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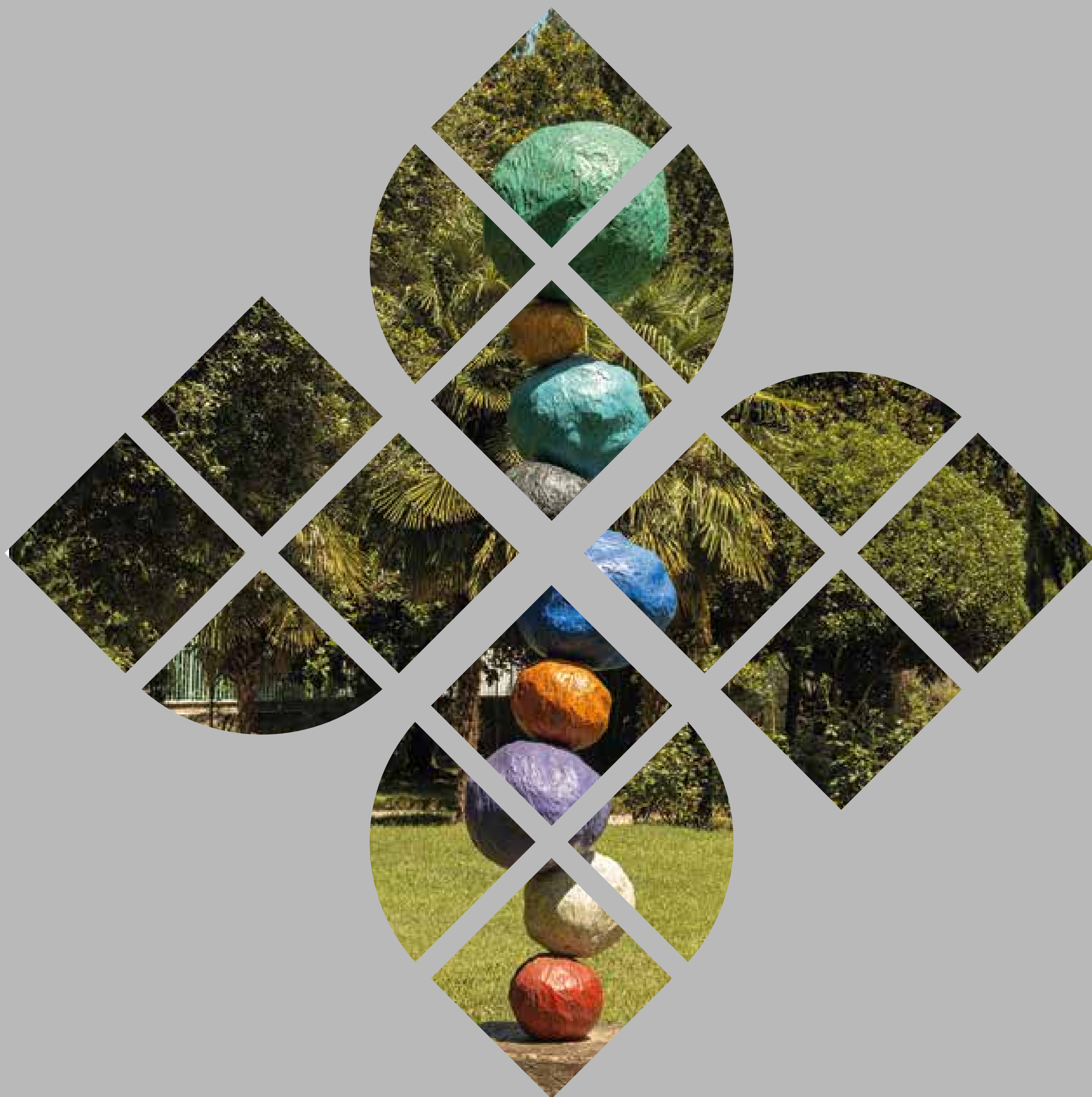
Public Desclosure

2024

Pillar III
31/12/2024



Banca Ifis

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1. Introduction

1.1. Regulatory context

- REGULATION (EU) No. 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013 on prudential requirements for credit institutions and investment firms (as amended);
- COMMISSION EXECUTIVE REGULATION (EU) 2021/637 of 15 March 2021 laying down implementing technical rules 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 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;
- COMMISSION EXECUTIVE REGULATION (EU) 2022/631 of 13 April 2022 amending the implementing technical standards laid down by Implementing Regulation (EU) 2021/637 as regards disclosure of interest rate risk exposures on positions not held in the trading book;
- Supervisory Provisions for Banks, CIRCULAR No. 285 of 17 December 2013 (as amended).

Figures are shown in **millions of Euro**, unless otherwise indicated.

The Banca Ifis Group publishes this public disclosure and any subsequent updates on its website at www.bancaifis.it, in the Investor Relations - Financial Performance and Presentations section.

Banca IFIS falls into the category of so-called Other Entities (i.e., the category of entities other than both Large Entities and Small and Non-Complex Entities) and, therefore, for the purposes of producing market disclosures, follows the provisions of Article 433 quater of the CRR.

In this context, it is required to produce:

- on an annual basis, a market disclosure taking into account the entire 'part eight' of the CRR;
- on a half-yearly basis, a market disclosure taking into account only Art. 447 (key metrics) of the CRR.

1.2. Document structure

The PILLAR III published by Banca IFIS has been drafted in accordance with the following structure, the chapters, paragraphs and sub-paragraphs of which have been provided for in relation to what is specifically indicated by the qualitative tables of Implementing Regulation (EU) 2021/637 and, as regards interest rate risk on the banking book, of Implementing Regulation (EU) 2022/631. In addition, for each of the topics on which the Bank is required to provide specific disclosure, a section dedicated to quantitative disclosure has been provided in which all the analytical tables expressly required by the aforementioned discipline are set out and, where appropriate for the purposes of an easier interpretation of the relevant information, a brief explanatory commentary on the same.

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Table 1 - Document structure and implementing regulatory sources

Chapter	Title	Paragraph	Sub Paragraph	Regulatory Source	Article	Article Title
1	INTRODUCTION	Regulatory context	N/A	N/A	N/A	N/A
		Document structure				
2	THE BANCA IFIS GROUP	Key metrics	Methodology for assessing the adequacy of internal capital	IMPLEMENTING REGULATION (EU) 2021/637	Art. 1	Disclosure of key metrics and overview of risk-weighted exposure amounts
			Results of the internal capital adequacy assessment process			
			Quantitative information			
		Objectives and risk management policies	Declaration pursuant to Article 435, paragraph 1, letters e) and f) of Regulation 575/2013	IMPLEMENTING REGULATION (EU) 2021/637	Art. 2	Disclosure of risk management objectives and policies
			Governance structure for each type of risk			
			Risk management strategies and processes for each risk category			
			Disclosure on governance systems			
		Scope of Application	Qualitative disclosure	IMPLEMENTING REGULATION (EU) 2021/637	Art. 3	Disclosure of the scope of application
			Quantitative information			
3	CAPITAL ADEQUACY	Own funds	Consolidated own funds and capital adequacy ratios at 31 December 2024	IMPLEMENTING REGULATION (EU) 2021/637	Art. 4	Disclosure of own funds
			Disclosure regarding Sovereign Debt			
			Tax assets			
			Main features of regulatory own funds instruments and eligible liabilities instruments			
			Quantitative information			
		Countercyclical capital buffer	Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 5	Disclosure of countercyclical capital buffers
4	FINANCIAL LEVERAGE	Leverage ratio	Leverage risk management process	IMPLEMENTING REGULATION (EU) 2021/637	Art. 6	Disclosure of the leverage ratio
			Factors that had an impact on the change in the leverage ratio			
			Quantitative information			
5	LIQUIDITY RISK	Liquidity requirements	Liquidity risk management strategies and processes	IMPLEMENTING REGULATION (EU) 2021/637	Art. 7	Disclosure of liquidity requirements
			Liquidity risk management function organisational structure			
			Infra-group liquidity management			
			Emergency financing plans			
			Liquidity risk stress tests			
			Liquidity coverage ratio			
			Quantitative information			
6	CREDIT RISK	Exposure to credit risk	Business model and assumption of credit risk	IMPLEMENTING REGULATION (EU) 2021/637	Art. 8	Disclosure of exposures to credit risk, dilution risk and credit quality
			Credit risk management strategies and processes			
			Organisation of the credit risk management and control function			
			Coordination between internal control functions			
			Non-performing past due exposures			
			Credit risk adjustments			
			Quantitative information			
		Credit risk mitigation techniques	Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 9	Disclosure of the use of credit risk mitigation techniques
		STD method for measuring credit risk	Qualitative disclosure	IMPLEMENTING REGULATION (EU) 2021/637	Art. 10	Disclosure of the use of the standardised approach
			Quantitative information			

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Chapter	Title		Paragraph	Sub Paragraph	Regulatory Source	Article	Article Title
			Specialised financing and capital instruments	Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 12	Disclosure of specialised lending and equity exposure under the simple risk weight approach
7	COUNTERPARTY RISK		Exposure to counterparty credit risk	Qualitative disclosure Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 13	Disclosure of exposures to counterparty credit risk
8	SECURITISATIONS		Positions towards securitisation	Qualitative disclosure Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 14	Disclosure of exposures to securitisation positions
9	MARKET RISK		Exposure to market risk	Institution market risk management strategies and processes Market risk management function organisational structure Reporting and risk measurement systems Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 15	Disclosure of the use of the standardised approach and of the internal models for market risk
10	OPERATIONAL RISK		Exposure to operational risk	Objectives and management policies of operational risk Methods for assessing minimum own funds requirements Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 16	Disclosure of operational risk
11	INTEREST RATE RISK ON THE BANKING BOOK	INTEREST RATE RISK ON THE BANKING BOOK	Exposure to interest rate risk on positions not included in the trading book	The interest rate risk management process on the banking book The interest rate risk mitigation strategy on the banking book Analysis of results Quantitative information	IMPLEMENTING REGULATION (EU) 2021/631 AMENDING IMPLEMENTING REGULATION (EU) 2021/637	Art. 16 bis	Disclosure on exposures to interest rate risk on positions not held in the trading portfolio
		CREDIT SPREAD RISK ON THE BANKING BOOK	Exposure to credit spread risk on positions not included in the trading book	The credit spread risk management process on the banking book Analysis of results	Bank of Italy Circular 285/2013 (e.s.a.) Part One, Title III, Chapter 1: - Section III, Paragraph 2.2 (The measurement of individual risks and the determination of internal capital for each of them); - Annex A.		
12	REMUNERATION		Group remuneration and incentive system	The bodies responsible for supervising remuneration Structure of the remuneration system for identified staff Impact of risks on remuneration Relationships between fixed and variable components of remuneration The variable component of remuneration The short-term incentive system Long Term Incentive (LTI) Plan Ex post correction mechanisms (malus/claw back) Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 17	Disclosure of remuneration policy
12	ENCUMBERED AND UNENCUMBERED ASSETS		Encumbered and unencumbered assets	Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 18	Disclosure of encumbered and unencumbered assets
14	DECLARATION BY THE MANAGER CHARGED WITH PREPARING THE COMPANY'S FINANCIAL REPORTS		-	-	TUF - CONSOLIDATED LAW ON FINANCE	Art. 154 bis paragraph 2	Manager charged with preparing the company's financial reports

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Table 2 - Qualitative-quantitative tables of implementing legislation and references to Regulation 575/13 (as amended by Regulation 876/19)

Article	Article Title	Qualitative tables	Quantitative tables	Accurate references to EU Regulation No. 575/13
Art. 1 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of key metrics and overview of risk-weighted exposure amounts	**EU OVC**: ICAAP Information	**EU KM1**: Key metrics **EU OV1**: Synoptic overview of total risk exposure amounts **EU INS1:** Insurance participations	Article 447(a) to (g) and Article 438(b) of Regulation (EU) No. 575/2013 using template EU KM1 Article 438(d) of Regulation (EU) No. 575/2013 using template EU OV1 Article 438(a) and (c) of Regulation (EU) No. 575/2013 using table EU OVC Article 438(f) and (g) of Regulation (EU) No. 575/2013 using templates EU INS1 and EU INS2
Art. 2 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of risk management objectives and policies	**EU OVA**: Institution risk management approach **EU OVB**: Disclosure on governance systems		Institutions publish the information referred to in Article 435 of Regulation (EU) No. 575/2013 using tables EU OVA and EU OVB
Art. 3 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of the scope of application	**EU LIA:** Outline of the differences in the scopes of consolidation (entity by entity) **EU LIB:** Other qualitative information on the scope of application	**EU LI1**: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories **EU LI2**: Main sources of differences between regulatory exposure amounts and carrying values in financial statements **EU LI3**: Outline of the differences in the scopes of consolidation (entity by entity) **EU PV1:** Prudent Valuation Adjustments (PVA)	Article 436(b) and (c) of Regulation (EU) No. 575/2013 using templates EU LI1 and EU LI3 Article 436(b) and (d) of Regulation (EU) No. 575/2013 using template EU LI2 and table EU LIA Article 436(e) of Regulation (EU) No. 575/2013 using template EU PV1 Article 436(f), (g) and (h) of Regulation (EU) No. 575/2013 using table EU LIB
Art. 4 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of own funds	**EU CCA**: main features of regulatory own funds instruments and eligible liabilities instruments	**EU CC1**: Composition of regulatory own funds **EU CC2**: Reconciliation of regulatory own funds to balance sheet in the audited financial statements IFRS9-FL - Comparison of Own Funds, Capital Ratios and Leverage with and without the application of IFRS9 transitional arrangements	Article 437, points (a), (d), (e) and (f) of Regulation (EU) No 575/2013 using templates EU CC1 and EU CC2 Article 437, points (b) and (c) of Regulation (EU) No 575/2013 using table EU CCA
Art. 5 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of countercyclical capital buffers		**EU CCYB1**: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer **EU CCYB2**: Amount of institution-specific countercyclical capital buffer	Article 440, point (a) of Regulation (EU) No 575/2013 using template EU CCYB1 Article 440, point (b) of Regulation (EU) No 575/2013 using template EU CCYB2
Art. 6 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of the leverage ratio	**EU LRA**: Disclosure of LR qualitative information	**EU LR1 - LRSum**: Summary reconciliation of accounting assets and leverage ratio exposures **EULR2 - LRCom:** Leverage ratio common disclosure **EU LR3 - LRSpl**: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Article 451(1), points (a), (b) and (c), and Article 451(2) and (3) of Regulation (EU) No 575/2013 using templates EU LR1 - LRSum, EU LR2 - LRCom and EU LR3 - LRSpl Article 451(1), points (d) and (e) of Regulation (EU) No 575/2013 using template EU LRA
Art. 7 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of liquidity requirements	**EU LIQA:** Liquidity Risk management **EU LIQB**: qualitative information on LCR, which complements template EU LIQ1	**EU LIQ1**: Quantitative information of LCR **EU LIQ2**: Net Stable Funding Ratio	Article 435(1) and Article 451bis(4) of Regulation (EU) No 575/2013 using table EU LIQA Article 451bis(2) of Regulation (EU) No 575/2013 using template EU LIQ1 and table EU LIQB Article 451bis(3) of Regulation (EU) No 575/2013 using template EU LIQ2
Art. 8 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of exposures to credit risk, dilution risk and credit quality	**EU CRA:** General qualitative information about credit risk **EU CRB:** Additional disclosure related to the credit quality of assets	**EU CR1**: Performing and non-performing exposures and related provisions **CR1-A:** Duration of exposures **EU CR2**: Changes in the stock of impaired loans and advances	Article 435(1)(a), (b), (d) and (f) of Regulation (EU) No. 575/2013 using table EU CRA Article 442(a) and (b) of Regulation (EU) No. 575/2013 using table EU CRB Article 442(d) of Regulation (EU) No. 575/2013 using template EU CQ3 Article 442(g) of Regulation (EU) No. 575/2013 using template EU CR1-A

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Article	Article Title	Qualitative tables	Quantitative tables	Accurate references to EU Regulation No. 575/13
			EU CQ1: Credit quality of forborne exposures **EU CQ2**: Quality of forbearance measures **EU CQ3:** Credit quality of performing and non-performing exposures by past due days **EU CQ4**: Quality of non-performing exposures by geography **EU CQ5:** Credit quality of loans and advances to non-financial corporations by industry **EU CQ6:** Valuation of collateral - loans and advances **EU CQ7:** Collateral obtained by taking possession and execution processes **EU CQ8**: Collateral obtained by taking possession and execution processes - breakdown by seniority	Article 442(f) of Regulation (EU) No. 575/2013 using template EU CR2 Article 442(c), (e) and (f) of Regulation (EU) No. 575/2013 using templates EU CR1, EU CQ1, EU CQ7, EU CQ4 (columns a, c, e, f and g), EU CQ5 (columns a, c, e, f, g) Article 442(c), (e) and (f) of Regulation (EU) No. 575/2013 using templates EU CR1, EU CQ1 and EU CQ7, template EU CQ4 (columns a, c, e, f, g) and template EU CQ5 (columns a, c, e, f)
Art. 9 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of the use of credit risk mitigation techniques	**EU CRC:** Qualitative disclosure requirements related to CRM techniques	**EU CR2A:** Changes in the stock of non-performing loans and advances and related net accumulated recoveries **EU CR3:** CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Article 453, points (a) to (e) of Regulation (EU) No 575/2013 using template EU CRC Article 453, point (f) of Regulation (EU) No 575/2013 using template EU CR3
Art. 10 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of the use of the standardised approach	**EU CRD:** Qualitative disclosure requirements related to standardised approach	**EU CR4:** standardised approach: credit risk exposure and CRM effects **EU CR5:** Standardised approach **EU CC1**: Composition of regulatory own funds	Article 444(a) to (d) of Regulation (EU) No. 575/2013 using template EU CRD Article 453(g), (h) and (i) and Article 444(e) of Regulation (EU) No. 575/2013 using template EU CR4 Article 444(e) of Regulation (EU) No. 575/2013 using template EU CR5 and, for the information on exposure values deducted from own funds referred to in that Article, using template EU CC1
Art. 12 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of specialised lending and equity exposure under the simple risk weight approach		**EU CR10:** Specialised lending and equity exposures under the simple risk-weighted approach	Article 438(e) of Regulation (EU) No. 575/2013 using template EU CR10
Art. 13 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of exposures to counterparty credit risk	**EU CCRA**: Qualitative disclosure related to CCR	**EU CCR1:** Analysis of CCR exposure by approach **EU CCR2:** Transactions subject to own funds requirements for CVA risk **EU CCR3:** Standardised approach – CCR exposures by regulatory exposure class and risk weights **EU CCR5:** Composition of collateral for CCR exposures **EU CCR6:** Credit derivative exposures to CCP	Article 439(a), (b), (c) and (d) of Regulation (EU) No. 575/2013 using template EU CCRA Article 439(f), (g), (k) and (m) of Regulation (EU) No. 575/2013 using template EU CCR1 Article 439(h) of Regulation (EU) No. 575/2013 using template EU CCR2 Article 439(l) of Regulation (EU) No 575/2013 using the template EU CCR3 Article 439(e) of Regulation (EU) No 575/2013 using form EU CCR5 Article 439(j) of Regulation (EU) No 575/2013 using the EU CCR template6 Article 438(h) of Regulation (EU) No 575/2013 using the EU CCR template7 Article 439(i) of Regulation (EU) No 575/2013 using the EU CCR template8
Art. 14 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of exposures to securitisation positions	**EU SECA:** Qualitative disclosure requirements related to securitisation exposures.	**EU SEC1**: non-trading book securitisation exposures **EU SEC2:** trading book securitisation exposures **EU SEC3** - non-trading book securitisation exposures and related regulatory capital requirements: institution acts as transferor or promoter **EU SEC4** - Non-trading book securitisation exposures and related regulatory capital requirements: institution acts as investor **EU SEC5** - Exposures securitised by the institution:	Article 449(a) to (i) of Regulation (EU) No. 575/2013 using table EU SECA Article 449(j) of Regulation (EU) No. 575/2013 using templates EU SEC1 and EU SEC2 Article 449(k) of Regulation (EU) No. 575/2013 using templates EU SEC3 and EU SEC4 Article 449(l) of Regulation (EU) No. 575/2013 using template EU SEC5

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Article	Article Title	Qualitative tables	Quantitative tables	Accurate references to EU Regulation No. 575/13
			defaulted exposures and specific credit adjustments	
Art. 15 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of the use of the standardised approach and of the internal models for market risk	**EU MRA:** Qualitative disclosure requirements related to market risk	**EU MR1:** Market risk under the standardised approach	Information referred to in Article 445 of Regulation (EU) No 575/2013 using template EU MR1 Information concerning the market risk referred to in Article 435(1), points (a) to (d) of Regulation (EU) No 575/2013 using template EU MRA
Art. 16 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of operational risk	**EU ORA:** Qualitative information on operational risk	**EU OR1**: Operational risk own funds requirements and risk-weighted exposure amounts	Information referred to in Articles 435, 438, point (d), 446 and 454 of Regulation (EU) No 575/2013 using table EU ORA and template EU OR1
Art. 16 bis	Instructions for compiling information sheets on the interest rate risk on positions not held in the trading book	**EU IRRBBA:** Qualitative information on interest rate risk of non-trading book activities	**EU IRRBB1:** Interest rate risks of non-trading book activities	Information referred to in Art. 448(1)(a) and (b) of Regulation (EU) No. 575/2013, using template EU IIRR1 Information referred to in Article 448(1)(c) to (g) of Regulation (EU) No. 575/2013 using table EU IRRBBA
Art. 17 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of remuneration policy	**EU REMA:** Remuneration policy	**EU REM1:** Remuneration awarded for the financial year **EU REM2:** Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) **EU REM3:** Deferred remuneration **EU REM4:** Remuneration of 1 million EUR or more per year **EU REM5:** Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Article 450(1), points (a) to (f) and points (j) and (k) and (2) using table EU REMA Article 450(1), point (h), points (i) and (ii), of Regulation (EU) No 575/2013 using template EU REM1 Article 450(1), point (h), points (v), (vi) and (vii) of Regulation (EU) No 575/2013 using template EU REM2 Article 450(1), point (h), points (iii) and (iv) of Regulation (EU) No 575/2013 using template EU REM3 Article 450(1), points (g) and (i) of Regulation (EU) No 575/2013 using templates EU REM4 and EU REM5
Art. 18 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of encumbered and unencumbered assets	**EU AE4**: Accompanying narrative information	**EU AE1**: Encumbered and unencumbered assets **EU AE2:** Collateral received and own debt securities issued **EU AE3**: Sources of encumbrance	Article 443 of Regulation (EU) No 575/2013 using templates EU AE1, EU AE2 and EU AE3 and the table EU AE4

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2. The Banca Ifis Group

2.1. Reference metrics

2.1.1. Methodology for assessing the adequacy of internal capital

Making use of the proportionality criterion, by virtue of which banks may, when applying ICAAP, assess internal capital using simplified measurement methodologies, the Parent Company Banca Ifis determined internal capital against the following quantifiable risks:

Table 3 - Quantifiable risks

Quantifiable risks	
Pillar I	Credit and counterparty risk Market risks Credit valuation adjustment risk Operational risk
Pillar II	Concentration risk Interest rate risk on the banking book Credit spread risk on the banking book Strategic Risk Sovereign risk

The quantification of internal capital also takes into account the results of stress tests conducted, in order to allocate capital resources capable of absorbing impacts from exceptional yet plausible events.

Total internal capital is determined in the following steps:

- aggregation of internal capital against Pillar I risks calculated on the basis of the standard methodologies established by the regulations and used for the calculation of capital requirements;
- determination of internal capital against Pillar II risks;
- calculation of total internal capital using the 'building block' approach, which consists of summing up the internal capital for all measured risks, both Pillar I and Pillar II. This approach assumes a perfect positive correlation between risks and therefore neglects any benefits from diversification.

2.1.2. Results of the internal capital adequacy assessment process

The table below summarises the values of individual internal capital as well as total internal capital, estimated on a consolidated basis as at 31/12/2024.

Table 4 - Summary of internal capital at 31/12/2024

Summary of internal capital (units in millions of euro)	31/12/24	Incidence 24
Credit, counterparty and securitisation risk[1]	694,03	79,6%
Operational risk	83,06	9,5%
Market risk	3,18	0,4%
Credit valuation adjustment risk	6,62	0,8%
CAPITAL REQUIREMENTS (PILLAR I RISKS)	**786,89**	**90,3%**
Concentration risk	22,92	2,6%
Interest rate risk on the banking book	38,98	4,5%

1 The 'Contribution Default Fund Cassa Compensazione e Garanzia' of 28,614 Euro was also included in the calculation.

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Summary of internal capital (units in millions of euro)	31/12/24	Incidence 24
Credit spread risk on the banking book	17,11	2,0%
Sovereign risk	5,58	0,6%
Strategic risk	0,00	0,0%
TOTAL INTERNAL CAPITAL (PILLAR I AND II RISKS)	**871,47**	**100,0%**
Total Own Funds	**1.781,42**	
AVAILABLE CAPITAL (Own Funds - Total Internal Capital)	**909,95**	

As can be seen from the evidence in the table above, the capital requirement for credit risk is predominant over the others.

From the above evidence, the consolidated own funds are largely sufficient to cover the total internal capital.

2.1.3. Quantitative information

Table 5 – Template EU KM1: Key metrics

		31/12/2024	30/06/2024	31/12/2023
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	1.584	1.570	1.544
2	Tier 1 capital	1.585	1.571	1.545
3	Total capital	1.781	1.803	1.812
Risk-weighted exposure amounts				
4	Total risk exposure amount	9.836	10.246	10.390
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	16,10%	15,32%	14,87%
6	Tier 1 ratio (%)	16,11%	15,33%	14,87%
7	Total capital ratio (%)	18,11%	17,59%	17,44%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)				
EU 7a	Additional CET1 SREP requirements (%)	1,80%	1,80%	1,65%
EU 7b	Of which capital CET1 (%)	1,00%	1,00%	0,90%
EU 7c	Of which tier 1 capital (%)	1,40%	1,40%	1,25%
EU 7d	Total SREP own funds requirements (%)	9,80%	9,80%	9,65%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	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 (%)	-	-	-
9	Institution-specific countercyclical capital buffer (%)	0,04%	0,04%	0,03%
EU 9a	Systemic risk buffer (%)	0,40%	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-
11	Combined buffer requirement (%)	2,94%	2,54%	2,53%
EU 11a	Overall capital requirements (%)	12,74%	12,34%	12,18%
12	CET1 available after meeting the total SREP own funds requirements (%)	8,31%	7,79%	7,62%
Leverage ratio				
13	Leverage ratio total exposure measure	14.790	14.212	14.860
14	Leverage ratio (%)	10,71%	11,05%	10,40%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)				
EU 14a	Additional own funds requirements to address risks of excessive leverage (in %)	-	-	-
EU 14b	of which capital CET1 (%)	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure)				
EU 14d	Required leverage buffer (%)	-	-	0%
EU 14e	Overall leverage ratio requirements (%)	3,00%	3,00%	3,00%
Liquidity Coverage Ratio				

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		31/12/2024	30/06/2024	31/12/2023
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	913	1.171	1.342
EU 16a	Cash outflows - Total weighted value	495	362	467
EU 16b	Cash inflows - Total weighted value	933	960	883
16	Total net cash outflows (adjusted value)	124	90	117
17	Liquidity coverage ratio (%)	738,03%	1.295,33%	1.149,19%
Net Stable Funding Ratio				
18	Total available stable funding	11.011	10.977	11.006
19	Total required stable funding	8.193	7.905	8.254
20	NSFR ratio (%)	134,39%	138,86%	133,33%

Table 6 – Template EU OV1: Overview of total risk exposure amounts

		Total Risk Exposure Amounts (TREA)		Total own funds requirements
		31/12/2024	31/12/2023	T
1	Credit risk (excluding CCR)	8.508	9.115	681
2	Of which the standardised approach	8.508	9.115	681
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which: slotting approach	-	-	-
EU 4a	Of which: equities under the simple riskweighted approach	-	-	-
5	Of which the advanced IRB (AIRB) approach	-	-	-
6	Counterparty credit risk - CCR	186	161	15
7	Of which the standardised approach	-	-	-
8	Of which Internal Model Method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	83	89	7
9	Of which other CCR	104	72	8
15	Settlement risk			-
16	Securitisation exposures in the non-trading book (after the cap)	64	62	5
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	2	2	0
19	Of which SEC-SA approach	37	57	3
EU 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	40	23	3
21	Of which the standardised approach	40	23	3
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	1.038	1.028	83
EU 23a	Of which basic approach	1.038	1.028	83
EU 23b	Of which the standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-
24	Amount below thresholds for deduction (subject to 250 % risk weight)	45	55	4
29	**Total**	**9.836**	**10.390**	**787**

Table 7 – Template EU INS1: Insurance participations

		Exposure value	Risk-weighted exposure amount
1	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	-	-

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2.2. Objectives and risk management policies

2.2.1. Declaration pursuant to Article 435, paragraph 1, letters e) and f) of Regulation 575/2013

The Chief Executive Officer, Frederik Herman Geertman, acting on behalf of the Board of Directors, declares, pursuant to article 435, paragraph 1, letters e) and f) of Regulation No. 575/2013 (CRR) that:

- the risk management systems implemented by the Banca Ifis Group and described in the document 'Public Disclosure at 31 December 2024 - Pillar 3', are in line with the Group's profile and strategy;
- the above-mentioned document, approved by the Board of Directors of the Parent Company, represents the Group's overall risk profiles and is consistent with and linked to the corporate strategy.

Venice, 6 March 2025

CEO

Frederik Herman Geertman

2.2.2. Governance structure for each type of risk

The overall risk management and control process involves, with different roles, the administrative and control bodies of the Group’s companies and subsidiaries as well as the Parent Company’s Management and the operational units of the entire Group.

In the model adopted by the Parent Company Banca Ifis Spa[2]:

- strategic supervision is performed by the Board of Directors;
- the CEO is responsible for the company's operations. The management function includes the Co-General Managers (Chief Operating Officer, Chief Commercial Officer);
- Control is performed by the Board of Statutory Auditors.

The Parent Company’s **Board of Directors** plays a crucial role in the corporate organisation as it is the body responsible for determining the company guidelines and strategic objectives and for verifying their implementation, complying with industrial plans and implement strategic transactions, also by setting the principles of the direction and coordination activity of the Banca IFIS Group’s companies, in the interest of the Shareholders. It carries out a supervisory function with regards to the achievement of the strategic objectives of the Bank and of the Group as a whole. In particular, concerning governance and risk controls, it is responsible for:

[2] Domestic supervised subsidiaries also adopt the same governance model by assigning:
- strategic supervision duties to the Board of Directors;
- management duties to the Chief Executive Officer;
- control duties to the Board of Statutory Auditors.

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- defining and approving strategic guidelines, risk objectives, guidelines for the design of the internal control system and risk governance policies, providing for their periodic review also thanks to an accurate, complete and timely information flow system;
- approving the establishment of the Internal Audit Function, its tasks and responsibilities, the methods of coordination and collaboration, the information flows addressed to the other control functions and to the Corporate Bodies;
- at the proposal of the Chief Executive Officer and with the involvement of the Chair office, approving i) the establishment of the Organisational Units that hinge the corporate control functions (other than Internal Audit), their tasks and responsibilities, the methods of coordination and collaboration, the information flows between these units and between them and the Corporate Bodies; ii) the risk management process, assessing its compatibility with the strategic guidelines and policies iii) the policies and processes for evaluating business activities and, in particular, financial instruments; iv) the process for developing and validating internal risk measurement systems; v) the process for approving new products and services, launching new activities, entering new markets, vi) the process for managing employees vii) the policies on equity investments in non-financial companies; viii) the Group Policy on outsourcing of corporate functions; ix) the Code of Ethics with which corporate bodies and employees are required to comply in order to mitigate operational and reputational risks; x) the internal systems for reporting violations; xi) the structure of delegation of powers and decision-making powers in line with the strategic guidelines and risk orientations established, verifying their exercise; xii) with regard to credit and counterparty risk, the general outlines of the risk mitigation management system that governs the entire process of acquiring, evaluating, controlling and implementing the risk mitigation tools used;
- ensuring, also through the organisational units in charge of second- and third-level controls, consistency between what has been defined and approved and its implementation.

Within the Board of Directors are:

- the **Control and Risks Committee**, having investigative functions of a propositional and consultative nature in support of the resolutions of the Board of Directors relating, in particular, to the internal control and risk management system;
- the **Appointments Committee**, which has investigative functions of a propositional and consultative nature to support the appointment and co-option of directors, the self-assessment of Corporate Bodies (Board of Directors and Chief Executive Officer), the verification of the presence of knowledge skills and experience adequate to understand the money-laundering risks related to the activity and business model, in verifying the existence of the requirements of professionalism, honourability and independence as well as the criteria of competence and correctness of the corporate officers, in preparing the succession plans for the top executive positions and coordinating the process;

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- the **Remuneration Committee**, with investigative functions of a propositional and consultative nature to support the Board of Directors in defining the Group's remuneration and incentive policies.

Within the Board of Directors, the following are appointed:

- **Anti-Money Laundering Officer**[3], who is the main point of contact between the Head of the Anti-Money Laundering Function, the Board of Directors and the Chief Executive Officer (except where Officer and Chief Executive Officer coincide) and ensures that the latter have the necessary information to fully understand the significance of the money laundering risks to which the Bank is exposed, for the purpose of exercising their respective powers.
- **Group Anti-Money Laundering Officer**, who is the main point of contact between the Head of the Group Anti-Money Laundering Function, the Board of Directors and the Chief Executive Officer of the Parent Company (unless, of course, the Officer and Chief Executive Officer coincide) and ensures that: i) the latter have the necessary information to fully understand the significance of the money laundering risks to which the Parent Company and the Banking Group Subsidiaries are exposed, for the purpose of exercising their respective powers; ii) the Head of the Group Anti-Money Laundering Function effectively performs own duties. The Group Anti-Money Laundering Officer also plays a coordinating role for the Anti-Money Laundering Officers of the Subsidiaries, including foreign-registered Subsidiaries.

The management function is carried out by the **Chief Executive Officer**, who also avails himself of the **Co-General Managers**. The CEO is responsible for the implementation of the strategic orientations, the Risk Appetite Framework and risk governance policies defined by the Board of Directors, to which he directly reports in that regard, as well as the adoption of all the interventions necessary to ensure the adherence of the organisation and the internal control system to the applicable regulatory principles and requirements, by continuously monitoring their compliance with them. For this purpose, the CEO defines and oversees the implementation of the risk management process.

The following Management Committees have been set up:

- the **Finance Committee**, having consultative, propositional and resolution tasks, within the limits established and in the manner defined by the Board of Directors, in relation to the issues of asset & liability management and liquidity and management of the Bank's proprietary portfolio, respectively overseen by the ALM Technical Committee and the Proprietary Finance Technical Committee, established within it;
- the **Management Committee**, which supports the Chief Executive Officer in the implementation and performance of the business guidelines approved by the Board of Directors by constantly monitoring economic performance, the development of programmes, plans and initiatives relevant to the Group;

[3] Domestic supervised subsidiaries also appoint an Anti-Money Laundering Officer.

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- **Brand & Sport Committee**, whose task is to promote the internal and external dissemination of the image of the Bank and the Group as a whole, taking care of its brand identity and to define and approve initiatives with a high impact on the Bank's image;
- the **Illiquid Committee**, with advisory and coordination functions relating to the analysis of initiatives and portfolio positions with reference to the Bank's investments in illiquid financial assets;
- the **Credit Committee**, with the task of assessing in collegial form, within the scope of the autonomy conferred by the system of proxies for the assumption of credit risk and by the system of proxies for the management of credit risk, credit transactions originating from the Co-General Manager Chief Commercial Officer and the Lending Department;
- the **Products Committee**, whose task is to manage the product catalogue through the preliminary screening of new business ideas for the development of new products or the significant modification of existing ones;
- the **Operational Quality Committee**, with the aim of outlining, and sharing, operational improvements that allow the Bank to continuously refine its attention to internal/external regulatory frameworks and IT security;
- the **Sustainability Committee**, with appraisal, propositional and advisory functions within the scope of the assessment and decision-making process of the Bank and the Group concerning ESG issues, wherever they are dealt with, working together with the competent Corporate Bodies and the competent structures of the Bank.
- the **Art Committee**, with investigative, propositional, advisory and deliberative functions in relation to patronage and investment projects in the artistic and cultural sphere and the enhancement of the Group's heritage.

The **Board of Statutory Auditors** oversees compliance with the law, regulations and articles of association, correct administration, the adequacy of the Bank’s accounting and organisational structure, and the functionality of the overall internal control system. Considering the plurality of functions and corporate structures having control tasks and responsibilities, this body is required to check the effectiveness of all the structures and functions involved in the internal control system and their adequate coordination, promoting the corrective actions for any deficiencies and irregularities detected. Due to the importance of these tasks for supervisory purposes, the Board of Statutory Auditors immediately informs the Bank of Italy of all the facts and actions of which it becomes aware that could constitute an irregularity in the management of the Bank or a violation of the rules governing banking activity.

Internal Control System

The Banca Ifis Group's Internal Control System plays a central role in the company's organisation. It represents a fundamental element of knowledge for the Corporate Bodies in order to i) guarantee full awareness of the situation and effective monitoring of corporate risks and their interrelations; ii) guide changes in strategic lines and corporate policies; iii) coherently adapt the organisational context; iv) monitor the functionality of management systems and compliance with prudential

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supervisory institutions; v) promote the dissemination of a correct culture of risks, legality and corporate values.

The Internal Control System consists of the set of regulations, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with a sound and prudent management, the achievement of the following objectives:

- verification of the implementation of corporate strategies and policies;
- containing risk within the limits set out in the Bank's Risk Appetite Framework ("RAF");
- safeguarding the value of assets and protecting the Bank from losses;
- maintaining effective and efficient business processes;
- ensuring the reliability and security of corporate information and IT procedures;
- preventing the risk that the Bank might become involved, including involuntarily, in unlawful activities (and specifically those associated with money laundering, usury, and terrorist financing);
- ensuring operations comply with the law and supervisory regulations as well as internal policies, rules and procedures.

A prerequisite for a complete and functional system of internal controls is the existence of a corporate organisation that is adequate to ensure the sound and prudent management of the Bank and compliance with the applicable provisions.

In this context, the Parent Company's Board of Directors defines the overall governance structure and approves the organisational structure of Banca Ifis and its Subsidiaries, guaranteeing the clear distinction of tasks and functions as well as the prevention of conflicts of interest and, in particular, the necessary separation between operational and control functions, verifies its proper implementation and promptly promotes corrective measures in the event of any gaps or inadequacies.

The Parent Company, Banca Ifis S.p.A. formalises and informs its Subsidiaries of the criteria governing the different stages that constitute the risk management process. It also validates the risk management processes within the Group. As regards credit risk in particular, the Parent Company sets the assessment criteria for the positions and creates a common information base that allows the Subsidiaries to know the customers' exposure to the Group as well as the assessments related to the positions of the borrowers. The Parent Company decides on the adoption of the internal systems to be used for measuring risks, and determines its main characteristics, thus taking on the responsibility of carrying out the project as well as supervising the correct implementation of these systems and their constant adjustment from a methodological, organisational and procedural point of view.

The Parent Company also provides its Subsidiaries with guidelines for the design of company internal control system. The Subsidiaries must adopt an internal control system that is consistent with the strategy and the policies of the Group, in terms of controls, without prejudice to compliance with regulations applicable on an individual basis. In any case, it is necessary for the Parent

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Company, in compliance with local constraints, to adopt all initiatives aimed at guaranteeing standards of control and supervision comparable to those envisaged by Italian supervisory provisions, even in cases where foreign regulations do not envisage similar levels of attention.

In order to verify that the Group companies conduct is in compliance with Parent Company guidelines, as well as the effectiveness of the internal control system, the Parent Company takes action so that, within the regulations' scope of application, the consolidated internal audit function periodically performs on-site checks on the Group components, taking into account the importance of the different types of risk taken on by different entities.

The internal control system is designed in compliance with the applicable regulations and the peculiarities of the business carried out by both Banca Ifis S.p.A. and its Subsidiaries and provides, in general terms, for the establishment of corporate control functions. This rule may be derogated due to the operational characteristics, as well as the limited level of risk that individual companies bring to the Group.

At the date of this document, the control functions of Ifis NPL Investing S.p.A., Ifis NPL Servicing S.p.A., Banca Credifarma S.p.A., and Cap.Ital. Fin S.p.A. are centralised at the Parent Company, while with regard to Ifis Finance IFN SA, the internal audit function and the risk control function have been established and centralised at the Parent Company. Finally, with reference to Ifis Rental Services, Ifis Npl 2021-1 SPV S.r.l. and Ifis Finance Sp. z o.o., given their operational characteristics and the limited level of risk they bring to the Group, no control functions have been established. However, Ifis Finance Sp. z o.o., in compliance with local legislation and regulatory requirements, has appointed a member of its Board as head of its anti-money laundering operations.

Audits involve, with different roles, the Corporate Bodies of the Group's companies and subsidiaries, the Parent Company's Management and the Group's personnel.

Some types of audits are highlighted below:

- level one-line audits aim to ensure operations are carried out correctly. These audits are carried out by the production structures themselves or performed as part of back-office operations. The operational structures are primarily responsible for the risk management process: as part of their day-to-day operations, they shall identify, measure or assess, monitor, mitigate, and report the risks arising from ordinary operations in accordance with the risk management process; they shall comply with the operational limits assigned to them in accordance with the risk objectives and the procedures that form part of the risk management process;
- second-level controls, carried out by Risk Management, Compliance and Anti-Money Laundering, aim to ensure the correct implementation of the risk management process, compliance with the operating limits assigned to the various functions, compliance of company operations with the rules, including self-regulation;
- third-level controls, carried out by Internal Audit, aim to identify violations of procedures and regulations as well as periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the

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information system, with a pre-established frequency in relation to the nature and intensity of the risks.

The Corporate Bodies promote a corporate culture that enhances the control function: all levels of personnel within the organisation must be aware of the role assigned to them in the internal control system and be fully involved in it.

The roles of the various players in the internal control system (Board of Directors, Control and Risk Committee, the Anti-Money Laundering Officer, the Group Anti-Money Laundering Officer, Chief Executive Officer, Supervisory Body pursuant to Legislative Decree 231/2001, Internal Audit, the Manager charged with preparing the company's financial reports, Risk Management, Compliance, and Anti-Money Laundering) are described in detail in the Report on Corporate Governance and Ownership Structures prepared in accordance with the third paragraph of article 123 bis of Italian Legislative Decree No. 58 of 24 February 1998 (Consolidated Law on Finance, or "TUF") and subsequent updates, the latest version of which was approved by the Board of Directors on 9 March 2023 and published on the Bank's website in the Corporate Governance section.

Briefly, in addition to that already stated in the previous paragraph in terms of the roles and tasks performed by the Corporate Bodies, the roles and tasks assigned to the remaining players of the internal control system are summarised below:

- **Supervisory Body pursuant to Italian Legislative Decree No. 231/2001**: for full compliance with and interpretation of the Organisation, Management and Control Model pursuant to Italian Legislative Decree No. 231/2001 of Banca Ifis, the Supervisory Body was set up by a resolution of the Board of Directors on 26 October 2004[4]. The members of the Body are chosen from qualified individuals and experts in the legal or accounting or tax fields, with adequate professionalism in the aforementioned subjects and possessing the requirements of independence and autonomy. The members of the Body are not subject, in this capacity and in the performance of their duties, to the hierarchical and disciplinary power of any corporate body or function. The Supervisory Body consists of one Auditor, chosen by the Board of Statutory Auditors, the Managers, from time to time in office, of the Internal Audit and Compliance functions and two independent Directors, chosen by the Board of Directors, one of whom acts as Chair;
- The **Manager charged with preparing the company's financial reports**: the Manager charged with preparing the company's financial reports, consistently with the provisions of article 154-*bis* of the Consolidated Law on Finance, ensures the reliability of the equity, economic and financial position of the Bank and the Group, contributing to the overall assessment of the adequacy of the internal control system for financial reporting;
- **Internal Audit function**: the Parent Company's Internal Audit monitors the regular performance of operations and the development of risks, taking a risk-based approach, and assesses the completeness, adequacy, functionality and reliability of the organisational structure and the other components of the internal control system and information system,

[4] The domestic subsidiaries have also set up their own Supervisory Board, consisting of a Statutory Auditor, chosen by the Board of Statutory Auditors, and the Heads, from time to time in office, of the Internal Audit and Compliance functions.

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bringing possible improvements to the attention of Corporate Bodies of the Parent Company and, if applicable, of the Subsidiaries, with particular reference to the Group's Risk Appetite Framework ("RAF"), the risk management process and the tools for measuring and controlling these risks. On the basis of the results of its controls, Internal Audit formulates findings and/or recommendations to the other corporate functions, whether operational or control;

- **Risk Management function**: the Parent Company's Risk Management control function; is involved in the definition of the Risk Appetite Framework - "RAF", the risk governance policies and the various steps that constitute the risk management process, as well as in setting operational limits to the assumption of the various types of risk. In this context, it has, *inter alia*, the task of proposing the quantitative and qualitative parameters necessary for the definition of the Risk Appetite Framework - "RAF", which also refer to stress scenarios and, in the event of changes in the Bank's internal and external operating environment, the adjustment of such parameters. It also verifies the adequacy of the Risk Appetite Framework - "RAF" as well as, on an ongoing basis, the risk management process and operational limits;
- **Compliance function**: the Parent Company's Compliance control function oversees, according to a risk-based approach, the management of non-compliance risk in connection with the entire company activity. This is done by assessing the adequacy of internal procedures to prevent the violation of external rules (laws and regulations) and self-regulation (e.g. codes of conduct and ethical codes) applicable to both the Bank and its Subsidiaries. In addition, Compliance provides consultancy and assistance to corporate bodies in all matters where the risk of non-compliance is relevant;
- **Anti-Money Laundering function**: the Anti-Money Laundering control function of the Parent Company verifies on an ongoing basis that company procedures are consistent with the objective of preventing and countering the violation of external rules (laws and regulations) and self-regulation on money laundering and terrorist financing.

2.2.3. Risk management strategies and processes for each risk category

The identification of risks and the periodic updating of the taxonomy is carried out by Risk Management and submitted to Internal Audit for sharing.

This identification and assessment of risks is integrated with the definition phase of the Risk Appetite Framework and constitutes the framework within which all other risk measurement, assessment and monitoring activities are developed. In order to assess the potential significance of the various risks within the Group, the following drivers were considered:

- business model;
- strategic plan;
- number of business units generating the risk;
- capital absorption (where applicable);
- current level of risk exposure (where measurable/assessable);

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- appropriate drivers defined ad hoc and described below;
- elements potentially harbouring operational/ reputational risks inherent in the core business.

The potential relevance of individual risks is summarised on a three-value scale (High, Medium, Low) based on a joint subjective assessment by the Parent Company's control functions (so-called judgemental approach).

The Parent Company, for the purposes of the group processes adopted for the assessment of capital adequacy (ICAAP) and of the liquidity management and governance system (ILAAP), considers as significant risks the types of risk to which it has assigned the relevance levels "High" and "Medium" at the conclusion of the above risk assessment process.

The following table shows the overall risks identified at Group level and their relative significance:

Table 8 - Risks identified within the group and their level of significance

Risk	Description	Relevance
Credit risk	The risk of loss arising from the insolvency or deterioration of the creditworthiness of counterparties entrusted by the Group; it consists of: • the counterparty risk dimension. It regards the risk of insolvency or deteriorating creditworthiness of the counterparties the Group is exposed to; • of the operation risk dimension. It concerns both the losses that the Group incurs due to the non-recovery of receivables due from defaulting counterparties, and the increase in exposure values to parties that, following a worsening of their economic-financial situation, tend (in all those cases of technical forms of credit referred to as having "uncertain value") to make greater use of the credit facility granted to them, thereby reducing the remaining available margin.	High
Counterparty risk	The risk that the counterparty to a transaction involving financial instruments for which the fair value does not include the counterparty credit risk, defaults before the final settlement of the transaction cash flows.	Low
Credit concentration risk	Risk arising from exposures to counterparties, including central counterparties, groups of connected counterparties, and counterparties operating in the same economic sector, in the same geographic region or that perform the same activity or deal with the same merchandise, as well as from the application of credit risk mitigation techniques, including, in particular, risks related to indirect exposures, such as, for example, to individual providers of guarantees.	Medium
Country risk	The risk of losses caused by events occurring in a country other than Italy. The concept of country risk is broader than that of sovereign risk as it refers to all exposures regardless of the nature of the counterparties, be they individuals, corporations, banks or governments	Low
Sovereign risk	The risk that the Italian government will default on its financial obligations due to economic, financial and political factors	Medium
Transfer risk	Risk that the Group, as the borrower of an entity that receives its main sources of income in a currency other than the currency of the exposure, realises losses due to the borrower's difficulties in converting its currency into the currency in which the exposure is denominated	Low
Residual risk	The risk that the recognised techniques for credit risk mitigation used by the Group (Credit Risk Mitigation) are less effective than expected	Low
Settlement and Delivery Risk	The risk that a counterparty fails to fulfil its delivery or payment obligation in a financial instrument transaction	Low
Risk arising from securitisation transactions	The risk that the economic aspect of the securitisation transaction is not fully reflected in the risk assessment and management decisions.	Low
Equity risk	The risk of a loss in value of the investment (in financial and non-financial companies) held by the Group arising from the possibility of incurring capital losses, of achieving a lower yield than expected and/or of having to sustain fixed assets for periods exceeding initial expectations. This risk includes potential conflicts of interest and inadequate organisational or corporate separation between the investment activity and the remaining banking activity.	Low
Operational risk	Operational risk is the risk of losses arising from inadequate or dysfunctional procedures, human resources, internal systems or external events. This definition includes legal risk; strategic and reputational risks are not included.	High
ICT and Security risk	ICT and Security risk consists of the risk of incurring losses due to breaches of confidentiality, inadequate integrity of systems and data, inadequacy or unavailability of systems and data, or the inability to replace information technology (IT) within reasonable time and cost limits in the event of changes in the requirements of the external environment or business (agility), as well as security risks arising from inadequate or incorrect internal processes or external events, including cyber-attacks or an inadequate level of physical security.	High
Model risk	This represents the risk of incurring financial losses, erroneous strategic decisions as well as damage to the Group's reputation resulting from improper or incorrect use of the results and reports produced by the models used.	Medium
Reputational risk	The current or future risk of a reduction in profits or capital deriving from the negative perception of the Group's image among customers, counterparties, shareholders, investors, or Supervisory Authorities.	Medium
Market risk	The risk of loss due to adverse movements in market prices (share prices, interest rates, foreign exchange rates, commodity prices, volatility of risk factors, and so on) in connection with the trading book for Supervisory purposes (position, settlement and concentration risks) and with the Group's entire budget (exchange rate and position risk on commodities).	Low
Credit valuation adjustment risk	This risks refers to an interim market valuation adjustment of the portfolio of transactions with a counterparty, referring to OTC derivatives. This adjustment reflects the current market value of the entity's counterparty risk but it does not reflect the current market value of the entity's credit risk in relation to the counterparty.	Low

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Risk	Description	Relevance
Interest Rate Risk Banking Book (IRRBB)	Risk arising from potential changes in interest rates, with reference to assets other than trading. It represents the risk that unexpected changes in interest rates may lead to negative effects both in income terms, by reducing net interest income, and in equity terms, by reducing the Bank's economic value.	High
Credit Spread Risk Banking Book (CSRBB)	Risk determined by market price changes for credit risk, liquidity and other potential characteristics of credit risk instruments, which is not captured by another existing prudential framework such as IRRBB or expected credit/default risk. The CSRBB recognises the risk of a change in the spread of an instrument assuming the same level of creditworthiness, i.e. the change in the credit spread within a given rating/PD range.	Medium
Liquidity risk	It represents the company's difficulty or inability to meet its payment commitments on time due to the inability both to raise funds on the market (funding liquidity risk) and to mobilise its assets (market liquidity risk).	High
Risk related to the amount of encumbered assets	The risk associated with the portion of encumbered assets arises from the unavailability of assets that can be readily liquidated by sale, repurchase, assignment under guarantee or securitisation.	High
Risk of excessive leverage	Risk that a particularly high level of indebtedness in relation to the Group's capital endowment will make it vulnerable, so that it needs to adopt corrective measures to its business plan, including the sale of assets with the recording of losses that could lead to adjustments to the value of the remaining assets.	Low
Strategic and business risk	The current or prospective risk of a decline in profits or capital resulting from changes in the operating environment or from erroneous business decisions, inadequate implementation of decisions, or lack of responsiveness to changes in the competitive environment.	Medium

As part of the RAF, the Body with Strategic Oversight Function (hereinafter OFSS) defines the strategic indicators required to monitor the Group's strategic and financial objectives. As part of the broader risk management process, Risk Management also identifies additional risk indicators to strengthen its oversight and submits them to the OFSS for approval.

The categories of indicators are subject to regular monitoring by the Risk Management Function and are notified to both Corporate Bodies and the other business structures, based on the relevant types. With reference to strategic indicators, they are divided into strategic indicators with regulatory restrictions, measured according to consolidated logics, and strategic indicators for which no regulatory restriction has been defined.

The reason that led to this distinction is to be found in the fact that for strategic indicators with no constraints expressly provided for by the regulator, the consequence of exceeding the attention and warning thresholds could have potential impacts on the sustainability of the Group's business model, without, however, suddenly jeopardising the capital or liquidity vulnerability.

The following concepts relevant to RAF have been defined for each indicator:

- Risk Profile (actual risk): represents the risk actually undertaken, measured at a given moment in time;
- Risk Appetite (risk objective): the level of risk, overall and by type, which the Group intends to assume to fulfil its strategic objectives;
- Risk Tolerance (tolerance threshold): the maximum allowed deviation from Risk Appetite; the tolerance threshold is fixed in such a manner as to provide the Group with sufficient margins to operate in every case, even under stress, within the maximum risk that can be assumed;
- Warning: a threshold defined only for strategic indicators, free of regulatory restrictions, it is the maximum level of risk that the Group intends to assume in order to reach its strategic objectives;
- Risk Capacity (maximum assumable risk): a threshold defined only for the strategic indicators involving regulatory restrictions, it represents the maximum risk level that the Group is technically capable of assuming without breaching the regulatory requirements or other restrictions set by the Supervisory Authority (also taking into account any additional specific capital requirements imposed as a result of the SREP Process).

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In the event of violation of the aforementioned thresholds, an articulated escalation process is activated which, after analysis of the relative causes by the competent corporate functions, requires the timely definition of the procedures and management actions to be implemented to restore a condition of equilibrium.

The verification and the quarterly reporting of the company positioning with reference to the identified indicators is integrated in the periodic reporting system for top management (*Tableau de Bord*).

Monitoring the risk objectives aims at identifying any criticality of the moments of corporate planning and management of the risks and is preparatory to the implementation of corrective and realignment actions, in compliance with the general principles of sound and prudent management.

This activity is managed by the Risk Management function that has the task of ensuring protection and the integrated management of risks by ensuring the development and improvement of measurement methods and models.

The Risk Management function, assisted by specialist organisational units and other organisational control units, produces periodic reports to the Bodies and business units in order to allow verification of the consistency between the implementation of the RAF, the strategic objectives and the approved thresholds (see the section on reporting flows).

Relevant update documents, among others, are drawn up annually in relation to:

- determination of the Group's risk appetite (Risk Appetite Framework - RAF);
- assessment of capital adequacy (Internal Capital Adequacy Assessment Process - ICAAP) and liquidity (Internal Liquidity Adequacy Assessment Process - ILAAP);
- Contingency Funding and Recovery Plan (CFRP) to deal with adverse situations in raising funds and for the prompt settlement of any liquidity shortfalls.

In 2024 the Group also drew up the Group's Recovery Plan, a document containing preparatory measures aimed at preventing and resolving any crisis situations in a timely manner; it describes how the Group intends to restore balance sheet and financial equilibrium in conditions of severe technical deterioration (near to default).

In addition, on a quarterly basis, the Risk Management function prepares suitable reports for the Board of Directors (*Tableau de Bord*), which enables monitoring not only of strategic indicators but also of management risk indicators. Lastly, a detailed periodic report is also prepared to support the Group’s business structures.

2.2.4. Disclosure on governance systems

The Articles of Association provide that the Company shall be administered by a Board of Directors consisting of a minimum of five to a maximum of fifteen members elected by the Shareholders' Meeting whose term of office shall not exceed three financial years, established at the time of appointment, and shall expire on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their office. The Directors are appointed, in

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compliance with current provisions as well as on the basis of the list voting mechanism provided for in the Articles of Association, by the Shareholders' Meeting.

To encourage the nomination of the best candidates for the renewal of the Administrative Body, in support of shareholders and in compliance with the Supervisory Provisions for Banks in matters of Corporate Governance, the Board of Directors, with the help of the Appointments Committee, identifies in advance what it deems to be its optimal composition, in terms of numbers and quality, identifying and justifying the theoretical profile of candidates. The analyses conducted, reported in the document "Optimal quali-quantitative composition of the Board of Directors of Banca Ifis", are published on the Bank's website, in the section About us - Corporate Governance - Shareholders' meeting.

At the Shareholders' Meeting held on 28 April 2022, the shareholders appointed the Board of Directors in office for the three-year period 2022-2024 by electing 13 directors, respecting the qualitative-quantitative composition of the Body adequate in terms of gender diversification (the female component increased from 4 to 7 elements compared to the previous term of office) and the role assigned to the directors (the number of independent directors increased from 7 to 9); as well as adequate for the complexity and the works of the Body and in line with the current guidelines that favour a non-plethoric composition of the Body with an adequate degree of heterogeneity to allow the Directors to effectively contribute to the Board's activities.

The newly-elected Board met at the end of the Shareholders' Meeting and verified and ascertained that the independence requirements pursuant to current legislation and the Corporate Governance Code for Listed Companies were met, proceeding with the appointment of the members of the Board Committees (Control and Risk Committee, Appointments Committee and Remuneration Committee), the Supervisory Board, the Lead Independent Director and the Director in charge of the Internal Control and Risk Management System.

On 12 May 2022, the Board, with the support of the Appointments Committee, in compliance with the Supervisory Provisions on the procedure for assessing the suitability of directors of Banks, financial intermediaries, electronic money institutions, payment institutions and depositor guarantee schemes, within thirty days of their appointment, verified:

- the existence of the eligibility requirements provided for in Article 26 of Legislative Decree No. 385 of 1 September 1993 (TUB), as implemented by MEF Decree No. 169/2020;
- compliance with the limits on the accumulation of offices;
- the non-existence of situations relevant for the purposes of the so-called interlocking ban pursuant to Article 36 of Law Decree no. 201 of 6 December 2011, converted with amendments by Law no. 314 of 22 December 2011; and
- the correspondence between the optimal quali-quantitative composition indicated in the document "Qualitative and quantitative composition deemed optimal of the Board of Directors 2022" and the actual composition resulting from the nomination process.

The Board verifies the permanence of the above-mentioned requirements on an annual basis, at the same time as the start of the self-assessment process provided for by the Bank of Italy Circular No. 285/2013 (Title IV, Chapter 1). This process is designed to ensure that the correct and effective

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functioning of the body and its adequate composition are verified, to identify the main points of weakness, to promote discussion thereof within the body and to define the corrective actions to be taken, as well as to strengthen the relationships of collaboration and trust between the individual members.

In view of the resignation of the Bank's founder Sebastien Egon Fürstenberg, who resigned from his position as Director only, the Shareholders, at the Shareholders' Meeting of 18 April 2024, appointed him as Honorary Chair and reinstated the number of 13 directors by appointing Nicola Borri as Independent Director. On the same date, the Board of Directors confirmed that the new structure of the Body corresponded to the qualitative and quantitative composition deemed optimal and previously identified by the same.

In this regard, the new composition kept the gender diversification unchanged (the female component remained the same as in the previous set-up), while the number of independent directors increased from 9 to 10.

For a complete review of the information regarding the selection process for Board members, the number of appointments held by members of the management body and additional governance-related information is provided in the "2024 Report on Corporate Governance and Ownership Structure", published on the Banca Ifis website (https://www.bancaifis.it/en/about-us/corporate-governance/reports-documents/corporate-governance-structures-organisation/).

In accordance with the provisions of Circular No. 285 and the Corporate Governance Code, the Board of Directors set up its own Control and Risks Committee composed of five of the thirteen members of the Board of Directors chosen from among the non-executive directors, who are all independent.

During 2024, the Committee met 21 times, five of which were joint meetings with the Board of Statutory Auditors. From the beginning of 2025 until the date of approval of this document, the Committee met six times, two of which jointly with the Board of Statutory Auditors. The Control and Risk Committee has the task of supporting the Board's assessments and decisions relating to the internal control and risk system, the approval of periodic financial and non-financial reports and supporting the Board in analysing issues relevant to the generation of long-term value with a view to sustainable success. With particular reference to the tasks related to risk management and control, the Committee carries out support functions for the body charged with strategic supervision:

- the definition and adoption of the strategic guidelines and risk management policies. As part of the RAF, the Control and Risk Committee performs the evaluation and proposal activity necessary for the Board of Directors to define and approve the risk objectives and tolerance threshold;
- the verification of the correct implementation of the strategies, risk management policies and RAF;
- the definition of policies and processes for the assessment of company activities, including verification that the price and conditions of transactions with customers are consistent with the business model and strategies concerning risks.

The information flow on risks for the Board of Directors is identified by means of a specific internal regulation and mainly consists in documents prepared by the control functions concerning the

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planning of activities and the related reporting (annual reports and quarterly Tableau de Bord, subsequently submitted to the Bank of Italy) as well as other verifications required by the legislation in force (reports on relevant risks undertaken by the Group, disclosure on checks concerning governance and management of liquidity risk, report on important operating functions outsourced, RAF, ICAAP and ILAAP reports, Recovery Plan, etc.).

2.3. Scope of Application

2.3.1. Qualitative disclosure

At 31 December 2024, the Group comprises the Parent company Banca Ifis S.p.A. and the subsidiaries Ifis NPL Servicing S.p.A., Ifis NPL Investing S.p.A., Cap.Ital.Fin. S.p.A., Banca Credifarma S.p.A., Ifis Finance Sp. z o.o., Ifis Finance I.F.N. S.A., Ifis Npl 2021-1 SPV and Ifis Rental Services S.r.l.

Below is the graphical representation of the Banca Ifis Group as at 31/12/2024.

* SPV set up in accordance with Law no. 130 of 1999 for the purposes of securing a loan

The scope of consolidation at the reporting date includes the subsidiaries listed previously, as well as the SPVs (Special Purpose Vehicles) set up for securitisation purposes, for which control is considered to exist in accordance with IFRS 10. These SPVs, with the exception of the vehicle Ifis Npl 2021-1 SPV S.r.l. for which the Group holds the majority of the shares, are not companies legally belonging to the Banca Ifis Group and are summarised below:

- Indigo Lease S.r.l;
- Ifis ABCP Programme S.r.l.;
- Emma S.P.V. S.r.l.

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2.3.2. Quantitative information

Table EU LI1 shows, with reference to 31 December 2024, the reconciliation of the Consolidated Balance Sheet data (Published Financial Statements) with the Balance Sheet data according to the Regulatory Scope, as well as the breakdown of financial statements items among regulatory risk categories. The differences between the carrying amounts according to the accounting scope and the carrying amounts for the regulatory scope are attributable to the deconsolidation of the companies that are not part of the Banking Group and their consolidation using the equity method in the prudential perimeter.

Table 9 – Template EU LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
				subject to the credit risk framework	subject to the CCR framework	subject to the securitisation framework	subject to the market risk framework	not subject to own funds requirements or subject to deduction from own funds
Assets								
10	Cash and cash equivalents	505	499	499				
20	Financial assets measured at fair value through profit or loss	249	249	235	12	2	12	
30	Financial assets measured at fair value through other comprehensive income	702	702	702				
40	Financial assets measured at amortised cost	11.514	11.333	10.885	197	213		37
50	Hedging derivatives	7	7	0	7			
60	Value adjustment of financial assets generically hedged	0	0	0				
70	Equity investments	0	191	191				
80	Technical provisions by reinsurers	0	0	0				
90	Property, plant and equipment	167	166	166				
100	Intangible assets	85	85	24				61
110	Tax assets	213	200	160				40
120	Non-current assets and disposal groups	0	0					
130	Other assets	383	378	378				
	Total assets	**13.826**	**13.810**	**13.239**	**216**	**216**	**12**	**138**
Liabilities								
10	Financial liabilities measured at amortised cost	11.598	11.598		1.676			196
20	Financial liabilities held for trading	14	14		14		14	
30	Financial liabilities designated at fair value	0	0					
40	Hedging derivatives	15	15		15			
50	Value adjustment of financial liabilities hedged	0	0					
60	Tax liabilities	52	51					29
70	Liabilities associated with assets held for sale	0	0					
80	Other liabilities	339	324					
90	Post-employment benefits	8	7					
100	Provisions for risks and charges	52	52					
110	Technical provisions	0	0					
120	Valuation reserves	-28	-28					-28
130	Reimbursable shares	0	0					
140	Equity	0	0					
150	Reserves	1.544	1.544					1.544
155	Interim dividends	-63	-63					

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		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
				subject to the credit risk framework	subject to the CCR framework	subject to the securitisation framework	subject to the market risk framework	not subject to own funds requirements or subject to deduction from own funds
160	Share premium	85	85					85
170	Share capital	54	54					54
180	Treasury shares	-21	-21					-21
190	Equity attributable to non-controlling interests	16	16					6
200	Profit for the year	162	162					50
	Total liabilities and equity	**13.826**	**13.810**					**1914**

Table 10 – Template EU LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Total	Items subject to			
			credit risk framework	securitisation framework	CCR framework	market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)**	**13.683**	**13.239**	**216**	**216**	**12**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)**	**1.719**			**1.705**	**14**
3	**Total net amount under the regulatory scope of consolidation**	**15.402**	**13.239**	**216**	**1.921**	**26**
4	**Off-balance-sheet amounts**	***1.320***	***1.320***			
5	Valuation differences					
6	Differences due to compensation rules other than those already included in line 2					
7	Differences due to the treatment of value adjustments					
8	Differences due to the use of credit risk mitigation (CRM) techniques	0	41	-41		
9	Differences due to credit conversion factors	-863	-863			
10	Differences due to securitisation with risk transfer					
11	Other differences	356	-6		362,42	
12	**Amounts of exposures considered for regulatory purposes**	**16.189,04**	**13.730,20**	**175,35**	**2.283,49**	

Table EU LI2 shows the reconciliation between the total amount based on the regulatory scope of consolidation (carrying amounts) and the exposure value subject to capital requirements, for each type of risk. The main differences between the carrying values determined on the basis of regulatory consolidation and the exposure amounts determined for regulatory purposes, as far as credit risk is concerned, can be attributed mainly to the following phenomena:

- off-balance sheet amounts;
- differences due to credit conversion factors;
- other differences including CVA exposure, counterparty risk related to SFT transactions, and derivative exposures.

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Table 11 – Template EU LI3: Outline of the differences in the scopes of consolidation (entity by entity)

		Prudential consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of the entity
BANCA IFIS S.P.A.	Full consolidation	X					Credit institution
IFIS FINANCE SP ZOO	Full consolidation	X					Financial institution
IFIS FINANCE I.F.N. S.A.	Full consolidation	X					Financial institution
IFIS RENTAL SERVICES S.R.L.	Full consolidation			X			movable property rental company
CAP.ITAL.FIN S.P.A.	Full consolidation	X					Financial institution
BANCA CREDIFARMA S.P.A.	Full consolidation	X					Credit institution
IFIS NPL INVESTING S.P.A.	Full consolidation	X					Financial institution
IFIS NPL SERVICING S.P.A.	Full consolidation	X					Financial institution
IFIS ABC PROGRAMME S.R.L.	Full consolidation	X					Vehicle company
INDIGO LEASE S.R.L. (*)	Full consolidation	X					Vehicle company
EMMA SPV S.R.L. (*)	Full consolidation	X					Vehicle company
IFIS NPL 2021-1 SPV S.R.L.	Full consolidation	X					Vehicle company

(*) Special Purpose Vehicles, not legally part of the Banca Ifis Group, set up for securitisation transactions for which a controlling relationship has been assessed in accordance with IFRS 10

Table 12 – Template EU PV1: Prudent Valuation Adjustments (PVA)

	AVA at category level	a	b	c	d	e	EU e1	EU e2	f	g	h
		Risk category					AVA at category level - Uncertainty of assessment		Total at post-diversification category level		
		Equity	Interest rates	Exchange rates	Credit	Commodities	AVA for unrealised credit spreads	AVA for investment and funding costs		of which total basic method in the trading book	of which total basic method in the banking book
1	Uncertainty of market quotations	-	-	-	-	-	-	-	-	-	-
2	Not applicable										
3	Closing costs	-	-	-	-	-	-	-	-	-	-
4	Concentrated positions	-	-	-	-	-			-	-	-
5	Early closure of positions	-	-	-	-	-			-	-	-
6	Model risk	-	-	-	-	-	-	-	-	-	-
7	Operational risk	-	-	-	-	-			-	-	-
8	Not applicable										
9	Not applicable										
10	Future administrative costs	-	-	-	-	-			-	-	-
11	Not applicable										

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AVA at category level		a	b	c	d	e	EU e1	EU e2	f	g	h
		Risk category					AVA at category level - Uncertainty of assessment		Total at post-diversification category level		
		Equity	Interest rates	Exchange rates	Credit	Commodities	AVA for unrealised credit spreads	AVA for investment and funding costs		of which total basic method in the trading book	of which total basic method in the banking book
12	Total Additional Valuation Adjustments (AVA)								1	-	-

Please note that there are no obstacles within the Group that might hinder the quick transfer of capital resources or funds.

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3. Capital adequacy

For the sake of comparison, it should also be noted that until 31 December 2024, Banca Ifis, at the consolidated level, is required to comply with the following capital requirements, as part of the Supervisory Review and Evaluation Process (SREP):

- OCR threshold of the Common Equity Tier 1 (CET 1) capital ratio of 8.436%, with a required minimum of 5.50%;
- OCR threshold of the Tier 1 (Tier 1) capital ratio of 10.336%, with a required minimum of 7.40%;
- OCR threshold of the Total Capital Ratio of 12.736%, with a required minimum of 9.80%.

In order to ensure a level of capital that can absorb any losses arising from stress scenarios, as referred to in Article 104 ter of EU Directive 36/2013, the Bank of Italy has also set the following capital levels for the Banca Ifis Group:

- CET 1 ratio of 9.436%, consisting of an OCR CET1 ratio of 8.436% and a target component (Pillar 2 Guidance) of 1%;
- Tier 1 ratio of 11,336%, consisting of an OCR T1 ratio of 10,336% and a target component (Pillar 2 Guidance) of 1%;
- Total Capital Ratio of 13,736%, consisting of an OCR TC ratio of 12,736% and a target component (Pillar 2 Guidance) of 1%.

The Bank of Italy has decided to apply a SyRB (Systemic Risk Buffer) equal to 1.0% of credit and counterparty risk-weighted exposures to Italian residents to all banks authorised in Italy[5] (the basis of calculation, therefore, is not as for the capital conservation reserve or the countercyclical reserve the total risk exposure). The target rate of 1.0% is to be achieved gradually by building up a reserve of 0.5% of material exposures by 31 December 2024 and the remaining 0.5% by 30 June 2025. The SyRB is to be applied at both consolidated and individual level.

It follows that to express the Combined Capital Reserve Requirement, which also includes the Systemic Risk Reserve, as a percentage of TREA, it is necessary to multiply the percentage set by the Bank of Italy (from 0.5% to 1%) by the ratio of:

- credit and counterparty risk-weighted exposures to residents in Italy (ERCCR);
- overall exposure to risk (TREA).

Since this ratio is always less than one (since the numerator is a part of the denominator), multiplying the percentage dictated by the Bank of Italy by this value will give a new lower percentage. In a nutshell:

$$X\% * TREA = Ry\% * ERCCR$$

Where:

[5] The requirement must be calculated on the sum of exposures to residents of Italy in rows 170, column 90 of Corep Table C09.01 and 150, column 125 of Corep Table C09.02.

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- X% is the new percentage requirement to be determined to calculate the Systemic Risk Reserve according to TREA and no longer ERCCR;
- Ry% is the percentage expressed by the Bank of Italy for the calculation of the Systemic Risk Reserve according to the ERCCR.

From which:

$$X\% = Ry\% * \frac{ERCCR}{TREA}.$$

In this way, the systemic risk buffer ratio can be expressed as a function of TREA and, thus, the overall combined capital buffer requirement can also be expressed as a percentage of TREA.

Below is a comparative table of the requirements valid for 2024.

Table 13 - Reference Thresholds for Capital Ratios under Art. 92(1) CRR

Reference thresholds	CET 1 Ratio	TIER 1 Ratio	Total Capital Ratio
Minimum Regulatory Requirement (A) under Art. 92(1) CRR	4,50%	6%	8%
Additional requirement SREP - Component P2R (B)	1,00%	1,40%	1,80%
Total SREP Capital Requirement (TSCR threshold) (C = A + B)	5,50%	7,40%	9,80%
Capital conservation reserve buffer (D)	2,50%	2,50%	2,50%
Specific Countercyclical Coefficient Countercyclical capital buffer (E)6	0,040%	0,040%	0,040%
SyRB adjusted Systemic risk capital reserve (G)	0,396%	0,396%	0,396%
Overall ratio Combined buffer requirement (H = D + E + F + G)	2,936%	2,936%	2,936%
OCR Threshold - Overall Capital Requirement (I = C + H)	8,436%	10,336%	12,736%
Component P2G - Pillar 2 Guidance (L)	1,00%	1,00%	1,00%
Overall requirement (M = I + L)	**9,436%**	**11,336%**	**13,736%**
Actual result	**16,102%**	**16,111%**	**18,111%**

At 31 December 2024, the Banca Ifis Group easily met the above-specified requirements.

Procedure for determining the minimum requirement for liabilities subject to bail-in

The MREL- TREA thresholds are determined by the Resolution Authority considering:

- the requirement under Article 92(p1)(c) of Regulation 575/13 of the European Parliament and of the Council of the Union (which in the present case concerns the minimum threshold of the TCR, which is set at 8%);
- the requirement pursuant to Article 104 bis of Directive 2013/36/EU: P2R Pillar 2 requirement as determined by the Bank of Italy in the "Capital Decisions" measure pursuant to Article 67 ter, paragraph 1, letter d) TUB. The last capital measure reached Banca IFIS in January 2024, and since then the P2R threshold for the TCR has been set at 1.8%:
- Add-On additional to the combined capital reserve requirement in force at the time

Table 14 - Capital ratios at consolidated level (2 of 2)

MREL - TREA	
Minimum regulatory requirement pursuant to Art. 92(p1)(c) of Regulation 575/13 of the European Parliament and of the Council of the Union	8%
Additional SREP requirement - Component P2R (Requirement pursuant to Art. 104a of Directive 2013/36/EU)	1,80%
Add-On equal to the combined capital reserve requirement in force at the time	2,936%

[6] Component that varies according to the input data used for its calculation. The calculation is made quarterly

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MREL - TREA	
THRESHOLD MREL – TREA	12,736%

From the numerator of the MREL - TREA (determined by the sum of own funds and eligible liabilities) and, in particular, from CET 1, the Combined Reserve Capital Requirement (time to time reported) must then be deducted. The ratio of this quantity to TREA must meet the above thresholds.

Alternatively, the MREL - TREA can be calculated:

- not deducting the combined capital reserve requirement from the numerator;
- calculating the minimum threshold as follows:
  - minimum regulatory requirement pursuant to Article 92(1)(c) of Regulation 2013/575 of the European Parliament and of the Council of the Union, which is 8%;
  - additional SREP requirement - component P2R (requirement under Article 104a of Directive 2013/36/EU), equal to 1.8%;
  - add-on equal to twice the combined capital reserve requirement in force at the time, which was 5.872% at the reference date.

The minimum MREL - TREA calculated by adding the above components is 15.672%

The results of the MREL - TREA at 31 December 2024 are shown below, considering the two options described above:

Table 15 - MREL - TREA at 31 December 2024

	Values option 1	Values option 2
MREL - TREA Minimum threshold	12,736%	15,672%
MREL - TREA actual	27,710%	30,646%
Difference between actual value and minimum threshold	14,974%	14,974%

For the calculation of the MREL - LRE we consider:

- as numerator, the sum of own funds and eligible liabilities. Unlike MREL - TREA, the combined capital reserve requirement is not to be deducted when calculating the numerator of MREL - LRE.
- in the denominator, the LRE as reported time by time.

The indicator thus calculated must never fall below 4.468%, the latter value being determined as the sum of:

- the regulatory minimum requirement pursuant to Article 92(1) of Regulation 2013/575 of the European Parliament and of the Council of the Union, i.e. 3%;
- add-on equal to half of the combined capital reserve requirement in force at the time, which was 1.468% at the reference date.

The result of the MREL - LRE at 31 December 2024 is shown below

Table 16 - MREL - LRE actual at 31 December 2024

	Values
MREL - LRE Minimum threshold	4,468%
MREL - LRE Actual	20,38%
Difference between actual value and minimum threshold	15,913%

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Group liquidity position and coefficients

During 2024, the Group continued its strategy of differentiating between distribution channels, in order to ensure a better balance with respect to retail funding. The Group has liquidity at 31 December 2024 (in reserves and free assets that can be financed in the ECB) such as to enable it to easily respect the LCR limits (with index more than of 700%).

3.1. Own funds

3.1.1. Consolidated own funds and capital adequacy ratios at 31 December 2024

Consolidated own funds, risk-weighted assets and prudential ratios at 31 December 2024 were calculated based on the regulatory changes introduced by Directive No. 2019/878/EU (CRD V) and Regulation (EU) No. 876/2019 (CRR2), which amended the regulatory principles set out in Directive No. 2013/36/EU (CRD IV) and Regulation (EU) No. 575/2013 (CRR), as subsequently amended, which were transposed in the Bank of Italy's Circular No. 285.

For the purposes of calculating capital requirements at 31 December 2024, in continuity with what has been done since 30 June 2020, the Banca Ifis Group has applied the temporary support provisions still in force at this reporting date, as set out in EU Regulation No. 873/2020 (the "quick fix").

New developments in Q3 2024 include the application of the temporary treatment of unrealised gains and losses measured at fair value for exposures to central governments classified in the FVOCI category, reintroduced by EU Regulation No. 1623/2024 as an amendment to Article 468 of the CRR.

Among the year-end news is the activation by the Bank of Italy of the systemic risk capital buffer. At 31 December, the reserve to be attained constituted 0.5% of the credit and counterparty risk-weighted exposures to Italian residents. The target rate of 1.0% is to be achieved by 30 June 2025.

EU Regulation no. 873/2020, relative to the transitional provisions aimed at attenuating the impact of the introduction of IFRS 9 on Own funds - defines for entities the possibility of including in their common equity tier 1 a portion of the accruals gained for expected credit losses, through different operating methods of the transitional period of reference (1 January 2018 - 31 December 2019 and 1 January 2020 - 31 December 2024).

Please note that at the time, Banca Ifis had already informed the Bank of Italy of its decision to apply the transitional provisions for the entire period.

Said portion will be included in CET1 gradually and by applying the following factors:

Table 17 - Temporary treatment IFRS 9

2018-2019	2020-2024
0,70 from 1 January 2020 to 31 December 2020	1,00 from 1 January 2020 to 31 December 2020
0,50 from 1 January 2021 to 31 December 2021	1,00 from 1 January 2021 to 31 December 2021
0,25 from 1 January 2022 to 31 December 2022	0,75 from 1 January 2022 to 31 December 2022
0,00 from 1 January 2023 to 31 December 2023	0,50 from 1 January 2023 to 31 December 2023
0,00 from 1 January 2024 to 31 December 2024	0,25 from 1 January 2024 to 31 December 2024

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Table 18 - Own funds and capital ratios (Amounts with application of IFRS9 transitional provisions)

Own Funds and Capital Ratios: (in thousands of Euro)	Figures at	
	31.12.2024 (*)	31.12.2023 (**)
Common Equity Tier 1 (CET1) capital	1.583.801	1.544.497
Tier 1 capital (T1)	1.584.703	1.545.424
Total Own Funds	1.781.416	1.812.324
Total RWAs	**9,836,093**	**10,390,002**
Common Equity Tier 1 ratio	16.10%	14.87%
Tier 1 Capital ratio	16.11%	14.87%
Ratio – Total Own Funds	18.11%	17.44%

(*) CET1, Tier1 and total Own funds (Total Capital) include the profits accrued by the Banking Group at 31 December 2024, net of the related dividend, including the portion distributed on an interim basis in compliance with the provisions of Article 2433, paragraph 4 of the Italian Civil Code.

(**) CET1, TIER1 and total Own funds (Total Capital) include the profits accrued by the Banking Group at 31 December 2023, net of the related dividend, including the portion distributed on an interim basis in compliance with the provisions of Article 2433, paragraph 4 of the Italian Civil Code.

At 31 December 2024, taking into account the transitional treatment adopted to mitigate the impacts of IFRS 9 on CET1, Own funds amount to 1,781 million Euro, recording a negative change of about 30.9 million Euro compared to 31 December 2023. This change is mainly attributable to the following components:

- the inclusion of the profit accrued at 31 December 2024, equal to 161.6 million Euro, net of the dividend hypothesis equal to 111.5 million Euro including the portion distributed as an advance; the positive change amounts to 50.1 million Euro;
- the lower deduction of deferred tax assets, equal to 4.9 million Euro;
- the positive change in other reserves equal to 3 million Euro;
- the application of the transitional filter introduced to mitigate the impact of the IFRS 9 FTA (Art. 473 bis CRR), which resulted in a negative change of 19.9 million Euro, offset by the introduction of the filter on the OCI reserve on government securities for a positive amount of 15.9 million Euro; the total negative change amounted to 3.9 million Euro;
- the higher deduction from receivables in Calendar Provisioning, amounting to 14.8 million Euro;
- the reduced eligibility for Tier 2 capital of the subordinated loan with a maturity of less than 5 years, mainly due to the joint effect of the application of the amortisation under Article 64 of the CRR and the deduction of the repurchase obligation authorised by the Bank of Italy, which has entailed a total reduction of 70.2 million Euro.

The negative change in Own Funds due to the phenomena mentioned above was mitigated by a reduction in risk-weighted assets of 553.9 million Euro as described in the next paragraph. At 31 December 2024, the CET1 ratio stood at 16.10%, up 123 Basis Points compared to 31 December 2023; the Total Capital ratio stood at 18.11%, recording an increase of 67 Basis Points.

Table 19 - Own funds and capital ratios (Amounts without application of IFRS9 transitional provisions)

Own Funds and Capital Ratios: (in thousands of Euro)	Figures at	
	31.12.2024 (*)	31.12.2023 (**)
Common Equity Tier 1 (CET1) capital	1.561.703	1.518.451
Tier 1 capital (T1)	1.562.605	1.519.378
Total Own Funds	**1.759.318**	**1.786.278**
Total RWAs	**9.836.093**	**10.386.270**

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Own Funds and Capital Ratios: (in thousands of Euro)	Figures at	
	31.12.2024 (*)	31.12.2023 (**)
Common Equity Tier 1 ratio	15,88%	14,62%
Tier 1 Capital ratio	15,89%	14,63%
Ratio – Total Own Funds	**17,89%**	**17,20%**

(*) CET1, TIER1 and total Own funds (Total Capital) include the profits accrued by the Banking Group at 31 December 2024, net of the related dividend, including the portion distributed on an interim basis in compliance with the provisions of Article 2433, paragraph 4 of the Italian Civil Code.

(**) CET1, TIER1 and total Own funds (Total Capital) include the profits accrued by the Banking Group at 31 December 2023, net of the related dividend, including the portion distributed on an interim basis in compliance with the provisions of Article 2433, paragraph 4 of the Italian Civil Code.

At 31 December 2024, not considering the filter related to the IFRS9 transitional regime nor taking into account the prudential filter for exposures to central governments classified in the FVOCI category, Fully Loaded Own Funds amounted to 1,759 million Euro and the RWA when fully applied, come to 9,836 million Euro.

Risk-weighted assets

Table 20 – Risk-weighted assets

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	SEGMENT COMMERCIAL & CORPORATE BANKING	COMMERCIAL & CORPORATE BANKING			NPL SEGMENT	SEGMENT NON-CORE & GOVERNANCE & SERVICES	TOTALE CONS. GROUP TOTAL
		of which: FACTORING AREA	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
Total RWA per segment	**5.769.725**	**2.729.714**	**1.200.451**	**1.839.560**	**1.733.692**	**1.171.961**	**8.675.378**
Market risk							39.749
Operational risk (basic indicator approach)							1.038.251
Risk of adjustment of the credit rating							82.715
Total RWA							**9.836.093**

At 31 December 2024, taking into account the transitional treatment adopted to mitigate the impact of IFRS 9, total risk-weighted exposures amount to 9,836 million Euro, a decrease of 553.9 million Euro compared to December 2023. Specifically, please note:

- a decrease in credit risk of 574.2 million Euro mainly attributable to the following changes:
  - reduction of 89 million Euro recorded on the Corporate and Retail exposure class, attributable to the recovery of information assets useful for the application of preferential weighting factors;
  - reduction of 222.6 million Euro related to the exposure class Institutions, due to the decrease in Repo and Securities transactions in the first half of the year and, starting in the third quarter, the introduction of the credit ratings of the agency (ECAI) Fitch Ratings Ireland Limited;
  - reduction recorded on the Default exposure class of 234.7 million Euro, the effect of which is attributable to a reduction in assets in the NPL sector (-130 million Euro);
  - decrease recorded on the other exposure classes totalling 27.7 million Euro;
- increase in market risk and CVA components, totalling 9.9 million Euro, due mainly to the increase in derivative transactions;

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- increase in operational risk of 10.3 million Euro, due to the improvement of the relevant indicator.

3.1.2. Disclosure regarding Sovereign Debt

On 5 August 2011, CONSOB (drawing on ESMA document No. 2011/266 of 28 July 2011) issued Communication No. DEM/11070007 on disclosures by listed companies of their exposures to sovereign debt and market performance, the management of exposures to sovereign debt, and their operating and financial impact.

In accordance with the requirements of the aforementioned communication, it should be noted that at 31 December 2024 the carrying amount of sovereign debt exposures is 2,059 million Euro, net of the negative valuation reserve of 15.9 million Euro.

These securities, with a nominal amount of approximately 2.122 million Euro, have a weighted residual average life of approximately 67 months. The fair values used to measure the exposures to Sovereign debt securities at 31 December 2024 are considered to be Level 1.

Pursuant to the CONSOB Communication, besides the exposure to Sovereign debt, it is also necessary to consider receivables due from the Italian National Administration, which at 31 December 2024 total 281 million Euro, including 73 million Euro relating to tax receivables.

3.1.3. Tax assets

Tax assets are included in the calculation of "capital requirements for credit risk" in accordance with (EU) Regulation no. 575/2013 (CRR) as subsequently amended, which was transposed in the Bank of Italy's Circulars no. 285.

Here below is the breakdown of the different treatments by type and the relevant impact on CET1 and risk-weighted assets at 31 December 2024:

- the "deferred tax assets that rely on future profitability and do not arise from temporary differences" are subject to deduction from CET1; at 30 December 2024, the deduction is 40 million Euro. It should also be noted that the amount of DTA deducted from CET1, as provided for by Art. 38 par. 5 pursuant to CRR, is offset for an amount of 13,3 million Euro by the corresponding deferred tax liabilities. This deduction will be gradually absorbed by the future use of these deferred tax assets;

- the "deferred tax assets that rely on future profitability and arise from temporary differences" are not deducted from CET1 and receive instead a 250% risk weight: at 31 December 2024, these assets amount to 33,4 million Euro. The amount weighted according to a factor of 250%, as provided for by art. 38 par 5 pursuant to CRR, is shown net of the offsetting with the corresponding deferred tax liabilities for an amount of 15,3 million Euro;

- the "deferred tax assets pursuant to Italian Law No. 214/2011", concerning credit risk losses, that can be converted into tax credits, receive a 100% risk weight; at 31 December 2024, the corresponding weight totals 85,1 million Euro;

- "current tax assets" receive a 0% weight as they are exposures to the Central Government.

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Table 21 - IFRS9-FL - Comparison of Own Funds, Capital Ratios and Leverage with and without the application of IFRS 9 transitional arrangements

	Available capital (amounts)	31/12/2024	31/12/2023	31/12/2022
1	Common Equity Tier 1 (CET1) capital	1.584	1.544	1.521
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements or similar expected credit losses were applied	1.578	1.518	1.489
2a	Common Equity Tier 1 (CET1) capital as if the temporary treatment under article 468 CRR for unrealised gains and losses, measured at fair value through other comprehensive income, were not applied	1.568	1.544	1.508
3	Tier 1 capital	1.585	1.545	1.521
4	Tier 1 capital (CET1) as if IFRS 9 transitional arrangements or similar expected credit losses were not applied	1.579	1.519	1.490
4a	Tier 1 capital as if the temporary treatment under article 468 CRR for unrealised gains and losses, measured at fair value through other comprehensive income, were not applied	1.569	1.545	1.508
5	Total capital	1.781	1.812	1.906
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements were not applied	1.775	1.786	1.875
6a	Total capital as if the temporary treatment under article 468 CRR for unrealised gains and losses, measured at fair value through other comprehensive income, were not applied	1.765	1.812	1.893
	Risk-weighted assets (amounts)			
7	Total risk-weighted assets	9.836	10.390	10.128
8	Total risk-weighted assets, as if IFRS 9 transitional arrangements or similar expected credit losses were not applied	9.836	10.386	10.116
	Capital ratios			
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16,10%	14,87%	15,01%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements were not applied	16,04%	14,62%	14,72%
10a	Common Equity Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment under article 468 CRR for unrealised gains and losses, measured at fair value through other comprehensive income, was not applied	15,94%	14,87%	14,88%
11	Tier 1 (as a percentage of risk exposure amount)	16,11%	14,87%	15,02%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements were not applied	16,05%	14,63%	14,73%
12a	Common Equity Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment under article 468 CRR for unrealised gains and losses, measured at fair value through other comprehensive income, was not applied	15,95%	14,87%	14,89%
13	Total capital (as a percentage of risk exposure amount)	18,11%	17,44%	18,82%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or similar ECLs transitional arrangements were not applied	18,05%	17,20%	18,53%
14a	Total capital (as a percentage of the risk exposure amount) as if the temporary treatment under article 468 CRR for unrealised gains and losses, measured at fair value through other comprehensive income, were not applied	17,95%	17,44%	18,69%
Leverage ratio				
15	Leverage ratio total exposure measurement	14.790	14.860	14.213
16	Leverage ratio	10,71%	10,40%	10,71%
17	Leverage ratio as if IFRS 9 transitional arrangements or similar expected credit losses were not applied	10,68%	10,22%	10,48%
17a	Leverage ratio as if the temporary treatment under article 468 CRR for unrealised gains and losses, measured at fair value through other comprehensive income, were not applied	10,62%	10,40%	10,61%

3.1.4. Main features of regulatory own funds instruments and eligible liabilities instruments

Below is the information in tabular format provided for in Article 447 of Regulation 876/2019 and implemented in Template EU CCA of Regulation 637/2021.

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Table 22 - Template EU CCA: main features of regulatory own funds instruments and eligible liabilities instruments

		Qualitative or quantitative information	
		30/06/2024	31/12/2024
1	Issuer:	BANCA IFIS SPA	BANCA IFIS SPA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	IT0003188064	IT0003188064
2a	Public or private placement	Public	Public
3	Governing law(s) of the instrument	Italian law	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A
Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1 capital	Common Equity Tier 1 capital
5	Post-transitional CRR rules	Common Equity Tier 1 capital	Common Equity Tier 1 capital
6	Eligible at solo/(sub-) consolidated / solo & (sub) consolidated	Single entity and consolidated	Single entity and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	118	118
9	Nominal amount of instrument	54	54
EU-9a	Issue price	54	54
EU-9b	Redemption price	N/A	N/A
10	Accounting classification	Shareholders' Equity	Shareholders' Equity
11	Original date of issuance	07/10/2003	07/10/2003
12	Perpetual or	dated	dated
13	Original maturity date	N/A	N/A
14	Issuer call subject to prior supervisory approval	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	N/A	N/A
19	Existence of a dividend stopper	NO	NO
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A
21	Existence of step up or other incentive to redeem	N/A	N/A
22	Non-cumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	N/A	N/A
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A
36	Non-compliant transitioned features	NO	NO
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.bancaifis.it/app/uploads/2020/06/st040408.pdf	

Enter 'N/A' if the information does not apply

		Qualitative or quantitative information	
		30/06/2024	31/12/2024
1	Issuer:	Banca Ifis S.p.A.	Banca Ifis S.p.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS1700435453	XS1700435453

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		Qualitative or quantitative information	
		30/06/2024	31/12/2024
2a	Public or private placement	Public	Public
3	Governing law(s) of the instrument	English Law	English Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N.A.	N.A.
Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated / solo & (sub-) consolidated	Single Entity and consolidation	Single Entity and consolidation
7	Instrument type (types to be specified by each jurisdiction)	Subordinated bond - Article 62 CRR	Subordinated bond - Article 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	231	196
9	Nominal amount of instrument	400	400
EU-9a	Issue price	100	100
EU-9b	Redemption price	100	100
10	Accounting classification	Liabilities - amortised cost	Liabilities - amortised cost
11	Original date of issuance	17/10/2017	17/10/2017
12	Perpetual or	deadline	deadline
13	Original maturity date	17/10/2027	17/10/2027
14	Issuer call subject to prior supervisory approval	YES	YES
15	Optional call date, contingent call dates and redemption amount	17/10/2022	17/10/2022
16	Subsequent call dates, if applicable	N.A.	N.A.
Coupons/dividends			
17	Fixed or floating dividend/coupon	Fixed coupon 4.50% until 17.10.2022 with possible subsequent reset	Fixed coupon 4.50% until 17.10.2022 with possible subsequent reset
18	Coupon rate and any related index	4.50% until 17.10.2022. Subsequently 7.38% until 17.10.2027	4.50% until 17.10.2022. Subsequently 7.38% until 17.10.2027
19	Existence of a dividend stopper	NO	NO
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N.A.	N.A.
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N.A.	N.A.
21	Existence of step up or other incentive to redeem	Coupon reset on 17.10.2022 in 5Y Swap Rate + 4.251%	Coupon reset on 17.10.2022 in 5Y Swap Rate + 4.251%
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N.A.	N.A.
25	If convertible, fully or partially	N.A.	N.A.
26	If convertible, conversion rate	N.A.	N.A.
27	If convertible, mandatory or optional conversion	N.A.	N.A.
28	If convertible, specify instrument type convertible into	N.A.	N.A.
29	If convertible, specify issuer of instrument it converts into	N.A.	N.A.
30	Write-down features	N.A.	N.A.
31	If write-down, write-down trigger(s)	N.A.	N.A.
32	If write-down, full or partial	N.A.	N.A.
33	If write-down, permanent or temporary	N.A.	N.A.
34	If temporary write-down, description of write-up mechanism	N.A.	N.A.
34a	Type of subordination (only for eligible liabilities)	N.A.	N.A.
EU-34b	Ranking of the instrument in normal insolvency proceedings	N.A.	N.A.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Junior versus senior unsecured instruments	Junior versus senior unsecured instruments
36	Non-compliant transitional features	No	No
37	If yes, specify non-compliant features	N.A.	N.A.
37a	Link to the full term and conditions of the instrument (signposting)	https://www.bancaifis.it/app/uploads/2020/06/Banca-IFIS-Bond-Sub.-2017-2027-450-Final-Terms-1.pdf	

Enter 'N/A' if the information does not apply

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3.1.5. Quantitative information

Table 23– Template EU CC1: Composition of regulatory own funds

		Amounts	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	139	160,170
	Of which: instrument type 1	-	-
	Of which: instrument type 2	-	-
	Of which: instrument type 3	-	-
2	Retained earnings	1.531	150
3	Accumulated other comprehensive income (and other reserves)	(15)	120,150
EU-3a	Funds for general banking risks	-	-
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)	4	190
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	50	200
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1.709**	**-**
Common Equity Tier 1 (CET 1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(1)	1
8	Intangible assets (net of related tax liability) (negative amount)	(61)	100
9	Not applicable	-	-
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)	(27)	110,60
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	(21)	180
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)	-	-
20	Not applicable	-	-
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	-	-
24	Not applicable	-	-
25	Of which: deferred tax assets arising from temporary differences	-	-
EU-25a	Losses for the current financial year (negative amount)	-	-
EU-25b	Foreseeable tax charges relating to 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)	-	-

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		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
26	Not applicable	-	-
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	-
27a	Other regulatory adjustments	(15)	2,3
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(125)**	**-**
29	**Common Equity Tier 1 (CET1) capital**	**1.584**	**-**
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	-
31	Of which: classified as equity under applicable accounting standards	-	-
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	1	190
35	of which: instruments issued by subsidiaries subject to phase out	-	-
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**1**	**-**
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	10
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)	-	-
41	Not applicable	-	190
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**	**1**	**10**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1.585**	**-**
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	246	10
47	Amount of qualifying items 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 qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-	-
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	1	-
49	of which: instruments issued by subsidiaries subject to phase out	-	-
50	Credit risk adjustments	-	-
51	**Tier 2 (T2) capital before regulatory adjustments**	**247**	**-**
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(50)	-
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)	-	-
54a	Not applicable	-	-
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	-	-

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		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	significant investment in those entities (net of eligible short positions) (negative amount)		
56	Not applicable	-	-
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**	**(50)**	**-**
58	**Tier 2 (T2) capital**	**197**	**-**
59	**Total capital (TC = T1 + T2)**	**1.781**	**-**
60	**Total risk exposure amount**	**9.836**	**-**
Capital ratios and buffers			
61	**Common Equity Tier 1 capital**	**16,10%**	**-**
62	**Tier 1 capital**	**16,11%**	**-**
63	**Total capital**	**18,11%**	**-**
64	Institution CET1 overall capital requirement	8,44%	-
65	Of which: capital conservation buffer requirement	2,50%	-
66	Of which: countercyclical buffer requirement	0,04%	-
67	Of which: systemic risk buffer requirement	0,4%	-
EU-67a	Of which: global systemically important institution (G-SII) or other systemically important institution (O-SII) capital buffer requirement	-	-
EU-67b	Of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1,00%	-
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**8,31%**	**-**
National minimum (if different from Basel III)			
69	Not applicable	-	-
70	Not applicable	-	-
71	Not applicable	-	-
Amounts below the deduction thresholds (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)	62	-
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)	20	-
74	Not applicable	-	-
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	18	-
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 Jan 2014 and 1 Jan 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 (exceeded cap after repayments 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)	-	-

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Table 24 – Template EU CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

	Balance sheet as in published financial statements	In the context of prudential consolidation	Amount relevant for Own Funds			Reference
	As at period end	As at period end	Common Equity Tier 1 (CET1) capital	Additional Tier 1 (AT1) capital	Tier 2 (T2) capital	
Assets						
10. Cash and cash equivalents	505	499	-	-	-	-
20. Financial assets measured at fair value through profit or loss	249	249	-	-	-	-
A) Financial assets held for trading	12	12	-	-	-	-
B) Financial assets designated at fair value	-	-	-	-	-	-
C) Other financial assets mandatorily measured at fair value	237	237	-	-	-	-
30. Financial assets measured at fair value through other comprehensive income	702	702	-	-	-	-
40. Financial assets measured at amortised cost	11.514	11.333	-	-	-	-
A) Due from banks	148	147	-	-	-	-
B) Loans to customers	8.861	8.681	-	-	-	-
C) Debt securities	2.505	2.505	-	-	-	-
- Banks	556	556	-	-	-	-
- Customers	1.949	1.949	-	-	-	-
50. Hedging derivatives	7	7	-	-	-	-
60. Value adjustment of financial assets generically hedged (+/-)	-	-	-	-	-	-
70. Equity investments	0	191	-	-	-	-
80. Insurance activities	-	-	-	-	-	-
a) insurance contracts issued that constitute assets	-	-	-	-	-	-
b) outward reinsurance that constitute assets	-	-	-	-	-	-
90. Property, plant and equipment	167	166	-	-	-	-
100. Intangible assets	85	85	(61)	-	-	8
- Goodwill	38	38	(38)	-	-	8
- Other intangible assets	47	47	(23)	-	-	8
110. Tax assets	213	200	-	-	-	-
A) Current	42	41	-	-	-	-
B) Prepaid	171	158	(40)	-	-	10
120. Non-current assets and disposal groups	-	-	-	-	-	-
130. Other assets	383	378	-	-	-	-
Total assets	**13.826**	**13.810**	**(101)**	**-**	**-**	
Liabilities and Equity						
10. Financial liabilities measured at amortised cost	11.598	11.598	-	-	-	-
A) Payables due to banks	1.443	1.443	-	-	-	-
B) Payables due to customers	7.002	7.002	-	-	-	-
C) Securities issued	3.153	3.153	-	-	196	46/52
20. Financial liabilities held for trading	14	14	-	-	-	-
30. Financial liabilities designated at fair value	-	-	-	-	-	-
40. Hedging derivatives	15	15	-	-	-	-
50. Value adjustment of financial liabilities generically hedged (+/-)	-	-	-	-	-	-
60. Tax liabilities	52	51	-	-	-	-
A) current	23	23	-	-	-	-
B) deferred	29	29	13	-	-	10
70. Liabilities associated with disposal groups	-	-	-	-	-	-
80. Other liabilities	339	324	-	-	-	-
90. Post-employment benefits	8	7	-	-	-	-
100. Provisions for risks and charges	52	52	-	-	-	-
A) commitments and guarantees granted	6	6	-	-	-	-
B) pensions and similar obligations	0	0	-	-	-	-
C) other provisions for risks and charges	47	46	-	-	-	-
110. Insurance liabilities	-	-	-	-	-	-
a) Insurance contracts issued that constitute liabilities	-	-	-	-	-	-
b) outward reinsurance that constitute liabilities	-	-	-	-	-	-
120. Valuation reserves	(28)	(28)	(28)	-	-	3

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	Balance sheet as in published financial statements	In the context of prudential consolidation	Amount relevant for Own Funds			Reference
	As at period end	As at period end	Common Equity Tier 1 (CET1) capital	Additional Tier 1 (AT1) capital	Tier 2 (T2) capital	
120. RESERVES FROM VALUATION - of which discontinued operations	-	-	-	-	-	-
130. Reimbursable shares	-	-	-	-	-	-
140. Equity	-	-	-	-	-	-
145. Interim dividends	(63)	(63)	-	-	-	-
150. Reserves	1.544	1.544	1.544	-	-	-
150. A) profit reserves	1.531	1.531	1.531	-	-	2
150. B) other reserves	13	13	13	-	-	3
160. Share premiums	85	85	85	-	-	1
170. Share capital	54	54	54	-	-	1
180. Treasury shares (-)	(21)	(21)	(21)	-	-	16
190. Equity attributable to non-controlling interests (+/-)	16	16	-	-	-	-
190. Minority interests (+/-) - of which discontinued operations	-	-	4	1	1	5,34,48
200. Profit (loss) for the year	162	162	50	-	-	EU-5a
Total liabilities and equity	**13.826**	**13.810**	**1.701**	**1**	**197**	
Own funds						
(-) Value adjustments due to prudent valuation requirements	-	-	(1)	-	-	7
Transient Filters	-	-	22	-	-	27a
(-) Insufficient coverage for non-performing exposures	-	-	(38)	-	-	27a
OWN FUNDS	-	-	**1,584**	**1**	**197**	-

3.2. Countercyclical capital buffer

3.2.1. Quantitative information

Table 25 – Template EU CCYB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

	General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own funds requirements				Risk-weighted exposure amounts	Weighting factors for own funds requirement	Countercyclical buffer rate
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Abu Dhabi	1	-	-	-	-	1	-	-	-	-	-	0,02	0,00%
Albania	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Algeria	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Saudi Arabia	6	-	-	-	-	6	-	-	-	-	-	0,08	0,00%
Argentina	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Armenia	-	-	-	-	-	-	-	-	-	-	-	0	1,50%
Australia	-	-	-	-	-	-	-	-	-	-	-	0	1,00%

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	General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own funds requirements				Risk-weighted exposure amounts	Weighting factors for own funds requirement	Countercyclical buffer rate
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Austria	7	-	-	-	-	7	1	-	-	1	7	0,08	0,00%
Belgium	3	-	-	-	-	3	-	-	-	-	-	0,04	1,00%
Belarus	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Bolivia	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Bosnia and Herzegovina	1	-	-	-	-	1	-	-	-	-	-	0	0,00%
Brazil	2	-	-	-	-	2	-	-	-	-	-	0,03	0,00%
Bulgaria	-	-	-	-	-	-	-	-	-	-	-	0	2,00%
Canada	4	-	-	-	-	4	-	-	-	-	-	0,06	0,00%
Czech (Republic)	6	-	-	-	-	6	-	-	-	-	-	0,07	1,25%
Chile	-	-	-	-	-	-	-	-	-	-	-	0	0,50%
China	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Cyprus	-	-	-	-	-	-	-	-	-	-	-	0	1,00%
Colombia	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
South Korea (Republic of)	1	-	-	-	-	1	-	-	-	-	-	0,01	1,00%
Costa Rica	-	-	-	-	-	-	-	-	-	-	-	0,01	0,00%
Croatia	2	-	-	-	-	2	-	-	-	-	-	0,02	1,50%
Denmark	-	-	-	-	-	-	-	-	-	-	-	0	2,50%
Dominican (Republic)	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Egypt	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Estonia	-	-	-	-	-	-	-	-	-	-	-	0	1,50%
Philippines	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Finland	1	-	-	-	-	1	-	-	-	-	-	0,02	0,00%
France	83	-	-	-	-	83	7	-	-	7	83	1,05	1,00%
Georgia	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Germany	48	-	-	-	-	48	4	-	-	4	51	0,65	0,75%
Japan	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Greece	7	-	-	-	-	7	1	-	-	1	7	0,09	0,00%
Guernsey	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Hong Kong	-	-	-	-	-	-	-	-	-	-	-	0	0,50%
India	3	-	-	-	-	3	-	-	-	-	-	0,04	0,00%

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	General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own funds requirements				Risk-weighted exposure amounts	Weighting factors for own funds requirement	Countercyclical buffer rate
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Iraq	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Ireland	6	-	-	-	-	6	-	-	-	-	-	0,07	1,50%
Iceland	-	-	-	-	-	-	-	-	-	-	-	0	2,50%
Italy	9.123	-	-	-	175	9.298	577	-	6	583	7.287	92,62	0,00%
Latvia	-	-	-	-	-	-	-	-	-	-	-	0	0,50%
Libya	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Lithuania	-	-	-	-	-	-	-	-	-	-	-	0	1,00%
Luxembourg	35	-	-	-	-	35	3	-	-	3	35	0,44	0,50%
Malta	1	-	-	-	-	1	-	-	-	-	-	0,01	0,00%
Morocco	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Mexico	3	-	-	-	-	3	-	-	-	-	-	0,03	0,00%
Moldova (Republic of)	1	-	-	-	-	1	-	-	-	-	-	0,01	0,00%
Montenegro	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Nigeria	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Norway	1	-	-	-	-	1	-	-	-	-	-	0,01	2,50%
The Netherlands	15	-	-	-	-	15	1	-	-	1	15	0,19	2,00%
Peru	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Poland	85	-	-	-	-	85	7	-	-	7	85	1,08	0,00%
Portugal	1	-	-	-	-	1	-	-	-	-	-	0,01	0,00%
Principality of Monaco	3	-	-	-	-	3	-	-	-	-	-	0,04	0,00%
Qatar	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
United Kingdom	27	-	-	-	-	27	2	-	-	2	27	0,35	2,00%
Romania	37	-	-	-	-	37	3	-	-	3	37	0,47	1,00%
Russia (Federation of)	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
San Marino	8	-	-	-	-	8	1	-	-	1	8	0,1	0,00%
Senegal	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Serbia	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Slovakia	6	-	-	-	-	6	-	-	-	-	-	0,05	1,50%
Slovenia	-	-	-	-	-	-	-	-	-	-	-	0	0,50%

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	General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own funds requirements				Risk-weighted exposure amounts	Weighting factors for own funds requirement	Countercyclical buffer rate
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Spain	43	-	-	-	-	43	3	-	-	3	41	0,52	0,00%
United States	9	-	-	-	-	9	1	-	-	1	9	0,12	0,00%
South Africa (Republic)	-	-	-	-	-	-	-	-	-	-	-	0	1,00%
Sudan	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Sweden	12	-	-	-	-	12	1	-	-	1	12	0,15	2,00%
Switzerland	93	-	-	-	-	93	7	-	-	7	93	1,19	0,00%
Tunisia	2	-	-	-	-	2	-	-	-	-	-	0,02	0,00%
Turkey	19	-	-	-	-	19	1	-	-	1	19	0,24	0,00%
Uganda	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Hungary	-	-	-	-	-	-	-	-	-	-	-	0	0,50%
Venezuela	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Vietnam	1	-	-	-	-	1	-	-	-	-	-	0	0,50%
Total	**9.705**	**-**	**-**	**-**	**175**	**9.880**	**619**	**-**	**6**	**625**	**7.814**	**0**	**0,00%**

Table 26 – Template EU CCYB2: Amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount	9.836
2	Institution specific countercyclical capital buffer rate	0,04%
3	Institution specific countercyclical capital buffer requirement	4

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4. Financial leverage

4.1. Leverage ratio

4.1.1. Leverage risk management process

The risk of excessive financial leverage is the risk that a particularly high level of indebtedness in relation to the Group's capital endowment will make it vulnerable, so that it needs to adopt corrective measures to its business plan, including the sale of assets with the recording of losses that could lead to adjustments to the value of the remaining assets.

Article 92(1)(d) requires institutions to meet a leverage ratio of 3% at all times. In this regard, it should be noted that in Capital Decision Order 0140859/24/24 of 23/01/24, the Bank of Italy did not impose the P2R - LR component, nor did it request the application of the P2G - LR component.

The leverage ratio restricts the expansion of overall exposures to the availability of an adequate capital base and containing, in the expansive phases of the economic cycle, the level of Bank indebtedness, thus helping to reduce the risk of deleveraging processes in crisis situations.

The indicator derives from the ratio of Own Funds for the component represented by the elements and instruments of Tier 1 capital and the size of the assets at risk of the Banking Group, on and off-balance sheet, appropriately calibrated in application of specific conversion factors. For regulatory purposes, the measurement of the leverage ratio is carried out using IT procedures dedicated to the periodic production of statistical reports and consolidated prudential supervision. The leverage ratio is produced on a quarterly basis. The indicator is subject to monitoring at Banking Group level.

The indicator, calculated on a quarterly basis at a consolidated level, is monitored and is one of the reference metrics within the Risk Appetite Framework for monitoring the Group's risks and capital adequacy. Only for information purposes, with the entry into force of CRR2, it is required, within the scope of prudential reporting, to also provide information on the average values of exposures in Secured Financial Transaction, without impacting, however, on the ratio which continues to be calculated with the punctual data.

At the reporting date, the leverage ratio was 10,71%, more than 3 times higher than the regulatory minimum value of 3%.

4.1.2. Factors that had an impact on the change in the leverage ratio

Leverage remained substantially stable compared to the value at 31.12.2023 when it was 10,4%. The marginal increase was mainly driven by the year-over-year increase in TIER1 of 2.5%, while the overall exposure used for leverage calculation purposes remained broadly stable.

4.1.3. Quantitative information

Table 27- Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposure

		Applicable amount
1	Total assets as per published financial statements	13.826
2	Adjustment for entities consolidated for accounting purposes but are outside the scope of regulatory consolidation	-16
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0,00

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	Applicable amount	
4	(Adjustment for temporary exemption of Central Bank exposures (if applicable))	0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of point (i) of Article 429a(1) CRR)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustment for eligible cash pooling transactions	0
8	Adjustment for derivative financial instruments	163
9	Adjustment for securities financing transactions (SFTs)	394
10	Adjustment for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet exposures)	531
11	(Adjustment for prudent valuation adjustments and specific and general provisions that reduced Tier 1 capital)	0,00
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0,00
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0
12	Other adjustments	-108
13	**Leverage ratio total exposure measure**	**14.790**

Table 28- Template EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		31/12/2024	31/12/2023
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	13.625	14.019
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 assets)	-	-
5	(Value adjustments on general receivables of items in the financial statements)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(120)	(111)
7	Total on-balance sheet exposures (excluding derivatives and SFT)	13.505	13.909
Derivative exposures			
8	Replacement cost associated with SA-CCR derivative transactions (net of eligible cash variation margin)	-	-
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	-	-
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach		
EU-9b	Exposure determined under Original Exposure Method	182	82
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 derivative exposures**	**182**	**82**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	179	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	394	265
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**573**	**265**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	1.326	1.436
20	(Adjustments for conversion to credit equivalent amounts)	(796)	(831)
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance-sheet exposures**	**530**	**604**
Excluded exposures			
EU-22a	(Exposures excluded from the leverage ratio 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))	-	-

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		CRR leverage ratio exposures	
		31/12/2024	31/12/2023
EU-22c	(Exposures of public development Banks (or units) excluded - Public sector investment)	-	-
EU-22d	(Exposures of public development Banks (or units) excluded - Subsidised loans)	-	-
EU-22e	(Excluded exposures arising from transfers (pass-through) of subsidised loans from an entity other than a public development bank (or unit))	-	-
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**	**1.585**	**1.545**
24	**Leverage ratio total exposure measure**	**14.790**	**14.860**
Leverage ratio			
25	Leverage ratio (%)	10,71%	10,40%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	10,71%	10,40%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	10,71%	10,40%
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 made up of capital CET1	-	-
27	Required leverage buffer (%)	-	-
EU-27a	Overall leverage ratio requirements (%)	3,00%	3,00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	-	-
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	179	-
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions)	14.611	14.860
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	14.611	14.860
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10,85%	10,40%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10,85%	10,40%

Table 29- Template EU LR3 - LRSpl: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which**	**13.625**
EU-2	Trading portfolio exposures	1
EU-3	banking portfolio exposures, of which	13.624
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	2.815
EU-6	Exposures to Regional Governments, multilateral development Banks, international organisations, and public sector entities not treated as sovereigns	201
EU-7	Institutions	1.010
EU-8	Secured by mortgages of immovable properties	178
EU-9	Retail exposures	2.714
EU-10	Corporate	3.763
EU-11	Exposures in default	1.721
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1.222

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5. Liquidity Risk

5.1. Liquidity requirements

5.1.1. Liquidity risk management strategies and processes

The liquidity risk refers to the possibility that the Group fails to service its debt obligations due to the inability to raise funds or sell enough assets on the market to address liquidity needs. The liquidity risk also refers to the inability to secure new adequate financial resources, in terms of amount and cost, to meet its operating needs and opportunities, hence forcing the Group to either slow down or stop its operations or incur excessive funding costs in order to service its obligations, significantly affecting its profitability.

The purpose of short-term liquidity risk management is to manage events that impact the Group's operating liquidity position with the primary objective of maintaining the Group's ability to meet ordinary and extraordinary payment commitments while minimising costs.

The management of structural liquidity, i.e. the events that impact on the Group's liquidity position in the time horizon beyond one year, has the primary objective of maintaining an adequate ratio between medium/long-term liabilities and assets, avoiding pressure on current and prospective sources of short-term liquidity, while optimising the cost of funding.

The management of the mentioned risks is carried out at an integrated level for all companies included in the scope.

The Banca Ifis Group's liquidity and funding risk management model has the following objectives:

- enable the Group to be solvent both in the normal course of business and in stressed conditions;
- ensure the financial balance of the structure by maturity over the medium and long term, in order to avoid pressure on current and prospective short-term sources;
- implement the indications of the Supervisory Authority, taking into account their own operational specificities;
- ensure a clear separation between risk management and risk control functions.

At 31 December 2024, financial sources mainly consisted of equity, online funding (Rendimax product), consisting of on-demand and time deposits, medium/long-term bonds issued as part of the EMTN programme, medium/long-term securitisation transactions, as well as funding from corporate customers. Funding in the form of repurchase agreements, entered into with leading banks, continued to be a significant source of funding in 2024. Lastly, with regard to Eurosystem funding, it should be noted that the unwinding continued in 2024, which had already begun at the end of 2023, of the financing so-called TLTRO, maturing naturally in the course of 2024. More precisely, during the first half of 2024, a total of 1.1 billion Euro was repaid early, reducing the amount still outstanding (which at 31 December 2023 was equal to 1.6 billion Euro) to a residual 0.4 billion Euro, which were then fully repaid upon maturity in September 2024. In December 2024, the parent

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company participated in a new 400 million Euro financing operation with the Eurosystem (LTRO) maturing on 8 January 2025.

With reference to the Group's activities, they consist of:

- factoring operations, mainly deriving from trade receivables and receivables from the Public Administration with due dates within the year;
- medium- to long-term receivables mainly arising from leasing, corporate banking, structured finance and work-out and recovery operations;
- the management of the securities portfolio, consisting mainly of eligible and readily liquid Italian government securities.

As for the Group's operations concerning the Npl Segment and the purchases of tax receivables arising from insolvency proceedings, the characteristics of the business model imply a significant level of variability concerning both the amount collected and the date of actual collection. Therefore, the timely and careful management of cash flows is particularly important. To ensure expected cash flows are correctly assessed, also with a view to correctly pricing the transactions undertaken, the Group carefully monitors the trend in collections compared to expected flows. The Group is constantly striving to improve the state of its financial resources, in terms of both size and cost, of the structural balance between assets and liabilities in terms of duration, so as to have available liquidity reserves adequate for current and future business volumes.

The amount of high-quality liquidity reserves (mainly held by the Group in its account with the Bank of Italy and government bonds forming part of the intra-day reserve) makes it possible to meet regulatory requirements (with respect to the limits of LCR and NSFR) and internal requirements relating to prudent management of liquidity risk both with reference to the short-term (operational liquidity) and medium-long term (structural liquidity) horizon.

The corporate functions of the Parent Company responsible for ensuring the correct application of the liquidity policy refer to the Capital Markets Area, in relation to the direct and centralised management of liquidity, and to the Risk Management function, which contributes to the definition of policies, processes and instruments for the identification, assessment, monitoring, mitigation and reporting of the Group with regard to liquidity risk. Risk Management also checks compliance with the limits imposed on the various company functions and proposes risk mitigation initiatives to the Board of Directors and the CEO. The Risk Management function is also responsible for proposing the risk appetite, selecting the most appropriate risk indicators and monitoring them with reference to pre-set limits, as well as supporting Top Management; and the Top Management, which every year, aided by Capital Markets, shall make proposals to the Board of Directors regarding policies on funding and the management of liquidity risk, as well as suggest appropriate actions during the year in order to ensure that operations are conducted consistently with the risk policies approved.

The Risk Management function periodically reports to the Bank's Board of Directors on the liquidity risk position by means of a Dashboard prepared for the Bank's management.

As part of the continuous process to update procedures and policies concerning liquidity risk and taking into account the changes in the relevant prudential regulations, the Parent uses an internal liquidity risk governance, monitoring, and management framework at the Group level.

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In terms of the scope and measurement of liquidity risk, the Group guarantees an adequate and balanced level of liquidity, such as to ensure the constant availability of sufficient funds to meet daily payment commitments (intraday liquidity) and in the short and long term, as briefly described below.

Management of the Group's intra-day liquidity is the responsibility of Capital Markets, which at the same time carries out first-level control activities, ensuring that operational actions are taken to ensure that the outflows planned during the day are adequately monitored and that there is sufficient liquidity to execute them. In addition, the measurement of intraday liquidity reserve levels, understood as assets that can be readily repaid or sold even under stressed conditions, is performed daily by Risk Management through counterbalancing capacity.

Risk Management carries out a daily review of the cash inflows and outflows, both certain and expected - and of the resulting imbalances or surpluses - in the various maturity bands that make up the Maturity Ladder. The granularity of the maturities taken into consideration and set within the operating Maturity Ladder adopted by the Group is consistent with the operating characteristics of the business and, therefore, with the duration of the company's assets and liabilities (in relation to the short-term horizon that characterises operating liquidity). As part of the measurement of operating liquidity, the objective is to ensure the adequacy and balance of incoming and outgoing cash flows with certain or estimated maturities within a 12-month time horizon.

Risk Management measures structural liquidity in order to ensure the balance and stability of the liquidity profile over the time horizon of more than 12 months and the link with short-term liquidity management. In particular, the measurement of structural liquidity has the primary objective of guaranteeing the maintenance of an adequate ratio between medium/long-term liabilities and assets, avoiding pressure on current and prospective sources of short-term liquidity and simultaneously optimising the cost of funding.

The management of the aforementioned risks is carried out at an integrated level by the Banca Ifis Group for all the companies included in the perimeter.

Risk Management defines a set of risk indicators capable of promptly highlighting the onset of vulnerabilities in the Group's liquidity and defines the related system of limits (operational with reference to the strategic indicators defined in the RAF and management limits for other types of indicators) which entails the activation of specific escalation processes depending on the seriousness of the situation detected. The overall system of limits is reviewed at least once a year and more frequently if there are specific requirements arising, for example, from changes in the Group's structure and/or business model, changes in the strategic plan and budgets, prudential regulations or risk measurement methods.

5.1.2. Liquidity risk management function organisational structure

Within Parent Company Risk Management, an organisational unit directly subordinate to the CRO, operates the Financial Risk Organisational Unit, which contributes to the definition of liquidity risk management policies and processes, verifies compliance with the limits imposed on the various corporate functions and proposes risk mitigation initiatives. In this area, in particular:

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- it oversees the measurement systems and assesses the liquidity risk to which the bank is exposed. In this context, it is called upon to provide assessments of the strengths and weaknesses and the degree of prudence of the model parameters used to estimate expected cash flows[7];
- it contributes to the definition and implementation of stress tests;
- it proposes and monitors compliance with operational limits on liquidity risk-taking;
- it contributes[8] to the development and evaluates the internal transfer pricing system of funds;
- it prepares and updates reports for corporate bodies outlining the liquidity risk exposure[9], also determined on the basis of stress tests;
- it periodically checks the quality of the data used in the risk measurement methodology;
- it assesses the adequacy of liquidity buffers and independently verifies the pricing of the component assets and, where different from regulatory requirements, the appropriateness of the haircuts applied.

It also ensures that stress tests are complete. To this end, it checks that they are:

- extended to the entire group and to the individual centres of liquidity provision and utilisation;
- carried out at appropriate intervals (at least quarterly);
- plausible, so as to take into account the cash flow structure of the banking group companies and their sources of risk.

It constantly liaises with treasury to monitor liquidity risk, which, based on the assessment of indicators (early warning indicators) and compliance with operational limits, is instrumental in the timely activation of contingency plans. Therefore, it verifies compliance with the limits on a daily basis and activates, after discussion with the hierarchical superiors and through the CRO, the reporting procedures vis-à-vis the competent corporate bodies in the event of the limits being exceeded.

5.1.3. Infra-group liquidity management

Funding management is carried out by Banca IFIS at an integrated level for all subsidiaries. In particular, Banca IFIS provides for the collection of financial sources, which it then transfers to its subsidiaries as required.

With regard to Credifarma, however, it should be noted that a significant portion of its assets is financed through the securitisation of loans granted to its customers (EMMA securitisation).

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[7] The internal evaluation of the measurement system must be carried out by persons qualified and independent of those developing the system itself, although it is permissible for these two functions to be located within the same unit. In particular, the metrics development part is entrusted to "Credit Risk".

[8] In this context, it provides support to Capital Markets in defining and reviewing the overall internal transfer pricing system for funds

[9] In this context, it prepares weekly reports on liquidity risk exposure for subsequent submission to the Bank of Italy

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5.1.4. Emergency financing plans

In compliance with supervisory provisions, the Bank also has a Contingency Funding Plan aimed at protecting the banking Group from losses or threats arising from a potential liquidity crisis and guaranteeing business continuity even in the midst of a serious emergency arising from its own internal organisation and/or the market situation. Contingency Funding Plan courses of action may be either to generate cash reserves or to hold back outflows. The above lines of action can be activated depending on the nature (systemic or specific) and status (alert or crisis). Interventions are primarily focused on increasing available liquidity reserves, both through actions aimed at rapidly increasing available funding (e.g. interventions on direct funding) and reducing, where possible, the future amount of disbursements.

The CFP applies to the entire Group and all related activities are carried out by the Parent Company structures, bearing in mind that the management of any financial needs/availability is developed in coordination with the Parent Company Treasury.

More detailed information of a quantitative nature is provided in section E of the notes to the consolidated financial statements of the Banca Ifis Banking Group.

During 2024, there was a slow normalisation of interest rates, both in the EU and the US. In this context, online deposits (Rendimax) experienced a marginal increase in volumes during the year. However, investors' preference shifted to shorter maturities, thus making the associated flows more volatile.

The available, readily usable liquidity reserves, also following such adjustments, remained plentiful in respect of the Group's obligations, constantly noting, for the regulatory indicators LCR and NSFR, values significantly higher than the thresholds required. Also, in terms of survival period, which considers the onset of a severe combined stress scenario, values were recorded that are in line with the defined risk appetite.

In line with the strategy mentioned in terms of risk management and appetite, despite the uncertain international geopolitical scenario that has seen the addition of tensions in the Middle East to the ongoing effects of the Russia-Ukraine conflict, no significant violations of the internally assigned risk thresholds were detected during 2024.

5.1.5. Liquidity risk stress tests

The Group's liquidity position is monitored on a daily basis under both normal course of business and stressed conditions. The framework used envisages the simulation of temporary and therefore short-term stresses impacting on operating liquidity. The simulation horizon measured in the various scenarios is therefore one year. With regard to structural liquidity, the purpose of which is to check the medium/long-term financial balance, the stress scenarios to be used are defined within the related strategic planning processes.

The stress tests carried out are conducted at Group level and not at individual company level since, as previously mentioned, the Banca Ifis Group's liquidity management model is centralised at Group level.

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The results of the stress tests are made available to the Corporate Bodies and Functions on a monthly basis, in particular to:

- Board of Directors, as part of monthly reporting;
- ALM and Liquidity Technical Committee.

The Finance Committee is updated as often as it is convened (currently quarterly).

Stress testing analyses provide information against which operational actions may possibly be taken to:

- plan/anticipate collection operations to offset potential expected outflows;
- intervene on the liquidity profile of the assets and/or on the overall composition of the balance sheet.

In general, the outcomes resulting from the application of stress tests are used to verify:

- whether the Group holds sufficient reserves to overcome the stresses being simulated (survival period in line with the defined risk appetite level);
- the potential funding requirements in the event of a crisis;
- the robustness of the recalibration of the defined limits under assumptions of normal course of business;
- the consistency of the strategic plan with the level of risk appetite and the limits in force;
- potential vulnerabilities so that the necessary corrective actions can be taken.

In addition, evidence from stress test scenarios is used in both strategic liquidity planning and in setting operational and RAF limits.

The roles and responsibilities as well as the methods for the application of stress tests and the frequency for the production and reporting to the corporate bodies and functions of the evidence deriving from the stress tests are formalised within the internal regulations that govern the internal framework for the governance and management of liquidity risk.

5.1.6. Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR) is the short-term liquidity indicator and corresponds to the ratio of the amount of High-Quality Liquidity Assets to total net cash outflows over the next 30 calendar days. Total net cash outflows represent total expected cash outflows net of total expected cash inflows over the next 30 calendar days and that total cash inflows are capped at 75% of total expected cash outflows.

As of 2018, consistent with Article 460(2) of the CRR, the indicator is subject to a minimum regulatory requirement of 100%. In 2024, the indicator remained well above regulatory limits due to both a high level of HQLA and, above all, a typically very low level of net outflows.

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5.1.7. Quantitative information

Table 30 – Template EU LIQ1: Quantitative information of LCR

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	**Quarter ending on**	**31.12.2024**	**30.09.2024**	**30.06.2024**	**31.03.2024**	**31.12.2024**	**30.09.2024**	**30.06.2024**	**31.03.2024**
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)**					**1.573**	**1.678**	**1.702**	**1.521**
CASH OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which	4.924	4.788	4.590	4.347	87	86	88	91
3	*Stable deposits*	*144*	*146*	*149*	*152*	*7*	*7*	*7*	*8*
4	*Less stable deposits*	*784*	*780*	*792*	*823*	*80*	*79*	*80*	*84*
5	Unsecured wholesale funding	378	401	392	372	203	219	214	186
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	*351*	*374*	*365*	*372*	*176*	*192*	*187*	*186*
8	*Unsecured debt*	*27*	*27*	*27*	-	*27*	*27*	*27*	-
9	Secured wholesale funding					39	36	60	73
10	Additional requirements	89,76	93	88	82	22	21	14	12
11	*Outflows related to derivative exposures and other collateral requirements*	-	-	-	-	-	-	-	-
12	*Outflows related to loss of funding on debt products*	*2*	*3*	*3*	*3*	*2*	*3*	*3*	*3*
13	*Credit and liquidity facilities*	*87*	*90*	*85*	*80*	*19*	*18*	*11*	*10*
14	Other contractual funding obligations	96	94	104	107	96	94	104	107
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	**TOTAL CASH OUTFLOWS**					**447**	**456**	**480**	**470**
17	Secured lending (e.g. reverse repos)	15	4	2	-	10	4	2	-
18	*Inflows from fully performing exposures*	*1.196*	*1.216*	*1.215*	*1.160*	*812*	*828*	*829*	*786*
19	Other cash inflows	156	153	158	171	52	52	56	59
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**	**1.366**	**1.374**	**1.374**	**1.330**	**873**	**884**	**887**	**845**
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	***1.366***	***1.374***	***1.374***	***1.330***	***873***	***884***	***887***	***845***
EU-21	**LIQUIDITY BUFFER**					**1.573**	**1.678**	**1.702**	**1.521**
22	**TOTAL NET CASH OUTFLOWS**					**112**	**114**	**120**	**118**
23	**LIQUIDITY COVERAGE RATIO**					**1.408%**	**1.473%**	**1.419%**	**1.294%**

The table shows the quantitative information relating to the Liquidity Coverage Ratio (LCR) of the Group, measured in accordance with European regulatory requirements (CRR and CRD IV) and subject to monthly reporting to the competent Supervisory Authority (this indicator includes the prudential estimate of "additional outflows for other products and services" in compliance with

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article 23 of Delegated Regulation (EU) No. 2015/61). The data shown are calculated as a simple average of the month-end observations taken during the 12 months preceding the end of each quarter. The average is stable over time and the indicator is in line with the limits of the specified regulation.

Table 31 – Template EU LIQ2: Net Stable Funding Ratio

	(in currency amount)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
Available Stable Funding (ASF) items						
1	Capital items and instruments	1.755	-	-	196	1.951
2	Own funds	1.755	-	-	196	1.951
3	Other capital instruments		-	-	-	-
4	Retail deposits		2.149	885	1.970	4.707
5	Stable deposits		135	1	1	130
6	Less stable deposits		2.014	884	1.969	4.577
7	Wholesale funding:		2.314	151	3.938	4.212
8	Operational deposits		-	-	-	-
9	Other wholesale funding		2.314	151	3.938	4.212
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	29	94	34	124	141
12	NSFR derivatives liabilities	29				
13	All other liabilities and capital instruments not included in the above categories		94	34	124	141
14	Total available stable funding (ASF)					**11.011**
Required Stable Funding (RSF) items						
15	Total High-Quality Liquid Assets (HQLA)					309
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held with other financial Institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		3.478	755	4.749	5.251
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customers secured by other assets and loans and advances to financial Institutions		545	27	116	206
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which		613	356	2.882	3.074
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		148	84	637	682
22	Performing residential mortgages, of which		2	2	80	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		2	2	78	-
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		2.318	371	1.672	1.971
25	Interdependent assets		-	-	-	-
26	Other assets:	-	796	121	1.965	2.600
27	Physically traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		18	-	-	15
29	NSFR derivative assets		19			19
30	NSFR derivative liabilities before deduction of variation margin posted		29			1
31	All other assets not included in the above categories		730	121	1.965	2.563
32	Off-balance sheet items		307	7	17	33
33	Total RSF					**8.193**
34	Net Stable Funding Ratio (%)					**134,39%**

Template EU LIQ2 sets out the quantitative information inherent in the Group's net stable funding ratio (NSFR). The indicator stands at a level of 134,39%, above the regulatory limit of 100% (as per art. 428 ter paragraph 2 of the CRR). Although the indicator signals a sufficiently capacious level of highly liquid assets, the indicator is highly concentrated on Level 1 assets issued by Sovereigns.

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6. Credit risk

6.1. Exposure to credit risk

6.1.1. Business model and assumption of credit risk

In accordance with the guidelines approved by the Parent Company's Governing Body and the changes in the supervisory regulatory framework, the Group seeks to strengthen its competitive position in the market of small and medium businesses. The aim is to increase its market share in the following segments: trade receivables, including for entities with specialist needs such as pharmacies, leasing, tax receivables, and distressed loans, providing high-quality and highly customisable financial services while keeping credit risk under control and profitability in line with the level of quality offered.

Specifically, Banca Ifis's organisational structure consists of the following Business Units, dedicated to different activities, centralised in the Co-General Manager Chief Commercial Officer (CCO):

- Commercial & Corporate Banking Underwriting dedicated, both with reference to the initial granting of credit and renewal and review activities, to assessing the creditworthiness of the counterparties as well as the risk inherent in the transactions and approving credit facilities in compliance with the powers assigned to it by the Board of Directors and formalised in the Group's System of Delegated Authorities for the assumption of credit risk;
- Commercial Banking, dedicated to the promotion of financing services to domestic and foreign companies and to the care of the correct relationship with the counterparties developed directly or indirectly, as well as the debtors (domestic or foreign) acquired as part of the operations carried out;
- Corporate & Investment Banking, dedicated to structured finance transactions or investments in performing non-financial companies and intermediaries;
- Pharmacies, directly manages existing portfolio relationships with domestic pharmacy counterparties in close cooperation with the organisational units of the subsidiary Banca Credifarma;
- Insurance, dedicated to the insurance products offered to its customers;
- Leasing & Rental, dedicated to offering and managing leasing and renting products;
- Marketing & Business Strategy, supporting the business units reporting to the Co-General Manager Chief Commercial Officer. Unit that deals with the planning and monitoring of the commercial production and development of specific commercial campaigns, identifying the relevant target, the contact channels and monitoring tools;
- Tax Credit and Distressed Financing, dedicated to the purchase of tax credits from companies in bankruptcy proceedings, in voluntary liquidation and from companies in bonis and to the financial support of companies, not already customers of the Banca Ifis Group, that are in a state of temporary financial tension but with prospects of continuity;

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- Individuals; dedicated to the development of products, services and business opportunities related to transactional and funding banking services in relation to the Private customer segment;
- Anti-Fraud, dedicated to overseeing the transversal coordination of the Group structures that manage the offer of products to customers with respect to the execution of controls on the prevention and assessment of fraud attempts and the implementation of response actions.

In addition, at the reporting date the lending process included the lending operations of the subsidiaries:

- Ifis Npl Investing S.p.A., company dedicated to the acquisition and transfer of non-performing loans (Npl), mainly originated by Financial Institutions and Banks
- Ifis Npl Servicing S.p.A., company specialising in the management of Npl and servicing and recovery activities on behalf of third parties
- Cap.Ital. Fin. S.p.A., which provides salary- or pension-backed loans (CQS/CQP), payment delegation (DP) as well as salary or pension deductions and distributes financial products such as mortgages and personal loans
- Banca Credifarma S.p.A., a banking operator mainly targeting the pharmacy and healthcare sectors and operating in the business of granting advances, medium- and long-term loans and financial services to pharmacies
- Ifis Finance Sp. z o.o., a factoring company operating in Poland
- Ifis Finance I.F.N. S.A., a financial company with mainly factoring operations, operating in Romania and supervised by the National Bank of Romania
- Ifis Rental Services S.r.l., an unregulated entity specialising in operating leases.

Each organisational unit develops and manages business relationships and opportunities in its respective segment by working together with the Branches located throughout Italy, in accordance with the strategic guidelines and objectives set by the Board of Directors.

As for the lending process, each business area identifies the opportunities for new transactions in accordance with the lending policies in force and the defined risk appetite; in this context, it examines loan applications and formalises a proposal to be submitted to the competent decision-making bodies, ensuring lending policies and controls are implemented correctly and analysing the applicant's creditworthiness in accordance with existing internal regulations.

The proposals to grant lines of credit and/or purchase receivables are submitted to the competent decision-making bodies, which, based on the powers delegated to them, express their decision - which always refers to the overall exposure towards the counterparty (or any related groups).

Banca Ifis S.p.A. Branches have no independent decision-making power for the purposes of assuming credit risk; Branches manage ordinary operations with customers under the constant monitoring of the central structures in accordance with the limits and procedures established by the Head Office's competent bodies.

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In carrying out their operations, the subsidiaries can independently take certain decisions within the operational and organisational limits defined by the Parent Company Banca Ifis.

The line of credit is then finalised: the Bank finalises the agreement, obtains guarantees, if any, and grants the credit line. Throughout these stages, the business areas are aided by specific supporting units responsible for preparing the agreement in accordance with the terms of the approval as well as ensuring all activities leading to the granting of the credit facility are properly carried out.

The operational management of receivables, carried out for performing customers, mainly consists in the ordinary management and monitoring conducted by dedicated structures at each of the Group's companies with the aim of constantly and pro-actively reviewing borrowers. In addition, a specific organisational unit within the Parent Company performs monitoring activities at the Group level to identify counterparties with performance issues, so as to anticipate problems and provide adequate reporting to the competent corporate functions.

If the credit position is in an objective situation of distress, it is transferred to specific functions specialised in managing and recovering non-performing exposures.

The process for the acquisition of non-performing loan portfolios adopted by the structures of the Npl Segment consists of similar stages that can be summarised as follows:

- origination: the Bank identifies the counterparties from which it plans to purchase the portfolios and assesses the economic expediency of said transactions;
- due diligence, as part of which highly skilled analysts assess the quality of the portfolio being transferred and the relevant organisational impact. Once the due diligence is completed, the terms and conditions are set for offering/acquiring the receivables portfolio and how to manage it (individual or collective method), assessing the relevant impact on operating structures;
- resolutions, with the activities necessary for the preparation of the appraisal file, the assumption, adoption and implementation of the resolution by the competent decision-maker;
- finalisation: the parties prepare and finalise the purchase agreement, and the relevant consideration is paid.

Purchases are made directly by originators and/or SPVs (primary market) or, in some circumstances, by operators who have purchased on the primary market and who intend to dispose of their investment for various reasons (secondary market). Receivables - deriving from traditional consumer credit operations, credit cards and special purpose loans - are mainly unsecured; there are also current account balances in the event of transfers by banks.

Right after the acquisition, pending the completion of information retrieval operations to help decide the most appropriate debt recovery method, the receivable is classified in a so-called "staging" area and measured at cost with no contribution to profit or loss.

After this phase, which normally lasts 6-12 months, the positions are directed towards the form of management most appropriate to their characteristics (non-judicial and judicial operations), which

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carries out an activity closely related to the transformation into paying positions and the collection of receivables.

Collection operations for receivables deriving from purchases of distressed retail loans are the responsibility of resources within the subsidiaries Ifis NPL Investing S.p.A. and Ifis NPL Servicing S.p.A., as well as of a broad and proven network of debt collection companies and financial agents operating across Italy. The non-judicial operations consist mainly in the activation of the credit through the debtor's subscription of bills of exchange or voluntary settlement plans; the judicial operations consist, instead, in the transformation through legal action aimed at obtaining from the court the garnishment order of one-fifth of the pension or salary (the existence of which is the necessary prerequisite for the start of this form of transformation) or the sale on the market of the asset to guarantee the credit (secured management).

Finally, there is also an assessment of the expediency of selling non-performing loan portfolios, mainly represented by processing codes, statute-barred loans or loans owned by deceased debtors, to be submitted for approval to the competent decision-making Bodies, consistently with the established profitability targets and after analysing the relevant accounting, reporting, legal, and operational impacts. To do so, it relies on the in-depth inquiries conducted by the Parent Company's competent business functions within their area of expertise.

Exposure to Italy's sovereign credit risk

The securities portfolio in the banking book has a total value of 2.9 billion Euro and consists primarily of financial instruments with a risk for Italy of 1.8 billion Euro.

In 2024, the Group slightly increased its exposure to the Italian state for investments in government securities, extending the average maturity of the portfolio.

It should be noted that, in addition to the management strategies adopted for the purposes of risk containment, the component of Italian government bonds classified in HTCS and therefore whose changes in market value may determine potential impacts on the capital is equal to 16,9% of the total Italian government bonds in the portfolio.

With respect to total assets, the portion of liquidity invested in Italian government securities is approximately 13% at the end of 2024.

6.1.2. Credit risk management strategies and processes

Credit risk is constantly monitored by means of procedures and instruments that can rapidly identify particular anomalies.

Over time, the Banca Ifis Group has implemented instruments and procedures allowing to specifically evaluate and monitor risks for each type of customer and product.

If the applicant passes the evaluation process and is granted a credit facility, the Group starts monitoring the credit risk on an ongoing basis, ensuring repayments are made on time and the relationship remains regular, reviewing the information that the Italian banking system reports to the Central Credit Register or select databases as well as the reputational profile, and examining the underlying causes for each one of these aspects.

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Concerning portfolio monitoring operations, as previously mentioned, receivables due from customers are monitored by specific units within the mentioned business areas that are responsible for constantly and proactively reviewing borrowers (first line of defence); a specific organisational unit conducts additional monitoring at a centralised level, using mainly performance analysis models - including models developed by the Parent's Risk Management function - to identify any potential issues through specific early warning indicators.

Credit risk exposures to companies are assigned a rating based on models developed in-house. These models are differentiated by segment to ensure that appropriate models are applied on homogeneous population from the point of view of characteristics and risk level. There are therefore models for corporations, differentiated by two size clusters, and a model for partnerships and sole proprietorships. The rating models are composed of different modules that investigate different areas of information depending on the type of counterparty and are integrated with qualitative information of different nature.

The rating class represents a fundamental driver for the calculation of write-downs on performing loans; in addition to directly linking the expected loss to the specific risk level of the individual counterparty, rating models enable the activation of the quantitative stage allocation criterion, which, by comparing the riskiness at the time of granting and the current riskiness, makes it possible to assess the significant increase in risk and thus the Stage 2 allocation of the position. The framework for determining expected loss also includes satellite models functional to the introduction of forward-looking elements into the estimates of risk parameters in full compliance with the requirements of IFRS 9.

During the 2024 financial year, projects were completed for the implementation of a rating model aimed at assessing the creditworthiness of counterparties pertaining to the subsidiary Banca Credifarma, through the extension of the Parent Company's rating models to Banca Credifarma so as to ensure coverage and conservatism in terms of write-downs and risk control.

Risk Management plays a crucial role as part of the second line of defence in measuring and monitoring operations.

Concerning credit risks, the Risk Management function:

- oversees, monitors and assesses credit risks, carrying out audits and analysis in accordance with the relevant guidelines; specifically, it:
    - assesses credit quality, ensuring compliance with credit guidelines and strategies by continuously monitoring credit risk indicators;
    - constantly monitors exposure to credit risk and compliance with the operating limits assigned to the operating structures in relation to the assumption of credit risk;
    - verifies, by means of second-level controls, the correct implementation of performance monitoring on individual exposures, in particular on non-performing exposures, and assesses the consistency of classifications and the adequacy of provisions;

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    - monitors exposure to concentration risk and the performance of exposures classified as Large Exposures;

- performs quantitative analyses to support the business units in using risk measures;
- oversees the supervision of the value of collateral as well as personal and financial guarantees;
- analyses consistency with the Group's RAF in the areas of asset quality and credit cost.

The Banca Ifis Group pays particular attention to the concentration of credit risk with reference to all the Group's companies, both at an individual and consolidated level. Banca Ifis's Board of Directors has mandated the Top Management to take action to contain "Large exposures". In line with the directives of the Board, those positions that are at risk and engage the Group to a considerable extent are subject to systematic monitoring.

Concerning the credit risk associated with investments in securities and equity, the Group constantly monitors their credit quality, and Parent Company Banca Ifis's Board of Directors and Top Management receive regular reports on this matter.

The Risk Management function prepares and submits periodic reports on the development of credit risks assumed by the Group and individual Group companies, with evidence of deviations between actual exposure levels and the set risk targets. In particular, as part of the process of monitoring the trend of risk indicators, the function guarantees an effective system of reporting and notification of the deviations recorded, promptly informing the production areas in the event of approximation to the attention thresholds; in the event of their being reached, it activates the consequent escalation procedures and the necessary realignment measures, duly informing the corporate Bodies, Top Management and Internal Audit for the appropriate assessments. The verification and the quarterly reporting of the company positioning with reference to the identified indicators is integrated in the periodic reporting system for top management (*Tableau de Bord*). Risk Management provides the Group's business structures with periodic supporting reporting. More detail on the magnitudes identified for credit risk management, monitoring and reporting purposes is described in specific internal documentation.

In the context of Basel 3 principles for calculating capital requirements against first-pillar credit risks, Banca Ifis chose to adopt the Standardised Approach. To calculate capital requirements for single-name concentration risk, which falls under second-pillar risks, the Group adopts the Granularity Adjustment method as per Annex B, Title III of Circular No. 285 of 17 December 2013, with a capital add-on calculated using the ABI method to measure geo-segmental concentration risk.

In order to assess its vulnerabilities in terms of capital and liquidity management, the Parent Company Banca Ifis has developed quantitative and qualitative techniques with which it assesses its exposure to exceptional but plausible events. These analyses, known as stress tests, measure the impact in terms of risk deriving from a combination of changes in economic-financial variables under adverse scenarios on the Bank and its subsidiaries. These analyses significantly concern credit risk.

The stress tests allow to assess the Group's resiliency by simulating and estimating the impact of adverse circumstances, providing crucial insights into its exposure to risks, the adequacy of the

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relevant mitigation and control systems, and its ability to deal with unexpected losses – including in a forward-looking manner and in terms of planning. In order to perform stress tests, the Bank has internally developed methodologies that allow, also by exploiting synergies with satellite models used under IFRS9, to project asset quality in line with adverse macroeconomic scenarios and assess the impact in terms of various credit quality indicators, such as the allocation to stage 2 of performing customers, the incidence of non-performing loans or the increase in loan adjustments.

For regulatory purposes, the Parent Company Banca Ifis conducts stress tests when defining the Risk Appetite Framework (RAF) and preparing the Recovery Plan as well as the ICAAP and ILAAP Report at least on an annual basis, as required by applicable prudential supervisory regulations. In this context, it assesses, among other things, the sustainability of lending strategies under adverse market conditions.

6.1.3. Organisation of the credit risk management and control function

The Credit Risk Organisational Unit operates within Parent Company Risk Management, an organisational unit reporting directly to the CRO, which is entrusted with the management of credit, concentration, transfer, country and residual risks with specific reference to the Parent Company and foreign financial companies, in compliance with the principle of proportionality and where applicable. Within that framework:

- it develops and maintains metrics and models (to be used for management purposes) for measuring credit risks[10];
- it determines internal capital for credit risk, from a current and prospective perspective, under ordinary and stressed market conditions[11];
- it analyses existing portfolios by counterparty administrative status (credit quality) and by product type; in this context, it verifies compliance with strategic (contained in the RAF and RP) and operational (contained in credit policies) limits, and in the event of attention or warning thresholds being exceeded, it takes steps to activate the relevant escalation mechanisms;
- it measures single name and geo-sectoral concentration risk and calculates the related internal capital;
- it promotes the integration of climate and environmental risks (and ESG risks more generally) into the various stages of the credit risk management process;
- it verifies the proper execution of credit performance monitoring, both at portfolio level and on individual exposures, particularly non-performing exposures, assessing the consistency of the assigned risk grade and the adequacy of provisions for non-performing loans;

[10] In this respect, with reference to the individual and specific credit portfolios covered by the segmentation, it estimates the relevant risk parameters for the calculation of the generic reserves and the assessment of the adequacy of the specific reserves by integrating forward-looking information using satellite models and forward-looking scenarios, where applicable.

[11] In this context, it defines stress test and reverse stress test scenarios on credit risks and assesses their impacts on the capital buffer

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- it assesses the efficiency of the recovery process of anomalous debts and, where deemed appropriate, provides specific indications on the loss passages to be recorded;
- it prepares reports on the results of credit risk control activities. It also reports its results to the operational functions directly concerned;
- it prepares the *Tableau de Bord* with specific reference to the Parent Company, both on an individual and consolidated basis.

With specific reference to the Italian subsidiaries falling within the banking group perimeter and having a business similar to that of the Parent Company, it develops and maintains metrics and models, for management purposes, for the measurement of credit risks. This is to ensure uniformity of metrics and consistency of measurement methodologies at the banking group level.

In order to perform its role, "Credit Risk" is in turn subdivided into two organisational units, each with a specialised perimeter, namely:

- “Corporate Credit Risk”;
- “Leasing Risk”.

“Corporate Credit Risk” manages credit risks relating to:

- the portfolio of trade receivables (which includes, *inter alia*, factoring transactions, assignment of trade receivables from local health authorities and PPAAs, etc.) and subsidised loans guaranteed by the MED;
- corporate and structured finance transactions;
- investments in equity, in UCITS units, in ABS of senior tranches of government-guaranteed non-performing loan securitisations (GACS).

Specifically, Corporate Credit Risk:

- monitors, also through analyses of performance data, exposures to Corporate customers, highlighting their specific risk characteristics, also in view of the peculiarities of the various products;
- monitors the credit risk of foreign subsidiaries, providing, *inter alia*, metrics to support stage allocation as well as, more generally, for the calculation, using a lump-sum approach, of general and specific reserves;
- verifies, on a quarterly basis, that the fair value measurements of fund and UCITS units made by the business units are appropriate;
- performs annual impairment tests on the goodwill of subsidiaries and, on a quarterly basis, ascertains the occurrence of so-called trigger events;
- contributes to the performance of the Significant Risk Transfer (SRT), where required by supervisory regulations for securitisation transactions in the role of originator.

“Leasing Risk”, on the other hand, manages credit risks relating to:

- the portfolio of capital and transportation finance leases entered into by the Parent Company;

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- the portfolio of operating leases put in place by the subsidiary Ifis Rental Services.

Specifically, Leasing Risk:

- analyses portfolios on the basis of risk measures, verifies the proper execution of performance monitoring as well as the adequate implementation of credit risk management strategies, also developing, where necessary, impact analyses on economic and financial aggregates;
- estimates and updates the maximum residual value applicable to the leased property;
- analyses the performance of active distribution channels in terms of credit risk;
- assesses the efficiency of the recovery process of non-performing loans, also through dedicated analyses of the impact on the economic-financial aggregates, and informs the operating units directly involved of its outcome;
- with reference to the transportation segment, it assesses the efficiency of the sale process of leased assets returned following customer default or failure to exercise the redemption option.

The specialised organisational unit within Parent Company Risk Management that oversees sovereign risk, on the other hand, is Financial Risk, which, under this scope:

- calculates the impact of changes in credit spreads on Italian government bonds held in the portfolio;
- defines the management methodology for its monitoring and proposes the strategic and operational limits linked to it, checking daily compliance with them;
- performs stress tests for regulatory documentation (i.e. RAF, ICAAP and Recovery Plan) with the aim of quantifying the impacts on capital reserves in the face of large increases in credit spreads on Italian government bonds;
- prepares and updates reports for corporate bodies in which the relevant exposure is illustrated.

With specific reference to the Italian-registered subsidiaries belonging to the banking group, the Risk Management Subsidiaries is the organisational unit reporting directly to the CRO, which, among others, is entrusted with credit and concentration risk management activities. Within that framework:

- it continuously verifies the adequacy of the risk management process and related operational limits. With particular reference to credit risk, it analyses outstanding portfolios, both under ordinary and stressed market conditions, also calculating specific anomaly indicators. It then verifies the consistency of these magnitudes with the relevant thresholds set in the RAF and/or policies;
- it develops and maintains risk measurement and control systems for subsidiaries with businesses significantly different from those typical of the parent company. In this context, it develops and calculates on a periodic basis, indicators capable of highlighting situations of specific anomalies;

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With specific reference to credit risk and for subsidiaries characterised by a business similar to that of the Parent Company, on the other hand, it coordinates the process of estimating and maintaining the metrics and models developed by the specialised "Credit Risk" unit;

- with regard to the non-performing loan portfolios acquired, it defines and updates:
  - models for the valuation of expected cash flows;
  - process of calculating amortised cost and value adjustments and write-backs;
  - model sheets and technical documentation;

  it also ensures the consistency of models and automated processes relating to pricing, purchase price reallocation and judicial and extrajudicial costs with the amortised cost calculation process and with reference to the new cash flow valuation models that are periodically developed.
- it verifies the proper execution of credit performance monitoring, both at portfolio level and on individual exposures, particularly non-performing exposures, assessing the consistency of the assigned risk grade and the adequacy of provisions for non-performing loans;
- it assesses the efficiency of the recovery process of anomalous debts and, where deemed appropriate, provides specific indications on the loss passages to be recorded;
- it verifies, on a periodic basis, that the recovery forecasts for non-performing loans are consistent with the actual collections recorded, depending on the findings, requires the adoption of additional or alternative safeguards to mitigate the risk of non-recovery;
- it prepares reports on the results of credit risk control activities. It also reports its results to the operational functions directly concerned.

6.1.4. Coordination between internal control functions

Risk Management takes part in formalised moments of coordination between the control units, planned at least quarterly and at least on the occasion of the sharing of the reports periodically transmitted to the corporate bodies (*Tableau de Bord*, Annual Report, Half-Year Report of the Manager charged with preparing the company’s financial reports, etc.) and the annual planning of the control units. These meetings are aimed at:

- sharing the planning of the main verification/control activities (in particular with regard to credit risk, the main risk to which the Group - as a whole - is exposed);
- analysing the main results of the interventions carried out, of the remedial actions initiated or requested;
- analysing the development of exposure levels to the various risks (particular emphasis is placed on credit risk);
- sharing reports, methodologies and terminologies;
- as well as, more generally, ensuring a fruitful exchange of information and the examination of possible forms of cooperation.

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Notwithstanding the fact that Risk Management may also take steps to convene further meetings should it deem it advisable/ necessary, as a general rule, it will be the responsibility of Internal Audit to promote such meetings.

The Head of Risk Management informs the Managers of the other control units of critical issues detected in their control activities that may be of interest to the activities of each. It is also foreseen the reciprocal transmission, normally for knowledge and in relation to the area of competence, of the results of the individual interventions carried out.

Risk Management sends the results of the analyses conducted to ascertain the level of assumed and assumable risks of both the Parent Company and the Group Companies to the Parent Company's Internal Audit.

6.1.5. Non-performing past due exposures

The Group adopts a business model that has peculiar features compared to most other Italian banking institutions, which largely operate as general banks.

This peculiarity of the business is reflected in the processes and management structures, generating flows and stock dynamics that are reflected in assets and related indicators.

Nonetheless, the Parent Company believes that adopting "systemic" operational and structural ratios and maintaining its indicators at the highest level of excellence, is a mark of quality and a value to be pursued as a specific goal in order to strengthen its corporate structure as well as improve its internal processes.

Among these, the quality of assets is a top priority that must be expressed both in the ability to provide credit, minimizing the risks of deterioration of exposures, and in the ability to manage non-performing exposures, optimising recovery performance in terms of amount and timing of recovery.

In this sense, the Group's action is oriented in two directions:

- constant efforts to improve not only the processes for selecting and granting loans, but also the processes for managing performing loans, referring, where appropriate, to the commercial and/or selection policies of individual transactions, in order to contain the generation of non-performing loans in the best possible way;
- the definition of quantitative objectives (such as maximum limits) in terms of non-performing exposures as well as pre-established actions to be implemented according to appropriate application criteria and priorities, in order to ensure compliance with the established limits over time.

In managing these aspects, the Group must, however, necessarily take into account the different segments of business and related types of credit, classifying solutions and actions consistent with the specificities of the individual segments, in order to ensure the best result in terms of value protection and speed of solution.

In view of the above, the Group has maintained the following two indicators as performance indicators and explicit objectives to be pursued with careful and proactive management when

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updating its annual operating plan for the management of Npl, presented to the Bank of Italy in March 2024:

- "Gross Npe ratio", consisting of the ratio of "gross non-performing exposures" to "total receivables due from customers", excluding Npl sector receivables;
- "Net Npe ratio", consisting of the ratio of "non-performing exposures net of related adjustments" to "total receivables due from customers", excluding Npl sector receivables.

With reference to receivables due from customers for cash in place at 31 December 2024, excluding the positions stemming from the acquisition and management of non-performing exposures of third party originators managed by the subsidiaries Ifis Npl Investing and Ifis Npl Servicing, as well as the portfolios of retail loans, also in consideration of the uncertainty surrounding the global economic performance, the levels of Npe ratio are lower than the last Npl management plan defined early 2024. Regardless of the current outlook, the pursuit of the objective of a general limitation in the stock of non-performing loans remains and is expected to take place through a differentiated strategy in relation to the specificity of the individual portfolios concerned (taking into account the type of counterparty and the specificity of the individual products). In general, the action that will be taken is essentially based on the following goals, which it has been pursuing for some time now:

- containment of the default rate in order to reduce the inflow of non-performing positions by extending and strengthening the monitoring of lending aimed at anticipating, and possibly preventing, deterioration of positions;
- improvement of the "performing" rates of return through a more significant use of forbearance measures in relation to counterparties that show signs of financial difficulty;
- leveraging the expertise within the Banca Ifis Group at the reporting date and the virtuous collection processes currently in place to maximise collection rates;
- reducing the stock of non-performing loans by considering selective sales of individual significant positions as well as applying existing write-off policies.

The non-performing positions or the performing positions that in any case present significant problems are handled directly by specific organisational units established at each company of the Group, which:

- assess the counterparty's willingness and ability to repay the debt in order to establish the most appropriate recovery strategy;
- manage judicial and non-judicial proceedings concerning debt collection operations;
- define potential modifications to the administrative status as well as the quantification of "doubtful individual outcomes" for the positions assigned to it, submitting them to the competent decision maker;
- monitor the amount of exposures classified as bad loans and the relevant debt collection operations.

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6.1.6. Credit risk adjustments

Under IFRS 9, the relevant impairment provisions apply to financial assets measured at amortised cost, financial assets at fair value through other comprehensive income that are not equity securities, and loan commitments and guarantees granted that are not measured at fair value through profit or loss.

"Expected Credit Losses" (ECLs) are calculated based on whether the financial instrument's credit risk has significantly increased since initial recognition.

The general impairment model requires allocating the financial instruments within the scope of IFRS 9 to three Stages, which reflect the deterioration in credit quality:

- Stage 1: financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date;
- Stage 2: financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that individually do not have objective evidence of impairment;
- Stage 3: financial assets that have had a significant increase in credit risk since initial recognition with objective evidence of impairment at the reporting date. This coincides with non-performing exposures, i.e. those classified as bad loans, unlikely to pay, or non-performing past due exposures according to the rules of the Bank of Italy.

First of all, it should be noted that, with reference to the calculation of expected losses, in 2024, the process of revising and fine-tuning the models in use continued with the aim of more accurately reflecting the expected losses of unimpaired (performing) exposures, also as a result of the historical evidence available and the persistent uncertainties in the macro-economic context of reference.

In particular, with regard to the models developed internally, the risk parameter estimates (PD and LGD) were updated both with regard to the Through the Cycle (hereinafter also TTC) component, by lengthening the time series, and with regard to the Point in Time (hereinafter also PIT) and Forward Looking (hereinafter also FL) components. With reference to the PD parameter, a model change was introduced in the way PIT and FL elements are included, whereby the first 3 annual nodes of the TTC PD curve are calibrated to Anchor Points calculated on the basis of an appropriate mix of historical and prospective information. During 2024, a new quantitative stage allocation model was developed with the aim of strengthening estimates and improving alignment with IFRS9. The new model was released into production at the quarterly close of 30 September 2024 and simultaneously validated by the function responsible for validating internal models, and the effects of this release on the Group's financial results were not significant. Another change introduced concerns the macroeconomic scenarios underlying the forward-looking conditioning; at the end of the first half of the year and at year-end, the scenarios were updated, the details of which are given later in this section, in order to allow the valuation of credits to be as compliant as possible with the accounting standard. The development and maintenance activities of the IFRS 9 impairment framework had no significant impact either in absolute terms or in terms of the level of portfolio coverage.

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The expected loss defined on the basis of the model is supplemented with a series of managerial adjustments (so-called "post-model adjustments" or "overlays") in order to factor in certain valuation elements not adequately captured by the models in use.

Below is an explanation of the framework used by the Group to measure expected losses, including any changes made to the models and criteria applied for calculating expected losses as part of the ongoing model revision process are illustrated below, depending on the type of intervention (SICR valuation, estimation of forward-looking information, other model changes, and use of any management overlays).

According to IFRS 9, all financial assets not measured at fair value through profit or loss and other than the POCI, for which reference is made to the information given previously, represented by debt securities and loans, and off-balance sheet exposures (commitments and guarantees granted) must be subject to the impairment model based on expected losses (ECL - Expected Credit Losses).

The most significant aspects that characterise this approach, concern:

- the classification of loans into three different levels (or "Stages") to which different methods correspond for calculating the losses to be recorded; Stage 1 includes performing positions that have not undergone a significant increase in credit risk otherwise placed in Stage 2; Stage 3 includes all positions classified as non-performing, bad loans, unlikely-to-pay, non-performing past due in accordance with the criteria and rules specifically adopted by the Group;
- the calculation of the expected loss calculated at 12 months for Stage 1 or for the entire useful life of the credit (lifetime) for Stages 2 and 3;
- the requirement to use a Point-in-Time, rather than a Through-the-Cycle, approach for regulatory purposes;
- forecast information regarding the future dynamics of macroeconomic factors (forward looking) considered to have the potential to influence the debtor's situation.

In this context, the Group has adopted a method to determine the "significant" increase in credit risk since initial recognition: this requires the transfer between stage 1 and stage 2 by combining quantitative and qualitative information. Please note that no probation period is applied for the exit of performing positions from Stage 2.

To identify the significant increase in credit risk, the Banca Ifis Group applies the following quantitative and qualitative transfer criteria to the loan portfolio according to the type of counterparty defined by segmenting receivables into portfolios:

- the only quantitative transfer criteria is what is termed “PD comparison” for which, in order to identify the "significant increase in credit risk" on exposures within rated portfolios, the Group used an approach backed by quantitative analyses, under which the exposure is allocated to Stage 2 if the change in the one-year PD between the origination and the measurement date exceeds a given threshold. The decision to use a 1-year PD comparison instead of a lifetime approach, also determined in consideration of the solution provided by the impairment engine's outsourcer, is supported by analyses that show a high correlation

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between the SICR metrics calculated from a lifetime perspective and those calculated from a 1-year perspective. This threshold is assigned on the basis of the origination rating (if available) and the product type for each report;

- the qualitative transfer criteria, on the other hand, are three and are described below.
  - Rebuttable presumption - 30 days past due: IFRS 9 establishes that, regardless of how the entity assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The entity can rebut this presumption if it has reasonable and supportable information that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. However, the Ifis Group has not pursued this option;
  - Forbearance: according to this criterion, a financial instrument is allocated to Stage 2 when the Group classifies the exposure as forborne;
  - Watchlist: this requires identifying qualitative deterioration criteria defined by the Group as part of the process for defining especially risky positions during credit monitoring;
  - "ECB Backstop": the criterion transfers to Stage 2 positions with PDs at the "reporting date" that are 200% higher than (“threefold”) at the "origination date" or with PDs at the "reporting date" that are 20% higher.

According to IFRS 9, an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the instrument is determined to have low credit risk at the reporting date, that is:

- it has a low risk of default;
- the borrower is considered, in the short term, to have a strong capacity to meet its obligations;
- the lender expects, in the longer term, that adverse changes in economic and business conditions might reduce the ability of the borrower to fulfil its obligations.

The measurement of expected credit losses (ECLs) accounts for cash shortfalls, the probability of default, and the time value of money. Specifically, the Group measures the loss allowance for the financial instrument as:

- expected losses within 12 months for positions that have not suffered a significant deterioration in creditworthiness (Stage 1); in other words, the Group estimates non-payments resulting from possible default events within the following 12 months, weighted by the probability that such events will occur;
- expected "Lifetime" losses for positions that have suffered a significant deterioration in creditworthiness (Stage 2); in this case, the Group estimates the cash shortfalls resulting from default events that are possible over the expected life of the financial instrument,

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weighted by the probability of that default occurring and discounted at the measurement date.

To ensure its collective impairment calculations are in the closest possible compliance with regulatory requirements, the Group has defined a specific methodological framework. This involved developing quantitative methods and analyses based on proprietary datasets as well as qualitative methods and analyses to essentially model the following risk parameters and the methodological aspects relevant to the calculation of impairment under IFRS 9:

- estimation of the Probability of Default (PD), which expresses the probability of a default event occurring in the credit position over a given time frame. The estimation methodology involves using an appropriate estimator to calculate the Cumulative Default Rate (hereinafter also CDR), i.e. the historically observed probability of a default event occurring within a given time horizon. CDRs are then interpolated using an appropriate functional form;
- estimation of Loss Given Default (LGD), which expresses the estimated loss percentage in the event of default of the credit position. A "workout LGD" approach based on internal data was chosen; therefore, this parameter is defined on the basis of historical recovery evidence observed for each perimeter where possible;
- definition of Stage allocation transfer logic, which includes the recalibration of SICR thresholds;
- calculation of expected losses including point-in-time elements: the credit parameters are calibrated on a horizon that considers the entire economic cycle, therefore, in accordance with IFRS 9, a PIT (point-in-time) adjustment is necessary to reflect the current condition in the parameters;
- calculation of expected losses including forward-looking elements: the credit parameters are calibrated to a horizon that considers the entire economic cycle; therefore, in accordance with IFRS 9, it is necessary to include forward-looking elements to reflect expectations on the future development of the economic cycle.

In developing the above methods, the Group has considered multiple solutions, the current and prospective complexity of its portfolio, as well as how to maintain and update risk parameters.

The time series underlying the estimation of risk parameters are updated annually; calibrations involving the forward-looking scenarios are updated at least once a year, or on the basis of changes in the environment. As far as EAD is concerned, there is no internal modelling, and the value of EAD is equal to the book value adjusted by the application of the credit conversion factor or CCF (Credit Conversion Factor) applied for the entire duration of the exposure.

Concerning the exposures to Banks, Central Governments, and Public-sector Entities (low default portfolios), the Group used default rates associated with migration matrices provided by public information of Moody's ratings or other external providers.

LGD is estimated on historical proprietary evidence with the exception of a few residual transactions (due to the lack of sufficient objective historical data given the recent business or given the particular type of counterparty - i.e. banks, central governments and territorial entities) for which an industry

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LGD was used. The cash flows used in estimating LGD are discounted at the Effective Interest Rate (EIR).

In order to determine the risk parameters adopting a forward looking approach, the Group has adopted econometric models (based on the stress test framework - “satellite” models), aimed at forecasting the evolution of the institute’s risk factors (i.e. mainly PD and migrations between statuses for credit risk) on the basis of a joint forecast of the evolution of the economic and financial indicators (macroeconomic scenario). The satellite models used meet the need to identify the existence of a significant relationship between the general economic conditions (i.e. macroeconomic and financial variables) and a proxy variable of the risk factor (target variable) i.e. the credit rating of counterparties (which represents the respectively probability of default as a summary of the PD factor), which in its aggregate form at an institute level is represented by a careful calibration of the deterioration rates recorded by the Bank of Italy.

By exploiting the identified relationship between target variable and macroeconomic factors, it is therefore possible to obtain forecast values of deterioration rates by applying future projections of explanatory variables retrieved from external information providers, also used for institutional information purposes and by the Strategic Planning function under the scope of their activities. In compliance with IFRS 9, the Risk Management function employs macroeconomic scenarios describing two contexts characterised by increasing levels of forecast severity and criticality: a "baseline" scenario and an "adverse" scenario. Compared to last year, an “upside” scenario is no longer used, as it is not included in the supply. These scenarios produce two different satellite model forecasts, making weighting necessary: for the current year, it was decided to balance the weights of the baseline and adverse scenarios in view of the uncertainty of the macroeconomic environment, which sees on the one hand, in the geopolitical context, one of the main factors of instability, and on the other, the possible onset of non-negligible risks connected with the evolution of the global economic activity.

The Risk Management function has therefore included the forecasts defined by its satellite models in the structures at the end of the PD lifetime, exploiting the Merton framework. Indeed, the migration matrices between credit states of each perimeter were defined and, through the application of the macroeconomic shifts output by the satellite models, the stressed projections of the matrices were obtained, allowing the derivation of scaling factors calculated on the stressed default rates to be applied to the PD curves as per the defined methodology.

The satellite models developed for PD were also applied in a mirror-image manner to the Danger Rate, i.e. the migration between credit states, used in LGD, which in its point-in-time & forward-looking configuration gives a multi-period structure to LGD.

With reference to the inclusion of Forward-Looking factors feeding into the IFRS 9 provisioning process, through the use of satellite models, the Risk Management function in the fourth quarter of 2024 updated the macroeconomic scenarios by procuring them from an external info provider and comparing them with official sources.

The current macroeconomic environment incorporates both cautious optimism about the continuation of the economic growth, with signs of lower inflation and an expectation of monetary policy easing in Europe, and the repercussions of the uncertain geopolitical environment, with

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possible repercussions on global trade and commodity and energy prices. The Group adopts two scenarios to reflect the uncertainty of the macroeconomic environment:

- Baseline scenario: this is the main reference scenario that envisages growing but slowing global economic activity. Italy's moderate GDP growth driven by domestic demand also continued. Inflation is no longer considered the most pressing problem for the Italian economy. Energy price shocks have subsided, there is no wage-price spiral and inflation is no longer profit-driven. Recession fears and falling inflation accelerate the path of policy rate cuts. In addition to the geopolitical risks of the ongoing conflicts on Europe's borders, the situation of German industry, with its negative impact on the European economies and the Italian economy in particular, is a cause for concern;
- Adverse scenario: this is the severe but plausible scenario according to which the global geopolitical situation is expected to worsen due to the escalation of conflicts. Oil prices soar due to the risks of naval blockades in the Gulf, as well as transport being hindered in its transit, exacerbating the pressure on commodity prices. Inflation stops falling, remaining above central bank targets by slowing the path of normalisation of monetary policies in 2025. Growing uncertainty blocks investment decisions and curbs household spending in advanced countries. Italy is particularly exposed to the risk of higher interest rates, with a growing public debt to GDP ratio, and to the slowdown of German industry.

FINANCIAL INDICATORS FINANCIAL YEAR END (%)	Baseline scenario			Adverse scenario		
	2025	2026	2027	2025	2026	2027
Italian real GDP growth y/y, %	0,8	0,7	0,4	0,1	0,4	0,3
Italian unemployment, %	7,0	6,8	6,6	7,3	7,5	7,5
Euribor 3M, %	2,7	2,5	2,5	2,9	2,6	2,5
BTP 10 years, %	4,0	4,2	4,6	4,2	4,6	5,0
Brent barrel growth y/y, %	-1,5	5,6	1,3	4,6	5,2	0,1
Italian inflation, %	1,9	2,0	2,0	2,3	2,1	2,0

As regards the probability of occurrence of the scenarios, the baseline scenario is characterised by a 60% probability of occurrence, while the adverse scenario by a 40% probability in order to reflect the uncertain macroeconomic context.

In order to provide information that enables a clear understanding of the elements of judgement used by management and their impact, sensitivity analyses were carried out. The inclusion of forward-looking factors for the measurement of expected losses is, in fact, a particularly complex exercise, as it requires the formulation of macroeconomic forecasts, the selection of scenarios and their relative probabilities of occurrence, and the definition of a model capable of expressing the relationship between the aforementioned macroeconomic factors and the deterioration rates of the exposures under assessment.

For this reason, in order to be able to appreciate the impact on expected losses resulting from the selection of different macroeconomic scenarios, and in compliance with the recommendations formulated by ESMA, most recently in its document of 13 May 2022, sensitivity analyses are provided below, in terms of ECL. These analyses were conducted by assigning a 100% weighting to each individual macroeconomic scenario ("baseline” and “adverse”) with respect to the multi-scenario approach followed for the purpose of preparing this Report.

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The selection of a multi-factor sensitivity, obtained by varying several parameters simultaneously and implicit in the choice of considering alternative macroeconomic scenarios, is justified by the fact that there are innumerable interrelationships between the different macroeconomic factors such that a sensitivity analysis based on a single factor would be less representative (e.g. the change in GDP would be correlated with changes in many other macroeconomic variables).

The basis for sensitivity analyses is represented by expected losses (ECLs) on the Group's exposures for receivables due from customers - cash loans and guarantees. In particular, this is the ECL determined on the basis of the models in use, and thus not including the post-model adjustments discussed below.

In particular, the 100% “adverse” weighting would lead to an impact on the model ECL of approximately +0.5%, while the 100% “baseline” weighting would lead to an impact of approximately -0.3%.

As for the securities portfolio, considering the methodological complexity associated with developing a dedicated model, the Group decided to use the calculation of impairment under IFRS 9 that the outsourcer of the computer system provides at consortium level (i.e. estimating risk parameters, calculating the Stage allocation and ECLs). Specifically, the formula used to calculate the impairment of the tranches allocated to Stage 1 and 2 is consistent with the approach to credit exposures. The Stage allocation of performing debt securities requires using an external rating of the issue or, if this is not available, the issuer; in short, the securities are allocated to the different Stages based on specific transfer criteria associated with this type of portfolio. Exposures are allocated to Stage 3 if credit risk has deteriorated to the point that the security is considered impaired, i.e. classified as non-performing, including in the case of financial instruments in default.

The Covid-19-related health emergency in early March 2020 generated unprecedented impacts on global economic growth. This circumstance prompted intermediaries to consider possible impacts on credit risk produced by such extraordinary risk factors not adequately captured by the expected loss (ECL) calculation models in use. This, coupled with the need to capture expectations of a rapid deterioration in macroeconomic conditions from a forward-looking perspective, led the Group to introduce prudential adjustments (“management overlays”) over time in the determination of expected losses (ECL); these adjustments were aimed in particular at capturing the risks associated with exposures to counterparties belonging to the most potentially vulnerable economic sectors.

After 2021, as a result of geopolitical tensions related to the Russia-Ukraine conflict and the conflict in the Middle East, the inflationary scenario and the slowdown in economic growth, the prudential adjustments applied and previously described were replaced and restated with the aim of factoring in the risks emerging from the macroeconomic context of reference. In particular, a number of new prudential adjustments were introduced to take into account the macroeconomic context strongly influenced by geopolitical tensions, the impact of rising energy prices, inflationary dynamics, and the significant increase in interest rates in order to intercept risk factors relating to counterparties belonging to sectors considered particularly exposed to new emerging risks; in particular, companies in the manufacturing, agricultural, transport and energy trading sectors. The approach and criteria used have been made progressively more analytical and consistent over time through refinements introduced to reflect the Group's improved perception of the evolution of related risks.

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Consequently, at 31 December 2023, the total amount of the described prudential adjustments (management overlay) was approximately 52.3 million Euro, almost equally divided between adjustments to hedge multiple risk factors (particularly related to inflationary, geopolitical and energy supply risks) and adjustments to hedge adverse macroeconomic expectations, the quantifications of which are also supported by stress scenario and sensitivity analyses. At 31 December 2023, an additional 12.8 million Euro of prudential adjustments were also provided for to protect positions specifically identified to take into account their possible deterioration, which can be estimated in a reasonably short time horizon and is not captured by current models ("expert-based" valuations).

Prudential adjustments which were accounted for in previous financial years and resulting from expert-based assessments, were fully utilised in 2024, following the actual classification of specifically identified positions as impaired exposures. In addition, management overlays already set aside, in previous exercises, aiming to hedge multiple risk factors (particularly related to inflationary, geopolitical and energy supply risks) and to hedge against adverse macro-economic expectations, were used against the deteriorating dynamics of the underlying portfolio clusters as the risks against which these overlays were set up were deemed to have materialised. The total remaining amount of management overlays at 31 December 2024 is therefore 25.2 million Euro.

Lastly, as more fully illustrated in the "Management of climate change-related risks" section of the Report, a study was conducted on the effects of climate and environmental risks on credit risk, analysing the possible impacts that climate events could cause on risk parameters (PD and LGD) and consequently on the ECL of the performing portfolio. The analyses carried out showed that, with reference to the overall scenario of 2024 (weighted 60% as 'baseline' and 40% as 'adverse'), the impact of climate risks on the Banca Ifis Group's risk parameters (PD and LGD) is to be considered entirely marginal at the level of ECL increase. Notwithstanding the fact that the Group will continue in the near future to update its analyses to assess climate risks and measure their impacts, given the low materiality, in preparing the financial statements at 31 December 2024, these effects have not been incorporated into the determination of the ECL through risk parameter adjustments or a specific overlay.

Finally, with regard to the determination of expected losses on exposures classified in Stage 3 assessed analytically, the quantification of those losses is determined on the basis of collection forecasts, formulated by the servicer, discounted on the basis of the original effective interest rates and the relevant collection timeline. For Stage 3 exposures that are not individually tested for impairment, the Group defines a lifetime provision in line with the concept of expected credit loss. The LGD metric, defined in line with the metrics adopted for performing loans, is then applied to calculate the collective losses of Stage 3 exposures.

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6.1.7. Quantitative information

Table 32 – Template EU CR1: Performing and non-performing exposures and related provisions (1 of 2)

		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	573	573	-	-	-	-
010	Loans and advances	7.108	6.488	595	1.921	-	411
020	Central Banks	-	-	-	-	-	-
030	General governments	252	172	81	33	-	33
040	Credit institutions	74	74	-	-	-	-
050	Other financial corporations	523	515	8	3	-	1
060	Non-financial corporations	5.532	5.059	459	484	-	328
070	Of which: SMEs	3.229	2.956	264	104	-	98
080	Households	726	668	47	1.401	-	50
090	Debt securities	3.119	3.046	4	3	-	3
100	Central Banks	-	-	-	-	-	-
110	General governments	2.059	2.059	-	-	-	-
120	Credit institutions	591	590	1	-	-	-
130	Other financial corporations	356	284	3	3	-	3
140	Non-financial corporations	113	113	-	-	-	-
150	Off-balance-sheet exposures	1.381	1.217	57	25	-	23
160	Central Banks	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-
180	Credit institutions	15	15	-	-	-	-
190	Other financial corporations	241	175	-	3	-	3
200	Non-financial corporations	977	884	51	20	-	18
210	Households	149	143	6	2	-	2
220	**Total**	**12.181**	**11.324**	**656**	**1.948**	**-**	**437**

Table 33 – Template EU CR1: Performing and non-performing exposures and related provisions (2 of 2)

		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				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)	(1)	-	-	-	-	-	-	-
010	Loans and advances	**(69)**	**(43)**	**(26)**	**(202)**	**-**	**(202)**	**13**	**3.157**	**249**
020	Central Banks	-	-	-	-	-	-	-	-	-
030	General governments	(2)	-	(2)	(2)	-	(2)	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	25	-
050	Other financial corporations	(4)	(4)	-	-	-	-	-	188	2
060	Non-financial corporations	(58)	(36)	(22)	(182)	-	(182)	4	2.359	150
070	Of which: SMEs	(29)	(20)	(10)	(44)	-	(44)	-	1.871	37
080	Households	(6)	(4)	(2)	(18)	-	(18)	9	584	97
090	Debt securities	**(2)**	**(2)**	**-**	**(1)**	**-**	**(1)**	**-**	**41**	**-**
100	Central Banks	-	-	-	-	-	-	-	-	-
110	General governments	(1)	(1)	-	-	-	-	-	-	-
120	Credit institutions	(1)	(1)	-	-	-	-	-	-	-
130	Other financial corporations	(1)	(1)	-	(1)	-	(1)	-	41	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	**(3)**	**(2)**	**-**	**(3)**	**-**	**(2)**		**37**	**-**
160	Central Banks	-	-	-	-	-	-		-	-
170	General governments	-	-	-	-	-	-		-	-

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		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				Performing exposures	Non-performing exposures
			Of which: stage 1	Of which: stage 2		Of which: stage 2	Of which: stage 3			
180	Credit institutions	-	-	-	-	-	-		-	-
190	Other financial corporations	(1)	(1)	-	-	-	-		-	-
200	Non-financial corporations	(2)	(1)	-	(3)	-	(2)		34	-
210	Households	-	-	-	-	-	-		3	-
220	**Total**	**(69)**	**(43)**	**(26)**	**(201)**	**-**	**(201)**	**13**	**3.234**	**249**

Table 34 – Template EU CR1-A: Duration of exposures

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	38.506.966	4.552.371.798	2.652.843.008	1.243.523.482	268.739.406	8.755.984.660
2	Debt securities	-	512.723.745	1.279.727.709	1.326.156.776	-	3.118.608.230
3	Total	**38.506.966**	**5.065.095.542**	**3.932.570.717**	**2.569.680.259**	**268.739.406**	**11.874.592.890**

Table 35 – Template EU CR2: Changes in the stock of impaired loans and advances

		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**2.042**
020	Inflows to non-performing portfolios	1.288
030	Outflows from non-performing portfolios	1.410
040	Outflow due to write-offs	42
050	Outflow due to other situations	1.368
060	**Final stock of non-performing loans and advances**	**1.921**

Table 36 – Template EU CQ1: Credit quality of forborne exposures

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measured
				of which defaulted	of which impaired				
005	Cash balances at Central Banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	69	350	350	34	(8)	(15)	70	24
020	*Central Banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	4	-	-	-	-	-	4	-
060	*Non-financial corporations*	56	38	38	24	(8)	(11)	41	6
070	*Households*	9	312	312	11	-	(3)	25	17
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	2	-	-	-	-	-	-	-
100	**Total**	**71**	**350**	**350**	**34**	**(8)**	**(15)**	**70**	**24**

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Table 37 – Template EU CQ2: Quality of forbearance measures

		Gross carrying amount of exposures with forbearance measures
010	Loans and advances that have been subject to forbearance measures more than twice	222
020	Impaired loans and advances subject to forbearance measures that failed to meet the criteria for exclusion from the impaired category	94

Table 38 – Template EU CQ3: Credit quality of performing and non-performing exposures by past due days

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years <= 5 years	Past due > 5 years <= 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at Central Banks and other demand deposits	573	573	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	7.107	6.965	143	1.920	216	50	41	61	625	382	545	1.921
020	Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	252	173	79	33	23	-	-	-	3	3	4	33
040	*Credit institutions*	74	74	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	523	523	-	2	1	-	1	-	-	1	-	3
060	*Non-financial corporations*	5.532	5.482	49	484	160	43	28	31	79	92	51	484
070	*Of which: SMEs*	3.229	3.205	24	104	64	11	10	4	2	8	5	104
080	*Households*	726	712	14	1.401	32	8	12	30	543	287	490	1.401
090	Debt securities	3.119	3.119	-	3	3	-	-	-	-	-	-	3
100	Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	2.059	2.059	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	591	591	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	356	356	-	3	3	-	-	-	-	-	-	3
140	*Non-financial corporations*	113	113	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	1.381			25								25
160	*Central banks*	-			-								-
170	*General governments*	-			-								-
180	*Credit institutions*	15			-								-
190	*Other financial corporations*	241			3								3
200	*Non-financial corporations*	977			20								20
210	*Households*	149			2								2
220	**Total**	**12.181**	**10.657**	**143**	**1.948**	**219**	**50**	**41**	**61**	**625**	**382**	**545**	**1.948**

Table 39 – Template EU CQ4: Quality of non-performing exposures by geography

		Gross carrying amount/nominal amount				Accumulated impairment	Provisions for off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
010	**On-balance-sheet exposures**	**12.147**	**1.923**	**1.923**	**12.077**	**(273)**		**-**
020	Italy	11.063	1.921	1.921	11.003	(271)		-
030	France	285	1	1	285	-		-
040	Germany	268	-	-	268	(1)		-
050	Switzerland	98	-	-	98	(1)		-
060	Spain	87	-	-	87	-		-

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		Gross carrying amount/nominal amount				Accumulated impairment	Provisions for off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
070	Other States	345	1	1	335	(1)		-
080	**Off-balance-sheet exposures**	**1.404**	**24**	**24**			**5**	
090	Italy	1.256	24	24			5	
100	Poland	92	-	-			-	
110	Ireland	20	-	-			-	
120	Turkey	11	-	-			-	
130	Romania	10	-	-			-	
140	Other States	14	-	-			-	
150	**TOTAL**	**13.551**	**1.947**	**1.947**	**12.077**	**(273)**	**5**	**-**

Table 40 – Template EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing	106	14	14	106	(3)	-
020	Mining and quarrying	9	-	-	9	-	-
030	Manufacturing	1.927	163	163	1.927	(101)	-
040	Electricity, gas, steam and air conditioning supply	58	8	8	58	(3)	-
050	Water supply	85	3	3	85	(1)	-
060	Construction	480	68	68	480	(35)	-
070	Wholesale and retail trade	1.645	118	118	1.645	(41)	-
080	Transport and storage	424	23	23	424	(13)	-
090	Accommodation and food service activities	71	13	13	71	(2)	-
100	Information and communication	182	14	14	182	(9)	-
110	Financial and insurance activities	9	-	-	9	-	-
120	Real estate activities	84	17	17	83	(3)	-
130	Professional, scientific and technical activities	227	17	17	227	(15)	-
140	Administrative and support services activities	260	9	9	260	(4)	-
150	Public administration and defence, compulsory social security	-	-	-	-	-	-
160	Education	37	-	-	37	(1)	-
170	Human health services and social work activities	120	4	4	120	(2)	-
180	Artistic, entertainment and recreation	258	6	6	258	(5)	-
190	Other services	31	7	7	31	(1)	-
200	**Total**	**6.016**	**483**	**483**	**6.014**	**(239)**	**-**

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Table 41 – Template EU CQ6: Valuation of collateral - loans and advances

		Loans and advances											
			Performing		NON-PERFORMING								
						Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
				Past due > 30 days ≤ 90 days				Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years
010	Gross carrying amount	9.028	7.108	143	1.921	216	1.705	51	41	61	625	382	545
020	*of which guaranteed*	3.627	3.289	19	338	99	239	30	25	30	59	46	48
030	*of which secured by real estate*	451	351	4	100	17	83	5	5	9	15	16	34
040	*Of which instruments with LTV ratio above 60 % and below or equal to 80 %*	73	62		11	3	8						
050	*Of which instruments with LTV ratio above 80 % and below or equal to 100 %*	85	75		10	1	9						
060	*Of which instruments with LTV above 100 %*	150	122		28	2	25						
070	Accumulated impairment for guaranteed assets	120	37	1	83	29	54	9	9	16	4	9	6
080	Collateral guarantees												
090	*Of which value limited to exposure value*	2.329	2.216	11	113	25	88	8	5	7	15	17	36
100	*Of which real estate*	386	311	4	75	13	62	3	3	3	13	13	26
110	*Of which value over limit*	567	254	9	314	48	266						
120	*Of which real estate*	660	375	9	285	38	246						
130	Financial guarantees received	1.076	940	7	136	43	93	13	10	7	39	19	5
140	Accumulated partial write-off	12	-	-	12	1	11	-	-	-	1	1	9

Table 42 – Template EU CQ7: Collateral obtained by taking possession and execution processes

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated decreases
010	Property, Plant and Equipment (PP&E)	-	-
020	Other than PP&E	-	-
030	Residential real estate	-	-
040	Non-residential real estate	-	-
050	Movable property (cars, boats, etc.)	-	-
060	Capital and debt instruments	-	-
070	Other collateral	-	-
080	**Total**	-	-

Table 43 – Template EU CQ8: Collateral obtained by taking possession and execution processes - breakdown by seniority

		Reduction of outstanding debt		Total collateral obtained by taking possession									
						Enforcement ≤ 2 years		Enforcement > 2 years ≤ 5 years		Enforcement > 5 years		Of which non-current assets held for sale	
		Gross carrying amount	Accumulated decreases	Value at initial recognition	Accumulated decreases	Value at initial recognition	Accumulated decreases	Value at initial recognition	Accumulated decreases	Value at initial recognition	Accumulated decreases	Value at initial recognition	Accumulated decreases
010	Collateral obtained by taking possession classified as PP&E	-	-	-	-								
020	Collateral obtained by taking	-	-	-	-	-	-	-	-	-	-	-	-

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		Reduction of outstanding debt		Total collateral obtained by taking possession									
						Enforcement ≤ 2 years		Enforcement > 2 years ≤ 5 years		Enforcement > 5 years		Of which non-current assets held for sale	
		Gross carrying amount	Accumulated decreases	Value at initial recognition	Accumulated decreases	Value at initial recognition	Accumulated decreases	Value at initial recognition	Accumulated decreases	Value at initial recognition	Accumulated decreases	Value at initial recognition	Accumulated decreases
	possession other than that classified as PP&E												
030	Residential real estate	-	-	-	-	-	-	-	-	-	-	-	-
040	Non-residential real estate	-	-	-	-	-	-	-	-	-	-	-	-
050	Movable property (cars, boats, etc.)	-	-	-	-	-	-	-	-	-	-	-	-
060	Capital and debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
070	Other collateral	-	-	-	-	-	-	-	-	-	-	-	-
080	**Total**	-	-	-	-	-	-	-	-	-	-	-	-

6.2. Credit risk mitigation techniques

Credit risk mitigation techniques include instruments that contribute to reducing the loss that the Group would incur in the event of counterparty default; specifically, they refer to guarantees received from customers, both collateral and personal, and to any contracts that may lead to a reduction in credit risk.

In general, as part of the process of granting and managing credit, for certain types of lines, the release by customers of suitable guarantees to reduce their risk is encouraged. They can be represented by:

- collateral encumbering assets, such as pledges on financial assets, mortgages on real estate (residential/non-residential); and/or
- personal guarantees (typically sureties) on a third party where the person (natural or legal) acts as guarantor of the customer's debt position in the event of insolvency.

In particular:

- as part of factoring operations with recourse, when the type and/or quality of factored receivables do not fully satisfy requirements or, more generally, the invoice seller is not sufficiently creditworthy, the bank's established practice is to hedge the credit risk assumed by the Group by obtaining additional surety bonds from the shareholders or directors of the invoice seller. As for the account debtors in factoring relationships with operations without recourse, wherever the Bank believes that the elements available to assess the account debtor do not allow to properly measure/assume the related credit risk, or rather the

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proposed amount of risk exceeds the limits identified during the debtor's assessment, the Bank adequately hedges the risk of default of the account debtor. Guarantees issued by correspondent factors and/or insurance policies underwritten with specialised operators are the main hedge against non-domestic account debtors in non-recourse operations;

- in loans to businesses, where possible, suitable guarantees are acquired from the Central Guarantee Fund or other companies coming under the public scope, such as SACE S.p.A.;
- in regard to Structured Finance, collateral is acquired according to the counterparty's standing as well as the term and type of the facility. Said collateral includes mortgages, liens on plant and equipment, pledges, surety bonds, credit insurance, and collateral deposits;
- as for finance leases, the credit risk is mitigated by the leased asset. The lessor maintains the ownership until the purchase option is exercised, ensuring a higher recovery rate in the event the client defaults;
- as for operations concerning distressed loans and purchases of tax receivables arising from insolvency proceedings, as well as the relevant business model, generally no action is taken to hedge credit risks;
- salary-backed loans certainly have low risk, considering the particular characteristics of this product: it requires having insurance against the customer's risk of death and/or loss of employment as well as imposing a lien on the Post-employment benefits earned by the customer as additional collateral for the loan;
- lending to pharmacies involves an advance as well as a transfer or debt collection mandate, with the possibility of deducting subsequent advances from existing credit facilities.

In line with that established by the Liquidity Decree (Italian Decree Law No. 23 of 8 April 2020 as subsequently amended), the Group has benefited from the guarantees offered by the state Guarantee Fund for the type of customer and loans envisaged by the Decree, with cover that can reach 100%. This guarantee enables a reduction in the RWAs relative to the credit risk, proportionally to the share of exposure covered by the Fund.

The acquired Npl portfolios include positions secured by mortgages on properties with a lower level of risk than the total portfolio acquired. When calculating the overall credit limit for an individual customer and/or legal and economic group, the Bank considers specific criteria when weighing the different categories of risks and guarantees. Specifically, when measuring collateral, it applies prudential "spreads" differentiated by type of guarantee.

The Group continuously verifies the quality and adequacy of the guarantees acquired on the loan portfolio, with second level monitoring carried out by the Parent Company's Risk Management function and carried out under the scope of the Single File Review (SFR).

6.2.1. Quantitative information

Table 44 - EU CR2A: Changes in the stock of non-performing loans and advances and related net accumulated recoveries

		Gross carrying amount	Related Cumulative Net Recoveries
010	Initial stock of non-performing loans and advances	2.042	
020	Inflows to non-performing portfolios	1.288	

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		Gross carrying amount	Related Cumulative Net Recoveries
030	**Outflows from non-performing portfolios**	1.410	
040	Outflow to performing portfolio	31	
050	Outflow due to partial or total repayment of the loan	444	
060	Outflow due to collateral liquidations	11	11
070	Outflow due to taking possession of collateral	-	-
080	Outflow due to the sale of instruments	81	16
090	Outflow due to risk transfers	-	-
100	Outflow due to write-offs	42	
110	Outflow due to other situations	802	
120	Outflow due to reclassification as held for sale	-	
130	**Final stock of non-performing loans and advances**	1.921	

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Table 45 Template EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

		Unsecured carrying amount	Secured carrying amount			
				of which secured by collateral	of which secured by financial guarantees	
						of which secured by credit derivatives
1	Loans and advances	5.923	3.405	2.329	1.076	-
2	Debt securities	3.078	41	-	41	
3	Total	9.001	3.446	2.329	1.117	-
4	of which non-performing exposures	1.472	249	113	136	-
EU-5	of which defaulted	1.472	249			

6.3. STD method for measuring credit risk

6.3.1. Qualitative disclosure

For the purposes of calculating capital requirements against credit risk, Banca Ifis uses the external credit assessment institution (ECAI) Fitch Ratings exclusively for the positions recognised under "Exposures to Central Governments and Central Banks". Banca Ifis also uses the ECAI Cerved rating for corporate counterparties, having certain specific characteristics of size and use, in order to calculate capital absorption for supervisory purposes. These positions are included in the "Exposure to Companies" classes. No external ratings are used for other asset classes.

Table 46 - Rating methodologies by regulatory classes

Regulatory classes	ECA/ECAI	Characteristics of the rating
Exposures to central governments and central banks	Fitch Ratings	Solicited/Unsolicited
Exposures to regional governments or local authorities	-	-
Exposures to public sector bodies	-	-
Exposures to entities[12]	Fitch Ratings	Solicited/Unsolicited
Corporate	Cerved	Solicited/Unsolicited
Retail exposures	-	-
Exposures in default	-	-
Exposures associated with particularly high risk	-	-
Equity exposures	-	-

6.3.2. Quantitative information

Table 47 - Template EU CR4 - standardised approach: Credit risk exposure and CRM effects

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWA	RWA density (%)
1	Central governments or Central Banks	2.747	-	3.477	-	130	3,75%
2	Regional governments or local authorities	21	-	21	-	4	20,00%
3	Public sector entities	180	-	180	-	116	64,59%
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	992	38	992	30	404	39,48%
7	House	3.763	651	3.553	340	3.608	92,67%
8	Retail	2.714	555	2.302	48	1.336	56,85%
9	Secured by mortgages on immovable property	178	-	178	-	60	33,65%
10	Exposures in default	1.683	22	1.616	8	1.742	107,30%

[12] The ratings issued by Fitch are used by the Bank for exposures classified in the Institutions portfolio since 30 September 2024

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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	RWA	RWA density (%)
11	Exposures associated with particularly high risk	104	3	104	2	158	150,00%
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	98	51	98	25	170	137,97%
15	Equity	377	1	377	1	405	107,13%
16	Other items	375	-	376	3	375	99,01%
17	**TOTAL**	**13.233**	**1.320**	**13.274**	**456**	**8.508**	**61,96%**

Table 48 - Template EU CR5: Standardised approach

Exposure classes		Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1	Central governments or Central Banks	3.374	-	-	-	-	-	-	-	-	85	-	18	-	-	-	3.477	1.437
2	Regional governments or local authorities	-	-	-	-	21	-	-	-	-	-	-	-	-	-	-	21	21
3	Public sector entities	-	-	-	-	80	-	-	-	-	100	-	-	-	-	-	180	180
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	2	41	-	-	464	-	412	-	-	104	-	-	-	-	-	1.022	420
7	House	-	-	-	-	33	-	343	-	-	3.223	294	-	-	-	-	3.893	2.064
8	Retail exposures	-	-	-	-	-	138	-	-	2.212	-	-	-	-	-	-	2.350	2.350
9	Secured by mortgages of immovable properties	-	-	-	-	-	139	39	-	-	-	-	-	-	-	-	178	175
10	Exposures in default	-	-	-	-	-	-	-	-	-	1.387	237	-	-	-	-	1.624	1.611
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	106	-	-	-	-	106	106
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures to Institutions and companies with short-term credit rating	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	5	-	-	-	-	32	62	-	-	1	23	123	123
15	Equity exposures	-	-	-	-	-	-	-	-	-	360	-	18	-	-	-	378	378
16	Other items	4	-	-	-	-	-	-	-	-	375	-	-	-	-	-	379	379
17	**TOTAL**	**3.380**	**41**	**-**	**-**	**602**	**278**	**794**	**-**	**2.212**	**5.665**	**699**	**36**	**-**	**1**	**23**	**13.730**	**9.244**

In relation to the Template EU CC1 - Composition of Regulatory Own Funds, please refer to as already stated in paragraph 3.1.5 - Table 23.

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6.4. Specialised financing and capital instruments

6.4.1. Quantitative information

Table 49 – Template EU CR10: Specialised lending and equity exposures under the simple risk-weighted approach

Specialised financing: project finance (allocation method)							
Regulatory categories	Residual maturity	On-balance-sheet exposures	Off-balance-sheet exposures	Risk weight	Exposure value	Risk-weighted exposure amount	Measurement of expected losses
Category 1	Less than 2.5 years	-	-	-	-	-	-
	Equal to or greater than 2.5 years	-	-	-	-	-	-
Category 2	Less than 2.5 years	-	-	-	-	-	-
	Equal to or greater than 2.5 years	-	-	-	-	-	-
Category 3	Less than 2.5 years	-	-	-	-	-	-
	Equal to or greater than 2.5 years	-	-	-	-	-	-
Category 4	Less than 2.5 years	-	-	-	-	-	-
	Equal to or greater than 2.5 years	-	-	-	-	-	-
Category 5	Less than 2.5 years	-	-	-	-	-	-
	Equal to or greater than 2.5 years	-	-	-	-	-	-
Total	Less than 2.5 years	-	-	-	-	-	-
	Equal to or greater than 2.5 years	-	-	-	-	-	-

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7. Counterparty Risk

7.1. Exposure to counterparty credit risk

7.1.1. Qualitative disclosure

The counterparty risk is the risk that the counterparty to a transaction involving financial instruments defaults before the final settlement of the transaction cash flows.

Counterparty risk currently exists on operations in derivative products generated by the Proprietary Finance activity, an Area belonging to the Capital Markets Department and responsible for identifying, implementing and realising investment strategies for the Proprietary Portfolio of Banca Ifis; there are also two interest rate swaps arising from the Corporate activity in which derivative contracts were offered to customers to cover the financial risks they had assumed; these transactions still in progress are covered with “back to back” transactions, in which a position opposite to that sold to corporate customers was assumed with external market counterparties.

Moreover, in 2021, a derivative transaction (purchase of a put option from a leading financial counterparty) was put in place to hedge the interest rate component of the self-securitisation transaction carried out by IFIS NPL Investing. This transaction, which will be restructured during 2023, could imply an increase in counterparty risk due to the fact that, as a result of changes in rates, the relative mark-to-market is positive and, consequently, the counterparty selling the option in question would be indebted to IFIS NPL Investing. In addition, a further derivative on the Indigo Lease securitisation was closed in 2024, of the IRS type, in which the Bank pays the fixed rate and receives the variable rate, which could further worsen the risk in question.

Organisationally, the Capital Markets Department is responsible for managing operations in financial instruments in accordance with the policies defined and the guidelines assigned according to operational and risk limits and profitability targets.

Prospectively speaking, no significant impact is expected on this risk in relation to the type of transactions, the nature of the counterparties and the margining systems envisaged.

With regard to counterparty risk connected to repos, the relative monitoring consists in a precise and constant verification of the structure and quality of the securities portfolio as the underlying risk is directly connected to the creditworthiness of the counterparties with which the collateralised financing operations are carried out (generally central counterparties such as Cassa di Compensazione e Garanzia and the European Central Bank) and is proportional to the price volatility of portfolio securities provided as a guarantee. There is only one repo transaction with central counterparty at the end of the fiscal year.

In relation to both the low level of exposure of the derivative product portfolio and the low incidence of absorbed internal capital connected to counterparty risk (CCR) on the total absorbed internal capital on risks, it is considered that the potential relevance of the aforementioned risk at Group level is "low".

The Group, for the measurement of counterparty risk and the measurement of the related capital requirement, is based on the methodologies prescribed by Regulation (EU) No. 575/2013 of 26 June

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2013 - Part Three, Title II, Chapter 6 (CCR) and for its application in Italy by Circular No. 285/2013, for the purposes of calculating the relevant regulatory capital requirements.

The credit valuation adjustment risk refers to an interim market valuation adjustment of the portfolio of transactions with a counterparty, referring to OTC derivatives. This adjustment reflects the current market value of the entity's counterparty risk but it does not reflect the current market value of the entity's credit risk in relation to the counterparty.

The Credit Value Adjustment (CVA) risk is on the same portfolio subject to the counterparty risk previously analysed. It reflects the current market value to the risk itself.

For the measurement of credit valuation adjustment risks and its internal capital, the Bank follows the approach prescribed by Regulation (EU) No. 575/2013 of 26 June 2013 - Part Three, Title VI and Circular No. 285/2013, for its application in Italy, for the purposes of calculating the relevant regulatory capital requirement. In particular, for transactions involving derivatives, it adopts the "standardised approach" (article 384 CRR) in order to measure the credit valuation adjustment risk.

Financial Risk is the specialised organisational unit of Risk Management that contributes to the definition of counterparty and settlement risk management policies and processes and proposes related mitigation initiatives. Within that framework:

- it contributes to determining the methodology to be adopted for calculating the capital requirement for counterparty risk on the basis of the instruments traded and strategies implemented;
- it transposes the capital requirement values from Supervisory Reports, on the basis of which it may develop specific indicators for a complete and exhaustive assessment of the risk in question;
- it closely monitors the evolution of the market values of the derivative contract (and its underlying asset) throughout its term;
- it proposes and defines the methodology that quantifies capital absorption on credit lines relating to financial instruments subject to counterparty and settlement risk;
- it prepares and updates reports for corporate bodies outlining counterparty risk exposure;
- it periodically checks the quality of the data used in the risk measurement methodology.

7.1.2. Quantitative information

Table 50 – Template EU CCR1: Analysis of CCR exposure by approach

		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)	19	111		1.4	182	182	182	58
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	of which securities financing			-		-	-	-	-

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		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
	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)					1.919	1.919	1.919	45
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**2.101**	**2.101**	**2.101**	**103**

Table 51 – Template EU CCR2: Transactions subject to own funds requirements for CVA risk

		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	182	83
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**	**182**	**83**

Table 52 - Template EU CCR3 - Standardised approach – CCR exposures by regulatory exposure class and risk weights

Exposure classes		Risk weight											
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or Central Banks	79	-	-	-	-	-	-	-	-	-	-	79
2	Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	1	-	-	252	105	-	-	-	-	-	358
7	House	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	1.664	-	-	-	-	-	-	-	-	-	-	1.664
11	**Total exposure value**	**1.743**	**1**	**-**	**-**	**252**	**105**	**-**	**-**	**-**	**-**	**-**	**2.101**

Table 53 – Template EU CCR5: Composition of collateral for CCR exposures

Collateral Type		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash - domestic currency	-	3	-	23	-	1.678	-	240
2	Cash - other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	99	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	80	-	-
6	Corporate bonds	-	-	-	-	-	-	-	1.740
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-

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	Collateral Type	Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
9	**Total**	**-**	**3**	**-**	**23**	**-**	**1.857**	**-**	**1.980**

Table 54 – Template EU CCR6: Exposures in credit derivatives

		Protection purchased	Protection sold
		31/12/2024	31/12/2024
	Notional		
1	Single-name credit default swap	-	-
2	Index credit default swap	-	-
3	Total return swap	-	-
4	Credit option	-	-
5	Other credit derivatives	-	-
6	**Total Notional**	**-**	**-**
	Fair value		
7	Positive fair value (assets)	-	-
8	Negative fair value (liabilities)	-	-

Table 55 – Template EU CCR8: Exposures to CCP

		Exposure value	RWEA
1	Exposures to QCCP (total)		0
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	889	0
3	(i) OTC derivatives	-	0
4	(ii) exchange-traded derivatives	-	0
5	(iii) SFTs	889	0
6	(iv) netting sets where cross-product netting has been approved	-	0
7	Segregated initial margin	41	0
8	Non-segregated initial margin	-	0
9	Prefunded default fund contributions	18	0
10	Unfunded default fund contributions	-	0
11	**Exposures to non-QCCPs (total)**	**0**	**0**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which:	0	0
13	(i) OTC derivatives	0	0
14	(ii) exchange-traded derivatives	0	0
15	(iii) SFTs	0	0
16	(iv) netting sets where cross-product netting has been approved	0	0
17	Segregated initial margin	0	0
18	Non-segregated initial margin	0	0
19	Prefunded default fund contributions	0	0
20	Unfunded default fund contributions	0	0

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8. Securitisation

8.1. Positions towards securitisation

8.1.1. Qualitative disclosure

This section does not include securitisation transactions in which the originator is a bank belonging to the same prudential group and the total liabilities issued (e.g. ABS securities, loans during the warehousing phase, etc.) by the vehicle companies are subscribed at the time of issue by one or more companies belonging to the same prudential group. In other words, self-securitisations fully subscribed by companies belonging to the Banca Ifis Group's prudential consolidation, such as those of the vehicle Ifis NPL 2021-1 SPV S.r.l., are discussed in a later section to which reference should be made.

The Banca Ifis Group has prepared a "Group Policy for the Management of Securitisation Transactions in the Role of Originator/Promoter/Investor", with which it regulates the process of managing securitisation transactions in the event that it intervenes in the role of "originator" (i.e. a party that participated in the original contract that created the obligations that originated the securitised exposures or that acquired the exposures of a third party and subsequently proceeds to their securitisation) of "investor" (i.e. a person underwriting the securities) or "sponsor" (i.e. a person structuring the transaction as defined in Art. 2 of EU Regulation 2017/2402). For each potential case, the policy sets out the responsibilities of the organisational units and corporate bodies, with reference to both the due diligence process and the ongoing monitoring of the transaction.

Outstanding securitisation transactions at 31 December 2024 are listed below.

IFIS ABCP PROGRAMME

In 2016, Banca Ifis launched a three-year revolving securitisation of trade receivables due from account debtors. After Banca Ifis (originator) initially reassigned the receivables for 1.254,3 million Euro, in 2018, the vehicle named Ifis ABCP Programme S.r.l. issued 850 million Euro, increased to 1.000 million Euro, worth of senior notes subscribed for by the investment vehicles owned by the banks that co-arranged the transaction, simultaneously with the two-year extension of the revolving period. An additional tranche of senior notes, with a maximum nominal amount of 150 million Euro, initially issued for 19,2 million Euro, and that was subsequently adjusted based on the composition of the assigned portfolio, was subscribed for by Banca Ifis. In 2019, this portion was first partially repaid by the vehicle, then sold to a third-party bank for a total residual value of 98,9 million Euro. The difference between the value of the receivables portfolios and the senior notes issued represents the credit granted to the notes' bearers, which consists in a deferred purchase price.

At the end of June 2024, this securitisation was restructured to a value of 1,2 billion Euro. This restructuring has led Banca Ifis, which assumed the role of Lead-Arranger and Calculation Agent, to improve the economic conditions of the securitisation and to enlarge the investor base from six to eight institutions. The banks already involved in the project were joined by Cassa Depositi e Prestiti (CDP), whose commitment aims to provide new finance to SMEs, and Natixis CIB, the latter also assuming the role of co-arranger. Overall, the restructuring involved maintaining the current structural features, net of the extension of the revolving period for a period of 24 months, the

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extension of the final maturity date of the securities and a revision of the economic conditions applied. The securities of the securitisation are today listed on the ExtraMOT PRO segment of Borsa Italiana. This restructuring transaction did not have any impact on the Banca Ifis Group's economic and equity position.

Banca Ifis acts as servicer, performing the following tasks:

- following collection operations and monitoring cash flows on a daily basis;
- reconciling the closing balance at every cut-off date;
- verifying, completing and submitting the service report with the information on the securitised portfolio requested by the vehicle and the banks at every cut-off date.

As part of the securitisation programme, the Bank sends the amount it collects to the vehicle on a daily basis, while the new portfolio is assigned approximately six times each month; this ensures a short time lapse between the outflows from the Bank and the inflows associated with the payment of the new assignments.

Only part of the securitised receivables due from account debtors are recognised as assets - especially for the portion that the Bank has purchased outright, resulting in the transfer of all risks and rewards to the buyer. Therefore, the tables in the quantitative disclosure show only this portion of the portfolio.

In compliance with IAS/IFRS accounting standards, currently the securitisation process does not involve the substantial transfer of all risks and rewards, as it does not meet derecognition requirements. In addition, the vehicle Ifis ABCP Programme S.r.l. was consolidated because, following an analysis of the requirements set forth in IFRS 10, it was found to be subject to the control of Banca Ifis (for further details, see "Section 3 - Scope and methods of consolidation" of the paragraph “A.1 - General part” of "Part A - Accounting policies" of these notes to the Consolidated Financial Statements).

The maximum theoretical loss for Banca Ifis is represented by the losses that could potentially arise within the portfolio of assigned receivables, and the impact would be the same as if the securitisation programme did not exist; therefore, the securitisation has been accounted for as follows:

the securitised receivables purchased outright were recognised under "receivables due from customers", subitem "factoring";

- the funds raised from the issue of senior notes subscribed for by third parties were recognised under "debt securities issued” of the balance sheet liabilities;
- the interest on the receivables was recognised under the same item of the income statement "interest receivable and similar income";
- the interest on the notes was recognised under "interest due and similar expenses", sub-item "debt securities issued";
- the arrangement fees were fully recognised in profit or loss in the year in which the programme was launched.

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EMMA

The securitisation transaction called Emma, prepared by the former Farbanca (now renamed Banca Credifarma following the merger by incorporation of the former Credifarma in April 2022), became part of the Banca Ifis Group as a result of the acquisition of control of this company during 2020.

In March 2018, the former Farbanca autonomously completed this securitisation for a total nominal amount of 460 million Euro. The loan portfolio transferred regarded performing exposures relative to secured credit, mortgage and unsecured loans, characterised by average seasoning of 7 years. The transaction, structured by Banca IMI (Intesa Sanpaolo Group) was completed with the acquisition of loans by the SPV pursuant to Italian Law No. 130/1999, called Emma S.P.V. S.r.l. The securities were issued in three classes: a senior class for an amount of 322 million Euro (fully subscribed by institutional investors through private placement), a mezzanine class of 46 million Euro and a junior class of 96 million Euro (both subscribed fully by the former Farbanca).

This transaction was restructured during June 2021. The restructuring, which provided for the extension of the revolving period and a size increase in the transaction up to a total of 540 million Euro, was carried out with the involvement of the Parent Company Banca Ifis and Intesa Sanpaolo as co-arrangers. Following this restructuring, the securities were issued in three partly paid classes: the senior class, with a nominal amount of 397,5 million Euro, was fully subscribed by Duomo Funding Plc while the mezzanine and junior classes, with a nominal amount respectively of 53,0 million Euro and 90,1 million Euro, were fully subscribed the former Farbanca (now Banca Credifarma), which also fulfils the retention obligations in accordance with the CRR, as originator.

As a result of the revolving structure of the transaction, a further 312 new loans were assigned during 2023, for a total equivalent value of 104,7 million Euro (residual outstanding stipulated amount, including unpaid principal and interest and expenses on past due and unpaid instalments).

The outstanding amount of senior, mezzanine and junior securities at 31 December 2024 was 266.6 million Euro, 53,0 million Euro and 83,5 million Euro, respectively.

The above securitisation transaction does not meet the requirements for derecognition in accordance with IFRS 9, not configuring a substantial transfer of all risks and related benefits. Therefore, the assets transferred and not cancelled with reference to the loans concerned by said securitisation, not meeting the requirements envisaged for derecognition, were “restored” to the consolidated accounts of the Banca Ifis Group.

INDIGO LEASE

In 2016, the Banca Ifis Group, through the originator company, the former Ifis Leasing S.p.A. (incorporated into Banca Ifis since May 2018) finalised a securitisation that involved selling a portfolio of performing loans totalling 489 million Euro to the special purpose vehicle Indigo Lease S.r.l. The securitisation was rated by the agencies Moody's and DBRS, which will also perform the annual monitoring throughout the term of the transaction.

The initial purchase price of the assigned receivables portfolio, equal to 489 million Euro, was paid by the vehicle to the merged entity, the former Ifis Leasing using funds raised from the issue of senior notes for an amount of 366 million Euro. These received an AA3 (sf) rating from Moody's and an AA (sf) rating from DBRS, and their redemption is connected to the collections realised on the

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receivables portfolio. In addition, the vehicle issued 138 million Euro in junior notes that were acquired by the former Ifis Leasing and did not receive a rating. In addition, the latter received a specific servicing mandate to collect and manage the receivables.

During 2017, following the transaction restructuring, a revolving system was launched involving monthly assignments of new credit to the SPV, until July 2021. At the same time, the maximum nominal amount of the senior and junior notes was increased respectively to 609.5 and 169.7 million Euro. In the same period, Banca Ifis acquired all the senior notes issued by the vehicle. Following the May 2018 merger of the former Ifis Leasing, for incorporation into Banca Ifis, the latter also became the subscriber of the junior notes.

A second restructuring took place in June 2021, with confirmation of the nominal amount of the securities and simultaneous extension of the revolving period until July 2023.

In July 2023, Banca Ifis finalised the restructuring of the securitisation, which entailed the extension of the revolving period for a further two years and an increase in the principal outstanding amount of the senior securities, as well as the derating and delisting of the same from the Luxembourg Stock Exchange (as of 20 July 2023), in addition to obtaining STS (Securitisation "Simple, Transparent and Standardised") status pursuant to EU Regulation 2017/2402 (Securitisation Regulation).

As part of the transaction, Banca Ifis sold to UniCredit Bank AG the entire amount of senior securities, corresponding to a nominal amount of 609.5 million Euro and a principal amount outstanding of 400 million Euro. The junior securities, with a principal amount outstanding of 147,6 million Euro, were fully retained by Banca Ifis as originator. Therefore, as of July 2023 Indigo Lease is no longer a self-securitisation.

The above securitisation transaction does not meet the requirements for derecognition in accordance with IFRS 9, not configuring a substantial transfer of all risks and related benefits. Therefore, the assets transferred and not cancelled with reference to the loans concerned by said securitisation, not meeting the requirements envisaged for derecognition, were “restored” to the consolidated accounts of the Banca Ifis Group.

OTHER SECURITISATIONS

At 31 December 2024, the Banca Ifis Group holds a portfolio of securities issued by securitisation vehicles for a total of 286.0 million Euro, of which 216.9 million Euro measured at amortised cost and 69.0 million Euro measured at fair value with impact on the income statement. Such data includes:

- multi-originator securitisations in which the Group assumed, together with other banks, also the role of originator. The Group subscribed for securities with a carrying amount at 31 December 2024 of 47.6 million Euro (at 31 December 2023, the carrying amount was 44.1 million Euro). For more details, please refer to paragraph "C.Financial assets sold and derecognised in full" below, within the subsection "D. Disposal transactions" of this "Section 2 - Prudential consolidation risks" of Part E;
- single-tranche securities characterised by a carrying amount at 31 December 2024 of 33.1 million Euro;

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- securities with underlying non-financial assets with a carrying amount at 31 December 2024 of 21.8 million Euro.

8.1.2. Quantitative information

Table 56 - Template EU-SEC1: securitisation exposures in the non-trading book (1 of 2)

		Institution acts as a transferor						
		Traditional				Synthetic		Sub-total
		STS		Non-STS			of which SRT	
			of which SRT		of which SRT			
1	**Total exposures**	**144**	**-**	**165**	**-**	**-**	**-**	**309**
2	Retail (total)	-	-	79	-	-	-	79
3	Residential mortgage	-	-	-	-	-	-	-
4	Credit cards	-	-	-	-	-	-	-
5	Other retail exposures	-	-	79	-	-	-	79
6	Re-securitisation	-	-	-	-	-	-	-
7	Wholesale (total)	144	-	86	-	-	-	230
8	Loans to corporates	-	-	86	-	-	-	86
9	Commercial mortgage	-	-	-	-	-	-	-
10	Lease and receivables	144	-	-	-	-	-	144
11	Other wholesale	-	-	-	-	-	-	-
12	Re-securitisation	-	-	-	-	-	-	-

Table 57 - Template EU-SEC1: securitisation exposures in the non-trading book (2 of 2)

		Institution acts as a promoter				Institution acts as an investor			
		Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS	Non-STS			STS	Non-STS		
1	**Total exposures**	**-**	**-**	**-**	**-**	**126**	**50**	**-**	**175**
2	Retail (total)	-	-	-	-	77	11	-	87
3	Residential mortgage	-	-	-	-	-	2	-	2
4	Credit cards	-	-	-	-	-	-	-	-
5	Other retail exposures	-	-	-	-	77	9	-	85
6	Re-securitisation	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	-	-	49	38	-	87
8	Loans to corporates	-	-	-	-	45	12	-	56
9	Commercial mortgage	-	-	-	-	-	-	-	-
10	Lease and receivables	-	-	-	-	4	27	-	31
11	Other wholesale	-	-	-	-	-	-	-	-
12	Re-securitisation	-	-	-	-	-	-	-	-

Table 58 - Template EU-SEC2: securitisation exposures in the non-trading book

		Institution acts as a transferor				Institution acts as a promoter				Institution acts as an investor			
		Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS	Non-STS			STS	Non-STS			STS	Non-STS		
1	**Total exposures**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-	-
3	Residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-
4	Credit cards	-	-	-	-	-	-	-	-	-	-	-	-
5	Other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-
6	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	-
8	Loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-
9	Commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-
10	Lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-
11	Other wholesale	-	-	-	-	-	-	-	-	-	-	-	-
12	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-

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Table 59 - Template EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as transferor or promoter (1 of 2)

		Exposure values (per RW/deduction band)					Exposure values (per regulatory method)				
		≤20% RW	FROM >20% TO 50% RW	FROM >50% TO 100% RW	FROM >100% TO <1250% RW	1250% RW/DEDUCTIONS	SEC-IRBA	SEC-ERBA (INCLUDING IAA)	SEC-SA	1250% RW/DEDUCTIONS	Specific treatment for senior tranches of qualifying NPE securitisations
1	**Total exposures**	-	-	-	-	-	-	-	-	-	-
2	Traditional operations	-	-	-	-	-	-	-	-	-	-
3	Securitisation	-	-	-	-	-	-	-	-	-	-
4	Retail	-	-	-	-	-	-	-	-	-	-
5	*of which STS*	-	-	-	-	-	-	-	-	-	-
6	Wholesale	-	-	-	-	-	-	-	-	-	-
7	*of which STS*	-	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-
9	Synthetic operations	-	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-

Table 60 - Template EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as transferor or promoter (2 of 2)

		RWEA (by regulatory approach)					Capital charge after cap				
		SEC-IRBA	SEC-ERBA (INCLUDING IAA)	SEC-SA	1250% RW	Specific treatment for senior tranches of qualifying NPE securitisations	SEC-IRBA	SEC-ERBA (INCLUDING IAA)	SEC-SA	1250% RW	Specific treatment for senior tranches of qualifying NPE securitisations
1	**Total exposures**	-	**2**	-	-	-	-	-	-	-	-
2	Traditional operations	-	2	-	-	-	-	-	-	-	-
3	Securitisation	-	2	-	-	-	-	-	-	-	-
4	Retail	-	-	-	-	-	-	-	-	-	-
5	*of which STS*	-	-	-	-	-	-	-	-	-	-
6	Wholesale	-	2	-	-	-	-	-	-	-	-
7	*of which STS*	-	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-
9	Synthetic operations	-	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-

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Table 61 – Template EU SEC4: Securitisation exposures in the non-trading book and related regulatory capital requirements: entity acts as investor (1 of 2)

		Exposure values (per RW/deduction band)					Exposure values (per regulatory method)				
		≤20% RW	FROM >20% TO 50% RW	FROM >50% TO 100% RW	FROM >100% TO <1250% RW	1250% RW/DEDUCTIONS	SEC-IRBA	SEC-ERBA (INCLUDING IAA)	SEC-SA	1250% RW/DEDUCTIONS	Specific treatment for senior tranches of qualifying NPE securitisations
1	**Total exposures**	**146**	**2**	**25**	**1**	**1**	**-**	**-**	**150**	**-**	**-**
2	Traditional securitisation	146	2	25	1	1	-	-	150	-	-
3	Securitisation	146	2	25	1	1	-	-	150	-	-
4	Retail underlying	85	2	-	-	-	-	-	87	-	-
5	*of which STS*	77	-	-	-	-	-	-	77	-	-
6	Wholesale	61	-	25	1	1	-	-	63	-	-
7	*of which STS*	49	-	-	-	-	-	-	49	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-
14	Total exposures	-	-	-	-	-	-	-	-	-	-

Table 62 – Template EU SEC4: Securitisation exposures in the non-trading book and related regulatory capital requirements: entity acts as investor (2 of 2)

		RWEA (by regulatory approach)					Capital charge after cap				
		SEC-IRBA	SEC-ERBA (INCLUDING IAA)	SEC-SA	1250% RW	Specific treatment for senior tranches of qualifying NPE securitisations	SEC-IRBA	SEC-ERBA (INCLUDING IAA)	SEC-SA	1250% RW	Specific treatment for senior tranches of qualifying NPE securitisations
1	**Total exposures**	**-**	**-**	**37**	**-**	**-**	**-**	**-**	**3**	**-**	**-**
2	Traditional securitisation	-	-	37	-	-	-	-	3	-	-
3	Securitisation	-	-	37	-	-	-	-	3	-	-
4	Retail underlying	-	-	10	-	-	-	-	1	-	-
5	*of which STS*	-	-	8	-	-	-	-	1	-	-
6	Wholesale	-	-	28	-	-	-	-	2	-	-
7	*of which STS*	-	-	6	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-

Table 63 – Template EU SEC5: Exposures securitised by the entity: exposures in default and specific loan impairments

		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			of which exposures in default	
1	**Total exposures**	**4.492**	**2.185**	**8**
2	Retail (total)	427	39	-
3	Residential mortgage	-	-	-
4	Credit cards	-	-	-
5	Other retail exposures	427	39	-
6	Re-securitisation	-	-	-
7	Wholesale (total)	4.065	2.146	8

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		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			of which exposures in default	
8	Loans to corporates	2.145	2.145	-
9	Commercial mortgage	-	-	-
10	Lease and receivables	1.919	1	8
11	Other wholesale	-	-	-
12	Re-securitisation	-	-	-

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9. Market risk

9.1. Exposure to market risk

9.1.1. Institution market risk management strategies and processes

In 2024, the investment strategy continued, as regulated in the "Banca Ifis Proprietary Portfolio Management Policy" and in the “Policy for Managing Securitisation & Structured Solutions investment operations”, structured to coincide with the risk appetite formulated by the Board of Directors under the scope of the Risk Appetite Framework (RAF) and laid out in the "Group Market Risk Management Policy", as well as with the system of objectives and limits.

Consistent with the conservative "stance" outlined in the above-mentioned documents, for most of the year the overall investment strategy focused on risk containment, implemented mainly by seeking out securities characterised by high liquidity and a strategy of steady returns over the medium term. Over the course of the year, however, it was decided to gradually increase the portfolio duration, albeit in the presence of a substantial stability of the invested counter-values, a choice aimed at pursuing greater stability of interest flows in the presence of expected future diminishing returns. The change in portfolio composition was accompanied by continuous monitoring of the exposure of the risks it generated. Compliance with the risk limits set by the Banca Ifis Group was verified on an ongoing basis by the Risk Management function.

It should also be noted that during 2024, certain hedge accounting transactions (micro fair value hedge) were put in place on certain equity securities measured at fair value with an impact on overall profitability, realised through combinations of call and put options and maturing within 12-24 months. The purpose of these transactions is to reduce the price risk of the underlying securities.

The component relating to the "trading book" from which the market risk in question originates was marginal with respect to the total investments in the banking book both in absolute terms of the risk values recorded and with respect to the established limits. The trading book mainly comprises options and futures deriving from hedging transactions and ancillary enhancements to the investment strategy in assets that are part of the “banking book” and “discretionary trading” portfolio, characterised by short-term speculation and marginal exposure.

The trading book also contains residual transactions from the Corporate Banking operations, as part of which clients were offered derivative contracts hedging the financial risks they assumed. In order to remove market risk, all outstanding transactions are hedged with "back-to-back" trades, in which the Bank assumes a position opposite to the one sold to corporate clients with independent market counterparties.

From an internal management point of view, from a broader viewpoint and in general relating to operations on financial markets, the banking book is also prudentially monitored according to the logic of market risks and subject to specific limits, i.e. the positions posted in HTC&S and accounted for as FVOCI, whose variations in value could have a significant impact on reserves and consequently on the Bank's capital values.

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In addition to the above, market risk-generating assets include foreign currency positions subject to exchange rate risk and derivative contracts entered into with corporate counterparties regarding a legacy portfolio currently in the run-off phase.

In relation to exchange rate risk, currency transactions mainly consist of:

- transactions carried out with customers, normally related to typical factoring and lending activities, originating from both the Italian Business Units and the foreign subsidiaries (in Poland and Romania) for which the exchange rate risk is mitigated from the start by using funds in the same original currency;
- transactions that are part of the typical Treasury activity for the management of mismatching between uses by customers and the related currency purchases made on the market.

At management level, the guidelines on the assumption and monitoring of market risk are set out at Group level in the "Group Market Risk Management Policy", in which, for the purposes of a more rigorous and detailed representation of process activities, the metrics for measuring and monitoring the risk in question have also been indicated.

The risk appetite level is defined in the Risk Appetite Framework, laid out over the main investment and management strategies defined in the “Banca Ifis Proprietary Portfolio Management Policy”.

In particular, the measurement and evaluation of market risks is based on the different characteristics (in terms of time horizon, investment instruments, etc.) of the investment strategies of Banca Ifis's Proprietary Portfolio. This is consistent with the “Banca Ifis Proprietary Portfolio Management Policy”, which defines and details the strategies to be pursued in terms of portfolio structure, operative instruments and assets.

Under this scope, the monitoring of the consistency of the Group’s portfolio risk profiles in respect of the risk/return objectives is based on a system of limits (both strategic and operational), which envisages the combined use of various different indicators. More specifically, the following are defined:

- Maximum Acceptable Loss;
- Maximum negative gross financial impact;
- VaR limit;
- Limits of sensitivity and Greeks;
- Any limits to the type of financial instruments admitted;
- Any composition limits.

Respect for the limits assigned to each portfolio is checked daily.

The summary management indicator used to assess exposure to the risks in question is the Value at Risk (VaR), which is a statistical measure that allows the loss that may be suffered following adverse changes to risk factors, to be estimated.

The VaR is measured using a confidence interval of 99% and a holding period of 1 day; it expresses the “threshold” of daily losses that, on the basis of probabilistic hypotheses may only be surpassed

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in 1% of cases. The approach used to calculate the VaR is historical simulation. With this approach, the portfolio is re-valued, applying all variations to the risk factors recorded the previous year (256 observations). The values thus obtained are compared with the current portfolio value, determining the relevant series of hypothetical gains or losses. The VaR is the average of the second and third worst results.

The VaR is also divided, for monitoring purposes, amongst the risk factors referring to the portfolio.

In addition to the risk indications deriving from the VaR, the Expected Shortfall (ES), which expresses the daily loss that exceeds the VaR figure, and the Stressed VaRs, which represent VaR calculated in a particularly turbulent historical period, which in the specific case corresponds to the Italian debt crisis of 2011-2012 and the 2020 Covid-19 pandemic, are also used for monitoring purposes.

9.1.2. Market risk management function organisational structure

The Financial Risk organisational unit:

- contributes to the definition of market risk management policies and processes arising from the Capital Markets Area's operations in financial instruments;
- defines the management methodology for monitoring market risks and proposes the strategic and management limits associated with it, monitoring compliance with them on a daily basis;
- verifies the quality of the data used in the risk measurement methodology and the correct configuration of the position keeper on a daily basis;
- verifies compliance with the strategic and management limits set with reference to both the trading activities of the trading book for supervisory purposes and the activities that are part of the Parent Company's banking book.

It also proposes initiatives to mitigate the risk in question. Within that framework:

- it contributes to establishing the methodology to be adopted for calculating the capital requirement for market risk on the basis of the instruments traded and strategies implemented and on the basis of regulatory developments;
- it transposes the capital requirement values from Supervisory Reports, on the basis of which it may develop specific indicators for a complete and exhaustive assessment of the risk in question;
- it quantifies the same risk metrics as above under conditions of financial market stress;
- it prepares and updates reports for the corporate bodies in which the exposure to the relevant risks is illustrated;
- it verifies by means of appropriate indicators that the positions in the trading book for supervisory purposes are actually for trading purposes.

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9.1.3. Reporting and risk measurement systems

For measuring market risks in the trading portfolio for supervisory purposes and for measuring exchange rate risk, the Bank follows the approaches prescribed by Regulation (EU) No. 575/2013 of 26 June 2013 - Part Three, Title IV, and Circular No. 285/2013 for its application in Italy, for the calculation of the relevant regulatory capital requirement.

In particular, the standardised approach makes it possible to calculate the overall capital requirement on the basis of the so-called "building-block approach", according to which the overall requirement is obtained as the sum of the capital requirements against the following risks:

- position risk, which expresses the risk deriving from fluctuations in the price of securities due to factors connected with market trends and the situation of the issuing company; in this context it is important to note, where present, the basic risk, which expresses the risk of losses caused by non-aligned changes in the values of similar but not identical positions;
- settlement risk, which reflects the risk of loss resulting from the failure to settle transactions in debt securities, equity securities, derivative contracts, currencies and commodities;
- concentration risk, which represents any additional capital cover required in the event of temporarily exceeding the individual credit limit as a result of risk positions relating to the trading portfolio;
- exchange rate risk, which represents the risk of incurring losses due to adverse changes in the prices of foreign currencies on the positions held, regardless of the allocation portfolio (trading portfolio for supervisory purposes and trading portfolio).

The forecasting capacity of the risk measurement model used, is verified through a daily backtesting analysis in which the VaR for the positions in the portfolio at t-1 is compared with the profit and loss generated by such positions at t.

The positioning with respect to market risks is periodically reported by Risk Management to the Board of Directors, both in terms of specific monthly reports and as part of the quarterly *Tableau de Bord*.

9.1.4. Quantitative information

Table 64 - Template EU MR1: market risk under the standardised approach

		RWEA
	Outright products	-
1	Interest rate risk (general and specific)	12
2	Equity risk (general and specific)	28
3	Foreign exchange risk	-
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**40**

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10. Operational risk[13]

10.1. Exposure to operational risk

10.1.1. Objectives and management policies of operational risk

The Banca Ifis Group has adopted for a while now - consistently with the relevant regulatory provisions and industry best practices - an operational risk management framework. This consists in a set of rules, procedures, resources (human, technological and organisational), and controls aiming to identify, assess, monitor, prevent or mitigate all existing or potential operational risks in the various organisational units, as well as to communicate them to the competent levels. The key processes for the management of operational risk are represented:

- by the Loss Data Collection activity, i.e. the structured collection and census of losses deriving from operational risk events, which is consolidated thanks also to the constant activity by Risk Management to disseminate among the corporate structures a culture oriented towards the awareness and proactive management of operational risks;
- by the prospective self-assessment of risk exposure through the execution of periodic Risk Self-Assessment and Model Risk Self-Assessment campaigns, aimed at obtaining an overall view of risks in terms of frequency and/or potential financial impact and the related organisational safeguards.

With specific reference to the monitoring of the evolution of ICT and Security risk and the assessment of the effectiveness of ICT resource protection measures, the Banca Ifis Group, in compliance with the regulatory requirement[14] has opted for a shared responsibility model, assigning tasks to the Risk Management and Compliance corporate control functions, in relation to the roles, responsibilities and competences of each of the two functions. In particular, the Risk Management function conducts ICT and security risk analysis processes in accordance with the organisational and methodological framework approved by the Board of Directors in order, for example, to verify compliance with the ICT and security risk propensity level, the related risk objectives that the Bank intends to achieve, and the resulting operational limits. If the level of ICT and security risk exceeds the defined threshold value, in order to bring it back within the acceptable risk threshold, measures are identified to deal with it, which flow into the "Treatment Plan" that identifies responsibilities for implementing individual corrective actions.

The results of the above-mentioned analyses are reported in the "Summary Report on the ICT and Security Risk Situation" subject to annual approval by the CEO in his capacity as the body with management functions.

In addition, according to its operational risk management framework (including the ICT and Security risk), the Group defines a set of measures that can promptly identify the presence of vulnerabilities

[13] Reputational Risk and ICT and Security Risk are also considered in this chapter

[14] On 2 November 2022, the Bank of Italy issued the 40th update of the "Supervisory Provisions for Banks", amending Chapter 4 "The Information System" and Chapter 5 "Business Continuity" of Part One, Title IV, to implement the "Guidelines on Information Technology (ICT) Risk Management and Security" (EBA/GL/2019/04) issued by the EBA. On this occasion, some work was also carried out to reconcile and update the internal references in Section I of Chapter 3 "The Internal Controls System".

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in the exposure of the Bank and its subsidiaries to operational and IT risks. These measures are continuously monitored and disclosed in periodic reports through synthetic risk measures that are shared with the competent structures and bodies: events such as the breach of certain thresholds or the emergence of anomalies trigger specific escalation processes aimed at defining and implementing appropriate mitigation actions. In addition, as part of the definition of the Risk Appetite Framework (RAF), the preparation of the Recovery Plan and ICAAP reporting, Risk Management function performs analyses by which it assesses its exposure to exceptional but plausible operational risk events. These analyses, referred to as stress analyses, contribute to verifying the resilience of the Group by simulating the impacts of adverse situations in terms of riskiness under the assumption of adverse scenarios.

In order to prevent and manage operational risk, the Parent Company's Risk Management function, in collaboration with the other corporate functions, is involved in supervising the risks connected with the supply contracts with third parties and the outsourcing of simple, essential or important operational functions and in assessing the risks associated with the introduction of new products and services and the preliminary assessment of the operative impact of the massive changes to the product contractual and economic conditions.

The operational, ICT and security risk mitigation phase takes the form of identifying actions aimed at preventing and mitigating exposure to operational and IT risk. In particular, mitigation measures are assessed and, if necessary, activated on the basis of the analysis of the evidence resulting from the various monitoring activities or in the event of violation of the pre-set thresholds for risk indicators.

Concerning the companies of the Banca Ifis Group, please note that currently the management of operational risks is guaranteed by the strong involvement of the Parent Company, which makes decisions in terms of strategies and risk management. The overall operational risk management framework was therefore extended, on the basis of the principle of proportionality, by adopting the same methodological approach and IT tools developed at the Parent Company.

Alongside operational risk, reputational risk is also managed.

Reputational risk represents the current or prospective risk of a decrease in profits or capital deriving from a negative perception of the Group's image by customers, counterparties, shareholders, investors or the Supervisory Authorities. Reputational risk is generated by the occurrence of other types of risk, such as the risk of non-compliance, strategic risk and in particular, operational risks.

As with operational risk, reputational risk is managed by the Parent Company's Risk Management function, which defines the Group's overall framework for managing this risk. The framework involves conducting a forward-looking Reputational Risk Self-Assessment and defining and monitoring a set of risk measures over time.

The principles and guidelines that the Banca Ifis Group intends to adopt in the area of operational and reputational risk management are expressed in the "Group Policy for Operational and Reputational Risk Management" applied and disseminated, to the extent of its competence, to all organisational units of the Bank and Group companies. Similarly, with regard to the fundamentals

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inspiring IT risk management, there is a "Group Policy for ICT and Security Risk Management" in force, which operates both at the level of the Parent Bank and its subsidiaries.

10.1.2. Methods for assessing minimum own funds requirements

For the measurement of operational risk and of internal capital, the Banking Group follows the "basic approach" governed by Regulation (EU) No. 575/2013 of 26 June 2013 - Part Three, Title III and Circular No. 285/2013 for its application in Italy, for the purpose of calculating the regulatory capital requirement.

In particular, it calculates the mandatory minimum capital requirement for operational risks by using the Basic Indicator Approach (BIA) [15]. This approach quantifies capital absorption to the amount of 15% of the average of the last three financial years of "relevant indicator" values referred to in Art. 316 Regulation (EU) No. 575/2013 of 26 June 2013 which are representative of the company operating volumes.

For regulatory purposes, the measurement of operational risk is carried out using IT procedures dedicated to the periodic production of statistical reports and consolidated prudential supervision.

The adoption of the "basic approach" by the Bank resulted in a consolidated capital requirement on 31 December 2024 of approximately 83.060 million Euro, which was considered capable of coping with the unexpected financial impacts of potential risky events that could occur during 2024.

With regard to the Internal Loss Data Collection process in use, operating losses are classified according to the risk categories defined by the Supervisory regulations and listed below:

- internal fraud: losses due to unauthorised activity, fraud, embezzlement or violation of laws, regulations or company directives that involve at least one internal intermediary resource;
- external fraud: losses due to fraud, embezzlement, or violation of laws by subjects external to the intermediary;
- employment relationships and occupational safety: losses due to acts that are in non-compliance with the laws or agreements on employment, health and safety at work, the payment of compensation for personal injury or incidents of discrimination or diversity;
- customers, products and operating practices: losses resulting from non-fulfilment of professional obligations towards customers or from the nature or characteristics of the product or service provided;
- damage to tangible assets: losses resulting from external events, such as natural disasters, vandalism, terrorism, etc.;
- interruptions to operations and system malfunctions: losses due to interruptions to operations, malfunctions or unavailability of systems;

[15] CRR III introduced a new and unique method of calculating regulatory capital. In fact, starting with the reports referring to the year 2025, it is planned to adopt the "Standardised Measurement Approach" (SMA) for the calculation of regulatory capital.

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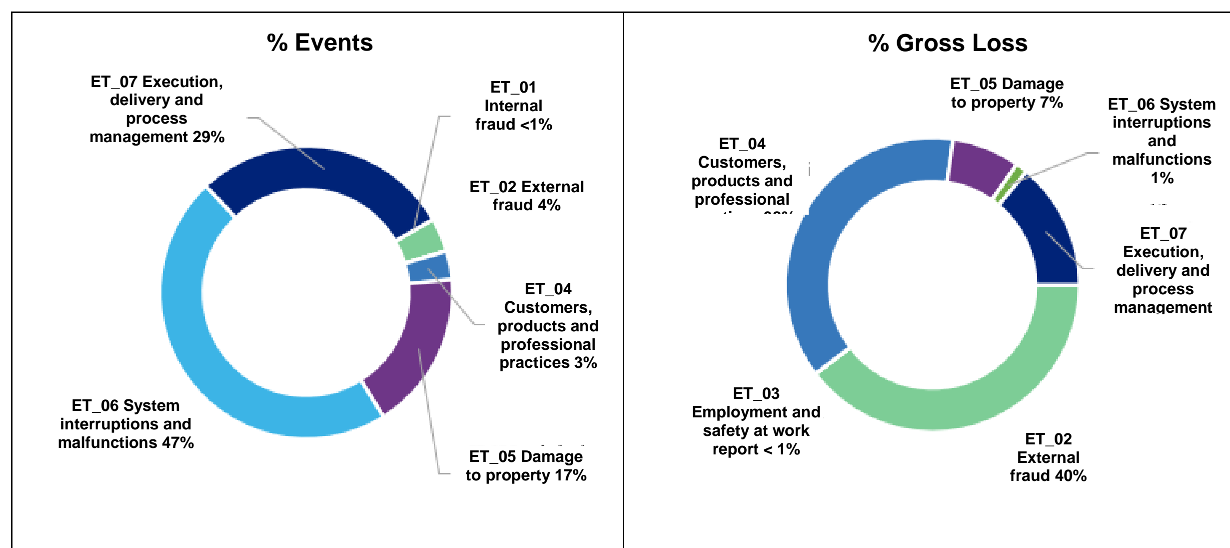
- execution, delivery and management of processes: losses due to shortcomings in the completion of transactions or in the management of processes, as well as losses due to relations with commercial counterparties, vendors, suppliers.

The results of the operational losses data collection of the Banking Group in 2024 are shown in the graphs below, which shows the percentage distribution of the number of events and operating losses, divided into the 7 event type categories listed above.



10.1.3. Quantitative information

Table 65 – Template EU OR1: Operational risk own funds requirements and risk-weighted exposure amounts

	Banking activities	Relevant indicator			Own Funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	560	577	524	83	1.038
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	*Subject to TSA*	-	-	-	-	-
4	*Subject to ASA*	-	-	-	-	-
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

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11. Interest rate and credit spread risk on the Banking Book

11.1. Interest rate risk on the Banking Book

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

11.1.1.1 The interest rate risk management process on the banking book

The interest rate risk on the banking book is a transversal risk that affects all the Group companies and whose management is centralised at the Parent Company. The assumption of significant interest rate risks is in principle unrelated to the management of the Bank and the Group.

Exposure to this risk is analysed through the sensitivity of the net interest income and the economic value to changes in interest rates. The analyses regarding the sensitivity of the net interest income are used at management level to verify the positioning of the Group in the short term, while the economic value approach is by its nature of medium to long term relevance.

Interest rate risk monitoring uses a series of risk indicators that are verified and reported quarterly in the group's periodic reporting addressed to top management. Mitigation actions are evaluated and activated where appropriate to cover the interest rate risk on exceeding the set thresholds.

The corporate area appointed to guarantee the rate risk management is Capital Markets, which, in line with the risk appetite established, defines what action is necessary to pursue this. The Risk Management function is responsible for proposing the risk appetite, identifying the most appropriate risk indicators and monitoring the relevant performance of the assets and liabilities in connection with the pre-set limits. Top Management makes annual proposals to the Bank Board as to the policies on lending, funding and the management of interest rate risk, as well as suggesting appropriate actions by which to ensure that operations are carried out consistently with the risk policies approved by the Bank.

The interest rate risk position is subject to periodic reporting to the Bank's Board of Directors both as part of the quarterly *Tableau de Bord* prepared by the Risk Management function for top management, and in terms of specific monthly reporting.

For the purposes of the business assessment of capital adequacy, Class 2 banking groups, and therefore our Banca Ifis Group, are required to establish adequate measurement, control and mitigation systems to assess the interest rate risk on the banking book, in terms of changes in economic value and the net interest income.

In the course of 2024, Circular 285 was updated, transposing EBA Guideline 2022/14, and introducing the requirement to also monitor changes in net interest income (now expressly subject to a specific SOT requirement). In 2024, the Bank implemented an internal monitoring system, already in use for management purposes, now in use for monitoring interest rate risk also for regulatory purposes, in line with regulatory requirements.

The interest rate risk falls under the category of second-pillar risks. The guidelines on the assumption and monitoring of risk are laid out on a Group level in the “Group Banking Book Interest

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Rate and Credit Spread Risk Management Policy", which also indicates, for the purpose of a more rigorous and detailed representation of the process activities, the metrics used for the measuring and monitoring of the risk in question. Monitoring is carried out both at the consolidated level and, where applicable, at the level of individual Group companies.

11.1.1.2 The interest rate risk mitigation strategy on the banking book

In terms of breakdown of the balance sheet with reference to the types of risk in question, in respect of the liabilities, the main funding source is still the on-line savings accounts and the Rendimax current account, structured into the technical forms of fixed-rate customer deposit accounts for the restricted component and the non index-linked variable rate that can be unilaterally revised by the Group in respect of the rules and contracts, for the technical forms of unrestricted demand and on-call current accounts. The other main components of funding concern fixed-rate bond funding, variable-rate securitisation operations, repurchase agreements at both fixed and variable rate and loans with the Eurosystem (referred to as LTRO) at a variable rate. The Eurosystem TLTRO operation, already subject to partial unwinding as of end-2023, was fully repaid in September 2024.

As for the assets, loans to customers still largely have floating rates as far as both trade receivables and corporate financing are concerned.

As for the operations concerning distressed retail loans carried out by the subsidiaries Ifis Npl Investing and Ifis Npl Servicing, the first is characterised by a business model focused on acquiring receivables at prices lower than their nominal amount, there is a potential interest rate risk associated with the uncertainty about when the receivables will be collected.

At 31 December 2024, the comprehensive bond portfolio mainly comprises government securities for a percentage of 68%; the modified average duration and average maturity of the portfolio are respectively 3,8 years and 4,8 years.

Starting from 2023, the Banca Ifis Group hedges the interest rate risk. In particular, the Group adopts a "fair value hedge" strategy, in which the hedging instruments are IRS plain vanilla and Asset Swap derivative contracts and the "hedged items" are certain government bonds (in this case Italian BTP) measured at amortised cost. On 31/12/2024, the effect of hedge accounting transactions amounted to 50.5 million Euro and resulted in a reduction of the interest rate risk value (measured on the 'Parallel Up' SOT scenario) of 3.2%. These transactions, in addition to the active management of the securities portfolio, are examples of activities implemented by the Group to mitigate interest rate risk.

11.1.1.3 Analysis of results

The Banking Group, for the measurement of the interest rate risk related to the "banking book", uses the Ermas suite which, in full evaluation, estimates the impact on both the Economic Value and the net interest income of the regulatory scenarios provided for in Bank of Italy Circular 285/2013.

In particular, with regard to net interest income, the risk measurement is calculated over a time horizon of 12 months and under a 'constant balance sheet' assumption, i.e. assuming the 'rolling' of asset and liability positions maturing in the period of analysis and therefore without assumptions of 'new business'. The measurement is structured as a comparison between the interest margin in the

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realised scenario (based on the term structure of rates at the date of analysis) and that calculated in the stressed scenario, according to the scenarios provided by the regulations. The metric is then adjusted for additional components, such as 'basis risk' and 'market value change'.

The calculation of the risk referred to the Economic Value is carried out by comparing the balance sheet values that would occur in 12 months in the presence of both a baseline scenario and a stressed scenario (again using the scenarios provided for by the regulations). Finally, the 'option risk' component is taken into account in the calculation of the economic value.

It should be noted that the Ermas suite was enriched by a behavioural model for estimating stocks and flows of certain technical forms qualified as Demand Items, where it was possible to develop a statistically significant model. For technical forms for which it was not possible to develop a statistically robust model, the assumptions set out in Bank of Italy Circular 285/2013 were used. This behavioural model consists of a 'Rates' model, which is designed to estimate how much contractual rates change in the presence of changes in market rates, and a 'Volumes' model, which describes, also as a function of the findings of the 'Rates' model, what the 'core' share of these deposits is and what the relative gap profile is over the time horizon. From this information it is then possible to calculate what the average maturity of the Demand Items is. As of 31/12/2024, the model estimated an average baseline maturity of Demand Items of 2.0 years.

The average and maximum maturity of core deposits, for the modelled items, is summarised in the table below.

Table 66 - Average and maximum maturity of core deposits for modelled items

Counterparty Type	Detail	Average Maturity	Maximum Maturity
Retail counterparties	Total	2.9 years	13.8 years
Retail counterparties	"of which" core	8.8 years	13.8 years
Non-financial wholesale counterparties	Total	0.5 years	13.8 years
Non-financial wholesale counterparties	"of which" core	5.1 years	13.8 years

A brief overview of the measurements developed during the quantification of the internal capital absorbed by interest rate risk, in terms of changes in economic value, at 31 December 2024, is 26,818 thousand Euro.

Below are the interest rate risk values at 31/12/2024, compared with those as at the previous date of 31/12/2023. It should be noted, however, that the values expressed at 31/12/2023 are not directly comparable with those presented at 31/12/2024, as they are based on the simplifications provided for in Circular 285/2013 annex C and not on a more advanced estimation model, such as the one now used by the Group.

11.1.1.4 Quantitative information

Table 67 – Template EU IRRBB1: Interest rate risk of non-trading book activities

Supervisory shock scenario		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up	-203.385	26.818	25.421	26.664
2	Parallel down	278.570	-26.818	-26.132	-27.202
3	Steepener	-84.400	33.704	-	-
4	Flattener	56.385	-30.324	-	-
5	Short rates up	-16.311	-21.421	-	-
6	Short rates down	15.522	21.421	-	-

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11.2. Credit spread risk on the banking book

11.2.1. Exposure to credit spread risk on positions not included in the trading book

11.2.1.1 The credit spread risk management process on the banking book

The credit spread risk on the banking book is a transversal risk that affects all the Group companies and whose management is centralised at the Parent Company. The assumption of a significant level of said risk is in principle unrelated to the management of the Bank and the Group.

Bank of Italy Circular No. 285/2013 in Update No. 44 of 21 December 2023 required banking institutions to adopt credit spread risk measurement systems for the non-trading book. Unlike what is required for interest rate risk; however, no clear indication is given as to how this measurement is to be done, nor how it is to be calculated under stress assumptions.

The Bank has therefore defined its own framework for measuring the risk in question, the results of which are the subject of periodic reporting to the Bank's Board of Directors both in the quarterly *Tableau de Bord* prepared by the Risk Management function for the company's top management, and in terms of specific monthly reporting.

The Risk Management function calculates the exposure to credit spread risk on the banking book through a sensitivity analysis of the interest margin and economic value to changes in credit spreads. The analyses regarding the sensitivity of the net interest income are used at management level to verify the positioning of the Group in the short term, while the economic value approach is by its nature of medium to long term relevance.

The credit spread risk of the banking book falls under the category of second-pillar risks. The guidelines on the assumption and monitoring of risk are laid out on a Group level in the “Group Banking Book Interest Rate and Credit Spread Risk Management Policy”, which also indicates, for the purpose of a more rigorous and detailed representation of the process activities, the metrics used for the measuring and monitoring of the risk in question.

11.2.1.2 Analysis of results

The Banking Group, for the measurement of credit spread risk related to the 'banking book' for management purposes, uses the Ermas suite which, in full evaluation, estimates the impact on both Economic Value and net interest income of internally defined scenarios relating to a potential widening and narrowing of market credit spreads.

In particular, with regard to net interest income, the risk measurement is calculated over a time horizon of 12 months and under a 'constant balance sheet' assumption, i.e. assuming the 'rolling' of asset and liability positions maturing in the period of analysis and therefore without assumptions of 'new business'. The calculation of risk with reference to Economic Value is carried out under a static assumption, i.e. with constant volumes.

The quantification of Internal Capital absorbed deriving from the credit spread risk of the banking book at 31 December 2024 was 17,107 thousand Euro.

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12. Remuneration

12.1. Group remuneration and incentive system

12.1.1. The bodies responsible for supervising remuneration

The main bodies and subjects of the Parent Company involved in the preparation, approval and possible revision of the remuneration and incentive policy are: the Meeting, the Board of Directors, the Remuneration Committee, the Sustainability Committee, the Chief Executive Officer, the General Management, Human Resources, the Control Functions, Strategic Planning, Risk Management.

12.1.2. Structure of the remuneration system for identified staff

The remuneration and incentive policies set out in the Report on Remuneration Policy and Remuneration Paid are applied to all Group Companies with registered offices in Italy and to Companies with registered offices abroad (where compatible with local legislation). The same policies contain a focus on the more detailed provisions laid down for only those members of staff who have a substantial impact on the Group's risk profile (so-called "identified staff").

The remuneration and incentive policy, which lasts for one year, is defined by the Parent Company with the aim of attracting, motivating and retaining people possessing the professional qualities required to profitably pursue, in accordance with corporate values and according to a policy of prudent risk management (in line with the defined as part of the provisions on the prudential control process), the short and/or medium-long term objectives related to the strategic objectives of the Group, thus contributing to the achievement of results aimed at strengthening the operational and economic solidity and financial position of the Company in the long term and to safeguard the sustainability of the Banca Ifis Group.

The structure of the variable component of remuneration must in any case be compatible with the risk analysis undertaken by the Banking Group and, to be sustainable, it must be compatible with the levels of capital and liquidity in the medium/long-term.

In line with the Supervisory Provisions, the Banca Ifis Group cannot be classified as a "bank of smaller size or operational complexity" and is therefore required to apply the entire discipline "proportionally", i.e. taking into account the characteristics and size as well as the riskiness and complexity of the activity carried out.

However, the Group is not required to apply the above more detailed rules of Section III of the Supervisory Provisions to identified staff whose annual variable remuneration meets the following two conditions (“materiality threshold”):

- does not exceed 50,000 Euro; and
- it does not represent more than one third of the total annual remuneration.

In accordance with the Supervisory Provisions, the Group defines a 'particularly high' variable remuneration amount as the lower of:

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- 25% of the average total remuneration of Italian high earners, as shown in the most recent report published by the EBA; and
- 10 times the average total remuneration of Ifis Group employees.

With reference to the Group, this amount was identified as 424,260 Euro, equal to 25% of the average total remuneration of Italian high earners.

Below is an illustrative and summarising table on the structure of the variable component, deferment period and deferred portions in line with the Supervisory Provisions.

	Upfront	Deferment
equal to or less than the materiality threshold	100% cash	
higher than the materiality threshold and not of particularly high amount	**60% upfront**, of which: - 50% (i.e. 30% of the total variable remuneration) in Banca Ifis shares, which may be exercised at the end of the retention period of 1 year - 50% (i.e. 30% of the total variable remuneration) paid in cash	**40% deferred over 4 years starting in the year following the year in which the up-front portion accrues**, of which: - 50% (i.e. 20% of the total variable remuneration) in Banca Ifis shares, which may be exercised at the end of the further retention period of 1 year - 50% (i.e. 20% of the total variable remuneration) in cash, subject to annual revaluation at the legal rate in force over time.
of particularly high amount	**40% upfront**, of which: - 50% (i.e. 20% of the total variable remuneration) in Banca Ifis shares, which may be exercised at the end of the retention period of 1 year - 50% (i.e. 20% of the total variable remuneration) paid in cash	**60% deferred over 5 years starting in the year following the year in which the up-front portion accrues**, of which: - 55% (i.e. 33% of the total variable remuneration) in Banca Ifis shares, which may be exercised at the end of the further retention period of 1 year - 45% (i.e. 27% of the total variable remuneration) in cash, subject to annual revaluation at the legal rate in force over time.

12.1.3. Impact of risks on remuneration

Access to the variable portion for all personnel is subject to compliance with the conditions for access (so-called "gate") provided for by the following indicators measured at year-end:

- on the basis of a measure of risk-adjusted profitability, such as RORAC (Return On Risk-Adjusted Capital) defined as the ratio between Net Profit and Capital absorbed by first-pillar risks (i.e. 8% Pillar 1 Risk Weighted Assets (RWA) of the Banca Ifis Group. The RORAC indicator must be above the tolerance threshold, defined annually in the Banca Ifis Group's Risk Appetite Framework (RAF) at the consolidated level.
- related to the tolerance level, greater than the regulatory minimum equal to 100% of the Group’s short term liquidity indicator - Liquidity Coverage Ratio (LCR), recorded quarterly in the year of reference. The tolerance level is established every year in the Banca Ifis Group’s Risk Appetite Framework (RAF) at consolidated level, in accordance with prudential supervisory regulations in force.
- related to the tolerance level, greater than the regulatory minimum equal 100%, for the Group’s medium-long term liquidity indicator - Net Stable Funding Ratio (NSFR). The tolerance level is established every year in the Banca Ifis Group’s Risk Appetite Framework (RAF) at consolidated level, in accordance with prudential supervisory regulations in force.

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- The consolidated Total Own Funds Ratio greater than the tolerance level set annually at a consolidated level in the Banca Ifis Group's Risk Appetite Framework (RAF) in force and, therefore, for construction, above the capital requirements communicated by the Supervisory Body as part of the "Decisions on capital" at the conclusion of the supervisory review process (SREP).

Failure to meet one of these conditions will result in variable pay not being awarded.

Without prejudice to the opening of the access gates, in the presence of adverse scenarios, exceptional and unforeseeable situations, as well as in the event of a 20% lower-than-expected Gross Profit figure for the Consolidated Financial Statements, the Board of Directors may assess - on the proposal of the Remuneration Committee, subject to the opinion of the Control and Risks Committee - a redefinition of the amounts of variable remuneration for the various categories of staff, with a consequent pro-rata reduction.

12.1.4. Relationships between fixed and variable components of remuneration

The remuneration of the identified staff is made up of fixed annual remuneration (RAL) and a variable component defined in advance (target) for each individual, in relation to the role held. The limit on the fixed/variable ratio is 1:1, with the exception of:

- the Chief Executive Officer, for whom the Shareholders' Meeting held on 21 December 2021 approved the definition, with effect from FY 2022, of a ratio between the variable and fixed components of remuneration of a maximum of 1,5:1 in compliance with that permitted by Title IV, Chapter 2, Section III of the Supervisory Provisions;
- the Heads of the control functions (Risk Management, Compliance, Internal Audit, Anti-Money Laundering) for whom the remuneration package is structured with a prevailing fixed component and a limited variable part that may not exceed 33% of the fixed remuneration.

When determining the remuneration of the identified staff belonging to the control functions, incentive mechanisms linked to economic results are in any case excluded.

With regard to the Manager charged with preparing the company's financial reports and the Head of the Human Resources Department, variable remuneration is nevertheless limited.

12.1.5. The variable component of remuneration

Variable remuneration in addition to short-term and long-term incentive schemes includes:

- the "company productivity bonus" or "variable performance bonus";
- one-off awards;
- other one-off awards and/or contests;
- stability pacts or retention bonuses;
- entry bonuses;
- non-compete agreements;

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- notice extension agreements.

12.1.6. The short-term incentive system

The Bank defines an annual Short Term Incentive Plan (STI), the payment of which - subject to the opening of the access gates - is linked to the achievement of specific qualitative and quantitative performance objectives, assigned to the recipients of the plan.

Goals are declined within a performance scorecard.

The performance scorecard includes a predefined number of indicators; each indicator is given a weight in percentage terms on the total of at least 10% to ensure the significance of the objective and no more than 30% to ensure an adequate weighting of the multiple objectives.

The variable remuneration accrues according to a result curve based on the levels of achievement of the objectives; the result obtained by each KPI determines a weighted score, on a recognition curve varying between a minimum and a maximum achievable; the sum of the weighted scores obtained corresponds to the performance achieved, in proportion to which, only if at least equal to a prefixed minimum score, the amount of the incentive is quantified; the latter cannot, in any case, exceed a prefixed maximum level.

Finally, it is expressly forbidden for individual employees to engage in personal hedging or insurance strategies on remuneration or other aspects that may alter or affect the effects of alignment with the company risk inherent in the remuneration mechanisms envisaged.

The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR.

12.1.7. Long Term Incentive (LTI) Plan

The Group's incentive system may also include medium-long term incentive systems, functional to aligning management towards the achievement of the medium-long term business and strategic plans adopted over time by the competent bodies.

The vesting period of the 2021-2023 LTI plan (see Section II Part I paragraphs 3 and 4 of this Report) expired with the approval of the 2023 Financial Statements (April 2024).

12.1.8. Ex post correction mechanisms (malus/claw back)

With regard to ex-post correction mechanisms, the following should be noted.

The deferred variable component is subject to the following *malus* mechanisms which reduce, up to zero, the amount previously determined before payment.

The *ex-post* correction mechanisms cannot lead to an increase in the initially recognised variable remuneration or to the variable remuneration previously reduced or made null following the application of *malus*.

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The above criteria are verified in each of the years in which the deferred variable component is deferred closed following the determination of the variable component (accrual period) and applied when the above conditions are met. And so, the malus condition as to the variable bonus will be verified prior to each deferred payment.

As regards the claw back, the related criteria are also checked in each of the three financial years closed after calculation of the variable component (accrual period) and are applied when the envisaged conditions are met, except for identified staff for whom that audit must be carried out in each of the following five financial years closed.

Finally, it is expressly forbidden for individual employees to engage in personal hedging or insurance strategies on remuneration or other aspects that may alter or affect the effects of alignment with the company risk inherent in the remuneration mechanisms envisaged.

12.1.9. Quantitative information

Table 68 – Template EU REM1: Remuneration awarded for the financial year

Figures in Euro			MB - Supervisory function	MB - Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	12	1	8	44
2		Total fixed remuneration	2.194.750	1.258.189	1.962.830	7.784.373
3		Of which: cash-based	2.194.750	1.115.000	1.786.005	7.082.283
4		(Not applicable in the EU)	-	-	-	-
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)	-	-	-	-
7		Of which: other forms		143.189	176.825	702.089
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	12	1	8	44
10		Total variable remuneration		656.789	777.716	2.665.812
11		Of which: cash-based		308.691	421.663	1.675.201
12		Of which: deferred		177.333	142.421	396.245
EU-13a		Of which: shares or equivalent ownership interests		348.098	356.054	990.612
EU-14a		Of which: deferred		216.740	142.421	396.245
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		2.194.750	1.914.978	2.740.546	10.450.185

Table 69 – Template EU REM2: Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		MB - Supervisory function	MB - Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	0
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-

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		MB - Supervisory function	MB - Management function	Other senior management	Other identified staff
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	0
7	Severance payments awarded during the financial year - Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

Table 70 – Template EU REM3: Deferred remuneration

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
Figures in Euro									
1	**MB - Supervisory function**	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	**MB - Management function**	-	-	-	-	-	-	-	-
8	Cash-based	447.840	117.900	329.940			-	28.080	
9	Shares or equivalent ownership interests	572.751	35.639	537.112			-		537.112
10	Share-linked instruments or equivalent non-cash instruments						-		
11	Other instruments						-		
12	Other forms						-		
13	**Other senior management**	-	-	-	-	-	-	-	-
14	Cash-based	273.287	100.167	173.120			-		
15	Shares or equivalent ownership interests	273.287	51.500	221.787			-		221.787
16	Share-linked instruments or equivalent non-cash instruments						-		
17	Other instruments						-		
18	Other forms						-		

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	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
Figures in Euro									
19	**Other identified staff**	-	-	-	-	-	-	-	-
20	Cash-based	781.054	331.131	449.923			-		
21	Shares or equivalent ownership interests	781.054	139.003	642.051			-		642.051
22	Share-linked instruments or equivalent non-cash instruments						-		
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	3.129.273	775.340	2.353.933	-	-	-	28.080	1.400.950

Table 71 – Template EU REM4: Remuneration of 1 million EUR or more per year

	EUR	Number of members of identified staff, who are high earners as set out in Article 450(i) CRR.
1	1 000 000 to below 1 500 000	
2	1 500 000 to below 2 000 000	1
3	2 000 000 to below 2 500 000	
4	2 500 000 to below 3 000 000	
5	3 000 000 to below 3 500 000	
6	3 500 000 to below 4 000 000	
7	4 000 000 to below 4 500 000	
8	4 500 000 to below 5 000 000	
9	5 000 000 to below 6 000 000	
10	6 000 000 to below 7 000 000	
11	7 000 000 to below 8 000 000	

Table 72 – Template EU REM5: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	Figures in Euro	Management body remuneration			Business areas			
		MB - Supervisory function	MB - Management function	Total MB	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**							65
2	**Of which: members of the MB**	12	1	13				
3	**Of which: other senior management**						8	
4	**Of which: other identified staff**				16	4	24	
5	**Total remuneration of identified staff**	2.194.750	1.914.978	4.109.728	5.011.919	934.844	7.243.968	**17.300.459**
6	**Of which: variable remuneration**	0	656.789	656.789	1.434.018	203.250	1.806.260	**4.100.317**
7	**Of which: fixed remuneration**	2.194.750	1.258.189	3.452.939	3.577.901	731.594	5.437.708	**13.200.142**

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13. Encumbered and Unencumbered Assets

13.1. Encumbered and unencumbered assets

An asset is defined as "encumbered" if it has been assigned as collateral or, for any reason, has been used to cover the credit received and therefore cannot be freely used. What exceeds the credit received - technically over-collateralisation - is not considered encumbered. The Asset Encumbrance Ratio represents, at Group level, the ratio between on the Numerator, the portion of committed balance sheet assets added to the portion of collateral received and reused and, on the Denominator, the total balance sheet assets (encumbered and unencumbered) added to the collateral received (encumbered and unencumbered). While the objective of the Asset Encumbrance Ratio is to provide information to the public and creditors on the level of the Group's committed, and therefore unavailable, assets, it also provides a valuable indication of an institution's funding strategy and its prospective ability to raise, at reasonable prices, through secured funding. Conversely, and more generally, the indicator provides a summary measure of the health of the unsecured market. Properly analysed, and if accompanied by indications of the duration of the constraint, it can provide further useful information on refinancing risk (technically rollover risk), liquidity risk and operational risk.

The risk connected to the quota of encumbered assets determines:

- the reduction in the share of assets available to creditors and unsecured depositors;
- the increase in funding and liquidity risk, as the share of assets involved reduces the possibility of obtaining new secured deposits and, in the case of high-quality assets, the amount of available liquidity reserves.

The operations for which the Group normally binds part of its financial assets fall within the following categories:

- deposit with the Bank of Italy as a mandatory reserve, for the portion that may still be due in each maintenance period;
- transactions in derivative contracts;
- debt securities pledged as collateral for soft loans, received from the European Investment Bank;
- debt securities used as collateral in repurchase agreements;
- debt securities given as a guarantee to the Bank of Italy related to intraday advances;
- debt securities given as a guarantee to the European Central Bank for LTRO operations;
- eligible receivables for collateralisation with the Bank of Italy through the ABACO program;
- loans disbursed in part with Cassa Depositi e Prestiti funds and pledged as collateral;
- assets used for securitisation transactions.

To monitor the level of exposure to this risk the Group uses the so-called "asset encumbrance ratio"'.

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The operational management of the risk related to the portion of encumbered assets is held by the Capital Markets Area.

To cover this type of risk, no internal capital is allocated; however, dedicated control activities are defined by the Bank's Risk Management function. These controls take the form of weekly stress tests on the value of the assets pledged as collateral for funding operations provided by the European Central Bank and are designed to verify the potential impact of their impairment in the context of liquidity risk.

In view of the importance of collateralised funding in 2024 and its expected importance in 2025 as well, the potential significance of the risk associated with the proportion of restricted assets is assessed as high. This is why, within the strategic planning process and definition of the Funding Plan, the Risk Management unit measures the prospective share of encumbered assets and assesses its overall level and its sustainability with respect to the market benchmark, by subjecting them also to stress tests based on the defined scenarios.

13.1.1. Quantitative information

Table 73 – Template EU AE1: Encumbered and Unencumbered Assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
010	**Assets of the reporting institution**	**1.683**	**575**			**5.014**	**432**		
030	Equity instruments	-	-	-	-	136	-	136	-
040	Debt securities	682	575	658	551	678	285	681	281
050	of which covered bonds	1	-	1	-	4	-	4	-
060	*of which securitisations*	*15*	-	*15*	-	*88*	-	*87*	-
070	*of which issued by general governments*	*601*	*575*	*577*	*551*	*292*	*285*	*290*	*281*
080	*of which issued by financial corporations*	*74*	-	*74*	-	*341*	-	*346*	-
090	*of which issued by non-financial corporations*	*7*	-	*7*	-	*46*	-	*45*	-
120	Other assets	1.001	-			4.102	147		

Table 74 – Template EU AE2: Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
130	**Collateral received by the disclosing institution**	**4**	**-**	**36**	**-**
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	4	-	36	-
170	of which covered bonds	-	-	-	-
180	of which securitisations	-	-	-	-
190	of which issued by general governments	-	-	-	-
200	of which issued by financial corporations	4	-	34	-
210	of which issued by non-financial corporations	-	-	-	-
220	Loans and advances other than demand financing	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	-	-	23	-

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		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
241	Own covered bonds and securitisation issued and not yet pledged			-	-
250	TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED AT	1.687	575		

Table 75 – Template EU AE3 Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
010	Carrying amount of selected financial liabilities	1.987	1.570

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14. Declaration by the Manager charged with preparing the company's financial reports

Pursuant to article 154 of Italy's "Consolidated Law on Financial Intermediation", the Manager charged with preparing the company's financial reports of Banca Ifis S.p.A., Massimo Luigi Zanaboni, declares that the accounting information contained in this "Public Disclosure at 31 December 2024 - Pillar 3" corresponds to the company's accounting records, books and entries.

Venice, 6 March 2025

The Manager charged with preparing the company's financial reports

Massimo Luigi Zanaboni