and the business plan assumptions, developing awareness in the corporate bodies during the analysis and approval of strategic and operational guidelines;
- checks the adequacy of the RAF, the risk management process and the operating limits;
- constantly monitors the effective risk profile and its consistency with the risk appetite, working with the relevant functions in order to identify risk management and mitigation initiatives;
- is responsible for the development, validation (in accordance with the established independence requirements) and maintenance of risk measurement and control systems;
- determines common metrics to assess operational risks consistent with the RAF, in cooperation with the competent corporate functions;
- determines the manners in which reputational risk is assessed and controlled, working with the competent corporate functions and the corporate functions that are mostly exposed to such risk;
- is involved in the assessment of strategic risk, by participating in the process to prepare the Strategic Plan and the Budget, the identification of the relevant inherent risks and the review of the sustainability of the strategic assumptions in terms of capital adequacy and consistency with the risk appetite approved by the Board of Directors;
- ensures consistency between the risk measurement and control systems and the processes and methodologies to assess corporate activities, cooperating with the corporate departments concerned, with specific reference to the manner in which the value of financial instruments is determined;
- provides advice and support to operating and business units during the *ex-ante* assessment of their risk profiles in relation to new offerings and/or product design, by also providing a prior opinion on consistency with the risk appetite for Most Significant Transactions;
- checks the adequacy and effectiveness of the measures adopted to remedy any flaws in the risk management process;
- defines, on an *ex-ante* basis, the customer and counterparty risk of BancoPosta RFC in view of the business and measurement of expected loss as set forth in IFRS 9;
- oversees the Data Governance activities envisaged by the reference legislation;
- in relation to Anti-Money Laundering, guarantees, in coordination with the Group Anti-Money Laundering unit, advice and assistance to the business and operating units, performing *ex-ante* assessments of the risks of money laundering and financing of terrorism for the purposes of defining new products/services and/or changes to how they are distributed and provided; collaborates in the continuous updating of oversight of the organisation, procedures, IT and operational limits;
- ensures overall oversight of the awarding/outsourcing process of BancoPosta functions, guaranteeing the monitoring and control of the awarded/outsourced activities and compliance with the envisaged levels of service;
- guarantees the definition, implementation and updating of the business continuity plan for the financial services.

1.3 Risk measurement systems, monitoring and mitigation policies

The scope of the risk measurement and capital adequacy assessment systems described below is limited to BancoPosta RFC.

The principal types of risk to which BancoPosta RFC is exposed in the course of its ordinary activities are briefly described below:

- operational risks;
- banking book interest rate risk;
- banking book spread and price risk;
- risk of excessive leverage;

- credit and counterparty risk;
- market risks⁶;
- liquidity risk;
- concentration risk - large exposures and related parties;
- other risks.

In terms of capital adequacy, in line with the related Supervisory Provisions, BancoPosta RFC has adopted simplified regulatory models to estimate its Pillar 1 capital requirements (credit, counterparty, market and operational risks). Instead, BancoPosta RFC uses internal methods in order to estimate its Pillar 2 capital requirements relating to interest rate and operational risks.

The above operational and interest rate risks are of greater relevance in terms of capital requirements, partly in relation to BancoPosta RFC's business model, given that it is not authorised to conduct the financing and lending activities typical of banks. The risks to which BancoPosta RFC is most exposed are analysed below, describing the nature of the related measurement systems and any risk mitigation policies.

1.3.1 Operational risks

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes losses resulting from fraud, human error, business disruption, systems failures, breach of contracts and natural disasters. This form of risk also includes non-compliance risk, in its direct form, relating to the risk of legal or administrative fines and of material financial losses as a result of the violation of laws, regulations, or self-regulatory principles or codes of conduct.

Operating losses can result from any of the business processes falling within the scope of BancoPosta RFC's business activity, including those carried out by Poste Italiane's functions in accordance with the related Operating Guidelines, through which the rules and methods for awarding activities are defined.

Operational risks also include information technology risk, referring to the risk of incurring economic losses, reputational damage and loss of market share as a result of the use of information and communication technology (ICT).

The BancoPosta method for risk identification, based on the characteristics of the operations related to the BancoPosta products, involves a process of identification and mapping with the involvement of the interested BancoPosta and Poste Italiane functions. Constant updating of the operational risk mapping is guaranteed, for both regulatory and management purposes, in accordance with the provisions of the reference legislation. The risk identification activity is subjected to periodic review, at least once a year, or whenever there is a significant change to BancoPosta's regulatory, operational or reference market context, including in connection with the changes envisaged as part of the company Strategic Plan and Budget.

The activities of the specialist functions play a role in both measuring and managing risk, each according to their area of expertise (physical security, information security, Compliance, Audit, Anti-Money Laundering, etc.). The management of BancoPosta RFC's operational risk is, therefore, conducted across the organisation by a range of different specifically appointed entities within BancoPosta RFC's and Poste Italiane's organisation.

The monitoring and reporting control system aims to assess over time the risk levels and any critical issues identified and the evolution of exposure to operational risk on the basis of the defined measurement system and provide information for reports to management, the supervisory bodies and any company structures involved, as well as the other control units.

The operational risk mitigation process involves the identification of mitigation actions and control relating to the performance of interventions, risk transfer, where possible, and the activation of escalation processes in the event of worsening or divergence of the operational risk profile.

For the capital requirement calculation, in line with the provisions of the reference legislation, the following is used:

- the Basic Indicator Approach (BIA), for the calculation of the "Pillar 1" requirement;
- the Advanced Measurement Approach (AMA) for the calculation of the "Pillar 2" requirement.

6. BancoPosta RFC is only exposed to market risk in relation to foreign exchange risk, deriving from foreign currency current accounts, foreign currency cash and dollar-denominated VISA shares.

The quantification of Pillar 1 capital requirements in respect of these risks is carried out applying the basic approach to calculation provided for in Regulation (EU) 575/2013 (15% of the average of the last three twelve-monthly observations at the end of the financial year).

Given the significance of operational loss and in order to increase effective mitigation, BancoPosta RFC has adopted an Operational Risk Management system that uses guiding principles based on sound and prudent management and aligned with prudential supervisory regulation.

The internal model enables calculation of a measure that is more sensitive to the effective risk identified within the scope of BancoPosta RFC's business activity. The internal model used by BancoPosta RFC to measure its exposure to operational risk incorporates and sums up the four sources of risk specified in the regulations in force:

- **internal data:** information on operational risk events gathered internally with all the data needed to analyse such events, in accordance with the general criteria for recording and classifying the historical loss data fed into the operational loss database;
- **external data:** information on operational risk events gathered by the consortium database known as DIPO⁷, classified and recorded in accordance with the rules established by the consortium and in line with the internal rules for gathering data, after appropriate standardisation and integration;
- **scenario analyses:** scenario analyses carried out by risk champions and specialist units within Poste Italiane on BancoPosta RFC processes, with the aim of identifying risks not adequately revealed by the historical loss data. The analyses focus on both the frequency and impact of operational risk events;
- **evaluation of the business environment and internal control system:** indicators that summarise the environment in which the risk arises and play a role in determining the related capital requirements, both indirectly, through inclusion in the process of estimating risk scenarios, and directly, in determining the weightings used in the qualitative-quantitative integration model for VAR calculation.

Finally, the validation process assesses the accuracy of estimates of all the relevant risk components and expresses an opinion on both the implementing rules and the robustness of the risk management system used.

1.3.2 Banking book interest rate risk

BancoPosta RFC defines banking book interest rate risk as the risk of incurring losses that have an impact on the economic value and net interest income, as a result of potential changes in "risk free" interest rates⁸.

Exposure to banking book interest rate risk reflects the peculiar nature of the investment of liquidity generated by postal current account deposits forming part of BancoPosta RFC's business activity.

In quantifying the banking book interest rate risk, BancoPosta RFC adopted, starting from the end of 2019, an internal model for measuring the economic value, consistent with the evolution of prudential regulations on the matter⁹, which provides for the estimate of the current value of assets and liabilities on the basis of six distinct rate scenarios. It differs from the simplified method of the Bank of Italy mainly in the component relating to the estimate of the expected duration of postal current accounts and prepaid cards, contractually on demand¹⁰ and in the full evaluation with respect to discretisation in maturity bands. Further details are provided in section 13.

As part of second-level controls, the Risk Management unit conducts a weekly audit of the established operating limits¹¹ and a monthly audit of compliance with the risk appetite. In case of transactions that – in terms of size, innovative characteristics or expected impact on the risk/return profile – might affect the achievement of targets set and approved by the Board of Directors, it checks compliance with the risk appetite limits *ex ante*.

In the event of any divergence, appropriate risk containment and mitigation measures are taken.

The validation process assesses the accuracy of estimates of all the relevant risk components and expresses an opinion on both the implementing rules and the robustness of the risk management system used.

7. The Italian Operational Loss Database managed by ABI, the Italian Banking Association.

8. These rates do not include the component relating to the change in the credit risk premium embedded in securities in the banking book, represented by spread risk in the banking book.

9. EBA Guidelines of July 2018 (EBA/GL/2018/02) and 32nd update of April 2020 of Bank of Italy Circular 285/2013.

10. Compliance is required with the limit, defined in the EBA Guidelines, which sets the average maturity of contractual liabilities on demand to 5 years.

11. These include duration limits and time thresholds by maturity.

Finally, in terms of reporting, the Risk Management unit is responsible for producing periodic reports on interest rate risk for corporate bodies and the relevant committees and functions.

As regards the mitigation of interest rate risk, BancoPosta RFC uses derivatives to hedge this form of risk. To hedge its exposure to government securities, BancoPosta RFC uses the following hedges:

- cash flow hedges;
- cash flow hedges of forecast transaction;
- fair value hedges.

Regarding the management policies for banking book interest rate risk, with particular reference to the operating limits and the limits defined in the RAF, refer to chapter 13.

1.3.3 Banking book spread and price risk

Banking book spread risk

Given the characteristics of BancoPosta RFC's business activity, banking book spread risk is linked to potential falls in the bonds value held in banking book following deterioration in the creditworthiness of the issuer.

At 31 December 2021, the banking book consists entirely of bonds issued or guaranteed by the Italian government. As a result, the principal source of risk is represented by the risk premium resulting from Italy's sovereign credit rating, which is inherently linked to BancoPosta RFC's business activity.

In 2021, average Italian government bond yields rose, bringing the spreads between ten-year Italian government bonds and German bunds to 135 bps, compared to approximately 111 bps of the previous year.

During the period in question, as described above, the portfolio of financial assets measured at fair value through other comprehensive income (notional of around €31 billion), held by BancoPosta RFC, showed an overall net decrease in fair value of approximately €2.2 billion: this change was partly recognised in the profit or loss account for a negative amount of approximately €1.2 billion relating to the change in the fair value of securities hedged against interest rate risk¹², whilst the negative change in the fair value of unhedged securities and the spread risk component (not hedged) was reflected in equity for approximately €1 billion.

Banking book price risk

Banking book price risk regards the risk of incurring losses following changes in the value of financial assets that are not due to movements in interest rates.

The financial assets subject to banking book price risk held by BancoPosta RFC are the Visa Incorporated Series C Convertible Participating Preferred Stocks and Series A Preferred Stocks¹³, which are recognised among Financial assets measured at fair value through profit or loss and allocated to BancoPosta RFC under commercial agreements regarding the sale of payment instruments. The principal source of risk for these financial instruments is represented by potential movements in the related share prices. This volatility was mitigated by the partial forward sale of approximately 90% of Visa Incorporated Series C ordinary shares in 2021.

BancoPosta RFC monitors share price risk by calculating VaR (Value at Risk), estimated over a one-day time horizon and at a 99% confidence level, whilst from a prudential viewpoint the exposures attract capital charges due to credit and foreign exchange risks.

12. This change is offset in the profit or loss with the income component deriving from the accounting of the positive change in fair value of the related hedging derivatives.

13. The Visa Incorporated Series A Preferred Stock was in the portfolio as at 31 December 2020 and was sold in June 2021.

1.3.4 Risk of excessive leverage

This risk occurs when Tier 1 capital is not adequately proportionate to total on-balance sheet assets (not risk-weighted) increased by off-balance sheet exposures. This is a condition of financial stability that must be complied with, for which Regulation (EU) 2019/876 (CRR II) established a Pillar 1 threshold value of 3% for banks.

Whilst exempted from application of the related regulatory requirements¹⁴, BancoPosta RFC controls this risk by monitoring the leverage ratio introduced by Basel III¹⁵ on a quarterly basis and by including it in the RAF.

Further details are provided in section 15.

1.3.5 Credit and counterparty risk

Credit risk is defined as the possibility that a change in the creditworthiness of a counterparty, to which the entity is exposed, could result in a matching change in the value of the credit position. It thus represents the risk that the debtor is partially or entirely unable to repay the principal and interest due.

The method used to calculate the credit risk capital requirements is the standardised approach defined in Regulation (EU) 575/2013¹⁶. Application of this method entails the use of Standard & Poor's, Moody's, Fitch and DBRS for the computation of counterparty credit rating classes. Quantitative information regarding credit risk is provided in section 4.

The majority of BancoPosta RFC's Statement of Financial Position assets, consisting of euro area government securities or those guaranteed by the government and deposits with the MEF and tax credits¹⁷, do not give rise to credit risk capital requirements, in accordance with the relevant prudential regulation¹⁸. The exposure to credit risk, associated with exposures other than those linked to securities held in portfolio or deposited with the MEF and tax credits, relates to assets deriving from BancoPosta RFC conduct of the following transactions:

- items in progress: cheque clearing, use of electronic cards, collections;
- trade receivables payable by partners in relation to financial/insurance product placement;
- cash collateral for outstanding repurchase agreements with banks and customers, in accordance with agreements intended to mitigate counterparty risk (GMRA – Global Master Repurchase Agreements);
- cash deposits made as a pre-funded contribution to the guarantee fund of the Central Counterparty “Cassa Compensazione e Garanzia” for repurchase agreements;
- shares (VISA) held in the banking book;
- temporarily overdrawn postal current accounts caused by debiting fees: limited to those which were not classified as impaired since the accounts were in funds in early 2022;
- any credit position with the Italian Treasury due to deposit transfers minus any advance received.

Credit risk is controlled through the following:

- minimum rating requirements for issuers/counterparties, based on the type of instrument;
- concentration limits per issuer/counterparty;
- monitoring of changes in the ratings of counterparties.

The limits referred to above have been established by the “Guidelines on Poste Italiane SpA's financial management”¹⁹ for BancoPosta RFC. Specifically, as regards rating limits, transactions are allowed solely with investment grade counterparties and Eurozone government issuers with a rating at least equal to that of the Italian Republic.

14. See Part Four - Chapter 1- Section III of Bank of Italy Circular 285/2013.

15. See Regulation (EU) 575/2013 and Regulation (EU) 62/2015.

16. The supervisory instructions for BancoPosta RFC, issued on 27 May 2014, require sole use of the standardised approach to calculate credit risk.

17. Tax credits transferable pursuant to Italian Law Decree no.34/2020 (Relaunch Decree) or other tax credits transferable pursuant to current legislation.

18. See article 114 paragraph 4 of Regulation (EU) 575/2013.

19. On 3 August 2021, Poste Italiane SpA's Board of Directors approved the updated version of the Guidelines on Poste Italiane SpA's financial management, on the proposal of the CEO and after consulting the Control and Risk Committee.

With reference to the monitoring thresholds of concentration risk, the limits set by prudential regulation are applied²⁰.

Counterparty risk is the risk that a counterparty could default on obligations of a financial instrument during its term. This risk is inherent in certain types of transaction which, for BancoPosta RFC, would be financial derivatives and repurchase agreements.

The method used to calculate the counterparty risk capital requirements is the standardised approach defined in Regulation (EU) 575/2013. The exposure to risk is determined according to the methods shown below for each of the categories of transactions which give rise to counterparty risk:

- OTC financial derivatives: “standardised approach” (SA-CCR);
- long settlement transactions: “standardised approach” (SA-CCR);
- Securities Financing Transactions (SFT): “full method” with the prudential adjustments for volatility required by credit risk mitigation techniques.

Further details of the categories of instrument linked to this risk and of the methods used to calculate capital requirements are provided in section 5 of this document.

ISDA (International Swaps and Derivatives Association) agreements, CSAs (Credit Support Annexes) and GMRA (Global Master Repurchase Agreements) are used to mitigate counterparty risk on financial derivatives and SFTs. These agreements provide for the netting of asset and liability positions and the posting of cash or government securities as collateral.

It should also be noted that, in order to mitigate counterparty risk and have easier access to the market, during 2021 BancoPosta RFC also began trading in OTC derivatives with Qualified Central Counterparty clearing through clearing brokers, in compliance with the requirements envisaged by article 305 of Regulation (EU) 575/2013.

Lastly, for the same purpose, since December 2017, BancoPosta has stipulated repurchase contracts through the Central Counterparty “Cassa Compensazione e Garanzia”. In this context, capital requirements are calculated in accordance with article 308 of Regulation (EU) 575/2013 on own funds requirements for pre-funded contributions to the guarantee fund of a Qualified Central Counterparty.

In line with the indications introduced by Basel 3, BancoPosta RFC has included **Credit Valuation Adjustment (CVA)** risk within the counterparty risk. This represents the risk of potential losses as a result of movements in market prices due to deterioration in the creditworthiness of counterparties and is quantified using the standardised approach. The capital requirement for CVA risk is calculated in relation to exposures to derivatives.

As part of second-level controls relating to credit and counterparty risk, the *Risk Management and Outsourcing Governance* unit conducts a weekly audit of the established operating limits. In the event of any divergence, appropriate risk containment and mitigation measures are taken. In order to enable the Top Management to appropriately assess the need for action to manage and/or mitigate risks, the Risk Management unit produces quarterly risk reports, including credit and counterparty risk, for corporate bodies and the relevant committees and functions. These reports are then sent on to the Bank of Italy, together with those produced by the other control functions.

1.3.6 Market risks

As defined by the relevant standards, BancoPosta RFC does not have a trading book. As a result, the only component of market risk relevant to BancoPosta RFC is foreign exchange risk, defined as the risk of incurring losses due to adverse movements in the value of foreign currencies across all the positions held, regardless of the book to which they are allocated. In BancoPosta RFC’s case, this risk primarily derives from foreign currency current accounts, foreign currency cash and (VISA) shares²¹.

Foreign exchange risk is controlled by the Risk Management unit using the measurement of exposure to the risk in accordance with financial operations guidelines which restrict currency trading to the foreign exchange service and international bank transfers.

Foreign exchange risk is measured using the prudential methodology provided for in Regulation (EU) 575/2013.

20. According to prudential regulation, with reference to the rules on Large Exposures, risk-weighted assets must remain below 25% of own funds. As a rule, exposures are recognised at nominal value, taking into consideration any credit risk mitigation techniques. To take into account the lower risk related to the nature of the borrower, more favourable weighting factors are applied.

21. The foreign exchange risk relating to VISA shares was mitigated through a forward sale transaction carried out during 2021.

1.3.7 Liquidity risk

In accordance with the definition provided in the related regulations, liquidity risk may be defined as the risk that a financial institution is unable to meet its payment obligations due to its inability to raise sufficient funds in the market (funding liquidity risk) or to sell financial assets quickly and not on excessively onerous terms (market liquidity risk).

The specific financial policy adopted by BancoPosta RFC aims to minimise liquidity risk through:

- diversification of the various forms of short-term and long-term loans and counterparties;
- gradual and consistent distribution of the maturities of medium/long-term borrowings;
- use of dedicated analytical models to monitor the maturities of assets and liabilities;
- the availability of the interbank markets as a source of Repurchase Agreement finance, with collateral in the form of securities held in portfolio, due to the fact that such assets consist of financial instruments deemed to be highly liquid assets by current standards.

In order to mitigate liquidity risk in the event of extreme market scenarios, from 26 June 2020 BancoPosta RFC may access a three-year committed line of funding from Cassa Depositi e Prestiti for Repurchase Agreements of up to €4.25 billion.

BancoPosta RFC's exposure to liquidity risk reflects the specific nature of its business model and regards the investment of the liquidity resulting from current account deposits and prepaid cards²², and the margins related to derivative transactions and repurchase agreements. BancoPosta RFC's liquidity risk is managed in the following manner:

- Liquidity risk deriving from private customer postal current account deposits is managed by monitoring of the related cash flows, enabling "dynamic" treasury management based on the efficient management of short-term cash shortfalls and excesses. In this regard, BancoPosta RFC makes use of specific instruments to meet its liquidity requirements, as described below:
 - a. a liquidity buffer in the form of a demand current account held at the MEF, aimed at managing BancoPosta RFC's liquidity requirements in keeping with the current account dynamics;
 - b. a portfolio of Euro area Government securities and other securities guaranteed by the Italian Republic, which presents the following characteristics:
 - it consists of financial instruments that, in accordance with the relevant regulations, may be used as collateral in interbank repurchase agreements and may, therefore, be assimilated with primarily liquidity reserves (PLR²³), given that they are highly liquid assets, suitable to cope with short-term stress scenarios;
 - it is the result of application of the funding model defined as part of the process of managing interest rate risk, identifying a medium- to long-term maturity and repricing profile for private customer current account deposits and prepaid cards, resulting in the vector in hypothetical "virtual runoff rates". Construction of the securities portfolio based on the funding maturity model aims to minimise liquidity risk;
 - it consists primarily of government securities which, given the breadth and depth of the markets in which they are generally traded, may be considered among the securities most readily and rapidly convertible into cash under normal market conditions;
 - c. the option of meeting its temporary liquidity requirements, relating to both current account deposits and margin deposits for cash collateral agreements resulting from CSAs and GMRA's, by entering into repurchase agreements in which the underlyings are the securities held in portfolio²⁴;
 - d. possibility of depositing with the Bank of Italy account temporary excess of liquidity deriving from private customer deposits.
- The fact that there is a substantial match between the contractual maturities of liabilities and assets helps to minimise liquidity risk deriving from the postal current account deposits of Public Administration entities.
- In terms of its intraday liquidity risk, BancoPosta RFC's exposure regards the following:
 - a. the ordinary daily operations of post offices and settlement systems (the transfer of customers' funds), for which BancoPosta makes use of the following instruments:
 - short-term advances from the MEF generally with maturities of 2 days via an account with the Bank of Italy, requested and obtained at the beginning of the day without any limits on amount with the aim of meeting estimated daily liquidity requirements;

22. Prepaid cards have been the responsibility of PostePay SpA since 1 October 2018. The liquidity collected through these cards is transferred to BancoPosta RFC, which invests it in accordance with the investment restrictions imposed on the remaining private customer deposits. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposits continue to apply.

23. The fair value of HQLA at 31 December 2021 amounted to approximately €63 billion and consists of €53.4 billion of eligible securities, €2.9 billion of cash, €2 billion of deposit with the MEF (Buffer) and €4.8 billion in deposits with central banks.

24. To mitigate liquidity risk, starting from December 2017, BancoPosta enters into Repurchase Agreements through "Cassa Compensazione e Garanzia", the Central Counterparty. This allows easy access to a transparent, orderly and regulated market, with a large number of participants, and makes it possible to conserve liquidity thanks to the netting of opening and closing positions and the lending and borrowing transactions.

- intraday credit from the Bank of Italy, in order to ensure flexibility in settling intraday interbank transactions. It should be noted, however, that the funds obtained from the Bank of Italy under the intraday credit facility must be repaid by the end of the business day.
- b. trading in securities in which intraday liquidity risk regards switch transactions in particular: in cases where the amount of purchases temporarily exceeds liquidity in the buffer account or generated by sales, the depositary bank's Self Collateralization service allows the securities owned by BancoPosta RFC and held by the depositary bank to be used as collateral in order to ensure satisfactory completion of the settlement process. Also, in this case, it is necessary that the amount is repaid by the end of the business day. In this case, the risk is mitigated via an uncommitted, non-specific line of credit provided by the depositary bank, which, when necessary, enables BancoPosta RFC to obtain funding of up to €50 million;
- c. the settlement of Repurchase Agreements, entered into to finance day-to-day operations, for more efficient portfolio management, and margin deposits for CSAs, GMRAs and with "Cassa Compensazione e Garanzia" for Repo-MTS activities. In this context, a minimum liquidity buffer was set up as a mitigation tool in the Bank of Italy account, to address any intraday liquidity shortages resulting from margin requests subsequent to market cut-offs. This buffer is monitored through sensitivity analyses.

In addition to the foregoing, in the event of sudden and unplanned intraday liquidity needs, it is possible to activate the committed line with Cassa Depositi e Prestiti and/or request liquidity from Poste Italiane, which provides it at market conditions, also through the use of its own credit lines with selected banking institutions.

BancoPosta monitors its exposure to liquidity risk by using:

- a maturity ladder to analyse the mismatch between cash in and outflows for specific time band. These mismatches indicate the volume of liquidity that BancoPosta RFC may potentially need to have in each time band if all the outflows occur at the earliest possible date;
- indicators required by the prudential standards contained in Regulation (EU) 575/2013 and in Delegated Regulations (EU) 61/2015 and 876/2019, such as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR);
- Early Warning Indicators (EWI) defined internally, consisting of specific indicators and market indicators, in order to promptly identify any stress situations impacting liquidity.

Under the RAF, the entity also monitors the funding gap, which is an indicator of the level of BancoPosta RFC's funding obtained through the different forms of medium/long-term deposits other than current accounts.

As part of second-level controls, the Risk Management unit conducts a weekly audit of the established operating limits. Following this process, in case of any divergence, the relevant Poste Italiane and BancoPosta RFC functions take appropriate risk containment and mitigation measures. The Risk Management unit also produces periodic reports for corporate bodies and the relevant committees and functions on the outcome of its audits and the performance of the Early Warning Indicators.

In order to mitigate liquidity risk, a Contingency Funding and Recovery Plan, referred to in the ICAAP/ILAAP, has also been drawn up, with the aim of preparing the Top Management to respond to a sudden liquidity crisis (whether systemic or specific) and to ensure that BancoPosta RFC conserves an adequate level of liquidity, by predefining the roles, responsibilities, procedures, timings and methods of communication to be used in implementing and executing the planned contingency measures.

1.3.8 Risk concentration - large exposures

In compliance with the supervisory provisions in force, "large exposures" means exposures to customers or groups of connected customers that exceed 10% of total own funds.

Given the nature of BancoPosta RFC's business activity, risk concentration results from positions deriving from:

- operating trade receivables due from partners in relation to the distribution of financial/insurance products;
- OTC derivatives;
- forward trading in government securities;
- cash collateral pledged for contracts entered into to hedge counterparty risk (GMRAs);
- repurchase agreements.

The largest proportion of transactions entered into by BancoPosta RFC involve exposure to the Italian Republic, to which the prudential regulation assigns a risk weighting of 0%, thereby rendering the concentration risk resulting from such transactions equal to zero.

Even if the specific Supervisory Provisions do not impose quantitative limits, BancoPosta's Risk Management unit conducts weekly audits of the level of the risk-weighted exposures assumed, applying the method described in Regulation (EU) 575/2013. The results of the audits are, if necessary, brought to the attention of the Top Management.

The full method with prudential adjustments is used to mitigate credit risk and regards netting agreements and securities and cash received as collateral for ISDAs, CSAs and GMRAs.

1.3.9 Related parties

The specific Supervisory Provisions do not impose quantitative limits on BancoPosta RFC with regard to the risk exposure to related parties. However, in order to comply with regulatory requirements regarding authorisations and reporting, BancoPosta RFC conducts quarterly monitoring of outstanding positions in terms of risk assets by applying the method described in Bank of Italy Circular 285/2013.

1.3.10 Other risks

Residual risk

Residual risk is defined as the risk that the recognised techniques used to mitigate credit and counterparty risk are less effective than expected. This risk has been considered relevant for BancoPosta RFC since 2014, following completion of the internal process that enabled the entity to take into account mitigation techniques for prudential purposes with regard to derivatives and repurchase agreements.

BancoPosta RFC monitors residual risk applying a conservative approach that involves assessing compliance with minimum capital requirements for counterparty risk assuming the absence of collateral.

Strategic and business risk

Strategic risk consists of two components described below:

- business risk, regarding potential unexpected declines in profit/margins, not linked to other risk factors, but to the volatility of volumes or to changes in customer behaviour;
- "pure" strategic risk, associated with significant business discontinuity linked to key strategic decisions.

Strategic and business risk is monitored through the participation of BancoPosta's Risk Management unit in the process of preparing the Strategic Plan and verifying the sustainability of the related assumptions. The study of the Company's business model is also carried out within the ICAAP/ILAAP processes. It analyses the consistency of the business model in relation to the strategic targets assumed and the related vulnerabilities, also analysing the external positioning through benchmarking.

The evolution of BancoPosta's revenues is also monitored through a management method for measuring the Ebit@risk, in accordance with the analyses at Group level.

Moreover, the monitoring of RAF metrics, designed to identify and assess any discrepancies over time with respect to the plans drawn up when preparing the Strategic Plan, is used to manage strategic risk. It involves both the Risk Management unit, which conducts the monitoring process, and the Top Management, who receive appropriate information.

If periodic monitoring reveals the failure to meet one or more objectives, thresholds or limits defined in the RAF, or if it identifies a deterioration in the risk profile not covered by the framework, a process of escalation is initiated in order to inform corporate bodies and, if necessary, take the appropriate corrective action to reduce the risk assumed to within the desired level.

Reputational risk

Reputational risk is defined as the current or future risk of a loss or decline in profits or capital as a result of a negative perception of the entity's image among customers, counterparties, shareholders, investors or regulators. Given its importance in relation to achievement of the targets set out in the business plan, BancoPosta RFC monitors this form of risk in order to manage its exposure.

BancoPosta RFC's reputational risk measurement and monitoring activity is based on an index that represents a synthetic and quantitative overview of the assets that influence BancoPosta's reputation as perceived by the different stakeholders.

This index is based on the behavioural study of one or more indicators for each of the four reputational assets identified. The reputational dashboard also includes a section for the monitoring of the trend in complaints, which represent an early warning with respect to the development of said index.

Starting with the information reported on the BancoPosta reputational index, a reputational KRI for RAF monitoring was defined, calculated as the difference of the value registered for BancoPosta with respect to the market benchmark value, in order to best monitor BancoPosta's reputational performances.

The reputational risk monitoring is incorporated into a dashboard that is produced quarterly; furthermore, it includes a back-up section with further information about the components of the BancoPosta reputational index.

Lastly, during the year, a series of in-depth analyses were carried out to identify additional reporting sources to reinforce the predictivity of the dashboard. As a result of these in-depth analyses, a review of the BancoPosta reputational risk dashboard is planned for 2022.

Regulatory risk

In BancoPosta RFC's case, regulatory risk primarily regards its exposure to potential changes in the regulations governing the weightings assigned to government securities for the purposes of credit risk, counterparty risk, operational risk, interest rate risk and the leverage ratio.

Of particular importance for BancoPosta was the update of the prudential regulation following the publication in the Official Journal of the European Union on 7 June 2019 of Regulation (EU) 2019/876 - also known as CRR II (Capital Requirements Regulation) - falling within the broader package of regulatory reforms which also includes Directive (EU) 2019/878 - also referred to as CRD V (Capital Requirements Directive).

The new legislation, among other things, with particular reference to BancoPosta RFC's business activity, introduced, from June 2021, significant changes in the calculation methods for the exposure to counterparty risk and in the calculation of the Net Stable Funding Ratio (NSFR); changes were also made to the financial leverage calculation, which however does not represent a binding regulatory obligation for BancoPosta. With reference to the monitoring of the banking book credit spread risk and the net interest income, a consultation is under way for the purposes of sharing the technical standards set out by the EBA. BancoPosta RFC monitored the regulatory developments from the outset, and has, over time, carried out the necessary simulations in order to verify their capital sustainability.

1.4 Adequacy of risk management procedures and consistency with the overall risk profile and the business strategy

With regard the requirements of article 435 - paragraph 1, letters e) and f) of the CRR, the following section:

- presents the concluding summary on the adequacy of risk management procedures and consistency between risk management systems and BancoPosta RFC's profile and strategy;
- briefly describes BancoPosta RFC's overall risk profile and the related business strategy.

BancoPosta RFC's risk management process, consisting of a body of systems, processes and methods, is periodically assessed and audited by the various corporate functions involved in control procedures, according to their areas of responsibility.

The following table shows key aspects of BancoPosta RFC's risk profile:

Items	Amount at 31.12.2021	Amount at 31.12.2020	Delta	Delta (%)
Own funds				
Common Equity Tier 1 (CET1)	2,633	2,449	183	7%
Additional Tier 1 capital (AT1)	350	-	350	-
Tier 1 capital (Tier 1)	2,983	2,449	533	22%
Tier 2 capital (T2)	-	-	-	-
Total own funds	2,983	2,449	533	22%
Risk-weighted assets				
Credit and counterparty risk	1,732	3,007	-1,275	-42%
Risk of changes in credit ratings	1,994	293	1,710	580%
Market risks	62	90	-28	-31%
Operational risk	9,825	10,112	-287	-3%
Total risk-weighted assets	13,613	13,502	111	1%
Capital ratios				
Common Equity Tier 1 / Risk-weighted assets (CET1 <i>capital ratio</i>)	19.3%	18.1%	1.2%	
Tier 1 capital / Risk-weighted assets (<i>Tier1 capital ratio</i>)	21.9%	18.1%	3.8%	
Total own funds / Risk-weighted assets (Total capital ratio)	21.9%	18.1%	3.8%	

Own funds, risk weighted assets (RWAs) and capital ratios at 31 December 2021 have been calculated on the basis of the "Basel III" standards contained in Directive 2013/36/EU (the Capital Requirements Directive, or "CRD IV") and Regulation (EU) 575/2013 and on the basis of Bank of Italy Circular 285/2013.

At 31 December 2021, own funds, taking into account the transitional arrangements, amount to € 2,983 million and consist of Common Equity Tier 1 capital for € 2,633 million²⁵ and for the remaining € 350 million, Additional Tier 1 capital²⁶.

Total risk-weighted assets amount to € 13,613 million and primarily consist of operational, credit and counterparty risk and credit valuation adjustment (CVA) risk and, to a marginal extent, market risk (relating solely to foreign exchange risk).

25. Of which €200 million from the profit for the year 2021 (in compliance with the provisions of art. 26 of Regulation (EU) No 575/2013) and €30 million from the application of the transitional provisions to mitigate the effects of IFRS 9 on Financial Assets measured at amortised cost.

26. On 30 June 2021, Poste Italiane injected capital into BancoPosta RFC, via the granting of a € 350 million perpetual subordinated loan with an 8-year non-call period, on terms and conditions that allow it to be counted as Additional Tier 1 capital (for more details see Annex 2).

The ratio of Common Equity Tier 1 (CET1) to risk-weighted assets (Common Equity Tier 1 ratio) is 19.3%, well above the thresholds imposed by Bank of Italy Circular 285/2013, after also taking into account the capital conservation buffer. **This value is satisfactory, in relation to the BancoPosta RFC's risk management objectives, taking into account the limits imposed by the Risk Appetite Framework.**

Given the composition of own funds, the Total Capital Ratio and the Tier 1 Ratio are the same at 21.9%, also in this case well above the thresholds imposed by Bank of Italy Circular 285/2013, after also taking into account the capital conservation buffer²⁷.

In order to ensure consistency between the risk appetite strategy and policy and the Strategic Planning process, a prior analysis of the performance of risks in the operating and market scenarios envisaged in the Budget/Plan has been conducted, and the target levels, risk tolerance thresholds and risk limits for 2022 set out in the RAF (approved in March 2022).

27. The aforementioned CET1 Ratio, Tier 1 Ratio and Total Capital Ratio values of BancoPosta RFC also satisfy the capital levels that BancoPosta will be required to maintain on the basis of Bank of Italy communication of 17 March 2022, following the Supervisory Review and Evaluation Process (SREP). For more details, see paragraph 4.1.

2. Scope of application

The information provided in the following report regards “Poste Italiane SpA – **BancoPosta RFC**”.

As it is not part of a banking group, BancoPosta RFC does not prepare consolidated accounts, nor does it engage in transfers of own funds or the repayment of liabilities to subsidiaries, nor does it make use of deductions permitted by supervisory regulation with regard to capital requirements.

3. Own Funds

3.1 Qualitative information

The prudential regulation, known as Basel 3, contained in Directive 2013/36/EU and Regulation (EU) 575/2013 were applicable to banks and investment firms from 1 January 2014. These rules and regulations were implemented within the European Union through the Regulatory Technical Standards and Implementing Technical Standards issued by the EBA. In Italy, application of the new regulatory framework was introduced through the issue and/or revision of the following Bank of Italy Circulars:

- Circular 285/2013: “Supervisory Provisions for Banks”;
- Circular 286/2013: “Instructions for Preparing Prudential Reports for Banks and Investment Firms”.

Under the regulatory framework, own funds (previously referred to as “Regulatory Capital”) represent the algebraic sum of the following elements:

- Tier 1 Capital, in turn consisting of:
 - a. Common Equity Tier 1 - CET1;
 - b. Additional Tier 1 - AT1;
- Tier 2 Capital - T2.

CET1 consists of elements that enable the entity to absorb any losses and continue operating as a *going concern*, thanks to its particular nature, such as the level of subordination, unredeemability and the absence of any obligation to pay dividends.

The AT1 category includes equity instruments with a lower level of subordination with respect to CET1.

Tier 2 Capital is capital that enables the entity to absorb losses in the event of a crisis situation (*gone concern capital*) and generally consists of subordinated liabilities. Tier 2 has a lower level of subordination with respect to the above categories of own funds (CET1 and AT1).

The supervisory authority’s application of the prudential regulation for banks to BancoPosta RFC, which dates from 27 May 2014 with the third update of Bank of Italy Circular 285/2013, also took into account the specific nature of BancoPosta RFC in relation to own funds. Based on the regulations contained in the above Circular, BancoPosta RFC’s own funds, used to make up its regulatory capital, consist of:

- revenue reserve originating from the creation of the ring-fence;
- undistributed earnings, being BancoPosta RFC’s profits appropriated on approval of Poste Italiane SpA’s financial statements;
- further capital contributions by Poste Italiane²⁸ that meet the requirements for inclusion in own funds.

The transitional arrangements, governing the gradual application of Basel III standards, and the deductions and prudential filters provided for in the CRR are thus not applicable to BancoPosta RFC.

The transitional period (2018-2022) intended to mitigate the impacts related to the introduction of IFRS 9 took effect on 1 January 2018. BancoPosta RFC has availed itself of the possibility, provided by Regulation (EU) 2017/2395, to adopt a “transitional approach” (phase in) of the impact deriving from the application of the new impairment method under IFRS 9 over a 5-year period, by offsetting the effect on CET1 with the application of decreasing percentages over time (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and, lastly, 25% in 2022).

28. Contributions from non-controlling shareholders to BancoPosta RFC are excluded, as they are not provided for in the special regulations governing the Ring-Fenced Capital. Poste Italiane’s overall capital, which has to meet different requirements with respect to those to which BancoPosta RFC is subject, is not included in the computation of BancoPosta RFC’s own funds.

To mitigate the potential impact of a sudden increase in provisions for expected credit losses caused by the COVID-19 pandemic, Regulation (EU) 2020/873 of 24 June 2020 (CRR “Quick fix”) introduced a two-year extension of the transitional arrangements under which institutions are permitted to fully reinstate, in their Common Equity Tier 1 capital, any increases in new ECL provisions recognised in 2020 and in 2021 for their performing financial assets. Following this provision, BancoPosta RFC availed itself of the possibility of taking advantage of the additional transitional period of 5 years, sterilising the impact of expected losses recognised starting from 2020 in CET1 with the application of decreasing percentages over time (100% in 2020, 100% in 2021, 75% in 2022, 50% in 2023 and lastly, 25% in 2024).

At 31 December 2021, own funds amounted to € 2,983 million and consist, for € 2,633 million, of Common Equity Tier 1 (CET1), and the remaining € 350 million of Additional Tier 1 (AT1) capital.

Specifically, BancoPosta’s CET1 consists of:

- other reserves, being revenue reserves originating from the creation of the Ring-Fenced Capital, and any further amounts attributed by Poste Italiane SpA that meet the requirements for inclusion in own funds, for a total of € 1,210 million;
- non-distributed profit reserves, amounting to € 1,194 million;
- BancoPosta RFC’s profits appropriated on approval of Poste Italiane SpA’s financial statements for 2021 (in compliance with the provisions of art. 26 of Regulation (EU) 575/2013), amounting to € 200 million;
- reserves deriving from the application of the transitional provisions to mitigate the effects of IFRS 9 on financial assets measured at amortised cost, for a total amounting to € 30 million;
- valuation reserves for a negative value of € 1 million for tax credits for which prudential supervisory institutions do not apply.

The AT1 of BancoPosta RFC, on the other hand, is formed of equity instruments for € 350 million related to the injection of capital made on 30 June 2021, via the granting of a perpetual subordinated loan with an 8-year non-call period, on terms and conditions that allow it to be counted as Additional Tier 1 capital (for more details see Annex 2).

3.2 Quantitative information

Composition of own funds

The composition of BancoPosta RFC's own funds at 31 December 2021 is summarised in the following table.

Annex 1 shows the composition using the template envisaged by article 4 of Regulation (EU) 2021/637, in compliance with the provisions of article 437 of the CRR.

Summary composition of own funds

Items	Amount at 31.12.2021	Amount at 31.12.2020
A. Common Equity Tier 1 - CET1, before application of prudential filters	2,633	2,449
of which CET1 instruments subject to transitional requirements	-	-
B. Prudential CET1 filters (+/-)	-	-
C. CET1 before investments to be deducted and adjustments for the transitional regime (A+/- B)	2,633	2,449
D. Elements to be deducted from CET1	-	-
E. Transitional regime - impact on CET1 (+/-)	-	-
F. Total Common Equity Tier 1 - CET1 (C - D +/- E)	2,633	2,449
G. Additional Tier 1 - AT1 before elements to be deducted and adjustments for the transitional regime	350	-
of which AT1 instruments subject to transitional requirements	-	-
H. Elements to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-)	-	-
L. Total Additional Tier 1 - AT1 (G - H +/- I)	350	-
M. Tier 2 - T2 before investments to be deducted and adjustments for the transitional regime	-	-
of which T2 instruments subject to transitional requirements	-	-
N. Elements to be deducted from T2	-	-
O. Transitional regime - Impact on T2 (+/-)	-	-
P. Total Tier2 - T2 (M - N +/- O)	-	-
Q. Total own funds (F + L + P)	2,983	2,449

Reconciliation of net book value and CET1

The following table shows the reconciliation of BancoPosta RFC's own funds and the statement of financial position of BancoPosta RFC's Separate Report.

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

Liabilities	Accounting data	Amounts relevant for own funds purposes	Table EU CC1 reference
110. Valuation reserves	1,118	-1	3
130. Equity instruments	350	350	36
140. Reserves, of which:	2,397	2,434	
- Undistributed earnings	1,186	1,194	2
- Other reserves	1,211	1,210	3
- Regulation (EU) no. 2017/2395	-	16	28
- Regulation (EU) no. 2020/873	-	14	28
180. Profit/(Loss) for the year	508	200	5a
Total equity / Own funds	4,374	2,983	

As at the relevant date, total own funds were lower than the net book value, mainly due to the effects of the application to BancoPosta RFC of prudential supervisory institutions of a transitional nature only for €30 million.

The elements included in BancoPosta RFC's regulatory capital are, therefore, of high quality given that they consist primarily of Poste Italiane SpA's contributions and revenue reserves.

4. Capital Requirements

4.1 Qualitative information

Assessment of BancoPosta's capital adequacy is conducted taking into account the following requirements of an internal (RAF) and external (prudential standards) nature:

- Pillar 1 requirements. Capital must be sufficient to cover regulatory capital requirements for operational risk, credit and counterparty risk, CVA risk, and, to a lesser extent, foreign exchange risk. In relation to Pillar 1 regulatory capital requirements, based on the prudential supervisory provisions applicable from 31 December 2014, BancoPosta RFC is required to comply with the following minimum capital ratios:
 - Common Equity Tier 1 ratio (the ratio of CET1 to total risk-weighted assets – RWAs²⁹): equal to 7.0% (4.5% being the minimum requirement and 2.5% being the capital conservation buffer³⁰);
 - Tier 1 ratio (the ratio of Tier 1 to total risk weighted assets - RWAs): equal to 8.5% (6.0% being the minimum requirement and 2.5% being the capital conservation buffer);
 - Total capital ratio (the ratio of total own funds to total risk weighted assets - RWAs), equal to 10.5% (8% being the minimum requirement and 2.5% being the capital conservation buffer).

Given that BancoPosta RFC's own funds consist of Common Equity Tier 1 capital and Additional Tier 1 capital, the applicable limits for 2021 can be summed up as a minimum Common Equity Tier 1 ratio of 7.0% and a Tier 1 ratio of 10.5%;

- Pillar 2 requirements. In addition to Pillar 1 risks, capital must be sufficient to also cover banking book interest rate risk. Additional capital is also held to cover capital requirements resulting from model risk, risks that are difficult to quantify and stress scenarios;
- leverage ratio³¹. For the Leverage Ratio, i.e. the ratio between Tier 1 capital and Total Assets (including the provisions for derivatives, off-balance sheet items and additional adjustments required by prudential standards), in the current RAF for 2021, a target value of 3% has been set.

Following the Supervisory Review and Evaluation Process (SREP), the Bank of Italy notified BancoPosta RFC on 17 March 2022 of the start of the procedure to decide on the amount of capital that BancoPosta must hold, in addition to the regulatory minimum, to cover its overall risk exposure. The new limits required by the Supervisory Authority (Overall Capital Requirement (OCR) ratios), applicable from 30 June 2022, would be composed as follows:

- Common Equity Tier 1 ratio (CET 1 ratio): 7.80%, consisting of a binding measure of 5.30% (of which 4.50% for minimum regulatory requirements and 0.80% for additional requirements determined by the SREP) and the rest made up by the capital conservation buffer;
- Tier 1 ratio: 9.55%, consisting of a binding measure of 7.05% (of which 6.00% for minimum regulatory requirements and 1.05% for additional requirements determined by the SREP) and the rest made up by the capital conservation buffer;
- Total Capital ratio: 11.95%, consisting of a binding measure of 9.45% (of which 8% for minimum regulatory requirements and 1.45% for additional requirements determined by the SREP) and the rest made up by the capital conservation buffer;

29. Risk weighted assets, or RWAs, are calculated by multiplying the capital requirements for credit, counterparty, market and operational risks by 12.5.

30. The capital conservation buffer is designed to ensure a minimum level of regulatory capital under adverse market conditions by enabling the build-up of high-quality capital outside periods of market stress.

31. Financial leverage is only monitored for internal purposes (the RAF), given that BancoPosta RFC is exempted from the related regulatory requirements contained in Bank of Italy Circular 285/2013.

Also, to ensure compliance with the binding measures outlined above and to ensure that BancoPosta's own funds can absorb any losses caused by stress scenarios, considering the results of stress tests carried out on BancoPosta RFC under ICAAP, the Bank of Italy has identified the following capital levels that BancoPosta will be required to maintain:

- Common Equity Tier 1 ratio (CET 1 ratio): 8.55%, comprising an OCR CET1 ratio of 7.80% and a Target Component (Pillar 2 Guidance, P2G), against a higher risk exposure under stress conditions, equal to 0.75%;
- Tier 1 ratio: 10.30%, comprising an OCR T1 ratio of 9.55% and a Target Component, against a higher risk exposure under stress conditions, equal to 0.75%;
- Total Capital ratio: 12.70%, comprising an OCR TC ratio of 11.95% and a Target Component, against a higher risk exposure under stress conditions, equal to 0.75%.

As previously noted, BancoPosta RFC gives great importance to risk management and control, aiming to achieve sustainable current and prospective levels of earnings within a controlled risk environment. The measures of capital adequacy, combined with the remaining RAF metrics, have been determined in order to monitor and preserve, over time, the earnings and financial stability incorporated in the strategic plan and that the entity intends to guarantee for the following financial year and over the medium to long term. In line with BancoPosta RFC's RAF, compliance with the capital adequacy targets set by the Board of Directors is thus monitored on at least a quarterly basis.

BancoPosta RFC prepares the ICAAP Report annually (Pillar 2 requirements) based on the final data of 31 December and future figures for the next two-year period for transmission to the Bank of Italy - based on prior approval by the Board of Directors. The analyses conducted show that BancoPosta RFC presents adequate levels of capital resources with respect to the risks assumed, measured in current and future terms and under stress conditions and aggregated according to a prudential building block approach³². The level of capital is guaranteed, also on a prospective basis, by the ability to self-finance capital growth, linked to the highly profitable nature of operations, and the possibility of additional contributions by Poste Italiane.

The methods used to determine capital requirements are described section 1.3.

32. In accordance with Part One, Title III, Chapter 1, Section II of Bank of Italy Circular 285/2013, BancoPosta RFC, as class 2 intermediary, computes its total internal capital requirements using a simplified building block approach, based on the sum of prudential capital requirements for Pillar 1 risks (or internal capital requirements for such risks computed using internal methods) and any internal capital requirements for other identified risks.

4.2 Quantitative information

As noted in the qualitative information, based on the prudential regulation applied, BancoPosta RFC's Common Equity Tier 1 capital must represent at least 7.0% of its total risk-weighted assets (the Common Equity Tier 1 ratio) and BancoPosta RFC's Tier 1 capital (and so also the total Own Funds) must represent at least 10.5% of its total risk-weighted assets (Tier 1 ratio and Total Capital ratio).

The following table shows BancoPosta RFC's position with regard to Pillar 1 capital requirements.

Template EU KM1: Key metrics

Items	Amount at 31.12.2021	Amount at 31.12.2020
Available own funds (amounts)		
1 Common Equity Tier 1 (CET1) capital	2,633	2,449
2 Tier 1 capital	2,983	2,499
3 Total capital	2,983	2,499
Risk-weighted exposure amounts		
4 Total risk exposure amount	13,613	13,502-
Capital ratios (as a percentage of risk-weighted exposure amount)		
5 Common Equity Tier 1 ratio (%)	19.3%	18.1%
6 Tier 1 ratio (%)	21.9%	18.1%
7 Total capital ratio (%)	21.9%	18.1%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU7a Additional own funds requirements to address risks other than the risk of excessive leverage (%)	-	-
EU7b <i>of which: to be made up of CET1 capital (percentage points)</i>	-	-
EU7c <i>of which: to be made up of Tier 1 capital (percentage points)</i>	-	-
EU7d Total SREP own funds requirements (%)	8.0%	8.0%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
8 Capital conservation buffer (%)	2.5%	2.5%
EU8a Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-
9 Institution specific countercyclical capital buffer (%)	-	-
EU9a Systemic risk buffer (%)	-	-
10 Global Systemically Important Institution buffer (%)	-	-
EU10a Other Systemically Important Institution buffer (%)	-	-
11 Combined buffer requirement (%)	2.5%	2.5%
EU11a Overall capital requirements (%)	10.5%	10.5%
12 CET1 available after meeting the total SREP own funds requirements (%)	13.9%	10.1%
Leverage ratio		
13 Total exposure measure	100,320	92,303
14 Leverage ratio (%)	3.0%	2.7%

The following table provides details of the composition of the risk-weighted assets.

Template EU OV1: Overview of total risk exposure amounts

Items	Total risk exposure amounts (TREA)		Total own funds requirements
	31.12.2021	31.12.2020	31.12.2021
1 Credit risk (excluding CCR)	1,005	2,767	80
2 Of which standardised approach	1,005	2,767	80
3 Of which the Foundation IRB (F-IRB) approach	-	-	-
4 Of which slotting approach	-	-	-
EU 4a Of which equities under the simple risk-weighted approach	-	-	-
5 Of which the Advanced IRB (A-IRB) approach	-	-	-
6 Counterparty credit risk – CCR	2,721	533	218
7 Of which standardised approach	720	240	58
8 Of which internal model method (IMM)	-	-	-
EU 8a Of which exposures to a CCP	7	0	1
EU 8b Of which credit valuation adjustment - CVA	1,994	293	160
9 Of which other CCR	-	-	-
10 Not applicable	-	-	-
11 Not applicable	-	-	-
12 Not applicable	-	-	-
13 Not applicable	-	-	-
14 Not applicable	-	-	-
15 Settlement risk	-	-	-
16 Securitisation exposures in the non-trading book (after the cap)	-	-	-
17 Of which SEC-IRBA approach	-	-	-
18 Of which SEC-ERBA (including IAA)	-	-	-
19 Of which SEC-SA approach	-	-	-
EU 19a Of which 1 250 % / deduction	-	-	-
20 Position, foreign exchange and commodities risks (Market risk)	62	90	5
21 Of which standardised approach	62	90	5
22 Of which IMA	-	-	-
EU 22a Large exposures	-	-	-
23 Operational risk	9,825	10,112	786
EU 23a Of which basic indicator approach	9,825	10,112	786
EU 23b Of which standardised approach	-	-	-
EU 23c Of which advanced measurement approach	-	-	-
24 Amount below the thresholds for deduction (subject to 250% risk weight)	-	-	-
25 Not applicable	-	-	-
26 Not applicable	-	-	-
27 Not applicable	-	-	-
28 Not applicable	-	-	-
29 Total	13,613	13,502	1,089

The key Pillar 1 risk to which BancoPosta RFC is exposed is operational risk, which absorbs around 72% of the total risk-weighted asset (RWA) exposure.

Market risk solely regards foreign exchange risk, which absorbs less than 1% of total RWA.

Risk-weighted assets associated with credit risk amount to around € 1,005 million (around 7% of the total) while those associated with counterparty risk amount to around € 720 million³³ (5% of the total); lastly, the CVA component is associated with the remaining € 1,994 million (15% of the total).

As described in the section on “Own funds”, the adoption of the “dynamic” approach under Regulation (EU) 2017/2395 and Regulation (EU) 2020/873 entailed the following effects on the available capital and on capital ratios at 31 December 2021, as shown in the following table:

- increase in the Common Equity Tier 1 capital following the partial reinstatement of expected losses therein;
- slight increase of risk-weighted assets due to the reversal of expected losses, which are no longer deducted from RWA as they are included in own funds.

EU IFRS9-FL – Comparison of own funds, capital and financial ratios with and without the application of the transitional arrangements for IFRS 9

Items	Amount at 31/12/2021	Amount at 31.12.2020
Available Capital		
1 Common Equity Tier 1 (CET1) capital	2,633	2,449
2 Common Equity Tier 1 capital (CET1) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,603	2,426
3 Tier 1 capital	2,983	2,449
4 Tier 1 capital if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,953	2,426
5 Total capital	2,983	2,449
6 Total capital if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,953	2,426
Risk Weighted Assets		
7 Total risk-weighted assets	13,613	13,502
8 Total risk-weighted assets if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13,595	13,475
Capital Ratios		
9 Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	19.3%	18.1%
10 Common Equity Tier 1 capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.1%	18.0%
11 Tier 1 capital (as a percentage of the risk exposure amount)	21.9%	18.1%
12 Tier 1 capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.7%	18.0%
13 Total capital (as a percentage of the risk exposure amount)	21.9%	18.1%
14 Total capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.7%	18.0%
Leverage ratio		
15 Total leverage ratio exposures	100,320	92,303
16 Leverage ratio	3.0%	2.7%
17 Leverage ratio if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2.9%	2.6%

In order not to take account of the effects on the capital requirements of the provisions for expected losses included in the Common Equity Tier 1 capital, BancoPosta RFC used the methodology described in paragraph 7, point b of article 473-bis of Regulation (EU) 575/2013.

33. Counterparty risk includes the risk-weighted assets associated with operations with the Central Counterparty “Cassa Compensazione e Garanzia” and the operations in OTC derivatives offset with central counterparty clearing through clearing brokers for a negligible amount.

5. Exposure to counterparty risk

5.1 Qualitative information

Counterparty risk is the risk that a counterparty could default on obligations of a financial instrument during its term. This is a particular type of credit risk, generating a loss if the transactions entered into with a certain counterparty have a positive value at the time of default.

The financial instruments that, in line with the rules and regulations, are exposed to this risk in respect of BancoPosta RFC are described below:

- **OTC financial derivatives**, which include over-the-counter (OTC) derivatives entered into for hedging purposes, primarily relating to interest rate swaps;
- **long settlement transactions**, regarding bond forwards on government securities used as cash flow hedges in order to stabilise returns;
- **SFTs (Securities Financing Transactions)**, a category that includes the financial instruments used in managing the liquidity buffer, such as repurchase agreements.

In calculating its exposure to counterparty risk, BancoPosta RFC applies the standard approach defined in accordance with the prudential regulation. More specifically, for each category of transaction giving rise to counterparty risk, the following methods of calculation are used to determine the internal capital requirement:

- OTC financial derivatives: “standardised approach” (SA-CCR)³⁴;
- long settlement transactions: “standardised approach” (SA-CCR);
- SFT: “full method” with the prudential adjustments for volatility required by credit risk mitigation techniques³⁵.

The method used by BancoPosta RFC for the purpose of counterparty risk capital requirement calculation is the standardised approach defined under the CRR regulation, which involves the weighting of exposures with factors that take into account the type of exposure and the nature of counterparties, partly in relation to the risk associated with external credit rating classes.

Capital requirements for transactions with the Qualified Central Counterparty “Cassa Compensazione e Garanzia” are calculated in accordance with article 308 of the CRR and applicable to pre-funded contributions to the guarantee fund.

Capital requirements for OTC derivatives with central counterparty clearing through clearing brokers are calculated by applying the provisions of articles 305 and 306 of the CRR.

Lastly, regarding the credit valuation adjustment (CVA) component of financial derivatives, capital requirements are calculated with the standardised approach under article 384 of the CRR.

To control and manage this risk, BancoPosta RFC has defined a system of targets, thresholds or limits included in the Risk Appetite Framework, enabling it to continuously monitor its risk profile. In view of the particular nature of its business activity, BancoPosta RFC is only minimally exposed to counterparty risk, as is the case with credit and foreign exchange risk.

In addition, BancoPosta RFC has adopted rating limits that only permit dealings with “investment grade counterparties”.

In order to limit the counterparty risk exposure, BancoPosta RFC concludes standard ISDA master agreements and special agreements for the mitigation of risk for repurchase agreements (GMRAs) and OTC derivatives (CSAs). These agreements provide for the netting of asset and liability positions and the posting of cash or government securities as collateral.

34. Regulation (EU) 575/2013 provides for three standard calculation approaches (standardised, simplified and original exposure); the only one that can be used by BancoPosta RFC is the standardised approach, since the operations thresholds permitted for the use of the other two methods have been exceeded. For details about this methodology, see articles 274 et seq of the CRR.

35. The full Credit Risk Mitigation (CRM) method entails reducing risk exposure by the value of the guarantee. Specific rules are applied to take into account market price volatility of the guaranteed asset as well as the collateral received.

In compliance with the disclosure obligations provided for in article 453 of the CRR, it should be noted that for prudential recognition purposes of the techniques used to mitigate credit and counterparty risk (netting and collateral underlying ISDAs, CSAs and GMRAs), the procedures required by the CRR have been adopted, including monitoring of the legal validity and enforceability of the mitigation agreements and of the fair value of the collateral received on a daily basis.

Given the type of collateral received (cash and/or government securities), the absence of any material link between the debtor's creditworthiness and the collateral is guaranteed.

The amount of any additional collateral to be provided by BancoPosta RFC in the event of a downgrade of Poste Italiane SpA is zero.

5.2 Quantitative information

The following tables show the quantitative information required by the CRR and by Regulation (EU) 2021/637.

The following table summarises the methods used by BancoPosta RFC for the calculation of the exposure to counterparty risk³⁶.

Template EU CCR1: Analysis of CCR exposure by approach

Items	Replacement cost	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEAs
EU-1 EU - Original Exposure Method (for derivatives)	-	-		-	-	-	-	-
EU-2 EU - Simplified SA-CCR (for derivatives)	-	-		-	-	-	-	-
1 SA-CCR (for derivatives)	285	592		1.4	1,239	1,228	1,228	541
2 IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a Of which securities financing transactions netting sets			-		-	-	-	-
2b Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c Of which from contractual cross-product netting sets			-		-	-	-	-
3 Financial collateral simple method (for SFTs)					-	-	-	-
4 Financial collateral comprehensive method (for SFTs)					612	393	393	179
5 VaR for SFTs					-	-	-	-
6 Total					1,851	1,622	1,622	720

The following table provides, for derivatives alone, details of the method used for the purposes of calculating the risk of credit valuation adjustment (CVA).

Template EU CCR2: Transactions subject to own funds requirements for CVA risk

Items	Exposure value	RWEAs
1 Total transactions subject to the Advanced method	-	-
2 i) VaR component (including the 3x multiplier)		-
3 ii) stressed VaR component (including the 3x multiplier)		-
4 Transactions subject to the Standardised method	1,228	1,994
EU-4 Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5 Total transactions subject to own funds requirements for CVA risk	1,228	1,994

36. The table does not show the amount of pre-funded contributions to the guarantee fund of Qualified Central Counterparties.

The following table shows counterparty risk exposures divided by exposure classes and risk-weighted factors.

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

Exposure classes	Risk weight											Total exposure value
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1 Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2 Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4 Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	3	-	-	322	854	-	-	49	-	-	1,228
7 Corporate	-	-	-	-	-	-	-	-	-	-	-	-
8 Retail	-	-	-	-	-	-	-	-	-	-	-	-
9 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10 Other items	-	-	-	-	-	-	-	-	-	-	-	-
11 Total exposure value	-	3	-	-	322	854	-	-	49	-	-	1,228

The following table provides details of the collateral types used in the calculation of the capital requirements divided between derivative transactions and SFTs.

Template EU CCR5: Standardised approach: composition of collateral for CCR exposures

Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash – domestic currency	-	9	2	4,173	-	219	612	72
2 Cash – other currencies	-	-	-	-	-	-	-	-
3 Domestic sovereign debt	-	-	-	593	-	-	-	65
4 Other sovereign debt	-	-	-	-	-	-	-	-
5 Government agency debt	-	-	-	-	-	-	-	-
6 Corporate bonds	-	-	-	-	-	-	-	-
7 Equity instruments	-	-	-	-	-	-	-	-
8 Other collateral	-	-	-	-	-	-	-	-
9 Total	-	9	2	4,766	-	219	612	137

Lastly, the following table shows details of counterparty risk exposure to Qualified Central Counterparties for repurchase agreements and OTC derivatives.

Template EU CCR8: Exposures to CCPs

Items	Exposure value	RWEAs
1 Exposures to QCCPs (total)		7
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	275	0
3 <i>i) OTC derivatives</i>	0	0
4 <i>ii) Exchange-traded derivatives</i>	-	-
5 <i>iii) SFTs</i>	275	-
6 <i>iv) Netting sets where cross-product netting has been approved</i>	-	-
7 Segregated initial margin	2	
8 Non-segregated initial margin	-	-
9 Prefunded default fund contributions	337	7
10 Unfunded default fund contributions	-	-
11 Exposures to non-QCCPs (total)		-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13 <i>i) OTC derivatives</i>	-	-
14 <i>ii) Exchange-traded derivatives</i>	-	-
15 <i>iii) SFTs</i>	-	-
16 <i>iv) Netting sets where cross-product netting has been approved</i>	-	-
17 Segregated initial margin	-	-
18 Non-segregated initial margin	-	-
19 Prefunded default fund contributions	-	-
20 Unfunded default fund contributions	-	-

6. Capital Reserves

Given that BancoPosta RFC is not authorised to engage in lending, Bank of Italy Circular 285/2013 exempts it from the requirement to institute a countercyclical capital buffer with the aim of protecting the banking sector in the event of excessive credit growth.

7. Impairment Losses

7.1 Qualitative information

“Non-performing” financial assets include on- and off-balance sheet assets, as classified in accordance with Implementing Regulation (EU) 680/2014 issued by the European Commission, as amended and supplemented. Financial instruments classified as “Financial assets held for trading” and derivatives are excluded.

In classifying non-performing assets in the various risk categories (doubtful, unlikely to pay, past-due and/or non-performing overdue), BancoPosta RFC makes reference to the regulations issued by the Bank of Italy³⁷.

Assets in the “Doubtful” category are on- and off-balance sheet exposures (loans and debt securities) to borrowers in a state of insolvency (even when not recognised in a court of law) or borrowers in a similar situation, regardless of any loss forecasts made by the entity. Exposures where the doubtful nature is attributable to country risk are excluded from this category.

The “Unlikely to pay” category regards on- and off-balance sheet exposures (loans and debt securities) where, in the view of the entity, full repayment (in terms of principal and/or interest) is unlikely, without recourse to actions such as enforcement of collateral arrangements.

“Past-due and/or non-performing overdue” exposures are on-balance sheet exposures, other than those classified as “Doubtful” or “Unlikely to pay”, that are past-due or where repayment is over 90 days overdue.

BancoPosta RFC holds a single non-performing financial asset, which relates to items illegally taken away but that are now being recovered; such financial asset, which amounts to €12 million, has been written off.

IFRS 9 introduced new methods to determine impairment (via expected credit loss - ECL). Specifically, for loans and debt securities classified as “Financial assets measured at amortised cost” and “Financial assets measured at fair value through other comprehensive income”, impairment is calculated by applying the “General deterioration model”, based on risk parameters estimation models associated with the type of counterparty:

- internal risk parameter estimation models for debt securities and deposits with Sovereign, Banking and Corporate counterparties;
- risk parameters deriving from external agency ratings or average default rates for the sector for Public Administration and Central Counterparties.

Expected losses are determined: (i) over a 12-month time horizon, if the credit risk related to the financial instrument at the reporting date has not increased significantly since initial recognition; or (ii) over the lifetime of the financial instrument if at the reporting date the credit risk has increased significantly since initial recognition or the instrument has deteriorated.

As to trade receivables, a simplified approach is used to calculate the loss allowance based on a provision matrix of observed historical losses. No significant increase in credit risk is determined but the loss allowance is based on lifetime expected losses.

37. See Bank of Italy Circular 272/2008.

7.2 Quantitative information

With reference to the changes due to COVID-19 relating to the methods of measuring expected losses, please refer to the information contained in BancoPosta RFC's Separate Report (Notes, Part E, Section 1 - CREDIT RISK).

The quantitative information required by article 442 of the CRR and by article 8 of Regulation (EU) 2021/637, relating to impairment losses on receivables, is provided below. With reference to table "EU CQ4", not shown, it should be noted that the only non-performing exposure refers to a counterparty residing in Italy.

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

Portfolios/quality (€m)	Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						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			Accumulated partial write-off	On performing exposures	On non-performing exposures	
	Total	of which stage 1	of which stage 2	Total	of which stage 2	of which stage 3	Total	of which stage 1	of which stage 2	Total	of which stage 2	of which stage 3				
Cash balances at central banks and other demand deposits	4,775	4,775	0	-	-	-	-0	-0	-	-	-	-	-	-	-	-
010 Loans and advances	20,686	19,740	946	12	-	12	-63	-5	-58	-12	-	-12	-	-	-	-
020 Central banks	0	-	0	-	-	-	-	-	0	-	-	-	-	-	-	-
030 Public Administration entities	14,777	14,703	74	-	-	-	-9	-5	-5	-	-	-	-	-	-	-
040 Credit institutions	3,379	3,313	66	-	-	-	0	0	0	-	-	-	-	-	-	-
050 Other financial companies	2,279	1,546	733	-	-	-	-1	0	-1	-	-	-	-	-	-	-
060 Non-financial companies	225	179	46	12	-	12	-29	-	-29	-12	-	-12	-	-	-	-
070 of which SMEs	16	-	16	-	-	-	-12	-	-12	-	-	-	-	-	-	-
080 Households	28	-	28	-	-	-	-24	-	-24	-	-	-	-	-	-	-
090 Debt securities	70,759	70,759	-	-	-	-	-23	-23	-	-	-	-	-	3,000	-	-
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110 Public Administration entities	67,543	67,543	-	-	-	-	-22	-22	-	-	-	-	-	-	-	-
120 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
130 Other financial companies	3,216	3,216	-	-	-	-	-1	-1	-	-	-	-	-	3,000	-	-
140 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance sheet exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
160 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170 Public Administration entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
190 Other financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
200 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
210 Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
220 Total at 31.12.2021	96,219	95,273	946	12	-	12	-85	-27	-58	-12	-	-12	-	3,000	-	-

Template EU CR1-A: Maturity of exposures

Exposure classes	Net exposure values				No stated maturity	Total
	On demand	<= 1 year	> 1 year <= 5 years	>5 years		
1 Loans and advances	15,765	4,858	-	-	-	20,624
2 Debt securities	-	2,072	7,774	60,891	-	70,736
3 Total	15,765	6,930	7,774	60,891	-	91,360

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

Items	Gross carrying amount
010 Initial stock of non-performing loans and advances	13
020 Inflows to non-performing portfolios	-
030 Outflows from non-performing portfolios	-
040 Outflow due to write-offs	-
050 Outflow due to other situations	-1
060 Final stock of non-performing loans and advances	12

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

Portfolios	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		
005 Cash balances at central banks and other demand deposits	4,775	4,775	-	-	-	-	-	-	-	-	-	-
010 Loans and advances	20,686	20,631	56	12	-	-	-	-	-	-	12	12
020 Central banks	0	0	-	-	-	-	-	-	-	-	-	-
030 Public Administration entities	14,777	14,768	9	-	-	-	-	-	-	-	-	-
040 Credit institutions	3,379	3,364	14	-	-	-	-	-	-	-	-	-
050 Other financial companies	2,279	2,278	1	-	-	-	-	-	-	-	-	-
060 Non-financial companies	225	205	20	12	-	-	-	-	-	-	12	12
070 of which SMEs	16	13	3	-	-	-	-	-	-	-	-	-
080 Households	28	16	12	-	-	-	-	-	-	-	-	-
090 Debt securities	70,759	70,759	-	-	-	-	-	-	-	-	-	-
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110 Public Administration entities	67,543	67,543	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
130 Other financial companies	3,216	3,216	-	-	-	-	-	-	-	-	-	-
140 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance sheet exposures	-	-	-	-	-	-	-	-	-	-	-	-
160 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
170 Public Administration entities	-	-	-	-	-	-	-	-	-	-	-	-
180 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
190 Other financial companies	-	-	-	-	-	-	-	-	-	-	-	-
200 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-
210 Households	-	-	-	-	-	-	-	-	-	-	-	-
220 Total at 31.12.2021	96,219	96,164	56	12	-	-	-	-	-	-	12	12

The values of the assets more than 90 days past due have been included in the assets between 1 to 90 days past due since they relate to credits for which the conditions for classification among non-performing exposures are not met.

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

Portfolios	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	Of which non-performing			Of which loans and advances subject to impairment		
		Of which defaulted				
10 Agriculture, forestry and fishing	0	-	-	0	0	-
20 Mining and quarrying	0	-	-	0	0	-
30 Manufacturing	13	12	12	13	-13	-
40 Electricity, gas, steam and air conditioning supply	0	-	-	0	0	-
50 Water supply	0	-	-	0	0	-
60 Construction	1	-	-	1	-1	-
70 Wholesale and retail trade	2	-	-	2	-2	-
80 Transport and storage	179	-	-	179	0	-
90 Accommodation and food service activities	0	-	-	0	0	-
100 Information and communication	0	-	-	0	0	-
110 Financial and insurance activities	0	-	-	0	0	-
120 Real estate activities	0	-	-	0	0	-
130 Professional, scientific and technical activities	3	-	-	3	0	-
140 Administrative and support service activities	29	-	-	29	-17	-
150 Public administration and defence, compulsory social security	-	-	-	-	0	-
160 Education	0	-	-	0	0	-
170 Human health services and social work activities	0	-	-	0	0	-
180 Arts, entertainment and recreation	0	-	-	0	0	-
190 Other services	8	-	-	8	-6	-
200 Total at 31.12.2021	237	12	12	237	-42	-

8. Encumbered and Unencumbered Assets

8.1 Qualitative information

Disclosure of encumbered and unencumbered assets is provided in accordance with the guidelines issued by the EBA on 27 June 2014 in the document “Guidelines on disclosure of encumbered and unencumbered assets” (EBA/GL/2014/03), as provided for in article 443 of the CRR. Under the guidelines, an asset should be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn (for instance, to be pledged for funding purposes). Assets pledged that are subject to any restrictions in withdrawal, such as assets that require prior approval before withdrawal or replacement by other assets, should be considered encumbered.

Otherwise, all assets not falling within the scope of the above definition are considered unencumbered.

In BancoPosta RFC’s case, the most important component of encumbered assets is represented by securities pledged as collateral for Repurchase Agreements, which are used as:

- an alternative to current account deposits for funding purposes, as part of clearly-defined operating strategies, or a response to temporary liquidity gaps;
- collateral for derivatives/repurchase agreements required under CSAs/GMRAs.

In addition, the amount of cash deposits set up as guarantee for derivative transactions included in the other encumbered assets of Template EU AE1 is also relevant.

8.2 Quantitative information

The following tables envisaged by Regulation (EU) 2021/637 with reference to encumbered and unencumbered assets contain details of the quantitative information attributable to BancoPosta RFC³⁸.

Template EU AE1: Encumbered and unencumbered assets

Items	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
010 Assets of the disclosing institution	18,493	18,493			85,960	77,561		
030 Equity instruments	-	-	-	-	39	-	39	-
040 Debt securities	14,273	14,273	15,017	15,017	58,882	58,882	59,760	59,760
050 <i>of which: covered bonds</i>	-	-	-	-	-	-	-	-
060 <i>of which: securitisations</i>	-	-	-	-	-	-	-	-
070 <i>of which: issued by general governments</i>	14,273	14,273	15,017	15,017	55,655	55,655	56,389	56,389
080 <i>of which: issued by financial corporations</i>	-	-	-	-	3,226	3,226	3,371	3,371
090 <i>of which: issued by non-financial corporations</i>	-	-	-	-	-	-	-	-
120 Other assets	4,220	4,220			26,986	19,179		

38. Medians calculated using accurate data from the four quarters of 2021.

Template EU AE2: Collateral received and own debt securities issued

Collateral received by the disclosing institution	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
			Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
0130 Collateral received by the disclosing institution	-	-	1,144	1,144
0140 Loans on demand	-	-	-	-
0150 Equity instruments	-	-	-	-
0160 Debt securities	-	-	847	847
0170 <i>of which: covered bonds</i>	-	-	-	-
0180 <i>of which: securitisations</i>	-	-	-	-
0190 <i>of which: issued by general governments</i>	-	-	847	847
0200 <i>of which: issued by financial corporations</i>	-	-	-	-
0210 <i>of which: issued by non-financial corporations</i>	-	-	-	-
0220 Loans and advances other than loans on demand	-	-	-	-
0230 Other collateral received	-	-	282	282
0240 Own debt securities issued other than own covered bonds or securitisations	-	-	-	-
0241 Own covered bonds and securitisations issued and not yet pledged			-	-
0250 TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	-	-		

In order to comply with article 453 of the CRR regarding credit risk mitigation techniques, it should be noted that the collateral received in the form of debt securities relate to Repurchase Agreements. The item "Other collateral received" reflects the collateral received to cover exposures to supervised intermediaries for repurchase agreements and financial derivatives for € 282 million; this collateral consists solely of cash deposits.

Template EU AE3: Source of encumbrance

Items	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
010 Carrying amount of selected financial liabilities	17,922	18,274
Total at 31.12.2021	17,922	18,274

Liabilities in the above table include funding in the form of repurchase agreements and liabilities without any associated funding, such as derivatives. The latter have been included after any netting.

Assets include collateral (securities, reported at the carrying amount, and cash) pledged in relation to the above liabilities.

9. Use of ECAIS

9.1 Qualitative information

To identify each counterparty's creditworthiness, necessary in order to measure credit and counterparty risks using the standardised approach, BancoPosta RFC uses the ratings issued by Standard & Poor's, Moody's, Fitch and DBRS.

BancoPosta RFC applies the standardised approach for calculating the credit and counterparty risk capital requirements to all the regulatory portfolios, given that the Bank of Italy has not provided the option of using internal rating advanced approaches.

The association of the external rating of each ECAI (External Credit Assessment Institution)³⁹ to the classes of credit rating is done according to the standard scheme set forth in Implementing Regulation (EU) 2019/2028 of the Commission.

9.2 Quantitative information

As required by prudential standards, an overview is provided below on the use of credit risk mitigation techniques.

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

Exposure classes	Unsecured carrying amount	Secured carrying amount			
		Of which secured by collateral	Of which secured by financial guarantees		
			Of which secured by collateral	Of which secured by credit derivatives	
1 Loans and advances	20,624	-	-	-	-
2 Debt securities	67,521	3,215	-	3,000	-
3 Total	88,145	3,215	-	3,000	-
4 <i>Of which non-performing exposures</i>	-	-	-	-	-
EU-5 <i>Of which defaulted</i>	-	-	-	-	-

The table shows the presence of € 3,215 million of secured debt securities, the nature of which is described in the comment in the following table.

39. External rating agencies.

The following table describes, for each type of counterparty, the exposures, with and without credit risk mitigation, and the related RWAs.

Template EU CR4: Standardised approach: credit risk exposure and CRM effects

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance sheet exposures	On-balance-sheet exposures	Off-balance sheet exposures	RWAs	RWAs density
1 Central governments or central banks	95,462	-	98,462	-	135	0%
2 Regional government or local authorities	3	-	3	-	1	20%
3 Public sector entities	13	-	13	-	13	100%
4 Multilateral development banks	-	-	-	-	-	0%
5 International organisations	-	-	-	-	-	0%
6 Institutions	3,816	-	816	-	229	28%
7 Corporate	478	-	478	-	300	63%
8 Retail	17	-	17	-	13	75%
9 Secured by mortgages of immovable properties	-	-	-	-	-	0%
10 Exposures in default	-	-	-	-	-	0%
11 Exposures associated with particularly high risk	-	-	-	-	-	0%
12 Covered bonds	-	-	-	-	-	0%
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
14 Collective investment undertakings	-	-	-	-	-	0%
15 Equity instruments	39	-	39	-	39	100%
16 Other items	3,633	-	3,633	-	276	8%
17 Total	103,461	-	103,461	-	1,005	1%
Total on-balance-sheet and off-balance-sheet amounts		103,461		103,461		

The € 3 billion increase in “Central governments or central banks” in the post CRM column derives from the application of the guarantees of the Italian Republic on securities issued by Cassa Depositi e Prestiti SpA. From this it follows that exposures to “Institutions” decreases by the corresponding amount in the before CRM column.

The following table contains details of the exposure with credit risk mitigation associated with each credit rating class.

Exposures with a weighting of 250% regard net deferred tax assets which, not being deducted from own funds, are assigned this risk weighting in accordance with the CRR.

Template EU CR5: Standardised approach

Exposure classes	Risk weight															Total	of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1 Central governments or central banks	98,408	-	-	-	-	-	0	-	-	0	-	54	-	-	-	98,462	7,158
2 Regional government or local authorities	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	3	2
3 Public sector entities	-	-	-	-	0	-	-	-	-	13	-	-	-	-	-	13	13
4 Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	-	-	-	598	-	217	-	-	0	-	-	-	-	-	816	105
7 Corporate	178	-	-	-	-	-	1	-	-	300	-	-	-	-	-	478	301
8 Retail exposures	-	-	-	-	-	-	-	-	17	-	-	-	-	-	-	17	17
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Exposures in default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity exposures	-	-	-	-	-	-	-	-	-	39	-	-	-	-	-	39	-
16 Other items	2,905	-	-	-	565	-	-	-	-	163	-	-	-	-	-	3,633	3,633
17 Total	101,492	-	-	-	1,166	-	218	-	17	515	-	54	-	-	-	103,461	11,229

10. Exposure to Market Risk

As defined by the relevant standards, BancoPosta RFC does not have a trading book. As a result, the only component of market risk relevant to BancoPosta RFC is foreign exchange risk, defined as the risk of incurring losses due to adverse movements in the value of foreign currencies across all the positions held, regardless of the book to which they are allocated. In BancoPosta RFC's case, this risk primarily derives from foreign currency current accounts, foreign currency cash and VISA shares.

At 31 December 2021, application of the standardised approach required by the CRR for calculating the capital requirement for exchange risk results in a capital requirement of €5 million for BancoPosta RFC.

Template EU MR1: Market risk under the standardised approach

Items	RWEAs
Outright products	
1 Interest rate risk (general and specific)	-
2 Equity risk (general and specific)	-
3 Foreign exchange risk	62
4 Commodity risk	-
Options	
5 Simplified approach	-
6 Delta plus approach	-
7 Scenario approach	-
8 Securitisation (specific risk)	-
9 Total at 31.12.2021	62
Total at 31.12.2020	90

The previous table summarises BancoPosta RFC's market risks and highlights the only type of exposure represented by foreign exchange risk.

11. Operational Risks

In calculating the capital requirement for operational risks, BancoPosta RFC applies the simplified approach (BIA – Basic Indicator Approach) provided for by Regulation (EU) 575/2013. This consists of applying a percentage of 15% to the average of the relevant indicator for the last three years⁴⁰ as at the end of the reporting period⁴¹.

As shown in the following table, the capital requirement for operational risks obtained by applying this method amounts to € 786 million at 31 December 2021.

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

Banking activities	Relevant Indicator			Own fund requirements	Risk exposure amount
	Year-3	Year-2	Last year		
1 Banking activities subject to BIA approach	5,376	5,161	5,182	786	9,825
2 Banking activities subject to Standardised (TSA) / Alternative Standardised (ASA) approaches	-	-	-	-	-
3 <i>Subject to TSA:</i>	-	-	-		
4 <i>Subject to ASA:</i>	-	-	-		
5 Banking activities subject to Advanced measurement approaches AMA	5,376	5,161	5,182	663	8,289

40. BancoPosta RFC calculates the relevant indicator as the sum of the following income statement items (in accordance with applicable financial accounting standards): net interest income (items 10-20); net fee and commission income (items 40-50); the portion of "other operating income" not generated by extraordinary or non-recurring items (a portion of the positive component of item 200); net profits on the trading book (items 80, 90, 100, 110); dividends and similar income (item 70).

41. This method is only used for Pillar 1 risks, as BancoPosta RFC uses an advanced internal approach for computing operational risk capital requirements (details are provided in section 1.3.1).

12. Exposure to equity instruments not included in the trading book

12.1 Qualitative information

Investments in equity instruments included in the BancoPosta RFC's banking book consist of Visa Incorporated Series C Convertible Participating Preferred Stocks⁴².

BancoPosta RFC classifies this type of financial instrument in "Financial assets measured at fair value through profit or loss" (FVTPL), particularly in "Other financial assets mandatorily measured at fair value". Information on the measurement criteria used is provided in Parts A.2 and A.4 of the "Notes" in BancoPosta RFC's Separate Report.

12.2 Quantitative information

The following table provides the information required by article 447 of the CRR.

Exposure to equity instruments not included in the trading book

Category	Carrying amount	Fair Value			Market Value	Realised gains/ losses		Unrealised gains/ losses		Unrealised gains/ losses included in CET1	
		Level 1	Level 2	Level 3	Level 1	Gains	Losses	Gains	Losses	Plus (+)	Minus (-)
Financial assets measured at fair value through other comprehensive income	39	-	-	39	-	2	-	5	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2021	39	-	-	39	-	2	-	5	-	-	-
Total at 31.12.2020	72	-	38	34	-	-	-	2	-	-	-

42. At 31 December 2021, a partial-term sale agreement exists for approximately 90% of the Visa Incorporated Series C ordinary shares with maturity March 2023.

13. Exposures to interest rate risk on positions not included in the trading book

13.1 Qualitative information

Exposure to banking book interest rate risk reflects the peculiar nature of the investment of liquidity generated by postal current account deposits forming part of BancoPosta RFC's business activity, as detailed below:

- the liquidity deriving from private customer current account deposits (including inflows into prepaid cards issued by the PostePay SpA Group) which represent a form of funding without a contractual term to maturity, in keeping with the finance act of 27 December 2006, as amended⁴³, is invested in euro area government securities or other securities guaranteed by the Italian government or in tax credits transferable pursuant to current legislation. The investment profile is based on the constant monitoring of habits of account holders and the update of the statistical/econometric model that estimates the duration of deposits. The above-mentioned model is thus the general reference for the investments (the limits of which are determined by specific guidelines approved by the Board of Directors) in order to limit exposure to interest rate and liquidity risks;
- liquidity deriving from current account deposits by Public Administration entities represents a form of funding without a contractual term to maturity. The only permitted form of investment of these deposits, which are periodically monitored by BancoPosta's Risk Management unit with the aim of determining the expected maturity profile, is currently their deposit with the MEF in return for payment of a variable rate of interest⁴⁴.

Interest rate risk is inherent in the operations of a financial institution and can affect income and the value of the firm. In particular, adverse movements in interest rates can affect the risk of current and prospective changes in the banking book which are reflected on both the capital and the profits.

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

- repricing risk: linked to temporal shifts in the maturities (for fixed-rate positions) and to the date of repricing (for floating-rate positions) of the assets, liabilities and "off balance sheet" items;
- yield curve risk: linked to changes in the inclination and shape of the curve;
- basis risk: linked to the imperfect correlation in the adjustment of interest rates payable and receivable on various instruments, but with similar repricing features.

BancoPosta's internal model for banking book interest rate risk measurement assesses and describes the effects of adverse changes in the interest rates in both the economic value of equity (EVE) and the net interest income (NII). In the former, a medium to long-term effect is assessed on the volatility of the current value of future cash flows. In the latter, a short to medium-term effect on the net interest income volatility.

Interest rate risk is monitored by setting limits applied to both outlooks defined in the RAF and approved by the Board of Directors. Two metrics have been identified which quantify, respectively, the portion of equity absorbed by the banking book interest rate risk in terms of economic value, and the sensitivity, in percentage terms, of the net interest income with parallel movements of the interest rate curve. Both were then used as the basis for determining the risk appetite, risk tolerance and risk capacity. These limits are verified monthly and whenever it is necessary to carry out operations which, due to their size, innovative nature or expected impact on the risk/return profile, may have an impact on the achievement of the targets defined and approved by the Board of Directors.

Furthermore, there is a weekly verification of the investment duration and concentration management limits for time bands defined in the Guidelines on financial management approved by the Board of Directors.

43. The 2007 Financial Law, as amended, established the obligation of investment in euro area government securities (namely, for a maximum of 50%, in securities guaranteed by the Italian government) of private customer current account deposits; from July 2021, a maximum 30% of the portion of the 50% investable in securities guaranteed by the Italian government, can be used in the purchase of tax credits transferable pursuant to current legislation.

44. Remuneration is a function of the return on government securities.

In the quantification of the banking book interest rate risk in the economic value of equity (EVE) outlook, carried out on a monthly basis, BancoPosta RFC adopted an internal sensitivity analysis model, at the end of 2019, which provides for the estimate of the current value of assets and liabilities on the basis of 6 distinct rate scenarios, assuming:

- for postal current accounts, contractually on demand, adoption of the internal statistical/econometric model to estimate the duration, in compliance with the average maturity limit set by the EBA guidelines of July 2018 equal to 5 years⁴⁵. The model is subject to periodic re-estimating, at least once a year, in order to promptly adopt the changes in the assets and nature of customers.
- for government securities, which mainly make up the assets, compliance with regulatory indications⁴⁶ that provide for the possibility of sterilising the cash flows from the credit spread components and discounting them to a risk-free curve⁴⁷.

Specifically:

- regarding deposits, the duration is estimated for each segment (retail customers, business customers, prepaid cards and Public Administration current account holders⁴⁸) by maturity analysis. Based on historical trends and the volatility of average postal current account deposits, this process results in the computation of the minimum deposit base that, with a confidence level of 99%, may be available in future periods (the Profile of Likely Minimum Volumes) and, to complete the process, portions of deposits maturing in each time horizon are taken into account. The maturity profile for liabilities produced by the internal model tends towards infinity and, therefore, in order to apply the model, a cut-off point is established, based on reasonable assumptions regarding the duration of deposits. Based on the different characteristics of customers, the cut-off point is 20 years for retail customer deposits, as these are more stable on average, 10 years for business customer deposits and for PostePay⁴⁹ and 5 years for Public Administration deposits, as these are assumed to be more volatile. On the whole, the average life is 4.5 years. As a result, all the estimated volumes still present beyond these time horizons are allocated on a time linear basis to the deposits estimated to mature in all the periods prior to the maximum maturity date;
- with regard to government securities, the chosen approach consists in netting the cash flows of the securities from the credit spread components present at the date of purchase of the individual securities (trade date), using the Asset Swap Spread method.

The economic value of equity is obtained on the basis of the estimate of the current value of assets and liabilities carried out in full evaluation according to the discounted cash flow logic. The discount curve used is the risk-free curve. The present value is calculated in the six different scenarios indicated in the EBA guidelines with the application of a floor to negative rates⁵⁰. The difference between the economic value of equity obtained by applying the six scenarios and the base one represents the effect of the application of each of the scenarios on the economic value (Δ EVE).

The exposure measure in terms of economic value is equal to the Δ EVE corresponding to the most adverse scenario. In particular, at 31 December 2021, the exposure to interest rate risk is obtained with the curve parallel down scenario.

In the quantification of the banking book interest rate risk in the net interest income (NII) outlook, monthly measured, an analysis is carried out of movements in income of the interest-bearing assets and non-interest-bearing liabilities, also including the results of hedging through derivatives, over a short-term period of twelve months, generated by a sudden parallel shock on the interest rate curve of +/- 100 bps without the application of a floor in the event of a downward movement.

This measure shows the impact of movements in rates on the banking book at the measurement date in a constant balance sheet without taking into account any future changes in the asset and liability mix.

45. Ref. EBA/GL/2018/02 and Bank of Italy Circular 285/2013, Title III, Annex C.

46. Ref. EBA/GL/2018/02: "Class 1 and 2 banks may consider commercial margins and other components relating to differentials in the banking book interest rate risk in terms of changes in economic value and changes in net interest income or expected profits, evaluating the opportunity for inclusion in the measurement also on the basis of the assessment of the materiality of any distorting effects."

47. The risk-free curve adopted is the Euribor curve

48. The components of deposits by Public Administration entities relating to INPS and INPDAP are not relevant to the quantification of banking book interest rate risk. Deposits by treasuries are prudently considered on demand.

49. Following the transfer of the monetics and payment services unit to PostePay SpA on 1 October 2018, prepaid cards are now managed by PostePay SpA, a separate company which operates as a "hybrid" electronic money institution. The liquidity raised through these cards is transferred to BancoPosta, which invests the funds raised in euro government bonds or securities guaranteed by the Italian government. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposits continue to apply.

50. Ref. EBA/GL/2018/02 and Bank of Italy Circular 285/2013, Title III, Annex C:

1. Parallel up: movement parallel to the upward swap curve equal to +200 bps;

2. Parallel down: movement parallel to the downward swap curve equal to -200 bps, with floor;

3. Short up: movement upward in short-term rates;

4. Short down: movement downward in short-term rates;

5. Flattening: flattening of the swap curve, with short-term rates rising and long-term rates falling;

6. Steepening: steepening of the swap curve, with short-term rates falling and long-term rates rising.

These models are subject to internal validation aimed at providing assurance on the method, the sources and the supporting IT systems used and of expressing an opinion on both the implementing rules and the robustness of the risk management system used.

Mitigation of the interest rate risk and hedging of the banking book are carried out through over-the-counter (OTC) interest rate swaps (IRS) of fair value hedging or OTC interest rate swaps or inflation swaps of cash flow hedging specifically for financial instruments in the banking book⁵¹, or by forward purchases and sales which are configured as cash flow hedges of forecast transactions.

The objective of fair value hedges is to protect the fair value of financial instruments from interest rate fluctuations and the rate of inflation. The credit risk of the Italian Republic is not hedged and is set for the duration of the swap. Full hedges and partial hedges are implemented, with the start date equal to the date of purchase of the financial instrument (swap spot start) and after the purchase of the financial instrument (swap forward start), respectively.

The objective of cash flow hedges is to stabilize until maturity the return of the financial instrument, regardless of movements of the variable parameter.

In the case of forward purchases, the objective of cash flow hedges and forecast transactions is to reinvest the liquidity obtained from the government securities in the banking book that are about to mature, in other securities, but by fixing the purchase price – and the matching return – on the basis of market conditions at a specific moment in time prior to the date of the effect need to invest. In the case of forward sales, the objective is to pursue the stabilisation of returns.

BancoPosta RFC evaluates the effectiveness of the designated derivative in every hedging relationship through a retrospective effectiveness test and a prospective effectiveness test.

13.2 Quantitative information

The interest rate risk generated by BancoPosta RFC's banking book, measured using the internal sensitivity analysis model in the economic value of equity (EVE), amounted to an average of approximately € 485 million in 2021, standing at € 735 million at the end of the year. The change in economic value is equal to 26.4% of own funds. The measure showed a rising trend over the year, above all due to the significant increase in funding in all its components, the reduction in the average duration of commitments in securities and tax credits and, following the increase in interest rates, the reduction in the benefit of the floor in the downward scenarios to which BancoPosta RFC is exposed. The flattener scenario was the least favourable for nearly the entire year, until December, when the parallel down scenario took over.

The interest rate risk generated by BancoPosta RFC's banking book, measured using the internal sensitivity analysis model in the net interest income (NII) outlook, amounted to € +/-369 million at the end of 2021 based on a hypothetical parallel movement in rates of 100 bps without the application of the floor in the event of a downward movement. The measure showed a rising trend over the year mostly due to the effect of the high levels of liquidity on the buffer and Target2/Bankit accounts and the increase in the balance of the deposit with the MEF, as well as the nearing of the start dates of the forward starting fair value hedge swaps. The interest rate risk exposure generated by BancoPosta RFC's banking book, in terms of both EVE and NII, attributable to hypothetical downward scenarios of the interest rate curves, which are highly unlikely, reflects the company strategic positioning in terms of ALM, prepared for the most likely scenario of an upward trend in the rates.

51. The hedged instruments are government securities and repurchase agreements.

The following table shows the results of the application of the aforementioned templates.

Template EU IRRBB1: Interest rate risk of non-trading book activities – Economic value of equity (EVE) and net interest income (NII)

Regulatory shock scenarios	Δ EVE		Δ NII	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
1 Parallel up	1610	430	369	299
2 Parallel down	-735	-99	-369	-299
3 Steepener	877	241		
4 Flattener	-693	-196		
5 Short rates up	-100	-49		
6 Short rates down	-11	-37		

14. Remuneration Policy

In pursuing the objectives of profitability and financial stability over the medium to long term, BancoPosta RFC is committed to adopting remuneration policies based on the principles of transparency and the sound and prudent management of risk, effectively managing any potential conflicts of interest and its capital and liquidity positions.

Pursuant to Bank of Italy Circular no.285, Part One, Title IV, Chapter 2 of 17 December 2013, and taking into account the 37th update on 24 November 2021, which transposes the changes introduced by Directive (EU) 2019/878 (CRD V), the remuneration and incentive policies of BancoPosta personnel, consistent with those of the Company, represent a fundamental tool for pursuing the objectives of the strategic plan and are aimed at:

- i. improve the culture of merit and performance;
- ii. create value and direct personnel towards achievement of short-, medium- and long-term objectives within a set of rules established to ensure appropriate management of the related risks;
- iii. align the behaviour of Material Risk Takers and of other BancoPosta RFC personnel with the interests of stakeholders, medium- to long-term strategies and the entity's objectives, within a set of rules established to ensure appropriate management of current and future risks and adequate levels of liquidity and capital;
- iv. attract, motivate and retain high qualified staff;
- v. ensure internal equity, linking remuneration with responsibilities and rewarding everyone's contribution to the achievement of the targets set;
- vi. ensure external competitiveness through a continuous process of market benchmarking, conducted with the support of analysis tools also devised by specialist international consulting firms who provide the related benchmarks;
- vii. ensure that the remuneration and incentive policies are sustainable in terms of BancoPosta RFC's operating performance and financial position.

In view of the particular nature of BancoPosta RFC and its relations with Poste Italiane functions, the remuneration and incentive policies outlined in the "Guidelines for BancoPosta RFC's remuneration and incentive policy for 2022" apply to the following parties, identified pursuant to Directive (EU) 2019/878 and Commission Delegated Regulation (EU) 2021/923, regarding their activities related to BancoPosta RFC:

- Poste Italiane's Board of Directors (the Chairwoman, the Chief Executive Officer and General Manager, other Directors);
- Poste Italiane's Board of Statutory Auditors;
- Poste Italiane's Manager Responsible for Financial Reporting;
- BancoPosta General Manager;
- BancoPosta's internal control function personnel;
- other Material Risk Takers;
- other BancoPosta personnel not identified as Material Risk Takers.

Further details and updates are provided in Poste Italiane SpA's "Report on the 2022 remuneration policy and on the amounts paid in 2021" and the annexed "Guidelines for BancoPosta RFC's remuneration and incentive policy for 2022".

15. Financial Leverage

15.1 Qualitative information

Monitoring the Leverage Ratio is a way of controlling BancoPosta RFC's exposure to the risk of excessive leverage, despite not being binding from a regulatory point of view.

The indicator is the ratio of Common Equity Tier 1 to total assets, including exposures to "off balance sheet" risks, and takes into account the other provisions set out by Regulation (EU) 575/2013. In addition to total assets in the financial statements, the denominator thus includes the following:

- exposure to financial derivatives according to the provisions of article 429-*quater* of the CRR;
- exposure to counterparty risk deriving from repurchase agreements without applying, as required by the Regulation, prudent additional haircuts (applicable to securities pledged as collateral) and without considering collateral received under GMRA's;
- deductions from assets in the Statement of Financial Position of:
 - receivables (cash collaterals and derivative assets) resulting from derivatives guaranteed by cash collateral with daily variation margins;
 - the valuation effects of the portfolio of "Financial assets measured at fair value through other comprehensive income" according to the provisions of article 429-*bis*, paragraph 1(b) of Regulation (EU) 575/2013;
 - exposures to the central bank in accordance with the provisions of article 500-*ter*, paragraph 1 of Regulation (EU) 575/2013.

15.2 Quantitative information

The summary of the data relating to the calculation of the BancoPosta RFC's leverage ratio is provided below, reported in accordance with the provisions of Commission Implementing Regulation (EU) 2021/637, in order to apply articles 451(1)(a), 451(1)(b) and 451(1)(c) of the CRR.

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

Items	Amount at 31.12.2021	Amount at 31.12.2020
1 Total assets as per published financial statements	109,072	103,981
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-	-
3 (Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4 (Adjustment for temporary exemption of exposures to central banks (if applicable))	-3,921	-2,869
5 (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-	-
6 Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7 Adjustment for eligible cash pooling transactions	-	-
8 Adjustments for derivative financial instruments	404	109
9 Adjustments for securities financing transactions "SFTs"	674	799
10 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-	843
11 (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-	-
EU-11a (Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-11b (Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-	-
12 Other adjustments	-5,909	-10,559
13 Total leverage ratio exposure	100,320	92,303

Template EU LR2 - LRCOM: Leverage ratio common disclosure

		Amount at 31.12.2021	Amount at 31.12.2020
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	108,199	
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-4,173	
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	
5	(General credit risk adjustments to on-balance sheet items)	-	
6	(Asset amounts deducted in determining Tier 1 capital)	-1,737	
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	102,289	100,837
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	400	
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	878	
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	
EU-9b	Exposure determined under Original Exposure Method	-	
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	
11	Adjusted effective notional amount of written credit derivatives	-	
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	
13	Total derivatives exposures	1,277	-7,307
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	1,577	
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-1,577	
16	Counterparty credit risk exposure for SFT assets	674	
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	
17	Agent transaction exposures	-	
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	
18	Total securities financing transaction exposures	674	800
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	-	
20	(Adjustments for conversion to credit equivalent amounts)	-	
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	
22	Other off-balance sheet exposures	-	843
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-3,921	
EU-22c	(Excluded exposures of public development banks (or units) – Public sector investments)	-	
EU-22d	(Excluded exposures of public development banks (or units) – Promotional loans)	-	
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	
EU-22k	(Total excluded exposures)	-3,921	-2,869
Capital and total exposures			
23	Tier 1 capital	2,983	2,449

	Amount at 31.12.2021	Amount at 31.12.2020
24 Total leverage ratio exposures	100,320	92,303
Leverage ratio		
25 Leverage ratio (%)	3.0%	2.7%
EU-25 Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	3.0%	2.7%
25a Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	3.0%	2.7%
26 Regulatory minimum leverage ratio requirement (%)	0%	0%
EU-26a Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%
EU-26b <i>of which: to be made up of CET1 capital</i>	0%	0%
27 Leverage ratio buffer requirement (%)	0%	0%
EU-27a Overall leverage ratio requirement (%)	0	0
Choice on transitional arrangements and relevant exposures		
EU-27b Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional

With reference to the previous table, the column with the data related to 31 December 2020 only reports the main aggregates in order to avoid inadequate comparisons, caused by the change in the calculation model of counterparty risk exposure.

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

Items	Leverage ratio exposure at 31.12.2021	Leverage ratio exposure at 31.12.2020
EU-1 Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	108,199	103,902
EU-2 Trading book exposures	-	-
EU-3 Banking book exposures, of which:	108,199	103,902
EU-4 <i>Covered bonds</i>	-	-
EU-5 <i>Exposures treated as sovereigns</i>	95,438	87,295
EU-6 <i>Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns</i>	16	25
EU-7 <i>Institutions</i>	7,988	11,503
EU-8 <i>Exposures secured by mortgages on immovable property</i>	0	
EU-9 <i>Retail exposures</i>	4	1
EU-10 <i>Corporates</i>	1,082	1,184
EU-11 <i>Exposures in default</i>	0	-
EU-12 <i>Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)</i>	3,672	3,894

During the year, the ratio experienced a decreasing trend as a result of the significant growth in funding volumes. At the end of the year, the ratio stood at 3%, as a result of retained earnings for € 200 million, at 31 December 2021, in accordance with the provisions of article 26 of Regulation (EU) 575/2013.

Declarations of the BancoPosta General Manager pursuant to art. 435, Letters e) and f) Regulation (EU) 575/2013 of 26-06-2013

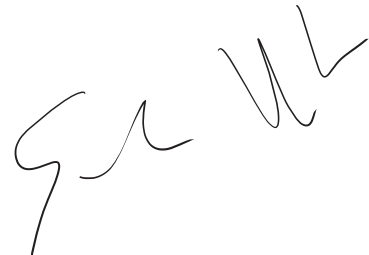
The BancoPosta General Manager, Guido Nola, under the authority granted to him by Poste Italiane SpA's Board of Directors, declares, pursuant to letters e) and f) of Art. 435 of Regulation (EU) 575/2013 of 26 June 2013, that:

- a. the risk management systems implemented by BancoPosta RFC and described in the "Basel III Pillar 3 Report at 31 December 2021 - BancoPosta RFC", are adequate in respect of the entity's profile and strategy;
- b. the particular, section "Adequacy of risk management procedures and consistency with the overall risk profile and the business strategy", in the above document, briefly describes BancoPosta RFC's overall risk profile in relation to the business strategy implemented.

11 May 2022

Guido Maria Nola

BancoPosta General Manager

A handwritten signature in black ink, appearing to be 'G. Nola', written in a cursive style.

Declarations by the Manager Responsible for Financial Reporting

The manager responsible for financial reporting, Alessandro Del Gobbo, declares, pursuant to article 154-*bis*, paragraph 2 of the Consolidated Law on Finance, that the accounting information contained in this document is consistent with the underlying accounting records.

Certification compliant to article 431, paragraph 3 of Regulation (EU) 575/2013 on disclosure requirements pursuant to Part Eight of the CRR

The undersigned, Guido Maria Nola, in his role as BancoPosta RFC General Manager

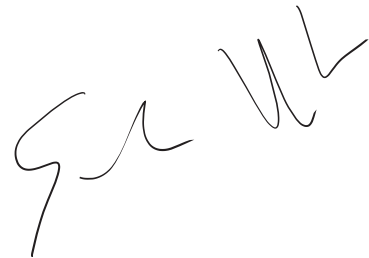
CERTIFIES

that, in compliance with the provisions of art. 431, paragraph 3 of Regulation (EU) 575/2013 on disclosure requirements pursuant to Part Eight of the CRR, the information provided has been drawn up in line with the formal policy and the internal processes, systems and controls agreed at the level of the BancoPosta General Manager.

Rome, 11 May 2022

Guido Maria Nola

BancoPosta General Manager

A handwritten signature in black ink, appearing to read 'G. M. Nola', is positioned below the printed name and title.

Annex 1

The following table shows the composition of own funds, in accordance with the template defined in annex VII of Regulation (EU) 2021/637.

Template EU CC1: Composition of regulatory own funds

Items	Amount at 31.12.2021	Amount at 31.12.2020
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1 Capital instruments and the related share premium accounts	-	-
2 Retained earnings	1,194	1,154
3 Accumulated other comprehensive income (and other reserves)	1,209	1,210
EU-3a Own funds for general banking risk	-	-
4 Amount of eligible items under art. 484 (3) and the related share premium reserves, subject to phase-out from Tier 1 capital	-	-
5 Minority interests (amount allowed in consolidated CET1)	-	-
EU-5a Independently reviewed interim profits net of any foreseeable charge or dividend	200	50
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,603	2,414
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7 Additional adjustments (negative amount)	-	-
8 Intangible assets (net of the relevant tax liabilities) (negative amount)	-	-
9 Not applicable (amount at 31/12/2020: Transitional period adjustments for IFRS 9, now included in row 27a as required by Reg 2021/637)	-	-
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	-
11 Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	-
12 Negative amounts resulting from the calculation of expected loss amounts	-	-
13 Any increase in equity that results from securitised assets (negative amount)	-	-
14 Gains or losses on liabilities, valued at fair value, resulting from changes in own credit standing (amount at 31/12/2020 also included 'Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities', now included in row 27a as required by Reg. 2021/637)	-	-
15 Defined-benefit pension fund assets (negative amount)	-	-
16 Direct, indirect and synthetic holdings by an institution of own Common Equity Tier 1 capital instruments (negative amount)	-	-
17 Direct, indirect and synthetic holdings of the Common Equity Tier 1 capital instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to increase artificially the own funds of the institution (negative amount)	-	-
18 Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 capital instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	-
19 Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 capital instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	-
20 Not applicable (amount as at 31/12/2020: Other common Equity Tier 1 items pursuant National Authority rules, now included partly in row EU25b and partly in row 27a as required by Reg. 2021/637)	-	-
EU-20a Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-	-
EU-20b of which: qualifying holdings outside the financial sector (negative amount)	-	-
EU-20c of which: securitisation positions (negative amount)	-	-
EU-20d of which: free deliveries (negative amount)	-	-
21 Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in art. 38(3) are met) (negative amount)	-	-
22 Amount exceeding the 17,65% threshold (negative amount)	-	-

Items	Amount at 31.12.2021	Amount at 31.12.2020	
23	of which: direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 capital instruments of financial sector entities where the institution has a significant investment in those entities	-	-
24	Not applicable	-	-
25	of which: deferred tax assets arising from temporary differences	-	-
EU-25a	Losses for the current financial year (negative amount)	-	-
EU-25b	Foreseeable tax charges relating to Common Equity Tier 1 capital items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount) (amount at 31/12/2020: included in row 20)	-	-
26	Not applicable	-	-
27	Qualifying Additional Tier 1 capital deductions that exceed Additional Tier 1 capital of the institution (negative amount)	-	-
27a	Other regulatory adjustments	30	35
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	30	35
29	Common Equity Tier 1 (CET1) capital	2,633	2,449
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	350	-
31	of which: classified as equity in compliance with the applicable accounting standards	350	-
32	of which: classified as liabilities in compliance with the applicable accounting standards	-	-
33	Amount of eligible items under article 484 (4) and the related share premium reserves, subject to phase-out from Additional Tier 1 capital	-	-
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	-
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	-
34	Qualifying Tier 1 capital included in consolidated Additional Tier 1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-
35	of which: instruments issued by subsidiaries subject to phase out	-	-
36	Additional Tier 1 (AT1) capital before regulatory adjustments	350	-
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own Additional Tier 1 capital instruments (negative amount)	-	-
38	Direct, indirect and synthetic holdings of the Additional Tier 1 capital instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to increase artificially the own funds of the institution (negative amount)	-	-
39	Direct, indirect and synthetic holdings by the institution of Additional Tier 1 capital instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	-
40	Direct, indirect and synthetic holdings by the institution of the Additional Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-
41	Not applicable	-	-
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	-
42a	Other regulatory adjustments to AT1 capital	-	-
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-
44	Additional Tier 1 (AT1) capital	350	-
45	Tier 1 capital (T1 = CET1 + AT1)	2,983	2,449
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	-	-
47	Amount of eligible items under article 484 (5) and the related share premium reserves, subject to phase-out from Tier 2 capital	-	-
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	-
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	-
48	Qualifying own funds instruments included in consolidated Tier 2 capital (including minority interests and Additional Tier 1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-
49	of which: instruments issued by subsidiaries subject to phase out	-	-
50	Impairment losses	-	-
51	Tier 2 (T2) capital before regulatory adjustments	-	-
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own Tier 2 instruments and subordinated loans (negative amount)	-	-

Items	Amount at 31.12.2021	Amount at 31.12.2020
53 Direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
54 Direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
54a Not applicable	-	-
55 Direct, indirect and synthetic holdings by the institution of the Tier 2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-
56 Not applicable	-	-
EU56a Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	-
EU56b Other regulatory adjustments to Tier 2 capital	-	-
57 Total regulatory adjustments to Tier 2 (T2) capital	-	-
58 Tier 2 (T2) capital	-	-
59 Total capital (TC = T1 + T2)	2,983	2,449
60 Total risk-weighted assets	13,613	13,502
Capital ratios and requirements including buffers		
61 Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	19.3%	18.1%
62 Tier 1 capital (as a percentage of the risk exposure amount)	21.9%	18.1%
63 Total capital (as a percentage of the risk exposure amount)	21.9%	18.1%
64 Institution CET1 overall capital requirements	7.0%	7.0%
65 of which: capital conservation buffer requirement	2.5%	2.5%
66 of which: countercyclical capital buffer requirement	-	-
67 of which: systemic risk buffer requirement	-	-
EU67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	-	-
EU67b of which: additional own funds requirements to address the risks other than the risk of excessive leverage	-	-
68 Common Equity Tier 1 (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	12.3%	11.1%
National minima (if different from Basel III)		
69 Not applicable	-	-
70 Not applicable	-	-
71 Not applicable	-	-
Amounts below the thresholds for deduction (before risk weighting)		
72 Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-
73 Direct and indirect holdings by the institution of Common Equity Tier 1 capital 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)	-	-
74 Not applicable	-	-
75 Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	54	52
Applicable caps on the inclusion of provisions in Tier 2		
76 Credit risk adjustments included in Tier 2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-
77 Cap on inclusion of credit risk adjustments in Tier 2 under standardised approach	-	-
78 Credit risk adjustments included in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-
79 Cap for inclusion of credit risk adjustments in Tier 2 under internal ratings-based approach	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80 Current cap on Common Equity Tier 1 capital instruments subject to phase out arrangements	-	-
81 Amount excluded from Common Equity Tier 1 capital due to cap (excess over cap after redemptions and maturities)	-	-
82 Current cap on Common Equity Tier 1 capital instruments subject to phase out arrangements	-	-
83 Amount excluded from Common Equity Tier 1 capital due to cap (excess over cap after redemptions and maturities)	-	-
84 Current cap on Tier 2 capital instruments subject to phase out arrangements	-	-
85 Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	-

Annex 2

The following table shows the characteristics of the AT1 capital instrument of BancoPosta RFC, according to the outline defined in annex VII of Regulation (EU) 2021/637.

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

Items	Information
1 Issuer	BancoPosta RFC
2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
2a Public or private placement	Private
3 Governing law(s) of the instrument	Italian laws
3a Contractual recognition of write down and conversion powers of resolution authorities	No
REGULATORY TREATMENT	
4 Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5 Post-transitional CRR rules	Additional Tier 1 capital
6 Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Individual entity
7 Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 instrument - art. 52 CRR
8 Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	350
9 Nominal amount of instrument (€m)	350
EU9a Issue price	100
EU9b Redemption price	100
10 Accounting classification	Equity
11 Original date of issuance	30.06.2021
12 Perpetual or dated	Perpetual
13 Original maturity date	No maturity
14 Issuer call subject to prior supervisory approval	Yes
15 Optional call date, contingent call dates and redemption amount	30/06/2029 and Regulatory reasons and Tax event
16 Subsequent call dates, if applicable	Early repayment exercisable at any interest payment date after 30.06.2029
COUPONS / DIVIDENDS	
17 Fixed or floating dividend/coupon	Fixed for the first eight years
18 Coupon rate and any related index	4.697% (MID swap rate + Margin)
19 Existence of a dividend stopper	No
EU20a Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU20b Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary (can also be prevented by the Regulator for the cases envisaged by prudential standards)
21 Existence of step up or other incentive to redeem	No
22 Non-cumulative or cumulative	Non-cumulative
23 Convertible or non-convertible	No

Items	Information	
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	CET1 ratio below 5.125%
32	If write-down, full or partial	Fully or partially
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If the CET1 is reinstated above 5.125%, the issuer may decide to re-evaluate the nominal capital within the limits of the maximum distributable amount
34a	Type of subordination (only for eligible liabilities)	N/A
EU34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior with respect to CET1 elements and subordinate to instruments with a lower degree of subordination (i.e. T2, and deposits)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

Annex 3

Summary of regulatory references

Table	Table description	Frequency of publication	Pillar 3 section	
EU OVA	Institution risk management approach	Annual	Chapter 1 - Risk management policies and objectives	
EU OVB	Disclosure on governance arrangements	Annual		
EU CRA	General qualitative information about credit risk	Annual		
EU ORA	Qualitative information about operational risk	Annual		
EU MRA	Qualitative disclosure requirements related to market risk	Annual		
Summary composition of own funds	Summary composition of own funds	Annual	Chapter 3 - Own funds	
EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Annual		
EU OVC	ICAAP information	Annual	Chapter 4 - Capital requirements	
EU OV1	Overview of total risk exposure amounts	Annual		
EU KM1	Key metrics	Annual		
EU IFRS9-FL	Comparison of own funds, capital and financial ratios with and without the application of the transitional arrangements for IFRS 9	Annual		
EU CCRA	Qualitative disclosure related to CCR	Annual	Chapter 5 - Exposure to counterparty risk	
EU CRC	Qualitative disclosure requirements related to CRM techniques	Annual		
EU CCR1	Analysis of CCR exposure by approach	Annual		
EU CCR2	Transactions subject to own funds requirements for CVA risk	Annual		
EU CCR3	Standardised approach: CCR exposures by regulatory exposure class and risk weights	Annual		
EU CCR5	Standardised approach: composition of collateral for CCR exposures	Annual		
EU CCR8	Exposures to CCPs	Annual		
EU CRB	Additional disclosure related to the credit quality of assets	Annual		Chapter 7 - Impairment losses
EU CR1	Performing and non-performing exposures and related provisions	Annual		
EU CR1-A	Maturity of exposures	Annual		
EU CR2	Changes in the stock of non-performing loans and advances	Annual		
EU CQ3	Credit quality of performing and non-performing exposures by past due days	Annual		
EU CQ5	Credit quality of loans and advances to non-financial corporations by industry	Annual		
EU AE1	Encumbered and unencumbered assets	Annual	Chapter 8 - Unencumbered assets	
EU AE2	Collateral received and own debt securities issued	Annual		
EU AE3	Source of encumbrance	Annual		
EU AE4	Accompanying narrative information	Annual		
EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Annual	Chapter 9 - Use of ECAIs	
EU CR4	Standardised approach – Credit risk exposure and CRM effects	Annual		
EU CR5	Standardised approach	Annual		
EU CRD	Qualitative disclosure requirements related to standardised approach	Annual		
EU MR1	Market risk under the standardised approach	Annual		Chapter 10 - Exposure to market risk
EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Annual	Chapter 11 - Operational risk	

Table	Table description	Frequency of publication	Pillar 3 section
Exposure to equity instruments not included in the trading book	Exposure to equity instruments not included in the trading book	Annual	Chapter 12 - Exposure to equity instruments not included in the trading book
Interest rate risk of non-trading book activities – Economic value of equity (EVE) and net interest income (NII)	Interest rate risk of non-trading book activities – Economic value of equity (EVE) and net interest income (NII)	Annual	Chapter 13 - Exposure to interest rate risk on positions not included in the trading book
EU IRRBB1	Interest rate risk on positions not included in the trading book	Annual	
EU REMA	Remuneration policy	Annual	Chapter 14 - Remuneration policy
EU REM1	Remuneration recognised for the exercise	Annual	
EU REM2	Special payments to staff whose professional activities have a significant impact on the institution's risk profile (material risk takers)	Annual	
EU REM3	Deferred remuneration	Annual	
EU REM4	Remuneration of 1 million EUR or more per financial year	Annual	
EU REM5	Information on the remuneration of staff whose professional activities have a material impact on the institution's risk profile (material Risk Takers)	Annual	
EU LR1 - LRSum	Summary reconciliation of accounting assets and leverage ratio exposures	Annual	Chapter 15 - Leverage
EU LR2 - LRCom	Leverage ratio common disclosure	Annual	
EU LR3 - LRSpl	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Annual	
EU LRA	Disclosure of LR qualitative information	Annual	
EU CC1	Composition of regulatory own funds	Annual	Annex 1
EU CCA	Table EU CCA. Main features of regulatory own funds instruments and eligible liabilities instruments	Annual	Annex 2

Poste Italiane SpA

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