# FINECOBANK GROUP PUBLIC DISCLOSURE – PILLAR III

## AS AT 30 JUNE 2023

# Contents



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

# Introduction

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

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

In order to rationalize and homogenize the disclosures to be provided periodically to the market, the EBA, responding to the mandate given to it by Article 434a "Disclosure templates" of CRR II, in June 2020 published the implementing technical standards (EBA/ITS/2020/04), intended for all institutions subject to the disclosure requirements of Part eight of CRR. These implementing technical standards were transposed by Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to Titles II and III of Part Eight, of Regulation (EU) No 575/2013, and subsequent Regulations amending its contents, in particular the Commission Implementing Regulation (EU) 2022/631 of 13 April 2022, which contains the templates and instructions for fulfilling public disclosure of the interest rate risk exposures on positions not held in the trading book (IRRBB - Interest Rate Risk in the Banking Book) requested by Article 448 of the CRR and Implementing Regulation (EU) 2022/2453 of 30 November 2022 which contains templates and instructions regarding environmental, social and governance risks required by Article 449a of the CRR. The latter Regulation transposes the implementing technical standards (EBA/ITS/2022/01) on the prudential disclosure of environmental, social and governance published in January 2022, according to which Large institutions that have issued securities traded on a regulated market of any Member State are required to provide the first disclosure as of 31 December 2022 and semi-annually thereafter, with phased-in disclosure requirements depending on the specific models (phase-in period from December 2022 to December 2024).

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

FinecoBank S.p.A. (hereinafter also FinecoBank or Fineco or Bank) qualifies as a "Large Institution" under Part Eight of the CRR and, therefore, all information required to them on a semi-annual basis has been published in this Public Disclosure as at 30 June 2023.

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

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

The subject is therefore regulated:

- by the Part Eight of CRR, "Disclosure by institutions" (art. 431 - 455);
- by the Regulations of the European Commission, the preparation of which may be delegated to the EBA, containing the regulatory or implementing technical standards to govern the uniform models for publishing the various types of information. In particular, reference is made to the following guidelines and regulations:
    - Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295 (EBA/RTS/2020/20 implemented by the Implementing Regulation 2021/637);
    - Commission Implementing Regulation (EU) 2022/631 of 13 April 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards disclosure of interest rate risk exposures on positions not held in the trading book and transposing the EBA/ITS/2021/07;
    - Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 with regard to the disclosure of environmental, social and governance risks and transposing the EBA/ITS/2022/01;
    - guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013 (EBA/GL/2014/14);

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

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

With regard to the initiatives put in place in 2020, which are still in force, please also note Regulation (EU) 873/2020 ("CRR "Quick-fix") of the EU Parliament and Council published on 26 June 2020, amending Regulation (EU) 575/2013 ("CRR") and Regulation (EU) 876/2019 ("CRR II"), which made a number of adjustments to the prudential framework in light of the Covid-19 health emergency, allowing credit institutions to apply specific transitional provisions, with the aim of providing capital support to enable credit institutions to continue to support the real economy in the context of the Covid-19 pandemic. This Regulation also anticipated the application of certain measures contained in CRR II, which are therefore valid until the latter enters into force on 28 June 2021. Among the main measures still in force is the extension until 31 December 2024 of the transitional regime that allows to reduce the potential impact on CET1 deriving from the increase in provisions for expected losses on receivables calculated according to the IFRS 9 impairment model, through the gradual inclusion in CET1 ("Temporary treatment to mitigate the impact of the introduction of IFRS 9 on own funds"). It is envisaged that banks that had previously decided to make use or not to make use of the transitional provisions can revoke their decision at any time during the new transitional period. As of 30 June 2023, the Group did not make use of the option to apply the temporary treatment.

With regard to the public disclosure requirements related to the provisions contained in Regulation 873/2020, the Bank of Italy, with a communication dated 8 September 2020, implemented the EBA Guidelines providing clarifications and guidance on the compilation of the supervisory reporting formats and public disclosures (EBA Guidelines 2020/12). The EBA Guidelines 2020/12 amend EBA/GL/2018/01 to take account of the impact on capital of the changes regarding the extension of the IFRS9 transitional provisions. The main changes concern the extension of the disclosure period due to the extension of the transitional arrangements for IFRS 9 and the introduction of additional qualitative disclosure requirements aimed at covering decisions taken as part of the discretions provided for in article 473a CRR, as amended by the CRR Quick-fix.

With reference to the abovementioned transitional provisions introduced by the CRR Quick-fix, since the Group, as at 30 June 2023, did not make use of the option to apply the "Temporary treatment to mitigate the impact of the introduction of IFRS 9 on own funds" own funds and capital already reflect the full impact of the above component and, consequently, the disclosure requirements specified in EBA Guidelines 2020/12 do not apply.

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

The key elements of this policy are:

- identification of roles and responsibilities of the corporate bodies, departments and Legal Entities involved in the process of producing the disclosure;
- identification of the information to be published (in accordance with EBA GL/2014/14 and CRR Article 432 and 433 and with the subsequent Regulation (EU) 2019/876 in relation with the requirements applicable as of 30 June 2023);
- approval by the Board of Directors;
- publication on the FinecoBank website.

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

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

# Introduction

## Reference to regulatory reporting requirements with semi-annual frequency: Implementing Regulation (EU) 2021/637 and subsequent amendments[1]

The table below shows the location in this document of the disclosures made to the market as of 30 June 2023, applicable to the FinecoBank Group. Therefore, the following templates/tables are excluded:

- EU CR6; EU CR7; EU CR7a; EU CR8; EU CR10; EU CCR4; EU CCR7; EU MR2-A; EU MR2-B; EU MR3; EU MR4 as the Group does not use internal models, neither in the determination of credit and counterparty risk nor in the determination of market risks;
- EU CCR6; EU CQ7; EU SEC1; EU SEC2; EU SEC3; EU SEC4; EU SEC5 as the Group does not have any exposures that fall within the types indicated;
- EU CR2a; EU CQ2; EU CQ6; EU CQ8 as the Group does not have a ratio of the gross carrying amount of impaired loans and advances to the total gross carrying amount of loans and advances of 5% or more.

| TEMPLATE | TOPIC | CHAPTER |
|---|---|---|
| **Implementing Regulation 2021/637** | | |
| EU OV1 | Overview of total risk exposure amounts | Own funds requirements and risk-weighted exposure amounts |
| EU KM1 | Key metrics | Key metrics |
| EU CC1 | Composition of regulatory own funds | Own Funds |
| EU CC2 | Reconciliation of regulatory own funds to balance sheet in the audited financial statements | Own Funds |
| EU CCyB1 | Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer | Countercyclical capital buffers |
| EU CCyB2 | Amount of institution-specific countercyclical capital buffer | Countercyclical capital buffers |
| EU LR1 - LRSum | Summary reconciliation of accounting assets and leverage ratio exposures | Leverage |
| EU LR2 - LRCom | Leverage ratio common disclosure | Leverage |
| EU LR3 - LRSpl | Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) | Leverage |
| EU LIQ1 | Quantitative information of LCR | Liquidity requirements |
| EU LIQB | Quantitative information of LCR, which complements template EU LIQ1 | Liquidity requirements |
| EU LIQ2 | Net Stable Funding Ratio | Liquidity requirements |
| EU CR1-A | Maturity of exposures | Exposures to credit risk and dilution risk |
| EU CR2 | Changes in the stock of non-performing loans and advances | Exposures to credit risk and dilution risk |
| EU CR1 | Performing and non-performing exposures and related provisions | Exposures to credit risk and dilution risk |
| EU CQ1 | Credit quality of forborne exposures | Exposures to credit risk and dilution risk |
| EU CQ4 | Quality of non-performing exposures by geography | Exposures to credit risk and dilution risk |
| EU CQ5 | Credit quality of loans and advances to non-financial corporations by industry | Exposures to credit risk and dilution risk |
| EU CR3 | CRM techniques overview: Disclosure of the use of credit risk mitigation techniques | Disclosure of the use of credit risk mitigation techniques |
| EU CR4 | Standardised approach – Credit risk exposure and CRM effects | Disclosure of the use of the Standardised Approach |
| EU CR5 | Standardised approach | Disclosure of the use of the Standardised Approach |
| EU CCR1 | Analysis of CCR exposure by approach | Exposures to counterparty credit risk |
| EU CCR2 | Transactions subject to own funds requirements for CVA risk | Exposures to counterparty credit risk |
| EU CCR3 | Standardised approach – CCR exposures by regulatory exposure class and risk weights | Exposures to counterparty credit risk |
| EU CCR5 | Composition of collateral for CCR exposures | Exposures to counterparty credit risk |
| EU CCR8 | Exposures to CCPs | Exposures to counterparty credit risk |
| EU MR1 | Market risk under the standardised approach | Market risk |

[1] Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 as amended by:

- Commission Implementing Regulation (EU) 2022/631 of 13 April 2022 as regards disclosure of interest rate risk exposures on positions not held in the trading book;
- Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 as regards disclosure on environmental, social and governance risks.

Continued: Reference to regulatory reporting requirements with semi-annual frequency: Implementing Regulation (EU) 2021/637 and subsequent amendments

| TEMPLATE | TOPIC | CHAPTER |
|---|---|---|
| IRRBB1 | Interest rate risk on positions not included in the trading book | Exposure to interest rate risk on positions not included in the trading book |
| Table 1 | Qualitative information on environmental risk | Disclosure of environmental, social and governance risks |
| Table 2 | Qualitative information on social risk | Disclosure of environmental, social and governance risks |
| Table 3 | Qualitative information on governance risk | Disclosure of environmental, social and governance risks |
| Template 1 | Banking book- Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity | Disclosure of environmental, social and governance risks |
| Template 2 | Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral | Disclosure of environmental, social and governance risks |
| Template 4 | Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms | Disclosure of environmental, social and governance risks |
| Template 5 | Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk | Disclosure of environmental, social and governance risks |
| Template 10 | Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852 | Disclosure of environmental, social and governance risks |

## Reference to EBA requirements EBA/GL/2020/12

Please note that, regarding the EBA Guidelines 2020/12, the “Template IFRS9/Article 468/FL: Comparison of institutions’ own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs” is not subject to publication because, as previously mentioned, the Group did not make use of the option to apply the "Temporary treatment to mitigate the impact of the introduction of IFRS 9 on own funds” . Therefore, FinecoBank Group's capital and own funds as of 30 June 2023 already reflect the full impact of these items.

# Introduction

## Reference to the information required by the Part Eight of CRR

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

| ARTICLE | TOPIC | CHAPTER |
|---|---|---|
| 437 | Disclosure of own funds | Own Funds |
| 438 | Disclosure of own funds requirements and risk-weighted exposure amounts | Risk management objectives and policies; Own funds requirements and risk-weighted exposure amounts; Key metrics |
| 439 | Disclosure of exposures to counterparty credit risk | Risk management objectives and policies; Exposures to counterparty credit risk |
| 440 | Disclosure of countercyclical capital buffers | Countercyclical capital buffers |
| 442 | Disclosure of exposures to credit risk and dilution risk | Risk management objectives and policies; Exposures to credit risk and dilution risk |
| 444 | Disclosure of the use of the Standardised Approach | Disclosure of the use of the Standardised Approach |
| 445 | Disclosure of exposure to market risk | Risk management objectives and policies; Market risk |
| 447 | Disclosure of key metrics | Key metrics |
| 448 | Disclosure of exposures to interest rate risk on positions not held in the trading book | Exposure to interest rate risk on positions not held in the trading book |
| 449 | Disclosure of exposures to securitisation positions | Not applicable |
| 449a | Disclosure of environmental, social and governance risks | Disclosure of environmental, social and governance risks |
| 451 | Disclosure of the leverage ratio | Leverage ratio |
| 451a | Disclosure of liquidity requirements | Liquidity requirements |
| 452 | Disclosure of the use of the IRB Approach to credit risk | Not applicable |
| 453 | Disclosure of the use of credit risk mitigation techniques | Disclosure of the use of credit risk mitigation techniques; Disclosure of the use of the Standardised Approach |
| 455 | Use of internal market risk models | Not applicable |

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

# Key metrics

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

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

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

All minimum requirements applicable to the FinecoBank Group as at 30 June 2023 are met.

The calculation of Own Funds, and in particular of CET1 capital, at 30 June 2023 took into account foreseeable dividends and charges for a total amount of 217,956 euro thousand, assuming the conditions of Article 26(2) of the CRR are met.

## EU KM1 - Key metrics

(Amounts in € thousand)

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | 06/30/2023 | 03/31/2023 | 12/31/2022 | 09/30/2022 | 06/30/2022 |
| | **Available own funds (amounts)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 1,070,245 | 1,026,693 | 987,099 | 951,009 | 928,735 |
| 2 | Tier 1 capital | 1,570,245 | 1,526,693 | 1,487,099 | 1,451,009 | 1,428,735 |
| 3 | Total capital | 1,570,245 | 1,526,693 | 1,487,099 | 1,451,009 | 1,428,735 |
| | **Risk-weighted exposure amounts** | | | | | |
| 4 | Total risk exposure amount | 4,612,719 | 4,710,681 | 4,740,149 | 4,664,098 | 4,851,129 |
| | **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 23.20% | 21.80% | 20.82% | 20.39% | 19.14% |
| 6 | Tier 1 ratio (%) | 34.04% | 32.41% | 31.37% | 31.11% | 29.45% |
| 7 | Total capital ratio (%) | 34.04% | 32.41% | 31.37% | 31.11% | 29.45% |
| | **Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)** | | | | | |
| EU 7a | Additional own funds requirements to address risks other than the risk of excessive leverage (%) | 1.75% | 1.75% | 2.00% | 2.00% | 2.00% |
| EU 7b | of which: to be made up of CET1 capital (percentage points) | 0.98% | 0.98% | 1.12% | 1.12% | 1.12% |
| EU 7c | of which: to be made up of Tier 1 capital (percentage points) | 1.31% | 1.31% | 1.50% | 1.50% | 1.50% |
| EU 7d | Total SREP own funds requirements (%) | 9.75% | 9.75% | 10.00% | 10.00% | 10.00% |
| | **Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)** | | | | | |
| 8 | Capital conservation buffer (%) | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| EU 8a | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 9 | Institution specific countercyclical capital buffer (%) | 0.058% | 0.038% | 0.039% | 0.004% | 0.004% |
| EU 9a | Systemic risk buffer (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 10 | Global Systemically Important Institution buffer (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EU 10a | Other Systemically Important Institution buffer (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 11 | Combined buffer requirement (%) | 2.56% | 2.54% | 2.54% | 2.50% | 2.50% |
| EU 11a | Overall capital requirements (%) | 12.31% | 12.29% | 12.54% | 12.50% | 12.50% |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 17.72% | 16.31% | 15.20% | 14.77% | 13.52% |

# Key metrics

## Continued: EU KM1 - Key metrics

(Amounts in € thousand)

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | 06/30/2023 | 03/31/2023 | 12/31/2022 | 09/30/2022 | 06/30/2022 |
| | **Leverage ratio** | | | | | |
| 13 | Total exposure measure | 33,556,310 | 36,282,598 | 36,857,107 | 37,399,657 | 37,385,995 |
| 14 | Leverage ratio (%) | 4.68% | 4.21% | 4.03% | 3.88% | 3.82% |
| | **Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)** | | | | | |
| EU 14a | Additional own funds requirements to address the risk of excessive leverage (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EU 14b | of which: to be made up of CET1 capital (percentage points) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EU 14c | Total SREP leverage ratio requirements (%) | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| | **Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)** | | | | | |
| EU 14d | Leverage ratio buffer requirement (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EU 14e | Overall leverage ratio requirement (%) | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| | **Liquidity Coverage Ratio** | | | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value -average) | 19,378,197 | 19,391,544 | 19,469,314 | 19,426,164 | 19,238,389 |
| EU 16a | Cash outflows - Total weighted value | 3,995,043 | 4,058,401 | 4,085,238 | 4,035,099 | 3,933,911 |
| EU 16b | Cash inflows - Total weighted value | 1,506,506 | 1,605,535 | 1,584,408 | 1,571,276 | 1,577,244 |
| 16 | Total net cash outflows (adjusted value) | 2,488,537 | 2,452,866 | 2,500,831 | 2,463,823 | 2,356,666 |
| 17 | Liquidity coverage ratio (%) | 785.34% | 802.90% | 786.99% | 798.92% | 828.97% |
| | **Net Stable Funding Ratio** | | | | | |
| 18 | Total available stable funding | 28,992,476 | 29,792,570 | 30,581,607 | 30,838,606 | 31,667,429 |
| 19 | Total required stable funding | 7,545,924 | 7,910,090 | 8,669,210 | 8,652,654 | 9,580,488 |
| 20 | NSFR ratio (%) | 384.21% | 376.64% | 352.76% | 356.41% | 330.54% |

Please note that the Liquidity Coverage Ratio refers to the weighted average values, consistent with the representation provided in the EU LIQ1 template.

# Own Funds

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

Those regulations establish the following structure for Own Funds:

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

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

Own funds, which amounted to 1,570,245 euro thousand as of 30 June 2023, consisted of Common Equity Tier 1 (CET1) and Additional Tier 1 capital, there were no Tier 2 items. The interim profits included in Common Equity Tier 1 Capital as of 30 June 2023 were calculated considering foreseeable dividends for a total of 216,216 euro thousand and foreseeable charges of 1,740 euro thousand represented by the coupons, net of the related taxation, accrued on the Additional Tier 1 financial instruments issued by FinecoBank, assuming that the conditions set out in Article 26(2) of EU Regulation 575/2013 (CRR) are met.

The following EU CC1 and EU CC2 templates show the information required by article 437 letter a) of the CRR. Specifically, the composition of regulatory capital is reported (elements of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, filters and deductions applied to the institution's own funds) as well as a reconciliation of these elements to the balance sheet in the audited consolidated financial statements as at 30 June 2023.

## EU CC1 - Composition of regulatory own funds

(Amounts in € thousand)

| | | (a) | (b) |
|---|---|---|---|
| | | **Amounts** 06/30/2023 | **Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation** |
| | **Common Equity Tier 1 (CET1) capital: instruments and reserves** | | |
| 1 | Capital instruments and the related share premium accounts (A) | 198,463 | 23, 24 e 28 |
| | *of which: ordinary shares* | *198,463* | |
| 2 | Retained earnings (B) | 856,061 | 22 |
| 3 | Accumulated other comprehensive income (and other reserves) (C) | 44,316 | 20 e 22 |
| EU-3a | Funds for general banking risk | - | |
| 4 | Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1 | - | |
| 5 | Minority interests (amount allowed in consolidated CET1) | - | |
| EU-5a | Independently reviewed interim profits net of any foreseeable charge or dividend (D) | 90,924 | 26 e 27 |
| **6** | **Common Equity Tier 1 (CET1) capital before regulatory adjustments** | **1,189,765** | |
| | **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | | |
| 7 | Additional value adjustments (negative amount) (E) | (1,713) | 30 |
| 8 | Intangible assets (net of related tax liability) (negative amount) (F) | (114,880) | 7, 9 e 10 |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount) | - | |
| 11 | Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value | - | |
| 12 | Negative amounts resulting from the calculation of expected loss amounts | - | |
| 13 | Any increase in equity that results from securitised assets (negative amount) | - | |
| 14 | Gains or losses on liabilities valued at fair value resulting from changes in own credit standing | - | |
| 15 | Defined-benefit pension fund assets (negative amount) | - | |
| 16 | Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount) (G) | (2,676) | 25, 29 e 31 |
| 17 | Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | - | |
| 18 | Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | |
| 19 | Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | |
| EU-20a | Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative | - | |
| *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 Article 38 (3) CRR are met) (negative amount) | - | |
| 22 | Amount exceeding the 17,65% threshold (negative amount) | - | |
| 23 | *of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities* | - | |

## continued: EU CC1 - Composition of regulatory own funds

(Amounts in € thousand)

| | | (a) Amounts 06/30/2023 | (b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| *25* | *of which: deferred tax assets arising from temporary differences* | - | |
| EU-25a | Losses for the current financial year (negative amount) | - | |
| EU-25b | Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount) | - | |
| 27 | Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount) | - | |
| 27a | Other regulatory adjustments (H) | (251) | 32 |
| **28** | **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | **(119,520)** | |
| **29** | **Common Equity Tier 1 (CET1) capital** | **1,070,245** | |
| | **Additional Tier 1 (AT1) capital: instruments** | | |
| 30 | Capital instruments and the related share premium accounts (I) | 500,000 | 21 |
| *31* | *of which: classified as equity under applicable accounting standards* | *500,000* | |
| *32* | *of which: classified as liabilities under applicable accounting standards* | - | |
| 33 | Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 | - | |
| EU-33a | Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1 | - | |
| EU-33b | Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1 | - | |
| 34 | Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties | - | |
| *35* | *of which: instruments issued by subsidiaries subject to phase out* | - | |
| **36** | **Additional Tier 1 (AT1) capital before regulatory adjustments** | **500,000** | |
| | **Additional Tier 1 (AT1) capital: regulatory adjustments** | | |
| 37 | Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount) | - | |
| 38 | Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | - | |
| 39 | Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | |
| 40 | Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount) | - | |
| 42 | Qualifying T2 deductions that exceed the T2 items of the institution (negative amount) | - | |
| 42a | Other regulatory adjustments to AT1 capital | - | |
| **43** | **Total regulatory adjustments to Additional Tier 1 (AT1) capital** | **-** | |
| **44** | **Additional Tier 1 (AT1) capital** | **500,000** | |
| **45** | **Tier 1 capital (T1 = CET1 + AT1)** | **1,570,245** | |

## continued: EU CC1 - Composition of regulatory own funds

(Amounts in € thousand)

| | | (a) | (b) |
|---|---|---|---|
| | | Amounts | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
| | | 06/30/2023 | |
| | **Tier 2 (T2) capital: instruments** | | |
| 46 | Capital instruments and the related share premium accounts | - | |
| 47 | Amount of qualifyingitems referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR | - | |
| EU-47a | Amount of qualifyingitems referred to in Article 494a(2) CRR subject to phase out from T2 | - | |
| EU-47b | Amount of qualifyingitems referred to in Article 494b(2) CRR subject to phase out from T2 | - | |
| 48 | Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties | - | |
| *49* | *of which: instruments issued by subsidiaries subject to phase out* | - | |
| 50 | Credit risk adjustments | - | |
| **51** | **Tier 2 (T2) capital before regulatory adjustments** | **-** | |
| | **Tier 2 (T2) capital: regulatory adjustments** | | |
| 52 | Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount) | - | |
| 53 | Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | - | |
| 54 | Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | |
| 55 | Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount) | - | |
| EU-56a | Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount) | - | |
| EU-56b | Other regulatory adjustments to T2 capital | - | |
| **57** | **Total regulatory adjustments to Tier 2 (T2) capital** | **-** | |
| **58** | **Tier 2 (T2) capital** | **-** | |
| **59** | **Total capital (TC = T1 + T2)** | **1,570,245** | **33** |
| **60** | **Total Risk exposure amount** | **4,612,719** | |
| | **Capital ratios and requirements including buffers** | | |
| 61 | Common Equity Tier 1 capital | 23.20% | |
| 62 | Tier 1 capital | 34.04% | |
| 63 | Total capital | 34.04% | |
| 64 | Institution CET1 overall capital requirements | 8.04% | |
| *65* | *of which: capital conservation buffer requirement* | *2.50%* | |
| *66* | *of which: countercyclical capital buffer requirement* | *0.06%* | |
| *67* | *of which: systemic risk buffer requirement* | *0.00%* | |
| *EU-67a* | *of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement* | *0.00%* | |
| *EU-67b* | *of which: additional own funds requirements to address the risks other than the risk of excessive leverage* | *0.98%* | |
| **68** | **Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements** | **17.72%** | |

## continued: EU CC1 - Composition of regulatory own funds

(Amounts in thousand)

| | | (a) | (b) |
|---|---|---|---|
| | | Amounts | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
| | | 06/30/2023 | |
| | **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) | 15,837 | - |
| 73 | Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions) | 1,428 | - |
| 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) | 47,868 | - |
| | **Applicable caps on the inclusion of provisions in Tier 2** | | |
| 76 | Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap) | - | - |
| 77 | Cap on inclusion of credit risk adjustments in T2 under standardised approach | - | - |
| 78 | Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap) | - | - |
| 79 | Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach | - | - |
| | **Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)** | | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements | - | - |
| 81 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | - | - |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | - | - |
| 83 | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | - | - |
| 84 | Current cap on T2 instruments subject to phase out arrangements | - | - |
| 85 | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | - | - |

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

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

A. This item is made up of the share capital, consisting of 610,631,635 ordinary shares with a nominal value of 0.33 euro, in the amount of 201,508 euro thousand, the share premium reserve, in the amount of 1,934 euro thousand, net of own CET1 instruments held by customers who simultaneously used a line of credit, even if not granted for this purpose, in the amount of 4,980 euro thousand, which due to Article 28 of European Regulation 575/2013 cannot be qualified as own funds.

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

C. Accumulated other comprehensive income (AOCI) consisted of Net valuation reserves relating to: debt securities issued by central governments held in the "Financial assets at fair value through profit or loss" portfolio, for -3,457 euro thousand, defined benefit plans for 4,552 euro thousand and valuation reserves from investments accounted for using the equity method for -32 euro thousand. The item also includes Other reserves related to equity settled plans for 43,253 euro thousand.

D. The amount recognised in Own Funds as of 30 June 2023 was calculated considering foreseeable dividends for 2023 amounting to 216,216 euro thousand and foreseeable charges of 1,740 euro thousand.

E. This item includes the filter for additional valuation adjustments (AVA) in the amount of 1,713 euro thousand calculated on the balance sheet assets and liabilities measured at fair value, determined using the simplified method.

F. This item includes goodwill net of deferred taxation for 88,702 euro thousand and other intangible assets net of deferred taxation for 26,178 euro thousand.

G. This item includes treasury shares directly held in the amount of 1,243 euro thousand, treasury shares that the Bank has an actual or contingent obligation to purchase in the amount of 1,250 euro thousand, equal to the maximum outlay provided by the repurchase of treasury shares in implementation of the long-term incentive plan “2022 PFA System” authorized by the Supervisory Authority, and treasury shares synthetically held in the amount of 182 euro thousand.

H. The item includes the Calendar provisioning in the amount of 251 euro thousand.

I. Additional Tier 1 consists of:

   i. the Additional Tier 1 bond issued on 31 January 2018. The financial instrument is a perpetual, private placement, issued for a total of 200 euro million, entirely subscribed by UniCredit S.p.A.. The coupon for the first 5.5 years was fixed at 4.82%; starting from 3 June 2023 and for the next 5 years the coupon was set at 7.363%;

   ii. the Additional Tier 1 bond issued on 11 July 2019. The financial instrument is a perpetual, public placement, intended to trade on Euronext Dublin’s non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of 300 euro million. The coupon for the first 5.5 years has been fixed at 5.875%.

Please note that as of 30 June 2023 the amount of deferred tax assets (DTAs) that are based on future profitability and arise from temporary differences net of the related deferred tax liabilities (DTLs) do not exceed the threshold for deduction from Own Funds.

With reference to the provisions contained in the CRR Quick-fix, it should be noted that the Group has not made use of the option to apply the transitional regime related to the introduction of IFRS 9, as a result, FinecoBank Group's own funds and capital as at 30 June 2023 already fully reflect the impact of this item. Therefore, the table "Template IFRS 9/Article 468-FL: Comparison of institutions’ own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs” is not subject to publication.

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

(Amounts in € thousand)

| | | a | b | c |
|---|---|---|---|---|
| | | Balance sheet as in published financial statements | Under regulatory scope of consolidation | Ref. to template CC1 |
| | | 06.30.2023 | 06.30.2023 | |
| | **Balance sheet - Assets** | | | |
| 1 | 10. Cash and cash balances | 1,518,627 | - | |
| 2 | 20. Financial assets at fair value through profit and loss | 23,143 | - | |
| | a) financial assets held for trading | 16,868 | - | |
| | c) other financial assets mandatorily at fair value | 6,275 | - | |
| 3 | 30. Financial assets at fair value through other comprehensive income | 27,654 | - | |
| 4 | 40. Financial assets at amortised cost | 29,177,755 | - | |
| | a) loans and receivables with banks | 3,417,063 | - | |
| | b) loans and receivables with customers | 25,760,693 | - | |
| 5 | 50. Hedging derivatives | 1,272,917 | - | |
| 6 | 60. Changes in fair value of portfolio hedged financial assets (+/-) | (244,095) | - | |
| 7 | 70. Equity investments | 1,681 | (252) | 8 |
| 8 | 90. Property, plant and equipment | 143,799 | - | |
| 9 | 100. Intangible assets | 125,390 | (118,011) | 8 |
| | - of which: goodwill | 89,602 | (89,602) | |
| 10 | 110. Tax assets | 46,099 | 3,383 | 8 |
| | a) current tax assets | - | | |
| | b) deferred tax assets | 46,099 | 3,383 | |
| 11 | 130. Other assets | 1,722,949 | - | |
| | **Total assets** | **33,815,918** | **-** | |
| | **Liabilities and shareholders' equity** | | | |
| 12 | 10. Financial liabilities at amortised cost | 31,290,356 | - | |
| | a) deposits from banks | 1,299,539 | - | |
| | b) deposits from customers | 29,187,762 | - | |
| | c) debt securities in issue | 803,054 | - | |
| 13 | 20. Financial liabilities held for trading | 8,538 | - | |
| 14 | 40. Hedging derivatives | 60,882 | - | |
| 15 | 50. Changes in fair value of portfolio hedged financial liabilities (+/-) | (74,320) | - | |
| 16 | 60. Tax liabilities | 65,017 | - | |
| | a) current tax liabilities | 65,017 | - | |
| 17 | 80. Other liabilities | 443,437 | - | |
| 18 | 90. Provisions for employee severance pay | 4,027 | - | |
| 19 | 100. Provisions for risks and charges: | 106,525 | - | |
| | a) commitments and guarantees given | 129 | - | |
| | c) other provisions for risks and charges | 106,397 | - | |
| 20 | 120. Revaluation reserves | 1,063 | 1,063 | 3 |
| 21 | 140. Equity instruments | 500,000 | 500,000 | 30 |
| 22 | 150. Reserves | 899,315 | 899,315 | 2 e 3 |

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

(Amounts in € thousand)

| | | a | b | c |
|---|---|---|---|---|
| | | Balance sheet as in published financial statements | Under regulatory scope of consolidation | Ref. to template CC1 |
| | | 06.30.2023 | 06.30.2023 | |
| **23** | 160. Share premium reserve | 1,934 | 1,934 | 1 |
| **24** | 170. Share capital | 201,508 | 201,508 | 1 |
| **25** | 180. Treasury shares (-) | (1,243) | (1,243) | 16 |
| **26** | 200. Net Profit (Loss) for the year | 308,880 | 308,880 | EU5a |
| | **Total other elements, of which:** | | **(226,332)** | |
| **27** | Net profits not included in Own Funds | | (217,956) | EU5a |
| **28** | Own CET1 instruments held by customers who simultaneously used a line of credit | | (4,980) | 1 |
| **29** | Treasury shares that the Bank has an actual or contingent obligation to purchase | | (1,250) | 16 |
| **30** | Prudential filters (-) fair value adjustments | | (1,713) | 7 |
| **31** | Deductions of holdings of own Common Equity Tier 1 capital instruments synthetically | | (182) | 16 |
| **32** | Insufficient loss coverage for non-performing exposures | | (251) | 27a |
| | **Total liabilities and Shareholders' equity** | **33,815,918** | **-** | |
| **33** | **Total Own Funds** | | **1,570,245** | **59** |

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

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

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

(Amounts in € thousand)

| | 01.01.2023 /06.30.2023 | 07.01.2022 /12.31.2022 |
|---|---|---|
| **Common Equity Tier 1 - CET1** | | |
| **Start of period** | **987,099** | **928,735** |
| **Instruments and Reserves** | | |
| Share capital and issue-premium reserves | (862) | 638 |
| *of which: own CET1 instruments held by customers who simultaneously used a line of credit* | (1,031) | 638 |
| CET1 instruments that the Bank has an actual or contingent obligation to purchase | 250 | - |
| Retained earnings and reserves | (6,687) | (7,320) |
| Accumulated other comprehensive income (AOCI) and other reserves | (1,059) | 2,295 |
| Net profit of the period | 308,880 | 206,142 |
| Dividends and other foreseeable charges | (217,956) | (143,593) |
| **Regulatory adjustments** | | |
| Additional regulatory adjustments | 432 | (725) |
| Intangible assets net of related liabilities | (60) | 793 |
| Direct, indirect and synthetic holdings by an institution of own CET1 instruments | 361 | 44 |
| Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative: securitisation positions | - | 182 |
| Insufficient coverage for non-performing exposures | (153) | (93) |
| **End of period** | **1,070,245** | **987,099** |
| | | |
| **Additional Tier 1 – AT1 Capital** | | |
| **Start of period** | **500,000** | **500,000** |
| Additional Tier 1 issued in the period | - | - |
| **End of period** | **500,000** | **500,000** |
| | | |
| **TIER 2 – T2 Capital** | | |
| **Start of period** | - | - |
| Other transitional adjustments on Tier 2 capital | - | - |
| **TOTAL OWN FUNDS** | **1,570,245** | **1,487,099** |

Own Funds amounted to 1,570,245 euro thousand, showing an increase of 83,146 euro thousand compared to 31 December 2022, mainly due to the interim profit for the first half of 2023 of 308,880 euro thousand, net of foreseeable dividends and charges of 217,956 euro thousand. It should be noted that, during the first half of 2023, net profit reserves decreased because of the recognition of coupons, net of related taxes, paid on Additional Tier 1 instruments issued in 2018 and 2019, for a total amount of 9,884 euro thousand, whose accrued coupons, net of related taxation, were included in the foreseeable charges as of 31 December 2022 in the amount of 1,504 euro thousand.

# Own funds requirements and risk-weighted exposure amounts

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

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

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

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

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

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

- Capital Conservation Buffer (CCB) according to the article 129 of CRDIV, which is equal to 2.5% of the total Group risk weighted assets;
- Institution specific countercyclical capital buffer (CCyB) to be applied in periods of excessive credit growth, coherently with the article 160 of CRDIV (paragraphs 1 to 4) which for the Bank is equal to 0.06% as at 30 June 2023. This buffer is calculated depending on the geographical distribution of the relevant Group’s credit exposures and on the national authorities’ decisions, which define country-specific buffers.

It should also be noted that Article 133 of Directive (EU) 2019/878 provides for the possibility that each Member State may introduce a systemic risk buffer (SyRB) for the financial sector or for one or more subsets of that sector, on all exposures or on a subset of exposures, in order to prevent and mitigate macro-prudential or systemic risks not foreseen in the CRR and Articles 130 and 131 of the same Directive, in the sense of a risk of disruption to the financial system which may have serious negative consequences for the financial system and the real economy of a given Member State. For banks and banking groups authorised in Italy, the possibility of introducing a capital buffer against systemic risk was implemented by the Bank of Italy in Update No. 38 of Circular No. 285. As of 30 June 2023, the capital buffer for systemic risk is not required to be maintained.

With reference to the capital requirements applicable to the FinecoBank Group, it should be noted that, at the end of the Supervisory Review and Evaluation Process (SREP), on December 14, 2022 the Competent Authority communicated the capital requirements applicable to the Group from 1 January 2023:

- 8.04% in terms of Common Equity Tier 1 ratio, which includes the Pillar 2 Requirement (P2R), set at 0.98%;
- 9.87% in terms of Tier 1 Ratio, which includes a P2R, set at 1.31%;
- 12.31% in terms of Total Capital Ratio, which includes a P2R, set at 1.75%.

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

## Capital requirements and buffers for FinecoBank Group

| Requirements | CET1 | T1 | TOTAL CAPITAL |
|---|---|---|---|
| A) Pillar 1 requirements | 4.50% | 6.00% | 8.00% |
| B) Pillar 2 requirements | 0.98% | 1.31% | 1.75% |
| **C) TSCR (A+B)** | **5.48%** | **7.31%** | **9.75%** |
| D) Combined Buffer requirement, of which: | 2.56% | 2.56% | 2.56% |
| 1. Capital Conservation Buffer (CCB) | 2.50% | 2.50% | 2.50% |
| 2. Institution-specific Countercyclical Capital Buffer (CCyB) | 0.06% | 0.06% | 0.06% |
| **E) Overall Capital Requirement (C+D)** | **8.04%** | **9.87%** | **12.31%** |

As at 30 June 2023, FinecoBank ratios are compliant with the above requirements.

Furthermore, it should be noted that, at the end of the administrative process related to the determination of the Minimum Requirements of Own Funds and Eligible Liabilities (MREL), in March 2023 FinecoBank received from the Bank of Italy and the Single Resolution Board the updated decision on the determination of the minimum requirement of own funds and eligible liabilities (MREL) which replaces the previous decision communicated to the public in August 2021. Starting from 1 January 2024, FinecoBank will have to comply on a consolidated basis with an MREL requirement equal to 18.91% of TREA (risk exposure) - 21.47% including the current Combined Buffer Requirement - and equal to 5.25% of LRE (total leverage exposure), ensuring a linear build-up of own funds and eligible liabilities towards the requirements. For the purpose of meeting the requirement and the calculation of other eligible liabilities issued by Fineco, there is currently no subordination requirement in the issuance of eligible MREL instruments (e.g. Senior unsecured). As of 30 June 2023, FinecoBank is above the requirements to be met from 1 January 2024.

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

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

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

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

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

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

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

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

The Group dynamically manages its capital base by monitoring regulatory capital ratios, anticipating the appropriate changes necessary to achieve its defined targets, and optimising the composition of its assets and equity. The capital monitoring and planning is performed by the Group in relation to regulatory capital (Common Equity Tier 1, Additional Tier 1 and Tier 2 Capital and Own funds), and in relation to risk-weighted assets (RWAs). Planning is also carried out taking into account other dimensions relevant to the Group, such as exposure for leverage purposes.

The monitoring is accompanied by an efficient and appropriate communications system, both for management purposes and communications with the supervisory authorities.

With reference to the risk-weighted exposures (RWA) as at 30 June 2023, it should be noted that following the deconsolidation of FinecoBank from the UniCredit Group, FinecoBank and UniCredit S.p.A. entered into a contract ("Pledge Agreement") that provides for the granting by UniCredit S.p.A. of financial guarantees in favour of FinecoBank aimed at guaranteeing the credit risk exposures represented by the UniCredit bonds, until the natural maturity of the same, and by the financial guarantees issued by FinecoBank in favour of the Italian Tax Agency ("Agenzia delle Entrate") at the request of UniCredit S.p.A, until they are completely extinguished. This guarantee as of 30 June 2023 is represented by Italian governments bonds and meets the requirements of the applicable regulations to be eligible for credit risk mitigation techniques (CRM).

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

# Own funds requirements and risk-weighted exposure amounts

## EU OV1 - Overview of total risk exposure amounts

(Amounts in € thousand)

| | | Total risk exposure amounts (TREA) | | Total own funds requirements |
|---|---|---|---|---|
| | | a | b | c |
| | | 06/30/2023 | 03/31/2023 | 06/30/2023 |
| 1 | Credit risk (excluding CCR) | 3,017,249 | 3,032,135 | 241,380 |
| *2* | *Of which the standardised approach* | *3,017,249* | *3,032,135* | *241,380* |
| *3* | *Of which the Foundation IRB (F-IRB) approach* | - | - | - |
| *4* | *Of which slotting approach* | - | - | - |
| *EU 4a* | *Of which equities under the simple riskweighted approach* | - | - | - |
| *5* | *Of which the Advanced IRB (A-IRB) approach* | - | - | - |
| 6 | Counterparty credit risk - CCR | 162,235 | 255,588 | 12,979 |
| *7* | *Of which the standardised approach* | *20,227* | *17,165* | *1,618* |
| *8* | *Of which internal model method (IMM)* | - | - | - |
| *EU 8a* | *Of which exposures to a CCP* | *4,281* | *4,810* | *342* |
| *EU 8b* | *Of which credit valuation adjustment - CVA* | *227* | *248* | *18* |
| *9* | *Of which other CCR* | *137,499* | *233,365* | *11,000* |
| 15 | Settlement risk | 1,084 | 623 | 87 |
| 16 | Securitisation exposures in the non-trading book (after the cap) | - | - | - |
| *17* | *Of which SEC-IRBA approach* | - | - | - |
| *18* | *Of which SEC-ERBA (including IAA)* | - | - | - |
| *19* | *Of which SEC-SA approach* | - | - | - |
| *EU 19a* | *Of which 1250%* | - | - | - |
| 20 | Position, foreign exchange and commodities risks (Market risk) | 50,491 | 40,675 | 4,039 |
| *21* | *Of which the standardised approach* | *50,491* | *40,675* | *4,039* |
| *22* | *Of which IMA* | - | - | - |
| EU 22a | Large exposures | - | - | - |
| 23 | Operational risk | 1,381,660 | 1,381,660 | 110,533 |
| *EU 23a* | *Of which basic indicator approach* | - | - | - |
| *EU 23b* | *Of which standardised approach* | *1,381,660* | *1,381,660* | *110,533* |
| *EU 23c* | *Of which advanced measurement approach* | - | - | - |
| 24 | Amounts below the thresholds for deduction (subject to 250% risk weight) | 123,240 | 124,923 | 9,859 |
| **29** | **Total** | **4,612,719** | **4,710,681** | **369,018** |

The risk exposures (TREA) reduction during the second quarter 2023 is mainly attributable to the decrease in counterparty credit risk related to the reduction of securities lending transactions carried out by the Parent Company Treasury.

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

# Countercyclical capital buffers

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

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

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

Based on the analysis of the benchmark indicators, the Bank of Italy has decided to maintain the countercyclical capital buffer ratio (related to exposures to Italian counterparties representing 91.5% of exposures) also for the second quarter of 2023 at 0%.

The Group-specific countercyclical reserve ratio calculated on the basis of the ratios applicable as of 30 June 2023 was 0.06% at the consolidated level, corresponding to approximately 2.659 euro thousand. There is no significant impact on the Group's capital surplus.

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

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

## EU CCyB2 - Amount of institution-specific countercyclical capital buffer

(Amounts in € thousand)

| | | a |
|---|---|---|
| 1 | Total risk exposure amount | 4,612,719 |
| 2 | Institution specific countercyclical capital buffer rate | 0.058% |
| 3 | Institution specific countercyclical capital buffer requirement | 2,659 |

# Countercyclical capital buffers

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

(Amounts in € thousand)

| | General credit exposures | | Relevant credit exposures – Market risk | | | | Own fund requirements | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure value under the standardised approach | Exposure value under the IRB approach | Sum of long and short positions of trading book exposures for SA | Value of trading book exposures for internal models | Securitisation exposures Exposure value for non-trading book | Total exposure value | Relevant credit risk exposures - Credit risk | Relevant credit exposures – Market risk | Relevant credit exposures – Securitisation positions in the non-trading book | Total | Risk-weighted exposure amounts | Own fund requirements weights (%) | Countercyclical buffer rate (%) |
| Abu Dhabi | 780 | - | 636 | - | - | 1,417 | 25 | - | - | 25 | 314 | 0.012% | - |
| Afghanistan | 7 | - | 20 | - | - | 27 | - | - | - | - | 5 | - | - |
| Argentina | 80 | - | 2 | - | - | 82 | 2 | - | - | 2 | 31 | 0.001% | - |
| Australia | 151 | - | 4 | - | - | 155 | 5 | - | - | 5 | 62 | 0.002% | 1.000% |
| Austria | 324 | - | 1 | - | - | 325 | 26 | - | - | 26 | 322 | 0.012% | - |
| Bahrain | 3 | - | - | - | - | 3 | - | - | - | - | 2 | - | - |
| Bermuda | 1,032 | - | 84 | - | - | 1,116 | 83 | 1 | - | 84 | 1,048 | 0.040% | - |
| Bulgaria | - | - | 84 | - | - | 84 | - | - | - | - | - | - | 1.500% |
| Belgium | 68 | - | 101 | - | - | 169 | 4 | - | - | 4 | 52 | 0.002% | - |
| Brazil | 255 | - | 2 | - | - | 257 | 8 | - | - | 8 | 102 | 0.004% | - |
| Canada | 8 | - | 32 | - | - | 39 | - | - | - | 1 | 8 | - | - |
| Cayman Islands | - | - | 22,019 | - | - | 22,019 | - | 85 | - | 85 | 1,062 | 0.041% | - |
| Colombia | 3 | - | - | - | - | 3 | - | - | - | - | 2 | - | - |
| Curacao | - | - | 23 | - | - | 23 | - | - | - | - | 1 | - | - |
| China | 64 | - | 408 | - | - | 471 | 4 | - | - | 4 | 48 | 0.002% | - |
| Cyprus | 1 | - | - | - | - | 1 | - | - | - | - | 1 | - | - |
| Croatia | 5 | - | - | - | - | 5 | - | - | - | - | 4 | - | 0,500% |
| Czech Republic | 23 | - | - | - | - | 23 | 1 | - | - | 1 | 14 | 0.001% | 2.500% |
| Denmark | 5 | - | - | - | - | 5 | - | - | - | - | 4 | - | 2.500% |
| Dominican Republic | 2 | - | - | - | - | 2 | - | - | - | - | 1 | - | - |
| Ecuador | 1 | - | - | - | - | 1 | - | - | - | - | 1 | - | - |
| Egypt | 2 | - | - | - | - | 2 | - | - | - | - | 2 | - | - |
| Ethiopia | 6 | - | 8 | - | - | 14 | - | - | - | - | 4 | - | - |
| Finland | - | - | 1,206 | - | - | 1,206 | - | 1 | - | 1 | 17 | 0.001% | - |
| France | 320,079 | - | 4,810 | - | - | 324,889 | 2,943 | 34 | - | 2,978 | 37,223 | 1.425% | 0.500% |
| Ghana | 2 | - | - | - | - | 2 | - | - | - | - | 2 | - | - |
| Guernsey | - | - | 5 | - | - | 5 | - | - | - | - | - | - | - |
| Germany | 58,294 | - | 53,909 | - | - | 112,203 | 569 | 81 | - | 650 | 8,122 | 0.311% | 0.750% |
| Greece | 4 | - | - | - | - | 4 | - | - | - | - | 3 | - | - |
| Hong Kong | 5 | - | 3 | - | - | 8 | - | - | - | - | 4 | - | 1.000% |
| Hungary | 3 | - | - | - | - | 3 | - | - | - | - | 2 | - | - |
| Ireland | 34,843 | - | 15,711 | - | - | 50,553 | 3,284 | 1 | - | 3,285 | 41,064 | 1.572% | 0.500% |
| Israel | 10 | - | 13 | - | - | 23 | 1 | - | - | 1 | 8 | - | - |
| Italy | 4,561,196 | - | 535,799 | - | - | 5,096,995 | 190,448 | 725 | - | 191,173 | 2,389,662 | 91.510% | - |
| Japan | 1 | - | 1,518 | - | - | 1,519 | - | - | - | - | 1 | - | - |
| Jersey | - | - | 4.818 | - | - | 4.818 | - | 3 | - | 3 | 41 | 0,002% | - |
| Kazakistan | 1 | - | - | - | - | 1 | - | - | - | - | 1 | - | - |
| Kuwait | 1 | - | - | - | - | 1 | - | - | - | - | 1 | - | - |
| Liberia | - | - | 380 | - | - | 380 | - | - | - | - | - | - | - |
| Latvia | 2 | - | - | - | - | 2 | - | - | - | - | 1 | - | - |

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

(Amounts in € thousand)

| | General credit exposures | | Relevant credit exposures – Market risk | | | | Own fund requirements | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure value under the standardised approach | Exposure value under the IRB approach | Sum of long and short positions of trading book exposures for SA | Value of trading book exposures for internal models | Securitisation exposures Exposure value for non-trading book | Total exposure value | Relevant credit risk exposures - Credit risk | Relevant credit exposures – Market risk | Relevant credit exposures – Securitisation positions in the non-trading book | Total | Risk-weighted exposure amounts | Own fund requirements weights (%) | Countercyclical buffer rate (%) |
| Libano | 7 | - | - | - | - | 7 | - | - | - | - | 5 | - | - |
| Lithuania | 1 | - | 19 | - | - | 20 | - | - | - | - | 1 | - | - |
| Luxemburg | 19,431 | - | 17,582 | - | - | 37,013 | 1,531 | 3 | - | 1,534 | 19,179 | 0.734% | 0.500% |
| Malaysia | 124 | - | 33 | - | - | 158 | 4 | - | - | 4 | 45 | 0.002% | - |
| Mongolia | 2 | - | - | - | - | 2 | - | - | - | - | 1 | - | - |
| Malta | 4 | - | - | - | - | 4 | - | - | - | - | 3 | - | - |
| Man Island | - | - | 7 | - | - | 7 | - | - | - | - | - | - | - |
| Mexico | 25 | - | - | - | - | 25 | 2 | - | - | 2 | 19 | 0.001% | - |
| Monaco (Principality of) | 203 | - | 511 | - | - | 714 | 6 | - | - | 6 | 77 | 0.003% | - |
| Nepal | 148 | - | - | - | - | 148 | 4 | - | - | 4 | 52 | 0.002% | - |
| Netherlands | 11,367 | - | 134,261 | - | - | 145,629 | 169 | 108 | - | 277 | 3,462 | 0.133% | 1.000% |
| New Zeland | 2 | - | - | - | - | 2 | - | - | - | - | 2 | - | - |
| Norway | 2 | - | 17 | - | - | 19 | - | - | - | - | 2 | - | 2.500% |
| Panama | 7 | - | 3 | - | - | 3 | - | 2 | - | 2 | 25 | 0.001% | - |
| Paraguay | 5 | - | - | - | - | 5 | - | - | - | - | 4 | - | - |
| Perù | 3 | - | - | - | - | 3 | - | - | - | - | 3 | - | - |
| Philippines | 207 | - | - | - | - | 207 | 6 | - | - | 6 | 73 | 0,003% | - |
| Poland | 5 | - | - | - | - | 5 | - | - | - | - | 4 | - | - |
| Portugal | 7,524 | - | 38 | - | - | 7,562 | 62 | - | - | 62 | 772 | 0.030% | - |
| Qatar | 2 | - | 83 | - | - | 85 | - | - | - | - | 2 | - | - |
| Romania | 10 | - | - | - | - | 10 | 1 | - | - | 1 | 8 | - | 0.500% |
| Russia (Federation of) | 83 | - | - | - | - | 83 | 3 | - | - | 3 | 41 | 0,002% | - |
| San Marino | 23 | - | - | - | - | 23 | 1 | - | - | 1 | 17 | 0,001% | - |
| Saudi Arabia | 3 | - | 17 | - | - | 20 | - | - | - | - | 2 | - | - |
| Serbia | 3 | - | - | - | - | 3 | - | - | - | - | 2 | - | - |
| Singapore | 581 | - | - | - | - | 581 | 16 | - | - | 16 | 206 | 0.008% | - |
| Sri Lanka | - | - | 2 | - | - | 2 | - | - | - | - | - | - | - |
| Slovakia | - | - | - | - | - | - | - | - | - | - | - | - | 1,000% |
| Spain | 18,453 | - | 1,168 | - | - | 19,622 | 159 | 3 | - | 162 | 2,029 | 0.078% | - |
| South Africa Republic | 89 | - | 44 | - | - | 134 | 5 | 2 | - | 8 | 98 | 0.004% | - |
| South Corea | 4 | - | - | - | - | 4 | - | - | - | - | 3 | - | - |
| Sweden | 36 | - | 11 | - | - | 47 | 1 | 1 | - | 2 | 25 | 0.001% | 2.000% |
| Switzerland | 2,549 | - | 1,932 | - | - | 4,481 | 78 | 9 | - | 87 | 1,089 | 0.042% | - |
| Taiwan | 171 | - | - | - | - | 171 | 5 | - | - | 5 | 60 | 0.002% | - |
| Tunisia | 13 | - | 4 | - | - | 17 | 1 | - | - | 1 | 10 | - | - |
| Thailand | 9 | - | - | - | - | 9 | 1 | - | - | 1 | 7 | - | - |
| Turkey | 7 | - | - | - | - | 7 | - | - | - | - | 5 | - | - |
| Uganda | 1 | - | - | - | - | 1 | - | - | - | - | 1 | - | - |
| Uruguay | 1 | - | - | - | - | 1 | - | - | - | - | 1 | - | - |
| Uzbekistan | 3 | - | - | - | - | 3 | - | - | - | - | 3 | - | - |
| United Kingdom | 91,732 | - | 10,127 | - | - | 101,859 | 7,272 | 102 | - | 7,374 | 92,176 | 3.530% | 1.000% |
| USA | 6,347 | - | 239,394 | - | - | 245,741 | 477 | 531 | - | 1,008 | 12,606 | 0.483% | - |
| Venezuela | 1 | - | - | - | - | 1 | - | - | - | - | 1 | - | - |
| Vietnam | 1 | - | 62 | - | - | 62 | - | - | - | - | 1 | - | - |
| **Total** | **5,136,472** | **-** | **1,049,914** | **-** | **-** | **6,186,386** | **207,215** | **1,694** | **-** | **208,910** | **2,611,372** | **100%** | |

# Exposures to credit risk and dilution risk

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

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

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

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

(Amounts in € thousand)

| | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount/nominal amount | | | | | |
| | | Performing exposures | | | Non-performing exposures | | |
| | | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 |
| **005** | **Cash balances at central banks and other demand deposits** | **1,814,899** | **1,814,899** | **-** | **-** | **-** | **-** |
| **010** | **Loans and advances** | **6,310,787** | **6,260,590** | **50,196** | **25,875** | **-** | **25,875** |
| 020 | Central banks | - | - | - | - | - | - |
| 030 | General governments | 4 | 4 | - | - | - | - |
| 040 | Credit institutions | 119,481 | 119,481 | - | - | - | - |
| 050 | Other financial corporations | 262,943 | 257,136 | 5,807 | 3 | - | 3 |
| 060 | Non-financial corporations | 1,031 | 991 | 39 | 98 | - | 98 |
| *070* | *of which SMEs* | *306* | *267* | *39* | *98* | - | *98* |
| 080 | Households | 5,927,329 | 5,882,978 | 44,351 | 25,773 | - | 25,773 |
| **090** | **Debt securities** | **22,612,478** | **22,612,398** | **-** | **-** | **-** | **-** |
| 100 | Central banks | - | - | - | - | - | - |
| 110 | General governments | 19,610,809 | 19,610,731 | - | - | - | - |
| 120 | Credit institutions | 3,001,669 | 3,001,667 | - | - | - | - |
| 130 | Other financial corporations | - | - | - | - | - | - |
| 140 | Non-financial corporations | - | - | - | - | - | - |
| **150** | **Off-balance-sheet exposures** | **2,477,517** | **50,835** | **612** | **182** | **-** | **58** |
| 160 | Central banks | - | - | - | - | - | - |
| 170 | General governments | - | - | - | - | - | - |
| 180 | Credit institutions | 19,646 | 17,170 | - | - | - | - |
| 190 | Other financial corporations | 22,335 | 105 | - | - | - | - |
| 200 | Non-financial corporations | 4,054 | 182 | - | - | - | - |
| 210 | Households | 2,431,482 | 33,377 | 612 | 182 | - | 58 |
| **220** | **Total** | **33,215,681** | **30,738,722** | **50,809** | **26,057** | **-** | **25,933** |

It should be noted that financial assets held for trading and off-balance-sheet transactions other than those subject to the impairment rules set out in IFRS 9 have been classified, by convention, as performing exposures, but have not been included in the columns providing a breakdown by risk stage.

## continued: EU CR1 - Performing and non-performing exposures and related provisions

(Amounts in € thousand)

| | | g | h | i | j | k | l |
|---|---|---|---|---|---|---|---|
| | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | |
| | | Performing exposures – accumulated impairment and provisions | | | Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | |
| | | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 |
| **005** | **Cash balances at central banks and other demand deposits** | **(113)** | **(113)** | **-** | **-** | **-** | **-** |
| **010** | **Loans and advances** | **(12,140)** | **(7,011)** | **(5,128)** | **(20,564)** | **-** | **(20,564)** |
| 020 | Central banks | - | - | - | - | - | - |
| 030 | General governments | - | - | - | - | - | - |
| 040 | Credit institutions | (21) | (21) | - | - | - | - |
| 050 | Other financial corporations | (307) | (145) | (162) | (3) | - | (3) |
| 060 | Non-financial corporations | (13) | (5) | (8) | (79) | - | (79) |
| *070* | *of which SMEs* | *(13)* | *(4)* | *(8)* | *(79)* | *-* | *(79)* |
| 080 | Households | (11,799) | (6,841) | (4,958) | (20,483) | - | (20,483) |
| **090** | **Debt securities** | **(7,120)** | **(7,120)** | **-** | **-** | **-** | **-** |
| 100 | Central banks | - | - | - | - | - | - |
| 110 | General governments | (6,889) | (6,889) | - | - | - | - |
| 120 | Credit institutions | (231) | (231) | - | - | - | - |
| 130 | Other financial corporations | - | - | - | - | - | - |
| 140 | Non-financial corporations | - | - | - | - | - | - |
| **150** | **Off-balance-sheet exposures** | **(50)** | **(50)** | **-** | **(79)** | **-** | **(5)** |
| 160 | Central banks | - | - | - | - | - | - |
| 170 | General governments | - | - | - | - | - | - |
| 180 | Credit institutions | (1) | (1) | - | - | - | - |
| 190 | Other financial corporations | (1) | (1) | - | - | - | - |
| 200 | Non-financial corporations | - | - | - | - | - | - |
| 210 | Households | (47) | (47) | - | (79) | - | (5) |
| **220** | **Total** | **(19,309)** | **(14,181)** | **(5,128)** | **(20,643)** | **-** | **(20,569)** |

## continued: EU CR1 - Performing and non-performing exposures and related provisions

(Amounts in € thousand)

| | | m | n | o |
|---|---|---|---|---|
| | | Accumulated partial write-off | Collateral and financial guarantees received | |
| | | | On performing exposures | On non-performing |
| **005** | **Cash balances at central banks and other demand deposits** | **-** | **-** | **-** |
| **010** | **Loans and advances** | **-** | **4,947,557** | **2,439** |
| 020 | Central banks | - | - | - |
| 030 | General governments | - | - | - |
| 040 | Credit institutions | - | 128 | - |
| 050 | Other financial corporations | - | 236 | - |
| 060 | Non-financial corporations | - | 585 | - |
| *070* | *of which SMEs* | - | *122* | - |
| 080 | Households | - | 4,946,608 | 2,439 |
| **090** | **Debt securities** | **-** | **981,026** | **-** |
| 100 | Central banks | - | - | - |
| 110 | General governments | - | - | - |
| 120 | Credit institutions | - | 981,026 | - |
| 130 | Other financial corporations | - | - | - |
| 140 | Non-financial corporations | - | - | - |
| **150** | **Off-balance-sheet exposures** | **-** | **48,228** | **49** |
| 160 | Central banks | - | - | - |
| 170 | General governments | - | - | - |
| 180 | Credit institutions | - | 17,165 | - |
| 190 | Other financial corporations | - | - | - |
| 200 | Non-financial corporations | - | 182 | - |
| 210 | Households | - | 30,881 | 49 |
| **220** | **Total** | **-** | **5,976,811** | **2,488** |

## EU CR1-A - Maturity of exposures

(Amounts in € thousand)

| | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Net exposure value | | | | | |
| | | On demand | <= 1 year | > 1 year <= 5 years | > 5 years | No stated maturity | Total |
| 1 | Loans and advances | 4,100,623 | 622,349 | 439,531 | 2,856,910 | 99,332 | 8,118,744 |
| 2 | Debt securities | - | 2,452,824 | 7,953,095 | 12,199,439 | - | 22,605,358 |
| **3** | **Total** | **4,100,623** | **3,075,173** | **8,392,626** | **15,056,349** | **99,332** | **30,724,103** |

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

(Amounts in € thousand)

| | | a |
|---|---|---|
| | | GROSS CARRYING AMOUNT |
| **010** | **Initial stock of non-performing loans and advances** | **25,229** |
| 020 | Inflows to non-performing portfolios | 5,991 |
| 030 | Outflows from non-performing portfolios | (5,345) |
| *040* | *Outflows due to write-offs* | *(3,476)* |
| *050* | *Outflow due to other situations* | *(1,870)* |
| **060** | **Final stock of non-performing loans and advances** | **25,875** |

# Exposures to credit risk and dilution risk

## EU CQ1 - Credit quality of forborne exposures

(Amounts in € thousand)

| | | a | b | c | d |
|---|---|---|---|---|---|
| | | Gross carrying amount/nominal amount of exposures with forbearance measures | | | |
| | | Performing forborne | Non-performing forborne | | |
| | | | | Of which defaulted | Of which impaired |
| 005 | Cash balances at central banks and other demand deposits | - | - | - | - |
| 010 | Loans and advances | 1,615 | 832 | 832 | 832 |
| *020* | *Central banks* | - | - | - | - |
| *030* | *General governments* | - | - | - | - |
| *040* | *Credit institutions* | - | - | - | - |
| *050* | *Other financial corporations* | - | - | - | - |
| *060* | *Non-financial corporations* | - | - | - | - |
| *070* | *Households* | *1,615* | *832* | *832* | *832* |
| 080 | Debt Securities | - | - | - | - |
| 090 | Loan commitments given | 1 | 4 | 4 | 4 |
| **100** | **Total** | **1,616** | **836** | **836** | **836** |

## continued: EU CQ1 - Credit quality of forborne exposures

(Amounts in € thousand)

| | | e | f | g | h |
|---|---|---|---|---|---|
| | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | Collateral received and financial guarantees received on forborne exposures | |
| | | On performing forborne exposures | On non-performing forborne exposures | | Of which collateral and financial guarantees received on non-performing exposures with forbearance measures |
| 005 | Cash balances at central banks and other demand deposits | - | - | - | - |
| 010 | Loans and advances | (19) | (571) | 1,676 | 142 |
| *020* | *Central banks* | - | - | - | - |
| *030* | *General governments* | - | - | - | - |
| *040* | *Credit institutions* | - | - | - | - |
| *050* | *Other financial corporations* | - | - | - | - |
| *060* | *Non-financial corporations* | - | - | - | - |
| *070* | *Households* | *(19)* | *(571)* | *1,676* | *142* |
| 080 | Debt Securities | - | - | - | - |
| 090 | Loan commitments given | - | (2) | - | - |
| **100** | **Total** | **(19)** | **(569)** | **1,676** | **142** |

# Exposures to credit risk and dilution risk

## EU CQ4 - Quality of non-performing exposures by geography

(Amounts in € thousand)

| | | a | c | e | f | g |
|---|---|---|---|---|---|---|
| | | Gross carrying/nominal amount | | Accumulated impairment | Provisions on off-balance-sheet commitments and financial guarantees given | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| | | | Of which defaulted | | | |
| **010** | **Esposizioni in bilancio** | **28,949,140** | **25,875** | **(39,823)** | - | - |
| 020 | Italy | 13,323,350 | 25,826 | (36,960) | - | - |
| 030 | Spain | 5,415,872 | 3 | (1,413) | - | - |
| 040 | European international organisations | 2,818,125 | - | (233) | - | - |
| 050 | France | 2,262,549 | 2 | (188) | - | - |
| 060 | Belgium | 1,038,345 | - | (251) | - | - |
| 070 | Ireland | 971,762 | - | (164) | - | - |
| 080 | Austria | 775,304 | - | (51) | - | - |
| 090 | Germany | 638,337 | 5 | (84) | - | - |
| 100 | Other Countries | 1,705,496 | 38 | (480) | - | - |
| **110** | **Off-balance sheet exposures** | **2,477,699** | **181** | - | **(129)** | - |
| 120 | Italy | 2,459,698 | 181 | - | (128) | - |
| 130 | Other countries | 18,001 | - | - | (1) | - |
| **140** | **Total** | **31,426,839** | **26,056** | **(39,823)** | **(129)** | **-** |

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

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

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

For off-balance sheet exposures, exposures to the following countries have been grouped under "Other Countries": Switzerland, UK, France, Germany, Ireland, Abu Dhabi, Russia, Indonesia, Ecuador, Lithuania, Netherlands, Czech Republic, Bulgaria, Singapore, Portugal, Thailand, San Marino, Belgium, Canada, USA, Principality of Monaco, Panama, Chile, Bahrain, Israel, Croatia, Poland, Mozambique, Venezuela, Hong Kong, Dominican Republic, Brazil, Austria, Spain, Norway, South Africa, Saudi Arabia, New Zealand, Romania, Luxembourg.

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

(Amounts in € thousand)

| | | a | c | e | f |
|---|---|---|---|---|---|
| | | Gross carrying amount | | Accumulated impairment | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| | | | Of which defaulted | | |
| 010 | Agriculture, forestry and fishing | 7 | 2 | (3) | - |
| 020 | Mining and quarrying | - | - | - | - |
| 030 | Manufacturing | 90 | 11 | (9) | - |
| 040 | Electricity, gas, steam and air conditioning supply | 11 | - | - | - |
| 050 | Water supply | 4 | - | - | - |
| 060 | Construction | 36 | 21 | (18) | - |
| 070 | Wholesale and retail trade | 65 | 19 | (17) | - |
| 080 | Transport and storage | 78 | 2 | (2) | - |
| 090 | Accommodation and food service activities | 19 | 4 | (4) | - |
| 100 | Information and communication | 28 | 8 | (7) | - |
| 110 | Financial and insurance activities | - | - | - | - |
| 120 | Real estate activities | 352 | 8 | (9) | - |
| 130 | Professional, scientific and technical activities | 352 | 13 | (12) | - |
| 140 | Administrative and support service activities | 69 | 5 | (4) | - |
| 150 | Public administration and defense, compulsory social security | - | - | - | - |
| 160 | Education | 5 | 1 | - | - |
| 170 | Human health services and social work activities | 3 | - | - | - |
| 180 | Arts, entertainment and recreation | 7 | 3 | (2) | - |
| 190 | Other services | 4 | 3 | (2) | - |
| **200** | **Total** | **1,129** | **98** | **(92)** | **-** |

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

# Disclosure of the use of the Standardised Approach

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

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

(Amounts in € thousand)

| | Exposure classes | Exposures before CCF and before CRM | | Exposures post CCF and post CRM | | RWAs and RWAs density | |
|---|---|---|---|---|---|---|---|
| | | On-balance-sheet exposures | Off-balance-sheet exposures | On-balance-sheet exposures | Off-balance-sheet exposures | RWAs | RWAs density (%) |
| | | a | b | c | d | e | f |
| 1 | Central governments or central banks | 19,172,051 | - | 19,172,051 | - | 245,732 | 1% |
| 2 | Regional government or local authorities | 1,183,975 | - | 1,183,975 | - | - | 0% |
| 3 | Public sector entities | 634,120 | - | 634,120 | - | 1 | 0% |
| 4 | Multilateral development banks | 817,718 | - | 817,718 | - | - | 0% |
| 5 | International organisations | 2,000,174 | - | 2,000,174 | - | - | 0% |
| 6 | Institutions | 1,671,915 | 17,169 | 750,651 | 3,386 | 205,041 | 27% |
| 7 | Corporates | 602,105 | 252,530 | 292,268 | 2,406 | 294,674 | 100% |
| 8 | Retail | 2,750,750 | 1,931,001 | 1,318,897 | 2,065 | 990,722 | 75% |
| 9 | Secured by mortgages on immovable property | 2,581,828 | - | 2,581,828 | - | 904,204 | 35% |
| 10 | Exposures in default | 4,922 | 106 | 3,739 | 9 | 3,755 | 100% |
| 11 | Exposures associated with particularly high risk | - | - | - | - | - | - |
| 12 | Covered bonds | 604,394 | - | 604,394 | - | 60,439 | 10% |
| 13 | Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 14 | Collective investment undertakings | 543 | - | 543 | - | 6,789 | 1250% |
| 15 | Equity | 5,643 | - | 5,643 | - | 5,643 | 100% |
| 16 | Other items | 300,256 | - | 300,256 | - | 300,249 | 100% |
| **17** | **TOTAL** | **32,330,396** | **2,200,805** | **29,666,259** | **7,867** | **3,017,249** | **10%** |

The net value of the exposures refers to on-balance sheet assets or off-balance sheet items that give rise to credit risk as defined by the CRR, thus excluding exposures subject to counterparty risk. With reference to post-CCF and CRM exposures, there was a gradual reduction in exposures to UniCredit S.p.A., which benefits from the risk mitigation applied following the signing of the aforementioned Pledge Agreement. The RWA density stood at 10%, unchanged compared to December 2022.

# Disclosure of the use of the Standardised Approach

## EU CR5 - Standardised approach

(Amounts in € thousand)

| | | Risk weight | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 0% | 2% | 4% | 10% | 20% | 35% | 50% | 70% | 75% |
| | **Exposure classes** | a | b | c | d | e | f | g | h | i |
| 1 | Central governments or central banks | 18,583,324 | - | - | - | 483,914 | - | 55,331 | - | - |
| 2 | Regional government or local authorities | 1,183,975 | - | - | - | - | - | - | - | - |
| 3 | Public sector entities | 634,117 | - | - | - | 3 | - | - | - | - |
| 4 | Multilateral development banks | 817,718 | - | - | - | - | - | - | - | - |
| 5 | International organisations | 2,000,174 | - | - | - | - | - | - | - | - |
| 6 | Institutions | - | 3,983 | - | - | 681,844 | - | 3,518 | - | - |
| 7 | Corporates | - | - | - | - | - | - | - | - | - |
| 8 | Retail exposures | - | - | - | - | - | - | - | - | 1,320,962 |
| 9 | Exposures secured by mortgages on immovable property | - | - | - | - | - | 2,578,070 | 3,759 | - | - |
| 10 | Exposures in default | - | - | - | - | - | - | - | - | - |
| 11 | Exposures associated with particularly high risk | - | - | - | - | - | - | - | - | - |
| 12 | Covered bonds | - | - | - | 604,394 | - | - | - | - | - |
| 13 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - |
| 14 | Units or shares in collective investment undertakings | - | - | - | - | - | - | - | - | - |
| 15 | Equity exposures | - | - | - | - | - | - | - | - | - |
| 16 | Other items | 7 | - | - | - | - | - | - | - | - |
| **17** | **TOTAL** | **23,219,316** | **3,983** | **-** | **604,394** | **1,165,761** | **2,578,070** | **62,607** | **-** | **1,320,962** |

## continued: EU CR5 - Standardised approach

(Amounts in € thousand)

| | Exposure classes | 0 | | | | | | Total | Of which unrated |
|---|---|---|---|---|---|---|---|---|---|
| | | 100% | 150% | 250% | 370% | 1250% | Others | | |
| | | j | k | l | m | n | o | p | q |
| 1 | Central governments or central banks | 1,615 | - | 47,868 | - | - | - | 19,172,052 | - |
| 2 | Regional government or local authorities | - | - | - | - | - | - | 1,183,975 | 1,183,975 |
| 3 | Public sector entities | - | - | - | - | - | - | 634,120 | 634,120 |
| 4 | Multilateral development banks | - | - | - | - | - | - | 817,718 | - |
| 5 | International organisations | - | - | - | - | - | - | 2,000,174 | - |
| 6 | Institutions | 63,263 | - | 1,428 | - | - | - | 754,036 | 754,036 |
| 7 | Corporates | 294,674 | - | - | - | - | - | 294,674 | 294,674 |
| 8 | Retail exposures | - | - | - | - | - | - | 1,320,962 | 1,320,962 |
| 9 | Exposures secured by mortgages on immovable property | - | - | - | - | - | - | 2,581,828 | 2,581,828 |
| 10 | Exposures in default | 3,737 | 12 | - | - | - | - | 3,749 | 3,749 |
| 11 | Exposures associated with particularly high risk | - | - | - | - | - | - | - | - |
| 12 | Covered bonds | - | - | - | - | - | - | 604,394 | - |
| 13 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - |
| 14 | Units or shares in collective investment undertakings | - | - | - | - | 543 | - | 543 | 543 |
| 15 | Equity exposures | 5,643 | - | - | - | - | - | 5,643 | 5,643 |
| 16 | Other items | 300,249 | - | - | - | - | - | 300,256 | 300,256 |
| **17** | **TOTAL** | **669,182** | **12** | **49,296** | **-** | **543** | **-** | **29,674,126** | **7,079,788** |

# Disclosure of the use of credit risk mitigation techniques

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

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

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

(Amounts in € thousand)

| | | Unsecured carrying amount | Secured carrying amount | | | |
|---|---|---|---|---|---|---|
| | | | | Of which secured by collateral | Of which secured by financial guarantees | |
| | | | | | | Of which secured by credit derivatives |
| | | a | b | c | d | e |
| 1 | Loans and advances | 3,168,748 | 4,949,996 | 4,949,990 | 6 | - |
| 2 | Debt securities | 23,586,384 | 981,026 | 981,026 | - | |
| **3** | **Total** | **26,755,133** | **5,931,022** | **5,931,016** | **6** | **-** |
| *4* | *Of which non-performing exposures* | *7,749* | *2,439* | *2,439* | - | - |
| *5* | *Of which defaulted* | *7,749* | *2,439* | | | |

Secured exposures include exposures secured by real estate for 2,585,492 euro thousand.

With reference to the remaining guaranteed exposures, it should be noted that the related guarantees were considered eligible as CRM techniques pursuant to Part Three, Title II, Chapter 4 of the CRR, for the purposes of reducing capital requirements, for an amount of 2,829,144 euro thousand, mainly represented by debt securities, units of UCITS and equity securities.

# Exposures to counterparty credit risk

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

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

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

Information on credit derivative contracts has not been reported as the Group does not have any such transactions in place as at 30 June 2023.

## EU CCR1 - Analysis of CCR exposure by approach

(Amounts in € thousand)

| | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | | **Replacement cost (RC)** | **Potential future exposure (PFE)** | **EEPE** | **Alpha used for computing regulatory exposure value** | **Exposure value pre-CRM** | **Exposure value post-CRM** | **Exposure value** | **RWEA** |
| EU-1 | EU - Original Exposure Method (for derivatives) | - | - | | 1.4 | - | - | - | - |
| EU-2 | EU - Simplified SA-CCR (for derivatives) | - | - | | 1.4 | - | - | - | - |
| 1 | SA-CCR (for derivatives) | 101 | 14,775 | | 1.4 | 20,826 | 20,826 | 20,826 | 20,227 |
| 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) | | | | | 632,434 | 632,434 | 632,434 | 137,579 |
| 5 | VaR for SFTs | | | | | - | - | - | - |
| **6** | **Total** | | | | | **653,260** | **653,260** | **653,260** | **157,806** |

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

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

(Amounts in € thousand)

| | | a | b |
|---|---|---|---|
| | | Exposure value | RWEA |
| 1 | Total transactions subject to the Advanced method | - | - |
| *2* | *(i) VaR component (including the 3× multiplier)* | | - |
| *3* | *(ii) stressed VaR component (including the 3× multiplier)* | | - |
| 4 | Transactions subject to the Standardised method | 780 | 227 |
| 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** | **780** | **227** |

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

(Amounts in € thousand)

| | Exposure classes | Risk weight | | | | | |
|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f |
| | | 0% | 2% | 4% | 10% | 20% | 50% |
| 1 | Central governments or central banks | 2 | - | - | - | - | - |
| 2 | Regional government or local authorities | - | - | - | - | - | - |
| 3 | Public sector entities | - | - | - | - | - | - |
| 4 | Multilateral development banks | - | - | - | - | - | - |
| 5 | International organisations | - | - | - | - | - | - |
| 6 | Institutions | - | 89,606 | - | - | 623,771 | - |
| 7 | Corporates | - | - | - | - | - | - |
| 8 | Retail exposures | - | - | - | - | - | - |
| 9 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 10 | Other items | - | - | - | - | - | - |
| **11** | **Total exposure value** | **2** | **89,606** | **-** | **-** | **623,771** | **-** |

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

(Amounts in € thousand)

| | Exposure classes | Risk weight | | | | | |
|---|---|---|---|---|---|---|---|
| | | g | h | i | j | k | l |
| | | 70% | 75% | 100% | 150% | Others | Total exposure value |
| 1 | Central governments or central banks | - | - | - | - | - | 2 |
| 2 | Regional government or local authorities | - | - | - | - | - | - |
| 3 | Public sector entities | - | - | - | 3 | - | 3 |
| 4 | Multilateral development banks | - | - | - | - | - | - |
| 5 | International organisations | - | - | - | - | - | - |
| 6 | Institutions | - | - | 10,400 | - | - | 723,777 |
| 7 | Corporates | - | - | 21,598 | - | - | 21,598 |
| 8 | Retail exposures | - | 2,822 | - | - | - | 2,822 |
| 9 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 10 | Other items | - | - | - | - | - | - |
| **11** | **Total exposure value** | **-** | **2,822** | **31,998** | **3** | **-** | **748,203** |

## EU CCR5 - Composition of collateral for CCR exposures

(Amounts in € thousand)

| | Collateral type | a | b | c | d |
|---|---|---|---|---|---|
| | | Collateral used in derivative transactions | | | |
| | | Fair value of collateral received | | Fair value of posted collateral | |
| | | Segregated | Unsegregated | Segregated | Unsegregated |
| 1 | Cash – domestic currency | - | 1,248,364 | - | - |
| 2 | Cash – other currencies | - | - | - | - |
| 3 | Domestic sovereign debt | - | - | - | - |
| 4 | Other sovereign debt | - | - | - | - |
| 5 | Government agency debt | - | - | - | - |
| 6 | Corporate bonds | - | - | - | - |
| 7 | Equity securities | - | - | - | - |
| 8 | Other collateral | - | - | - | - |
| **9** | **Total** | **-** | **1,248,364** | **-** | **-** |

## continued: EU CCR5 - Composition of collateral for CCR exposures

(Amounts in € thousand)

| | Collateral type | e | f | g | h |
|---|---|---|---|---|---|
| | | Collateral used in SFTs | | | |
| | | Fair value of collateral received | | Fair value of posted collateral | |
| | | Segregated | Unsegregated | Segregated | Unsegregated |
| 1 | Cash – domestic currency | - | - | - | 12,656 |
| 2 | Cash – other currencies | - | - | - | - |
| 3 | Domestic sovereign debt | - | 348,128 | - | 944,749 |
| 4 | Other sovereign debt | - | - | - | 243,541 |
| 5 | Government agency debt | - | - | - | - |
| 6 | Corporate bonds | - | - | - | 229,876 |
| 7 | Equity securities | - | 164,839 | - | 187,971 |
| 8 | Other collateral | - | 160 | - | 5,473 |
| **9** | **Total** | **-** | **513,127** | **-** | **1,624,265** |

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

## EU CCR8 - Exposures to CCPs

(Amounts in € thousand)

| | | Exposure value | RWEA |
|---|---|---|---|
| | | a | b |
| 1 | **Exposures to QCCPs (total)** | | **4,281** |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which | 94,943 | 2,860 |
| *3* | *(i) OTC derivatives* | *58,637* | *1,173* |
| *4* | *(ii) Exchange-traded derivatives* | *7,393* | *1,109* |
| *5* | *(iii) SFTs* | *28,914* | *578* |
| *6* | *(iv) Netting sets where cross-product netting has been approved* | - | - |
| 7 | Segregated initial margin | - | |
| 8 | Non-segregated initial margin | 3,983 | 80 |
| 9 | Prefunded default fund contributions | 57,489 | 1,342 |
| 10 | Unfunded default fund contributions | - | - |
| **11** | **Exposures to non-QCCPs (total)** | | **-** |
| 12 | Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which | - | - |
| *13* | *(i) OTC derivatives* | - | - |
| *14* | *(ii) Exchange-traded derivatives* | - | - |
| *15* | *(iii) SFTs* | - | - |
| *16* | *(iv) Netting sets where cross-product netting has been approved* | - | - |
| 17 | Segregated initial margin | - | |
| 18 | Non-segregated initial margin | - | - |
| 19 | Prefunded default fund contributions | - | - |
| 20 | Unfunded default fund contributions | - | - |

# Market risk

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

## EU MR1 - Market risk under the standardised approach

(Amounts in € thousand)

| | | a |
|---|---|---|
| | | **RWEAs** |
| | **Outright products** | |
| 1 | Interest rate risk (general and specific) | 23,309 |
| 2 | Equity risk (general and specific) | 23,259 |
| 3 | Foreign exchange risk | - |
| 4 | Commodity risk | 3,923 |
| | **Options** | |
| 5 | Simplified approach | - |
| 6 | Delta-plus approach | - |
| 7 | Scenario approach | - |
| **8** | **Securitisation (specific risk)** | **-** |
| **9** | **Total** | **50,491** |

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

Fineco's options are included in outright products because they do not have additional requirements other than delta risk in the standardised approach for market risk.

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

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

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

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

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

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

The second measure is given by the sensitivity to the economic value of the balance sheet, modeled according to the outcomes of the internal sight items model, which provides a "core" share of deposits payable equal to 59.56% and with an average repricing profile of 5 years (maximum maturity 10 years). The change is calculated in application of the six scenarios defined by EBA in the “Guidelines on the management of interest rate risk arising from non-trading activities”. This change, compared to Own Funds, represents the EV Sensitivity indicator included in the Group's RAF which is monitored weekly and reported quarterly as part of the Group's RAF processes.

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

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

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

(Amounts in € thousands)

| Supervisory shock scenarios | | a | b | c | d |
|---|---|---|---|---|---|
| | | Changes of the economic value of equity | | Changes of the net interest income | |
| | | 06/30/2023 | 12/31/2022 | 06/30/2023 | 12/31/2022 |
| 1 | Parallel Up | (40,305) | (77,383) | 107,497 | 113,838 |
| 2 | Parallel Down | 14,472 | 38,481 | (218,336) | (235,729) |
| 3 | Steepener shock (decrease in short rates and increase in long rates) | 50,973 | 30,469 | | |
| 4 | flattener shock (increase in short rates and decrease in long rates) | (110,284) | (75,240) | | |
| 5 | Short rates up | (114,952) | (94,576) | | |
| 6 | Short rates down | 60,071 | 49,285 | | |

# Liquidity requirements

## Liquidity Coverage Ratio - LCR

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

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

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

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

# Liquidity requirements

## EU LIQ1 - Quantitative information of LCR

(Amounts in € thousands)

| | Scope of consolidation: consolidated | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | | Total unweighted value (average) | | | | Total weighted value (average) | | | |
| **EU 1a** | **Quarter ending on** | **06.30.2023** | **03.31.2023** | **12.31.2022** | **09.30.2022** | **06.30.2023** | **03.31.2023** | **12.31.2022** | **09.30.2022** |
| **EU 1b** | **Number of data points used in the calculation of averages** | **12** | **12** | **12** | **12** | **12** | **12** | **12** | **12** |
| **HIGH-QUALITY LIQUID ASSETS** | | | | | | | | | |
| 1 | Total high-quality liquid assets (HQLA) | | | | | 19,378,197 | 19,391,544 | 19,469,314 | 19,426,164 |
| **CASH-OUTFLOWS** | | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 29,414,318 | 29,806,787 | 29,759,818 | 29,355,271 | 2,053,827 | 2,101,195 | 2,106,525 | 2,072,659 |
| *3* | *Stable deposits* | *21,633,221* | *21,695,764* | *21,605,245* | *21,397,948* | *1,081,661* | *1,084,788* | *1,080,262* | *1,069,897* |
| *4* | *Less stable deposits* | *7,781,097* | *8,111,024* | *8,154,574* | *7,957,323* | *972,166* | *1,016,407* | *1,026,263* | *1,002,762* |
| 5 | Unsecured wholesale funding | 673,892 | 754,217 | 844,767 | 921,620 | 388,719 | 443,006 | 510,865 | 557,895 |
| *6* | *Operational deposits (all counterparties) and deposits in networks of cooperative banks* | - | - | - | - | - | - | - | - |
| *7* | *Non-operational deposits (all counterparties)* | *673,892* | *754,217* | *844,767* | *921,620* | *388,719* | *443,006* | *510,865* | *557,895* |
| *8* | *Unsecured debt* | - | - | - | - | - | - | - | - |
| 9 | Secured wholesale funding | | | | | 150,286 | 137,812 | 130,384 | 126,867 |
| 10 | Additional requirements | 518,604 | 499,213 | 446,127 | 359,130 | 517,429 | 498,587 | 445,511 | 358,503 |
| *11* | *Outflows related to derivative exposures and other collateral requirements* | *517,342* | *498,542* | *445,479* | *358,469* | *517,342* | *498,542* | *445,479* | *358,469* |
| *12* | *Outflows related to loss of funding on debt products* | - | - | - | - | - | - | - | - |
| *13* | *Credit and liquidity facilities* | *1,262* | *671* | *648* | *662* | *87* | *45* | *32* | *34* |
| 14 | Other contractual funding obligations | 683,293 | 677,048 | 692,018 | 715,549 | 668,061 | 663,326 | 677,949 | 701,935 |
| 15 | Other contingent funding obligations | 3,174,373 | 3,078,463 | 3,008,402 | 2,991,283 | 216,722 | 214,474 | 214,004 | 217,240 |
| 16 | TOTAL CASH OUTFLOWS | | | | | 3,995,043 | 4,058,401 | 4,085,238 | 4,035,099 |
| **CASH-INFLOWS** | | | | | | | | | |
| 17 | Secured lending (eg reverse repos) | 1,242,770 | 1,607,293 | 1,845,126 | 1,775,686 | 40,838 | 42,791 | 46,827 | 53,794 |
| 18 | Inflows from fully performing exposures | 617,680 | 629,572 | 629,402 | 604,382 | 462,252 | 476,829 | 481,656 | 459,479 |
| 19 | Other cash inflows | 2,850,090 | 2,923,973 | 2,858,646 | 2,794,020 | 1,003,416 | 1,085,915 | 1,055,924 | 1,058,003 |
| EU-19a | (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) | | | | | - | - | - | - |
| EU-19b | (Excess inflows from a related specialised credit institution) | | | | | - | - | - | - |
| 20 | TOTAL CASH INFLOWS | *4,710,540* | *5,160,838* | *5,333,173* | *5,174,088* | *1,506,506* | *1,605,535* | *1,584,408* | *1,571,276* |
| *EU-20a* | *Fully exempt inflows* | - | - | - | - | - | - | - | - |
| *EU-20b* | *Inflows subject to 90% cap* | - | - | - | - | - | - | - | - |
| *EU-20c* | *Inflows subject to 75% cap* | *4,710,540* | *5,160,838* | *5,333,173* | *5,174,088* | *1,506,506* | *1,605,535* | *1,584,408* | *1,571,276* |
| **TOTAL ADJUSTED VALUE** | | | | | | | | | |
| EU-21 | LIQUIDITY BUFFER | | | | | 19,378,197 | 19,391,544 | 19,469,314 | 19,426,164 |
| 22 | TOTAL NET CASH OUTFLOWS | | | | | 2,488,537 | 2,452,866 | 2,500,831 | 2,463,823 |
| 23 | LIQUIDITY COVERAGE RATIO | | | | | 785.34% | 802.90% | 786.99% | 798.92% |

# Liquidity requirements

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

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

With reference to the average ratios shown in the template and calculated on end-of-the-month observations over the preceding 12 months, the trend shows an almost constant average trend. In fact, the changes noted in the weighted average value of total net cash outflows and cash reserves compared to the previous quarter are not significant when compared to the same average values.

The situation of economic and financial instability, generated by geo-political tensions and inflationary pressures have not affected the Group's overall liquidity, which remained solid and stable. All liquidity adequacy indicators and analyses, in fact, showed wide safety margins with respect to regulatory and internal limits.

Finally, FinecoBank did not have any difficulties or worsening in the conditions of access to the markets and in the closing of the relative transactions (repurchase agreements, purchase and sale of securities) in terms of volumes and prices.

### Concentration of liquidity and funding sources

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

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

Moreover, while confirming sight deposits as its predominant funding source, during the last years the Bank further diversified its liquidity sources through the entering into and subsequent repayment of refinancing operations with the central bank (Targeted Longer Term Refinancing Operations III) and the issuance of financial instruments in the Senior Preferred segment.

In this regard please note that on 16 February 2023, despite having no specific funding needs, FinecoBank successfully completed the placement of its second market issue of Senior Preferred bond instruments addressed to qualified investors, for a total amount of 300 euro million, as envisaged in its multi-year plan and funding plan 2023-2025, in order to meet the MREL requirement and maintain an adequate buffer above the regulatory minimum. In detail, the issue identified with the ISIN XS2590759986 has the following characteristics: issue date 23/02/2023, maturity 6 years (23/02/2029) with the possibility of call for the issuer at the fifth year (23/02/2028), public placement, intended for trading on the regulated market managed by Euronext Dublin, rating BBB (S&P Global Ratings), annual fixed-rate coupon for the first 5 years (4.625%), variable rate between the fifth and sixth years (3-month Euribor + 1.50%).The issue of the Senior Preferred bond is part of the EMTN (Euro Medium Term Notes) programme, approved by Fineco's Board of Directors on 15 December 2022 and then subscribed on 13 February 2023, in order to benefit from greater flexibility in terms of the amount to be issued and to accelerate the issuance process to take advantage of favourable market conditions.

In addition, FinecoBank has developed the Sight Deposit Model and the related controls, as well as specific stress tests and controls on current account stability. The Sight Deposit Model is a statistical model whose objective is to estimate the portion of available funds on accounts that customers decide to keep stably liquid. That share is calculated as the ratio among liquidity kept on current accounts and the overall financial position of the client with the Bank. At the same time, the Model estimates the amount of fixed-rate sight deposits considered stable ("Core insensible") that can be used to finance fixed-rate loans. The risk management function checks monthly that the liquidity held within the year complies with the results of the Sight Deposit Model.

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

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

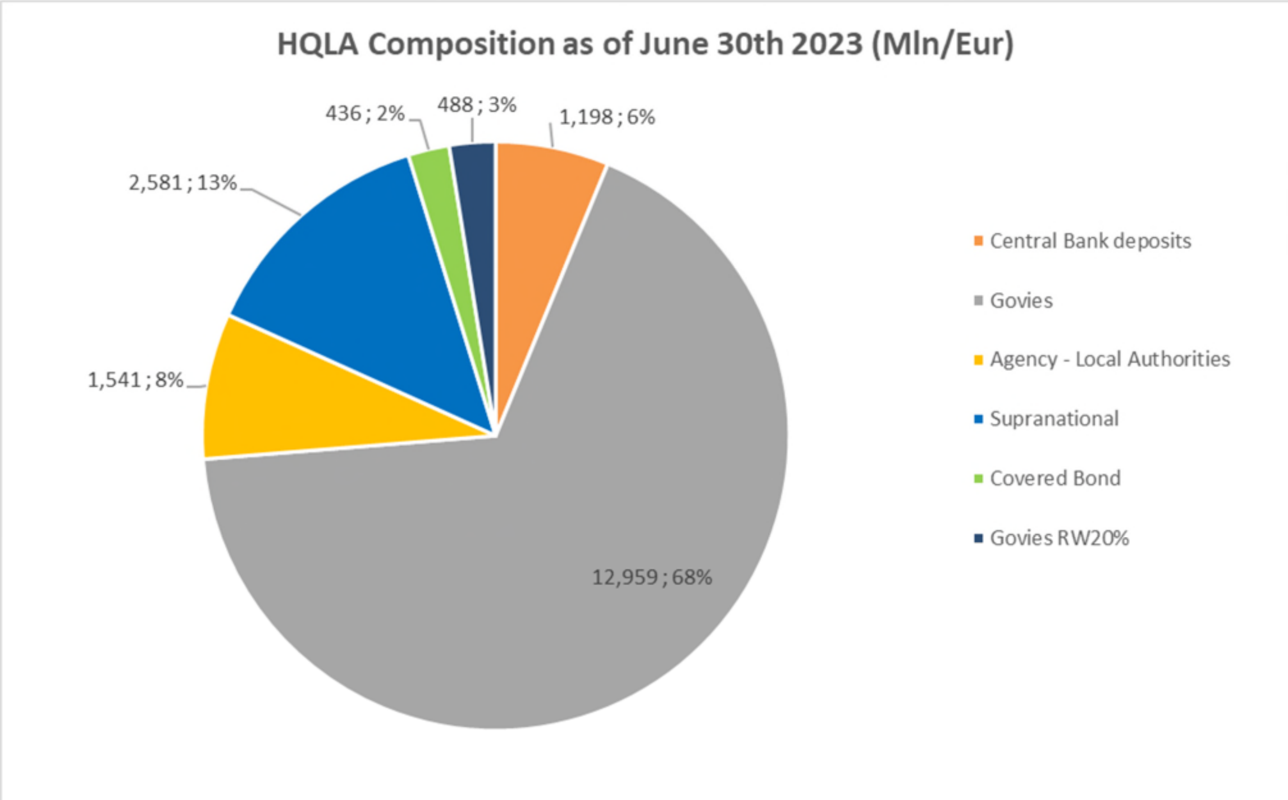
With reference to the managerial indicators, the Risk Management calculates the so-called Structural Ratio. This ratio was developed by the Parent Company's CRO Department with the aim of monitoring the risk of transformation of maturities, considering the specific features of Fineco's funding. In detail, the indicator considers the contractual maturities of the bank's assets and liabilities with the exclusion of sight deposits, represented according to the Sight Deposit Model.

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

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

More specifically, the level of HQLA is equal to approximately 19.2 euro billion as of 30 June 2023 and is mainly composed of government bonds part of Fineco proprietary portfolio and of the liquidity deposited with the Bank of Italy (cumulative balance of the MCA account - Main Cash Account and the DCA TIPS - Target Instant Payment Settlement Dedicated Cash Account).

# Liquidity requirements




**Exposures in derivatives and potential requests for collateral**

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

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

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

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

**Currency mismatch**

The Group operates mainly in euro. EU regulations prescribe the monitoring and the communications of a foreign currencies LCR if the aggregated liabilities denominated in foreign currencies can be considered significant i.e. equal or higher than the 5% of the overall balance sheet liabilities of the Group. As at 30 June 2023, the only significant currency for the Group is euro.

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

As at 30 June 2023 FinecoBank is characterized by indirect participation to the European payment system and to its relevant ancillary system with the only exception of the instant payment infrastructure. Fineco in fact adhered directly to such sector by opening on the 22/11/2021 its own TIPS DCA which is adding up to previously available instant payment account on RT1. FinecoBank decided not to replace RT1 with TIPS but to keep both in order to achieve a wider reachability.

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

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

FinecoBank mainly faces intraday liquidity obligations towards:

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

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

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

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

Furthermore, in order to optimize the financial return of its excess liquidity (not operational), FinecoBank can rely also on term deposit facilities negotiated with third banks[2].

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

[2] FinecoBank activated with a third bank an evergreen deposit account with a notice period of 95 days and since October 2022 is also active on the ECB deposit facility for liquidity in euro.

# Liquidity requirements

## Net Stable Funding Ratio - “NSFR”

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

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

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

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

## EU LIQ2 – Net Stable Funding Ratio

(Amounts in € thousands)

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Unweighted value by residual maturity | | | | Weighted value |
| | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| | **Available stable funding (ASF) Items** | | | | | |
| 1 | Capital items and instruments | 1,687,089 | - | - | - | 1,687,089 |
| *2* | *Own funds* | *1,687,089* | - | - | - | *1,687,089* |
| *3* | *Other capital instruments* | | - | - | - | - |
| 4 | Retail deposits | | 27,940,989 | - | - | 26,204,088 |
| *5* | *Stable deposits* | | *21,143,964* | - | - | *20,086,766* |
| *6* | *Less stable deposits* | | *6,797,024* | - | - | *6,117,322* |
| 7 | Wholesale funding: | | 2,712,499 | 227 | 804,065 | 1,048,675 |
| *8* | *Operational deposits* | | - | - | - | - |
| *9* | *Other wholesale funding* | | *2,712,499* | *227* | *804,065* | *1,048,675* |
| 10 | Interdependent liabilities | | - | - | - | - |
| 11 | Other liabilities: | 3,347 | 413,472 | 5,485 | 49,881 | 52,624 |
| *12* | *NSFR derivative liabilities* | *3,347* | | | | |
| *13* | *All other liabilities and capital instruments not included in the above categories* | | *413,472* | *5,485* | *49,881* | *52,624* |
| **14** | **Total available stable funding (ASF)** | | | | | **28,992,476** |
| | **Required stable funding (RSF) Items** | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | 397,600 |
| EU-15a | Assets encumbered for a residual maturity of one year or more in a cover pool | | - | - | - | - |
| 16 | Deposits held at other financial institutions for operational | | - | - | - | - |
| 17 | Performing loans and securities: | | 4,083,856 | 898,660 | 3,636,236 | 4,942,372 |
| *18* | *Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut* | | - | - | - | - |
| *19* | *Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions* | | *547,773* | *48* | *729* | *55,526* |
| *20* | *Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:* | | *2,776,071* | *93,073* | *393,415* | *1,764,725* |
| *21* | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | - | - | - | - |
| *22* | *Performing residential mortgages, of which:* | | *72,883* | *74,503* | *2,433,353* | *1,655,906* |
| *23* | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | *72,839* | *74,459* | *2,430,686* | *1,653,575* |
| *24* | *Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products* | | *687,129* | *731,035* | *813,739* | *1,466,215* |
| 25 | Interdependent assets | | - | - | - | - |
| 26 | Other assets: | - | 306,843 | 307 | 2,210,062 | 2,205,776 |
| *27* | *Physical traded commodities* | | | | - | - |
| *28* | *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs* | | - | - | *57,453* | *48,835* |
| *29* | *NSFR derivative assets* | | *3,721* | | | *3,721* |
| *30* | *NSFR derivative liabilities before deduction of variation margin posted* | | *3,347* | | | *167* |
| *31* | *All other assets not included in the above categories* | | *299,775* | *307* | *2,152,609* | *2,153,052* |
| 32 | Off-balance sheet items | | 2,452 | - | 53 | 176 |
| **33** | **Total RSF** | | | | | **7,545,924** |
| **34** | **Net Stable Funding Ratio (%)** | | | | | **384.21%** |

# Liquidity requirements

The Net Stable Funding Ratio (NSFR) as of 30 June 2023 was 384.21% and remained almost constant compared to previous quarters. The Available Stable Funding (ASF) amounted to 28,992 euro million while the Required Stable Funding (RSF) amounted to 7,546 euro million. The available amount of stable funding consists mainly of stable and less stable deposits with retail customers in the amount of approximately 26,204 euro million (weighted value). Considering that the securities owned are mainly of very high quality level 1 and therefore subject to a 0% risk weight, the required amount of weighted stable funding consists mainly of loans and unlisted bonds issued by credit institutions that are not included in the LCR buffer.

# Leverage

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

The leverage ratio has the following objectives:

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

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

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

## Contents

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

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

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

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

- assets[3], excluding derivative contracts listed in Annex II of CRR, credit derivatives and the positions referred to in Article 429e, calculated in accordance with Article 429b paragraph 1;
- derivative contracts listed in Annex II of CRR and credit derivatives, including those contracts and credit derivatives that are off-balance-sheet, calculated in accordance with Articles 429c and 429d;
- add-ons for counterparty credit risk of securities financing transactions[4], including those that are off-balance sheet, calculated in accordance with Article 429e;
- off-balance-sheet items, excluding derivative contracts listed in Annex II of CRR, credit derivatives, securities financing transactions and positions referred to in Articles 429d and 429g, calculated in accordance with Article 429f;
- regular-way purchases or sales[5] awaiting settlement, calculated in accordance with Article 429g.

and is calculated in accordance with the following principles:

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

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

# Leverage

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

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

(Amounts in € thousand)

| | | a |
|---|---|---|
| | | Applicable amount |
| | | 06/30/2023 |
| 1 | Total assets as per published financial statements | 33,815,918 |
| 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)) | - |
| 5 | (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR) | - |
| 6 | Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting | - |
| 7 | Adjustment for eligible cash pooling transactions | - |
| 8 | Adjustment for derivative financial instruments | (1,168,107) |
| 9 | Adjustment for securities financing transactions (SFTs) | 582,833 |
| 10 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 298,439 |
| 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 | 27,227 |
| **13** | **Total exposure measure** | **33,556,310** |

## EU LR2 - LRCom: Leverage ratio common disclosure

The template shows the leverage ratio as of June 30, 2023, compared with the data as of December 31, 2022, and the breakdown of the total exposure into the main categories, in accordance with the provisions of Article 451(1)(a) and (b). With reference to the provisions contained in the CRR Quick-fix, it should be noted that the Group has not made use of the option to apply the following provisions temporary treatment to mitigate the impact of the introduction of IFRS 9 on own funds.

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

# Leverage

(Amounts in € thousand)

| | | CRR leverage ratio exposures | |
|---|---|---|---|
| | | a | b |
| | | 06.30.2023 | 12.31.2022 |
| **On-balance sheet exposures (excluding derivatives and SFTs)** | | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs, but including collateral) | 32,517,032 | 34,694,587 |
| 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 | (Adjustment for securities received under securities financing transactions that are recognised as an asset) | - | - |
| 5 | (General credit risk adjustments to on-balance sheet items) | - | - |
| 6 | (Asset amounts deducted in determining Tier 1 capital) | (116,844) | (117,063) |
| 7 | **Total on-balance sheet exposures (excluding derivatives and SFTs)** | **32,400,187** | **34,577,524** |
| **Derivative exposures** | | | |
| 8 | Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin) | 5,209 | 674,817 |
| 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 | 103,321 | 110,957 |
| 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** | **108,531** | **785,774** |
| **Securities financing transaction (SFT) exposures** | | | |
| 14 | Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions | 521,249 | 2,771,655 |
| 15 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | (354,929) | (2,632,369) |
| 16 | Counterparty credit risk exposure for SFT assets | 582,833 | 1,091,636 |
| 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** | **749,153** | **1,230,922** |
| **Other off-balance sheet exposures** | | | |
| 19 | Off-balance sheet exposures at gross notional amount | 2,234,764 | 2,104,728 |
| 20 | (Adjustments for conversion to credit equivalent amounts) | (1,936,325) | (1,841,841) |
| 21 | (General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures) | - | - |
| 22 | **Off-balance sheet exposures** | **298,439** | **262,887** |

## continued: EU LR2 - LRCom: Leverage ratio common disclosure

(Amounts in € thousand)

| | | CRR leverage ratio exposures | |
|---|---|---|---|
| | | a | b |
| | | 06.30.2023 | 12.31.2022 |
| **Excluded exposures** | | | |
| EU-22a | (Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR) | - | - |
| EU-22b | (Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet)) | - | - |
| EU-22c | (Excluded exposures of public development banks (or units) - Public sector investments) | - | - |
| EU-22d | (Excluded exposures of public development banks (or units) - Promotional loans) | - | - |
| EU-22e | (Excluded passing-through promotional loan exposures by non-public development banks (or units)) | - | - |
| EU-22f | (Excluded guaranteed parts of exposures arising from export credits) | - | - |
| EU-22g | (Excluded excess collateral deposited at triparty agents) | - | - |
| EU-22h | (Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR) | - | - |
| EU-22i | (Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR) | - | - |
| EU-22j | (Reduction of the exposure value of pre-financing or intermediate loans) | - | - |
| **EU-22k** | **(Total exempted exposures)** | **-** | **-** |
| **Capital and total exposure measure** | | | |
| **23** | **Tier 1 capital** | **1,570,245** | **1,487,099** |
| **24** | **Total exposure measure** | **33,556,310** | **36,857,107** |
| **Leverage ratio** | | | |
| 25 | Leverage ratio (%) | 4.68% | 4.03% |
| EU-25 | Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%) | 4.68% | 4.03% |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%) | 4.68% | 4.03% |
| 26 | Regulatory minimum leverage ratio requirement (%) | 3.00% | 3.00% |
| EU-26a | Additional own funds requirements to address the risk of excessive leverage (%) | - | - |
| EU-26b | of which: to be made up of CET1 capital | - | - |
| 27 | Leverage ratio buffer requirement (%) | - | - |
| EU-27a | Overall leverage ratio requirement (%) | 3.00% | 3.00% |
| **Choice on transitional arrangements and relevant exposures** | | | |
| EU-27b | Choice on transitional arrangements for the definition of the capital measure | “fully loaded” | “fully loaded” |

The Leverage Ratio as of 30 June 2023, equal to 4.68%, shows an increase compared to 4.03% as of 31 December 2022, benefiting from the reduction in overall exposure, mainly determined by lower on-balance-sheet assets, also due to a reduction in direct customer deposits, and from the profits for the period recognised in Tier 1 capital.

# Leverage

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

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

(Amounts in € thousand)

| | | a |
|---|---|---|
| | | CRR leverage ratio exposures |
| | | 6/30/2023 |
| **EU - 1** | **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:** | **32,517,032** |
| EU - 2 | Trading book exposures | 13,147 |
| EU - 3 | Banking book exposures, of which: | 32,503,885 |
| EU - 4 | Covered bonds | 604,394 |
| EU - 5 | Exposures treated as sovereigns | 23,952,106 |
| EU - 6 | Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns | 3 |
| EU - 7 | Institutions | 1,830,300 |
| EU - 8 | Secured by mortgages of immovable properties | 2,581,828 |
| EU - 9 | Retail exposures | 2,750,750 |
| EU - 10 | Corporates | 602,105 |
| EU - 11 | Exposures in default | 4,922 |
| EU - 12 | Other exposures (eg equity, securitisations, and other non-credit obligation assets) | 177,475 |

# Disclosure of environmental, social and governance risks

Information on environmental, social and governance risks required under Article 449a of the CRR is described below.

## Introduction

The Fineco Group is based on three main pillars: efficiency, innovation and transparency, which represent the keys to the strategy and guide its sustainable growth journey. The orientation towards sustainable growth is a fundamental element of the long-term value creation strategy for the Group and for all its stakeholders, which Fineco pursues by operating in line with its corporate purpose: "to support customers in the responsible management of their savings in order to create the conditions for a more prosperous and fairer society". The Bank's capital structure is solid, sustainable and low risk, characterised by highly liquid and low-risk assets.

The adoption, in 2022, of a Sustainability Policy[6] defined the reference and linking framework for all the commitments signed by the Group on sustainability, as well as for defining the governance structure and compliance monitoring with respect to Environmental, Social and Governance matters (ESG), for regulating the process of identifying and managing ESG risks and for identifying the main areas of integration of sustainability factors into the Group's business and activities. Adherence to the most important sustainability initiatives of the United Nations, in particular the Principles of the Global Compact, the Principles for Responsible Banking and the Principles for Responsible Investment, allows the commitments signed by the Group to be placed within the political-institutional framework outlined by the Paris Agreement and the 2030 Agenda for Sustainable Development and to increasingly integrate ESG risks and factors in business decisions.

## Table 1 - Qualitative information on environmental risk

This section provides qualitative information on environmental risk describing the integration of such risks, including specific information on climate change risks, into the FinecoBank Group's strategy and business processes, governance and risk management.

### 1. Strategy and business processes

In 2020, the Group adopted an Environmental Policy, which formalises Fineco's overall intentions and direction with respect to its environmental performance, including compliance with all relevant environmental regulatory obligations and a commitment to continuous improvement in environmental performance.

In order to ensure an increasing integration of environmental, social and governance aspects within the strategy, in December 2019 Fineco approved an initial set of sustainability objectives to be pursued in the years 2020-2023 (2020-2023 ESG Plan). The ESG objectives include specific activities in six macro-areas: human resources, responsible finance, financial education/community support projects, supply chain, shareholders and environment. From an environmental standpoint, in addition to the objectives related to reducing impacts related to internal operations, those formalised in the area of responsible finance include:

- the increase of social and environmental product offer among mortgages and loans;
- the introduction of ESG criteria in product evaluation;
- the increase of the coverage of green and social bonds within the Bank's portfolio.

In addition, within the context of the Bank's Environmental Management System, certified in accordance with the requirements of the EMAS Regulation No. 1221/2009/EC, the Environmental Programme 2021-2024 was approved in 2021.

In 2022, Fineco formalised its commitment to combating climate change, setting itself the important goal of achieving Net-Zero $CO_2$ emissions status by 2050. The goal is to achieve net zero emissions status by 2050, including both operational and financed emissions. In particular, the Bank is committed to ensuring that its balance sheet assets, and more specifically its sovereign and bank debt securities, are 100% aligned with the net zero emissions target by 2050, coherently with the Paris Agreement. In terms of operational emissions, the Bank is committed to a 35% reduction in operational emissions for Scope 1 and 2 and a 20% reduction in operational emissions for Scope 3 by 2030. By 2050, the target is to reduce Scope 1, 2 and 3 emissions by 90% and neutralise residual emissions.

Since 2020, the Group aligns the ESG Plan targets with the UN Sustainable Development Goals (SDGs) deemed most relevant based on the commonalities between the 169 targets and the Group’s material topics. In the course of 2023, the new ESG Multi-Year Plan 2024-2026 will be defined, with new goals and targets set.

The Group has a strong risk culture aimed at ensuring long-term sustainability and since 2020 has integrated environmental risks into its Risk Management Framework, as described in the following sections. Overall, Fineco's exposure to climate and environmental risks is limited by the internal characteristics of its business model and the analyses conducted show a low impact of environmental risks on the Group's risk profile.

In defining and implementing its business strategy, Fineco integrates climate and environmental risks that may have an impact on its business environment in the short, medium and long term. Analysis of the regulatory and competitive landscape on climate and, more generally, sustainability matters, in order to assess the impact of related risks on the Group, is carried out on a regular basis. In addition, to regulate the process of defining and implementing the Bank's 2020-2023 ESG Plan and Environmental Programme, a specific procedure has been adopted that requires, among other things, that the objectives defined are consistent with the Group's strategic guidelines, including through dialogue with the Chief Risk Officer (CRO) Department. Overall, the assessments that emerge from these analyses are taken into account to update, on an annual basis, the Multi-Year Plan, which includes a section devoted to ESG priorities.

[6] Available on the FinecoBank website at the link https://about.finecobank.com/it, section "Sustainability".

To ensure an increasing integration of environmental, social and governance aspects into its Investment Plan, since 2019 Fineco has started to allocate a portion of its financial resources to the subscription of green, sustainable and social bonds.

Fineco intends to increase its commitment to sustainable and responsible investments in line with the objectives of the 2023 RAF, by increasing the component represented by green, sustainable and social bonds within its portfolio. New purchases will depend on the opportunities that arise in the market in line with the assumptions of the 2023 Investment Plan, which envisages an improvement in the ESG indicators monitored for the issuing countries (the Worldwide Governance Indicators and the ND Gain index, described in more detail below). The monitoring of ESG indicators also contributes to the objective of improving the investment portfolio of the Parent Company as a whole.

With regard to the classification of assets in accordance with Regulation (EU) 2020/852 (the "Taxonomy Regulation"), Fineco periodically carries out the analysis of the portion of its consolidated balance sheet assets eligible for the Taxonomy in accordance with Article 10(3) of Delegated Regulation (EU) 2021/2178, i.e. related to the economic activities included in Delegated Regulation (EU) 2021/2139. The share of assets eligible for the Group's taxonomy is associated with the stock value of loans to households secured by residential real estate. In fact, there are no exposures to companies operating in the sectors of economic activity indicated in Annexes I and II of Delegated Regulation (EU) 2021/2139 and subject to non-financial disclosure requirements under Article 19a or 29a of Directive 2013/34/EU.

Regarding counterparty engagement on environmental risk management, the Bank's lending policy is geared towards lending to retail customers and investment in central government financial instruments (sovereign bonds), as reflected in the share of exposures to central governments, central banks and supranational issuers.

Considering this, FinecoBank's business model has little exposure to climate and environmental risk factors, as detailed in the Risk Management section.

### 2. Governance

Attention to ESG matters is an integral part of Fineco's Corporate Governance, through the assignment of specific responsibilities to governing bodies and operational functions, formalised within the Group's "Sustainability Policy". In particular, with reference to the Parent Company:

- the **Board of Directors** deliberates, inter alia, on the strategic directions of the Bank and the Group, with the aim of pursuing sustainable success and creating long-term value for Stakeholders;
- the **board-level Corporate Governance and Environmental and Social Sustainability Committee** oversees Sustainability issues related to FinecoBank's business operations and the dynamics of interaction with all Stakeholders, as well as the evolution of the Bank's Sustainability strategy, based on the relevant international guidelines and principles. Specifically, it oversees the evolution of the Group's Sustainability strategy, assesses the risks related to Sustainability issues, examines and, where appropriate, formulates proposals regarding corporate plans, objectives, rules and procedures on social and environmental issues, also playing a support role to the Board of Directors for the approval of policies aimed at promoting diversity and inclusiveness, monitors the positioning of the Company and the Group with respect to the financial markets on Sustainability issues and Stakeholder relations, and examines and advises on the policy for managing relations with all the Shareholders. It also reviews in advance the Consolidated Non-Financial Statement (NFS) and the Environmental Statement pursuant to EMAS Regulation No. 1221/2009/EC for approval by the Board of Directors. Finally, the Committee has specific tasks with reference to *corporate governance* issues;
- the **board-level Risk and Related Parties Committee** has the task, as part of its activities, to contribute to the definition of the guidelines of the internal control system, so that the main risks pertaining to the Company and the Group, including ESG risks, are correctly identified, as well as adequately measured, managed and monitored, and to support the Board of Directors in the evaluation of non-financial periodic reports, as well as financial ones;
- the **Board of Statutory Auditors**, as a supervisory body, is responsible for supervising compliance with the provisions established by Legislative Decree 254/2016 and reports on this in its annual report to the shareholders' meeting;
- in order to support the Corporate Governance and Environmental and Social Sustainability Committee, a **Sustainability Management Committee** is established, supported by the Sustainability Structure and composed of managers from the Parent Company. The Committee is entrusted with the main task of defining a proposal for the Bank's Sustainability strategy (corporate plans, rules and procedures on social and environmental issues) and the related objectives to be achieved, to be submitted to the aforementioned board-level Committee for consideration, as well as to the Board of Directors for approval, if necessary. The Management Committee is also in charge of monitoring the progress of the defined Sustainability strategy;
- the **Sustainability Structure**, reporting to the Chief Financial Officer (CFO) Department, is responsible for supporting the CFO and the Sustainability Management Committee in the management of Sustainability at Fineco, including the development and monitoring of the Sustainability Strategy and in the drafting and subsequent approval of the NFS and EMAS Environmental Statement by the relevant Corporate Bodies;
- the **Compliance** function ensures second-level compliance controls for regulations within its competence, such as investment services or banking products;
- the **risk management** function performs second-level controls over ESG risks and ensures that all risks are identified, assessed, measured, monitored, managed, and appropriately communicated by relevant units within the institution;
- the **Internal Audit** function performs third-level controls on ESG risks on the basis of its own defined methodologies.

- the **structures involved from time to time** define the sustainability objectives for the areas under their responsibility, including those in the area of responsible finance, identify the actions that enable their achievement and support the Sustainability Structure in monitoring the progress of activities with respect to the objectives and the related reporting.

With reference to each Subsidiary:

- it is required to identify an organizational structure within each subsidiary to assume the role of the main Coordinator of the implementation and ongoing supervision of Sustainability-related activities. Assigning this role to a centralized function is intended to ensure that a consistent ESG approach is adopted towards all stakeholders;
- the establishment of a Sustainability Working Group, composed of the executive figures representing the functions involved, is suggested, with the aim of monitoring Sustainability activities, based on Parent Company guidelines, industry standards and legislative and regulatory developments.

As today, in Fineco AM Head of Legal is the main coordinator of the implementation and ongoing supervision of the "ESG project" within Fineco AM. The Sustainable Finance Committee, chaired by Fineco AM's Head of Legal, is in charge of the approval and considerations of ESG matters proposed to be executed by the Sustainable Working Group.

In addition, a dedicated ESG regulatory oversight organisational model has been established in the parent company, divided into seven macro-areas:

- Non-financial disclosure;
- Requirements of company representatives, related parties and connected persons, operation of the Shareholders' meeting;
- Health and Safety;
- Labour Law;
- Tax;
- Environmental Protection;
- Other Sustainability obligations.

For each area, the topics directly overseen by the compliance function (2nd level corporate control function), the topics of regulatory compliance borne by specific specialized structures (indirect compliance coverage oversight) and the topics assigned to the risk management function (2nd level corporate control function) have been identified. Refer to the Sustainability Policy for more details.

With reference to the frequency and method of external and internal reporting on environmental risk, the Risk Management team illustrates to the Corporate Bodies the results of the control and monitoring of such risks in its Quarterly Report; it also collaborates with the Sustainability Structure and the Regulatory Affairs Team in compiling - for the parts falling within its competence - the reporting to Regulators, Rating Agencies, Data Vendors and any other external party.

Finally, regarding remuneration policy, the alignment of top management incentive systems with the RAF favours a conservative approach to risk-taking and the maintenance of adequate risk levels. Indeed, the incentive systems are consistent with corporate values and objectives, including those of sustainable finance that take ESG factors into account, with long-term strategies linked to corporate performance and with prudent risk management policies.

The Group is committed to developing sound and effective risk management, providing correction mechanisms for the systems themselves, in order to make them consistent with the reference framework for determining risk appetite and with the levels of capital and liquidity required to meet the activities undertaken and, in any case, such as to avoid distorted incentives that could lead to regulatory violations or excessive risk-taking.

In particular, the individual objectives of the Chief Executive Officer and General Manager and other Identified Staff, depending on the specificity of the role, in relation to the short-term incentive system are integrated with objectives related to sustainability. Within the specific objective "Stakeholder Value", in line with the Group's ESG Plan 2020-2023, in 2022, the environmental objectives inherent to the improvement of Fineco's environmental performance, through the renewal of the EMAS registration and the achievement of the Environmental Programme objectives, have been confirmed, in continuity with 2021. With reference to the long-term variable remuneration, the 2021-2023 Long Term Incentive Plan includes, among the performance objectives, specific environmental parameters inherent to the extension of the ESG rating to all new funds, in line with the Multi-Year Plan.

### 3. Risk Management

Climate change and environmental degradation give rise to structural changes that affect the economy and, consequently, the financial system. In particular, the transition to a low-carbon and more circular economy entails both risks and opportunities for the whole economic system and for financial institutions, while the physical damages caused by climate change and environmental degradation might have a significant impact on the real economy and the financial sector.

Climate change commonly gives rise to two risk factors:

- physical risk, which stands for the financial impact of climate change, including more frequent extreme weather events and gradual climate change, as well as environmental degradation, such as air, water and soil pollution, water stress, biodiversity loss and deforestation. Physical risk is therefore classified as "acute" if caused by extreme events such as droughts, floods and storms, and "chronic" if caused by progressive changes such as temperature rise, sea level rise, water stress, biodiversity loss, change land use, habitat destruction and resource scarcity. This risk could directly lead to material damage, a drop in productivity, or indirectly subsequent events such as the interruption of production chains;

- transition risk, which stands for the financial loss that an entity may incur, directly or indirectly, as a result of the adjustment process towards a low-carbon and more environmentally sustainable economy. Such a situation could be caused, for example, by the relatively sudden adoption of climate and environmental policies, technological progress or changing market confidence and preferences.

Physical and transition risks represent risk factors that affect the traditional risk categories already identified and managed by financial institutions, e.g., pillar I risks such as credit, operational, market and liquidity risks, but also pillar II risks, such as reputational risk. These risks may also affect the resilience of the institution's business model in the medium and long term, especially if the business area is based on sectors and markets that are particularly vulnerable to climate and environmental risks.

In November 2020, the European Central Bank published a "Guide on climate and environmental risks" which incorporates the supervisor's expectations on risk management and disclosure of climate and environmental risks. Based on the latter, institutions are required to assess the impact of climate and environmental risks on their business model and operating context in the short, medium and long term, and to integrate them within their risk management framework, so that they can be managed, monitored and mitigated like every other risk category.

Since the first ECB consultation on its guide on climate and environmental risks[7], the Fineco Group has launched a process of progressive integration of climate and environmental risks within its risk management framework, based on the most recent indications published by supervisory authorities and by European and international standard setters[8]. The first changes made concerned the Risk Appetite Framework (RAF), which represents the risk profile monitoring tool which the Group intends to adopt in the implementation of its corporate strategies and in the pursuit of sustainable profitability at the same time as solid business growth.

The RAF formalises, through a set of risk limits and metrics, the risk objectives, any tolerance thresholds and the operating limits that the Group shall respect in pursuing its strategic objectives. The RAF is made up of the Risk Appetite Statement, which qualitatively defines FinecoBank's positioning in terms of strategic objectives and related risk profiles, and the Risk Dashboard, which is made up of a set of quantitative indicators.

In the RAF statement 2022 already, the Bank had among its objectives, within the context of its business and operational management choices, the adoption of a solid business model and strategy oriented towards a stable and organic growth, complemented by the progressive integration of the principles of environmental and social sustainability.

The RAF statement 2023 envisages a set of commitments and objectives concerning climate and environmental risks. In such context the Group is committed to:

- face “its business and operational management choices, complementing the strategy, oriented towards stable and organic growth, with the progressive integration of the principles of environmental and social sustainability (ESG)"
- achieve net zero emissions, both operational and financed, by 2050 (as already described in the section Qualitative information on environmental risk - Business strategy and processes);
- having by 2030 95% of its investments in countries and institutions with a “Net Zero” target[9];

The 2023 Risk Dashboard, on the other hand, incorporates several indicators to monitor ESG risks. An indicator is aimed at ensuring, through quantitative thresholds, that a portion of the investments is made in ESG bonds, instruments intended to support projects or activities aimed at promoting social and environmental sustainability (indicator already present in the 2022 Risk Dashboard).

Another relevant indicator (already present in the 2022 Risk Dashboard) concerns more closely climate and environmental risks (physical risk) and allows the monitoring of the geographical concentration of the real estate collateral received to cover the origination of mortgage loans in geographical areas considered at high seismic and hydrogeological risk.

It should also be noted that a new indicator has been included for the 2023 financial year, aimed at measuring the percentage of ESG Funds offered by the Legal Entity Fineco Asset Management out of the total offer of Funds, and at guaranteeing a minimum share.

As already mentioned, RAF metrics are regularly monitored and reported, at least on a quarterly basis. Any threshold breach identified on Risk Dashboard indicators determines the activation of an escalation process towards the top management and ultimately the competent corporate bodies.

In addition to the objectives set out in the Risk Appetite Statement and the indicators integrated in the Risk Appetite Dashboard, the Group "Sustainability Policy" describes the process of identifying, managing and integrating ESG risks into the Group's risk management framework.

This process involves i) the analysis of best practices and regulations ii) the identification and mapping of ESG risks, iii) their integration into the RAF and the internal control framework iv) the conduct of stress tests v) the reporting activity.

In order to identify the risk factors to which the Group is exposed and carry out the pertinent assessments in terms of management, monitoring and mitigation, the CRO Department of FinecoBank prepares a Risk Inventory at least on an annual basis. On this occasion, a focus on ESG risks is

[7] The first consultation version of the "Guide on climate and environmental risks" dates back to May 2020.
[8] For example, the "EBA report on ESG Risk Management and Supervision" and the documents released by the BCBS "Climate-related risk drivers and their transmission channels" and "Climate-related financial risks - measurement methodologies" are worth mentioning.
[9] The Net Zero target must be formalised in a national/international policy document. Countries and institutions mean Sovereign, Supranational and Agency counterparts.

prepared. Since these are transversal risks, the analysis has as its object the assessment of the impact of environmental, social and governance risk factors on the traditional risk categories already managed and monitored by the Group.

For the year 2023, the assessment of ESG risks, in line with the priorities highlighted by the Regulators, was carried out considering different time horizons (Short and medium/long term) and focused on climate and environmental risks. For all the time horizons considered, the assessment did not show a high incidence of the latter on the Group's risk profile.

In general, FinecoBank's business model is not very exposed to climate and environmental risk factors. Specifically, as far as credit risk is concerned, the corporate strategy does not contemplate credit origination to corporate customers, and the Credit Origination policy specifically provides that the Bank refrains from financing companies operating in sectors with high climate risk and environmental (e.g. energy or steel sector). Lastly, the Group's strategic investments mainly concern sovereign counterparties (Sovereign, Government Organizations, etc.) with little exposure to climate and environmental risks, or sufficiently organized to manage them. This approach safeguards the Group from being exposed to various climatic risk factors, including, for example, drought or biodiversity loss.

As far as market risk is concerned, the whole Group does not carry out proprietary trading, and the trading book is moved exclusively for business needs, functional to the dealing on own account activity with customers. The Group carefully monitors and hedges these positions, and in any case most of the exposures are closed at the end of the day. The limited exposure of the Group to market risks prevents it from being exposed to sudden changes in prices due to climate and environmental risk factors.

As far as operational risk is concerned, Fineco's business model has always encouraged the use of digital channels and does not use branches to maintain the relationship with its customers. The only property owned by FinecoBank is the building where the Bank has its registered office.

As far as liquidity risk is concerned, funding come mainly from customers' sight deposits, which have proved to be stable even during the most recent seismic/climatic events. Furthermore, the Bank's counterbalancing capacity is mainly composed of Sovereign bonds, little exposed to climate and environmental risks.

Taking into consideration the characteristics of FinecoBank's business model outlined above, the risk categories which, albeit marginally, could be affected by climatic and environmental factors are credit risk, arising from credit facilities granted to retail customers and business risk, arising from the offering of financial products are not aligned with the customers' sustainability preferences.

With regard to credit risks, the analysis carried out during the 2023 Risk Inventory recognizes that mortgage loans granted to retail customers could already be affected in the short term by the reduction in the value of the collateral properties, mainly due to acute physical risk factors (e.g. floods or landslides). The trend might also worsen in the long run as global warming increase, through a greater frequency and intensity of acute physical risk events, with a more evident manifestation of chronic physical risks (e.g. sea level rise) and with a greater probability of encountering transition risk factors, such as the imposition of a minimum energy class requirement for the sale of properties.

Unlike credit risks, business risks are more concentrated in the short term. In particular, the performance of investment products that do not promote social and/or environmental characteristics or that do not have sustainable investment objectives, offered by the Legal Entity Fineco Asset Management, may be affected by certain transition risks, such as for example the change of preference of customers, who could shift towards products with greater sustainability characteristics offered by other asset managers. The risk factor should decrease in the medium/long term following FAM's refinement of its offer of sustainable products.

In order to mitigate the exposure to ESG risks, as part of the second-line controls on credit risk, a series of monitoring activities has been envisaged aimed at overseeing the areas considered most at risk.

As part of the calculation of expected credit losses (ECL), calculated by the Group in accordance with the IFRS 9 accounting standard, FinecoBank has integrated physical risk factors into its model for estimating the Loss Given Default (LGD) of mortgage loans. Specifically, loans backed by mortgages on properties most exposed to climatic and environmental risks will have a higher LGD. Consequently, the Bank will calculate higher expected losses on these positions.

Within country risk monitoring, some indicators (Worldwide Governance Indicators) have been introduced, developed by a team of researchers in collaboration with the World Bank, which have the aim of expressing in a synthetic way the effectiveness of the policies implemented by the government authorities of the different nations. To complement the latter, a specific indicator of environmental risk has also been introduced, called ND-Gain[10], developed by a team of researchers from the US University of Notre Dame. The results of the monitoring show that Fineco's counterparties are resident in countries with little exposure to climatic and environmental risks or sufficiently organized to manage them.

With regard to the physical risks associated with climate change, on a quarterly basis the Group carries out monitoring of the concentration of properties guaranteeing mortgage loans in areas with high climatic and environmental risk. For the purposes of the analysis, the landslide, seismic and hydrogeological risk detected by the risk classification of the national territory of the Civil Protection Department are taken into consideration. Territories subject to these risks could in fact be involved in natural phenomena with consequent damage to buildings and reduction of the collateral value for the

[10] This indicator considers two fundamental quantities: the level of vulnerability of a country to climate change ('vulnerability') and the position of the respective country in terms of its economic, social and governance capacity to cope with climate change ('readiness'). The two indicators are compared in order to determine that country's exposure to climate and environmental risks.

bank. The results of the monitoring show that, as at 30 June 2023, approximately 14.27% of the exposure in mortgage loans is guaranteed by properties located in areas with high environmental risk.

As part of the ICAAP process, stress test scenarios consider both physical risk and transition risk. The stress test focuses on three uncorrelated risk factors considered relevant to Fineco's business model:

- change of customer preference from FAM funds classified as "non-ESG" (art. 6 SFDR) to funds of third-party managers classified as "ESG" (art. 7 and 8 SFDR). The objective of the scenario, which can be classified as transition risk, is to estimate the impact of the change in preference on the commission profile and internal capital related to the Group's business risk;
- reduction in the value of properties guaranteeing mortgage loans located in areas with high climatic and environmental risk (physical risk). The reduction in value would lead to an increase in LGD and a consequent increase in loan adjustments and greater internal capital against credit risks;
- downgrade of the countries mostly exposed to climate and environmental risks. In the 2022 ICAAP stress test, in line with the exposures held by the Group, the counterparties considered were China, the United Arab Emirates and Latvia. The downgrade determines a higher PD of the aforementioned counterparties, and consequently higher adjustments to loans and internal capital against credit risks.

The outcome of the stress tests highlighted the Group's limited exposure to environmental risk factors.

A climate reverse stress test was also carried out as part of the ICAAP 2022 process (SREP 2023), the objective of which was to determine the "non-viability" of the business model. Considering the limited exposure of Fineco's business model to climate change, in order to achieve "non-viability", the climate reverse stress test assumes the occurrence of a series of extreme events, whose probability of occurrence is currently considered very remote. In particular, in line with the climate forecasts of the CMCC (Euro-Mediterranean Center on Climate Change), the stress test hypothesized a flood sufficiently violent and extensive to flood all the Bank's Data Processing Centers (CED) for a substantial period of time, also assuming the total failure of the existing security measures.

Finally, as part of the Thematic Review on climate and environmental risks carried out as part of 2022 SREP, the European Central Bank highlighted some points for improvement which were promptly accepted and developed in the last quarter of 2022.

In order to improve monitoring and reporting on climate and environmental risks, the FinecoBank Group collects specific information from customers, including, by way of example, the data on the energy class of real estate collateral for mortgage loans. For hardly collectable information, concerning climate and environmental risks, including those relating to institutional counterparties, the Group relies on specialized external supplier.

## Table 2 – Qualitative information on social risk

This section contains qualitative information on social risk that describes the integration of these risks into the FinecoBank Group's business strategy and processes, governance and risk management.

### 1. Strategy and business processes

Organic and sustainable growth in the long term is the key element of Fineco's development strategy and is achieved through the practical application of the three strategic pillars (efficiency, innovation, transparency) mentioned. To achieve this goal – in line with the principles and rules of conduct enshrined in the Group's Code of Ethics, Integrity Charter and Code of Conduct – Fineco has combined its commitment to environmental matters with a series of commitments, also from a social point of view, through the adoption of a specific commitment to Human Rights and a series of internal policies aimed at ensuring correct approaches, systems and models of behaviour in the field of gender equality, combating harassment, sexually inappropriate behaviour and bullying, Privacy, Remuneration policies.

In order to ensure an increasing integration of ESG aspects within the strategy, the ESG Plan 2020-2023 provides for specific activities in six macro-areas, which include social issues: *human resources*, responsible finance, financial education/community support projects, supply chain, shareholding and environment. From a social point of view, the following objectives are important, among others:

- human resources, through performance management and employee retention programs and initiatives, and the development of the welfare plan;
- diversity and equal opportunities, through monitoring and continuous attention to the issue of the Gender Pay Gap; attention to the promotion of women in managerial roles; ensuring equal gender representation and monitoring the management of the return from maternity leave;
- financial education, through the promotion of training and awareness-raising courses on issues such as asset management, involving particular categories of recipients, such as young people;
- support to the community, through the provision of annual investments in projects for the benefit of the community, based on the different needs expressed in the territory and the provision of funds for natural disasters.

From 2020, the Group aligns the objectives of the ESG Plan with the Sustainable Development Goals (SDGs) considered most relevant on the basis of the commonalities between the 169 targets and the material themes. During 2023, the ESG Plan is expected to be updated, with the definition of new objectives and targets.

Fineco Group has a solid risk culture aimed at ensuring long-term sustainability and since 2020 has integrated social risks into its Risk Management Framework. In particular, with reference to the engagement of counterparties in the management of social risks, the Bank's lending policy is based, as detailed in the previous sections, on the granting of credit to retail customers and investment in financial instruments of Central Administrations (Government Securities). As for climate and environmental risks, social risk factors also impact on the traditional risk categories managed by the Group, reflecting in particular on operational risks and reputational risks, as described in detail in the sections dedicated to risk management.

In defining and implementing its corporate strategy, Fineco integrates social risks that may have an impact on its business context in the short, medium and long term. The analysis of the regulatory and competitive sustainability landscape, in order to assess the impact of the associated risks on the Bank, is carried out on a regular basis. Furthermore, in order to regulate the process of defining and implementing the Fineco Group's ESG Plan 2020-2023, a specific procedure has been adopted which envisages that the objectives defined are consistent with the Group's strategic guidelines, also through dialogue with the CRO Department. Overall, the considerations emerging from these analyses are taken into account to update, on an annual basis, the Multiannual Plan, which includes a section dedicated to ESG priorities.

In order to mitigate the exposures to ESG risks, second-level controls on credit risks include a series of monitoring activities aimed at controlling the areas considered most at risk, as detailed in the Risk Management section. With specific reference to social risks, as part of the monitoring of country risk, specific risk indicators, Worldwide Governance Indicators, developed by a group of researchers in collaboration with the World Bank and described in detail in Table 3 on Governance, are monitored. These indicators aim to express in a synthetic way the effectiveness of the policies implemented by the governmental authorities of the different nations monitoring how governments are formulated, the ability of the same to effectively implement valid policies and the respect that citizens have for the institutions that govern them.

### 2. Governance

Attention to ESG issues is an integral part of Corporate Governance: Sustainability Committees are set up at board and managerial level, as well as a dedicated corporate function, in order to define and supervise the sustainability strategy, as described in detail in the Governance section on environmental risks.

In the framework described, the Risk and Related Parties Committee has the task of contributing to the definition of the guidelines of the Internal Control System (ICS), so that the main risks relating to the Company and the Group, including social risks, are correctly identified, as well as adequately measured, managed and monitored, and of supporting the Board of Directors in the evaluation of periodic non-financial reports, in addition to financial ones.

In this general framework, the consideration of social risks is fully integrated both in the strategic objectives set out in the Risk Appetite Statement and in the indicators of the Risk Dashboard, as detailed below in the Risk Management section. In line with the lending policy outlined – based on granting credit only to retail customers and investing in government bond financial instruments – social risk factors are essentially reflected in operational risks and reputational risks. The other risk categories traditionally managed by the Group have little impact on social risks, as detailed below in the Risk Management section.

With reference to the frequency and methods of external and internal reporting on social risk, Risk Management illustrates to the Corporate Bodies the results of the control and monitoring of these risks in its Quarterly Report; it also collaborates with the Sustainability Unit and the Regulatory Affairs Unit in compiling – for the parts of competence – reporting to the Regulators, rating agencies, Data Vendors and any other external party.

Finally, regarding the remuneration policy, the alignment of top management incentive systems with the RAF favours a conservative approach to risk-taking and the maintenance of adequate risk levels.

In particular, the individual objectives of the Chief Executive Officer, the General Manager and the other Identified Staff, depending on the specificity of the role, with regard to the short-term incentive system, are integrated with objectives related to sustainability. Within the specific objective "Stakeholder Value", in line with the Group's ESG Plan 2020-2023, in 2022, the social objectives relating to the enhancement of diversity in the field of Gender Pay Gap and Gender Balance were confirmed in continuity with 2021. With reference to long-term variable remuneration, the 2021-2023 Long Term Incentive Plan for employees includes, among its performance objectives, specific social parameters related to customer satisfaction and employee engagement, as well as the extension of the ESG rating to all new funds in line with the Multi-Year Plan.

### 3. Risk Management

According to the EBA report on the management and supervision of ESG risks for credit institutions and investment firms, published in June 2021, social risk is defined as the risk of an adverse financial impact resulting from social factors affecting the credit institution, its counterparties or its assets. Social factors are related to the rights, well-being and interests of individuals and communities, which include factors such as equality, health, inclusiveness, labour relations, occupational health and safety, human capital and community.

Like all ESG risks, social risk also has a dual perspective, according to which credit institutions could either have an impact (inside-out perspective) on the community (stakeholder) or be impacted in turn by social risk factors (outside-in perspective). Both these perspectives assume relevance in the risk identification process, which will be briefly described below.

The Fineco Group has always promoted a solid risk culture, based on shared values and consistent conduct, elements necessary to guarantee sustainable profitability in the long term.

Among the strategic objectives set out in the Risk Appetite Statement, in the area of social risks, the Bank's objective are to:

- maintain and, if possible, increase the levels of customer satisfaction at the highest levels, in particular for transparency, quality and completeness of the offer;

- provide extensive information to customers on ESG issues within the offer of investment and brokerage products, and in financial education initiatives;
- conduct the Group's activities while maintaining an adequate ethical profile and protecting the Bank's reputation in line with the strategic objectives. As part of its business and operational management choices, accompany its strategy, oriented towards stable and organic growth, with the progressive integration of the principles of environmental and social sustainability (ESG);
- have an optimal Internal Control Framework with effective and efficient procedures in the management of each risk aligned with the needs and expectations of the stakeholders.

The Risk Dashboard, on the other hand, incorporates several indicators to monitor social issues. Among these, by way of example, the Gross Litigation Ratio should be mentioned. Such indicator aims to measure potential disservices to customers, comparing the number of complaints received with the total number of customers.

RAF metrics are regularly monitored and reported, at least quarterly. The achievement of the thresholds identified for the indicators included in the Risk Dashboard determines the activation of an escalation process towards the Top Management and ultimately the competent corporate bodies.

Just like for climate and environmental risks, social risk factors also impact on the traditional risk categories already managed by the Banks, reflecting in particular on compliance risks and reputational risks.

Compliance risk is the risk of incurring in legal or administrative sanctions, significant financial losses or reputational damage as a result of violations of laws, regulations, or self-regulatory rules or codes of conduct, and could arise from various social risk factors, where there are statutory or regulatory requirements. Reputational risk, on the other hand, shall be regarded as the current or forward-looking risk of a decline in profits or capital deriving from a negative perception of the company's image by customers, counterparties, shareholders, investors or supervisory authorities, and could arise either from risk that the Group does not comply with legal or regulatory requirements (compliance risk), or from other social risk factors not subject to regulatory requirements.

In order to prevent negative effects in terms of legal, reputational and compliance risks, and also to monitor any violations related to social factors (such as, for example, discrimination, whistleblowing, wage fairness, human rights) in the relationship with customers, employees and the community, the Group has activated a series of control and prevention measures:

- as far as customers are concerned, FinecoBank guarantees a relationship with them based on criteria of trust, accessibility of products and services and strict compliance with professional ethics, based on an excellent offer at fair pricing, within the three areas of integrated banking, investing and brokerage activities. The Bank has also set up a rigid communication process with the primary objective of ensuring maximum protection of customers and their personal data and maximum communication transparency. The process of creating, approving and publishing the contents of communications to customers, including marketing communications, follows a rigid internal approval process which includes first-line controls, carried out directly by the corporate functions involved in producing the contents, and checks by the compliance, legal and all relevant departments. All communications made to customers are generated and published by Fineco internal personnel, without the involvement of external third parties as a further guarantee of privacy and control over the publication flow;
- as far as suppliers are concerned, Fineco carries out an assessment in relation to social impacts by assessing the characteristics of the supply chain also taking into account the respect and protection of human rights. It should be noted that this measure, in addition to preventing any involvement of the Group in legal and litigation risks, also makes it possible to safeguard against any deterioration in the financial position of the supplier (resulting, for example, from possible penalties and costs), which could have repercussions in terms of business continuity for the Group;
- as far as employees are concerned, a system for reporting "whistleblowing" violations is in place with the aim not only of reporting unlawful conduct, a cause of possible violation of human rights, but also the protection of confidentiality regarding both the identity of the whistleblower and of the accused person in order to prevent discriminatory behaviour following the notification.

Furthermore, monitoring of the calculation of the gender pay gap is envisaged; the methodology used takes into consideration the population clusters that make it possible to carry out an assessment according to the concept of equal pay for equal work, simultaneously assessing the organizational complexity of the roles and the homogeneity of the professional skills.

During the annual risk inventory process, in parallel with the section relating to ESG risks, a focus was also prepared on reputational risk. The latter highlighted that the social risk factors that have the greatest impact on reputational risks are the following:

- introduction of products not in line with customer or supervisory authority expectations;
- insufficient initiatives aimed at promoting diversity and inclusion in the workplace;
- insufficient initiatives aimed at promoting and maintaining the physical, mental and social well-being of employees in the workplace;
- leakage of sensitive data due to cyber attacks or incorrect behaviour by employees/financial advisors (conduct risk);
- IT systems failures, potentially capable of causing service interruptions, with the consequent inability of customers to access their financial resources.

With regard to the introduction of new products, the Group has a Global Policy "New product process" which provides for the sharing of documentation relating to new products to various corporate functions, including the Compliance and Risk Management functions, for risk assessment competence. The approval of the new product takes place in the Product Committee, with a unanimous vote by the essential members, which also include the Chief

Risk Officer and the Chief Compliance Officer. If unanimity is not reached but only the majority, the product can only be approved by the local or Parent Company Board of Directors.

In order to ensure adequate monitoring of relevant social risk factors, in the context of monitoring a series of operational and reputational risk indicators called Key Risk Indicators (KRI), the CRO Department of FinecoBank has implemented an ESG dashboard. The latter includes all the indicators that present evidence of environmental, social and governance risk

In the field of conduct and bank transparency risk take on relevance the indicators that measure the magnitude of complaints on the different business areas and the amounts paid following their acceptance, as well as the indicators relating to disputes managed by the legal department of the Parent Company.

With regard to the promotion of diversity and inclusion in the workplace, in the field of gender parity, take on relevance the indicators that measure the ratio of female employees by category (executives, middle managers and white collars) to the total number of employees by category, as well as those that measure the ratio between the average basic salary of women compared to men by category

In the field of human capital management, take on relevance the indicators that measure the personnel turnover and the number of injuries recorded in the workplace.

Finally, it should be noted that there are additional indicators aimed at monitoring the other operational risk categories that could generate impacts on reputational risk, such as those on ICT risk that measure the availability of the trading platform and the number of security incidents recorded.

In addition to monitoring the KRIs, the CRO Department constantly collects, classifies and analyses the loss data from the different Group's business areas, in order to identify potential deficiencies or areas for improvement.

The results of the indicators and the outcomes of the loss data collection process are brought to the attention of the Parent Company's Board of Directors in the Quarterly Report on risk exposures.

Due to the characteristics of the Group's business model, the other risk categories traditionally managed by the Group are barely affected by social risks.

Regarding credit risk, the corporate strategy does not envisage credit origination to corporate customers, and the Credit Origination policy specifically provides that the Bank refrains from financing companies attributable to the defense and armaments sector (including also equipment, components and materials intended as parts of more complex weapon systems).

The Group's strategic investments mainly concern sovereign counterparties belonging to the European Union (Sovereign, Government Organizations, etc.) or which adopt equivalent social standards.

Lastly, as part of the credit origination to retail customers, the Bank is committed to offer its credit products in a responsible manner, assessing the specific situation of individual customers and making sure that credit granting criteria do not lead to undue hardship and excessive indebtedness of customers and their families.

As far as market risk is concerned, the Group as a whole does not carry out proprietary trading, and the trading book is moved exclusively for needs functional to trading on own account with customers. The Group carefully monitors and hedges these positions, and in any case most of the exposures are closed at the end of the day. The limited exposure of the Group to market risks prevents it from being exposed to sudden changes in prices due to social risk factors.

As far as liquidity risk is concerned, funding derives mainly from customers' sight deposits, which proved to be stable also for the entire duration of the health emergency resulting from the spread of COVID-19

As at 30 June 2023, in line with the indications provided by Regulators and European and international standard setters, the Group's commitment to integrate ESG risks into the risk management framework mainly focused on climate and environmental risks. However, the Group carefully monitors regulatory changes and market best practices through the specialist supervision of the Risk Management function and the Compliance function.

## Table 3 - Qualitative information on governance risk

This section provides qualitative information on governance risk that describes the integration of these risks into the governance and risk management of the FinecoBank Group.

### 1. Governance

Fineco has added to its environmental and social commitments a series of commitments also in the field of governance, through the adoption of a series of internal *policies*, aimed at guaranteeing correct approaches, systems and models of conduct in the field of Anti-corruption, Anti-Money Laundering and the fight against the financing of terrorism, Conflicts of interest.

Fineco has always promoted a solid risk culture, based on shared values and consistent behaviour, elements necessary to guarantee sustainable profitability in the long term. To this end, the Group has adopted an effective and efficient unitary Internal Control System (ICS), aimed at ensuring that the company's activities are based on sound and prudent management that guarantee the financial solidity and profitability of the company and ensure, at the same time, a conscious assumption of risks and operational conduct based on fairness, as well as compliance with internal and external regulations.

The internal control system is pervasive in the Group's organizational structure and involves Corporate Bodies, corporate control functions, as well as line structures. In order to ensure the full integration of ICS into the Group, as well as to allow maximum alignment between risks and profitability, Fineco identifies the Risk Appetite Framework (RAF) as the tool for monitoring the risk profile that the Group intends to assume in the implementation of its corporate strategies and in the pursuit of sustainable profitability together with solid business growth.

In addition to considering environmental and social risks, the RAF also fully integrates the risks associated with governance factors, both in terms of the strategic objectives set out in the Statement – which express the Bank's desire to accompany its strategy with the progressive integration of ESG principles – and through the monitoring, in the Risk Dashboard, of indicators to monitor ESG risks.

In the field of governance, the Worldwide Governance Indicators are particularly important, which summarize the effectiveness of the policies implemented by the government authorities of the various nations. More specifically, the six indicators analysed monitor how governments are composed, their ability to effectively implement sound policies and the respect that citizens have for the institutions that govern them, in terms of:

1) Voice and Accountability: captures citizens' perception of participating in the selection of their government, of enjoying freedom of expression and association;

2) Political Stability and Absence of Violence/Terrorism: captures perceptions of the likelihood that government can be destabilized or overthrown by unconstitutional or violent means including rioting and terrorism;

3) Government Effectiveness: captures the perception of the quality of public services, public administration and the degree of independence from political pressures, as well as the quality of the formulation and implementation of laws and the credibility of the government's commitment to such policies;

4) Regulatory Quality: captures the perception of the government's ability to formulate and implement sound policies and regulations that enable and promote private sector development;

5) Rule of Law: captures the perception of the extent to which citizens trust and respect the rules of society;

6) Control of Corruption: captures the perception of the extent to which public power is exercised for private gain, including forms of corruption large and small.

RAF's metrics are regularly monitored and reported, at least quarterly: monitoring, for competence, is carried out by the Chief Risk Officer Department and the Chief Financial Officer Department and illustrated to the Corporate Bodies. In these terms, the CRO Department supports the Board of Directors in defining a risk appetite proposal for the Group.

Finally, with respect to the remuneration policy, as described in the previous sections, the alignment of the top incentive systems with the RAF favours a conservative approach to risk-taking and the maintenance of adequate risk levels. In particular, within the specific objective "Stakeholder Value" described in the previous sections in line with the Group's ESG Plan 2020-2023, in 2023 a specific objective concerning integrity in the conduct and dissemination of compliance culture within the organization continued to be envisaged ("Tone from the top" initiative).

### 2. Risk Management

According to the EBA report on ESG risk management and oversight for credit institutions and investment firms, published in June 2021, governance risk is defined as the risk of an adverse financial impact resulting from governance factors affecting the institution credit institution, its counterparties or its assets. Governance factors relate to governance practices, including leadership, executive compensation, audits, internal controls, anti-tax avoidance, board independence, shareholder rights, anti-tax corruption and bribery, as well as how companies or entities include environmental and social factors in their policies and procedures.

Governance also plays a key role in ensuring the inclusion of environmental and social considerations by the credit institution's counterparties. Poor governance by counterparties could also represent a risk factor for institutions, as for example, if a counterparty is involved in corruption scandals, the institution that has a significant exposure to the latter could also suffer a reputational damage.

As anticipated in the sections on climate, environmental and social risks, FinecoBank's strategy does not contemplate credit origination to corporate customers, and the Credit Origination policy specifically provides that the Bank refrains from financing companies operating in highly climate and environmental risk (for example the energy or steel sector), as well as in ethically controversial activities, such as the financing of the defense and armaments sector.

Indeed, the Group's business model focuses on the provision of financial services to retail customers. For the latter, in terms of governance, the first and second level controls carried out during the opening of the relationship are relevant in order to prevent the risk that the Group be involved, even unintentionally, in illegal activities (with particular reference to those connected to the money laundering, usury and terrorist financing); in addition, first and second level controls are also carried out on the sales network, by Compliance, Audit, Monitoring and Network Services in order to ensure their correct conduct towards both the Bank and the Customers.

The CRO Department carries out various second-level controls in the field of related parties, including, by way of example, controls on compliance with the delegation powers for the approval of credits lines to subjects included in the lists of related parties, as well as controls on the application to the latter of contractual conditions in line with current market conditions.

In the area of governance risk, there is a second-level monitoring aimed at intercepting corporate crisis situations of companies that pay salaries to a large number of Fineco current account holders with personal loans or mortgages in progress. In particular, for the 10 companies that pay salaries to the highest number of Fineco account holders entrusted, news monitoring has been implemented aimed at intercepting any company difficulties such as to cause delays/suspensions in the payment of salaries or collective redundancies, with consequent reimbursement difficulties of existing credit lines from Fineco customers. In addition to checking the news relating to these companies, in order to monitor the exposure and management of ESG risks, the opinions provided by the ESG Risk Rating agency Sustainalytics are analysed. The results of the monitoring show that the main employers of customers applying for credit facilities (mortgages and personal loans) and with salaries credited to Fineco, present a medium/low ESG risk profile.

In accordance with its Global Policy "Credit Business with Financial Institutions, Banks, Sovereign and Corporate Counterparties", the FinecoBank Group carefully selects its institutional counterparties with which to carry out credit business, continuously monitoring a series of indicators and press reports concerning the counterparty. Among the indicators monitored in the governance area the aforementioned Worldwide Governance Indicators are relevant.

Finally, the Group's strategic investments mainly concern sovereign counterparties belonging to the European Union (Sovereign, International Organizations, etc.) or which adopt equivalent social standards. These counterparties were selected by analyzing the aforementioned governance indicators as part of the investment process; Fineco's portfolio is not very exposed to this type of risk, similar to environmental risk.

### Template 1 - Banking book- Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

Template 1 below provides information on the exposures most susceptible to risks that institutions may face as a result of the transition to a low-carbon and climate-resilient economy. In particular, exposures to non-financial corporations operating in carbon-related industries, the quality of these exposures, including impaired exposure status, classification as stage 2 and related provisions, and maturity categories are reported.

The Group has very low exposures to non-financial companies, amounting to 1.15 euro million as at 30 June 2023.

It should be noted that for disclosures in columns b, c, k, i and j of Template 1, the Group has defined a materiality threshold of 100,000 euro, in order to identify larger counterparties. Exposures greater than or equal to this threshold relate to two counterparties that:

(i) do not operate in the sectors of economic activity indicated in Annex I of Delegated Regulation (EU) 2021/2139, and are therefore not eligible or environmentally sustainable for the EU Taxonomy;

(ii) are not large public interest entities subject to the disclosure requirements of the Non-Financial Reporting Directive "NFRD" (EU Directive 2014/95), therefore the quantification of their greenhouse gas emissions is currently not available. In this regard, it should be noted that the exposure to the only counterparty operating in a reportable sector of financed emissions arises from a currency overdraft that closed on 2nd January 2023, therefore it is not reported in the Template.

Based on the nature of the activity performed - "Other business and management consulting and other business planning activities" and "Manufacture of wearing apparel" - the two counterparties were not included in column b (Of which exposures to companies excluded from the EU benchmarks aligned with the Paris Agreement under Article 12(1)(g) to (d) and Article 12(2) of Regulation (EU) 2020/1818).

It should be noted that the table in accordance with the provisions of Implementing Regulation (EU) 2022/2453 and Annex 5 "FINREP", row "54 K - Financial and insurance activities" includes information on non-financial corporations engaged in financial and insurance activities (NACE code K).

(Amounts in € million)

| | Sector/Subsector | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Gross carrying amount (Mln EUR) | | | | |
| | | | Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12 (2) of Regulation (EU) 2020/1818 | Of which environmentally sustainable (CCM) | Of which stage 2 exposures | Of which non-performing exposures |
| **1** | **Exposures towards sectors that highly contribute to climate change*** | **0.67** | **-** | **-** | **0.03** | **0.07** |
| 2 | A - Agriculture, forestry and fishing | 0.01 | - | - | - | - |
| 3 | B - Mining and quarrying | - | - | - | - | - |
| 4 | B.05 - Mining of coal and lignite | - | - | - | - | - |
| 5 | B.06 - Extraction of crude petroleum and natural gas | - | - | - | - | - |
| 6 | B.07 - Mining of metal ores | - | - | - | - | - |
| 7 | B.08 - Other mining and quarrying | - | - | - | - | - |
| 8 | B.09 - Mining support service activities | - | - | - | - | - |
| 9 | C - Manufacturing | 0.09 | - | - | - | 0.01 |
| 10 | C.10 - Manufacture of food products | 0.01 | - | - | - | - |
| 11 | C.11 - Manufacture of beverages | - | - | - | - | - |
| 12 | C.12 - Manufacture of tobacco products | - | - | - | - | - |
| 13 | C.13 - Manufacture of textiles | - | - | - | - | - |
| 14 | C.14 - Manufacture of wearing apparel | - | - | - | - | - |
| 15 | C.15 - Manufacture of leather and related products | - | - | - | - | - |
| 16 | C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials | - | - | - | - | - |
| 17 | C.17 - Manufacture paper and paper and paper products | - | - | - | - | - |
| 18 | C.18 - Printing and reproduction of recorded media | - | - | - | - | - |
| 19 | C.19 - Manufacture of coke and refined petroleum products | - | - | - | - | - |
| 20 | C.20 - Manufacture of chemicals and chemical products | - | - | - | - | - |
| 21 | C.21 - Manufacture of basica pharmaceutical products and pharmaceutical preparations | - | - | - | - | - |
| 22 | C.22 - Manufacture of rubber products | - | - | - | - | - |
| 23 | C.23 - Manufacture of other non-metallic mineral products | - | - | - | - | - |
| 24 | C.24 - Manufacture of basic metals | - | - | - | - | - |
| 25 | C.25 - Manufacture of fabricated metal products, except machinery and equipment | 0.01 | - | - | - | - |
| 26 | C.26 - Manufacture of computer, electronic and optical products | 0.01 | - | - | - | - |
| 27 | C.27 - Manufacture of electrical equipment | - | - | - | - | - |
| 28 | C.28 - Manufacture of machinery and equipment n.e.c. | 0.01 | - | - | - | - |
| 29 | C.29 - Manufacture of motor vehicles, trailers and semi-trailers | - | - | - | - | - |
| 30 | C.30 - Manufacture of other transport equipment | - | - | - | - | - |
| 31 | C.31 - Manufacture of furniture | 0.01 | - | - | - | - |
| 32 | C.32 - Other manufacturing | - | - | - | - | - |
| 33 | C.33 - Repair and installation of machinery and equipment | 0.03 | - | - | - | - |
| 34 | D - Electricity, gas, steam and air conditioning supply | 0.01 | - | - | - | - |
| 35 | D35.1 - Electric power generation, transmission and distribution | 0.01 | - | - | - | - |
| 36 | D35.11 - Production of electricity | 0.01 | - | - | - | - |
| 37 | D35.2 - Manufacture of gas; distribution of gaseous fuels through mains | - | - | - | - | - |
| 38 | D35.3 - Steam and air conditioning supply | - | - | - | - | - |
| 39 | E - Water supply; sewerage, waste management and remediation activities | - | - | - | - | - |
| 40 | F - Construction | 0.04 | - | - | - | 0.02 |
| 41 | F.41 - Construction of buildings | 0.02 | - | - | - | 0.02 |
| 42 | F.42 - Civil engineering | - | - | - | - | - |
| 43 | F.43 - Specialised construction activities | 0.01 | - | - | - | 0.01 |
| 44 | G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 0.07 | - | - | 0.01 | 0.02 |
| 45 | H - Transportation and storage | 0.08 | - | - | - | - |
| 46 | H.49 - Land transport and transport via pipelines | 0.01 | - | - | - | - |
| 47 | H.50 - Water transport | - | - | - | - | - |
| 48 | H.51 - Air transport | - | - | - | - | - |
| 49 | H.52 - Warehousing and support activities for transportation | 0.01 | - | - | - | - |
| 50 | H.53 - Postal and courier activities | 0.05 | - | - | - | - |
| 51 | I - Accommodation and food service activities | 0.02 | - | - | - | - |
| 52 | L - Real estate activities | 0.35 | - | - | 0.01 | 0.01 |
| **53** | **Exposures towards sectors other than those that highly contribute to climate change** | **0.48** | **-** | **-** | **0.01** | **0.03** |
| 54 | K - Financial and insurance activities | - | - | - | - | - |
| 55 | Exposures to other sectors (NACE codes J, M - U) | 0.48 | - | - | 0.01 | 0.03 |
| **56** | **TOTAL** | **1.15** | **-** | **-** | **0.04** | **0.11** |

## continued Template 1 - Banking book- Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

(Amounts in € million)

| | | f | g | h | i | j | k |
|---|---|---|---|---|---|---|---|
| | Sector/Subsector | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent) | | GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting |
| | | | Of which Stage 2 exposures | Of which non-performing exposures | | Of which Scope 3 financed emissions | |
| **1** | **Exposures towards sectors that highly contribute to climate change*** | **(0.06)** | **(0.01)** | **(0.05)** | **-** | **-** | |
| 2 | A - Agriculture, forestry and fishing | - | - | - | - | - | |
| 3 | B - Mining and quarrying | - | - | - | - | - | |
| 4 | B.05 - Mining of coal and lignite | - | - | - | - | - | |
| 5 | B.06 - Extraction of crude petroleum and natural gas | - | - | - | - | - | |
| 6 | B.07 - Mining of metal ores | - | - | - | - | - | |
| 7 | B.08 - Other mining and quarrying | - | - | - | - | - | |
| 8 | B.09 - Mining support service activities | - | - | - | - | - | |
| 9 | C - Manufacturing | (0.01) | - | (0.01) | - | - | |
| 10 | C.10 - Manufacture of food products | - | - | - | - | - | |
| 11 | C.11 - Manufacture of beverages | - | - | - | - | - | |
| 12 | C.12 - Manufacture of tobacco products | - | - | - | - | - | |
| 13 | C.13 - Manufacture of textiles | - | - | - | - | - | |
| 14 | C.14 - Manufacture of wearing apparel | - | - | - | - | - | |
| 15 | C.15 - Manufacture of leather and related products | - | - | - | - | - | |
| 16 | C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials | - | - | - | - | - | |
| 17 | C.17 - Manufacture paper and paper and paper products | - | - | - | - | - | |
| 18 | C.18 - Printing and reproduction of recorded media | - | - | - | - | - | |
| 19 | C.19 - Manufacture of coke and refined petroleum products | - | - | - | - | - | |
| 20 | C.20 - Manufacture of chemicals and chemical products | - | - | - | - | - | |
| 21 | C.21 - Manufacture of basica pharmaceutical products and pharmaceutical | - | - | - | - | - | |
| 22 | C.22 - Manufacture of rubber products | - | - | - | - | - | |
| 23 | C.23 - Manufacture of other non-metallic mineral products | - | - | - | - | - | |
| 24 | C.24 - Manufacture of basic metals | - | - | - | - | - | |
| 25 | C.25 - Manufacture of fabricated metal products, except machinery and | - | - | - | - | - | |
| 26 | C.26 - Manufacture of computer, electronic and optical products | - | - | - | - | - | |
| 27 | C.27 - Manufacture of electrical equipment | - | - | - | - | - | |
| 28 | C.28 - Manufacture of machinery and equipment n.e.c. | - | - | - | - | - | |
| 29 | C.29 - Manufacture of motor vehicles, trailers and semi-trailers | - | - | - | - | - | |
| 30 | C.30 - Manufacture of other transport equipment | - | - | - | - | - | |
| 31 | C.31 - Manufacture of furniture | - | - | - | - | - | |
| 32 | C.32 - Other manufacturing | - | - | - | - | - | |
| 33 | C.33 - Repair and installation of machinery and equipment | - | - | - | - | - | |
| 34 | D - Electricity, gas, steam and air conditioning supply | - | - | - | - | - | |
| 35 | D35.1 - Electric power generation, transmission and distribution | - | - | - | - | - | |
| 36 | D35.11 - Production of electricity | - | - | - | - | - | |
| 37 | D35.2 - Manufacture of gas; distribution of gaseous fuels through mains | - | - | - | - | - | |
| 38 | D35.3 - Steam and air conditioning supply | - | - | - | - | - | |
| 39 | E - Water supply; sewerage, waste management and remediation activities | - | - | - | - | - | |
| 40 | F - Construction | (0.02) | - | (0.02) | - | - | |
| 41 | F.41 - Construction of buildings | (0.01) | - | (0.01) | - | - | |
| 42 | F.42 - Civil engineering | - | - | - | - | - | |
| 43 | F.43 - Specialised construction activities | - | - | - | - | - | |
| 44 | G - Wholesale and retail trade; repair of motor vehicles and motorcycles | (0.02) | - | (0.01) | - | - | |
| 45 | H - Transportation and storage | - | - | - | - | - | |
| 46 | H.49 - Land transport and transport via pipelines | - | - | - | - | - | |
| 47 | H.50 - Water transport | - | - | - | - | - | |
| 48 | H.51 - Air transport | - | - | - | - | - | |
| 49 | H.52 - Warehousing and support activities for transportation | - | - | - | - | - | |
| 50 | H.53 - Postal and courier activities | - | - | - | - | - | |
| 51 | I - Accommodation and food service activities | - | - | - | - | - | |
| 52 | L - Real estate activities | (0.01) | - | (0.01) | - | - | |
| **53** | **Exposures towards sectors other than those that highly contribute to climate change** | **(0.03)** | **-** | **(0.03)** | **-** | **-** | |
| 54 | K - Financial and insurance activities | - | - | - | - | - | |
| 55 | Exposures to other sectors (NACE codes J, M - U) | (0.03) | - | (0.03) | - | - | |
| **56** | **TOTAL** | **(0.09)** | **(0.01)** | **(0.08)** | **-** | **-** | |

## continued Template 1 - Banking book- Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

(Amounts in € million)

| | Sector/Subsector | l | m | n | o | p |
|---|---|---|---|---|---|---|
| | | <= 5 years | > 5 year <= 10 years | > 10 year <= 20 years | > 20 years | Average weighted maturity |
| 1 | **Exposures towards sectors that highly contribute to climate change*** | **0.67** | **-** | **-** | **-** | **0.06** |
| 2 | A - Agriculture, forestry and fishing | 0.01 | - | - | - | 0.01 |
| 3 | B - Mining and quarrying | - | - | - | - | - |
| 4 | B.05 - Mining of coal and lignite | - | - | - | - | - |
| 5 | B.06 - Extraction of crude petroleum and natural gas | - | - | - | - | - |
| 6 | B.07 - Mining of metal ores | - | - | - | - | - |
| 7 | B.08 - Other mining and quarrying | - | - | - | - | - |
| 8 | B.09 - Mining support service activities | - | - | - | - | - |
| 9 | C - Manufacturing | 0.09 | - | - | - | 0.05 |
| 10 | C.10 - Manufacture of food products | 0.01 | - | - | - | 0.01 |
| 11 | C.11 - Manufacture of beverages | - | - | - | - | - |
| 12 | C.12 - Manufacture of tobacco products | - | - | - | - | - |
| 13 | C.13 - Manufacture of textiles | - | - | - | - | - |
| 14 | C.14 - Manufacture of wearing apparel | - | - | - | - | - |
| 15 | C.15 - Manufacture of leather and related products | - | - | - | - | - |
| 16 | C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials | - | - | - | - | - |
| 17 | C.17 - Manufacture paper and paper and paper products | - | - | - | - | - |
| 18 | C.18 - Printing and reproduction of recorded media | - | - | - | - | - |
| 19 | C.19 - Manufacture of coke and refined petroleum products | - | - | - | - | - |
| 20 | C.20 - Manufacture of chemicals and chemical products | - | - | - | - | - |
| 21 | C.21 - Manufacture of basica pharmaceutical products and pharmaceutical preparetions | - | - | - | - | - |
| 22 | C.22 - Manufacture of rubber products | - | - | - | - | - |
| 23 | C.23 - Manufacture of other non-metallic mineral products | - | - | - | - | - |
| 24 | C.24 - Manufacture of basic metals | - | - | - | - | - |
| 25 | C.25 - Manufacture of fabricated metal products, except machinery and equipment | 0.01 | - | - | - | 0.06 |
| 26 | C.26 - Manufacture of computer, electronic and optical products | 0.01 | - | - | - | 0.09 |
| 27 | C.27 - Manufacture of electrical equipment | - | - | - | - | - |
| 28 | C.28 - Manufacture of machinery and equipment n.e.c. | 0.01 | - | - | - | 0.09 |
| 29 | C.29 - Manufacture of motor vehicles, trailers and semi-trailers | - | - | - | - | - |
| 30 | C.30 - Manufacture of other transport equipment | - | - | - | - | - |
| 31 | C.31 - Manufacture of furniture | 0.01 | - | - | - | 0.07 |
| 32 | C.32 - Other manufacturing | - | - | - | - | - |
| 33 | C.33 - Repair and installation of machinery and equipment | 0.03 | - | - | - | 0.01 |
| 34 | D - Electricity, gas, steam and air conditioning supply | 0.01 | - | - | - | 0.09 |
| 35 | D35.1 - Electric power generation, transmission and distribution | 0.01 | - | - | - | 0.11 |
| 36 | D35.11 - Production of electricity | 0.01 | - | - | - | 0.09 |
| 37 | D35.2 - Manufacture of gas; distribution of gaseous fuels through mains | - | - | - | - | - |
| 38 | D35.3 - Steam and air conditioning supply | - | - | - | - | - |
| 39 | E - Water supply; sewerage, waste management and remediation activities | - | - | - | - | - |
| 40 | F - Construction | 0.04 | - | - | - | 0.02 |
| 41 | F.41 - Construction of buildings | 0.02 | - | - | - | 0.02 |
| 42 | F.42 - Civil engineering | - | - | - | - | - |
| 43 | F.43 - Specialised construction activities | 0.01 | - | - | - | 0.02 |
| 44 | G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 0.07 | - | - | - | 0.03 |
| 45 | H - Transportation and storage | 0.08 | - | - | - | 0.01 |
| 46 | H.49 - Land transport and transport via pipelines | 0.01 | - | - | - | 0.02 |
| 47 | H.50 - Water transport | - | - | - | - | - |
| 48 | H.51 - Air transport | - | - | - | - | - |
| 49 | H.52 - Warehousing and support activities for transportation | 0.01 | - | - | - | 0.03 |
| 50 | H.53 - Postal and courier activities | 0.05 | - | - | - | - |
| 51 | I - Accommodation and food service activities | 0.02 | - | - | - | 0.02 |
| 52 | L - Real estate activities | 0.35 | - | - | - | 0.08 |
| 53 | **Exposures towards sectors other than those that highly contribute to climate change** | **0.47** | **-** | **-** | **0.01** | **0.45** |
| 54 | K - Financial and insurance activities | - | - | - | - | - |
| 55 | Exposures to other sectors (NACE codes J, M - U) | 0.47 | - | - | 0.01 | 0.45 |
| 56 | **TOTAL** | **1.14** | **-** | **-** | **0.01** | **0.22** |

## Template 2 - Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

Template 2 below shows the gross book value of loans secured by non-residential and residential real estate, including information on the energy efficiency level of the collateral measured in terms of energy consumption in kWh/m[2], in terms of the class assigned by the energy performance certificate (EPC) of the collateral.

The loans granted by Fineco mainly relate to loans secured by residential real estate in Italy; for all properties without EPC, the energy performance level was estimated. The following property information was used for the estimate: location, cadastral data, year of construction, surface area, intended use and state of preservation. This information was used by an external service provider engaged by the Group to estimate the energy performance (calculated through a machine learning model).

(Amounts in € million)

| | | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|---|
| | Counterparty sector | | Total gross carrying amount amount | | | | | |
| | | | Level of energy efficiency (EP score in kWh/m² of collateral) | | | | | |
| | | | 0; <= 100 | > 100; <= 200 | > 200; <= 300 | > 300; <= 400 | > 400; <= 500 | > 500 |
| 1 | **Total EU area** | **2,588.05** | **135.00** | **246.44** | **339.24** | **852.52** | **933.98** | **80.87** |
| 2 | Of which Loans collateralised by commercial immovable property | 3.56 | - | 0.14 | 0.34 | 1.31 | 1.42 | 0.35 |
| 3 | Of which Loans collateralised by residential immovable property | 2,584.49 | 135.00 | 246.30 | 338.90 | 851.21 | 932.55 | 80.52 |
| 4 | Of which Collateral obtained by taking possession: residential and commercial immovable properties | - | - | - | - | - | - | - |
| 5 | Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated | 2,153.14 | 15.64 | 60.29 | 250.19 | 826.03 | 924.26 | 76.72 |
| 6 | **Total non-EU area** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 7 | Of which Loans collateralised by commercial immovable property | - | - | - | - | - | - | - |
| 8 | Of which Loans collateralised by residential immovable property | - | - | - | - | - | - | - |
| 9 | Of which Collateral obtained by taking possession: residential and commercial immovable properties | - | - | - | - | - | - | - |
| 10 | Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated | - | - | - | - | - | - | - |

### continued Template 2 - Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

(Amounts in € million)

| | Counterparty sector | a | h | i | j | k | l | m | n | o | p |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Total gross carrying amount amount | | | | | | | | |
| | | | Level of energy efficiency (EPC label of collateral) | | | | | | | Without EPC label of collateral | |
| | | | A | B | C | D | E | F | G | | Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated |
| 1 | **Total EU area** | **2,588.05** | **253.97** | **56.86** | **26.94** | **70.01** | **92.21** | **149.52** | **114.58** | **1,823.95** | **100%** |
| 2 | Of which Loans collateralised by commercial immovable property | 3.56 | - | - | - | 0.18 | - | 0.17 | 0.05 | 3.15 | 100% |
| 3 | Of which Loans collateralised by residential immovable property | 2,584.49 | 253.97 | 56.86 | 26.94 | 69.83 | 92.21 | 149.35 | 114.53 | 1,820.80 | 100% |
| 4 | Of which Collateral obtained by taking possession: residential and commercial immovable properties | - | - | - | - | - | - | - | - | - | - |
| 5 | Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated | 2,153.14 | | | | | | | | 1,823.95 | 100% |
| 6 | **Total non-EU area** | - | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 7 | Of which Loans collateralised by commercial immovable property | - | - | - | - | - | - | - | - | - | - |
| 8 | Of which Loans collateralised by residential immovable property | - | - | - | - | - | - | - | - | - | - |
| 9 | Of which Collateral obtained by taking possession: residential and commercial immovable properties | - | - | - | - | - | - | - | - | - | - |
| 10 | Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated | - | | | | | | | | - | - |

### Template 4 - Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive

The “Template 4 - Banking Portfolio - Indicators of Potential Climate Change Transition Risk: Exposures to the Top 20 Carbon-intensive Businesses” is not represented, due to the fact that as at 30 June 2023 there are no exposures to these companies.

### Template 5 - Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk

Template 5 below provides information on exposures, within the banking book, to non-financial corporations and loans secured by real estate that are exposed to chronic and acute climate-related risks, with a breakdown by business sector. Considering that the Group has exposures secured exclusively by real estate located in Italy and that there are no significant variations in terms of physical risk exposure of the portfolio between macro-areas or regions, it was decided to consider Italy as the geographical area.

In order to identify the exposures subject to physical risks related to climate change, an external service provider was used to geolocalise the real estate as collateral for loans (latitude and longitude), in order to avoid the simplifications and approximations available with only municipality-level data

Starting from a series of risk maps prepared by public bodies (ISPRA[11] and Copernicus Climate Change Service C3S - a service created by the European Union to monitor climate change[12]), the level of exposure of buildings to certain physical risks, both acute (Floods and Landslides) and chronic (Water Stress Risk and Soil Erosion Risk), was identified.

Columns 'c' to 'o' show the amount of exposures related to collateral properties in the areas of greatest risk for physical hazards described above

The 'higher hazard' was assessed as follows:

- With regard to the risk of Floods, the exposures relating to the properties falling within the areas classified by ISPRA as "High Hydraulic Hazard" have been reported (it should be noted that it has been considered correct to neutralise the hydraulic hazard for property units above ground level).
- With regard to the Landslide Risk, the exposures relative to buildings falling within the areas classified by ISPRA as: "Very High Danger Zone P4" and "High Danger Zone P3" have been reported.
- For Sea Level Rise risk, exposures are shown for properties for which the model predicts that the sea will rise above ground level before the maturity of the property's financing.
- With regard to the Water Stress Risk, exposures have been reported for buildings falling in areas classified by the Global Drought Observatory (part of Copernicus C3S) as "SPI (Standardized Precipitation Index) <= -2 - Extremely Dry".
- For Soil Erosion Risk, exposures have been reported for properties falling in areas classified by Copernicus C3S as "Soil Erosion Index >20 tonnes/hectare/year" (red area).

In general, the collateral portfolio showed a relatively low exposure to physical risks (about 8.3% of exposures secured by real estate are exposed to high risks as determined above).

The Group, in a proactive and conservative manner, has also acquired from the external provider another set of indicators useful for assessing the exposure of real estate collateralised loans to other types of risks (e.g. earthquakes), but as these indicators are not directly referable to the types of risks to be mapped under Model 5, they are not reported/used here[13].

Finally, to assess exposures sensitive to the impact of physical events related to climate change related to exposures to non-financial corporations, as for Model 1, the Group has defined a materiality threshold of EUR 100,000 in order to identify larger counterparties and the geographic location of the counterparty's registered office has been considered, applying the same risk assessments as for real estate securing loans (rows 10 and 11 of this Model). In this regard, it should be noted that as at 30 June 2023, there were no material exposures to non-financial companies operating in business segments A-L of the Model below.

[11] ISPRA – "The Italian web platform on landslides and floods" (https://idrogeo.isprambiente.it/app/).

[12] "Copernicus is the European Union's Earth observation programme, looking at our planet and its environment to benefit all European citizens. It offers information services that draw from satellite Earth Observation and in-situ (non-space) data" (https://www.copernicus.eu/en/about-copernicus). The risk maps used are:
-Global Drought Observatory (GDO) (part of Copernicus Emergency Management Service (CEMS EDO)). "SPI (Standardized Precipitation Index)" (https://edo.jrc.ec.europa.eu/documents/factsheets/factsheet_spi.pdf e https://edo.jrc.ec.europa.eu/gdo/ php/index.php?id=2112). "The Standardized Precipitation Index (SPI) is the most commonly used indicator worldwide for detecting and characterizing meteorological droughts". The SPI (Standardized Precipitation Index) is a statistical index that compares the total precipitation received at a particular location during a particular time period with the long-term precipitation distribution for the same time period at that location (the reference period is 1981-2010). The tool monitors the SPI-48, i.e. at 48 months, which is an indicator of long-term impacts, as it relates, for example, to the reduction of reservoir and groundwater recharge. The SPI used is the average of the SPI-48 over the period January to October 2022.
-Copernicus C3S. "Soil erosion indicators for Italy from 1981 to 2080" (https://cds.climate.copernicus.eu/cdsapp#!/dataset/sis-soil-erosion?tab=overview). Soil loss is a complex physical process responsible for the continuous remodeling of the earth's surface resulting in the removal of material from the soil surface. Erosion is a natural process but accelerated by anthropogenic factors, in particular climate change and land use. It generally leads to a progressive degradation of the fertility and thus the potential productivity of soils, by removing the topsoil, as well as by a reduction in the $CO_2$ retained by soils and plants. RCP 4.5 was taken as the climate change scenario and 2080 as the reference year.

[13] The additional risk indicators mapped by the external provider, who assigned scores per property, were:
a) The environmental synthetic risk: related to floods, landslides, earthquakes, volcanic eruptions (Sources: ISPRA, Civil Protection, INGV);
b) The territorial synthetic risk: relative to air and water pollution (Source: ISPRA);
c) The social synthetic risk: based on social vulnerability, depopulation, and income parameters (Source: ISTAT)
d) The heat wave risk: caused by prolonged periods of extremely high temperatures in a particular area (Source: Copernicus Climate Change Service C3S - EU).

(Amounts in € million)

| | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|
| | Italy | | Gross carrying amount | | | | |
| | | | of which exposures sensitive to impact from climate change physical events | | | | |
| | | | Breakdown by maturity bucket | | | | |
| | | | <= 5 years | > 5 year <= 10 years | > 10 year <= 20 years | > 20 years | Average weighted maturity |
| 1 | A - Agriculture, forestry and fishing | 0.01 | - | - | - | - | - |
| 2 | B - Mining and quarrying | - | - | - | - | - | - |
| 3 | C - Manufacturing | 0.09 | - | - | - | - | - |
| 4 | D - Electricity, gas, steam and air conditioning supply | 0.01 | - | - | - | - | - |
| 5 | E - Water supply; sewerage, waste management and remediation activities | - | - | - | - | - | - |
| 6 | F - Construction | 0.04 | - | - | - | - | - |
| 7 | G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 0.07 | - | - | - | - | - |
| 8 | H - Transportation and storage | 0.08 | - | - | - | - | - |
| 9 | L - Real estate activities | 0.35 | - | - | - | - | - |
| 10 | Loans collateralised by residential immovable property | 2,584.49 | 3.45 | 22.51 | 121.10 | 65.45 | 15.8 |
| 11 | Loans collateralised by commercial immovable property | 3.56 | 0.04 | - | 0.06 | 0.06 | 11.7 |
| 12 | Repossessed colalterals | - | - | - | - | - | - |
| 13 | Other relevant sectors | 0.50 | - | - | - | - | - |

## continued Template 5 - Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk

(Amounts in € million)

| | a | b | h | i | j | k | l | m | n | o |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | | | | | | |
| | | | of which exposures sensitive to impact from climate change physical events | | | | | | | |
| | Italy | | of which exposures sensitive to impact from chronic climate change events | of which exposures sensitive to impact from acute climate change events | of which exposures sensitive to impact both from chronic and acute climate change events | Of which Stage 2 exposures | Of which non-performing exposures | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | |
| | | | | of which exposures sensitive to impact from acute climate change events | of which exposures sensitive to impact both from chronic and acute climate change events | | | | of which Stage 2 exposures | Of which non-performing exposures |
| 1 | A - Agriculture, forestry and fishing | 0.01 | - | - | - | - | - | - | - | - |
| 2 | B - Mining and quarrying | - | - | - | - | - | - | - | - | - |
| 3 | C - Manufacturing | 0.09 | - | - | - | - | - | - | - | - |
| 4 | D - Electricity, gas, steam and air conditioning supply | 0.01 | - | - | - | - | - | - | - | - |
| 5 | E - Water supply; sewerage, waste management and remediation activities | - | - | - | - | - | - | - | - | - |
| 6 | F - Construction | 0.04 | - | - | - | - | - | - | - | - |
| 7 | G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 0.07 | - | - | - | - | - | - | - | - |
| 8 | H - Transportation and storage | 0.08 | - | - | - | - | - | - | - | - |
| 9 | L - Real estate activities | 0.35 | - | - | - | - | - | - | - | - |
| 10 | Loans collateralised by residential immovable property | 2,584.49 | 136.88 | 65.24 | 10.39 | 2.19 | - | (0.07) | (0.07) | - |
| 11 | Loans collateralised by commercial immovable property | 3.56 | 0.16 | - | - | - | - | - | - | - |
| 12 | Repossessed colalterals | - | - | - | - | - | - | - | - | - |
| 13 | Other relevant sectors | 0.50 | - | - | - | - | - | - | - | - |

## Template 10 - Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

The following Template 10 covers other climate change mitigation actions and includes exposures of institutions that are not aligned to the EU Taxonomy (Regulation (EU) 2020/852), which nevertheless support their counterparties in the process of transitioning and adapting to climate change mitigation and adaptation objectives. These mitigation actions and activities include, for Fineco, sovereign bonds and bonds of bank issuers issued under the ICMA Green Bond Principles and Sustainability Bond Guidelines. These exposures are considered as "other climate change related mitigation actions not covered by Regulation (EU) 2020/852":

- with regard to sovereign bonds, on the basis of Article 7(1) of Delegated Regulation (EU) 2021/2178, supplementing Regulation (EU) 2020/852, according to which exposures to central governments, central banks and supranational issuers are excluded from the calculation of the numerator and denominator of the key performance indicators of financial undertakings to be reported under Article 8 of Regulation (EU) 2020/852, corresponding to Models 7 and 8 of Implementing Regulation (EU) 2022/2453;
- with respect to bonds of bank issuers, in relation to the portion pertaining to assets that contribute to the transition and adaptation process for climate change mitigation and adaptation objectives, but which are not aligned with the taxonomy in accordance with Regulation (EU) 2020/852 on the basis of the information reported in periodic impact reports on the debt securities themselves.

(Amounts in € million)

| | a | b | c | d | e | f |
|---|---|---|---|---|---|---|
| | Type of financial instrument | | Gross carrying amount | Type of risk mitigated (Climate change transition risk) | Type of risk mitigated (Climate change physical risk) | Qualitative information on the nature of the mitigating actions |
| 1 | Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards) | Financial corporations | 93.6 | Yes | Yes | Renewable energy, energy efficiency, low-carbon buildings, low-carbon transport, pollution prevention and control, sustainable management of natural resources and land use, restoration of biodiversity and ecosystems, protection and defence from floods |
| 2 | | Non-financial corporations | - | - | - | - |
| 3 | | Of which Loans collateralised by commercial immovable property | - | - | - | - |
| 4 | | Other counterparties | 515.0 | Yes | Yes | Renewable energy, energy efficiency, low-carbon buildings, low-carbon transport, pollution prevention and control, sustainable management of natural resources and land use, restoration of biodiversity and ecosystems, disaster risk management |
| 5 | Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards) | Financial corporations | - | - | - | - |
| 6 | | Non-financial corporations | - | - | - | - |
| 7 | | Of which Loans collateralised by commercial immovable property | - | - | - | - |
| 8 | | Households | - | - | - | - |
| 9 | | Of which Loans collateralised by residential immovable property | - | - | - | - |
| 10 | | Of which building renovation loans | - | - | - | - |
| 11 | | Other counterparties | - | - | - | - |

# Glossary

### Bad loans

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

### Banking book

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

### Basel 2

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

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

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

Pillar 3: introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

### Basel 3

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

### Capital conservation buffer

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

### CFO

Chief Financial Officer.

### CLO

Chief Lending Officer.

### Common Equity Tier 1 Capital or CET 1

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

### Countercyclical capital buffer

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

### Counterparty credit risk

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

# Glossary

### Covered bond

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

### CRD (Capital Requirement Directive)

EU Directives 2006/48 and 2006/49, adopted by Bank of Italy circular 263/2006 of December 27, 2006 as amended. The CRD IV “Package” has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, adopted by the Bank of Italy circular 285 of December 17, 2013 as amended. CRD V is Directive (EU) 2019/878 of 20 May 2019 amending Directive 2013/36/EU.

### Credit rating

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

### Credit risk

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

### CRM - Credit Risk Mitigation

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

### CRO

Chief Risk Officer.

### Default

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

### EAD – Exposure At Default

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

### EBA - European Banking Authority

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

### ECAI - External Credit Assessment Institution

External Credit Assessment Institution.

### ECB - European Central Bank

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

### ESG Risks

They represent the risk of loss resulting from the adverse financial effects on the institution due to the present or future impact of environmental, social or governance factors on the institution's counterparties or invested assets.

### Expected Losses

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

### Fair value

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

# Glossary

### Forbearance/Forborne exposures

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

### Funding

Funds needed to finance the company's business or particular financial transactions.

### KPI - "Key Performance Indicators"

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

### IAS/IFRS

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

### ICAAP – Internal Capital Adequacy Assessment Process

See "Basel 2 – Pillar 2".

### Impairment

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

### Impaired loans

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

### Internal Capital

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

### IRB – Internal Rating Based

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

### LCP

Loss Confirmation Period.

### LCR - Liquidity Coverage Ratio

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

### LGD – Loss Given Default

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

# Glossary

### Market risk

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

### Maturity Ladder

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

### Minimum Requirement for Eligible Liabilities

The Minimum Requirement for Eligible Liabilities (MREL) is set by the Resolution Authorities to ensure that a bank maintains at all times sufficient eligible instruments to facilitate the implementation of the resolution strategy defined by the Authority in the event of a crisis. The MREL aims to prevent a bank's resolution from being dependent on public financial support and, therefore, helps ensure that shareholders and creditors contribute to loss absorption and recapitalization.

### Non performing exposures

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

- the debtor is more than 90 days past due in the payment of a material obligation, where the conditions for setting the materiality threshold are defined in Delegated Regulation (EU) 2018/171;
- exposures for which the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

### NSFR - Net Stable Funding Ratio

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

### Operational risk

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

### Past-due and/or overdrawn impaired exposures

On-balance sheet exposures, other than those classified as non-performing or unlikely to pay that are past due or overdrawn at the reporting date. They represent the total exposure to any borrower not included in the unlikely to pay and non-performing loans categories, who at the reporting date has expired facilities or unauthorised overdrafts that are more than 90 days past due and exceed the materiality thresholds defined in Delegated Regulation (EU) 2018/171.

### PD – Probability of Default

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

### Rating

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

### ROAC – Return on Allocated Capital

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

# Glossary

### RWA – Risk Weighted Assets

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

### Sensitivity

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

### TLTRO - *Targeted Longer-Term Refinancing Operations*

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

### Tier 1 Capital

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

### Tier 1 Capital ratio

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

### Tier 2 Capital

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

### Total Capital

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

### Total Internal Capital

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

### Trading book

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

### Unlikely to Pay

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

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

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

DECLARES

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

Milan, August 1st, 2023

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

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

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

CERTIFY

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

Milan, August 1st, 2023

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

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

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