Banca Ifis

Public Disclosure

Pillar III

At 31 December 2023

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1. Introduction

1.1. Regulatory context

- REGULATION (EU) No 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013 on prudential requirements for credit institutions and investment firms;
- REGULATION (EU) 2019/876 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements;
- REGULATION (EU) 2019/630 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 April 2019 amending Regulation (EU) No 575/13 as regards minimum loss coverage for non-performing exposures;
- COMMISSION REGULATION (EU) 2021/637 of 15 March 2021;
- Supervisory Provisions for Banks, CIRCULAR No. 285 of 17 December 2013.

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 the transparency and disclosure of such Banks. 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 III”) 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” (at the 44th update). 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") on prudential requirements (Pillar One) for credit institutions and setting the rules on Public Disclosures (Pillar Three).

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 (the reference is to the qualitative and quantitative tables).

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 Institution, 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, 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.

With regard to the methodology for assessing the impact of interest rate changes on net banking income, Less Significant Banks may nevertheless develop alternative methodologies (to the one set out in Annex C bis) in line with EBA/GL/2022/14.

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

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

1.2. Document structure

The Pillar III published by Banca IFIS has been drafted in accordance with the following structure, the chapters, paragraphs and sub-paragraphs of which have been provided for in relation to what is specifically indicated by the qualitative tables of the 2021 Implementing Regulation No. 637. In addition, for each of the topics on which the Bank is required to provide specific Disclosure, a section dedicated to quantitative disclosure has been provided in which all the analytical tables expressly required by the aforementioned Implementing Rules are set out and, where appropriate for the purposes of an easier interpretation of the relevant information, a brief explanatory commentary on the same.

Table 1 - Document structure and implementing regulatory sources

Chapter	Title	Paragraph	Sub-paragraph	Regulatory source	Article	Article title
1	INTRODUCTION	Regulatory context Document structure			N/A	N/A
2	THE BANCA IFIS GROUP	Reference metrics	Methodology for assessing the adequacy of internal capital	IMPLEMENTING REGULATION (EU) 2021/637	Art. 1	Disclosure of key metrics and overview of risk-weighted exposure amounts
			Results of the internal capital adequacy assessment process			
			Quantitative information			
		Objectives and risk management policies	Declaration pursuant to Article 435, paragraph 1, letters e) and f) of Regulation 575/2013	IMPLEMENTING REGULATION (EU) 2021/637	Art. 2	Disclosure of risk management objectives and policies
			Governance structure for each type of risk			
			Risk management strategies and processes for each risk category			
			Disclosure on governance systems			
		Scope of Application	Qualitative disclosure	IMPLEMENTING REGULATION (EU) 2021/637	Art. 3	Disclosure of the scope of application
			Quantitative information			
3	CAPITAL ADEQUACY	Own funds	Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 4	Disclosure of own funds
		Countercyclical capital buffer	Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 5	Disclosure of countercyclical capital buffers
4	FINANCIAL LEVERAGE	Leverage ratio	Leverage risk management process	IMPLEMENTING REGULATION (EU) 2021/637	Art. 6	Disclosure of the leverage ratio
			Factors that had an impact on the change in the leverage ratio			
			Quantitative information			
5	LIQUIDITY RISK	Liquidity requirements	Liquidity risk management strategies and processes	IMPLEMENTING REGULATION (EU) 2021/637	Art. 7	Disclosure of liquidity requirements
			Liquidity risk management function organisational structure			
			Infra-group liquidity management			
			Emergency financing plans			
			Liquidity risk stress tests			
			Liquidity coverage ratio			
			Quantitative information			
6	CREDIT RISK	Exposure to credit risk	Business model and assumption of credit risk	IMPLEMENTING REGULATION (EU) 2021/637	Art. 8	Disclosure of exposures to credit risk, dilution risk and credit quality
			Credit risk management strategies and processes			
			Organisation of the credit risk management and control function			

Chapter	Title	Paragraph	Sub-paragraph	Regulatory source	Article	Article title
			Coordination between internal control functions Non-performing past due exposures Credit risk adjustments Quantitative information			
		Credit risk mitigation techniques	Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 9	Disclosure of the use of credit risk mitigation techniques
		STD method for measuring credit risk	Qualitative disclosure Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 10	Disclosure of the use of the standardised approach
				IMPLEMENTING REGULATION (EU) 2021/637	Art. 12	Disclosure of specialised lending and equity exposure under the simple risk weight approach
7	COUNTERPARTY RISK	Exposure to counterparty credit risk	Qualitative disclosure Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 13	Disclosure of exposures to counterparty credit risk
8	SECURITISATIONS	Positions towards securitisation	Qualitative disclosure Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 14	Disclosure of exposures to securitisation positions
9	MARKET RISK	Exposure to market risk	Institution market risk management strategies and processes Market risk management function organisational structure Reporting and risk measurement systems Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 15	Disclosure of the use of the standardised approach and of the internal models for market risk
10	OPERATIONAL RISK	Exposure to operational risk	Objectives and management policies of operational risk Methods for assessing minimum own funds requirements Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 16	Disclosure of operational risk
11	INTEREST RATE RISK ON THE BANKING BOOK	Exposure to interest rate risk on positions not included in the trading book	The interest rate risk management process on the banking book The interest rate risk mitigation strategy on the banking book Analysis of results Quantitative information	EBA/ITS/2021/07	ANNEX XXXVIII	Instructions for compiling information sheets on the interest rate risk on positions not held in the trading book
12	REMUNERATION	Group remuneration and incentive system	The bodies responsible for supervising remuneration Structure of the remuneration system for identified staff	IMPLEMENTING REGULATION (EU) 2021/637	Art. 17	Disclosure of remuneration policy

Chapter	Title	Paragraph	Sub-paragraph	Regulatory source	Article	Article title
			Impact of risks on remuneration			
			Relationships between fixed and variable components of remuneration			
			The variable component of remuneration			
			The short-term incentive system			
			Long Term Incentive (LTI) Plan 2021-2023 for the Chief Executive Officer, Co-General Managers and other Group beneficiaries			
			Quantitative information			
13	ENCUMBERED AND UNENCUMBERED ASSETS	Encumbered and unencumbered assets	Quantitative information	IMPLEMENTING REGULATION (EU) 2021/637	Art. 18	Disclosure of encumbered and unencumbered assets
14	DECLARATION BY THE MANAGER CHARGED WITH PREPARING THE COMPANY'S FINANCIAL REPORTS	N/A	N/A	TUF - CONSOLIDATED LAW ON FINANCE	Art. 154 bis paragraph 2	Manager charged with preparing the company's financial reports

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

Article	Article title	Qualitative tables	Quantitative tables	Specific references to EU Regulation No. 575/13 as amended by EU Regulation 876/2019
Art. 1 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of key metrics and overview of risk-weighted exposure amounts	**EU OVC**: ICAAP Information (Annual)	**EU KM1**: Key metrics (Half-year) **EU OV1**: Synoptic overview of total risk exposure amounts (Annual) **EU INS1:** Insurance participations (Annual)	Article 447, points (a) to (g) and Article 438, point (b) of Regulation (EU) No 575/2013 using template EU KM1 Article 438, point (d) of Regulation (EU) No 575/2013 using template EU OV1 Article 438, points (a) and (c) of Regulation (EU) No 575/2013 using table EU OVC
Art. 2 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of risk management objectives and policies	**EU OVA**: Institution risk management approach **EU OVB**: Disclosure on governance systems		Institutions publish the information referred to in Article 435 of Regulation (EU) No. 575/2013 using tables EU OVA and EU OVB
Art. 3 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of the scope of application	**EU LIA:** Outline of the differences in the scopes of consolidation (entity by entity) **EU LIB:** Other qualitative information on the scope of application	**EU LI1**: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories **EU LI2**: Main sources of differences between regulatory exposure amounts and carrying values in financial statements **EU LI3**: Outline of the differences in the scopes of consolidation (entity by entity)	Article 436, points (b) and (c) of Regulation (EU) No 575/2013 by using templates EU LI1 and EU LI3 Article 436, points (b) and (d) of Regulation (EU) No 575/2013 by using template EU LI2 and table EU LIA Article 436, points (f), (g) and (h) of Regulation (EU) No 575/2013 using table EU LIB
Art. 4 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of own funds	**EU CCA**: main features of regulatory own funds instruments and eligible liabilities instruments	**EU CC1**: Composition of regulatory own funds **EU CC2**: Reconciliation of regulatory own funds to	Article 437, points (a), (d), (e) and (f) of Regulation (EU) No 575/2013 using templates EU CC1 and EU CC2 Article 437, points (b) and (c) of

Article	Article title	Qualitative tables	Quantitative tables	Specific references to EU Regulation No. 575/13 as amended by EU Regulation 876/2019
			balance sheet in the audited financial statements **IFRS9-FL** - Comparison of Own Funds, Capital Ratios and Leverage with and without the application of IFRS9 transitional arrangements	Regulation (EU) No 575/2013 using table EU CCA
Art. 5 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of countercyclical capital buffers		**EU CCYB1**: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer **EU CCYB2**: Amount of institution-specific countercyclical capital buffer	Article 440, point (a) of Regulation (EU) No 575/2013 using template EU CCYB1 Article 440, point (b) of Regulation (EU) No 575/2013 using template EU CCYB2
Art. 6 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of the leverage ratio	**EU LRA**: Disclosure of LR qualitative information	**EU LR1 - LRSum**: Summary reconciliation of accounting assets and leverage ratio exposures **EULR2 - LRCom**: Leverage ratio common disclosure **EU LR3 - LRSpl**: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Article 451(1), points (a), (b) and (c), and Article 451(2) and (3) of Regulation (EU) No 575/2013 using templates EU LR1 - LRSum, EU LR2 - LRCom and EU LR3 - LRSpl Article 451(1), points (d) and (e) of Regulation (EU) No 575/2013 using template EU LRA
Art. 7 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of liquidity requirements	**EU LIQA:** Liquidity risk management **EU LIQB**: qualitative information on LCR, which complements template EU LIQ1	**EU LIQ1**: Quantitative information of LCR **EU LIQ2**: Net Stable Funding Ratio	Article 435(1) and Article 451bis(4) of Regulation (EU) No 575/2013 using table EU LIQA Article 451bis(2) of Regulation (EU) No 575/2013 using template EU LIQ1 and table EU LIQB Article 451bis(3) of Regulation (EU) No 575/2013 using template EU LIQ2
Art. 8 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of exposures to credit risk, dilution risk and credit quality	**EU CRA:** General qualitative information about credit risk **EU CRB:** Additional disclosure related to the credit quality of assets	**EU CR1**: Performing and non-performing exposures and related provisions **CR1-A**: Maturity of exposures **EU CR2**: Changes in the stock of non-performing loans and advances **EU CQ3**: Credit quality of performing and non-performing exposures by past due days **EU CQ1**: Credit quality of forborne exposures **EU CQ4:** Quality of non-performing exposures by geography **EU CQ5**: Credit quality of loans and advances to non-financial corporations by industry	Article 435(1), points (a), (b), (d) and (f) of Regulation (EU) No 575/2013 using table EU CRA Article 442, points (a) and (b) of Regulation (EU) No 575/2013 using table EU CRB Article 442, point (d) of Regulation (EU) No 575/2013 using template EU CQ3 Article 442, point (g) of Regulation (EU) No 575/2013 using template EU CR1-A Article 442, point (f) of Regulation (EU) No 575/2013 using template EU CR2 Article 442, points (c), (e) and (f) of Regulation (EU) No 575/2013 using templates EU CR1, EU CQ1 and EU CQ7, template EU CQ4, columns a, c, e, f and g, and template EU CQ5, columns a, c, e and f Article 442, points (c), (e) and (f) of Regulation (EU) No 575/2013 using templates EU CR1 and EU CQ1, template EU CQ4, columns a, c, e, f and g, and template EU CQ5, columns a, c, e and f.
Art. 9 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of the use of credit risk mitigation techniques	**EU CRC:** Qualitative disclosure requirements related to CRM techniques	**EU CR3:** CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Article 453, points (a) to (e) of Regulation (EU) No 575/2013 using template EU CRC Article 453, point (f) of Regulation (EU) No 575/2013 using template EU CR3
Art. 10 - IMPLEMENTING	Disclosure of the use of the	**EU CRD:** Qualitative disclosure requirements	**EU CR4:** standardised approach – Credit risk	Article 444, points (a) to (d) of Regulation (EU) No 575/2013 using

Article	Article title	Qualitative tables	Quantitative tables	Specific references to EU Regulation No. 575/13 as amended by EU Regulation 876/2019
REGULATION (EU) 2021/637	standardised approach	related to standardised approach	exposure and CRM effects **EU CR5:** standardised approach	template EU CRD Article 453, points (g), (h) and (i) and Article 444(e) of Regulation (EU) No 575/2013 using template EU CR4 Article 444, point (e) of Regulation (EU) No 575/2013 using template EU CR5 Information on the exposure values deducted from own funds referred to in Article 444 using template EU CC1
Art. 13 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of exposures to counterparty credit risk	**EU CCRA**: Qualitative disclosure related to CCR	**EU CCR1:** Analysis of CCR exposure by approach **EU CCR2:** Transactions subject to own funds requirements for CVA risk **EU CCR3:** Standardised approach – CCR exposures by regulatory exposure class and risk weights **EU CCR5:** Composition of collateral for CCR exposures **EU CCR8:** Exposures to CCPs	Article 439, points (a), (b), (c) and (d) of Regulation (EU) No 575/2013 using template EU CCRA Article 439, points (f), (g), (k) and (m) of Regulation (EU) No 575/2013 using template EU CCR1 Article 439, point (h) of Regulation (EU) No 575/2013 using template EU CCR2 Article 439, point (l) of Regulation (EU) No 575/2013 using template EU CCR3 Article 439, point (e) of Regulation (EU) No 575/2013 using template EU CCR5 Article 439, point (i) of Regulation (EU) No 575/2013 using template EU CCR8
Art. 14 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of exposures to securitisation positions	**EU SECA:** Qualitative disclosure requirements related to securitisation exposures.	**EU SEC1:** Securitisation exposures in the non-trading book **EU SEC4:** Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor **EU SEC5:** Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Article 449, points (a) to (i) of Regulation (EU) No 575/2013 using template EU SECA Article 449, point (j) of Regulation (EU) No 575/2013 using templates EU ESA1 Article 449, point (k) of Regulation (EU) No 575/2013 using template EU ESA4 Article 449, point (l) of Regulation (EU) No 575/2013 using template EU ESA5
Art. 15 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of the use of the standardised approach and of the internal models for market risk	**EU MRA:** Qualitative disclosure requirements related to market risk	**EU MR1:** Market risk under the standardised approach	Information referred to in Article 445 of Regulation (EU) No 575/2013 using template EU MR1 Information concerning the market risk referred to in Article 435(1), points (a) to (d) of Regulation (EU) No 575/2013 using template EU MRA
Art. 16 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of operational risk	**EU ORA:** Qualitative information on operational risk	**EU OR1**: Operational risk own funds requirements and risk-weighted exposure amounts	Information referred to in Articles 435, 438, point (d), 446 and 454 of Regulation (EU) No 575/2013 using table EU ORA and template EU OR1
ANNEX XXXVIII - EBA/ITS/2021/07	Instructions for compiling information sheets on the interest rate risk on positions not held in the trading book	**EU IRRBBA:** Qualitative information on institutions' risk management objective and policy with regard to interest rate risk on positions not held in the trading book	**EU IRRBB1:** Interest rate risks of non-trading book activities	Information referred to in Art. 448 of Regulation (EU) No 575/2013 using table EU IRRBBA and template EU IRRB1 The requirements in paragraph 1, point (c), point (e) - points (i) to (iv) - do not apply to Institutions using the Standardised Approach or the Simplified Standardised Approach as referred to in Article 84(1) of Directive 2013/36/EU
Art. 17 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of remuneration policy	**EU REMA:** Remuneration policy	**EU REM1:** Remuneration awarded for the financial year **EU REM2:** Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Article 450(1), points (a) to (f) and points (j) and (k) and (2) using table EU REMA Article 450(1), point (h), points (i) and (ii), of Regulation (EU) No 575/2013 using template EU REM1 Article 450(1), point (h), points (v), (vi) and (vii) of Regulation (EU) No

Article	Article title	Qualitative tables	Quantitative tables	Specific references to EU Regulation No. 575/13 as amended by EU Regulation 876/2019
			EU REM3: Deferred remuneration **EU REM4:** Remuneration of 1 million EUR or more per year **EU REM5:** Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	575/2013 using template EU REM2 Article 450(1), point (h), points (iii) and (iv) of Regulation (EU) No 575/2013 using template EU REM3 Article 450(1), points (g) and (i) of Regulation (EU) No 575/2013 using templates EU REM4 and EU REM5
Art. 18 - IMPLEMENTING REGULATION (EU) 2021/637	Disclosure of encumbered and unencumbered assets	**EU AE4**: Accompanying narrative information	**EU AE1**: Encumbered and unencumbered assets **EU AE2:** Collateral received and own debt securities issued **EU AE3**: Sources of encumbrance	Article 443 of Regulation (EU) No 575/2013 using templates EU AE1, EU AE2 and EU AE3 and the table EU AE4

2. The Banca Ifis Group

2.1. Reference metrics

2.1.1.Methodology for assessing the adequacy of internal capital

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

Table 3 - Quantifiable Risks

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

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

Forward-looking measurements take into account the balance sheet and income statement results from the 2024-2025 projections.

Total internal capital is determined in the following steps:

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

2.1.2.Results of the internal capital adequacy assessment process

The table below summarises the values of individual internal capital as well as total internal capital, estimated on a consolidated basis as at 31/12/2023.

Table 4 - Summary of internal capital as at 31/12/2023

Summary of internal capital *(units in millions of euro)*	**31/12/23**	**Incidence 23**
Credit and counterparty risk	739,96	84,7%
Operational risk	82,24	9,4%

Summary of internal capital *(units in millions of euro)*	**31/12/23**	**Incidence 23**
Market risk	1,86	0,2%
Credit valuation adjustment risk	7,14	0,8%
CAPITAL REQUIREMENTS (PILLAR I RISKS)	**831,2**	**95,1%**
Concentration risk	15,70	3,1%
Interest rate risk on the banking book	26,82	1,8%
Sovereign risk	0	0
Strategic risk	0	0
TOTAL INTERNAL CAPITAL (PILLAR I AND II RISKS)	**873.72**	**100%**
Total Own Funds	**1.812**	
AVAILABLE CAPITAL (Own Funds - Total Internal Capital)	**939**	

As can be seen from the evidence in the table above, the capital requirement for credit risk is predominant over the others. This is followed, in terms of materiality, by operational risk and interest rate risk on the banking book.

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

2.1.3.Quantitative information

Table 5 – Template EU KM1: key metrics template

		31/12/2023	**30/06/2023**	**31/12/2022**
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	1.544	1.502	1.521
2	Tier 1 capital	1.545	1.503	1.521
3	Total capital	1.812	1.805	1.906
Risk-weighted exposure amounts				
4	Total risk exposure amount	10.390	10.005	10.128
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	14,87%	15,01%	15,01%
6	Tier 1 ratio (%)	14,87%	15,02%	15,02%
7	Total capital ratio (%)	17,44%	18,04%	18,82%
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%	1,65%

		31/12/2023	30/06/2023	31/12/2022
EU 7b	Of which capital CET1 (%)	0,90%	0,90%	0,90%
EU 7c	Of which tier 1 capital (%)	1,25%	1,25%	1,25%
EU 7d	Total SREP own funds requirements (%)	9,65%	9,65%	9,65%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
9	Institution-specific countercyclical capital buffer (%)	0,03%	0,03%	0,01%
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-
11	Combined buffer requirement (%)	2,53%	2,53%	2,51%
EU 11a	Overall capital requirements (%)	12,18%	12,18%	12,16%
12	CET1 available after meeting the total SREP own funds requirements (%)	7,62%	7,77%	6,35%
Leverage ratio				
13	Leverage ratio total exposure measure	14.860	14.311	14.213
14	Leverage ratio (%)	10,40%	10,50%	10,71%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)				
EU 14a	Additional own funds requirements to address risks of excessive leverage (in %)	-	-	-
EU 14b	of which capital CET1 (%)	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure)				
EU 14d	Required leverage buffer (%)	0%	0%	0%
EU 14e	Overall leverage ratio requirements (%)	3,00%	3,00%	3,00%
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1.342	1.159	645
EU 16a	Cash outflows - Total weighted value	467	432	475
EU 16b	Cash inflows - Total weighted value	883	682	816
16	Total net cash outflows (adjusted value)	117	108	119
17	Liquidity coverage ratio (%)	1.149,19%	1.072,92%	542,71%

		31/12/2023	30/06/2023	31/12/2022
Net Stable Funding Ratio				
18	Total available stable funding	11.006	11.146	10.919
19	Total required stable funding	8.254	8.754	8.849
20	NSFR ratio (%)	1,33%	127,33%	123,39%

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

		Total Risk Exposure Amounts (TREA)		Total own funds requirements
		31/12/2023	31/12/2022	T
1	Credit risk (excluding CCR)	9.115	8.846	729
2	Of which the standardised approach	9.115	8.846	729
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	161	265	13
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	89	72	7
9	Of which other CCR	72	193	6
15	Settlement risk		-	
16	Securitisation exposures in the non-trading book (after the cap)	62	80	5
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	2	2	0
19	Of which SEC-SA approach	57	78	5
EU 19a	Of which 1250% / deduction	-	-	-
	Of which specific treatment for senior tranches of eligible securitisations of non-performing exposures	20		2
20	Position, foreign exchange and commodities risks (Market risk)	23	21	2
21	Of which the standardised approach	23	21	2
22	Of which IMA	-	-	-

		Total Risk Exposure Amounts (TREA)		Total own funds requirements
		31/12/2023	31/12/2022	T
EU 22a	Large exposures	-	-	-
23	Operational risk	1.028	916	82
EU 23a	Of which basic approach	1.028	916	82
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)	55	25	4
29	Total	10.390	10.128	831

2.2. Objectives and risk management policies

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

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

- the risk management systems implemented by the Banca Ifis Group and described in the document “Public Disclosure at 31 December 2023 - Pillar III”, 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, 7 March 2024

The CEO
Frederik Herman
Geertman

2.2.2.Governance structure for each type of risk

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

In the model adopted by the Parent Company Banca Ifis Spa:

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

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

- 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 **Co-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 Co-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 **Operational Quality Committee**, with the aim of outlining, and sharing, operational improvements that allow the Bank to continuously refine its attention to internal/external regulatory frameworks and IT security;
- the **Sustainability Committee**, with appraisal, propositional and advisory functions within the scope of the assessment and decision-making process of the Bank and the Group concerning ESG issues, wherever they are dealt with, working together with the competent corporate bodies and the competent structures of the Bank.

- the **Art Committee**, with investigative, propositional, advisory and deliberative functions in relation to patronage and investment projects in the artistic and cultural sphere and the enhancement of the Group's heritage.

The **Board of Statutory Auditors** oversees compliance with the law, regulations and articles of association, correct administration, the adequacy of the Bank’s accounting and organisational structure, and the functionality of the overall internal control system. Considering the plurality of functions and corporate structures having control tasks and responsibilities, this body is required to check the effectiveness of all the structures and functions involved in the internal control system and their adequate coordination, promoting the corrective actions for any deficiencies and irregularities detected. Due to the importance of these tasks for supervisory purposes, the Board of Statutory Auditors 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.

Internal Control System

The Banca Ifis Group's Internal Control System plays a central role in the company's organisation. It represents a fundamental element of knowledge for the 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., Revalea S.p.A., Banca Credifarma S.p.A., Cap.Ital.Fin S.p.A. are centralised at the Parent Company, while with regard to Ifis Finance IFN SA, the internal audit function and the risk control function have been established and centralised at the Parent Company. Finally, with reference to Ifis Rental Services, Ifis Npl 2021-1 SPV S.r.l. and Ifis Finance Sp. z o.o., given their operational characteristics and the limited level of risk they bring to the Group, no control functions have been established. However, Ifis Finance Sp. z o.o., in compliance with local legislation and regulatory requirements, has appointed a member of its Board as head of its anti-money laundering operations.

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

Some types of audits are highlighted below:

- level one-line audits aim to ensure operations are carried out correctly. These audits are carried out by the production structures themselves or performed as part of back office operations. The operational structures are primarily responsible for the risk management process: as part of their day-to-day operations, they shall identify, measure or assess, monitor, mitigate, and report the risks arising from ordinary operations in accordance with the risk management process; they shall comply with the operational limits assigned to them in accordance with the risk objectives and the procedures that form part of the risk management process;

- 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, the Manager charged with preparing the coimpany's financial reports, Risk Management, Compliance, and Anti-Money Laundering) are described in detail in the Report on Corporate Governance and Ownership Structures prepared in accordance with the third paragraph of article 123 bis of Italian Legislative Decree No. 58 of 24 February 1998 (Consolidated Law on Finance, or "TUF") and subsequent updates, the latest version of which was approved by the Board of Directors on 9 March 2023 and published on the Bank's website in the Corporate Governance section.

Briefly, in addition to that already stated in the previous paragraph in terms of the roles and tasks performed by the 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.

2.2.3.Risk management strategies and processes for each risk category

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

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

- business model;

- strategic plan and operational budget;
- 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:

Table 7 - Risks identified within the group and their level of significance

Risk	Description	Relevance
Credit risk	The risk of loss arising from the insolvency or deterioration of the creditworthiness of counterparties entrusted by the Group; it consists of: • the counterparty risk dimension. It regards the risk of insolvency or deteriorating creditworthiness of the counterparties the Group is exposed to; • of the operation risk dimension. It concerns both the losses that the Group incurs due to the non-recovery of receivables due from defaulting counterparties, and the increase in exposure values to parties that, following a worsening of their economic-financial situation, tend (in all those cases of technical forms of credit referred to as having “uncertain value”) to make greater use of the credit facility granted to them, thereby reducing the remaining available margin.	**High**
Counterparty risk	The risk that the counterparty to a transaction involving financial instruments for which the fair value does not include the counterparty credit risk, defaults before the final settlement of the transaction cash flows.	**Low**
Credit concentration risk	Risk arising from exposures to counterparties, including central counterparties, groups of connected counterparties, and counterparties operating in the same economic sector, in the same geographic region or that perform the same activity or deal with the same merchandise, as well as from the application of credit risk mitigation techniques, including, in particular, risks related to indirect exposures, such as, for example, to individual providers of guarantees.	**Medium**
Country risk	The risk of losses caused by events occurring in a country other than Italy. The concept of country risk is broader than that of sovereign risk as it refers to all exposures regardless of the nature of the counterparties, be they individuals, corporations, Banks or Governments.	**Low**
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**

Risk	Description	Relevance
Equity risk	The risk of a loss in value of the investment (in financial and non-financial companies) held by the Group arising from the possibility of incurring capital losses, of achieving a lower yield than expected and/or of having to sustain fixed assets for periods exceeding initial expectations. This risk includes potential conflicts of interest and inadequate organisational or corporate separation between the investment activity and the remaining banking activity.	**Low**
Operational risk	Operational risk is the risk of losses arising from inadequate or dysfunctional procedures, human resources, internal systems or external events. This definition includes legal risk; strategic and reputational risks are not included.	**High**
ICT and Security risk	ICT and Security risk consists of the risk of incurring losses due to breaches of confidentiality, inadequate integrity of systems and data, inadequacy or unavailability of systems and data, or the inability to replace information technology (IT) within reasonable time and cost limits in the event of changes in the requirements of the external environment or business (agility), as well as security risks arising from inadequate or incorrect internal processes or external events, including cyber-attacks or an inadequate level of physical security.	**High**
Model risk	This represents the risk of incurring financial losses, erroneous strategic decisions as well as damage to the Group's reputation resulting from improper or incorrect use of the results and reports produced by the models used.	**Medium**
Reputational risk	The current or future risk of a reduction in profits or capital deriving from the negative perception of the Group's image among customers, counterparties, shareholders, investors, or Supervisory Authorities.	**Medium**
Market risk	The risk of loss due to adverse movements in market prices (share prices, interest rates, foreign exchange rates, commodity prices, volatility of risk factors, and so on) in connection with the trading book for Supervisory purposes (position, settlement and concentration risks) and with the Group's entire budget (exchange rate and position risk on commodities).	**Low**
Credit valuation adjustment risk	This 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 Banking Book (IRRBB)	Risk arising from potential changes in interest rates, with reference to assets other than trading. It represents the risk that unexpected changes in interest rates may lead to negative effects both in income terms, by reducing net interest income, and in equity terms, by reducing the Bank's economic value.	**High**
Credit Spread Risk Banking Book (CSRBB)	Risk determined by market price changes for credit risk, liquidity and other potential characteristics of credit risk instruments, which is not captured by another existing prudential framework such as IRRBB or expected credit/default risk. The CSRBB recognises the risk of a change in the spread of an instrument assuming the same level of creditworthiness, i.e. the change in the credit spread within a given rating/PD range.	**Low**
Liquidity risk	It represents the company's difficulty or inability to meet its payment commitments on time due to the inability both to raise funds on the market (funding liquidity risk) and to mobilise its assets (market liquidity risk).	**High**
Risk related to the amount of encumbered assets	The risk associated with the portion of encumbered assets arises from the unavailability of assets that can be readily liquidated by sale, repurchase, assignment under guarantee or securitisation.	**High**
Risk of excessive leverage	Risk that a particularly high level of indebtedness in relation to the Group's capital endowment will make it vulnerable, so that it needs to adopt corrective measures to its business plan, including the sale of assets with the recording of losses that could lead to adjustments to the value of the remaining assets.	**Low**
Strategic and business risk	The current or prospective risk of a decline in profits or capital resulting from changes in the operating environment or from erroneous business decisions, inadequate implementation of decisions, or lack of responsiveness to changes in the competitive environment.	**Medium**

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

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

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

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

- Risk Profile (actual risk): represents the risk actually undertaken, measured at a given moment in time;
- Risk Appetite (risk objective): the level of risk, overall and by type, which the Group intends to assume to fulfil its strategic objectives;
- Risk Tolerance (tolerance threshold): the maximum allowed deviation from Risk Appetite. The tolerance threshold is fixed in such a manner as to provide the Group with sufficient margins to operate in every case, even under stress, within the maximum risk that can be assumed;
- Warning: threshold defined for only strategic indicators without regulatory constraints. It represents the maximum level of risk that can be assumed in achieving the Group's 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 is activated, which requires the timely definition of the procedures and management actions to be taken 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 the risk objectives aims at identifying any criticality of the moments of corporate planning and management of the risks and is preparatory to the implementation of corrective and realignment actions, in compliance with the general principles of sound and prudent management.

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

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

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

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

In 2023 the Group also drew up the Group's Recovery Plan, a document containing preparatory measures aimed at preventing and resolving any crisis situations in a timely manner; it describes how the Group intends to restore balance sheet and financial equilibrium in conditions of severe technical deterioration (near to default).

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

2.2.4.Disclosure on governance systems

The Articles of Association provide that the Company shall be administered by a Board of Directors consisting of a minimum of five to a maximum of fifteen members elected by the Shareholders' Meeting whose term of office shall not exceed three financial years, established at the time of appointment, and shall expire on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their office. 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 Supervisory Provisions for Banks in matters of Corporate Governance, the Board of Directors, with the help of the Appointments Committee, identifies in advance what it deems to be its optimal composition, in terms of numbers and quality, identifying and justifying the theoretical profile of candidates. The analyses conducted, reported in the document “Optimal quali-quantitative composition of the Board of Directors of Banca Ifis”, are published on the Bank's website, in the section About us - Corporate Governance - Shareholders' meeting.

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

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

On 12 May 2022, the Board, with the support of the Appointments Committee, in compliance with the Supervisory Provisions on the procedure for assessing the suitability of directors of Banks, financial intermediaries, electronic money institutions, payment institutions and depositor guarantee schemes, within thirty days of their appointment, 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, at the same time as the start of the self-assessment process provided for by the Bank of Italy Circular No. 285/2013 (Title IV, Chapter 1). This process is designed to ensure that the correct and effective 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.

For a complete review of the information regarding the selection process for Board members, the number of appointments held by members of the management body and additional governance-related information is provided in the “2023 Report on Corporate Governance and Ownership Structure”, published on the Banca Ifis website (https://www.bancaifis.it/en/about-us/corporate-governance/reports-documents/corporate-governance-structures-organisation/).

In accordance with the provisions of Circular No. 285/2013 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.

In 2023, the Committee met 23 times, five of which jointly with the Board of Statutory Auditors and once jointly with the Appointments Committee and the Remuneration Committee. 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:

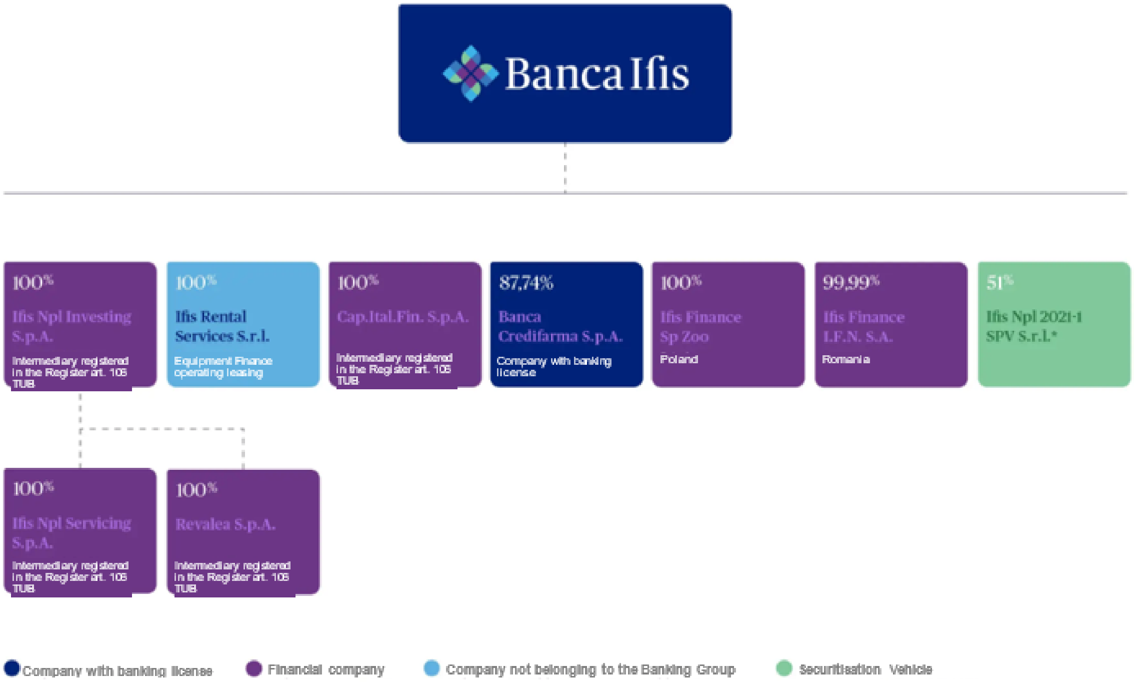
- in the definition and adoption of the strategic guidelines and risk management policies. As part of the RAF, the Control and Risk Committee performs the evaluation and proposal activity necessary for the Board of Directors to define and approve the risk objectives and tolerance threshold;
- in verifying 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.).

2.3. Scope of Application

2.3.1.Qualitative disclosure

At 31 December 2023, 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., Revalea 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 31/12/2023.


Banca Ifis
100% Ifis Npl Investing S.p.A. Intermediary registered in the Register art. 106 TUB
100% Ifis Rental Services S.r.l. Equipment Finance operating leasing
100% Cap.Ital.Fin. S.p.A. Intermediary registered in the Register art. 106 TUB
87,74% Banca Credifarma S.p.A. Company with banking license
100% Ifis Finance Sp Zoo Poland
99,99% Ifis Finance I.F.N. S.A. Romania
51% Ifis Npl 2021-1 SPV S.r.l.*
100% Ifis Npl Servicing S.p.A. Intermediary registered in the Register art. 106 TUB
100% Revalea S.p.A. Intermediary registered in the Register art. 106 TUB
● Company with banking license
● Financial company
● Company not belonging to the Banking Group
● Securitisation Vehicle

* Vehicle set up pursuant to Italian Law No. 130 of 1999 for the purpose of a credit securitisation operation

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.

2.3.2.Quantitative information

Table EU LI1 shows, with reference to 31 December 2023, the reconciliation of the Consolidated Balance Sheet data (Published Financial Statements) with the Balance Sheet data according to the Regulatory Scope, as well as the breakdown of financial statements items among regulatory risk categories. The differences between the carrying amounts according to the accounting scope and the carrying amounts for the regulatory scope are attributable to the deconsolidation of the companies that are not part of the Banking Group and their consolidation using the equity method in the prudential perimeter.

Table 8 - Template EU LI1: differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
				subject to the credit risk framework	subject to the CCR framework	subject to the securitisation framework	subject to the market risk framework	not subject to own funds requirements or subject to deduction from own funds
Assets								
10	Cash and cash equivalents	857	857	857				
20	Financial assets measured at fair value through profit or loss	235	235	219	13	3	13	
30	Financial assets measured at fair value through other comprehensive income	749	749	749				
40	Financial assets measured at amortised cost	11.260	11.071	10.851	0	197		23
50	Hedging derivatives	0	0	0				
60	Value adjustment of financial assets generically hedged	0	0	0				
70	Equity investments	0	191	191				
80	Technical provisions by reinsurers	0	0	0				
90	Property, plant and equipment	143	143	143				
100	Intangible assets	77	77	14				63
110	Tax assets	285	276	235				41
120	Non-current assets and disposal groups	0	0					
130	Other assets	445	433	433				
	Total assets	14.051	14.032	13.693	13	200	13	126
Liabilities								
10	Financial liabilities measured at amortised cost	11.821	11.821		1.062			266
20	Financial liabilities held for trading	14	14		14		14	
30	Financial liabilities designated at fair value	0	0					
40	Hedging derivatives	12	12		12			
50	Value adjustment of financial liabilities hedged	0	0					
60	Tax liabilities	58	57					32
70	Liabilities associated with assets held for sale	0	0					
80	Other liabilities	388	369					
90	Post-employment benefits	8	8					
100	Provisions for risks and charges	58	58					
110	Technical provisions	0	0					

		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
120	Valuation reserves	-39	-39					-39
130	Reimbursable shares	0	0					
140	Equity	0	0					
150	Reserves	1.505	1.514					1.514
155	Interim dividends	-63	-63					
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	14	14					6
200	Profit for the year	160	151					41
	Total liabilities and equity	14.051	14.032	13.693	13	200		

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:

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

Table 9 – Template EU LI2: main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Total	Items subject to			
			credit risk framework	securitisation framework	CCR framework	market risk framework
1	Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	13.919	13.693	200	13	13
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	1.102			1.088	14
3	Total net amount under the regulatory scope of consolidation	15.021				
4	Off-balance-sheet amounts	1.430	1.430			
5	Valuation differences	0				
6	Differences due to compensation rules other than those already included in line 2	0				

		Total	Items subject to			
			credit risk framework	securitisation framework	CCR framework	market risk framework
7	Differences due to the treatment of value adjustments	0				
8	Differences due to the use of credit risk mitigation (CRM) techniques	0	51	-51		
9	Differences due to credit conversion factors	-905	-905			
10	Differences due to securitisation with risk transfer	0				
11	Other differences	312	-8		320	
12	Amounts of exposures considered for regulatory purposes	15.858	14.261	149	1.421	27

Table 10 - 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
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
REVALEA S.P.A.	Full consolidation	X					Financial institution

(*) 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.

3. Capital adequacy

For the sake of comparison, it should also be noted that until 31 December 2023, Banca Ifis, at the consolidated level, is required to comply with the following capital requirements, including 2,5% as a capital conservation buffer, as part of the Supervisory Review and Evaluation Process (SREP):

- Common Equity Tier 1 (CET 1) capital ratio of 7,90%, with a required minimum of 5,40%;
- Tier 1 Capital Ratio of 9,75%, with a required minimum of 7,25%;
- Total Capital Ratio of 12,15%, with a required minimum of 9,65%.

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

- CET 1 ratio of 8,65%, consisting of an OCR CET1 ratio of 7,90% and a target component (Pillar 2 Guidance) of 0,75%;
- Tier 1 ratio of 10,50%, consisting of an OCR T1 ratio of 9,75% and a target component (Pillar 2 Guidance) of 0,75%;
- Total Capital Ratio of 12,90%, consisting of an OCR TC ratio of 12,15% and a target component (Pillar 2 Guidance) of 0,75%.

On **29 January 2024**, Banca *Ifis* disclosed the final decision that the Bank of Italy adopted, following the annual prudential review and assessment process, regarding the new capital requirements that Banca *Ifis* will have to comply with, at a consolidated level, for 2024 and which are set out below:

- Common Equity Tier 1 (CET 1) capital ratio of 8,00%, with a required minimum of 5,50%;
- Tier 1 Capital Ratio of 9,90%, with a required minimum of 7,4%;
- Total Capital Ratio of 12,30%, with a required minimum of 9,80%.

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

- CET 1 ratio of 9,00%, consisting of an OCR CET1 ratio of 8,00 and a target component (Pillar 2 Guidance) of 1,00%;
- Tier 1 ratio of 10,90%, consisting of an OCR T1 ratio of 9,90% and a target component (Pillar 2 Guidance) of 1,00%;
- Total Capital Ratio of 13,30%, consisting of an OCR TC ratio of 12,30% and a target component (Pillar 2 Guidance) of 1,00%.

Below is a comparative table of the requirements valid until December 2023 and those in force as of 2024.

Table 11 - Capital ratios at consolidated level (1 of 2)

Overall Capital Requirement (OCR) 2023						Pillar 2 Guidance	Total
	Art. 92 CRR	SREP	TSCR	RCC*	OCR ratio	P2G	OCR and P2G
CET1	4,50%	0,90%	5,40%	2,50%	7,90%	0,75%	8,65%
Tier 1	6,00%	1,25%	7,25%	2,50%	9,75%	0,75%	10,50%
TC	8,00%	1,65%	9,65%	2,50%	12,15%	0,75%	12,90%

*RCC: capital conservation buffer

Table 12 - Capital ratios at consolidated level (2 of 2)

Overall Capital Requirement (OCR) 2024						Pillar 2 Guidance	Total
	Art. 92 CRR	SREP	TSCR	RCC*	OCR ratio	P2G	OCR and P2G
CET1	4,50%	1,00%	5,50%	2,50%	8,00%	1,00%	9,00%
Tier 1	6,00%	1,40%	7,40%	2,50%	9,90%	1,00%	10,90%
TC	8,00%	1,80%	9,80%	2,50%	12,30%	1,00%	13,30%

*RCC: capital conservation buffer

At 31 December 2023, the Banca Ifis Group easily met the above-specified requirements.

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

The minimum own funds and eligible liabilities (MREL) requirements communicated by the Bank of Italy to the parent company Banca Ifis S.p.A. and its subsidiary Banca Credifarma S.p.A. are as follows:

Table 13 - MREL requirement

MREL REQUIREMENT	
BANCA IFIS S.P.A.	BANCA CREDIFARMA S.P.A.
14,65% (*) of the Total Risk Exposure Amount (TREA)	8% (*) of the Total Risk Exposure Amount (TREA)
4.25% of Leverage Ratio Exposure	3% of Leverage Ratio Exposure

(*) The MREL requirement in terms of TREA includes “on top” the combined capital requirement component of 2,5% (including only the capital conservation buffer to which the quarterly determined countercyclical buffer is added).

It should be noted that, following the final decision of the Bank of Italy in terms of capital requirements, the Banca *Ifis* Group will be required to comply with an MREL requirement in terms of TREA equal to 14,80% for 2024 at the consolidated level (determined as an overall requirement equal to 12,30% to which is added the combined capital requirement equal to 2,5%, including only the capital conservation buffer, to which is added the quarterly determined countercyclical buffer).

At 31 December 2023, following the monitoring process, both indicators were easily met.

Group liquidity position and coefficients

During 2023, the Group continued its strategy of differentiating between distribution channels, in order to ensure a better balance with respect to retail funding. The Group has liquidity at 31

December 2023 (in reserves and free assets that can be financed in the ECB) such as to enable it to easily respect the LCR and NSFR limits (with indexes more than of 1.100% and 100% respectively).

3.1. Own funds

Consolidated own funds and capital adequacy ratios at 31 December 2023

Consolidated own funds, risk-weighted assets and prudential ratios at 31 December 2023 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 2023, in continuity with what has been done since 30 June 2020, the Banca Ifis Group has applied the temporary support provisions still in force at this reporting date, as set out in EU Regulation No. 873/2020 (the "quick fix").

New developments during the year included the conclusion of the transitional period introduced by Regulation (EU) 873/2020 for the application of the COVID-19 pandemic support provisions for the application of the prudential filter for unrealised gains and losses in debt instruments issued by central governments classified in the FVOCI category.

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

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

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

Table 14 - 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

EMARKET
SDIR
CERTIFIED

Table 15 - Own Funds and capital adequacy ratios

(figures in thousand € or %)	Amounts with application of IFRS 9 transitional provisions		Amounts without application of IFRS 9 transitional provisions	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Common Equity Tier 1 (CET1) capital	1.544.497	1.520.570	1.518.451	1.475.910
Tier 1 capital (TIER1)	1.545.424	1.521.490	1.519.378	1.476.830
Total Own Funds	1.812.324	1.906.288	1.786.278	1.861.628
Total RWAs	**10.390.002**	**10.128.064**	**10.386.270**	**10.115.502**
CET1 ratio	14,87%	15,01%	14,62%	14,59%
TIER1 ratio	14,87%	15,02%	14,63%	14,60%
Total Capital Ratio	17,44%	18,82%	17,20%	18,40%

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

At 31 December 2023, taking into account the transitional treatment adopted to mitigate the impacts of IFRS 9 on CET1, Own funds amount to 1.812,3 million Euro, recording a negative change of 94,0 million Euro compared to 31 December 2022. This change is mainly attributable to the following components:

- inclusion of the profit referred to the prudential scope accrued at 31 December 2023 of 151,5 million Euro, net of the assumed dividend of 110,2 million Euro including the portion distributed on account. The positive change amounts to 41,3 million Euro;
- the lesser deduction of other income statement items attributable to the valuation reserve for equities measured at fair value through other comprehensive income (FVOCI) of a positive change of 20,5 million Euro;
- the end of the transitional period for the application of the FVOCI prudential filter (Art. 468 CRR), which led to a negative change in CET1 of 13 million Euro;
- the reduction of the transitional filter introduced to mitigate the impact of the introduction of IFRS 9 (Art. 473 bis CRR) in the amount of 5,6 million Euro;
- higher deduction from the CET1, deriving from the increase in receivables within the scope of what is termed “Calendar provisioning”, for 12,8 million Euro;

  higher deduction of investments in intangible assets, whose negative change amounts to 10,6 million Euro;
- the reduced eligibility for Tier 2 capital of the subordinated loan with a maturity of less than 5 years due to the joint effect of the application of the amortisation under Article 64 of the CRR and the deduction of the repurchase obligation authorised by the Bank of Italy, which has entailed a total reduction of 117,9 million Euro.

The negative change in Own funds due to the aforementioned phenomena was also accompanied by an increase in the RWA component of 261,9 million Euro, as described below.

At 31 December 2023, taking into account the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets (RWAs) amount to 10.390,0 million Euro, a decrease of 261,9 million Euro compared to December 2022. Specifically, please note:

- an increase in credit risk of 130 million Euro mainly attributable to the following changes:
    - an increase of 171,4 million Euro recorded on the corporate portfolio and mainly related to an increase in loans in the Factoring Area, recorded in particular during the fourth quarter of 2023;
    - an increase of 53,2 million Euro due to the increase in investments in assets classifiable as "high risk";
    - a decrease of 81,5 million Euro in the "other positions" and "institutions" portfolios, mainly due to the lower absorption of repo transactions;
    - a decrease of 26,4 million Euro recorded in the "Exposures in default" portfolio, where the entry of the new subsidiary Revalea, which took place in the fourth quarter of 2023, partly offset the overall downward trend of the previous quarters (at the end of September 2023, in fact, an overall decrease of 140 million Euro was recorded);
    - effects on other portfolios (including positions in securitisation) for an increase of 13,4 million Euro.
- an increase in market risk and (Credit Valuation Adjustment) components, totalling 19,9 million Euro, mainly due to the restructuring of derivative transactions;
- an increase in operational risk of 112 million Euro, due to the improvement of the relevant indicator on 2023.

Table 16– Risk-weighted assets

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT	COMMERCIAL & CORPORATE BANKING SEGMENT			NPL SEGMENT	NON-CORE & GOVERNANCE & SERVICES SEGMENT	CONS. GROUP TOTAL
		of which: FACTORING AREA	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
Total RWA per segment	**5.813.454**	**2.737.067**	**1.344.965**	**1.731.423**	**1.898.366**	**1.537.717**	**9.249.537**
Market risk							23.244
Operational risk (basic indicator approach)							1.027.943
Risk of adjustment of the credit rating							89.278
Total RWAs							**10.390.002**

Disclosure regarding Sovereign Debt

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

In accordance with the requirements of the aforementioned communication, it should be noted that at 31 December 2023 the carrying amount of sovereign debt exposures is 2.121 million Euro, net of the negative valuation reserve of 18,8 million Euro.

These securities, with a nominal amount of approximately 2.109 million Euro, have a weighted residual average life of approximately 33 months.

The fair values used to measure the exposures to Sovereign debt securities at 31 December 2023 are considered to be Level 1.

Pursuant to the CONSOB Communication, besides the exposure to Sovereign debt, it is also necessary to consider receivables due from the Italian National Administration, which at 31 December 2023 total 342 million Euro, including 85 million Euro relating to tax receivables.

Tax assets

Tax assets are included in the calculation of "capital requirements for credit risk" in accordance with (EU) Regulation No. 575/2013 (CRR) as subsequently amended, which was transposed in the Bank of Italy's Circulars No. 285 and No. 286.

Here below is the breakdown of the different treatments by type and the relevant impact on CET1 and risk-weighted assets at 31 December 2023:

- the "deferred tax assets that rely on future profitability and do not arise from temporary differences" are subject to deduction from CET1. At 31 December 2023, the deduction is 41 million Euro. It should also be noted that the amount of DTA deducted from CET1, as provided for by Art. 38 par. 5 pursuant to CRR, is offset for an amount of 9,4 million Euro by the corresponding deferred tax liabilities. This deduction will be gradually absorbed by the future use of these deferred tax assets;
- the "deferred tax assets that rely on future profitability and arise from temporary differences" are not deducted from CET1 and receive instead a 250% risk weight: at 31 December 2023, these assets amount to 44,3 million Euro. The amount weighted according to a factor of 250%, as provided for by art. 38 par 5 pursuant to CRR, is shown net of the offsetting with the corresponding deferred tax liabilities for an amount of 22,2 million Euro;
- the "deferred tax assets pursuant to Italian Law No. 214/2011", concerning credit risk losses, that can be converted into tax credits, receive a 100% risk weight; at 31 December 2023, the corresponding weight totals 144,7 million Euro;
- "Current tax assets" receive a 0% weight as they are exposures to the Central Government.

Table 17 - IFRS9-FL - Comparison of Own Funds, Capital Ratios and Leverage with and without the application of IFRS 9 transitional arrangements

	Available capital (amounts)	**31/12/2023**	**31/12/2022**	**31/12/2021**
1	Common Equity Tier 1 (CET1) capital	1.544	1.521	1.487
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements or similar expected credit losses were applied	1.518	1.489	1.455
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	1.544	1.508	1.427
3	Tier 1 capital	1.545	1.521	1.489
4	Tier 1 capital (CET1) as if IFRS 9 transitional arrangements or similar expected credit losses were not applied	1.519	1.490	1.457
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	1.545	1.508	1.429
5	Total capital	1.812	1.906	1.891
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements were not applied	1.786	1.875	1.859
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	1.812	1.893	1.831
	Risk-weighted assets (amounts)			
7	Total risk-weighted assets	10.390	10.128	9.633
8	Total risk-weighted assets, as if IFRS 9 transitional arrangements or similar expected credit losses were not applied	10.386	10.116	9.614
	Capital ratios			
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	14,87%	15,01%	15,44%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements were not applied	14,62%	14,72%	15,13%
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	14,87%	14,88%	14,81%
11	Tier 1 (as a percentage of risk exposure amount)	14,87%	15,02%	15,45%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements were not applied	14,63%	14,73%	15,15%
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	14,87%	14,89%	14,83%
13	Total capital (as a percentage of risk exposure amount)	17,44%	18,82%	19,63%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or similar ECLs transitional arrangements were not applied	17,20%	18,53%	19,34%
14a	Total capital (as a percentage of the risk exposure amount) as if the temporary treatment under article 468 CRR for unrealised gains and losses, measured at fair value through other comprehensive income, were not applied	17,44%	18,69%	19,01%
Leverage ratio				
15	Leverage ratio total exposure measurement	14.860	14.213	13.716
16	Leverage ratio	10,40%	10,71%	10,86%
17	Leverage ratio as if IFRS 9 transitional arrangements or similar expected credit losses were not applied	10,22%	10,48%	10,62%
17a	Leverage ratio as if the temporary treatment under article 468 CRR for unrealised gains and losses, measured at fair value through other comprehensive income, were not applied	10,40%	10,61%	10,41%

3.1.1.Quantitative information

Table 18 - 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	160,170
	Of which: instrument type 1	138	-
	Of which: instrument type 2	-	-
	Of which: instrument type 3	-	-
2	Retained earnings	1.501	150
3	Accumulated other comprehensive income (and other reserves)	(26)	120,150
EU-3a	Funds for general banking risks	-	-
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-
5	Minority interests (amount allowed in consolidated CET1)	4	190
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	41	200
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1.658	-
Common Equity Tier 1 (CET 1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(1)	1
8	Intangible assets (net of related tax liability) (negative amount)	(63)	100
9	Not applicable	-	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(32)	110,60
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	-
12	Negative amounts resulting from the calculation of expected loss amounts	-	-
13	Any increase in equity that results from securitised assets (negative amount)	-	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-
15	Defined benefit pension fund assets (negative amount)	-	-
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount	(22)	180
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
20	Not applicable	-	-

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-
EU-20b	Of which: qualifying holdings outside the financial sector (negative amount)	-	-
EU-20c	Of which: securitisation positions (negative amount)	-	-
EU-20d	Of which: free deliveries (negative amount)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	-
22	Amount exceeding the 17,65% threshold (negative amount)	-	-
23	Of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-
24	Not applicable	-	-
25	Of which: deferred tax assets arising from temporary differences	-	-
EU-25a	Losses for the current financial year (negative amount)	-	-
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	-
26	Not applicable	-	-
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	-
27a	Other regulatory adjustments	3	2,3
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(114)	-
29	Common Equity Tier 1 (CET1) capital	1.544	-
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	-
31	Of which: classified as equity under applicable accounting standards	-	-
32	Of which: classified as liabilities under applicable accounting standards	-	-
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	-
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	-
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	1	190
35	of which: instruments issued by subsidiaries subject to phase out	-	-
36	Additional Tier 1 (AT1) capital before regulatory adjustments	1	-
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	-
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	-	-

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	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)	1.545	-
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	316	10
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	-
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-	-
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	1	190
49	of which: instruments issued by subsidiaries subject to phase out	-	-
50	Credit risk adjustments	-	-
51	Tier 2 (T2) capital before regulatory adjustments	317	-
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(50)	10
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	(50)	-

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
58	Tier 2 (T2) capital	267	-
59	Total capital (TC = T1 + T2)	1.812	-
60	Total risk exposure amount	10.390	-
Capital ratios and buffers			
61	Common Equity Tier 1 capital	14,87%	-
62	Tier 1 capital	14,87%	-
63	Total capital	17,44%	-
64	Institution CET1 overall capital requirement	7,93%	-
65	Of which: capital conservation buffer requirement	2,5%	-
66	Of which: countercyclical buffer requirement	0,03%	-
67	Of which: systemic risk buffer requirement	-	-
EU-67a	Of which: global systemically important institution (G-SII) or other systemically important institution (O-SII) capital buffer requirement	-	-
EU-67b	Of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0,9%	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7,62%	-
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)	89	-
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)	16	-
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)	22	-
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)			

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 due to cap (exceeded cap after repayments and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

Table 19 - 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	77	77	63	8
110	Tax assets: b) prepaid	239	230	41	10
	Total assets	316	307	104	
Liabilities					
10	Financial liabilities measured at amortised cost: c) Debt securities issued	373	373	266	46/52
60	Tax liabilities: b) deferred	32	32	9	10
120	Valuation reserves	-39	-39	-39	3
150	Reserves	1.505	1.514	1.514	2,3
160	Share premium	-63	-63		
170	Share capital	84	84	84	1
180	Treasury shares (-)	54	54	54	1
190	Equity attributable to non-controlling interests (+/-)	-22	-22	-22	16
200	Profit (Loss) for the year (+/-)	14	14	6	5, 34, 48
	Total liabilities				
Equity					
1	(-) Value adjustments due to prudent valuation requirements			-1	7
2	Transient Filters			26	27a
3	(-) Insufficient coverage for non-performing exposures			-22	27a
	Total equity			1.812	

3.2. Countercyclical capital buffer

3.2.1.Quantitative information

Table 20 - Template EU CCyB1: geographical distribution of credit exposures relevant for the calculation of the countercyclical 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:						
	Abu Dhabi	1					
	Saudi Arabia	10	-	-	-	-	1
	Australia	17	-	-	-	-	10
	Austria	10	-	-	-	-	17
	Belgium	5	-	-	-	-	10
	Brazil	1	-	-	-	-	5
	Canada	7	-	-	-	-	1
	Czech (Republic)	4	-	-	-	-	7
	Chile	1	-	-	-	-	4
	South Korea (Republic of)	2	-	-	-	-	1
	Croatia	2	-	-	-	-	2
	Denmark	2	-	-	-	-	2
	Egypt	1	-	-	-	-	2
	Finland	3	-	-	-	-	1
	France	80	-	-	-	-	3
	Germany	61	-	-	-	-	80
	Greece	8	-	-	-	-	61
	India	1	-	-	-	-	8
	Ireland	17	-	-	-	-	1
	Italy	9.185	-	-	-	-	17
	Lithuania	1	-	-	-	149	9.334
	Luxembourg	25	-	-	-	-	1
	Malta	1	-	-	-	-	25
	Mexico	10	-	-	-	-	1
	Norway	2	-	-	-	-	10

		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	23	-	-	-	-	2
	Poland	100	-	-	-	-	23
	Portugal	3	-	-	-	-	100
	Principality of Monaco	3	-	-	-	-	3
	United Kingdom	17	-	-	-	-	3
	Romania	29	-	-	-	-	17
	San Marino	3	-	-	-	-	29
	Serbia	1	-	-	-	-	3
	Slovakia	6	-	-	-	-	1
	Spain	20	-	-	-	-	6
	United States	48	-	-	-	-	20
	Sweden	23	-	-	-	-	48
	Switzerland	80	-	-	-	-	23
	Turkey	31	-	-	-	-	80
020	Total	9.842	-	-	-	149	9.991

Table 21 - Template EU CCyB1: geographical distribution of credit exposures relevant for the calculation of the countercyclical 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:							
	Abu Dhabi	-	-	-	-	-	0,01%	0%
	Saudi Arabia	1	-	-	1	10	0,12%	0%
	Australia	1	-	-	1	17	0,21%	1,00%
	Austria	1	-	-	1	10	0,12%	0%
	Belgium	-	-	-	-	-	0,06%	0%
	Brazil	-	-	-	-	-	0,01%	0%
	Canada	1	-	-	1	7	0,08%	0%
	Czech (Republic)	-	-	-	-	-	0,05%	2,00%
	Chile	-	-	-	-	-	0%	0%
	South Korea (Republic of)	-	-	-	-	-	0,02%	0%
	Croatia	-	-	-	-	-	0,02%	1,00%
	Denmark	-	-	-	-	-	0,02%	2,50%
	Egypt	-	-	-	-	-	0,01%	0%
	Finland	-	-	-	-	-	0,03%	0%
	France	6	-	-	6	78	0,95%	0,50%
	Germany	5	-	-	5	61	0,74%	0,75%
	Greece	1	-	-	1	8	0,10%	0,000%
	India	-	-	-	-	-	0,02%	0%
	Ireland	1	-	-	1	12	0,14%	1,00%
	Italy	602	-	5	607	7.592	92,05%	0%
	Lithuania	-	-	-	-	-	0,01%	1,00%
	Luxembourg	2	-	-	2	28	0,34%	0,50%
	Malta	-	-	-	-	-	0,01%	0%
	Mexico	1	-	-	1	10	0,12%	0%
	Norway	-	-	-	-	-	0,02%	2,50%
	The Netherlands	2	-	-	2	23	0,28%	1,00%
	Poland	8	-	-	8	100	1,21%	0%
	Portugal	-	-	-	-	-	0,04%	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:							
	Principality of Monaco	-	-	-	-	-	0,04%	0%
	United Kingdom	1	-	-	1	17	0,20%	1,00%
	Romania	2	-	-	2	30	0,36%	1,00%
	San Marino	-	-	-	-	-	0,04%	0%
	Serbia	-	-	-	-	-	0,01%	0%
	Slovakia	1	-	-	1	9	0,11%	1,50%
	Spain	2	-	-	2	20	0,24%	0%
	United States	4	-	-	4	46	0,55%	0%
	Sweden	2	-	-	2	23	0,28%	2,00%
	Switzerland	6	-	-	6	80	0,96%	0%
	Turkey	2	-	-	2	31	0,38%	0%
020	Total	652	-	5	657	8.212		

Table 22 - Template EU CCyB2: amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount	10.390
2	Institution specific countercyclical capital buffer rate	0,03%
3	Institution specific countercyclical capital buffer requirement	3

4. Financial leverage

4.1. Leverage ratio

4.1.1.Leverage risk management process

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

Regulation (EU) No. 876/2019 (the “CRR 2”), amending Regulation (EU) No. 575/2013 (the “CRR”), introduced from 28 June 2021 an additional prudential requirement, namely a financial leverage coefficient 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 at a consolidated level, is monitored and is one of the reference metrics within the Risk Appetite Framework for monitoring the Group's risks and capital adequacy. Only for information purposes, with the entry into force of CRR2, it is required, within the scope of prudential reporting, to also provide information on the average values of exposures in Secured Financial Transaction, without impacting, however, on the ratio which continues to be calculated with the punctual data.

At the reporting date, the leverage ratio was 10,4%, more than 3 times higher than the regulatory minimum value of 3%.

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

Leverage remained substantially stable compared to the value at 31.12.2022 when it was 10,7%. The decrease was driven by the increase in overall exposure used for leverage purposes of 4,6% against a less than proportional year-over-year increase in TIER1 of 1,6%.

4.1.3.Quantitative information

Table 23 - Template EU LR1 - LRSum: summary reconciliation of accounting assets and leverage ratio exposures

		Applicable amount
1	Total assets as per published financial statements	14.032
2	Adjustment for entities consolidated for accounting purposes but are outside the scope of regulatory consolidation	(0)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of Central Bank exposures (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	69
9	Adjustment for securities financing transactions (SFTs)	265
10	Adjustment for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet exposures)	604
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	(111)
13	Leverage ratio total exposure measure	14.860

Table 24 - Template EU LR2 - LRCom: leverage ratio common disclosure

		CRR leverage ratio exposures	
		31/12/2023	31/12/2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	14.019	13.234
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as assets)	-	-
5	(Value adjustments on general receivables of items in the financial statements)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(111)	(55)
7	Total on-balance sheet exposures (excluding derivatives and SFT)	13.909	13.179
Derivative exposures			
8	Replacement cost associated with SA-CCR derivative transactions (net of eligible cash variation margin)	-	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-

		CRR leverage ratio exposures	
		31/12/2023	31/12/2022
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	82	65
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	82	65
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	1.641
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-861
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	265	780
17	Agent transaction exposures	-	1.641
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-861
18	Total securities financing transaction exposures	265	-
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	1.436	1.641
20	(Adjustments for conversion to credit equivalent amounts)	(831)	(861)
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	Off-balance-sheet exposures	604	780
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	(Exposures of public development Banks (or units) excluded - Public sector investment)	-	-
EU-22d	(Exposures of public development Banks (or units) excluded - Subsidised loans)	-	-
EU-22e	(Excluded exposures arising from transfers (pass-through) of subsidised loans from an entity other than a public development bank (or unit))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-

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		CRR leverage ratio exposures	
		31/12/2023	31/12/2022
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	1.545	1.521
24	Leverage ratio total exposure measure	14.860	14.213
Leverage ratio			
25	Leverage ratio (%)	10,40%	10,71%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	10,40%	10,71%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	10,40%	10,71%
26	Regulatory minimum leverage ratio requirement (%)	3,00%	3,00%
EU-26a	Additional Own Funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	Of which made up of capital CET1	-	-
27	Required leverage buffer (%)	-	-
EU-27a	Overall leverage ratio requirements (%)	3,00%	3,00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	-	-
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions)	14.860	14.213
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)	14.860	14.213
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)	10,40%	10,71%
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)	10,40%	10,71%

Table 25 - 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	14.019
EU-2	Trading portfolio exposures	-
EU-3	banking portfolio exposures, of which	14.019
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	3.245
EU-6	Exposures to Regional Governments, multilateral development Banks, international organisations, and public sector entities not treated as sovereigns	211

		CRR leverage ratio exposures
EU-7	Institutions	1.078
EU-8	Secured by mortgages of immovable properties	188
EU-9	Retail exposures	2.208
EU-10	Corporate	4.083
EU-11	Exposures in default	1.862
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1.145

5. Liquidity risk

5.1. Liquidity requirements

5.1.1. Liquidity risk management strategies and processes

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

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

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

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

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

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

At 31 December 2023, financial sources mainly consisted of equity, online funding (Rendimax product), consisting of on-demand and time deposits, medium/long-term bonds issued as part of the EMTN programme, medium/long-term securitisation transactions, as well as funding from corporate customers. Funding in the form of repurchase agreements, entered into with leading banks, continued to be a significant source of funding in 2023. Finally, with regard to the Eurosystem's funding (TLTRO), it remained an important form of funding at the end of 2023. However, also in view of the fact that 2024 will see the natural maturity of these instruments, it was decided to bring forward the redemption of 500 million already to the end of 2023, bringing the amount used from approximately 2 billion to about 1,5 billion.

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

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

As for the Group's operations concerning the Npl Segment and the purchases of tax receivables arising from insolvency proceedings, the characteristics of the business model imply a 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 Group is constantly striving to improve the state of its financial resources, in terms of both size and cost, of the structural balance between assets and liabilities in terms of duration, so as to have available liquidity reserves adequate for current and future business volumes.

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

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

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

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

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

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

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

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

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

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

5.1.2.Liquidity risk management function organisational structure

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

- it oversees the measurement systems and assesses the liquidity risk to which the bank is exposed. In this context, it is called upon to provide assessments of the strengths and weaknesses and the degree of prudence of the model parameters used to estimate expected cash flows;

- it contributes to the definition and implementation of stress tests;
- it proposes and monitors compliance with operational limits on liquidity risk-taking;
- it contributes to the development and evaluates the internal transfer pricing system of funds;
- it prepares and updates reports for corporate bodies outlining the liquidity risk exposure, also determined on the basis of stress tests;
- it periodically checks the quality of the data used in the risk measurement methodology;
- it assesses the adequacy of liquidity buffers and independently verifies the pricing of the component assets and, where different from regulatory requirements, the appropriateness of the haircuts applied.

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

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

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

5.1.3.Infra-group liquidity management

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

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

5.1.4. Contingency Funding Plan

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 2023, the sharp rise in interest rates caused by the inflationary pressure that had begun post-pandemic continued. This situation, which only slowed down towards the end of the year, had a direct impact on the Group's liquidity profile, manifested in particular in a reduced attractiveness to investors for the online collection product (Rendimax). This resulted in a series of adjustments to the pricing of this product, in line with what other banks with similar commercial propositions also did.

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

In line with the strategy described in terms of management and risk appetite, despite the uncertain geopolitical scenario, which saw the addition of tension in the Middle East to that deriving from the Russia-Ukraine conflict and the worsening of the pandemic, in 2023, no violations were seen to the risk thresholds assigned internally.

5.1.5. Liquidity risk stress tests

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

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

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

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

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

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

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

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

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

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

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

5.1.6.Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR) is the short-term liquidity indicator and corresponds to the ratio of the amount of High Quality Liquidity Assets to total net cash outflows over the next 30 calendar days. As of 2018, the indicator is subject to a minimum regulatory requirement of 100%. In 2023, the indicator remained well above regulatory limits due to both a high level of HQLA and a typically very low level of net outflows.

5.1.7.Quantitative information

Table 26 - Template EU LIQ1: quantitative information of LCR

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	31.12.23	30.09.2023	30.06.2023	31.03.2023	31.12.2023	30.09.23	30.06.23	31.03.23
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)					1.304	1.130	1.090	1.103
Deflussi di cassa									
2	Retail deposits and deposits from small business customers, of which	4.105	3.975	3.878	3.801	97	104	110	115
3	Stable deposits	155	159	164	164	8	8	8	8

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		Total unweighted value (average)				Total weighted value (average)			
4	Less stable deposits	879	943	1.003	1.051	89	96	102	107
5	Unsecured wholesale funding	374	372	389	411	197	191	194	205
6	Operating deposits (all counterparties) and deposits in Cooperative Bank networks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	349	348	365	387	173	166	170	181
8	Unsecured debt	24	24	24	24	24	24	24	24
9	Secured wholesale funding					79	66	41	18
10	Additional requirements	76	69	69	76	13	13	12	12
11	Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
12	Outflows related to loss of funding on debt products	2	2	2	2	2	2	2	2
13	Credit and liquidity facilities	74	67	67	73	11	11	10	10
14	Other contractual funding obligations	103	100	95	100	103	100	95	100
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					490	473	452	450
Cash inflows									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	1.111	1.090	1.097	1.131	740	715	714	725
19	Other cash inflows	177	192	186	188	61	67	58	54
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	1.288	1.283	1.282	1.320	802	782	772	779
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	1.288	1.283	1.282	1.320	802	782	772	779

		Total unweighted value (average)				Total weighted value (average)			
EU-21	LIQUIDITY BUFFER					1.304	1.130	1.090	1.103
22	TOTAL NET CASH OUTFLOWS					122	118	113	113
23	LIQUIDITY COVERAGE RATIO					1.065%	955%	965%	980%

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.

Table 27 - 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	1.719	-	-	266	1.985
2	*Own funds*	1.719	-	-	266	1.985
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		2.199	924	1.603	4.422
5	*Stable deposits*		159	-	1	152
6	*Less stable deposits*		2.040	924	1.603	4.270
7	Wholesale funding:		1.890	1.766	3.362	4.461
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		1.890	1.766	3.362	4.461
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	26	109	19	129	138
12	*NSFR derivatives liabilities*	26				
13	*All other liabilities and capital instruments not included in the above categories*		109	19	129	138
14	Total available stable funding (ASF)					11.006
Required Stable Funding (RSF) items						
15	Total High-Quality Liquid Assets (HQLA)					337

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(in currency amount)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held with other financial Institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		3.217	703	4.748	5.077
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customers secured by other assets and loans and advances to financial Institutions*		379	17	110	156
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which*		567	367	2.812	3.005
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		154	83	642	674
22	*Performing residential mortgages, of which*		2	2	76	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		1	1	74	-
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*		2.270	317	1.749	1.915
25	Interdependent assets		-	-	-	-
26	Other assets:	-	902	122	2.086	2.789
27	*Physically traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		13			13
30	*NSFR derivative liabilities before deduction of variation margin posted*		26			1
31	*All other assets not included in the above categories*		863	122	2.086	2.775
32	Off-balance sheet items		290	4	35	52
33	Total RSF					8.254
34	Net Stable Funding Ratio (%)					133,33%

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 133,33%, above the regulatory limit of 100%. Although the indicator signals a sufficiently capacious level of highly liquid assets, the indicator is highly concentrated on Level 1 assets issued by Sovereigns.

6. Credit risk

6.1. Exposure to credit risk

6.1.1. Business model and assumption of credit risk

In accordance with the guidelines approved by the Parent Company's Governing Body and the changes in the supervisory regulatory framework, the Group seeks to strengthen its competitive position in the market of small and medium businesses. The aim is to increase its market share in the following segments: trade receivables, including for entities with specialist needs such as pharmacies, leasing, tax receivables, and distressed loans, providing high-quality and highly customisable financial services while keeping credit risk under control and profitability in line with the level of quality offered. The Private segment is also a complementary reference market for the Banking Group’s credit business, in respect of the strategic guidelines defined over time by the 2022-2024 Business Plan and the related implementing initiatives. Operations related to the pharmaceutical segment are carried out by the subsidiary Banca Credifarma, a banking operator specialising in granting advances, medium- to long-term loans and financial services to pharmacies.

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

- Commercial & Corporate Banking Underwriting dedicated, both with reference to the initial granting of credit and renewal and review activities, to assessing the creditworthiness of the counterparties as well as the risk inherent in the transactions and approving credit facilities in compliance with the powers assigned to it by the Board of Directors and formalised in the Group's System of Delegated Authorities for the assumption of credit risk;
- Commercial Banking, dedicated to the promotion of financing services to domestic and foreign companies and to the care of the correct relationship with the counterparties developed directly or indirectly, as well as the debtors (domestic or foreign) acquired as part of the operations carried out;
- Corporate & Investment Banking, dedicated to structured finance transactions or investments in performing non-financial companies and intermediaries;
- Pharmacies, directly manages existing portfolio relationships with domestic pharmacy counterparties in close cooperation with the organisational units of the subsidiary Banca Credifarma;
- Insurance, dedicated to the insurance products offered to its customers;
- Leasing & Rental, dedicated to offering and managing leasing and renting products;
- Marketing & Business Strategy, supporting the business units reporting to the Co-General Manager Chief Commercial Officer. Unit that deals with the planning and monitoring of the commercial production and development of specific commercial campaigns, identifying the relevant target, the contact channels and monitoring tools;

- Tax Credit, dedicated to the purchase of tax credits from companies in insolvency proceedings, in voluntary liquidation and from performing companies;
- Individuals, dedicated to the development of products, services and business opportunities related to transactional and funding banking services in relation to the Private customer segment;
- Anti-Fraud, dedicated to overseeing the transversal coordination of the Group structures that manage the offer of products to customers with respect to the execution of controls on the prevention and assessment of fraud attempts and the implementation of response actions.

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

- Ifis Npl Investing S.p.A., company dedicated to the acquisition and transfer of non-performing loans (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;
- Revalea S.p.A., a company set up in 2022 from the spin-off of Npls arising from the acquisition of non-performing loan portfolios and acquired by the Banca Ifis Group in October 2023, as part of the long-term partnership signed with the Mediobanca Group for the management of Npls;
- 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 operational management of receivables, carried out for performing customers, mainly consists in the ordinary management and monitoring conducted by dedicated structures at each of the Group's companies with the aim of constantly and pro-actively reviewing borrowers. In addition, a specific organisational unit within the Parent Company performs monitoring activities at the Group level to identify counterparties with performance issues, so as to anticipate problems and provide adequate reporting to the competent corporate functions.

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

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

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

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

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

After this phase, which normally lasts 6-12 months, the positions are directed towards the form of management most appropriate to their characteristics (non-judicial and judicial operations), which carries out an activity closely related to the transformation into paying positions and the collection of receivables.

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

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

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

Exposure to Italy’s sovereign credit risk

The securities portfolio in the banking book has a total value of 3 billion Euro and consists primarily of financial instruments with a risk for Italy of 2 billion Euro.

In 2023, the Group slightly increased its exposure to the Italian state for investments in government securities.

It should be noted that, in addition to the management strategies adopted for the purposes of risk containment, the component of Italian government bonds classified in HTCS and therefore whose changes in market value may determine potential impacts on the capital is equal to 22,5% of the total Italian government bonds in the portfolio.

With respect to total assets, the portion of liquidity invested in Italian government securities is approximately 14% at the end of 2023.

6.1.2.Credit risk management strategies and processes

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

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

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

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

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

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

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

Concerning credit risks, the Risk Management function:

- oversees, monitors and assesses credit risks, carrying out audits and analysis in accordance with the relevant guidelines; specifically, it:

  - assesses credit quality, ensuring compliance with credit guidelines and strategies by continuously monitoring credit risk indicators;
  - constantly monitors exposure to credit risk and compliance with the operating limits assigned to the operating structures in relation to the assumption of credit risk;
  - verifies, by means of second-level controls, the correct implementation of performance monitoring on individual exposures, in particular on non-performing exposures, and assesses the consistency of classifications and the adequacy of provisions;
  - monitors exposure to concentration risk and the performance of exposures classified as Large Exposures;
- performs quantitative analyses to support the business units in using risk measures and analyses consistency with the Group's RAF in the areas of asset quality and credit cost.
- oversees the supervision of the value of collateral as well as personal and financial guarantees;
- analyses consistency with the Group's RAF in the areas of asset quality and credit cost.

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

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

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

In the context of Basel 3 principles for calculating capital requirements against first-pillar credit risks, Banca Ifis chose to adopt the Standardised Approach. To calculate capital requirements for single-name concentration risk, which falls under second-pillar risks, the Group adopts the

Granularity Adjustment method as per Annex B, Title III of Circular No. 285 of 17 December 2013, with a capital add-on calculated using the ABI method to measure geo-segmental concentration risk.

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

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

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

6.1.3.Organisation of the credit risk management and control function

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

- it develops and maintains metrics and models (to be used for management purposes) for measuring credit risks;
- it determines internal capital for credit risk, from a current and prospective perspective, under ordinary and stressed market conditions;
- it analyses existing portfolios by counterparty administrative status (credit quality) and by product type; in this context, it verifies compliance with strategic (contained in the RAF and RP) and operational (contained in credit policies) limits, and in the event of attention or warning thresholds being exceeded, it takes steps to activate the relevant escalation mechanisms;
- it measures single name and geo-sectoral concentration risk and calculates the related internal capital;

- it promotes the integration of climate and environmental risks (and ESG risks more generally) into the various stages of the credit risk management process;
- it verifies the proper execution of credit performance monitoring, both at portfolio level and on individual exposures, particularly non-performing exposures, assessing the consistency of the assigned risk grade and the adequacy of provisions for non-performing loans;
- it assesses the efficiency of the recovery process of anomalous debts and, where deemed appropriate, provides specific indications on the loss passages to be recorded;
- it prepares reports on the results of credit risk control activities. It also reports its results to the operational functions directly concerned;
- it prepares the *Tableau de Bord* with specific reference to the Parent Company, both on an individual and consolidated basis.

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

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

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

“Corporate Credit Risk” manages credit risks relating to:

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

Specifically, Corporate Credit Risk:

- monitors, also through analyses of performance data, exposures to Corporate customers, highlighting their specific risk characteristics, also in view of the peculiarities of the various products;
- monitors the credit risk of foreign subsidiaries, providing, *inter alia*, metrics to support stage allocation as well as, more generally, for the calculation, using a lump-sum approach, of general and specific reserves;
- verifies, on a quarterly basis, that the fair value measurements of fund and UCITS units made by the business units are appropriate;

- performs annual impairment tests on the goodwill of subsidiaries and, on a quarterly basis, ascertains the occurrence of so-called trigger events;
- contributes to the performance of the Significant Risk Transfer (SRT), where required by supervisory regulations for securitisation transactions in the role of originator.

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

- the portfolio of capital and transportation finance leases entered into by the Parent Company;
- the portfolio of operating leases put in place by the subsidiary Ifis Rental Services.

Specifically, Leasing Risk:

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

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

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

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

- it continuously verifies the adequacy of the risk management process and related operational limits. With particular reference to credit risk, it analyses outstanding portfolios, both under ordinary and stressed market conditions, also calculating specific anomaly indicators. It then verifies the consistency of these magnitudes with the relevant thresholds set in the RAF and/or policies;

- it develops and maintains risk measurement and control systems for subsidiaries with businesses significantly different from those typical of the parent company. In this context, it develops and calculates, on a periodic basis, indicators capable of highlighting situations of specific anomalies. With specific reference to credit risk and for subsidiaries characterised by a business similar to that of the Parent Company, on the other hand, it coordinates the process of estimating and maintaining the metrics and models developed by the specialised "Credit Risk" unit;
- with regard to the non-performing loan portfolios acquired, it defines and updates:
  - models for the valuation of expected cash flows;
  - process of calculating amortised cost and value adjustments and write-backs;
  - model sheets and technical documentation;

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

6.1.4.Coordination between internal control functions

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

- sharing the planning of the main verification/control activities (in particular with regard to credit risk, the main risk to which the Group - as a whole - is exposed);

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

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

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

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

6.1.5.Non-performing past due exposures

The 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”.

Overall, 2023 saw an improvement in the portfolio's performance, resulting in higher performing returns of past-due exposures and reduced new classifications as non-performing past due exposures compared to previous periods. The trend can be attributed to a decrease in non-performing past-due exposures in both the Factoring and Leasing Area only partially offset by new entries in the Corporate Banking Area of individually significant, previously performing positions.

6.1.6.Credit risk adjustments

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

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

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

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

First of all, it should be noted that, with reference to the calculation of expected losses, during the year the process of revising and fine-tuning the models in use continued with the aim of more accurately reflecting the expected losses of unimpaired (performing) exposures, also as a result of the historical evidence available and the persistent uncertainties in the macroeconomic context of reference. This process also included a series of managerial adjustments (so-called “Post-model adjustments” or “Overlays”) in order to factor in certain valuation elements not adequately captured by the models in use.

In addition to the changes introduced in the models and criteria for calculating expected losses, the changes introduced during 2023 as part of the ongoing model revision process are illustrated below, depending on the type of intervention (SICR valuation, estimation of forward-looking information, other model changes, and use of any management overlays).

It should be noted that the significant economic impacts as a result of these changes are deemed to be insignificant.

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

The most significant aspects that characterise this approach, concern:

- the classification of loans into three different levels (or “Stages”) to which different methods correspond for calculating the losses to be recorded; Stage 1 includes performing positions that have not undergone a significant increase in credit risk otherwise placed in Stage 2; Stage 3 includes all positions classified as non-performing, bad loans, unlikely-to-pay, non-performing past due in accordance with the criteria and rules specifically adopted by the Group;

- the calculation of the expected loss calculated at 12 months for Stage 1 or for the entire useful life of the credit (lifetime) for Stages 2 and 3;
- the requirement to use a Point-in-Time, rather than a Through-the-Cycle, approach for regulatory purposes;
- forecast information regarding the future dynamics of macroeconomic factors (forward looking) considered to have the potential to influence the debtor's situation.

In this context, the Group has adopted a method for determining the “significant” increase in credit risk with respect to the initial recognition date, which involves classifying the instruments in Stages 1 and 2, combining statistical (quantitative) and performance (qualitative) elements, as part of the estimate of impairment of performing loans. Please note that no probation period is applied for the exit of performing positions from Stage 2.

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

- the only quantitative transfer criteria is what is termed “PD comparison” for which, in order to identify the “significant increase in credit risk” on exposures within rated portfolios (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. The decision to use a 1-year PD comparison instead of a lifetime approach, also determined in consideration of the solution provided by the impairment engine's outsourcer, is supported by analyses that show a high correlation between the SICR metrics calculated from a lifetime perspective and those calculated from a 1-year perspective. This threshold is assigned on the basis of the origination rating (where available) of each relationship and is represented by the number of rating downgrade notches by which the credit risk of the relationship is to be considered significantly increased. Therefore, if the rating at the reference date exceeds the threshold, i.e. the origination rating plus the number of notches associated with it, the report is allocated to Stage 2;
- 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 significant 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": the criterion envisages the transfer to Stage 2 of positions already under examination, as part of the process for defining especially risky positions during credit monitoring;
- Two additional backstop elements called "ECB Backstops" were also introduced during the year: positions with PD at the reporting date 200% higher than at the origination date or with PD at the reporting date 20% higher.

According to IFRS 9, an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial 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 (PD), and the time value of money. Specifically, the Group measures the loss allowance for the financial instrument as:

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

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

- estimation of the Probability of Default (PD), which expresses the probability of a default event occurring in the credit position over a given time frame. The estimation methodology involves using an appropriate estimator to calculate the Cumulative Default Rate (hereinafter also CDR), i.e. the historically observed probability of a default event occurring within a given time horizon. CDRs are then interpolated using an appropriate functional form;

- estimation of Loss Given Default (LGD), which expresses the estimated loss percentage in the event of default of the credit position. A "workout LGD" approach based on internal data was chosen; therefore, this parameter is defined on the basis of historical recovery evidence observed for each perimeter where possible;
- definition of Stage allocation transfer logic, which includes the recalibration of SICR thresholds;
- calculation of expected losses including point-in-time elements: the credit parameters are calibrated on a horizon that considers the entire economic cycle, therefore, in accordance with IFRS 9, a PIT (point-in-time) adjustment is necessary to reflect the current condition in the parameters;
- calculation of expected losses including forward-looking elements: the credit parameters are calibrated to a horizon that considers the entire economic cycle; therefore, in accordance with IFRS 9, it is necessary to include forward-looking elements to reflect expectations on the future development of the economic cycle.

The time series underlying the estimation of risk parameters are updated annually; calibrations involving the forward-looking scenario component may be undertaken several times during the year on the basis of changes in the environment. As far as EAD is concerned, there is no internal modelling, and the value of EAD is equal to the carrying amount adjusted by the application of the credit conversion factor.

Concerning the exposures to banks, central governments, and public-sector entities (low default portfolios), default rates have been used that are associated with migration matrices based on public information provided by the ratings agency Moody's or external providers.

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 Stage 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. In the area of securities, in contrast to the loan portfolio, the "low credit risk exemption" is applied only to the portion of securities in the portfolio belonging to the investment grade category. 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.

The development of multi-period logics on risk parameters, already present for PD, was introduced in 2023 also for LGD (limited to performing loans) for greater adherence to the standard IFRS 9, with non-significant impacts considering the portfolio's characteristics (i.e. short maturities). LGD was estimated on historical proprietary evidence, with the exception of some residual trades to particular types of counterparties (banks, central governments and territorial entities) for which, in the absence of objective historical data, a sector LGD was used. Cash flows used in the estimation of LGD are discounted to the EIR, and CCFs are applied on a constant basis until maturity.

The Group has adopted econometric models (based on the stress test framework - "satellite" models), aimed at forecasting the evolution of the institute's risk factors (i.e. mainly PD and migrations between statuses for credit risk) on the basis of a joint forecast of the evolution of the economic and financial indicators (macroeconomic scenario).

The satellite models used meet the need to identify the existence of a significant relationship between the general economic conditions (i.e. macroeconomic and financial variables) and a proxy variable of the risk factor (target variable) i.e. the credit rating of counterparties (which represents the respectively probability of default as a summary of the PD factor), which in its aggregate form at an institute level is represented by a careful calibration of the deterioration rates recorded by the Bank of Italy.

By exploiting the identified relationship between target variable and macroeconomic factors, it is therefore possible to obtain forecast values of deterioration rates by applying future projections of explanatory variables retrieved from authoritative sources, for which consistency is assessed with the institutional scenarios published, for example by the EBA, Bank of Italy and ECB. In compliance with IFRS 9, the Risk Management function employs macroeconomic scenarios describing three contexts characterised by increasing levels of forecast severity and criticality: an "upside" scenario, a "baseline" scenario and an "adverse" scenario. These scenarios produce three different satellite model forecasts, making weighting necessary: for the current year, it was decided to limit the weight of the upside scenario and to balance the weights of the baseline and adverse scenarios in view of the uncertainty of the macroeconomic environment, which sees on the one hand, in the geopolitical context, one of the main factors of instability, and on the other, the possible onset of non-negligible risks connected with the evolution of the global economic activity.

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

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

For Stage 3 exposures that are not individually tested for impairment, the Group defines a lifetime provision in line with the concept of expected credit loss. The LGD metric, defined in line with the metrics adopted for performing loans, is then applied to calculate the collective losses of Stage 3 exposures.

With reference to the inclusion of Forward Looking factors feeding into the IFRS 9 provisioning process, using the recently updated satellite models, the Risk Management function updated the macroeconomic scenarios during 2023, retrieving them from the EBA's February 2023 publication of macroeconomic projections for the stress test exercise, thereafter updating such scenarios at year end, to allow for a measurement of receivables that is as compliant as possible with the accounting standard.

The current macroeconomic environment incorporates the repercussions of the uncertain geopolitical environment and is affected by the tightening of monetary and credit conditions for businesses and households resulting from the sharp rise in monetary policy interest rates. The Group adopts three scenarios to reflect the uncertainty of the macroeconomic environment:

- Baseline scenario: this is the main reference scenario that envisages weak but still growing global economic activity, with Italian GDP changing close to zero in 2024. Inflation falls slowly, eroding purchasing power that accumulated savings struggle to sustain. Rising interest rates are manifesting themselves in reduced liquidity, a fall in loans and real estate investments. This increases the burden of servicing public debt, severely limiting the possibility of expansionary fiscal policies.
- Adverse scenario: this is the severe but plausible scenario according to which the global geopolitical situation is expected to worsen due in part to a new theatre of war with consequences for energy and commodity prices, which are expected to rise again and, while not reaching peak levels, will nevertheless dampen the decline in inflation. Inflation that does not come down induces central banks to proceed with further policy rate hikes, despite the fact that several countries are experiencing severe slowdowns and even spillover effects on economic activity. Italian GDP would contract between late 2023 and early 2024, with a carry-over effect that would bring annual growth in 2024 to -0,5%.

Positive scenario: this is a benign scenario determined on the basis of the distribution of historical data. Given the uncertain macroeconomic environment, the Group has conservatively set a negligible weight of 5% for this scenario.

FINANCIAL INDICATORS FINANCIAL YEAR END (%)	Baseline scenario			Adverse scenario			Positive scenario		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Italian real GDP growth y/y, %	0,4	0,8	0,9	(0,5)	0,5	0,5	5,0	4,1	4,1
Italian unemployment, %	7,7	7,5	7,3	8,0	8,5	9,0	6,7	5,9	5,2
Euribor 3M, %	4,0	3,6	3,1	4,5	3,9	3,4	(0,5)	(0,5)	(0,5)
BTP 10 years, %	4,6	5,0	5,0	5,5	5,3	5,3	0,9	0,9	0,9
Brent barrel growth y/y, %	(1,4)	1,8	0,9	12,9	1,8	0,9	(0,3)	(0,3)	(0,3)
Italian inflation, %	2,4	2,1	2,2	4,2	2,5	2,3	0,2	0,3	0,3

As regards the probability of occurrence of the scenarios, the baseline scenario is characterised by a 50% probability of occurrence, the adverse scenario by a 45% probability and the ameliorative scenario by a 5% probability in order to reflect the uncertain macroeconomic context.

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

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

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

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

More specifically, the 100% “adverse” weighting would lead to an impact on provisions of approximately +0,7%, the 100% “baseline” weighting would lead to an impact of approximately -0,4%, while the 100% “positive” weighting would lead to an impact of approximately -1,8% (in a wide range of up to 0,7 million Euro).

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

After 2021 and in particular during 2022 and 2023, as a result of geopolitical tensions related to the Russia-Ukraine conflict and the conflict in the Middle East, the inflationary scenario and the slowdown in economic growth, the prudential adjustments applied and previously described were replaced and restated with the aim of factoring in the risks emerging from the macroeconomic context of reference. In particular, a number of new prudential adjustments were introduced to take into account the macroeconomic context strongly influenced by geopolitical tensions, the impact of rising energy prices, inflationary dynamics, and the significant increase in interest rates in order to intercept risk factors relating to counterparties belonging to sectors considered particularly exposed to new emerging risks; in particular, companies in the manufacturing, agricultural, transport and energy trading sectors. The approach and criteria used have been made progressively more analytical and consistent over time through refinements introduced to reflect the Group's improved perception of the evolution of related risks.

In addition, in 2023, in order to better capture the portfolio's riskiness, the correlation between management overlay and allocation to the different risk stages was increased, reserving an amount higher than Stage 2, consistent with the higher riskiness inherent in this exposure perimeter, while also taking into account expert-based assessments of specific positions allocated here.

Consequently, as at 31 December 2023, the total amount of the described prudential adjustments (management overlay) was approximately 52,3 million Euro, almost equally divided between adjustments to hedge multiple risk factors (particularly related to inflationary, geopolitical and energy supply risks) and adjustments to hedge adverse macroeconomic expectations, the quantifications of which are also supported by stress scenario and sensitivity analyses as well as expert-based assessments. As at 31 December 2023, an additional 12,8 million Euro of prudential adjustments were also provided for to protect positions specifically identified to take into account their possible deterioration, which can be estimated in a reasonably short time horizon and is not captured by current models ("expert-based" valuations).

Finally, with regard to the determination of expected losses on exposures classified in Stage 3, i.e. non-performing exposures, the quantification of those losses is determined analytically on the basis of collection forecasts, formulated by the servicer, discounted on the basis of the original effective interest rates and the relevant collection time-line.

6.1.7.Quantitative information

Table 28 - 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	884	884	-	-	-	-
010	Loans and advances	6.700	6.135	532	2.042	-	398
020	*Central Banks*	-	-	-	-	-	-
030	*General governments*	267	183	84	79	-	79
040	*Credit institutions*	34	34	-	-	-	-
050	*Other financial corporations*	277	258	18	8	-	7
060	*Non-financial corporations*	5.396	4.993	383	454	-	271

		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
070	*Of which: SMEs*	2.888	2.628	246	126	-	80
080	*Households*	726	666	46	1.501	-	42
090	Debt securities	3.325	3.235	3	-	-	-
100	*Central Banks*	-	-	-	-	-	-
110	*General governments*	2.121	2.121	-	-	-	-
120	*Credit institutions*	671	671	-	-	-	-
130	*Other financial corporations*	388	298	3	-	-	-
140	*Non-financial corporations*	144	144	-	-	-	-
150	Off-balance-sheet exposures	1.444	1.185	169	45	-	45
160	*Central Banks*	-	-	-	-	-	-
170	*General governments*	-	-	-	-	-	-
180	*Credit institutions*	-	-	-	-	-	-
190	*Other financial corporations*	197	144	-	1	-	1
200	*Non-financial corporations*	1.072	871	164	42	-	42
210	*Households*	175	170	5	3	-	3
220	Total	12.353	11.440	704	2.088	-	444

Table 29 - 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)	-	-	-	-	-	-	-
010	Loans and advances	**(108)**	**(69)**	**(39)**	**(181)**	**-**	**(177)**	**39**	**3.056**	**201**
020	*Central Banks*	-	-	-	-	-	-	-	-	-
030	*General governments*	(2)	-	(2)	(3)	-	(3)	30	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	(6)	(5)	(1)	(6)	-	(6)	-	64	1

		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			
060	*Non-financial corporations*	(93)	(60)	(34)	(154)	-	(151)	3	2.433	125
070	*Of which: SMEs*	(50)	(28)	(23)	(43)	-	(39)	-	1.596	36
080	*Households*	(7)	(4)	(3)	(18)	-	(17)	6	558	75
090	Debt securities	**(5)**	**(5)**	**-**	**-**	**-**	**-**	**-**	**51**	**-**
100	*Central Banks*	-	-	-	-	-	-	-	-	-
110	*General governments*	(1)	(1)	-	-	-	-	-	-	-
120	*Credit institutions*	(1)	(1)	-	-	-	-	-	-	-
130	*Other financial corporations*	(2)	(2)	-	-	-	-	-	51	-
140	*Non-financial corporations*	(1)	(1)	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	**(3)**	**(3)**	**(1)**	**(2)**	**-**	**(2)**		**43**	**2**
160	*Central Banks*	-	-	-	-	-	-		-	-
170	*General governments*	-	-	-	-	-	-		-	-
180	*Credit institutions*	-	-	-	-	-	-		-	-
190	*Other financial corporations*	(1)	(1)	-	-	-	-		-	-
200	*Non-financial corporations*	(2)	(1)	(1)	(2)	-	(2)		39	2
210	*Households*	-	-	-	-	-	-		4	-
220	Total	**(110)**	**(71)**	**(38)**	**(178)**	**-**	**(175)**	**39**	**3.150**	**203**

Table 30 - 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**	33	4.231	2.561	1.248	381	8.454
2	**Debt securities**	-	708	1.720	891	-	3.320
3	**Total**	33	4.939	4.282	2.139	381	11.774

Table 31 - 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	1.933
020	Inflows to non-performing portfolios	1.599
030	Outflows from non-performing portfolios	1.489
040	Outflow due to write-offs	56
050	Outflow due to other situations	1.434
060	Final stock of non-performing loans and advances	2.042

Table 32 - Template EU CQ1: credit quality of forborne exposures

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measured
				of which defaulted	of which impaired				
005	Cash balances at Central Banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	90	311	311	42	(6)	(22)	87	24
020	*Central Banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	4	-	-	-	(1)	-	3	-
060	*Non-financial corporations*	75	50	50	32	(6)	(19)	64	13
070	*Households*	10	260	260	10	-	(3)	20	11
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	1	7	7	7	-	-	1	1
100	Total	91	318	318	49	(6)	(22)	88	25

Table 33 - 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	884	876	8	-	-	-	-	-	-	-	-	-
010	Loans and advances	6.700	6.547	153	2.042	221	30	43	182	794	348	423	2.042
020	Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	267	183	84	79	45	1	2	8	11	5	6	79
040	*Credit institutions*	34	34	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	277	277	-	8	7	-	-	-	1	-	-	8
060	*Non-financial corporations*	5.396	5.347	49	454	139	20	21	36	112	102	25	454
070	*Of which: SMEs*	2.888	2.865	23	126	55	6	8	4	45	6	2	126
080	*Households*	726	707	19	1.501	30	9	20	138	670	240	392	1.501
090	Debt securities	3.325	3.325	-	-	-	-	-	-	-	-	-	-
100	Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	2.121	2.121	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	671	671	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	388	388	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	144	144	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	1.444			45								45
160	*Central banks*	-			-								-
170	*General governments*	-			-								-
180	*Credit institutions*	-			-								-
190	*Other financial corporations*	197			1								1
200	*Non-financial corporations*	1.072			42								42
210	*Households*	175			3								3

		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
220	Total	12.353	10.748	161	2.087	221	30	43	182	794	348	423	2.088

Table 34 - 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	79	12	12	79	(3)	-
020	Mining and quarrying	8	1	1	8	-	-
030	Manufacturing	2.061	125	125	2.057	(89)	-
040	Electricity, gas, steam and air conditioning supply	70	11	11	70	(7)	-
050	Water supply	63	2	2	63	(1)	-
060	Construction	504	88	88	504	(45)	-
070	Wholesale and retail trade	1.582	109	109	1.582	(39)	-
080	Transport and storage	380	24	24	380	(18)	-
090	Accommodation and food service activities	63	18	18	63	(4)	-
100	Information and communication	112	4	4	112	(2)	-
105	Financial and insurance activities	1	-	-	1	-	-
110	Real estate activities	68	19	19	65	(6)	-
120	Professional, scientific and technical activities	245	14	14	245	(16)	-
130	Administrative and support services activities	215	8	8	215	(5)	-
140	Public administration and defense, compulsory social security	-	-	-	-	-	-
150	Education	33	-	-	33	(4)	-
160	Human health services and social work activities	121	3	3	121	(3)	-
170	Artistic, entertainment and recreation	208	3	3	208	(3)	-
180	Other services	37	13	13	37	(1)	-
190	Total	5.850	454	454	5.843	(247)	-

6.2. Credit risk mitigation techniques

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

In general, as part of the process of granting and managing credit, for certain types of lines, the release by customers of suitable guarantees to reduce their risk is encouraged. They can be represented by 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, 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, 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 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 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 (TFR) earned by the customer as additional collateral for the loan;

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- lending to pharmacies involves an advance as well as a transfer or debt collection mandate, with the possibility of deducting subsequent advances from existing credit facilities.

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

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

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

6.2.1.Quantitative information

Table 35 Template EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

		Unsecured carrying amount	Secured carrying amount			
				of which secured by collateral	of which secured by financial guarantees	
						of which secured by credit derivatives
1	Loans and advances	6.079	3.257	2.162	1.095	-
2	Debt securities	3.269	51	-	51	
3	**Total**	9.348	3.308	2.162	1.146	-
4	of which non-performing exposures	1.660	201	109	92	-
EU-5	of which defaulted	1.660	201			

6.3. Standard method for measuring credit risk

6.3.1.Qualitative disclosure

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

Table 36 - Rating methodologies by regulatory classes

Regulatory classes	ECA/ECAI	Characteristics of the rating
Exposures to Central Governments and Central Banks	Fitch Ratings	Solicited/Unsolicited
Exposures to Regional Governments or local authorities	-	-
Exposures to Public sector bodies	-	-
Exposures to Institutions	-	-
Exposures to Corporate	Cerved	Solicited/Unsolicited
Retail exposures	-	-
Exposures in default	-	-
Exposures associated with particularly high risk	-	-
Equity exposures	-	-

6.3.2.Quantitative information

Table 37 - 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	3.182	-	3.966	-	200	5,04%
2	Regional governments or local authorities	23	-	23	-	5	20,00%
3	Public sector entities	188	-	188	-	115	61,00%
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	1.078	5	1.078	1	657	60,94%
7	Corporates	4.083	755	3.764	404	3.932	94,34%
8	Retail	2.208	569	1.834	62	1.101	58,06%
9	Secured by mortgages on immovable property	188	-	188	-	66	35,01%
10	Exposures in default	1.839	43	1.797	25	1.977	108,45%
11	Exposures associated with particularly high risk	105	4	105	2	161	150,00%
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	77	53	77	27	166	160,06%
15	Equity	364	-	364	-	388	106,70%

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 (%)
16	Other items	350	-	351	5	348	98,01%
17	**TOTAL**	**13.685**	**1.430**	**13.736**	**525**	**9.115**	**63,92%**

Table 38 - 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%	1.250%	Others		
1	Central governments or Central Banks	3.800	-	-	-	-	-	-	-	-	145	-	22	-	-	-	3.966	-
2	Regional governments or local authorities	-	-	-	-	23	-	-	-	-	-	-	-	-	-	-	23	-
3	Public sector entities	-	-	-	-	92	-	-	-	-	96	-	-	-	-	-	188	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	2	13	-	-	440	-	109	-	-	515	-	-	-	-	-	1.079	-
7	Corporates	-	-	-	-	25	-	210	-	-	3.713	220	-	-	-	-	4.168	-
8	Retail exposures	-	-	-	-	-	87	-	-	1.809	-	-	-	-	-	-	1.896	-
9	Secured by mortgages of immovable properties	-	-	-	-	-	135	53	-	-	-	-	-	-	-	-	188	-
10	Exposures in default	-	-	-	-	-	-	-	-	-	1.515	308	-	-	-	-	1.823	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	107	-	-	-	-	107	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures to Institutions and companies with short-term credit rating	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	3	-	-	-	-	25	35	-	-	1	39	103	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	348	-	16	-	-	-	364	-
16	Other items	6	-	-	-	1	-	-	-	-	348	-	-	-	-	-	356	-
17	**TOTAL**	**3.807**	**13**	**-**	**-**	**584**	**222**	**372**	**-**	**1.809**	**6.705**	**670**	**38**	**-**	**1**	**39**	**14.261**	**-**

7. Counterparty risk

7.1. Exposure to counterparty credit risk

7.1.1.Qualitative disclosure

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

The counterparty risk currently insists on derivative transactions generated by the Proprietary Finance activity, a service belonging to the Capital Markets Area and responsible for identifying, implementing and realising investment strategies for Banca Ifis's proprietary portfolio. In 2023, the first hedge accounting transactions also began, aimed at hedging the interest rate risk of securities in the Bank's Banking Book. These transactions, carried out by Treasury & ALM, a service within the Capital Markets Area, in turn contribute to an increase in counterparty risk. There is also a residual portfolio of derivatives, mainly on interest rates, from Corporate operations, as part of which clients were offered derivative contracts hedging the financial risks they assumed; 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.

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; this was renegotiated in 2023. Such a derivative may generate a positive mark-to-market for the Bank, with the consequence that the counterparty selling the option may be a debtor to Ifis NPL Investing.

Organisationally, the Capital Markets Area 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 capital requirement, is based on the methodologies 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.

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

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

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

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

Within that framework:

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

7.1.2.Quantitative information

Table 39 - 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)	13	46		1.4	82	82	82	17

		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-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)					1.257	1.257	1.257	200
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**1.339**	**1.339**	**1.339**	**217**

Table 40 - Template EU CCR2: Transactions subject to own funds requirements for CVA risk

		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	i) VaR component (including the 3× multiplier)	-	-
3	ii) stressed VaR component (including the 3× multiplier)	-	-
4	Transactions subject to the Standardised method	82	89
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	82	89

Table 41 - 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	-	-	-	-	250	38	-	-	3	-	-	290
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	1.049	-	-	-	-	-	-	-	-	-	-	1.049
11	Total exposure value	1.049	-	-	-	250	38	-	-	3	-	-	1.339

Table 42 - 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	-	-	-	28	-	1.071	-	15
2	Cash - other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	1.257
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	Total	-	-	-	28	-	1.071	-	1.272

Table 43 - Template EU CCR8: exposures to CCPs

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

8. Securitisation

8.1. Positions towards securitisation

8.1.1.Qualitative disclosure

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

- those in which it plays the role of Originator;
- those in which it plays the role of Promoter;
- those in which it is an Investor.

8.1.1.1 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 amount of 150 million Euro, initially issued for 19,2 million Euro, and that was subsequently adjusted based on the composition of the assigned portfolio, was subscribed for by Banca Ifis. 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).

Banca Ifis acts as servicer, performing the following tasks:

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

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

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

In compliance with IAS/IFRS accounting standards, currently the securitisation process does not involve the substantial transfer of all risks and rewards, as it does not meet derecognition requirements. In addition, the vehicle Ifis ABCP Programme S.r.l. was consolidated because, following an analysis of the requirements set forth in IFRS 10, it was found to be subject to the control of Banca Ifis.

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

This transaction was restructured during June 2021. The restructuring, which provided for the extension of the revolving period and a size increase in the transaction up to a total of 540 million Euro, was carried out with the involvement of the Parent Company Banca Ifis and Intesa Sanpaolo as co-arrangers. Following this restructuring, the securities were issued in three partly paid classes:

the senior class, with a nominal amount of 397,5 million Euro, was fully subscribed by Duomo Funding Plc while the mezzanine and junior classes, with a nominal amount respectively of 53,0 million Euro and 90,1 million Euro, were fully subscribed the former Farbanca (now Banca Credifarma), which also fulfils the retention obligations in accordance with the CRR, as originator.

As a result of the revolving structure of the transaction, a further 312 new loans were assigned during 2023, for a total equivalent value of 104,7 million Euro (residual outstanding amount, including unpaid principal and interest and expenses on past due and unpaid instalments); the outstanding amount of senior, mezzanine and junior securities at 31 December 2023 is 397,46 million Euro, 53 million Euro and 83,5 million Euro, respectively.

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

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 loans, 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.

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.

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

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

As part of the transaction, Banca Ifis sold to UniCredit Bank AG the entire amount of senior securities, corresponding to a nominal amount of 609,5 million Euro and a principal amount outstanding of 400 million Euro. The junior securities, with a principal amount outstanding of 147,6 million Euro, were fully retained by Banca Ifis as originator. Therefore, as of July 2023 Indigo Lease is no longer a self-securitisation. The above securitisation transaction does not meet the requirements for derecognition in accordance with IFRS 9, not configuring a substantial transfer of all risks and related benefits. Therefore, the assets transferred and not cancelled with reference to the loans concerned by said securitisation, not meeting the requirements envisaged for derecognition, were “restored” to the consolidated accounts of the Banca Ifis Group. 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.

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 non-performing loans of different technical form and attributable respectively to unlikely to pay (exposure equal to 5.229.838 Euro) and bad loans (exposure equal to 40.202.013 Euro). The former Credifarma maintained the minimum economic interest in the securitisation by not selling 5% of the loans in the portfolio to be securitised. These credits were selected at random.

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.

MULTIORIGINATOR type transfers of loan portfolios

With a view to pursuing de-risking with a consequent reduction in the Npe ratio, Banca Ifis participated in two multi-originator securitisation transactions in 2020 and 2021 respectively.

BCC NPLs 2020

Multi-originator transaction whereby, on 18/11/2020, 90 Banks, 88 of which belong to the Iccrea Cooperative Banking Group and two Banks outside the group (Banca Ifis and Banca Popolare Valconca) completed the sale of an equal number of portfolios of non-performing loans classified as bad loans at the date of sale for a total credit claim of 2.347,1 million Euro (of which 249,0 million Euro related to the portfolio sold by Banca IFIS) in favour of a vehicle company ("BCC NPLs 2020 S.r.l.") set up pursuant to Law 130/1999 through the realisation of a securitisation backed by the State guarantee on the liabilities issued (referred to as "GACS") pursuant to L.D. No. 18 of 14 February 2016.

BCC NPLs 2020 S.r.l. financed acquisitions of the loans portfolio by issuing asset-backed securities, in accordance with the combined provisions of Articles 1 and 5 of Italian Law No. 130, for a total nominal amount of approximately 585 million Euro, structured into the following classes:

- 520 million Euro of Senior Securities (of which a nominal 55,077 subscribed by banca IFIS), maturing in January 2045 and with Baa2 and BBB ratings issued by Moody's Italia Srl and Scope, respectively;

- 41 million Euro in Mezzanine Notes maturing in January 2045, with rating Caa2 and CC assigned, respectively, by Moody's Italia Srl and Scope;
- 24 million Euro in Junior Notes maturing in January 2045, unrated.

The Mezzanine securities and the Junior securities were subscribed by independent investors having no relationship and/or ties with the originator Banks, it being understood that each originator bank undertook to maintain a share of at least 5% of the nominal amount of each tranche of Securities issued in the context of the Transaction. The share of Mezzanine and Junior Securities subscribed by Banca IFIS is 245 thousand Euro and 143 thousand Euro, respectively.

In the context of this transaction, the bank benefited from the accounting and prudential derecognition of the transferred assets.

BCC NPLs 2021:

Multi-originator transaction whereby, on 16/11/2021, 77 Banks, 74 of which belong to the Iccrea Cooperative Banking Group and 3 Banks outside the group (Banca Ifis, Cassa di Risparmio di Asti and Guber Banca) completed the sale of an equal number of portfolios of non-performing loans classified as bad loans at the date of sale for a total credit claim of 1.311,9 million Euro (of which 86,9 million Euro related to the portfolio sold by the bank) in favour of a vehicle company ("BCC NPLs 2021 S.r.l.") set up pursuant to Law 130/1999 through the realisation of a securitisation backed by the State guarantee on the liabilities issued (referred to as "GACS") pursuant to L.D. No. 18 of 14 February 2016.

BCC NPLs 2021 S.r.l. financed acquisitions of the loans portfolio by issuing asset-backed securities, in accordance with the combined provisions of Articles 1 and 5 of Italian Law No. 130, for a total nominal amount of 336,5 million Euro, structured into the following classes:

- 284 million Euro of Senior securities (of which a nominal 7,823 subscribed by banca IFIS), maturing in April 2046 and with Baa2, BBB and BBB ratings issued by Moody's Italia Srl, Scope and Arc Rating S.A., respectively;
- 39,5 million Euro in Mezzanine Notes maturing in April 2046, with rating Caa2, CCC and CCC+ assigned by Moody's Italia Srl, Scope and Arc Rating S.A., respectively;
- 13 million Euro in Junior Notes maturing in April 2046, unrated.

The Mezzanine securities and the Junior securities were subscribed by independent investors having no relationship and/or ties with the originator Banks, it being understood that each originator bank undertook to maintain a share of at least 5% of the nominal amount of each tranche of Securities issued in the context of the Transaction. The share of Mezzanine and Junior Securities subscribed by the bank is 130,8 thousand Euro and 43 thousand Euro, respectively.

In the context of this transaction, the bank benefited from the accounting and prudential derecognition of the transferred assets.

8.1.1.2 Role of PROMOTER

The securitisation transactions in which Banca IFIS acted as promoter are described below.

"Miami Spv" securitisations, segment 2 ("Maior"), segment 3 ("Aqui 1"), segment 4 ("Brisca"): these are 3 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 segment 4). Banca Ifis participated as underwriter of a portion of senior notes of each series, with a total carrying amount of 1,8 million Euro as at 31 December 2023 (Brisca for 1,8 million Euro, Acqui 1 and Maior for negligible amounts). At 31 December 2022, the carrying amount of these securities totalled 13,6 million Euro.

"Iron" securitisation, a transaction whose underlying asset is a portfolio of credit lines 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 2023, such securities have a carrying amount of 0,9 million Euro (1,0 million Euro at 31/12/2022) and 0,68 million Euro (0,67 million Euro at 31/12/2022), respectively. Junior securities are measured at fair value through profit or loss.

"Trinacria" 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 second quarter of 2022, Banca Ifis subscribed to the senior (called "Senior Elemata") and junior securities issued by the vehicle Trinacria Spv Srl. During FY 2023, following the purchase of additional mortgage loans, a new class of senior securities called "Senior Dolcelago" was issued (fully subscribed by Banca Ifis) and an increase was made on the junior securities already issued. As at 31 December 2023 the shares held by Banca Ifis have a carrying amount of: 5,0 million Euro for the "Senior Elemata" securities (value substantially unchanged from 31/12/2022); 4,0 million Euro for "Senior Dolcelago" securities; and 0,4 million Euro for junior securities (0,2 million Euro as at 31/12/2022). Junior securities are measured at fair value through profit or loss.

"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 Srl. As at 31 December 2023, due to capital repayments during the year, the senior and junior securities subscribed have a carrying amount of 0 Euro (7,9 million Euro as at 31/12/2022) and 0,18 million Euro (0,23 million Euro as at 31/12/2022), respectively. Junior securities are measured at fair value through profit or loss.

Below are details of the securities held in the portfolio and resulting from the securitisations described above.

Table 44 - Details of securities and securitisations (Promoter Role)

Name (figures in Euro)	ISIN	Due date	Measurement criteria	Carrying amount at 31/12/2023	Carrying amount at 31/12/2022
MIAMI 10/36 5% EUR (Maior)	IT0005452674	31/10/2036	Amortised cost	996	996
MIAMI SPV 31/12/37TV (Aqui 1)	IT0005459299	31/12/2037	Amortised cost	980	1.534.440
MIAMI SPV 7/38 4.30% (Brisca)	IT0005473589	31/07/2038	Amortised cost	1.846.201	12.150.804
SPV PR 15/7/35 B TV (Iron)	IT0005454282	15/07/2035	Fair Value	679.076	667.527
SPV PR 15/7/35 A 5% (Iron)	IT0005454274	15/07/2035	Amortised cost	921.604	996.022

Name (figures in Euro)	ISIN	Due date	Measurement criteria	Carrying amount at 31/12/2023	Carrying amount at 31/12/2022
TRINACRIA 5/40 J TV	IT0005495699	04/05/2040	Fair Value	395.791	202.447
TRINACRIA 5/40 A SUP	IT0005495681	04/05/2040	Amortised cost	5.069.608	4.996.108
TRINACRIA 5/40 TV A	IT0005542490	04/05/2040	Amortised cost	3.996.568	-
ROMA 11/2040 CL J TV	IT0005521296	03/11/2040	Fair Value	180.930	234.000
ROMA 11/40 CL J ST/U	IT0005521288	03/11/2040	Amortised cost	-	7.945.568
TOTAL				**13.091.754**	**28.727.912**

Table 45 - Totals per measurement criterion (Promoter Role)

Measurement criteria (figures in Euro)	31/12/2023	31/12/2022
Amortised cost	11.835.957	27.623.938
Fair Value	1.255.797	1.103.974
TOTAL	**13.091.754**	**28.727.912**

8.1.1.3 Role of INVESTOR

As at 31 December 2023, the Banca IFIS Group holds a portfolio of securities from third-party securitisations with a total carrying amount of 145,8 million Euro.

Table 46 - Totals by measurement criterion (Investor Role)

Measurement criteria (figures in Euro)	31/12/2023	31/12/2022
Amortised cost	4.401.415	2.014.552
Fair Value	141.455.329	103.454.759
TOTAL	**145.856.744**	**105.469.311**

In addition, with reference to the multi-originator securitisations in which the Banca IFIS Group also assumed, together with other Banks, the role of originator, it should be noted that the Banca IFIS Group subscribed to securities with a carrying amount at 31 December 2023 of 44,1 million Euro (at 31 December 2022 the carrying amount was 52,0 million Euro). These securities are mainly backed by GACS guarantees. The following table shows the relevant details.

Table 47 - Detail of multioriginator securitisations

Name (figures in Euro)	ISIN	Due date	Measurement criteria	Carrying amount at 31/12/2023	Carrying amount at 31/12/2022
BCC NPLS20 1/45 TV B	IT0005428286	31/01/2045	Fair Value	160.936,99	145494,08
BCC NPLS20 1/45 TV J	IT0005428294	31/01/2045	Fair Value	0	0
BCC NPLS 30/4/46 -B- (BCC NPLs 2021)	IT0005469124	30/04/2046	Fair Value	2.681,90	0
BCC NPLS 30/4/46 J (BCC NPLs 2021)	IT0005469132	30/04/2046	Fair Value	729,34	0

Name (figures in Euro)	ISIN	Due date	Measurement criteria	Carrying amount at 31/12/2023	Carrying amount at 31/12/2022
BCC NPLS20 1/45 TV A	IT0005428245	31/01/2045	Amortised cost	37.870.769,37	44.854.681,58
BCC NPLS 4/46 -A- TV (BCC NPLs 2021)	IT0005469116	30/04/2046	Amortised cost	6.071.968,45	7.192.626,62
TOTAL				**44.107.086,05**	**52.192.802,28**

Lastly, it should be noted that Banca IFIS has subscribed to single tranche securities of a further 11 securitisations for a total carrying amount of 84,1 million Euro at 31 December 2023, of which 3,0 million Euro measured at amortised cost and 81,1 million Euro measured at fair value (at 31 December 2022, 7 of the aforesaid 11 securities were on the books for a carrying amount of 42,1 million Euro, of which 3,7 million Euro measured at amortised cost and 38,4 million Euro measured at fair value).

8.1.1.4 Conclusion

As at 31 December 2023, the Banca Ifis Group holds a portfolio of securities issued by securitisation vehicles for a total of 287,1 million Euro (228,5 at 31 December 2022), of which 200,2 million Euro (186,8 at 31 December 2022) measured at amortised cost and 86,9 million Euro (41,7 million Euro) measured at fair value through profit or loss. Details are given below:

Table 48 - Synoptic overview

Name (in Euro)	2023			2022		
	Amortised cost	Fair Value	2023 total	Amortised cost	Fair Value	2022 total
Promoter	11.835.957	1.255.797	13.091.754	27.623.938	1.103.974	28.727.912
Investor	141.455.329	4.401.415	145.856.744	103.454.759	2.014.552	05.469.311
Promoter and Investor	153.291.286	5.657.212	158.948.498	131.078.697	3.118.526	134.197.223
Monotranche	2.971.385	81.097.270	84.068.655	3.700.718	38.450.568	42.151.286
Multi originator	43.942.738	164.348	44.107.086	52.047.308	145.494	52.192.802
Total	200.205.409	86.918.830	287.124.239	186.826.723	41.714.588	228.541.311

8.1.2.Quantitative information

Table 49 - Template EU-SEC1: securitisation exposures in the non-trading book

		Institution acts as a transferor				Institution acts as an investor			
		Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS	Non-STS			STS	Non-STS		
1	Total exposures	144	174		317	105	44	-	149
2	Retail (total)	-	78		78	48	14	-	62
3	Residential mortgage	-	-		-	9	4	-	12
4	Credit cards	-	-		-	-	-	-	-
5	Other retail exposures	-	78		78	39	10	-	49
6	Re-securitisation	-	-		-	-	-	-	-
7	Wholesale (total)	144	95		239	57	30	-	87
8	Loans to corporates	-	95		95	57	8	-	64
9	Commercial mortgage	-	-		-	-	-	-	-
10	Lease and receivables	144	-		144	-	23	-	23
11	Other wholesale	-	-		-	-	-	-	-
12	Re-securitisation	-	-		-	-	-	-	-

Table 50 - 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	119	-	24	6	-	-	-	129	-
2	Traditional securitisation	119	-	24	6	-	-	-	129	-
3	Securitisation	119	-	24	6	-	-	-	129	-
4	Retail underlying	58	-	4	-	-	-	-	62	-
5	of which STS	48	-	-	-	-	-	-	48	-
6	Wholesale	61	-	20	6	-	-	-	67	-
7	of which STS	57	-	-	-	-	-	-	57	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-

		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
11	Retail underlying	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-

Table 51 - 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	-	-	57	20	-	-	3	2
2	Traditional securitisation	-	-	57	20	-	-	3	2
3	Securitisation	-	-	57	20	-	-	3	2
4	Retail underlying	-	-	9	-	-	-	1	-
5	of which STS	-	-	5	-	-	-	-	-
6	Wholesale	-	-	48	20	-	-	3	2
7	of which STS	-	-	7	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-

Table 52 - 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	4.844	2.313	11
2	Retail (total)	561	27	-
3	Residential mortgage	-	-	-

		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	
4	Credit cards	-	-	-
5	Other retail exposures	561	27	-
6	Re-securitisation	-	-	-
7	Wholesale (total)	4.283	2.286	11
8	Loans to corporates	2.286	2.286	-
9	Commercial mortgage	-	-	-
10	Lease and receivables	1.997	-	11
11	Other wholesale	-	-	-
12	Re-securitisation	-	-	-

9. Market risk

9.1. Exposure to market risk

9.1.1.Institution market risk management strategies and processes

In 2023, 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" is structured to coincide with the risk appetite formulated by the Board of Directors under the scope of the Risk Appetite Framework (RAF) and laid out in the "Group Market Risk Management Policy", as well as with the system of objectives and limits.

Consistent with the conservative "stance" outlined in the above-mentioned documents, for most of the year the overall investment strategy focused on risk containment, implemented mainly by seeking out securities characterised by high liquidity and a strategy of steady returns over the medium term.

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

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

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

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

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

- transactions carried out with customers, normally related to typical factoring and lending activities, originating from both the Italian Business Units and the foreign subsidiaries (in Poland and Romania) for which the exchange rate risk is mitigated from the start by using funds in the same original currency;

- transactions that are part of the typical Treasury activity for the management of mismatching between uses by customers and the related currency purchases made on the market.

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

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

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

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

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

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

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

The VaR is measured using a confidence interval of 99% and a holding period of 1 day; it expresses the “threshold” of daily losses that, on the basis of probabilistic hypotheses may only be surpassed in 1% of cases. The approach used to calculate the VaR is historical simulation. With this approach, the portfolio is re-valued, applying all variations to the risk factors recorded the previous year (256 observations). The values thus obtained are compared with the current portfolio value, determining the relevant series of hypothetical gains or losses. The VaR is the average of the second and third worst results.

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

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

9.1.2. Market risk management function organisational structure

The Financial Risk organisational unit:

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

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

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

9.1.3. Reporting and risk measurement systems

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

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

- position risk, which expresses the risk deriving from fluctuations in the price of securities due to factors connected with market trends and the situation of the issuing company; in this context it is important to note, where present, the basic risk, which expresses the risk of losses caused by non-aligned changes in the values of similar but not identical positions;

- settlement risk, which reflects the risk of loss resulting from the failure to settle transactions in debt securities, equity securities, derivative contracts, currencies and commodities;
- concentration risk, which represents any additional capital cover required in the event of temporarily exceeding the individual credit limit as a result of risk positions relating to the trading portfolio;
- exchange rate risk, which represents the risk of incurring losses due to adverse changes in the prices of foreign currencies on the positions held, regardless of the allocation portfolio (trading portfolio for supervisory purposes and trading portfolio).

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

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

9.1.4.Quantitative information

Table 53 - Template EU MR1: market risk under the standardised approach

		RWEA
	Outright products	-
1	Interest rate risk (general and specific)	14
2	Equity risk (general and specific)	9
3	Foreign exchange risk	-
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**23**

10. Operational risk

10.1. Exposure to operational risk

10.1.1. Objectives and management policies of operational risk

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

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

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

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

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

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

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

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

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

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

The principles and guidelines that the Banca Ifis Group intends to adopt in the area of operational and reputational risk management are expressed in the “Group Policy for Operational and Reputational Risk Management” applied and disseminated, to the extent of its competence, to all organisational units of the Bank and Group companies. Similarly, with regard to the fundamentals inspiring IT risk management, there is a “Group Policy for ICT and Security Risk Management” in force, which operates both at the level of the Parent Bank and its subsidiaries.

10.1.2. Methods for assessing minimum own funds requirements

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

In particular, it calculates the mandatory minimum capital requirement for operational risks by using the Basic Indicator Approach (BIA). 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.

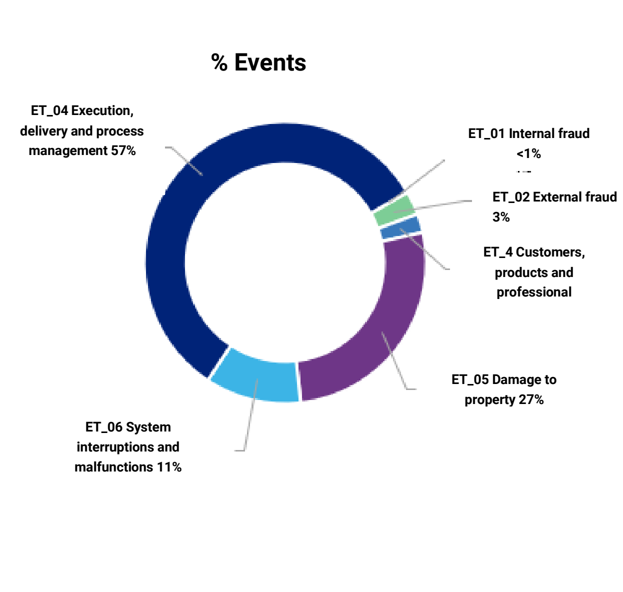
For regulatory purposes, the measurement of operational risk is carried out using IT procedures dedicated to the periodic production of statistical reports and consolidated prudential supervision.

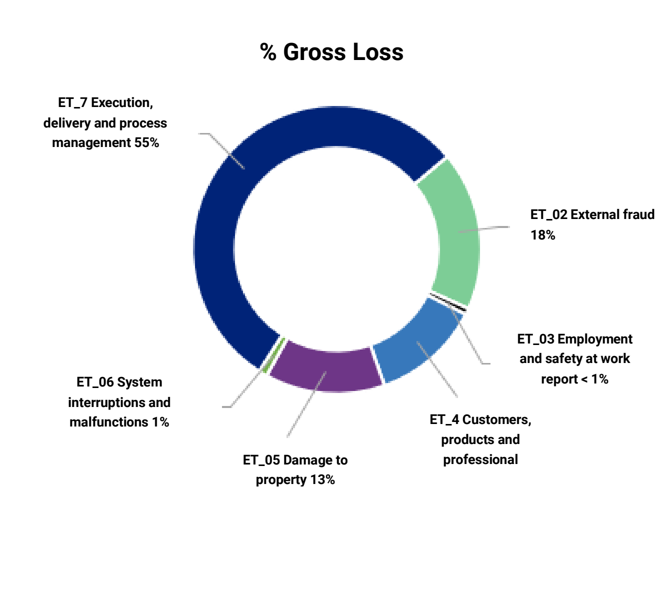
The adoption of the “basic approach” by the Bank resulted in a consolidated capital requirement on 31 December 2023 of approximately 82.235 million Euro, which was considered capable of coping with the unexpected financial impacts of potential risky events that could occur during 2024.

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

- internal fraud: losses due to unauthorised activity, fraud, embezzlement or violation of laws, regulations or company directives that involve at least one internal intermediary resource;
- external fraud: losses due to fraud, embezzlement, or violation of laws by subjects external to the intermediary;
- employment relationships and occupational safety: losses due to acts that are in non-compliance with the laws or agreements on employment, health and safety at work, the payment of compensation for personal injury or incidents of discrimination or diversity;
- customers, products and operating practices: losses resulting from non-fulfilment of professional obligations towards customers or from the nature or characteristics of the product or service provided;
- damage to tangible assets: losses resulting from external events, such as natural disasters, vandalism, terrorism, etc.;
- interruptions to operations and system malfunctions: losses due to interruptions to operations, malfunctions or unavailability of systems;
- 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 2023 are shown in the graphs below, which shows the percentage distribution of the number of events and operating losses, divided into the 7 event type categories listed above.





10.1.3. Quantitative information

Table 54 - Template EU OR1: operational risk own funds requirements and risk-weighted exposure amounts

	Banking activities	Relevant indicator			Own Funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	508	560	577	82	1.028
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	-	-	-	-	-

11. Interest rate risk on the Banking Book

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

11.1.1. The interest rate risk management process on the banking book

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

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

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

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

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

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

Although from a regulatory point of view, Circular 285 still refers to the standardised approach (Annex C and Annex C-bis, Title III, Circular No. 285/2013) for the purpose of allocating internal capital, the Bank has decided to make a more prudential estimate, using an approach in line with the EBA 2022/14 guidelines.

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.

11.1.2. The interest rate risk mitigation strategy on the banking book

In terms of breakdown of the balance sheet with reference to the types of risk in question, in respect of the liabilities, the main funding source is still the on-line savings 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, Revalea and Ifis Npl Servicing, the first two are characterised by a business model focused on acquiring receivables at prices lower than their nominal amount, there is a potential interest rate risk associated with the uncertainty about when the receivables will be collected.

At 31 December 2023, the comprehensive bond portfolio mainly comprises government securities for a percentage of 66%; the modified average duration and average maturity of the portfolio are respectively 2,2 years and 2,9 years.

Starting from 2023, the Banca Ifis Group hedges the interest rate risk. In particular, the Group adopts a “fair value hedge” strategy, in which the hedging instruments are IRS plain vanilla derivative contracts and the “hedged items” are certain government bonds (in this case Italian BTPs) measured at amortised cost. At 30 June 2023, the first management monitoring date, the sensitivity of the economic value in a +200bps scenario was reduced from 14,6% to 12,2% as a result of hedging.

11.1.3. Analysis of results

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 2023, is 26,818 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 2023 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 implemented a new interest rate risk management monitoring system in line with market best practices, which allowed it to produce risk measurement metrics aligned with the requirements of GL EBA 14/2022. These metrics will be fully operational, and also adopted in institutional regulatory reporting, after the coming into force of the future update of Circular 285/2013, expected in 1H24.

Below is the value of interest rate risk as at 31/12/2023 and compared with the previous date of 31/12/2022, consistent with the approach currently required by the regulations in force. 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.

11.1.4. Quantitative information

Table 55 - 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	26.818	98.976	26.664	22.663
2	Parallel down	-26.818	- 98.976	-27.202	- 24.791
3	Steepener	33.704	52.995	-	-
4	Flattener	-30.324	- 38.400	-	-
5	Short rates up	-21.421	- 8.372	-	-
6	Short rates down	21.421	8.372	-	-

12. Remuneration

12.1. Group remuneration and incentive system

12.1.1. The bodies responsible for supervising remuneration

The main bodies and individuals of the Parent Company involved in the preparation, approval and possible 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 Strategic Planning and Management Control Department.

12.1.2. Structure of the remuneration system for identified staff

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

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

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

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

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

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

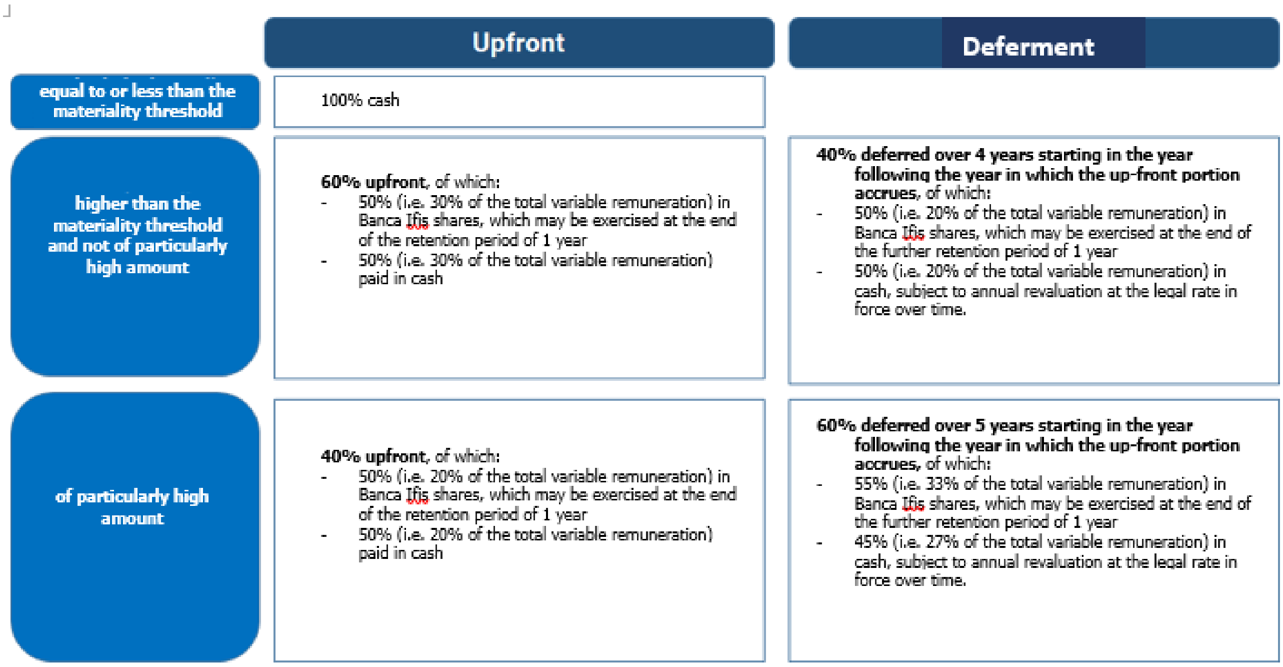
In accordance with the Supervisory Provisions, the Group defines:

- Materiality threshold. The variable remuneration of the identified staff which exceeds the amount of 50.000 Euro and represents more than one third of the total annual remuneration.

- "Particularly high" variable remuneration amount. This is the lesser of 25% of the average total remuneration of Italian high earners, as resulting from the most recent report published by the EBA and 10 times the average total remuneration of the Ifis Group's employees.
- Deferral period and deferred dues. This is 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 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 identified staff adopted by the Banca Ifis Group are summarised below:

Table 56 - Short-term incentive scheme for identified staff



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

12.1.3. Impact of risks on remuneration

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

- on the basis of a measure of risk-adjusted profitability, such as RORAC (return on risk-adjusted capital) defined as the ratio between Net 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 level is established every year in the Banca Ifis Group's Risk Appetite Framework (RAF) at consolidated level, in accordance with prudential supervisory regulations in force;
- related to the tolerance level, greater than the regulatory minimum equal 100%, for the Group's medium-long term liquidity indicator - Net Stable Funding Ratio (NSFR). The tolerance level is established every year in the Banca Ifis Group's Risk Appetite Framework (RAF) at consolidated level, in accordance with prudential supervisory regulations in force;
- 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.

12.1.4. Relationships between fixed and variable components of remuneration

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

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

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

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

12.1.5. The variable component of remuneration

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

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

12.1.6. The short-term incentive system

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

Goals are declined within a performance scorecard.

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

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

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

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

12.1.7. Long Term Incentive (LTI) Plan 2021-2023 for the Chief Executive Officer, Co-General Managers and other Group beneficiaries

The Chief Executive Officer of Banca Ifis is also the recipient of a Long Term Incentive (LTI) Plan 2021-2023, approved by the Board of Directors on 24 June 2021 and by the Shareholders' Meeting of the Parent Company on 28 July 2021. The Plan provided for the assignment to the CEO, free of charge, of a certain number of options that will give the right to purchase, at a unit exercise price (the “strike price”) equal to 12,92 Euro, a corresponding number of Banca Ifis shares.

The Plan vested on 31 December 2023 at the end of the three-year vesting period (2021-2023), and the options will become exercisable after an additional year of retention, subject to the circumstance that the relationship between the Bank and the CEO is still in place, and that pre-determined quantitative and qualitative, financial and non-financial targets, linked to the Bank's long-term strategies, have been achieved.

The Plan granted the CEO of the Parent Company the right to receive up to a maximum of 696.000 options at the end of the vesting period and on achievement of the objectives of the Plan.

The aforementioned Options were counted for the purposes of calculating the ratio between fixed and variable remuneration as follows: (i) 156.000 Options for FY 2021; (ii) 270.000 Options for FY 2022; and (iii) 270.000 Options for FY 2023.

The final results confirmed the attainment of the minimum level with reference to the TSR objectives and the maximum level with reference to the economic-financial and ESG indicators as depicted above. Consequently, subject to the approval of the financial statements for FY 2023 by the Shareholders' Meeting next 18 April, and based on the preliminary results approved by the Board of Directors at its meeting on 8 February 2024 and the resulting draft financial statements to be approved by the Board of Directors on 7 March 2024, the Chief Executive Officer will be granted 609.000 option rights, which will be exercisable after a one-year retention period in accordance with the regulatory timelines. Also for the LTI Plan 2021 - 2023, options are granted 40% as up front and 60% as deferred over 5 years.

As envisaged in the Plan approved by the Shareholders' Meeting of 28 July 2021, and in execution of the mandate granted to the Board of Directors on that occasion, on 9 June 2022, the latter resolved to include 13 “additional beneficiaries” in the LTI Plan, assigning them the same objectives already envisaged for the Chief Executive Officer and illustrated in the 2022 Remuneration Policy. These additions to the Plan were then approved by the Shareholders' Meeting of Banca Ifis on 28 July 2022.

Also, for these additional beneficiaries, represented by high-level managers of the Group (including 12 key managers and Co-General Managers), the Plan provided for the assignment of a certain number of options that will entitle them to purchase, free of charge and always at a strike price per share of 12,92 Euro, a corresponding number of Banca Ifis shares. The Plan vested on 31 December 2023 at the end of the vesting period, and the options will become exercisable after an additional year of retention, subject to the circumstance that the relationship between the Bank and the beneficiaries is still in place, and that pre-determined quantitative and qualitative, financial and non-financial targets, linked to the Bank's long-term strategies, have been achieved. The Plan granted the other beneficiaries the right to receive up to a maximum of 320.000 options at the end of the vesting period and on achievement of the objectives of the Plan.

For the TSR and Gross Profit targets, the calculation was carried out for the two-year vesting period, while for the other targets the calculation was based on the results achieved on 31 December 2023 (thus considering the entire duration of the 2021 - 2023 plan).

It is also noted that during the first half of 2023, the resignation of an executive with strategic responsibility included in the Plan took place, with the consequent loss of his status as a beneficiary of the Plan.

As a result of the aforementioned changes in 2022 and the first half of 2023, the Plan's beneficiaries total 12, including 11 executives with strategic responsibilities, and the maximum number of options assignable to the other beneficiaries is 300.000.

The aforementioned Options will be counted for each of the beneficiaries, for the purpose of calculating the ratio between fixed and variable remuneration, 50% for FY 2022 and the remaining 50% for FY 2023.

The outcome of the Plan's finalisation found that the TSR objectives were not achieved in view of the two-year vesting period instead of the three-year period; the other objectives were achieved at the maximum level. Accordingly, subject to the approval of the financial statements for the financial year 2023 by the Shareholders' Meeting on 18 April next, and based on the preliminary results approved by the Board of Directors at its meeting on 8 February 2024 and the resulting draft financial statements to be approved by the Board of Directors on 7 March 2024, the 12 beneficiaries will be allocated 225.000 option rights that will be exercisable at the end of the one-year retention period.

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

Regarding ex post correction mechanisms, the following is specified.

The deferred variable component is subject to the following malus mechanisms, which reduce, to the point of eliminating, the amount previously determined before disbursement.

The ex-post correction mechanisms cannot lead to an increase in the variable remuneration initially recognized, nor in the variable remuneration previously reduced or eliminated following the application of the malus.

The required criteria are verified in each of the three financial years following the determination of the variable component (accrual period) and applied upon the occurrence of the conditions above indicated, taking into consideration the worst result recorded in the reference period.

As regards to recovery, the relevant criteria are verified in each of the three financial years closed after the determination of the variable component (accrual period) and applied upon the occurrence of the conditions above indicated, with the exception of the most important personnel for whom this verification must be carried out in each of the next five closed financial years.

Finally, individual employees are expressly prohibited from implementing personal hedging or insurance strategies on remuneration (hedging strategy) or on other aspects that may alter or invalidate the effects of alignment with company risk inherent to the envisaged remuneration mechanisms.

12.1.9. Quantitative information

Table 57 - 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	8	47
2		Total fixed remuneration	2,905	0,993	1,850	5,932
3		Of which: cash-based	2,905	0,993	1,850	5,932
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	8	47
10		Total variable remuneration	0,000	1,140	1,150	2,624
11		Of which: cash-based	0,000	0,310	0,454	1,526
12		Of which: deferred	0,000	0,178	0,182	0,341
EU-13a		Of which: shares or equivalent ownership interests	0,000	0,350	0,454	0,852
EU-14a		Of which: deferred	0,000	0,218	0,182	0,341
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	0,000	0,480	0,242	0,247
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)		2,905	2,133	3,000	8,557

Table 58 - 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	-	-	-	1
2	Guaranteed variable remuneration awards -Total amount	-	-	-	0,15
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	0,15
	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	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

Table 59 - 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	0,298	0,038	0,260	-	-	-	0,010	-
9	Shares or equivalent ownership interests	0,355	-	0,355	-	-	-	-	0,495
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	**Other senior management**	-	-	-	-	-	-	-	-
14	Cash-based	0,281	0,015	0,266	-	-	-	-	-
15	Shares or equivalent ownership interests	0,281	-	0,281	-	-	-	-	0,444
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff**	-	-	-	-	-	-	-	-

	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
20	Cash-based	0,470	-	0,470	-	-	-	0,054	-
21	Shares or equivalent ownership interests	0,524	0,054	0,470	0,013	-	-	-	0,758
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	2,208	0,106	2,101	0,013	-	-	0,063	1,697

Table 60 - 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	-

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Table 61 - Template EU REM5: special payments to 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							68
2	Of which: members of the MB	12	1	13				
3	Of which: other senior management						8	
4	Of which: other identified staff				18	5	24	
5	Total remuneration of identified staff	2,905	2,133	5,038	4,929	0,943	5,685	16,595
6	Of which: variable remuneration	0	1,140	1,140	1,632	0,226	1,917	4,914
7	Of which: fixed remuneration	2,905	0,993	3,899	3,297	0,717	3,768	11,681

13. Encumbered and Unencumbered Assets

13.1. Encumbered and unencumbered assets

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

The risk connected to the quota of encumbered assets determines:

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

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

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

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

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

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

In view of the growing importance of collateralised funding in the course of 2023, 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 2024, 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.

13.1.1. Quantitative information

Table 62 - 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	4.672	1.649			8.759	1.141		
Equity instruments	-	-	-	-	237	-	237	-
Debt securities	2.362	1.649	2.289	1.593	890	460	870	441
of which covered bonds	-	-	-	-	-	-	-	-
of which securitisations	58	-	58	-	128	-	126	-
of which issued by general governments	1.672	1.639	1.615	1.593	468	460	449	441
of which issued by financial corporations	679	-	594	-	333	-	330	-
of which issued by non-financial corporations	63	-	57	-	83	-	82	-
Other assets	2.312	-			7.714	622		

Table 63 - 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	-	-	11	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	11	-
170	of which covered bonds	-	-	-	-
180	of which securitisations	-	-	-	-
190	of which issued by general governments	-	-	-	-
200	of which issued by financial corporations	-	-	11	-
210	of which issued by non-financial corporations	-	-	-	-
220	Loans and advances other than demand financing	-	-	-	-
230	Other collateral received	-	-	-	-
240	Own debt securities issued other than own covered bonds or securitisations	-	-	93	-
241	Own covered bonds and securitisation issued and not yet pledged			-	-
250	TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	4.672	1.649		

Table 64 - 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	4.724	4.502

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

Pursuant to article 154 bis of Italy's "Consolidated Law on Financial Intermediation", the Manager charged with preparing the company's financial reports of Banca Ifis S.p.A., Massimo Luigi Zanaboni, declares that the accounting information contained in this "Public Disclosure at 31 December 2023 - Pillar III" corresponds to the company's accounting records, books and entries.

Venice, 7 March 2024

The Manager charged with
preparing the company's
financial reports

Massimo Luigi Zanaboni