Banca Ifis

Public Disclosure

Pillar 3

At 31 December 2022

31.12.2022

www.bancaifis.it

Contents

Background

As of 1 January 2014, reforms of the Basel Committee's ("Basel III") agreements were transposed into European Union law to strengthen banks' ability to absorb shocks resulting from financial and economic tensions, regardless of their origin, to improve risk management and governance, and to strengthen transparency and disclosure. The Basel Committee has maintained the three-pillar approach on which the previous agreement on capital ("Basel 2") was based. It integrated and strengthened it in order to increase, in qualitative and quantitative terms, the capital position of intermediaries by introducing countercyclical supervisory instruments, regulations on liquidity risk management and leverage limits.

In particular, the Third Pillar (hereinafter also "Pillar 3") is based on the assumption that the Market Discipline may contribute to strengthen capital regulations and therefore promote the stability and soundness of banks and the financial sector.

Therefore, the purpose of Pillar 3 is to combine the minimum capital requirements (Pillar 1) and the process of prudential monitoring (Pillar 2) through the identification of a set of disclosure transparency requirements which allow the market operators to be provided with relevant, comprehensive and reliable information about capital adequacy, exposure to risks and general characteristics of the systems intended to identify, measure and manage said risks.

Within the European Union, "Basel 3" measures have been transposed into two legislative acts:

- *Directive no. 2013/36/EU of 26 June 2013* (hereinafter "CRD IV") endorsed by the Bank of Italy through Circular no. 285 of 17 December 2013 "Supervisory provisions for banks". These EU provisions govern, inter alia, the conditions for accessing banking activities, the freedom of establishment and the freedom to provide services, the supervisory review and additional capital buffers;
- *EU Regulation no. 575/2013 of 26 June 2013* (hereinafter "CRR") which governs the prudential supervisory institutions set by Pillar 1 and the rules on public disclosure (Pillar 3).

With the publication of Regulation (EU) no. 876/2019 (CRR2), the EBA has introduced a number of significant changes to the regulatory framework. These changes, which relate in particular to Part Eight of the CRR, aim to standardise the periodic information to be provided to the market. In this regard, in Implementing Regulation (EU) no. 637/2021, instructions have been provided to operators on the information to be published. According to the CRR2 Regulation, banks publish the required information at least annually; it is up to the institutions themselves to assess the need to provide the required information more frequently, in light of the relevant characteristics of the business in place and elements that are likely to change rapidly. The guidelines indicate minimum content consistent with the relevance of the reporting entity, with particular reference to capital requirements, composition and capital adequacy, leverage ratio, exposure to risks and general characteristics of the systems in charge of identifying, measuring and managing these risks.

In addition, with regard to interest rate risk on the Banking Book, the EBA published ITS *EBA/ITS/2021/07* in November 2021, amending CRR2 with regard to disclosure requirements for interest rate risk exposures on positions not held in the trading book (in accordance with Article 448 of CRR2). These standards were published in the Official Journal of the European Union on 13 April 2022 and are therefore already in force for the disclosure published on 31 December 2022.

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 Results and Presentations section.

References to regulatory reporting requirements

The tables below provide a summary of the location of the disclosures made to the market, in compliance with the regulatory disclosure requirements governed by European legislation, in particular CRR2 Part VIII and Regulation (EU) no. 637/2021.

Reference to information required by CRR2

Article CRR2	Pillar 3 section reference
435 - Risk management objectives and policies	General Information Requirement
436 - Scope of application	Scope of Application
437 - Own Funds and Eligible Liabilities	Composition of Own Funds and Eligible Liabilities
438 - Own Funds Requirements and Risk-Weighted Exposure Amounts	Capital adequacy
439 - Exposure to counterparty credit risk	Counterparty risk: standardised approach
440 - Countercyclical capital buffers	Capital adequacy
442 - Exposures to Credit Risk and Dilution Risk	Credit risk: general information
443 - Encumbered and Unencumbered Assets	Encumbered and Unencumbered Assets
444 - Use of the Standardised Approach	Credit risk: use of ECAIs
445 - Exposure to market risk	Market risk
446 - Operational Risk Management	Operational risk
448 - Exposures to interest rate risk on positions not held in the trading book	Interest rate risk on positions in the banking book
449 - Exposure to securitisation positions	Securitisation transactions
450 - Remuneration policies	Remuneration and incentive systems and practice
451 - Leverage ratio	Financial leverage
451a - Liquidity requirements	Liquidity risk

Reference to EBA requirements - Regulation (EU) no. 637/2021, EBA/GL/2020/12 and EBA/ITS/2021/07

Table	Type of information	Paragraph
EU OVA, EU OVB, EU OVC	Qualitative	General Information Requirement
EU LIB, EU LIA, EU LI1, EU LI2, EU LI3	Qualitative & Quantitative	Scope of Application
EU CCA, EU CC1, EU CC2, IFRS9-FL	Qualitative & Quantitative	Composition of Own Funds and Eligible Liabilities
EU KM1, EU OV1, EU CCyB1, EU CCyB2, EU INS1	Quantitative	Capital adequacy
EU LRA, EU LR1, EU LR2, EU LR3	Qualitative & Quantitative	Financial leverage

Table	Type of information	Paragraph
EU LIQA, EU LIQ1,EU LIQB, EU LIQ2	Qualitative & Quantitative	Liquidity risk
EU CRA, EU CRB, EU CR1, EU CR1-A, EU CR2, EU CRC, EU CR3, EU CQ1, EU CQ3, EU CQ5,	Qualitative & Quantitative	Credit risk: general information and credit quality tables
EU CR4, EU CR5	Quantitative	Credit risk: ECAI
EU AE1, EU AE2, EU AE3, EU AE4	Qualitative & Quantitative	Encumbered and Unencumbered Assets
EU CCRA, EU CCR1, EU CCR2, EU CCR3, EU CCR5, EU CCR8	Qualitative & Quantitative	Counterparty risk
EU-SECA EU-SEC1, EU-SEC4, EU-SEC5	Qualitative & Quantitative	Securitisation transactions
EU-OR1	Quantitative	Operational risk
EU IRRBBA, EU IRRBB1	Qualitative & Quantitative	Interest rate risk on positions in the banking book
EU MRA, EU MR1	Qualitative & Quantitative	Market risk
EU REMA, EU REM1, EU REM2, EU REM3 EU REM4, EU REM5	Qualitative & Quantitative	Remuneration and incentive systems and practice

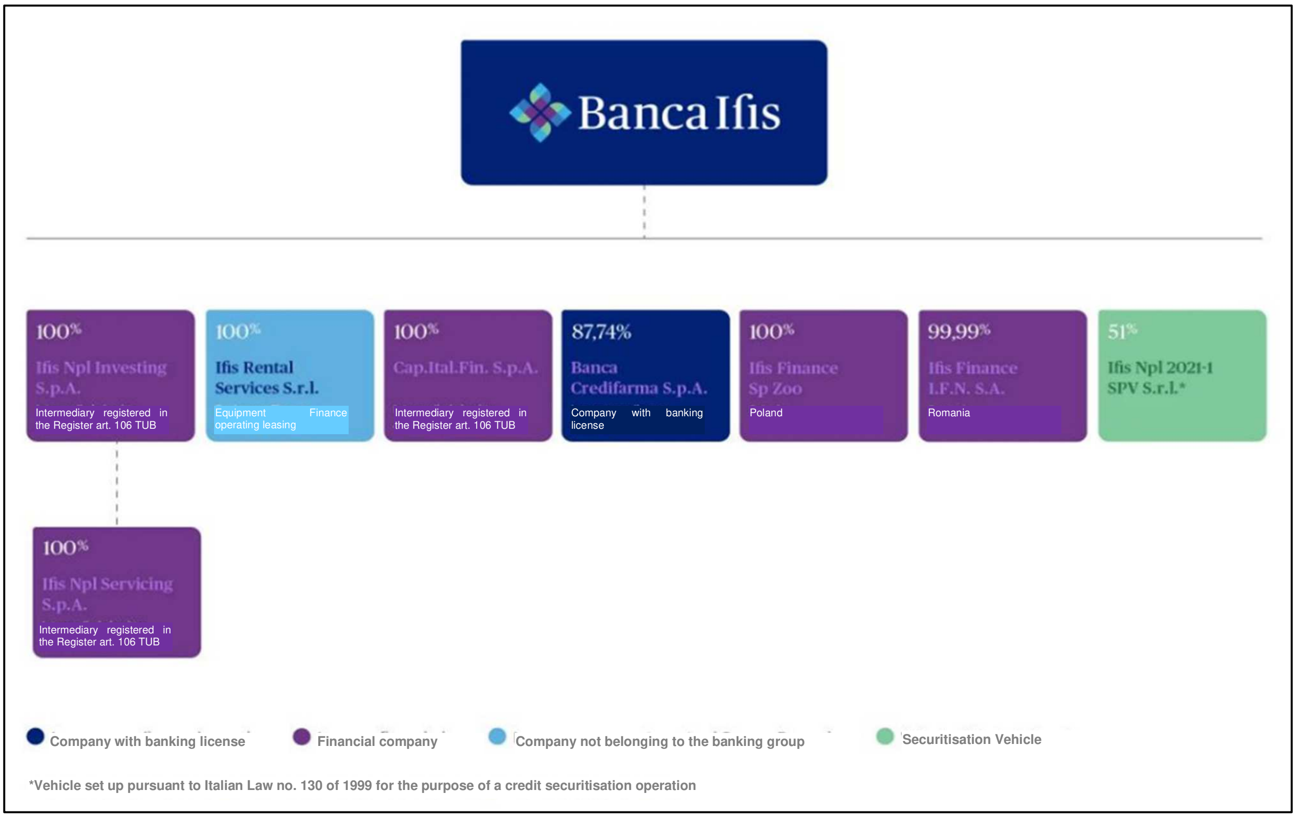
General Information Requirement

The supervisory activity is based on a system of rules and incentives allowing to pursue more effectively the objectives of a more accurate measurement of the potential risks related to banking and financial activities, and to maintain a capital base that is more closely commensurate with the actual degree of risk exposure of each intermediary.

<u>The Banca Ifis Group</u>

At 31 December 2022, 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 31/12/2022.

At 31/12/2022, the Banca Ifis Group was composed as follows:



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.

Mission and social responsibility

The organisational structure is divided into the following segments: Commercial and Corporate Banking Segment; Npl Segment and Governance & Services and Non-core Segment:

Commercial and Corporate Banking Segment

The Commercial & Corporate Banking Segment includes the following business areas:

- Factoring: Area dedicated to supporting the trade credit of SMEs operating on the domestic market, which develop towards export, or which from export, turn to Italian customers; it also includes an organisational unit dedicated to supporting trade credit of suppliers of the local health authorities and a business unit specialised in the acquisition of tax receivables transferred from bankruptcy proceedings, which operates under the Fast Finance brand. This unit acquires tax receivables, accrued and accruing, already requested for reimbursement, or future, arising from proceedings or in previous years;
- Leasing: Area that provides finance and operating leases - but not real estate leases, as the Group does not offer them - to small economic operators and SMEs;
- Corporate Banking & Lending: Business area that aggregates multiple units: Structured Finance, the segment that supports companies and private equity funds in arranging bilateral or syndicated loans; the Equity Investment area, dedicated to investing in non-financial companies and intermediaries; and the Lending segment, dedicated to the Group's medium/long-term operations, oriented to supporting the company's operating cycle and the disbursement of consumer credit in the form of salary- or pension-backed loans (CQS/CQP).

Npl Segment

This is the Banca Ifis Group's Segment dedicated to non-recourse acquisition and managing secured and unsecured distressed retail loans, as well as third party portfolio management. The business is closely associated with converting non-performing loans into performing assets and collecting them. This business can be divided up into three macro categories:

- post-purchase management, where all the activities of researching information preparatory to the routing of the position towards the most suitable transformation methods are carried out. This typically occurs after 6-12 months;
- non-judicial operations, which deal with practices that can be handled through collection by settlement;
- legal management, which covers all practices in the various stages of legal processing, ranging from obtaining a court order to a garnishment order.

Governance & Services and Non-Core Segment

The Segment comprises, among other things, the resources required for the performance of the services of the Planning and Management Control, Finance, Operations, Marketing Communication and External Relations and HR, as well as the structures responsible for raising, managing and allocating financial resources to the operating segments. This Segment also includes Proprietary Finance activities (proprietary securities desk) and Securitisation & Structured Solutions activities (investment in Asset Backed Securities, instrumental to the realisation of securitisation transactions). The Segment also includes run-off portfolios originated from the former Interbanca as well as other personal loan portfolios.

Strategic governance, management and control bodies

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 S.p.A.:

- strategic supervision is performed by the Board of Directors;
- the CEO is responsible for the company's operations. The management function includes the Joint 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:

- defining strategic guidelines and risk assumption, management and control with their periodic review, thanks also to an accurate, comprehensive and timely information flow system;
- approving and periodically reviewing organisational, disclosure and risk control procedures;
- defining and updating the roles and responsibilities of organisational functions entrusted with the performance of company processes related to risk management;
- guaranteeing the implementation, efficiency and effectiveness of the risk management and control system through periodical reviews and by deciding the measures to be taken to remove any deficiencies and dysfunctions that may have emerged during the risk management process.

Within the Board of Directors are:

- the Control and Risks Committee, providing consulting services and support to the resolutions issued by the Board of Directors, in particular on the internal control and risk management system, as well as to the approval of the periodic financial reporting documents;

- the Appointments Committee, which has the task of providing support in the appointment and co-option of directors, in the self-assessment of the Company's governing bodies (Board of Directors and Internal Committees), in verifying the existence of the requisites of professionalism, honourableness and independence of company representatives, in preparing the succession plans for top management positions and coordinates the relevant process;

- the Remuneration Committee, submitting proposals and providing consulting and monitoring services in the area of remuneration and incentive policies in compliance with the relevant supervisory provisions.

The management function is carried out by the Chief Executive Officer, who also avails himself of the Joint General Managers. The CEO is responsible for implementing the strategies 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 the risk management processes.

The following Management Committees have been set up:

- 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;

- 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 Joint General Manager Chief Commercial Officer and the Credit Department;

- the Finance Committee, with deliberative tasks, in the manner defined by the Board of Directors and in support of asset & liability management and liquidity and portfolio management issues, overseen respectively by the ALM Technical Committee and the Proprietary Finance Technical Committee established within;

- 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 Brand Committee, with advisory functions in defining the guidelines of the company's activities in terms of brand identity;

- 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 Committee also expresses its opinion on the acquisition of works of art and, once acquired, their periodic evaluation;

- 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 **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 must immediately inform 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.

<u>Internal Control System</u>

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 management bodies in order to guarantee full awareness of the situation and effective control of company risks and their interrelationships. In this context: i) it guides changes in strategic guidelines and corporate policies and enables them to be adapted in a coherent manner to the organisational context; ii) it supervises the functionality of management systems and compliance with prudential supervisory requirements; iii) it encourages 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:

- executing business strategies and policies;
- the identification of tasks and responsibilities such as to ensure the separation between operating and control functions;
- containing risk within the limits set out in the Bank's Risk Appetite Framework ("RAF");
- the safeguard of the value of assets and protection against losses; the effectiveness and efficiency of business processes; the reliability and security of company information and IT procedures;
- preventing the risk that the Group 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.

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 the Subsidiaries with directives for creating their internal control systems. 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 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. 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 conducted 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;

- risk and compliance controls ("second line of defence") are intended to ensure the risk management process is correctly implemented in accordance with the operational limits assigned to the various functions, and that business operations comply with regulations - including corporate governance rules;
- internal auditing ("third line of defence") is aimed at identifying breaches of procedures and regulations as well as regularly assessing the comprehensiveness, adequacy, functionality (in terms of both efficiency and effectiveness), and reliability of the internal control and IT systems on a regular basis based on the nature and extent 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 role of the different players involved in the Internal Control System (the Board of Directors, the Control and Risks Committee, the Chief Executive Officer, the Supervisory Body as per Legislative Decree no. 231/2001, Internal Audit, Chief Financial Officer, Risk Management, Compliance, Anti-Money Laundering and Coordination function for Controlling Subsidiary Companies) are described in detail in the Report on Corporate Governance and Shareholding Structure prepared in accordance with the third paragraph of article 123 bis of Italian Legislative Decree 24 February 1998 no. 58 (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 administrative bodies, the roles and tasks assigned to the remaining players of the internal control system are summarised below, in particular:

- 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. 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, bringing possible improvements to the attention of corporate bodies, with particular reference to the Group's Risk Appetite Framework ("RAF"), the risk management process and the tools for measuring and controlling these risks. Based on the results of its checks, Internal Audit makes recommendations to the corporate bodies. In addition, Internal Audit provides assistance to the Supervisory Bodies of Group Companies with regard to the planning and performance of audit activities requested by them;

- 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 assistance to the Supervisory Bodies of Group Companies with regard to the planning and performance of audit activities requested by them and ensures the monitoring of regulatory changes in their regard;
- 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.

Organisation of the Risk Management organisational unit

Mission of the Parent company's Risk Management

The mission of the Parent company's Risk Management is to:

- guarantee a holistic and integrated vision of the risks to which the Group and the Companies that are part of it are exposed, while ensuring adequate reporting to the Corporate Bodies;
- identify, measure, evaluate and monitor risks that are relevant to the Group;
- ensure adequate reporting on the assumed risks to the Corporate Bodies and Committees, to the Control Functions and to the Managers of the areas subject to the risk management process;

- monitor the governance and risk management processes in accordance with the strategies and policies defined by the corporate bodies;
- guarantee an on-going development and improvement of methodologies, models, metrics and risk measurement and integration instruments;
- facilitate the transposition of supervisory regulations and directives;
- assist the Corporate Bodies in carrying out their respective tasks within the internal control system, facilitating: the timely and coordinated interception of relevant information for the purpose of quantifying and managing risks; (ii) a condensed description of the corporate risks and main issues identified by the risk management system; (iii) the adoption of appropriate and timely corrective measures addressing any identified issues and priorities.

The Parent company's Risk Management carries out its functions for Banca IFIS and, within its own management and coordination activities, it expands its scope of competence to all the companies of the Group.

<u>Organisational positioning of the Parent company's Risk Management</u>

Within the internal control system, the risk control function is part of the Risk Management, which reports hierarchically to the CEO. The Head of Risk Management (also Chief Risk Officer or CRO) has direct access to the Board of Directors and the Board of Statutory Auditors and communicates with them without restrictions or intermediaries.

Risk Management:

- has the authority, resources and expertise necessary for carrying out its tasks;
- has access to corporate data and to external data in order to appropriately manage its tasks;
- has access to all the activities of the Parent company and of the Group Companies, carried out at the head offices and at the branches, as well as to all information that is relevant for carrying out the assigned tasks, also through individual meetings with the personnel;
- has access to resources that are qualitatively and quantitatively adequate in terms of number, technical and professional skills, continuous updating, also through participation in on-going training programmes.

The Risk Management function is separate from the Internal Audit function and from the Compliance and Anti-Money Laundering functions from an organisational standpoint. Moreover, it is not involved in risk assumption processes. The structures which are deemed to be involved in risk assumption, have the following characteristics (even not collectively):

- authorise the taking of a risk;
- are remunerated in proportion to business results;
- have goals that involve risk taking.

The appointment of the CRO is the responsibility of the Board of Directors, after consulting the Board of Statutory Auditors, after assessing the requirements of independence, authority, and professionalism. Likewise, any revocation of the appointment is the responsibility of the Board of Directors, after consulting the Board of Statutory Auditors.

In order to fulfil its institutional mission effectively and efficiently, the Risk Management's organisational structure consists of staff organisational units, second-level organisational units and third-level organisational units in the area of credit risk. The staff organisational units are identified as the “Risk Governance” structure, with the task of supporting the CRO in the decision-making processes and ensuring an overall view of the various risks and their mutual interaction and the “Validation” structure, which is responsible for the validation of internal risk measurement systems for management purposes. The second-level organisational units are identified in the structures “Risk Data Governance”, “Model Development”, “Operational and Reputation Risks”, “Antifraud”, “Financial Risks”, “NPL and Tax Credits”, and “Corporate Credit Risks”. With reference to the latter, two third-level organisational units are established, identified on the basis of the specific businesses carried out by the Group: “Receivables from Companies” and “Leasing”.
The Parent company's Risk Management Regulation, in compliance with the Supervisory Provisions for banks pursuant to Circular no. 285/2013 of the Bank of Italy, describes in detail the scope and the mission of the same, also with reference to the management and coordination activity carried out by the Parent company on the subsidiaries, the related organisational structure, the tasks of the staff, second-level and third-level organisational units that comprise it, the relationships that the Function maintains with the Corporate Bodies and the other organisational units of Banca IFIS as well as with the Group subsidiaries involved in the process of risk management and finally the main information flows implemented.

For the companies belonging to the Group, risk management and control activities have been centralised at the Parent company's Risk Management, following the outcome of the assessments carried out on the advisability of centralising risk control activities there.

Risk profile and risk management and measurement systems

Determination of risk appetite and processes for managing relevant risks

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)
- 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:

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
Italy's 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 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	The risk of losses arising from inadequate or dysfunctional processes, human resources, internal systems or external events. It includes, *inter alia*, losses resulting from fraud, human error, business disruptions, systems unavailability, contractual defaults, and natural disasters.	High

Risk	Description	Relevance
	Operational risk includes various types of risks, which are assessed separately due to their significance within the Group.	
ICT and Security risk	Risk of current or potential loss due to the inadequacy or failure of hardware and software of technical infrastructures that could compromise the availability, integrity, accessibility and security of such infrastructures and data.	High
Model Risk	The possibility of economic and/or financial impacts arising from the development and implementation of any model, whether proprietary or not, by the Group and/or the improper or incorrect use of the results produced by the models used.	High
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 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.	Low
Interest rate risk	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
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 elevated 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 warning thresholds could have impacts on the sustainability of the Group's business model, without 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).

In the event of violation of the above thresholds, an articulated escalation process, which requires the timely definition of the procedures and management actions is activated in order to reach the tolerance threshold, following an analysis of the reasons for exceeding the thresholds.

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 and Reporting

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

In 2022 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.

Governance System

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. Directors are appointed based on the mechanism of voting lists by the shareholders' assembly, in compliance with the applicable legal and regulatory provisions and with the composition criteria that relate to the presence of minority and independent directors, and with respect for gender balance.

To encourage the nomination of the best candidates for the renewal of the Administrative Body, in support of shareholders and in compliance with the Vigilance Provisions for banks in matters of Corporate Governance, the Board of Directors 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.

At the Shareholders' Meeting held on 28 April 2022, the shareholders appointed the Board of Directors for the three-year period 2022-2024, electing 13 directors. Not only is proper gender diversification assured (the number of women on the board has gone from 4 to 7 compared with the previous term of office) and roles properly assigned to the directors (the number of independent directors increased from 7 to 9), but in addition, the complexity and the works of the Body are entirely in line with the current guidelines seeking to foster a non-plethoric composition 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 ,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, carried out the verification of:

- 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;
- 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, close to 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 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.
More 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 "2022 Report on Corporate Governance and Ownership Structure".
In accordance with the provisions of Circular no. 285/2013 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 2022, the Committee met 21 times, five of which were joint meetings with the Board of Statutory Auditors. From the beginning of 2023 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:

- in the definition and adoption of the strategic guidelines and risk management policies. As part of the RAF, the Audit 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;
- in verifying the correct implementation of strategies, and management policies for risks and the RAF;

- in 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 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.).

Scope of Application

The disclosure requirements set out in this document apply to Banca Ifis S.p.A. Parent company of the Banca Ifis Banking Group registered in the Register of Banking Groups.
For prudential purposes, consolidation policies provided for by the Bank of Italy's Circular no. 285 of 17 December 2013 (and subsequent updates) - "Supervisory Provisions for Banks" were adopted. In particular, the line-by-line consolidation was adopted for the banking, financial and instrumental companies belonging to the banking group.

Quantitative information

Template EU LI1: differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Table EU LI1 shows, with reference to 31 December 2022, 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.

		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	603	602	602	-	-	-	-
20	Financial assets measured at fair value through profit or loss	222	222	192	26	3	27	-
30	Financial assets measured at fair value through other comprehensive income	698	698	698	-	-	-	-
40	Financial assets measured at amortised cost	10.753	10.578	10.351	12	208	-	7
50	Hedging derivatives	-	-	-	-	-	-	-
60	Value adjustment of financial assets generically hedged	-	-	-	-	-	-	-
70	Equity investments	-	183	183	-	-	-	-
80	Technical provisions by reinsurers	-	-	-	-	-	-	-
90	Property, plant and equipment	126	126	126	-	-	-	

		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
100	Intangible assets	64	64	12	-	-	-	52
110	Tax assets	325	318	278	-	-	-	40
120	Non-current assets and disposal groups	-	-	-	-	-	-	-
130	Other assets	471	468	468	-	-	-	-
	Total assets	13.262	13.260	12.911	38	211	27	99
	Liabilities							
10	Financial liabilities measured at amortised cost	11.131	11.143	-	781	-	-	383
20	Financial liabilities held for trading	26	26	-	26	-	26	-
30	Financial liabilities designated at fair value	-	-	-	-	-	-	-
40	Hedging derivatives	-	-	-	-	-	-	-
50	Value adjustment of financial liabilities hedged	-	-	-	-	-	-	-
60	Tax liabilities	52	52	-	-	-	-	30
70	Liabilities associated with assets held for sale	-	-	-	-	-	-	-
80	Other liabilities	392	378	-	-	-	-	-
90	Post-employment benefits	8	8	-	-	-	-	-
100	Provisions for risks and charges	56	56	-	-	-	-	-
110	Technical provisions	-	-	-	-	-	-	-
120	Valuation reserves	-60	-60	-	-	-	-	-60
130	Reimbursable shares	-	-	-	-	-	-	-
140	Equity instruments	-	-	-	-	-	-	-
150	Reserves	1.441	1.449	-	-	-	-	1.449
155	Interim dividends	-52	-52	-	-	-	-	-
160	Share premium	84	84	-	-	-	-	84
170	Share capital	54	54	-	-	-	-	54
180	Treasury shares	-22	-22	-	-	-	-	-22
190	Equity attributable to non-controlling interests	12	12	-	-	-	-	6
200	Profit for the year	141	133	-	-	-	-	60
	Total liabilities and equity	13.262	13.260	-	-	-	-	-

Template EU LI2: main sources of differences between regulatory exposure amounts and carrying values in financial statements

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 to the following phenomena:

		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)	13.186	12.911	211	38	27
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	833	-	-	807	26
3	Total net amount under the regulatory scope of consolidation	14.019	12.911	211	845	-
4	Off-balance-sheet amounts	-	646	-	-	-
5	Substitution effect due to CRM (Securitisation Guarantees)	-	62	-62	-	-
6	Exposure to the CVA	-	-	-	65	-
7	Counterparty Risk Component related to SFT transactions	-	-	-	52	-
8	Add on for Derivative Exposures (Original Exposure Method)	-	-	-	40	-
9	Other differences	-	4	-	-	-
10	Amounts of exposures considered for regulatory purposes	14.019	13.623	149	1.002	-

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			Furniture rental company
CAP.ITAL.FIN S.P.A.	Full consolidation	X					Financial institution
BANCA CREDIFARMA S.P.A.	Full consolidation	X					Credit institution

		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**
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

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

Composition of Own Funds and Eligible Liabilities

Below is a summary of the consolidated capital requirements calculated at 31 December 2022.

Own Funds and capital adequacy ratios

(figures in thousands)	Amounts	
	31.12.2022	31.12.2021
Common Equity Tier 1 (CET1) capital	1.520.570	1.486.880
Tier 1 capital (TIER1)	1.521.490	1.488.624
Total Own Funds	1.906.288	1.891.346
Total RWAs	10.128.064	9.633.003
CET1 ratio	15,01%	15,44%
TIER1 ratio	15,02%	15,45%
Total Capital Ratio	18,82%	19,63%

CET1, TIER1 and Total Capital include the profits generated by the Banking Group at 31 December 2022, 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.

Consolidated Own Funds, risk-weighted assets and prudential ratios at 31 December 2022 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 Circulars no. 285 and no. 286.

For the purposes of calculating capital requirements at 31 December 2022, in continuity with what has been done since 30 June 2020, the Group has applied the temporary support provisions set out in EU Regulation no. 873/2020 (the "quick-fix").

It should be noted that Delegated Regulation (EU) no. 954/2022 will enter into force in the third quarter of 2022 for banks with regard to the specification of how specific and general loan impairments of defaulted exposures are to be calculated. In particular, the application of the aforementioned Regulation made it possible to consider the discount on the purchase price of impaired loans as a higher value adjustment. This made it possible to substantially reduce the average weightings on these types of loans.

EU Regulation no. 873/2020, relative to the transitional arrangements aimed at attenuating the impact of the introduction of IFRS 9 on Own Funds - defines for entities the possibility of including in their CET1 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 arrangements for the entire period.

Inclusion in CET1 has taken place with reference to past years, and will take place for 2023 and 2024, in a gradual manner, applying the following factors:

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

Again, with reference to the new provisions introduced by EU Regulation no. 873/2020 with a potential impact on CET1, please note the temporary treatment of unrealised profit and losses due to changes in the fair value of debt instruments issued by the central, regional and local administrations; Banca Ifis has informed the Bank of Italy of its decision to apply the new transitional arrangements starting 31 December 2020.
Said portion is included in CET1 gradually and by applying the following factors.

Temporary treatment for OCI reserve

2020-2024
1,00 from 1 January 2020 to 31 December 2020
0,70 from 1 January 2021 to 31 December 2021
0,40 from 1 January 2022 to 31 December 2022

Quantitative information

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

	Available capital (amounts)	31/12/2022	31/12/2021	31/12/2020
1	Common Equity Tier 1 (CET1) capital	1.521	1.487	1.039
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements or similar expected credit losses were applied	1.489	1.455	1.020
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	1.508	1.427	1.037
3	Tier 1 capital	1.521	1.489	1.092
4	Tier 1 capital (CET1) as if IFRS 9 transitional arrangements or similar expected credit losses were not applied	1.490	1.457	1.073
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	1.508	1.429	1.090
5	Total capital	1.906	1.891	1.366
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements were not applied	1.875	1.859	1.348
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	1.893	1.831	1.365
	Risk-weighted assets (amounts)			
7	Total risk-weighted assets	10.128	9.633	9.204
8	Total risk-weighted assets, as if IFRS 9 transitional arrangements or similar expected credit losses were not applied	10.116	9.614	9.189
	Capital ratios			
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	15,01%	15,44%	11,29%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements were not applied	14,72%	15,13%	11,10%
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	14,88%	14,81%	11,27%
11	Tier 1 (as a percentage of risk exposure amount)	15,02%	15,45%	11,86%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements were not applied	14,73%	15,15%	11,68%
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	14,89%	14,83%	11,85%
13	Total capital (as a percentage of risk exposure amount)	18,82%	19,63%	14,85%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or similar ECLs transitional arrangements were not applied	18,53%	19,34%	14,67%
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	18,69%	19,01%	14,83%
Leverage ratio				
15	Leverage ratio total exposure measurement	14.213	13.716	11.834

16	Leverage ratio	10,71%	10,86%	9,23%
17	Leverage ratio as if IFRS 9 transitional arrangements or similar expected credit losses were not applied	13,19%	10,62%	9,07%
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	13,32%	10,41%	9,21%

At 31 December 2022, taking into account the transitional treatment adopted to mitigate the impacts of IFRS 9 on CET1 and the prudential filter for unrealised gains and losses on financial assets measured at fair value, Own Funds amounted to 1.906,3 million Euro.

The 14,9 million Euro increase in Own Funds compared to 31 December 2021 is largely attributable to the following components:

- the profit referred to the prudential scope accrued at 31 December 2022 of 133,2 million Euro, net of the assumed dividend of 73,4 million Euro including the portion distributed on account; the positive change amounts to 59,8 million Euro;
- the transitional filter for exposures to central governments classified as FVOCI, introduced by EU Regulation No 873/2020, which allows the effects of negative changes in the fair value of government bonds to be allocated over several years. This resulted in a further positive change in this filter of 10,5 million Euro in Own Funds compared to the previous year;
- lower deductions for the expiry of the authorisation to repurchase CET1 instruments; the positive change amounts to 3,2 million Euro;
- the negative impact of the application of Calendar Provisioning, which resulted in a negative change of 7,9 million Euro;
- the greater deduction of other income statement items attributable to the valuation reserve for equities measured at fair value through comprehensive income of a negative change of 34,3 million Euro;
- the higher 100% deduction from CET1 of "deferred tax assets that are dependent on future profitability and do not arise from temporary differences" makes for a negative change of 4,4 million Euro; in this regard, please note that this deduction will be further absorbed by the future use of such deferred tax assets.
- the reduction of the carrying value of the subordinated loan eligible as Tier 2 capital due to the amortisation under Article 64 CRR, resulting in a lower Own Funds eligibility of 16,4 million Euro.

The positive change in Own Funds due to the above-mentioned phenomena was more than offset by a greater increase in the RWA component. More specifically, at 31 December 2022, the Total Capital Ratio is 18,82%, down from the results achieved at 31 December 2021 of 19,63%; this trend is also reported for the CET1 Ratio, 15,01% at end December 2022, compared to the figure at 31 December 2021 (15,44%).

At 31 December 2022, not considering the filter related to the IFRS 9 transitional regime nor taking into account the prudential filter for exposures to central governments classified in the FVOCI category, Fully Loaded Own Funds amount to 1.861,6 million Euro and consequently the RWA when fully applied, come to 10.115,5 million Euro.

Own Funds and capital adequacy ratios without IFRS9 transitional arrangements amounts

(figures in thousands)	31.12.2022	31.12.2021
Common Equity Tier 1 (CET1) capital	1.475.910	1.452.393
Tier 1 capital (TIER1)	1.476.830	1.454.137
Total Own Funds	1.861.628	1.856.859
Total RWAs	10.115.502	9.615.465
CET1 ratio	14,59%	15,10%
TIER1 ratio	14,60%	15,12%
Total Capital Ratio	18,40%	19,31%

CET1, Tier 1 and Total Capital include the profits generated by the Banking Group as at 31 December 2022, 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 2022, taking into account the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets (RWAs) amount to 10.128,1 million Euro, arising from credit and counterparty risk of 9.119,5 million Euro, operational risk of 915,9 million Euro, market risk of 20,7 million Euro and credit valuation adjustment risk of 71,9 million Euro.
Here below is the breakdown by Segment of risk-weighted assets (RWA)

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	138	h)
	Of which: instrument type 1	138	
	Of which: instrument type 2	-	
	Of which: instrument type 3	-	
2	Retained earnings	1.437	
3	Accumulated other comprehensive income (and other reserves)	-48	
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	-	

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		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
5	Minority interests (amount allowed in consolidated CET1)	4	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	60	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1.591	
Common Equity Tier 1 (CET 1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-1	
8	Intangible assets (net of related tax liability) (negative amount)	-52	a) less d)
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)	-30	
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	-22	
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)	-	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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)	-	
26	Not applicable	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments	35	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-70	
29	Common Equity Tier 1 (CET1) capital	1.521	
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	
35	of which: instruments issued by subsidiaries subject to phase out	-	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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)	-	
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	-	
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	
45	Tier 1 capital (T1 = CET1 + AT1)	1.521	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	384	
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	385	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
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 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	-	
58	Tier 2 (T2) capital	385	
59	Total capital (TC = T1 + T2)	1.906	
60	Total risk exposure amount	10.128	
Capital ratios and buffers			
61	Common Equity Tier 1 capital	15,01%	
62	Tier 1 capital	15,02%	
63	Total capital	18,82%	
64	Institution CET1 overall capital requirement	7,91%	
65	Of which: capital conservation buffer requirement	2,50%	
66	Of which: countercyclical buffer requirement	0,01%	
67	Of which: systemic risk buffer requirement	0%	
EU-67a	Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0%	
EU-67b	Of which: additional capital requirements to address risks other than excessive leverage risk	0,9%	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	6,35%	
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)	86	
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)	12	
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)	25	
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	-	g
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

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

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Amount relevant for Own Funds	Ref. Template "EU CC1 - Composition of regulatory own funds - Regulatory row"
		As at period end	As at period end		
Assets					
100	Intangible assets	64	64	52	8
110	Tax assets: b) prepaid	264	258	40	10
	Total assets	328	322	92	
Liabilities					
10	Financial liabilities measured at amortised cost: c) Debt securities issued	400	400	384	46
60	Tax liabilities: b) deferred	30	30	10	10
120	Valuation reserves	-60	-60	-60	3
150	Reserves	1.441	1.448	1.448	2
160	Share premium	84	84	84	1
170	Share capital	54	54	54	1
180	Treasury shares (-)	-22	-22	-22	16
190	Equity attributable to non-controlling interests (+/-)	12	12	6	5, 34, 48
200	Profit (Loss) for the year (+/-)	141	133	60	EU-5a
	Total liabilities				
Equity					
1	(-) Value adjustments due to prudent valuation requirements	-	-	-1	7
2	Transient Filters	-	-	45	27a
3	(-) Actual or potential obligations to purchase Common equity tier 1 capital instruments	-	-	0	16
4	(-) Insufficient coverage for non-performing exposures	-	-	-10	27a
	Total equity	-	-	1.906	-

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

		Qualitative or quantitative information
1	Issuer:	BANCA IFIS SPA
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	IT0003188064

		Qualitative or quantitative information
2a	Public or private placement	Public
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1 capital
5	Post-transitional CRR rules	Common Equity Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Single entity and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	54
9	Nominal amount of instrument	54
EU-9a	Issue price	54
EU-9b	Redemption price	N/A
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	07/10/2003
12	Perpetual or	dated
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	NO
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	N/A
23	Convertible or non-convertible	N/A

		Qualitative or quantitative information
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	NO
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

		Qualitative or quantitative information
1	Issuer:	BANCA IFIS SPA
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	XS1700435453
2a	Public or private placement	Public
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Single entity and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated bond - Article 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	400
9	Nominal amount of instrument	400

		Qualitative or quantitative information
EU-9a	Issue price	400
EU-9b	Redemption price	N/A
10	Accounting classification	Liabilities - amortised cost
11	Original date of issuance	17/10/2017
12	Perpetual or	deadline
13	Original maturity date	17/10/2027
14	Issuer call subject to prior supervisory approval	YES
15	Optional call date, contingent call dates and redemption amount	
16	Subsequent call dates, if applicable	
Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	7,38%
19	Existence of a dividend stopper	NO
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	NO
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	NO
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A

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		Qualitative or quantitative information
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	

Capital adequacy

The Group pays particular attention to monitoring its capital adequacy in order to ensure that its capital allocation is consistent with its risk appetite and supervisory requirements. As part of the ICAAP process, the Group assesses its capital adequacy by considering the capital requirements arising from its exposure to significant first and second pillar risks to which the Group is or could be exposed in carrying out its current and prospective operations. Sensitivity analyses are also carried out in order to assess the impact of particularly adverse economic conditions on the capital requirements deriving from exposure to the main risks (so-called "stress tests"), in order to assess its capital endowment even under extreme conditions.

The assessment of capital adequacy, which is sent annually to the Bank of Italy, together with the resolutions and reports with which the Corporate Bodies have expressed their views on the matter, in accordance with their respective powers and attributions.

Bank of Italy, on the basis of the overall assessment elements at its disposal, pursuant to Article 67 ter c1 letter d) of Legislative Decree no. 385 of 1 September 1993 (the Consolidated Law on Banking, or "TUB"), provided that as of June 2022[1] Banca Ifis would adopt the following capital ratios at the consolidated level:

Size	OCR threshold	Minimum regulatory requirement	Additional SREP requirement	Conservation buffer	Specific countercyclical coefficient
CET 1 Ratio	7,91%	4,5%	0,9%	2,5%	0,01%
TIER 1 Ratio	9,76%	6%	1,25%	2,5%	0,01%
Total Capital Ratio	12,16%	8%	1,65%	2,5%	0,01%

The Bank of Italy considers the countercyclical capital buffer ratio in force for the fourth quarter of 2022 to be zero percent. With respect to material credit exposures to other countries for which the counter-cyclical coefficient is greater than zero, a "specific counter-cyclical coefficient" of 0,01% is determined.

In order to ensure compliance with the binding measures outlined above and to ensure that the bank's Own Funds can absorb any losses arising from stress scenarios, taking into account the prudential stress tests referred to in Article 100 of Directive 2013/36/EU, the Bank of Italy expects Banca Ifis to maintain the following capital levels on an ongoing basis:

Size	Final threshold	OCR threshold	P2G component
CET 1 Ratio	8,66%	7,91%	0,75%
TIER 1 Ratio	10,51%	9,76%	0,75%
Total Capital Ratio	12,91%	12,16%	0,75%

[1] the Bank of Italy, following its Supervisory Review and Evaluation Process (SREP), informed the Banca Ifis Group on 19 May 2022 that it would adopt the following capital requirements at the consolidated level for 2022, as indicated in the tables below.

At 31 December 2022, the Banca Ifis Group meets the prudential requirements.

In the second quarter of 2022, the Bank of Italy notified the Parent company Banca Ifis and its subsidiary Banca Credifarma of the conclusion of the process to determine the minimum requirement for eligible capital and liabilities (MREL). The minimum requirements are as follows:

MREL requirement

Banca Ifis	Banca Credifarma
9,65% of the Total Risk Exposure Amount	8% of the Total Risk Exposure Amount
3% of Leverage Ratio Exposure	3% of Leverage Ratio Exposure

At 31 December 2022, following the monitoring process, both indicators were met above the predefined limit.

Quantitative information

Template EU KM1: Key metrics template

		31/12/2022	30/06/2022	31/12/2021
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	1.521	1.471	1.487
2	Tier 1 capital	1.521	1.472	1.489
3	Total capital	1.906	1.873	1.891
Risk-weighted exposure amounts				
4	Total risk exposure amount	10.128	9.858	9.633
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	15,01%	14,92%	15,44%
6	Tier 1 ratio (%)	15,02%	14,93%	15,45%
7	Total capital ratio (%)	18,82%	19,00%	19,63%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)				
EU 7a	Additional CET1 SREP requirements (%)	1,65%	1,65%	2,00%
EU 7b	Of which capital CET1 (%)	0,90%	0,90%	1,12%
EU 7c	Of which tier 1 capital (%)	1,25%	1,25%	1,50%
EU 7d	Total SREP own funds requirements (%)	9,65%	9,65%	10,00%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%

		31/12/2022	30/06/2022	31/12/2021
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 (%)	0,01%	0,002%	0%
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-
11	Combined buffer requirement (%)	2,51%	2,50%	2,50%
EU 11a	Overall capital requirements (%)	12,16%	12,15%	12,50%
12	CET1 available after meeting the total SREP own funds requirements (%)	6,35%	6,27%	7,32%
Leverage ratio				
13	Leverage ratio total exposure measure	14.213	13.369	13.367
14	Leverage ratio (%)	10,71%	11,01%	11,14%
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%	3,18%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure)				
EU 14d	Required leverage buffer (%)	0%	0%	0%
EU 14e	Overall leverage ratio requirements (%)	3,00%	3,00%	3,18%
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	645	1.007	1.032
EU 16a	Cash outflows - Total weighted value	475	392	415
EU 16b	Cash inflows - Total weighted value	816	751	728
16	Total net cash outflows (adjusted value)	119	98	104
17	Liquidity coverage ratio (%)	542,71%	1027,82%	995,62%
Net Stable Funding Ratio				
18	Total available stable funding	10.919	11.214	10.902
19	Total required stable funding	8.849	8.079	8.092

		31/12/2022	30/06/2022	31/12/2021
20	NSFR ratio (%)	123,39%	138,80%	134,73%

Template EU OV1: overview of risk weighted exposure amounts

		Total Risk Exposure Amounts (TREA)		Total own funds requirements
		31/12/2022	31/12/2021	T
1	Credit risk (excluding CCR)	8.846	8.476	708
2	Of which the standardised approach	8.846	8.476	708
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	265	114	21
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	72	35	6
9	Of which other CCR	193	79	15
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	80	83	6
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	2	0	0
19	Of which SEC-SA approach	78	83	6
EU 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	21	82	2
21	Of which the standardised approach	21	82	2
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	916	878	73
EU 23a	Of which basic approach	916	878	73
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)	25	39	2

		Total Risk Exposure Amounts (TREA)		Total own funds requirements
		31/12/2022	31/12/2021	T
29	Total	10.128	9.633	810

Model EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (1/2)

		General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value
		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		
	Breakdown by country:						
	Austria	8	-	-	-	-	8
	Belgium	4	-	-	-	-	4
	Brazil	1	-	-	-	-	1
	Canada	4	-	-	-	-	4
	Switzerland	101	-	-	-	-	101
	Czech Republic	5	-	-	-	-	5
	Germany	45	-	-	-	-	45
	Denmark	1	-	-	-	-	1
	Spain	24	-	-	-	-	24
	Finland	1	-	-	-	-	1
	France	88	-	-	-	-	88
	United Kingdom	17	-	-	-	-	17
	Greece	5	-	-	-	-	5
	Croatia	2	-	-	-	-	2
	Ireland	14	-	-	-	-	14
	Israel	4	-	-	-	-	4
	India	1	-	-	-	-	1
	Italy	8.742	-	1	-	149	8.892
	South Korea	2	-	-	-	-	2
	Luxembourg	24	-	-	-	-	24
	Malta	1	-	-	-	-	1
	Mexico	2	-	-	-	-	2

EMARKET SDIR CERTIFIED

		General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value
		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		
	Breakdown by country:						
	The Netherlands	22	-	-	-	-	22
	Poland	108	-	-	-	-	108
	Portugal	4	-	-	-	-	4
	Romania	23	-	-	-	-	23
	Saudi Arabia	13	-	-	-	-	13
	Sweden	12	-	-	-	-	12
	Slovakia	1	-	-	-	-	1
	Turkey	31	-	-	-	-	31
	United States	23	-	-	-	-	23
020	Total	9.334	-	1	-	149	9.484

Model EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (2/2)

		Own Funds requirements				Risk-weighted exposure amounts	Weighting factors for Own Funds requirements (%)	Countercyclical buffer rate (%)
		Relevant credit exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
	Breakdown by country:							
	Austria	1	0	0	1	8	0,09%	0%
	Belgium	0	0	0	0	4	0,05%	0%
	Brazil	0	0	0	0	1	0,01%	0%
	Canada	0	0	0	0	4	0,05%	0%
	Switzerland	8	0	0	8	101	1,21%	0%
	Czech Republic	0	0	0	0	5	0,06%	1,50%
	Germany	4	0	0	4	44	0,53%	0%
	Denmark	0	0	0	0	1	0,02%	2,00%
	Spain	2	0	0	2	24	0,29%	0%
	Finland	0	0	0	0	1	0,01%	0%

		Own Funds requirements				Risk-weighted exposure amounts	Weighting factors for Own Funds requirements (%)	Countercyclical buffer rate (%)
		Relevant credit exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
	Breakdown by country:							
	France	7	0	0	7	87	1,04%	0%
	United Kingdom	1	0	0	1	17	0,21%	1,00%
	Greece	0	0	0	0	5	0,06%	0%
	Croatia	0	0	0	0	2	0,03%	0%
	Ireland	1	0	0	1	14	0,17%	0%
	Israel	0	0	0	0	4	0,05%	0%
	India	0	0	0	0	1	0,01%	0%
	Italy	609	0	7	616	7.703	92,52%	0%
	South Korea	0	0	0	0	2	0,02%	0%
	Luxembourg	2	0	0	2	26	0,32%	0,50%
	Malta	0	0	0	0	1	0,01%	0%
	Mexico	0	0	0	0	2	0,02%	0%
	The Netherlands	2	0	0	2	22	0,27%	0%
	Poland	11	0	0	11	134	1,61%	0%
	Portugal	0	0	0	0	3	0,04%	0%
	Romania	2	0	0	2	24	0,29%	0,50%
	Saudi Arabia	1	0	0	1	13	0,15%	0%
	Sweden	1	0	0	1	12	0,14%	1,00%
	Slovakia	0	0	0	0	1	0,01%	1,00%
	Turkey	3	0	0	3	31	0,38%	0%
	United States	2	0	0	2	23	0,28%	0%
020	Total	658	0	7	666	8.322		

Template EU CCyB2: amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount	10.128
2	Institution specific countercyclical capital buffer rate	0,0001
3	Institution specific countercyclical capital buffer requirement	1

Template EU INS1: insurance participations

	a	b
	Exposure value	Risk-weighted exposure amount
Own fund instruments held in insurance or re-insurance undertakings, or insurance holding company not deducted from own funds	0,02	0,02

EMARKET SDIR CERTIFIED

Financial 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.

Regulation (EU) No. 876/2019 (the "CRR 2"), amending Regulation (EU) No. 575/2013 (the "CRR"), introduced from 28 June 2021 a first-pillar leverage requirement of 3%.

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, 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 regulatory level, the risk of financial leverage does not contribute to the definition of the total internal capital adequacy assessment process (ICAAP) performed annually by the Banking Group.

Quantitative information

The leverage risk is subject to quantitative limits: there is no first pillar capital requirement, nor does the risk contribute to the definition of the overall internal capital. Risk is monitored on a quarterly basis through the calculation of the leverage ratio in line with the regulatory leverage ratio and calculated as the ratio of Tier 1 capital to a measure of total exposure that includes on-balance sheet and off-balance sheet items not deducted.

At the reporting date, the leverage ratio was 10,71%, about 3,5 times higher than the regulatory minimum value of 3%.

Template EU LR1 - LRSum: summary reconciliation of accounting

		Applicable amount
1	Total assets as per published financial statements	13.260
2	Adjustment for entities consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	-
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)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	40
9	Adjustment for securities financing transactions (SFTs)	188
10	Adjustment for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet exposures)	780
11	(Adjustment for prudent valuation adjustments and specific and general provisions that reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a (1) CRR)	-
12	Other adjustments	-55
13	Leverage ratio total exposure measure	14.213

Template EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		31/12/2022	30/06/2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	13.234	12.566
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	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-55	-53
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	13.179	12.513
Derivative exposures			
8	Replacement cost associated with SA-CCR derivative transactions (net of eligible cash variation margin)	-	-

		CRR leverage ratio exposures	
		31/12/2022	30/06/2022
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	65	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	65	82
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
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	188	56
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	Total securities financing transaction exposures	188	56
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	1.641	1.562
20	(Adjustments for conversion to credit equivalent amounts)	-861	-844
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	Off-balance-sheet exposures	780	718
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))	-	-
EU-22c	(Excluded exposures of public development banks - Public sector investments)	-	-

		CRR leverage ratio exposures	
		31/12/2022	30/06/2022
EU-22d	(Exposures of public development banks (or units) excluded - Subsidised loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a (1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a (1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	1.521	1.472
24	Leverage ratio total exposure measure	14.213	13.369
Leverage ratio			
25	Leverage ratio (%)	10,71%	11,01%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	10,71%	11,01%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	10,71%	11,01%
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	Transitional	Transitional
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	-	-

		CRR leverage ratio exposures	
		31/12/2022	30/06/2022
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	-	-
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 and netted of amounts of associated cash payables and cash receivables)	14.213	13.369
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)	14.213	13.369
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)	10,71%	11,01%
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)	10,71%	11,01%

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	13.234
EU-2	Trading portfolio exposures	1
EU-3	banking portfolio exposures, of which	13.233
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	2.996
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	235
EU-7	Institutions	893
EU-8	Secured by mortgages of immovable properties	203
EU-9	Retail exposures	2.106
EU-10	Corporate	3.924
EU-11	Exposures in default	1.786
EU-12	Other exposures (e.g., equity, securitisations, and other non-credit obligation assets)	1.090

Liquidity risk

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.

In 2022, the Group's funding mix remained essentially stable; at 31 December 2022, the main funding sources were equity, on-line funding (Rendimax product) - consisting of on-demand and term deposits - medium/long-term bonds issued as part of the EMTN programme, funding from the Eurosystem (TLTRO), medium/long-term securitisation transactions and funding from corporate customers.

The Group's operations consist in factoring operations, which focus primarily on trade receivables and receivables due from Italy's public administration maturing within the year, and medium/long-term receivables deriving mainly from leasing, corporate banking, structured finance, and work-out and recovery operations; security portfolio management, mainly comprising eligible and readily liquid Italian government securities is also important.

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 high 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 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 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 corporate functions of the Parent company responsible for ensuring the correct application of the liquidity policy refer to the Capital Markets Central Department, 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 the Capital Markets Central Management, 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.

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 the Capital Markets Central Management Office, 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.

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.

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 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.

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.

In recent months, geopolitical tensions have further exacerbated an already existing inflationary pressure at the end of 2021. This situation led to an increase in interest rates, which had both direct and indirect impacts on the Group's liquidity profile. From the point of view of the direct impact, there was a decrease in the attractiveness of the online collection product (Rendimax) to investors, while indirect impacts generated both a tightening of conditions on the primary bond market and a reduction in the value of fixed-rate bonds in the portfolio, with a consequent negative impact on available liquidity reserves. Despite this, the available, readily usable liquidity reserves 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 described in terms of management and risk appetite, despite the uncertain geopolitical scenario, which saw the outbreak of the Russia-Ukraine conflict and the worsening of the pandemic, in 2022, no violations were seen to the risk thresholds assigned internally.

Quantitative information

Template EU LIQ1: quantitative information of LCR

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	31/12/22	30/09/22	30/06/22	31/03/22	31/12/22	30/09/22	30/06/22	31/03/22
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)					1.154	1.310	1.502	1.618
Cash outflows									
2	Retail deposits and deposits from small business customers, of which	3.748	3.828	3.796	3.886	115	116	114	115
3	Stable deposits	160	169	164	170	8	8	8	9
4	Less stable deposits	1.055	1.054	1.045	1.043	107	107	106	106
5	Unsecured wholesale funding	459	490	489	473	210	214	216	202
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	459	490	485	473	210	214	212	202
8	Unsecured debt	-	-	3	-	-	-	3	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	83	89	90	86	11	11	12	10
11	Outflows related to derivative exposures and other collateral requirements	-	-	1	-	-	-	1	-
12	Outflows related to loss of funding on debt products	3	3	3	2	3	3	3	2
13	Credit and liquidity facilities	80	86	86	84	8	8	8	8
14	Other contractual funding obligations	117	140	142	158	108	116	117	126
15	Other contingent funding obligations	-	8	6	14	-	1	1	2
16	TOTAL CASH OUTFLOWS					444	458	460	455
Cash inflows									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	1.175	1.199	1.192	1.191	734	731	707	715

		Total unweighted value (average)				Total weighted value (average)			
19	Other cash inflows	162	132	112	87	42	27	28	22
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	1.336	1.331	1.304	1.278	777	762	734	735
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75 % cap*	1.336	1.331	1.304	1.278	777	762	734	735
EU-21	LIQUIDITY BUFFER					1.154	1.310	1.521	1.618
22	TOTAL NET CASH OUTFLOWS					111	114	115	114
23	LIQUIDITY COVERAGE RATIO					10,40	11,51	13,22	14,21

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 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.

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	1.691		-	384	2.074
2	*Own funds*	1.691		-	384	2.074
3	*Other capital instruments*		-	-	-	-

	(in currency amount)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
4	Retail deposits		2.338	466	1.617	4.149
5	*Stable deposits*		173	2	2	168
6	*Less stable deposits*		2.165	464	1.615	3.981
7	Wholesale funding:		2.064	244	4.240	4.579
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		2.064	244	4.240	4.579
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	160	18	108	117
12	*NSFR derivatives liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		160	18	108	117
14	Total available stable funding (ASF)					10.919
Required Stable Funding (RSF) items						
15	Total High-Quality Liquid Assets (HQLA)					955
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		3.003	592	4.607	5.070
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		279	22	147	186
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which*		608	336	2.692	3.041
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		135	66	651	743
22	*Performing residential mortgages, of which*		2	2	74	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		1	1	71	-
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*		2.114	232	1.694	1.843
25	Interdependent assets		-	-	-	-
26	Other assets:		1.162	62	1.865	2.729
27	*Physically traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		12	-	-	10

	(in currency amount)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
29	*NSFR derivative assets*		26			26
30	*NSFR derivative liabilities before deduction of variation margin posted*		26			1
31	*All other assets not included in the above categories*		1.098	62	1.865	2.692
32	Off-balance sheet items		305	6	70	94
33	Total RSF					8.849
34	Net Stable Funding Ratio (%)					123,39%

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 123,39%, above the regulatory minimum threshold of 100%. Although the figure signals a sufficiently capacious level of highly liquid assets, the indicator is highly concentrated on Level 1 assets issued by sovereigns.

Credit risk

Objectives and credit risk management policies

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.

Given the particular business of the Group's companies, credit risk is the most important risk to consider as far as the general risks assumed by the Group are concerned. Maintaining an effective credit risk management is a strategic objective for the Banca Ifis Group, pursued by adopting integrated tools and processes that ensure proper credit risk management at all stages (appraisal, lending, monitoring and management, and interventions on troubled loans).

Details by business segment

Within the Banca Ifis Group, the Corporate Bodies of the Bank and the subsidiaries play a key role in managing and controlling credit risk, ensuring an appropriate supervision of credit risk within the scope of their responsibilities by identifying strategic guidelines as well as risk management and control policies, assessing their efficiency and effectiveness over time, and defining the duties and responsibilities of the corporate functions involved in the relevant processes.

Under the current organisational structure, specific central areas are involved in credit risk management and governance, ensuring, with the appropriate level of segregation, the performance of management operations as well as first and second line of defence controls by adopting adequate processes and IT applications.

Overall, despite some differences deriving from the various products/portfolios, the lending process follows a shared organisational approach with various operational stages and roles, responsibilities, and controls at different levels.

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

- Sales Network Italy, the organisational unit that provides both short- and medium/long-term financing services for Italian firms;
- Pharmacies, an organisational unit dedicated to the management of loans granted by Banca Ifis S.p.A. to domestic pharmacies. The unit is in the run-off phase as this operation is concentrated in Banca Credifarma;
- Tax Receivables, organisational unit dedicated to purchasing tax receivables, mainly from companies in insolvency proceedings or liquidation;
- Corporate Finance, the organisational unit dedicated to structured finance transactions in the medium/long-term or units in performing non-financial companies and intermediaries;

- Pharma, the organisational unit dedicated to purchasing and managing receivables due from local health agencies (ASL) and hospitals.
- Leasing and Rental, the organisational unit dedicated to offering and managing leasing and renting products;
- Insurance Development, the organisational unit dedicated to the supply of insurance products;
- Marketing and Business Strategy, organisational 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;

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 (NPLs), mainly originated by financial institutions and banks;
- Ifis Npl Servicing S.p.A., company specialising in the management of NPLs 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.

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 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 Group sets the terms and conditions 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.

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. This activity is supported by a monitoring activity carried out at Group level by a specific organisational unit set up at the Parent company, in order to identify counterparties with anomalous performance, to anticipate the occurrence of problematic cases and to 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.

Collection operations for receivables deriving from purchases of distressed retail loans are the responsibility of resources within the subsidiary 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, 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.

Impacts resulting from the "New DoD"

The rules on the "Classification in Default of Counterparties" (the "New DoD - Definition of Default") entered into force on 1 January 2021. In this context, only for the specific sector of NHS bodies, the counting of the past duedays had been substantially suspended as a result of the emergency legislative interventions related to the Covid-19 pandemic and, in particular, following the introduction of art. 117, paragraph 4, of Italian Decree Law no. 34 of 19 May 2020. This ruling in fact envisaged the suspension of executions and the ineffectiveness of attachment orders against NHS bodies (the so-called block on executions) until 31 December 2020, subsequently extended until 31 December 2021 by virtue of art. 3, paragraph 8, of Italian Decree Law no. 183 of 31 December 2020.

The purpose of the debt enforcement freeze was to allow NHS bodies suspend payments toward their debts (albeit temporarily) in order to realise higher public interests related also to the health emergency: consequently, the counting of days in arrears under Article 178 CRR in relation to the exposures of the local health authorities (ASL) to the Group was suspended.

Therefore, the new methods of handling past due receivables, with reference to the specific and unique case of trade receivables from NHS entities acquired by the Group on a non-recourse basis, would have been applied from 1 January 2022. It was on 8 December 2021 that the Constitutional Court instead issued judgement no. 236/2021, which declared the extension of the block on executions provided for by art. 3, paragraph 8, of the above-mentioned Decree Law no. 183/2021 to be constitutionally illegitimate.

In light of the above, during the preparation and closing of the Consolidated Financial Statements for last year, taking into account the "late" issuance of the Judgement and the absence of established market practices or indications from authorities or trade associations on the effects of Constitutional Court Sentence 236/2021 on the date from which to start counting days in arrears of exposures to NHS bodies an analysis process has been launched to identify an approach, based on responsibility and reasonableness, to represent the factual reality of the reference contexts and provide a correct accounting representation, also in terms of credit risk and the classification of exposures to NHS entities.

In this context, the substantive approach in the classification and consequent valuation of the related exposures illustrated in the Consolidated Financial Statements of last year, was adopted.

During the first half of 2022, the activities of in-depth study and analysis of the above-mentioned issues were completed and, as of 30 June 2022, in place of the aforementioned approach, the criterion of merely counting days in arrears provided for by the New DoD for the purpose of identifying exposures in default was also applied to exposures to NHS entities, even though there were no specific counterparty credit risks.

Management, measurement, control and reporting systems

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.

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 were brought into production early 2021 and 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 extension of the use of the models to all operations with companies of the Parent company has allowed, by increasing the coverage of the models, the achievement of homogeneity objectives in terms of risk measurement along the credit process. The provisioning process saw the expansion of the population to which it is possible to apply the stage allocation criterion for a significant increase in credit risk, by comparing the rating at the time of granting and the current rating, with a view to compliance with the requirements of accounting standard IFRS 9.

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: (i) assesses credit quality, ensuring compliance with lending strategies and guidelines by monitoring credit risk indicators on an ongoing basis; (ii) constantly monitors the exposure to credit risk as well as compliance with the operational limits assigned to the different structures with reference to the assumption of credit risk; (iii) ensures, through second line of defence controls, that the performance of individual exposures, and specifically non-performing ones, is properly monitored, and assesses the consistency of the classifications as well as the level of provisions; (iv) monitors the exposure to concentration risk as well as the performance of 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.

Loan Origination and Monitoring (EBA LOM)

In the broad Loan Origination and Monitoring (EBA LOM) project, several projects were carried out during 2022. In particular:

- a number of internal regulatory documents were updated, in particular the "Credit Monitoring Operational Note", the "System of Risk Assumption Delegations", the "Organisational Procedure for Credit Assessment and Resolution";
- training sessions were held to disseminate the credit risk culture;
- a new project was started to develop a watchlist monitoring dashboard, aligned with the requirements of the EBA LOM regulation;
- preliminary analyses were undertaken to study the feasibility of developing a rating model for counterparties belonging to the subsidiary Banca Credifarma;
- new balance sheet indicators and corresponding warnings were identified on a new credit portal;
- the existing evaluation framework was enriched with the inclusion of new prospective analyses (forward looking information);
- monitoring of so-called leveraged transactions was strengthened;
- the criterion for identifying Major Transactions has been tightened.

Concerning the credit risk associated with bond and equity investments, the Bank constantly monitors credit quality, and the Banca Ifis 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.

Within the framework of the Basel 3 principles, Banca Ifis has chosen to use the standardised method in order to determine the capital requirement against first pillar credit risks.

Stress test

In a preliminary manner, 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.

Stress analyses make it possible to verify the Group's resilience, simulating and estimating the impacts of adverse situations, and provide important indications regarding its exposure to risks and instruments, the adequacy of the related mitigation and control systems and its ability to cope with unexpected losses, also from a prospective and planning perspective.

For regulatory purposes, the Parent company Banca Ifis conducts stress tests when defining the Risk Appetite Framework and preparing the Recovery Plan as well as this 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.

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 collaterals on 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) is the 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 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 mortgage guarantees, 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;
- financing operations for pharmacies, which include the granting of mortgage and unsecured loans, advances on trade receivables, and revocable credit lines.

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 Bank continuously verifies the quality and adequacy of the guarantees acquired on the loan portfolio, with second level monitoring carried out by the Bank's Risk Management function and carried out under the scope of the Single File Review.

Methodologies used to determine impairment losses

Definition of non-performing loans used for accounting purposes

The definition of "non-performing" loans adopted by the Banca Ifis Group for accounting purposes is the same as the one used for supervisory purposes. In particular, Circular no. 272 of 30 July 2008 and subsequent updates, "Matrix of accounts", as part of the definition of credit quality parameters, establishes:

> *"non-performing" credit exposures are defined as on-balance sheet (loans and debt securities) and off-balance sheet (guarantees issued, irrevocable and revocable commitments to disburse funds, etc.) to debtors that fall into the "Non-performing" category pursuant to Regulation no. 630/2019 amending Regulation (EU) no. 575/2013 and Commission Implementing Regulation (EU) no. 680/2014, as amended and supplemented (Implementing Technical Standards; hereinafter, ITS). For the purposes of supervisory reporting, non-performing credit exposures are divided into the categories of non-performing loans, probable defaults, past due and/or overdrawn exposures. The classification of exposures in the three categories must be univocal among the subjects included in the perimeter of the supervisory reports on a consolidated*

basis, on the basis of a shared assessment of the state of deterioration of the customer (including insolvency) which takes into account all the information available to the group".

Methodologies used to determine impairment losses

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.

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.

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 criterion is the Significant Deterioration for which, to identify the significant increase in credit risk on exposures within rated portfolios (Italian companies), 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.
- Qualitative transfer criteria.
    - 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.

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 at 12 months for positions that have not suffered a significant deterioration in creditworthiness (Stage 1); i.e. an estimate of the non-payments resulting from possible default events in 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, it estimates the cash shortfalls resulting from default events that are possible over the expected life of the financial instrument, weighted by the probability of that default occurring and discounted at the measurement date (ECL).

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:

- estimated Probability of Default (PD);
- estimated Loss Given Default (LGD);
- definition of the stage allocation transfer logic;
- calculation of the expected credit losses including point-in-time factors;
- calculation of the expected credit losses including forward-looking elements.

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.

On some subsidiaries, even though the collective write-downs are determined using a lump sum approach, and therefore according to the level of risk calculated (PD, LGD and EAD), on the basis of internal evidence, the analytical write-downs are determined on the basis of the legal experience accrued on forecast cash flow on default positions. The Risk Management function periodically compares the balance of the provisions for impairment with the estimated losses expected, obtained using the risk levels forecast on the basis of internal evidence, which can be traced to the same impaired positions.

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.

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.

A multi-period approach to risk parameters has been developed exclusively for the PD; the other credit risk parameters (LGD and CCF) are applied on a constant basis until maturity. LGD has been estimated on the basis of proprietary historical data with the exception of the counterparties Banks, Central Governments, and Public-sector Entities (excluding municipalities), for which, in the absence of objective historical data, a sector LGD has been used.

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, LGD, EAD and migrations between statuses for credit risk) on the basis of a joint forecast of the evolution of the economic and financial indicators (see macroeconomic scenario).

The satellite models 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 (i.e. target variable) e.g. the credit rating of counterparties (which represents the respectively probability of default as a summary of the PD factor) and the recovery rates (summarising the LGD factor for bad loans).

The Risk Management function has included the forecasts defined by its satellite models in the structures at the end of the PD lifetime. For the purpose of applying macroeconomic shifts, the migration matrices have been defined between the different credit statuses of each perimeter and the scaling factors derived, to be applied to the curves as per the defined method. Starting out, therefore, from an initial transition matrix, the approach used allows for a stressed matrix to be obtained.

The satellite models developed for the PD have also been applied to the danger rate, used in LGD.

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. Specifically concerning LGD, to calculate the collective losses for Stage 3 exposures (mainly non-performing past due and unlikely-to-pay), the Group made certain adjustments to ensure consistency with the measures used for performing loans.

For Stage 3 exposures subject to analytical impairment, adjustments are made by the credit recovery structures.

For the quantification of the amount to be adjusted, the responsible structures adopt one of the following approaches depending on the status of the counterparty:

- going concern (in the case of private customers/debtors/guarantors as a going concern): the assessment of the credit's recoverability is carried out by means of an AQR like model that can only be waived by the designated structures in terms of a higher adjustment for prudential reasons;
- gone concern (where the bank's credit recovery strategy is based on the liquidation of the assets in the reviewed party's name): key elements of the valuation under this approach are:
    - in the presence of real estate and naval assets, the existence of external appraisals updated periodically by a specialised body applying universally accepted appraisal methodologies and in compliance with international valuation standards;
    - application of prudential haircuts that take into account the disposal costs and the type of collateral assets;
- approach for bankruptcy/negotiation proceedings (for private counterparties) or rebalancing/dissolution proceedings (in the case of Public Entities) where the Bank intends to file or has filed for admission as creditor or has declared the claim or entered into any agreement

The analytical valuation will also have to take into account any further adjustments resulting from probable sale scenarios, where the recovery strategy also includes sale on the market.

Exposures subject to the measures applied in response to the Covid-19 crisis

With a communication of 30 June 2020, the Bank of Italy implemented the EBA Guidelines on reporting and public disclosure requirements for exposures subject to measures applied in light of the Covid-19 crisis (EBA/GL/2020/07). The objective of the guidelines is to monitor, on a European level and to a harmonised extent, the moratoria granted to support customers in response to the crisis triggered by Covid-19 as well as to provide an adequate and suitable understanding of the risk profile of supervised institutions, consistent with the information related to the consolidated Finrep reporting. To this end, entities are required to publish information regarding:

- exposures subject to legislative and non-legislative moratoria applied in light of the Covid-19 crisis (EBA/GL/2020/02);
- exposures subject to forbearance measures applied as a result of the Covid-19 crisis;
- new exposures subject to the public guarantee schemes introduced in the Member States.

Within the section reporting quantitative information, two of the three tables in Annex 3 EBA/GL/2020/07 are displayed. The table "exposures subject to forbearance measures applied as a result of the Covid-19 crisis" is not published as there is no longer any exposure.

Exposure to Italy's sovereign credit risk

The securities portfolio in the banking book has a total value of 2,8 billion Euro and consists primarily of financial instruments with a risk for Italy of 1,8 billion Euro.

In 2022, the Group reduced its exposure to the Italian state for investments in government securities.

The Group avails itself of the option to neutralise (partially) unrealised gains and losses in the measures provided for by article 468 of Regulation no. 575/2013; it should also 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 22% of the total Italian government bonds in the portfolio.

It should be noted that, with respect to total assets, the portion of liquidity invested in Italian government securities is approximately 14% at the end of 2022.

Use of ECAI

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.

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	-	-
Institutions	-	-
Corporate	Cerved	Solicited/Unsolicited
Retail exposures	-	-
Exposures in default	-	-
Exposures associated with particularly high risk	-	-
Equity exposures	-	-

Quantitative information

Below are the credit risk disclosure tables.

Template EU CR1: Performing and non-performing exposures and related provisions (1/2)

		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	610	610	-	-		-
010	Loans and advances	6.437	5.897	493	1.933		412
020	*Central banks*	-	-	-	-		-
030	*General governments*	289	200	89	125		124
040	*Credit institutions*	33	33	-	-		-
050	*Other financial corporations*	246	245	-	12		11
060	*Non-financial corporations*	5.150	4.758	362	409		239
070	*Of which: SMEs*	2.758	2.553	195	85		77
080	*Households*	316	245	50	26		16
090	Debt Securities	3.124	3.051	-	-		-
100	*Central banks*	-	-	-	-		-
110	*General governments*	1.975	1.975	-	-		-
120	*Credit institutions*	666	635	-	-		-
130	*Other financial corporations*	339	297	-	-		-
140	*Non-financial corporations*	143	143	-	-		-
150	Off-balance-sheet exposures	1.526	1.475	51	88		88
160	*Central banks*	-	-	-	-		-
170	*General governments*	-	-	-	-		-
180	*Credit institutions*	-	-	-	-		-
190	*Other financial corporations*	202	202	-	-		3
200	*Non-financial corporations*	1.100	1.054	46	-		81
210	*Households*	225	220	5	-		3
220	Total	11.697	11.033	544	2.021	-	499

Template EU CR1: Performing and non-performing exposures and related provisions (2/2)

		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	0						
010	Loans and advances	-90	-75	-14	-147		-147	-46	2.922	234
020	*Central banks*	-	-	-	-		-	-	-	-
030	*General governments*	-2	0	-2	-4		-4	-35	-	-
040	*Credit institutions*	-	-	-	-		-	-	-	-
050	*Other financial corporations*	-7	-7	-	-1		-1	-	43	10
060	*Non-financial corporations*	-73	-62	-10	-126		-126	-5	2.351	141
070	*Of which: SMEs*	-35	-29	-5	-31		-31	0	1.544	33
080	*Households*	-8	-6	-2	-16		-16	-6	527	12
090	Debt Securities	-6	-6	-					55	
100	*Central banks*	-	-	-						
110	*General governments*	-	-	-						
120	*Credit institutions*	-2	-2	-						
130	*Other financial corporations*	-2	-2	-					55	
140	*Non-financial corporations*	-1	-1	-						
150	Off-balance-sheet exposures	7	4	3	3		3		35	1
160	*Central banks*	-	-	-	-				-	
170	*General governments*	-	-	-	-				-	
180	*Credit institutions*	-	-	-	-				-	
190	*Other financial corporations*	2	2	-	-				1	
200	*Non-financial corporations*	5	2	3	2				30	
210	*Households*	-	-	-	-				5	
220	Total	-90	-78	-12	-144	-	-144	-46	3.013	235

Template EU CR1-A: maturity of exposures

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	**Loans and advances**	23	4.286	2.399	1.208	217	8.134
2	**Debt securities**	-	76	2.081	962	-	3.118
3	**Total**	23	4.363	4.480	2.169	217	11.252

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

		Gross carrying amount
010	Initial stock of non-performing loans and advances	1.937
020	Inflows to non-performing portfolios	1.596
030	Outflows from non-performing portfolios	-1.600
040	Outflow due to write-offs	-115
050	Outflow due to other situations	-1.485
060	Final stock of non-performing loans and advances	1.933

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	
			Non-performing forborne						
		Performing forborne		of which defaulted	of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measured
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	86	276	276	33	-4	-16	12	5
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	73	33	33	22	-4	-12	10	4
070	*Households*	12	242	242	11	-1	-4	2	1
080	Debt securities	-	-	-	-	-	-	-	-

		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				
090	Loan commitments given	-	-	-	-	-	-	-	-
100	Total	86	276	276	33	-4	-16	12	5

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	610	610	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	6.437	6.283	154	1.933	699	25	93	143	534	221	218	1.933
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	289	200	89	125	60	4	12	10	26	5	7	125
040	*Credit institutions*	33	33	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	246	245	-	12	9	-	-	2	1	-	-	12
060	*Non-financial corporations*	5.150	5.099	51	409	119	13	39	25	151	45	16	409

		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
070	*Of which: SMEs*	2.758	2.734	24	85	49	7	9	2	12	4	2	85
080	*Households*	720	706	14	1.387	511	8	41	106	355	170	195	1.387
090	Debt securities	3.124	3.124	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	1.975	1.975	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	666	666	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	339	339	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	143	143	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	1.526	-	-	88	-	-	-	-	-	-	-	88
160	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
170	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-
180	*Credit institutions*	-	-	-	-	-	-	-	-	-	-	-	-
190	*Other financial corporations*	202	-	-	3	-	-	-	-	-	-	-	3
200	*Non-financial corporations*	1.100	-	-	81	-	-	-	-	-	-	-	81
210	*Households*	225	-	-	3	-	-	-	-	-	-	-	3
220	Total	11.697	10.016	154	2.021	699	25	93	143	534	221	218	2.021

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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	72	11	11	72	-1	-
020	Mining and quarrying	8	1	1	8	-	-
030	Manufacturing	2.097	101	101	2.093	-77	-
040	Electricity, gas, steam and air conditioning supply	109	10	10	109	-7	-
050	Water supply	64	2	2	64	-	-
060	Construction	476	78	78	471	-34	-
070	Wholesale and retail trade	1.472	109	109	1.472	-36	-
080	Transport and storage	355	23	23	355	-13	-
090	Accommodation and food service activities	64	18	18	64	-3	-
100	Information and communication	85	3	3	85	-1	-
105	Financial and insurance activities	3	-	-	3	-	-
110	Real estate activities	88	21	21	79	-4	-
120	Professional, scientific and technical activities	157	16	16	157	-12	-
130	Administrative and support services activities	233	9	9	233	-5	-
140	Public administration and defense, compulsory social security	-	-	-	-	-	-
150	Education	4	-	-	4	-	-
160	Human health services and social work activities	102	3	3	102	-2	-
170	Artistic, entertainment and recreation	147	2	2	147	-1	-
180	Other services	24	2	2	24	-1	-
190	Total	5.559	409	409	5.542	-199	-

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 credit derivatives
				of which secured by collateral	of which secured by financial guarantees	
1	Loans and advances	5.586	3.156	2.044	1.112	-

		Unsecured carrying amount	Secured carrying amount	of which secured by collateral	of which secured by financial guarantees	of which secured by credit derivatives
2	Debt securities	3.063	55	-	55	
3	Total	8.649	3.212	2.044	1.168	-
4	of which non-performing exposures	1.552	234	137	97	-
EU-5	of which defaulted	1.552	234	137	97	-

Table 2: Breakdown of loans of advances subject to legislative and non-legislative moratoria by residual duration of moratoria

The following table gives details of the exposures that have been subject to moratoria in the course of their existence on the basis of the EBA/GL/2020/02 guidelines. Therefore, positions for which the period of suspension of payments has lapsed or which over time have lost compliance with the requirements established by the EBA are also included.

		Number of debtors	Gross carrying amount							
				Of which: legislative moratoriums	Of which: past due	Residual duration of moratoriums				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which a moratorium has been offered	7.764	458							
2	Loans and advances subject to moratorium (granted)	7.759	455	451	455	-	-	-	-	-
3	of which: to households		63	63	63	-	-	-	-	-
4	*of which: secured by residential real estate as collateral*		11	11	11	-	-	-	-	-
5	of which: non-financial corporations		389	385	389	-	-	-	-	-

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		Number of debtors	Gross carrying amount							
				Of which: legislative moratoriums	Of which: past due	Residual duration of moratoriums				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
6	*of which: to small and medium-sized enterprises*		307	305	307	-	-	-	-	-
7	*of which: secured by non-residential real estate as collateral*		57	55	57	-	-	-	-	-

Table 3: Information on new loans and advances subject to newly applied public guarantee schemes introduced in response to the Covid-19 crisis

The table provides an overview of the stock of new disbursements supported by government guarantees introduced to help businesses cope with the crisis caused by the Covid-19 epidemic.

		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	New loans and advances subject to public guarantee schemes	502	-	413	15
2	of which: to households	11			-
3	of which: secured by residential real estate as collateral	0			-
4	of which: non-financial corporations	491	-	405	15
5	of which: to small and medium-sized enterprises	396			10
6	of which: secured by non-residential real estate as collateral	6			-

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	2.936	-	3.709	-	235	6,34%
2	Regional governments or local authorities	21	-	21	-	4	20,00%
3	Public sector entities	214	-	214	-	116	54,30%

	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 (%)
4	Multilateral development banks	-	-	-	-	-	0%
5	International organisations	-	-	-	-	-	0%
6	Institutions	881	6	881	2	619	70,20%
7	Corporates	3.924	825	3.583	509	3.760	91,91%
8	Retail	2.106	626	1.774	43	1.076	59,24%
9	Secured by mortgages on immovable property	203	0	203	0	71	35,09%
10	Exposures in default	1.780	82	1.734	69	2.003	111,06%
11	Exposures associated with particularly high risk	72	-	72	-	108	150,00%
12	Covered bonds	-	-	-	-	-	0%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
14	Collective investment undertakings	70	41	70	20	131	144,48%
15	Equity	353	-	353	-	375	106,27%
16	Other items	356	-	365	3	347	94,38%
17	**TOTAL**	12.915	1.580	12.977	646	8.846	64,93%

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	3.512	-	-	-	-	-	-	-	-	172	0	25	-	-	-	3.709	3.709
2	Regional governments or local authorities	-	-	-	-	21	-	-	-	-	-	-	-	-	-	-	21	21
3	Public sector entities	-	-	-	-	122	-	-	-	0	92	-	-	-	-	-	214	214
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	3	-	-	-	325	-	-	-	-	554	-	-	-	-	-	882	882
7	Corporates	-	-	-	-	32	-	250	-	-	3.657	152	-	-	-	-	4.092	2.533
8	Retail exposures	-	-	-	-	-	35	-	-	1.782	-	-	-	-	-	-	1.817	1.817

Exposure classes		Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
9	Secured by mortgages of immovable properties	-	-	-	-	-	142	61	-	-	-	-	-	-	-	-	203	203
10	Exposures in default	-	-	-	-	-	-	-	-	-	1.404	399	-	-	-	-	1.804	1.794
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	72	-	-	-	-	72	72
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	5	-	-	-	-	16	48	-	-	1	20	91	91
15	Equity	-	-	-	-	-	-	-	-	-	338	-	15	-	-	-	353	353
16	Other items	12	-	-	-	11	-	-	-	-	345	-	-	-	-	-	368	368
17	TOTAL	3.526	-	-	-	516	177	311	-	1.782	6.579	671	40	-	1	20	13.624	12.055

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: the portion of committed balance sheet assets added to the portion of collateral received and reused and, to 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 minimum reserve;
- transactions in derivative contracts;
- term deposits given as a guarantee to banks in syndicated transactions (iblor deposit);
- 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 TLTRO operations;
- eligible receivables for collateralisation with the Bank of Italy through the ABACO program;
- assets used for securitisation transactions.

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

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

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 growing importance of collateralised funding in the course of 2022, the consequent increase in the inherent level of the asset encumbrance ratio and the expected increase in this type of funding in the course of 2023, the potential significance of the risk associated with the proportion of encumbered 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.

Quantitative information

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
Assets of the reporting institution	3.624	1.582	-	-	8.888	848	-	-
Equity instruments	-	-	-	-	217	-	216	-
Debt securities	1.748	1.582	1.817	1.541	682	334	753	320
of which covered bonds	-	-	-	-	-	-	-	-
of which securitisations	36	-	110	-	232	-	231	-
of which issued by general governments	1.555	1.582	1.563	1.541	340	334	325	320
of which issued by financial corporations	211	-	232	-	357	-	354	-
of which issued by non-financial corporations	44	-	40	-	77	-	76	-
Other assets	1.845	-		-	7.941	466		

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	-	-	-	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which covered bonds	-	-	-	-
180	of which securitisations	-	-	-	-

		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
190	of which issued by general governments	-	-	-	-
200	of which issued by financial corporations	-	-	-	-
210	of which issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	Own debt securities issued other than own covered bonds or securitisations	-	-	64	64
241	Own covered bonds and securitisation issued and not yet pledged	-	-	-	-
250	TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	3.624	2.237	-	-

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	3.940	4.583

Counterparty risk

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 is currently focused on derivative transactions generated by the Proprietary Finance activity, an area belonging to the Capital Markets function and responsible for identifying, implementing and realising investment strategies for the Proprietary Portfolio of Banca Ifis; there is also a residual portfolio of derivative products, mainly on interest rates, deriving from Corporate activities in which derivative contracts were offered to customers to hedge the financial risks assumed by the latter; all outstanding transactions are hedged with back-to-back transactions, in which a position opposite to that sold to corporate customers was taken with external market counterparties.

Moreover, in 2021, with regard to counterparty risk, 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. As a result of the increase in interest rates, the interest rate levels (strikes) defined by the option were exceeded on the scheduled settlement dates, and as a result, the counterparty selling the option in question would be indebted to Ifis NPL Investing.

Organisationally, the Capital Markets function 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, the impact on this risk is not expected to be significant 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, its 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 internal capital, is based on the approaches prescribed by Regulation (EU) no. 575/2013 of 26 June 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.

Quantitative information

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)	26	21	-	1,4	65	65	65	15
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 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)	-	-	-	-	833	833	833	178
4	Financial collateral comprehensive method (for SFTs)	-	-	-	-	-	-	-	-
5	VaR for SFTs	-	-	-	-	-	-	-	-
6	Total	-	-	-	-	898	898	898	193

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)	-	-

		Exposure value	RWEA
4	Transactions subject to the Standardised method	65	72
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	65	72

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	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	540	-	-	-	29	-	-	569
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items (*)	50	-	-	-	279	-	-	-	-	-	-	329
11	Total exposure value	50	-	-	-	819	-	-	-	29	-	-	898

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	-	-	-	25	0	781	-	3
2	Cash - other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-

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
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	833
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	Total	-	-	-	25	-	781	-	836

Template EU CCR8: exposures to CCPs

		a	b
		Exposure value	RWEA
1	Exposures to QCCP (total)		0,25
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	50	-
3	(i) OTC derivatives	-	-
4	(ii) exchange-traded derivatives	-	-
5	(iii) SFTs	50	-
6	(iv) netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	12	0,25
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which:	-	-
13	(i) OTC derivatives	-	-
14	(ii) exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-

		a	b
		Exposure value	RWEA
20	Unfunded default fund contributions	-	-

Credit valuation adjustment risk

This 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.

Securitisation transactions

We can divide the Group's securitisation transactions into two categories:

- those in which it plays the role of Originator
- those in which it is an investor or promoter

Role of ORIGINATOR

IFIS ABCP PROGRAMME

On 7 October 2016, Banca Ifis launched a three-year revolving securitisation of trade receivables. After Banca Ifis (originator) initially transferred the receivables with recourse for 1.254,3 million Euro, in the second quarter of 2018, the vehicle named Ifis ABCP Programme S.r.l. issued an initial 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 value 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. During the first half of 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 (or DPP).

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.

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 “interest on receivables due from customers” on the income statement;
- 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.

It is important to emphasise that the transaction was not carried out with the aim of transferring Banca Ifis' credit risk to third parties (in relation to the securitised portfolio), but to provide inexpensive funding. Therefore, there is full consistency between the economic substance of the transaction and the pre-determined credit, liquidity and interest rate risk management objectives.

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 value 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 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 classes: the senior class, with a nominal amount of 397,5 million Euro, was fully subscribed by Intesa Sanpaolo while the mezzanine and junior classes, amounting to 53,0 million Euro and 90,1 million Euro respectively, were fully subscribed the former Farbanca (now Banca Credifarma).

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.

It is important to emphasise that the transaction was not carried out with the aim of transferring the credit risk to third parties (in relation to the securitised portfolio), but to provide inexpensive funding. Therefore, there is full consistency between the economic substance of the transaction and the pre-determined credit, liquidity and interest rate risk management objectives.

IFIS NPL 2021 – 1 SPV

In March 2021, Banca Ifis realised for financing purposes, through its subsidiary Ifis Npl Investing S.p.A., the very first securitisation in Italy of a non-performing portfolio mainly comprising unsecured loans backed by assignment orders. The transaction is an innovative solution for this type of non-performing exposure, where the debt collection procedure through compulsory enforcement (attachment of one fifth of the salary) is at an advanced stage. The transaction aimed to collect funding for Ifis Npl Investing of up to 350 million Euro in liquidity on the institutional market, without deconsolidating the underlying credits. The loan portfolios concerned by the transaction (a portfolio of secured loans and an unsecured portfolio backed by assignment orders) owned by the subsidiary Ifis Npl Investing, was transferred to a newly-established SPV called Ifis Npl 2021-1 Spv S.r.l., which issued senior, mezzanine and junior notes. These tranches were initially fully subscribed by Ifis Npl Investing, and subsequently the senior tranches (net of the 5% retained by Ifis Npl Investing as originator pursuant to the retention rule) were sold to Banca Ifis.

At 31 December 2022 the Banca Ifis Group had therefore subscribed all the notes issued by the vehicle. On the basis of the contractual terms underlying the securitisation in question, there is no substantial accounting transfer ("derecognition" in accordance with IFRS 9) of all the risks and rewards relating to the receivables being sold to the vehicle company.

It should be noted that the senior tranches held by Banca Ifis were used, consistently with the risk management objectives set at the origination stage of the securitisation in question, for long-term repo transactions with primary banking counterparties and therefore for funding purposes and not for the transfer of credit risk.

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 S.p.A. 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 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 S.p.A., for incorporation into Banca Ifis, the latter also became the subscriber of the junior notes. At 31 December 2022 the Banca Ifis Group had therefore subscribed for all the notes issued by the vehicle.

It should be noted that, pursuant to the terms and conditions of the operation, there is no substantial accounting transfer ("derecognition" in accordance with the IFRSs) of all the risks and rewards relating to the transferred assets (receivables).

CREDIARC

This is a securitisation transaction issued in June 2015 by the special purpose vehicle Crediarc, to which the former Credifarma had assigned (with significant transfer of credit risk) three types of receivables: the first consisting of medium-long term performing loans disbursed in favour of Italian pharmacies (exposure equal to 103.774.715), the second and third consisting of impaired loans of different technical form and attributable respectively to probable defaults (exposure equal to 5.229.838 Euro) and non-performing loans (exposure equal to 40.202.013 Euro).

The former Credifarma maintained the minimum economic interest in the securitisation by not selling 5 per cent of the loans in the portfolio to be securitised. These credits were selected at random.

Below is a synoptic table of receivables in the portfolio remaining as at 31/12/2022

Credit quality	No. of counterparties	Gross exposure	Net exposure
PERFORMING EXPOSURES	4	280.587	278.621
Unlikely to pay	3	1.019.673	316.120
TOTAL	7	1.300.260	594.750

ARCOBALENO

This was a securitisation transaction issued in June 2011 by the vehicle company Arcobaleno Finance, to which the former Credifarma had assigned receivables represented by medium- to long-term performing loans granted to pharmacies. The senior securities (class A) were entirely placed with institutional investors while the junior securities (class B) were subscribed by the former Credifarma. As part of the redevelopment programme, on 30 June 2015, the former Credifarma deemed it appropriate to amend certain essential terms of the Arcobaleno 2011 securitisation and, in particular, assigned without recourse all the junior securities to Banca Nazionale del Lavoro S.p.A. and Unicredit S.p.A., which at the time held interests in the former Credifarma. This resulted in the transfer of credit risk and therefore the derecognition of the related assets.

The former Credifarma maintained the minimum economic interest in the securitisation by repurchasing 5% of the assigned receivables, which were selected randomly.

Below is a synoptic table of receivables in the portfolio remaining as at 31/12/2022.

Credit quality	No. of counterparties	Gross exposure	Net exposure
PERFORMING EXPOSURES	3	67.428	66.956
Unlikely to pay	1	792.307	79.231
TOTAL	4	859.735	146.186

Role of INVESTOR or PROMOTER

At 31 December 2022, the Group holds the following portfolio of securities deriving from third party securitisations:

- “Elite Basket Bond (EBB)” securitisation: the special purpose vehicle EBB S.r.l. issued Asset Backed Securities (ABS) at a price equal to the nominal amount, amounting to 122 million Euro, in a single tranche with maturity in December 2027 and a Basket of minibonds issued by 11 Italian listed companies as the underlying asset. These notes are unsecured senior bonds but carry a Credit Enhancement equal to 15% of the transaction's overall amount (24 million Euro), to be used in the event the issuers default on interest and/or principal payments on the minibonds. The Parent company participates in this transaction only as underwriter, subscribing for 3,7 million Euro worth of notes of the above tranche;
- “FINO 1” securitisation: this is an investment as a senior Noteholder in a securitisation transaction whose tranches issued are supported by a state guarantee “GACS” (Guarantee on the securitisation of bad loans) and with underlying bad loans with an original total nominal amount of about 5,4 billion Euro. The tranche originally subscribed for 92,5 million Euro by Banca Ifis (out of a total nominal amount of 650 million Euro) is the Senior Note Class A, with maturity in October 2045. Net of the redemptions during the year, at 31 December 2022 the carrying amount of the portion subscribed for was 3,0 million Euro (20,2 million Euro at 31 December 2021);
- “Elipso Finance” securitisation: this is an investment as mezzanine noteholder in a securitisation and with underlying non-performing positions worth a total original nominal amount of approximately 2,6 billion Euro. The only tranche held by the Banca Ifis Group, at the subsidiary Ifis Npl Investing S.p.A. is the Class B Mezzanine Note, with a maturity date of January 2025 and a residual nominal amount equal to 19,5 million Euro. As at 31 December 2022, the subscribed tranche had a carrying amount of 1,9 million Euro (2,3 million Euro at the end of the previous year);
- “Auxilio” securitisation: this is an investment made in October 2020 for an initial nominal amount of 1,9 million Euro, relating to the purchase by Banca Ifis of a portion of senior securities with a “partly paid” structure for a pro-rata Bank notional value of 10 million Euro, with legal maturity in September 2035, issued by the securitisation vehicle Auxilio SPV S.r.l., with underlying receivables deriving from loans assisted by the guarantee of the Central Guarantee Fund. The transaction is characterised by a ramp-up period during which the issuer can purchase additional loans against the proceeds deriving from the payment of further tranches of the security subscription price; as a result of the payments made between the purchase date and 31 December 2022, the residual nominal amount of the senior tranche held is 7,6 million Euro.
- “Dyret II” securitisation: the involvement of the Banca Ifis Group is limited to the purchase during November 2020 by the Parent company of senior tranches of securities with a partly paid structure and ramp-up period concluded at the date of said acquisition, issued by the securitisation SPV Dyret SPV S.r.l. and with loans deriving from salary-backed (CQS) or pension-backed (CQP) loans or payment delegations (DP) as collateral, for a nominal residual per-unit Bank amount of 14,9 million Euro at the purchase date. The securities envisage the periodic redemption of the principal against the flows deriving from the securitised portfolio and have legal maturity in December 2035. During

2021, the Group further invested in this transaction by also subscribing to an upper mezzanine tranche (class B1). On 31 December 2022 the book value of the senior tranches subscribed is equal to 6,7 million Euro, down compared to the figure of 10,6 million Euro at 31 December 2021 due to the redemptions occurred during the year, while the mezzanine tranches show a net carrying amount of 7,7 million Euro;

- "Futura 2019" securitisation: in February 2020, Banca Ifis subscribed, for a nominal amount of 2,7 million Euro, senior securities maturing in July 2044, issued by the SPV Futura 2019 S.r.l. At 31 December 2022, these securities had a net carrying amount of 1,6 million Euro (2,1 million Euro at the end of the previous year);
- "BCC NPLs 2020" securitisation: this transaction was carried out in November 2020 by Iccrea Banca on an underlying of NPLs for a total of 2,4 billion Euro, divided up over more than 9.600 debtors and 17.000 positions. This transaction, carried out through the SPV BCC NPLs 2020 S.r.l., is backed by the government GACS guarantee scheme and regarded the issue of senior, mezzanine and junior securities with maturity at January 2045. The Parent company Banca Ifis was involved in connection with the subscription of a portion of securities for each tranche, for a total nominal amount of 55,5 million Euro. The carrying amount at 31 December 2022 of the tranches subscribed is 44,9 million Euro for the senior tranches (measured at amortised cost), while the value attributed to the mezzanine portions (measured at fair value through profit or loss) is 0,1 million Euro;
- "Bluwater" securitisation: this is a transaction implemented in December 2020 with Banco BPM as originator and Pillarstone Italy SPV S.r.l. as SPV and that consisted of the issue of a single tranche of securities (referred to as "single tranche") maturing in October 2030. Banca Ifis subscribed a portion of said securities for 3,7 million in nominal amount, which at 31 December 2022 has a carrying amount of 0,6 million Euro (securities measured at fair value through profit or loss);
- "Gaia Spv" securitisation, series IV ("Sparta") and series V ("Volterra"): "Sparta" and "Volterra" portfolios: this is a transaction implemented in December 2020 with Banco BPM as originator and Pillarstone Italy SPV S.r.l. as SPV and that consisted of the issue of a single tranche of securities (referred to as "single tranche") maturing in October 2030. Banca Ifis subscribed a portion of said securities for 3,7 million in nominal amount, which at 31 December 2022 has a carrying amount of 0,6 million Euro (securities measured at fair value through profit or loss);
- "Galadriel" securitisation, through the vehicle Galadriel SPE S.r.l.: a transaction with underlying loans guaranteed by the Central Guarantee Fund set up at Mediocredito Centrale (MCC) pursuant to Law 662 of 23 December 1996, in which the Parent Bank participated in 2021 by investing in "partly paid" securities with a notional value pro-rata to the Bank of 20 million Euro for Class A (senior) securities, 5 million Euro for Class B1 (mezzanine) securities and 9 million Euro in Class B2 (mezzanine) securities. During 2022, the Bank took action by subscribing to additional tranches of each of the above tranches. At 31 December 2022, the securities have a net carrying amount of 18,9 million Euro, 8,6 million Euro and 4,5 million Euro respectively; it should also be noted that as part of this transaction, Banca Ifis acted as co-arranger with Intesa Sanpaolo S.p.A.;

- "Valsabbina" securitisation, launched in November 2020 by Banca Valsabbina and with underlying loans guaranteed by the Central Guarantee Fund set up at Mediocredito Centrale pursuant to Italian Law no. 662 of 23 December 1996, which Banca Ifis joined in 2021 as subscriber of mezzanine securities characterised by a carrying amount at the end of 2022 of 4,1 million Euro;
- "Miami Spv" securitisations, segment 2 ("Maior"), segment 3 ("Aqui"), segment 4 ("Brisca"), and segment 6 ("Aqui 3"): these are four securitised portfolios of non-performing loans for which the related asset-backed securities issues, by the vehicle Miami Spv S.r.l., took place in 2021 (for segments 2 and 3) and in 2022 (for segments 4 and 6). Banca Ifis participated as underwriter of a portion of the senior bonds of each series, with a total carrying amount of 34,7 million Euro at 31 December 2022 (Brisca for 12,1 million Euro, Aqui 1 for 1,5 million Euro, Aqui 3 for 21,0 million Euro and Maior for essentially no value), while it had a total carrying amount of 44,6 million Euro at 31 December 2021;
- "Iron" securitisation, a transaction whose underlying asset is a portfolio of loans in the technical form of a credit line with mortgage guarantees, under which Banca Ifis subscribed to a portion of the senior and junior tranches issued by the vehicle Spv Project 1906 Srl in 2021. At 31 December 2022, such securities have a net carrying amount of 1,0 million Euro and 0,7 million Euro, respectively;
- "SPV Project 1806" securitisation, a transaction whose underlying asset is a portfolio of project financing performing renewable energy plants, under which, in the course of 2021, Banca Ifis acquired a portion of approximately 9 million Euro of the senior securities issued by the vehicle Spv Project 1806 Srl. At 31 December 2022, the securities have a net carrying amount of approximately 4,4 million Euro;
- "Lanterna" securitisation, carried out by the special purpose vehicle Lanterna Finance S.r.l. in June 2021 via the issue of senior securities for 320 million Euro and junior securities for 62,7 million Euro, having as their underlying loans assisted by a 100% guarantee from the Central Guarantee Fund (FCG) set up at Mediocredito Centrale (MCC) pursuant to Law 662 of 23 December 1996, as amended by the provisions introduced by the Decree Law of 8 April 2020 (the "Liquidity Decree"), converted by Law no. 40 of 5 June 2020. The Banca Ifis Group took part in this transaction by subscribing to a portion of the senior tranches, which as at 31 December 2022 had a net carrying amount of 8,8 million Euro;
- "BCC NPLs 2021" securitisation: this is a similar transaction to the above-mentioned "BCC NPLs 2020", and was carried out in November 2021 by Iccrea Banca on an underlying Npl, selling a credit claim of 1,3 billion Euro originating from around 7 thousand debtors. This transaction, carried out through the SPV BCC NPLs 2021 S.r.l., is backed by the government GACS guarantee scheme and regarded the issue of senior, mezzanine and junior securities with maturity at April 2046. Banca Ifis took part through the sale of a portfolio of its own exposures and the subscription of a portion of securities for each tranche, which as of 31 December 2022 show a net carrying amount of 7,2 million Euro for the senior tranches (measured at amortised cost) and essentially zero for the mezzanine and junior tranches (measured at fair value through profit or loss).

- "Trinacria" securitisation: a transaction whose underlying asset is a portfolio of "non-performing" mortgages and trade receivables from a single debtor, under which, during the second quarter of 2022, Banca Ifis subscribed to senior and junior securities issued by the vehicle Trinacria Spv S.r.l., which as at 31 December 2022 had a carrying amount of 5,0 million Euro and 0,2 million Euro, respectively;
- "Vega" securitisation, a transaction whose underlying asset is a revolving portfolio of trade receivables originated by a single originator in the exercise of its business activities, under which Banca Ifis subscribed, during the second quarter of 2022, a portion of the senior Class A2 securities issued by the vehicle Spv Project 2104 S.r.l.. At 31 December 2022, they had a net carrying amount of 20,0 million Euro
- "Npl Securitisation Italy 9" (J-Invest) securitisation: a transaction whose underlying is represented by corporate loans in proceedings, mainly unsecured in nature, in which Banca Ifis participated in the fourth quarter of 2022, through the investment in "monotranche" "partly paid" securities issued by Npl Securitisation Italy 9, for a notional value pro-rata to the Bank of 9,5 million Euro. The transaction is characterised by an investment period during which the issuing SPV may purchase additional credits from the proceeds of the payment of further tranches of the subscription price of the securities. At 31 December 2022, the securities have a net book value of 3,9 million Euro;
- "Campagnetta" securitisation: a real estate securitisation pursuant to Article 7.2 of Law 130/99, through which the securitisation vehicle Absolute RE SPV S.r.l. acquired a real estate asset, financing itself through the issue of senior securities for 3,0 million Euro, mezzanine securities for a nominal 0,7 million Euro and junior securities for a nominal 0,3 million Euro. As part of the transaction, which was finalised in July 2022, Banca Ifis subscribed to the entire senior notes, which have a carrying amount of 3.0 million Euro as at 31 December 2022;
- "Roma" securitisation: a transaction whose underlying asset is a portfolio of mortgage loans and "non-performing" trade receivables from a single debtor, under which, during the fourth quarter of 2022, Banca Ifis subscribed to the senior securities and a portion of the junior securities issued by the vehicle Roma Spv S.r.l.. At 31 December 2022, the senior and junior securities subscribed have a carrying amount of 7,9 million Euro and 0,2 million Euro, respectively;
- "Quarzo 2022-1" securitisation, realised by the vehicle Quarzo S.r.l. in April 2022 through the issuance of senior securities for 528 million Euro and junior securities for 72 million Euro, having as underlying a portfolio of receivables from consumer credit contracts. Banca Ifis took part in this transaction by subscribing to a portion of the senior tranches, which at 31 December 2022 had a net carrying amount of 3,0 million Euro;
- "Cielo" securitisation: a transaction with underlying loans guaranteed by the Central Guarantee Fund set up at Mediocredito Centrale (MCC) pursuant to Law 662 of 23 December 1996, in which Banca Ifis participated in the fourth quarter of 2022 by investing in "partly paid" securities issued by Cielo SPV S.r.l., with a notional value pro-rata to the Bank of 10 million Euro for Class A1 securities, 15 million Euro for Class B1-1 mezzanine securities and 15 million Euro in Class B1-2 securities. The transaction is characterised by a ramp-up period during which the issuing SPV may purchase additional credits from the proceeds of the payment of further tranches of the subscription price

of the securities. At 31 December 2022, the senior securities have a net carrying amount of 3,7 million Euro and the class B1-1 mezzanine securities a value of 0,7 million Euro, whilst the class B1-2 mezzanine securities have an essentially null value; it should also be noted that as part of this transaction, Banca Ifis acted as co-arranger with Intesa Sanpaolo S.p.A.

For the sake of completeness, please note that, as a result of the actions taken in 2017 by the Italian Interbank Deposit Protection Fund's Voluntary Scheme (FITD), the Parent company Banca Ifis owns mezzanine and junior notes issued by the "Berenice" securitisation transaction, totalling a combined 0,1 million Euro.

Quantitative information

Template EU-SEC1: securitisation exposures in the non-trading book[2]

		Institution acts as an investor			
		Traditional		Synthetic	Sub-total
		STS	Non-STS		
1	Total exposures	77	72	-	149
2	Retail (total)	77	22	-	99
3	Residential mortgage	-	-	-	-
4	Credit cards	-	-	-	-
5	Other retail exposures	77	22	-	99
6	Re-securitisation	-	-	-	-
7	Wholesale (total)	-	49	-	49
8	Loans to corporates	-	49	-	49
9	Commercial mortgage	-	-	-	-
10	Lease and receivables	-	-	-	-
11	Other wholesale	-	-	-	-
12	Re-securitisation	-	-	-	-

[2] Portion of EU SEC1 table relevant to the Group.

Template EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor (1/2)

		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
		≤20% RW	>20% to 50% RW	>50 % to 100 % RW	>100% to <1250% RW	1250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/deductions
1	Total exposures	80	32	23	14	0,1	-	-	149	-
2	Traditional securitisation	80	32	23	14	0,1	-	-	149	-
3	Securitisation	80	32	23	14	0,1	-	-	149	-
4	Retail underlying	60	32	8	-	-	-	-	99	-
5	of which STS	45	32		-	-	-	-	77	-
6	Wholesale	20		15	14				49	
7	of which STS	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-

Template EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor (2/2)

		RWEA (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/deductions
1	Total exposures	-	-	106	1	-	-	6	-
2	Traditional securitisation	-	-	106	1	-	-	6	-
3	Securitisation	-	-	106	1	-	-	6	-
4	Retail underlying	-	-	26	-	-	-	2	-
5	of which STS	-	-	19	-	-	-	1	-
6	Wholesale	-	-	79	-	-	-	4	-
7	of which STS	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-

		RWEA (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/deductions
11	Retail underlying	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-

Template EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

		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	3.161	1.578	12
2	Retail (total)	-	-	-
3	Residential mortgage	-	-	-
4	Credit cards	-	-	-
5	Other retail exposures	-	-	-
6	Re-securitisation	-	-	-
7	Wholesale (total)	3.161	1.578	12
8	Loans to corporates	-	-	-
9	Commercial mortgage	-	-	-
10	Lease and receivables	-	-	-
11	Other wholesale	-	-	-
12	Re-securitisation	-	-	-

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 survey of losses deriving from operational risk events, which is consolidated thanks also to a constant activity by Risk Management to disseminate a culture oriented towards the awareness and proactive management of operational risks among corporate structures; by the prospective self-assessment of risk exposure through the execution of periodic Risk Self-Assessment and Model Risk Self-Assessment campaigns, aimed at having an overall view of risks in terms of frequency and/or potential financial impact and the relative organisational safeguards. Risk Management also contributes, through the Group ICT Risk Assessment process and the monitoring of IT services provided by ICT third parties, to the monitoring of the evolution of IT risk.

In addition, according to its operational risk management framework, the Group defines a set of measures that can promptly identify the presence of vulnerabilities in the exposure of the Bank and its subsidiaries to operational 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, for example, in collaboration with the other corporate functions, is involved in supervising outsourcing risks and in assessing the risks associated with the introduction of new products and services as well as the entrance into new markets.

The operational risk mitigation phase takes the form of identifying actions aimed at preventing and mitigating exposure to operational 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.

Quantitative information

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). 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 2022 of approximately 73.275 million Euro, which was considered capable of coping with the unexpected financial impacts of potential risky events that could occur during 2023.

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:

(a) 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;
(b) external fraud: losses due to fraud, embezzlement, or violation of laws by subjects external to the intermediary;
(c) 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;

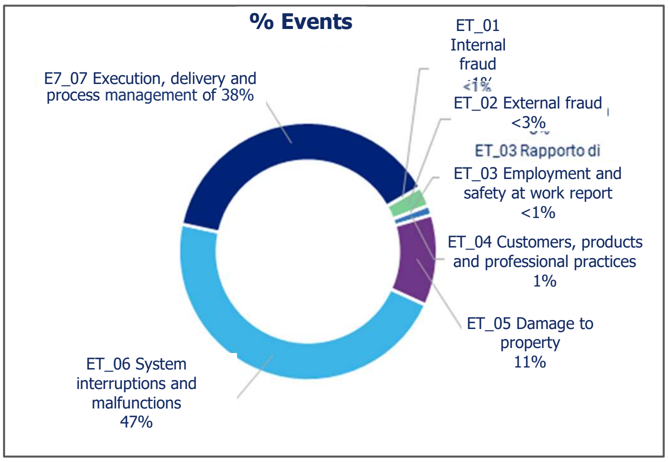
(d) customers, products and operating practices: losses resulting from non-fulfilment of professional obligations towards customers or from the nature or characteristics of the product or service provided;

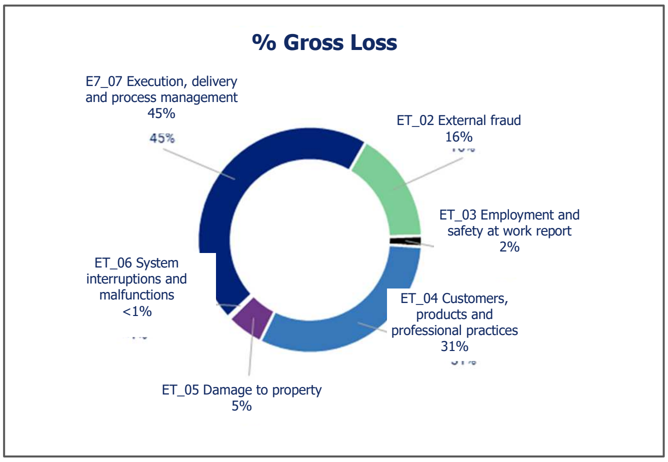
(e) damage to tangible assets: losses resulting from external events, such as natural disasters, vandalism, terrorism, etc.;

(f) interruptions to operations and system malfunctions: losses due to interruptions to operations, malfunctions or unavailability of systems;

(g) 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 2022 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.





Template EU OR1: operational risk own funds requirements and risk-weighted

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)	456	476	534	73	92
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	-	-	-	-	-

Interest rate risk

The interest rate risk on the banking book is a cross wide 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 function appointed to guarantee the rate risk management is the Capital Markets Central Department, 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 interest margin.

The Banking Group, for the measurement of interest rate risk relating to the “banking book” for the purposes of calculating the relevant regulatory capital requirement, has been guided by the simplified approach prescribed by Circular no. 285/2013 - Part One - Title III “Process of prudential control” - Chapter 1 - Annex C. (changes in economic value)

The Group procures mainly through retail funding, at a fixed rate for time deposits and at a non-indexed variable rate, unilaterally revisable by the Parent company, for on-demand and on-call deposits. The Group's offer includes the option of tying up the sums for a maximum duration of up to five years. Other significant funding components are self-securitisations, characterised by an indexed rate, of trade receivables and medium/long-term loans, Eurosystem funding (TLTRO) and the issue of bonds, generally at a fixed rate and reserved for qualified investors.

The Group's assets in respect of loans to customers mainly consist of variable-rate transactions relating to trade credit, corporate lending, leasing and medium/long-term loans. The main component of fixed-rate assets relates to the Npl segment and a significant portion of the proprietary securities portfolio.

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 account "Rendimax", the fixed-rate customer deposits for the encumbered component and the non-index-linked variable rate that can be unilaterally revised by the Bank in respect of the rules and contracts, for unrestricted demand and on-call deposits. The other main components of funding concern fixed-rate bond funding, variable-rate self-securitisation operations and loans with the Eurosystem (referred to as TLTRO and LTRO) at variable rates and the various repo transactions with institutional counterparties.

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 S.p.A. and Ifis NPL Servicing S.p.A.), for which the business model focuses on acquiring receivables at prices lower than their nominal amount, there is a potential interest rate risk also associated with the uncertainty about when the receivables will be collected.

At 31 December 2022, the comprehensive bond portfolio mainly comprises government securities for a percentage of 65%; the comprehensive average modified duration is 4 years.

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

Considering the extent of the risk assumed, the Banca Ifis Group does not normally use specific interest rate risk hedges.

Quantitative information

For the measurement of interest rate risk related to the "banking book", the Banking Group followed the simplified approach prescribed by the Circular no. 285/2013 - Part One - Title III "Prudential Control Process" - Chapter 1 - Annexes C and C bis.

Interest rate risk on the banking book in terms of changes in economic value

The simplified approach, set out in Annex C of Circular no. 285/2013, recently amended by the Bank of Italy in transposition of the EBA/GL/2018/02, guidelines, provides that all assets and liabilities are classified in 19 time bands based on their residual life if they are placed at a fixed rate and on the repricing date if they are placed at a floating rate. Within each band, the net exposure is calculated, obtained by offsetting assets and liabilities. The net exposures in each band are then multiplied by the weighting factors obtained from the product of the hypothetical change in rates chosen and the modified duration approximation relative to each band provided. The weighted exposures of the different bands are added together. The net weighted exposure obtained approximates the change in the present value of balance sheet items in the event of the assumed rate shock.

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 2022, is 98,976 thousand Euro.

Interest rate risk on the banking book in terms of changes in interest margin or expected profits

A summary of the measurements developed in terms of changes in net interest income at 31 December 2022 is shown in the table below, in which no floor is applied to the negative shock. This measurement does not currently impose any obligation on the intermediary.

Banca Ifis is implementing a new system of interest rate risk management monitoring in line with market best practices.

Below is the value of interest rate risk as at 31/12/2022 and compared with the previous date of 31/12/2021, consistent with the approach currently required by the regulations in force as set out in Circular 285/2013. It should be noted, specifically, that values reported with a positive sign represent a reduction in economic value or change in NII. Conversely, negative values are to be understood as positive in the context of the stress hypothesis.

Finally, it should be noted that, again in continuity with the regulatory provisions, unencumbered current accounts are allocated according to the regulatory approach set out in Circular 285/2013.

EU IRRBB1 - Interest rate risks of non-trading book activities

	Supervisory shock scenarios	Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up	98.976	- 38.187	22.663	67.978
2	Parallel down	- 98.976	38.187	- 24.791	- 55.030
3	Steepener	52.995	76.112	-	-
4	Flattener	- 38.400	- 84.611	-	-
5	Short rates up	- 8.372	- 92.373	-	-
6	Short rates down	8.372	92.373	-	-

Market risk

In 2022, 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". It is therefore 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 approach 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.

In the last quarter of 2022 alone, against a backdrop of high volatility in interest rates and widening credit spreads with a consequent generalised increase in yields on debt securities, it was decided to increase the bond portfolio by about 500 million Euro by investing in financial securities. Compliance with the Group's main diversification and risk appetite criteria was continuously monitored.

In this context, the component relating to the "trading book" from which the market risk in question originates was marginal both in absolute terms of the risk values recorded and with respect to the established limits. The trading book mainly comprises optional components mainly deriving from hedging transactions and ancillary enhancements to the investment strategy in assets that are part of the "banking book" and "discretionary trading" book, 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.

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.

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).

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 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 average daily loss that exceeds the VaR figure, and the Stressed VaR, which represents a VaR calculated in a particularly turbulent historical period, which in the specific case corresponds to the Italian debt crisis of 2011-2012, are also used for monitoring purposes.

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.

Quantitative information

Template EU MR1: market risk under the standardised approach

		RWEA
	Outright products	-
1	Interest rate risk (general and specific)	15
2	Equity risk (general and specific)	5
3	Foreign exchange risk	-
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus approach	0,01
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	Total	21

Concentration risk and large exposures

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 major risks. 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.

In line with supervisory requirements in the credit process, for the purposes of managing and controlling concentration risk, two different phases can be distinguished: the first is represented by the granting of credit, in particular at the time of taking on "Large Exposures" and the second is identifiable in the continuous monitoring of the quality of existing exposures, especially of larger amounts.

The Banca Ifis Group, with methods related to the nature of the products/customers handled, has adopted internal procedures consistent with the taking on and monitoring of "large exposures", to be applied as a precautionary measure also to loans which, although not identified as "large exposures", have dimensions such as to have significant effects on the financial soundness of the lending company in the event of a crisis of the entrusted subject/group. In particular, the Banking Group companies, relying first of all on the information provided by the Bank's database which identifies existing relationships and any legal and economic ties for all Banking Group customers, acquire during the appraisal for the granting of a new loan or the monitoring of the position, all the data and information deemed necessary to evaluate the individual transaction in the overall amount of the exposure with the group to which the counterpart belongs, the composition of which is kept updated over time.

The Risk Management function periodically monitors the composition of customers and the relative degree of concentration, with particular focus on highly significant borrowers, in order to maintain, as far as possible, a satisfactory spread of credit risk and to limit potential losses in the event of insolvency of counterparties with significant debt exposures. With regard to retail portfolios, the monitoring activity on the subject of concentration is based on portfolio logics and through differentiated cases in relation to the type of product and management.

For the purposes of the reporting of large exposures provided for by CRR2, the limit provided for is 10% of the Tier 1 capital (relating to the nominal amount of the exposures), while the concentration limit is 25% of the same Tier 1 capital (in this case relating to the weighted value after application of the translations and CRM for the purposes of credit risk on the basis of the approach applied by the Group (comprehensive method in the case of financial collateral).

The Bank ensures constant compliance with the regulatory limits on risk concentration both on an individual and consolidated basis, as well as compliance with the most stringent regulatory limits referring to related parties. The results of the checks are reported on a quarterly basis to Top Management within the Tableau de Bord.

In order to perform a complete measurement of the risks to which the Group is exposed, in the second pillar Banca Ifis calculates the capital add-on against the single-name and geo sectorial concentration risk.

Quantitative information

A quantitative representation of the “Large exposures” in place on 31 December 2022 is shown in section E of the notes to the consolidated financial statements of the Banca Ifis Banking Group. The overall weighted amount of major exposures at 31 December 2022 consists of 209 million Euro in tax assets and 182 million Euro in exposure to equity investments not included in the prudential scope of consolidation and 552 million Euro in positions vs Supervised intermediaries, mostly in repurchase agreements, derivatives and securities transactions.

Remuneration and incentive systems and practice

The Report on remuneration policy and remuneration paid (hereinafter also the Report) has been prepared for the Banca Ifis Group in accordance with:

- article 123- *ter* of the TUF, rubric "Report on remuneration policy and remuneration paid";
- article 114-*bis* of the TUF, entitled "Disclosure of information to the market on awards of financial instruments to corporate officers, employees or contractors";
- Consob Regulation no. 11971/1999 as updated with the amendments made by resolution no. 21623 of 10 December 2020 (hereinafter also referred to as the Issuers' Regulation), with particular reference to articles 84-*quater*, entitled "Report on remuneration", and 84-*bis*, entitled "Information on the allocation of financial instruments to corporate officers, employees or collaborators", as well as Annex 3A, Schedule no. 7 bis "Report on remuneration policy and remuneration paid", of the Issuers' Regulation and Schedule no. 7 "Information document forming the subject of the illustrative report of the administrative body for the shareholders' meeting called to resolve on remuneration plans based on financial instruments";
- the Provisions on "Remuneration and incentive policies and practices" currently in force, issued by the Bank of Italy and contained in Circular no. 285 of 17 December 2013 (hereinafter, the "Supervisory Provisions");
- the "Correctness in relations between intermediaries and customers", published by the Bank of Italy with Provision of 19 March 2019 implementing the "Guidelines of the European Banking Authority on remuneration policies and practices for personnel offered bank products and for third party sales network operators";
- the relevant European legislation and, in particular, of Delegated Regulation (EU) no. 923 of 25 March 2021, which identifies regulatory technical standards relating to the qualitative and quantitative criteria appropriate for identifying the categories of personnel whose professional activities have a substantial impact on the risk profile of the institution (so-called Key Personnel or Risk Takers) and Regulation (EU) no. 575 of 26 June 2013, with respect to provisions regarding remuneration policy.

The provisions of the "Corporate Governance Code" and the format of Borsa Italiana S.p.A. were also considered for the Report on Corporate Governance and Shareholding Structure in accordance with article 123 b of the TUF.

The Report is available on the bank's website at: www.bancaifis.it.

a) Information regarding the bodies responsible for supervising remuneration

The main bodies and individuals of the Parent company involved in the preparation, approval and revision of the remuneration and incentive policy are: the Shareholders' Meeting, the Board of Directors, the Remuneration Committee, the CEO, the

General Management, Human Resources, the Control Functions and the Business Plan, Planning and Management Control Department.

b) Information regarding the characteristics and structure of the remuneration system for key personnel.

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 key personnel, KP).

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 key personnel whose annual variable remuneration meets the following two conditions:

- does not exceed 50.000 Euro and
- does not represent more than one third of the total annual remuneration.

In accordance with the Supervisory Provisions, the Group defines:
Materiality threshold: the variable remuneration of the identified staff which exceeds Euro 50.000 or represents more than one third of the total annual remuneration

"Particularly high" variable remuneration amount: 25% of the average total remuneration of Italian high earners, as resulting from the most recent report published by the EBA; and ten times the average total remuneration of the Ifis Group's employees.

Deferral period and deferred portions: the vesting period to which the variable remuneration is subject, in order to take into account, the development of the risks assumed by the Bank over time.

In line with the Supervisory Provisions:

- the variable component, where it exceeds the materiality threshold (and is not of a particularly high amount) is subject to deferment for a portion equal to 40%, for a period of 4 years;
- the variable component of a particularly high amount is subject to deferment for a portion equal to 60% for a period of 5 years.

Financial instruments: the Supervisory Provisions envisage that the variable remuneration subject to deferment (pursuant to the preceding point) be balanced by a quota of at least 50% in financial instruments, meaning, in the Banca Ifis Group, the shares of the Parent company. In the case of top management and particularly large amounts of variable remuneration, it is required that more than 50% of the deferred portion be made up of financial instruments.

Retention period: the period during which there is a ban on the sale of shares, set at 1 year.

The methods of payment of variable remuneration (short-term incentive scheme) for the most relevant personnel adopted by the Banca Ifis Group are summarised below:

	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.

Following the resolutions passed in 2021 by the Board of Directors and Shareholders' Meeting - each insofar as competent - the introduction was envisaged of a "2021-2023 Long Term Incentive Plan" (the "LTI Plan"), which sets forth the assignment to the Bank and Group's top managers duly identified to this end by the Board of Directors, free of charge, of a certain number of options that will give the right to purchase, at a specific strike price, a corresponding number of Banca Ifis S.p.A. shares.

c) Description of how current and future risks are factored into remuneration processes. The information shall include a summary of key risks, how they are measured, and how these measures affect compensation.

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 Income and Capital absorbed by pillar one risks (i.e. 8% Pillar 1 Risk Weighted Asset (RWA)), the [RORAC/RORAC*] indicator, where RORAC* is the RORAC approved by the Board of Directors for the reporting year concurrent with the submitted annual business plan/budget, must be no less than 80%. This indicator allows profits to be weighted by the underlying risks in terms of regulatory capital absorbed.
- related to the tolerance level, greater than the regulatory minimum (satisfied by the "capacity") equal to 100% of the Group's short term liquidity indicator - Liquidity Coverage Ratio (LCR), recorded quarterly in the year of reference. The tolerance threshold is defined annually in the Banca Ifis Group's Risk Appetite Framework (RAF) at a consolidated level, in compliance with current prudential supervisory regulations.
- 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 threshold is defined annually in the Banca Ifis Group's Risk Appetite Framework (RAF) at a consolidated level, in compliance with current prudential supervisory regulations.
- The consolidated Total Own Funds Ratio greater than the tolerance level set in the RAF in force, therefore, greater than the Overall Capital Requirement 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 Risk Committee - a redefinition of the amounts of variable remuneration for the various categories of staff, with a consequent pro-rata reduction.

d) The ratios between the fixed and variable components of remuneration established in accordance with article 94, paragraph 1, letter g) of the CRD.

The remuneration of the identified staff is made up of an all-inclusive annual remuneration (RAL) and a variable component defined in advance 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 most important personnel 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.

e) Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration.

- 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.
- These objectives 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.

f) Description of the ways in which the institution seeks to adjust remuneration to take account of long term performance.

- The Bank reserves the right to promote the appropriate actions for the return/cancellation of the variable component recognised and/or paid to the staff if the conditions provided for this purpose are determined (application of the so-called ex post correction mechanisms: malus/clawback) and set out in the Group's Remuneration and Incentive Policies.

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.

g) 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.

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-competition agreements
- notice extension agreements
- benefits

Quantitative information

Template EU REM1: remuneration awarded for the financial year

			MB - Supervisory function	MB - Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	12	1	6	43
2		Total fixed remuneration	2.307	0.780	1.537	6.327
3		Of which: cash-based	2.307	0.780	1.537	6.327
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	-	-	-	-
8		(Not applicable in the EU)	-	-	-	-
9	Variable remuneration	Number of identified staff	12	1	6	42
10		Total variable remuneration	0,133	0,630	0,925	2,213

			MB - Supervisory function	MB - Management function	Other senior management	Other identified staff
11		Of which: cash-based	0,133	0,126	0,313	1,123
12		Of which: deferred	0	0,189	0,175	0,312
EU-13a		Of which: shares or equivalent ownership interests	0	0,126	0,263	0,467
EU-14a		Of which: deferred	0	0,189	0,175	0,312
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)		2.440	1.410	2.462	8.541

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	-	-	-	-
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	-	-	-	-
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	-	-	-	-
7	Severance payments awarded during the financial year - Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-

		MB - Supervisory function	MB - Management function	Other senior management	Other identified staff
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	-	-	-	-

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
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	0,137	0,010	0,128	-	-	-	-	0,094
9	Shares or equivalent ownership interests	0,147		0,147	-	-	-	-	0,111
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-

	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
13	**Other senior management**	-	-	-	-	-	-	-	-
14	Cash-based	0,124		0,124	-	-	-	-	0,124
15	Shares or equivalent ownership interests	0,124		0,124	-	-	-	-	0,124
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff**	-	-	-	-	-	-	-	-
20	Cash-based	0,261	0,054	0,207	0,013	-	-	0,030	0,207
21	Shares or equivalent ownership interests	0,290	0,030	0,261	0,007	0,013	-	0,030	0,261
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	1,083	0,093	0,990	0,021	0,013	0	0,059	0,920

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

		Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	-

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	-

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

		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							
2	Of which: members of the MB	12	1	13				
3	Of which: other senior management				17	4	28	
4	Of which: other identified staff							
5	Total remuneration of identified staff	2,44	1,41	3,85	4,28	0,80	5,11	14,85
6	Of which: variable remuneration	0,13	0,63	0,76	1,22	0,20	1,73	3,90
7	Of which: fixed remuneration	2,31	0,78	3,09	3,07	0,61	4,19	10,95

CEO declaration pursuant to article 435, letters e) and f) of Regulation (EU) no. 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 2022 - 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, 9 March 2023

The CEO

Frederik Herman Geertman

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

Pursuant to article 154 bis, paragraph 2 of Italy's "Consolidated Law on Financial Intermediation", the Manager charged with preparing the company's financial reports of Banca Ifis SpA, Mariacristina Taormina, declares that the accounting information contained in this "Public Disclosure at 31 December 2022 - Pillar 3" corresponds to the company's accounting records, books and entries.

Venice, 9 March 2023

The Manager charged with preparing

the company's financial reports

Mariacristina Taormina