

# **FINECOBANK GROUP PUBLIC DISCLOSURE – PILLAR III**

**AS AT 31 MARCH 2024**

**FINECO**



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"FinecoBank Banca Fineco S.p.A."

in abbreviated form "FinecoBank S.p.A.", or "Banca Fineco S.p.A." or "Fineco Banca S.p.A."

Bank enrolled in the Register of Banks and Parent Company of the FinecoBank Banking Group – enrolled in the Register of Banking Groups at No. 3015, Member of the National Guarantee Fund and National Interbank Deposit Guarantee Fund.

Tax Code and Milan-Monza-Brianza-Lodi Companies Register no. 01392970404 – R.E.A. (Economic and Administrative Index) no. 1598155, VAT No. 12962340159



# Introduction

The Group FinecoBank public disclosure Pillar III – (hereafter “Disclosure”) has been prepared in accordance with the prudential rules for banks and investment firms, which came into force on January 1, 2014 and is contained in Directive 2013/36/EU (Capital Requirements Directive, CRD IV) and in Regulation 575/2013/EU (Capital Requirements Regulation, CRR), and subsequent Directives and Regulations amending its content, including, in particular, the Directive (EU) 2019/878 (so called CRD V), the Regulation (EU) 2019/876 of the European Parliament and of the Council (so-called CRR II) and the Regulation (EU) 2020/873 of the European Parliament and of the Council (so called CRR Quick-fix). In the rest of this document, the term “CRR” or “Regulation” 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, 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 along 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 (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 quarterly basis has been published in this Public Disclosure as of 31 March 2024.

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

The subject is therefore regulated:

- by the 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;
  - Commission Implementing Regulation (EU) 2021/763 of 23 April 2021 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council and Directive 2014/59/EU of the European

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Parliament and of the Council with regard to the supervisory reporting and public disclosure of the minimum requirement for own funds and eligible liabilities;

- guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013 (EBA/GL/2014/14);
- guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds (EBA/GL/2018/01);
- guidelines 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).

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 31 March 2024, 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 31 March 2024, 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 in relation with the requirements applicable as of 31 March 2024);
- approval by the Board of Directors;
- publication on the FinecoBank website.

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

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

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## Reference to regulatory reporting requirements on a quarterly basis: Implementing Regulation (EU) 637/2021 and subsequent amendments

The table below shows the templates required on quarterly basis, applicable to FinecoBank Group:

TABLE	TOPIC	CHAPTER
EU OV1	Overview of total risk exposure amounts	Own funds requirements and risk-weighted exposure amounts
EUKM1	Key metrics	Key metrics
EU LIQ1	Quantitative information on LCR	Liquidity requirements
EU LIQB	Qualitative information on LCR, which complements template EU LIQ1	Liquidity requirements

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

Please note that the "Template IFRS9/Article 468-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs 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 March 31, 2024 already reflect the full impact of this item.

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

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

ARTICLE	TOPIC	CHAPTER
438 letters d) e h)	Disclosure of own funds requirements and risk-weighted exposure amounts	Own funds requirements and risk-weighted exposure amounts; Key metrics
447	Disclosure of key metrics	Key metrics
451a par. 2	Disclosure of liquidity requirements	Liquidity requirements

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





# Key metrics

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

The following table EU KM1 reports information required by article 447 of CRR, in particular:

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

All minimum requirements applicable to the FinecoBank Group as of March 31, 2024 are met.

The calculation of Own Funds, and in particular of CET1 capital, on 31 March 2024 took into account the net profit for the period from which foreseeable dividends and charges have been deducted in the total amount of 109,687 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
		03.31.2024	12.31.2023	09.30.2023	06.30.2023	03.31.2023
<b>Available own funds (amounts)</b>						
1	Common Equity Tier 1 (CET1) capital	1,186,759	1,151,527	1,107,584	1,070,245	1,026,693
2	Tier 1 capital	1,686,759	1,651,527	1,607,584	1,570,245	1,526,693
3	Total capital	1,686,759	1,651,527	1,607,584	1,570,245	1,526,693
<b>Risk-weighted exposure amounts</b>						
4	Total risk exposure amount	4,693,517	4,731,105	4,478,275	4,612,719	4,710,681
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>						
5	Common Equity Tier 1 ratio (%)	25.29%	24.34%	24.73%	23.20%	21.80%
6	Tier 1 ratio (%)	35.94%	34.91%	35.90%	34.04%	32.41%
7	Total capital ratio (%)	35.94%	34.91%	35.90%	34.04%	32.41%
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.00%	1.75%	1.75%	1.75%	1.75%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.13%	0.98%	0.98%	0.98%	0.98%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.50%	1.31%	1.31%	1.31%	1.31%
EU 7d	Total SREP own funds requirements (%)	10.00%	9.75%	9.75%	9.75%	9.75%
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>						
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 (%)	0.11%	0.10%	0.07%	0.06%	0.04%
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 (%)	2.61%	2.60%	2.57%	2.56%	2.54%
EU 11a	Overall capital requirements (%)	12.61%	12.35%	12.32%	12.31%	12.29%
12	CET1 available after meeting the total SREP own funds requirements (%)	19.66%	18.86%	19.25%	17.72%	16.31%

# Key metrics

## continued EU KM1 – Key metrics

(Amounts in € thousand)

	a	b	c	d	e	
	03.31.2024	12.31.2023	09.30.2023	06.30.2023	03.31.2023	
<b>Leverage ratio</b>						
13	Total exposure measure	32,719,690	33,356,370	32,428,372	33,556,310	36,282,598
14	Leverage ratio (%)	5.16%	4.95%	4.96%	4.68%	4.21%
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>						
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%
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>						
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%
<b>Liquidity Coverage Ratio</b>						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	19,832,980	19,456,617	19,376,097	19,378,197	19,391,544
EU 16a	Cash outflows - Total weighted value	3,744,080	3,821,536	3,925,592	3,995,043	4,058,401
EU 16b	Cash inflows - Total weighted value	1,415,183	1,437,394	1,503,984	1,506,506	1,605,535
16	Total net cash outflows (adjusted value)	2,328,897	2,384,142	2,421,608	2,488,537	2,452,866
17	Liquidity coverage ratio (%)	864.19%	822.92%	807.83%	785.34%	802.90%
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	28,351,817	29,032,005	28,414,272	28,992,476	29,792,570
19	Total required stable funding	7,674,795	7,689,734	7,307,468	7,545,924	7,910,090
20	NSFR ratio (%)	369.41%	377.54%	388.84%	384.21%	376.64%

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

With regard to Additional Tier 1 instruments, please note that in March 2024, following the authorisation granted by the European Central Bank, Fineco announced the tender offer on the Additional Tier 1 bond with a nominal amount of 300 euro million issued in July 2019 and the issuance of a new Additional Tier 1 bond with a nominal amount of 500 euro million eligible for inclusion in Own Funds. The nominal amount of the bonds validly tendered was 168 euro million, with settlement date on 13 March 2024. Considering Fineco's intention to call at the earliest scheduled date both the remaining amount of the AT1 issued in July 2019 (call date 3 December 2024) and the entire amount of the 200 euro million AT1 private placement issued in January 2018 (call date 3 June 2024), as at the reference date of 31 March 2024, the aforementioned instruments are no longer included in Own Funds, in line with the provisions of Article 28 of EU Regulation 241/2014. The total amount of AT1 instruments included in Own Funds therefore remains unchanged at 500 euro million.

# Own funds requirements and risk-weighted exposure amounts

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

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

On the basis of the EU regulations set out in Directive and CRR, 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 the Directive. 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 0.11% as of 31 March 2024. 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 with the update No. 38 of Circular 285. On April 26, 2024 the Bank of Italy decided to apply a SyRB equal to 1% of credit and counterparty risk-weighted exposures to Italian residents to all banks authorised in Italy. The 1% target rate is to be achieved gradually by setting aside a reserve of 0.5% of exposures by December 31, 2024 and the remaining 0.5% by June 30, 2025. The SyRB is to be applied at the consolidated level for groups and at the individual level for non-group banks.

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 November 30, 2023 the Competent Authority communicated the capital requirements (*Pillar 2 Requirement – P2R*) applicable to the Group from 1 January 2024: 2.00% in terms of Total Capital Ratio, of which 1.13% in terms of Common Equity Tier 1 ratio and 1.50% in terms of Tier 1 Ratio.

Please, find below a scheme of FinecoBank capital requirements and buffers which also highlights the 'Total SREP Capital Requirement' (TSCR) and 'Overall Capital Requirement' (OCR) requirements following the outcomes of the SREP conducted in 2023 and applicable for 2024 above mentioned.

## 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	1.13%	1.50%	2.00%
<b>C) TSCR (A+B)</b>	<b>5.63%</b>	<b>7.50%</b>	<b>10.00%</b>
D) Combined Buffer requirement, of which:	2.61%	2.61%	2.61%
1. Capital Conservation Buffer (CCB)	2.50%	2.50%	2.50%
2. Institution-specific Countercyclical Capital Buffer (CCyB)	0.11%	0.11%	0.11%
<b>E) Overall Capital Requirement (C+D)</b>	<b>8.24%</b>	<b>10.11%</b>	<b>12.61%</b>

As at 31 March 2024, FinecoBank ratios are compliant with the above requirements.

Finally, it should be noted that, at the end of the administrative process related to the determination of the Minimum Requirements of Own Funds and Eligible Liabilities (MREL), in December 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

# Own funds requirements and risk-weighted exposure amounts

public in March 2023. Starting from 1 January 2024, FinecoBank will have to comply on a consolidated basis with an MREL TREA (risk exposure) requirement equal to 18.94% - 21.55% including the current Combined Buffer Requirement - and an MREL LRE (total leverage exposure) equal to 5.25%. 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 31 March 2024, FinecoBank is above the requirements to be met from 1 January 2024 (MREL TREA equal to 52.91% and MREL LRE equal to 7.59%).

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

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

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. Internal 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 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 Internal 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 exposures for leverage purposes.

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

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

# Own funds requirements and risk-weighted exposure amounts

## EU OV1 – Overview of total risk exposure amounts

(Amounts in € thousand)

	Total risk exposure amounts (TREA)		Total own funds requirements	
	a	b	c	
	03.31.2024	12.31.2023	03.31.2024	
1	Credit risk (excluding CCR)	2,940,073	2,980,237	235,206
2	Of which the standardised approach	2,940,073	2,980,237	235,206
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	82,321	92,568	6,586
7	Of which the standardised approach	26,274	24,598	2,102
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	4,433	4,449	355
EU 8b	Of which credit valuation adjustment - CVA	250	529	20
9	Of which other CCR	51,366	62,991	4,109
15	Settlement risk	169	45	14
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)	62,442	49,744	4,995
21	Of which the standardised approach	62,442	49,744	4,995
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	1,608,511	1,608,511	128,681
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	1,608,511	1,608,511	128,681
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	138,562	134,012	11,085
<b>29</b>	<b>Total</b>	<b>4,693,517</b>	<b>4,731,105</b>	<b>375,481</b>

The RWA decrease in the first quarter 2024 is mainly attributable to the reduction of commercial loans and to the reduction in counterparty risk related to securities lending transactions carried out by the Treasury function of the Parent Company.

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



# 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 € thousand)

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	03.31.2024	12.31.2023	09.30.2023	06.30.2023	03.31.2024	12.31.2023	09.30.2023	06.30.2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA)					19,832,980	19,456,617	19,376,097	19,378,197
<b>CASH-OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:	27,540,866	28,037,525	28,799,589	29,414,318	1,829,154	1,897,775	1,987,094	2,053,827
3	Stable deposits	20,939,614	21,194,495	21,448,567	21,633,221	1,046,981	1,059,725	1,072,428	1,081,661
4	Less stable deposits	6,356,632	6,779,115	7,351,022	7,781,097	782,174	838,050	914,665	972,166
5	Unsecured wholesale funding	567,071	588,447	637,141	673,892	307,544	324,744	361,117	388,719
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	567,071	588,447	637,141	673,892	307,544	324,744	361,117	388,719
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					172,732	167,457	164,064	150,286
10	Additional requirements	574,431	559,078	519,407	518,604	540,295	534,450	517,999	517,429
11	Outflows related to derivative exposures and other collateral requirements	518,454	518,939	517,896	517,342	518,454	518,939	517,896	517,342
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	55,977	40,139	1,511	1,262	21,841	15,511	103	87
14	Other contractual funding obligations	680,873	687,459	692,226	683,293	664,168	670,475	675,837	668,061
15	Other contingent funding obligations	3,481,818	3,414,355	3,280,756	3,174,373	230,186	226,635	219,480	216,722
16	TOTAL CASH OUTFLOWS					3,744,080	3,821,536	3,925,592	3,995,043
<b>CASH-INFLOWS</b>									
17	Secured lending (eg reverse repos)	1,456,441	1,004,483	973,087	1,242,770	52,180	45,561	39,568	40,838
18	Inflows from fully performing exposures	627,705	618,813	611,430	617,680	464,169	457,789	453,168	462,252
19	Other cash inflows	2,607,322	2,700,967	2,827,943	2,850,090	898,834	934,044	1,011,247	1,003,416
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	4,691,468	4,324,263	4,412,460	4,710,540	1,415,183	1,437,394	1,503,984	1,506,506
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	4,691,468	4,324,263	4,412,460	4,710,540	1,415,183	1,437,394	1,503,984	1,506,506
<b>TOTAL ADJUSTED VALUE</b>									
EU-21	LIQUIDITY BUFFER					19,832,980	19,456,617	19,376,097	19,378,197
22	TOTAL NET CASH OUTFLOWS					2,328,897	2,384,142	2,421,608	2,488,537
23	LIQUIDITY COVERAGE RATIO					864.19%	822.92%	807.83%	785.34%



# Liquidity requirements

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

### Explanations of the main factors and changes that determine LCR results 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 a positive development. As of 31 March 2024, an increase in the average liquidity reserve and a decrease in average outflows were observed, mainly due to a reduction in less stable deposits and wholesale deposits, resulting in an improvement in the average ratio to 864.19%.

The persistence of geopolitical tensions and the cooling of expectations regarding the easing of restrictive monetary policy measures implemented by the major central banks 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 activation 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 it should be noted that during 2023, within the EMTN (Euro Medium Term Notes) program and 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.

In order to maintain and even improve the benefits of such program in terms of flexibility and rapidity in issuing, hence reducing the risk for the Bank to be exposed to unfavorable market or geopolitical conditions, the Board of Directors has decided on 16th January 2024 the renewal of the program for another year extending the document also to the issuance of AT1 instruments. In this context Fineco, on March 4<sup>th</sup> 2024, successfully issued a Perpetual Additional Tier1 Bond for EUR 500 million.

Furthermore, in order to expand the range of products available its customers, in the fourth quarter of 2023 FinecoBank reintroduced the term deposit (so-called Cashpark).

Finally, 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).

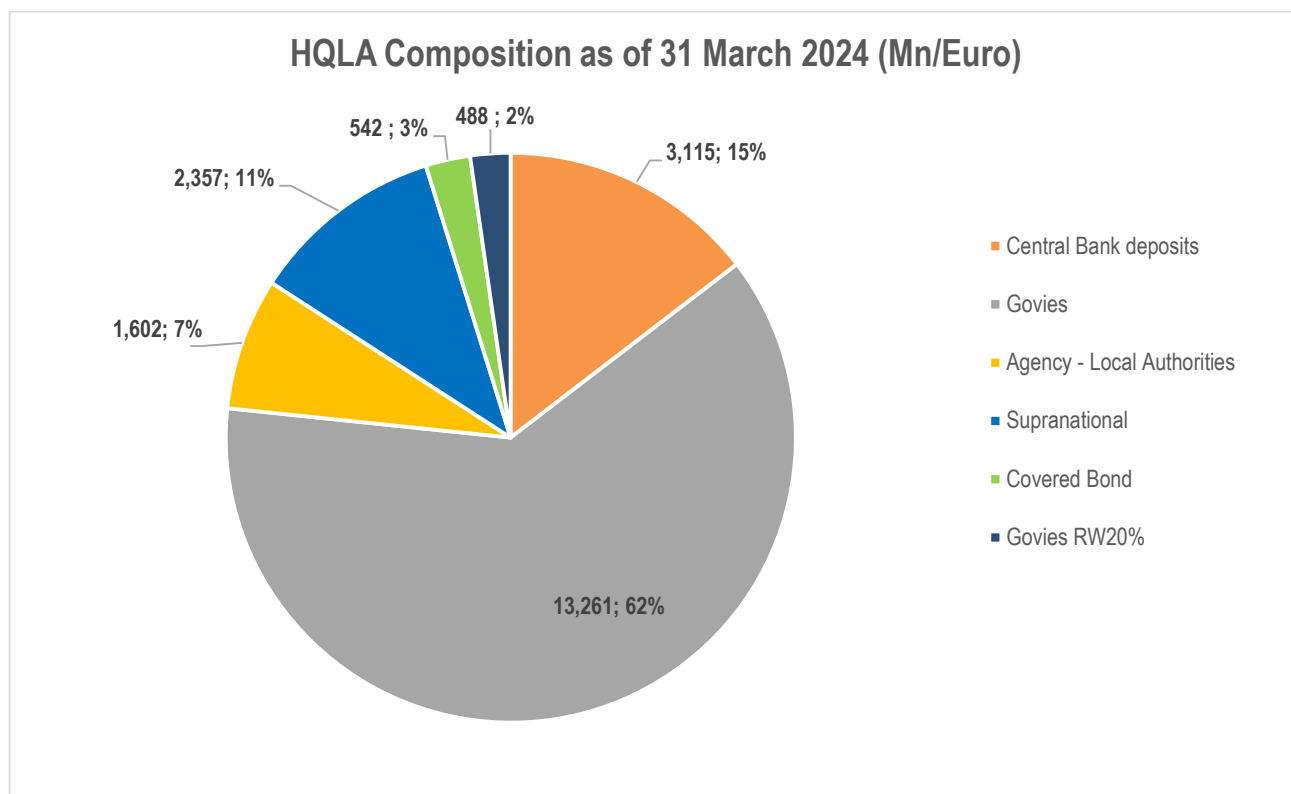
With reference to the managerial indicators, the Risk Management calculates the so-called Structural Ratio. This ratio was developed by the Parent Company's CRO Department with the aim of monitoring the risk of transformation of maturities, considering the specific features of Fineco's funding. In detail, 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 21.37 euro billion as of 31 March 2024 and is mainly composed of bonds part of Fineco proprietary portfolio (mostly government bonds) and of the liquidity deposited with the Bank of Italy.

# 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: 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 internal 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 of 31 March 2024, 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 31 March 2024 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.

# Liquidity requirements

FinecoBank mainly faces intraday liquidity obligations towards:

- Central Bank, in relation to the activities processed on its Main Cash Account (opened within the Central Liquidity Management component of the TARGET services new infrastructure) 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<sup>1</sup>.

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.

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<sup>1</sup> 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.



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

The undersigned Lorena Pellicieri, 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, May 7, 2024

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





# 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 Pelliciarì, 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, May 7, 2024

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 Pelliciarì



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