Annual Report

2023

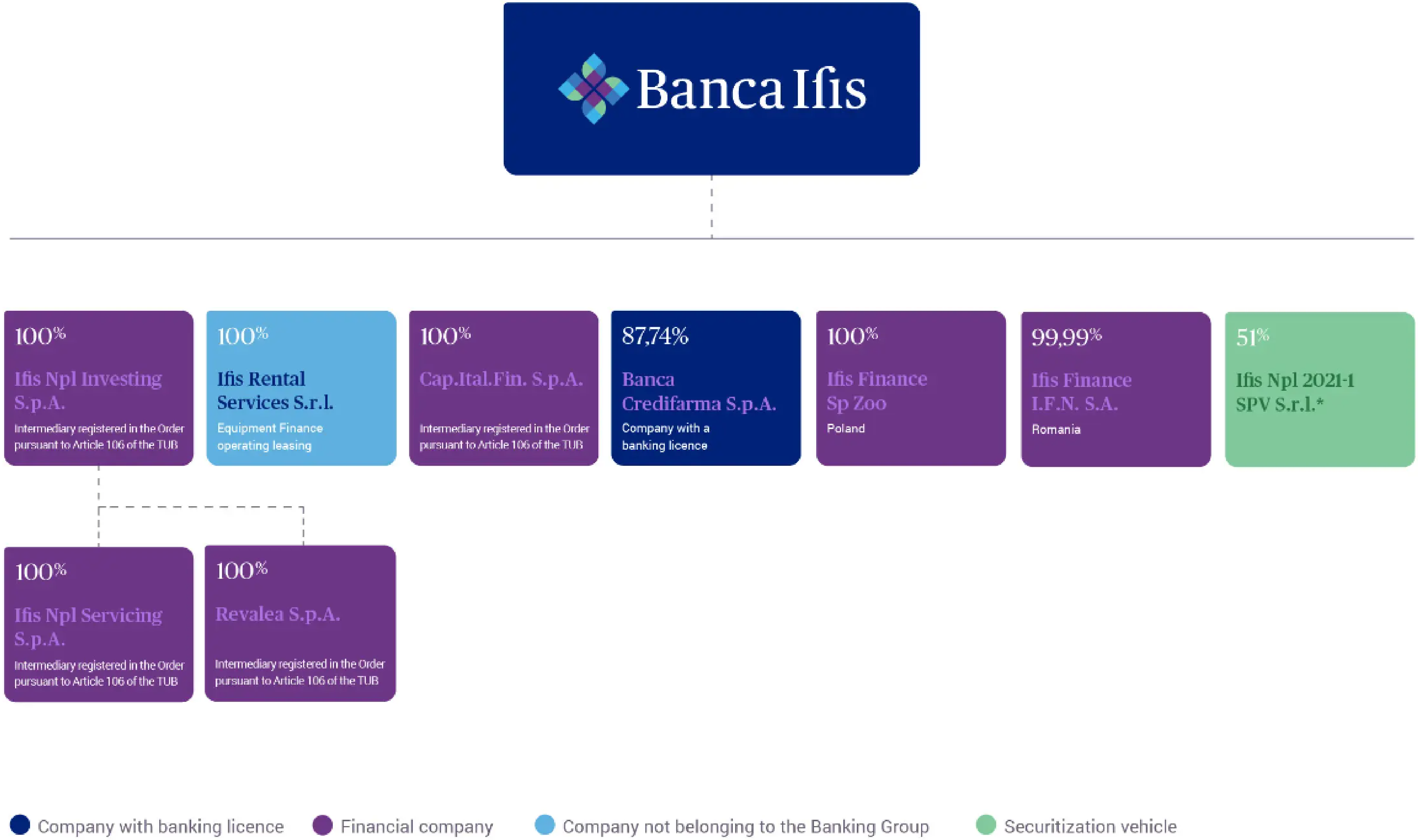
Banca Ifis

Summary

It should be noted that any reference made to "2023 Annual Report and Financial Statements" within this document is to be understood as being made to the "2023 Draft Annual Report and Financial Statements", which is approved by the Board of Directors and represents the Board of Directors' proposal to the Shareholders' Meeting for the approval of the 2023 Annual Report and Financial Statements.

This document is prepared in PDF format for the purpose of facilitating the reading of the financial statements and does not represent the Annual Financial Report for FY 2023 of the Banca Ifis Group, which must be prepared in accordance with the provisions of European Commission Regulation 815/2019 (the European Single Electronic Format – ESEF - Regulation). In order to comply with the disclosure requirements of Directive 2004/109/EC (the Transparency Directive), the Annual Financial Report prepared in the "ESEF" format is published within the legal deadlines.

The accompanying consolidated and separate financial statements of Banca Ifis S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.



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

Corporate Bodies

Corporate officers in office at the date of approval of the 2023 Annual Report

Board of Directors

Chairman	Ernesto Fürstenberg Fassio
Vice Chair	Simona Arduini
Chief Executive Officer	Frederik Herman Geertman [1]
Directors	Monica Billio Beatrice Colleoni Roberto Diacetti Roberta Gobbi Luca Lo Giudice Antonella Malinconico Giovanni Meruzzi Paola Paoloni Monica Regazzi

[1] *The CEO has powers for the ordinary management of the Company.*

Honorary Chairman	Sebastien Egon Fürstenberg
Co-General Managers	Fabio Lanza Raffaele Zingone

Board of Statutory Auditors

Chairman	Andrea Balelli
Standing Auditors	Annunziata Melaccio Franco Olivetti
Alternate Auditors	Marinella Monterumisi Emanuela Rollino
Independent Auditors	PricewaterhouseCoopers S.p.A.
Manager Charged with preparing the Company's financial reports	Massimo Luigi Zanaboni

Banca Ifis

Parent company name - Banca Ifis S.p.A.
Fully paid-up share capital: 53.811.095 Euro
Name of reporting party - Banca Ifis S.p.A.
Name of ultimate parent of Group- La Scogliera S.A.
Reason for change of name - none
Reporting office - Venice
Legal form - S.p.A.
Country of registration - Italy
Main place of business - Mestre Venice
Legal and administrative headquarters - Via Terraglio, 63 30174 Mestre Venice
Nature of reporting activity - Credit activity
ABI 3205.2
Tax Code and Venice Companies Register Number - 02505630109
VAT number - 04570150278
Enrolment in the Register of Banks No - 5508
Website - www.bancaifis.it

FCI
Facilitating Open Account – Receivables Finance

Member of FCI

Letter from the Chairman to Shareholders

Ernesto Fürstenberg Fassio
Chairman of Banca Ifis S.p.A.

Dear Shareholders,

During 2023, despite a context characterised by major geopolitical and macroeconomic tensions, Banca Ifis achieved positive results, both from an economic and financial as well as a management and industrial perspective.

Last year, the Bank recorded 160,1 million Euro in net profit, up more than 13 percentage points from 141 million Euro in the previous year. This figure, which represents a historical record for Banca Ifis, net of PPAs, allowed us to reach the profit target set for 2024 in our Business Plan one year early. This was achieved thanks to revenue growth and prudent cost and risk management policies, which, combined with a strong liquidity position, made it possible to share these financial successes with our investors: of the 300 million Euro accumulated profit for the two-year period 2022-23, a good 185 million Euro was distributed as a dividend. These numbers confirm the soundness of the initiatives taken since 2019 on our business model and our ability to generate sustainable value over the long term, even in today's complex market environment.

In the year in which it celebrated its first 40 years in business, our Bank, under the leadership of the Sustainability Committee, further strengthened its commitment to ESG, particularly in the implementation of the social agenda, in the wake of the 2022-2024 “D.O.E.S.” Business Plan (Digital, Open, Efficient, Sustainable), which integrates the sustainability plan, setting out precise goals and activities for the three-year reference period in relation to all relevant areas (environmental, social and governance), also in line with the UN 2030 Agenda and the 17 Sustainable Development Goals.

In 2023, Banca Ifis launched a number of significant projects in all ESG areas, starting with the monitoring of the emission reduction targets financed by 2030 on the lending portfolio as part of the Net Zero Banking Alliance (NZBA), the United Nations initiative that aims to accelerate the sustainable transition of the banking sector by zeroing the net emissions of the lending portfolio by 2050, to which the Bank was the first to adhere in Italy. Again, as regards the environment, to support SMEs even more concretely on their path to sustainable transformation, the Bank has introduced new products to facilitate the sustainable transition of its customers, including leasing for electric posts and removable photovoltaic systems, as well as a rental solution for e-bike fleets.

Through "Kaleidos", the Social Impact Lab that develops projects with a high social impact in three areas - inclusive communities, culture and territory, and personal well-being - in 2023 Banca Ifis continued to implement its social agenda promoted by the Chairman with an investment in the three-year plan period of 6 million Euro, to which a further million Euro donated to the Banco Alimentare Onlus Foundation was added, which will make it possible to distribute the equivalent of around 10 million meals to the neediest segments of the population. This is a concrete commitment, expressed in more than 30 initiatives already implemented, thanks to which we were awarded the Areté Prize for Responsible Financial Communication at the CSR and Social Innovation trade fair.

With reference to the topics of diversity, equity and inclusion, after being certified on gender equality - the first among Italian banks - by the Winning Women Institute, the Bank obtained UNI PdR 125:2022 certification and formalised in the Policy for the Promotion of Diversity and Inclusion what the Bank had already accepted and practised on the subject. The commitment to the Ifis People has been flanked by the continued support offered to high value-added initiatives for social inclusion, for example towards associations such as CAF, which takes in and supports disadvantaged young people, the Don Gino Rigoldi Foundation, which supports families in socio-economic difficulty, and Articolo 3, which operates in Bollate prison. Finally, there is support for the summer school of the Galileiana School of the University of Padua for STEM orientation courses for high school students.

In terms of medical-scientific research, another pillar of the corporate agenda, just like last year, we have supported the Bambino Gesù Children's Hospital for research into innovative therapies to fight malignant tumours of the central nervous system affecting children and young adults, and the Veneto Institute of Molecular Medicine (VIMM) with the "Adopt a Researcher" initiative of the Advanced Biomedical Research socially useful non-profit foundation.

Also of great importance are the projects carried out by the Bank to promote the Italian cultural ecosystem, such as the renewed "Economy of Beauty" project, an Observatory set up within Banca Ifis to report on the value of companies that make beauty - in all its forms - their distinctive element, and the "Observatory on the Italian Sport System" project, which analyses the value of the Italian sports system, which this year has dedicated an in-depth focus on the Giro d'Italia, highlighting its international characteristics and great prestige. The continued focus on young people was reaffirmed with numerous initiatives, such as the awarding of scholarships to CONI medal-winning athletes.

Banca Ifis has always stood out for its concrete and value-based approach in every area of its business. This is one of the reasons why, in cooperation with the Milan Polytechnic University, it has developed a model for measuring the impact on the community generated by the social activities promoted or supported by it. The first results, presented during the year, showed that on average, every euro invested by Banca Ifis in sustainability initiatives turned into 3,9 Euro of economic value for the community, confirming the relevance of its social commitment.

Again, demonstrating our closeness to the community, the territory and culture, in 2023 we inaugurated the "Banca Ifis International Sculpture Park": the permanent exhibition of monumental contemporary art sculptures is housed inside the 16th-century Villa Fürstenberg in Mestre, the Bank's historic headquarters. The International Sculpture Park will be a constantly evolving place open to the public, a key example of our way of doing banking with a social purpose.

These are just some of the many initiatives of Banca Ifis that tangibly demonstrate our desire to be promoters of business models that are sustainable in the long term and capable of generating a positive impact, both economic and social, by promoting the acceleration of the sustainable transition process of our economy while generating social value for people, communities and the territory.

Ernesto Fürstenberg Fassio, Chairman of Banca Ifis S.p.A.

Letter from the CEO to Shareholders

Frederik Geertman
CEO of Banca Ifis S.p.A.

Dear Shareholders,

In 2023, Banca Ifis achieved important financial, industrial and sustainability results. In terms of **financial results**, net profit rose by 13,5% compared with 2022, coming to 160,1 million Euro: net of PPA, this is the best figure in the Bank's history. The figure is 16,8% higher than the target of 137 million Euro profit set for 2023 in the Business Plan and in line with the target initially set for the end of 2024 by the same Plan. The growth in profits was driven by the increase in revenues, which rose by 3,5% compared with 2022, the positive performance of the commercial business and the positive correlation of trade receivables to rising interest rates. Revenues in the Commercial & Corporate Banking Segment grew by 8,2% compared with 2022, while in the Npl Segment cash recoveries on portfolios increased by 3,6% compared with 2022, to 397 million Euro. With the acquisition of Revalea from the Mediobanca Group, for 100 million Euro, the Bank consolidated its position as the leading player in the small tickets unsecured segment. The transaction, which was accompanied by a long-term partnership for the management of non-performing loans with the Mediobanca Group itself, allowed the Bank to meet the Npl portfolio purchase targets of the 2022-2024 Business Plan in advance.
By accelerating profitability, Banca Ifis has strengthened its ability to generate value for its investors. Consistent with the new Dividend Policy, strongly inspired by the Chairman, the Bank's Board of Directors has proposed to the Shareholders' Meeting a dividend balance for FY 2023 of 0,9 Euro per share in issue. This is added to the interim dividend, paid last November, of 1,2 Euro per share, bringing the total dividend for FY 2023 to 2,1 Euro per share, which places Banca Ifis among the companies with the best dividend yield on the market.
During the period, solidity indicators remained well above the minimum levels required by the Bank of Italy, with the consolidated CET1 Ratio at 14,87% and the consolidated Total Capital Ratio at 17,44%.

Positive results were also achieved on the **industrial front**. The Bank has accelerated its digital transformation path - a pillar of the D.O.E.S. Business Plan - continuing with the digitisation process: from acquisition, to evaluation, to contracting, to after-sales, all stages of the relationship with the SME have been digitised through the "MyIfis" platform. In order to strengthen its digital infrastructure, for which it has earmarked 76 million Euro during the period of the plan, the Bank has continued to explore, also at international level, technological solutions to be more efficient and competitive. Product innovation also continued with the development of solutions aimed at supporting the sustainable transition of SMEs, such as leasing in the automotive, electric mobility and sustainable energy sectors.

Equally important are the achievements in the area of **sustainability**: the commitment to sustainable transformation, as outlined in the Business Plan, continued. We have launched new initiatives and expanded those already undertaken in all three areas: environmental, social and governance. On the environmental side, in line with the Bank of Italy's expectations, we have integrated climate risk monitoring into our risk management processes and further improved our external reporting by publishing the Group's first TCFD Report. In the social sphere, Kaleidos continued to invest in initiatives of value to communities, measuring the impact generated, as did its commitment to the Ifis People, especially on issues of diversity and inclusion. All these initiatives enabled us to confirm our "A" rating from MSCI.

With this in mind, Banca Ifis looks forward with confidence to 2024, which has just begun and represents the final year of a three-year plan focused on the sustainable growth of the Bank and the generation of value for all its stakeholders.

Frederik Geertman, Chief Executive Officer of Banca Ifis S.p.A.

2023 Consolidated Financial Statements and Report

Directors’ Report on the Group

General aspects

The "2023 Consolidated Financial Statements and Report" includes the Consolidated Financial Statements, the related Notes to the Consolidated Financial Statements and this Directors' Report on the Group.

To allow a more immediate reading of the results, a condensed reclassified consolidated income statement is prepared within the Directors' Report on the Group. It should be noted that in relation to the acquisition of Revalea S.p.A. finalised on 31 October 2023 (for further details see the section "Significant events during the year") and the entry of the same in the consolidation area, the figures for the year and in particular the balance sheet figures may not be fully comparable with those of the previous year. However, it should be noted that in the comments to the individual items, the contribution of the company acquired is presented, where relevant. Analytical details of the restatements and reclassifications made with respect to the Consolidated Financial Statements compliant with Bank of Italy Circular 262 are provided in separate tables published among the annexes (see the section “Annexes" of the “2023 Consolidated Financial Statements and Report”), also in compliance with the requirements of Consob Communication No. 6064293 of 28 July 2006.

Reclassifications and aggregations of the consolidated income statement concern the following:

- net credit risk losses/reversals of the Npl Segment are reclassified to interest receivable and similar income (and therefore to "Net interest income") to the extent to which they represent the operations of this business and are an integral part of the return on the investment;
- net allocations to provisions for risks and charges are excluded from the calculation of "Operating costs";
- cost and revenue items deemed as "non-recurring" (e.g. because they are directly or indirectly related to business combination transactions, such as the "gain on a bargain purchase" in accordance with IFRS 3), are excluded from the calculation of "Operating costs", and are therefore reversed from the respective items as per Circular 262 (e.g. "Other administrative expenses", "Other operating income/costs") and included in a specific item "Non-recurring expenses and income";
- the following is included under the single item "Net credit risk losses/reversals":
    - net credit risk losses/reversals relating to financial assets measured at amortised cost (with the exception of those relating to the Npl Segment mentioned above) and to financial assets measured at fair value through other comprehensive income;
    - net allocations to provisions for risks and charges for credit risk relating to commitments and guarantees granted;
    - profits (losses) from the sale/repurchase of loans at amortised cost other than those of the Npl Segment.

The balance sheet components were aggregated without reclassification.

Highlights

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Cash and cash equivalents	857.533	603.134	254.399	42,2%
Financial assets measured at fair value through profit or loss	234.878	222.088	12.790	5,8%
Financial assets measured at fair value through other comprehensive income	749.176	697.611	51.565	7,4%
Receivables due from banks measured at amortised cost	637.567	565.762	71.805	12,7%
Receivables due from customers measured at amortised cost	10.622.134	10.186.932	435.202	4,3%
Total assets	14.051.361	13.262.377	788.984	5,9%
Payables due to banks	2.717.139	3.422.160	(705.021)	(20,6)%
Payables due to customers	5.814.624	5.103.343	711.281	13,9%
Debt securities issued	3.288.895	2.605.195	683.700	26,2%
Consolidated equity	1.693.699	1.597.781	95.918	6,0%

RECLASSIFIED CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Net banking income	**704.616**	**680.547**	**24.069**	**3,5%**
Net credit risk losses/reversals	(52.407)	(77.515)	25.108	(32,4)%
Net profit (loss) from financial activities	**652.209**	**603.032**	**49.177**	**8,2%**
Operating costs	**(405.841)**	**(390.378)**	**(15.463)**	**4,0%**
Net allocations to provisions for risks and charges	(6.878)	(400)	(6.478)	n.s.
Non-recurring expenses and income	(2.919)	-	(2.919)	n.a.
Value adjustments of goodwill	-	(762)	762	(100,0)%
Gain on disposals of investments	986	304	682	224,3%
Pre-tax profit (loss) for the period from continuing operations	**237.557**	**211.796**	**25.761**	**12,2%**
Income taxes for the year relating to current operations	(75.641)	(69.909)	(5.732)	8,2%
Profit for the period	**161.916**	**141.887**	**20.029**	**14,1%**
(Profit) loss for the year attributable to non-controlling interests	(1.806)	(801)	(1.005)	125,5%
Profit for the year attributable to the Parent Company	**160.110**	**141.086**	**19.024**	**13,5%**

CONSOLIDATED COMPREHENSIVE INCOME (in thousands of Euro)	31.12.2023	31.12.2022
Profit (loss) for the year	**161.916**	**141.887**
Other comprehensive income, net of taxes, not to be reclassified to profit or loss	(4.561)	(2.636)
Other comprehensive income, net of taxes, to be reclassified to profit or loss	19.815	(32.685)
Consolidated comprehensive income	**177.170**	**106.566**
Consolidated comprehensive income attributable to non-controlling interests	(1.806)	(797)
Consolidated comprehensive income attributable to the Parent Company	**175.364**	**105.769**

Refer to the section “Reclassified financial and income results” for comments on the dynamics in the balance sheet and income statement. As regards the dynamics in terms of overall profitability and cash flows, refer to Part D of the Notes to the Consolidated Financial Statements and the Consolidated Cash Flow Statement within the "Consolidated Financial Statements", respectively.

Group KPIs

GROUP EQUITY KPIs	2023	2022	CHANGE
CET1 ratio (1)	14,87%	15,01%	(0,14)%
Total Capital Ratio (1)	17,44%	18,82%	(1,38)%
Number of company shares (in thousands)	53.811	53.811	0,0%
Number of shares outstanding at year end (2) (in thousands)	52.468	52.433	0,1%
Price/book value per share	0,49	0,44	11,4%
Dividend per share(3)	2,10	1,40	50,0%

(1) CET1 and Total Capital include the profits generated 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.

(2) Outstanding shares are net of treasury shares held in the portfolio.

(3) The figures for FY 2023 comprise the total of 1,20 Euro per share distributed as an interim dividend in November 2023 and 0,90 Euro per share as a proposal for a final dividend for the FY 2023 prepared by the Board of Directors of Banca Ifis.

GROUP ECONOMIC KPIs	2023	2022	CHANGE
ROE	9,7%	8,8%	0,9%
ROA	1,1%	1,1%	0,0%
Reclassified cost/income ratio	57,6%	57,4%	0,2%
Earnings per share (EPS)	3,05	2,68	0,37
Payout ratio	68,8%	52,0%	16,8%

Context

The international context and the Italian economy in 2023

If 2022 could be defined as a year “characterised by a very high degree of scenario variability”, the year 2023 that has just passed saw an increase in the uncertainty of the environment (important geopolitical crises were added, first and foremost the conflict in the Middle East and the Suez Canal crisis with its impacts on an already critical global supply chain) and, at the same time, an inflationary scenario coexisting with high interest rates appeared, as a consequence of the central banks' contrasting policies (the ECB raised the refinancing rate for main operations from close to 0% in September 2019 to 4,50% in September 2023).

Against this background of global GDP slowing down from 3,5% in 2022 to 3,1% in 2023 (source: IMF in January 2024), the Italian economy held up, even when compared to the EU average (GDP 2023 +0,7% Italy and +0,5% Euro area, source: IMF forecast January 2024), thanks to important macroeconomic fundamentals such as:

- high liquidity (deposits from Bank of Italy data as at the third quarter of 2023):
    - consumer households 1.142 billion Euro, up 12% on the first quarter of 2019;
    - non-financial companies 509 billion Euro, up 46% compared to the first quarter of 2019;
- a low debt rate (source: Bank of Italy's Financial Stability Report No. 2 of 2023): for households it is approximately 39,6% of GDP compared to an average in the Euro area of over 55%, while businesses stand at 65,7% compared to the Euro area average of 97,5%;
- an ability of companies to maintain an adequate cash-flow: according to the Bank of Italy's business survey, the incidence of reserves considered to be low in view of operational needs until the end of 2023 remained low even for smaller companies and for companies that reported using them to repay debts;
- a more solid and modern production structure achieved through an uninterrupted growth in investment: ISTAT reports that the gross fixed capital formation of non-financial companies increased by 51% between early 2010 and the third quarter of 2023, and that the investment rate rose from 20,8% to 22,2% over the same period;
- a banking system with a low and stable level of credit deterioration: Bank of Italy data report that the Npe ratio of the banking system has been stable between 3,0% and 3,1% since 2022.

Added to these structural elements of the Italian system were the fiscal stimuli produced by expansionary public policies: Italy's net general government debt as a ratio of GDP is -5,0% (Source: Istat in the third quarter of 2023) and, for example, the -4,9% of GDP in France or the United States for which, according to the Congressional Budget Office, the federal deficit in 2023 was 1.678 billion USD, an increase of 25% compared to 2022.

Projections for 2024-2025

Bank of Italy estimates (Boleco of January 2024) outlined a significant slowdown in world trade: +0,6% in 2023, which compares with +5,4% in 2022, and a recovery to 2,4% in 2024, thus lower than in the pre-pandemic period. In particular, it is considered likely that, as was the case last year, the high credit cost will dampen global demand for investment and durable goods in 2024.

In addition, possible disruptions or slowdowns in global chains, resulting in particular from attacks on shipping traffic in the Red Sea, or increases in energy prices caused by the continuation or escalation of international tensions in the Middle East, could weigh on the outlook scenarios.

Estimates of world output are oriented towards a moderate development: from the OECD's most pessimistic forecast in November 2023 (2,7% in 2024) to the IMF's most favourable forecast in January 2024 (+3,1% in 2024 and +3,2% in 2025), the progression is essentially unchanged from 2023.

The projections of the Eurosystem (December 2023) do not differ greatly: Eurozone output is estimated at +0,8% in 2024 and +1,5% in 2025. Significantly, compared to the September 2023 estimate, the forecast has been revised downwards, due to the same factors as indicated by the Bank of Italy, OECD and IMF at global level. In addition, it should be considered that among the drivers of forward-looking trends, monetary policy is also becoming less expansive in its securities purchase programmes.

In Italy, the Bank of Italy's January 2024 forecast sees domestic product increasing by +0,6% in 2024 and +1,1 in 2025 and 2026. After having stagnated in the second half of 2023, economic activity is expected to gradually strengthen during 2024, supported by a recovery in disposable income and foreign demand. Investment, on the other hand, is expected to suffer from the high cost of financing and the removal of incentives for housing

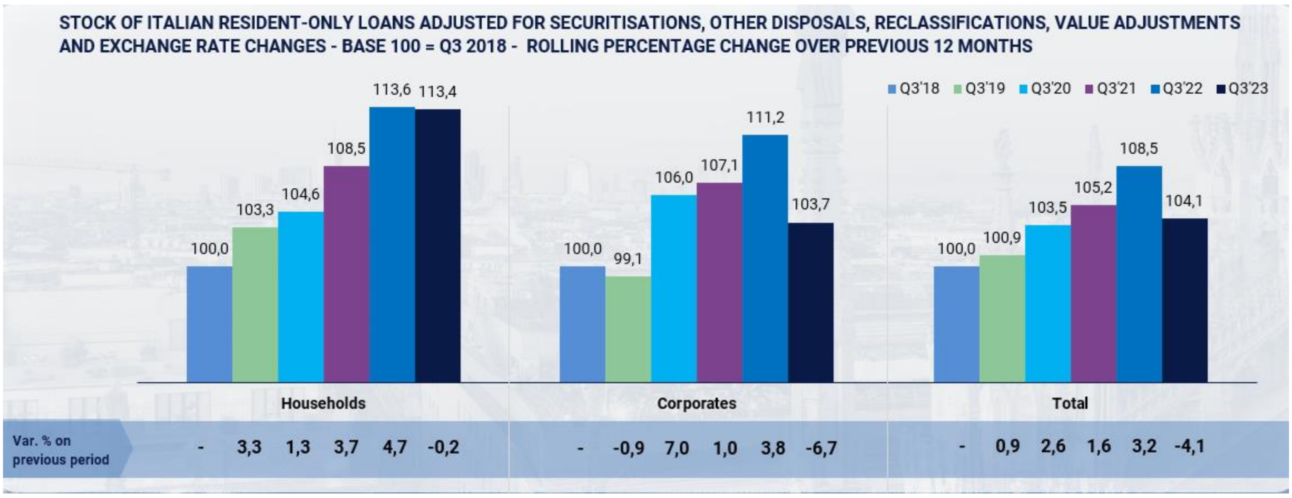
redevelopment, the effects of which would only be partially offset by the NRRP measures. The IMF's January 2024 GDP forecast is of the same magnitude: +0,7% in 2024 and +1,1% in 2025. The estimates of the European Commission's Winter 2024 Economic Forecast are also almost perfectly aligned: +0,7% in 2024 and +1,2% in 2025. In essence, the Italian economy is expected to move on a weak growth path.
However, in the face of the two forecasts just described, the Bank of Italy sees risks for Italian growth as predominantly downward, due to the possibility that the low dynamism of world trade will persist for a long time. In particular, there are three international risk fronts that could affect the Italian economy:

- the weakness of the Chinese economy;
- worsening international political tensions, which, by affecting the confidence of households and businesses, would make the domestic market weak and drive-up commodity prices;
- a further tightening of financing conditions with an impact on investment dynamics, a typically pro-cyclical component.

Reference markets

Corporates

Estimates show that output growth was almost nil at the end of 2023, held back by tightening credit conditions, still high energy prices, shrinking investment and a weak domestic market with stagnating consumption. The view by production segment shows a declining manufacturing segment, a stabilisation in the service segment and an increase in the construction segment (which continued to benefit from tax incentives).
Despite this, the Italian production system continued to create employment, which continued to grow in October and November 2023, albeit at a slower pace than in the first part of the year. The employment rate reached a new high (61,8% in November 2023 compared to 57,3% in January 2004).
Since the start of the normalisation process of monetary policy and the increase of central bank rates to counter inflation, the stock of credit has decreased significantly: -4,1% at the end of the third quarter of 2023 compared to the same period in 2022 (Bank of Italy figure, considering that total loans include only transactions with resident customers, excluding monetary financial institutions, and the stock takes into account securitisations, other disposals, reclassifications, value adjustments and exchange rate changes). As the analysis depicted in the following graph shows, the stock of bank loans still remains higher than the pre-pandemic situation and, therefore, is a trend to be monitored but does not yet represent a true credit crunch.



Source: Bank of Italy. Q3 2018 base 100.

The trend in credit disbursed to businesses and households probably reflected in the use of previously accumulated liquid assets to support expenditure and investments. This is evidenced by the values from the Bank of Italy database summarised in the table below. At the same time, the increase in liquidity of Italian companies evidenced by the reversal of the trend in the last two quarters monitored (+3,18% and +1,39%) is the result of the slowdown or postponement of investments.

Economic phenomenon	Banks deposits and postal savings			
Counterpart institutional sector	Consumer households		Non-financial companies and producer households	
Observation date	Value	Variance Q/Q	Value	Variance Q/Q
2023-09-30	1.142.381.383,	-0,11%	508.621.818,	3,18%
2023-06-30	1.143.597.047,	-2,20%	492.923.742,	1,39%
2023-03-31	1.169.350.788,	-2,11%	486.164.377,	-6,47%
2022-12-31	1.194.616.093,	0,32%	519.793.527,	2,42%
2022-09-30	1.190.832.644,	0,47%	507.532.002,	-0,17%
2022-06-30	1.185.226.794,	-0,62%	508.380.167,	2,39%
2022-03-31	1.192.675.036,	0,82%	496.517.356,	-3,64%
2021-12-31	1.183.016.875,	1,70%	515.261.986,	6,14%
2021-09-30	1.163.186.671,	1,16%	485.456.019,	2,12%
2021-06-30	1.149.861.331,	0,13%	475.374.158,	4,74%
2021-03-31	1.148.336.646,	1,37%	453.866.179,	-1,39%
2020-12-31	1.132.865.037,	3,02%	460.275.575,	6,23%
2020-09-30	1.099.641.486,	1,41%	433.276.026,	7,26%
2020-06-30	1.084.376.576,	-0,04%	403.940.477,	10,35%
2020-03-31	1.084.851.291,	2,61%	366.044.266,	0,80%
2019-12-31	1.057.305.717,	1,11%	363.140.844,	1,88%
2019-09-30	1.045.651.303,	2,07%	356.435.186,	-1,58%
2019-06-30	1.024.454.555,	0,51%	362.157.623,	3,81%
2019-03-31	1.019.219.520,	1,33%	348.879.409,	2,23%

Source: Bank of Italy database. Data in thousands.

In actual fact, investment remained stable in the third quarter of 2023 and was preceded by a decline in the second quarter (-0,1% and -2,0%, respectively): spending on capital goods declined, despite the marked increase in purchases of transport equipment, while investment in construction rose again (source: Bank of Italy).

In the face of this stagnation, in prospective terms, Bank of Italy surveys report that companies consider the conditions for investing still not positive, even though the share of companies expecting an expansion of investment spending by 2024 exceeds the share of those expecting a reduction. Confirmation of this trend could herald the resumption of investments to increase productivity and competitiveness of our product.

If the risk of attacks on merchant ships remains high in the early months of 2024, the need to follow alternative routes would result in longer delivery times for goods imported by sea from Asia and would affect supply chains, raw material and energy costs, and transport costs. As far as the latter are concerned, mid-January 2024 the World Container Index composite indicator compiled by Drewry had more than doubled compared to November 2023, while remaining just above half the exceptionally high average of the two-year period 2021-22.

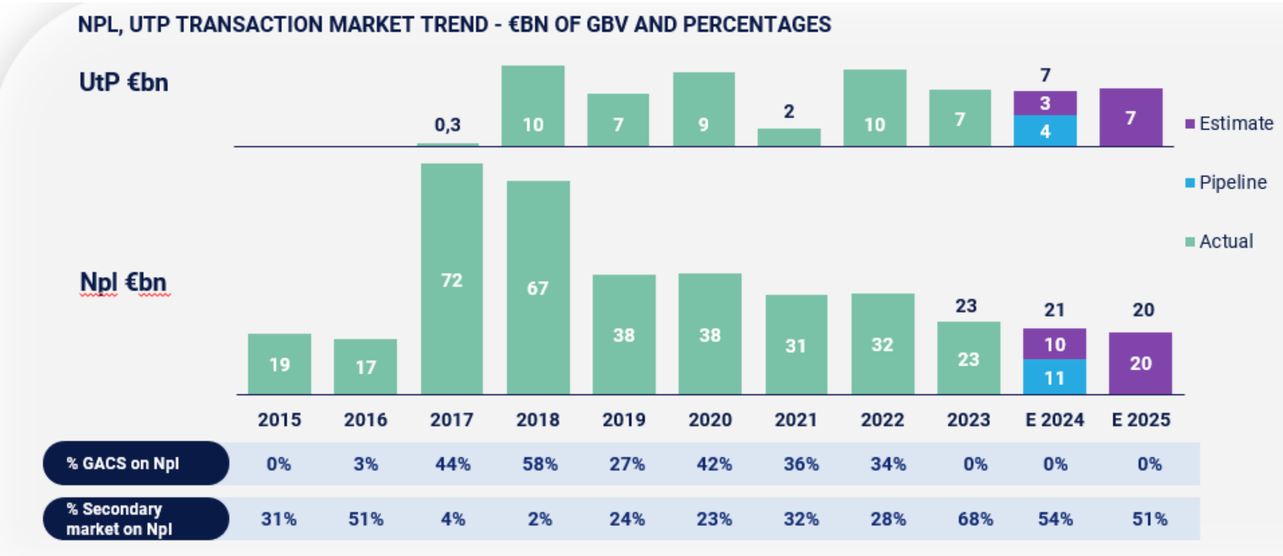
In the face of all the critical issues described, the leasing and factoring segments (two of Banca Ifis's main corporate credit products) showed a positive dynamic, despite the rise in interest rates and the slowdown in world trade. Assilea data reveals that in the first 11 months of 2023, more than 700 thousand new contracts (financial leasing and rental) worth more than 31 billion Euro were registered. Compared to the first 11 months of 2022, the increase is 11,5% on the amounts and 15,4% on the number of contracts. At the same time, preliminary Assifact data indicates that 2023 ended with a slightly higher turnover (+0,87%) than the previous year, at 290 billion Euro. Both products benefited from the advantages of being “asset based” and specifically addressing unavoidable business needs: investment and liquidity.

Non-performing loans (Npls)

The Market Watch Npl of Banca Ifis, in its first edition in 2024, returned an image of dynamism of the Italian impaired credit sector and, at the same time, a new declination of it deriving from its now consolidated role as a partner of the banking system.

Credit shows stably limited risk levels. In particular, the deterioration rate of bank loans is estimated to decrease in 2023, due to the resilience of credit quality in the first nine months of 2023. Also at the EU level, there are no tensions on non-performing loans: significant banks (EBA definition) report a stable gross Npe ratio around 1,8% (data as of the third quarter of 2023). The 2023-2025 credit deterioration rate is forecast to remain at a historically low level compared to the values of the sub-prime mortgage and sovereign debt crises. The 2024 and 2025 forecast (deterioration rate of 1,46% and 1,53%, respectively) is slightly higher than the September 2023 estimate (source: Market Watch Npl of Banca Ifis) due to lower expected growth in domestic production (in 2024 +0,6% compared to +0,9% in September 2023).

The Italian market for Npl portfolio transactions in 2023 was 30 billion Euro. Npl volumes (23 billion Euro, in line with forecasts) were characterised by an important weight of the secondary market (68%). The 2024-2025 forecast shows an incidence of over 50% of the secondary market and, at the same time, a primary market supported by the goal of containing the banking system's Npe ratio around 3%, as shown by the analysis of the business plans of the main Italian banking groups, which show targets between 0% and 4,4%.



Source: Banca Ifis Npl Market Watch, February 2024 edition.

Important evidence is provided by the forecast analysis of the stock of Npls in Italy (source: bank financial statements and investors' financial statements), which shows a decrease from 361 billion Euro in 2015 to 303 billion Euro in 2023, thanks to the specialised management of servicers and the effectiveness of banks' credit policies. Prospectively, in the two-year period 2024-2025, comprehensive stock is expected to remain essentially stable as a result of the increase in new impaired flows offsetting the improved recovery capacity. An analysis of the 34 DBRS-rated portfolios for which time comparisons are available shows that, by mid-2023, performance towards targets was unchanged from that recorded 12 months earlier (102,7% compared with 102,4%), due to the performance of the most recently securitised portfolios, which appear to have been unaffected by rates and inflation.

Finally, in the two-year period 2022 and 2023, the non-performing loans segment saw 23 extraordinary transactions, which resulted in 16 acquisitions and 7 joint ventures and start-ups of new servicers, demonstrating both the interest that this market continues to represent and the continued reorganisation of servicing in search of greater efficiency.

Results by operating Segments

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	*of which: FACTORING AREA*	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
Other financial assets mandatorily measured at fair value through profit or loss							
Amounts at 31.12.2023	107.169	*975*	-	*106.194*	41.735	73.078	**221.982**
Amounts at 31.12.2022	75.412	*2.071*	-	*73.341*	42.489	77.319	**195.220**
% Change	42,1%	*(52,9)%*	-	*44,8%*	(1,8)%	(5,5)%	**13,7%**
Financial assets measured at fair value through other comprehensive income							
Amounts at 31.12.2023	1.333	-	-	*1.333*	-	747.843	**749.176**
Amounts at 31.12.2022	1.695	-	-	*1.695*	-	695.916	**697.611**
% Change	(21,4)%	-	-	*(21,4)%*	-	7,5%	**7,4%**
Receivables due from customers (1)							
Amounts at 31.12.2023	6.763.468	*2.844.805*	*1.552.204*	*2.366.459*	1.646.158	2.212.509	**10.622.134**
Amounts at 31.12.2022	6.514.989	*2.755.592*	*1.472.177*	*2.287.221*	1.519.864	2.152.078	**10.186.932**
% Change	3,8%	*3,2%*	*5,4%*	*3,5%*	8,3%	2,8%	**4,3%**

(1) In the Governance & Services and Non-Core Segment, at 31 December 2023, there were government securities amounting to 1.628,7 million Euro (1.541,5 million Euro at 31 December 2022).

INCOME STATEMENT DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVER-NANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	*of which: FACTORING AREA*	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
Net banking income							
Amounts at 31.12.2023	344.639	*172.897*	*62.057*	*109.685*	294.533	65.444	**704.616**
Amounts at 31.12.2022	318.444	*171.654*	*59.338*	*87.452*	284.297	77.806	**680.547**
% Change	8,2%	*0,7%*	*4,6%*	*25,4%*	3,6%	(15,9)%	**3,5%**
Net profit (loss) from financial activities							
Amounts at 31.12.2023	283.923	*144.011*	*57.728*	*82.184*	294.430	73.856	**652.209**
Amounts at 31.12.2022	269.938	*156.667*	*56.502*	*56.769*	262.600	70.494	**603.032**
% Change	5,2%	*(8,1)%*	*2,2%*	*44,8%*	12,1%	4,8%	**8,2%**
Profit for the period							
Amounts at 31.12.2023	78.745	*32.734*	*16.201*	*29.810*	68.139	15.032	**161.916**
Amounts at 31.12.2022	71.022	*39.493*	*19.025*	*12.504*	48.553	22.312	**141.887**
% Change	10,9%	*(17,1)%*	*(14,8)%*	*138,4%*	40,3%	(32,6)%	**14,1%**

SEGMENT KPIs (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVER-NANCE & SERVICES AND NON-CORE SEGMENT (1)
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	*of which: FACTORING AREA*	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*		
Credit cost (2)						
Amounts at 31.12.2023	0,95%	*1,13%*	*0,29%*	*1,18%*	n.a.	(1,46)%
Amounts at 31.12.2022	0,76%	*0,56%*	*0,20%*	*1,35%*	n.a.	1,25%
% Change	0,19%	*0,58%*	*0,09%*	*(0,17)%*	n.a.	(2,71)%
Net bad loans/Receivables due from customers						
Amounts at 31.12.2023	0,3%	*0,4%*	*0,0%*	*0,3%*	77,6%	0,3%
Amounts at 31.12.2022	0,4%	*0,5%*	*0,0%*	*0,5%*	73,4%	0,3%
% Change	(0,1)%	*(0,1)%*	*0,0%*	*(0,2)%*	4,2%	0,0%
Coverage ratio on gross bad loans						
Amounts at 31.12.2023	80,7%	*85,6%*	*93,5%*	*50,4%*	0,0%	53,8%
Amounts at 31.12.2022	72,0%	*77,9%*	*94,6%*	*32,8%*	0,0%	47,5%
% Change	8,7%	*7,8%*	*(1,1)%*	*17,6%*	0,0%	6,3%
Net non-performing exposures/Net receivables due from customers						
Amounts at 31.12.2023	3,1%	*4,5%*	*0,7%*	*3,1%*	98,2%	1,2%
Amounts at 31.12.2022	3,9%	*6,6%*	*1,0%*	*2,4%*	97,9%	1,6%
% Change	(0,7)%	*(2,1)%*	*(0,3)%*	*0,7%*	0,3%	(0,4)%
Gross non-performing exposures/Gross receivables due from customers						
Amounts at 31.12.2023	5,3%	*7,6%*	*1,9%*	*4,8%*	98,2%	2,0%
Amounts at 31.12.2022	5,7%	*9,5%*	*2,3%*	*3,2%*	97,9%	2,5%
% Change	(0,3)%	*(1,8)%*	*(0,4)%*	*1,5%*	0,3%	(0,5)%
RWA (3)						
Amounts at 31.12.2023	5.813.454	*2.737.066*	*1.344.965*	*1.731.423*	1.898.366	1.537.717
Amounts at 31.12.2022	5.571.253	*2.625.900*	*1.329.890*	*1.615.463*	1.794.321	1.753.938
% Change	4,3%	*4,2%*	*1,1%*	*7,2%*	5,8%	(12,3)%

(1) In the Governance & Services and Non-Core Segment, at 31 December 2023, there were government securities amounting to 1.628,7 million Euro (1.541,5 million Euro at 31 December 2022).

(2) This indicator is calculated comparing the value of net credit risk losses/reversals over the annual average loans to customers (calculated quarterly).

(3) Risk Weighted Assets: the amount only relates to the credit risk

Reclassified Quarterly Evolution

RECLASSIFIED CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2023				YEAR 2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	**156.691**	**134.820**	**135.247**	**139.439**	**155.746**	**128.153**	**133.282**	**131.069**
Net commission income	**23.922**	**24.002**	**26.970**	**23.327**	**28.303**	**22.998**	**21.487**	**20.725**
Other components of net banking income	11.646	5.029	10.464	13.059	7.806	13.587	5.861	11.530
Net banking income	**192.259**	**163.851**	**172.681**	**175.825**	**191.855**	**164.738**	**160.630**	**163.324**
Net credit risk losses/reversals	(21.537)	(14.532)	(6.367)	(9.971)	(28.641)	(15.200)	(16.666)	(17.008)
Net profit (loss) from financial activities	**170.722**	**149.319**	**166.314**	**165.854**	**163.214**	**149.538**	**143.964**	**146.316**
Personnel expenses	(43.336)	(40.021)	(40.737)	(39.708)	(39.590)	(37.646)	(37.033)	(36.565)
Other administrative expenses	(78.327)	(51.826)	(65.427)	(53.822)	(70.896)	(56.878)	(61.079)	(53.568)
Net impairment losses/reversals on property, plant and equipment and intangible assets	(4.682)	(4.472)	(4.350)	(4.202)	(4.595)	(4.095)	(4.145)	(4.080)
Other operating income/expenses	7.709	4.894	5.824	6.642	3.241	5.591	4.570	6.390
Operating costs	**(118.636)**	**(91.425)**	**(104.690)**	**(91.090)**	**(111.840)**	**(93.028)**	**(97.687)**	**(87.823)**
Net allocations to provisions for risks and charges	(161)	(6.191)	5.842	(6.368)	4.115	(7.576)	9.483	(6.422)
Non-recurring expenses and income	(1.599)	(1.320)	-	-	-	-	-	-
Value adjustments of goodwill	-	-	-	-	-	-	(762)	-
Gains (losses) on disposal of investments	986	-	-	-	-	169	135	-
Pre-tax profit (loss) for the period from continuing operations	**51.312**	**50.383**	**67.466**	**68.396**	**55.489**	**49.103**	**55.133**	**52.071**
Income taxes for the period relating to continuing operations	(15.521)	(16.264)	(21.778)	(22.078)	(19.719)	(15.767)	(17.703)	(16.720)
Profit for the period	**35.791**	**34.119**	**45.688**	**46.318**	**35.770**	**33.336**	**37.430**	**35.351**
(Profit) loss for the period attributable to non-controlling interests	(422)	(414)	(566)	(404)	(227)	(308)	137	(403)
Profit for the period attributable to the Parent Company	**35.369**	**33.705**	**45.122**	**45.914**	**35.543**	**33.028**	**37.567**	**34.948**

APM - Alternative Performance Measures

The Banca Ifis Group has defined a number of indicators, listed in the tables of the Group's KPIs, that provide Alternative Performance Measures (APM) to help investors identify significant operational trends and financial ratios. In identifying these APMs, the specific indications were taken into account on how to represent the APMs published by ESMA on 1 April 2022 (document called “ESMA32-51-370 Questions and answers – ESMA Guidelines on Alternative Performance Measures”).
In addition, the EMA Information Notice of 25 October 2023 entitled "European common enforcement priorities for 2023 annual financial reports", with specific reference to APMs emphasises that issuers are required to comply with the ESMA Guidelines and related Q&As, in particular when the same indicators are presented in contexts other than the Financial Statements, and draws attention to the correct application of the European Single Electronic Format (ESEF), both in relation to the marking of numerical elements in the Consolidated Financial Statements and in relation to the block marking of the related notes.
For a proper understanding of these APMs, please consider the following:

- these measures are based exclusively on the Group's historical data and are not indicative of the Group's future performance;
- APMs are non-IFRS measures and, although they are derived from the Group's Consolidated Financial Statements, they are not audited;
- APMs are not intended as a substitute for IFRS measures;
- said APMs shall be considered in conjunction with the Group's financial information derived from its Consolidated Financial Statements;
- since these are non-IFRS measures, the definitions of the measures used by the Group may differ from, and therefore not be comparable to, those used by other companies/groups;
- the APMs used by the Group are consistent across all reporting periods for which the Group has disclosed financial information in these Financial Statements.

In accordance with the guidelines issued by ESMA (ESMA/2015/1415), below is a detailed explanation of how these measures were calculated in order to facilitate their understanding.

ROE - Return on equity (in thousands of Euro)	YEAR	
	2023	2022
A. Net profit attributable to the Parent Company	160.110	141.086
B. Average equity attributable to the Parent Company	1.651.039	1.594.841
ROE (A/B)	**9,7%**	**8,8%**

Average equity attributable to the Parent Company is calculated as the average for the periods presented below:

Equity attributable to the Parent Company (in thousand Euro)	31.12.2022	31.03.2023	30.06.2023	30.09.2023	31.12.2023	MEDIA 2023
Equity attributable to the Parent Company	1.585.349	1.637.519	1.661.586	1.691.282	1.679.459	**1.651.039**

Equity attributable to the Parent Company (in thousand Euro)	31.12.2021	31.03.2022	30.06.2022	30.09.2022	31.12.2022	MEDIA 2022
Equity attributable to the Parent Company	1.596.102	1.613.853	1.580.520	1.598.381	1.585.349	**1.594.841**

ROA - Return on Assets (in thousands of Euro)	YEAR	
	2023	2022
A. Net profit attributable to the Parent Company	160.110	141.086
B. Total assets	14.051.361	13.262.377
ROA (A/B)	**1,1%**	**1,1%**

Reclassified cost/income ratio (in thousands of Euro)	YEAR	
	2023	2022
A. Operating costs	405.841	390.378
B. Net banking income	704.616	680.547
Reclassified cost/income ratio (A/B)	**57,6%**	**57,4%**

Payout ratio (in thousands of Euro)	YEAR	
	2023	2022
A. Net profit attributable to the Parent Company	160.110	141.086
B. Parent Company dividends (1)	110.183	73.418
Payout Ratio (B/A) (1)	**68,8%**	**52,0%**

(1) The figures for FY 2023 comprise the total of 1,20 Euro per share distributed as an interim dividend in November 2023 and 0,90 Euro per share as a proposal for a final dividend for the FY 2023 prepared by the Board of Directors of Banca Ifis.

The Parent Company's dividends are calculated as follows:

Parent Company dividends	YEAR	
	2023	2022
A. Unitary dividend Euro (1)	2,10	1,40
B. Number of shares outstanding (2)	52.468	52.441
Parent Company dividends (A x B) (1)	**110.183**	**73.418**

(1) The figures for FY 2023 comprise the total of 1,20 Euro per share distributed as an interim dividend in November 2023 and 0,90 Euro per share as a proposal for a final dividend for the FY 2023 prepared by the Board of Directors of Banca Ifis.

(2) Outstanding shares are net of treasury shares held in the portfolio. This figure is calculated as the weighted average of the No. of shares outstanding at the ex-dividend date and the number of shares outstanding at the ex-dividend date, using the relevant dividend per share as a weighting factor. The 2023 figure takes the value as of 31 December 2023 as the number of shares outstanding on the ex-dividend date.

Contribution of operating Segments to Group results

In accordance with standard IFRS 8, a company must provide information that allows users of the financial statements to assess the nature and effects on such of the balance of the business it pursues and the economic contexts in which it operates. The contribution therefore needs to be highlighted as made by the various operating Segments to forming the Group's economic result.

Identification of the operating Segments is consistent with the methods adopted by the Management to take operative decisions and is based on internal reporting, used in order to allocate the resources to the various Segments and analyse the relevant performance.

In line with the structure used by Management to analyse the Group's results, the information by segment is broken down as follows:

- Commercial & Corporate Banking Segment, that represents the Group's commercial offer dedicated to businesses and also includes personal loans with the assignment of one-fifth of salary or pension. The Segment consists of the Factoring, Leasing and Corporate Banking & Lending Business Areas;
- Npl Segment, dedicated to non-recourse factoring and managing distressed loans, servicing and managing non-performing, secured loans. This Segment includes the income contribution from Revalea S.p.A., a company acquired in the fourth quarter of 2023 (for further details, please refer to the section "Significant events during the year" in this Directors' Report on the Group and to "Part G - Business combinations" of the Notes to the Consolidated Financial Statements);
- Governance & Services and Non-Core Segment, which provides the Segments operating in the Group's core businesses with the financial resources and services necessary to perform their respective activities. The Segment includes treasury and proprietary securities desk activities, as well as some corporate loans portfolio assigned for run-off insofar as held to be non-strategic to the Group's growth.

The Segments of the economic-equity numericals are attributed on the basis of homogeneous allocation criteria in order to take into account both the specificity of the various Segments and the need to guarantee effective monitoring of business performance over time.

Moreover, considering the foregoing, the Segment information in relation to the items of the income statement shows the results at the level of the net profit.

Commercial & Corporate Banking Segment

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

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

Below are the Segment results at 31 December 2023.

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**232.171**	**215.601**	**16.570**	**7,7%**
Net commission income	**96.798**	**90.980**	**5.818**	**6,4%**
Other components of net banking income	15.670	11.863	3.807	32,1%
Net banking income	**344.639**	**318.444**	**26.195**	**8,2%**
Net credit risk losses/reversals	(60.716)	(48.506)	(12.210)	25,2%
Net profit (loss) from financial activities	**283.923**	**269.938**	**13.985**	**5,2%**
Operating costs	**(163.890)**	**(158.522)**	**(5.368)**	**3,4%**
Net allocations to provisions for risks and charges	(4.501)	(5.044)	543	(10,8)%
Value adjustments of goodwill	-	(762)	762	(100,0)%
Gains on the sale of investments	-	405	(405)	(100,0)%
Pre-tax profit from continuing operations	**115.532**	**106.015**	**9.517**	**9,0%**
Income taxes for the year relating to current operations	(36.787)	(34.993)	(1.794)	5,1%
Profit for the period	**78.745**	**71.022**	**7.723**	**10,9%**

Net profit of the Commercial & Corporate Banking Segment comes to 78,7 million Euro, 7,7 million Euro higher than at 31 December 2022. As shown in more detail below, this result is driven by the growth in net interest income of 16,6 million Euro (+7,7%) and net commissions (+5,8 million Euro, or +6,4%) and other components of net banking income of 3,8 million Euro, the positive effects of which have more than offset the higher net adjustments of 12,2 million Euro (+25,2%).

The increase in operating costs of 5,4 million Euro compared to 31 December 2022 is essentially due to the rise in personnel expenses due to both the increase in headcount and higher variable remuneration and greater costs connected with the renewal of the National Collective Bargaining Agreement (NCBA).

The operating performance of the business areas making up the Segment is described and analysed further on.

The following table provides a detail of the gross and net amounts as well as the relevant coverage ratios for each supervisory risk category of receivables due from customers.

COMMERCIAL & CORPORATE BANKING (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.12.2023						
Nominal amount	98.969	170.367	105.968	**375.304**	6.657.667	**7.032.971**
Losses	(79.915)	(76.670)	(5.849)	**(162.434)**	(107.070)	**(269.503)**
Carrying amount	19.054	93.698	100.118	**212.870**	6.550.597	**6.763.468**
Coverage ratio	*80,7%*	*45,0%*	*5,5%*	***43,3%***	*1,6%*	***3,8%***
Gross ratio	*1,4%*	*2,4%*	*1,5%*	***5,3%***	*94,7%*	***100,0%***
Net ratio	*0,3%*	*1,4%*	*1,5%*	***3,1%***	*96,9%*	***100,0%***
POSITION AT 31.12.2022						
Nominal amount	89.947	141.717	150.450	**382.113**	6.351.591	**6.733.704**
Losses	(64.774)	(56.027)	(10.289)	**(131.089)**	(87.625)	**(218.715)**
Carrying amount	25.173	85.690	140.161	**251.024**	6.263.965	**6.514.989**
Coverage ratio	*72,0%*	*39,5%*	*6,8%*	***34,3%***	*1,4%*	***3,2%***
Gross ratio	*1,3%*	*2,1%*	*2,2%*	***5,7%***	*94,3%*	***100,0%***
Net ratio	*0,4%*	*1,3%*	*2,2%*	***3,9%***	*96,1%*	***100,0%***

Net non-performing exposures in the Commercial & Corporate Banking Segment stand at 212,9 million Euro at 31 December 2023, down 38,2 million Euro on the figure at 31 December 2022 (251,0 million Euro). The decrease is mainly due to a reduction in past due exposures of 40,0 million Euro. 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.

The coverage ratio of the non-performing portfolio goes from 34,3% at 31 December 2022 to 43,3% at 31 December 2023. This change is attributable to an increase in the coverage ratio of unlikely to pay and bad loans, offset partly by a reduction in the coverage ratio on past due exposures.

Finally, the Commercial & Corporate Banking Segment includes loans that are mainly impaired (classified in the accounts as "POCI"), mainly referring to assets stemming from the business combination: the net value of these assets is 12,3 million Euro at 31 December 2023, as compared with the 14,0 million Euro recorded at 31 December 2022, of which 8,5 million Euro non-performing (essentially in line with the figure at 31 December 2022).

These amounts already incorporate the effects connected with the temporal reversal of the PPA and the effects of expected losses over the useful life of the asset, as required by IFRS 9.

KPIs	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Credit cost (1)	0,95%	0,76%	-	0,19%
Net impaired assets/ Net receivables due from customers	3,1%	3,9%	-	(0,8)%
Gross impaired assets/ Gross receivables due from customers	5,3%	5,7%	-	(0,4)%
RWA (2)	5.813.454	5.571.253	242.201	4,3%

(1) This indicator is calculated comparing the value of net credit risk losses/reversals over the annual average loans to customers (calculated quarterly).
(2) Risk Weighted Assets; the amount only relates to the credit risk.

To ensure a better understanding of the results for the year, below we comment on the contribution of the individual business areas to the Commercial & Corporate Banking Segment.

Factoring Area

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**106.251**	**110.100**	**(3.849)**	**(3,5)%**
Net commission income	**67.742**	**62.049**	**5.693**	**9,2%**
Other components of net banking income	(1.096)	(495)	(601)	121,4%
Net banking income	**172.897**	**171.654**	**1.243**	**0,7%**
Net credit risk losses/reversals	(28.886)	(14.987)	(13.899)	92,7%
Net profit (loss) from financial activities	**144.011**	**156.667**	**(12.656)**	**(8,1)%**
Operating costs	**(93.234)**	**(89.822)**	**(3.412)**	**3,8%**
Net allocations to provisions for risks and charges	(2.751)	(7.132)	4.381	(61,4)%
Value adjustments of goodwill	-	(762)	762	(100,0)%
Pre-tax profit from continuing operations	**48.026**	**58.951**	**(10.925)**	**(18,5)%**
Income taxes for the year relating to current operations	(15.292)	(19.458)	4.166	(21,4)%
Profit for the period	**32.734**	**39.493**	**(6.759)**	**(17,1)%**

In 2023, the contribution made by the Factoring Area towards net banking income booked by the Commercial & Corporate Banking Segment comes to 172,9 million Euro, up 0,7% on last year's results. This result is mainly due to the greater contribution made by net commission income (up by 5,7 million Euro), as a consequence of the increase in the returns on the receivables under management. Turnover for 2023 amounts to 13,4 billion Euro, an increase of 192 million Euro compared to the previous year and the total amount of receivables shows an increase of approximately 13 million Euro compared to the previous year (the figure at 31 December 2023 was 3,8 billion Euro).

In 2023, net credit risk losses amount to 28,9 million Euro, a worsening of 13,9 million Euro compared to the previous year, mainly as a result of specific provisions made on individually significant counterparties.

Therefore, net profit from financial activities amounts to 144,0 million Euro (-8,1% on last year).

The increase in operating costs of 3,4 million Euro compared to 2022 is essentially due to the higher personnel expenses due to higher variable remuneration and additional allocations in view of the renewal of the National Collective Bargaining Agreement (NCBA).

As regards the main equity aspects, at 31 December 2023, total net receivables due from customers for the Area amount to 2.844,8 million Euro, up 3,2% on the figure at 31 December 2022.

The following table shows the gross and net amounts as well as the relevant coverage ratios for each supervisory risk category of receivables due from customers.

FACTORING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.12.2023						
Nominal amount	72.273	66.458	88.817	**227.548**	2.752.772	**2.980.320**
Losses	(61.890)	(34.170)	(2.503)	**(98.563)**	(36.953)	**(135.516)**
Carrying amount	10.383	32.288	86.314	**128.985**	2.715.819	**2.844.805**
Coverage ratio	*85,6%*	*51,4%*	*2,8%*	***43,3%***	*1,3%*	***4,5%***
POSITION AT 31.12.2022						
Nominal amount	64.829	79.592	127.151	**271.573**	2.597.733	**2.869.306**
Losses	(50.482)	(34.524)	(5.473)	**(90.480)**	(23.234)	**(113.713)**
Carrying amount	14.348	45.068	121.678	**181.094**	2.574.499	**2.755.592**
Coverage ratio	*77,9%*	*43,4%*	*4,3%*	***33,3%***	*0,9%*	***4,0%***

At 31 December 2023, there is a decrease in net non-performing loans of 52,1 million Euro, mainly due to the decrease in past-due exposures of 35,4 million Euro. In overall terms, the coverage of non-performing exposures increases by 100 bps (from 33,3% to 43,3%) as a result of provisions made on unlikely to pay and non-performing positions.

KPIs	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Credit cost (1)	1,13%	0,56%	-	0,58%
Net impaired assets/ Net receivables due from customers	4,5%	6,6%	-	(2,1)%
Gross impaired assets/ Gross receivables due from customers	7,6%	9,5%	-	(1,9)%
RWA (2)	2.737.066	2.625.900	111.166	4,2%

(1) This indicator is calculated comparing the value of net credit risk losses/reversals over the annual average loans to customers (calculated quarterly).
(2) Risk Weighted Assets; the amount only relates to the credit risk.

The indicator "Net impaired assets/Net receivables due from customers” goes from 6,6% to 4,5% both due to the decrease in non-performing exposures and the increase in performing exposures during the year.
It should be noted that net non-performing exposures include a total of 72,2 million Euro in respect of the NHS (112,3 million Euro at 31 December 2022).

Leasing Area

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**50.985**	**47.088**	**3.897**	**8,3%**
Net commission income	**11.072**	**12.250**	**(1.178)**	**(9,6)%**
Net banking income	**62.057**	**59.338**	**2.719**	**4,6%**
Net credit risk losses/reversals	(4.329)	(2.836)	(1.493)	52,6%
Net profit (loss) from financial activities	**57.728**	**56.502**	**1.226**	**2,2%**
Operating costs	**(33.039)**	**(29.651)**	**(3.388)**	**11,4%**
Net allocations to provisions for risks and charges	(919)	1.548	(2.467)	(159,4)%
Pre-tax profit from continuing operations	**23.770**	**28.399**	**(4.629)**	**(16,3)%**
Income taxes for the year relating to current operations	(7.569)	(9.374)	1.805	(19,3)%
Profit for the period	**16.201**	**19.025**	**(2.824)**	**(14,8)%**

Net banking income from the Leasing Area amounts to 62,1 million Euro, an improvement of 2,7 million Euro compared with the figure at 31 December 2022. This increase is due to the higher contribution of net interest income of 3,9 million Euro, which was partially offset by the lower commission margin of 1,2 million Euro.

Net credit risk losses amount to 4,3 million Euro, a worsening of 1,5 million Euro compared to the previous year. It is recalled that the credit cost in 2022 had factored recoveries on performing exposures as a result of a better portfolio composition and a review of the prudential adjustments applied to the models to take into account the evolution of the pandemic environment and the new potential impacts on the economic environment arising from the conflict between Russia and Ukraine, the inflationary scenario and the slowing of economic growth.

Operating costs of the Leasing Area amount to 33,0 million Euro, an increase of 3,4 million Euro compared to the figure at 31 December 2022, in this case too, mainly related to higher personnel expenses for 1,9 million Euro due to both higher variable remuneration and higher costs related to the renewal of the national collective bargaining agreement (NCBA). In addition, in 2023 there were higher other administrative expenses and higher depreciation related to initiatives of the Parent Company Banca Ifis.

At 31 December 2023, the Area's total net receivables due from customers amounts to 1.552,2 million Euro, up 80,0 million Euro on 31 December 2022.

The coverage ratio of non-performing loans increases by 5,4% from 59,7% to 65,1%. This increase is mainly driven by the increase in the incidence on the total impaired portfolio of positions classified as non-performing. In fact, 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 following table shows the gross and net amounts as well as the relevant coverage ratios of receivables due from customers by credit quality.

LEASING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.12.2023						
Nominal amount	10.597	12.865	7.314	**30.777**	1.559.223	**1.590.000**
Losses	(9.910)	(7.894)	(2.244)	**(20.048)**	(17.748)	**(37.796)**
Carrying amount	688	4.972	5.070	**10.729**	1.541.475	**1.552.204**
Coverage ratio	*93,5%*	*61,4%*	*30,7%*	***65,1%***	*1,1%*	***2,4%***
POSITION AT 31.12.2022						
Nominal amount	9.784	13.542	11.652	**34.977**	1.475.310	**1.510.287**
Losses	(9.258)	(8.084)	(3.523)	**(20.865)**	(17.246)	**(38.111)**
Carrying amount	526	5.457	8.129	**14.112**	1.458.065	**1.472.177**
Coverage ratio	*94,6%*	*59,7%*	*30,2%*	***59,7%***	*1,2%*	***2,5%***

KPIs	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Credit cost (1)	0,29%	0,20%	-	0,09%
Net impaired assets/ Net receivables due from customers	0,7%	1,0%	-	(0,3)%
Gross impaired assets/ Gross receivables due from customers	1,9%	2,3%	-	(0,4)%
RWA (2)	1.344.965	1.329.890	15.075	1,1%

(1) This indicator is calculated comparing the value of net credit risk losses/reversals over the annual average loans to customers (calculated quarterly).
(2) Risk Weighted Assets; the amount only relates to the credit risk.

Corporate Banking & Lending Area

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**74.935**	**58.413**	**16.522**	**28,3%**
Net commission income	**17.984**	**16.681**	**1.303**	**7,8%**
Other components of net banking income	16.766	12.358	4.408	35,7%
Net banking income	**109.685**	**87.452**	**22.233**	**25,4%**
Net credit risk losses/reversals	(27.501)	(30.683)	3.182	(10,4)%
Net profit (loss) from financial activities	**82.184**	**56.769**	**25.415**	**44,8%**
Operating costs	**(37.617)**	**(39.049)**	**1.432**	**(3,7)%**
Net allocations to provisions for risks and charges	(831)	540	(1.371)	(253,9)%
Gains on the sale of investments	-	405	(405)	(100,0)%
Pre-tax profit from continuing operations	**43.736**	**18.665**	**25.071**	**134,3%**
Income taxes for the year relating to current operations	(13.926)	(6.161)	(7.765)	126,0%
Profit for the period	**29.810**	**12.504**	**17.306**	**138,4%**

Net banking income of the Corporate Banking & Lending Area comes to 109,7 million Euro at 31 December 2023, up 22,2 million Euro on 31 December 2022 (+25,4%). The positive change is a result of the combined effect of the following factors:

- growth of 16,5 million Euro in net interest income (+28,3%), thanks to the positive contribution of the Lending unit for 10,7 million Euro and of Corporate Banking (and in particular of the Structured Finance business unit) for 5,8 million Euro;
- higher net commissions of 1,3 million Euro (+7,8%), mainly from the Corporate Banking business unit;
- 4,4 million Euro increase in the other components of net banking income attributable to the Corporate Banking unit as a result of the higher contribution generated by items measured at fair value, including UCITS funds (on which higher valuation gains were recorded during the year) and minority interests (for which there was an increase in net realised gains on disposals in 2023 compared to the figure at 31 December 2022).

Net credit risk losses amount to 27,5 million Euro, an improvement of 3,2 million Euro compared to the previous year's figure. The year 2023 benefited from an improvement in credit quality with regard to the SME portfolio and the pharmaceutical cluster.

The decrease in operating costs of the Corporate Banking & Lending Area of 1,4 million Euro compared to 2022 is mainly attributable to lower project and integration consulting in ICT related to the merger of Banca Credifarma in April 2022. This decrease was, however, partially offset by higher personnel expenses compared to the previous year due to both higher variable remuneration and higher costs related to the renewal of the national collective bargaining agreement (NCBA), and higher other administrative expenses and higher depreciation related to initiatives implemented by the Parent Company.

At 31 December 2023, the Area's total net receivables due from customers amounts to 2.366,5 million Euro, up 79,2 million Euro on 31 December 2022.

The following table shows the gross and net amounts as well as the relevant coverage ratios of receivables due from customers by credit quality.

CORPORATE BANKING & LENDING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.12.2023						
Nominal amount	16.098	91.045	9.836	**116.979**	2.345.672	**2.462.651**
Losses	(8.115)	(34.606)	(1.102)	**(43.823)**	(52.369)	**(96.192)**
Carrying amount	7.983	56.439	8.734	**73.155**	2.293.304	**2.366.459**
Coverage ratio	*50,4%*	*38,0%*	*11,2%*	***37,5%***	*2,2%*	***3,9%***
POSITION AT 31.12.2022						
Nominal amount	15.333	48.583	11.647	**75.563**	2.278.548	**2.354.111**
Losses	(5.034)	(13.419)	(1.292)	**(19.745)**	(47.146)	**(66.891)**
Carrying amount	10.299	35.164	10.355	**55.818**	2.231.402	**2.287.221**
Coverage ratio	*32,8%*	*27,6%*	*11,1%*	***26,1%***	*2,1%*	***2,8%***

The amount of net non-performing exposures at 31 December 2023, 73,2 million Euro, shows an increase of 17,3 million Euro on the value at year-end 2022. This increase is essentially due to the increase in the balance of unlikely to pay, as a result of the deterioration of individually significant trade receivables related to the Lending unit previously classified as performing.

KPIs	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Credit cost (1)	1,18%	1,35%	-	(0,17)%
Net impaired assets/ Net receivables due from customers	3,1%	2,4%	-	0,7%
Gross impaired assets/ Gross receivables due from customers	4,8%	3,2%	-	1,6%
RWA (2)	1.731.423	1.615.463	115.960	7,2%

(1) This indicator is calculated comparing the value of net credit risk losses/reversals over the annual average loans to customers (calculated quarterly).

(2) Risk Weighted Assets; the amount only relates to the credit risk.

Npl Segment

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

The table below shows the loans portfolio of the Npl Segment, by method of transformation and accounting criterion; the "interest on income statement" refers to the components of the net banking income deriving from the booking at amortised cost of the related loans portfolio; in particular, interest income is included from the amortised cost for 170,4 million Euro and other components of the net interest income from cash flow changes for 130,9 million Euro and Revalea's contribution for the two months of 6,1 million Euro, as reported in the summary table of "Economic data" below in this paragraph.

PROPRIETARY PORTFOLIO OF THE NPL SEGMENT (in thousands of Euro)	OUTSTANDING NOMINAL AMOUNT	CARRYING AMOUNTS	CARRYING AMNT / RES. NOM. AMNT	INTEREST ON INCOME STATEMENT	ERC	PREVAILING ACCOUNTING CRITERION
Portfolio acquired by Revalea	6.145.974	207.033	3,4%	6.120	500.533	
Cost	154.790	14.055	9,1%	-	32.616	Acquisition cost
Non-judicial	12.850.188	489.879	3,8%	113.300	812.307	
of which: Collective (curves)	*12.325.595*	*216.726*	*1,8%*	*2.868*	*363.829*	*Cost = NPV of flows from model*
of which: Plans	*524.593*	*273.153*	*52,1%*	*110.432*	*448.478*	*Cost = NPV of flows from model*
Judicial	6.996.503	918.248	13,1%	188.071	1.846.370	
of which: Other positions undergoing judicial processing	*1.525.982*	*175.113*	*11,5%*	*-*	*381.022*	*Acquisition cost*
of which: Writs, Property Attachments, Garnishment Orders	*2.035.163*	*605.181*	*29,7%*	*160.444*	*1.295.709*	*Cost = NPV of flows from model*
of which: Secured and Corporate	*3.435.358*	*137.954*	*4,0%*	*27.627*	*169.639*	*Cost = NPV of flows from model*
Total	**26.147.455**	**1.629.215**	**6,2%**	**307.491**	**3.191.826**	

The business can be divided up into three macro categories:

- post-acquisition management, when all information retrieval operations take place to help decide the most appropriate conversion method, the receivable is classified in a so-called "staging" area and recognised at cost (14,1 million Euro at 31 December 2023, compared to 113,7 million Euro at 31 December 2022) with no contribution to profit or loss. As a rule, 6-12 months later, the positions are directed towards the most appropriate form of management, depending on their characteristics;
- non-judicial operations, which deal with practices that can be handled through collection by settlement. Practices awaiting information about the most appropriate collection instrument are classified into a basin called "mass management" and at 31 December 2023 come to 216,7 million Euro as compared with 237,7 million Euro at 31 December 2022 (down 8,8%). Practices on which a realignment plan has been agreed and formalised record an increase (17,6%), coming in at 273,2 million Euro at 31 December 2023 (232,3 million Euro at 31 December 2022);
- legal management, which covers all practices in the various stages of legal processing, ranging from obtaining a court order to a garnishment order. Practices awaiting the most appropriate legal action are included in the category of "Other positions undergoing judicial processing" and come to 175,1 million Euro at 31 December 2023 (207,8 million Euro at 31 December 2022); practices in phases of writ, attachment order and garnishment order are allocated to a specific basin, which records an increase of 9,4%, coming in at 605,2 million Euro as compared with the 553,2 million Euro recorded in December 2022. The judicial management basin include all "Secured and Corporate" positions of corporate banking origin or real estate, equal to 138,0 million Euro at 31 December 2023, down on the figure at 31 December 2022 (160,5 million Euro).

Finally, the Group seizes market opportunities in accordance with its business model by selling portfolios of positions yet to be processed to third parties.

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**281.381**	**270.980**	**10.401**	**3,8%**
Net commission income	**3.483**	**3.675**	**(192)**	**(5,2)%**
Gains (Losses) on the disposal of financial assets	10.384	10.699	(315)	(2,9)%
Other components of net banking income	(715)	(1.057)	342	(32,4)%
Net banking income	**294.533**	**284.297**	**10.236**	**3,6%**
Net credit risk losses/reversals	(103)	(21.697)	21.594	(99,5)%
Net profit (loss) from financial activities	**294.430**	**262.600**	**31.830**	**12,1%**
Operating costs	**(191.931)**	**(189.176)**	**(2.755)**	**1,5%**
Net allocations to provisions for risks and charges	147	(847)	994	(117,4)%
Non-recurring expenses and income	(2.919)	-	(2.919)	n.a.
Gains (losses) on disposal of investments	-	(101)	101	(100,0)%
Pre-tax profit from continuing operations	**99.727**	**72.476**	**27.251**	**37,6%**
Income taxes for the year relating to current operations	(31.588)	(23.923)	(7.665)	32,0%
Profit for the period	**68.139**	**48.553**	**19.586**	**40,3%**

Net interest income, which amounts to 281,4 million Euro (+3,8%), consists of:

- interest income from amortised cost, i.e. the interest accruing at the original effective rate, which increases from 161,5 million Euro to 170,4 million Euro at 31 December 2023, due to an increase in the average value of underlying assets, which have completed the documentary check phase and have left the staging phase.
- Revalea's contribution for the two months since the acquisition, which amounts to 6,1 million Euro;
- interest income on notes and other minority components, which shows a balance of 5,0 million Euro at 31 December 2023, a rise on the 3,4 million Euro recorded in 2022;
- other components of net interest income from change in cash flow, which change from 133,4 million Euro in 2022 to 130,9 million Euro at 31 December 2023, and reflect the change in expected cash flows according to the collections made in respect of forecasts. This item is impacted on the one hand by the out-of-court management of 50 million Euro (32 million Euro at 31 December 2022), to which the repayment plans contribute 78 million Euro (up from the figure of 63 million Euro in 2022), partially offset by the negative effect of curve models of 28 million Euro (31 million Euro in the previous year). On the other hand, are legal expenses of 81 million Euro (101 million Euro at 31 December 2022), following the contribution of actions for injunction, attachment and garnishment orders. More specifically, the good performance of out-of-court collection is mainly attributable to lower deactivations and an increase in out-of-court closures. This growth was offset by the performance of legal collections which shows a reduction in the margin contribution compared to the previous year, mainly due to the negative impact of impairment, due to the losses. The dynamics of legal and amicable collection led to an increase in the stock of so-called "paying" receivables, bringing collections to 397,0 million Euro, up from the 383,4 million Euro realised in 2022.
- interest expense of 31,2 million Euro, up 3,9 million Euro on the previous year's balance.

Net commission, of 3,5 million Euro at 31 December 2023 are substantially in line with the previous year.
In 2023, disposals of Npl portfolios were realised, in line with the Group's policy, from which net gains on disposal amount to 10,4 million Euro, essentially in line with the figure recorded in 2022.

In view of the above, the Npl Segment's net banking income comes to a total of 294,5 million Euro, up 10,2 million Euro on the previous year.
It should be noted that the previous year's balance of the item "Net credit risk losses/reversals", amounting to 21,7 million Euro, referred to the impact on the Npl Segment of the regulatory change related to the raising of the minimum threshold for the attachment of pensions.
Operating costs of 191,9 million Euro at 31 December 2023 are up 2,8 million Euro on 2022. This increase, in this case too, mainly stems from higher personnel expenses due to both increased staffing levels and higher costs linked to the renewal of the national collective bargaining agreement.
"Non-recurring expenses and income" include the cost and revenue items deemed as "non-recurring". The net balance at 31 December 2023 is negative for 2,9 million Euro following inclusion of the non-recurring operating costs directly or indirectly related to the acquisition of Revalea (for more details, see the section "Significant events during the year"), totalling 11,5 million Euro, only partly offset by the "gain on bargain purchase" calculated in accordance with IFRS 3, amounting to 8,5 million Euro.
As a consequence of the foregoing, period profit of the Npl Segment is 68,1 million Euro, up 19,6 million Euro on last year.
Below is the breakdown of net loans by credit quality.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Net bad loans	1.276.812	1.115.926	160.886	14,4%
Net unlikely to pay	335.773	367.886	(32.113)	(8,7)%
Net non-performing past due exposures	4.029	4.343	(314)	(7,2)%
Total net non-performing exposures to customers (stage 3)	**1.616.614**	**1.488.155**	**128.459**	**8,6%**
Total net performing exposures (stages 1 and 2)	29.544	31.709	(2.165)	(6,8)%
- of which: proprietary loans acquired	*12.601*	*16.871*	*(4.270)*	*(25,3)%*
- of which: loans disbursed	*13.929*	*-*	*13.929*	*n.a.*
- of which: debt securities	*1.848*	*13.686*	*(11.838)*	*(86,5)%*
- of which: receivables related to servicer activities	*1.166*	*1.152*	*14*	*1,2%*
Total on-balance-sheet receivables due from customers	**1.646.158**	**1.519.864**	**126.294**	**8,3%**
- of which: owned receivables acquired measured at amortised cost	***1.629.215***	***1.505.026***	***124.189***	***8,3%***

As regards the Npl Segment loans, 1.629,2 million Euro are represented by receivables classified as POCI - Purchased or originated credit-impaired -, the category introduced by the accounting standard IFRS 9. These are loans that were non-performing at the date they were acquired or originated. These receivables represent the Segment's core business. Receivables related to servicer activities on behalf of third parties and debt securities measured at amortised cost are excluded from this classification.

KPIs	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Nominal amount of receivables managed	26.147.455	23.064.676	3.082.779	13,4%
RWA (1)	1.898.366	1.794.321	104.045	5,8%

(1) Risk Weighted Assets; the amount only relates to the credit risk.

Total Estimated Remaining Collections (ERC), including the portfolio acquired from Revalea, amount to 3,2 billion Euro.

NPL SEGMENT NON-PERFORMING LOAN PORTFOLIO PERFORMANCE	31.12.2023	31.12.2022
Opening loan portfolio	**1.505.026**	**1.477.681**
Purchases (+)	230.589	148.942
- *of which from business combination*	*210.762*	-
Sales (-)	(21.244)	(22.105)
Gains (losses) on disposals (+/-)	10.377	10.699
Interest income from amortised cost (+)	170.423	161.507
Other components of interest from change in cash flow (+)	131.081	133.413
Net credit risk losses/reversals (+/-)	-	(21.697)
Collections (-)	(397.038)	(383.414)
Closing loan portfolio	**1.629.215**	**1.505.026**

Total purchases in 2023 come to 230,6 million Euro, up on the 148,9 million Euro of 2022. This increase is mainly attributable to the closing of the acquisition of Revalea S.p.A. (concluded on 31 October 2023), which includes, among the company's assets, a Npl portfolio of approximately 6,5 billion Euro of GBV for a fair value that at the acquisition date amounted to 210,8 million Euro (for more details, refer to the section “Significant events during the year”). In 2023, sales of Npls were completed for a total price of 21,2 million Euro, which generated profits of 10,4 million Euro.

The item "Collections", equal to 397,0 million Euro at 31 December 2023, includes the instalments collected during the year from repayment plans, from garnishment orders and transactions carried out rises by 3,6% on the collections of 383,4 million Euro made in 2022.

At 31 December 2023, the portfolio managed by the Npl Segment, also including the Npl portfolio acquired from Revalea, includes 2.486.739 positions, for a nominal amount of 26,1 billion Euro.

Governance & Services and Non-Core Segment

The Segment comprises, among other things, the resources required for the performance of the services of the Strategic Planning, Finance, Operations, Human Resources, Communication, Marketing, Public Affairs & Sustainability functions, as well as the structures responsible for raising, managing and allocating financial resources to the operating Segments. This Segment also includes Proprietary Finance activities (proprietary securities desk) and Securitisation & Structured Solution activities (investment in Asset Backed Securities, instrumental to the realisation of securitisation transactions). The Segment also includes run-off portfolios originated from the former Interbanca as well as other personal loan portfolios.

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**52.645**	**61.669**	**(9.024)**	**(14,6)%**
Net commission income	**(2.060)**	**(1.142)**	**(918)**	**80,4%**
Other components of net banking income	14.859	17.279	(2.420)	(14,0)%
Net banking income	**65.444**	**77.806**	**(12.362)**	**(15,9)%**
Net credit risk losses/reversals	8.412	(7.312)	15.724	(215,0)%
Net profit (loss) from financial activities	**73.856**	**70.494**	**3.362**	**4,8%**
Operating costs	**(50.020)**	**(42.680)**	**(7.340)**	**17,2%**
Net allocations to provisions for risks and charges	(2.524)	5.491	(8.015)	(146,0)%
Gains (Losses) on disposal of investments	986	-	986	n.a.
Pre-tax profit from continuing operations	**22.298**	**33.305**	**(11.007)**	**(33,0)%**
Income taxes for the year relating to current operations	(7.266)	(10.993)	3.727	(33,9)%
Profit (loss) for the year	**15.032**	**22.312**	**(7.280)**	**(32,6)%**

The Segment's net banking income amounts to 65,4 million Euro, down 12,4 million Euro compared to 2022 and is determined in particular by the following factors:

- net interest income, decreasing by 9,0 million Euro on 2022. The negative change results mainly from the increase in the cost of collection;
- the other components of net banking income, decreasing by 2,4 million Euro, as a result of negative fair value changes on trading derivatives (-4,2 million Euro) and lower trading income from the Treasury unit, the effects of which more than offset higher dividends from the equity unit (+2,9 million Euro);

In terms of funding, “Rendimax Deposit Account” continues to constitute the Group’s main source of finance, with a comprehensive cost of 79,3 million Euro, higher than last year (49,5 million Euro) due to the increase in average rates despite the reduction in average assets under management (4.003 million Euro at 31 December 2023 as compared with 4.187 million Euro at 31 December 2022). The average annual rate stands at 1,98% and increases from the figure of 1,17% at 31 December 2022 due to the upward rate manoeuvres carried out during 2023 and customers' greater preference for time deposits with longer maturities.

At 31 December 2023, the carrying amount of the bonds issued by Banca Ifis amounts to 1.435,8 million Euro, an increase of 326,9 million Euro due to three new issues compared to the situation at 31 December 2022 and the simultaneous maturity in April 2023 of the senior bond issued in 2018. The three new issues are the second tranche of a senior bond with a duration of 4 years, issued in March 2023 and two senior bonds for a nominal amount of 300 million Euro, issued respectively in January 2023, with a duration of 4 years, and in September 2023, with a duration of 5 years (for more details on these two 2023 issues, see “Significant events in the year”). In economic terms, interest expense accrued on all issues rose by 33,4 million Euro compared with 2022, coming in at a total of 66,6 million Euro at 31 December 2023.

Funding through securitisation, amounting to 1.853,0 million Euro at 31 December 2023, is up on the figure at 31 December 2022 (1.496,2 million Euro) and consists of:

- securities issued by the SPV ABCP Programme for 1,1 billion Euro relating to the senior tranche;

- securities issued by the Indigo Lease vehicle in the amount of 0,4 billion Euro relating to the senior tranche, following the restructuring of the transaction during the third quarter of 2023;
- securities issued by the Emma SPV for 0,4 billion Euro relating to the senior tranche.

The increase in the balance is mainly attributable to the restructuring of the Indigo Lease SPV. Accrued interest expense went from 14 million Euro at 31 December 2022 to 68,2 million Euro at 31 December 2023 due to the clear increase of the market curves to which they are index-linked.

Access is also noted to funding through TLTRO transactions for a nominal amount of 1,6 billion Euro, down from the figure at 31 December 2022 (amounting to 2,0 billion Euro) mainly due to the early repayment of 500 million Euro made in December 2023.

The credit cost improves by 15,7 million Euro. The figure at 31 December 2023 stands at net reversals of 8,4 million Euro, benefiting from write-backs, mainly from collections, on positions that had previously been fully written down, and is in contrast to net adjustments of 7,3 million Euro in December 2022, which were affected, by contrast, by provisions on two singularly significant positions.

Operating costs come to 50,0 million Euro, up 7,3 million Euro on 31 December 2022. This change is linked to the increased activities in the area of Communication, Marketing, Public Affairs & Sustainability in 2023, the year in which Banca Ifis celebrates its 40th anniversary, which had a greater impact on the Governance & Services and Non-Core Segments than in 2022, where initiatives were more concentrated at the level of individual business units allocated to the other Segments.

Net allocations to provisions for risks and charges amount to 2,5 million Euro, a worsening of 8,0 million Euro compared to the figure at 31 December 2022 (which reported net write-backs of 5,5 million Euro), mainly because the comparative figure included reversals on securitisations of bad loans guaranteed by Italian Treasury Department (“GACS”) at the end of the guarantee period.

The item "Gains (losses) on disposal of investments", amounting to 986 thousand Euro at 31 December 2023, includes the effect of the sale of a property held by the subsidiary Banca Credifarma.

As regards equity figures, at 31 December 2023, total net receivables for the Segment amount to 2.212,5 million Euro, up 2,8% on the figure at 31 December 2022 (2.152,1 million Euro). The increase of 60,4 million Euro is due for approximately 100 million Euro to the securities units of Proprietary Finance and Securitisation & Structured Solutions, whose greater contribution more than offset the natural run-off of the Non-Core portfolio for approximately 40 million Euro.

It should be noted that the Governance & Services and Non-Core Segment includes receivables, mainly impaired, belonging to the POCI category, mainly referring to non-performing exposures resulting from the business combinations performed by the Banca Ifis Group during previous financial years. Below is the composition of these POCI loans, broken down by credit quality at 31 December 2023:

- net non-performing loans: 8,0 million Euro at 31 December 2023, down 3,2 million Euro on the figure recorded at 31 December 2022;
- net performing exposures: 16,8 million Euro at 31 December 2023, down on the 21,1 million Euro of 31 December 2022.

The following table shows the gross and net amounts as well as the relevant coverage ratios of receivables due from customers by credit quality.

GOVERNANCE & SERVICES AND NON-CORE SEGMENT (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS (1)
POSITION AT 31.12.2023						
Nominal amount	12.256	22.793	8.625	**43.674**	2.191.536	**2.235.210**
Losses	(6.595)	(8.241)	(3.240)	**(18.076)**	(4.626)	**(22.702)**
Carrying amount	5.661	14.552	5.385	**25.598**	2.186.910	**2.212.509**
Coverage ratio	53,8%	36,2%	37,6%	**41,4%**	0,2%	**1,0%**
POSITION AT 31.12.2022						
Nominal amount	12.708	37.550	4.182	**54.441**	2.123.966	**2.178.407**
Losses	(6.040)	(13.237)	(1.081)	**(20.358)**	(5.971)	**(26.329)**
Carrying amount	6.668	24.313	3.102	**34.083**	2.117.996	**2.152.078**
Coverage ratio	*47,5%*	*35,3%*	*25,8%*	***37,4%***	*0,3%*	***1,2%***

(1) In the Governance & Services and Non-Core Segment, at 31 December 2023, there were government securities amounting to 1.628,7 million Euro (1.541,5 million Euro at 31 December 2022).

The coverage of non-performing exposures in the Segment is affected by receivables whose gross values already take into account the estimate of expected losses. The coverage of the portfolio as a whole at 31 December 2023 is down from the figure at 31 December 2022, mainly related to the Non-Core Area portfolio, which records lower coverage due to the presence of POCI receivables.

Group reclassified financial and income results

Reclassified Statement of financial positions items

RECLASSIFIED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Cash and cash equivalents	857.533	603.134	254.399	42,2%
Financial assets mandatorily measured at fair value through profit or loss	221.982	195.220	26.762	13,7%
Financial assets measured at fair value through other comprehensive income	749.176	697.611	51.565	7,4%
Receivables due from banks measured at amortised cost	637.567	565.762	71.805	12,7%
Receivables due from customers measured at amortised cost	10.622.134	10.186.932	435.202	4,3%
Property, plant and equipment and intangible assets	219.922	190.605	29.317	15,4%
Tax assets	285.435	325.181	(39.746)	(12,2)%
Other assets	457.612	497.932	(40.320)	(8,1)%
Total assets	**14.051.361**	**13.262.377**	**788.984**	**5,9%**
Payables due to banks measured at amortised cost	2.717.139	3.422.160	(705.021)	(20,6)%
Payables due to customers measured at amortised cost	5.814.624	5.103.343	711.281	13,9%
Debt securities issued	3.288.895	2.605.195	683.700	26,2%
Tax liabilities	57.717	52.298	5.419	10,4%
Provisions for risks and charges	58.178	56.225	1.953	3,5%
Other liabilities	421.109	425.375	(4.266)	(1,0)%
Consolidated equity	1.693.699	1.597.781	95.918	6,0%
Total liabilities and equity	**14.051.361**	**13.262.377**	**788.984**	**5,9%**

Cash and cash equivalents

Cash and cash equivalents include bank current accounts on demand and at 31 December 2023 amount to 857,5 million Euro, compared with the 603,1 million Euro recorded at the end of 2022 mainly due to the growth in overnight deposits at the Bank of Italy (+145,0 million Euro).

Financial assets mandatorily measured at fair value through profit or loss

Financial assets mandatorily measured at fair value through profit or loss total 222,0 million Euro at 31 December 2023. This item consists of loans and debt securities that did not pass the SPPI test, equity securities from minority shares and UCITS units.

Below is the breakdown of this line item.

FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Debt securities	86.919	72.844	14.075	19,3%
Equity securities	51.051	34.979	16.072	45,9%
UCITS units	76.910	70.209	6.701	9,5%
Loans	7.102	17.188	(10.087)	(58,7)%
Total	**221.982**	**195.220**	**26.763**	**13,7%**

In detail, the increase of 13,7% compared to 31 December 2022 can be broken down as follows:

- the growth in debt securities of 14,1 million Euro is essentially related to new investments in 2023, the effect of which more than offset the normal amortisation of securities and receipts from disposals during the year;
- the 16,1 million Euro increase in equity securities is mainly due to the subscription of new securities (13,5 million Euro) and fair value changes in the year (6,5 million Euro);
- increase in the balance of UCITS units in 2023 (+9,5%), following the growth recorded in fair value measurements (5,3 million Euro) and the positive contribution of net new subscriptions of 1,4 million Euro;
- decrease in the carrying amount of loans with respect to 31 December 2022 (-58,7%), mainly as a result of the closure of certain transactions during the year and collections related to normal plan amortisation.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income amount to 749,2 million Euro at 31 December 2023, up 7,4% from December 2022. They include debt securities characterised by a Held to Collect & Sell (HTC&S) business model, that have passed the SPPI test and equity securities for which the Group has exercised the OCI Option envisaged by IFRS 9.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Debt securities	634.306	589.638	44.668	7,6%
of which: government securities	*460.187*	*400.266*	*59.922*	*15,0%*
Equity securities	114.870	107.973	6.897	6,4%
Total	**749.176**	**697.611**	**51.565**	**7,4%**

The growth in debt securities owned is due to the combined effect of new subscriptions with both bank issuers (+67,8 million Euro) and non-financial issuers (+90,1 million Euro, of which +76,2 million Euro in government bonds), and the positive write-back in 2023 (+25,0 million Euro, mainly concentrated on the government bonds portfolio). This change more than offset the decrease related to normal collections and disposals. The related associated net negative fair value reserve amounts to 19,0 million Euro at 31 December 2023 (of which 18,8 million Euro associated with Government securities).
This item also includes equity securities attributable to non-controlling interests, which amount to 114,9 million Euro at the end of December 2023, up 6,4% compared to 31 December 2022, mainly due to investments made in 2023 (+32,7 million Euro, of which 19,6 million Euro on foreign equity investments), the impact of which more than offset that of the disposals realised during the year (-22,7 million Euro). The net fair value reserve associated with this portfolio at 31 December 2023 shows a negative value of 14,4 million Euro, slightly better than the negative figure posted at the end of 2022 of 14,8 million Euro.

Receivables due from banks measured at amortised cost

Total receivables due from banks measured at amortised cost amount to 637,6 million Euro at 31 December 2023, up on the figure booked at 31 December 2022 (565,8 million Euro).

In addition to loans to central banks for mandatory reserve, the item includes bank issuers' debt securities to which a "Held to Collect (HTC)" business model is associated and which have passed the SPPI Test: these securities at 31 December 2023 have a carrying amount of 576,8 million Euro, an increase compared to the value of 526,2 million Euro at the end of 2022, mainly as a result of new investments made during the year on Italian (+38,6 million Euro) and foreign (+15,8 million Euro) bank bonds.

Receivables due from customers measured at amortised cost

Total receivables due from customers measured at amortised cost amount to 10.622,1 million Euro, an increase on 31 December 2022 (10.186,9 million Euro). The item includes debt securities in the amount of 2,0 billion Euro (an increase on the figure for year-end 2022 of 1,9 billion Euro, +4,8%), of which 1,6 billion Euro related to government bonds (1,5 billion Euro at 31 December 2022). The Commercial & Corporate Banking Segment increased by 3,8% thanks to the contribution of all business areas; in particular, the Leasing Area grew by 5,4%, the Factoring Area by 3,2% and the Corporate Banking & Lending Area by 2,5%. The Governance & Services and Non-Core Segment grows by 60,4 million Euro (mainly as a result of the aforementioned increase in the debt securities portfolio in 2023), while loans in the Npl Segment grow compared to 31 December 2022 (+8,3%), mainly due to loans acquired as a result of the business combination of Revalea (for more details, see the section "Significant events during the year"), whose contribution at the end of 2023 is 207,0 million Euro.

RECEIVABLES DUE FROM CUSTOMERS BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Commercial & Corporate Banking Segment	6.763.468	6.514.989	248.478	3,8%
- of which non-performing	*212.870*	*251.024*	*(38.154)*	*(15,2)%*
Factoring Area	2.844.805	2.755.592	89.212	3,2%
- of which non-performing	*128.985*	*181.094*	*(52.108)*	*(28,8)%*
Leasing Area	1.552.204	1.472.177	80.027	5,4%
- of which non-performing	*10.729*	*14.112*	*(3.383)*	*(24,0)%*
Corporate Banking & Lending Area	2.366.459	2.287.221	79.238	3,5%
- of which non-performing	*73.155*	*55.818*	*17.337*	*31,1%*
Npl Segment	1.646.158	1.519.864	126.294	8,3%
- of which non-performing	*1.616.614*	*1.488.155*	*128.459*	*8,6%*
Governance & Services and Non-Core Segment(1)	2.212.509	2.152.078	60.430	2,8%
- of which non-performing	*25.598*	*34.083*	*(8.484)*	*(24,9)%*
Total receivables due from customers	**10.622.134**	**10.186.932**	**435.202**	**4,3%**
- of which non-performing	***1.855.082***	***1.773.261***	***81.821***	***4,6%***

(1) In the Governance & Services and Non-Core Segment, at 31 December 2023, there were government securities amounting to 1.628,7 million Euro (1.541,5 million Euro at 31 December 2022).

Total net non-performing exposures, which are significantly affected by the receivables of the Npl Segment, amount to 1.885,1 million Euro at 31 December 2023, compared to 1.773,3 million Euro at 31 December 2022 (+4,6%).
Net of this item relative to the Npl Segment, net non-performing loans come to 238,5 million Euro, a reduction on the 285,1 million Euro recorded at 31 December 2022, mainly due to the contribution made by the Factoring Area.
The Banca Ifis Group's gross and net Npe ratios for its receivables due from customers are shown below. These ratios are calculated excluding Npl Segment loans and Government bonds measured at amortised cost.

KPIs	AMOUNTS		CHANGE
	31.12.2023	31.12.2022	%
Net Npe ratio	3,24%	3,99%	(0,75)%
Gross Npe ratio	5,48%	5,91%	(0,43)%

For a detailed analysis of receivables due from customers, please see the section "Contribution of operating Segments to Group results".

Intangible assets and property, plant and equipment

Intangible assets come to 76,7 million Euro, up 19,3% from 64,3 million Euro at 31 December 2022.
This item refers to software in the amount of 38,6 million Euro (up from the balance of 26,2 million Euro at 31 December 2022 as a result of investments made during the year) and 38,0 million Euro in goodwill following the acquisition of the former Fbs Group.
As regards the Group's assessments on the impairment testing of such goodwill, please note that the results of this test performed at year end have supported the likelihood of recovery of the goodwill booked. For more details, we would refer you to the more extensive information given in Part B - Information on the Consolidated Statement of Financial Position, Section 10 - Intangible assets - Item 100, paragraph 10.3 "Other information" of these Consolidated Financial Statements.
The item Property, plant and equipment comes to 143,3 million Euro, as compared with the 126,3 million Euro booked at 31 December 2022, up 13,4%.

At the end of December 2023, the properties recognised under property, plant and equipment include the important historical building "Villa Marocco", located in Mestre – Venice and housing Banca Ifis's registered office.

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.

Tax assets amount to 285,4 million Euro, a decrease of 12,2% compared to 31 December 2022, mainly due to the collection of 21,3 million Euro related to an IRES credit previously requested for reimbursement and to the release of the portions of deferred tax assets pursuant to Law 214/11 that were prepaid under current legislation.

Specifically, current tax assets amount to 46,6 million Euro, a significant decrease compared to the figure at 31 December 2022 (-23,5%) due to both the settlement of taxes for the previous year and the previously mentioned collection.

Deferred tax assets amount to 238,8 million Euro, down on the figure of 264,3 million Euro at 31 December 2022 and consist mainly of 144,7 million Euro of assets recognised for impairment losses on receivables due from customers, potentially convertible into tax credits in accordance with Italian Law No. 214/2011 (balance reducing as a result of the releases relative to 2023), 41,1 million Euro of assets recognised for prior tax losses and benefit aid for economic growth ("ACE") (39,5 million Euro at 31 December 2022) and 53,1 million Euro (52,5 million Euro at 31 December 2022) in tax misalignments mainly relating to financial assets measured at fair value through other comprehensive income (FVOCI) and provisions for risks and charges.

With regard to the recoverability of deferred tax assets recognised at 31 December 2023, please refer to "Section 11 - Tax assets and liabilities - Item 110 of Assets and Item 60 of Liabilities" in Part B of the Notes to the Consolidated Financial Statements.

Tax liabilities amount to 57,7 million Euro (52,3 million Euro at 31 December 2022) and are made up as follows:

- current tax liabilities of 26,0 million Euro (22,0 million Euro at 31 December 2022) representing the tax burden accrued during the year;
- deferred tax liabilities, amounting to 31,7 million Euro, essentially in line with the previous year's balance, mainly include 25,3 million Euro on receivables recognised for interest on arrears that will be taxed upon collection.

Tax assets are included in the calculation of "capital requirements for credit risk" in accordance with (EU) Regulation No. 575/2013 (CRR) as subsequently updated, 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 (RWAs) 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 in Art. 38 para. 5 ex CRR, is already shown net of the offsetting with the corresponding deferred tax liabilities in the 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.

Other assets and liabilities

Other assets, of 457,6 million Euro as compared to a balance of 497,9 million Euro at 31 December 2022, mainly include:

- financial assets held for trading in the amount of 12,9 million Euro (down from the figure of 26,9 million Euro at 31 December 2022), entirely referring to transactions in derivatives (the value of which has fallen compared with the figure of 25,6 million Euro at 31 December 2022) substantially hedged by mirror positions recorded under financial liabilities held for trading;

- other assets for 444,7 million Euro (471,1 million Euro at 31 December 2022), of which 208,7 million Euro relate to tax credits for superbonuses and other construction tax bonuses (with a nominal amount of 234,1 million Euro) and 32,2 million Euro in receivables due from the La Scogliera tax consolidation (5,6 million Euro at 31 December 2022). It should be noted that the balance at 31 December 2022 relating to the receivable from the tax consolidating company La Scogliera was entirely collected during the first half of 2023, and therefore the balance due from the tax consolidating company at 31 December 2023 refers exclusively to fees for 2023.

Other liabilities come to 421,1 million Euro as compared with 425,4 million Euro at 31 December 2022, and mainly consist of:

- trading derivatives for 14,0 million Euro (26,0 million Euro at 31 December 2022), mainly referring to transactions hedged by opposite positions entered amongst financial assets held for trading;
- derivative hedging liabilities as part of the micro fair value hedging strategy on the interest rate risk associated with government bonds held by the Group, which show a negative fair value of 11,6 million Euro at 31 December 2023, compared to a zero balance at 31 December 2022 as this strategy was activated during 2023;
- 7,9 million Euro liabilities for post-employment benefits (essentially in line with 31 December 2022);
- 387,6 million Euro for other liabilities (391,7 million Euro at 31 December 2022), largely referred to payables due to customers that have not yet been credited, to operating payables for 133,1 million Euro and to payables due to the tax consolidating company La Scogliera for 31,2 million Euro (33,7 million Euro at 31 December 2022). In particular, it should be noted that the debt exposure at 31 December 2022 towards La Scogliera was entirely paid off during the first half of 2023 and, therefore, the balance towards the tax consolidating company at 31 December 2023 refers exclusively to tax items pertaining to 2023.

Funding

FUNDING (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Payables due to banks	**2.717.139**	**3.422.160**	**(705.021)**	**(20,6)%**
- Payables due to Central banks	1.577.874	2.423.647	(845.773)	(34,9)%
of which: TLTRO	*1.577.874*	*2.023.162*	*(445.287)*	*(22,0)%*
of which: LTRO	-	*400.485*	*(400.485)*	*(100,0)%*
- Repurchase agreements	715.313	731.791	(16.478)	(2,3)%
- Other payables	423.952	266.722	157.230	58,9%
Payables due to customers	**5.814.624**	**5.103.343**	**711.281**	**13,9%**
- Repurchase agreements	346.317	50.003	296.314	592,6%
- Retail	4.474.892	4.159.855	315.037	7,6%
- Other term deposits	122.325	116.339	5.986	5,1%
- Lease payables	22.702	21.733	969	4,5%
- Other payables	848.388	755.413	92.975	12,3%
Debt securities issued	**3.288.895**	**2.605.195**	**683.700**	**26,2%**
Total funding	**11.820.658**	**11.130.698**	**689.960**	**6,2%**

Total funding amounts to 11,8 billion Euro at 31 December 2023 and shows an increase compared with the figure at 31 December 2022 (+6,2%); it is represented for 49,2% by payables due to customers (45,8% at 31 December 2022), for 23,0% by payables due to banks (30,7% at 31 December 2022), and for 27,8% by debt securities issued (23,4% at 31 December 2022).

Payables due to banks come to 2,7 billion Euro, down 20,6% compared to the figure for end December 2022, mainly due to the onset maturity of short-term payables due to central banks (LTRO) and the early repayment of 500 million Euro for TLTRO, made in December 2023. At 31 December 2023, the balance of payables due to banks is mainly represented by residual TLTRO transactions in the amount of 1,6 billion Euro and repo transactions in the amount of 0,7 billion Euro.

Payables due to customers at 31 December 2023 total 5,8 billion Euro, up 13,9% compared to 31 December 2022. The growth is driven by both retail funding, which amounts to 4,5 billion Euro at the end of December 2023 (+7,6%), and the repurchase agreement (repo) component, which increases by 296,3 million Euro compared to 31 December 2022.

Debt securities issued amount to 3,3 billion Euro at 31 December 2023 and consist of:

- securities issued by the SPV ABCP Programme for 1,1 billion Euro relating to the senior tranche;
- securities issued by the Indigo Lease vehicle in the amount of 0,4 billion Euro relating to the senior tranche, following the restructuring of the transaction during the third quarter of 2023 (for more details on this, refer to "Part E - Information on risks and related hedging policies", "Section 2 - Risks of the prudential consolidation", paragraph "1.1 Credit risk", sub-section "C. Securitisation transactions" of the Notes to the Consolidated Financial Statements);
- securities issued by the Emma SPV for 0,4 billion Euro relating to the senior tranche;
- 0,4 billion Euro related to subordinated loans, essentially in line with 31 December 2022;
- bonds issued by Banca Ifis for 1,1 billion Euro. Compared to 31 December 2022, the following changes have occurred:
  - 600 million Euro relating to the issues of two senior bonds, each with a nominal amount of 300 million Euro and a maturity of 4 years and 5 years respectively, issued in January 2023 and September 2023 (for more details, refer to the section “Significant events during the year”);
  - 45 million Euro related to the second tranche issued in March 2023 and related to a senior bond with a duration of 4 years and a total nominal amount of 110 million Euro;
  - redemption of 300 million Euro of the senior bond issued in 2018 and maturing in April 2023.

Below is a representation of the Banca Ifis Group's retail funding.

RETAIL FUNDING (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Short-term funding (within 18 months)	3.256.259	2.976.991	279.268	9,4%
of which: Unrestricted	*458.116*	*728.224*	*(270.108)*	*(37,1)%*
of which: Like/One	*355.016*	*747.970*	*(392.954)*	*(52,5)%*
of which: restricted	*2.145.288*	*1.437.863*	*707.425*	*49,2%*
of which: German deposit	*297.839*	*62.934*	*234.905*	*373,3%*
Medium/long-term funding (beyond 18 months)	1.218.633	1.182.864	35.769	3,0%
Total retail funding	**4.474.892**	**4.159.855**	**315.037**	**7,6%**

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Provisions for credit risk related to commitments and financial guarantees granted	5.374	9.325	(3.951)	(42,4)%
Provisions on other commitments and guarantees given	-	39	(39)	(100,0)%
Provisions for pensions	196	-	196	n.a.
Legal and tax disputes	43.029	37.543	5.486	14,6%
Personnel expenses	2.592	2.800	(208)	(7,4)%
Other provisions	6.987	6.518	469	7,2%
Total provisions for risks and charges	**58.178**	**56.225**	**1.953**	**3,5%**

Below is the breakdown of the provisions for risks and charges at the end of 2023 by type of dispute compared with the amounts for the prior year.

Provisions for credit risk related to commitments and financial guarantees granted

At 31 December 2023, this item amounts to 5,4 million Euro, reflecting the impairment losses on irrevocable commitments to disburse funds and financial guarantees granted by the Group.

Provisions for pensions

The item includes the internal provision related to the post-retirement medical plan in favour of certain employees of the Banca Ifis Group, introduced in the third quarter of 2023: this is a defined benefit plan that provides for healthcare and other benefits to employees, even after retirement. The Group is responsible for the costs and risks associated with the provision of such benefits.
With reference to this fund, as a supplementary defined-benefit pension fund, the determination of the actuarial values required by the application of IAS 19 "Employee Benefits" is carried out by an independent actuary, using the "Project Unit Credit Method". The liability is recognised in the balance sheet net of any plan assets, and actuarial gains and losses calculated in the plan valuation process are recognised in the statement of comprehensive income and, therefore, in equity.
At 31 December 2023, this fund amounts to 196 thousand Euro.

Legal and tax disputes

At 31 December 2023, provisions have been made for 43,0 million Euro for legal and tax disputes. This amount mainly breaks down as follows:

- 21,3 million Euro for 26 disputes concerning the Factoring Area (the plaintiffs seek 41,4 million Euro in damages), mainly connected with the request for the repetition of amounts collected or payments under guarantee in relation to factoring positions without recourse. Compared to 31 December 2022, two new cases were received with a corresponding provision of 2,0 thousand Euro, while 4 cases were closed with a total provision of 140 thousand Euro;
- 8,9 million Euro (the plaintiffs seek 14,4 million Euro in damages) for 18 disputes deriving from the business unit acquired from the former Aigis Banca and mainly the Corporate Banking & Lending Area of the Commercial and Corporate Banking Segment. During the year, a dispute whose associated provision for risks and charges amounted to 40 thousand Euro was closed, and, in addition, utilisations of 0,8 million Euro were recorded on disputes still outstanding at 31 December 2023;
- 6,5 million Euro (the plaintiffs seek 54,0 million Euro in damages) for 6 disputes concerning the Corporate Banking & Lending Area deriving from the former Interbanca. With respect to 31 December 2022, a new case was notified, the corresponding provision amounting to 3,3 million Euro;
- 1,2 million Euro (the plaintiffs seek 1,5 million Euro in damages) for 15 disputes concerning the Leasing Area and tax receivables. In 2023, 6 cases were closed, the provision for risks and charges for which amounts to 246 thousand Euro at 31 December 2022, while no new disputes were received during the year;
- 2,6 million Euro (the plaintiffs seek 7,2 million Euro in damages) for 50 disputes of Ifis Npl Investing. In 2023, 34 disputes were closed for a provision of 261 thousand Euro and 17 new cases were received, for which the provision made at 31 December 2023 was 99 thousand Euro;
- 1,0 million Euro relating to various disputes concerning Banca Credifarma (the plaintiffs seek 5,3 million Euro). During the year, the company was notified of a new dispute, the associated provision for risks and charges of which amounted to 500 thousand Euro at 31 December 2023, while 2 cases were settled, the associated provision for which amounted to 21 thousand Euro at 31 December 2022;
- 729 thousand Euro (the plaintiffs seek 10,3 million Euro in damages) for 18 disputes regarding the company Revalea;
- 666 thousand Euro (the plaintiffs seek 3,4 million Euro) mainly for disputes with customers and agents relating to Cap.Ital.Fin. During 2023, 6 cases were closed with a provision of 55 thousand Euro at 31 December 2022 and 20 cases were opened with a provision of 47 thousand Euro;
- 30 thousand Euro (the plaintiffs seek the same amount in damages) for disputes concerning the investee Ifis Rental Services.

Personnel expenses

At 31 December 2023, provisions are entered for staff for 2,6 million Euro (2,8 million Euro at 31 December 2022) of which 2,0 million Euro relating to the Solidarity Fund.

Other provisions for risks and charges

At 31 December 2023, “Other provisions” are in place for 7,0 million Euro, an increase on the figure recorded at 31 December 2022 (+7,2%). The item mainly consists of 3,9 million Euro for Supplementary Customer Indemnity in connection with the Leasing Area's operations, 1,5 million Euro for the provision for risks linked to the assignment of receivables under the scope of securitisations of bad loans guaranteed by Italian Treasury Department (“GACS”) and 0,7 million Euro for the provision for complaints.

Consolidated equity

Consolidated equity at 31 December 2023 totals 1.693,7 million Euro, up 6,0% on the 1.597,8 million Euro booked at end 2022. The main changes in consolidated shareholders' equity are summarised in the following tables.

EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	84.108	83.767	341	0,4%
Valuation reserves:	(39.215)	(59.722)	20.507	(34,3)%
- Securities	*(33.359)*	*(50.634)*	*17.275*	*(34,1)%*
- Defined benefit plans (e.g. severance indemnity)	*290*	*381*	*(91)*	*(23,9)%*
- Exchange differences	*(6.146)*	*(9.469)*	*3.323*	*(35,1)%*
Reserves	1.505.424	1.440.944	64.480	4,5%
Interim dividends (-)	(62.962)	(52.433)	(10.529)	20,1%
Treasury shares (-)	(21.817)	(22.104)	287	(1,3)%
Equity attributable to non-controlling interests	14.240	12.432	1.808	14,5%
Net profit attributable to the Parent Company	160.110	141.086	19.024	13,5%
Consolidated equity	**1.693.699**	**1.597.781**	**95.918**	**6,0%**

CONSOLIDATED EQUITY: CHANGES	(in thousands of Euro)
Consolidated equity at 31.12.2022	**1.597.781**
Increases:	**179.956**
Profit for the year attributable to the Parent Company	160.110
Sale/assignment of treasury shares	341
Change in valuation reserve	15.345
- Securities (net of realisations)	*12.022*
- Exchange differences	*3.323*
Stock options	1.108
Equity attributable to non-controlling interests	1.808
Other changes	1.244
Decreases:	**84.038**
Dividends distributed	83.947
- of which dividend balance on 2022 profit	*20.985*
- of which interim dividend on 2023 profit	*62.962*
Change in valuation reserve on defined benefit plans (e.g. severance indemnity)	91
Consolidated equity at 31.12.2023	**1.693.699**

Below is the table reconciling equity and the net result of the Parent Company with the corresponding consolidated data attributable to the Parent Company:

RECONCILIATION OF EQUITY AND THE NET RESULT OF THE PARENT COMPANY WITH THE CONSOLIDATED DATA ATTRIBUTABLE TO THE PARENT COMPANY (in thousand Euro)	31.12.2023	
	EQUITY	*OF WHICH: PROFIT (LOSS) FOR THE YEAR*
Balances of the Parent Company Banca Ifis	**1.364.637**	**83.640**
Difference compared to the carrying amounts of the companies consolidated	320.556	*152.889*
Ifis Finance Sp z o.o. (Poland)	*17.792*	*5.103*
Ifis Finance I.F.N. S.A. (Romania)	*(832)*	*940*
Ifis Rental Services	*70.419*	*12.042*
Cap.Ital.Fin.	*-*	*67*
Banca Credifarma	*61.533*	*16.274*
Ifis Npl Investing	*153.421*	*144.224*
Ifis Npl Servicing	*18.223*	*(25.761)*
Revalea	*9.026*	*8.887*
Elimination of intra-group dividends	-	*(89.000)*
Other consolidation entries	8.506	*12.581*
Consolidated balances attributable to the Parent Company	**1.693.699**	***160.110***

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS	
	31.12.2023	31.12.2022
Common Equity Tier 1 (CET1) capital	1.544.497	1.520.570
Tier 1 capital	1.545.424	1.521.490
Total Own Funds	**1.812.324**	**1.906.288**
Total RWAs	**10.390.002**	**10.128.064**
CET1 Ratio	14,87%	15,01%
Tier 1 Ratio	14,87%	15,02%
Total Capital Ratio	**17,44%**	**18,82%**

CET1, Tier 1 and Total Capital include the profits generated 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.

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 CET1 a portion of the accruals gained for expected credit losses, through different operating methods of the transitional period of reference (1 January 2018 - 31 December 2019 and 1 January 2020 - 31 December 2024).
Please note that, at the time, Banca Ifis had already informed the Bank of Italy of its decision to apply the transitional arrangements for the entire period.
The inclusion in CET1 takes place as for last year, gradually and by applying the factors shown in the table below.

TEMPORARY TREATMENT IFRS 9 2018-2019	TEMPORARY TREATMENT IFRS 9 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

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 (Article 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 class 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 shareholders' equity due to the aforementioned phenomena was also accompanied by an increase in the RWA component of 261,9 million Euro, as described below.

Here below is the breakdown by Segment of risk-weighted assets (RWA).

RISK-WEIGHTED ASSETS: BREAKDOWN (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	*of which: FACTORING AREA*	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
RWA for credit risk	**5.813.454**	***2.737.066***	***1.344.965***	***1.731.423***	**1.898.366**	**1.537.717**	**9.249.537**
RWA for market risk	X	*X*	*X*	*X*	X	X	**23.244**
RWA for operational risk (basic indicator approach)	X	*X*	*X*	*X*	X	X	**1.027.943**
RWA for credit valuation adjustment risk	X	*X*	*X*	*X*	X	X	**89.278**
Total RWAs	**X**	***X***	***X***	***X***	**X**	**X**	**10.390.002**

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.

Following the above-described dynamics, at 31 December 2023, the CET1 ratio stands at 14,87%, down 14 basis points from 31 December 2022, while the Total Capital ratio stands at 17,44%, down 138 basis points.
At 31 December 2023, not considering the filter related to the IFRS 9 transitional regime, fully loaded Own funds amount to 1.786,3 million Euro and consequently the RWAs, when fully applied, come to 10.386,3 million Euro.

OWN FUNDS AND CAPITAL ADEQUACY RATIOS WITHOUT IFRS 9 TRANSITIONAL ARRANGEMENTS (in thousands of Euro)	AMOUNTS	
	31.12.2023	31.12.2022
Common Equity Tier 1 (CET1) capital	1.518.451	1.475.910
Tier 1 capital	1.519.378	1.476.830
Total Own Funds	**1.786.278**	**1.861.628**
Total RWAs	**10.386.270**	**10.115.502**
CET1 Ratio	14,62%	14,59%
Tier 1 Ratio	14,63%	14,60%
Total Capital Ratio	**17,20%**	**18,40%**

CET1, Tier 1 and Total Capital include the profits generated 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.

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 Prudential Review and Evaluation Process (SREP):

- CET1 Ratio of 7,90%, with a required minimum of 5,40%;
- Tier 1 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:

- CET1 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 Tier 1 Ratio of 9,75% and a target component of 0,75%;
- Total Capital Ratio of 12,90%, consisting of an OCR Total Capital Ratio of 12,15% and a target component of 0,75%.

On 29 January 2024, the Banca Ifis Group disclosed the final decision that the Bank of Italy adopted, following the annual SREP, regarding the new capital requirements that the Group will have to comply with, at a consolidated level, for 2024 and which are set out below (see also the section "Subsequent events"):

- CET1 Ratio of 8,00%, with a required minimum of 5,50%;
- Tier 1 Ratio of 9,90%, with a required minimum of 7,40%;
- 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 set the following capital levels (summarised in the table below) for the Banca Ifis Group, to which the specific countercyclical coefficient is added:

CET1 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 Tier 1 Ratio of 9,90% and a target component of 1,00%;
Total Capital Ratio of 13,30%, consisting of an OCR Total Capital Ratio of 12,30% and a target component of 1,00%.

Below are two comparative tables of the requirements valid until December 2023 and those in force as of 2024.

Overall Capital Requirement (OCR) 2023						Pillar 2 Guidance	Total
	Art. 92 CRR	SREP	TSCR	RCC (1)	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%
Total Capital	8,00%	1,65%	9,65%	2,50%	12,15%	0,75%	12,90%

(1) RCC: capital conservation buffer.

Overall Capital Requirement (OCR) 2024						Pillar 2 Guidance	Total
	Art. 92 CRR	SREP	TSCR	RCC (1)	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%
Total Capital	8,00%	1,80%	9,80%	2,50%	12,30%	1,00%	13,30%

At 31 December 2023, the Banca Ifis Group easily met the above prudential requirements.
The minimum own funds and eligible liabilities (MREL) requirements communicated by the Bank of Italy to the Parent Company Banca Ifis and its subsidiary Banca Credifarma are shown in the table below.

MREL requirement	
Banca Ifis	Banca Credifarma
14,65% (1) of the Total Risk Exposure Amount (TREA)	8% (1) of the Total Risk Exposure Amount (TREA)
4,25% of Leverage Ratio Exposure	3% of Leverage Ratio Exposure

(1) 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 2,50%, including only the capital conservation reserve, to which is added the quarterly determined countercyclical reserve).
At 31 December 2023, following the monitoring process, both indicators were easily met above the predefined limit.

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).

Reclassified income statements items

Formation of net banking income

Net banking income totals 704,6 million Euro, up in all its components compared with the figure at 31 December 2022 (680,5 million Euro, +3,5%).
The main components of net banking income and their changes compared to the previous year are presented below.

FORMATION OF NET BANKING INCOME (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	566.197	548.250	17.947	3,3%
Net commission income	98.221	93.513	4.708	5,0%
Other components of net banking income	40.198	38.784	1.414	3,6%
Net banking income	**704.616**	**680.547**	**24.069**	**3,5%**

Net interest income increases by 3,3%, going from 548,3 million Euro at 31 December 2022 to 566,2 million Euro at 31 December 2023. The main growth factor is the 16,6 million Euro increase in the Commercial & Corporate Banking Segment's net interest income compared to the previous year, which benefited from the positive trend in interest rates during 2023.
Net commissions amount to 98,2 million Euro, an increase of 5,0% compared to the figure at 31 December 2022: this trend is mainly attributable to the higher contribution of commission income, linked to the increase in yields on loans of the Factoring Area compared to 31 December 2022, against an essentially stable incidence of commission expenses. In particular:

- commission income, totalling 112,3 million Euro, up 5,4% on 31 December 2022, primarily refers to factoring commissions on the turnover generated by individual customers (with or without recourse, in a flat or monthly scheme), arrangement fees for Structured Finance transactions, leases, third-party servicing, as well as from other fees for services;
- commission expense, totalling 14,1 million Euro, essentially in line with the figure of 2022, largely refers to fees paid to banks and financial intermediaries such as management fees, fees paid to third parties for the distribution of leasing products, as well as brokerage operations carried out by approved banks and other credit brokers.

The other components of net banking income are 40,2 million Euro at 31 December 2023, up by 1,4 million Euro compared with 2022, and broke down as follows:

- 16,2 million Euro for dividends generated by shares held in the Group-owned portfolio (9,9 million Euro in 2022);
- 16,2 million Euro for net gains from the sale or buy-back of financial assets and liabilities (net profits of 15,6 million Euro at 31 December 2022), mainly comprising 10,4 million Euro from the sale of loans in the Npl Segment, as well as 4,8 million Euro related to securities transactions in the proprietary portfolio;
- 13,2 million Euro from the net positive result of other financial assets and liabilities measured at fair value through profit or loss (essentially in line with the 31 December 2022 figure), primarily represented by the net positive change in the 2023 fair value of UCITS fund units for 5,3 million Euro and equity securities for 6,5 million Euro.
- 5,3 million Euro due to the negative net result from trading activities, a worsening on the positive result of 0,6 million Euro of 2022;
- 0,1 million Euro for the net negative result of hedging activities, which started in 2023 to hedge the interest rate risk associated with the portfolio of government bonds at amortised cost held by the Group.

Formation of net profit (loss) from financial activities

The Group's net profit from financial activities totals 652,2 million Euro, compared to 603,0 million Euro at 31 December 2022 (+8,2%).

FORMATION OF NET PROFIT (LOSS) FROM FINANCIAL ACTIVITIES (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Net banking income	**704.616**	**680.547**	**24.069**	**3,5%**
Net credit risk losses/reversals	(52.407)	(77.515)	25.108	(32,4)%
Net profit (loss) from financial activities	**652.209**	**603.032**	**49.177**	**8,2%**

Net credit risk losses of 52,4 million Euro are down 25,1 million Euro compared to December 2022. The change is mainly due to the dynamics recorded in 2023 in terms of significant recoveries on positions written down or written off and the positive resolution of a restructured position, as well as to the fact that the comparative figure included adjustments of 21,7 million Euro on the Npl Segment due to the regulatory change related to the raising of the minimum threshold for the attachment of pensions. Further details of the different trends connected with the credit cost are given in the section "Contribution of operating Segments to Group results".

Formation of net profit for the year

Formation of net profit for the year is summarised in the table below.

FORMATION OF NET PROFIT (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Net profit (loss) from financial activities	**652.209**	**603.032**	**49.177**	**8,2%**
Operating costs	**(405.841)**	**(390.378)**	**(15.463)**	**4,0%**
Net allocations to provisions for risks and charges	(6.878)	(400)	(6.478)	n.s.
Non-recurring expenses and income	(2.919)	-	(2.919)	n.a.
Value adjustments of goodwill	-	(762)	762	(100,0)%
Gains (losses) on disposal of investments	986	304	682	224,3%
Pre-tax profit from continuing operations	**237.557**	**211.796**	**25.761**	**12,2%**
Income taxes for the year relating to current operations	(75.641)	(69.909)	(5.732)	8,2%
Profit for the period	**161.916**	**141.887**	**20.029**	**14,1%**
Profit for the year attributable to non-controlling interests	(1.806)	(801)	(1.005)	125,5%
Profit for the year attributable to the Parent Company	**160.110**	**141.086**	**19.024**	**13,5%**

Operating costs total 405,8 million Euro, showing an increase on 31 December 2022 (+4,0%).

OPERATING COSTS (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Administrative expenses:	413.204	393.255	19.949	5,1%
a) personnel expenses	*163.802*	*150.834*	*12.968*	*8,6%*
b) other administrative expenses	*249.402*	*242.421*	*6.981*	*2,9%*
Net impairment losses/reversals on property, plant and equipment and intangible assets	17.706	16.915	791	4,7%
Other operating income/expenses	(25.069)	(19.792)	(5.277)	26,7%
Operating costs	**405.841**	**390.378**	**15.463**	**4,0%**

Personnel expenses, at 163,8 million Euro, increase by 8,6%, which can be attributed to the increase in personnel, higher variable remuneration and incremental costs attributable to 2023 linked to the renewal of the National Collective Bargaining Agreement (NCBA) for bank employees. The number of Group employees at 31 December 2023 is 1.940, as compared with 1.874 resources at 31 December 2022.

Other administrative expenses at 31 December 2023 amount to 249,4 million Euro, substantially in line with 31 December 2022, and include the contribution of the newly acquired Revalea in the amount of 4,2 million Euro (relating to the two months attributable to the Banca Ifis Group, i.e. November and December 2023). The change in this item is due to the contrasting effect in some items, as summarised in the table below.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Expenses for professional services	**117.671**	**122.235**	**(4.564)**	**(3,7)%**
Legal and consulting services	87.106	82.505	4.601	5,6%
Fees to auditing firms	1.016	1.149	(133)	(11,6)%
Outsourced services	29.549	38.581	(9.032)	(23,4)%
Direct and indirect taxes	**40.141**	**42.769**	**(2.628)**	**(6,1)%**
Expenses for purchasing goods and other services	**91.591**	**77.417**	**14.174**	**18,3%**
Software assistance and hire	19.074	17.705	1.369	7,7%
Advertising and inserts	14.195	9.172	5.023	54,8%
Customer information	12.404	10.399	2.005	19,3%
Interbank Deposit Protection Fund (“FITD”) and Single Resolution Fund	11.193	11.902	(709)	(6,0)%
Property expenses	7.495	6.328	1.167	18,4%
Securitisation costs	6.014	4.213	1.801	42,7%
Business travel and transfers	4.204	2.326	1.878	80,8%
Postage and archiving of documents	3.733	5.428	(1.695)	(31,2)%
Car fleet management and maintenance	3.247	2.667	580	21,8%
Telephone and data transmission expenses	3.160	3.251	(91)	(2,8)%
Other sundry expenses	6.871	4.026	2.845	70,7%
Total other administrative expenses	**249.402**	**242.421**	**6.981**	**2,9%**

The sub-item “Legal and consulting services” comes to 87,1 million Euro at 31 December 2023, up 5,6% on the figure recorded for last year. The change in the item is mainly attributable to the cost of judicial recovery activities for non-performing loans, which amounts to 42,6 million Euro at 31 December 2023, the growth of which compared to the balance of 36,5 million Euro in the previous year more than offset the absence of certain costs associated with the implementation of the Banca Ifis Group's strategic projects closed in 2022, as well as the costs associated with the integration of the subsidiaries Farbanca and Credifarma.

"Outsourced services", amounting to 29,5 million Euro at 31 December 2023, record a slight decrease (-23,4%) on the figure of the previous year, and mainly refer to the lesser non-judicial collections made.

“Direct and indirect taxes” come to 40,1 million Euro, down 6,1% on the figure at 31 December 2022. The item mainly consists of the registration tax incurred for the judicial recovery of non-performing loans for an amount of 26,1 million Euro at 31 December 2023, down 10,3% on the previous year (in line with the reduction in underlying legal collections) and includes costs for stamp duty for 12,6 million Euro (in line with the figure at end 2022), the recharging of which to customers is included in the item "Other operating income".

“Expenses for purchasing goods and other services” amount to 91,6 million Euro, up 18,3% from the 77,4 million Euro at 31 December 2022. The factors that mainly influence the result are:

- costs for software support and rental, which increase by 7,7% compared to FY 2022, due almost entirely to increased support for the Group's software;
- costs for advertising and inserts, which increase from 9,2 million Euro to 14,2 million Euro in December 2023, for the preparation of new mainstream advertising campaigns during the year and the organisation of and participation in events to celebrate the 40th anniversary of the founding of Banca Ifis;
- customer information expenses, which amount to 12,4 million Euro, an increase of 19,3% compared to 2022, mainly due to the type of purchases of impaired portfolios made in the previous year;
- the costs connected with the contribution to the Interbank Deposit Protection Fund (“FITD”) and Single Resolution Fund (SRF) that at 31 December 2023 amount to 11,2 million Euro, a 6,0% decrease on the December 2022 figure.

Net adjustments and reversals of property, plant and equipment and intangible assets at 31 December 2023 amount to 9,7 million Euro and 8,0 million Euro, respectively, essentially in line with the figures for the previous year.

Other net operating income, amounting to 25,1 million Euro at 31 December 2023, records growth of 5,3 million Euro on the figure for last year.

As a result of the dynamics outlined above, operating costs in December 2023 amount to 405,8 million Euro, up from the balance of 390,4 million Euro in December 2022.

Net allocations to provisions for risks and charges at 31 December 2023 amount to 6,9 million Euro, a 6,5 million Euro deterioration compared to 31 December 2022, mainly following the 2022 inclusion of the reversal, for 5,9 million Euro, of provisions for risks related to credit sale transactions regarding to securitisations of bad loans guaranteed by Italian Treasury Department (“GACS”).

"Non-recurring expenses and income" include the cost and revenue items deemed as "non-recurring". The net balance at 31 December 2023 is negative for 2,9 million Euro following inclusion of the non-recurring operating costs directly or indirectly related to the acquisition of Revalea, totalling 11,5 million Euro, only partly offset by the "gain on bargain purchase" calculated in accordance with IFRS 3, amounting to 8,5 million Euro. For more details in this regard, refer to the section "Significant events during the year" of this Directors' Report on the Group as well as to "Part G - Business combinations" of the Notes to the Consolidated Financial Statements.

Finally, it should be noted that the comparative figures for 2022 included:

- the complete write-down of 762 thousand Euro of the goodwill allocated to the Polish subsidiary Ifis Finance Sp z o.o., recorded in the item "adjustments to goodwill";
- the net effects of the sale of the subsidiary Ifis Real Estate and the reorganisation of the ownership structure of Banca Credifarma, which impacted the item “Gains (losses) on disposal of investments” for a total of 0,3 million Euro.

Pre-tax profit from continuing operations amounts to 237,6 million Euro, up 12,2% compared to 31 December 2022.

Income taxes at 31 December 2023 amount to 75,6 million Euro, and the tax rate is 31,84%, which is lower than the previous year's figure of 33,01%, mainly due to the above-mentioned 8,5 million Euro "gain on bargain purchase" recorded in 2023 for the acquisition of Revalea, which is tax-neutral.

The net profit attributable to the Parent Company amounts to 160,1 million Euro, up 13,5% on 2022.

Main risks and uncertainties

Taking into account the business carried out and the results achieved, the Group's financial position is proportionate to its needs. Indeed, the Group's financial policy is aimed at favouring funding stability and diversification rather than the immediate operating needs. The main risks and uncertainties deriving from the present conditions of financial markets, including following the current situation linked to international tensions, above all with reference to the Middle East, which will impact the supply chain and once again inflation, do not represent a particular problem for the Group's financial balance and, in any case, they are not likely to threaten business continuity.

Refer to Part E of the Notes to the Consolidated Financial Statements for information on the Banca Ifis Group's risks typical of the banking sector, as well as to what is set forth in the Directors' Report on the Group in the section "Business outlook".

Banca Ifis shares

The share price

The ordinary shares of Banca Ifis S.p.A. are listed on the STAR segment, and the Bank is listed on the Ftse Italia Mid Cap index. The following table shows the share prices at the end of the year.

Official share price	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Share price at year-end	15,70	13,31	17,07	9,18	14,00

Price/book value

Below is the ratio of the share price at year-end and equity attributable to the Parent Company per share outstanding.

Price/book value	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Share price at year-end	15,70	13,31	17,07	9,18	14,00
Equity attributable to the Parent Company per share	32,01	30,24	29,85	28,50	28,69
Price/book value	**0,49**	**0,44**	**0,57**	**0,32**	**0,49**

The situation in terms of price/book value shows a value of less than per unit for all the years reported: in this regard, it should be noted that this is a structural situation for the Italian context in that the quotations show significant discounts for all Italian banks even with respect to tangible net worth.

Outstanding shares	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Number of shares outstanding at year end (in thousands)(1)	52.468	52.433	53.472	53.460	53.452

(1) Outstanding shares are net of treasury shares held in the portfolio.

Earnings per share and Price/Earnings

Here below is the earnings per share (EPS), namely the ratio of the profit for the period attributable to the Parent Company to the weighted average of the ordinary shares outstanding at year-end, net of treasury shares in portfolio.

Earnings per share and diluted earnings per share	31.12.2023	31.12.2022
Net profit for the year attributable to the Parent Company (in thousands of Euro)	160.110	141.086
Average number of outstanding shares (1)	52.456.037	52.685.625
Average number of shares outstanding for diluted earnings per share purposes	52.567.897	52.706.323
Earnings per share (EPS)	**3,05**	**2,68**
Diluted earnings per share (EPS)	**3,05**	**2,68**

(1) Outstanding shares are net of treasury shares held in the portfolio.

Payout ratio

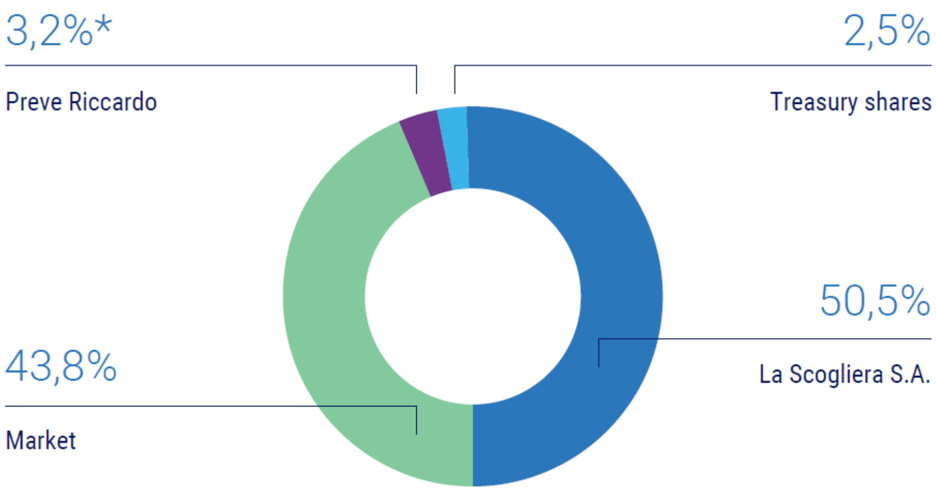
The Board of Directors of Banca Ifis will propose to the Shareholders' Meeting the distribution of a balance on the dividend for FY 2023 of 0,90 Euro (gross of withholding taxes) for each of the Banca Ifis shares issued and outstanding (and therefore excluding treasury shares held by the Bank). In November 2023, an interim dividend of 1,20 Euro per share had already been distributed for FY 2023. The total 2023 dividends (interim payment and balance) thus amount to 2,10 Euro per share, corresponding to a payout ratio of 68,8%.

Payout ratio (in thousands of Euro)	2023	2022	2021	2020	2019
Net profit attributable to the Parent Company	160.110	141.086	100.582	68.804	123.097
Parent Company dividends (1)	110.183	73.418	49.811	25.132	58.797
Payout ratio (1)	**68,8%**	**52,0%**	**49,5%**	**36,5%**	**47,8%**

(1) The figures for FY 2023 comprise the total of 1,20 Euro per share distributed as an interim dividend in November 2023 and 0,90 Euro per share as a proposal for a final dividend for the FY 2023 prepared by the Board of Directors of Banca Ifis.

Shareholders

The share capital of the Parent Company at 31 December 2023 amounts to 53.811.095 Euro and is broken down into 53.811.095 shares for a nominal amount of 1 Euro each.
Below are Banca Ifis's shareholders that, either directly or indirectly, own equity instruments with voting rights representing over 3% of Banca Ifis's share capital:



*Through himself for 0,32% and through Preve Costruzioni for 2,86%.

Corporate governance rules

Banca Ifis has adopted the Corporate Governance Code for listed companies. The Bank's Board of Directors has established the Control and Risk Committee, the Appointments Committee and the Remuneration Committee. The Board of Directors has also appointed a Supervisory Body with autonomous powers of initiative and control pursuant to Italian Legislative Decree No. 231/2001.

Internal dealing rules

Banca Ifis regulations on internal dealing are aligned with the relevant EU legislation (EU Regulation No. 596/2014, the Market Abuse Regulation) and aims to ensure the utmost transparency in the Bank's disclosures to the market. On the other hand, the “Policy on transactions carried out by Relevant Persons and Closely Related People in shares, debt securities and related financial instruments issued by Banca Ifis” (the Internal Dealing Policy) governs:

- the requirements related to identifying the Relevant Persons and the so-called “closely related people”;
- the management of information relating to transactions exceeding the minimum amount threshold on units, credit securities or related instruments issued by Banca Ifis, carried out, directly or indirectly, by a Relevant Person or by a Closely Related Person and subject to notification obligations;
- the handling of closed periods, i.e. those periods during which the Relevant Persons must refrain from trading in shares or other debt instruments issued by Banca Ifis as well as financial instruments linked to them.

The relevant persons are:

- the members of the Board of Directors;
- the members of the Board of Statutory Auditors;
- managers regarded as “key managers”, i.e:
    - any person holding an interest, calculated pursuant to Article 118 of the Issuers' Regulation, equal to at least 10% of the share capital of Banca Ifis, represented by shares with voting rights as well as another subject who controls the Bank;
    - additional persons identified as such, even for limited periods of time, by specific resolution of the Board of Directors of Banca Ifis.

This document is available on Banca Ifis's website, www.bancaifis.it, in the "Corporate Governance" Section, “Internal Dealing” sub-section.

Rules for the handling of inside information

Internal procedures for handling inside information and the list of individuals who have access to inside information are aligned with the Market Abuse Regulation.
In compliance with Article 115-bis of Italian Legislative Decree No. 58/1998, Banca Ifis has created a list of individuals who, in performing their professional and work duties or in carrying out their activity, have access to inside information (the list of insiders). Banca Ifis constantly updates this list.
In addition, the Group has adopted the “Group policy for the handling of inside information” in order to:

- prevent individuals who, based on their duties, have no reason to know such information from accessing it;
- identify the individuals who have access to such information at all times.

This policy also describes the process of handling inside information of third-party issuers, also with reference to the management of passive market surveys.

Significant events during the year

The Banca Ifis Group transparently and promptly discloses information to the market, constantly publishing information on significant events through press releases. Please visit the Media section of the institutional website www.bancaifis.it to view all press releases.
Below is a summary of the most significant events that occurred during the year.

January 2023 issue of the 300 million Euro bond maturing in 4 years

On 12 January 2023, Banca Ifis successfully completed the placement of a Senior Preferred bond issue under its EMTN programme amounting to 300 million Euro. The transaction was intended for institutional investors. Specifically, the issue has a maturity of four years, with a settlement date scheduled for 19 January 2023. The reoffer price is 99,569, for a return at maturity of 6,25% and a coupon that is payable annually in the amount of 6,125%. The bond was listed on Euronext Dublin and has an expected rating of BB+ by Fitch and Baa3 by Moody's. The placement of this bond is part of the EMTN funding programme envisaged in the Group's 2022-2024 Business Plan, which estimates 2,5 billion Euro of new placements.

The Shareholders' Meeting approved the 2022 Financial Statements, the distribution of a dividend of 0,40 Euro per share as balance for the financial year and the appointment of Sebastien Egon Fürstenberg as Honorary Chairman

The Shareholders’ Meeting of Banca Ifis, which met on 20 April 2023 in single call, chaired by Ernesto Fürstenberg Fassio in accordance with the applicable provisions, and hence in the manner set out in Art. 106 of Decree-Law No. 18 of 17 March 2020, approved:

- in the ordinary session:
  - Banca Ifis 2022 Annual Report;
  - the distribution to shareholders of a dividend of 0,40 Euro, as balance for FY 2022, gross of any withholding taxes, per share, with ex-dividend date (coupon No. 27) on 22 May 2023, record date on 23 May 2023 and payment on 24 May 2023;
  - Section I of the document “Report on Remuneration Policy and Remuneration Paid” prepared in accordance with Art. 123-ter of Legislative Decree No. 58/1998. The Shareholders’ Meeting also resolved in favour of Section II of the aforementioned document relating to the implementation of remuneration policies during FY 2022;
  - the amendment to certain provisions of the "2021-2023 LTI Plan";
  - the appointment of Founder Sebastien Egon Fürstenberg as Honorary Chairman of Banca Ifis for an indefinite term.
- in an extraordinary session, amendments to Articles 2, 4, 6, 8, 12, 14 and 20 of the Banca Ifis Articles of Association.

The Board of Directors of Banca Ifis appoints Simona Arduini as Vice Chair

The Board of Directors of Banca Ifis S.p.A. met on 13 July 2023 and unanimously approved the appointment of Professor Simona Arduini as Vice Chair. Simona Arduini will support the Bank, amongst other matters, in the pursuit of projects in the area of sustainability in all its forms. Prof. Arduini will retain her role as Chair of the Audit and Risk Committee until her term expires and will also join the Sustainability Committee. It has also been confirmed that Prof. Arduini meets the independence requirements.

Restructuring of Italy's first securitisation of Npl loans backed by an Garnishment Order

On 28 July 2023, with the support of JP Morgan SE as co-arrangers, Banca Ifis finalised the restructuring of the non-performing loan securitisation realised in March 2021 through the Ifis NPL 2021-1 SPV.

The restructuring of the Ifis NPL 2021-1 SPV falls within the scope of funding activities and allows Banca Ifis to raise liquidity on the institutional market without deconsolidating the underlying loans from the balance sheet of the Ifis Npl Investing subsidiary. The transaction also generated a strengthening of the Banca Ifis Group's liquidity profile, while allowing Ifis Npl Investing to increase its ability to self-finance its investment activities in new Npl portfolios.

Specifically, the securitisation restructuring involves the sale to the SPV of a new portfolio of non-performing loans owned by the subsidiary Ifis Npl Investing. The assigned portfolio mainly comprises unsecured loans backed by Garnishment Orders over one-fifth salary or subject to amicable collection.

As a result of the further sale, the SPV issued on 28 July 2023 three tranches of new senior, mezzanine and junior securities with a total nominal amount of 630 million Euro. The senior securities, with a nominal amount of 515 million Euro, were partly allocated to the repayment of existing senior securities and the remainder subscribed by Ifis Npl Investing (subsequently sold by the latter to the Parent Company Banca Ifis) and are used for financing transactions through repurchase agreements (repos) on the institutional market. The mezzanine securities, which will be partly used to repay the existing mezzanine securities, and the junior securities will instead be fully subscribed by Ifis Npl Investing.

The senior bonds received investment grade ratings from three leading rating agencies (Moody's, Scope Ratings and ARC Ratings) and were listed on the ExtraMOT PRO professional segment of the Borsa Italiana market regulation.

Approval of Banca Ifis's new dividend policy

The Board of Directors of Banca Ifis approved the new shareholder remuneration policy on 3 August 2023. This Dividend Policy provides for a progressive mechanism with an increase in the payout ratio when the threshold of earnings needed to meet the Bank's capital requirements (retained earnings) is exceeded, in accordance with the reference macroeconomic and regulatory context and the progress of the Business Plan in force over time. The Board may propose to the Shareholders' Meeting to distribute a portion of the Bank's net profit for the year up to 50% of the consolidated net profit attributable to Banca Ifis up to the Materiality Threshold identified when defining the annual budget and 100% of the consolidated net profit attributable to Banca Ifis in excess of the Materiality Threshold. The Materiality Threshold, for 2023, is set at 100 million Euro. This is without prejudice, in any case, to the Board's full discretion in defining, on a case-by-case basis, the dividend distribution proposal to be submitted to the Shareholders' Meeting, in accordance with Article 28 CRR.

Publication of Banca Ifis's first TCFD Report

On 3 August 2023, the Board of Directors of Banca Ifis has approved the first edition of the TCFD Report, presenting useful information for investors and stakeholders to correctly assess the Bank's climate-related risks and opportunities. The document, drawn up on a voluntary basis and aligned with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), created on the initiative of the Financial Stability Board, further expands the Group's ESG reporting, representing, among other projects, the strategy to reduce emissions financed on the credit portfolio that the Bank has defined by joining, first in Italy, the Net-Zero Banking Alliance (NZBA), the initiative promoted by the United Nations to accelerate the sustainable transition of the international banking sector. The TCFD Report of Banca Ifis is available at www.bancaifis.it in the “Sustainability” section, subsection “Environment”.

September 2023 issue of the 300 million Euro bond maturing in 5 years

On 6 September 2023, Banca Ifis completed the placement of a 300 million Euro senior preferred bond issue aimed at institutional investors. The transaction is part of the 5 billion Euro EMTN issuance programme, as envisaged in the Bank's 2022-2024 Business Plan. In detail, the bond issue has a term of 5 years, with a settlement date of 13 September 2023 and maturity on 13 September 2028. The reoffer price was set at par, with an annually payable coupon of 6,875%. The bond is listed on the Luxembourg Stock Exchange and has a rating of Baa3 by Moody's and BB+ by Fitch.

Roberto Ferrari appointed as Banca Ifis's new CFO

Banca Ifis has strengthened its management team with the addition of Roberto Ferrari who, starting 20 September 2023, has been appointed Chief Financial Officer (CFO). In his new role, Ferrari reports directly to the CEO, Frederik Geertman.

In compliance with the provisions contained in the Instructions to the Rules of Markets organised and managed by Borsa Italiana S.p.A., we inform that Mr Ferrari does not hold shares of Banca Ifis.

Extraordinary tax on the “extra-profits” of banks under Italian Law No. 136/2023

On 9 October 2023, Law No. 136 converted Decree-Law No. 104 of 10 August 2023 (the “Omnibus bis Decree” or the “Asset Decree”), introducing, for 2023, an extraordinary tax on net interest income (the “extra-profits”) of Italian banks, even if they operate in the territory of the Italian State through a permanent establishment. For an assessment and information on the impact of this extraordinary tax on the Group's banks (Banca Ifis and Banca Credifarma), refer to the specific paragraph in “Part A - Accounting Policies” of the Notes to the Consolidated Financial Statements.

Npl industrial partnership perfected with the Mediobanca Group

On 31 October 2023, the Banca Ifis Group and the Mediobanca Group perfected the long-term partnership agreement signed the previous May for the management of non-performing loans (Npls). In particular, following the obtainment of the necessary regulatory authorisations, Banca Ifis finalised the acquisition from Mediobanca Group, for a consideration of 100 million Euro, of Revalea S.p.A., a company created in 2022 from the spin-off of Npls deriving from the acquisition of non-performing loan portfolios with a gross carrying amount of 6,5 billion Euro and a net carrying amount of 232,1 million Euro at 30 September 2023. The transaction consolidates Banca Ifis's position as a key player in the market for non-performing loans in the small-ticket unsecured segment and allows Mediobanca to exit the Npl business, no longer among the Group's core activities, while also consolidating MBCredit Solutions's specialisation in management and recovery activities, being able to count on constant business volumes for the coming years. With the completion of the transaction, the multi-year servicing agreement entered into force, under which MBCredit Solutions will continue to support Banca Ifis in the management and recovery of bad and non-performing loans. In the context of the acquisition, 18 Revalea employees joined the Banca Ifis Group team.

Distribution of a 2023 interim dividend of 63,0 million Euro (1.2 Euro per share)

On 9 November 2023, the Banca Ifis Board of Directors resolved to distribute an interim dividend for 2023 totalling 62.961.692 Euro, i.e. equal to 1,20 Euro (gross of withholding taxes) for each of the 52.468.077 Banca Ifis shares issued and outstanding as of such date (and therefore excluding treasury shares held by the Bank). The interim dividend 2023 was paid with ex-dividend dated 20 November 2023, record date of 21 November and payment date of 22 November 2023. The report by the Board of Directors and the accounting statement at 30 September 2023 pursuant to Article 2433-bis of the Italian Civil Code, on the basis of which the Board of Directors of Banca Ifis resolved to distribute the interim dividend and included in the Interim Report as at 30 September 2023 - are made available to the public at the Bank's registered office, as well as on the authorised storage mechanism and on the Bank's institutional website, www.bancaifis.it, in the “Investor Relations & Corporate Development" section. Lastly, for the purposes of the distribution of the interim dividend, on 9 November 2023, the independent auditing firm PricewaterhouseCoopers S.p.A. issued the opinion required by Article 2433-bis of the Italian Civil Code, which has been made available to shareholders at the Bank's registered office.

Renewal of the National Collective Bargaining Agreement (NCBA) for credit, financial and instrumental enterprises

On 23 November 2023, ABI signed the agreement with the various trade unions (Fabi, First - Cisl, Fisac - CGIL, Uilca and Unisin) for the renewal of the National Collective Bargaining Agreement (NCBA) of 19 December 2019 for middle managers and staff in the professional areas employed by credit, financial and instrumental enterprises.

Thanks to the agreement, the NCBA, which expired on 31 December 2022, was renewed for both the economic and regulatory parts until 31 March 2026.

The changes include an increase in gross pay, the reinstatement of the full basis for calculating severance indemnity (as of 1 July 2023), 100% pay coverage extended to periods of early disqualification (high-risk pregnancy), an increase in the minimum amount of meal vouchers, and a reduction in weekly working hours as of 1 July 2024.

Subsequent events

SREP conclusion on capital requirements: Banca Ifis well above Bank of Italy guidelines

On 29 January 2024, the Banca Ifis Group received notice from the Bank of Italy of the conclusion of the periodic prudential review process ("SREP decision") conducted on the Group.
The Bank of Italy has identified the following capital requirements (equal to the sum of the Overall Capital Requirement and Pillar 2 Guidance) for 2024 on a consolidated basis:

- CET1 Ratio of 9,00%;
- Tier 1 Ratio of 10,90%;
- Total Capital Ratio of 13,30%.

The above capital requirements include the Target component of the Pillar 2 Guidance of 1,00%. The Banca Ifis Group far exceeds these capital requirements, having the following capital ratios at 31 December 2023:

- CET1 Ratio: 14,87%;
- Tier 1 Ratio: 14,87%;
- Total Capital Ratio: 17,44%.

Issue of a 400 million Euro bond maturing in 5 years

On 20 February 2024, Banca Ifis completed the placement of a Senior Preferred Unsecured bond issue under its EMTN programme for an amount of 400 million Euro. The transaction was intended for institutional investors.

Specifically, the issue has a maturity of five years, with settlement date of 27 February 2024. The reoffer price is 99,362, for a return at maturity of 5,65% and a coupon that is payable annually in the amount of 5,50%. The bond was listed on Euronext Milan and has an expected rating of BB+ by Fitch and Baa3 by Moody's.

The bond placement is part of the EMTN funding programme envisaged in the Bank's Business Plan for the three-year period 2022-2024, which estimates 2,5 billion Euro of new placements.

Information on international tensions

This section aims to provide a specific disclosure on the impacts generated by international tensions, above all with reference to the Middle East.

At the level of the Banca Ifis Group, a series of in-depth studies have been conducted in order to assess the exposures (direct and indirect) to counterparties resident in the areas involved by such international tensions and to estimate the related impacts and risk containment measures.

Furthermore, the Risk Management function, in addition to the risk factors usually considered, deemed it reasonable to include the current geopolitical tense situation as an additional risk factor.

In particular, this situation has been considered within the institutional documentation (RAF, Recovery Plan and ICAAP/ILAAP Report) from a twofold point of view: on the one hand as a worsening of severities and inclusion of new stress assumptions in the stress test framework, and on the other hand as an extra capital requirement against the strategic and sovereign risks assumed by the Group.

More specifically, from the point of view of the assumptions directly considered in the stress tests, the following were considered:

- an increase in the conversion to impaired of factoring customers operating in segments with negative outlooks;
- the use of further worsened transition matrices for factoring customers in the stress test pro Recovery Plan.

On the assumptions that have an impact on the levels of internal capital allocated to individual risks, it should be noted that:

- a further worsened interest rate scenario was used as a consequence of a hypothetical continuation of the high inflation context (resulting from the commodity shortage caused by the conflict), which led to a higher estimate of internal capital for sovereign risk;
- additional internal capital was allocated to cover strategic risk, assuming an uncertain economic environment resulting from the current geopolitical situation.

The analyses conducted have revealed a limited number of counterparties present in the areas involved by the current international tensions, to which modest direct credit exposures correspond. Similarly, no particular critical issues have been noted with regard to the trade receivables portfolio.

Business outlook

The US and European economies have proven resilient to rising interest rates. The reasons for the resilience of the US and European economies seem to lie in the combination of expansionary fiscal policies, high available liquidity in the financial markets and strong labour demand.

In the second half of 2023, inflation, consumer spending and excess demand in the labour market started a downward trend. Moreover, the wars in the Middle East and Ukraine did not cause shocks to the world economy, remaining confined to specific territories.

At the end of 2023, central banks ended the cycle of interest rate hikes that began in 2022 and are now considering the timing of a possible reduction with the aim of continuing the gradual decline in inflation and preventing an excessive contraction of domestic demand.

According to Istat estimates, the Italian economy is expected to grow by 0,7% in 2023 and 2024. Domestic demand is expected to be driven mainly by private consumption (+1,4% in 2023 and +1,0% in 2024) supported by decelerating inflation, a gradual recovery of wages and employment growth. Investments are expected to slow down significantly compared to the previous two years (+0,6% in both years). Inflation will decrease due to falling energy prices and the consequences of the restrictive monetary policies implemented by the ECB. The dynamics of the deflator of resident household expenditure is expected to decrease to +5,4% in 2023 and +2,5% in 2024.

In this macroeconomic context, the results of the major European banks benefited, on the revenue side, from higher interest rates and, on the provisioning side, from a limited deterioration in asset quality. The capital and liquidity position of the European banking sector has demonstrated good solidity.

In 2023, Banca Ifis reported a profit attributable to the Parent Company of 160 million Euro, confirming its strong economic, equity and financial profile. Analyses conducted up to the date of this document on the Group have shown no significant signs of deterioration in asset quality, on which a prudent policy in terms of provisions has been applied in any case, and on the recovery of Npl portfolios. However, the Group carefully monitors market risks that may impact the business, with particular attention to the evolution of the macroeconomic environment and the average cost of funding. Banca Ifis therefore confirms the target of keeping profits of approximately 160 million Euro for FY 2024 too, in the absence of macroeconomic shocks, despite the slowdown in growth and a higher cost of funding.

Performance of the Group's main companies

The following is a summary of the main equity investments in Group companies with evidence of the most significant balance sheet, income statement and operating data referring to 31 December 2023.

As regards the Parent Company Banca Ifis, please refer to the separate financial statements in this file

Ifis Npl Investing

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Total assets	1.682.651	1.627.710	54.941	3,4%
Receivables due from customers measured at amortised cost	1.423.626	1.506.360	(82.734)	(5,5)%
Equity	548.106	570.183	(22.077)	(3,9)%

INCOME STATEMENT DATA (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Net banking income	104.257	139.917	(35.660)	(25,5)%
Net credit risk losses/reversals	130.949	111.716	19.233	17,2%
Operating costs	(134.561)	(131.170)	(3.391)	2,6%
Profit (Loss) for the year	66.924	80.250	(13.326)	(16,6)%

For a more detailed analysis of the main events affecting Ifis Npl Investing, please refer to the section of this Directors' Report on the Group dealing with the description of the operating Segments, and the Npl Segment in particular. It should be noted that net adjustments/reversals for credit risk are reclassified in net banking income to the extent that they are representative of the operations of the Npl Segment business and an integral part of the performance of the business.

Banca Credifarma

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Total assets	719.658	785.635	(65.977)	(8,4)%
Receivables due from customers measured at amortised cost	682.868	691.552	(8.684)	(1,3)%
Equity	116.130	101.400	14.730	14,5%

INCOME STATEMENT DATA (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Net banking income	34.296	25.819	8.477	32,8%
Operating costs	(14.283)	(14.439)	156	(1,1)%
Profit (Loss) for the year	14.730	6.530	8.200	125,6%

The increase in net banking income derives mainly from the growth in reference rates, which started in the second half of 2022 and continued in 2023. In particular, interest income of 49 million Euro in 2023 increased by +82% over the previous year (26,9 million Euro in 2022) mainly due to the growth in interest from loans to customers, accrued on an average loan of 605 million Euro.

Operating costs are substantially in line as higher personnel costs, mainly due to the renewal of the national labour contract, were substantially offset by the reduction in other administrative expenses and other operating income and expenses, mainly due to lower ICT costs (in 2022, costs incurred for the corporate merger process between the former Farbanca and Credifarma were recognised).

As a result of these dynamics at the level of a significant increase in net banking income and the substantial stability of operating costs, Banca Credifarma's 2023 profit increased by 8,2 million Euro compared to the 2022 figure.

For a more detailed analysis of the main events affecting Banca Credifarma, please refer to the section of this Directors' Report on the Group dealing with the description of the operating Segments, and the Corporate Banking & Lending Area in particular.

Other information

Adoption of Opt-Out Option pursuant to Consob resolution No. 18079 of 20 January 2012

On 21 January 2013, Banca Ifis's Board of Directors resolved, as per Article 3 of Consob Regulation No. 18079 of 20 January 2012, to adopt the opt-out option pursuant to Article 70, paragraph 8 and Article 71, paragraph 1-bis, of Consob Issuers' Regulation, thus exercising the right to depart from the obligations to publish information documents required in connection with significant operations like mergers, spin-offs, capital increases by contribution in kind, acquisitions and sales.

Report on Corporate Governance and Shareholding Structure

It should be noted that no changes occurred in 2023 with reference to the Report on Corporate Governance and Shareholding Structure, for which reference should be made to the last one 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"), namely those prepared for FY 2023 in the form of a separate report from the Directors' Report on the Group, approved by the Board of Directors on 7 March 2024 and published together with the Consolidated Financial Statements as at 31 December 2023. This document is also made available in the "Corporate Governance" Section, subsection "Reports and Documents", section "Corporate Governance Organisation and Structures" on the corporate website www.bancaifis.it.
The "Report on Corporate Governance and Shareholding Structure" has been drawn up according to the format provided by Borsa Italiana.

Remuneration policies

The "Corporate governance" section, subsection "Remuneration" of the corporate website www.bancaifis.it includes the "2023 Report on Remuneration Policy and Remuneration Paid", drafted pursuant to Article 123 ter of the TUF, where the remuneration policy valid for FY 2023 for the Banca Ifis Group is illustrated.

Non-Financial Statement (NFS)

Pursuant to Article 5, paragraph 3 of Italian Legislative Decree No. 254 of 30 December 2016, the consolidated Non-Financial Statement (NFS) represents a report separate from this document, which is approved by the Board of Directors and published together with the Consolidated Financial Statements as at 31 December 2023. This document is also made available on the website, www.bancaifis.com, in the "Non-Financial Statement" subsection of the “Sustainability” section.
The disclosures on policies concerning the diversity of administration, management and control bodies in terms of age, gender, and education and professional background, as well as the description of the goals, implementation and results of said policies, as per Article 123-bis, paragraph two, letter d-bis) of the TUF are included in the "Report on Corporate Governance and Shareholding Structure".

Privacy measures

The Banca Ifis Group has consolidated a project to comply with (EU) Regulation No. 2016/679 in order to incorporate the relevant regulatory provisions into its internal privacy management model, planning a series of both technological and organisational steps that will concern all the Group's companies.

Ultimate Parent company management and coordination

Pursuant to Articles 2497 to 2497 sexies of the Italian Civil Code, it should be noted that the ultimate Parent company La Scogliera S.A. does not carry out any management and coordination activities with respect to Banca Ifis, notwithstanding Article 2497 sexies of the Italian Civil Code, since the management and coordination of investee financial companies and banks is expressly excluded from La Scogliera's corporate purpose.

Transactions on treasury shares

At 31 December 2022, Banca Ifis held 1.377.981 treasury shares recognised at a market value of 22,1 million Euro and a nominal amount of 1.377.981 Euro.

During the year, Banca Ifis, as variable pay, awarded the Top Management 34.963 treasury shares at an average price of 9,39 Euro, for a total of 341 thousand Euro and a nominal amount of 34.963 Euro, making profits of 54 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the premium reserve.

During the year, there were no further transactions on treasury shares other than those mentioned above.

Considering the above operations, the stock at the end of the year was 1.343.018 treasury shares, with an equivalent value of 21,8 million Euro and a nominal amount of 1.343.018 Euro.

It should be noted that the Banca Ifis Group does not hold, directly or indirectly, any shares in the ultimate Parent company La Scogliera S.A..

Transactions with Group companies and related parties

In compliance with the provisions of Consob Resolution No. 17221 of 12 March 2010, as subsequently amended, as well as the prudential Supervisory provisions for banks in Circular No. 285 of 17 December 2013 of the Bank of Italy, part three, chapter 11 (on "Risk activities and conflicts of interest towards related parties”), any transactions with related parties and relevant parties are carried out pursuant to the procedure approved by the Board of Directors called the “Group Policy covering transactions with related parties, associates and corporate representatives pursuant to Art. 136 of the Consolidated Law on Banking”, the latest update of which is available to the public in the “Corporate Governance” section of the corporate website www.bancaifis.it.

During 2023, no significant transactions with related parties were undertaken outside the scope of the Consolidated Financial Statements.

The disclosure on related party transactions and the description of the most significant transactions concluded with related parties during the financial year, provided for by the Regulation adopted by Consob with resolution No. 17221 of 12 March 2010 and subsequent amendments, are reported in the Notes to the Consolidated Financial Statements, Part H, to which reference should be made.

Atypical or unusual transactions

During 2023, the Banca Ifis Group did not carry out atypical or unusual transactions as defined by Consob Communication No. 6064293 of 28 July 2006.

The Bank's offices

The Company has its registered office in Venice-Mestre, as well as offices of the Presidency in Rome and operational offices in Milan. There are no branch offices.

Human resources

At 31 December 2023, the Banca Ifis Group had 1.940 employees (1.874 at 31 December 2022). Below is a breakdown of the workforce by classification level.

GROUP EMPLOYEES BY CLASSIFICATION LEVEL	31.12.2023		31.12.2022		CHANGES	
	Number	%	Number	%	Number	%
Senior managers	100	5,2%	95	5,1%	5	5,3%
Middle managers	608	31,3%	567	30,3%	41	7,2%
Clerical staff	1.232	63,5%	1.212	64,7%	20	1,7%
Total Group employees	**1.940**	**100,0%**	**1.874**	**100,0%**	**66**	**3,5%**

Research and development activities

Due to its business, the Group did not implement any research and development programmes during the year.

Venice - Mestre, 7 March 2024

For the Board of Directors

The CEO

Frederik Herman Geertman

Consolidated Financial Statements

Consolidated Statement of Financial Position

	ASSETS (in thousands of Euro)	31.12.2023	31.12.2022
10.	Cash and cash equivalents	857.533	603.134
20.	Financial assets measured at fair value through profit or loss	234.878	222.088
	a) financial assets held for trading	*12.896*	*26.868*
	c) other financial assets mandatorily measured at fair value	*221.982*	*195.220*
30.	Financial assets measured at fair value through other comprehensive income	749.176	697.611
40.	Financial assets measured at amortised cost	11.259.701	10.752.694
	a) receivables due from banks	*637.567*	*565.762*
	b) receivables due from customers	*10.622.134*	*10.186.932*
70.	Equity investments	24	-
90.	Property, plant and equipment	143.255	126.341
100.	Intangible assets	76.667	64.264
	of which:		
	- goodwill	*38.020*	*38.020*
110.	Tax assets:	285.435	325.181
	a) current	*46.601*	*60.924*
	b) prepaid	*238.834*	*264.257*
130.	Other assets	444.692	471.064
	Total assets	**14.051.361**	**13.262.377**

	LIABILITIES AND EQUITY (in thousands of Euro)	31.12.2023	31.12.2022
10.	Financial liabilities measured at amortised cost	11.820.658	11.130.698
	a) payables due to banks	*2.717.139*	*3.422.160*
	b) payables due to customers	*5.814.624*	*5.103.343*
	c) debt securities issued	*3.288.895*	*2.605.195*
20.	Financial liabilities held for trading	14.005	25.982
40.	Hedging derivatives	11.644	-
60.	Tax liabilities:	57.717	52.298
	a) current	*26.025*	*21.961*
	b) deferred	*31.692*	*30.337*
80.	Other liabilities	387.554	391.697
90.	Post-employment benefits	7.906	7.696
100.	Provisions for risks and charges:	58.178	56.225
	a) commitments and guarantees granted	*5.374*	*9.364*
	b) pensions and similar obligations	*196*	-
	c) other provisions for risks and charges	*52.608*	*46.861*
120.	Valuation reserves	(39.215)	(59.722)
150.	Reserves	1.505.424	1.440.944
155.	Interim dividends (-)	(62.962)	(52.433)
160.	Share premiums	84.108	83.767
170.	Share capital	53.811	53.811
180.	Treasury shares (-)	(21.817)	(22.104)
190.	Equity attributable to non-controlling interests (+/-)	14.240	12.432
200.	Profit (loss) for the year (+/-)	160.110	141.086
	Total liabilities and equity	**14.051.361**	**13.262.377**

Consolidated Income Statement

	ITEMS (in thousands of Euro)	31.12.2023	31.12.2022
10.	Interest receivable and similar income	774.427	529.098
	of which: interest income calculated using the effective interest method	*768.011*	*524.193*
20.	Interest due and similar expenses	(343.059)	(114.233)
30.	**Net interest income**	**431.368**	**414.865**
40.	Commission income	112.271	106.494
50.	Commission expense	(14.050)	(12.981)
60.	**Net commission income**	**98.221**	**93.513**
70.	Dividends and similar income	16.172	9.851
80.	Net profit (loss) from trading	(5.306)	627
90.	Net result from hedging	(100)	-
100.	Profit (loss) from sale or buyback of:	16.585	15.188
	a) financial assets measured at amortised cost	*12.902*	*15.245*
	b) financial assets measured at fair value through other comprehensive income	*2.656*	*(88)*
	c) financial liabilities	*1.027*	*31*
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	13.245	12.705
	b) other financial assets mandatorily measured at fair value	*13.245*	*12.705*
120.	**Net banking income**	**570.185**	**546.749**
130.	Net credit risk losses/reversals on:	79.257	54.300
	a) financial assets measured at amortised cost	*79.337*	*55.132*
	b) financial assets measured at fair value through other comprehensive income	*(80)*	*(832)*
150.	**Net profit (loss) from financial activities**	**649.442**	**601.049**
180.	**Net profit (loss) from financial and insurance activities**	**649.442**	**601.049**
190.	Administrative expenses:	(424.659)	(393.255)
	a) personnel expenses	*(163.802)*	*(150.834)*
	b) other administrative expenses	*(260.857)*	*(242.421)*
200.	Net allocations to provisions for risks and charges	(4.111)	1.583
	a) commitments and guarantees granted	*3.810*	*940*
	b) other net allocations	*(7.921)*	*643*
210.	Net impairment losses/reversals on property, plant and equipment	(9.721)	(9.495)
220.	Net impairment losses/reversals on intangible assets	(7.985)	(7.420)
230.	Other operating income/expenses	33.605	19.792
240.	**Operating costs**	**(412.871)**	**(388.795)**
270.	Value adjustments of goodwill	-	(762)
280.	Gains (losses) on disposal of investments	986	304
290.	**Pre-tax profit (loss) for the period from continuing operations**	**237.557**	**211.796**
300.	Income taxes for the year relating to current operations	(75.641)	(69.909)
330.	**Profit (loss) for the year**	**161.916**	**141.887**
340.	Profit (loss) for the year attributable to non-controlling interests	(1.806)	(801)
350.	**Profit (loss) for the year attributable to the Parent Company**	**160.110**	**141.086**

Earnings per share and diluted earnings per share	31.12.2023	31.12.2022
Earnings per share (EPS)	**3,05**	**2,68**
Diluted earnings per share (EPS)	**3,05**	**2,68**

Consolidated Statement of Comprehensive Income

	ITEMS (in thousands of Euro)	31.12.2023	31.12.2022
10.	**Profit (loss) for the year**	**161.916**	**141.887**
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**(4.561)**	**(2.636)**
20.	Equity securities measured at fair value through other comprehensive income	(4.466)	(3.690)
70.	Defined benefit plans	(95)	1.054
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	**19.815**	**(32.685)**
120.	Exchange differences	2.994	(607)
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	16.821	(32.078)
200.	**Total other comprehensive income, net of taxes**	**15.254**	**(35.321)**
210.	**Comprehensive income (Item 10 + 200)**	**177.170**	**106.566**
220.	Consolidated comprehensive income attributable to non-controlling interests	(1.806)	(797)
230.	**Consolidated comprehensive income attributable to the Parent Company**	**175.364**	**105.769**

Consolidated Statement of Changes in Equity as at 31 December 2023

(in thousands of Euro)	Balance at 31.12.2022	Change in opening balances	Balance at 01.01.2023	Allocation of profit from previous year		Changes during the year										Consolidated equity at 31.12.2023	Group equity at 31.12.2023	Equity attributable to non-controlling interests at 31.12.2023
							Equity transactions											
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Buyback of treasury shares	Interim dividends	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity interests	Comprehensive income for the year			
Share capital:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) ordinary shares	59.587	X	59.587	-	X	X	-	-	X	X	X	X	X	2	X	**59.589**	**53.811**	**5.778**
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	X	-	X	**-**	**-**	**-**
Share premiums	85.387	X	85.387	-	X	287	54	X	X	X	X	X	X	-	X	**85.728**	**84.108**	**1.620**
Reserves:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) retained earnings	1.431.977	-	1.431.977	68.469	X	(3.820)	-	-	X	-	X	X	X	-	X	**1.496.626**	**1.492.646**	**3.980**
b) other	13.184	-	13.184	-	X	(477)	-	X	X	-	X	-	1.108	-	X	**13.815**	**12.778**	**1.037**
Valuation reserves	(59.704)	-	(59.704)	X	X	5.253	X	X	X	X	X	X	X	-	15.254	**(39.197)**	**(39.215)**	**18**
Equity instruments	-	X	-	X	X	X	X	X	X	X	-	X	X	-	X	**-**	**-**	**-**
Interim dividends	(52.433)	X	(52.433)	X	52.433	X	X	X	(62.962)	X	X	X	X	X	X	**(62.962)**	**(62.962)**	**-**
Treasury shares	(22.104)	X	(22.104)	X	X	X	287	-	X	X	X	X	X	X	X	**(21.817)**	**(21.817)**	**-**
Profit (loss) for the year	141.887	-	141.887	(68.469)	(73.418)	X	X	X	X	X	X	X	X	X	161.916	**161.916**	**160.110**	**1.806**
Consolidated equity	**1.597.781**	**-**	**1.597.781**	**-**	**(20.985)**	**1.243**	**341**	**-**	**(62.962)**	**-**	**-**	**-**	**1.108**	**2**	**177.170**	**1.693.699**	**X**	**X**
Group equity	**1.585.349**	**-**	**1.585.349**	**-**	**(20.985)**	**1.243**	**341**	**-**	**(62.962)**	**-**	**-**	**-**	**1.108**	**-**	**175.364**	**1.679.459**	**1.679.459**	**X**
Equity attributable to non-controlling interests	**12.432**	**-**	**12.432**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**1.806**	**14.240**	**X**	**14.240**

Consolidated Statement of Changes in Equity as at 31 December 2022

(in thousands of Euro)	Balance at 31.12.2021	Change in opening balances	Balance at 01.01.2022	Allocation of profit from previous year		Changes during the year										Consolidated equity at 31.12.2022	Group equity at 31.12.2022	Equity attributable to non-controlling interests at 31.12.2022
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions								Comprehensive income for the year			
							Issue of new shares	Buyback of treasury shares	Interim dividends	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity interests				
Share capital:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) ordinary shares	68.460	X	68.460	-	X	X	-	-	X	X	X	X	X	(8.873)	X	**59.587**	**53.811**	**5.776**
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	X	-	X	**-**	**-**	**-**
Share premiums	106.797	X	106.797	-	X	(19.205)	-	X	X	X	X	X	X	(2.205)	X	**85.387**	**83.767**	**1.620**
Reserves:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) retained earnings	1.368.773	-	1.368.773	52.492	X	22.796	-	-	X	-	X	X	X	(12.084)	X	**1.431.977**	**1.428.798**	**3.179**
b) other	5.784	-	5.784	-	X	(3.198)	-	X	X	-	X	-	755	9.843	X	**13.184**	**12.146**	**1.038**
Valuation reserves	(25.382)	-	(25.382)	X	X	1.034	X	X	X	X	X	X	X	(35)	(35.321)	**(59.704)**	**(59.722)**	**18**
Equity instruments	-	X	-	X	X	X	X	X	X	X	-	X	X	-	X	**-**	**-**	**-**
Interim dividends	-	X	-	X	X	X	X	X	(52.433)	X	X	X	X	X	X	**(52.433)**	**(52.433)**	**-**
Treasury shares	(2.847)	X	(2.847)	X	X	X	-	(19.257)	X	X	X	X	X	X	X	**(22.104)**	**(22.104)**	**-**
Profit (loss) for the year	102.303	-	102.303	(52.492)	(49.811)	X	X	X	X	X	X	X	X	X	141.887	**141.887**	**141.086**	**801**
Consolidated equity	**1.623.888**	**-**	**1.623.888**	**-**	**(49.811)**	**1.427**	**-**	**(19.257)**	**(52.433)**	**-**	**-**	**-**	**755**	**(13.354)**	**106.566**	**1.597.781**	**X**	**X**
Group equity	**1.596.102**	**-**	**1.596.102**	**-**	**(49.811)**	**1.427**	**-**	**(19.257)**	**(52.433)**	**-**	**-**	**-**	**755**	**2.797**	**105.769**	**1.585.349**	**1.585.349**	**X**
Equity attributable to non-controlling interests	**27.786**	**-**	**27.786**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(16.151)**	**797**	**12.432**	**X**	**12.432**

Consolidated Cash Flow Statement

CONSOLIDATED CASH FLOW STATEMENT Indirect method (in thousands of Euro)	Amount	
	31.12.2023	31.12.2022
A. OPERATING ACTIVITIES		
1. Operations	**180.072**	**158.844**
- profit (loss) for the year (+/-)	161.916	141.887
- profit/loss on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	(7.939)	(13.332)
- gains/losses on hedging (-/+)	100	-
- net credit risk losses/reversals (+/-)	(79.257)	(54.300)
- net impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	17.706	16.915
- net allocations to provisions for risks and charges and other expenses/income (+/-)	10.930	(3.166)
- unpaid taxes, duties and tax credits (+/-)	75.641	69.909
- other adjustments (+/-)	975	931
2. Cash flows generated/absorbed by financial assets	**(248.110)**	**(43.644)**
- financial assets held for trading	(4.119)	3.148
- other assets mandatorily measured at fair value	(13.517)	(37.855)
- financial assets measured at fair value through other comprehensive income	(31.138)	(118.717)
- financial assets measured at amortised cost	(204.295)	159.233
- other assets	4.959	(49.453)
3. Cash flows generated/absorbed by financial liabilities	**513.447**	**284.752**
- financial liabilities measured at amortised cost	541.497	336.014
- financial liabilities held for trading	(11.977)	(921)
- other liabilities	(16.073)	(50.341)
Net cash flows generated/absorbed by operating activities (+/-)	**445.409**	**399.952**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**1.900**	**62**
- sale of equity investments	-	12
- sale of property, plant and equipment	1.900	50
2. Cash flows absorbed by	**(107.753)**	**(17.573)**
- purchases of property, plant and equipment	(24.296)	(7.496)
- purchases of intangible assets	(20.388)	(10.077)
- purchases of subsidiaries and business units	(63.069)	-
Net cash flows generated/absorbed by investing activities (+/-)	**(105.853)**	**(17.511)**
C. FINANCING ACTIVITIES		
- issues/buyback of treasury shares	-	(19.300)
- distribution of dividends and other (*)	(85.157)	(102.466)
- sale/purchase of minority control	-	(12.922)
Net cash flows generated/absorbed by financing activities (+/-)	**(85.157)**	**(134.688)**
NET CASH GENERATED/USED DURING THE YEAR	**254.399**	**247.753**
RECONCILIATION		
OPENING CASH AND CASH EQUIVALENTS	**603.134**	**355.381**
TOTAL NET CASH GENERATED/USED DURING THE YEAR	**254.399**	**247.753**
CASH AND CASH EQUIVALENTS: EFFECT OF CHANGES IN EXCHANGE RATES	**-**	**-**
CLOSING CASH AND CASH EQUIVALENTS	**857.533**	**603.134**

(*) The balances in this item represent the cash outflow for dividend payments in the respective years. Specifically, the balance relating to FY 2023 includes both the distribution of the balance of the dividend on 2022 earnings (i.e. the amount in excess of what has already been distributed as an interim dividend during 2022) and the distribution of the interim dividend on 2023 earnings. The balance for FY 2022 instead includes both the distribution of the dividend on 2021 profit and the distribution of the interim dividend on 2022 profit.

Notes to the Consolidated Financial Statements

Part A - Accounting policies

A.1 - General part

Section 1 - Statement of compliance with international accounting standards

The Consolidated Financial Statements as at 31 December 2023 have been drawn up in accordance with the IAS/IFRS standards in force at said date issued by the International Accounting Standards Board (IASB), together with the relevant interpretations (IFRICs and SICs). These standards were endorsed by the European Commission in accordance with the provisions in Article 6 of European Union Regulation No. 1606/2002. This regulation was implemented in Italy with Italian Legislative Decree No. 38 of 28 February 2005.

Concerning the interpretation and implementation of international accounting standards, the Banca Ifis Group referred to the "Framework for the Preparation and Presentation and Financial Statements", even though it has not been endorsed by the European Commission, as well as the Implementation Guidance, Basis for Conclusions, and any other documents prepared by the IASB or the IFRIC complementing the accounting standards issued.

The accounting standards adopted in preparing these Financial Statements are those in force at 31 December 2023 (including SIC and IFRIC interpretations).

The Bank also considered the communications from Supervisory Authorities (Bank of Italy, Consob, and ESMA), which provide recommendations on the disclosures to include in the financial statements concerning the most material aspects or the accounting treatment of specific transactions.

These Consolidated Financial Statements are subject to certification by the delegated corporate bodies and the Manager Charged with preparing the company’s financial reports, as per Article 154 bis paragraph 5 of Italian Legislative Decree No. 58 of 24 February 1998.

The Consolidated Financial Statements are audited by PricewaterhouseCoopers S.p.A..

European Commission Regulation 815/2019 (the European Single Electronic Format – ESEF - Regulation)

European Commission Regulation 815/2019 (the “European Single Electronic Format” or “ESEF” Regulation), issued in order to implement Directive 2004/109/EC (the “Transparency Directive”), introduced the obligation to prepare the annual financial reports of issuers whose securities are listed on regulated markets in the European Union in a single electronic reporting format.

The task of developing regulatory technical standards to specify this format was given to the European Securities and Markets Authority (ESMA), which published the European Single Electronic Format (ESEF). This format represents a combination of xHTML (for the presentation of financial reports in a human readable format) and XBRL (eXtensible Business Reporting Language) “machine readable” markup, with the aim of facilitating the accessibility, analysis and comparability of consolidated financial statements prepared in accordance with the IFRS.

The use of this new format requires the mapping of the information contained in the Consolidated Financial Statements according to the “Inline XBRL” specifications of the basic taxonomy issued by ESMA.

In detail, the marking process was carried out in two ways:

- the detail marking, relating to numerical items in the schedules of the Consolidated Financial Statements, marks each numerical value contained in the schedules themselves, identifying the appropriate label in the basic taxonomy;
- the block marking, relating to the content of the notes to the financial statements, requires that for each applicable element of the taxonomy, the conceptually corresponding portion of the notes to the financial statements, consisting of text and tables, be identified (referred to as "block tags”).

Section 2 - Basis of preparation

The Consolidated Financial Statements consist of:

- the consolidated financial statements (statement of financial position and income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows);

- the Notes to the Consolidated Financial Statements;

in addition, they contain the Directors' Report on the Group.

The Consolidated Financial Statements have been drawn up according to the general principles of IAS 1, referring also to IASB's “Framework for the preparation and presentation of financial statements”, with particular attention to the fundamental principles of substance over legal form, the concepts of relevance and materiality of information, and the accruals and going concern accounting concepts.
For the preparation of these Consolidated Financial Statements, reference was made to the format set out by Bank of Italy's Circular No. 262 of 22 December 2005, 8th update of 17 November 2022.
In line with the aforementioned Circular, items that do not show any amounts for the reference year and previous year are not shown in the tables.

In addition to the accounting data as at 31 December 2023, the financial statements provide comparative information for the last approved financial statements as at 31 December 2022.

The currency of account is the Euro and, if not indicated otherwise, amounts are expressed in thousands of Euro. The tables in the Notes may include rounded amounts; any inconsistencies and/or discrepancies in the data presented in the different tables are due to these rounding differences.
Assets and liabilities, as well as costs and revenues, have been offset only if required or permitted by an accounting standard or the relevant interpretation.

The recognition, measurement and derecognition criteria for assets and liabilities, and the procedures for recognising revenues and costs, adopted in the Consolidated Financial Statements at 31 December 2023, have remained substantively unchanged from those adopted for the preparation of the 2022 Financial Statements of the Banca Ifis Group, with the exception of the criteria for hedge accounting implemented by the Banca Ifis Group for the first time in 2023, illustrated in paragraph "4 - Hedging transactions” of Section “A.2 - Main items of the financial statements”.

The financial statements used to prepare the Consolidated Financial Statements are those prepared by the subsidiaries with reference to 31 December 2023, adjusted, where necessary, to adapt them to the accounting standards used by the Group.
If the information required by international accounting standards and the provisions of the aforementioned Circular is deemed insufficient to give a true and fair view, additional information necessary for this purpose is provided in the Notes to the Financial Statements.
The Financial Statements are prepared in accordance with the following general principles:

- going concern: the Financial Statements are prepared on a going concern basis, having regard to the Group's business, as detailed below;
- accrual accounting: the Financial Statements are prepared in accordance with accrual accounting principles;
- consistency of presentation: the presentation and classification of items in the financial statements is kept constant from one year to the next unless a standard or interpretation requires a change in presentation or another presentation or classification is no longer appropriate. In the latter case, the Notes to the Financial Statements provide information on the changes made compared to the previous year;
- materiality and aggregation: the balance sheet and income statement consist of items (denoted by Arabic numerals), sub-items (denoted by letters) and additional disclosure details (the "of which" of items and sub-items). The items, sub-items and related information details constitute the Financial Statements accounts. New items may be added to the previously described Financial Statements if their content is not traceable to any of the items already included in the schedules. The subheadings provided for in the schedules may be grouped together when one of the two following conditions is met:
  - the amount of the subheadings is insignificant;
  - grouping improves the clarity of the financial statements; in this case, the notes to the financial statements contain the grouped sub-items separately.
- substance over form: transactions and other events are recognised and represented in accordance with their substance and economic reality and not merely according to their legal form;

- offsetting: assets and liabilities, income and expenses are not offset unless permitted or required by an international accounting standard or interpretation thereof or by the provisions of the aforementioned Circular No. 262;
- comparative information: for each balance sheet and income statement, comparative information for the previous year is provided, unless an accounting standard or interpretation permits or provides otherwise. Figures for the previous year may be adjusted where necessary to ensure comparability of information for the current year. Any non-comparability, adjustment or impossibility of the latter are reported and commented on in the Notes to the Financial Statements.

The Notes to the Financial Statements are divided into parts: A - Accounting policies, B - Information on the consolidated balance sheet, C - Information on the consolidated income statement, D - Consolidated comprehensive income, E - Information on risks and related hedging policies, F - Information on consolidated assets, G - Business combinations, H - Related-party transactions, I - Share-based payments, L - Segment reporting, M - Leasing disclosure.
Each part of the Notes is divided into sections, each of which illustrates a single aspect of management.

Information on the business as a going concern

The Bank of Italy, Consob and Isvap, with document No. 2 issued on 6 February 2009 ("Disclosure in financial reports on the going concern assumption, financial risks, asset impairment tests and uncertainties in the use of estimates"), together with the subsequent document No. 4 of 4 March 2010, require directors to assess with particular accuracy the existence of the company as a going concern, as per IAS 1.
Unlike in the past, present conditions on financial markets and in the real economy, together with the uncertainties in short-term forecasts, require particularly accurate assessments of the going concern assumption, as records of the Group's profitability and easy access to financial resources may no longer be sufficient in the current context.
In this regard, having examined the risks arising from the current macroeconomic environment, including in light of the current situation, geopolitical tensions and related possible macroeconomic implications including those arising from international tensions related to the Middle East, the directors believe that the Banca Ifis Group has a reasonable expectation of continuing to operate in the foreseeable future. Indeed, the directors do not believe that any risks or uncertainties have arisen that would cast doubt on the company's ability to continue as a going concern, and therefore the Consolidated Financial Statements as at 31 December 2023 have been prepared on a going concern basis.

Extraordinary tax on the “extra-profits” of banks under Italian Law No. 136/2023

Law No. 136 of 9 October 2023 converted Decree-Law No. 104 of 10 August 2023 (the “Omnibus bis Decree” or “Asset Decree”), introducing new measures aimed at economic operators and private individuals as well as confirming or modifying some already existing measures. The new measures adopted include the introduction, for 2023, of an extraordinary tax on net interest income (the “extra-profits”) of Italian banks, even if they operate in the territory of the Italian State through a permanent establishment. In particular, it establishes the application of a 40% tax rate on a taxable base configured by comparing the "Net interest income" under item 30 of the Income Statement of banking institutions (on the basis of the financial statement formats governed by Circular No. 262/2005 and subsequent updates of the Bank of Italy) of the tax year prior to the one in progress on 1 January 2022 and that of the tax year prior to the one in progress on 1 January 2024 only. In any event, the tax thus calculated may not exceed 0,26% of the risk-weighted assets (or “RWAs”) on an individual basis for each Bank. In lieu of making the payment, each bank on an individual basis may elect to allocate a certain amount, not less than 2,5 times the tax calculated as above, to a non-distributable profit reserve in equity. In such a case, if you subsequently choose to use this specific reserve for the distribution of profits (and thus make it from 'non-distributable' to 'distributable'), within 30 days of the approval of the relevant resolution, the tax originally calculated must be paid with a surcharge in proportion to the interest accrued in the meantime.
From an accounting point of view, in light of the specific characteristics of the tax in question and in particular the way in which it is determined, the provisions of IFRIC Interpretation 21 “Taxes” and IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” were deemed applicable. In particular, according to IFRIC 21, a liability relating to the payment of a tax arises at the moment when the binding event occurs, i.e. when the obligation to pay the tax arises. The definition of a liability provided by IAS 37 also requires that an outflow of resources embodying economic benefits is deemed probable for the fulfilment of the obligation.
In this regard, it should be noted that, in relation to the provisions of the rule, the banks of the Banca Ifis Group (Banca Ifis and Banca Credifarma) have the realistic alternative of not paying the tax, by setting aside, when

approving their separate 2023 financial statements, a non-distributable profit reserve equal to 2,5 times the extraordinary tax. This makes the described requirement of the accounting standard not in fact fulfilled. Consequently, since the Directors of each of the Group's banks had positively concluded on the possibility of availing themselves of this option, and having verified the reasonableness of this alternative in the case at hand, as at 31 December 2023, it was deemed that there was no binding event against which to recognise a liability and related charge for either of the two banks on an individual basis and, consequently, at the level of the Group's consolidated balances.

The tax in question is quantified at 9.562.045 Euro for Banca Ifis and 1.300.962 Euro for Banca Credifarma. Therefore, the corresponding reserve allocations that the directors intend to propose to the relevant shareholders' meetings amount to 23.905.112 Euro for Banca Ifis and 3.252.404 Euro for Banca Credifarma.

It should also be noted that the provision of the last part of paragraph 5-bis of Italian Law No. 136/2023 determines an obligation to be considered new and autonomous and consisting in the maintenance of the non-distributable restriction on the reserve recorded by each bank in their respective separate 2023 financial statements. In this regard, the Directors of each bank will assess over time the substantive reasonableness of the option not to distribute based on the specific facts and circumstances.

Section 3 - Scope and methods of consolidation

Subsidiaries

The Consolidated Financial Statements of the Banca Ifis Group have been drawn up on the basis of the accounts at 31 December 2022 prepared by the directors of the companies included in the consolidation scope. The table below shows the companies belonging to the Banca Ifis Group.

1. Equity investments in exclusively controlled companies

COMPANY NAME	HEAD OFFICE	REGISTE-RED OFFICE	TYPE (1)	INVESTMENT		VOTING RIGHTS % (2)
				PARTICIPATING ENTITY	SHARE %	
Ifis Finance Sp. z o.o.	Warsaw	Warsaw	1	Banca Ifis S.p.A.	100%	100%
Ifis Rental Services S.r.l.	Milan	Milan	1	Banca Ifis S.p.A.	100%	100%
Ifis Npl Investing S.p.A.	Florence, Milan and Mestre (VE)	Mestre (VE)	1	Banca Ifis S.p.A.	100%	100%
Cap.Ital.Fin. S.p.A.	Naples	Naples	1	Banca Ifis S.p.A.	100%	100%
Ifis Npl Servicing S.p.A.	Mestre (VE)	Mestre (VE)	1	Ifis Npl Investing S.p.A.	100%	100%
Revalea S.p.A.	Milan	Milan	1	Ifis Npl Investing S.p.A.	100%	100%
Ifis Finance I.F.N. S.A.	Bucharest	Bucharest	1	Banca Ifis S.p.A.	99,99%	99,99%
Banca Credifarma S.p.A.	Rome	Rome	1	Banca Ifis S.p.A.	87,74%	87,74%
Ifis NPL 2021-1 SPV S.r.l.	Conegliano (TV)	Conegliano (TV)	1	Banca Ifis S.p.A.	51%	51%
Indigo Lease S.r.l.	Conegliano (TV)	Conegliano (TV)	4	Other	0%	0%
Ifis ABCP Programme S.r.l.	Conegliano (TV)	Conegliano (TV)	4	Other	0%	0%
Emma S.P.V. S.r.l.	Conegliano (TV)	Conegliano (TV)	4	Other	0%	0%

Key
(1) Type of relationship:
1 = majority of voting rights in the Annual Shareholders' Meeting
2 = dominant influence in the Annual Shareholders' Meeting
3 = agreements with other shareholders
4 = other forms of control
5 = joint management pursuant to Article 39, paragraph 1, Italian Legislative Decree No. 136/2015
6 = joint management pursuant to Article 39, paragraph 2, Italian Legislative Decree No. 136/2015
(2) Voting rights in the Annual Shareholders' Meeting, distinguishing between effective and potential voting rights

All the companies were consolidated using the line-by-line method.
With regard to subsidiary companies, classed as such as explained below and included in the scope of consolidation at 31 December 2023, compared with the situation at the end of 2022, the only change compared to last year relates to the joining of the consolidation scope of the company Revalea S.p.A., following its acquisition during the fourth quarter of 2023 (for more details, refer to the section "Significant events during the year" of the Directors’ Report on the Group and to "Part G - Business combinations").

The financial statements of the Polish subsidiary Ifis Finance Sp. z o.o. and of the Romanian subsidiary Ifis Finance I.F.N. S.A., both expressed in foreign currencies are translated into Euro by applying the year-end exchange rate to assets and liabilities. As for the income statement, the items are translated using the average exchange rate. Exchange differences arising from the application of different exchange rates for the statement of financial

position and the income statement, as well as the exchange differences from the translation of each investee company's equity, are recognised under capital reserves.
Assets and liabilities, off-balance-sheet transactions, income and expenses, as well as the profits and losses arising from relations between the consolidated companies are all eliminated.

2. Significant judgements and assumptions in determining the scope of consolidation

In order to determine the scope of consolidation, Banca Ifis assessed whether it meets the requirements of IFRS 10 for controlling investees or other entities with which it has any sort of contractual arrangements.
An entity controls another entity when the former has all the following:

- power over the investee;
- exposure to variable returns;
- and the ability to affect the amount of its returns.

More specifically, IFRS 10 requires that, in order to have control, the investor must have the ability to direct the relevant activities of the entity, whether by operation of law or by mere fact, and must also be exposed to the variability of outcomes that result from that power.
In light of the above references, the Group must therefore consolidate all types of entities if all three control requirements are met.
Generally, there is a presumption that a majority of voting rights gives control over the investee. The Group reconsiders whether or not it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the three elements relevant to the definition of control.
In other cases, the determination of the scope of consolidation requires consideration of all factors and circumstances that give the investor the practical ability to unilaterally conduct the relevant activities of the entity (*de facto* control). To this end, it is necessary to consider a number of factors, such as, but not limited to:

- the purpose and design of the entity;
- the identification of relevant activities and how they are managed;
- any rights held through contractual arrangements that grant the power to govern the relevant activities, such as the power to determine the financial and management policies of the entity, the power to exercise the majority of voting rights in the deliberative body, or the power to appoint or remove the majority of the deliberative body;
- any potential voting rights that can be exercised and are considered substantial;
- involvement in the entity in the role of agent or principal;
- the nature and dispersion of any rights held by other investors.

For structured entities, i.e. entities for which voting rights are not considered relevant to establish control, it is deemed to exist where the Group has contractual rights to manage the relevant assets of the entity and is exposed to the variable returns of those assets.

More specifically, the structured entities that required consolidation for the purposes of the Consolidated Financial Statements as at 31 December 2023 are represented by certain vehicle companies of securitisation transactions originated by Group companies. For such vehicles, the elements considered relevant to the identification of control and the resulting consolidation are the purpose of such companies, their exposure to the results of the operation, their ability to structure operations and direct relevant activities and make critical decisions by means of servicing agreements as well as their ability to arrange for their liquidation.
The assessment carried out led the Bank to include the subsidiaries controlled by means of holding the majority of voting rights (companies with relationship type “1” in the table above), 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; in the scope of consolidation at the reporting date. 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 (in this regard, see the section entitled “The Banca Ifis Group”, where such SPVs are not included).
Profit or loss for the year and each component of other comprehensive income are attributed to the equity holders of the Parent company and to the non-controlling interests, even if this results in the minority interests having a deficit balance. When necessary, appropriate adjustments are made to the financial statements of the subsidiaries, in order to ensure compliance with the Group's accounting standards. All assets and liabilities, equity, revenues, costs and inter-group financial flows relating to transactions between Group entities are derecognised completely during the consolidation phase.

Changes in the investment in a subsidiary that do not involve the loss of control are considered as “equity transactions” in accordance with paragraph 23 of IFRS 10 and are therefore recognised directly in equity.

Subsidiaries are consolidated from the date on which the Group acquires control, according to the purchase method, and cease to be consolidated from the moment control ceases.
Full consolidation consists of the acquisition "line by line" of the balance sheet and income statement aggregates of the controlled entities. For consolidation purposes, the carrying amount of equity interests held by the Parent company or other Group companies is eliminated against the assets and liabilities of the investees, with the corresponding fraction of shareholders' equity attributable to the Group and the portion attributable to non-controlling interests, also taking into account the cost allocation at the time control was acquired (Purchase Price Allocation).
For controlled entities, non-controlling interests in equity, net income and comprehensive income are reported separately in the respective Consolidated Financial Statements, respectively, under the headings: “190. Equity attributable to non-controlling interests”, “340. Profit (loss) for the year attributable to non-controlling interests”, “190. Consolidated comprehensive income attributable to non-controlling interests”.
In this regard, it should be noted that no effect on the equity, results of operations and overall profitability attributable to non-controlling interests resulted from the consolidation of the separate assets held by the vehicle companies of the securitisations originated by the Group, which were not derecognised in the separate financial statements of the originator Group banks.

The costs and revenues of the controlled entity are included in the consolidation from the date control is acquired. The costs and revenues of a transferred subsidiary are included in the income statement up to the date of transfer; the difference between the transfer consideration and the carrying amount of the subsidiary's net assets is recognised in income statement item "280. Gains (Losses) on disposal of investments”. In the event of a partial disposal of the controlled entity, which does not result in the loss of control, the difference between the consideration for the disposal and the related carrying amount is recognised as a balancing entry in equity.
Assets, liabilities, off-balance sheet transactions, income and expenses relating to transactions between consolidated companies are fully eliminated.

Company under significant influence

Associated companies, i.e. companies subject to significant influence, are considered to be non-controlled companies in which significant influence is exercised.
Significant influence is presumed to be exercised in all cases where the company holds 20% or more of the voting rights and, irrespective of the share held, where there is the power to participate in the management and financial decisions of the investee companies by virtue of particular legal ties, such as shareholders' agreements, the purpose of which is for the participants in the agreement to ensure representativeness in the management bodies and to safeguard the unity of management direction, without however having control.
Investments in companies subject to significant influence are valued using the equity method, based on the most recent available financial statements of the associate, appropriately adjusted for any significant events or transactions.
At 31 December 2023, the companies subject to significant influence are Justlex Italia S.T.A.P.A. and Redacta S.T.A.a.r.l. with a shareholding of 20% and 33% respectively.

3. Equity investments in exclusively controlled companies with significant minority interests

3.1 Non-controlling interests, voting rights held by non-controlling interests, and dividends distributed to non-controlling interests

Company Name	Minority interests %	Availability of minority votes %(1)	Dividends distributed to minorities
Banca Credifarma S.p.A.	12,26%	12,26%	-

(1) Availability of voting rights in the Annual Shareholders' Meeting.

3.2 Equity investments with significant non-controlling interests: accounting information

Company Name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Equity	Net interest income	Net banking income	Operating costs	Pre-tax profit (loss) for the period from continuing operations	Profit (loss) from current operations after tax	Profit (loss) of disposal groups, net of taxes	Profit (loss) for the year (1)	Other comprehensive income, net of taxes (2)	Comprehensive income (3) = (1) + (2)
Banca Credifarma S.p.A.	719.658	21.912	684.711	1.008	564.564	116.130	28.502	34.296	(14.283)	21.993	14.730	-	14.730	-	14.730

4 Significant restrictions

There are no significant restrictions as per paragraph 13 of IFRS 12, i.e. statutory, contractual and regulatory restrictions on its ability to access or use the assets and settle the liabilities of the Group, nor protective rights of non-controlling interests that can significantly restrict the Group's ability to access or use the assets and settle the liabilities of the Group.

5 Other information

The reporting date of the accounts prepared by the directors of the companies included in the consolidation scope is 31 December 2023.

Section 4 - Subsequent events

No significant events occurred in the period between the reporting date (31 December 2023) and the date of approval of the draft Financial Statements by the Board of Directors (7 March 2024), which could be classified as "adjusting events" within the meaning of IAS 10, i.e. events that lead to an adjustment of balance sheet and income statement information at the reporting date.
With reference also to what are termed "non-adjusting events", note the issue on 20 February 2024 of a 400 million Euro bond with a 5-year maturity (for more details see the section "Subsequent events" of the Directors' Report on the Group).

Section 5 - Other aspects

Highlights for 2023 financial statement assessments

On 25 October 2023, ESMA published a disclosure notice ("European common enforcement priorities for 2023 annual financial reports") containing certain topics and recommendations with reference to both financial and sustainability reporting for FY 2023. In particular, for the financial statements prepared in accordance with IAS/IFRS, the priorities for FY 2023 are related to climate issues and their impact on key financial statement estimates, as well as the impact of the current macroeconomic environment on refinancing and other financial risks, and on the fair value measurement process and related disclosure.
The disclosure call also, with specific reference to Alternative Performance Indicators (APIs, or Alternative Performance Measures - APMs), emphasises that issuers are required to comply with the ESMA Guidelines and related Q&As, in particular when the same indicators are presented in contexts other than the Financial Statements, and draws attention to the correct application of the European Single Electronic Format (ESEF), both in relation to the marking of numerical elements in the Consolidated Financial Statements and in relation to the block marking of the related notes. With regard to APIs, please refer to the section "APIs - Alternative Performance Indicators" of the Directors' Report on the Group, while with regard to ESEF-related issues, please refer to the section "European Commission Regulation 815/2019 (the European Single Electronic Format - ESEF) Regulation" in "Section 1 - Statement of compliance with international accounting standards", "A.1 - General part" of this Part A.
The following section provides an illustration of the aspects considered as priorities for the assessments conducted for the preparation of the 2023 Annual Report and for the related disclosure, in line with the recommendations provided by ESMA.

Environmental and climatic aspects

With regards the first aspect considered as a priority by the ESMA, the consideration of environmental and climate aspects represents an important element of attention in the strategy pursued by the Banca Ifis Group, capable of influencing its operational activities, objectives and business conduct, in the awareness that it can play a leading role in the action against climate change.
With this in mind, in 2023, the Group became more aware of the impact of ESG topics on its business model, competitive environment as well as its objectives and strategies, in its role as a guide for companies and private customers in the transition process towards an economy that combines economic sustainability with environmental and social sustainability. In particular, on 3 August 2023, the Board of Directors of Banca Ifis approved the first edition of the TCFD Report (see also the section "Significant events during the year" of the Directors' Report on the Group), which presents useful information for investors and stakeholders to properly assess the Bank's climate-related risks and opportunities and further expands the Group's ESG reporting,

representing, among other projects, the strategy of reducing emissions financed on the loan portfolio that the Bank has defined by joining, first in Italy, the Net-Zero Banking Alliance (NZBA).

With specific reference to climate and environmental risks, the analysis of supervisory expectations gave rise to a project to integrate environmental factors into corporate strategies, governance and control systems, the risk management framework and disclosure. A further strategic objective is to incorporate the relevant risks into the company's main valuation processes.

The findings of the materiality assessment exercise indicate an overall moderate exposure to climate and environmental risks.

For specific information on the Group's environmental and climate risk management, please refer to the section "Management of risks linked to climate change" in Part E below.

For more detailed information on the initiatives undertaken by the Group in the area of green financing, both of a qualitative and quantitative nature, and the instruments used by the Group, refer to the Consolidated Non-Financial Statement (NFS).

Macroeconomic environment

With reference to the macroeconomic context, i.e. the second priority aspect according to the ESMA, note that in the current environment, macroeconomic forecasts are characterised by significant uncertainty factors, thus requiring significant judgement in the selection of assumptions and forecasts to be used as reference in budgetary assessments.

The high credit cost is still expected to slow down global demand for investment and durable goods.

Future projections may be impacted by possible disruptions or slowdowns in global chains, resulting in particular from attacks on shipping traffic in the Red Sea, or increases in energy prices caused by the continuation or escalation of tensions in the Middle East, could weigh on the outlook scenarios.

World and European production estimates are pointing to moderate growth, and our country's economy is also expected to move along a weak growth path.

However, there is a possibility that the lack of dynamism in world trade will persist for a long time and that this could have a negative impact on the Italian economy. In particular, there are three international risk fronts:

- the weakness of China's economy;
- the worsening international political tensions, which, by affecting the confidence of households and businesses, could weaken the domestic market and drive commodity prices up;
- a further tightening of financing conditions with an impact on the pro-cyclical dynamics of investments.

In any case, positive signs can be derived from the following considerations:

- the US and European economies have proven resilient to rising interest rates, thanks to a combination of expansionary fiscal policies, high liquidity available in the financial markets and strong demand for labour;
- in the second half of 2023, inflation, consumer spending and excess demand in the labour market started a downward trend, which is expected to continue;
- the wars in the Middle East and Ukraine did not cause shocks to the world economy, remaining confined to specific territories.
- at the end of 2023, central banks ended the cycle of interest rate hikes that began in 2022 and are now considering the timing of a possible reduction with the aim of continuing the gradual decline in inflation and preventing an excessive contraction of domestic demand.

For more details on the Banca Ifis Group's considerations regarding the macroeconomic environment, please refer to the following sections of the Directors' Report on the Group: "Background", "Information on international tensions" and "Outlook".

With particular regard to the topic of measuring expected losses on credit exposures in the current macroeconomic environment, please refer to the following specific sub-section within the section "Risks and uncertainties related to estimates" of this "Section 5 - Other aspects".

With reference to the considerations, also of a forecasting nature, made on the basis of the current macroeconomic situation for the purpose of probability testing to verify the recoverability of deferred tax assets (DTAs) recognised in the Consolidated Financial Statements, reference should again be made to the specific sub-section within the section "Risks and uncertainties related to estimates" of this "Section 5 - Other aspects".

Additional information regarding the reform of reference indices for determining interest rates

On the basis of the indications contained in Bank of Italy Circular No. 262, the following is the disclosure required by IFRS 7, paragraphs 24 I and 24 J concerning the reform of interest rate benchmarks (the “Interest rate benchmark reform” or “IBOR Reform”).

The reform of the money market reference rates (IBOR) is a multi-year project covering the global markets with the aim of strengthening the integrity and representativeness of the reference rates, which have been endangered in recent years by a number of manipulation episodes and the significant reduction of trade in the interbank market.

This reform process is grounded at EU level in EU Regulation 2016/1011 of 8 June 2016 (the "Benchmark Regulation" or "BMR"), which entered into force on 30 June 2016, applicable as of 1 January 2018 and amended during 2021. The Benchmark Regulation introduced in the EU a new framework for benchmark interest rates, i.e. indices by reference to which the amount to be paid for a Financial Instrument or a Financial Contract is determined. The reference indices are, as a rule, combined with a contractually stipulated "spread" to determine the interest rate applied to the contract.

In compliance with the regulatory provisions set out in the BMR (Art. 28) and as confirmed by the European Securities and Markets Authority (ESMA), during the previous years, the Group adopted an internal plan to identify the actions to be taken in the event of the termination or substantial change of a reference index used for the parametrisation of a Financial Contract.

At the date of preparation of these Consolidated Financial Statements, the Banca Ifis Group has completed, for the entire scope of contracts involved, the transactions concerning the above-mentioned transition of reference rates.

Risks and uncertainties related to estimates

Using accounting standards often requires management to make estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities. In making the assumptions underlying the estimates, management considers all available information at the reporting date of these Consolidated Financial Statements, as well as hypotheses and any other factor deemed reasonable in light of past experience and foreseeable future evolutions.

By their very nature, it is therefore not possible to rule out the possibility that the assumptions made, however reasonable, may not be confirmed in the future scenarios in which the Group will find itself operating. Future results may therefore differ from the estimates made, and adjustments to the carrying value of assets and liabilities recognised in the financial statements, which cannot be foreseen or estimated at the date of this document, may be necessary. In this regard, it should be noted that adjustments in financial statement estimates may become necessary as a result of changes in the circumstances on which they were based, new information or increased experience.

The accounting policies considered most critical to the true and fair representation of the Group's financial position, results of operations and cash flows are illustrated below, both for the materiality of the amounts to be recognised in the financial statements impacted by these policies, and for the high degree of judgement required in the valuations, which implies the use of estimates and assumptions by management, with reference to the specific sections of the notes to the financial statements for detailed information on the valuation processes conducted at 31 December 2023. In particular, the aspects that required the use of complex estimates with significant assumptions are:

- determination of the fair value of receivables and financial instruments not quoted in active markets;
- measurement of Npl Segment loans;
- measurement of the Expected Credit Loss (ECL) for receivables other than the Npl Segment and for debt securities;
- estimate of provisions for risks and charges;
- estimated impairment of goodwill posted;
- assessment in respect of the potential recovery of deferred tax assets (DTAs).

For the types of assets listed above, the principal issues regarding risks and uncertainties associated with estimates are discussed in the following paragraphs.

Determination of the fair value of receivables and financial instruments not quoted in active markets

In the presence of receivables and financial instruments not quoted in active markets or illiquid and complex instruments, it is necessary to activate adequate valuation processes characterised with certain judgement on the choice of valuation models and related input parameters, which may sometimes not be observable in the market. There is a degree of subjectivity involved in assessing whether certain inputs are observable and categorising them within the fair value hierarchy accordingly. For qualitative and quantitative information on the method to determine the fair value of instruments measured at fair value, reference should be made to paragraph "A.2 - Main items of the financial statements" of these Notes to the Consolidated Financial Statements.

Measurement of Npl Segment loans

Receivables of this kind are measured with significant recourse to proprietary valuation models that are subject to ongoing verification and adjustment. Specifically, the Risk Management function, when assessing the Bank’s capital adequacy (ICAAP), regularly assesses the so-called model risk, since the characteristics of the business model imply a high level of variability concerning both the amount collected and the date of actual collection.

In particular, for receivables undergoing non-judicial operations, the proprietary model in use estimates cash flows by projecting the breakdown of the amount of the receivable over time based on the historical collection profile for similar clusters. In addition, for the positions with settlement plan funding characteristics, a deterministic model based on the measurement of the future instalments of the plan, net of the historical default rate is used. 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.

For receivables undergoing judicial operations, i.e. for positions for which the presence of a job or a pension has been verified, a model has been developed for estimating cash flows prior to obtaining the Garnishment Order. In particular, cash flows are estimated for all those positions that have obtained a decree not opposed by the debtor from 1 January 2018.

The other positions undergoing judicial operations continue to be recognised at cost until said requirements are met or a garnishment order is issued.

Upon garnishment order, future cash flows are analytically determined on the basis of the objective elements known for each individual position; in this case, therefore, the estimates applied relate mainly to the identification of the duration of the payment plan.

In addition to the above, judicial operations involve also collection efforts, i.e. foreclosure proceedings, which consist of several stages and apply to portfolios originated in corporate, banking, or real estate segments where cash flows are measured by means of the manager’s analytical forecasts.

Reference should be made to the details given in Part E - "Information on risks and related hedging policies".

Measurement of the Expected Credit Loss (ECL) for receivables other than the Npl Segment and for debt securities

The determination of the ECL for financial assets measured at amortised cost is a complex process that requires the use of significant assumptions and estimates.

For financial assets for which no objective evidence of loss has been individually identified, i.e. for unimpaired ("performing") exposures, the impairment model involves the need to identify whether or not there has been a significant deterioration since the date of initial recognition of the exposure and the allocation to the three stages of credit risk under IFRS 9 of loans and debt securities classified as Financial assets at amortised cost and as Financial assets at fair value through other comprehensive income.

The IFRS 9 impairment model requires, in fact, that losses be determined with reference to the time horizon of one year for financial assets that have not undergone a significant deterioration in credit risk since initial recognition (Stage 1) rather than by reference to the entire life of the instrument if a significant deterioration or indicator of impairment has been established (Stage 2 and Stage 3).

It therefore follows that the calculation of the relevant expected losses requires an articulated estimation process that mainly concerns:

- defining the parameters for a significant increase in credit risk, which are essentially based on models that consider qualitative and quantitative information for measuring the Probabilities of Default (PD) at the origination of financial assets and at the reporting date, as well as forward looking information;
- the measurement of certain elements necessary for the determination of estimated future cash flows arising from non-performing loans: the expected debt collection times, the presumed realisable value of

any guarantees, the costs that it is deemed will be incurred to recover the credit exposure and lastly the likelihood of sale for positions for which there is a disposal plan.

Within the range of possible approaches to estimation models permitted by the relevant international accounting standards, the use of specific methodologies or the selection of certain estimation parameters may significantly influence the measurement of such assets. These methodologies and parameters are necessarily subject to a continuous updating process, also in light of the historical evidence available, with the aim of refining the estimates to better represent the estimated realisable value of the credit exposure. In order to cope with the uncertainty characterising the macroeconomic context and to take due account of risks that are not adequately captured by the valuation models in use, the Group resorts to prudential adjustments in determining the expected loss (referred to as “overlays”). The assessments performed with regard to the quantification of management overlays support the appropriateness of the measures put in place; the amount of ECL introduced through post-model adjustment was conservative compared to the sensitivity and stress analyses performed on the portfolio.

For more information on the methods and models used to determine the ECL, refer to the explanations given in paragraph “2.3 Measurement of expected credit losses” contained in the "Credit risk" section of "Part E - Information on risks and related hedging policies” of these Notes to the Consolidated Financial Statements.

Estimate of provisions for risks and charges

The companies making up the Group are party to certain types of litigation and are also exposed to numerous contingent liabilities. The complexities of the specific situations underlying the pending litigations, together with possible interpretation issues, require in certain circumstances significant judgement in estimating the liabilities that may arise upon settlement of the pending litigations. The difficulties of assessment affect both the *an* and the *quantum*, as well as the timing of the eventual manifestation of the liability, and are particularly evident when the proceedings initiated are at an early stage. These circumstances make the valuation of contingent liabilities difficult. As a result, the classification of contingent liabilities and the consequent valuation of the necessary provisions are sometimes based on non-objective elements of judgement and require the use of even complex estimation procedures.

Specifically, the Group recognises a liability when:

- a legal or constructive obligation exists as a result of a past event;
- it is likely that it will be necessary to spend resources which could generate economic benefits to settle the obligation;
- the amount of the obligation can be reliably estimated.

Should all these conditions not be met, no liability is recognised.

The amount recognised as a provision represents the best estimate of the expense required to meet the obligation and reflects the risks and uncertainties regarding the facts and circumstances in question.

Where the cost deferral is significant, the amount of the provision is determined as the present value of the best estimate of the cost to settle the obligation. In this case a discount rate is used that reflects current market assessments.

The provisions made are periodically reviewed and, if necessary, adjusted to reflect the best current estimate. When the review finds that the cost is unlikely to be incurred, the provision is reversed.

The provisions for risks and charges on commitments and guarantees granted include the provisions for credit risk set aside for loan commitments and the other guarantees granted that fall within the scope of the impairment rules in IFRS 9. As a general rule, in this case the Bank adopts the same methods for allocating items to three credit risk Stages and calculating expected credit losses as the ones described for financial assets measured at amortised cost or at fair value through other comprehensive income.

Estimated impairment of goodwill posted

In accordance with IAS 36, goodwill must be impairment tested at least annually, to check that the value can be recovered. IAS 36 also requires, moreover, at each reporting date, including, therefore, the interim reports, an analysis aimed at identifying the presence of any loss indicators (termed "Trigger Events") upon the occurrence of which an impairment test must be carried out. The recoverable value is the greater of Value in Use and fair value, net of the costs of sale. As at 31 December 2023, goodwill amounts to 38,0 million Euro and is fully allocated to the Cash Generating Unit (CGU) "Npl Segment".

For the purposes of estimating the recoverable amount, the Group proceeded to determine the value in use by estimating both future cash flows in the explicit forecast period (determined based on the 2024-2026 economic

and equity projections for the CGU under analysis, as approved by the Parent company's Board of Directors on 8 February 2024) and the Terminal Value. In a similar fashion, the Group also estimated the discounting rate of future cash flows previously estimated. The discounting rate has been determined by the Group using the “Capital Asset Pricing Model” (CAPM).
The results of the impairment test conducted at 31 December 2023 led to the confirmation of the recoverability of the carrying amount.
As regards details of the impairment test conducted on goodwill at 31 December 2023, we would refer you to the more detailed information given in "Part B - Information on the Consolidated Statement of Financial Position, Assets", "Section 10 - Intangible assets - Item 100", Paragraph "10.3 Other information" of these Notes to the Consolidated Financial Statements.

Assessment in respect of the potential recovery of Deferred Tax Assets (DTAs)

Assets recognised in the Financial Statements include Deferred Tax Assets (DTAs) mainly generated by temporary differences between the date certain business costs are recognised in the income statement and the date on which the same costs may be deducted, rather than arising from tax loss carry-forwards.
In accordance with accounting standard IAS 12, referred to in the "Group Impairment Policy", a tax asset can only be recognised to the extent that it is probable that future taxable income will be available to allow for its recoverability.
Recognition of these assets and their subsequent maintenance therefore presupposes an assessment of the likelihood of their recovery. This assessment is not carried out for deferred tax assets pursuant to Law No. 214 of 22 December 2011, which can be transformed into tax credits in the event of the recognition of a "statutory loss", a "tax loss" for IRES tax purposes and a "negative net production value" for IRAP tax purposes, and for which the relative recovery is therefore certain regardless of the ability to generate future income.
For the remaining tax assets that cannot be transformed into tax credits, the judgement of their likelihood is supported by a valuation exercise of recoverability (referred to as the “probability test”) characterised by significant elements of complexity or subjectivity. Based on the provisions of IAS 12 and the considerations made by ESMA in its paper of 15 July 2019, the aforementioned assessment of recoverability requires a careful reconnaissance of all evidence supporting the likelihood of having sufficient taxable income in the future, also taking into account the circumstances that generated the tax losses, which should be traced back to clearly identified causes that are deemed to be non-repeatable in the future on a recurring basis.
With reference to the recoverability of deferred tax assets recognised at 31 December 2023 other than those transformable pursuant to Law 2014/2011, based on the Group’s estimated future taxable income, to be deemed confirmed in light of the results at 31 December 2023, no elements have emerged that could lead to deeming the DTAs in question, amounting to a total of 238,8 million Euro, to be unlikely for recovery. The aforementioned DTAs have therefore been deemed recoverable, albeit over a medium-term time horizon. Specifically, on the basis of the assessments performed and applying conservative hypotheses, with particular reference to the estimating of future income, out of the overall total of 238,8 million Euro, the 144,7 million Euro portion attributable to Law 214/2011 (equal to 60,6% of the total DTA) will be reversed by 2028 due to express regulatory provision. The portion referring to prior tax losses and aid for economic growth (“ACE”) surpluses, totalling 41,1 million Euro (or 17,2% of the total DTA) should be fully recovered from 2026 to 2032 (of which approximately 30 million Euro by 2028). The remaining 53,1 million Euro refers mainly to financial assets measured at fair value with an impact on other comprehensive income (FVOCI) and is therefore related to the performance of the related reserve. The uncertainty is also confirmed regarding the recoverability of the DTAs relating to the subsidiary Cap.Ital.Fin. realised mainly before the entry into the tax consolidation, which therefore, out of prudence, have not been recorded for a total of 2,6 million Euro.

Coming into effect of new accounting standards

Below are the new accounting standards or amendments to existing standards approved by the IASB, as well as new interpretations or amendments to existing ones published by the IFRIC, with separate disclosure of those applicable in the financial year 2023 from those that can be adopted in subsequent financial years but also reporting the changes made in 2023.

IASs/IFRSs and related SIC/IFRIC interpretations endorsed and to be applied as mandatory for the preparation of the 2023 Consolidated Financial Statements

Regulation (EU) No 2036 of 19 November 2021 - IFRS 17 "Insurance Contracts" and No 1491 of 8 September 2022 - Amendments to IFRS 17 "Insurance Contracts: Initial application of IFRS 17 and IFRS 9 - Comparative Information" (incorporated into Regulation (EU) No 1803/2023)

The new accounting standard IFRS 17 governs the accounting treatment of insurance contracts; the standard was amended on 25 June 2020 to simplify its implementation and disclosure of financial performance, as well as to postpone the first application of IFRS 17 and make it concurrent with the adoption of IFRS 9.
Finally, on 9 December 2021, an amendment to the transition rules to IFRS 17 was also issued for entities that simultaneously apply the transition to IFRS 9.

Regulation (EU) No 357 of 2 March 2022 - Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 (incorporated into Regulation (EU) No 1803/2023)

The purpose of these amendments is to provide guidelines and examples in the application of relevance and materiality judgements to accounting policy disclosures.

Regulation (EU) No 357 of 2 March 2022 - Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (incorporated in Regulation (EU) No 1803/2023)

The purpose of the amendment is to distinguish the concepts of "accounting policies" and "accounting estimates" by introducing a definition of an accounting estimate, which was previously not provided for. This specification is relevant in view of the different accounting regime for the two cases.

Regulation (EU) No 1392 of 11 November 2022 - Amendments to IAS 12 "Deferred tax related to assets and liabilities arising from a single transaction" (incorporated into Regulation (EU) No 1803/2023)

These amendments narrow the scope of the exemption under IAS 12 for transactions that give rise to equal taxable and deductible temporary differences upon initial recognition. The amendment is particularly relevant for deferred taxes on transactions such as leasing and decommissioning obligations.

Regulation (EU) No 2468 of 8 November 2023 - Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules'"

This follows the publication by the OECD, in December 2021, of a set of rules through which a two-pillar tax model (the Pillar One and Two).
In particular, Pillar Two introduces an overall minimum tax rate of 15% in each jurisdiction where large companies operate.
The changes introduced allow for the non-recognition of deferred taxation that would result from the implementation of the Pillar Two Framework, as well as some additional disclosure requirements for the companies concerned.

It should be noted that the accounting standards, amendments and interpretations outlined above have not had any impact on the Group; in particular, it should be noted that the Banca Ifis Group does not hold insurance products and does not fall within the scope of application of the so-called "Pillar Two", affecting matters that are not relevant to the Group or certain clarifications on how to interpret aspects contained in the accounting standards and related disclosures on accounting policies.

Standards issued and endorsed but whose application starts after 31 December 2023

Below is a list of the new international accounting standards or amendments to them, already endorsed by the European Commission, which are of mandatory application, but starting from a date that falls after the reference date of these Consolidated Financial Statements. The Group does not expect any significant impact deriving from the adoption of the following interpretations and amendments of existing international accounting standards to be material:

- Lease Liabilities in a Sale and leaseback transaction (Amendments to IFRS 16) (from 1 January 2024);
- “Amendments to IAS 1 Non-current Liabilities with Covenants” (from 1 January 2024).

Standards issued but not yet approved and effective

The following are the new international accounting standards or amendments to them, not yet endorsed by the European Commission, which are mandatory from a date that falls after the reference date of these Consolidated Financial Statements. The Group does not expect any significant impact deriving from the adoption of the following interpretations and amendments of existing international accounting standards to be material:

- “IFRS 14 Regulatory deferral accounts” (application subject to the conclusion of the endorsement process, which is, at the date of this document, suspended pending the new accounting standard on “rate-regulated activities”);
- “Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture” (deferred application until completion of the IASB project on the equity method);
- "Amendments to IAS 1 Classification of liabilities as current or non-current" (from 1 January 2024);
- "Amendment to IAS 7 and IFRS 9 Supplier Finance Arrangements" (from 1 January 2024);
- "Amendment to IAS 21 Lack of Exchangeability" (from 1 January 2025).

Deadlines for the approval and publication of the Financial Statements

Pursuant to Article 154-ter of Italian Legislative Decree No. 59/98 (Consolidated Law on Finance), the Parent company must approve the Separate Financial Statements and publish the Annual Financial Report, including the draft Separate Financial Statements, the Directors' Report, and the declaration as per Article 154-bis, paragraph 5. The Board of Directors approved the Parent company’s draft separate financial statements and the consolidated financial statements on 07 March 2024; the Parent company’s separate financial statements will be submitted to the Shareholders’ Meeting to be held on 18 April 2024 at first call for approval.

A.2 - Main items of the financial statements

1 - Financial assets measured at fair value through profit or loss

Classification criteria

This category comprises financial assets other than Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost. Specifically, this line item includes:

- financial assets held for trading, essentially consisting of debt and equity securities as well as the positive amount of derivative contracts held for trading;
- financial assets designated at fair value, i.e. non-derivative financial assets designated as such on initial recognition if the relevant conditions are met. At initial recognition, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss if, and only if, doing so would eliminate or significantly reduce a measurement or recognition inconsistency.
- financial assets mandatorily measured at fair value, consisting of financial assets that are not eligible for the measurement at amortised cost or fair value through other comprehensive income based on the relevant cash flow characteristics. Specifically, this category includes:
  - debt instruments, securities and loans without cash flows that are solely payments of principal and interest consistent with a "basic lending arrangement" (so-called "SPPI test" failed);
  - UCITS units;
  - equity instruments for which the Group elects not to use the option under the standard to measure them at fair value through other comprehensive income (so-called “OCI Option”).

Derivative contracts include those embedded in complex financial instruments if the host contract is not a financial asset falling within the scope of IFRS 9, which are recognised separately if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid instrument they are part of is not measured at fair value with the relevant changes recognised in profit or loss.

Reclassifications to other categories of financial assets are allowed only if the entity changes its business model to manage the financial assets. In these cases, financial assets may be reclassified from the category measured at fair value through profit or loss to one of the other two categories under IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value corresponds to the fair value at the time of the reclassification, which is applied prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is calculated based on its fair value at the reclassification date, which is considered to be the date of initial recognition for the stage allocation for impairment purposes.

Recognition criteria

Financial assets are initially recognised at the date of settlement in the case of debt and equity securities, at the date of disbursement for loans and at inception in the case of derivative contracts. At initial recognition, financial assets are measured at fair value, which is normally equal to the price paid excluding the expenses and income directly attributable to the instrument, which are recognised in profit or loss.

Measurement criteria

Even after initial recognition, financial assets are measured at fair value, and the impact of the application of this method is recognised through profit or loss.
The fair value of the financial instruments included in this portfolio is calculated based on quoted prices in active markets, prices provided by market participants, or internal valuation models generally used for pricing financial instruments that take into account all relevant risk factors and are based on observable market data.
In the case of financial assets not quoted in an active market, the cost method is used as an approximation of fair value exclusively on a residual basis and in limited circumstances, that is if all the other previously mentioned measurement methods are not applicable.
Interest is shown under item "10. Interest receivable and similar income”.
Gains and losses from trading and valuation gains and losses from the trading portfolio, including derivatives associated with financial assets/liabilities designated at fair value, are recognised in the income statement under item “80. Net profit (loss) from trading”. The same economic effects relating to financial assets designated at fair value and those mandatorily measured at fair value are recorded under item "110. Net result of other financial assets and liabilities measured at fair value through profit or loss", under "a) financial assets and liabilities measured at fair value” and “b) other financial assets mandatorily measured at fair value”.

Derecognition criteria

Financial assets are derecognized only when the contractual rights to the cash flows expire or when the assets are disposed of if the disposal resulted in the substantial transfer of all risks and rewards associated with the assets. Should the company retain part of the relevant risks and rewards, the financial assets will continue to be recognised, even though legal ownership has been actually transferred to a third party.
Where it is not possible to ascertain the substantial transfer of the risks and rewards, financial assets are derecognised if the company no longer has control over them. Otherwise, the financial assets are recognised proportionally to the entity’s continuing involvement in the asset, measured according to the exposure to changes in the transferred assets’ value and cash flows.
Lastly, as for the transfer of collection rights, transferred financial assets are derecognised even if contractual rights to receive cash flows are maintained but an obligation to pay such flows to one or more entities is taken on.

2 - Financial assets measured at fair value through other comprehensive income

Classification criteria

This category comprises financial assets that meet both the following conditions:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (“HTC&S - Held to Collect and Sell” Business Model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest consistent with a “basic lending arrangement”, in which consideration for the time value of money and credit risk are typically the most significant elements of interest (so-called “SPPI test” passed).

In addition, this line item includes equity instruments not held for trading for which at initial recognition the entity used the option to measure them at fair value through other comprehensive income not to be reclassified to profit or loss (so-called "OCI Option").

Reclassifications to other categories of financial assets are allowed only if the entity changes its business model to manage the financial assets. In these cases, financial assets may be reclassified from the category measured at fair value through other comprehensive income to one of the other two categories under IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value corresponds to the fair value at the time of the reclassification, which is applied prospectively from the reclassification date. If the asset is reclassified from the category concerned to amortised cost, the fair value of the financial asset at the reclassification date is adjusted by the accumulated gain (loss) presented in the valuation reserve. If the asset is reclassified to fair value through profit or loss, the accumulated gain (loss) previously recognised within the valuation reserve is reclassified from equity to profit or loss.

Recognition criteria

Financial assets are initially recognised at the date of settlement in the case of debt and equity securities, whereas loans are recognised at the date they were granted. These assets are initially recognised at fair value, including transaction costs directly attributable to the instruments, if any.

Measurement criteria

After initial recognition, the assets measured at fair value through other comprehensive income that are not equity securities are measured at fair value, recognising the impact of the application of amortised cost, impairment, and any exchange rate changes through profit or loss. Gains and losses resulting from changes in fair value are recognised under a dedicated equity reserve until the financial asset is transferred: then, accrued profits and losses are reclassified to profit or loss.

The equity instruments the Group elected to classify within this category are measured at fair value, and the amounts recognised through equity (Statement of comprehensive income) are not subsequently reclassified to profit or loss - including in the event of their disposal. The relevant dividends represent the only component of the equity securities concerned that is recognised through profit or loss.

The fair value is calculated on the basis already described for financial assets measured at fair value through profit or loss.

In the case of financial assets measured at fair value through other comprehensive income that are either debt securities or receivables, at each reporting date, including interim reporting dates, the Bank assesses whether a significant increase in credit risk (impairment) has occurred pursuant to IFRS 9, recognising an impairment loss to cover the expected credit losses through profit or loss.

Conversely, equity securities are not tested for impairment.

Derecognition criteria

Derecognition of financial assets measured at fair value through comprehensive income occurs when contractual rights to cash flows expire or if the assets are sold but only if the sale has resulted in the substantial transfer of all risks and rewards associated with the assets. Should the company retain part of the relevant risks and rewards, the financial assets will continue to be recognised, even though legal ownership has been actually transferred to a third party.

Where it is not possible to ascertain the substantial transfer of the risks and rewards, financial assets are derecognised if the company no longer has control over them. Otherwise, the financial assets are recognised proportionally to the entity’s continuing involvement in the asset, measured according to the exposure to changes in the transferred assets’ value and cash flows.

Lastly, as for the transfer of collection rights, transferred financial assets are derecognised even if contractual rights to receive cash flows are maintained but an obligation to pay such flows to one or more entities is taken on.

3 - Financial assets measured at amortised cost

Classification criteria

This category includes financial assets (specifically loans and debt securities) that meet both the following conditions:

- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows ("HTC - Held to Collect" Business Model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest consistent with a “basic lending arrangement”, in which consideration

for the time value of money and credit risk are typically the most significant elements of interest (so-called "SPPI test" passed).

Specifically, if the above technical requirements are met, this line item includes:

- loans and advances to banks, with the exception of loans and advances on demand (which are classified under "Cash and cash equivalents");
- receivables due from customers, largely consisting of:
  - demand advances to customers as part of factoring operations vis-à-vis a receivables portfolio factored with recourse and still recognised in the seller's statement of financial position, or vis-à-vis receivables factored without recourse, providing no contractual clauses that eliminate the conditions for their recognition exist;
  - loans to customers deriving from mortgages or loans extended as part of corporate banking operations;
  - repurchase and reverse repurchase agreements;
  - receivables arising from finance leases;
  - salary- or pension-backed loans or payment delegations;
  - a portfolio of non-performing loans acquired from third-party operators (referred to as "POCI");
- debt securities acquired through subscription or private placement, with fixed or determinable payments, not quoted in active markets.

Reclassifications to other categories of financial assets are allowed only if the entity changes its business model to manage the financial assets. In these cases, which are expected to be very infrequent, the financial assets may be reclassified from the category measured at amortised cost to one of the other two categories under IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value corresponds to the fair value at the time of the reclassification, which is applied prospectively from the reclassification date. Gains or losses arising from the difference between the amortised cost of the financial asset and the relevant fair value are measured through profit or loss if the asset is reclassified to Financial assets measured at fair value through profit or loss or, if it is reclassified to Financial assets measured at fair value through other comprehensive income, through equity, within the specific valuation reserve.

Recognition criteria

These financial assets are initially recognised at the date of settlement in the case of debt and equity securities, whereas loans are recognised at the date they were granted. At initial recognition, the assets are measured at fair value, including transaction income or costs directly attributable to the asset. Costs meeting these characteristics, but to be reimbursed by the debtor or falling under normal internal administrative costs, are excluded.

Repurchase agreements or reverse repurchase agreements are recognised as funding or lending transactions. Specifically, repurchase agreements are recognised as payables for the amount received, while reverse repurchase agreements are recognised as receivables for the amount paid.

Measurement criteria

After initial recognition, receivables are measured at amortised cost, which is equal to the initial amount minus/plus principal repayments, impairment losses/reversals of impairment losses, and amortisation calculated using the effective interest method. The effective interest rate is calculated as the rate at which the present value of expected cash flows for the principal and interest is equal to the amount of the loan granted, including any costs/revenues directly attributable to the financial asset. This finance-based accounting method allows to spread the economic effect of costs/revenues over the expected residual life of the receivable.

The amortised cost method usually does not apply to short-term loans, as the effect would be immaterial. These are measured instead at their acquisition cost. A similar criterion applies to loans without a definite payment date or revocable loans. Furthermore, newly acquired distressed retail loans are measured at cost until the Bank has started taking action to collect the debt, as specified later on in the part concerning non-performing exposures in the Npl Segment.

At each reporting date, including interim reporting dates, the Group estimates the impairment of these assets in accordance with the impairment rules of IFRS 9.

The aforementioned assets are in fact examined with the aim of estimating the expected losses in value related to credit risk ("ECL" - "Expected Credit Losses"). These losses are recognised in the income statement under item

"130. Net credit risk losses/reversals”. If it is found that there is no reasonable expectation of recovery, the gross exposure is written off: in such a case, the gross exposure is reduced by the amount considered unrecoverable, offset by the reversal of the provision to cover expected losses and impairment losses in the income statement, for the portion not covered by the provision.
In more detail, the impairment model, as described in detail in paragraph “16 - Other Information” of this Section A.2, provides for the classification of assets into three distinct "Stages" (Stage 1, Stage 2, Stage 3), depending on the evolution of the debtor's creditworthiness, to which correspond different criteria for measuring expected losses:

- Stage 1: unimpaired (performing) financial assets for which no significant deterioration in credit risk has been observed since initial recognition or for which the credit risk is considered low. Impairment is based on an estimate of expected loss with a time horizon of one year;
- Stage 2: unimpaired (performing) financial assets that have experienced a significant deterioration in credit risk since initial recognition (SICR - “Significant Increase in Credit Risk”). Impairment is based on an estimate of the expected loss over the entire remaining life of the financial asset;
- Stage 3: impaired financial assets for which there is objective evidence of impairment and which are assessed on the basis of an estimate of the expected loss over the life of the instrument.

For performing assets, expected losses are determined according to a collective process based on certain risk parameters represented by the probability of default (PD), the loss given default (LGD) and the exposure value (EAD).
For impaired assets, impairment losses are quantified on the basis of an analytical valuation process according to homogeneous risk categories - aimed at determining the present value of expected future recoverable cash flows, discounted on the basis of the original effective interest rate.
Impaired assets include exposures that have been attributed the status of non-performing, unlikely to pay or past-due/overdrawn for more than ninety days according to the definitions established by current supervisory regulations (Bank of Italy Circular No. 272 "Accounts Matrix") and recalled by Bank of Italy Circular No. 262, as they are considered consistent with the accounting rules set forth by IFRS 9 in terms of objective evidence of impairment.
The projected cash flows also take into account expected recovery times and the presumed net realisable value of any guarantees.
The original value of the financial assets is reinstated in subsequent years if the credit quality of the exposure improves compared to that which led to the previous write-down. The write-back is recorded in the income statement under the same heading ("130. Net credit risk losses/reversals") and, in any event, may not exceed the amortised cost that the asset would have had in the absence of previous adjustments.

Purchased or Originated Credit Impaired (POCI)

“Purchased or Originated Credit Impaired (POCI) Financial Assets” means the exposures that were impaired at the date they were acquired or originated.
POCI financial assets include also the exposures acquired as part of sales (of either individual assets or portfolios) and business combinations.
As previously mentioned, interest is accounted for by applying a credit-adjusted effective interest rate, i.e. the rate that, upon initial recognition, discounts all the asset's estimated future cash receipts at amortised cost considering also lifetime expected credit losses.
The Bank regularly reviews said expected credit losses, recognising impairment losses or gains through profit or loss. Favourable changes in lifetime ECLs are recognised as an impairment gain, even if said lifetime ECLs are lower than those incorporated into cash flow estimates at initial recognition.
"Purchased or Originated Credit Impaired Financial Assets" are usually allocated to Stage 3 at initial recognition.
A subsequent improvement in the counterparty's creditworthiness, which may be reflected in the present value of cash flows, shall cause the exposure to be classified within Stage 2.
These assets shall never be allocated to Stage 1, as the expected credit loss must always be calculated over a time horizon equal to their remaining useful life, whereas IFRS 9 requires an ECL estimated over a 12-month horizon for Stage 1 assets.
The Npl Segment's receivables all qualify as POCI financial assets (POCIs are the Segment's core business) and are recognised and assessed through the following steps:

- at the time of purchase, receivables are recognised by allocating the portfolio's purchase price among the individual receivables it consists of through the following steps:

   - recognition of the individual receivables at a value equal to the contract price, which is used for the purposes of reporting to the Central Credit Register;
   - after verifying the documentation, if provided in the contract, the Bank returns the positions lacking documentation or beyond the statute of limitations to the seller, and measures the fair value of receivables which actually exist and can be collected; finally, after sending a notice of assignment to the debtor, the Bank can start taking action to collect the receivable;
   - once the collection process begins, receivables are measured at amortised cost using the effective interest rate method (the “EIR” or “TIR”);
   - the effective interest rate is calculated on the basis of the price paid, the transaction costs, if any, and the estimated cash flows and collection time calculated using either proprietary models or analytical estimates made by managers;
   - the effective interest rate as set out in the previous point is unchanged over time;
   - at the end of each year, interest income accrued on the basis of the original effective interest rate is recognised under Interest Income. Said interest is calculated as follows: Amortised Cost at the beginning of the year x IRR/365 x days in the year;
   - in addition, at the end of each financial year, the expected cash flows for each position are re-estimated;

- should events occur (higher or lower revenues realised or expected compared to forecasts and/or a change in collection times) which cause a change in the amortised cost (calculated by discounting the new cash flows at the original effective rate compared to the amortised cost in the financial year), this change is also recognised under "Credit risk losses/reversals" on the income statement.

Derecognition criteria

Financial assets measured at amortised cost are derecognised when all contractual rights over the cash flows have expired or if they are assigned but only when all relevant risks and rewards have been substantially transferred. Should the company retain part of the relevant risks and rewards, the financial assets will continue to be recognised, even though legal ownership has been actually transferred to a third party.

Where it is not possible to ascertain the substantial transfer of the risks and rewards, financial assets are derecognised if the company no longer has control over them. Otherwise, the financial assets are recognised proportionally to the entity’s continuing involvement in the asset, measured according to the exposure to changes in the transferred assets’ value and cash flows.

Finally, as for the transfer of collection rights, transferred financial assets are derecognised even if contractual rights to receive cash flows are maintained but an obligation to pay such flows to one or more entities is taken on.

Specifically in respect of non-performing exposures, they shall be derecognised when considered unrecoverable and the Group forfeits the legal right to collect. For instance, this occurs when insolvency proceedings are settled, the borrower dies without heirs, a court issues a final ruling that the debt does not exist, etc.

As for total or partial derecognitions without a forfeiture of the right to collect the receivable (i.e. “write-off”), to avoid continuing to recognise receivables that, even though they are still managed by debt collection structures, are highly unlikely to be recovered, the Group identifies the exposures to be derecognised that have all of the following characteristics:

- the receivable has been written off;
- the receivable has been classified as a bad loan for more than 5 years;
- the counterparty has filed for bankruptcy, been put into administrative liquidation (LCA), or is subject to any insolvency proceedings.

Derecognitions are directly recorded under "Net credit risk losses/reversals" to the extent of the unadjusted remaining portion, and are recognised as a reduction of the principal. Partial or complete reversals of previous impairment losses are recognised as a reduction of “Net credit risk losses/reversals”.

In some cases, throughout the life of the financial assets concerned, and specifically of receivables, the parties to the agreement subsequently agree to modify the original contractual terms. When, during the life of an instrument, the contractual terms are modified, the Group shall assess whether the original asset must continue to be recognised or, conversely, the original instrument must be derecognised and a new financial instrument recognised in its place.

Generally, modifications of a financial asset result in its derecognition and the recognition of a new asset when they are "substantial". The "substantiality" of the modification shall be assessed considering both qualitative and

quantitative factors. In some cases, it will become apparent, without conducting complex analyses, that the changes introduced substantially modify the characteristics and/or contractual cash flows of a specific asset, whereas in other cases, additional analyses (including quantitative analyses) will be required to appreciate their impact and assess whether to derecognise the asset and recognise a new financial instrument.
The (quali-quantitative) analyses aimed at defining the "substantiality" of the contractual modifications made to a financial asset shall therefore consider:

- the purposes for which the modifications were made: for instance, renegotiations for business reasons or forbearance measures due to the counterparty's financial difficulties;
- the existence of specific objective factors affecting the substantial modifications of the characteristics and/or contractual cash flows of the financial instrument (including, but not limited to, the modification of the type of counterparty risk the entity is exposed to) that are believed to require derecognising the asset because of their impact (estimated to be significant) on the original contractual cash flows.

4 - Hedge accounting

Classification criteria

With reference to hedging, the Banca Ifis Group has chosen to adopt the provisions of IFRS 9 for first-time application and not to avail itself of the option, provided by the same standard, to apply the hedge accounting rules dictated by IAS 39, in the version endorsed by the European Commission (the “carved out” version), with the exception of the specific cases provided for in IFRS 9 (par. 6.1.3) and not governed by the same standard.
Risk hedging transactions are intended to neutralise, from an accounting point of view, potential recognisable losses on a particular financial instrument or group of financial instruments, attributable to a particular risk, by means of recognisable gains on a different financial instrument or group of financial instruments should that particular risk actually arise.
Only instruments involving a counterparty outside the Group can be designated as hedging instruments.
The only type of hedge used by the Group at 31 December 2023 is the specific fair value hedge ("micro" fair value hedge), which is intended to hedge the exposure to changes in the fair value of a balance sheet asset or liability attributable to a particular risk and, in particular, from changes in interest rates.
A derivative instrument may be considered to be a hedging instrument if there is formalised documentation of the unique relationship to the hedged item and if it is effective at the time the hedge commences and, prospectively, over the life of the hedge.
At the start of the hedging relationship there must be a formal designation and documentation of the hedging relationship, the company's risk management objectives, and the hedging strategy. This documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how to assess the effectiveness of the hedging instrument in offsetting the exposure to changes in the fair value of the hedged item.

Recognition criteria

Derivative hedging instruments are recognised at fair value, on the date the relevant contracts are entered into, and are classified as assets under item "50. Hedging derivatives" or on the liabilities side of the balance sheet under item "40. Hedging derivatives” depending on whether the value is positive or negative.

Measurement criteria

After initial recognition, hedging derivatives continue to be measured at fair value. Specifically, in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is recognised through the recognition in the income statement of changes in value, referring both to the hedged item (as regards changes produced by the underlying risk factor) and to the hedging instrument. Any difference, representing the partial ineffectiveness of the hedge, consequently constitutes the net economic effect.
The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged instrument are offset by those of the hedging instrument. Therefore, effectiveness is appreciated by comparing the above-mentioned variations, taking into account the intent pursued at the time the hedge was implemented. Effectiveness occurs when changes in the fair value of the hedging financial instrument almost entirely neutralise changes in the hedged instrument for the hedged risk element.

Effectiveness is assessed at each balance sheet or interim reporting date using prospective tests, which justify the application of hedge accounting by demonstrating the expected effectiveness based on limits defined internally by the Group.
If the tests do not confirm the effectiveness of the hedge, hedge accounting is discontinued, the hedging derivative contract is reclassified as a trading instrument and the hedged financial instrument regains the valuation criterion corresponding to its balance sheet classification. If the hedged asset or liability is measured at amortised cost, the higher or lower value resulting from the measurement of the hedged asset or liability at fair value due to the hedge becoming ineffective is recognised in the income statement using the effective interest rate method.
In addition, the accounting for outstanding fair value hedges ceases prospectively in the following cases:

- the hedging instrument matures, is terminated or exercised;
- the hedged item is sold, expires or is refunded;
- the decision is made to revoke the designation.

5 - Equity investments

Classification criteria

This item includes interests held in associates or jointly controlled companies, which are accounted for using the equity method.
Associated companies are considered to be non-controlled companies in which significant influence is exercised. Significant influence is presumed to be exercised in all cases where the company holds 20% or more of the voting rights (including “potential” voting rights) and, irrespective of the share held, where there is the power to participate in the management and financial decisions of the investee companies by virtue of particular legal ties, such as shareholders' agreements, the purpose of which is for the participants in the agreement to ensure representativeness in the management bodies and to safeguard the unity of management direction, without however having control.

Recognition criteria

The initial recognition of financial assets classified in this category takes place on the settlement date at cost, including any goodwill paid at the time of acquisition, which is therefore not subject to separate, independent recognition.

Measurement criteria

Equity investments are measured using the equity method. This method requires that the initial carrying amount is subsequently increased or decreased to recognise the Group's share of the profits and losses of the investees realised after the acquisition date. Dividends received from an investee are deducted from the carrying amount of the investment.
If it is necessary to make value adjustments arising from changes in the investee company's equity that it did not recognise in the income statement (e.g., changes arising from the fair value measurement of "Financial assets measured at fair value through other comprehensive income", the measurement of actuarial gains/losses of defined benefit plans), the Group's share of these changes is recognised directly in equity item "120. Valuation reserves”.
In applying the equity method, the most recent available financial statements of the associate/jointly controlled entity are used, appropriately adjusted for any significant events or transactions that occurred between the last available financial statements of the investee and the reference date of the Consolidated Financial Statements. If the investee company uses accounting principles that differ from those used by the Group, changes are made to the financial statements of the investee.
If there is objective evidence that an equity investment may be impaired, the entity shall estimate its recoverable amount, taking into account the present value of the future cash flows that it could generate, including from its ultimate disposal. If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss.
If the reasons for the impairment no longer exist as a result of an event that occurred after the recognition of the impairment loss, this is reversed through profit or loss.

Derecognition criteria

Equity investments are derecognised when there is a sale that transfers substantially all the risks and rewards associated with them.
In the presence of a situation that results in the loss of significant influence or joint control, any remaining equity investment is reclassified to the financial asset portfolios required by IFRS 9.

6 - Property, plant and equipment

Classification criteria

The item includes property, plant and equipment held for investment purpose in accordance with IAS 40 as well as those for functional use in accordance with IAS 16.
All property (either fully owned or leased) held by the company for the purposes of obtaining rent and/or a capital gain fall under investment property.
More specifically, property, plant and equipment for functional use include:

- land;
- buildings;
- furniture and accessories;
- electronic office machines;
- various machines and equipment;
- vehicles;
- leasehold improvements on third-party property.

Those are physical assets held for use in production, in providing goods and services or for administrative purposes, and that are expected to be used for more than one fiscal year.
This item also includes the rights of use acquired through leases and relating to the use of property, plant and equipment.
Under IFRS 16, a lease is a contract, or part of a contract, that, in exchange for a fee, transfers the right to use an asset (the underlying asset) for a period of time.
Finally, the item includes leasehold improvements on third-party property and expenses relating to identifiable and separable asset. Normally, this kind of investment is sustained in order to make a property rented from third parties suitable for use.

Recognition criteria

Property, plant and equipment are initially recognised at cost, including all directly attributable costs connected to the acquisition or to bring the asset into use.
Subsequently incurred expenses are added to the carrying amount of the asset, or recognised as separate assets, if they are likely to yield future economic benefits exceeding those initially estimated and if the cost can be measured reliably; otherwise, they are recognised in profit or loss.
For tangible assets represented by rights of use in accordance with IFRS 16, the initial recognition value corresponds to the sum of the lease liability (present value of future lease payments to be paid over the lease term), lease payments made prior to or on the effective date of the lease, initial direct costs, and any costs for dismantling or restoring the asset underlying the lease.

Measurement criteria

Property, plant and equipment and investment property are measured at cost, net of any depreciation or impairment losses.
Property, plant and equipment with a finite useful life are systematically depreciated on a straight-line basis over their useful life, with the exception of that described below.
Property, plant and equipment with an indefinite useful life, whose residual value is equal to or higher than their carrying amount, are not depreciated.
For accounting purposes, land and buildings are treated separately, even when acquired together. Land is not depreciated, as it has an indefinite useful life. Where the value of land is included in the value of a building, the former is considered separately by applying the component approach. The separate values of the land and the building are calculated by independent experts in this field and only for entirely owned properties.

The useful life, residual amounts and depreciation methods of property, plant and equipment are reviewed at the closure of each year and, if expectations are not in line with previous estimates, the depreciation rate for the current year and subsequent ones is adjusted.
If there is objective evidence that an individual asset may be impaired, the asset's carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, intended as the present value of future cash flows expected to arise from this asset. Any impairment loss is recognised in profit or loss.
When an impairment loss is reversed, the new carrying amount cannot exceed the net carrying amount that would have been measured if no impairment loss had been recognised on the asset in previous years.
The usually estimated useful lives are the following:

- buildings: not exceeding 34 years;
- furniture: not exceeding 7 years;
- electronic systems: not exceeding 5 years;
- other: not exceeding 5 years;
- improvements on third party property/leasehold improvements: not exceeding 5 years.

With reference to the asset consisting of the right of use, recorded pursuant to IFRS 16, it is measured using the cost model in accordance with IAS 16 Property, plant and equipment; in this case, the asset is subsequently depreciated on a straight-line basis over the term of the lease contract and subject to an impairment test if impairment indicators emerge.

Derecognition criteria

Property, plant and equipment are derecognised from the statement of financial position on disposal or when they are withdrawn from use and no future economic benefits are expected from their disposal. Any profit/loss that arises at the time the asset is derecognised (calculated as the difference between the net carrying amount of the asset and the amount received) is recognised in the Income Statement when the item is derecognised.
The right of use deriving from lease contracts is derecognised from the statement of financial position at the end of the lease.

7 - Intangible assets

Classification criteria

Intangible assets are non-monetary assets, identifiable even though they lack physical substance, that meet the requirements of identifiability, control over a resource and existence of future economic benefits. Intangible assets mainly include goodwill and software.

Recognition criteria

Intangible assets initially are recognised in the statement of financial position at cost, i.e. the purchase price and any direct cost incurred in preparing the asset for use.
In particular, costs incurred internally for the development of software projects constitute intangible assets and are only capitalised if all of the following conditions are met:

- the cost attributable to the development activity can be reliably determined;
- there is the intention, the availability of financial resources and the technical capacity to make the asset ready for use or sale;
- it can be demonstrated that the asset is able to produce future economic benefits. Capitalised software development costs include only those expenses incurred that can be directly attributed to the development process.

Measurement criteria

Subsequent to initial recognition, intangible assets with a finite useful life are recognised at cost less amortisation determined on the basis of their estimated useful life.
If there is objective evidence that a single asset may be impaired, the asset's carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, intended as the present value of future cash flows expected to arise from this asset. Any impairment loss is recognised in profit or loss.

Intangible assets with an indefinite useful life, including goodwill, are recorded at cost less any impairment losses incurred. These assets are not depreciated, but only periodically checked for impairment with respect to the carrying amount.
At each year-end or interim reporting date, if there is evidence of impairment, an estimate of the asset's recoverable amount is made. The amount of the loss, recognised in the income statement, is equal to the difference between the asset's carrying amount and its recoverable amount.
With regard to goodwill, the adequacy of the carrying amount is periodically verified. In particular, whenever there is evidence of impairment, and in any case at least once a year, an impairment test is conducted. For this purpose, the cash-generating unit to which goodwill is to be allocated is identified. This unit represents the minimum level at which goodwill is monitored for internal management purposes and must not be greater than the operating Segment determined in accordance with IFRS 8.
The amount of the impairment, if any, is determined on the basis of the difference between the carrying amount of goodwill and its recovery value, if lower. This recoverable amount is equal to the higher of the fair value of the cash-generating unit, net of any costs to sell, and its value in use. Value in use is the present value of the future cash flows expected from the generating units to which goodwill has been allocated. The resulting value adjustments are recorded in the income statement under item "270. Value adjustments of goodwill”. No subsequent write-back is permitted.

Derecognition criteria

An intangible asset is derecognised from the statement of financial position on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

8 - Non-current assets and disposal groups

Non-current assets or groups of assets/liabilities for which a process of disposal has begun and their sale is considered highly probable are classified under the item of the assets “Non-current assets and disposal groups” and the item of the liabilities “Liabilities associated with assets held for sale”. With the exception of certain types of assets (e.g. financial assets coming under the scope of application of IFRS 9), for which IFRS 5 specifically establishes that the measurement criteria of the relevant accounting standard must be applied, these assets/liabilities are otherwise measured at the lower of carrying amount and their fair value net of selling costs.
Income and expenses (net of the tax effect) attributable to asset disposal groups held for sale or recognized as such during the year, are presented in the income statement in a separate item.

9 - Current and deferred taxes

Classification criteria

The items include current and deferred tax assets and current and deferred tax liabilities related to income taxes, respectively.
Current and deferred taxes, calculated in compliance with national tax laws, are recognised in profit or loss with the exception of items directly credited or debited to equity.
Current tax liabilities are shown in the statement of financial position gross of the relevant tax advances paid.
Deferred tax assets and liabilities are recognised in the statement of financial position at pre-closing balances and without set-offs, and are included in the items “Tax assets” and “Tax liabilities”, respectively, except when there is a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which deferred tax liabilities or assets are expected to be settled or recovered.
Under the existing tax consolidation arrangements between the Group companies, the current corporate income tax (IRES) expense for the year is included in either Other assets or Other liabilities as receivables due from/payables due to the consolidating company, La Scogliera, in accordance with tax legislation.

Recognition and measurement criteria

Deferred tax assets and liabilities are calculated based on temporary differences—without time limits—between the value attributed to the asset or liability according to statutory criteria and the corresponding tax base, applying

the tax rates expected to be applicable for the year in which the tax asset will be realised, or the tax liability will be settled, according to theoretical tax laws in force at the realisation date.
Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- when the timing of the reversal of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that they can be recovered, based on the ability of the company concerned or the Parent company, as a result of the "tax consolidation" option, to continue to generate taxable profit, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

10 - Provisions for risks and charges

Classification criteria

Provisions for risks and charges in respect of commitments and guarantees granted

The sub-item of provisions for risks and charges under review includes the provisions for credit risk set aside for loan commitments and the other guarantees granted that fall within the scope of the impairment rules in IFRS 9. As a general rule, in this case the Bank adopts the same methods for allocating items to three credit risk stages and calculating expected credit losses as the ones described for financial assets measured at amortised cost or at fair value through other comprehensive income.
The aggregate item therefore also includes the provisions for risks and charges set aside for other types of commitments and guarantees granted that, because of their specific characteristics, they do not fall within the scope of the impairment rules in IFRS 9.

Provisions for pensions and similar obligations

Pension funds are established in implementation of company agreements and qualify as defined benefit plans under IAS 19. The liability relating to these plans and the related current service cost are determined on the basis of actuarial assumptions by applying the “Projected Unit Credit Method”, which involves projecting future outflows on the basis of historical statistical analyses and the demographic curve, and discounting these flows on the basis of a market interest rate. The contributions paid in each reporting period are treated as separate units, which are recognised and valued individually for the purpose of determining the final obligation. The rate used for discounting is determined on the basis of the market yields recorded on the valuation dates of bonds of leading companies, taking into account the average residual life of the liability. The present value of the obligation at the balance sheet date is also adjusted for the fair value of any plan assets.
Actuarial gains and losses (i.e. changes in the present value of the obligation resulting from changes in actuarial assumptions and adjustments based on past experience) are recognised in the statement of comprehensive income.

Other provisions

Other reserves for risks and charges include provisions for legal or employment-related obligations or disputes, including tax disputes, arising from a past event for which it is probable that economic resources will be disbursed to fulfil the obligations, provided a reliable estimate of the amount can be made.

Criteria for measurement and recognition of income components

Provisions for risks and charges consist of liabilities of uncertain amount or maturity and are recognised in the balance sheet if:

- a legal or constructive obligation exists as a result of a past event;
- it is likely that it will be necessary to use resources which could generate economic benefits to settle the obligation;
- the amount of the likely future outlay can be reliably estimated.

The amount recognised as a provision represents the best estimate of the financial outlay required to settle the obligation at the reporting date and reflects the risks and uncertainties inherent in the facts and circumstances examined. Where the time element is significant, provisions are discounted using current market rates. The provision and the effect of discounting are recognised in the income statement under item "200. Net allocations to provisions for risks and charges", as well as the increase in the provision due to the passage of time.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. When the use of resources, capable of producing economic benefits to meet the obligation, becomes improbable, the provision is reversed.

In addition, each fund is only used to meet those outgoings for which it was originally established.

If it is not considered probable that financial resources will be required to be disbursed to fulfil the obligation, no provision need be recognised in the financial statements; in such a case, adequate disclosure of the possible risk of loss is required in the notes to the financial statements, unless the likelihood of using resources is considered remote or the phenomenon is not material.

11 - Financial liabilities measured at amortised cost.

Classification criteria

The item includes payables due to banks and customers and debt securities issued and is made up of the various forms of interbank funding, as well as funding from customers and through outstanding bonds, net of any buybacks.

Also included are debts entered into by the lessee under finance leases, as well as repurchase and reverse repurchase agreements for deposits and securities lent with receipt of cash collateral at the lender's full disposal. Finally, operating debts related to the provision of financial services as defined in the Consolidated Banking Act and the Consolidated Finance Act are included.

Recognition criteria

The initial recognition of these liabilities occurs upon receipt of the amounts collected or settlement of the debt securities issued and is made on the basis of the relative fair value, which is normally equal to the amount collected or the issue price, increased by any additional costs/income directly attributable to the individual funding or issuance transaction and not reimbursed by the creditor counterparty.

Repurchase agreements with a repurchase obligation are recorded in the balance sheet as funding transactions for the amount collected in the spot market.

Lease payables are recognised on the basis of the present value of future instalments still to be paid over the contractual term discounted at the interest rate implicit in the transaction or, if not determinable, the marginal financing rate.

Measurement criteria

After initial recognition at fair value, these instruments are later measured at amortised cost, using the effective interest method.

The amortised cost method does not apply to short-term liabilities, as the effect of discounting would be insignificant.

Lease payables are revalued when there is a lease modification (i.e., a change in the perimeter of the contract), which is not accounted for/considered as a separate contract.

Derecognition criteria

Financial liabilities are derecognised when they are annulled, expired, extinguished or settled. The difference between the carrying amount and the acquisition cost is recognised in profit or loss.
Liabilities are derecognised also when previously issued securities are bought back, even if such instruments will be sold again in the future. Gains and losses from such derecognition are recognised in profit or loss when the buyback price is higher or lower than the carrying amount.
Subsequent sales of the company's own bonds on the market are considered as an issuance of new debt.

12 - Financial liabilities held for trading

Classification criteria

This item includes:

- financial liabilities issued with the intention of repurchasing them in the short term;
- liabilities that are part of a portfolio of financial instruments that are jointly managed and for which there is a proven strategy to achieve profits in the short term;
- derivative contracts with a negative fair value and not designated as hedging instruments, including those linked to assets/liabilities designated at fair value through profit or loss.

Recognition criteria

Financial liabilities held for trading are initially recognised at the date of settlement in the case of liabilities for cash, and at inception in the case of derivative contracts.
Initial recognition is made on the basis of the fair value of the liability, normally equal to the amount collected, without considering transaction costs or income directly attributable to the instrument itself, which are charged directly to the income statement.

Measurement criteria

Even after initial recognition, financial liabilities held for trading are measured at fair value at the period closure, and the impact of the application of this method is measured through profit or loss. The fair value is calculated based on the same criteria as those used for financial assets held for trading.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liabilities are transferred with the transfer of substantially all risks and rewards of ownership.

13 - Financial liabilities designated at fair value

It should be noted that the Group does not engage in such operations.

14 - Foreign currency transactions

Initial recognition

At initial recognition, foreign currency transactions are recognised in the money of account, applying the exchange rate at the date of the transaction.

Subsequent recognitions

At each reporting date, foreign currency monetary assets and liabilities are translated using the closing exchange rate.
Non-monetary assets and liabilities recognised at historical cost are translated at the historical exchange rate, while those measured at fair value are translated using the period-end rate. Any exchange differences arising from the settlement of monetary elements or their translation at exchange rates different from those used at initial recognition or in previous financial statements are recognised in profit or loss in the period in which they arise, excluding those relating to financial assets measured at fair value through other comprehensive income, as they are recognised in equity.

15 - Insurance assets and liabilities

It should be noted that the Group does not engage in such operations.

16 - Other information

Cash and cash equivalents

This item comprises legal tender, including foreign banknotes and divisional currencies, current accounts and "sight" deposits with central banks, with the exception of compulsory reserves, as well as "sight" claims on banks. The latter definition includes availability that can be withdrawn at any time without notice or with 24 hours or one working day's notice.

The item is recorded at face value. For foreign currencies, the face value is converted into Euro at the closing exchange rate at the end of the financial year.

Other assets

This item includes assets that cannot be allocated to other balance sheet asset items. The item may include but is not limited to:

- gold, silver and precious metals;
- accrued income other than that to be capitalised on the relevant financial assets, including that arising from contracts with customers in accordance with IFRS 15;
- receivables related to the provision of non-financial goods or services;
- tax credits related to the "Cura Italia" and "Relaunch" Decree-Laws;
- tax debit items other than those recorded under item "110. Tax assets”.

Any remaining balances (of "debit balance") of travelling and suspended items not allocated to the relevant accounts may also be included, provided they are of an insignificant amount overall.

Other liabilities

This item includes liabilities that cannot be allocated to the other liability items in the balance sheet.

This item includes but is not limited to:

- payment agreements that IFRS 2 requires to be classified as payables;
- debts connected with the payment of non-financial goods and services;
- accrued expenses other than those to be capitalised on the relevant financial liabilities, including those arising from contracts with customers in accordance with IFRS 15;
- miscellaneous tax credit items other than those recorded under item "60. Tax liabilities” related, for example, to the activity of a tax substitute.

Severance indemnity and other employee benefits

According to IAS 19, employee benefits include all types of remuneration provided in exchange for the work performed by employees or by virtue of the termination of the employment relationship, which can be broken down into:

- short-term benefits (other than termination benefits) that are expected to be settled within 12 months after the end of the financial year in which the employees were employed;
- post-employment benefits such as the severance indemnity;
- termination benefits due to employees following the company's decision to terminate employment before the retirement date;
- long-term benefits (other than termination benefits) that are expected to be settled over a period of more than 12 months after the end of the financial year in which the employees were employed.

Pursuant to IAS 19 “Employee benefits” and up to 31 December 2006, the so-called “TFR” (severance indemnity), post-employment benefit for employees of the Group's Italian companies, was classified as a “defined benefit plan”. It therefore had to recognise this benefit by discounting it using the projected unit credit method.

Following the coming into force of the 2007 Budget Law, which brought the reform regarding supplementary pension plans - as per Italian Legislative Decree No. 252 of 5 December 2005 - forward to 1 January 2007, the employee was given a choice as to whether to allocate the post-employment benefits earned as from 1 January 2007 to supplementary pension funds or to maintain them in the company, which would then transfer it to a dedicated fund managed by INPS (the Italian National Social Security Institute).

This reform has led to changes in the accounting of post-employment benefits (severance indemnity) as for both the benefits earned up to 31 December 2006 and those earned from 1 January 2007.
In particular:

- post-employment benefits earned as from 1 January 2007 constitute a "defined-contribution plan", regardless of whether the employee has chosen to allocate them to a supplementary pension fund or to INPS's Treasury Fund. Those benefits shall be calculated according to contributions due without applying actuarial methods;
- post-employment benefits earned up to 31 December 2006 continue to be considered as a “defined-benefit plan”, and as such are calculated on an actuarial basis which, however, unlike the calculation method applied until 31 December 2006, no longer requires that the benefits be proportionally attributed to the period of service rendered. This is because the employee’s service is considered entirely accrued due to the change in the accounting nature of benefits earned as from 1 January 2007.

Actuarial gains/losses shall be included immediately in the calculation of the net obligations to employees through equity, to be reported in other comprehensive income.

Share-based payments

They are payments granted to employees or similar parties as remuneration for the services received that are settled in equity instruments.
The relevant international accounting standard is IFRS 2 – Share-based payments; specifically, since the Group is to settle the obligation for the service received in equity instruments (shares “to the value of”, i.e. a given amount is converted into a variable number of shares based on the fair value at grant date), those payments fall under “equity-settled share-based payments”. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.
That cost is recognised in employee benefits expense together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The cost or revenue in the income statement represents the movement in cumulative expense recognised at the beginning and end of that year.

Treasury shares

Pursuant to regulations in force in Italy, buying back treasury shares requires a specific resolution of the shareholders' meeting and the recognition of a specific reserve in equity. Treasury shares in the portfolio are deducted from equity and measured at cost, calculated using the “Fifo” method. Differences between the purchase price and the selling price deriving from trading in these shares during the reference year are recognised under equity reserves.

Recognition of revenues and costs

Revenues

Revenues are gross streams of economic benefits flowing to the entity as consideration for the obligation to transfer to the customer a wide range of goods and services in the ordinary course of business.
Under IFRS 15, an entity must recognise revenue based on the consideration expected to be received for goods and services provided in the ordinary course of business. In detail, the recognition of revenue must take place on the basis of the following five steps:

- identification of a contract, defined as an agreement of commercial substance between two or more parties capable of generating rights and obligations;
- identification of the individual obligations ("performance obligations") contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the stand-alone selling price of the individual obligation;
- recognition of the revenue allocated to the individual obligation when it is settled, i.e. when the customer obtains control of the goods and services. This recognition takes into account the fact that certain services may be rendered at a specific time or over a period of time.

Revenue arising from contractual obligations with customers is recognised in profit or loss when it is probable that the entity will receive the consideration to which it is entitled in exchange for the goods or services transferred to the customer. This consideration must be allocated to the individual obligations under the contract and must be recognised as income in the income statement according to the timing of performance of the obligation. In detail, revenues may be recognised in the income statement:

- at a point in time, when the entity performs the obligation to do by transferring the promised good or service to the customer, or
- over time, as the entity performs the obligation to do by transferring the promised good or service to the customer.

The obligation to perform is considered to have been performed when the customer acquires control of the transferred good or service.
The consideration promised in the contract with the customer may include fixed amounts, variable amounts, or both. In detail, the contract price may vary as a result of reductions, discounts, rebates, incentives, performance bonuses or other similar elements. The variability of the consideration may also depend on the occurrence or non-occurrence of a future event. In the case of variable consideration, revenue is recognised in the income statement if it can be reliably estimated and only if it is highly probable that all or a significant portion of the consideration will not subsequently be reversed from the income statement.
When an entity receives consideration from a customer that it expects to refund to the customer, in whole or in part, against the revenue recognised in the income statement, it is necessary to recognise a liability, to be estimated based on expected future refunds (termed a “refund liability”). The estimate of this liability is updated at each balance sheet or interim reporting date and is based on the portion of the consideration that the entity expects not to be entitled to.

Costs

Costs related to obtaining and fulfilling contracts with customers are recognised in the income statement in the periods in which the corresponding revenues are recognised; costs that do not have a direct association with revenues are immediately recognised in the income statement.

Dividends

Dividends are recognised through profit or loss in the year in which the resolution concerning their distribution is passed.

Impairment of financial instruments

Under IFRS 9, the relevant impairment provisions apply to financial assets measured at amortised cost, financial assets measured 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.

For further details, please refer to paragraph "2.3 Measurement of expected losses" in "Section 2 - Prudential consolidation risks" of "Part E - Information on risks and related hedging policies" of the Notes to the Consolidated Financial Statements.

Offsetting of financial instruments

Pursuant to IAS 32, paragraph 42, financial assets and financial liabilities are netted and shown for the net balance if the entity:

- has a legal right to effect such set-off, which is currently exercisable in all circumstances, whether in the ordinary course of business or in default, insolvency or bankruptcy of the parties;
- intends to settle transactions on a net settlement basis or on a gross settlement basis whose substantive effects are equivalent to a net settlement.

Business combinations

Business combinations are subject to the rules of IFRS 3.

The transfer of control of a business (or an integrated set of activities and assets operated and managed together) constitutes a business combination.

To this end, control is considered transferred when the investor is exposed or entitled to variable returns from its involvement with the investee and, at the same time, has the ability to affect those returns through its power over the entity.

IFRS 3 demands that an acquirer be identified for all business combinations. This is defined as the entity that acquires control over another entity or group of assets. If it is not possible to identify a controlling entity on the basis of the above definition of control, such as, for example, may be the case in exchanges of equity interests, the acquirer shall be identified using factors such as: the entity whose fair value is significantly greater, the entity that pays a cash consideration or the entity that issues new equity interests.

The acquisition, and therefore, the initial consolidation of the acquiree, must be recognised on the date on which the acquirer effectively acquires control over the company or assets acquired. When the transaction takes the form of a single transfer, the transfer date normally coincides with the acquisition date. However, it is important to check for the possible presence of agreements between the parties that may result in the effective transfer of control before the date of the exchange.

The consideration paid as part of a business combination must be calculated as the sum of the fair value, at the date of the exchange, of the assets acquired, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control.

In transactions involving payment in cash (or when payment is made using cash-equivalent financial instruments), the price is the agreed consideration, discounted if payment is to be made in instalments over the medium or long-term. If payment is made using an instrument other than cash, such as through the issue of equity instruments, the price is equal to the fair value of the means of payment, net of the costs directly attributable to the capital issue. For the methods used to determine the fair value of financial instruments, please refer to paragraph "A.4 - Fair value disclosure", with the caveat that, in the presence of shares listed on active markets, the fair value is represented by the stock market price on the date of acquisition or, in the absence thereof, by the last available price.

Adjustments subject to future events are included in the consideration of the business combination at the acquisition date, if provided for in the agreements and only if probable, able to be reliably determined and realised within twelve months of the date on which control is acquired. Instead, indemnities for a reduction of the value of the assets used are not considered insofar as they are already taken into account, either in the fair value of the equity instruments or as a reduction of the premium or increase in the discount on the initial issue (for debt instruments).

Acquisition-related costs are the costs the acquirer incurs to effectively implement a business combination. By way of example, these may include professional fees paid to auditors, experts, legal consultants, costs for appraisals and the auditing of accounts, preparation of information documents required by regulations, as well as finder's fees paid to identify potential targets to be acquired if it is contractually established that the payment is made only in the event of a successful completion of the combination, as well as the costs of registering and issuing debt and equity securities.

With the exception of the costs of issuing debt or equity securities (which shall be recognised in accordance with IAS 32), the acquirer shall recognise acquisition-related costs in the periods in which these costs are incurred and the services are received.

Business combinations are accounted for using the "acquisition method", under which the identifiable assets acquired (including any intangible assets not previously recognised by the acquiree) and the identifiable liabilities assumed (including contingent liabilities) are recognised at their respective fair values at the acquisition date.

In addition, as expressly envisaged by IFRS 3, for each business combination, any non-controlling interests in the acquiree can be recognised at fair value (with a consequent increase in the consideration transferred) or proportionally to the non-controlling stake in the identifiable net assets of the acquiree.

If control is acquired in stages, the acquirer shall measure its previously held equity interest in the acquiree at its acquisition date at fair value; it shall recognise any difference compared to the previous carrying amount through profit or loss.

The surplus amount of the consideration transferred (i.e. the fair value of the assets transferred, the liabilities incurred or the equity instruments issued by the acquirer), the amount of any non-controlling interests (determined as described above) and the fair value of interests previously held by the acquirer, exceeding the fair value of the assets and liabilities acquired, shall be recognised as goodwill. Conversely, if the latter should exceed the sum of the consideration, non-controlling interests and fair value of previously held interests, the difference shall be recognised through profit or loss.

Business combinations may be accounted for provisionally by the end of the financial year in which they are performed with final balance calculated and booked within twelve months of the acquisition date.

Pursuant to IFRS 10, the acquisition of additional stakes in entities that are already controlled are considered equity transactions, i.e. transactions with shareholders acting in this same capacity. Therefore, differences between the acquisition costs and the book value of non-controlling interests acquired are recorded under Group shareholders' equity; similarly, sales of non-controlling interests without loss of control do not generate gains/losses recognised in profit or loss but rather are recognised as changes in Group equity.

Transactions implemented to obtain control over one or more entities that do not constitute a business or to obtain temporary control are not business combinations. Equally, transactions carried out for reorganisation purposes, between two or more companies or activities that already belong to the Group and not involving a change in the control structure regardless of the percentage of third-party rights before and after the transaction, are also not business combinations; these may be referred to as combinations of entities under common control. Such transactions are considered as having no economic substance. Accordingly, in the absence of an IAS/IFRS specifically applicable to the transaction and in compliance with the assumptions of IAS 8, which requires that – in the absence of a specific standard – an entity shall use its judgement in applying an accounting standard that produces relevant, reliable and prudent information able to reflect the economic substance of the transaction, such transactions are accounted for by retaining the values of the acquiree in the financial statements of the acquirer.

Mergers are the most complete form of business combination, as they entail the legal and financial merging of the entities participating in the transaction.

Whether they involve the formation of a new legal entity (merger of equals) or the absorption of one entity by another existing entity, mergers are treated in accordance with the criteria set out above. Specifically:

- if the transaction involves the transfer of control of an entity, it is treated as a business combination pursuant to IFRS 3;
- if the transaction does not involve the transfer of control, it is accounted for by retaining the carrying values.

A.3 - Disclosure of transfers of financial assets between portfolios

No financial assets were transferred between portfolios during 2023.

A.4 - Fair value disclosure

Qualitative disclosure

Fair value is the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date, under current market conditions (i.e. the exit price), regardless of the fact that said price is directly observable or that another measurement approach is used.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

IFRS 13 establishes a fair value hierarchy based on the extent to which inputs to valuation techniques used to measure the underlying assets/liabilities are observable. Specifically, the hierarchy consists of three Levels.

- Level 1: the instrument's fair value is measured based on (unadjusted) quoted prices in active markets.

- Level 2: the instrument's fair value is measured based on valuation models using inputs observable in active markets, such as:
  - quoted prices for similar assets or liabilities;
  - quoted prices for identical or similar assets or liabilities in non-active markets;
  - observable inputs such as interest rates or yield curves, implied volatility, default rates and illiquidity factors;
  - inputs that are not observable but supported and confirmed by market data.
- Level 3: the instrument's fair value is measured based on valuation models using mainly inputs that are unobservable in active markets.

Each financial asset or liability of the Group is categorised in one of the above Levels, and the relevant measurements may be recurring or non-recurring (see IFRS 13, paragraph 93, letter a). The fair value measurement is categorised in its entirety in the same Level of the fair value hierarchy as the lowest Level input.
The choice among the valuation techniques is not optional, since these shall be applied in a hierarchical order: indeed, the fair value hierarchy gives the highest priority to (unadjusted) quoted prices available in active markets for identical assets or liabilities (Level 1 data) and the lowest priority to unobservable inputs (Level 3 data).
Measurement techniques used to measure fair value are applied consistently on an on-going basis, as described below.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

In the absence of quoted prices in an active market, the fair value measurement of a financial instrument is performed using valuation techniques maximising the use of inputs observable on the market.
The use of a valuation technique is intended to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. In this case, the fair value measurement may be categorised in Level 2 or Level 3, according to what extent inputs to the pricing model are observable.
In the absence of observable prices in an active market for the financial asset or liability to be measured, the fair value of the financial instruments is measured using the so-called comparable approach (Level 2), requiring valuation models based on market inputs.
In this case, the valuation is not based on the quoted prices of the financial instrument being measured (identical asset), but on prices, credit spreads or other factors derived from the official quoted prices of instruments that are substantially similar in terms of risk factors and duration/return, using a given calculation method (pricing model).
In the absence of quoted prices in an active market for a similar instrument, or should the characteristics of the instrument to be measured not allow to apply models using inputs observable in active markets, it is necessary to use valuation models assuming the use of inputs that are not directly observable in the market and, therefore, requiring to make estimates and assumptions (non observable input - Level 3). In these cases, the financial instrument is measured using a given calculation method that is based on specific assumptions regarding:

- the trend in future cash flows, possibly contingent on future events whose probability of occurring can be derived from historical experience or based on behavioural assumptions;
- the Level of specific inputs not quoted on active markets:for the purposes of estimating them, information acquired from prices and spreads observed on the market shall have a higher priority. If these are not available, entities shall use historical data about the specific underlying risk factor or specialist research on the matter (e.g. reports by ratings agencies or primary market players).

In the cases described above, consideration is always given to the value of potentially making valuation adjustments taking into account the risk premiums that operators typically consider in pricing instruments. If not explicitly considered in the valuation model, valuation adjustments may include:

- model adjustment: adjustments that take into account any deficiencies in the valuation models highlighted during calibration;
- liquidity adjustment: adjustments that take into account the bid-ask spread if the model calculates a mid-price;
- credit risk adjustment: adjustments related to the counterparty or own credit risk;
- other risk adjustment: adjustments related to a risk premium "priced" in the market (e.g. relating to the complexity of valuation of an instrument).

With regard to fair value measurement, the Group adopts various methodologies, depending on the specific characteristics of the products being valued.

To measure receivables that must be measured at fair value, the method used is the Discounted Cash Flow (DCF) Model to receivables mandatorily measured at fair value, discounting the expected cash flows from each loan at a market rate determined by taking into account the risk free rate (r_f) for similar maturities, the Cost of Funding (COF), the counterparty's credit risk, and the capital absorption cost.
For the measurement of unlisted equities, mainly income and financial models are used, in particular the method defined as 'Market Multiples of Comparable Companies' to which a control method such as the 'Discounted Cash Flow Model' or the 'Comparable Transactions Method' is compared. The latter method is applied to transactions that have similar economic and asset characteristics to the one being valued and adjusted for the economic and asset magnitudes of the asset being valued.
In general, where the purchase of the equity security or loan measured at fair value in the last year and market conditions have not changed significantly since the date of purchase, the purchase value is retained in the balance sheet. Factors taken into consideration that are indicative of a purchase price that is not representative of fair value include deviations of the asset's performance from forecasts and changes in the market scenario or context in which the counterparty operates.
With specific reference to the valuation of UCITS units, the approach used takes Net Asset Value (NAV) as the starting point for determining fair value. Thereafter, it must be verified whether, in determining the NAV, the fund's assets have been measured at fair value in accordance with the applicable international standards. A discount is applied to the NAV determined in this way using a structured rate as described below:

- liquidity adjustment: the liquidity discount must take into account the inability to mobilise the economic commitment in the short term. This discount, which refers to a time horizon expressing the average duration of the investments in the fund, is applied to the NAV defined above inversely proportional to changes in the NAV itself. Once the investment phase is over, the discount applied will decrease proportionally from year to year until it settles at the base discount applied for the first year;
- credit risk adjustment: the credit risk discount must take into account the probability of default of the underlying asset in which the fund invests;
- other risk adjustment: this category includes the discount of any other significant element known to the manager of the instrument at the time of measurement.

As for over-the-counter (OTC) derivatives not quoted in active markets, their fair value is calculated based on measurement techniques that take into account all risk factors that could affect the value of the financial instrument concerned, using observable market inputs (interest rates, exchange rates, share indices, etc.) adjusted as appropriate to account for the creditworthiness of the specific counterparty, including the counterparty's credit risk (CVA, Credit Valuation Adjustment) and/or the Group's own credit risk (DVA, Debit Valuation Adjustment).
The increase in interest rates, which occurred during the year, had a significant impact on the fair value of derivatives. However, with reference to the measurement of counterparty risk (Credit Valuation Adjustment and Debit Valuation Adjustment), as of 31 December 2023, the impact on the balance sheet values of derivatives with mark-to-market, both positive and negative, is substantially nil as almost all derivative financial instruments are securitised through Credit Support Agreements (CSA). The balance at 31 December 2023 of derivatives, for which there is no counterparty risk mitigation (CSA) element, should not be considered significant and amounts to 153 thousand Euro.
As for the measurement of financial assets and liabilities measured at fair value on a non-recurring basis, the relevant portfolio consists of on-balance-sheet exposures classified as performing with a residual life exceeding one year (medium-long term). Therefore, all exposures classified as impaired, other than those of the Npl Segment, the ones with a residual life less than one year, and unsecured loans are excluded from the measurement, as, for these, the Bank believes that their amortised cost can be used as an approximation of fair value.
For non-performing loans (bad loans, unlikely to pay, past due), the fair value is conventionally assumed to be equal to the net carrying amount and is shown in Level 3. In this regard, it should be noted that, in the recent past, significant transactions of assignments of non-performing loans have been observed on the Italian market, with prices that have discounted the specific characteristics of the portfolios sold and the different yields demanded by the buyers. The fair value determined on the basis of the aforementioned transactions would therefore be characterised by a high dispersion of values, such that the identification of a reference value would not be objective.
For the purposes of measuring performing loans at fair value, given the absence of prices directly observable on active and liquid markets, entities shall use valuation techniques based on a theoretical model meeting the requirements of IAS/IFRS standards (Level 3). The approach used to determine the fair value of performing loans is the aforementioned DCF Model applied to loans with a residual maturity of more than one year, while the nominal amount is considered for other loans with short or no maturity. Future cash flows consist of the sum of principal

and interest and are discounted using a rate formed by the credit spread (coverage curve) and the 3-month Euribor rate.

As for the receivables portfolio of the Npl Segment, which purchases and manages non-performing receivables mainly due from individuals, the specified DCF Model is used to calculate fair value. In this case, the expected net cash flows are discounted at a market rate. The market rate is calculated without considering a credit spread, since the credit risk of the individual counterparties is already incorporated in the statistical model used to estimate future cash flows with regard to collective management (non-judicial operations). The model projects the relevant cash flows based on historical evidence concerning the recovery of positions in the Group's portfolio. As for individual management (judicial operations), the projections of future cash flows are based on an internal algorithm or defined by the manager according to how the underlying receivable is being processed.

For financial liabilities at amortised cost, the fair value calculated for disclosure purposes is determined by applying the following methodologies:

- for medium- and long-term liabilities, the measurement is performed by discounting future cash flows using an interest rate that incorporates its own credit risk component;
- for on-demand liabilities with short-term or indefinite maturity, the carrying amount is a good approximation of fair value.

A.4.2 Measurement processes and sensitivity

In compliance with IFRS 13, for financial assets and liabilities measured at fair value categorised within Level 3, the Group tests their sensitivity to changes in one or more unobservable inputs used in the fair value measurements like, by way of example and in no means exhaustive, discount rates applied to cash flows or expected cash flows themselves.

With regard to debt security exposures measured at Level 3 fair value, amounting to 94,0 million Euro at 31 December 2023, the effects of potential changes in the parameters used are deemed not significant.

For equity securities and units of UCITSs, respectively equal, at 31 December 2023, to 165,9 million Euro and 76,9 million Euro, it is generally not possible to perform any quantitative sensitivity analysis of fair value to changes in unobservable inputs, as either the fair value is derived from third-party sources, or it is the result of a model whose inputs are specific to the entity being valued (e.g. company assets) and for which the information necessary for a sensitivity analysis is not available.

A.4.3 Fair value hierarchy

Concerning recurring fair value measurements of financial assets and liabilities, the Banca Ifis Group transfers them between Levels of the hierarchy based on the following guidelines:

- for debt securities and financing:
  - the transfer from Level 3 to Level 2 takes place when the inputs to the valuation technique used are observable at the measurement date;
  - the transfer from Level 3 to Level 1 is allowed when it is confirmed that there is an active market for the instrument at the measurement date;
  - finally, they are transferred from Level 2 to Level 3 when some inputs relevant in measuring fair value are not directly observable at the measurement date.
- for equity instruments, the Level transfer takes place when:
  - observable inputs became available during the period (e.g. prices for identical assets and liabilities defined in comparable transactions between independent and knowledgeable parties). In this case, they are reclassified from Level 3 to Level 2;
  - inputs directly or indirectly observable used in measuring them are no longer available or current (e.g. no recent comparable transactions or no longer applicable multiples). In this case, the entity shall use valuation techniques incorporating unobservable inputs.

A.4.4 Other information

There is no further information to report than that presented in the preceding paragraphs.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value Level

Financial assets/liabilities measured at fair value (in thousands of Euro)	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	5.144	12.896	216.838	32.399	25.598	164.091
a) financial assets held for trading	-	*12.896*	-	*1.270*	*25.598*	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	*5.144*	-	*216.838*	*31.129*	-	*164.091*
2. Financial assets measured at fair value through other comprehensive income	673.789	5.373	70.014	631.016	-	66.595
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**678.933**	**18.269**	**286.852**	**663.415**	**25.598**	**230.686**
1. Financial liabilities held for trading	-	14.005	-	-	25.982	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	11.644	-	-	-	-
Total	**-**	**25.649**	**-**	**-**	**25.982**	**-**

Key:
L1 = Level 1: fair value of a financial instrument quoted in an active market;
L2 = Level 2 fair value measured using valuation techniques based on observable market inputs other than the financial instrument's price;
L3 = Level 3 fair value calculated using valuation techniques based on inputs not observable in the market.

At 31 December 2023, the impact of applying the Credit Valuation Adjustment to the carrying amounts of derivatives with a positive mark-to-market is essentially nil; as for the instruments with a negative mark-to-market, there is no impact resulting from the application of the Debit Valuation Adjustment to the carrying amounts of the derivatives.
With regard to hedging derivatives, all instruments are securitised through CSAs.
Financial assets held for trading and financial liabilities held for trading at 31 December 2023 comprise only trading derivatives, all of which are classified as Level 2.
Financial assets measured at fair value through other comprehensive income mainly consist of listed securities (Level 1). With regard to securities in Level 3, the amount includes shares in the Bank of Italy with a carrying amount of 50,0 million Euro.

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	*of which: a) financial assets held for trading*	*of which: b) financial assets designated at fair value*	*of which: c) other financial assets mandatorily measured at fair value*				
1. Opening balance	**164.091**	**-**	**-**	***164.091***	**66.595**	**-**	**-**	**-**
2. Increases	**117.950**	**-**	**-**	***117.950***	**5.266**	**-**	**-**	**-**
2.1. Purchases	95.287	-	-	*95.287*	5.121	-	-	-
2.2. Profit taken to:	20.656	-	-	*20.656*	145	-	-	-
2.2.1. Income Statement	20.656	-	-	*20.656*	-	-	-	-
- of which capital gains	19.871	-	-	*19.871*	-	-	-	-
2.2.2. Equity	-	*X*	*X*	*X*	145	-	-	-
2.3. Transferred from other Levels	-	-	-	-	-	-	-	-
2.4. Other increases	2.007	-	-	*2.007*	-	-	-	-
3. Decreases	**65.203**	**-**	**-**	***65.203***	**1.847**	**-**	**-**	**-**
3.1. Sales	30.123	-	-	*30.123*	-	-	-	-
3.2. Reimbursements	24.211	-	-	*24.211*	-	-	-	-
3.3. Losses taken to:	10.488	-	-	*10.488*	1.847	-	-	-
3.3.1. Income Statement	10.488	-	-	*10.488*	-	-	-	-
- of which capital losses	*9.150*	-	-	*9.150*	-	-	-	-
3.3.2. Equity	-	*X*	*X*	*X*	1.847	-	-	-
3.4. Transferred to other Levels	-	-	-	-	-	-	-	-
3.5. Other decreases	381	-	-	*381*	-	-	-	-
4. Closing balance	**216.838**	**-**	**-**	***216.838***	**70.014**	**-**	**-**	**-**

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (Level 3)

The Banca Ifis Group does not hold liabilities measured at fair value on a recurring basis at Level 3.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value Levels

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis (in thousands of Euro)	31.12.2023				31.12.2022			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	11.259.701	2.341.123	-	8.907.986	10.752.694	2.121.051	-	8.610.143
2. Property, plant and equipment held for investment purpose	407	-	-	407	423	-	-	423
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	**11.260.108**	**2.341.123**	**-**	**8.908.393**	**10.753.117**	**2.121.051**	**-**	**8.610.566**
1. Financial liabilities measured at amortised cost	11.820.658	1.329.813	104.630	10.726.387	11.130.698	1.002.626	64.192	10.410.567
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**11.820.658**	**1.329.813**	**104.630**	**10.726.387**	**11.130.698**	**1.002.626**	**64.192**	**10.410.567**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Among financial assets measured at amortised cost, the amount reported under Level 1 refers to government and other listed debt securities, while the balance reported under Level 3 consists mainly of credit exposures.
Level 1 amortised cost financial liabilities relate to bonds issued by the Parent company Banca Ifis.

A.5 - Disclosure on day one profit/loss

With reference to the provisions of IFRS 7 par. 28, a financial instrument must initially be recognised at a value equal to its fair value which, unless there is evidence to the contrary, is equal to the price paid/collected in trading. The above standard governs such cases by establishing that an entity may recognise a financial instrument at a fair value other than the consideration given or received only if the fair value is evidenced:

- by comparison with other observable current market transactions in the same instrument;
- through valuation techniques using exclusively, as variables, data from observable markets.

In other words, the assumption under IFRS 9, whereby fair value is equal to the consideration given or received, may be overcome only if there is objective evidence that the consideration given or received is not representative of the actual market value of the financial instrument being traded.
Such evidence must be derived only from objective and non-refutable parameters, thus eliminating any hypothesis of discretion on the part of the evaluator.
The difference between the fair value and the negotiated price, only when the above conditions are met, is representative of the day one profit and is immediately recognised in the income statement.
No such transactions were carried out as part of the Group's operations during 2023.

Part B - Information on the Consolidated Statement of Financial Position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31.12.2023	31.12.2022
a) Cash	29	37
b) Current accounts and on demand deposits at Central banks	515.114	370.021
c) Current accounts and on demand deposits at banks	342.390	233.076
Total	**857.533**	**603.134**

This item includes bank current accounts on demand and at 31 December 2023 amounts to 857,5 million Euro, compared with the 603,1 million Euro recorded at the end of 2022 mainly due to the growth in overnight deposits at the Bank of Italy (+145,0 million Euro).

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by type

Items/Amounts	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	-	-	-	677	-	-
1.1 Structured	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	677	-	-
2. Equity securities	-	-	-	593	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**1.270**	**-**	**-**
B. Derivatives						
1. Financial derivatives	-	12.896	-	-	25.598	-
1.1 for trading	-	12.896	-	-	25.598	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 connected to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**12.896**	**-**	**-**	**25.598**	**-**
Total (A+B)	**-**	**12.896**	**-**	**1.270**	**25.598**	**-**

Financial assets held for trading come to 12,9 million Euro at 31 December 2023 (down from the figure of 26,9 million Euro at 31 December 2022) and are almost entirely referring to transactions in derivatives (the value of which has fallen compared with the figure of 25,6 million Euro at 31 December 2022) substantially hedged by mirror positions recorded under financial liabilities held for trading. The figure at 31 December 2022 for this item included 1,3 million Euro of debt and equity securities belonging to the Group's trading portfolio, which were entirely sold in 2023.

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

Items/Amounts	31.12.2023	31.12.2022
A. Cash assets		
1. Debt securities	**-**	**677**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	676
d) Other financial companies	-	1
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity securities	**-**	**593**
a) Banks	-	593
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**-**	**1.270**
B. Derivatives		
a) Central Counterparties	-	-
b) Other	12.896	25.598
Total (B)	**12.896**	**25.598**
Total (A+B)	**12.896**	**26.868**

2.3 Financial assets designated at fair value: breakdown by type

In these Consolidated Financial Statements, this item has no value.

2.4 Financial assets designated at fair value: breakdown by debtor/issuer

In these Consolidated Financial Statements, this item has no value.

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

Items/Amounts	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**86.919**	**31.129**	**-**	**41.714**
1.1. Structured	-	-	-	-	-	-
1.2. Other debt securities	-	-	86.919	31.129	-	41.714
2. Equity securities	**-**	**-**	**51.051**	**-**	**-**	**34.979**
3. UCITS units	**5.144**	**-**	**71.766**	**-**	**-**	**70.209**
4. Loans	**-**	**-**	**7.102**	**-**	**-**	**17.189**
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2. Others	-	-	7.102	-	-	17.189
Total	**5.144**	**-**	**216.838**	**31.129**	**-**	**164.091**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial assets mandatorily measured at fair value through profit or loss total 222,0 million Euro at 31 December 2023. This item consists of loans and debt securities that did not pass the SPPI test, equity securities from minority shares and UCITS units.
Debt securities classified as Level 3 are instead represented by junior, mezzanine and single-tranche securities related to securitisation transactions totalling 86,8 million Euro at 31 December 2023 (41,7 million Euro at the end of 2022).
Equity securities refer to transactions of the Equity Investment unit in minority shares of companies.
The item "UCITS units", totalling 76,9 million Euro as of 31 December 2023, is made up of 71,5 million Euro relating to units held by the Parent company Banca Ifis (of which 65,1 million Euro in equity and bond funds, 5,2 million Euro in real estate funds and the remainder in multi-fund sub-funds) and 5,5 million Euro relating to units held by the subsidiary Ifis Npl Investing and relating to funds specialised in the management of performing and non performing loans. The values classified at Level 1 refer to an investment by the Parent company made in 2023 in a listed equity fund.

2.6 Financial assets mandatorily measured at fair value: breakdown by debtor/issuer

	31.12.2023	31.12.2022
1. Equity securities	**51.051**	**34.979**
of which: banks	-	-
of which: other financial companies	*3.052*	*1.844*
of which: non-financial companies	*48.000*	*33.135*
2. Debt securities	**86.919**	**72.843**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	31.129
d) Other financial companies	86.919	41.714
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	**76.910**	**70.209**
4. Loans	**7.102**	**17.189**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	71	116
of which: insurance companies	-	-
e) Non-financial companies	7.031	17.073
f) Households	-	-
Total	**221.982**	**195.220**

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

Items/Amounts	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**628.933**	**5.373**	**-**	**589.638**	**-**	**-**
1.1 Structured	4.370	-	-	6.006	-	-
1.2 Other debt securities	624.563	5.373	-	583.632	-	-
2. Equity securities	**44.856**	**-**	**70.014**	**41.378**	**-**	**66.595**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**673.789**	**5.373**	**70.014**	**631.016**	**-**	**66.595**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

The growth in debt securities owned is due to the combined effect of new subscriptions with both bank issuers (+67,8 million Euro) and non-financial issuers (+90,1 million Euro, of which +76,2 million Euro in government bonds), and the positive write-back in 2023 (+25,0 million Euro, mainly concentrated on the government bonds portfolio). This change more than offset the decrease related to normal collections and disposals.

Level 1 “other debt securities” refer for 460,2 million Euro to Italian and foreign Government bonds (400,3 million Euro at end 2022).

Equity securities are attributable to non-controlling interests, which amount to 114,9 million Euro at the end of December 2023, up 6,4% compared to 31 December 2022, mainly due to investments made in 2023 (+32,7 million Euro, of which 19,6 million Euro on foreign equity investments), the impact of which more than offset that of the disposals realised during the year (-22,7 million Euro). Most of the equity securities consist of shares in the Bank of Italy (50,0 million Euro) as well as interests in leading companies in the banking and insurance, energy and telecommunications sectors, both Italian and foreign.

Level 3 securities mainly include the specified shares of the Bank of Italy as well as minority interests.

With specific reference to the shares held in the share capital of the Bank of Italy (2.000 shares) corresponding to 0,7% of the entire share capital, the carrying amount of 50 million Euro is obtained by valuing each share at a unit value of 25.000 Euro. In this regard, it should be noted that these units derive from the capital increase transaction carried out by the Bank of Italy in 2013 as a result of Decree-Law No. 133 of 30 November 2013, converted by Law No. 5 of 29 January 2014, which resulted in the issuance of new quotas, for a value of 25.000 Euro per unit.

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

Items/Amounts	31.12.2023	31.12.2022
1. Debt securities	**634.306**	**589.638**
a) Central Banks	-	-
b) Public Administrations	460.187	403.247
c) Banks	93.023	107.267
d) Other financial companies	26.345	29.023
of which: insurance companies	-	-
e) Non-financial companies	54.751	50.101
2. Equity securities	**114.870**	**107.973**
a) Banks	51.772	58.638
b) Other issuers:	63.098	49.335
- other financial companies	9.879	13.331
of which: insurance companies	*3.881*	*6.860*
- non-financial companies	53.219	36.004
- other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**749.176**	**697.611**

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and overall impairment losses/reversals

	Gross amount					Overall impairment losses/reversals				Overall partial write-offs[1]
	Stage 1	*of which: Low credit risk instruments*	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	
Debt securities	632.507	*632.507*	2.962	-	-	(1.032)	(131)	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2023	**632.507**	***632.507***	**2.962**	**-**	**-**	**(1.032)**	**(131)**	**-**	**-**	**-**
Total 31.12.2022	**590.721**	***590.721***	**-**	**-**	**-**	**(1.083)**	**-**	**-**	**-**	**-**

(1) Amount to be reported for disclosure purposes.

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: breakdown of receivables due from banks by type

Type of transaction/Amounts	31.12.2023						31.12.2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
A. Receivables due from Central banks	**25.490**	**-**	**-**	**-**	**-**	**25.490**	**6.145**	**-**	**-**	**-**	**-**	**6.145**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	25.490	-	-	X	X	X	6.145	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. Receivables due from banks	**612.077**	**-**	**-**	**588.822**	**-**	**36.437**	**559.617**	**-**	**-**	**515.273**	**-**	**32.753**
1. Loans	35.237	-	-	919	-	34.322	33.466	-	-	-	-	30.043
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2 Term deposits	1.843	-	-	X	X	X	2.605	-	-	X	X	X
1.3 Other loans:	33.394	-	-	X	X	X	30.861	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Financing for leasing	100	-	-	X	X	X	273	-	-	X	X	X
- Other	33.294	-	-	X	X	X	30.588	-	-	X	X	X
2. Debt securities	576.840	-	-	587.903	-	2.115	526.151	-	-	515.273	-	2.710
2.1 Structured	9.411	-	-	7.296	-	2.115	9.413	-	-	7.189	-	2.180
2.2 Other debt securities	567.429	-	-	580.607	-	-	516.738	-	-	508.084	-	530
Total	**637.567**	**-**	**-**	**588.822**	**-**	**61.927**	**565.762**	**-**	**-**	**515.273**	**-**	**38.898**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown of receivables due from customers by type

Type of transaction/Amounts	31.12.2023						31.12.2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
1. Loans	**6.711.989**	**221.968**	**1.666.273**	**175.178**	**15.435**	**8.445.556**	**6.441.261**	**265.384**	**1.551.205**	**-**	**-**	**8.355.701**
1. Current accounts	73.200	6.119	202.957	X	X	X	97.875	9.887	184.823	X	X	X
2. Reverse repurchase agreements	-	-	4	X	X	X	-	-	5	X	X	X
3. Loans/mortgages	2.225.751	61.613	132.549	X	X	X	2.202.956	60.691	137.196	X	X	X
4. Credit cards, personal loans and salary-backed loans	93.291	2.653	671.095	X	X	X	37.003	1.618	539.587	X	X	X
5. Financing for leasing	1.352.041	10.270	12.961	X	X	X	1.284.262	13.752	5.886	X	X	X
6. Factoring	2.361.896	118.218	465	X	X	X	2.238.368	165.310	1.697	X	X	X
7. Other loans	605.810	23.095	646.242	X	X	X	580.797	14.126	682.011	X	X	X
2. Debt securities	**2.021.904**	**-**	**-**	**1.753.065**	**-**	**196.532**	**1.929.082**	**-**	**-**	**1.605.782**	**-**	**212.122**
2.1. Structured	16.561	-	-	10.808	-	5.511	13.374	-	-	10.003	-	2.375
2.2. Other debt securities	2.005.343	-	-	1.742.257	-	191.021	1.915.708	-	-	1.595.779	-	209.747
Total	**8.733.893**	**221.968**	**1.666.273**	**1.928.243**	**15.435**	**8.642.088**	**8.370.343**	**265.384**	**1.551.205**	**1.605.782**	**-**	**8.567.823**

The item "Impaired acquired or originated", equal to a carrying amount of 1.665,3 million Euro at 31 December 2023, includes 1.629,2 million Euro in impaired purchased loans of the Npl Segment (which constitute the core business of this Segment; for further details, please refer to the section "Contribution of operating Segments to Group results" of the Directors' Report on the Group) and for 35,8 million Euro the impaired assets resulting from the business combinations carried out in previous years.

At 31 December 2023, other debt securities include 1.628,7 million Euro in Italian and foreign government securities acquired by Banca Ifis with a view to optimising Group liquidity (1.541,5 million Euro at 31 December 2022). Level 3 securities mainly include investments in securitisations and minibonds.

4.3 Financial assets measured at amortised cost: breakdown of receivables due from customers by debtor/issuer

Type of transaction/Amounts	31.12.2023			31.12.2022		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	Stages 1 and 2	Stage 3	Purchased or originated impaired
1. Debt securities	**2.021.904**	**-**	**-**	**1.929.082**	**-**	**-**
a) Public Administrations	1.660.629	-	-	1.571.496	-	-
b) Other financial companies	273.183	-	-	265.931	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	88.092	-	-	91.655	-	-
2. Loans to:	**6.711.987**	**221.970**	**1.666.273**	**6.441.261**	**265.384**	**1.551.205**
a) Public Administrations	266.488	76.198	66	288.171	120.305	738
b) Other financial companies	272.159	1.601	1.498	239.508	10.083	1.302
of which: insurance companies	*1.024*	*21*	-	*1.566*	*29*	-
c) Non-financial companies	5.438.696	119.771	192.978	5.208.079	113.570	182.929
d) Households	734.644	24.400	1.471.731	705.503	21.426	1.366.236
Total	**8.733.891**	**221.970**	**1.666.273**	**8.370.343**	**265.384**	**1.551.205**

4.4 Financial assets measured at amortised cost: gross amount and overall impairment losses/reversals

	Gross amount					Overall impairment losses/reversals				Overall partial write-offs(1)
	Stage 1	*of which: low credit risk instruments*	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	
Debt securities	2.602.573	*2.602.573*	-	-	-	(3.828)	-	-	-	-
Loans	6.334.587	*668.619*	547.479	402.475	1.666.273	(70.195)	(39.157)	(180.506)	-	(3.010)
Total 31.12.2023	**8.937.160**	***3.271.192***	**547.479**	**402.475**	**1.666.273**	**(74.023)**	**(39.157)**	**(180.506)**	**-**	**(3.010)**
Total 31.12.2022	**8.426.023**	***3.140.222***	**502.085**	**481.150**	**1.593.397**	**(84.075)**	**(14.440)**	**(151.446)**	**-**	**(40.398)**

(1) Amount to be reported for disclosure purposes

Section 5 - Hedging derivatives - Item 50

In these Consolidated Financial Statements, this item has no value.

Section 6 - Value adjustment of financial assets generically hedged - Item 60

In these Consolidated Financial Statements, this item has no value.

Section 7 - Equity investments - Item 70

7.1 Equity investments: information on investments

Company name	Registered office	Head office	Type of relationship	Investment		Availability votes %
				Investing company	Share %	
A. Joint Ventures						
B. Companies under significant influence [1]						
1. Justlex Italia S.T.A.P.A.	*Rome*	*Rome*	*4*	*Ifis Npl Investing S.p.A.*	*20%*	*20%*
2. Redacta S.T.A. a r.l.	*Ravenna*	*Ravenna*	*4*	*Ifis Npl Servicing S.p.A.*	*33%*	*33%*

(1) This item includes some companies excluded from the scope of consolidation, as they are small in amount.

Type of relationship:
1 - majority of voting rights in the Annual Shareholders' Meeting
2 - dominant influence in the Annual Shareholders' Meeting
3 - agreements with other shareholders
4 - company under significant influence
5 - joint management pursuant to Article 26, paragraph 1, Italian Legislative Decree No. 87/92
6 - joint management pursuant to Article 26, paragraph 2, Italian Legislative Decree No. 87/92
7 - joint control
8 - other type of relationship

For more details on the logic of including or not including in the consolidation area the equity investments held by the Group, please refer to "Section 3 - Scope and methods of consolidation" of "A.1 - General part" of "Part A - Accounting policies".

7.2 Significant shareholdings: carrying amount, fair value and dividends received

In these Consolidated Financial Statements, this item has no value.

7.3 Significant shareholdings: accounting information

In these Consolidated Financial Statements, this item has no value.

7.4 Non-significant shareholdings: accounting information

Company name	Carrying amount of equity investments	Total assets	Total liabilities	Total revenues	Profit (loss) from continuing operations, net of taxes	Profit (loss) from operations, net of taxes	Profit (loss) for the year (1)	Other comprehensive income, net of taxes (2)	Comprehensive income (3)=(1) + (2)
Joint ventures	-	-	-	-	-	-	-	-	-
Companies under significant influence [1]	**24**	**8.820**	**8.169**	**19.030**	**336**	**336**	**336**	-	**336**

(1) This item includes some companies excluded from the scope of consolidation, as they are small in amount.

7.5 Equity investments: annual changes

	31.12.2023	31.12.2022
A. Opening balance	**-**	**-**
B. Increases	**24**	**-**
B.1 Purchases	-	-
B.2 Reversals of impairment losses	-	-
B.3 Revaluations	-	-
B.4 Other changes	24	-
C. Decreases	**-**	**-**
C.1 Sales	-	-
C.2 Impairment losses/reversals	-	-
C.3 Devaluations	-	-
C.4 Other changes	-	-
D. Closing balance	**24**	**-**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

7.6 Significant assessments and assumptions to establish the existence of joint control or significant influence

Please refer to "Section 3 - Scope and methods of consolidation" in "A.1 - General part" of "Part A - Accounting policies".

7.7 Commitments in respect of interests in companies held jointly

The Banca Ifis Group has no shareholdings in jointly controlled companies, so there are no commitments as set out in this disclosure.

7.8 Commitments in respect of interests in companies subject to significant influence

There are no commitments in respect of the equity investments under this item.

7.9 Significant restrictions

There are no significant restrictions with regard to the participations recorded in these Consolidated Financial Statements.

7.10 Other information

There is no further information to report than that already presented in the preceding paragraphs.

Section 8 - Insurance assets - Item 80

In these Consolidated Financial Statements, this item has no value.

Section 9 - Property, plant and equipment - Item 90

9.1 Property, plant and equipment for functional use: breakdown of assets measured at cost

Assets/Amounts	31.12.2023	31.12.2022
1. Owned	**119.555**	**103.784**
a) Land	20.297	20.297
b) Buildings	62.580	64.847
c) Furniture	3.609	3.006
d) Electronic equipment	5.586	4.069
e) Other	27.483	11.565
2. Rights of use acquired through leases	**23.293**	**22.133**
a) Land	-	-
b) Buildings	19.526	19.389
c) Furniture	-	-
d) Electronic equipment	67	98
e) Other	3.700	2.646
Total	**142.848**	**125.917**
of which: obtained by enforcing collateral	-	-

Property, plant and equipment for functional use come to 142,8 million Euro, as compared with the 125,9 million Euro booked at 31 December 2022, up 13,4%.
At the end of December 2023, the properties recognised under property, plant and equipment include the important historical building "Villa Marocco", located in Mestre – Venice and housing Banca Ifis's registered office. For Villa Marocco, as a valuable property, the residual value is considered higher than the book value and consequently has not been subject to depreciation but to at least annual impairment testing. To this end, they are appraised by experts specialising in luxury properties. During the year, no elements emerged that required a write-down of the carrying amount.

9.2 Property, plant and equipment held for investment purpose: breakdown of assets measured at cost

Assets/Amounts	31.12.2023				31.12.2022			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned	**407**	**-**	**-**	**407**	**424**	**-**	**-**	**424**
a) Land	-	-	-	-	-	-	-	-
b) Buildings	407	-	-	407	424	-	-	424
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Land	-	-	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-	-	-
Total	**407**	**-**	**-**	**407**	**424**	**-**	**-**	**424**
of which: obtained by enforcing collateral	-	-	-	-	-	-	-	-

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

9.3 Property, plant and equipment for functional use: breakdown of assets written back

In these Consolidated Financial Statements, there are no property, plant and equipment for functional use that are subject to revaluation.

9.4 Property, plant and equipment held for investment purpose: breakdown of assets measured at fair value

In these Consolidated Financial Statements, there are no property, plant and equipment held for investment purposes measured at fair value.

9.5 Inventories of tangible assets covered by IAS 2: composition

In these Consolidated Financial Statements, there are no inventories of tangible assets within the meaning of IAS 2.

9.6 Property, plant and equipment for functional use: annual changes

	Land	Buildings	Furnishing s	Electronic equipment	Other	Total 31.12.2023
A. Gross opening balance	**20.297**	**149.858**	**5.930**	**13.192**	**25.506**	**214.783**
A.1 Total net amortisation and impairment losses	-	(65.622)	(2.924)	(9.025)	(11.295)	**(88.866)**
A.2 Net opening balance	**20.297**	**84.236**	**3.006**	**4.167**	**14.211**	**125.917**
B. Increases	**-**	**4.697**	**1.287**	**3.507**	**20.008**	**29.499**
B.1 Purchases	-	4.636	1.287	3.507	12.033	**21.463**
- business combinations	-	-	-	-	*39*	***39***
B.2 Capitalised improvement expenses	-	-	-	-	7.958	**7.958**
B.3 Reversals of impairment losses	-	-	-	-	-	**-**
B.4 Fair value gains taken to:	-	-	-	-	-	**-**
a) equity	-	-	-	-	-	**-**
b) profit or loss	-	-	-	-	-	**-**
B.5 Exchange gains	-	-	-	-	-	**-**
B.6 Transfers from investment property	-	-	X	X	X	**-**
B.7 Other changes	-	61	-	-	17	**78**
C. Decreases	**-**	**(6.827)**	**(684)**	**(2.021)**	**(3.036)**	**(12.568)**
C.1 Sales	-	(848)	(7)	(11)	(19)	**(885)**
C.2 Depreciation	-	(4.307)	(677)	(2.003)	(2.607)	**(9.594)**
C.3 Impairment losses taken to:	-	-	-	-	(110)	**(110)**
a) equity	-	-	-	-	-	**-**
b) profit or loss	-	-	-	-	(110)	**(110)**
C.4 Fair value losses taken to:	-	-	-	-	-	**-**
a) equity	-	-	-	-	-	**-**
b) profit or loss	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Transfers to:	-	-	-	-	-	**-**
a) Investment property	-	-	X	X	X	**-**
b) Non-current assets and disposal groups	-	-	-	-	-	**-**
C.7 Other changes	-	(1.672)	-	(7)	(300)	**(1.979)**
D. Net closing balance	**20.297**	**82.106**	**3.609**	**5.653**	**31.183**	**142.848**
D.1 Total net amortisation and impairment losses	-	(69.929)	(3.601)	(11.028)	(14.012)	**(98.570)**
D.2 Gross closing balance	**20.297**	**152.035**	**7.210**	**16.681**	**45.195**	**241.418**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	-

Property, plant and equipment for functional use are measured at cost and are depreciated on a straight-line basis over their useful life, with the exclusion of land with an indefinite useful life and the "Villa Marocco" property, whose residual value at the end of its useful life is expected to be higher than its book value. As previously mentioned in section 9.1 of this document, the prestigious property "Villa Marocco" is subject to an annual impairment test. Property, plant and equipment not yet brought into use at the reporting date are not depreciated.

9.7 Property, plant and equipment held for investment purpose: annual changes

	31.12.2023	
	Land	Buildings
A. Opening balance	**-**	**424**
B. Increases	**-**	**-**
B.1 Purchases	-	-
B.2 Capitalised improvement expenses	-	-
B.3 Fair value gains	-	-
B.4 Reversals of impairment losses	-	-
B.5 Exchange gains	-	-
B.6 Transfers from property for functional use	-	-
B.7 Other changes	-	-
C. Decreases	-	**17**
C.1 Sales	-	-
C.2 Depreciation	-	-
C.3 Fair value losses	-	-
C.4 Impairment losses	-	17
C.5 Exchange losses	-	-
C.6 Transfers to:	-	-
a) property for functional use	-	-
b) Non-current assets and disposal groups	-	-
C.7 Other changes	-	-
D. Closing balance	-	**407**
E. Measurement at fair value	-	407

9.8 Inventories of tangible assets covered by IAS 2: annual changes

In these Consolidated Financial Statements, there are no inventories of tangible assets within the meaning of IAS 2.

9.9 Commitments to purchase property, plant and equipment

There were no commitments to purchase property, plant and equipment.

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by asset type

Assets/Amounts	31.12.2023		31.12.2022	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**38.020**	**X**	**38.020**
A.1.1 attributable to the Group	X	38.020	X	38.020
A.1.2 attributable to non-controlling interests	X	-	X	-
A.2 Other intangible assets	**38.647**	**-**	**26.244**	**-**
of which: software	*37.321*	-	*25.720*	-
A.2.1 Assets measured at cost:	38.647	-	26.244	-
a) Internally generated intangible assets	1.326	-	524	-
b) Other assets	37.321	-	25.720	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**38.647**	**38.020**	**26.244**	**38.020**

Goodwill, amounting to 38,0 million Euro at 31 December 2023, relates to the business combination of the former Fbs Group, acquired during 2019. More details on this can be found in section "10.3 Other information" below.

Other intangible assets at 31 December 2023 refer mainly to software purchase and development, amortised on a straight-line basis over the estimated useful life, which is five years from deployment. The balance at the end of 2023 amounts to 38,6 million Euro, up from the balance of 26,2 million Euro at 31 December 2022 as a result of the investments made during the year.

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		FINITE	INDEF	FINITE	INDEF	
A. Opening balance	**39.482**	**577**	**-**	**84.532**	**-**	**124.591**
A.1 Total net amortisation and impairment losses	(1.462)	(53)	-	(58.812)	-	**(60.327)**
A.2 Net opening balance	**38.020**	**524**	**-**	**25.720**	**-**	**64.264**
B. Increases	**-**	**901**	**-**	**19.487**	**-**	**20.388**
B.1 Purchases	-	-	-	19.487	-	**19.487**
B.2 Increases in internally generated intangible assets	X	901	-	-	-	**901**
B.3 Reversals of impairment losses	X	-	-	-	-	**-**
B.4 Fair value gains	-	-	-	-	-	**-**
- to equity	X	-	-	-	-	**-**
- to profit or loss	X	-	-	-	-	**-**
B.5 Exchange gains	-	-	-	-	-	**-**
B.6 Other changes	-	-	-	-	-	**-**
C. Decreases	**-**	**(100)**	**-**	**(7.885)**	**-**	**(7.985)**
C.1 Sales	-	-	-	-	-	**-**
C.2 Impairment losses/reversals	-	(100)	-	(7.885)	-	**(7.985)**
- Amortisation	X	(100)	-	(7.885)	-	**(7.985)**
- Impairment losses:	-	-	-	-	-	**-**
+ equity	X	-	-	-	-	**-**
+ profit or loss	-	-	-	-	-	**-**
C.3 Fair value losses:	-	-	-	-	-	**-**
- to equity	X	-	-	-	-	**-**
- to profit or loss	X	-	-	-	-	**-**
C.4 Transfer to non-current assets under disposal	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Other changes	-	-	-	-	-	**-**
D. Net closing balance	**38.020**	**1.325**	**-**	**37.322**	**-**	**76.667**
D.1 Total net amortisation, impairment losses and reversals of impairment losses	(1.462)	(153)	-	(66.697)	-	**(68.312)**
E. Gross closing balance	**39.482**	**1.478**	**-**	**104.019**	**-**	**144.979**
F. Measurement at cost	-	-	-	-	-	**-**

Key:
FIN: finite useful life
INDEF: indefinite useful life

The increases in the year in terms of purchases and increases in internal intangible assets refer, respectively, to investments for the upgrading of computer systems and the related costs associated with internal activities for their development.

10.3 Other information

Information on goodwill

The application of accounting standard IFRS 3 in booking acquisitions may entail the entry of new intangible assets and the recording of goodwill.

In the case of the Banca Ifis Group, the specified acquisition of the former Fbs Group in 2019 entailed the recognition of goodwill in the amount of 38,0 million Euro, allocated to the Npl Segment at the Cash Generating Unit (CGU) level, which represents the business combination at whose level any impairment tests on goodwill must be performed to verify its recoverable amount. In line with the Group Policy, the CGUs have been identified with the operating Segments as defined in this information accompanying the Consolidated Financial Statements. The Npl Segment CGU associated with the goodwill of the former Fbs Group is the same as that adopted for the purpose of impairment testing the Group's goodwill at 31 December 2022.

In accordance with IAS 36, goodwill must be impairment tested at least annually, to check that the value can be recovered. The recoverable value is the greater of Value in Use (VIU) and fair value, net of the costs of sale.

Finally, please note that IAS 36, in order to determine the Value in Use of the intangibles subject to impairment testing, rules that reference must be made to the cash flows relative to the intangible in its current condition (at the date of impairment testing), without drawing any distinction between the cash flows referring to the asset originally noted during application of IFRS 3 and those relative to the assets in place at the time of impairment testing; this insofar as it would be difficult, particularly in the case of extraordinary transactions between businesses or changes to the asset following significant turnover of assets, customers, contracts, etc., to distinguish between the flows referring to the original asset and others.

Also, please note that the methods and assumptions underlying the goodwill impairment testing procedure and the related results defined by the management, were approved by the Board of Directors on 8 February 2024, before approval of the draft 2023 Financial Statements and the 2023 Consolidated Financial Statements.

The impairment test

The definition of Cash Generating Units (CGUs)

The estimate of the Value in Use, in order to perform impairment testing, in accordance with IAS 36 of intangible assets with undefined life (including goodwill), which do not generate cash flow except jointly with other corporate assets, requires the preliminary attribution of such intangible assets to organisational units of relatively autonomous management, able to generate flows of financial resources that are largely independent of those produced by other business areas, but inter-dependent within the organisational unit that generates them. These organisational units are called “Cash Generating Units” (or “CGUs”).

The text of IAS 36 reveals the need to correlate the level at which goodwill is tested with the level of internal reporting at which the management controls the growth and reductions of said value. In these terms, the definition of said level is closely linked to the organisational models and the attribution of the management responsibilities in order to define operative guidelines and consequent monitoring. The organisational models can be regardless (and indeed in the case of the Banca Ifis Group are regardless) of the structure of the legal entities through which operations take place and, very often, are closely linked to the definition of the operating Segments that underlie the Segment reporting envisaged by IFRS 8. These considerations with reference to the criteria employed to determine the CGUs for impairment testing the goodwill are, moreover, consistent with the definition of the recoverable value of an asset - the determination of which underlies the impairment testing - according to which the amount is relevant that the company expects to recover from said asset, considering synergies with other assets.

Therefore, consistently with the logics of price formation that gave rise to the booking of goodwill, the recoverable value for the purpose of the impairment testing of the CGU to which goodwill is allocated, must include the valuation of not only external (or universal) synergies, but also internal synergies, which the specific buyer can obtain from the integration of the assets acquired in its economic combinations, evidently according to the defined business management models.

In view of the foregoing and in line with the Group Policy, the CGUs have been identified with the operating Segments as defined in the information accompanying the Consolidated Financial Statements.

It should be noted that during the year, the CGU Segment Npl, then only CGU with a goodwill allocated, was revised to include Revalea, which was acquired on 31 October 2023.

The carrying amount of the CGUs

The carrying amount of the CGUs must be determined consistently with the criterion whereby their recoverable value was estimated. For a bank, it is not possible to identify the flows generated by a CGU without considering the flows deriving from financial assets/liabilities, given that the latter represent its core business. In other words, the recoverable value of the CGU is impacted by said flows and, accordingly, their carrying amount must be determined consistently with the scope of estimate of the recoverable value and must, therefore, also include the financial assets/liabilities.

Taking this approach, the carrying amount of the CGU of the Banca Ifis Group can be determined in terms of contribution towards the consolidated equity, including any part pertaining to minorities. In any case, under the scope of the combination of the former Fbs Group performed by Banca Ifis, resulting in the recording of goodwill, there is no share of goodwill pertaining to minorities, because this has resulted in 100% control.

Therefore, the carrying amount of the CGUs comprising companies belonging to a single Segment has been determined through the sum of the individual equity contributions on a consolidated level.

The table below gives the carrying amount of the CGU Segment Npl and the portion of goodwill allocated to it before being subjected to annual impairment testing.

CARRYING AMOUNT AND GOODWILL ALLOCATED (in thousands of Euro)	Amounts at 31.12.2023 (pre-impairment testing)		
	CGU carrying amount	*of which Group share of goodwill*	*of which goodwill pertaining to minorities*
Npl Segment	631.250	*38.020*	-

Criterion for determining the recoverable amount

According to IAS 36, the amount of any impairment is determined by the difference between the carrying value of the CGU, identified on the basis of the criteria described above, and its recoverable amount, if lower. Recoverable amount is defined as the greater of:

- Value in Use i.e. the present value of future cash flows expected to arise from the continued use of a specific asset or CGU;
- fair value less costs to sell, i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties.

For the Npl Segment CGU, the impairment test was conducted using the Value in Use as a reference.

The Value in Use (or “VIU”) is the current value of estimated future cash flows deriving from the continuous use of the assets and its disposal at the end of its useful life.

Cash flows comprise cash flows generated from the business in its current condition and cash flows deriving from budget forecasts, short-term forecasts and "Terminal Value", adjusted for the company’s specific risks.

More specifically, IAS 36 requires cash flow forecasts based on reasonable, sustainable assumptions that are specific for CGUs, which reflect the value of the CGU in its current condition and represent the best estimate management can make in regard to all existing economic circumstances during the rest of the useful life of the CGU.

For the purpose of impairment testing, reference was made to the value in use estimated according to the valuation approach that can be identified with the method known in doctrine as “Discounted Cash Flow - DCF”. The method estimates the Value in Use of an asset by discounting the forecast cash flows, determined according to economic-financial forecasts prepared by the management in respect of the asset valued.

In the case of banks and financial institutions in general, the available cash flow is understood as the distributable cash flow, taking into account the equity restrictions imposed by the Supervisory Authorities or held to be appropriate to monitor the risk typical of the asset analysed. As concerns the determination of the Value in Use of the CGU in question, the choice was made to apply the Excess Capital variant of the Dividend Discount Model (“DDM”) valuation method. The method in question is one of the methods based on prospective cash flow, in this case represented by future dividends, recognised by most doctrine and standard practice, above all with reference to the companies or business units subject to compliance with the minimum regulatory capital requirements.

This method makes it possible to consider the current equity of the companies/business units valued, with respect to the supervisory requirements and their income prospects reflected in the forecasts. The flow of the last year of the analytical forecast is forecast perpetually through an appropriate long-term growth rate (“g”), in order to estimate the Terminal Value.

Future cash flows must be discounted at a rate that reflects the current valuations of the time value of money and specific risks of the business. More specifically, the discounting rates to be used must incorporate current market values with reference to the risk-free component (r_f) and risk premium correlated with the share component observed over a sufficiently extensive time frame to reflect market conditions and different economic cycles, and using an appropriate Beta (β) coefficient in consideration of the risk levels of the respective operating areas.

Cash flow forecasts

Forecast cash flow is understood as the distributable cash flow, taking into account the equity restrictions imposed by the Supervisory Authorities or held to be appropriate to monitor the risk typical of the asset analysed. Therefore, future cash flows can be identified as the flows that may potentially be distributed after having satisfied the minimum allocated capital restrictions. In the forecasts of available cash flows, consideration was given to maintaining a level of CET1 in line with the supervisory provisions, of 9,00%, i.e. minimum value envisaged by the last SREP received in January 2024 (for more details, see the section "Subsequent events" of the Directors' Report on the Group) and relative to the Banca Ifis Group, including the target component, in view of greater exposure to risk in stress conditions. The consolidated SREP limit is considered insofar as higher thresholds are imposed internally in respect of a control context, envisaging alert and warning thresholds. The consolidated limit is respected as required by the Supervisory Body. Implicitly, this limit sets limits that exceed the regulatory minimums for the subsidiaries. The internal audits, with higher thresholds in RAF, prudently avoid any overrun.

Determination of the recoverable amount is hinged on the discounting of forecast cash flow and relates to 2024-2026 for the reference CGUs, as approved by the Parent company's Board of Directors on 8 February 2024.

Under the scope of the financial matrix measurement criteria, as is that used to estimate the Value in Use, the value of a business at the end of the analytical flow forecasting period (the "Terminal Value") is generally determined by capitalising infinitely at an appropriate "g" rate, equal to 1,9%, the cash flow that can be achieved when "fully up and running".

Flow discounting rates

The Value in Use is estimated by discounting cash flows at a rate of 10,6% that considers the current market rates referring to both the time value component and the country risk component, as well as specific risks of the assets considered.

The discounting rate has been determined using the "Capital Asset Pricing Model" (CAPM). On the basis of this model, the discounting rate is determined as the sum of the returns on risk-free investments and a risk premium, in turn dependent on the specific risk level of the asset (thereby meaning both the risk level of the operating Segment and the geographic risk level represented by the "country risk").

If we take a more detailed look at the various components that go towards determining the discounting rate, we note that:

- with reference to the risk free (r_f) component and the risk premium, it was decided, for the 2023 Financial Statements, to use:
  - the risk free rate (r_f) for the Npl Segment CGU is the point value of the gross yield of the Italian ten-year BTP (3,7%), measured on 29 December 2023;
  - as Equity Risk Premium (ERP) the Market Risk Premium figure ("average" figure of 7,1%) determined on the basis of the long-term yield differential between Italian equities and bonds (source: Fernandez 2023);
- the Beta coefficient (β), equal to 1,0, which measures the specific riskiness of the individual company or operating Segment, was determined using the average of the betas of comparable listed players with an observation period of 2 years and a weekly survey frequency.

Results of the impairment testing

The results of the impairment testing revealed that, at 31 December 2023, the Value in Use of the Npl Segment CGU easily exceeded the respective carrying amount. There was therefore no need to impair the related impairment-tested goodwill booked.

Sensitivity analyses

As the Value in Use is determined by using estimates and assumptions that may include elements of uncertainty, as required by IAS 36, sensitivity analyses have been performed to verify the sensitivity of the results obtained to changes in certain underlying parameters and hypotheses.

More specifically, for the Npl Segment CGU (the only CGU with goodwill allocated at 31 December 2023), the impact was verified on the Value in Use of a change in the “g” growth rate of +/-1% (with respect to the rate used of 1,9%) and a delta of the k_e of +/-1% (with respect to the rate used of 10,6%), keeping the other hypotheses unchanged. The table below shows the percentage changes in terms of Value in Use resulting from the above-mentioned changes in "g" and k_e rates. All the scenarios analysed do not show any cases of impairment.

Data in %		Changes in the cost of capital (k_e)				
		9,6%	**10,1%**	**10,6%**	**11,1%**	**11,6%**
Growth rate changes (g)	**0,9%**	3,00%	(0,63)%	(3,89)%	(6,84)%	(9,51)%
	1,4%	5,45%	1,48%	(2,05)%	(5,22)%	(8,09)%
	1,9%	8,20%	3,86%	-	(3,44)%	(6,53)%
	2,4%	11,35%	6,53%	2,30%	(1,46)%	(4,81)%
	2,9%	14,94%	9,57%	4,88%	0,78%	(2,88)%

In addition, scenarios were analysed in which the recoverable value of the CGU was tested as Excess Capital against, instead of the CET1 Ratio requirement, the Tier 1 Ratio or Total Capital Ratio.
With specific reference to the cash flows used, it should also be noted that, on the basis of the sensitivity performed on the flows and all other conditions being equal, an impairment loss would only arise in the event of a haircut on the expected flows of more than 50% (both explicit and at Terminal Value level).
Finally, consider that, all other things being equal on the basis of the sensitivity performed on the cost of capital (k_e), an impairment loss result would only be determined using scenarios with a k_e rate more than 11 percentage points higher than the cost of capital used for the impairment test.

Section 11 - Tax assets and liabilities - Item 110 of assets and Item 60 of liabilities

National consolidated tax regime

The companies Banca Ifis S.p.A., Ifis Npl Investing S.p.A., Ifis Rental Services S.r.l., Ifis Npl Servicing S.p.A. and Cap.Ital.Fin. S.p.A., together with the ultimate Parent company La Scogliera S.A., have opted for the application of group taxation (tax consolidation) in accordance with articles 117 et seq. of Italian Presidential Decree No. 917/86.
Transactions between these companies were regulated by means of a private written agreement between the parties. This agreement will lapse after three years.
Adhesion to the tax consolidation allows the taxable income of the participating companies to be offset against each other (using the losses and the aid for economic growth (“ACE”) realised during the adhesion period).
As envisaged by applicable regulations, adhering entities have an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera, the consolidating company.
Under this tax regime, the taxable profits and tax losses reported by each entity for 2023 are transferred to the consolidating company La Scogliera.
The receivable from the tax consolidating company La Scogliera, recorded under "Other assets", amounts to 32,1 million Euro, while the related payable, recorded under "Other liabilities" in these Consolidated Financial Statements, amounts to 31,2 million Euro at 31 December 2023, of which 23,9 million Euro accrued to the subsidiary Ifis Npl Investing. The net receivable in regard to the tax consolidating company La Scogliera amounts therefore to 0,9 million Euro.

11.1 Deferred tax assets: breakdown

The main types of deferred tax assets are set out below.

Deferred tax assets	31.12.2023	31.12.2022
With a counter entry in the profit and loss account	226.905	243.794
With a counter entry in equity	11.929	20.463
Total deferred tax assets	**238.834**	**264.257**

Deferred tax assets amount to 238,8 million Euro compared to the figure of 264,3 million Euro at 31 December 2022 and consist mainly of 144,7 million Euro of assets recognised for impairment losses on receivables due from customers, potentially convertible into tax credits in accordance with Italian Law No. 214/2011 (balance reducing as a result of the releases relative to 2023), 41,1 million Euro of assets recognised for prior tax losses and aid for economic growth (“ACE”) benefit (39,5 million Euro at 31 December 2022) and 53,1 million Euro (52,5 million Euro at 31 December 2022) in tax misalignments mainly relating to financial assets measured at fair value through other comprehensive income (FVOCI).

In accordance with the rules set forth in IAS 12 and the ESMA communication of 15 July 2019, the Banca Ifis Group recognised Deferred Tax Assets (DTAs), after verifying that the amounts so recognised are supported by a probability opinion on their recoverability. For the purpose of expressing the aforementioned opinion, current tax provisions were taken into consideration, with particular reference to the rules for transforming certain deferred tax assets into tax credits, and the Group's ability to generate future taxable income also taking into account the "tax consolidation" option.

As for the qualified DTAs convertible into tax credits, amounting to 144,7 million Euro at 31 December 2023, the tax regulations introduced by Law 214/2011, together with the exercise of the annual fee regime option, make their recoverability certain. This treatment is in line with the rules contained in Bank of Italy/Consob/Isvap Document No. 5 of 15 May 2012 "Accounting treatment of deferred tax assets under Law No. 214/2011".

For the remaining tax assets (non-transformable DTAs), totalling 94,1 million Euro, the recognition and subsequent maintenance in the financial statements are strictly dependent on the ability of the Group and/or individual companies to generate future taxable income (referred to as "tax capability").

Details on the assumptions used for the probability test and their outcomes are given below.

Estimated future taxable income

Future taxable income was estimated based on Banca Ifis's most recent income projections.

In view of the current uncertain environment, the last expected income without any growth assumptions was taken as a reference for long-term profitability.

Probability test results and sensitivity analysis

On the basis of the assessment carried out with the model described previously, out of the overall total of 238,8 million Euro, the 144,7 million Euro portion attributable to Law 214/2011 (equal to 60,6% of the total DTA) will be reversed by 2028 due to express regulatory provision. The portion referring to prior tax losses and aid for economic growth (“ACE”) surpluses, totalling 41,1 million Euro (or 17,2% of the total DTA) is expected to be fully recovered from 2026 to 2032 (approximately 30 million Euro by 2028). The remaining 53,1 million Euro refers mainly to financial assets measured at fair value with an impact on other comprehensive income (FVOCI) and is therefore related to the performance of the related reserve. The uncertainty is also confirmed regarding the recoverability of the DTAs relating to the subsidiary Cap.Ital.Fin. realised mainly before the entry into the tax consolidation, which therefore, out of prudence, have not been recorded for a total of 2,6 million Euro.

11.2 Deferred tax liabilities: breakdown

The main types of deferred tax liabilities are shown below.

Deferred tax liabilities	31.12.2023	31.12.2022
With a counter entry in the profit and loss account	30.659	29.218
With a counter entry in equity	1.033	1.119
Total deferred tax liabilities	**31.692**	**30.337**

Deferred tax liabilities, amounting to 31,7 million Euro, in line with the previous year's balance, mainly include 25,3 million Euro on receivables recognised for interest on arrears that will be taxed upon collection.

11.3 Changes in deferred tax assets (recognised through profit or loss)

	31.12.2023	31.12.2022
1. Opening balance	**243.794**	**280.893**
2. Increases	**58.466**	**24.805**
2.1 Deferred tax assets recognised in the year	44.231	20.377
a) relative to previous years	411	122
b) due to change in accounting standards	-	-
c) reversals of impairment losses	-	-
d) other	43.820	20.255
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	14.235	4.428
- *business combinations*	*14.235*	-
3. Decreases	**75.355**	**61.904**
3.1 Deferred tax assets reversed during the year	69.871	43.775
a) reversals	66.234	40.338
b) impairment losses due to unrecoverability	-	190
c) change in accounting standards	-	-
d) other	3.637	3.247
3.2 Reductions in tax rates	-	-
3.3 Other decreases	5.484	18.129
a) conversion into tax credits as per Italian Law No. 214/2011	5.366	13.676
b) other	118	4.453
4. Closing balance	**226.905**	**243.794**

Concerning the changes in deferred tax assets (recognised through profit or losses), please note that:

- “other increases” included the deferred tax assets incorporated at 31 October 2023 as a result of the business combination transaction concerning the acquisition of the company Revalea (for more details, please refer to the section "Significant events during the year" of the Directors' Report on the Group and to "Part G - Business combinations");
- decreases include transformed deferred tax assets in the amount of 5,4 million Euro (see section below "11.4 Changes in deferred tax assets pursuant to Law 214/2011");
- the deferred tax assets related to the taxable profit for the year were not included, as they were recognised under “Other assets” and “Other liabilities” respectively as a receivable and payable due from and to the tax consolidating company La Scogliera under current tax consolidation arrangements.

11.4 Changes in deferred tax assets pursuant to Law No. 214/2011

	31.12.2023	31.12.2022
1. Opening balance	**172.220**	**205.352**
2. Increases	**5.676**	**3.952**
- business combinations	*5.662*	-
3. Decreases	**33.185**	**37.084**
3.1 Reversals	27.819	19.605
3.2 Conversion in tax credits	5.366	13.676
a) deriving from losses for the year	7	7
b) deriving from tax losses	5.359	13.669
3.3 Other decreases	-	3.803
4. Closing balance	**144.711**	**172.220**

11.5 Changes in deferred tax liabilities (recognised through profit or loss)

	31.12.2023	31.12.2022
1. Opening balance	**29.218**	**32.142**
2. Increases	**3.031**	**756**
2.1 Deferred tax assets recognised in the year	716	719
a) relative to previous years	-	17
b) due to change in accounting standards	-	-
c) other	716	702
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	2.315	37
- business combinations	*2.315*	-
3. Decreases	**1.590**	**3.680**
3.1 Deferred tax liabilities reversed during the year	1.590	3.640
a) reversals	1.590	3.640
b) due to change in accounting standards	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	40
4. Closing balance	**30.659**	**29.218**

11.6 Changes in deferred tax assets (recognised through equity)

	31.12.2023	31.12.2022
1. Opening balance	**20.463**	**3.233**
2. Increases	**3**	**17.789**
2.1 Deferred tax assets recognised in the year	3	17.789
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	3	17.789
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**8.537**	**559**
3.1 Deferred tax assets reversed during the year	8.535	557
a) reversals	8.535	557
b) impairment losses due to unrecoverability	-	-
c) due to change in accounting standards	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	2	2
4. Closing balance	**11.929**	**20.463**

11.7 Changes in deferred tax liabilities (recognised through equity)

	31.12.2023	31.12.2022
1. Opening balance	**1.119**	**313**
2. Increases	**1.911**	**2.303**
2.1 Deferred tax assets recognised in the year	1.911	2.303
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	1.911	2.303
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1.997**	**1.497**
3.1 Deferred tax liabilities reversed during the year	1.997	1.496
a) reversals	1.997	1.496
b) due to change in accounting standards	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	1
4. Closing balance	**1.033**	**1.119**

11.8 Other information

Current tax assets

	31.12.2023	31.12.2022
IRAP (regional tax on productive activities)	14.657	12.483
IRES on sale of receivables	-	21.278
IRES for cases other than assignment of receivables	14.184	12.578
Credits from DTA conversion	15.651	13.424
Other	2.109	1.161
Total current tax assets	**46.601**	**60.924**

Current tax liabilities

	31.12.2023	31.12.2022
IRAP balance	17.524	15.070
IREP balance	8.501	6.891
Total current tax liabilities	**26.025**	**21.961**

Section 12 - Non-current assets and disposal groups and associated liabilities - Item 120

In these Consolidated Financial Statements, this item has no value.

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

	31.12.2023	31.12.2022
Tax receivables	223.791	270.592
of which tax credits for superbonus and other building tax bonuses	*208.748*	*253.463*
Accrued income and deferred expenses	59.828	51.808
Guarantee deposits	807	1.085
Debtors for invoices	19.690	41.662
Sundry receivables	68.020	34.784
of which: receivables from La Scogliera for tax consolidation	*32.162*	*5.625*
of which: other receivables	*35.858*	*29.159*
Miscellaneous provisional items	30.999	29.335
Portfolio of effects subject to collection	41.557	41.798
Total other assets	**444.692**	**471.064**

"Tax receivables" consist mainly of the portion deemed recoverable of tax credits for superbonus and other building tax bonuses (the "Ecobonus") for 208,7 million Euro, purchased in previous years, to which a nominal amount of 234,1 million Euro corresponds.

"Sundry items" include 32,1 million Euro in credits due to the ultimate Parent company La Scogliera S.A. under the tax consolidation agreements (5,6 million Euro at 31 December 2022). It should be noted that the balance at 31 December 2022 for this situation was entirely collected during the first half of 2023, and therefore the balance due from the tax consolidating company at 31 December 2023 refers exclusively to advances paid in respect of 2023.

LIABILITIES

Section 1 - Financial liabilities measured at amortised cost - Item 10

1.1 Financial liabilities at amortised cost: breakdown of payables due to banks by type

Type of transaction/Amounts	31.12.2023				31.12.2022			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Payables due to Central banks	**1.577.875**	**X**	**X**	**X**	**2.423.647**	**X**	**X**	**X**
2. Payables due to banks	**1.139.264**	**X**	**X**	**X**	**998.513**	**X**	**X**	**X**
2.1 Current accounts and on demand deposits	19	X	X	X	4.208	X	X	X
2.2 Term deposits	117.309	X	X	X	149.054	X	X	X
2.3 Loans	1.012.077	X	X	X	845.251	X	X	X
2.3.1 Repurchase agreements	715.313	X	X	X	731.791	X	X	X
2.3.2 Other	296.764	X	X	X	113.460	X	X	X
2.4 Debt from buyback commitments on treasury equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	9.859	X	X	X	-	X	X	X
Total	**2.717.139**	**-**	**-**	**2.717.139**	**3.422.160**	**-**	**-**	**3.422.160**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Payables due to banks come to 2,7 billion Euro, down 20,6% compared to the figure for end December 2022, mainly due to the onset maturity of short-term payables due to central banks (LTRO) and the early repayment of 500 million Euro for TLTRO, made in December 2023. At 31 December 2023, the balance of payables due to banks is mainly represented by residual TLTRO transactions in the amount of 1,6 billion Euro and repo transactions in the amount of 0,7 billion Euro. As a result of Decision ECB/2022"37 of 27 October 2022 for FY 2023, the fees were determined on the basis of the rate provided for as of the aforementioned decision.

The fair value of payables due to banks is in line with the relevant carrying amount, considering the counterparty and the fact that interbank deposits are short- or very short-term.

1.2 Financial liabilities measured at amortised cost: breakdown of payables due to customers by type

Type of transaction/Amounts	31.12.2023				31.12.2022			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and on demand deposits	1.147.597	X	X	X	1.410.871	X	X	X
2. Term deposits	4.139.143	X	X	X	3.547.969	X	X	X
3. Loans	493.791	X	X	X	50.003	X	X	X
3.1 Repurchase agreements	346.317	X	X	X	50.003	X	X	X
3.2 Other	147.474	X	X	X	-	X	X	X
4. Debt from buyback commitments on treasury equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	22.702	X	X	X	21.733	X	X	X
6. Other payables	11.391	X	X	X	72.767	X	X	X
Total	**5.814.624**	**-**	**-**	**6.156.150**	**5.103.343**	**-**	**-**	**5.450.030**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Payables due to customers at 31 December 2023 total 5,8 billion Euro, up 13,9% compared to 31 December 2022. The growth is driven by both retail funding, which amounts to 4,5 billion Euro at the end of December 2023 (+7,6%), and the repurchase agreement (repo) component, which increases by 296,3 million Euro compared to 31 December 2022.

1.3 Financial liabilities measured at amortised cost: breakdown of debt securities issued by type

Type of securities/Amounts	31.12.2023				31.12.2022			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	3.288.839	1.329.813	104.630	1.853.042	2.605.090	1.002.626	64.192	1.496.168
1.1 structured bonds	-	-	-	-	-	-	-	-
1.2 other bonds	3.288.839	1.329.813	104.630	1.853.042	2.605.090	1.002.626	64.192	1.496.168
2. Other securities	56	-	-	56	105	-	-	105
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	56	-	-	56	105	-	-	105
Total	**3.288.895**	**1.329.813**	**104.630**	**1.853.098**	**2.605.195**	**1.002.626**	**64.192**	**1.496.273**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Debt securities issued amount to 3,3 billion Euro at 31 December 2023 and consist of:

- securities issued by the SPV ABCP Programme for 1,1 billion Euro relating to the senior tranche;

- securities issued by the Indigo Lease vehicle in the amount of 0,4 billion Euro relating to the senior tranche, following the restructuring of the transaction during the third quarter of 2023 (for more details on this, refer to "Part E - Information on risks and related hedging policies", "Section 2 - Prudential consolidation risks", paragraph "1.1 Credit risk", sub-section "C. Securitisation transactions");
- securities issued by the Emma SPV for 0,4 billion Euro relating to the senior tranche;
- 0,4 billion Euro related to subordinated loans, essentially in line with 31 December 2022;
- bonds issued by Banca Ifis for 1,1 billion Euro. Compared to 31 December 2022, the following changes have occurred:
  - 600 million Euro relating to the two senior bonds, each with a nominal amount of 300 million Euro and a maturity of 4 years and 5 years respectively, issued in January 2023 and September 2023 (for more details, refer to the section “Significant events during the year” of the Directors’ Report on the Group);
  - 45 million Euro related to the second tranche issued in March 2023 and related to a senior bond with a duration of 4 years and a total nominal amount of 110 million Euro;
  - redemption of 300 million Euro of the senior bond issued in 2018 and maturing in April 2023.

1.4 Breakdown of subordinated debts/securities

The line item "Debt securities issued" includes 372,7 million Euro in subordinated notes related to Euro Tier 2 bond issued in mid-October 2017 for a nominal amount of 400 million Euro.

1.5 Breakdown of structured debts

There are no structured debts in these Consolidated Financial Statements.

1.6 Lease payables

The lease payable relates for 20,1 million Euro to lease contracts of properties and cars coming under the scope of application of accounting standard IFRS 16, which came into force at 1 January 2019 and as more extensively described in “Part M - Leasing disclosure” of these Consolidated Financial Statements.

It also includes 2,6 million Euro for the real estate lease the former company Toscana Finanza S.p.A. entered into in 2009 for the property located in Florence, which housed the headquarters of the Npl Segment until August 2016. The term of the lease entered into with Centro Leasing S.p.A. is 18 years (from March 2009 to March 2027) and provides for the payment of 216 monthly instalments of about 28 thousand Euro, including the principal, interest and an option to buy the asset at the end of the lease for 1,9 million Euro. At the date of this document, the property is used as an additional operational headquarters of Banca Ifis.

The interest rate on lease payables reflects the average Group cost of funding, taking into account the creditworthiness of the lessee and the economic context in which the transaction occurs, accordingly with the IFRS 16.

Section 2 - Financial liabilities held for trading - item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Amounts	31.12.2023					31.12.2022				
	NA	Fair value			Fair value*	NA	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Payables due to banks	-	-	-	-	-	-	-	-	-	-
2. Payables due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives	X	-	14.005	-	X	X	-	25.982	-	X
1.1 For trading	X	-	14.005	-	X	X	-	25.982	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 For trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**14.005**	**-**	**X**	**X**	**-**	**25.982**	**-**	**X**
Total (A+B)	**X**	**-**	**14.005**	**-**	**X**	**X**	**-**	**25.982**	**-**	**X**

Key:
NA = Nominal or notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair value = Fair value calculated excluding changes in value due to changes in the issuer's creditworthiness compared to the date of issuance*

With regard to Level 2 trading liabilities, see the comments in "Section 2 - Financial assets measured at fair value through profit or loss - Item 20" of Assets.

2.2 Details of “Financial liabilities held for trading”: subordinated liabilities

There are no subordinated liabilities recognised in the item of this section.

2.3 Details of “Financial liabilities held for trading”: structured debts

There are no structured debts recorded in the item of this section.

Section 3 - Financial liabilities designated at fair value - Item 30

In these Consolidated Financial Statements, this item has no value.

Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by hedge type and levels

	Fair value 31.12.2023			NA 31.12.2023	Fair value 31.12.2022			NA 31.12.2022
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**11.644**	**-**	**355.700**	**-**	**-**	**-**	**-**
1) Fair value	-	11.644	-	355.700	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**11.644**	**-**	**355.700**	**-**	**-**	**-**	**-**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Hedge type	Fair value							Cash flows		Foreign investments
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	equity securities and stock indices	currencies and gold	loans and receivables	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	11.644	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**11.644**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	-
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 5 - Value adjustment of financial liabilities designated as generically hedged - Item 50

In these Consolidated Financial Statements, this item has no value.

Section 6 - Tax liabilities - Item 60

Current tax liabilities, amounting to 26,0 million Euro (22,0 million Euro at 31 December 2022), represent the tax burden for the year for the companies that do not participate in the tax consolidation (Banca Credifarma, the newly-acquired Revalea and the foreign subsidiaries) and for taxes, in any case, not payable within the tax consolidation (IRAP and IRES surtax). The tax burden relating to the settlement of the tax consolidation is instead represented in the balance sheet items "Other assets" and "Other liabilities" as a receivable from and payable to La Scogliera S.A., respectively, with a net positive exposure of 945 thousand Euro (32,2 million Euro in receivables offset by 31,2 million Euro in payables). Deferred tax liabilities, amounting to 31,7 million Euro, are better described in "Section 11 - Tax assets and liabilities - Item 110 of assets and Item 60 of liabilities" of the Assets to which reference is made.

Section 7 - Liabilities associated with assets held for sale - Item 70

In these Consolidated Financial Statements, this item has no value.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	31.12.2023	31.12.2022
Payables due to suppliers	133.138	122.831
Payables due to personnel	26.659	24.648
Payables due to the Tax Office and Social Security agencies	27.346	14.241
Sums available to customers	25.193	28.320
Accrued liabilities and deferred income	4.670	2.416
Other items	130.321	140.860
of which: payables to La Scogliera for tax consolidation	*31.217*	*33.680*
of which other payables	*99.104*	*107.180*
Miscellaneous provisional items	40.227	58.381
Total other liabilities	**387.554**	**391.697**

“Other items” include 31,2 million Euro for a payable due to La Scogliera S.A. deriving from the application of the tax consolidation (33,7 million Euro at 31 December 2022).

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	31.12.2023	31.12.2022
A. Opening balance	**7.696**	**9.337**
B. Increases	**1.889**	**1.408**
B.1 Provisions for the year	1.549	1.082
B.2 Other changes	340	326
- *business combinations*	*199*	-
C. Decreases	**1.679**	**3.049**
C.1 Payments made	465	312
C.2 Other changes	1.214	2.737
D. Closing balance	**7.906**	**7.696**

Payments made represent the portions liquidated to employees during the year.
Other decreases include the impact of the discounting of benefits earned up to 31 December 2006 and still held in the company, which, based on the changes introduced by the new IAS 19, are recognised through valuation reserves entered as equity.
The increase recorded in 2023 for business combinations relates to the debit balances for termination indemnities transferred to the Group as a result of the fourth quarter 2023 acquisition of Revalea S.p.A. (for more details, refer to the section "Significant events during the year" of the Directors' Report on the Group as well as to "Part G - Business combinations").

9.2 Other information

Under IAS/IFRS standards, a company's liabilities regarding benefits that will be paid to employees at the conclusion of the employer/employee relationship (post-employment benefits) should be recognised based on actuarial calculations of the amount that will be paid at maturity.
Specifically, these allocations must take into account the amount already earned over the period at the reporting date, projecting it into the future in order to calculate the amount that will be paid at the conclusion of the

employer/employee relationship. This amount must then be discounted to take into account the time that will pass until payment.

Following the coming into force of the 2007 Budget Law, which brought the reform regarding supplementary pension plans - as per Italian Legislative Decree No. 252 of 5 December 2005 - forward to 1 January 2007, the employee was given a choice as to whether to allocate the post-employment benefits (severance indemnity) earned as from 1 January 2007 to supplementary pension funds or to maintain them in the company, which would then transfer it to a dedicated fund managed by INPS (the Italian National Social Security Institute).

This reform has led to changes in the accounting of post-employment benefits (severance indemnity) as for both the benefits earned up to 31 December 2006 and those earned from 1 January 2007.

In particular:

- post-employment benefits (severance indemnity) earned as from 1 January 2007 constitute a “defined-contribution plan”, regardless of whether the employee has chosen to allocate them to a supplementary pension fund or to INPS's Treasury Fund. Those benefits shall be calculated according to contributions due without applying actuarial methods;
- the severance indemnity earned up to 31 December 2006 continues to be considered as a "defined-benefit plan", and as such is calculated on an actuarial basis which, however, unlike the calculation method applied until 31 December 2006, no longer requires that the benefits be proportionally attributed to the period of service rendered. This is because the employee’s service is considered entirely accrued due to the change in the accounting nature of benefits earned as from 1 January 2007.

The actuarial valuation of the severance indemnity was conducted by an independent external actuary, based on the “accrued benefits” methodology using the “Projected Unit Credit” criterion, as required by IAS 19. The following table shows the main demographic, economic and financial assumptions on which the valuation at 31 December 2023 is based compared to the valuation at 31 December 2022.

Main actuarial assumptions for the valuation of the severance indemnity ("TFR")	
Demographic assumptions (2023-2022):	
Employee mortality rate	From Istat table resident population
Probability of the request for advance payment of severance indemnity	1,3%
Measure required in the case of severance indemnity advance	70,0%
Frequency of turnover	2,2%
Financial assumptions (2023-2022):	
Annual discount rate	3,2%
Annual inflation rate	2,3%

As illustrated above, the changes in some of the actuarial assumptions for the valuation of the severance indemnity at 31 December 2023, compared to the previous year, resulted in an overall increase in the provision of 0,2 million Euro, equal to the combined effect of the following elements:

- changes in financial assumptions, for an overall positive net effect of 0,2 million Euro;
- changes in other actuarial assumptions, for an overall insignificant net effect.

With regard to the discount rate of 3,2%, which is one of the most important assumptions used in the measurement of defined benefit plan obligations, reference was made to an average rate calculated on the basis of the duration of the settlements and using reference indices on corporate bonds in euro currency and with a maturity > 10 years as benchmarks.

In fact, IAS 19 requires that this rate should reflect the time value of money, but not the entity-specific credit risk, actuarial or investment risk, and the risk that the actual data experienced may differ in the future from the actuarial assumptions used. The standard further specifies that this rate shall be determined by reference to market yields, at the end of the reporting period, of securities of primary corporations of the country in which the entity operates (referred to as the "High Quality Corporate Bond yield") and, alternatively, in the absence of a market for such securities, by reference to market yields of government securities.

Sensitivity analyses

As required by IAS 19, a sensitivity analysis of the severance pay obligation was conducted assuming an increase or decrease in the discount rate and inflation rate of 50 basis points. The analysis is intended to show how much the balance sheet liability would vary in relation to reasonably possible fluctuations in these actuarial assumptions. The results of the sensitivity analysis, in terms of absolute and percentage changes in the consolidated severance indemnity liability, are shown in the table below.

	Change in TFR in absolute terms (million Euro)	Change in TFR in percentage terms
Modification of actuarial assumptions:		
Discounting rate		
+ 0,5%	(259,1)	(3,3)%
- 0,5%	286,5	3,6%
Inflation rate		
+ 0,5%	220,1	2,8%
- 0,5%	(217,2)	(2,7)%

Section 10 - Provision for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	31.12.2023	31.12.2022
1. Provisions for credit risk related to commitments and financial guarantees granted	5.374	9.325
2. Provisions on other commitments and financial guarantees granted	-	39
3. Provisions for pensions	196	-
4. Other provisions for risks and charges	52.608	46.861
4.1 legal and tax disputes	*43.029*	*37.543*
4.2 personnel expenses	*2.592*	*2.800*
4.3 other	*6.987*	*6.518*
Total	**58.178**	**56.225**

At 31 December 2023, total provisions for risks and charges amount to 58,2 million Euro, up 2,0 million Euro on the previous year.

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and financial guarantees granted	Provisions for pensions	Other provisions for risks and charges	Total 31.12.2023
A. Opening balance	**39**	**-**	**46.861**	**46.900**
B. Increases	**-**	**222**	**10.105**	**10.327**
B.1 Provisions for the year	-	214	8.976	**9.190**
B.2 Changes due to the passage of time	-	8	-	**8**
B.3 Changes due to changes in the discount rate	-	-	-	**-**
B.4 Other changes	-	-	1.129	**1.129**
- *business combinations*	-	-	*1.029*	***1.029***
C. Decreases	**39**	**26**	**4.358**	**4.423**
C.1 Used in the year	-	-	3.815	**3.815**
C.2 Changes due to changes in the discount rate	-	-	-	**-**
C.3 Other changes	39	26	543	**608**
D. Closing balance	**-**	**196**	**52.608**	**52.804**

10.3 Provisions for credit risk related to commitments and financial guarantees granted

	Provisions for credit risk related to commitments and financial guarantees granted				
	Stage 1	Stage 2	Stage 3	Purchased and/or originated impaired	Total
Loan commitments	2.346	597	7	-	**2.950**
Guarantees granted	292	44	2.088	-	**2.424**
Total	**2.638**	**641**	**2.095**	**-**	**5.374**

At 31 December 2023, this item amounts to 5,3 million Euro, reflecting the impairment losses on irrevocable commitments to disburse funds and financial guarantees granted by the Group.

10.4 Provisions on other commitments and other guarantees given

There are no provisions for other commitments and other guarantees given in these Consolidated Financial Statements.

10.5 Defined-benefit corporate pension funds

1. Illustration of fund characteristics and related risks

The item includes the provision related to the post-retirement medical plan in favour of certain employees of the Banca Ifis Group, introduced in the third quarter of 2023: this is a defined benefit plan that provides for healthcare and other benefits to employees, even after retirement.

Specifically, the Banca Ifis Group has provided, for all Group managerial staff, insurance cover for the reimbursement of medical expenses (RSMO) valid and effective until the age of 85. This cover is therefore in continuity with the cover in place during employment, even after retirement. The only condition for access is the termination of employment with the Parent company or other Group companies due to retirement. The policy premium will be borne by the Bank with an annual contribution from the retired manager. Therefore, the Group is responsible for the costs and risks associated with the provision of such benefits.

2. Changes in net defined benefit liabilities (assets) and redemption rights during the year

Since the post-retirement medical plan was introduced during the third quarter of 2023, the opening balances at January 2023 of the net defined benefit liabilities are nil. At 31 December 2023, due to the activation of the plan and the related accruals for the second half of 2023, this fund amounts to 196 thousand Euro.

3. Disclosure of fair value of plan assets

There is no information to be reported in this paragraph.

4. Description of the main actuarial assumptions

For this fund, as a supplementary defined-benefit pension fund, the determination of the actuarial values required by the application of IAS 19 "Employee Benefits" is carried out by an independent actuary, using the "Project Unit Credit Method". The liability is recognised in the balance sheet net of any plan assets, and actuarial gains and losses calculated in the plan valuation process are recognised in the statement of comprehensive income and, therefore, in equity.
The main actuarial assumptions adopted are as follows:

- discount rate of 3,2%, calculated as an average rate on the basis of the duration of the liquidations and using reference indices on corporate bonds in euro currency and with maturity > 10 years as benchmarks;
- premium inflation rate of 2,3%;
- annual turnover rate of 2,0%;
- frequency of “waiver” (non-payment of the premium component of pensioners) of 2,0%.

5. Information on amount, timing and uncertainty of cash flows

Given that the healthcare benefits are provided through a policy and that they constitute a benefit for the recipients until they reach the age of 85, the obligation subject to discounting under IAS 19 is that relating to the period in retirement and up to the age of 85.
A sensitivity analysis was also conducted on these net defined benefit liabilities, analysing what the amount of the net liabilities would be in the event of:

- a change in the discount rate of +/- 0,5% (50 bps);
- a change in the growth rate of payments to the insurance company of +/- 0,5% (50 bps);
- a change in the inflation rate of +/- 0,5% (50 bps);
- a change in the wage growth rate of +/- 0,5% (50 bps);
- a change in retirement age of +/- 1 year;
- a change in average longevity of +/- 1 year.

The maximum and minimum values of the net defined-benefit liabilities at 31 December 2023 resulting from the aforementioned sensitivities are 224 thousand Euro and 138 thousand Euro, respectively.

6. Multi-employer plans

There is no information to be reported in this paragraph.

7. Defined benefit plans that share risks between entities under common control

There is no information to be reported in this paragraph.

10.6 Provisions for risks and charges - Other provisions

Legal and tax disputes

At 31 December 2023, provisions have been made for 43,0 million Euro for legal and tax disputes in respect of which the Group is deemed to have a present obligation that may lead to the use of financial resources. Information on the amount of the allocation to the provisions for risks and charges is not provided by individual dispute but by type, both in consideration of the number of disputes and in order to avoid prejudicing the Group in the evolution of the dispute with the counterparty, either through legal proceedings or settlements. More specifically, the amount mainly breaks down as follows:

- 21,3 million Euro for 26 disputes concerning the Factoring Area (the plaintiffs seek 41,4 million Euro in damages), mainly connected with the request for the repetition of amounts collected or payments under guarantee in relation to factoring positions without recourse. Compared to 31 December 2022, 2 new cases were received with a corresponding provision of 2,0 thousand Euro, while 4 cases were closed with a total provision of 140 thousand Euro;
- 8,9 million Euro (the plaintiffs seek 14,4 million Euro in damages) for 18 disputes deriving from the business unit acquired from the former Aigis Banca and mainly the Corporate Banking & Lending Area of the Commercial and Corporate Banking Segment. During the year, a dispute whose associated provision for risks and charges amounted to 40 thousand Euro was closed, and, in addition, utilisations of 0,8 million Euro were recorded on disputes still outstanding at 31 December 2023;
- 6,5 million Euro (the plaintiffs seek 54,0 million Euro in damages) for 6 disputes concerning the Corporate Banking & Lending Area deriving from the former Interbanca. With respect to 31 December 2022, a new case was notified, the corresponding provision amounting to 3,3 million Euro;
- 1,2 million Euro (the plaintiffs seek 1,5 million Euro in damages) for 15 disputes concerning the Leasing Area and tax receivables. In 2023, 6 cases were closed, the provision for risks and charges for which amounts to 246 thousand Euro at 31 December 2022, while no new disputes were received during the year;
- 2,6 million Euro (the plaintiffs seek 7,2 million Euro in damages) for 50 disputes of Ifis Npl Investing. In 2023, 34 disputes were closed for a provision of 261 thousand Euro and 17 new cases were received, for which the provision made at 31 December 2023 was 99 thousand Euro;
- 1,0 million Euro relating to various disputes concerning Banca Credifarma (the plaintiffs seek 5,3 million Euro). During the year, the company was notified of a new dispute, the associated provision for risks and charges of which amounted to 500 thousand Euro at 31 December 2023, while 2 cases were settled, the associated provision for which amounted to 21 thousand Euro at 31 December 2022;
- 729 thousand Euro (the plaintiffs seek 10,3 million Euro in damages) for 18 disputes regarding the company Revalea;
- 666 thousand Euro (the plaintiffs seek 3,4 million Euro) mainly for disputes with customers and agents relating to Cap.Ital.Fin. During 2023, 6 cases were closed with a provision of 55 thousand Euro at 31 December 2022 and 20 cases were opened with a provision of 47 thousand Euro;
- 30 thousand Euro (the plaintiffs seek the same amount in damages) for disputes concerning the investee Ifis Rental Services.

Personnel expenses

At 31 December 2023, provisions are entered for staff for 2,6 million Euro (2,8 million Euro at 31 December 2022) of which 2,0 million Euro relating to the Solidarity Fund.

Other provisions for risks and charges

At 31 December 2023, “Other provisions” are in place for 7,0 million Euro, a rise on the figure recorded at 31 December 2022. The item mainly consists of 3,9 million Euro for Supplementary Customer Indemnity in connection with the Leasing Area's operations, 1,5 million Euro for the risks linked to the assignment of receivables under the scope of securitisations of bad loans guaranteed by Italian Treasury Department (“GACS”) and 0,7 million Euro for risks linked to miscellaneous complaints.

Contingent liabilities

The most significant potential liabilities existing at 31 December 2023, for which a negative outcome is held to be merely “possible” are detailed below by way of information only. The amount sought in association with these contingent liabilities totals 478,4 million Euro at 31 December 2023.

During the fourth quarter of 2022, Banca Ifis was sued by the bodies of two bankruptcy proceedings, which requested that it be ordered to pay 389,3 million Euro in one case and 47,7 million Euro in the other, as compensation for damages for the unlawful forbearance in its capacity as lender, albeit marginal, of the companies now in proceedings. The first claim was made jointly and severally with 23 other institutions, while the second claim was made jointly and severally with 8 other institutions. The Group, supported by its legal advisers, evaluated the risk of defeat as “possible” and, therefore, it did not allocate funds to the provisions for risks and charges.

Tax litigation - income tax

Dispute concerning the assumed "permanent establishment" in Italy of the Polish company Ifis Finance Sp. z o.o.

Following a tax audit for the years 2013/2017, Notices of Assessment were served for the years 2013/2017 in which the "concealed permanent establishment" of Ifis Finance Sp. z o.o., the subsidiary based in Poland, was contested.

The Financial Police Force hypothesised that the office in Poland was used in the Group's strategies more as a branch/office for the promotion and sale of services offered, *de facto*, by the Parent company Banca Ifis rather than constituting an independent and autonomous legal entity in the exercise of its activity.

2013-2014-2015:

- on 12 November 2020, the Venice Provincial Tax Commission fully upheld the appeal filed by Banca Ifis (ruling No. 266/2021) against the notices of IRES, IRES surcharge and IRAP tax assessment for the years 2013/2014/2015 issued by the Italian Revenue Agency. The Commission in fact declared that it was a “legitimate right of the Italian Parent company, seeking to expand its banking and factoring services business in Poland, to determine the operative strategy of the Parent company established to this end”;
- on 14 October 2021, the Revenue Agency was notified of the filing of the appeal with the Veneto Regional Tax Commission ("CTR");
- on 2 December 2021, the Bank filed its rebuttal arguments in defence of its positions as confirmed by the Provincial Tax Commission;
- with judgement No. 201/2023, filed on 27 February 2023, the Veneto Court of Tax Appeals of second instance rejected the appeal of the Revenue Agency, thus confirming the first instance sentence (favourable to the Bank) and awarded 5 thousand Euro in expenses ex lege in favour of the Bank. At present, the Revenue Agency has not yet appealed in Cassation.

2016:

- in June 2022, the Notices of Assessment for 2016 were also served, containing the same objections and arguments as in the previous years, with the addition of the disputes of costs recorded in 2016 that were deemed to be outside the accrual period;
- the Notice of Assessment for 2016 was challenged within the time limits provided for by the legislation, and at the same time one third of the taxes were paid pending judgement. The Venice Tax Commission, with ruling No. 111/2024 filed on 8 February 2024, upheld the appeal filed by the Bank.

2017:

- in September 2022, the Notices of Assessment for 2017 were also served containing the same objections and arguments as for the previous year. These deeds were challenged within the terms of the law.

Tax litigation - value added tax (VAT)

On 29 November 2023, a Notice of Assessment was served in which the Revenue Agency contested the Parent company, Banca Ifis's failure to pay VAT in the amount of 170 thousand Euro on 88 contracts for not having carried out adequate preventive controls on the presence of the conditions in the presence of which the client would have been able to deduct the VAT on the car, not deeming sufficient for these purposes the issuance of the letter of intent through which the client declared that he was entitled, as a habitual exporter, to receive the invoice under the non-taxable regime.

The Notice of Assessment in question will be challenged within the time limits provided for by the legislation, and at the same time one third of the taxes will be paid pending judgement.

Regarding that described previously, the Group, supported by the opinions of its tax advisers, evaluated the risk of defeat possible, but not probable, and therefore it did not allocate funds to the provisions for risks and charges.

Section 11 - Insurance liabilities - Item 110

In these Consolidated Financial Statements, this item has no value.

Section 12 - Redeemable shares - Item 130

In these Consolidated Financial Statements, this item has no value.

Section 13 - Group Equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 "Share capital" and "Treasury shares": breakdown

Item		31.12.2023	31.12.2022
170	Share capital (in thousands of Euro)	53.811	53.811
	Number of ordinary shares	53.811.095	53.811.095
	Nominal amount of ordinary shares	1 euro	1 euro
180	Treasury shares (in thousands of Euro)	(21.817)	(22.104)
	Number of treasury shares	1.343.018	1.377.981

13.2 Share capital - number of Parent company shares: annual changes

Items/Types	Ordinary	Other
A. Shares held at the beginning of the year	**53.811.095**	**-**
- fully paid-up	53.811.095	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	(1.377.981)	-
A.2 Outstanding shares: opening balance	**52.433.114**	-
B. Increases	**34.963**	**-**
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	34.963	-
C. Decreases	**-**	**-**
C.1 Annulments	-	-
C.2 Buybacks of treasury shares	-	-
C.3 Company sell-offs	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**52.468.077**	**-**
D.1 Treasury shares (+)	1.343.018	-
D.2 Shares held at the end of the year	53.811.095	-
- fully paid-up	53.811.095	-
- not fully paid-up	-	-

Other increases in the number of shares refer to the allocation of shares during the year as part of remuneration mechanisms for the Banca Ifis Group's Top Management, which were included in treasury shares at the start of the year.

13.3 Share capital: other information

The share capital is composed of 53.811.095 ordinary shares with a nominal value of 1 Euro each, bearing no rights, liens and obligations, including those relating to dividend distribution and capital redemption.

13.4 Profit reserves: other information

Items/Components	31.12.2023	31.12.2022
Legal reserve	20.174	19.588
Extraordinary reserve	592.709	595.081
Buyback reserve	21.817	22.104
Other profit reserves	857.946	792.025
Total profit reserves	**1.492.646**	**1.428.798**
Stock option reserve	2.058	950
Other reserves, not "profit reserves"	10.720	11.196
Total item 150 Reserves	**1.505.424**	**1.440.944**

Pursuant to Article 1, paragraph 147 of the 2014 Stability Law (Italian Law No. 147 of 27 December 2013) and Article 1, paragraph 704 of the 2020 Budget Law (Italian Law No. 160 of 27 December 2019), the Banca Ifis Group has realigned the spread between the statutory value and tax value on certain properties. The amount corresponding to the higher values following the realignment, net of the substitute tax, generated a 15,3 million Euro untaxed reserve.
In addition, following the 2017 merger of Interbanca S.p.A. into Banca Ifis S.p.A., in accordance with Article 172 paragraph 5 of the Consolidated Law on Income Tax, the surviving entity restored the merging entity's deferred tax reserves as follows:

- 4,6 million Euro special reserve as per Article 15 paragraph 10 of Italian Law No. 516 of 07/08/1982;
- 2,3 million Euro revaluation reserve as per Italian Law No. 408/90.

Finally, there were an additional 20,7 million Euro in deferred tax reserves recognised by Banca Ifis and arising from the merger of Interbanca, in accordance with the following laws: No. 576/75, No. 83/72 and No. 408/90, that had been previously recognised as share capital of the latter.

13.5 Equity instruments: breakdown and annual changes

The Banca Ifis Group does not hold any equity instruments.

13.6 Other information

There is no further information to report than that presented in the preceding paragraphs.

Section 14 - Equity attributable to non-controlling interests - Item 190

14.1 Breakdown of Item 210 "Equity attributable to non-controlling interests"

Company name	31.12.2023	31.12.2022
Equity investments in consolidated companies with significant minority interests	14.238	12.432
1. Banca Credifarma S.p.A.	14.238	12.432
Other equity investments	2	-
Total	**14.240**	**12.432**

14.2 Equity instruments: breakdown and annual changes

There are no equity instruments.

Other information

1. Commitments and financial guarantees granted

	Nominal amount of commitments and financial guarantees granted				Total 31.12.2023	Total 31.12.2022
	Stage 1	Stage 2	Stage 3	Purchased and/or originated impaired		
1. Loan commitments	**1.085.982**	**36.812**	**28.704**	**-**	**1.151.498**	**1.149.969**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	1	-	-	-	1	1
c) Banks	235	-	-	-	235	-
d) Other financial companies	138.815	2	1.248	-	140.065	157.987
e) Non-financial companies	779.330	31.921	24.898	-	836.149	765.413
f) Households	167.601	4.889	2.558	-	175.048	226.568
2. Guarantees granted	**65.915**	**132.415**	**17.322**	**-**	**215.652**	**467.356**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	-	-	-	-	-	-
c) Banks	19	-	-	-	19	80.537
d) Other financial companies	4.626	189	-	-	4.815	6.235
e) Non-financial companies	58.726	132.043	17.188	-	207.957	376.583
f) Households	2.544	183	134	-	2.861	4.001

2. Other commitments and guarantees granted

	Nominal amount	
	31.12.2023	31.12.2022
Other guarantees granted	**32.688**	**20.960**
of which: non-performing loans	-	*11*
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	32.688	20.960
f) Households	-	-
Other commitments	**56.930**	**40.646**
of which: non-performing loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	53.011	40.646
e) Non-financial companies	3.919	-
f) Households	-	-

3. Assets used as collateral for own liabilities and commitments

Portfolios	31.12.2023	31.12.2022
1. Financial assets measured at fair value through profit or loss	-	15.176
2. Financial assets measured at fair value through other comprehensive income	513.461	496.964
3. Financial assets measured at amortised cost	2.793.189	2.362.759
4. Property, plant and equipment	-	-
of which: property, plant and equipment qualifying as inventories	-	-

Financial assets measured at fair value through other comprehensive income, just like financial assets measured at amortised cost, refer mainly to Government securities guaranteeing loans on the Eurosystem.
The rest of the financial assets measured at amortised cost refer to bank deposits backing derivative transactions.

4. Breakdown of investments against unit-linked and index-linked policies

In these Consolidated Financial Statements, this item has no value.

5. Administration and mediation on behalf of third parties

Type of services	Amount
1. Execution of orders on behalf of clients	
a) purchases	-
1. settled	-
2. unsettled	-
b) sales	-
1. settled	-
2. unsettled	-
2. Portfolio management	
a) individual	-
b) collective	-
3. Safekeeping and administration of securities	
a) third party securities in custody: associated with depositary bank services (excluding portfolio management)	-
1. securities issued by consolidated companies	-
2. other securities	-
b) other third party securities in custody (excluding portfolio management): other	433.305
1. securities issued by consolidated companies	-
2. other securities	433.305
c) third party securities held with third parties	389.707
d) own securities held with third parties	4.705.946
4. Other transactions	**-**

6. Financial assets subject to on-balance sheet netting, or subject to master netting agreements or similar arrangements

In these Consolidated Financial Statements, this item has no value.

7. Financial liabilities subject to on-balance sheet netting, or subject to master netting agreements or similar arrangements

In these Consolidated Financial Statements, this item has no value.

8. Securities lending transactions

In these Consolidated Financial Statements, this item has no value.

9. Disclosure of joint operations

In these Consolidated Financial Statements, this item has no value.

Part C - Information on the Consolidated Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest receivable and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31.12.2023	Total 31.12.2022
1. Financial assets measured at fair value through profit or loss:	**4.399**	**348**	**-**	**4.747**	**2.865**
1.1. Financial assets held for trading	2	-	-	2	18
1.2. Financial assets designated at fair value	-	-	-	-	-
1.3. Other financial assets mandatorily measured at fair value	4.397	348	-	4.745	2.847
2. Financial assets measured at fair value through other comprehensive income	**13.704**	**-**	**X**	**13.704**	**6.149**
3. Financial assets measured at amortised cost:	**93.266**	**652.025**	**-**	**745.291**	**507.745**
3.1. Receivables due from banks	22.755	26.111	X	48.866	16.610
3.2. Receivables due from customers	70.511	625.914	X	696.425	491.135
4. Hedging derivatives	**X**	**X**	**1.449**	**1.449**	**-**
5. Other assets	**X**	**X**	**9.236**	**9.236**	**12.339**
6. Financial liabilities	**X**	**X**	**X**	**-**	**-**
Total	**111.369**	**652.373**	**10.685**	**774.427**	**529.098**
of which: interest income on impaired financial assets	-	*183.291*	-	*183.291*	*180.328*
of which: interest income on financial leases	*X*	*82.243*	*X*	*82.243*	*52.567*

As for "Financial assets measured at fair value through profit or loss", the amounts refer to debt securities and loans that failed the SPPI test, whereas in the case of "Financial assets measured at fair value through other comprehensive income", the reported amounts are securities, mainly government bonds, in the portfolio.

Interest income from receivables due from customers at amortised cost referring to debt securities is associated mainly with the senior tranche of a securitisation of bad loans guaranteed by Italian Treasury Department ("GACS") that the Group, as well as with the securities portfolio, established as a use of liquidity.

The item "Hedging derivatives" in the column "Other transactions" shows the positive or negative amount of differentials or margins accrued on the aforementioned derivatives that correct the interest income recognised on the hedged financial instruments (which, for the Banca Ifis Group, are certain government securities valued at amortised cost hedged with a micro fair value hedge strategy).

With reference to the interest income on impaired financial assets totalling 183,2 million Euro at 31 December 2023, it should be noted that 172,8 million Euro (161,5 million Euro at 31 December 2022) is related to the specific activity of the Npl Segment, dedicated to non-recourse acquisition and managing distressed retail loans. The remainder relates to interest income on non-performing loans acquired as a result of the various business combinations in recent years.

1.2 Interest receivable and similar income: other information

1.2.1 Interest income on foreign currency financial assets

	31.12.2023	31.12.2022
Interest income on foreign currency financial assets	9.059	7.422

1.3 Interest due and similar expenses: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total 31.12.2023	Total 31.12.2022
1. Financial liabilities measured at amortised cost	(276.379)	(66.565)	X	(342.944)	(112.404)
1.1 Payables due to central banks	(67.566)	X	X	(67.566)	(1.177)
1.2 Payables due to banks	(41.922)	X	X	(41.922)	(6.246)
1.3 Payables due to customers	(166.891)	X	X	(166.891)	(71.806)
1.4 Debt securities issued	X	(66.565)	X	(66.565)	(33.175)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(6)	(6)	(1)
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(109)	(1.828)
Total	**(276.379)**	**(66.565)**	**(6)**	**(343.059)**	**(114.233)**
of which: interest expense on lease payables	*(415)*	*X*	*X*	*(415)*	*(284)*

The increase in interest expenses compared to the previous year is mainly related to the increase in the average cost of the Group's funding. In particular, with reference to customer deposits, we note the upward rate manoeuvres on the Rendimax product, carried out during 2023, and the increased preference of customers for time deposits with longer maturities.

1.4 Interest due and similar expenses: other information

1.4.1 Interest expense on foreign currency liabilities

	31.12.2023	31.12.2022
Interest expense on foreign currency liabilities	(5.090)	(3.034)

1.5 Hedging differentials

ITEMS	31.12.2023	31.12.2022
A. Positive differentials on hedging transactions:	7.243	-
B. Negative differentials on hedging transactions:	5.794	-
C. Balance (A-B)	**1.449**	**-**

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

Type of services/Amounts	31.12.2023	31.12.2022
a) Financial instruments	**-**	**7**
1. Placement of securities	-	2
1.1 On a firm and/or irrevocable commitment basis	-	2
1.2 Without irrevocable commitment	-	-
2. Receipt and transmission of orders and execution of orders on behalf of customers	-	5
2.1 Receipt and transmission of orders for one or more financial instruments	-	-
2.2 Execution of orders on behalf of clients	-	5
3. Other commissions related to activities linked to financial instruments	-	-
of which: trading on own account	-	-
of which: individual portfolio management	-	-
b) Corporate finance	**253**	**174**
1. Mergers and acquisitions advisory services	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	253	174
c) Investment advisory activities	**-**	**-**
d) Clearing and settlement	**-**	**-**
e) Collective portfolio management	**-**	**-**
f) Custody and administration	**-**	**-**
1. Depository bank	-	-
2. Other commissions related to custody and administration activities	-	-
g) Central administrative services for collective portfolio management	**-**	**-**
h) Fiduciary activities	**-**	**-**
i) Payment services	**8.846**	**8.841**
1. Current accounts	3.875	3.690
2. Credit cards	359	498
3. Debit cards and other payment cards	854	1.104
4. Bank transfers and other payment orders	163	175
5. Other fees related to payment services	3.595	3.374
j) Distribution of third-party services	**5.360**	**6.687**
1. Collective portfolio management	-	-
2. Insurance products	5.349	6.679
3. Other products	11	8
of which: individual portfolio management	-	-
k) Structured finance	**-**	**-**
l) Servicing for securitisation transactions	**1.417**	**1.634**
m) Loan commitments	**-**	**-**
n) Guarantees given	**1.584**	**1.749**
of which: credit derivatives	-	-
o) Loans	**90.799**	**84.151**
of which: for factoring transactions	*64.908*	*59.969*
p) Trading in currencies	**-**	**-**
q) Commodities	**-**	**-**
r) Other commission income	**4.012**	**3.251**
of which: for management of multi-lateral trading facilities	-	-
of which: for management of organised trading facilities	-	-
Total	**112.271**	**106.494**

Commissions linked to financing operations amount to 90,8 million Euro, an increase of 7,9% compared to the amount recorded for the previous year (84,2 million Euro).

2.2 Commission expense: breakdown

Services/Amounts	31.12.2023	31.12.2022
a) Financial instruments	**(827)**	**(263)**
of which: trading in financial instruments	*(827)*	*(263)*
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and Settlement	**-**	**-**
c) Collective portfolio management	**-**	**-**
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	**(176)**	**(148)**
e) Collection and payment services	**(1.764)**	**(1.828)**
of which: credit cards, debit cards and other payment cards	-	-
f) Servicing for securitisation transactions	**(694)**	**(1.316)**
g) Loan commitments	**-**	**-**
h) Financial guarantees received	**(172)**	**(1.103)**
of which: credit derivatives	-	-
i) Out-of-office canvassing of financial instruments, services and products	**(2.360)**	**(1.912)**
j) Trading in currencies	**-**	**-**
k) Other commissions payable	**(8.057)**	**(6.411)**
Total	**(14.050)**	**(12.981)**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	31.12.2023		31.12.2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	2.818	303	155
C. Financial assets measured at fair value through other comprehensive income	13.354	-	9.393	-
D. Equity investments	-	-	-	-
Total	**13.354**	**2.818**	**9.696**	**155**

Section 4 – Net profit (loss) from trading – Item 80

4.1 Net profit (loss) from trading: breakdown

Transactions/Income items	Capital gains (A)	Profit from trading (B)	Capital losses (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**29**	**290**	**-**	**(53)**	**266**
1.1 Debt securities	29	-	-	(26)	3
1.2 Equity instruments	-	290	-	(27)	263
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(887)**
4. Derivatives	**90.902**	**38.831**	**(76.380)**	**(58.038)**	**(4.685)**
4.1. Financial derivatives:	90.902	38.831	(76.380)	(58.038)	(4.685)
- On debt securities and interest rates	47.889	31.078	(36.362)	(54.367)	(11.762)
- On equity instruments and share indexes	43.013	7.753	(40.018)	(3.671)	7.077
- On currencies and gold	X	X	X	X	-
- Other	-	-	-	-	-
4.2 Derivatives on loans	-	-	-	-	-
of which: natural hedges connected to the fair value option	*X*	*X*	*X*	*X*	-
Total	**90.931**	**39.121**	**(76.380)**	**(58.091)**	**(5.306)**

Section 5 – Net result from hedging – Item 90

5.1 Net result from hedging: breakdown

Income components/Values	31.12.2023	31.12.2022
A. Income related to:		
A.1 Fair value hedging derivatives	-	-
A.2 Financial assets hedged (fair value)	12.613	-
A.3 Financial liabilities hedged (fair value)	-	-
A.4 Cash flow hedging derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Total income from hedges (A)	**12.613**	**-**
B. Charges relating to:		
B.1 Fair value hedging derivatives	(12.713)	-
B.2 Financial assets hedged (fair value)	-	-
B.3 Financial liabilities hedged (fair value)	-	-
B.4 Cash flow hedging derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedges (B)	**(12.713)**	**-**
C. Net result from hedging (A - B)	**(100)**	**-**
of which: result of hedges of net positions	-	-

Section 6 - Profit (loss) from sale or buyback - Item 100

6.1 Profit (loss) from sale or buyback: breakdown

Items/Income items	31.12.2023			31.12.2022		
	Profit	Losses	Net result	Profit	Losses	Net result
Financial assets						
1. Financial assets measured at amortised cost	13.112	(210)	12.902	16.238	(993)	15.245
1.1 Receivables due from banks	-	-	-	-	-	-
1.2 Receivables due from customers	13.112	(210)	12.902	16.238	(993)	15.245
2. Financial assets measured at fair value through other comprehensive income	4.333	(1.677)	2.656	400	(488)	(88)
2.1 Debt securities	4.333	(1.677)	2.656	400	(488)	(88)
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**17.445**	**(1.887)**	**15.558**	**16.638**	**(1.481)**	**15.157**
Financial liabilities measured at amortised cost						
1. Payables due to banks	-	-	-	-	-	-
2. Payables due to customers	-	-	-	-	-	-
3. Debt securities issued	1.099	(72)	1.027	117	(86)	31
Total liabilities (B)	**1.099**	**(72)**	**1.027**	**117**	**(86)**	**31**

Net gains from the sale or repurchase of financial assets and liabilities total 16,6 million Euro at 31 December 2023 (net gains of 15,2 million Euro at 31 December 2022), and consist mainly of 10,4 million Euro from the sale of loans in the Npl Segment (all belonging to the so-called POCI category, which is the Segment's core business) as well as 4,8 million Euro related to securities transactions in the proprietary portfolio.

Section 7 - Net result of other financial assets and liabilities measured at fair value through profit or loss - Item 110

7.1 Net change in other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

In these Consolidated Financial Statements, this item has no value.

7.2 Net change in other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets mandatorily measured at fair value

Transactions/Income items	Capital gains (A)	Gains on sale (B)	Capital losses (C)	Losses on sale (D)	Net result [(A+B)-(C+D)]
1. Financial assets	**20.851**	**3.751**	**(10.937)**	**(420)**	**13.245**
1.1 Debt securities	2.397	894	(1.449)	(420)	1.422
1.2 Equity instruments	9.313	785	(3.602)	-	6.496
1.3 UCITS units	8.653	-	(3.328)	-	5.325
1.4 Loans	488	2.072	(2.558)	-	2
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**20.851**	**3.751**	**(10.937)**	**(420)**	**13.245**

The net positive result of other financial assets and liabilities measured at fair value through profit or loss is 13,2 million Euro at 31 December 2023 (essentially in line with the 31 December 2022 figure) and is primarily represented by the net positive change in the 2023 fair value of UCITS fund units for 5,3 million Euro and equity securities for 6,5 million Euro.

Section 8 - Net credit risk losses/reversals - Item 130

8.1 Net credit risk losses related to financial assets measured at amortised cost: breakdown

Transactions/ Income items	Losses (1)						Reversals (2)				Total 31.12.2023	Total 31.12.2022
	Stage 1	Stage 2	Stage 3		Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Receivables due from banks	**(524)**	**-**	**-**	**-**	**-**	**-**	**533**	**-**	**-**	**-**	**9**	**(1.742)**
- Loans	(524)	-	-	-	-	-	230	-	-	-	(294)	(534)
- Debt securities	-	-	-	-	-	-	303	-	-	-	303	(1.208)
B. Receivables due from customers	**(18.378)**	**(1.107)**	**(9.452)**	**(84.172)**	**(168.422)**	**(263.423)**	**1.547**	**179**	**56.008**	**566.548**	**79.328**	**56.874**
- Loans	(18.378)	(1.107)	(9.452)	(84.172)	(168.422)	(263.423)	971	179	56.008	566.548	78.752	58.165
- Debt securities	-	-	-	-	-	-	576	-	-	-	576	(1.291)
Total	**(18.902)**	**(1.107)**	**(9.452)**	**(84.172)**	**(168.422)**	**(263.423)**	**2.080**	**179**	**56.008**	**566.548**	**79.337**	**55.132**

The net reversals on financial assets at amortised cost falling under the category "impaired acquired or originated" (referred to as "POCI") amounted to 134,7 million Euro at 31 December 2023 (431,8 million Euro in adjustments and 566,5 million Euro in write-backs). These net write-backs refer to the Npl Segment (for which POCI represents the core business) for 134,6 million Euro, while the remainder relates to net write-backs on POCI loans acquired as a result of business combinations carried out by the Group in previous years.

8.2 Net credit risk losses related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/ Income items	Losses (1)						Reversals (2)				Total 31.12.2023	Total 31.12.2022
	Stage 1	Stage 2	Stage 3		Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt securities	**(334)**	**(117)**	**-**	**-**	**-**	**-**	**371**	**-**	**-**	**-**	**(80)**	**(832)**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(334)**	**(117)**	**-**	**-**	**-**	**-**	**371**	**-**	**-**	**-**	**(80)**	**(832)**

Section 9 - Gains (Losses) on contractual modifications without derecognition - Item 140

In these Consolidated Financial Statements, this item has no value.

Section 10 - Net premiums - Item 160

In these Consolidated Financial Statements, this item has no value.

Section 11 - Balance of other income/expense from insurance management - Item 170

In these Consolidated Financial Statements, this item has no value.

Section 12 - Administrative expenses - Item 190

12.1 Personnel expenses: breakdown

Type of expense/Sectors	31.12.2023	31.12.2022
1) Employees	(157.447)	(144.991)
a) salaries and wages	(110.607)	(103.437)
b) social security contributions	(30.171)	(29.050)
c) post-employment benefits	(3.179)	(4.613)
d) pension expense	(41)	(27)
e) allocations for post-employment benefits	(3.441)	(1.082)
f) allocations to pensions and similar provisions:	(222)	-
- defined contribution plans	-	-
- defined benefit plans	(222)	-
g) payments made to supplementary external funds:	(1.600)	-
- defined contribution plans	(1.600)	-
- defined benefit plans	-	-
h) costs arising from share-based payment agreements	(1.108)	(755)
i) other employee benefits	(7.075)	(6.028)
2) Other serving employees	(407)	(443)
3) Directors and Statutory Auditors	(5.948)	(5.399)
4) Retired personnel	-	-
Total	**(163.802)**	**(150.834)**

Personnel expenses, at 163,8 million Euro, increase by 8,6%, which can be attributed to the increase in personnel, higher variable remuneration and incremental costs attributable to 2023 linked to the renewal of the National Collective Bargaining Agreement (NCBA) for bank employees. The number of Group employees at 31 December 2023 is 1.940, as compared with 1.874 resources at 31 December 2022.
The items "allocations for post-employment benefits" and "allocations to pensions and similar provisions - defined benefit" also include interest accrued during the year due to the passage of time.

12.2 Average number of employees by category

Employees:	31.12.2023	31.12.2022
Employees:	**1.907,0**	**1.861,5**
a) managers	97,5	92,0
b) middle managers	587,5	556,5
c) other employees	1.222,0	1.213,0
Other personnel	**-**	**-**

12.3 Defined-benefit corporate pension funds: costs and revenues

The balance at 31 December 2023 of the Banca Ifis Group's provisions for defined-benefit corporate pension funds amounts to 222 thousand Euro, and refers to pension funds started up in the year. For more information on defined-benefit pension funds, please see “Section 10 - Provisions for risks and charges - Item 100" in Part B of these Notes to the Consolidated Financial Statements.

12.4 Other employee benefits

The cost of other employee benefits for FY 2023 amounts to 7,1 million Euro, up from 6,0 million Euro compared with the previous year.
This item mainly includes costs related to the Group's welfare system, such as meal vouchers, employee benefit policies, and costs related to professional training and refresher courses.

12.5 Other administrative expenses: breakdown

Other administrative expenses at 31 December 2023 amount to 260,9 million Euro, an increase compared to 31 December 2022 (+7,6%) mainly due to the presence of "non-recurring expenses" of 11,5 million Euro in 2023, which are directly or indirectly related to the acquisition and integration of the company Revalea into the Group. Net of these non-recurring components, the change in this item is due to the contrasting effect in some items, as summarised in the table below.

Type of expense/Amounts	31.12.2023	31.12.2022
Expenses for professional services	**(117.671)**	**(122.234)**
Legal and consulting services	(87.106)	(82.505)
Fees to auditing firms	(1.016)	(1.149)
Outsourced services	(29.549)	(38.581)
Direct and indirect taxes	**(40.141)**	**(42.769)**
Expenses for purchasing goods and other services	**(91.591)**	**(77.418)**
Software assistance and hire	(19.074)	(17.705)
Advertising and inserts	(14.195)	(9.172)
Customer information	(12.404)	(10.399)
Interbank Deposit Protection Fund (“FITD”) and Single Resolution Fund	(11.193)	(11.902)
Property expenses	(7.495)	(6.328)
Securitisation costs	(6.014)	(4.213)
Business travel and transfers	(4.204)	(2.326)
Postage and archiving of documents	(3.733)	(5.428)
Car fleet management and maintenance	(3.247)	(2.667)
Telephone and data transmission expenses	(3.160)	(3.251)
Other sundry expenses	(6.871)	(4.026)
Non-recurring administrative expenses	**(11.455)**	-
Total other administrative expenses	**(260.857)**	**(242.421)**

The sub-item “Legal and consulting services” comes to 87,1 million Euro at 31 December 2023, up 5,6% on the figure recorded for last year. The change in the item is mainly attributable to the cost of judicial recovery activities for non-performing loans, which amounts to 42,6 million Euro at 31 December 2023, the growth of which compared to the balance of 36,5 million Euro in the previous year more than offset the absence of certain costs associated with the implementation of the Banca Ifis Group's strategic projects closed in 2022, as well as the costs associated with the integration of the subsidiaries Farbanca and Credifarma.
"Outsourced services", amounting to 29,5 million Euro at 31 December 2023, record a slight decrease (-23,4%) on the figure of the previous year, and mainly refer to the lesser non-judicial collections made.
“Direct and indirect taxes” come to 40,1 million Euro, a reduction on the figure at 31 December 2022. The item mainly consists of the registration tax incurred for the judicial recovery of non-performing loans for an amount of 26,1 million Euro at 31 December 2023, down 10,3% on the previous year (in line with the reduction in underlying legal collections) and includes costs for stamp duty for 12,6 million Euro, the recharging of which to customers is included in the item "Other operating income".

“Expenses for purchasing goods and other services” amount to 91,6 million Euro, up 18,3% from the 77,4 million Euro at 31 December 2022. The top factors that mainly influence the result are:

- costs for software support and rental, which increase by 7,7% compared to FY 2022, due almost entirely to increased support for the Group's software;
- costs for advertising, which increase from 9,2 million Euro to 14,2 million Euro in December 2023, for the preparation of new mainstream advertising campaigns during the year and the organisation of and participation in events to celebrate the 40th anniversary of the founding of Banca Ifis;
- customer information expenses, which amount to 12,4 million Euro, an increase of 19,3% compared to 2022, mainly due to the type of purchases of impaired portfolios made in the previous year;
- the costs connected with the contribution to the Interbank Deposit Protection Fund (“FITD”) and Single Resolution Fund (SRF) that at 31 December 2023 amount to 11,2 million Euro, a 6,0% decrease on the December 2022 figure.

"Non-recurring administrative expenses", amounting to 11,5 million Euro, represent administrative costs directly or indirectly related to the acquisition of Revalea (for more details see the section "Significant events during the year" in the Directors' Report on the Group and "Part G - Business combinations").

Section 13 - Net allocations to provisions for risks and charges - Item 200

13.1 Net allocation to provisions for credit risk related to loan commitments and financial guarantees granted: breakdown

Net allocation to provisions for credit risk related to loan commitments and financial guarantees granted total a positive 3,8 million Euro at 31 December 2023, reflecting the estimated risk on the commitments made.

13.2 Net allocation to provisions for other commitments and other guarantees given: breakdown

In these Consolidated Financial Statements, this item has no value.

13.3 Net allocations to other provisions for risks and charges: breakdown

For more details, see Part B, “Section 10 - Provisions for risks and charges - Item 10” of the Liabilities, in these Notes to the Consolidated Financial Statements.

Section 14 - Net impairment losses/reversals on property, plant and equipment - Item 210

14.1 Net impairment losses on property, plant and equipment: breakdown

Assets/Income items	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. for functional use	(9.594)	(110)	-	(9.704)
- owned	(5.328)	(110)	-	(5.438)
- rights of use acquired through leases	(4.266)	-	-	(4.266)
2. Held for investment	-	(17)	-	(17)
- owned	-	(17)	-	(17)
- rights of use acquired through leases	-	-	-	-
3. Inventories	X	-	-	-
Total	**(9.594)**	**(127)**	**-**	**(9.721)**

Section 15 - Net impairment losses/reversals on intangible assets - Item 220

15.1 Net impairment losses on intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	*(7.885)*	-	-	*(7.885)*
A.1 Owned	(7.985)	-	-	(7.985)
- Internally generated	(100)	-	-	(100)
- Other	(7.885)	-	-	(7.885)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(7.985)**	**-**	**-**	**(7.985)**

Section 16 - Other operating income (costs) - Item 230

16.1 Other operating costs: breakdown

Type of expense/Amounts	31.12.2023	31.12.2022
a) Transactions with customers	(104)	(51)
b) Capital losses	(829)	(1.179)
c) Other expenses	(2.475)	(6.401)
Total	**(3.408)**	**(7.631)**

16.2 Other operating income: breakdown

Amounts/Income	31.12.2023	31.12.2022
a) Recovery of third party expenses	15.446	15.111
b) Rental income	123	88
c) Income from the realisation of property, plant and equipment	1.606	1.653
d) Other income	11.302	10.571
e) Gain on a bargain purchase	8.536	-
Total	**37.013**	**27.423**

Other net operating income, which amounts to 37,0 million Euro at the end of 2023, increases by 35,0% compared to 31 December 2022 mainly due to the fact that the balance at 31 December 2023 benefited from the gain on bargain purchase of 8,5 million Euro arising from the acquisition of Revalea (for more details, refer to the section "Significant events during the year" of the Directors' Report on the Group and "Part G - Business combinations"). Excluding this non-recurring component of income, this item referred mainly to revenue from the recovery of expenses charged to third parties. The relevant cost item is included in other administrative expenses, namely under legal expenses and indirect taxes, as well as recoveries of expenses associated with leasing operations.

Section 17 – Profit (loss) on equity investments – Item 250

This item has no value in these Consolidated Financial Statements.

Section 18 - Net profit (loss) from fair value measurement of property, plant and equipment and intangible assets - Item 260

This item has no value in these Consolidated Financial Statements.

Section 19 - Value adjustments of goodwill - Item 270

19.1 Value adjustments of goodwill: breakdown

The balance of the item at 31 December 2023 is nil, while the comparative figures for 2022 refer to the full write-down of goodwill allocated to the Polish subsidiary Ifis Finance Sp z o.o. for 762 thousand Euro.

Section 20 - Gains (losses) on disposal of investments - item 280

20.1 Profit (Loss) from sale of investments: breakdown

Type of expense/Amounts	31.12.2023	31.12.2022
A. Property	986	169
- Gains on disposal	986	169
- Losses on disposal	-	-
B. Other assets	-	135
- Gains on disposal	-	236
- Losses on disposal	-	(101)
Net result	**986**	**304**

This item in 2023 includes the effect of the sale of a property held by the subsidiary Banca Credifarma, while the comparative balances in 2022 mainly refer to the net effects of the sale of the subsidiary Ifis Real Estate and the reorganisation of the ownership structure of Banca Credifarma.

Section 21 - Income taxes for the year relating to current operations - Item 300

21.1 Income taxes for the year relating to current operations: breakdown

	Income items/Sectors	31.12.2023	31.12.2022
1.	Current taxes (-)	(57.837)	(56.130)
2.	Changes in current taxes of previous years (+/-)	1.559	672
3.	Reductions in current taxes for the year (+)	-	-
3.bis	Reductions in current taxes for the year for tax credits as per Italian Law No. 214/2011 (+)	-	13.669
4.	Changes in deferred tax assets (+/-)	(20.237)	(31.044)
5.	Changes in deferred tax liabilities (+/-)	874	2.924
6.	Tax expense for the year (-) (-1+/-2+3+3 bis+/-4+/-5)	(75.641)	(69.909)

21.2 Reconciliation between theoretical tax charges and effective tax charges for the year

Items/Components	31.12.2023	31.12.2022
Pre-tax profit (loss) for the period from continuing operations	**237.557**	**211.796**
IRES - theoretical tax charges (27,5%)	(86.427)	(58.244)
- effect of lower tax rate	707	465
- effect of non-taxable income and other decreases - permanent	35.504	19.258
- effect of non-deductible charges and other increases - permanent	(6.476)	(15.618)
- non-current corporate income tax (IRES)	1.201	394
IRES - Effective tax charges	**(55.491)**	**(53.745)**
IRAP - theoretical tax charges (5,57%)	(17.506)	(11.798)
- effect of lower tax rate	389	270
- effect of income/charges that are not part of the taxable base	(4.112)	(4.914)
- non-current corporate income tax (IRAP)	1.079	278
IRAP - Effective tax charges	**(20.150)**	**(16.164)**
Other taxes	**-**	**-**
Effective tax charges for the year	**(75.641)**	**(69.909)**

FY 2023 income tax comes to 75,6 million Euro and the tax rate is 31,84%, compared with the 33,01% of last year.

Section 22 - Profit (Loss) from discontinued operations after tax - Item 320

In these Consolidated Financial Statements, this item has no value.

Section 23 - Profit (Loss) for the year attributable to non-controlling interests - Item 340

23.1 Detail of item 340 Profit (loss) for the year attributable to non-controlling interests

Company Name	31.12.2023	31.12.2022
Consolidated equity investments with significant minority interests	1.806	801
1. Banca Credifarma S.p.A.	1.806	801
Other equity investments	-	-
Total	**1.806**	**801**

Section 24 - Other information

24.1 Disclosure of government grants as per Article 1, paragraph 125 of Italian Law No. 124 of 4 August 2017 (the "Annual Law on the Market and Competition")

Italian Law No. 124 of 4 August 2017 (Annual Market and Competition Law), under Art. 1, paragraphs 125-129, introduced various measures aimed at increasing the transparency of contributions by administrations and public companies, including listed, in the favour of third sector subjects and businesses in general.

Specifically, with respect to the financial reporting process, the law requires all businesses to disclose subsidies, grants, paid positions, and economic benefits of any kind received from the following entities in the notes to the Annual and Consolidated Financial Statements:

- public administrations and entities with equivalent status (Article 2-bis, Italian Legislative Decree No. 33/2013);
- entities owned, either de jure or de facto, directly or indirectly, by public administrations; and
- state-owned enterprises.

Said disclosures are required if the amounts received during the reporting period exceeded 10 thousand Euro.

Consistently with the clarification issued by Italy's Council of State with opinion No. 1.149 of 1 June 2018 and the guidance provided by trade associations (Assonime), the disclosure requirements do not apply to the following:

- prices for the business provision of professional and other services and supplies or other appointments coming under the scope of the core business. Indeed, these amounts received do not come under the scope of donations/public support policies;
- tax expenditures available to all businesses that meet specific conditions, based on pre-established general requirements, which are also the subject of specific disclosures;
- extension of subsidised loans to customers, as these involve funds of third parties (e.g. interest rate subsidies from the public administration) and not funds of the bank that acts as intermediary.

For information on subsidies, contributions, paid assignments and economic advantages of any kind received by Group companies, please refer to the National Register of State Aid, "Transparency" section.

Section 25 - Earnings per share

25.1 Average number of ordinary diluted shares

Earnings per share and diluted earnings per share	31.12.2023	31.12.2022
Net profit for the year attributable to the Parent company (in thousands of Euro)	160.110	141.086
Average number of outstanding shares (1)	52.456.037	52.685.625
Average number of ordinary diluted shares	52.456.037	52.685.625
Consolidated earnings per share for the year (units of Euro)	**3,05**	**2,68**
Consolidated diluted earnings per share for the year (units of Euro)	**3,05**	**2,68**

(1) Outstanding shares are net of treasury shares held in the portfolio.

25.2 Other information

There is no further information to report.

Part D - Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

	ITEMS (in thousands of Euro)	31.12.2023	31.12.2022
10.	**Profit (loss) for the year**	**161.916**	**141.887**
	Other comprehensive income not to be reclassified to profit or loss	**(4.561)**	**(2.636)**
20.	Equity securities measured at fair value through other comprehensive income	(2.745)	(2.494)
	a) fair value gains (losses)	1.046	(3.181)
	b) transfers to other components of equity	(3.791)	687
70.	Defined benefit plans	(131)	1.454
110.	Income taxes related to other comprehensive income to be reclassified to profit or loss	(1.685)	(1.596)
	Other comprehensive income to be reclassified to profit or loss	**19.815**	**(32.685)**
130.	Exchange differences	2.994	(607)
	a) changes in value	2.994	(607)
160.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	25.093	(48.340)
	a) fair value gains (losses)	21.045	(49.041)
	b) reclassification to profit or loss	4.048	701
	1. credit risk losses	80	832
	2. gains/losses on sale	3.968	(131)
210.	Income taxes related to other comprehensive income to be reclassified to profit or loss	(8.272)	16.262
220.	**Total other comprehensive income**	**15.254**	**(35.321)**
230.	**Comprehensive income (Item 10 + 220)**	**177.170**	**106.566**
240.	Consolidated comprehensive income attributable to non-controlling interests	(1.806)	(797)
250.	**Consolidated comprehensive income attributable to the Parent company**	**175.364**	**105.769**

Part E - Information on risks and related hedging policies

Risk governance organisation

The prudential supervisory provisions for banks continue to strengthen the system of rules and incentives that allow to measure more accurately potential risks connected to banking and financial operations as well as maintain internal capital levels more suited to the effective level of risk exposure of each intermediary.

Concerning risk governance, the Group regularly reviews the strategic guidelines set out in the so-called Risk Appetite Framework. Meanwhile, the Pillar 2 of the provisions includes the ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) processes, pursuant to which the Group autonomously assesses, respectively, its own current and expected capital adequacy in relation to both so-called Pillar 1 risks (credit risk, counterparty risk, market risk and operational risk) and other risks (banking book interest rate risk, concentration risk, etc.), and its adequacy as far as the governance and management of liquidity risk and funding is concerned.

With reference to 31 December 2023 and in compliance with the obligations provided for by the so-called Pillar 3 regulations, the Disclosure to the Public concerning capital adequacy, exposure to risks and the general characteristics of the systems designed to identify, measure and manage them is submitted for approval to the Board of Directors of Banca Ifis at the same meeting of the Board of Directors of these 2023 Consolidated Financial Statements. Refer to the website www.bancaifis.it in the "Investor Relations & Corporate Development" section for the most up-to-date version of the Pillar 3 Disclosure available.

With reference to the above and pursuant to Circular No. 285 of 17 December 2013 as amended - Supervisory Provisions for banks - the Banca Ifis Group has set up an Internal Control System that aims to guarantee a reliable and sustainable generation of value in a context of sensible risk control and taking, so as to protect the Group's capital adequacy as well as its financial position and performance.

The Banca Ifis Group's Internal Control System consists of a series of rules, functions, structures, resources, processes, and procedures aimed at ensuring the following goals are achieved consistently with the principle of sound and prudent management:

- executing business strategies and policies;
- containing risk within the limits set out in the Group's Risk Appetite Framework ("RAF");
- safeguarding the value of assets and protecting the Bank from losses;
- maintaining effective and efficient business processes;
- ensuring the reliability and security of corporate information and IT procedures;
- preventing the risk that the 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.

Audits involve all personnel to varying degrees and constitute an integral part of day-to-day operations. They can be classified according to the relevant organisational structures. Some types of audits are highlighted below:

- line audits aim to ensure operations are carried out correctly. These audits are carried out by the operational structures themselves, incorporated in procedures, 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 role of the different players involved in the Internal Control System (the Board of Directors, the Control and Risks Committee, the Director in charge of the Internal Control and Risk Management System, the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001, Internal Audit function, Risk Management function, Compliance function, Anti-Money Laundering function) in addition to the Manager Charged with preparing the Company’s financial reports according to the connotation of banking reality with listed shares, are described in detail in the "Report on corporate governance and shareholding structure" prepared in accordance with the third paragraph of Article 123 bis of Italian Legislative Decree No. 58 of 24 February 1998 (TUF), as amended, the latest edition of which will be approved by the Board of Directors jointly with these Consolidated Financial Statements and subsequently published on the website www.bancaifis.it in the Corporate Governance section.

Risk culture

The Parent company facilitates the development and dissemination at all levels of an integrated risk culture in relation to the various types of risk and extended to the entire Group. Specifically, working together with the different corporate functions and the Human Resources function, it has developed and implemented training programmes to raise awareness about risk prevention and management responsibilities among employees.

In this context, the Parent company's control functions (Risk Management, Compliance and Anti-Money Laundering) are active parties in the training processes as far as they are concerned. A culture of widespread responsibility is promoted, with capillary staff training, aimed both at acquiring knowledge of the risk management framework (approaches, methodologies, operational applications, rules and limits, controls), and at internalising the Group's value profiles (code of ethics, behaviour, rules of conduct and relations).

This Part E of the Notes to the Consolidated Financial Statements provides information on the following risk profiles, the relevant management and hedging policies implemented by the Group, and trading in derivative financial instruments:

- credit risk;
- market risks:
    - interest rate risk,
    - price risk,
    - currency risk,
- liquidity risk;
- operational risks.

Management of risks linked to climate change

Climate change-related risks are among the thematic areas of particular relevance indicated by ESMA in its public statement of 28 October 2022 entitled "European common enforcement priorities for 2022 annual financial reports".

In this respect, the Banca Ifis Group has, over the years and in line with the requirements of Art. 3 of Italian Legislative Decree 254/2016, activated processes and defined specific responsibilities to identify and manage the main risks relating to climate change and other ESG topics.

With specific reference to climate and environmental risks, the analysis of supervisory expectations gave rise to a project to integrate environmental factors into corporate strategies, governance and control systems, the risk management framework and disclosure. A further strategic objective is to incorporate the relevant risks into the company's main valuation processes

The multi-year plan to align with supervisory expectations on climate-related and environmental risks, put into place by Banca Ifis and delivered to the Bank of Italy at the beginning of 2023, is divided into project streams involving several areas.

The activities already carried out by Banca Ifis include a materiality assessment used to identify climate risk factors and the causal mechanisms whereby these factors are transferred to traditional risks (transmission channels).

With regard to risk factors, physical risks and transition risks are recognised. In particular, with regard to physical risks, chronic or acute adverse weather events were analysed, and among these, those relevant to the context in which Banca Ifis operates were identified. These effects were analysed on the basis of various elements such as, for example, the georeferencing of the portfolio, the company's operations and, more generally, the main assets considered important for business continuity. With regard to transition risks, the identified drivers are grouped into three categories: technological innovation, changing regulation and consumer preferences.

The table below describes the main categories and respective risk drivers associated with physical and transitional climate risks and their time frame.

Risk type	Risk drivers		Time frame
Transition risks	Regulatory	Global policy (e.g. Paris Agreement) can limit activities and segments with a high level of emissions and environmental risk. As an example, the regulation on Energy Performance Certificates may impact the value of portfolio properties	Medium-term
	Technological	The transition to low-impact technologies requires a higher cost for companies to retrofit plants and production facilities, potentially impacting the business model and the ability to generate revenues and profits	Medium-term
	Market	A shift in consumer preferences towards more climate-friendly consumption potentially impacts all mayor sectors associated with high energy consumption and/or high levels of pollution	Medium-term
Physical risks	Acute	Heat waves, fires, floods, droughts, landslides, earthquakes	Short-term
	Chronic	Extreme temperatures, soil erosion, water stress, sea level rise	Medium-term/Long-term

The findings of the materiality assessment exercise indicate an overall moderate exposure to climate and environmental risks.
In line with project activities and supervisory expectations related to climate risks, it is planned to structurally integrate the above considerations, which are still at the study and analysis stage as at the date of this document, related to quantifying the impacts of climate risks (transition and physical risks) into the credit risk assessment process.

Section 1 - Accounting consolidation risks

Quantitative information

The gross exposures reported in the following tables account for the positive impact of the breakdown of the difference between the fair value as measured in the business combination and the carrying amount of the receivables recognised by the subsidiaries over time.

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, impairment losses, trend, and economic breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

Portfolio/Quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	1.301.527	444.023	109.533	230.248	9.174.370	**11.259.701**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	634.306	**634.306**
3. Financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	2.466	4.564	-	-	86.991	**94.021**
5. Financial assets under disposal	-	-	-	-	-	**-**
Total 31.12.2023	**1.303.993**	**448.587**	**109.533**	**230.248**	**9.895.667**	**11.988.028**
Total 31.12.2022	**1.152.704**	**486.402**	**147.606**	**225.047**	**9.420.605**	**11.432.364**

Excluded from this table are on-demand receivables from banks (which are classified under the item "Cash and cash equivalents", in accordance with Bank of Italy instructions), equity securities and UCITS units.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

Portfolio/Quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Overall impairment losses/reversals	Net exposure	Overall partial write-offs (1)	Gross exposure	Overall impairment losses/reversals	Net exposure	
1. Financial assets measured at amortised cost	2.035.592	180.510	1.855.082	3.149	9.517.793	113.174	9.404.619	**11.259.701**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	635.469	1.163	634.306	**634.306**
3. Financial assets designated at fair value	-	-	-	-	X	X	-	**-**
4. Other financial assets mandatorily measured at fair value	7.030	-	7.030	-	X	X	86.991	**94.021**
5. Financial assets under disposal	-	-	-	-	-	-	-	**-**
Total 31.12.2023	**2.042.622**	**180.510**	**1.862.112**	**3.149**	**10.153.262**	**114.337**	**10.125.916**	**11.988.028**
Total 31.12.2022	**1.938.159**	**151.448**	**1.786.711**	**3.730**	**9.665.624**	**96.553**	**9.645.653**	**11.432.364**

(1) Amount to be reported for disclosure purposes

Excluded from this table are on-demand receivables from banks (which are classified under the item "Cash and cash equivalents", in accordance with Bank of Italy instructions), equity securities and UCITS units.

Portfolio/Quality	Low credit quality assets		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading			
2. Hedging derivatives	-	-	12.896
Total 31.12.2023	**-**	**-**	**12.896**
Total 31.12.2022	**9**	**4**	**26.271**

Equity securities are not included in this table.

B. Disclosure on structured entities (other than securitisation vehicles)

There were no unconsolidated structured companies at 31 December 2023 other than the securitisation company falling within the Banca Ifis Group's scope.

Section 2 - Prudential consolidation risks

1.1 Credit risk

Qualitative information

1. General aspects

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 offered to small and medium enterprises (SMEs). 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.

As at the date of these Consolidated Financial Statements, the Banking Group's business activities are conducted in the following areas:

- the factoring business is characterised by the direct assumption of risks related to granting advances and loans, as well as guarantees, if any, on trade receivables of mainly SMEs. As part of its operations, the factoring Area purchases receivables due from public health service and local authorities outright;
- Corporate Lending and Structured Finance operations, which focus on offering medium and long-term financing and secured and unsecured products to support companies operating in Italy in their organic or inorganic growth through extraordinary operations to reposition or expand their business, establish alliances or pursue integrations, promote restructuring processes, or introduce new investors and partners into the company. The clients of this unit are usually corporations;
- investments in non-financial companies and in units of intermediaries;
- medium/long-term loans to SMEs operating in the main production sectors, covered by the public guarantee, conceived by the Ministry of Economic Development (MED) of the Central Guarantee Fund;
- the leasing Area targets mainly small economic operators as well as SMEs. In general, finance leases help independent contractors and businesses finance company cars and commercial vehicles as well as facilitate equipment investments for businesses and resellers. Meanwhile, long-term leases mainly focus on equipment finance - specifically on office and IT products and, to a lesser extent, industrial and healthcare equipment;
- the acquisition of non-performing loans (Npls) by the subsidiaries Ifis Npl Investing and Revalea, mainly from retail customers;
- servicing (master and special services), management of Npl portfolios with collection both judicial and non-judicial, consultancy in due diligence activities and authorised investors in Npl transactions, managed by the company Ifis Npl Servicing;
- the granting of loans to retail customers, including through the definition and refinancing of transferred non-performing loans, to be settled through salary- or pension-backed loan schemes, managed by the subsidiary Cap.Ital.Fin.;
- short- and medium-term lending to pharmacies by the subsidiary Banca Credifarma, including through the disposal of receivables due from Italy's National Health Service as well as public- and private-sector healthcare providers;
- management of the proprietary portfolio, carried out mainly via financial investments in bonds, mostly government bonds, and listed equities;
- securitisation activities, which are aimed at segment operators, in particular originators and investors, by offering finance through investments in asset-backed securities (ABS) and other exposures to securitisation schemes, and by taking on the roles of arranger and sponsor in the context of such transactions with a view to cross-selling. Investments are mainly concentrated in senior and mezzanine tranches with underlying performing assets and with a favourable trade-off in terms of expected profitability compared to risk weighting.

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

2. Credit risk management policies

As part of its lending operations, the Banca Ifis Group is exposed to the risk that an unexpected change in the creditworthiness of a counterparty may cause an unforeseen change in the relevant credit exposure, requiring to write off all or part of the receivables. This risk is always inherent in conventional lending operations, regardless of the form of financing.

The main reasons for non-compliance are the lack of the borrower's independent capacity to service and repay the debt (due to lack of liquidity, insolvency, etc.) and the occurrence of circumstances that affect the borrower's economic and financial conditions, such as the "country risk".

With regard to impaired purchased receivables (POCI), an additional risk to which the Group is exposed is the risk of inadequate collection, i.e., losses incurred due to the failure to collect receivables from defaulting counterparties.

2.1 Organisational aspects

The standards and guidelines that the Banca Ifis Group intends to give in respect of the concession of credit are set out in the "Group Credit Policy" applied and given out, insofar as competent, to all the organisational units of the Bank and Group companies involved in the assumption and management of credit.

Inside, we find:

- the roles and responsibilities of the corporate bodies and organisational structures involved in the loan process;
- the definition of the credit strategies and rules with reference to segments of customers, counterparties and types of comparable transactions, the limits of reliance assigned to non-banking counterparties, the limits to exposure assigned to the various types of economic businesses, the identification of the Most Significant Transactions (MSTs) for the preventive verification that they are indeed consistent with the risk limits and objectives defined in the Group Risk Appetite Framework (RAF), the limits to the risk assigned to transactions with related parties and/or company representatives, pursuant to Art. 136 of the Consolidated Law on Banking. The monitoring, review and update of the credit rules and strategies involve:
  - the Parent company’s Large Risks & Monitoring organisational unit, in coordinating the process of formulating proposed reviews and updates to the credit policies to be submitted for the approval of the Parent company's Board of Directors;
  - the Parent company’s Risk Management Department in monitoring the results achieved by the Group in terms of volumes and overall effective positioning on the credit market in line with the defined credit strategies;
- the most qualifying elements in the credit process, with specific reference:
  - to the definition of risk categories to be assigned to customers, according to the different risk profile that can be attributed to the technical loan forms involved, closely linked to the operative processes connected with the "Group System of delegated powers" on the assumption of the credit risk;
  - to the examination of all useful information, both internal and external, functional to the determination of the customer's credit rating and future solvency of the debtor, measuring the credit risk firstly using normal sources for the repayment of exposure and, thereafter, considering the use of the accessory guarantees connected with the credit intervention;
- the monitoring and review of the model used to define credit faculties or the matrix of faculties for granting credit and the related limits;
- the structuring of the credit process, in its comprehensive cycle, into two macro processes of "investigation and disbursement of credit" and "monitoring and collection of debt".

On an operative level, the various Group companies structure the specific operating procedures for the application of credit rules into Organised Procedures or Operative Notes.

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

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

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

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

- 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 and 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;
- 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.

Finally, at the reporting date the lending process include the operations of the following 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 (for more details, see the section "Significant events during the year" in the Directors' Report on the Group);
- Cap.Ital.Fin. S.p.A., which provides salary- or pension-backed loans, payment delegation 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. and Ifis Finance I.F.N. S.A., factoring companies operating in Poland and Romania respectively;
- Ifis Rental Services S.r.l., an unregulated entity specialising in operating leases.

Ordinary credit organisational aspects

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 unit 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 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 units are aided by specific supporting units responsible for preparing the agreement in accordance with the terms of the approval as well 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.

Purchased impaired credit (POCI) organisational aspects

"Purchased or Originated Credit Impaired (POCI) Financial Assets" means the exposures that were non-performing at the date they were acquired or originated.
POCI financial assets include also the exposures acquired as part of sales (of either individual assets or portfolios) and business combinations.
Interest is accounted for by applying a credit-adjusted effective interest rate, i.e. the rate that, upon initial recognition, discounts all the asset's estimated future cash collections considering also lifetime expected credit losses (“ECL lifetime”).
The Bank regularly reviews said expected credit losses, recognising impairment losses or gains through profit or loss. Favourable changes in lifetime ECLs are recognised as an impairment gain, even if said lifetime ECLs are lower than those incorporated into cash flow estimates at initial recognition.
POCIs are conventionally presented at initial registration in Stage 3.
If, as a result of an improvement in the counterparty's credit standing, the POCI assets become "performing", they are allocated to Stage 2.
Such assets are never classified in Stage 1 because the expected credit loss must always be calculated considering a time horizon equal to the residual maturity (in other words, a "lifetime" horizon must always be maintained and not a 12-month horizon, as is the case for Stage 1 positions).
“Acquired impaired assets" include loans acquired by the subsidiaries Ifis Npl Investing, Ifis Npl Servicing and Revalea acquired at values significantly lower than their nominal amount, as well as impaired assets resulting from the various IFRS 3 business combinations carried out by the Banca Ifis Group (such as those relating to the former GE Capital Interbanca Group, the former Fbs Group, the companies Credifarma S.p.A., Cap.Ital.Fin. S.p.A., Farbanca S.p.A. and Revalea S.p.A. as well as the former Aigis Banca business). These non-performing assets are included within the POCI perimeter on the basis of the existence, for each individual relationship, of impaired credit quality at the time of the relative acquisition, as required by IFRS 9.

With reference to the process for the acquisition of non-performing loan portfolios (POCI) adopted by the structures of the Npl Segment, similar organisational stages are envisaged as for ordinary credit, which can be summarised as follows:

- origination: the Bank identifies the counterparties from which it plans to purchase the portfolios and assesses the economic expediency of said transactions;
- due diligence, as part of which highly-skilled analysts assess the quality of the portfolio being transferred and the relevant organisational impact. Once the due diligence is completed, the Group sets the terms and

conditions for offering/acquiring the receivables portfolio and how to manage it (individual or collective method), assessing the relevant impact on operating structures;

- Approval: this stage includes the preparation of the file, the decision-making process, and the implementation of the approval by the competent decision-making body;
- 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.

Collection operations for receivables deriving from purchases of distressed retail loans are the responsibility of resources within the subsidiaries Npl Investing, Ifis Npl Servicing and Revalea, 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). Specific information regarding these operations is provided below.

Finally, there is also an assessment of the expediency of selling non-performing loan (Npl) 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.

Non-judicial operations

As for the positions not eligible for judicial operations, after completing the groundwork for processing them, they are classified in a "collective" portfolio pending that the recovery process through call centres or recovery networks can culminate with a collection of settlement plans referred to above (in the form of a proposal/acceptance from customer to bank). At this stage, the positions are measured at amortised cost, calculated as the present value of expected cash flows determined on the basis of a proprietary statistical model developed by the Risk Management function on the basis of historical internal data, referred to as "curve model"; this model projects collection expectations onto clusters of homogeneous receivables based on the recovery profile historically observed (macro region, amount of credit, seniority of the file with respect to the DBT date, transferor), in addition to prudential adjustments, such as, by way of example, the cap of simulated cash flows for debtors who are older than the life expectancy present in the mortality tables provided by Istat. This method of valuing debt collection flows means that the expected collection profile is decreasing as time passes with respect to the date of purchase of the credit, until the asset value of the credit is reduced to zero when it reaches the tenth year from the date of purchase.

As already indicated in the 2022 Consolidated Financial Statements, the curve model during 2021 has been refined as the models are reviewed biennially in order to lengthen and update the time series, verify cluster tightness and statistical robustness, take into account any new management methods, and evaluate macroeconomic effects. In the course of FY 2023, the re-estimation activity was started, aimed at updating the historical series, assessing relevant changes in the processes to be taken into account in the definition of the perimeter and for the quantification of the Recovery Rates, and carrying out a fine-tuning of the methodological system (e.g. revision of the long list, model development methodologies, smoothing techniques and queue management).

Expectations of collection also take into account the probability of obtaining a settlement plan net of the relative probability of default.

There are two types of settlement (collection) plans that can be entered into:

- bills of exchange: the set of credit positions for which the debtor has signed a settlement plan supported by the issue of bills of exchange. It should be noted that the volume of bills of exchange (internal collection) in the portfolio has been steadily decreasing, since, as a strategic choice, amicable plans with this payment method are no longer collected. Any new collection is therefore exclusively the result of purchased paying practices;
- Demonstrations of Will: the practices for which the recovery process has led to the collection of a voluntary formalised settlement plan by the debtor.

The moment the position obtains a paying settlement plan ("active plans"), i.e. after having observed the payment of at least three times the value of the average instalment of the plan, the cash flows of the "curve model" are replaced by the cash flows of the "deterministic model", which projects the future instalments of the settlement plan agreed with the debtor net of the historically observed default rate and taking into account also in this case a cap to the simulated cash flows if the age of the debtor exceeds what is indicated in the mortality tables of Istat in relation to life expectancy.

Positions that do not obtain a paying settlement plan remain valued by means of the "curve model"; this means that as time passes, the probability of collection is reduced also by means of the plan and consequently the expected cash flows are reduced down until zeroing.

As already started in 2021, again in 2022 and 2023, management took part in a new closure method, known as "balance and write-off of positions", in order to anticipate recovery while granting a reduction in the amount due (write-off) to the debtor. This method of collection does not replace the methods described above, but involves certain campaigns on specific positions identified by management.

Judicial operations

Positions that meet the requirements (presence of a job or a pension) for judicial processing are initiated in the relevant operations. This also includes (minority) practices that are processed in a logic of real estate attachment of property.

Judicial processing, understood as real estate enforcement action against third parties, is characterised by several legal steps aimed at obtaining an enforcement title, which as a whole usually last 18-24 months (the durations and the relative volatility depend on the court in which the case is handled) and are thus as follows:

- obtaining a court order,
- writ,
- attachment of property and
- garnishment order.

These positions are measured at amortised cost, calculated as the present value of expected cash flows determined on the basis of two proprietary models developed by the Risk Management function on the basis of historical internal data, referred to as “pre-garnishment order Legal Factory model” and “garnishment model”.

The pre-garnishment order model during 2021 has been recalibrated because, just as was the case for the curve models, the models are reviewed biennially in order to lengthen the time series, verify cluster tightness and statistical robustness, take into account any new management methods, and evaluate macroeconomic effects. FY 2023 saw the start of re-estimation activities aimed at updating the time series, assessing relevant changes in processes to be taken into account in the definition of the scope, quantifying target variables (e.g. modules duration, migration probability, instalment, expenses, rate of potential aggravation) as well as fine-tuning the methodological framework (e.g. revision of the long list of each module, clustering techniques and quantification of estimates).

In addition to the above, judicial operations involve also collection efforts, i.e. foreclosure proceedings, which consist of several stages and apply to portfolios originated in corporate, banking, or real estate segments.

2.2 Management, measurement and control systems

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

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

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

Concerning portfolio monitoring operations, as previously mentioned, receivables due from customers are monitored by specific units within the mentioned business 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;
- 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 major risks. In line with the directives of the Board, those positions that are at risk and engage the Group to a considerable extent are subject to systematic monitoring.
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.
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 Group has internally developed methodologies that allow, also by exploiting synergies with satellite models used under IFRS 9, to project asset quality in line with adverse macroeconomic scenarios and assess the impact in terms of various credit quality indicators, such as the incidence of impaired credit 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.

2.3 Measurement of expected credit losses

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 significantly since initial recognition even though the contractual payments are more than 30 days past due. However, the Ifis Group has not pursued this option;
  - Forbearance: according to this criterion, a financial instrument is allocated to Stage 2 when the Group classifies the exposure as forborne;
  - "Watchlist": 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 book value adjusted by the application of the credit conversion factor.

Concerning the exposures to banks, central governments, and public-sector entities (low default portfolios), the Group used default rates 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.

Measurement of expected losses (ECL)

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 (%)	Base case			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 credit exposures to 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.

2.4 Credit risk mitigation techniques

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

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

- collateral encumbering assets, such as pledges on financial assets, mortgages on real estate (residential/non-residential); and/or

- personal guarantees (typically sureties) on a third party where the person (natural or legal) acts as guarantor of the customer's debt position in the event of insolvency.

In particular:

- as part of factoring operations, 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 implemented 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 severance indemnity (“TFR”) earned by the customer as additional collateral for the loan.
- lending to pharmacies involves an advance as well as a transfer or debt collection mandate, with the possibility of deducting subsequent advances from existing credit facilities.

In line with that established by the Liquidity Decree (Italian Decree Law No. 23 of 8 April 2020), 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 Department and carried out under the scope of the Single File Review (SFR).

3. Non-performing credit exposures

3.1 Management strategies and policies

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

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

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

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

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

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

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

In view of the above, the Group has maintained the following two indicators as performance indicators and explicit objectives to be pursued with careful and proactive management when updating its annual operating plan for the management of short and medium/long-term Npls, presented to the Bank of Italy in March 2023:

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

With reference to receivables due from customers for cash in place at 31 December 2023, excluding the positions stemming from the acquisition and management of non-performing exposures of third party originators managed by the subsidiaries Ifis Npl Investing, Ifis Npl Servicing and Revalea, as well as the portfolios of retail loans, also in consideration of the uncertainty surrounding the global economic performance, the levels of Npe ratio are in line with the last Npl management plan defined early 2023. Regardless of the current outlook, the pursuit of the objective of a general limitation in the stock of non-performing loans remains and is expected to take place through a differentiated strategy in relation to the specificity of the individual portfolios concerned (taking into account the type of counterparty and the specificity of the individual products). In general, the action that will be taken is essentially based on the following goals, which it has been pursuing for some time now:

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

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

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

3.2 Write-offs

As specified by IFRS 9, a total or partial write-off is an event that results in derecognition when there is no longer a reasonable expectation that the financial asset will be recovered. It may occur before the lawsuit for recovery of the financial asset has concluded and does not necessarily imply a waiver of the legal right to collect the debt.

A receivable is derecognised when it is considered unrecoverable and the Group forfeits the legal right to collect it. For instance, this occurs when insolvency proceedings are settled, the borrower dies without heirs, a court issues a final ruling that the debt does not exist, etc.

As for total or partial derecognition without a forfeiture of the right to collect the receivable, to avoid continuing to recognise receivables that, even though they are still managed by debt collection structures, are highly unlikely to be recovered, at least every half-year, the Bank identifies the exposures to be derecognised that have all specific characteristics defined for each product.

At the Group level, relationships to be subject to derecognition are identified which simultaneously present the following characteristics:

- the receivable has been written off;
- the receivable has been classified as a bad loan for more than 5 years;
- the counterparty has filed for bankruptcy, been put into administrative liquidation (LCA), or is subject to any insolvency proceedings.

The derecognition of bad debts is a good management practice. It allows structures to concentrate on receivables that are still recoverable, guarantees an adequate representation of the ratio between anomalous receivables and total receivables and ensures a correct representation of balance sheet assets.
At an organisational level, the operating methods used by the various Group structures to eliminate credit exposures and to report to Top Management are described in detail in the Group's credit monitoring and recovery policies.

3.3 Purchased or originated credit impaired financial assets

Organisational aspects

For organisational aspects relating to impaired financial assets acquired or originated, please refer to the specific paragraph above in subsection "2.1 Organisational aspects" of this "Section 2 - Prudential consolidation risks".

Quantitative information

The outstanding nominal amount of Ifis Npl Investing S.p.A.'s proprietary portfolio is 20.001,5 million Euro. At the time of purchase, the nominal amount of these receivables was approximately 21.316,5 million Euro, and they were acquired for 1.215,6 million Euro, i.e. an average price equal to 5,7% of the historical nominal amount. In 2023, 202,7 million Euro were acquired for 24,1 million Euro, i.e. an average price equal to 11,9%. The POCI outstanding portfolio has a weighted average ageing of 59 months compared to their original acquisition date.
With regard to the ownership portfolio of the newly acquired Revalea S.p.A., the residual nominal amount at 31 December 2023 is 6.146,0 million Euro. With regard to the consideration paid, at the Banca Ifis Group level, the price paid in October 2023 for the acquisition of the entire company (including loans) is reported, for which reference should be made to "Part G - Business combinations".
As regards the individual phases of processing of Npl receivables, as described in paragraph "2.1 Organisational aspects" above in relation to credit risk, the carrying amount at 31 December 2023 of the positions in out-of-court management comes to 487 million Euro, whilst the carrying amount of the positions under legal management[1] comes to 932 million Euro.
Finally, Ifis Npl Investing and Revalea seize market opportunities in accordance with the business model by selling portfolios of positions yet to be processed to third parties. In 2023, 10 significant sales of portfolios were made to leading players operating in Npl purchases. Overall, receivables were sold with an amount of 2.319,9 million Euro, for an overall consideration of 21,2 million Euro.

4. Financial assets subject to business renegotiations and forborne exposures

Throughout the life of the financial assets, and specifically of receivables, the parties to the agreement subsequently agree to modify the original contractual terms. When, during the life of an instrument, the contractual terms are modified, the Group shall assess whether the original asset must continue to be recognised (so-called "modification without derecognition") or, conversely, the original instrument must be derecognised and a new financial instrument recognised in its place.
Generally, modifications of a financial asset result in its derecognition and the recognition of a new asset when they are "substantial". The "substantiality" of the modification shall be assessed considering both qualitative and quantitative factors. In some cases, it will become apparent, without conducting complex analyses, that the changes introduced substantially modify the characteristics and/or contractual cash flows of a specific asset, whereas in other cases, additional analyses (including quantitative analyses) will be required to appreciate their impact and assess whether to derecognise the asset and recognise a new financial instrument.

[1] *Legal management including garnishment actions with third parties, corporate positions, MIPOs and bankruptcy procedure.*

The (quali-quantitative) analyses aimed at defining the "substantiality" of the contractual modifications made to a financial asset shall therefore consider:

- the purposes for which the modifications were made: for instance, renegotiations for business reasons and forbearance measures due to the counterparty's financial difficulties:
    - the former, intended to "retain" the customer, involve a borrower that is not in financial distress. This case includes all renegotiations aimed at adjusting the cost of debt to market conditions. These transactions result in changes to the original contractual terms, usually at the request of the borrower, that concern aspects associated with the cost of debt, giving rise to an economic benefit for the borrower. Generally, the Group believes that, whenever it enters into a renegotiation in order to avoid losing the client, this renegotiation shall be considered as substantial, since, in its absence, the customer could obtain financing from another intermediary and the Group would see estimated future revenue decline;
    - the latter, offered for "credit risk reasons" (forbearance measures), are part of the Group's attempt to maximise the recovery of the cash flows of the original receivable. Following the modifications, usually the underlying risks and rewards have not been substantially transferred: therefore, the accounting presentation that provides the most relevant information to users of the financial statements (expect for the following discussion about objective factors) is the one made through "modification accounting" - whereby the difference between the carrying amount and the present value of modified cash flows discounted at the original interest rate is recognised through profit or loss - rather than derecognition;
- the existence of specific objective factors affecting the substantial modifications of the characteristics and/or contractual cash flows of the financial instrument (including, but not limited to, the modification of the type of counterparty risk the entity is exposed to) that are believed to require derecognising the asset because of their impact (estimated to be significant) on the original contractual cash flows.

As at 31 December 2023, the impact on the Banca Ifis Group of trade renegotiations or concessions constituting "modification without derecognition" under IFRS 9 is essentially nil.

Quantitative information

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, impairment losses, trend, and economic breakdown

A.1.1 Prudential consolidation - Breakdown of financial assets by past due buckets (carrying amounts)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3			Purchased or originated impaired		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	69.762	-	-	8.296	41.351	106.295	3.721	12.446	83.806	1.396	6.886	1.617.762
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2023	**69.762**	**-**	**-**	**8.296**	**41.351**	**106.295**	**3.721**	**12.446**	**83.806**	**1.396**	**6.886**	**1.617.762**
Total 31.12.2022	**80.402**	**1.058**	**570**	**12.634**	**29.123**	**104.227**	**6.847**	**11.525**	**130.058**	**1.223**	**928**	**1.516.607**

A.1.2 Prudential consolidation - Financial assets, loan commitments and financial guarantees granted: overall impairment losses/reversals and overall provisions

Reason/Risk stage	Overall impairment losses/reversals																							Total provisions on loan commitments and financial guarantees granted				Tot.
	Stage 1 assets						Stage 2 assets						Stage 3 assets						Purchased or originated impaired financial assets									
	Due from banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets under disposal	*of which: individual impairment*	*of which: collective impairment*	Due from banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets under disposal	*of which: individual impairment*	*of which: collective impairment*	Due from banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets under disposal	*of which: individual impairment*	*of which: collective impairment*	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets under disposal	*of which: individual impairment*	*of which: collective impairment*	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and fin. guarantees issued impaired acquired or originated	
Opening balance of total impairment losses/reversals of impairment losses	**946**	**80.130**	**1.083**	**-**	**-**	***82.159***	**-**	**14.277**	**-**	**-**	**-**	***14.277***	**-**	**146.755**	**-**	**-**	***146.755***	**-**	**-**	**-**	**-**	**-**	**-**	**3.832**	**2.962**	**2.521**	**10**	**252.516**
Increases from purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	6.433	-	-	*6.433*	-	X	X	X	*X*	*X*	-	-	-	-	**6.433**
Derecognitions other than write-offs	(169)	(4.562)	-	-	-	*(4.731)*	-	(852)	-	-	-	*(852)*	-	(13.234)	-	-	*(13.234)*	-	(8)	-	-	*(8)*	-	(1.770)	(37)	(33)	-	**(20.665)**
Net credit risk losses/reversals (+/-)	(9)	16.831	(37)	-	-	*16.785*	-	928	117	-	-	*1.045*	-	29.702	-	-	*29.815*	*(113)*	(302.866)	-	-	*(302.866)*	-	(631)	(2.686)	(493)	-	**(259.144)**
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-offs not recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(5.541)	-	-	*(5.541)*	-	(3.386)	-	-	*(3.386)*	-	-	-	-	-	**(8.927)**
Other changes	397	(19.441)	(14)	-	-	*(19.058)*	-	24.540	14	-	-	*24.554*	-	12.800	-	-	*12.636*	*164*	306.260	-	-	*306.260*	-	1.207	402	100	(10)	**326.255**
Closing balance of total impairment losses/reversals of impairment losses	**1.165**	**72.958**	**1.032**	**-**	**-**	***75.155***	**-**	**38.893**	**131**	**-**	**-**	***39.024***	**-**	**176.915**	**-**	**-**	***176.864***	***51***	**-**	**-**	**-**	**-**	**-**	**2.638**	**641**	**2.095**	**-**	**296.468**
Reversals from collections on financial assets written off	-	-	-	-	-	-	-	-	-	-	-	-	-	217	-	-	*217*	-	259	-	-	*259*	-	-	-	-	-	**476**
Write-offs recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(8.676)	-	-	*(8.676)*	-	(168.422)	-	-	*(168.422)*	-	-	-	-	-	**(177.098)**

A.1.3 Prudential consolidation - Financial assets, loan commitments and financial guarantees granted: transfers between different credit risk stages (gross and nominal amounts)

Portfolios/risk stages	Gross amounts/nominal amount					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortised cost	336.403	261.650	37.980	16.530	77.867	40.726
2. Financial assets measured at fair value through other comprehensive income	2.962	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-
4. Loan commitments and financial guarantees granted	98.988	10.712	753	15.735	9.686	5.612
Total 31.12.2023	**438.353**	**272.362**	**38.733**	**32.265**	**87.553**	**46.338**
Total 31.12.2022	**398.030**	**190.855**	**69.246**	**25.416**	**86.606**	**32.272**

A.1.4 Prudential consolidation - On- and off-balance-sheet credit exposures to banks: gross and net amounts

Types of exposures/Amounts	Gross exposure					Overall impairment losses/reversals and overall allocations					Net exposure	Overall partial write-offs
		First stage	Second stage	Third stage	Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
A. On-balance-sheet credit exposures												
A.1 On demand	**858.372**	**858.372**	**-**	**-**	**-**	**1.165**	**1.165**	**-**	**-**	**-**	**857.207**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	858.372	858.372	-	X	-	1.165	1.165	-	X	-	857.207	-
A.2 Other	**731.288**	**731.046**	**242**	**-**	**-**	**1.612**	**1.611**	**1**	**-**	**-**	**729.676**	**-**
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past due exposures	596	354	242	X	-	1	-	1	X	-	595	-
- of which forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other performing exposures	730.692	730.692	-	X	-	1.611	1.611	-	X	-	729.081	-
- of which forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
Total (A)	**1.589.660**	**1.589.418**	**242**	**-**	**-**	**2.777**	**2.776**	**1**	**-**	**-**	**1.586.883**	**-**
B. Off-balance-sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	874.174	235	-	X	-	-	-	-	X	-	874.174	-
Total (B)	**874.174**	**235**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**874.174**	**-**
Total (A+B)	**2.463.834**	**1.589.653**	**242**	**-**	**-**	**2.777**	**2.776**	**1**	**-**	**-**	**2.461.057**	**-**

"On-demand" credit exposures include on-demand loans to banks classified under "Cash and cash equivalents".
On-balance-sheet exposures include all on-balance-sheet financial assets due from customers regardless of the portfolio they are included in (measured at amortised cost, measured at fair value through other comprehensive Income, designated at fair value, mandatorily measured at fair value, under disposal).

A.1.5 Prudential consolidation - On- and off-balance-sheet credit exposures to customers: gross and net amounts

Types of exposures/Amounts	Gross exposure					Overall impairment losses/reversals and overall allocations					Net exposure	Overall partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
A. On-balance-sheet credit exposures												
a) Bad loans	1.388.864	X	-	103.794	1.282.604	84.874	X	-	84.874	-	1.303.990	3.010
- of which forborne exposures	*187.728*	*X*	-	*5.893*	*181.835*	*5.216*	*X*	-	*5.216*	-	*182.512*	*1*
b) Unlikely to pay	532.628	X	-	182.378	345.686	84.118	X	-	84.118	-	448.510	-
- of which forborne exposures	*120.283*	*X*	-	*34.043*	*82.975*	*16.706*	*X*	-	*16.706*	-	*103.577*	-
c) Non-performing past due exposures	117.079	X	-	112.252	4.827	7.927	X	-	7.927	-	109.152	-
- of which forborne exposures	*3.079*	*X*	-	*2.307*	*772*	*630*	*X*	-	*630*	-	*2.449*	-
d) Performing past due exposures	234.513	67.178	148.300	X	13.442	4.860	269	4.590	X	-	229.653	-
- of which forborne exposures	*3.805*	-	*3.612*	*X*	*193*	*192*	-	*192*	*X*	-	*3.613*	-
e) Other performing exposures	9.084.000	8.596.526	385.302	X	19.714	105.642	72.106	33.537	X	-	8.978.358	-
- of which forborne exposures	*86.004*	-	*78.288*	*X*	*7.716*	*6.280*	-	*6.280*	*X*	-	*79.724*	-
Total (A)	**11.357.084**	**8.663.704**	**533.602**	**398.424**	**1.666.273**	**287.421**	**72.375**	**38.127**	**176.919**	**-**	**11.069.663**	**3.010**
B. Off-balance-sheet credit exposures												
a) Non-performing	45.426	X	-	45.426	-	2.099	X	-	2.095	-	43.327	-
b) Performing	1.882.507	1.269.327	228.610	X	-	3.276	2.638	641	X	-	1.879.231	-
Total (B)	**1.927.933**	**1.269.327**	**228.610**	**45.426**	**-**	**5.375**	**2.638**	**641**	**2.095**	**-**	**1.922.558**	**-**
Total (A+B)	**13.285.017**	**9.933.031**	**762.212**	**443.850**	**1.666.273**	**292.796**	**75.013**	**38.768**	**179.014**	**-**	**12.992.221**	**3.010**

On-balance-sheet exposures include all on-balance-sheet financial assets due from customers regardless of the portfolio they are included in (measured at amortised cost, measured at fair value through other comprehensive Income, designated at fair value, mandatorily measured at fair value, under disposal).

A.1.6 Prudential consolidation - On-balance-sheet credit exposures to banks: trends in gross non-performing exposures

There are no impaired cash credit exposures to banks in these Consolidated Financial Statements.

A.1.7 Prudential consolidation - On-balance-sheet credit exposures to customers: trends in gross non-performing exposures

Reason/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Opening gross exposure	**1.221.578**	**554.428**	**157.069**
- of which: transferred and not derecognised	*544*	*2.249*	*6.196*
B. Increases	**978.720**	**515.233**	**165.643**
B.1 income from performing exposures	1.748	82.512	91.966
B.2 income from financial assets impaired purchased or originated	223.731	41.024	351
- from business combinations	*210.762*	-	-
B.3 transfers from other categories of exposures exposures	53.223	48.739	37
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	700.018	342.958	73.289
C. Decreases	**811.433**	**537.033**	**205.633**
C.1 outflows to performing exposures	924	17.957	45.655
C.2 write-offs	16.550	-	-
C.3 collections	303.622	168.098	7.928
C.4 proceeds from sales	10.345	578	6
C.5 losses on sale	94	36	-
C.6 transfers to other categories of exposures exposures	2.440	53.071	46.488
C.7 contractual modifications without derecognition	-	-	-
C.8 other decreases	477.458	297.293	105.556
D. Closing gross exposure	**1.388.865**	**532.628**	**117.079**
- of which: transferred and not derecognised	*811.433*	*537.033*	*205.633*

On-balance-sheet exposures include all on-balance-sheet financial assets due from customers regardless of the portfolio they are included in (measured at amortised cost, measured at fair value through other comprehensive Income, designated at fair value, mandatorily measured at fair value, under disposal).

A.1.7bis Prudential consolidation - On-balance-sheet credit exposures to customers: trends in gross forborne exposures broken down by credit quality

Reason/Categories	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**275.752**	**85.823**
- of which: transferred and not derecognised	*1.357*	*14.768*
B. Increases	**349.249**	**78.639**
B.1 inflows from non-forborne performing exposures	85	56.982
B.2 inflows from forborne performing exposures	15.461	X
B.3 inflows from non-performing forborne exposure	X	9.302
B.4 inflows from non-forborne non-performing exposures	21.132	157
B.5 other increases	312.571	12.198
C. Decreases	**313.911**	**74.653**
C.1 outflows to non-forborne performing exposures	X	29.515
C.2 outflows to forborne performing exposures	9.302	X
C.3 outflows to non-performing forborne exposures	X	15.461
C.4 write-offs	283	-
C.5 collections	159.073	14.515
C.6 proceeds from sales	59	-
C.7 losses on sale	-	-
C.8 other decreases	145.194	15.162
D. Closing gross exposure	**311.090**	**89.809**
- of which: transferred and not derecognised	*764*	*231*

A.1.8 Prudential consolidation - On-balance-sheet non-performing exposures to banks: trends in overall impairment losses/reversals

There are no impaired cash credit exposures to banks in these Consolidated Financial Statements.

A.1.9 Prudential consolidation - On-balance-sheet non-performing exposures to customers: trends in overall impairment losses/reversals

Reason/Categories	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*
A. Opening balance of total impairment losses/reversals of impairment losses	**68.874**	***3.180***	**68.091**	***11.945***	**9.790**	***844***
- of which: transferred and not derecognised	*569*	*-*	*2.110*	*300*	*1.053*	*160*
B. Increases	**40.442**	***2.669***	**55.471**	***15.976***	**5.553**	***655***
B.1 impairment losses/reversals from impaired financial assets purchased or originated	5.177	*X*	1.061	*X*	195	*X*
B.2. other impairment losses	18.602	*449*	50.576	*14.343*	5.147	*654*
B.3 losses on sale	-	-	-	-	-	-
B.4 transfers from other categories of impaired exposures	114	*21*	1.572	*190*	16	*1*
B.5 contractual modifications without derecognitions	-	-	-	-	-	-
B.6 other increases	16.549	*2.199*	2.262	*1.443*	195	-
C. Decreases	**24.442**	***633***	**39.444**	***11.215***	**7.416**	***869***
C.1 reversals of impairment losses from measurement	7.954	*284*	31.206	*10.161*	3.078	*661*
C.2 impairment reversals from collection	3.898	*66*	2.401	*1.027*	225	*19*
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-offs	8.927	*283*	-	-	-	-
C.5 transfers to other categories of impaired exposures	15	-	115	*22*	1.572	*189*
C.6 contractual modifications without derecognitions	-	-	-	-	-	-
C.7 other decreases	3.648	-	5.722	*5*	2.541	-
D. Closing balance of total impairment losses/reversals of impairment losses	**84.874**	***5.216***	**84.118**	***16.706***	**7.927**	***630***
- of which: transferred and not derecognised	*753*	*6*	*2.175*	*294*	*459*	*48*

A.2 Classification of exposures based on external and internal ratings

A.2.1 Prudential consolidation - Breakdown of financial assets, loan commitments and financial guarantees granted by external rating class (gross amounts)

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

A.2.2 Prudential consolidation - Breakdown of financial assets, loan commitments and financial guarantees granted by internal rating class (gross amounts)

The Banca Ifis Group does not use internal ratings for the purposes of calculating capital absorption. The Group has implemented a managerial internal ratings system on the corporate segments. This has been developed on proprietary databases and has the following components:

- a "financial" module, to assess the company's operating/financial soundness;
- a "central credit register" module, presenting the evolution of counterparty risk vis-à-vis the banking industry;
- an "internal performance" module, monitoring the performance of the relationships between the counterparty and the Group;
- a "socio-demographic" module aimed at assessing the risk profile on the basis of biographical information.

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.

A.3 Breakdown of guaranteed credit exposures by guarantee type

A.3.1 Prudential consolidation - Guaranteed on- and off-balance-sheet credit exposures to banks

	Gross exposure	Net exposure	Collateral guarantees (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
								Other derivatives								
			Property - mortgages	Property - lease financing	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial corporations	Other entities	General governments	Banks	Other financial corporations	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	**100**	**100**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100**
1.1 totally guaranteed	100	100	-	-	-	100	-	-	-	-	-	-	-	-	-	**100**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Guaranteed off-balance-sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.3.2 Prudential consolidation - Guaranteed on- and off-balance-sheet credit exposures to customers

	Gross exposure	Net exposure	Collateral guarantees (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
								Other derivatives								
			Property - mortgages	Property - lease financing	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial corporations	Other entities	General governments	Banks	Other financial corporations	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	**3.672.265**	**3.541.846**	**443.098**	**-**	**-**	**1.719.710**	**-**	**-**	**-**	**-**	**-**	**739.681**	**651**	**7.438**	**398.262**	**3.308.840**
1.1 totally guaranteed	2.566.740	2.480.129	358.414	-	-	1.590.554	-	-	-	-	-	155.567	651	7.372	367.567	**2.480.125**
- of which non-performing	*225.250*	*169.351*	*82.120*	-	-	*21.607*	-	-	-	-	-	*11.428*	-	*76*	*54.120*	***169.351***
1.2 partially guaranteed	1.105.525	1.061.717	84.684	-	-	129.156	-	-	-	-	-	584.114	-	66	30.695	**828.715**
- of which non-performing	*64.403*	*39.912*	*5.335*	-	-	*85*	-	-	-	-	-	*24.729*	-	-	*1.957*	***32.106***
2. Guaranteed off-balance-sheet credit exposures:	**57.567**	**57.376**	**-**	**-**	**195**	**7.733**	**-**	**-**	**-**	**-**	**-**	**186**	**-**	**51**	**37.697**	**45.862**
2.1 totally guaranteed	43.982	43.831	-	-	195	7.551	-	-	-	-	-	-	-	51	35.415	**43.212**
- of which non-performing	*1.851*	*1.851*	-	-	-	-	-	-	-	-	-	-	-	-	*1.851*	***1.851***
2.2 partially guaranteed	13.585	13.545	-	-	-	182	-	-	-	-	-	186	-	-	2.282	**2.650**
- of which non-performing	*2.019*	*2.019*	-	-	-	-	-	-	-	-	-	-	-	-	*465*	***465***

A.4 Prudent consolidation - Financial and non-financial assets through the enforcement of guarantees received

As at 31 December 2023, the Banca Ifis Group does not have any cases referred to in the disclosure in this paragraph.

B. Concentration and distribution of credit exposures

B.1 Prudential Consolidation - Breakdown of on- and off-balance-sheet credit exposures to customers by segment

Exposures/ Counterparties	General governments		Financial companies		*Financial companies (of which: insurance companies)*		Non-financial corporations		Households	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	*Net exposure*	*Overall impairment losses/reversals*	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet credit exposures										
A.1 Bad loans	83	551	1.027	52	-	-	166.205	79.071	1.136.677	5.199
- of which forborne exposures	-	-	*69*	-	-	-	*9.027*	*4.732*	*173.416*	*484*
A.2 Unlikely to pay	10.413	1.855	1.225	5.615	*20*	*4*	104.519	67.975	332.353	8.672
- of which forborne exposures	-	-	*62*	*119*	-	-	*21.273*	*14.660*	*82.242*	*1.927*
A.3 Non-performing past due exposures	65.707	161	456	63	*1*	-	29.179	3.565	13.810	4.138
- of which forborne exposures	*51*	-	-	-	-	-	*518*	*87*	*1.881*	*542*
A.4 Performing exposures	2.386.255	2.183	657.515	7.570	*811*	-	5.445.442	93.518	718.799	7.233
- of which forborne exposures	-	-	*3.653*	*581*	-	-	*69.647*	*5.514*	*10.036*	*378*
Total (A)	**2.462.458**	**4.750**	**660.223**	**13.300**	***832***	***4***	**5.745.345**	**244.129**	**2.201.639**	**25.242**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	648	-	-	-	39.994	2.092	2.685	7
B.2 Performing exposures	1	-	196.048	1.195	-	-	1.507.983	2.062	175.199	19
Total (B)	**1**	**-**	**196.696**	**1.195**	**-**	**-**	**1.547.977**	**4.154**	**177.884**	**26**
Total (A+B) 31.12.2023	**2.462.459**	**4.750**	**856.919**	**14.495**	***832***	***4***	**7.293.322**	**248.283**	**2.379.523**	**25.268**
Total (A+B) 31.12.2022	**2.382.648**	**6.391**	**988.907**	**12.727**	***1.355***	***4***	**6.473.218**	**206.900**	**2.313.468**	**23.714**

B.2 Prudential consolidation - Geographical breakdown of on- and off-balance-sheet credit exposures to customers

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet credit exposures										
A.1 Bad loans	1.303.342	88.471	568	32	32	-	8	-	42	-
A.2 Unlikely to pay	445.640	83.982	2.862	136	5	-	-	-	3	-
A.3 Non-performing past due exposures	106.279	7.736	2.760	177	2	-	111	14	-	-
A.4 Performing exposures	8.591.095	103.815	518.283	6.535	65.866	668	14.174	294	18.593	86
Total (A)	**10.446.356**	**284.004**	**524.473**	**6.880**	**65.905**	**668**	**14.293**	**308**	**18.638**	**86**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	35.797	2.092	7.530	7	-	-	-	-	-	-
B.2 Performing exposures	1.727.299	3.163	151.173	113	-	-	640	-	119	-
Total (B)	**1.763.096**	**5.255**	**158.703**	**120**	**-**	**-**	**640**	**-**	**119**	**-**
Total (A+B) 31.12.2023	**12.209.452**	**289.259**	**683.176**	**7.000**	**65.905**	**668**	**14.933**	**308**	**18.757**	**86**
Total (A+B) 31.12.2022	**11.603.833**	**243.590**	**502.824**	**5.553**	**31.267**	**307**	**19.688**	**277**	**629**	**5**

B.3 Prudential consolidation - Geographical breakdown of on- and off-balance-sheet credit exposures to banks

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet credit exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	1.352.001	2.223	234.882	554	-	-	-	-	-	-
Total (A)	**1.352.001**	**2.223**	**234.882**	**554**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	873.744	-	430	-	-	-	-	-	-	-
Total (B)	**873.744**	**-**	**430**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2023	**2.225.745**	**2.223**	**235.312**	**554**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2022	**1.539.248**	**2.232**	**264.382**	**601**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Major exposures

		31.12.2023	31.12.2022
a)	Amount (carrying amount)	5.616.690	4.686.151
b)	Amount (weighted value)	1.132.447	943.766
c)	Number	10	7

The overall weighted amount of Large exposures at the weighted amount at 31 December 2023, comprising 10 positions, mainly consists, at a weighted value level, of 210 million Euro in tax assets, 193 million Euro in exposure to counterparties not included in the prudential scope of consolidation and the remaining 729 million Euro in positions vs supervised intermediaries, mainly relating to reverse repurchase agreements, derivatives and securities.

Disclosure regarding sovereign debt

Consob Communication No. DEM/11070007 of 5 August 2011, drawing on ESMA document No. 2011/266, regulated 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 Consob 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 2.109 million Euro have a weighted residual average life of 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 above Consob Communication, besides the exposure to sovereign debt, it is also necessary to consider receivables disbursed to and due from the Italian National Administration. These exposures at 31 December 2023 amount to 342 million Euro, of which 85 million Euro related to tax credits.

C. Securitisation transactions

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

Qualitative information

The Banca Ifis Group has prepared a "Group Policy for the Management of Securitisation Transactions in the Role of Originator/Promoter/Investor", with which it regulates the process of managing securitisation transactions in the event that it intervenes in the role of "originator" (i.e. a party that participated in the original contract that created the obligations that originated the securitised exposures or that acquired the exposures of a third party and subsequently proceeds to their securitisation) of "investor" (i.e. a person underwriting the securities) or "sponsor" (i.e. a person structuring the transaction as defined in Art. 2 of EU Regulation 2017/2402). For each potential case, the policy sets out the responsibilities of the organisational units and corporate bodies, with reference to both the due diligence process and the ongoing monitoring of the transaction.
Outstanding securitisation transactions at 31 December 2023 are listed below.

Ifis ABCP Programme securitisation

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

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

As part of the securitisation programme, the Bank sends the amount it collects to the vehicle on a daily basis, while the new portfolio is assigned approximately six times each month; this ensures a short time lapse between the outflows from the Bank and the inflows associated with the payment of the new assignments.
Only part of the securitised receivables due from account debtors are recognised as assets - especially for the portion that the Bank has purchased outright, resulting in the transfer of all risks and rewards to the buyer. Therefore, the tables in the quantitative disclosure show only this portion of the portfolio.
In compliance with IAS/IFRS accounting standards, currently the securitisation process does not involve the substantial transfer of all risks and rewards, as it does not meet derecognition requirements. In addition, the vehicle Ifis ABCP Programme S.r.l. was consolidated because, following an analysis of the requirements set forth in IFRS 10, it was found to be subject to the control of Banca Ifis (for further details, see "Section 3 - Scope and methods of consolidation" of the paragraph “A.1 - General part” of "Part A - Accounting policies" of these Notes to the Consolidated Financial Statements).
The maximum theoretical loss for Banca Ifis is represented by the losses that could potentially arise within the portfolio of assigned receivables, and the impact would be the same as if the securitisation programme did not exist; therefore, the securitisation has been accounted for as follows:

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

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

Emma securitisation

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

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

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

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

Indigo lease securitisation

In 2016, the Banca Ifis Group, through the originator company, the former Ifis Leasing S.p.A. (incorporated into Banca Ifis since May 2018) finalised a securitisation that involved selling a portfolio of performing loans totalling 489 million Euro to the special purpose vehicle Indigo Lease S.r.l.

The securitisation was rated by the agencies Moody's and DBRS, which will also perform the annual monitoring throughout the term of the transaction.

The initial purchase price of the assigned receivables portfolio, equal to 489 million Euro, was paid by the vehicle to the merged entity, the former Ifis Leasing using funds raised from the issue of senior notes for an amount of 366 million Euro. These received an AA3 (sf) rating from Moody's and an AA (sf) rating from DBRS, and their redemption is connected to the collections realised on the receivables portfolio. In addition, the vehicle issued 138 million Euro in junior notes that were acquired by the former Ifis Leasing and did not receive a rating. In addition, the latter received a specific servicing mandate to collect and manage the receivables.

During 2017, following the transaction restructuring, a revolving system was launched involving monthly assignments of new credit to the SPV, until July 2021. At the same time, the maximum nominal amount of the senior and junior notes was increased respectively to 609,5 and 169,7 million Euro. In the same period, Banca Ifis acquired all the senior notes issued by the vehicle. Following the May 2018 merger of the former Ifis Leasing, for incorporation into Banca Ifis, the latter also became the subscriber of the junior notes.

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

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

As part of the transaction, Banca Ifis sold to UniCredit Bank AG the entire amount of senior securities, corresponding to a nominal amount of 609,5 million Euro and a principal amount outstanding of 400 million Euro. The junior securities, with a principal amount outstanding of 147,6 million Euro, were fully retained by Banca Ifis as originator. Therefore, as of July 2023 Indigo Lease is no longer a self-securitisation.

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

Other securitisations

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, of which 200,2 million Euro measured at amortised cost and 86,9 million Euro measured at fair value with impact on the income statement. Such data includes:

- multi-originator securitisations in which the Group assumed, together with other banks, also the role of originator. The Group subscribed for securities with a carrying amount as at 31 December 2023 of 44,1 million Euro (at 31 December 2022, the carrying amount was 52,0 million Euro). For more details, please refer to paragraph "C. Financial assets sold and derecognised in full" below, within subsection "D. Disposal transactions" of this "Section 2 - Prudential consolidation risks" of Part E .
- single-tranche securities and securities with underlying non-financial assets with a total carrying amount at 31 December 2023 of 84,1 million Euro.

Quantitative information

C.1 Prudential consolidation - Exposures from the main "own" securitisations broken down by type of securitised asset and type of exposure

Type of securitised asset/Exposure	On-balance-sheet exposures						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals
A. Derecognised in full	**4.928**	**1**	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Receivables due from customers	*4.928*	*1*	*19*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**54.120**	**2.901**	**297.762**	**4.501**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Receivables due from customers	*-*	*-*	*54.120*	*2.901*	*297.762*	*4.501*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

C.2 Prudential consolidation - Exposures from the main "third-party" securitisations broken down by type of securitised asset and type of exposure

Type of securitised asset/Exposure	On-balance-sheet exposures						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals
Financial and non-financial assets	243.076	986	43.292	438	577	-	-	-	-	-	-	-	179	2	-	-	-	-
Total	**243.076**	**986**	**43.292**	**438**	**577**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**179**	**2**	**-**	**-**	**-**	**-**

C.3 Prudential consolidation - Interests in special purpose vehicles for the securitisation

Securitisation name / Special purpose vehicle name	Registered office	Consolidation (1)	Assets (2)			Liabilities (2)		
			Receivables	Debt securities	Other	Senior	Mezzanine	Junior
Ifis ABCP Programme S.r.l.	Conegliano (TV)	100%	1.391.859	-	49.659	1.050.775	-	-
Indigo Lease S.r.l.	Conegliano (TV)	100%	504.940	-	30.642	400.000	-	147.671
Emma S.P.V. S.r.l.	Conegliano (TV)	100%	486.535	-	55.641	397.459	53.000	83.499

(1) Consolidation method referred to the so-called "prudential" perimeter

(2) The figures shown are gross of any intercompany transactions

C.4 Prudential consolidation - Non-consolidated securitisation vehicles

As at 31 December 2023, there are no cases referred to in this paragraph for the Banca Ifis Group.

C.5 Prudential consolidation - Servicer activities – own securitisations: collection of securitised loans and redemption of securities issued by the SPV for securitisation

Servicer	Vehicle company	Securitised assets (end-of-period figure)		Receivables collected during the year		Percentage share of redeemed securities (end-of-period figure)					
						Senior		Mezzanine		Junior	
		Impaired	Not impaired	Impaired	Not impaired	Impaired assets	Not impaired assets	Impaired assets	Not impaired assets	Impaired assets	Not impaired assets
Banca Credifarma	ARCOBALENO FINANCE	6.704	16.772	193	11.163	-	-	-	-	1,70%	98,30%
Banca Credifarma	CREDIARC	31.673	4.796	128	2.898	-	-	-	-	4,22%	95,78%

It should be noted that both the Arcobaleno and Crediarc transactions are characterised by the absence of formalised business plans in the agreements:

- the Arcobaleno transaction concerned performing unsecured loans. The expected cash flows, therefore, were (with the exception of the positions relating to the counterparty in default) time-stamped to the maturity dates of the individual instalments of the amortisation schedules. The failure of debtors to meet agreed payments under individual loan agreements therefore represents a deviation from collection forecasts, resulting in exposures with delayed repayments.
- Crediarc's portfolio is divided into 2 macro aggregates. The first is only performing mortgages. For this cluster, therefore, the expected receipts correspond to the progressively accrued instalments, as per the original repayment schedules. Deviations from the expected cash flows are therefore represented by the outstanding debts at the time of recognition. The second cluster is represented by unlikely to pay and non-performing loans. The net carrying amount (given by the nominal amount of the receivable net of the write-down made) attributed to these receivables represents their estimated realisable value over a 10-year period: it is important to note that the values shown have not been discounted.

C.6 Prudential consolidation - Consolidated securitisation vehicles

Refer to the information in Table C.3.

D. Disposals

A. Financial assets sold and not derecognised in full

Qualitative information

Transfer transactions that did not result in the derecognition of the underlying financial assets are represented by:

- securitisation transactions of credit exposures to customers;

- repurchase agreements (repos) on securities owned, mainly classified in the portfolios "Financial assets measured at fair value through other comprehensive income" and "Financial assets measured at amortised cost".

In the case of repurchase agreements, the non-derecognition of the security, which is the subject of a spot sale, derives from the fact that the Group retains substantially all the risks and rewards associated with the security, having the obligation to repurchase it forward at a contractually agreed price. The securities being transferred therefore continue to be shown in the accounting portfolios to which they belong; the consideration for the transfer is recognised under "Financial liabilities measured at amortised cost: a) payables due to banks or b) payables due to customers", depending on the type of counterparty. In this regard, it should be noted that the following tables do not represent repurchase agreements on securities not recorded in the balance sheet, if the availability of the same results from reverse repurchase agreements (please refer to the section "Other information" in Part B of these consolidated notes to the financial statements).

For securitisation transactions, described in section "C. Securitisation transactions" above, the non-derecognition follows the Group's subscription of the tranches of junior securities or similar exposures, which entail the risk of first losses for the Group and, likewise, the benefit associated with the return on the portfolio of transferred assets. In exchange for the transfer, the consideration received is recognised as a balancing entry to a liability to the special purpose vehicle, net of any tranches of securities subscribed or drawdowns of forms of liquidity support in favour of the vehicle in order to make principal payments. The loan thus recorded to the special purpose vehicle will be reduced by the sums collected by the originator, as "servicer", and transferred to the same vehicle.

Quantitative information

D.1. Prudential consolidation - Financial assets sold and fully recognised and associated financial liabilities: carrying amounts

	Financial assets sold and fully recognised				Associated financial liabilities		
	Carrying amount	*of which: securitised*	*of which: subject to repurchase agreements*	*of which non-performing*	Carrying amount	*of which: securitised*	*of which: subject to repurchase agreements*
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**2.542**	**-**	***2.542***	**-**	**2.371**	**-**	***2.371***
1. Debt securities	2.542	-	*2.542*	-	2.371	-	*2.371*
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**2.383.135**	***1.735.702***	***647.433***	**492.849**	**2.776.585**	***1.717.326***	***1.059.259***
1. Debt securities	647.433	-	*647.433*	-	1.059.259	-	*1.059.259*
2. Loans	1.735.702	*1.735.702*	-	492.849	1.717.326	*1.717.326*	-
Total 31.12.2023	**2.385.677**	***1.735.702***	***649.975***	**492.849**	**2.778.956**	***1.717.326***	***1.061.630***
Total 31.12.2022	**2.115.900**	***1.303.465***	***812.435***	***6.811***	**2.176.886**	***1.395.092***	***781.794***

D.2 Prudent consolidation - Financial assets sold and partly recognised and associated financial liabilities: carrying amounts

In these Consolidated Financial Statements, this item has no value.

D.3 Prudential consolidation - Disposal transactions with liabilities having recourse only to assets sold and not derecognised in full: fair value

	Recorded in full	Recorded partly	Total	
			31.12.2023	31.12.2022
A. Financial assets held for trading	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**2.542**	**-**	**2.542**	**-**
1. Debt securities	2.542	-	2.542	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortised cost (fair value)	**2.383.135**	**-**	**2.383.135**	**507.406**
1. Debt securities	647.433	-	647.433	-
2. Loans	1.735.702	-	1.735.702	507.406
Total financial assets	**2.385.677**	**-**	**2.385.677**	**507.406**
Total associated financial liabilities	**2.778.955**	**-**	**X**	**X**
Net balance at 31.12.2023	**393.278**	**-**	**2.385.677**	**X**
Net balance at 31.12.2022	**507.406**	**-**	**X**	**507.406**

B. Financial assets sold and not derecognised in full with recognition of continuing involvement

The Group has not entered into any disposal transactions for which disclosure is required under IFRS 7.

C. Financial assets sold and derecognised in full

Qualitative information

At 31 December 2023, the Group held securitised securities and mutual fund units acquired as a result of transactions involving the sale of financial assets that were derecognised in full during 2023 and in previous years. These transactions involved the transfer of financial assets, consisting of loans, by the Group, to securitisation special purpose entities or mutual funds and their derecognition in accordance with IFRS 9, following verification that the originator itself (the Parent company Banca Ifis) had substantially transferred the risks and rewards of the transferred assets and had simultaneously retained no control over those assets. Instead of these derecognised assets, securitised securities or fund units received in the same transactions have been recognised as financial assets.

In relation to the provisions contained in the Bank of Italy's Communication of 23 December 2019, transposed in the 7th update of Circular 262, below is the disclosure relating to multi-originator disposal transactions of loan portfolios, in particular of "unlikely to pay" portfolios, attributable to the transfer of loans to a mutual fund with allocation of the relative shares to the transferring intermediaries.

Quantitative information

The following table provides details of the funds held, showing the fund management company and the carrying amount at 31 December 2023.

Fund name	Carrying amount at 31.12.2023 (in thousands of Euro)	Asset management company
City Regeneration Fund	6.579	Redo SGR
IDeA Corporate Credit Recovery I - Loans sub-fund	2.744	Dea Capital Alternative Funds SGR
IDeA Corporate Credit Recovery II - Loans sub-fund	2.525	Dea Capital Alternative Funds SGR
IDeA Corporate Credit Recovery II - Shipping sub-fund	1.551	Dea Capital Alternative Funds SGR
BCC NPLs 2020	38.032	BCC NPLs 2020 S.r.l
BCC NPLs 2021	6.075	BCC NPLs 2021 S.r.l

Transactions concluded during the year

City Regeneration Fund

A closed-end real estate alternative investment fund reserved for professional investors established in November 2020 with the objective of making sustainable investments in real estate initiatives aimed at urban regeneration and having a social impact, with a focus on Social Housing, Senior Living and Student Housing.

In November 2023, Banca Ifis sold its claim against a single debtor, classified as unlikely to pay, which owns the largest urban regeneration project in Italy, with a nominal amount of 9,2 million Euro and a carrying amount of 5,9 million Euro. For this transaction, Banca Ifis received units of the City Regeneration Fund, entered at a fair value of 6,3 million Euro.

At 31 December 2023, the Banca Ifis Group's share is 1,9% of the total value of the Fund's subscriptions and its carrying amount is 6,6 million Euro.

Transactions concluded in previous years

IDeA CCR I Fund - Credit sub-fund

Fund established in January 2016, with the objective of purchasing non-performing loans and instruments claimed by banks from companies involved in restructuring processes.

Banca Ifis became a shareholder in July 2019, as part of the last closing realised by the fund, through the subscription of units worth 15,9 million Euro, in conjunction with the sale to the fund of receivables and equity instruments owed to an operator in the automotive segment. Banca Ifis's share of the Fund is 13,66% of the sub-fund. No distributions were made from the sub-fund during 2023. The sub-fund's management team is focused on selling the last asset in the portfolio from which the final redemption of units will be derived. The carrying amount at 31 December 2023 is 2,7 million Euro.

IDeA CCR II Fund - Credit sub-fund

Fund established in 2017, a replica of the CCR I fund launched previously, with the objective of purchasing non-performing loans and instruments claimed by banks from companies involved in restructuring processes.

In 2017, Banca Ifis subscribed units for a total initial value of 8,8 million Euro in conjunction with the assignment to the Fund of its claim against a single debtor operating in the manufacturing sector.

At the time of subscription, Banca Ifis's shareholding in the sub-fund was 3,72%. As a result of the subsequent closings implemented by the Fund, in which Banca Ifis did not participate, the Fund's shareholding in the sub-fund was reduced to 1,07% at 31 December 2023

Over the years, distributions have been made in favour of shareholders. The carrying amount at 31 December 2023 is 2,5 million Euro.

IDeA CCR II Fund - Shipping sub-fund

Sub-fund established in 2018 within the CCR II Fund launched in 2017, specifically for non-performing loans arising from transactions with ship operators. The sub-fund is denominated in US dollars.

The subscription of the sub-fund's shares by Banca Ifis took place in December 2018 with an investment of 37,7 million Dollar, an amount coinciding with the price of the sale of ship mortgage-backed loans to as many operators. Banca Ifis's shareholding represents 19,34% of the sub-fund's units.

Over the years, the Fund has made significant distributions from the proceeds realised through the restructuring of receivables, repossession of ships and the subsequent sale of part of them, greatly anticipating the recovery expected by shareholders. The carrying amount at 31 December 2023 is 1,6 million Euro.

Alternative investment funds in non-performing loans

In 2019, a disposal took place of non-performing retail loans worth a nominal amount of approximately 15,7 million Euro and with a carrying amount of 1,9 million Euro. For this transaction, the Banca Ifis Group received units of three mutual investment funds (Masaccio, Value Italy Credit 2 and Ares 1) entered at an initial fair value of 7,6 million Euro. The carrying amount at 31 December 2023 of such funds is 5,5 million Euro.

In addition to the above, again with a view to pursuing de-risking activities, Banca Ifis participated in two multi-originator securitisation transactions in 2020 and 2021, respectively.

"BCC NPLs 2020" securitisation

multi-originator transaction whereby, in November 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 2,3 billion 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 of bad loans guaranteed by Italian Treasury Department ("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 million Euro subscribed by Banca Ifis), maturing in January 2045 and with Baa2 and BBB ratings issued by Moody's Italia S.r.l. and Scope, respectively;
- 41 million Euro in mezzanine notes maturing in January 2045, with rating Caa2 and CC assigned respectively by Moody's Italia S.r.l. 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 Parent company Banca Ifis benefited from the accounting and prudential derecognition of the transferred assets. The carrying amount at 31 December 2023 is 37,9 million Euro for senior units, 0,2 million Euro for mezzanine units, and junior units are of negligible value.

"BCC NPLs 2021" securitisation:

multi-originator transaction whereby, in November 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 1,3 billion Euro (of which 86,9 million Euro related to the portfolio sold by Banca Ifis) 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 of bad loans guaranteed by Italian Treasury Department ("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 7,8 Euro subscribed by Banca Ifis), maturing in April 2046 and with Baa2, BBB and BBB ratings issued by Moody's Italia S.r.l., 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 respectively by Moody's Italia S.r.l., 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 Parent company Banca Ifis is 131 thousand Euro and 43 thousand Euro, respectively.

In the context of this transaction, Banca Ifis benefited from the accounting and prudential derecognition of the transferred assets. The carrying amount at 31 December 2023 is 6,1 million Euro for senior units while the mezzanine units and junior units are of irrelevant value.

D. Covered bond transactions

The Banca Ifis Group did not engage in any covered bond transactions.

E. Prudential consolidation - models for measuring credit risk

The Banca Ifis Group does not have internal portfolio models on credit risk (VaR methodology).

1.2 Market risks

1.2.1 Interest rate risk and price risk - supervisory trading book

Qualitative information

A. General aspects

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.

B. Management procedures and measurement methods concerning interest rate risk and price risk

The guidelines on the assumption and monitoring of market risk are laid out on a Group level in the "Group Market 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 this risk.

In particular, the measurement and assessment of market risks is based on the various characteristics (in terms of time frame, investment instruments, etc.) of the investment strategies used in the documents "Banca Ifis Proprietary Portfolio Management Policy" and "Policy for Managing Securitisation & Structured Solutions investment operations", 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 (Value at Risk) 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 indicator used to assess exposure to the risks in question is the Value at Risk (VaR), which represents market best practice for monitoring risks arising from financial market operations. It should be noted, however, that VaR and the limits derived from it, while not used by the Group as a proprietary internal model for determining capital requirements, are used on an ongoing basis for management assessment purposes. In a broader perspective relative to financial market operations, the banking portfolio is also prudentially monitored according to the logic of market risks and subject to specific limits, i.e., the positions to which an HTC&S (Held to Collect and Sell) business model is associated and recorded at fair value with impact on overall profitability (FVOCI), as well as the positions recorded at fair value with impact on the income statement (FVTPL), whose changes in value could have significant impacts on the Group's reserves (and consequently on the carrying amounts) and/or income statement.

VaR is a statistical measure to estimate the loss that could occur as a result of adverse movements in risk factors.

Specifically, 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.

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.

During 2023, VaR utilisation was well below the assigned limit at all times, partly as a result of the reduction in volatility experienced by the various asset classes, as can be seen in the chart below. The figure at the end of 2023 stood at 1,7 million Euro, against a risk appetite level of approximately 9 million Euro.

Quantitative information

1. Supervisory trading book: breakdown by residual maturity (re-pricing date) of on-balance-sheet financial assets and liabilities and financial derivatives - Currency: Euro

Type/Residual maturity	on demand	up to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	over 5 to 10 years	over 10 years	indefinite life
1. On-balance-sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	12.313	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	17.365	4.793	63	398	975	4	-
+ short positions	-	816	-	61	373	14.633	7.714	-
- Other derivatives								
+ long positions	-	-	6.439	1.041	4.025	-	-	-
+ short positions	-	-	6.439	1.041	4.025	-	-	-

2. Supervisory trading book: distribution of equity exposures and equity indices by major market listing countries

The Banca Ifis Group has no cases for which the disclosures in this paragraph are applicable.

3. Supervisory trading book: internal models and other methods for the sensitivity analysis

The Banca Ifis Group does not have internal models for the regulatory trading book.

1.2.2 Interest rate risk and price risk - banking portfolio

Qualitative information

A. General aspects, management procedures and measurement methods concerning the interest rate risk and the price risk

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

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.

The Capital Markets function is appointed to guarantee the rate risk management, 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 Parent company Banca Ifis 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 Group.

The Risk Management function periodically reports to the Parent company's Board of Directors on the interest rate risk position by means of a specific monthly report prepared for the Parent company's management.

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 performed at the consolidated level.

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.

The classification of the bonds held as “Financial assets measured at fair value through other comprehensive income” introduces the risk that the Group's reserves may fluctuate as a result of the change in their fair value. There is also a residual portion in equity securities, which belong to the major European indexes and are highly liquid, including “Financial assets measured at fair value through other comprehensive income”. A part share of these assets are economically hedged through derivatives that are part of the trading book, not represented in the accounts through hedge accounting.

Below is the sensitivity analysis for the main balance sheet items, both assets and liabilities, with evidence of the effect of a 1 basis point movement up or down, also showing the relative duration alongside.

Macro item (figures in thousands of Euro)	Sensitivity -1bps	Sensitivity +1bps	Duration
1. On-balance-sheet assets	2.466	(2.466)	1,61
1.1 Debt securities	639	(639)	1,80
1.2 Loans to banks	5	(5)	0,05
1.3 Loans to customers	1.822	(1.822)	1,69
2. On-balance-sheet liabilities	(1.204)	1.204	0,98
2.1 Payables due to customers and securities issued	(1.126)	1.126	1,18
2.2 Payables due to banks	(78)	78	0,28
3.1 Hedging derivatives - variable leg	6	(6)	0,17
3.2 Hedging derivatives - fixed leg	(191)	191	4,80
Total	**1.077**	**(1.077)**	**0,60**

From a managerial viewpoint, the above assets are specifically monitored as regulated in the "Group Market Risk Management Policy” and the “Group Rates Risk Management Policy”.

The following table shows the sensitivity analysis with reference to the impact at the level of the economic item "Net interest income", and consequently at the level of the pre-tax result for the year, of a change of 20 basis points up or down, set forth at the level of the associated interest-bearing asset components.

Macro item (figures in thousands of Euro)	Sensitivity -20 bps	Sensitivity +20 bps
Debt securities	(2.278)	2.274
Loans to banks	(1.582)	1.579
Loans to customers	(10.043)	10.029
Payables due to customers and securities issued	7.486	(7.475)
Payables due to banks	4.322	(4.315)
Hedging derivatives	(578)	577
Total	**(2.672)**	**2.669**

Quantitative information

1. Banking book: breakdown by residual maturity (re-pricing date) of financial assets and liabilities - Currency: Euro

Type/Residual maturity	on demand	up to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	over 5 to 10 years	over 10 years	Indefinite life
1. On-balance-sheet assets	**3.356.102**	**4.200.712**	**1.232.532**	**585.500**	**2.154.643**	**956.014**	**133.025**	**-**
1.1 Debt securities	9.872	1.051.781	526.365	296.105	834.803	539.518	48.915	-
- with early redemption option	-	147.977	41.727	120.356	204.992	82.757	21.909	-
- other	9.872	903.804	484.638	175.749	629.811	456.761	27.006	-
1.2 Loans to banks	853.739	31.146	6	13	71	-	-	-
1.3 Loans to customers	2.492.491	3.117.785	706.161	289.382	1.319.769	416.496	84.110	-
- current a/c	102.771	4.758	6.072	14.239	98.145	26.446	5.878	-
- other loans	2.389.720	3.113.027	700.089	275.143	1.221.624	390.050	78.232	-
- with early redemption option	239.320	1.555.419	469.474	86.025	6.101	3.816	346	-
- other	2.150.400	1.557.608	230.615	189.118	1.215.523	386.234	77.886	-
2. On-balance-sheet liabilities	**1.239.133**	**2.838.278**	**1.311.916**	**1.138.815**	**3.198.545**	**45.980**	**1.855.650**	**-**
2.1 Due to customers	1.239.004	944.577	865.171	1.040.122	1.643.179	5.139	2.400	-
- current a/c	657.659	37.649	34.926	50.620	68.241	-	-	-
- other payables	581.345	906.928	830.245	989.502	1.574.938	5.139	2.400	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	581.345	906.928	830.245	989.502	1.574.938	5.139	2.400	-
2.2 Payables due to banks	112	1.893.690	99.938	98.692	466.350	40.841	207	-
- current a/c	19	-	-	-	-	-	-	-
- other payables	93	1.893.690	99.938	98.692	466.350	40.841	207	-
2.3 Debt securities	17	11	346.807	1	1.089.016	-	1.853.043	-
- with early redemption option	-	-	-	-	372.744	-	-	-
- other	17	11	346.807	1	716.272	-	1.853.043	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	339.700	16.000	-	-	-	-	-
+ short positions	-	-	-	-	94.200	261.500	-	-
4. Other off-balance-sheet transactions								
+ long positions	173.056	-	-	-	-	-	-	-
+ short positions	90.316	2.532	2.056	1.263	48.850	28.039	-	-

1. Banking book: breakdown by residual maturity (re-pricing date) of financial assets and liabilities - Currency: Other currencies

Type/Residual maturity	on demand	up to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	over 5 to 10 years	over 10 years	Indefinite life
1. On-balance-sheet assets	**83.607**	**124.774**	**9.533**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	10.276	37.996	-	-	-	-	-	-
1.3 Loans to customers	73.331	86.778	9.533	-	-	-	-	-
- current a/c	-	-	-	-	-	-	-	-
- other loans	73.331	86.778	9.533	-	-	-	-	-
- with early redemption option	78	7.022	-	-	-	-	-	-
- other	73.253	79.756	9.533	-	-	-	-	-
2. On-balance-sheet liabilities	**74.970**	**117.309**	**-**	**62**	**-**	**-**	**-**	**-**
2.1 Due to customers	74.970	-	-	62	-	-	-	-
- current a/c	74.970	-	-	-	-	-	-	-
- other payables	-	-	-	62	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	62	-	-	-	-
2.2 Payables due to banks	-	117.309	-	-	-	-	-	-
- current a/c	-	-	-	-	-	-	-	-
- other payables	-	117.309	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions								
+ long positions	-	8.757	-	-	-	-	-	-
+ short positions	-	8.757	-	-	-	-	-	-

2. Banking book: internal models and other methods for the sensitivity analysis

The Banca Ifis Group does not have internal models for the banking book.

1.2.3 Currency risk

Qualitative information

A. General aspects, management procedures and measurement methods of the currency risk

The assumption of currency risk, intended as an operating element that could potentially improve cash management performance, is not part of the Group's policies. The Banca Ifis Group's foreign currency operations largely involve collections and payments associated with factoring operations and in hedging assets in foreign currencies, like units of UCITS. In this sense, the assets in question are generally hedged with deposits and/or loans from other banks in the same currency, thus eliminating for the most part the risk of losses associated with exchange rate fluctuations. In some cases, synthetic instruments are used as hedging instruments.

A residual currency risk arises as a natural consequence of the mismatch between the clients' borrowings and the Capital Markets function's funding operations in foreign currency. Such mismatches are mainly a result of the difficulty in correctly anticipating financial trends connected with factoring operations, with particular reference to cash flows from account debtors vis-à-vis the maturities of loans granted to customers, as well as the effect of interest on them.

However, the Capital Markets function strives to minimise such mismatches every day, constantly realigning the size and timing of foreign currency positions.

Currency risk related to the Bank's business is assumed and managed according to the risk policies and limits set by the Parent company's Board of Directors, with precise delegations of power limiting the autonomy of those authorised to operate, as well as especially strict limits on the daily net currency position.

The business functions responsible for ensuring the currency risk is managed correctly are: the Capital Markets function, which, amongst other duties, directly manages the Bank's funding operations and currency position; the Risk Management function, responsible for selecting the most appropriate risk indicators and monitoring them with reference to pre-set limits; and the Top Management, which every year, based on the Capital Markets function's proposals, shall consider these suggestions and make proposals to Banca Ifis's Board of Directors regarding policies on funding and the management of currency risk, as well as suggest appropriate actions during the year in order to ensure that operations are conducted consistently with the risk policies approved by the Group.

As regards the subsidiaries Ifis Finance Sp. z o.o. and Ifis Finance I.F.N. S.A., which operate on the Polish and Romanian markets, respectively, exposures in Polish zloty and leu from factoring activities are financed by funding in the same currency.

With the acquisition of the Polish subsidiary, Banca Ifis has assumed the currency risk represented by the initial investment in Ifis Finance Sp. z o.o.'s share capital for an amount of 21,2 million Zloty and the subsequent share capital increase for an amount of 66 million Zloty.

As instead for the Rumanian subsidiary Ifis Finance I.F.N. S.A., Banca Ifis assumed the exchange rate risk on its own at the time of its incorporation through the initial payment into the share capital totalling 14,7 million Romanian Leu and at the time of the payments of 9,6 million Leu, 24,7 million Leu and 49,0 million Leu as a capital increase respectively during the second half of 2022 and the first and second half of 2023.

Furthermore, Banca Ifis owns a 4,68% interest in India Factoring and Finance Solutions Private Limited, worth 20 million Indian rupees and with a market value of 3,0 million Euro at the historical exchange rate. In 2015 the Bank tested said interest for impairment, recognising a 2,4 million Euro charge in profit or loss. Starting from 2016, the fair value was adjusted through equity, bringing the value of the equity interest to 487 thousand Euro at 31 December 2023.

The Risk Management function is committed to monitoring the set limits, aimed at verifying that the Group's exchange rate risk remains low. As at 31 December 2023, the total net position amounts to about 4,1 million Euro (or about 0,2% of own funds), with a maximum single-currency exposure of 1,9 million Euro.

B. Hedging of currency risk

Considering the size of this investment and the foregoing on the management method, the Bank did not deem it necessary to hedge the ensuing currency risk.

Quantitative information

1. Distribution of assets, liabilities and derivatives by currency

Items	Currencies					
	US DOLLAR	UK STERLING	JAPANESE YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
A. Financial assets	**149.114**	**8.916**	**752**	**37**	**2.769**	**96.417**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	1.551	3.600	-	-	1.537	3.294
A.3 Loans to banks	39.519	1.296	116	37	1.232	12.958
A.4 Loans to customers	108.044	4.020	636	-	-	80.165
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**46**
C. Financial liabilities	**150.603**	**8.648**	**704**	**-**	**2.700**	**29.813**
C.1 Payables due to banks	75.672	8.644	704	-	2.700	29.589
C.2 Payables due to customers	74.931	4	-	-	-	224
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**2**	**5**	**-**	**-**	**-**	**2.253**
E. Financial derivatives						
- Options						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	45.927
Total assets	**149.114**	**8.916**	**752**	**37**	**2.769**	**96.463**
Total liabilities	**150.605**	**8.653**	**704**	**-**	**2.700**	**77.993**
Imbalance (+/-)	**(1.491)**	**263**	**48**	**37**	**69**	**18.470**

2. Internal models and other methods for the sensitivity analysis

The Banca Ifis Group does not have internal models for currency risk.

1.3 Derivative instruments and hedging policies

1.3.1 Derivative instruments held for trading

A. Financial derivatives

Please see paragraph "1.2 Market risks" of this Section 2 of Part E of the Notes to the Consolidated Financial Statements.

A.1 Financial derivatives held for trading: year-end notional amounts

Underlying assets/Types of derivatives	31.12.2023				31.12.2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements	
1. Debt securities and interest rates	**-**	**-**	**1.096.929**	**-**	**-**	**-**	**803.810**	**-**
a) Options	-	-	1.085.424	-	-	-	288.350	-
b) Swaps	-	-	11.505	-	-	-	515.460	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and share indexes	**-**	**-**	**25.393**	**-**	**-**	**-**	**15.975**	**-**
a) Options	-	-	25.393	-	-	-	15.975	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**1.122.322**	**-**	**-**	**-**	**819.785**	**-**

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Types of derivatives	31.12.2023				31.12.2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements	
1. Positive fair value								
a) Options	-	-	12.743	-	-	-	333	-
b) Interest rate swaps	-	-	153	-	-	-	25.265	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**12.896**	**-**	**-**	**-**	**25.598**	**-**
2. Negative fair value								
a) Options	-	-	13.852	-	-	-	25.098	-
b) Interest rate swaps	-	-	153	-	-	-	884	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**14.005**	**-**	**-**	**-**	**25.982**	**-**

A.3 OTC financial derivatives held for trading: notional amounts, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial corporations	Other entities
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional amount	X	1.091.177	-	5.752
- positive fair value	X	12.313	-	153
- negative fair value	X	14.005	-	-
2) Equity securities and share indexes				
- notional amount	X	25.393	-	-
- positive fair value	X	430	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and share indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives: notional amounts

Underlying assets/Residual life	Up to 1 year	Over 1 to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	103.879	198.050	795.000	**1.096.929**
A.2 Financial derivatives on equity securities and share indexes	25.393	-	-	**25.393**
A.3 Financial derivatives on exchange rates and gold	-	-	-	**-**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
Total 31.12.2023	**129.272**	**198.050**	**795.000**	**1.122.322**
Total 31.12.2022	**275.380**	**135.605**	**408.800**	**819.785**

B. Credit derivatives

The Banca Ifis Group does not hold credit derivatives.

1.3.2 Hedges

Qualitative information

A. Fair value hedging

The Banca Ifis Group's hedges are designed to reduce the Bank's overall exposure to interest rate risk caused by movements in the interest rate curve. Specifically, the hedging strategy is that of a "package" of specific hedges on fixed-rate securities in the Group's Proprietary Portfolio with which a "HTC" (Held to Collect) business model is associated. These are government bonds issued by the Italian government (BTPs) that pass the "SPPI test" prescribed by IFRS 9, and are therefore classified in the balance sheet item "Financial assets measured at amortised cost - receivables due from customers".

In hedge accounting, the Group applies standard IFRS 9 and, at the reference date of these Consolidated Financial Statements, only adopts specific hedges (micro fair value hedges) and not general hedges (macro fair value hedges).

Within the micro fair value hedge, debt securities on the asset side are hedged.

The main types of derivatives used are plain interest rate swaps (IRS), which are not listed on regulated markets but are traded on over-the-counter (OTC) circuits.

B. Cash flow hedging

As at 31 December 2023, the Banca Ifis Group does not engage in cash flow hedges.

C. Foreign investment hedges

As at 31 December 2023, the Banca Ifis Group does not engage in net investment hedging in a foreign entity.

D. Hedging instruments

The main causes of ineffectiveness of the model adopted by the Group for verifying the effectiveness of hedges are attributable to the following phenomena:

- mismatch between the notional amount of the derivative and the underlying hedged item recognised at the time of initial designation or generated thereafter, such as in the case of any partial disposals of the hedged securities;
- application of different curves on the hedging derivative and the hedged item for the purpose of performing the effectiveness test on fair value hedges. Derivatives are discounted to Overnight curves, while hedged items are discounted to the indexation curve of the hedging instrument;
- inclusion in the effectiveness test of the value of the variable leg of the hedging derivative, assuming a fair value hedge.

The ineffectiveness of the hedge is promptly detected for the purposes:

- determining the effect on the income statement;

- assessing whether or not hedge accounting rules can continue to be applied.

The Group does not use dynamic hedges, as defined in IFRS 7, paragraph 23C.

E. Items hedged

The main types of items hedged are, at the reference date of the Financial Statements, debt securities on the asset side. They are hedged in micro fair value hedge relationships, using interest rate swaps (IRS) as hedging instruments.

The interest rate risk is generally hedged for all or most of the term of the bond.

To verify the effectiveness of the hedge, the Group uses a prospective effectiveness test measured through the ratio of the delta fair value of each hedging instrument and the related hedged item based on sensitivity analysis of 100 bps on interest rates. The verification of hedging effectiveness through the prospectus described above is performed prior to the designation of the hedging relationship, as an ex-ante estimate, and is subsequently monitored on an ongoing basis and reported periodically to senior management.

Quantitative information

A. Financial hedging derivatives

A.1 Financial hedging derivatives: year-end notional amounts

Underlying assets/Types of derivatives	31.12.2023				31.12.2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements	
1. Debt securities and interest rates	**-**	**-**	**355.700**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	355.700	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
2. Equity securities and share indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**355.700**	**-**	**-**	**-**	**-**	**-**

A.2 Financial hedging derivatives: gross positive and negative fair value - breakdown by product

Types of derivatives	Positive and negative fair value								Change in value used to recognise hedge ineffectiveness	
	Total 31.12.2023				Total 31.12.2022				Total 31.12.2023	Total 31.12.2022
	Over the counter			Organised markets	Over the counter			Organised markets		
	Central counterparts	Without central counterparties			Central counterparts	Without central counterparties				
		With offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements			
1. Positive fair value	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Negative fair value	**-**	**-**	**11.644**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	11.644	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**11.644**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.3 OTC financial hedging derivatives: notional amounts, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial corporations	Other entities
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional amount	X	355.700	-	-
- positive fair value	X	-	-	-
- negative fair value	X	11.644	-	-
2) Equity securities and share indexes				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and share indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial hedging derivatives: notional amounts

Underlying assets/Residual life	Up to 1 year	Over 1 to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	94.200	261.500	**355.700**
A.2 Financial derivatives on equity securities and share indexes	-	-	-	**-**
A.3 Financial derivatives on exchange rates and gold	-	-	-	**-**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
Total 31.12.2023	**-**	**94.200**	**261.500**	**355.700**
Total 31.12.2022	**-**	**-**	**-**	**-**

B. Credit hedging derivatives

The Banca Ifis Group does not hold credit derivatives designated as hedging instruments.

C. Non-derivative hedging instruments

The Banca Ifis Group does not hold any non-derivative instruments designated as hedging instruments.

D. Instruments hedged

D.1 Fair value hedges

	Specific hedges: carrying amount	Specific hedges - net positions: carrying amount of assets or liabilities (before netting)	Specific hedges			General hedges: Carrying amount
			Cumulative changes in the fair value of the hedged instrument	Termination of hedging: residual cumulative changes in fair value	Change in value used to recognise hedge ineffectiveness	
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedges of:	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Equity securities and share indexes	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans and receivables	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortised cost - hedge of:	**378.003**	**-**	**12.613**	**-**	**12.613**	**-**
2.1 Debt securities and interest rates	378.003	-	12.613	-	12.613	X
2.2 Equity securities and share indexes	-	-	-	-	-	X
2.3 Currencies and gold	-	-	-	-	-	X
2.4 Loans and receivables	-	-	-	-	-	X
2.5 Other	-	-	-	-	-	X
Total 31.12.2023	**378.003**	**-**	**12.613**	**-**	**12.613**	**-**
Total 31.12.2022	**-**	**-**	**-**	**-**	**-**	**-**
B. Liabilities						
1. Financial liabilities measured at amortised cost - hedge of:	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 31.12.2023	**-**	**-**	**-**	**-**	**-**	**-**
Total 31.12.2022	**-**	**-**	**-**	**-**	**-**	**-**

D.2 Cash flow hedges and foreign investment hedges

As at 31 December 2023, the Banca Ifis Group does not engage in cash flow hedges or net investment hedges in a foreign entity.

E. Effects of hedging transactions on equity

As at 31 December 2023, the Banca Ifis Group does not enter into any accounting hedges, the effects of which are shown in equity.

1.3.3 Other information on derivative instruments (trading and hedging)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair values for counterparties

	Central counterparties	Banks	Other financial corporations	Other entities
A. Financial derivatives				
1) Debt securities and interest rates				
- notional amount	-	1.446.876	-	5.752
- net positive fair value	-	12.313	-	153
- net negative fair value	-	25.649	-	-
2) Equity securities and share indexes				
- notional amount	-	25.393	-	-
- net positive fair value	-	430	-	-
- net negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
B. Credit derivatives				
1) Protection purchase				
- notional amount	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
2) Protection sale				
- notional amount	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-

1.4 Liquidity risk

Qualitative information

A. General aspects, management procedures and measurement methods of the liquidity risk

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

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 end of maturity of these instruments, it was decided to bring forward the redemption of 500 million Euro already to the end of 2023, bringing the amount used from approximately 2 billion Euro to about 1,5 billion Euro.

The Group's activities consist of factoring operations, which focus mainly on trade receivables and receivables due from Italy's public administration maturing within the year, and medium/long-term receivables deriving mainly from Leasing, Corporate banking, Structured Finance and Workout, Restructuring & Recovery operations; security portfolio management, mainly comprising eligible and readily liquid Italian government securities are also important.

As for the Group's operations concerning the Npl Segment and the unit relative to 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, so as to have available liquidity reserves adequate for current and future business volumes.

The amount of high-quality liquidity reserves (mainly consisting of the balance of the management account with the Bank of Italy and the free portion of eligible securities) 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.

The objective of the Group's operational liquidity management is to ensure the Banca Ifis Group's ability to meet its cash payment commitments over the short-term time horizon. The essential condition for normal business continuity in banking is the maintenance of a sustainable imbalance between cash inflows and outflows in the short term. From a management point of view, the reference metric in this respect is the difference between the net cumulative cash flow and the Counterbalancing Capacity, i.e. the liquidity reserve to cope with short-term stress conditions, in addition to the regulatory measure of the Liquidity Coverage Ratio (LCR). From a very short-term perspective, the Group adopts the intraday liquidity analysis and monitoring system with the aim of ensuring the normal development of the Bank's treasury day and its ability to meet its intraday payment commitments.

The Group's structural liquidity management aims to ensure the financial balance of the structure by maturity over the time horizon of more than one year. Maintaining an adequate ratio of medium- to long-term liabilities to assets is aimed at avoiding pressure on short-term funding sources, both current and prospective. The reference metrics refer to the regulatory indicator of the Net Stable Funding Ratio (NSFR) and, management-wise, to the gap ratios, which measure both the ratio of total funding and loans with maturities over 1 year and over 3 and 5 years.

The main indicators used by the Banca Ifis Group to assess its liquidity profile are as follows:

- Liquidity Coverage Ratio (LCR), which 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%;
- Net Stable Funding Ratio (NSFR), which is the 12-month structural liquidity indicator and corresponds to the ratio of the available amount of stable funding to the required amount of stable funding. For this indicator, the regulatory minimum requirement has been set at 100% as of 2021.

Below are the two indicators in the reporting year compared with the previous year.

	4Q 2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023
LCR	542%	869%	1.073%	1.229%	1.149%
NSFR	123%	130%	127%	133%	133%

Both indicators thus remain well above regulatory limits, confirming a more than adequate liquidity position in terms of both operational and structural liquidity.

With specific reference to climatic and environmental risk factors, the materiality analysis conducted led to their quantification as non-material, due to the low impact of these factors in terms of available cash reserves and related cash outflows on the Group's funding.

The corporate functions of the Parent company responsible for ensuring the correct application of the liquidity policy are the Capital Markets function, which is responsible for the direct management of liquidity, the Risk Management function, which is responsible for proposing the risk appetite, identifying the most appropriate risk indicators and monitoring their performance in relation to the set limits and supporting the activities of Top Management. The latter has the task, with the support of the Capital Markets function, of proposing funding and liquidity risk management policies to the Board of Directors on an annual basis and suggesting during the course of the year any appropriate measures to ensure that activities are carried out in full compliance with approved risk policies.

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 compliance with supervisory provisions, the Group also has a Contingency Funding Plan aimed at protecting it 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.

The liquidity risk position is periodically reported by the Risk Management function to the Banca Ifis Board of Directors.

With reference to the Polish and Rumanian subsidiaries, treasury operations are coordinated by the Parent company.

Quantitative information

1. Breakdown by residual contractual duration of financial assets and liabilities - Currency: Euro

Items/Duration	on demand	over 1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	Over 5 years	indefinite life
On-balance-sheet assets	**1.141.409**	**44.222**	**222.142**	**666.533**	**1.536.141**	**657.607**	**953.894**	**5.055.817**	**2.077.891**	**34.359**
A.1 Government bonds	483	-	56.522	219.596	239.376	28.947	82.557	973.300	508.000	-
A.2 Other debt securities	10.163	892	602	4.911	6.165	19.246	118.840	819.958	389.858	-
A.3 UCITS units	75.359	-	-	-	-	-	-	-	-	-
A.4 Loans	1.055.404	43.330	165.018	442.026	1.290.600	609.414	752.497	3.262.559	1.180.033	34.359
- banks	335.407	231	482	537	2.834	7	14	71	-	27.328
- customers	719.997	43.099	164.536	441.489	1.287.766	609.407	752.483	3.262.488	1.180.033	7.031
On-balance-sheet liabilities	**1.098.601**	**51.059**	**219.351**	**390.325**	**989.459**	**911.420**	**2.415.721**	**3.264.936**	**2.287.386**	**-**
B.1 Deposits and current accounts	1.094.512	48.275	67.627	147.037	779.725	500.767	990.511	1.583.336	-	-
- banks	19	-	-	-	-	-	-	-	-	-
- customers	1.094.493	48.275	67.627	147.037	779.725	500.767	990.511	1.583.336	-	-
B.2 Debt securities	17	-	-	18.283	11	349.998	53.537	1.013.951	1.853.043	-
B.3 Other liabilities	4.072	2.784	151.724	225.005	209.723	60.655	1.371.673	667.649	434.343	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of underlying assets										
- long positions	583	-	-	-	-	-	-	-	-	-
- short positions	14.005	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- long positions	46.448	-	-	4.083	3.574	4.188	8.282	72.392	34.089	-
- short positions	90.316	-	-	1.666	866	2.056	1.263	48.850	28.039	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1. Breakdown by residual contractual duration of financial assets and liabilities - Currency: Other currencies

Items/Duration	on demand	over 1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	Over 5 years	indefinite life
On-balance-sheet assets	**24.874**	**46.924**	**14.239**	**25.927**	**99.862**	**10.096**	**-**	**76**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	1.551	-	-	-	-	-	-	-	-	-
A.4 Loans	23.323	46.924	14.239	25.927	99.862	10.096	-	76	-	-
- banks	13.903	38.031	-	-	-	-	-	-	-	-
- customers	9.420	8.893	14.239	25.927	99.862	10.096	-	76	-	-
On-balance-sheet liabilities	**74.970**	**101.187**	**3.166**	**12.956**	**-**	**-**	**-**	**62**	**-**	**-**
B.1 Deposits and current accounts	74.970	101.187	3.166	12.956	-	-	-	-	-	-
- banks	-	101.187	3.166	12.956	-	-	-	-	-	-
- customers	74.970	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	62	-	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- long positions	-	8.757	-	-	-	-	-	-	-	-
- short positions	-	8.757	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Self-securitisation transactions

Ifis Npl 2021-1 Spv

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

At 31 December 2023 the Banca Ifis Group had therefore subscribed all the notes issued by the vehicle. It should be noted that the senior tranches held by Banca Ifis were used for long term repo transactions with leading banking counterparties.
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.

Securitisation transactions

As for the securitisations outstanding at 31 December 2023 and their purpose, see the comments in the section on credit risks.

1.5 Operational risks

Qualitative information

A. General aspects, management procedures and measurement methods concerning operational risk

Operational risk is the risk of losses arising from inadequate or dysfunctional processes, human resources, internal systems or external events. This definition does not include strategic risk and reputational risk, but it does include legal risk (i.e. the risk of losses deriving from failure to comply with laws or regulations, contractual or extra-contractual liability, or other disputes), IT risk, risk of non-compliance, fraud risk, risk of money laundering and terrorist financing, and the risk of financial misstatement.

The main sources of operational risk are operational errors, inefficient or inadequate operational processes and controls, internal and external frauds, the outsourcing of business functions, the quality of physical and logical security, inadequate or unavailable hardware or software systems, the growing reliance on automation, staff below strength relative to the size of the business, and inadequate human resources management and training policies.

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 proper 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 the Risk Management function 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[2] 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 Group 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 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.

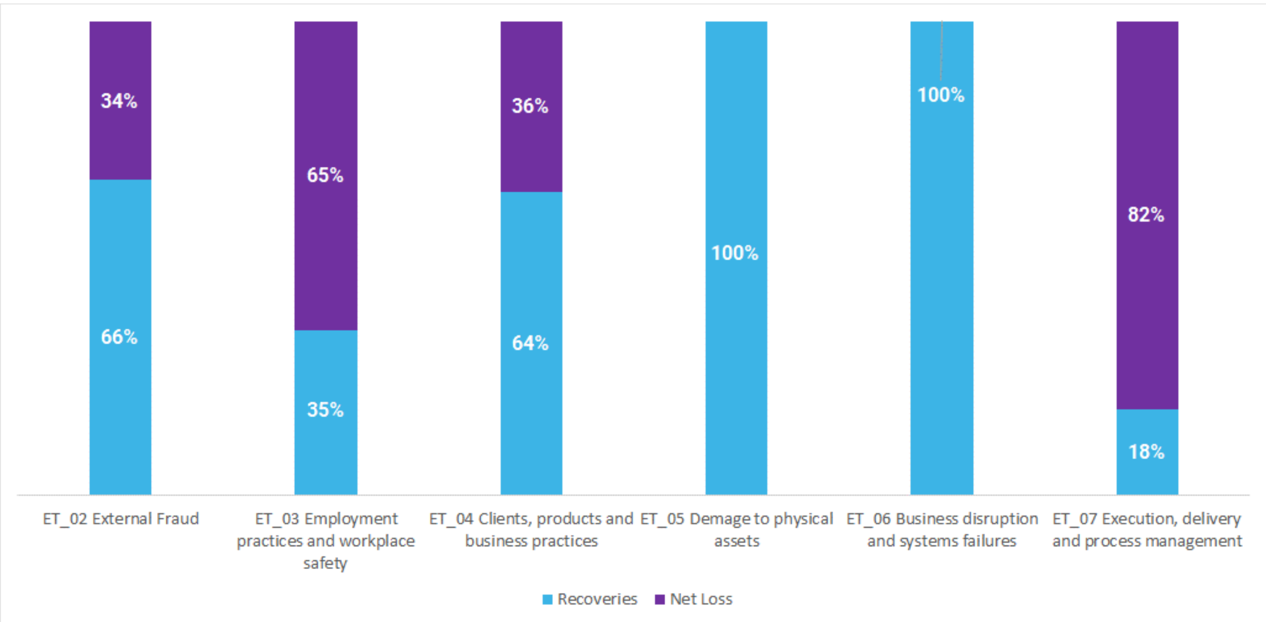
In order to prevent and manage operational risk, the Parent company's Risk Management function, in collaboration with the other corporate functions, is involved in supervising the risks connected with the supply contracts with

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

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.
Concerning the companies of the Banca Ifis Group, please note that the management of operational risks is guaranteed by the strong involvement of the Parent company, which makes decisions in terms of strategies, also in respect of risk management.
To calculate capital requirements against operational risks, the Group adopted the Basic Indicator Approach.
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 considered a second-level risk, as it is generated by the manifestation of other types of risk, such as the risk of non-compliance, strategic risk and in particular operational risks.
As in the case of operational risk, the Parent's Risk Management function is responsible for managing reputational risk: it defines the Group's overall framework - in accordance with the relevant regulations as well as industry best practices - for the management of reputational risk, with the goal of identifying, assessing, and monitoring the reputational risks that the Group's Companies or organisational units assume or may assume. 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 company Banca Ifis and its subsidiaries.

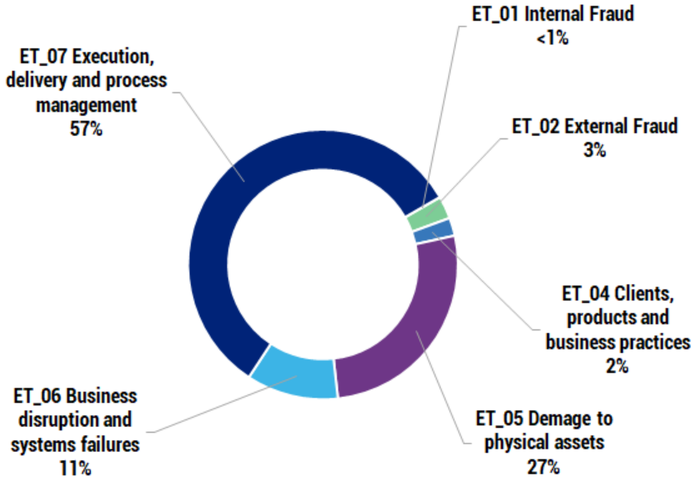
Quantitative information

This section provides a summary view of the results of the Loss Data Collection process at 31 December 2023 conducted at the Banca Ifis Group level. Operational events are subdivided by Event Type.

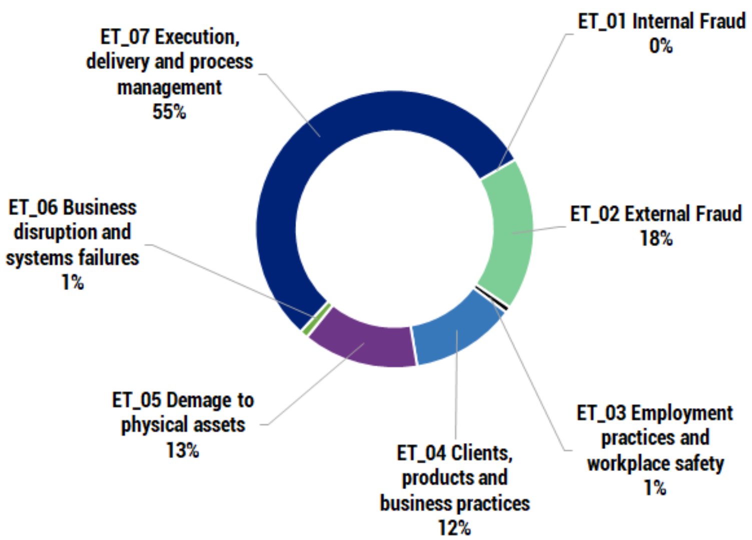


85% of the gross operating losses recognised in 2023, including provisions made, were attributable to events classified within Event Type categories ET_07 "Execution, Delivery and Process Management", ET_04 "Customers, Products and Professional Practices" and ET_02 "External Fraud". Total net operating losses amount to approximately 50% and, as a result, 50% of the gross operating losses recognised in 2023 were recovered. Below are the details per Event Type.

% Events



% Gross Loss



Section 3 - Insurance company risks

The Banca Ifis Group does not engage in transactions that give rise to risks to be reported in this section.

Section 4 - Risks of the other entities

Qualitative information

There were no additional material risks for the other entities included in the scope of consolidation that are not part of the Banking Group other than those reported in the section dedicated to the Banking Group.

Quantitative information

Refer to the information given in the paragraph above.

Part F - Information on consolidated equity

Section 1 - Consolidated Equity

A. Qualitative information

Managing equity concerns a set of policies and decisions necessary to establish capital levels that are consistent with the assets and risks taken by the Group. The Banca Ifis Group is subject to the capital adequacy requirements established by the so-called Basel Committee (CRR/CRD IV).

The Board of Directors constantly monitors that the Bank meets the minimum supervisory requirements, and therefore the capital adequacy ratios, as well as complies with the capital limits set out in the Risk Appetite Framework (RAF).

Furthermore, also in accordance with the European Central Bank (ECB)'s recommendation of 28 January 2015, the Bank ensures compliance with capital adequacy ratios through a pay-out policy linked to the achievement of the above minimum capital requirements, as well as the careful assessment of the potential impact of extraordinary financial operations (share capital increases, convertible loans, etc.).

The Group's capital adequacy is further assessed and monitored every time an extraordinary operation is planned. In this case, based on available information regarding the operation to be implemented, the Bank estimates the impact on capital adequacy ratios as well as the RAF, and considers any measures necessary to meet the requirements.

Transactions on treasury shares

At 31 December 2022, Banca Ifis held 1.377.981 treasury shares recognised at a market value of 22,1 million Euro and a nominal amount of 1.377.981 Euro.

During the year, Banca Ifis, as variable pay, awarded the Top Management 34.963 treasury shares at an average price of 9,39 Euro, for a total of 341 thousand Euro and a nominal amount of 34.963 Euro, making profits of 54 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the premium reserve.

During the year, there were no further transactions on treasury shares other than those mentioned above.

Considering the above operations, the stock at the end of the year was 1.343.018 treasury shares, with an equivalent value of 21,8 million Euro and a nominal amount of 1.343.018 Euro.

It should be noted that the Banca Ifis Group does not hold, directly or indirectly, any shares in the ultimate Parent company La Scogliera S.A..

B. Quantitative information

B.1 Consolidated equity: breakdown by type of entity

Equity items	Prudential consolidation	Insurance firms	Other entities	Consolidation eliminations and adjustments	Total
1. Share capital	59.589	-	6.000	(6.000)	**59.589**
2. Share premiums	85.728	-	114.010	(114.010)	**85.728**
3. Reserves	1.519.065	-	62.680	(71.304)	**1.510.441**
3.5 (Interim dividends)	(62.962)	-	-	-	**(62.962)**
4. Equity	-	-	-	-	**-**
5. (Treasury shares)	(21.817)	-	-	-	**(21.817)**
6. Valuation reserves:	(39.185)	-	(12)	-	**(39.197)**
- Equity securities measured at fair value through other comprehensive income	(14.369)	-	-	-	**(14.369)**
- Hedging of equity securities measured at fair value through other comprehensive income	-	-	-	-	**-**
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(18.990)	-	-	-	**(18.990)**
- Property, plant and equipment	-	-	-	-	**-**
- Intangible assets	-	-	-	-	**-**
- Foreign investment hedges	-	-	-	-	**-**
- Cash flow hedges	-	-	-	-	**-**
- Hedging instruments [non-designated items]	-	-	-	-	**-**
- Exchange differences	(6.146)	-	-	-	**(6.146)**
- Non-current assets under disposal	-	-	-	-	**-**
- Financial liabilities measured at fair value through profit or loss (changes in own credit risk)	-	-	-	-	**-**
- Actuarial gains (losses) on defined benefit pension plans	320	-	(12)	-	**308**
- Share of valuation reserves of equity accounted investments	-	-	-	-	**-**
- Specific revaluation laws	-	-	-	-	**-**
7. Profit (loss) for the year (+/-) of the Group and non-controlling interests	153.280	-	8.636	-	**161.916**
Total	**1.693.699**	**-**	**191.314**	**(191.314)**	**1.693.699**

The above table shows the components of equity, combining those of the Group and those of third parties, broken down by type of businesses included in the scope of consolidation. More in detail:

- the column "Prudential consolidation" shows the amount resulting from the consolidation of the entities that form part of the prudential consolidation and including the economic effects of transactions carried out with other entities included in the scope of consolidation;
- the column "Other entities" shows the amounts resulting from the consolidation, including the economic effects of transactions carried out with entities that form part of the Banking Group;
- the column “Consolidation eliminations & adjustments” shows the adjustments necessary to obtain the reported amount.

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts	Prudential consolidation		Insurance companies		Other entities		Consolidation eliminations & adjustments		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1.167	(20.157)	-	-	-	-	-	-	**1.167**	**(20.157)**
2. Equity securities	2.507	(16.876)	-	-	-	-	-	-	**2.507**	**(16.876)**
3. Loans	-	-	-	-	-	-	-	-	**-**	**-**
Total 31.12.2023	**3.674**	**(37.033)**	**-**	**-**	**-**	**-**	**-**	**-**	**3.674**	**(37.033)**
Total 31.12.2022	**4.718**	**(55.352)**	**-**	**-**	**-**	**-**	**-**	**-**	**4.718**	**(55.352)**

B.3 Valuations reserves for financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equity securities	Loans
1. Opening balance	**(35.811)**	**(14.823)**	**-**
2. Increases	**29.632**	**11.549**	**-**
2.1 Fair value gains	28.580	5.136	-
2.2 Credit risk losses	80	X	-
2.3 Reclassification to profit or loss of negative reserves from sale	624	X	-
2.4 Transfers to other components of equity (equity securities)	-	5.253	-
2.5 Other changes	348	1.160	-
3. Decreases	**(12.811)**	**(11.095)**	**-**
3.1 Fair value losses	(911)	(9.467)	-
3.2 Reversals of credit risk losses	-	-	-
3.3 Reclassification to profit or loss of positive reserves from sale	(3.280)	X	-
3.4 Transfers to other components of equity (equity securities)	-	-	-
3.5 Other changes	(8.620)	(1.628)	-
4. Closing balance	**(18.990)**	**(14.369)**	**-**

B.4 Valuation reserves for defined benefit plans: annual changes

Valuation reserves for defined benefit plans show a positive balance at 31 December 2023 of 308 thousand Euro, comprising a positive balance of 290 thousand Euro attributable to the Parent company and a positive balance of 18 thousand Euro attributable to minorities. The worsening in the item compared to the positive value of 399 thousand Euro at the end of the previous year derives from the net actuarial losses accrued in 2023 on the severance indemnity ("TFR") of the Group companies and the Parent company's provisions for pensions, mainly as a result of the downward revision of the underlying assumptions (such as the discount rate and inflation rate) due to the changed macroeconomic environment.

Section 2 - Own funds and prudential ratios

Pursuant to Bank of Italy Circular 262/2005 and related updates, the section on Own Funds and Capital Ratios is replaced with a reference to the similar information contained in the "Pillar III" public disclosure, i.e. the document "Disclosure to the Public as of 31 December 2023 - Pillar III" prepared at 31 December 2023 by the Banca Ifis Group, available on the website www.bancaifis.it in the "Investor Relations & Corporate Development" section.

Part G - Business combinations

Section 1 - Transactions carried out during the year

This section provides the information on business combinations required by IFRS 3 in paragraphs 59, letter a), 60 and 63. Moreover, in application of the Bank of Italy provisions set forth in Circular 262/2005 and subsequent updates, this section also conventionally includes any business combination transactions between entities subject to common control (referred to as "business combination between entities under common control").

1.1 Business combinations

On 31 October 2023, the Banca Ifis Group, in the context of the long-term partnership signed in May 2023 with the Mediobanca Group for the management of non-performing loans (Npls), finalised the acquisition of control of Revalea S.p.A., a company created in 2022 from the spin-off of the MBCredit Solutions business unit dedicated to the acquisition of Npl portfolios. The transaction involved 100% of Revalea's capital for a consideration of 100 million Euro, paid by Ifis Npl Investing as the acquiring party.

In accordance with the provisions of Bank of Italy Circular No. 262, the following table shows the data on the entity subject to the business combination.

Company name	Transaction date	(1)	(2)	(3)	(4)
1. Revalea S.p.A.	31 October 2023	100.001	100%	3.010	(97)

Key:
(1) = Cost of the transaction
(2) = Percentage interest acquired carrying voting rights in the annual general meeting
(3) = Total group revenues
(4) = Group net profit/loss

The transaction consolidates the Banca Ifis Group's position as a key player in the market for non-performing loans in the small-ticket unsecured segment and allows Mediobanca to exit the Npl business, no longer among the Group's core activities, while also consolidating MBCredit Solutions's specialisation in management and recovery activities, being able to count on constant business volumes for the coming years. With the completion of the transaction, the multi-year servicing agreement entered into force, under which MBCredit Solutions will continue to support Banca Ifis in the management and recovery of bad and non-performing loans. In the context of the acquisition, 18 Revalea employees joined the Banca Ifis Group team.

From an accounting point of view, the transaction falls under business combinations in accordance with the provisions of the IAS/IFRS international accounting standards and, in particular, IFRS 3, which provides for the application of the purchase method.

Pursuant to IFRS 3, the acquiring entity must identify the acquirer and the acquisition date, determine and allocate the cost of the combination to the assets acquired, liabilities assumed, including contingent liabilities, which are measured at fair value ("Purchase Price Allocation" - "PPA"), with the exception of non-current assets (or disposal groups) classified as held for sale in accordance with IFRS 5.

Any unallocated positive/negative difference represents, respectively, the "goodwill" to be recorded in the balance sheet as goodwill or the "bargain purchase" to be credited to the income statement as profit realised on the acquisition.

With regard to the Purchase Price Allocation activity, the acquisition cost is allocated through the fair value recognition of the assets and liabilities of the acquiree, including any intangible assets not previously recognised in the financial statements of the acquiree, being able to take advantage of the option provided for by IFRS 3 § 45, which grants the acquiring entity 12 months, with respect to the acquisition date, to definitively complete the PPA process.

For the purposes of applying IFRS 3 and line-by-line consolidation, the date of accounting acquisition is an essential element for the accounting of the transaction as it is the reference for both the determination of the fair values of the assets and liabilities acquired and for the acquisition of the economic results of the acquired entity in the consolidated income statement of the acquiring entity. The transaction was finalised on 31 October 2023, which is the date on which the Banca Ifis Group acquired 100% control of the company in accordance with IFRS 10.

Therefore, the first consolidation balance sheet is represented by the company's balances at 31 December 2023 and the inclusion of the company's economic contribution "line by line" according to the full consolidation method in the Consolidated Financial Statements of the Banca Ifis Group from 1 November 2023.
In addition, IFRS 3 requires that at the acquisition date, the difference between the cost of the combination, equal to the sum of the fair value of the consideration transferred in cash to acquire the majority interest and that of the interest already held, and the fair value of the identifiable net assets acquired, including contingent liabilities, must be determined. Specifically, any positive difference not attributed to the net assets acquired must be recognised as goodwill in the assets; otherwise, any negative difference must be recognised as badwill in the income statement, after re-measuring to ascertain the correct identification of all assets acquired and liabilities assumed.

The acquisition cost of Revalea is represented by the consideration paid for the 100% acquisition of 100 million Euro.

The allocation of the acquisition cost, through the recognition at fair value of the assets and liabilities of the acquired entity, including any intangible assets not previously recognised in the company's financial statements, was made for recognition in the financial statements as at 31 December 2023 on a provisional basis, as IFRS 3 allows for the option to complete the Purchase Price Allocation process within 12 months from the date of acquisition.

As can be seen from the tables below, the PPA process revealed, at the acquisition date, differences between the carrying amounts resulting from the company's financial statements and the relevant fair values.
With regard to Revalea's Npl portfolio, the estimate of fair value followed an integrated approach, based on the combination of two valuation methods so as to incorporate in the estimate all information inferable, and publicly available, from the transactions that took place in the market:

- the application of a statistical method based on the observation of average purchase prices of unsecured Npl portfolios, taking into account the specific vintage of the portfolio under analysis;
- the application of an analytical method based on the identification of the purchase price of a Npl portfolio through a securitisation structure.

The benchmark was constructed using a sample of predominantly unsecured portfolio transactions that took place in the market between 2017 and 2022, and the correlation between the purchase price versus the age of the portfolios ("vintage") was observed.
The valuation of the Revalea loan portfolio positions was carried out on a line-by-line basis, using the DCF methodology, based on the Banca Ifis Group's estimated gross expected cash flows.
As regards the determination of the discounting rate to be applied to cash flows, an interest rate has been identified that represents the returns expected by the market in connection with exposures with similar characteristics and taking into account the information present at the date of acquisition. In particular:

- risk free rate (r_f): punctual rate of return on Italian government bonds with a maturity of 30 years (monthly observations), measured on 31 October 2023;
- Beta (β): determined by taking average Beta data (weekly surveys over a 5-year period of comparable listed players);
- D/E (Debt/Equity ratio) aligned with Revalea's financial structure as of 31 October 2023 pre PPA;
- market risk premium estimated internally and in line with the most common practice in the Italian market;
- cost of debt equal to the average of the risk free rate (r_f) and the one-year average of the four-year Eurirs;
- cost of risk capital (k_e) calculated on the basis of the Capital Asset Pricing Model ("CAPM");
- add on of additional premium to integrate factors specific to the underlying such as the randomness of flows and the vintage of the portfolio.

The fair value measurement of Revalea's loan portfolio has resulted in a lesser value of approximately 18,8 million Euro with respect to the book value at the date of acquisition.
On the other hand, with regard to payables due to banks, based on the analyses performed, it was deemed necessary to restate the related fair value in order to align it with market conditions at the date of the change of control (31 October 2023). In this specific case, since it is a fixed-rate loan maturing in June 2027, the one-year average of the four-year Eurirs rate was taken as a reference, which is substantially in line with the duration of the debt. This fair valuation of payables due to banks resulted in their revaluation by approximately 7,0 million Euro compared to their carrying amounts.

In addition, impairment of intangible assets and other assets of 0,3 million Euro and 1,2 million Euro, respectively, emerged.

As instead regards any intangible assets not booked by Revalea and potentially able to be recorded during the business combination (e.g. trademarks, customers and contracts), the analyses carried out on such did not reveal any values that can be represented for IFRS 3 purposes.

Finally, with reference to the provisions for risks and charges, an adjustment in terms of an additional provision for risks of 0,1 million Euro emerged.

The tax effect recognised as a result of the above gains/losses is higher tax assets of 6,8 million Euro and higher tax liabilities of 2,3 million Euro.

The Banca Ifis Group, as the acquirer, on the basis of the above-mentioned acquisition cost and equity valuation at fair value, recognised a difference of 8,5 million Euro at the date of acquisition of control of Revalea, which was attributed to "bargain purchase" and recognised in the item "Other operating income (costs)" in the income statement.

The gain on bargain purchase is a direct consequence of a price paid that is already lower than the net carrying amount, as well as the specificity of the business and the transaction carried out, which allowed the seller to exit the Npl business, no longer considered among its core activities.

The following is a summary of the allocation process of the acquisition cost and the resulting bargain purchase and the main balance sheet details of the assets and liabilities acquired of the subsidiary Revalea S.p.A. at the date of aggregation and the relative fair values determined in the PPA process.

Description (in thousands of Euro)	Carrying amount as at 31.10.2023	Fair value adjustment	Assets and liabilities acquired at 31.10.2023
Cash and cash equivalents	36.932	-	36.932
Financial assets measured at amortised cost	229.604	(18.842)	210.762
Property, plant and equipment	39	-	39
Intangible assets	299	(299)	-
Tax assets	7.539	6.784	14.323
Other assets	1.390	(1.231)	159
Assets acquired	**275.803**	**(13.588)**	**262.215**
Financial liabilities at amortised cost	(153.163)	6.999	(146.164)
Tax liabilities	(68)	(2.315)	(2.383)
Other liabilities	(3.903)	-	(3.903)
Post-employment benefits	(199)	-	(199)
Provisions for risks and charges	(887)	(142)	(1.029)
Liabilities assumed	**(158.220)**	**4.542**	**(153.678)**
Net assets (A)	**117.583**	**(9.046)**	**108.537**
Price of the acquisition, disbursed using liquid funds (B)			**100.001**
Non-controlling interests (C)			**-**
Negative value difference (gain on bargain purchase) from the acquisition (D=B+C-A)			**(8.536)**
Analysis of acquisition cash flow			
Price of the acquisition, disbursed using liquid funds			(100.001)
Net funds acquired with the subsidiary (included in cash flows of investments)			36.932
Net cash flow from acquisition			**(63.069)**

Section 2 - Transactions carried out after the end of the year

The Banca Ifis Group did not carry out any business combinations between the end of the year and the date of preparation of these Consolidated Financial Statements and Report.

Section 3 - Retrospective adjustments

In 2023, the Group did not make any retrospective adjustment to business combinations carried out in previous periods.

Part H - Related-party transactions

In compliance with the provisions of Consob resolution No. 17221 of 12 March 2010 (as subsequently amended by means of Resolution No. 17389 of 23 June 2010) and the provisions of Bank of Italy Circular 263/2006 (Title V, Chapter 5), the “Group Policy covering transactions with related parties, associates and corporate representatives pursuant to Art. 136 of the Consolidated Law on Banking” was prepared. This document is publicly available on Banca Ifis's website, www.bancaifis.it, in the "Corporate Governance" Section.
During 2023, there were no transactions with related parties during the financial year that materially affected the Group's financial position or results.
With regard to transactions of greater significance carried out with related parties as defined by the Group's policies pursuant to Article 4 of the Consob regulation on related party transactions, see the specific paragraph in section "2. Information on related-party transactions” in this Part H.
At 31 December 2023, the Banca Ifis Group was owned by La Scogliera S.A. and consists of the Parent company Banca Ifis S.p.A., the wholly-owned subsidiaries Ifis Finance Sp. z o.o., Ifis Rental Services S.r.l., Ifis Npl Investing S.p.A., Ifis Npl Servicing S.p.A. and Cap.Ital.Fin. S.p.A. and Revalea S.p.A. (the latter acquired in October 2023, as specified in the section "Significant events during the year" of the Directors' Report on the Group as well as in Part G "Business combinations"), by Ifis Finance I.F.N. S.A. controlled 99,99%, the 87,74% owned subsidiary Banca Credifarma S.p.A. and the vehicle Ifis Npl 2021-1 SPV S.r.l., in which the Group holds the majority of the shares.
The types of related parties, as defined by IAS 24, that are relevant for the Banca Ifis Group include:

- the ultimate Parent company La Scogliera S.A.;
- key management personnel of the Parent company;
- close relatives of key management personnel of the Parent company and the companies controlled by (or associated to) them or their close relatives.

Here below is the information on the remuneration of key management personnel as well as transactions undertaken with the different types of related parties.

1. Information on the remuneration of key management personnel

The definition of key management personnel, as per IAS 24, includes all those persons having authority and responsibility for planning, directing and controlling the activities of the Parent company Banca Ifis, directly or indirectly, including the Bank's Directors (whether executive or otherwise).
In compliance with the provisions of the Bank of Italy's Circular No. 262 of 22 December 2005 as subsequently updated, key management personnel also include the members of the Board of Statutory Auditors.

Key management personnel in office at 31 December 2023

Figures in thousands of Euro	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	
					Stock options	Other share-based payments
Administrative and auditing bodies (1)	4.475	-	178	-	475	350
Other managers (2)	7.217	31	603	305	559	1.192
Total at 31.12.2023	**11.692**	**31**	**781**	**305**	**1.034**	**1.542**

(1) These refer to positions on the Board of Directors (or similar bodies) and the Board of Statutory Auditors of the Parent company Banca Ifis.
(2) They refer to 17 managers with the position of Co-General Manager or other Key Manager of the Parent company Banca Ifis.

The above information includes fees paid to Directors (5,1 million Euro, gross amount) and Statutory Auditors (360 thousand Euro, gross amount). Post-employment benefits amounting to 31 thousand Euro refer to the health insurance policy taken out during the year for executives terminating their employment due to retirement.

2. Information on related-party transactions

Here below are the assets, liabilities, guarantees and commitments outstanding at 31 December 2023, broken down by type of related party pursuant to IAS 24.

Related party transactions: balance sheet and off-balance sheet itemsa

Items (figures in thousands of Euro)	Parent company	Key management personnel	Other related parties	Total	As a % of the item
Financial assets measured at fair value through profit or loss	-	-	14.593	**14.593**	6,2%
Financial assets measured at fair value through other comprehensive income	-	-	2.847	**2.847**	0,4%
Receivables due from customers measured at amortised cost	-	1.415	17.277	**18.692**	0,2%
Other assets	32.202	-	1.997	**34.199**	7,7%
Total assets	**32.202**	**1.415**	**36.714**	**70.331**	**0,5%**
Payables due to customers measured at amortised cost	-	1.205	2.088	**3.293**	0,1%
Other liabilities	31.229	-	4.595	**35.824**	9,2%
Valuation reserves	-	-	(7.220)	**(7.220)**	18,4%
Total liabilities	**31.229**	**1.205**	**(537)**	**31.897**	**0,2%**
Commitments and guarantees (off-balance sheet)	-	-	4.406	**4.406**	n.a.

Related party transactions: income statement items

Items (figures in thousands of Euro)	Parent company	Key management personnel	Other related parties	Total	As a % of the item
Interest receivable and similar income	-	23	661	**684**	0,1%
Interest due and similar expenses	-	(8)	(3)	**(11)**	0,0%
Commission income	-	-	29	**29**	0,0%
Administrative expenses	(113)	(10)	1	**(122)**	0,9%
Other operating income/expenses	-	-	287	**287**	0,9%

The transactions with the ultimate Parent company La Scogliera S.A. concern the application of Group taxation (tax consolidation) in accordance with Arts. 117 et seq. of Italian Presidential Decree No. 917/86. Relations between the Parent company and subsidiaries included in the tax consolidation are regulated by private agreements signed between the parties. All adhering entities have an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera S.A., the consolidating company. Under this tax regime, the taxable income and tax losses are transferred to the consolidating company La Scogliera S.A., which is responsible for calculating the overall Group income. With reference to "Other assets", at 31 December 2023 Banca Ifis recorded a receivable from the ultimate Parent company of 3,2 million Euro, Cap.Ital.Fin. a receivable of 1,3 million Euro, Ifis Rental Services a receivable of 2,0 million Euro, while Ifis Npl Investing and Ifis Npl Servicing recorded a receivable of 23,7 million Euro and 2,0 million Euro, respectively, for tax items attributable to 2023. With regard to "Other liabilities", at 31 December 2023, Ifis Rental Services recorded a liability of 5,4 million Euro, Ifis Npl Investing a liability of 23,9 million Euro and Ifis Npl Servicing a liability of 1,9 million Euro representing the tax liability for FY 2023.

Transactions with key management personnel relate almost entirely to mortgages, Rendimax savings and current accounts.

In general, transactions with other related parties that are part of Banca Ifis's ordinary business are conducted at arm's length. Other assets include 1,5 million Euro to a minority shareholder of the Bank as advances for the provision of goods and services.

In addition, in 2023 the Group acquired legal services from associate entities for 30,5 million Euro which has been represented as prepaid expenses according to the progress report on the managing of credit exposures related to Npl Segment.

Other information

With reference to Paragraph 8 of Article 5 "Public disclosure of related-party transactions" of the Consob Regulation containing provisions on related party transactions (adopted by Consob with Resolution No. 17221 of 12 March 2010, as amended), the following are the most significant transactions concluded in 2023.

Restructuring of a securitisation completed through the subsidiary Ifis NPL 2021-1 SPV s.r.l.

On 28 July 2023, with the support of JP Morgan SE as co-arrangers, Banca Ifis finalised the restructuring of the non-performing loan securitisation realised in March 2021 through the Ifis NPL 2021-1 SPV.

The restructuring of the Ifis NPL 2021-1 SPV falls within the scope of funding activities and allows Banca Ifis to raise liquidity on the institutional market without deconsolidating the underlying loans from the balance sheet of the Ifis Npl Investing subsidiary. The transaction also generated a strengthening of the Banca Ifis Group's liquidity profile, while allowing Ifis Npl Investing to increase its ability to self-finance its investment activities in new Npl portfolios.

Specifically, the securitisation restructuring involves the sale to the SPV of a new portfolio of non-performing loans owned by the subsidiary Ifis Npl Investing. The assigned portfolio mainly comprises unsecured loans backed by Garnishment Orders over one-fifth salary or subject to amicable collection.

As a result of the further sale, the SPV issued on 28 July 2023 three tranches of new senior, mezzanine and junior securities with a total nominal amount of 630 million Euro. The senior securities, with a nominal amount of 515 million Euro, were partly allocated to the repayment of existing senior securities and the remainder subscribed by Ifis Npl Investing (subsequently sold by the latter to the Parent company Banca Ifis) and are used for financing transactions through repurchase agreements (repos) on the institutional market. The mezzanine securities, which will be partly used to repay the existing mezzanine securities, and the junior securities will instead be fully subscribed by Ifis Npl Investing.

The senior bonds received investment grade ratings from three leading rating agencies (Moody's, Scope Ratings and ARC Ratings) and were listed on the ExtraMOT PRO professional segment of the Borsa Italiana market regulation.

Part I - Share-based payments

Qualitative information

1. Description of share-based payment agreements

Below are the equity-based payment arrangements, as defined by IFRS 2, for the Banca Ifis Group's staff.

A variable remuneration arrangement is in place for all employees.
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:

- Ratio of the final Return on Risk-Adjusted Capital (RORAC) with the Group provisional one approved by the Board of Directors (RORAC*), no less than 80%;
- meeting the minimum Liquidity Coverage Ratio (LCR) requirement applicable from time to time to the Group;
- meeting the minimum Net Stable Funding Ratio (NSFR) requirement applicable from time to time to the Group;
- consolidated Total Capital Ratio exceeding the Overall Capital Requirement announced by the Supervisory Body as part of the “Capital Decisions” following the periodic Supervisory Review and Evaluation Process (SREP).

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

Without prejudice to the opening of the gates to the payment of variable remuneration described above, the variable remuneration of the Chief Executive Officer (CEO) of the Parent company is linked to the achievement of specific qualitative and quantitative performance targets.
In particular, the Chief Executive Officer is the beneficiary:

- of a Short-Term Incentive ("STI") System;
- of a 2021-2023 Long Term Incentive Plan (the "LTI Plan"), for which please refer to the disclosure in the specific paragraph in this section.

With reference to the Short-term Incentive (STI) System, the objectives assigned to the CEO represent a combination of quantitative and qualitative criteria, referring to the Group's results, as well as qualitative aspects relating to strategic action.
The performance scorecard includes the declination of the following KPIs:

- Economic-financial KPIs with a weight of 65%, structured over three specific drivers (profitability, credit cost and efficiency), consistent with the Group's objectives;
- KPI of strategy and sustainability with a weight of 35%, which aim to assess the achievement of strategic directives, as well as the achievement of corporate objectives in the ESG area.

The short-term variable remuneration cap payable to the CEO is set at 60% of fixed remuneration; variable remuneration will accrue on the basis of the degree of achievement of objectives, with variable remuneration being paid on a linear progression between 60% and 100%.
This variable component is paid in the amount of 40% with a non-deferred payment (up front) and in the amount of 60% with a deferred payment over a period of five years (starting from the year following the year in which the up front portion accrues), in accordance with the provisions of the relevant supervisory regulations for variable remuneration of particularly high amounts.
The deferred portion of variable remuneration (amounting to 60%) shall be paid as follows:

- 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.

The portion of variable remuneration up front (40%) and is paid as follows:

- 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 total variable remuneration) paid in cash.

It is understood that the allocation of Banca Ifis shares will affect, in addition to the Chief Executive Officer and the Co-General Managers, the employees identified as most relevant pursuant to Circular No. 285/2013 and Delegated Regulation No. 923/2021 where the variable component of remuneration is above 50 thousand Euro or represent more than a third of the annual total remuneration.

For the purpose of assigning variable remuneration in financial instruments, or in Banca Ifis shares, the Bank calculates the fair value of the share - at the time of the assignment - based on the average stock market price with reference to the month prior to the date of approval of the Banca Ifis Financial Statements by the Shareholders' Meeting (or, in the case of assignment of variable remuneration for any reason subsequent to the Shareholders' Meeting, from the date of the event, this being understood to mean any dates of signing of agreements or in the absence thereof, the dates of approval by the competent bodies of the related awards). The number of shares is determined by rounding to the nearest integer.

Variable pay is subject to malus/clawback mechanisms that may cause the amount to be as low as zero if certain conditions are met.

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

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 provides 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 has a duration of three years (2021, 2022 and 2023) and the options will become exercisable after the aforementioned three-year vesting period and 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 grants 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.

Subsequently, 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 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 provides 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 right to receive the options will accrue at the end of the vesting period (which for the additional beneficiaries will be two years, 2022-2023) and upon achievement of the targets set out in the Plan, up to a maximum of 320.000 options in total that can be granted to the 13 additional beneficiaries.

A further addition to this Plan, proposed by the Board of Directors and approved by the Shareholders' Meeting held on 20 April 2023 (see also the section "Significant events during the year" of the Directors' Report on the Group), concerned operational aspects of the Plan's mechanics (which otherwise remains unchanged in all its essential and structural elements, as already approved at the aforementioned Shareholders' Meetings). In particular, the integration consisted in recognising the possibility for beneficiaries, at the opening of each option exercise window, to postpone the exercise of all or part of any options that may have vested and may already be exercised in that window in the subsequent "exercise windows" provided for by the Plan.

In addition, 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 innovations made in 2022 and 2023, at 31 December 2023 the Plan's beneficiaries total 13, of which 12 are key managers (including the Chief Executive Officer), and the maximum amount of options that can be granted is 996.000 (696.000 to the Chief Executive Officer and 300.000 to the other beneficiaries).

At an accounting level, this stock option plan has been accounted for in accordance with the provisions of IFRS 2 for equity settled transactions. In view of the difficulty of reliably assessing the fair value of the services received as consideration for stock options, reference is made to the initial fair value of the latter.

The fair value of the payments settled by the issuance of these options for the services covered by the LTI Plan is recognised as an expense in the income statement under "Administrative Expenses: a) Personnel Expenses" as an offsetting entry to "Reserves" in Equity on an accrual basis in proportion to the vesting period over which the service is provided. For FY 2023, the corresponding cost recognised in the Income Statement amounts to 1,1 million Euro, while the corresponding equity reserve (which also includes the portion of cost accrued in FYs 2021 and 2022) totals 2,1 million Euro.

For more details on the Banca Ifis Group's equity-based payment arrangements, refer to the “2023 Report on Remuneration Policy and Remuneration Paid”, prepared pursuant to Article 123 ter of the TUF, available in the “Corporate governance” subsection of the “Remuneration” section of the corporate website www.bancaifis.it, where the remuneration policy valid for the Group for FY 2023 is illustrated.

Quantitative information

1. Annual changes

The table on annual changes is not presented here, since for the Banca Ifis Group, share-based payment agreements intended by way of short-term incentive (“STI”) do not fall within the category concerned by said table. On the other hand, with regard to the 2021-2023 Long Term Incentive (LTI) Plan, as of the reporting date, no options associated with this plan have yet been granted; therefore, the table is currently unvalued (opening balances, changes during the year and closing balances nil).

2. Other information

If a result is achieved that equals or exceeds 100% of the annual targets assigned, the variable component of Top Management will be considered as accrued in the amount of 100% of its value; the number of shares to be attributed will be in any case calculated as described above.

Part L - Segment reporting

In accordance with standard IFRS 8, a company must provide information that allows users of the financial statements to assess the nature and effects on such of the business it pursues and the economic contexts in which it operates.

The contribution therefore needs to be highlighted as made by the various "operating Segments" to forming the Group’s economic result.

Identification of the "operating Segments" of this Part L is consistent with the methods adopted by the Corporate Management to take operative decisions and is based on internal reporting, used in order to allocate the resources to the various segments and analyse the relevant performance. With this in mind, and also in order to improve the representation of the Group's profitability, operating Segments are also highlighted that fall below the quantitative thresholds laid down in par. 13 of IFRS 8.

For FY 2023, the operating Segments taken as a reference for the provision of the information under review are as follows:

- Commercial & Corporate Banking Segment, that represents the Group's commercial offer dedicated to businesses and also includes personal loans with the assignment of one-fifth of salary or pension. The Segment consists of the Factoring, Leasing and Corporate Banking & Lending Business Areas;
- Npl Segment, dedicated to non-recourse factoring and managing distressed loans, servicing and managing non-performing, secured loans;
- Governance & Services and Non-Core Segment, which provides the Segments operating in the Group's core businesses with the financial resources and services necessary to perform their respective activities. The Segment includes treasury and proprietary securities desk activities, as well as some corporate loans portfolio assigned for run-off insofar as held to be non-strategic to the Group's growth.

For a description of the configuration of the above-mentioned operating Segments, please refer to the information contained in the "Results by operating Segments" section of the Directors' Report on the Group.

The following tables provide detailed income statement and balance sheet data by Segment at 31 December 2023 compared with the corresponding figures for the previous year.

To allow a more immediate reading of the results, reclassified economic data is prepared within this Part L.

Analytical details of the restatements and reclassifications made with respect to the financial statements envisaged by Bank of Italy Circular 262 are provided in separate tables published among the annexes (see the section “Annexes" of this "2023 Consolidated Financial Statements and Report"), also in compliance with the requirements of Consob Communication No. 6064293 of 28 July 2006.

Reclassifications and aggregations of the economic data concern the following:

- net credit risk losses/reversals of the Npl Segment are reclassified to interest receivable and similar income (and therefore to "Net interest income") to the extent to which they represent the operations of this business and are an integral part of the return on the investment;
- net allocations to provisions for risks and charges are excluded from the calculation of "Operating costs";
- cost and revenue items deemed as "non-recurring" (e.g. because they are directly or indirectly related to business combination transactions, such as the "gain on a bargain purchase" in accordance with IFRS 3), are excluded from the calculation of "Operating costs", and are therefore reversed from the respective items as per Circular 262 (e.g. "Other administrative expenses", "Other operating income/costs") and included in a specific item "Non-recurring income and costs";
- the following is included under the single item "Net credit risk losses/reversals":
  - net credit risk losses/reversals relating to financial assets measured at amortised cost (with the exception of those relating to the Npl Segment mentioned above) and to financial assets measured at fair value through other comprehensive income;
  - net allocations to provisions for risks and charges for credit risk relating to commitments and guarantees granted;
  - profits (losses) from the sale/repurchase of loans at amortised cost other than those of the Npl Segment.

The balance sheet components were aggregated without reclassification.

The Segments of the economic-equity numericals are attributed on the basis of homogeneous allocation criteria in order to take into account both the specificity of the various Segments and the need to guarantee effective monitoring of business performance over time.
Moreover, considering the foregoing, the Segment information in relation to the items of the reclassified income statement shows the results at the level of the net profit.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	*of which: FACTORING AREA*	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
Other financial assets mandatorily measured at fair value through profit or loss							
Amounts at 31.12.2023	107.169	*975*	-	*106.194*	41.735	73.078	**221.982**
Amounts at 31.12.2022	75.412	*2.071*	-	*73.341*	42.489	77.319	**195.220**
% Change	42,1%	*(52,9)%*	-	*44,8%*	(1,8)%	(5,5)%	**13,7%**
Financial assets measured at fair value through other comprehensive income							
Amounts at 31.12.2023	1.333	-	-	*1.333*	-	747.843	**749.176**
Amounts at 31.12.2022	1.695	-	-	*1.695*	-	695.916	**697.611**
% Change	(21,4)%	-	-	*(21,4)%*	-	7,5%	**7,4%**
Receivables due from customers [(1)]							
Amounts at 31.12.2023	6.763.468	*2.844.805*	*1.552.204*	*2.366.459*	1.646.158	2.212.509	**10.622.134**
Amounts at 31.12.2022	6.514.989	*2.755.592*	*1.472.177*	*2.287.221*	1.519.864	2.152.078	**10.186.932**
% Change	3,8%	*3,2%*	*5,4%*	*3,5%*	8,3%	2,8%	**4,3%**
Goodwill							
Amounts at 31.12.2023	-	-	-	-	38.020	-	**38.020**
Amounts at 31.12.2022	-	-	-	-	38.020	-	**38.020**
% Change	-	-	-	-	0,0%	-	**0,0%**

(1) In the Governance & Services and Non-Core Segment, at 31 December 2023, there were government securities amounting to 1.628,7 million Euro (1.541,5 million Euro at 31 December 2022).

The remaining balance sheet items, other than those shown in the above table, are allocated to the Governance & Services and Non-Core Sector, from which the corresponding economic items are reallocated to the other Sectors, on a direct or indirect basis.

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	*of which: FACTORING AREA*	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
Net interest income	**232.171**	***106.251***	***50.985***	***74.935***	**281.381**	**52.645**	**566.197**
Net commission income	**96.798**	***67.742***	***11.072***	***17.984***	**3.483**	**(2.060)**	**98.221**
Gains (Losses) on the disposal of financial assets	-	-	-	-	10.384	-	**10.384**
Other components of net banking income	15.670	*(1.096)*	-	*16.766*	(715)	14.859	**29.814**
Net banking income	**344.639**	***172.897***	***62.057***	***109.685***	**294.533**	**65.444**	**704.616**
Net credit risk losses/reversals	(60.716)	*(28.886)*	*(4.329)*	*(27.501)*	(103)	8.412	**(52.407)**
Net profit (loss) from financial activities	**283.923**	***144.011***	***57.728***	***82.184***	**294.430**	**73.856**	**652.209**
Operating costs	**(163.890)**	***(93.234)***	***(33.039)***	***(37.617)***	**(191.931)**	**(50.020)**	**(405.841)**
Net allocations to provisions for risks and charges	(4.501)	*(2.751)*	*(919)*	*(831)*	147	(2.524)	**(6.878)**
Non-recurring expenses and income	-	-	-	-	(2.919)	-	**(2.919)**
Gains (losses) on disposal of investments	-	-	-	-	-	986	**986**
Pre-tax profit (loss) for the period from continuing operations	**115.532**	***48.026***	***23.770***	***43.736***	**99.727**	**22.298**	**237.557**
Income taxes for the year relating to current operations	(36.787)	*(15.292)*	*(7.569)*	*(13.926)*	(31.588)	(7.266)	**(75.641)**
Profit (loss) for the year	**78.745**	***32.734***	***16.201***	***29.810***	**68.139**	**15.032**	**161.916**
Profit (loss) for the year attributable to non-controlling interests	-	-	-	-	-	(1.806)	(1.806)
Profit (loss) for the year attributable to the Parent company	**78.745**	**32.734**	**16.201**	**29.810**	**68.139**	**13.226**	**160.110**

For a more detailed analysis of the results of the operating Segments, please refer to the section "Contribution of operating Segments to Group results" of the Directors' Report on the Group.

Part M - Leasing disclosure

Section 1 - Lessee

Qualitative information

As lessee, the Group companies stipulate lease contracts on properties mainly to be used instrumentally. They are therefore leases of properties intended to host internal offices. As the lease business is correlated to the Group's need to offshore its offices, particularly close attention is paid to identifying the most suitable properties for use, designated in line with the economic criteria established by the company.

At 31 December 2023, there are 66 passive lease contracts for buildings and 9 for car parking spaces, the related right of use (ROU) booked at 31 December 2023 is 16,4 million Euro, whilst the corresponding lease liabilities come to 16,7 million Euro. The Group also has a property in Florence, financially leased as described in "Part B - Information on the Consolidated Statement of Financial Position" of these Consolidated Financial Statements and Report.

As regards the contracts for cars, the Group has passive contracts for 293 cars at 31 December 2023, which are mainly long-term hires of structure cars and fringe benefits for employees. The related rights of use at 31 December 2023 are 3,4 million Euro, while the corresponding liabilities for leasing come to 3,5 million Euro.

The Group is not exposed to outgoing cash flows, which are not already reflected in the measurement of the leasing liabilities. In greater detail, exposure deriving from the extension options are included in lease liabilities booked, insofar as the Group considers the first renewal as certain; the other situations recalled by the standard (variable payments connected with leasing, guarantees of residual value, lease commitments that are not yet operative) are not present for the contracts stipulated as lessee.

The Group books the following costs:

- short-term leases in the event of assets such as properties and technologies (in particular, the mainframe hardware), when the related contracts have a maximum term of twelve months and have no option for extension;
- leases of low-unit-value assets (in accordance with the option granted by paragraph 5 of IFRS 16), identified as those with a replacement value of less than 5.000 Euro, mainly related to mobile telephony.

Quantitative information

The table below provides indication on the amortisation/depreciation cost for assets consisting of the right of use, broken down by classes of underlying asset.

AMORTISATION/DEPRECIATION COSTS FOR ASSETS COMPRISING THE RIGHT OF USE (in thousands of Euro)	31.12.2023	31.12.2022
a) Land	-	-
b) Buildings	2.497	2.547
c) Furniture	-	-
d) Electronic equipment	157	226
e) Other	1.384	1.065
Total	**4.039**	**3.838**

Section 2 - Lessor

Qualitative information

The Group offers fixed or variable-rate financial leasing solutions for vehicles (cars, commercial and industrial vehicles) and instrumental assets (industrial machinery, medical equipment, technological assets) to both private customers and small and medium enterprises (SMEs) through an internal commercial structure and a network of selected agents in financial assets throughout the whole of national territory. The leasing of instrumental assets is also distributed through relations with manufacturers, distributors and retailers. With reference to the specific financial leasing segments:

- Automotive: in 2023, this segment recorded an increase compared to 2022 both in terms of the number of vehicles (+22%) and value financed (+28,8%). Compared to 2022, the industrial vehicle leasing segment recorded +8% over the previous year (for 2,7 billion Euro), passenger car leasing +35,3% (for 4,5 billion Euro) and finally commercial vehicle leasing +24,8% (for 1,4 billion Euro). In this segment, the Group has signed contracts for approximately 365 million Euro, namely +6% compared with the amount disbursed in 2022;
- instrumental segment: down by 17,7%, compared to 2022 for a total of 8,9 billion Euro. The Group recorded a decrease of 8,3% in this segment, or -280 million Euro, compared to the market trend.

As lessor, the Parent company does not stipulate lease contracts for properties for commercial use or accommodation with third parties and/or other group companies.
In referring to the greater detail given in the section “Contribution of operating Segments to Group results” of the Directors’ Report on the Group, it is there pointed out that the lease agreements stipulated with customers enable the management of risk on the underlying assets in line with the Group’s policy, as there is no provision for buy-back agreements, guarantees on residual value or variable payments. The Group therefore books the financial lease in accordance with accounting standard IFRS 16 and classifies the transactions amongst financial assets measured at amortised cost.

Quantitative information

1. Information from the statement of financial position and income statement

For information on loans connected with financial lease transactions, reference is made to the contents of "Section 4 - Financial assets measured at amortised cost” of the Assets of “Part B - Information on the Consolidated Statement of Financial Position” of the Consolidated Financial Statements and Report. As regards interest income on lease loans, reference is made to the contents of “Section 1 - Interest - Items 10 and 20” of “Part C - Information on the Consolidated Income Statement" of the Consolidated Financial Statements and Report; for commissions, refer to “Section 2 - Commissions - Items 40 and 50” of Part C and, finally, for other operating income, refer to “Section 16 - Other operating income (costs) - Item 230” against of Part C.

2. Finance leases

2.1. Classification by time frames of payments to be received and reconciliation with the leasing loans entered under assets

Time frames	31.12.2023	31.12.2022
	Payments to be received for leasing	Payments to be received for leasing
Up to 1 year	91.696	432.346
Over 1 to 2 years	200.027	364.853
Over 2 to 3 years	316.150	294.891
Over 3 to 4 years	438.561	207.951
Over 4 to 5 years	438.810	126.765
Over 5 years	83.080	16.908
Total payments to be received for leasing	**1.568.324**	**1.443.714**
RECONCILIATION WITH LOANS		
Financial gains not accrued (-)	(173.038)	(112.873)
Residual value not guaranteed (-)	-	-
Financing for leasing	**1.395.286**	**1.330.841**

The table shows the classification by time frame of payments receivable for leasing and the reconciliation of such payments and lease loans as lessor. The table does not show impairment losses totalling 32,9 million Euro at 31 December 2023 (32,6 million Euro in 2022).

2.2 Other information

There is no further information to report than that presented in the preceding paragraphs.

3. Operating leases

The case referred to in this disclosure is not applicable to the Banca Ifis Group.

Venice - Mestre, 7 March 2024

For the Board of Directors

The CEO

Frederik Herman Geertman

Country-by-country reporting

Country-by-country reporting

Here below, with reference to the position at 31 December 2023, is the information as per the Annex A of Part I, Title III, Chapter 2 of Bank of Italy's Circular No. 285 (the "Country-by-Country" reporting).
For information on subsidies, contributions, paid assignments and economic advantages of any kind received by Group companies, please refer to the National Register of State Aid, "Transparency" section.

	INFORMATION/GEOGRAPHIC AREA	ITALY	POLAND	ROMANIA	OTHER CONSOLIDATION ENTRIES	GROUP
a)	Company name	Banca Ifis S.p.A. Banca Credifarma S.p.A. Cap.Ital.Fin. S.p.A. Ifis Npl Investing S.p.A. Ifis Npl Servicing S.p.A. Ifis Rental Services S.r.l. Revalea S.p.A.	Ifis Finance Sp. z o.o.	Ifis Finance I.F.N. S.A.	-	Banca Ifis Group
	Nature of business	Banking for Banca Ifis S.p.A. and Banca Credifarma S.p.A.; Financial for Cap.Ital.Fin. S.p.A., Ifis Npl Investing S.p.A., Ifis Npl Servicing S.p.A., Ifis Rental Services S.r.l. and Revalea S.p.A..	Financial	Financial	-	Banking and financial
b)	Turnover (1) (in thousands of Euro)	652.445	5.021	1.902	(89.183)	570.185
c)	Number of full-time equivalents (2)	1.909	16	15	-	1.940
d)	Pre-tax profit or loss (in thousands of Euro)	311.053	3.332	36	(76.864)	237.557
e)	Income tax (in thousands of Euro)	(75.051)	(640)	-	50	(75.641)

(1) Turnover corresponds to the net banking income as per item 120 "Net banking income" of the Consolidated Income Statement at 31 December 2023.
(2) The "Number of full-time equivalents" is calculated, in accordance with the relevant Provisions, as the ratio of total hours worked by all employees (including overtime) and the total contract work hours per year of a full-time employee (i.e. the total available work hours in a year excluding 20 days of annual leave).

Attestations and reports

Certification of the Consolidated Financial Statements as at 31 December 2023 pursuant to article 154-bis, paragraph 5, of Italian Legislative Decree No. 58 of 24 February 1998 and Art. 81-ter of Consob Regulation No. 11971 of 14 May 1999 and subsequent amendments and additions

1. We, the undersigned, Frederik Herman Geertman – CEO and Massimo Luigi Zanaboni - Manager Charged with preparing the Company's financial reports of Banca Ifis S.p.A., having also taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree No. 58 dated 24 February 1998, hereby certify:

   i. the adequacy in relation to the characteristics of the company;

   ii. the actual application of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements, during the period 1 January 2023 - 31 December 2023.

2. The adequacy of the administrative and accounting procedures in place for preparing the Consolidated Financial Statements has been assessed through a process established by Banca Ifis S.p.A. on the basis of the guidelines set out in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO), an internationally accepted reference framework.

3. The undersigned further confirm that:

   3.1 the Consolidated Financial Statements:

   a) have been prepared in accordance with the Accounting Standards applied recognized by the European Union pursuant to (EC) Regulation No. 1606/2002 of the European Parliament and the Council of 19 July 2002;

   b) correspond to the accounting books and records;

   c) provide a true and fair representation of the equity, economic and financial situation of the issuer and the whole of the companies included in the scope of consolidation.

   3.2 the Directors' Report contains a reliable analysis of the business outlook and management result, the financial position of the issuer and group of companies included in the scope of consolidation and a description of the main risks and uncertainties they are exposed to.

Venice - Mestre, 7 March 2024

CEO	Manager Charged with preparing the Company's financial reports
Frederik Herman Geertman	Massimo Luigi Zanaboni

This report has been translated into the English language solely for the convenience of international readers.

Board of Statutory Auditors' report

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

(pursuant to article 153, of Legislative Decree No. 58/1998 and Article 2429, paragraph 2 of the Italian Civil Code)

(Translation from the original Italian text)

Dear Shareholders,

The Board of Statutory Auditors of Banca Ifis S.p.A. (hereinafter also "Banca Ifis" or the "Bank" or "Ifis"), pursuant to Article 153 of Legislative Decree No. 58/1998 and Article 2429, paragraph 2, of the Civil Code, is required to report to the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2023 on the supervisory activity performed during the year, in compliance with the duties attributed to it by Article 149 of the aforementioned legislative decree.

Background

During FY 2023, the Board of Statutory Auditors (hereinafter also referred to as the "Board") in office met 23 times, of which 5 times jointly with the Control and Risk Committee (the "CRC") and 1 time jointly with the Boards of Statutory Auditors of the Italian Companies directly and indirectly controlled by Banca Ifis.

During 2024, and up to the date of this Report, 8 meetings of the Board of Statutory Auditors were held, 2 of which were held jointly with the Control and Risks Committee.

1. Activity of the Board of Statutory Auditors

During the financial year ended 31 December 2023, the Board of Statutory Auditors carried out its institutional duties in compliance with the provisions of the Civil Code, Legislative Decree No. 385/1993 (the "Consolidated Law on Banking" or "TUB"), Legislative Decree No. 58/1998 (the "Consolidated Law on Finance" or "TUF"), Law No. 231/2007, the provisions of the Articles of Association, the indications contained in the Code of Corporate Governance, the principles of conduct recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Board of Certified Public Accountants), as well as the special laws on the subject and the provisions issued by the Supervisory Authorities (Bank of Italy and Consob). Moreover, since Banca Ifis has adopted the traditional governance model, the Internal Control and Audit Committee is one with the Board of Statutory Auditors, which is responsible for further specific control and monitoring functions in the area of financial reporting and auditing provided for by Article 19 of Legislative Decree No. 39 of 27 January 2010, as amended by Legislative Decree No. 135 of 17 July 2016.

Where the Board of Statutory Auditors considered it necessary to make recommendations or suggestions, it communicated them both during the meetings held with the internal functions concerned, and directly to the body with management or strategic supervision functions and to the relevant internal board Committees, as minuted over time.

The Board of Statutory Auditors reported periodically to the Board of Directors on the activities carried out and the opinions given. Furthermore, the Board of Statutory Auditors, taking into account the provisions of the document "Rules of Conduct for the Board of Statutory Auditors of Listed Companies" updated by the CNDCEC on 21 December 2023, in particular in Rule Q.1.7 - Self-Assessment of the Board of Statutory Auditors - conducted, with the assistance of a consulting firm, a self-assessment process, as a result of which the Board of Statutory Auditors expressed an overall assessment of adequacy in relation to its size and composition, as well as a favourable opinion on the requirements of professionalism, independence and integrity and on the functioning mechanisms of the body.

In this Report, the Board of Statutory Auditors gives an account of the activities carried out during the financial year, separately for each supervisory area provided for by the regulations governing the activities of the Board.

2. Significant events and transactions

2.1 Period events and transactions

In carrying out the activities of supervision and control, the Board of Statutory Auditors obtained periodically from the Directors, including through the participation in meetings of the Board of Directors, information on the activities carried out and on the most important economic, financial and equity operations approved and implemented by the Bank and by the subsidiaries, also pursuant to Article 150, paragraph 1 of the Consolidated Law on Finance.

Reference should be made to the information provided in the Report on Operations regarding significant events during the year and after year-end.

In September 2017, Banca Ifis S.p.A. subscribed to the issue programme of financial instruments called "Euro Medium Term Note Programme" (the "EMTN Programme"), most recently renewed for 2023 by board resolution passed on 1 June 2023.
As part of this programme, Banca Ifis, during 2023, completed the placement of two Senior Preferred bond issues in the amount of 300 million Euro each: the first completed on 12 January 2023 with a 4-year maturity, and the second, completed on 6 September 2023, with a 5-year maturity.

Funding activities also include the restructuring of the securitisation of non-performing loans realised in March 2021 through the securitisation vehicle Ifis NPL 2021-1 SPV, finalised by Banca Ifis on 28 July 2023 with the support of JP Morgan SE and aimed at allowing Banca Ifis to raise liquidity on the institutional market without deconsolidating the underlying loans from the balance sheet of the subsidiary Ifis NPL Investing S.p.A.

On 13 July 2023, the Board of Directors appointed with immediate effect, pursuant to Article 12 of the Articles of Association in force and after verifying the eligibility requirements, Prof. Simona Arduini as Deputy Chair of the Board of Directors, until the expiry of the term of office of the Board currently in office.
On the same date, the Board of Directors also designated and appointed, effective as of 20 September 2023 and subject to the positive outcome of the eligibility verification also by the Bank of Italy, Roberto Ferrari as Chief Financial Officer of Banca Ifis, following the resignation submitted, effective as of 1 April 2023, by the previous Chief Financial Officer Mariacristina Taormina.

On 3 August 2023, the Board of Directors approved the "Remuneration Policy for Shareholders of Banca Ifis S.p.A." (the "Dividend Policy').

As part of the Banca Ifis Group's framework for managing climate change, the Board of Directors approved the Task Force on Climate-related Financial Disclosures Report (TCFD Report) on 3 August 2023, in order to provide more timely communication on the subject of climate risks. The document represents, among other projects, the strategy to reduce emissions financed on the credit portfolio that the Bank has defined by joining, first in Italy, the Net-Zero Banking Alliance (NZBA), an initiative promoted by the United Nations to speed up the sustainable transition of the international banking sector.

On 31 October 2023, the long-term industrial partnership signed in May 2023 for the management of non-performing loans (Npls) was finalised, resulting from the purchase - by the subsidiary Ifis Npl Investing - from the Mediobanca Group, for a consideration of 100 million Euro, of Revalea S.p.A., a company established in 2022 from the spin-off of Npls deriving from the acquisition of non-performing loan portfolios with a gross book value of approximately 6,5 billion Euro and a net carrying amount of approximately 232 million Euro.

On 9 November 2023, the Board of Directors resolved to distribute an interim dividend for 2023, in line with the resolution passed by the Shareholders' Meeting on 20 April 2023.

On 9 November 2023, with reference to the extraordinary tax introduced by D.L. No. 104 of 10 August 2023, converted with amendments by Law No. 136 of 9 October 2023 (the "Extra-profits tax"), the Bank informed the market, during the presentation of the results for the first nine months of 2023, of the Directors' decision to make use of the option to allocate this tax, to be decided at the shareholders' meeting called to approve the financial statements as at 31 December 2023, to a non-distributable equity reserve, for an amount not less than 2,5 times the amount of the tax, as an alternative to the payment of the amount. The amount of the extraordinary tax quantified at Group level is approximately 10,8 million Euro - of which 9,5 million Euro refers to the Parent Company - and the amount to be allocated to reserves is 27,1 million Euro - of which 23,9 million Euro refers to the Parent Company.

In December 2023, in advance of the 25 September 2024 maturity date, the Bank repaid 500 million Euro of the outstanding refinancing with the European Central Bank (TLTRO-III), bringing the outstanding debt of the operation to 1,5 billion Euro.

2.2 Significant subsequent events

Significant events subsequent to the close of FY 2023 that this Board believes should be recalled include the following.

On 18 January 2024, the Board of Directors approved the 2024 Liquidity Funding Plan.
Subsequently, on 22 February 2024, the Board of Directors approved a further proposal for repayment of the TLTRO-III, in advance of the legal maturity of 25 September 2024 and in partial form with respect to the total outstanding debt of 1,5 billion Euro.

On 23 January 2024, the Bank of Italy received notification of the conclusion of the periodic prudential review process ("Supervisory Review and Evaluation Process" or "SREP") conducted on the Banca Ifis Group. The Supervisory Authority identified the CET 1 Ratio, Tier 1 Ratio and

Total Capital Ratio for 2023 on a consolidated basis. On 30 January 2024, the Bank of Italy, in a letter addressed to the Company, represented the need to "*repeat the collection of funding plans for 2024 as well, in order to ensure adequate liquidity risk monitoring and to have reliable information to promptly identify potential vulnerabilities*", in consideration of the uncertainties and changes in the reference framework, including the continuation of geopolitical tensions at an international level and the weak macroeconomic outlook. In detail, the Bank of Italy has requested Italy's Less Significant Institutions (LSIs), and therefore also the Bank, to provide "*updated funding plans for the two-year period 2024 - 2025, together with comparative data for 2023 and any contingency plans [...] based on prior feedback from the risk management department*". The Bank of Italy also requested that this information be submitted to the Board of Directors and the Board of Statutory Auditors for evaluation, based on prior feedback from the Risk Management department. Following this communication, the Bank drew up an updated version of the planning forecasts and this Board of Statutory Auditors expressed its assessments.

On 30 January 2024, Founder and Honorary Chairman Sebastien Egon Fürstenberg tendered his resignation from his position as a member of the Board of Directors of Banca Ifis effective 8 February 2024, in order to devote himself full-time to the Honorary Chairmanship assigned to him by the Shareholders' Meeting on 20 April 2023.

On 20 February 2024, Banca Ifis completed the placement of a Senior Preferred Unsecured bond issue under its EMTN programme for an amount of 400 million Euro, maturing in 5 years. The transaction was intended for institutional investors. The bond placement is part of the EMTN funding programme envisaged in the Bank's Business Plan for the three-year period 2022-24.

On 7 March 2024, the 2021-2023 Long Term Incentive Plan ("LTI Plan") having matured - on 31 December 2023 - the Board of Directors took note of the determination of the variable remuneration for the results of the LTI Plan and resolved on the remuneration to be assigned to the beneficiaries.

3. Supervisory activities

3.1 Supervisory Activities on compliance with the law and the Articles of Association

The undersigned Board of Statutory Auditors monitored compliance with the law and the Articles of Association, acquiring the information instrumental to the performance of the tasks assigned to it through the articulated system of information flows provided for in the Group, as well as through participation, as a collegial body or with the presence of at least one member, in all meetings of the Board of Directors (18), in all meetings of the Control and Risk Committee (23), in all meetings of the Remuneration Committee (9) and the Appointments Committee (10), of which one jointly between the three board Committees.

In the course of 2023, the members of the current Board of Statutory Auditors participated in various training and induction courses on topics related to supervisory activities, risk scenarios, market dynamics, digital innovation, the evolution of corporate governance rules, ESG topics and regulatory and legislative matters. Such refresher training is carried out as part of the training plan prepared in compliance with the provisions of Circular 285/2013 (point e., paragraph 2.1, Section IV, Chapter 1, Title IV), taking into account the individual as well as the collective training needs of the Bank's control body and governing body.

The minutes of the Board of Statutory Auditors, which sometimes contain explicit recommendations to rapidly resolve difficulties that have come to light, are made available, in full, to the CEO and to the Chairman of the Board of Directors. The Chairman of the Control and Risk Committee is constantly invited to attend the meetings of the Board, in the belief that this ensures an adequate flow of information within the company.

The Head of Internal Auditing also attends the meetings of the Board of Statutory Auditors, as a permanent invitee for the continuous interaction with the corporate function of third-level control.

During FY 2023, the Board of Statutory Auditors:

- expressed opinions pursuant to Article 2389, paragraph 3 of the Civil Code on the remuneration of directors holding special offices;
- expressed opinions in relation to the so-called "non-audit fees" for non-audit services, as provided for by the regulations in force and by the internal procedure adopted by the Company, verifying in particular their effects on independence, with no exceptions to be noted;
- did not receive, during FY 2023, any complaints from Shareholders pursuant to Article 2408, paragraph 1 of the Civil Code.

Relations with Supervisory Authorities

Bank of Italy

With reference to relations with the Bank of Italy, it is reported that in the period between 23 January 2023 and 17 February 2023 the Company was subjected, pursuant to the Provisions on Banking and Finance, to an inspection by the Supervisory Authority, aimed at analysing the recent evolution of the intermediary's liquidity situation, the related operational safeguards and the initiatives that the Bank is taking in relation to the need to replace the funding deriving from the long-term operations carried out with the European Central Bank.
The Board of Statutory Auditors monitored the support provided to the Bank of Italy during the inspection by the functions involved over time, as well as the timely implementation of remedial actions and improvement measures according to the time line that Ifis had submitted to the Bank of Italy.
In this context, subsequent to the approval of the 2023 Liquidity Funding Plan on 22 December 2022, on 15 June 2023 the Board of Directors approved the update of the Contingency Funding Plan for 2023, on 18 January 2024 approved the 2024 Liquidity Funding Plan and, lastly, on 7 March 2024 approved the funding forecasts also for 2025.

In November 2023, the Bank of Italy, through its "*Guidelines on the assessment of requirements and suitability criteria for corporate officers of LSI banks, financial intermediaries, loan consortia, e-money institutions, payment institutions, trust companies and depositor guarantee schemes*", released its guidelines containing a brief review of the evidence emerging from the analysis conducted by the Supervisory Authority on the suitability checks carried out by supervised entities, including Banca Ifis, in the two-year period 2021-2022, in application of the new provisions introduced by Ministerial Decree No. 169/2020.

On the basis of the suitability checks of corporate officers, which are part of the fundamental controls to ensure a corporate governance based on sound and prudent management criteria, the Authority has identified certain areas for improvement and good practices in the assessment procedures. The Board of Statutory Auditors, as the Company's Controlling Body, takes an active part in monitoring the implementation of the actions and any further improvements by the Bank.

3.2 - Supervision of compliance with the principles of proper administration, relations with subsidiaries or other related parties

The Board of Statutory Auditors, as part of its supervisory activity on the observance of the principles of proper administration - also in compliance with the obligation set forth in Article 150 of the Consolidated Law on Finance - periodically obtained from the Directors, the Chief Executive Officer (hereinafter also referred to as "CEO"), the control functions, the management, and the Statutory Auditor information on the activities carried out and on the most significant economic, financial and equity transactions carried out by the Company and its subsidiaries, as well as on the Group's strategic guidelines.

The Board of Statutory Auditors held regular meetings with the Financial Reporting Officer (hereinafter also referred to as the "Manager charged with preparing the Company's financial reports") and the internal control functions. Hearings were scheduled with the Bank's management and periodic meetings were held with the representatives of the auditing firm in order to mutually exchange data and information relevant to the performance of their duties, as required by Article 150, paragraph 3 of the Consolidated Law on Finance.

On the basis of the information made available to the Board of Statutory Auditors, it would appear reasonable to believe that the transactions resolved by the Board of Directors and implemented by the CEO are not in breach of the law, the Articles of Association and the provisions issued by the Supervisory Authorities, as it can also be reasonably excluded that they are manifestly imprudent, or risky, or in conflict of interest, or in contrast with the resolutions passed by the Shareholders' Meeting, or such as to compromise the integrity of the company's assets.

Acknowledging the Directors' Report, the information produced to the Board of Directors by the CEO, the Supervisory Board pursuant to Legislative Decree No. 231/2001, and in light of the findings gathered as part of its supervisory activities, it is possible, on the part of the Board of Statutory Auditors, to reasonably exclude the existence of atypical and/or unusual transactions entered into with third parties, with Group companies or with related parties and associated parties.

With specific reference to transactions with related parties, the Board of Statutory Auditors regularly receives periodic information flows on any transactions concluded with such related parties and connected persons, monitoring the performance of exposures attributable to connected persons; where necessary, it has proceeded to request further information and details.

Detailed and exhaustive information is given on related party transactions in the specific section "Related Party Transactions" of the Directors' Report as well as in Part H of the Notes to the Consolidated and Separate Financial Statements.

As far as the Board of Statutory Auditors is aware, these transactions were concluded in the interest of the Bank and do not give rise to any remarks on their fairness, as they are part of Ifis' ordinary operations. It is therefore acknowledged that adequate information was provided to the Board of Statutory Auditors on transactions concluded with related parties and/or connected persons, in accordance with Consob provisions and in compliance with the provisions on connected persons set forth in Bank of Italy Circular 285.

The Board of Statutory Auditors has monitored the adequacy of the instructions issued by the Bank to its subsidiaries, verifying the effectiveness of the exchange of information and information flows between the parent company and the subsidiaries. The rules and procedures in place enable the Parent Company to fulfil its public disclosure obligations in a timely manner in accordance with the provisions of Article 114, paragraph 2 of the Consolidated Law on Finance.

The Board of Statutory Auditors, as also provided for in Article 151-*ter*, paragraph 4, of the Consolidated Law on Finance, exchanged information flows with the Boards of Statutory Auditors of the subsidiaries, both on the basis of special joint meetings and through the completion of a questionnaire for the exchange of information prepared on an annual basis. In addition, as part of the process of appointing the statutory auditors for the period 2023-2031, in order to ensure continuity in the application of the Single Auditor principle for the Group, the procedure to identify the Auditor has been put in place by Ifis and the companies belonging to the Group.

In 2023, the Board reviewed the audits conducted by Internal Audit regarding the outsourcing of Essential or Important Operating Functions and agreed with the comments contained therein.

3.3 - Supervisory activities on the implementation of corporate governance

In relation to the provisions of Article 149, paragraph 1, letter c-*bis*, of the Consolidated Law on Finance concerning the supervision by the Board of Statutory Auditors "*on the procedures for the concrete implementation of the corporate governance rules set forth in codes of conduct drawn up by management companies of regulated markets or by trade associations, which the company, by means of public disclosures, declares that it complies with*", the Board of Statutory Auditors reports that it performed this activity during the year. Pursuant to Article 123-*bis* of the Consolidated Law on Finance, the Company prepared its annual Report on Corporate Governance and Shareholding Structures (hereinafter also referred to as the "Corporate Governance Report") for 2023, which was approved on 7 March 2024, to which reference should be made for further details, which illustrates, *inter alia*, Banca Ifis' administration and control model and provides full information on the manner in which the Bank has adopted and implemented the recommendations made by the Corporate Governance Committee.

The Board of Statutory Auditors also supervised the adoption of the policy for the remuneration of directors and key managers, in line with the provisions of the Corporate Governance Code, as well as the subsequent Remuneration Report pursuant to Article 123-*ter* of the Consolidated Law on Finance, expressing an opinion on the adequacy of the remuneration policy adopted by the Bank with respect to the purposes expressed in this area by Circular 285/2013 and the Remuneration Report itself.

The Board of Statutory Auditors, also through its attendance of all the meetings of the Remuneration Committee, oversaw the application of the remuneration policies and 2024 innovations, examined by the Remuneration Committee on 6 March 2024, and submitted to the Shareholders' Meeting for approval.

At the above-mentioned meeting of the Remuneration Committee, the Board of Statutory Auditors acknowledged the positive opinion expressed by Compliance on the compliance of the Remuneration Report with the applicable regulatory provisions, sharing its conclusions and comments. At the 20 March 2024 meeting of the Remuneration Committee, the Board also acknowledged, and shared the comments contained, the checks conducted by the Internal Audit function and set out in the document "Compliance of remuneration practices with internal policies and reference regulations", checks which led to a substantially favourable opinion.

In general, in light of the provisions of the Supervisory Authorities on the subject of remuneration and incentive systems, the Board of Statutory Auditors monitored, in close connection with the Remuneration Committee, the changes introduced to the 2024 Remuneration Policy, although substantially in line with that of 2023, examined by the Remuneration Committee on 6 March 2024, for details of which reference should be made to the Remuneration Report made available to Shareholders, on the correct application of the rules relating to the remuneration of the Chief Executive Officer, the heads of the Control Functions and the Manager charged with preparing the Company's financial reports, and on the dissemination of the remuneration policies for FY 2024 to the companies belonging to the Group.

The Board of Statutory Auditors has no objections to the Remuneration Policy submitted to the Shareholders' Meeting.

3.4 - Supervision of the statutory audit process and the independence of the auditing firm

Pursuant to the Consolidated Law on Auditing (Art. 19 of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016), the Board of Statutory Auditors (identified by the Consolidated Act as the "Internal Control and Statutory Audit Committee") is in charge of (i) informing the board of directors of the audited entity of the outcome of the statutory audit and transmitting to that body the additional report referred to in Article 11 of European Regulation 537/2014 (the "European Regulation"), accompanied by any observations, (ii) monitoring the statutory audit of the annual and consolidated accounts (iii) verifying and monitoring the independence of the statutory auditors or statutory auditing firms pursuant to Articles 10 and 17 of the aforementioned decree and Art. 6 of the European Regulation, in particular with regard to the adequacy of the provision of non-audit services to the audited entity in accordance with Art. 5 of such Regulation and (iv) the responsibility for the procedure to select statutory auditors or auditing firms and to recommend statutory auditors or audit firms for appointment pursuant to Art. 16 of the European Regulation.

In this context, the Board of Statutory Auditors currently in office carried out an ongoing monitoring process of the activities performed in 2023 and up to the date of this report by PricewaterhouseCoopers S.p.A. (hereinafter also referred to as "PwC"), both through meetings at special meetings of the Board of Statutory Auditors and at joint meetings of the Board of Statutory Auditors and the CRC.

Information to the Board of Directors on the outcome of the statutory audit and the Additional Report pursuant to Art. 11 of the European Regulation

In relation to the auditing firm, the Board of Statutory Auditors reports that PwC has today issued the Additional Report pursuant to Article 11 of the European Regulation, from which no deficiencies emerge in the internal control system for financial reporting and/or in the accounting system.

Supervisory activities on the statutory audit of annual and consolidated accounts

- the accounts were audited, in accordance with the regulations in force, by the auditing firm PwC, which was appointed by the Shareholders' Meeting of 28 April 2022 as independent auditor for financial years 2023-2031;
- the Board of Statutory Auditors met periodically with the auditing firm PwC, and the meetings did not reveal any significant facts worthy of mention concerning the auditing activity nor any decisive deficiencies in the integrity of the internal control system with regard to the financial reporting process in particular;
- PwC today issued its report containing its opinion on the annual financial statements and consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the measures issued in implementation of Art. 9 of Legislative Decree No. 38/05 and Article 43 of Legislative Decree No. 136/15. Furthermore, in the same report, PwC issued an opinion on the consistency of the Directors' Report and the information in the Corporate Governance Report with the Financial Statements. This report does not contain any remarks or requests for information. In the aforementioned report, it is also acknowledged that the Directors' approval of the non-financial statement has been verified.

Independence of the auditing firm, in particular with regard to the provision of non-audit services

With regard to the annual confirmation of independence pursuant to Art. 6, paragraph 2), letter a) of the European Regulation and paragraph 17 of Standard ISA Italia 260, the Board of Statutory Auditors represents that it received written confirmation from the auditing firm on 8 March 2024.

The Board of Statutory Auditors monitored the independence of the auditing firm and, in particular, received periodic evidence of the non-audit assignments to be assigned (or assigned by virtue of specific regulatory provisions) to the statutory auditor.

As can be seen from the consolidated financial statements of the Ifis Group, during the year 2023 PwC, also through its network, performed the following activities for the Group:

Company and reporting period (*Euro/000*)		**PwC**		**Other companies in the PwC network**		
		Auditing	**Certification services**	**Auditing**	**Other services**	**Total**
Banca Ifis S.p.A.	2023	344	137	-	19	500
Subsidiaries	2023	433	-	74	-	507
Total		**777**	**137**	**74**	**19**	**1.007**

The Board of Statutory Auditors considers that the aforementioned fees are appropriate to the size, complexity and characteristics of the work performed and also considers that the engagements (and related fees) other than audit services are not such as to affect the statutory auditor's independence. The Board also verified that the tasks entrusted to the auditing firm are not among those prohibited for the auditing firm in office under the aforementioned European Regulation.

It is also acknowledged that the Board of Directors and the undersigned Board of Statutory Auditors have shared the view that it is deemed appropriate for the appointed auditing firm to focus on its typical activity and to be involved, either directly or through companies belonging to its network, limited to projects that have already been commissioned and for which the assignment to another firm might be uneconomic.

Appointment as statutory auditor for the period 2023-2031

Please note that the 2023 annual financial statements of Banca Ifis represent the first financial statements audited by PwC, following the engagement for FYs 2023-2031 on the grounded proposal of the Board of Statutory Auditors, by resolution of the shareholders' meeting of Banca Ifis on 28 April 2022.

3.5 - Supervisory activities on the administrative-accounting system and on the financial report and non-financial disclosure processes

Referring to the aforementioned Article 19 of Legislative Decree No. 39/2010 as amended by Legislative Decree No. 135/2016, the Board of Statutory Auditors, in monitoring the financial reporting process, interacted with the CRC set up within the Board of Directors, in order to coordinate their respective competences and avoid any overlapping of activities. In this regard, the Board of Statutory Auditors participated, where possible with all its members, in the activities of the Control and Risk Committee, particularly when they referred to issues of specific relevance for the purposes of Legislative Decree No. 39/2010 and the above-mentioned supervisory matters, making relations fluid and facilitating the coordination and exchange of information between the two bodies.

With specific reference to the different areas of supervision, we would point out the following.

Supervision of the financial reporting process

The Board of Statutory Auditors verified the existence of rules and procedures governing the process of the formation and dissemination of financial information. In this regard, the Corporate Governance Report defines the reference guidelines for the establishment and management of the system of administrative and accounting procedures for Ifis and its consolidated companies, regulating the relevant steps and responsibilities.

The Board of Statutory Auditors examined, with the assistance of the Manager charged with preparing the Company's financial reports, the procedures relating to the preparation of the Company's financial statements and the consolidated financial statements, as well as other periodic accounting documents. The Board of Statutory Auditors also had evidence of the process by which the Manager charged with preparing the Company's financial reports and the director delegated to do so can issue the certifications required by Article 154-*bis* of the Consolidated Law on Finance.

The Board of Statutory Auditors has been informed that the administrative/accounting procedures for the preparation of the financial statements and all other financial disclosures are prepared under the responsibility of the Manager charged with preparing the Company's financial reports, who, together with the Chief Executive Officer, certifies the adequacy and effective application of these procedures in the preparation of the annual and consolidated financial statements and the half-year financial report.

The Board of Statutory Auditors acknowledges that it has not received, during the periodic meetings held with the Manager charged with preparing the Company's financial reports, any reports of significant deficiencies in the operational and control processes that could affect the judgement of the adequacy and effective application of the administrative-accounting procedures, for the purpose of the correct representation of the economic, equity and financial situation of management events, in accordance with international accounting standards.

The annual financial statements of the Bank and the consolidated financial statements of the Group, in application of Legislative Decree No. 38/2005 are prepared by applying the IAS/IFRS issued by the International Accounting Standards Board and the related interpretations of the International Financial Reporting Interpretations Committee, endorsed by the European Commission, as established by European Community Regulation No. 1606/2002.

The Bank's annual financial statements and the Group's consolidated financial statements are prepared on the basis of the instructions issued by the Bank of Italy in Circular 262/2005 and subsequent updates. The draft annual financial statements of Ifis at 31 December 2023 and the consolidated financial statements of the Group at 31 December 2023 were approved by the Board of Directors at its meeting on 7 March 2024. As already mentioned, the consolidation scope has changed following the 2023 corporate evolution. The public disclosure, in accordance with the provisions of the prudential supervisory regulations, was made through the Bank's website within the deadlines set for the publication of financial statements.

The Board of Statutory Auditors also examined declarations, issued on 7 March 2024 by the CEO and by the Manager charged with preparing the Company's financial reports, in accordance with the provisions contained in Article 154-*bis* of the Consolidated Law on Finance and in Article 81-*ter* of Consob Regulation 11971/1999, from which no shortcomings emerged that might affect the judgement of adequacy of the administrative-accounting procedures.

PwC, during the periodic meetings and in the light of the Additional Report - provided for by Article 11 of Regulation (EU) No. 537/2014 issued on 27 March 2024, did not report any critical situations to the Board of Statutory Auditors that could affect the internal control system relating to the administrative and accounting procedures, nor did it ever highlight facts that were deemed reprehensible or any irregularities that would require reporting pursuant to Article 155, paragraph 2, of the Consolidated Law on Finance.

As already mentioned, the Board of Directors has prepared, in accordance with the law, the Financial Statements and the Consolidated Financial Statements as at 31 December 2023, in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the measures issued in implementation of Art. 9 of Legislative Decree No. 38/05, both of which are audited by PwC.

With regard to the above, no elements were revealed that would lead to the conclusion that the activity has not been carried out in accordance with the principles of correct administration or that the organisational structure, the system of internal audit and accounting and administrative systems were not, in their entirety, substantially adequate to the needs and dimensions of the company.

Consolidated non-financial statement (NFS)

Banca Ifis, as a public interest entity (PIE), is required to disclose non-financial information in accordance with the provisions of Legislative Decree No. 254/2016 issued in implementation of Directive 2014/95/EU, which entered into force on 25 January 2017.

In compliance with the aforementioned regulations, the Group's consolidated non-financial statement (hereinafter also referred to as the "NFS") has been prepared to ensure an understanding of the Group's business, its performance, its results and the impact it has produced, covering the issues deemed relevant and provided for in Article 3 of Legislative Decree No. 254/2016, in accordance with GRI Reporting Standards - Universal Standard 2021.

As anticipated, and in line with the ESMA's Public Statement of 25 October 2023, the Group carried out an analysis during the year to identify climate change risks and their potential impact on the Group's activities, and also began a process of adapting to the requirements of the European Taxonomy, with the aim of providing investors and the market with an overall view of the potentially relevant impacts on the Ifis Group in achieving its strategic objectives.

The NFS contains a description of issues concerning corporate governance, corporate policies, the company's management and organisational model, and the company's achievements with regard to relevant environmental issues, sustainable growth projects and social responsibility, personnel management, human rights and anti-corruption.

With specific regard to the examination of the consolidated non-financial statement, the Board of Statutory Auditors monitored compliance with the provisions set forth in Legislative Decree No. 254/2016, as provided for in particular in Article 3, paragraph 7 of that decree, within the scope of the competences attributed to it by the law. On this point, please note that:

- pursuant to Art. 3, paragraph 10, of Legislative Decree No. 254/2016 and Art. 5 of Consob Regulation No. 20267, the Company has appointed PwC to conduct the limited review of the Group's consolidated non-financial statement;
- the Board of Statutory Auditors has obtained periodic updates on the performance of activities preparatory to the preparation of the NFS;
- PwC issued its report today, certifying that on the basis of the work carried out, no evidence has emerged to suggest that the NFS relating to the financial year ending 31 December 2023 had not been prepared, in all significant aspects, in accordance with the requirements of Article 3 of Legislative Decree No. 254 of 30 December 2016.

On the basis of the information acquired, the Board of Statutory Auditors certifies that, in the course of its auditing activities relating to the NFS, no elements of non-compliance and/or violation of the relevant regulatory provisions were found, and consequently, no remarks to be submitted to the Shareholders' Meeting.

It should also be noted that Directive No. 2022/2464 (i.e. the Corporate Sustainability Reporting Directive - CSRD), which was published in the EU Official Journal on 16 December 2022 and entered into force on 5 January 2023, is partially applicable as of the financial years starting on 1 January 2024 and must be transposed by the member states by 6 July 2024.
Therefore, on the occasion of the Board's approval of the file of the Draft Annual Financial Statements and Consolidated Financial Statements as at 31 December 2024, the NFS will be omitted by being included as a sustainability disclosure in the Directors' Report.

3.6 - Supervisory activities on the adequacy of the internal audit system, of the risk management systems and of the organisational structure

The Group's internal control system is based on:

- control bodies and functions, involving in particular, each for their respective competences, the Board of Directors, the Control and Risk Committee, the Director in charge of the internal control and risk management system, the Board of Statutory Auditors, as well as the other corporate functions with specific tasks in this respect;
- information flows and coordination between the parties involved in the internal control and risk management system.

The design of Banca Ifis's system of internal controls, briefly described, has three levels:

- first-level (or line) controls: exercised directly by the operational and back-office structures, which are primarily responsible for the risk management process;
- second-level controls: exercised by the risk management function (identifies the risks to which Banca Ifis and the Group companies are exposed and periodically measures and monitors these risks through specific indicators, planning any mitigation actions), the compliance function (verifies the effectiveness of the organisational measures proposed and implemented for the purpose of non-compliance risk management) and the anti-money laundering function;
- third-level controls: exercised by the internal audit function, through activities aimed at identifying violations of procedures and regulations, as well as periodically assessing the completeness, adequacy, functionality and reliability of the internal control system and the information system.

In carrying out its activities, the Board of Statutory Auditors maintained continuous contact with the various control functions, as well as supervised the adequacy of the systems of internal control and risk management systems through:

- meetings with the management of the Bank;
- regular meetings with the various control functions (i.e., Internal Audit, Compliance, Anti-Money Laundering (AML) and Risk Management and the Manager charged with preparing the Company's financial reports) in order to evaluate the methodology for the planning of

operations, based on the identification and evaluation of the principal risks present in the organisational processes and units;

- examination of the periodical reports from the control Functions and the periodical information regarding the results of monitoring activities;
- acquired information from the managers of corporate Functions;
- discussion of the results of the work carried out by the independent auditing firm;
- participation in the work of the CRC and, when the topics so required, in their joint examination with the Committee.

The Board of Statutory Auditors acknowledges that the annual reports from the control functions conclude with a substantially favourable judgement on the internal control system.

Over the course of 2023, the Board of Statutory Auditors supervised the suitability and effects of the entire ICAAP and ILAAP 2022 processes on the requirements set out by the regulations, underscoring the usefulness of appropriate data aggregation, integration, and validation processes to maintain the aforementioned documents.

Intervention plans were provided with reference to the activities and areas for improvement identified, whose timely implementation is judged by the Board of Statutory Auditors as essential and that require particular attention by the management body.

On the basis of the activities carried out, the Board of Statutory Auditors - also in relation to the continuous evolution of the Bank and the Group - believes that although there are certain areas for possible further improvement, there are no elements that are sufficiently critical as to invalidate the internal control system and risk management.

The Board of Statutory Auditors was today updated about the meetings held by the Supervisory Body and the exchange of information was also ensured by the dialogue that took place within the Board of Statutory Auditors with the auditor who is a member of the Supervisory Body, without receiving any reports and/or comments worthy of note.

* * *

The Board of Statutory Auditors is not aware, in addition to what has already been discussed earlier, of facts or details that need to be communicated to the Shareholders' Meeting.

In the course of the activity performed and on the basis of the information obtained, no omissions, reprehensible facts, irregularities or in any case other significant circumstances were detected that would require reporting to the Supervisory Authorities or mention in this report.

Concluding remarks

As detailed in the Report, the Board of Statutory Auditors verified the functionality of the internal procedures, which were found to be sufficiently adequate and suitable to ensure compliance with the law, regulations and Articles of Association. The Board of Statutory Auditors ascertained that the decision-making process takes into account the riskiness and effects of the management choices made and that the corporate bodies have a sufficient information flow system, also with reference to any interests of the Directors. The organisational structure, the administrative accounting system and the statutory audit process were found to be adequate and functional for the tasks they are called upon to perform. It was also verified that there were no elements such as to render the internal control system and the governance and risk management process unreliable, even though they presented aspects for improvement that the Board of Statutory Auditors had pointed out in the exercise of its mandate.

Final considerations and proposals to the Shareholders' Meeting

This Report details the control activities carried out and the actions taken by the Board of Statutory Auditors with regard to the information obtained and the supervisory activities performed in fulfilment of its duties.

In light of the overall supervisory activity performed, in relation to the audits concluded at the date of publication of this Report, the Board of Statutory Auditors of Banca Ifis has no observations to make to the Shareholders' Meeting pursuant to Article 153, paragraph 2, of Legislative Decree No. 58/1998 concerning the financial statements and their approval as well as matters falling within its competence.

In actual fact, taking into account all of the foregoing, considering the content of the opinions issued by the auditing firm and having acknowledged the attestations issued jointly by the Chief Executive Officer and the Manager charged with preparing the Company's financial reports, the Board of Statutory Auditors does not deem that there exist - to the extent of its competence - any elements hindering the approval of the annual financial statements of Banca Ifis S.p.A. as at 31 December 2023 accompanied by the Directors' Report and the Notes to the Financial Statements, as resolved by the Board of Directors on 7 March 2024.

Venice - Mestre, 27 March 2024

THE BOARD OF STATUTORY AUDITORS

Andrea Balelli (Chairman)

Annunziata Melaccio (Standing Auditor)

Franco Olivetti (Standing Auditor)

Independent auditors' report on the Consolidated Financial Statements

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Banca Ifis SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Banca Ifis group (hereinafter the "Group"), which comprise the consolidated statement of financial position as of 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position as of 31 December 2023 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Banca Ifis SpA (hereinafter the "Bank") pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Key audit matters	*Auditing procedures performed in response to key audit matters*
Valuation of receivables due from customers measured at amortised cost	
Notes to the consolidated financial statements: *Part A - Accounting policies* *Part B – Information on the consolidated statement of financial position – Assets, Section 4* *Part C – Information on the consolidated income statement, Section 8* *Part E – Information on risks and related hedging policies* Receivables due from customers, other than financial assets attributable to credit portfolios purchased by the NPL segment, as of 31 December 2023 are the largest part of financial position line item 40 b) *"Financial assets measured at amortised cost – Receivables due from customers"* which totals Euro 10,622 million, corresponding to 75.6 per cent of total assets. Net credit losses booked in the year for these loans, total Euro 56 million and are the directors' best estimate of expected credit losses at the reporting date made on the basis of the applicable reporting standards. The process of classification into different risk categories and the expected credit losses valuation criteria are characterized by a high level of complexity and high degree of judgement and require the estimation of several variables. The use of significant assumptions is particularly relevant for measuring the significant increase in credit risk ("SICR"), allocating loans to the different risk stages ("Staging") and determining assumptions and inputs to the models used for the expected credit loss ("ECL") calculation and, with specific regards to loans assessed on an individual basis (Stage 3), for estimating the future cash flows, recovery times and the recoverable amount of any collateral. In the current year, in addition to the recurring process of updating the input data and refining risk parameters, the Group, as in previous years applied "*post model adjustments/management overlays*" to consider the uncertainties in the	In performing our audit procedures, we considered internal control relevant to the financial reporting process. To address this key audit matter, we performed the following relevant procedures, with the support of the experts of the PwC network as needed: • Assessment of the adequacy of the IT environment and test of the operating effectiveness of the applicable key controls over the systems and computer applications used by the Group for the valuation of receivables due from customers; • Understanding and evaluation of the design of key controls related to the monitoring, classification and impairment valuation of receivables due from customers and tests of their operating effectiveness; • Understanding and assessment of the appropriateness of the policies, procedures and models used for determining the *SICR*, *Staging* and *ECL* calculation both collectively and individually, and of the assumptions and evaluations underlying the *"post model adjustments/management overlays"* applied; • Understanding and review of the methods used to define the key estimation parameters for the models used to determine the ECL and assessment of the updates and refinements introduced during the year. In particular, we assessed the reasonableness of the macroeconomic scenarios assumed, also by checking their consistency with external sources, as well as their probabilities weighting, also in the light of the uncertainties in the macroeconomic environment;

Key audit matters	*Auditing procedures performed in response to key audit matters*
macroeconomic environment as well as some additional risk factors not adequately captured by the models in use. Considering the materiality of the amount, the high complexity of the estimation processes and the high degree of judgement involved we considered the valuation of these loans as a key audit matter.	• Assessment of the correct application of the defined criteria for loans classified as not impaired (Stage 1 and Stage 2) and, of the completeness and accuracy of the data used for the *ECL* calculation; • Tests, for a sample of loans, of the reasonableness of their classification as not impaired (Stage 1 and Stage 2) versus impaired (Stage 3) based on the available information on the debtor's status and other supporting evidences, including external information; • For impaired loans (Stage 3), in order to assess the reasonableness of the directors' conclusions, considering the classification criteria and categories required by the applicable financial and regulatory reporting framework, tests, for a sample of loans, of the reasonableness of the assumptions used to determine the future cash flows from work-out activity, in the valuation of collaterals and to estimate recovery times; • Critical assessment of the control activities carried out during the year by internal control functions (in particular by the Validation function), of the related outcomes and of the remedial actions undertaken; • Comparative and trend analysis of the volumes of receivables due from customers and related coverage ratios, also by comparing data of previous years and information related to publicly available industry data; • Review of ECL sensitivity analyses to the macroeconomic scenarios that influence the risk parameters of the models used; • Test of the completeness and adequacy of financial statements disclosures in accordance with International Financial Reporting Standards, the applicable regulatory framework and the communications and recommendations issued by the Supervisory Authorities.

pwc

Key audit matters	*Auditing procedures performed in response to key audit matters*
Valuation of loans of NPL segment *Notes to the consolidated financial statements:* *Part A - Accounting policies* *Part B – Information on the consolidated statement of financial position – Assets, Section 4* *Part C – Information on the consolidated income statement, Sections 6 and 8* *Part E – Information on risks and related hedging policies* Financial position line item 40 b) *"Financial assets measured at amortised cost – Receivables due from customers"* includes Euro 1,629 million of exposures relating the "NPL segment" resulting from the acquisition without recourse of portfolios of non-performing loans (NPL) mainly unsecured and difficult to collect, in particular by the subsidiary IFIS NPL Investing SpA. The contribution to the result of the year recorded in income statement line items 10 *"Interest receivable and similar income"*, 100 a) *"Profit (loss) from sale or buyback of financial assets measured at amortised cost"* and 130 a) *"Net credit risk losses/reversals on financial assets measured at amortised cost"* amounts to a total of Euro 318 million. Under the IFRS 9 *"Financial Instruments"* standard, these loans are to be treated as purchased or originated credit impaired financial assets (so called POCI) and, therefore, measured at amortised cost on the basis of the credit adjusted effective interest rate determined by estimating the cash flows expected from collection activities. For this estimate, the Group uses both deterministic criteria and proprietary models developed also on the basis of internal historical data relating to debtors and their payment behaviour. These criteria and models differ depending on the processing phase, the characteristics of individual exposures, as well as the type of recovery procedures applied (extrajudicial or judicial).	In performing our audit procedures, we considered internal control relevant to the financial reporting process. To address this key audit matter, we performed the following relevant procedures, with the support of the experts of the PwC network: • Assessment of the adequacy of the IT environment and tests of the operating effectiveness of the applicable key controls over the systems and computer applications used for the measurement of these loans; • Understanding and evaluation of the design of key controls related to the recognition and measurement of these loans and tests of their operating effectiveness; • Understanding and assessment of the appropriateness of the policies, criteria and models used for estimating cash flows expected from collection activities; • Assessment of the correct application of the defined valuation criteria and of the completeness and accuracy of the databases used for the calculation of amortised cost; • Critical analysis of the control activities carried out during the year by internal control functions (in particular by the Validation function) and of the related outcomes; • Evaluation, on a sample basis, of models' performance through independent back-testing analysis; • Assessment, on a sample basis, of the qualitative characteristics of individual exposures and information regarding recovery procedures, in order to assess the reasonableness of the expected cash flows and recovery times as well as the accuracy of other information relevant to the amortised cost calculation;

pwc

Key audit matters	*Auditing procedures performed in response to key audit matters*
Considering the materiality of the amount of these loans, the high complexity of the estimation processes and the high degree of judgement involved, we considered this aspect as a key audit matter.	• Comparative analysis procedures by correlating, for each recovery and valuation method, the balance sheet data with the respective P&L effects and with the related cash flows collected, as well as analysis and discussion with management of significant variances; • Test of the completeness and adequacy of financial statements disclosures in accordance with International Financial Reporting Standards and the applicable regulatory framework.
Accounting for the business combination with Revalea SpA *Notes to the consolidated financial statements:* *Part A - Accounting policies* *Part C – Information on the consolidated income statement, Section 16* *Part G – Business combinations* During 2023, the Group acquired the control of Revalea SpA, an entity operating in the acquisition and management of non- performing loans (the "Transaction"). The Transaction is to be considered a business combination in accordance with IFRS 3 "Business Combinations" which requires the application of the purchase method. This transaction resulted in the need to carry out specific valuation activities in particular with reference to the fair values of the assets acquired and liabilities assumed and to the purchase price allocation (PPA), even if provisional, in accordance with IFRS 3 standard. In particular, the difference between the purchase price (equal to the considerations transferred) and the net amount of the assets acquired and liabilities assumed measured at fair value resulted in a bargain purchase gain of Euro 8.5 million recorded in the income statement line item 230 "*Other operating income/expenses*".	To address this key matter, also with the support of the experts of the PwC network, we performed the following relevant procedures: • Understanding of the Transaction also by obtaining and analysing supporting evidences, as well as through discussions with the management; • Assessment of the reasonableness of the assumptions made and conclusions reached by the directors as well as the compliance with IFRS 3 standard, of the following aspects: - identification of the acquirer; - identification of the acquisition date; - calculation of the purchase price; - purchase price allocation; • Discussions with management and the consultants used by the Group, aimed at understanding the valuation models adopted for the purchase price allocation and the calculation of the fair values of the identifiable assets acquired and liabilities assumed; • Tests, on a sample basis, of the accuracy of the mathematical calculations underlying the valuation models used;

Key audit matters	*Auditing procedures performed in response to key audit matters*
Considering the complexity of the Transaction and of the valuation and measurement of the assets acquired and liabilities assumed as well as the additional audit activities required, the Transaction was considered as a key audit matter.	• Assessment of the reasonableness of the main qualitative and quantitative assumptions used by directors, also considering the characteristics of the assets and liabilities to be evaluated; • Tests of the correct calculation and accounting of the deferred taxes resulting from temporary differences between the new carrying amounts determined and their tax bases; • Tests of the completeness and adequacy of financial statements disclosures considering the requirements of the applicable financial reporting standards.

Other Aspects

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who, on 29 March 2023, issued an unmodified opinion on these financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern.
In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the parent company Banca Ifis SpA or to cease operations or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 28 April 2022 the shareholders of Banca Ifis SpA in general meeting engaged us to perform the statutory audit of the Bank's and the consolidated financial statements for the years ending 31 December 2023 to 31 December 2031.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Bank in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Banca Ifis SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements as of 31 December 2023, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements as of 31 December 2023 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Banca Ifis SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Banca Ifis group as of 31 December 2023, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of Banca Ifis group as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Banca Ifis group as of 31 December 2023 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Banca Ifis SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Milan, 27 March 2024

PricewaterhouseCoopers SpA

Signed by

Pierfrancesco Anglani
(Partner)

As disclosed by the Directors, the accompanying consolidated financial statements of Banca Ifis Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Attachments to the Consolidated Financial Statements

Reconciliation between reclassified consolidated financial statements and consolidated financial statements

RECONCILIATION BETWEEN ASSETS ITEMS AND RECLASSIFIED ASSETS ITEMS (in thousands of Euro)			31.12.2023	31.12.2022
Cash and cash equivalents			**857.533**	**603.134**
+	*10.*	*Cash and cash equivalents*	*857.533*	*603.134*
Financial assets held for trading			**12.896**	**26.868**
+	*20.a*	*Financial assets measured at fair value through profit or loss: a) financial assets held for trading*	*12.896*	*26.868*
Financial assets mandatorily measured at fair value through profit or loss			**221.982**	**195.220**
+	*20.c*	*Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value*	*221.982*	*195.220*
Financial assets measured at fair value through other comprehensive income			**749.176**	**697.611**
+	*30.*	*Financial assets measured at fair value through other comprehensive income*	*749.176*	*697.611*
Receivables due from banks measured at amortised cost			**637.567**	**565.762**
+	*40.a*	*Financial assets measured at amortised cost: a) receivables due from banks*	*637.567*	*565.762*
Receivables due from customers measured at amortised cost			**10.622.134**	**10.186.932**
+	*40.b*	*Financial assets measured at amortised cost: b) receivables due from customers*	*10.622.134*	*10.186.932*
Equity investments			***24***	**-**
+	*70.*	*Equity investments*	*24*	*-*
Property, plant and equipment			**143.255**	**126.341**
+	*90.*	*Property, plant and equipment*	*143.255*	*126.341*
Intangible assets			**76.667**	**64.264**
+	*100.*	*Intangible assets*	*76.667*	*64.264*
of which: - goodwill			***38.020***	***38.020***
Tax assets			**285.435**	**325.181**
a) current			**46.601**	**60.924**
+	*110.a*	*Tax assets: a) current*	*46.601*	*60.924*
b) prepaid			**238.834**	**264.257**
+	*110.b*	*Tax assets: b) prepaid*	*238.834*	*264.257*
Other assets			**444.692**	**471.064**
+	*130.*	*Other assets*	*444.692*	*471.064*
Total assets			**14.051.361**	**13.262.377**

RECONCILIATION BETWEEN ASSETS AND LIABILITIES ITEMS AND RECLASSIFIED ASSETS AND LIABILITIES ITEMS (in thousands of Euro)			31.12.2023	31.12.2022
Payables due to banks			**2.717.139**	**3.422.160**
+	*10.a*	*Financial liabilities measured at amortised cost: a) payables due to banks*	*2.717.139*	*3.422.160*
Payables due to customers			**5.814.624**	**5.103.343**
+	*10.b*	*Financial liabilities measured at amortised cost: b) payables due from customers*	*5.814.624*	*5.103.343*
Debt securities issued			**3.288.895**	**2.605.195**
+	*10.c*	*Financial liabilities measured at amortised cost: c) securities issued*	*3.288.895*	*2.605.195*
Financial liabilities held for trading			**14.005**	**25.982**
+	*20.*	*Financial liabilities held for trading*	*14.005*	*25.982*
Hedging derivatives			**11.644**	**-**
+	*40.*	*Hedging derivatives*	*11.644*	*-*
Tax liabilities			**57.717**	**52.298**
a) current			**26.025**	**21.961**
+	*60.a*	*Tax liabilities: a) current*	*26.025*	*21.961*
b) deferred			**31.692**	**30.337**
+	*60.b*	*Tax liabilities: b) deferred*	*31.692*	*30.337*
Other liabilities			**387.554**	**391.697**
+	*80.*	*Other liabilities*	*387.554*	*391.697*
Post-employment benefits			**7.906**	**7.696**
+	*90.*	*Post-employment benefits*	*7.906*	*7.696*
Provisions for risks and charges			**58.178**	**56.225**
+	*100.a*	*Provisions for risks and charges: a) commitments and guarantees granted*	*5.374*	*9.364*
+	*100.b*	*Provisions for risks and charges: b) pensions and similar obligations*	*196*	*-*
+	*100.c*	*Provisions for risks and charges: c) other provisions for risks and charges*	*52.608*	*46.861*
Valuation reserves			**(39.215)**	**(59.722)**
+	*120.*	*Valuation reserves*	*(39.215)*	*(59.722)*
Reserves			**1.505.424**	**1.440.944**
+	*150.*	*Reserves*	*1.505.424*	*1.440.944*
Interim dividends			**(62.962)**	**(52.433)**
+	*155.*	*Interim dividends*	*(62.962)*	*(52.433)*
Share premiums			**84.108**	**83.767**
+	*160.*	*Share premiums*	*84.108*	*83.767*
Share capital			**53.811**	**53.811**
+	*170.*	*Share capital*	*53.811*	*53.811*
Treasury shares (-)			**(21.817)**	**(22.104)**
+	*180.*	*Treasury shares (-)*	*(21.817)*	*(22.104)*
Equity attributable to non-controlling interests (+/-)			**14.240**	**12.432**
+	*190.*	*Equity attributable to non-controlling interests (+/-)*	*14.240*	*12.432*
Profit for the period			**160.110**	**141.086**
Total liabilities and equity			**14.051.361**	**13.262.377**

RECONCILIATION BETWEEN THE CONSOLIDATED INCOME STATEMENT AND THE RECLASSIFIED CONSOLIDATED INCOME STATEMENT (in thousands of Euro)				31.12.2023	31.12.2022
Net interest income				**566.197**	**548.250**
+	*30.*	*Net interest income*		*431.368*	*414.865*
+	*130.a (partial)*	*Net impairments/reversals of impairments of the Npl Segment to the extent representative of business operations*		*134.829*	*133.385*
Net commission income				**98.221**	**93.513**
+	*60.*	*Net commission income*		*98.221*	*93.513*
Other components of net banking income				**40.198**	**38.784**
+	*70.*	*Dividends and similar income*		*16.172*	*9.851*
+	*80.*	*Net profit (loss) from trading*		*(5.306)*	*627*
+	*90.*	*Net result from hedging*		*(100)*	*-*
+	*100.a*	*Gains (losses) on sale/buyback of: a) financial assets measured at amortised cost*		*12.902*	*15.245*
-	*100.a (partial)*	*Profits (losses) from the sale/repurchase of loans at amortised cost other than those of the Npl Segment*		*(398)*	*413*
+	*100.b*	*Gains (losses) on sale/buyback of: b) financial assets measured at fair value through other comprehensive income*		*2.656*	*(88)*
+	*100.c*	*Gains (losses) on sale/buyback of: c) financial liabilities*		*1.027*	*31*
+	*110.b*	*Net result of other financial assets and liabilities measured at fair value through profit or loss: b) other financial assets mandatorily measured at fair value*		*13.245*	*12.705*
Net banking income				**704.616**	**680.547**
Net credit risk losses/reversals				**(52.407)**	**(77.515)**
+	*130.a*	*Net credit risk losses/reversals related to: a) financial assets measured at amortised cost*		*79.337*	*55.132*
-	*130.a (partial)*	*Net impairments/reversals of impairments of the Npl Segment to the extent representative of business operations*		*(134.638)*	*(133.385)*
+	*130.b*	*Net credit risk losses/reversals related to: b) financial assets measured at fair value through other comprehensive income*		*(80)*	*(832)*
+	*100.a (partial)*	*Profits (losses) from the sale/repurchase of loans at amortised cost other than those of the Npl Segment*		*398*	*(413)*
+	*200.a (partial)*	*Net allocations for credit risk related to commitments and guarantees granted*		*2.767*	*1.983*
Net profit (loss) from financial activities				**652.209**	**603.032**
Administrative expenses				**(413.204)**	**(393.255)**
+	*190.a*	*a) personnel expenses*		*(163.802)*	*(150.834)*
+	*190.b*	*b) other administrative expenses*		*(260.857)*	*(242.421)*
-	*190.b (partial)*	*b) other non-recurring administrative expenses*		*11.455*	*-*
Net impairment losses/reversals on property, plant and equipment and intangible assets				**(17.706)**	**(16.915)**
+	*210.*	*Net impairment losses/reversals on property, plant and equipment*		*(9.721)*	*(9.495)*
+	*220.*	*Net impairment losses/reversals on intangible assets*		*(7.985)*	*(7.420)*
Other operating income/expenses				**25.069**	**19.792**
+	*230.*	*Other operating income/expenses*		*33.605*	*19.792*
-	*230. (partial)*	*Other non-recurring operating income/expenses*		*(8.536)*	*-*

RECONCILIATION BETWEEN THE CONSOLIDATED INCOME STATEMENT AND THE RECLASSIFIED CONSOLIDATED INCOME STATEMENT (in thousands of Euro)			31.12.2023	31.12.2022
Operating costs			**(405.841)**	**(390.378)**
+	*240.*	*Operating costs*	*(412.871)*	*(388.795)*
-	*190.b (partial)*	*b) other non-recurring administrative expenses*	*11.455*	*-*
-	*200.*	*Net allocations to provisions for risks and charges*	*4.111*	*(1.583)*
-	*230. (partial)*	*Other non-recurring operating income/expenses*	*(8.536)*	*-*
Net allocations to provisions for risks and charges			**(6.878)**	**(400)**
+	*200.a*	*Net allocations to provisions for risks and charges: a) commitments and guarantees granted*	*3.810*	*940*
-	*200.a (partial)*	*Net allocations for credit risk related to commitments and guarantees granted*	*(2.767)*	*(1.983)*
+	*200.b*	*Net allocations to provisions for risks and charges: b) other net allocations*	*(7.921)*	*643*
Non-recurring expenses and income			**(2.919)**	**-**
+	*190.b (partial)*	*b) other non-recurring administrative expenses*	*(11.455)*	*-*
+	*230. (partial)*	*Other non-recurring operating income/expenses*	*8.536*	*-*
Value adjustments of goodwill			**-**	**(762)**
+	*270.*	*Value adjustments of goodwill*	*-*	*(762)*
Gain on disposals of investments			**986**	**304**
+	*280.*	*Gains (Losses) on disposal of investments*	*986*	*304*
Pre-tax profit from continuing operations			**237.556**	**211.796**
Income taxes for the year relating to current operations			**(75.641)**	**(69.909)**
+	*300.*	*Income taxes for the year relating to current operations*	*(75.641)*	*(69.909)*
Profit for the period			**161.916**	**141.887**
Profit for the year attributable to non-controlling interests			**(1.806)**	**(801)**
+	*340.*	*Profit for the year attributable to non-controlling interests*	*(1.806)*	*(801)*
Profit for the year attributable to the Parent company			**160.110**	**141.086**

Glossary

Below are definitions of some of the terms used in financial statement disclosures, excluding terms that have now become part of standard Italian language or have been included in a context that already clarifies their meaning.

ABS - Asset Backed Securities

Financial instruments whose performance and redemption are secured by a portfolio of assets (collateral) of the issuer (usually a Special Purpose Vehicle - SPV), earmarked exclusively for the satisfaction of the rights embedded in the financial instruments. Examples of assets pledged as collateral are mortgages, receivables from credit card companies, short-term trade receivables and loans to purchase cars.

ALM - Asset & Liability Management

Integrated management of assets and liabilities for risk/return optimisation in resource allocation.

AMC - Asset Management Company

Public limited liability company that is allowed to provide collective and individual asset management services jointly. In particular, it is authorised to set up mutual funds, to manage mutual funds of their own or others' instruction, as well as Sicav assets, and to provide the service of individual portfolio management.

Amortised cost

This differs from cost in that it provides for the gradual amortisation of the difference between the book value and the nominal amount of an asset or liability based on the effective rate of return.

Arranger

In the field of Structured Finance, this is the figure who - albeit in various forms and with different assignment configurations (mandated lead arranger, joint lead arranger, sole arranger, etc.) - acts as the coordinator of the organisational aspects of the transaction.

Asset-Backed Commercial Paper Programme or ABCP Programme

Securitisation programme whose securities take predominantly the form of asset-backed commercial paper with an original maturity of one year or less, as defined in Regulation (EU) 2017/2402.

AT1 - Additional Tier 1

Additional Tier 1 capital. The AT1 category generally includes capital instruments other than common stock (which are eligible for inclusion in Common Equity) and which meet the regulatory requirements for inclusion in that level of equity.

Audit

In listed companies, this is the entirety of the control of the company's activities and accounts, which is carried out either by internal structures (internal audit) or by independent auditing companies (external audit).

Backtesting

Retrospective analyses aimed at verifying the reliability of risk source measurements associated with asset portfolio positions.

Banking book

This usually refers to positions in securities, and more generally in financial instruments, held with “proprietary” intent.

Best practice

This generally identifies behaviour commensurate with the best level of knowledge attained in a certain technical/professional field.

Bid-ask spread

This is the detectable difference between bid and ask prices on a given financial instrument or group of financial instruments.

Budget

Estimate or plan of future revenues and expenses of a business.

Business combination

Under IFRS 3, a transaction or other event in which an acquirer obtains control of one or more businesses.

Business model

This is the business model with which financial instruments are managed. With regard to the business model, IFRS 9 identifies three cases in relation to how cash flows and sales of financial assets are managed: Held to Collect (HTC), Held to Collect and Sell (HTC&S), Others/Trading.

CAGR - Compound Annual Growth Rate

Compound annual growth rate of an investment over a given period of time. If n is the number of years, the CAGR is calculated as follows: (Current value/Initial value)^(1/n) -1.

Capital Asset Pricing Model (CAPM)

Model for determining the “opportunity cost”, i.e. the amount of operating income needed to remunerate the cost of capital.

Capital structure

It consists of all the various classes of bonds (tranches) issued by a vehicle (SPV), secured by the acquired portfolio, which have different risks and yields to meet the needs of different categories of investors. The subordination relationships between the various tranches are governed by a set of rules specifying the distribution of losses generated by the collateral:

- Equity Tranche: represents the riskiest portion of the portfolio, also known as the “first loss” and is subordinate to all other tranches; it therefore bears first the losses that may occur during the recovery of the underlying assets.
- Mezzanine Tranche: represents the tranche with a degree of subordination intermediate between that of the equity tranche and that of the senior tranche. The mezzanine tranche is usually divided into 2-4 tranches with different degrees of risk, subordinated to each other. They are typically characterised by a rating in the BBB-AAA range.
- Senior/Supersenior Tranche: represents the tranche with the highest degree of credit enhancement, i.e. the highest degree of privilege in terms of remuneration and repayment priority. It is also commonly referred to as a super senior tranche and, if rated, has a higher rating of AAA being senior than the AAA mezzanine tranche.

Cash Generating Unit (CGU)

It represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

CCF - Credit Conversion Factor

In determining credit risk, the CCF is the factor that allows the EAD (Exposure At Default) of an off-balance sheet exposure to be transformed into a cash exposure. Where the Bank does not use internal models to estimate these factors (internal CCFs), they are reported as follows by the supervisory rules (regulatory CCFs):

- 100% in the case of a full risk element;
- 50% in the case of a medium-risk element;
- 20% in the case of medium-low risk elements;
- 0% in the case of a low-risk element.

Collective measurement of performing loans

With reference to a homogeneous group of financial assets with a regular performance, the collective assessment defines the extent of the credit risk potentially inherent in them, even though it is not yet possible to attribute it to a specific position.

Common Equity Tier 1 Ratio (CET1 Ratio)

This is the ratio of common equity tier 1 capital (CET1) to total risk-weighted assets.

Consob - the National Commission for Companies and the Stock Exchange

This is the controlling body of the Italian financial market. As part of its main duties:

- it verifies the transparency and correctness of operators' behaviour in order to safeguard the trust and competitiveness of the financial system, investor protection, and compliance with financial regulations;
- it supervises to prevent and, where necessary, sanction any misconduct; it exercises the powers conferred by law to ensure that the necessary information is made available to savers to enable them to make informed investment choices;

- it works to ensure the maximum efficiency of trading, guaranteeing the quality of prices as well as the efficiency and certainty of the manner in which contracts concluded on regulated markets are executed.

Core Business

Main activity towards which the company's strategic choices and policies are oriented.

Corporate

Customer segment corresponding to medium and large-sized companies (mid corporate, large corporate).

Covenant

The covenant is a clause, explicitly agreed upon in the contractual phase, which grants the lender the right to renegotiate or revoke the credit upon the occurrence of the events in the clause, linking the debtor's economic-financial performance to termination/modification events of the contractual conditions (maturity, rates, etc.).

Coverage ratio

It represents the percentage coverage of the value adjustment against the gross exposure of a financial asset.

Credit enhancement

Techniques and instruments used by issuers to improve the rating of their issues (provision of security deposits, granting of liquidity facilities, etc.).

Credit Risk Adjustment (CRA) - Credit Value Adjustment (CVA)

Technique aimed at highlighting the penalty due to the creditworthiness of the counterparty and used in determining the fair value of unlisted derivative financial instruments.

CRP - Country Risk Premium

Country risk premium; expresses the component of the cost of capital designed to specifically remunerate the implicit risk of a defined country (i.e. the risk associated with economic-financial, political and currency instability).

Date of reclassification

First day of the first reporting period following the change in business model that resulted in the reclassification of financial assets.

Default

The inability to pay principal and/or interest when due.

Deferred Tax Assets, Deferred Tax Liabilities (DTA, DTL)

Deferred tax liabilities (DTL) are the amounts of income taxes due in future years related to taxable temporary differences. Deferred tax assets (DTA) are the amounts of income taxes recoverable in future years related to:

- deductible timing differences;
- carry-forward of unused tax losses; and
- carry-forward of unused tax credits.

Temporary differences are the differences between the carrying amount of an asset or liability in the balance sheet and its recognised value for tax purposes. Temporary differences may be:

- taxable temporary differences, i.e. temporary differences that, in determining taxable income (tax loss) for future years, will result in taxable amounts when the carrying amount of the asset or liability is realized or settled;
- deductible temporary differences, i.e. temporary differences which, in determining taxable income (tax loss) for future years, will result in deductible amounts when the carrying amount of the asset or liability is realised or settled.

Discounting

Process of determining the current value of a payment or stream of payments to be received in the future.

Duration

This is an indicator of the interest rate risk to which a bond or bond portfolio is subject. In its most frequent configuration, it is calculated as the weighted average of the maturities of interest and principal payments associated with a bond.

EAD - Exposure At Default

Relating to on- or off-balance sheet positions, it is defined as an estimate of the future value of an exposure at the time of a debtor's default. Only banks that meet the requirements for adopting the AIRB approach are entitled to estimate EAD. For all others, reference must be made to regulatory estimates.

EBA - European Banking Authority

Independent authority of the European Union created in 2011 as part of the European System of Financial Supervisors (ESFS, a group of authorities and supervisory bodies that has constituted the new European micro- and macro-prudential supervisory framework since 2008). The objective of the EBA is to ensure an effective and uniform level of regulation and prudential supervision in the European banking sector, securing financial stability in the EU and ensuring the integrity, efficiency and orderly functioning of the banking sector.

ECAI - External Credit Assessment Institution

External credit rating assessment agency.

ECL - Expected Credit Loss

The adoption of accounting standard IFRS 9 resulted in a revision of the way in which credit risk losses are determined, moving from a concept of incurred loss (Incurred Credit Loss) to one of expected loss (Expected Credit Loss, ECL). The quantification of write-downs is done through the inclusion of forward-looking scenarios and differs according to the deterioration of credit quality, with a time horizon of 1 year for positions classified in Stage 1 and over the entire life (lifetime ECL) of the instrument for those included in Stages 2 and 3.

Effective interest rate

The effective interest rate, as defined by IFRS 9, is the rate at which the present value of expected cash flows for the principal and interest is equal to the amount of the loan granted, including any directly attributable costs/revenues. This finance-based accounting method allows to spread the economic effect of costs/revenues over the expected residual life of the receivable.

EPS (Earnings per share)

This is the ratio of net profit to the average number of shares for the period, adjusted if necessary to account for other potential equity instruments such as options and convertible bonds.

ERP (Equity Risk Premium)

Risk premium demanded by investors in the reference market, i.e. the expected excess return over risk-free assets.

Expected life

This refers to the maximum contractual life and takes into account expected prepayments, extensions, call options and similar. The exceptions are certain revolving financial instruments such as credit cards, overdrafts, which include both drawn and undrawn components for which the Bank's contractual ability to request repayment and cancel undrawn lines does not limit the exposure to credit losses to the contractual period. The expected life of these credit lines is their actual life. When the data are insufficient or the analysis not conclusive, a maturity factor may be considered to reflect the estimated life based on other tested cases or similar cases of competitors. Future contractual changes are not taken into account when determining the expected life or Exposure At Default (EAD) until they occur.

Factoring

Contract for the assignment of trade receivables activated by specialised companies, for management and collection purposes, to which, as a rule, a loan may be associated in favour of the assignor.

Fair value

This is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Fair Value Option (FVO)

The Fair Value Option is an option for the classification of a financial instrument. Through the exercise of the option, even a non-derivative financial instrument not held for trading purposes can be measured at fair value through profit or loss.

Financial instruments listed in an active market

A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Funding

Procurement, in various forms, of the funds needed to finance the company's business or particular financial transactions.

FVTOCI (FVOCI) - Fair Value Through Other Comprehensive Income

How changes in the fair value of financial assets are recognised in the statement of comprehensive income (i.e. in equity) and not in the income statement.

FVTPL - Fair Value Through Profit and Loss

Method of recognising changes in the fair value of financial instruments with a balancing entry in the income statement.

GBV (Gross Book Value)

Carrying amount of a loan considered before value adjustments.

Goodwill

Identifies goodwill paid for the acquisition of an ownership interest.

Governance

Identifies the set of instruments and rules that regulate corporate life with particular reference to the transparency of corporate documents and acts and the completeness of information to the market.

Hedge accounting

Rules on hedge accounting for derivative transactions under IFRS 9.

Held For Trading - (HFT)

Financial assets or liabilities that meet one of the following conditions:

- they are acquired or incurred primarily for the purpose of being sold or repurchased in the short term;
- at the time of initial recognition, they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and effective strategy aimed at obtaining a profit in the short term;
- they are derivatives other than those put in place as a designated and effective hedging instrument under IFRS 9.

IAS/IFRS

International Accounting Standards (IAS) are issued by the International Accounting Standards Board (IASB), the body responsible for issuing international accounting standards. Standards issued after July 2002 are referred to as IFRS (International Financial Reporting Standards).

ICAAP - Internal Capital Adequacy Assessment Process

Under Basel II Pillar 2, banks are required to have a process (Internal Capital Adequacy Assessment Process, ICAAP) to estimate their own internal capital requirements to cover all risks, including those not captured by the total capital requirement (Pillar 1), as part of the assessment of the bank's current and future exposure, taking account of the bank's strategies and possible developments in the environment in which it operates.

IFRS-IC (International Financial Reporting Standards Interpretations Committee)

The IASB Committee that issues the official interpretations of the IAS/IFRS.

Impairment

With respect to a financial asset, impairment is identified when the carrying amount of that asset is greater than its estimated recoverable amount. According to IAS 36, the following must be tested annually for impairment:

- intangible assets with an indefinite useful life;
- goodwill acquired in a business combination pursuant to IFRS 3;
- any asset if there is an indication that it may be impaired.

Impairment testing consists of estimating the recoverable amount (which is the higher of its fair value less costs to sell and its value in use) of an asset or a group of assets.

Intangible or intangible asset

An intangible asset is an identifiable non-monetary asset without physical substance.

Junior

In a securitisation transaction, it is the most subordinated tranche of the securities issued that bears first the losses that may occur in the course of recovering the underlying assets.

Ke - g

The difference between the discount rate of flows and the long-term growth rate; with equal flows, if this difference decreases, the Value in Use (VIU) increases.

Ke (Cost of Equity)

The cost of equity is the minimum return required for investments of equal risk.

LCR - Liquidity Coverage Ratio

Prudential requirement designed to ensure that a bank maintains an adequate level of unencumbered high-quality liquid assets that can be converted into cash to meet its liquidity needs within 30 calendar days under highly stressed conditions. The liquidity coverage ratio is equal to the ratio of liquidity reserves to net liquidity outflows over a 30-calendar-day stress period.

LGD - Loss Given Default

This represents the percentage of credit that is estimated to be uncollectable in the event of a debtor default.

Mark to Market

The process of valuing a portfolio of securities or other financial instruments on the basis of market prices.

Mezzanine

In a securitisation transaction, this is the tranche with a degree of subordination intermediate between that of the junior tranche and that of the senior tranche.

M-Maturity

Residual life of an exposure, calculated according to prudential rules. For banks authorised to use internal ratings, it is considered explicitly if the advanced approach is used, while it is set at 2,5 years if the basic approach is used.

NAV - Net Asset Value

This is the value of the unit into which the fund's assets are divided.

NBV - Net Book Value

Carrying amount of a loan considered net of value adjustments.

Non performing exposure (Npe) – Non performing loan (Npl)

Terms used to refer to impaired loans, i.e. loans with a non-regular trend. By contrast, the term performing refers to credit exposures with a regular performance. Non-performing loans are classified into three categories:

- non-performing loans: loans the full collection of which is not certain because the debtors are in a state of insolvency (even if not judicially ascertained) or in substantially similar situations;
- unlikely to pay (UTP): exposures other than non-performing loans for which the Bank considers it unlikely, without recourse to actions such as enforcement of collateral, that the borrower will meet its credit obligations in full (principal and/or interest), irrespective of the presence of any past due and unpaid instalments or amounts;
- past due: exposures past due and/or in arrears by more than 90 days and exceeding a predefined materiality threshold.

The EBA also introduced a further category, which cuts across the previous ones, namely that of exposures that have been subject to forbearance measures. These exposures can be either non-performing loans (forborne non-performing) or performing loans (forborne performing). Forbearance measures consist of concessions to a debtor that is experiencing or about to experience difficulties in meeting its financial commitments (“financial difficulties”) and include, for example, renegotiation of the terms of the contract or full/partial refinancing of the debt.

NSFR - Net Stable Funding Ratio

Prudential requirement aimed at promoting greater recourse to stable funding, preventing medium- and long-term operations from giving rise to excessive imbalances to be financed in the short term. The requirement is equal to the ratio between the stable financing available to the institution and the stable financing requested from the institution and is expressed as a percentage.

Option

Represents the right, but not the commitment, acquired on payment of a premium, to buy (call option) or sell (put option) a financial instrument at a specified price (strike price) by (American option) or at (European option) a specified future date.

OTC – Over The Counter

Definition relating to transactions concluded directly between the parties, without using an organised market.

Other related parties - close family members

The term “close family members” of a subject should be understood to mean those family members who are expected to influence, or be influenced by, the subject in their relations with the entity. They include the cohabitee (including the not legally separated spouse) and the subject's children, the cohabitee's children and the subject's or the cohabitee's dependants.

Outsourcing

Use of operational support activities carried out by external companies.

PD - Probability of Default

This represents the probability that, over a time horizon of one year or equal to the expected life of the financial instrument, the debtor will default.

Plain vanilla (derivatives)

Products whose price depends on that of the underlying instrument, which is listed on regulated markets.

POCI - Purchased or Originated Credit Impaired Assets

Impaired assets acquired or originated for which expected losses over the life of the loan are to be recognised and are automatically classified in Stage 3 on initial recognition.

PPA - Purchase Price Allocation

This indicates the process of allocating the purchase price of the assets and liabilities of an acquired entity, to be performed by the acquiring company, within the scope of application of IFRS 3 - Business Combinations.

Pricing

In a broad sense, this refers generally to the way in which the prices of financial instruments and/or the costs of products and services offered by the Bank are determined.

Private equity

Activity aimed at the acquisition of equity interests and their subsequent sale to specific counterparties, without public placement.

Project finance

Technique by which industrial projects are financed on the basis of a forecast of the cash flows generated by them. The examination is based on a series of assessments that differ from those generally implemented for the analysis of ordinary credit risks. These assessments include, in addition to the cash flow analysis, the technical examination of the project, the suitability of the sponsors undertaking to implement it, and the product's distribution markets.

Prudential filters

In the context of the calculation of own funds, corrections made to the balance sheet items in order to safeguard the quality of own funds and to reduce their potential volatility induced by the application of the international accounting standards “IAS/IFRS”.

Rating

Assessment of the quality of a company or its issues of debt securities based on the financial strength of the company and its outlook. Such rating can be external when this assessment is made by external specialist agencies, and internal when made by the Bank using internal models.

Real estate

Structured Finance transactions in the real estate sector.

Reclassified cost/income ratio

Economic index represented by the ratio of “Operating costs” to “Net banking income” as shown in the reclassified Income Statement.

Retail

Category of customers that includes individuals, small and medium-sized enterprises.

Right Of Use (ROU)

In accordance with IFRS 16, this term identifies the “asset representing the lessee's right to use the leased asset for the lease term”.

Risk free (r_f)

Return on risk-free investments.

Risk Management

Identification, measurement, assessment and management of the various types of risk and protection against risks.

ROE – Return On Equity

This expresses the return on equity in terms of net profit. It is the indicator of most interest to shareholders as it allows them to assess the profitability of risk capital.

RWA – Risk Weighted Assets

On-balance sheet and off-balance sheet assets (derivatives and guarantees) classified and weighted for their associated risks. Risk weightings are established in accordance with the rules of prudence issued by supervisory authorities in relation to calculation of capital ratios.

Securitisation

Transaction involving the transfer of risk relating to financial or real assets to a special purpose vehicle, carried out either by selling the underlying assets, i.e. by using derivative contracts. In Italy, the matter is mainly regulated by Law No. 130 of 30 April 1999, as amended.

Senior/super senior

In a securitisation transaction, it is the tranche with the highest degree of privilege in terms of priority of remuneration and repayment.

Sensitivity

The degree with which certain assets or liabilities react to movements in rates or other parameters.

Servicer

In securitisation transactions, it is the entity that - on the basis of a special servicing agreement - continues to manage the securitised receivables or assets after they have been sold to the special purpose vehicle in charge of issuing the securities.

SICR - Significant Increase in Credit Risk

Criterion used to check stage transition: if the credit risk of the financial instrument has increased significantly since initial recognition, the value adjustments are equal to the expected losses over the life of the instrument (lifetime ECL).

SPE/SPV

A Special Purpose Entity or Special Purpose Vehicle is a company specifically set up by one or more entities to carry out a specific transaction. SPEs/SPVs generally do not have their own operational and management structures but make use of those of the various players involved in the operation.

SPPI (Solely Payment of Principal and Interest) Test

This is one of the two (the other is the “business model”) criteria, or classification drivers, on which the classification of financial assets and the measurement criterion depends. The objective of the SPPI Test is to identify instruments, which can be defined as “basic lending arrangements” within the meaning of the standard, whose contractual terms provide for cash flows at certain dates consisting solely of payments of principal and interest on the amount of principal to be repaid. Activities with contractual characteristics other than SPPI must be measured at FVTPL.

Spread

This term usually denotes the difference between two interest rates, the spread between bid and ask prices in securities trading, or the mark-up that the issuer of securities pays in addition to a reference rate.

SREP - Supervisory Review and Evaluation Process

Regular risk assessment and measurement exercise at individual bank level. In SREP decisions, the supervisory authority may require each individual bank to hold additional capital and/or set qualitative requirements ("Pillar 2"). It is carried out by the Single Supervisory Mechanism, based on the regulations contained in the Capital Requirement Directive (CRD).

Stage 1

This represents financial instruments whose credit risk has not increased significantly since the date of initial recognition. An expected loss of one year is recognised for these financial instruments.

Stage 2

This represents financial instruments whose credit risk has increased significantly since the date of initial recognition. A lifetime expected loss is recognised for these financial instruments.

Stage 3

This represents impaired/defaulted financial instruments. For these financial instruments, the expected lifetime loss is accounted for.

Stakeholders

Subjects who, for various reasons, interact with the company's activity, participating in its results, influencing its performance, evaluating its economic, social and environmental impact.

Stock options

Term used to refer to options offered to managers of a company, which allow them to purchase shares of the company on the basis of a predetermined strike price.

Stress test

A simulation used to measure the impact of extreme market scenarios on the Bank's overall risk exposure.

Swaps

Transactions by means of derivative contracts consisting, as a rule, in the exchange of financial flows between operators according to different contractual modalities. In the case of an interest rate swap, the counterparties exchange payment flows, whether or not indexed to interest rates, calculated on a notional reference principal (e.g. one counterparty pays a flow on the basis of a fixed rate, the other on the basis of a variable rate). In the case of a currency swap, the counterparties exchange specific amounts of two different currencies, repaying them over time in a pre-defined manner that may involve either notional principal or indexed interest rate flows.

Tax rate

Effective tax rate, determined by the ratio of income tax to pre-tax profit.

Terminal Value (TV)

Value of a company at the end of the analytical cash flow forecast period; it is calculated by multiplying the analytical cash flow of the last period by (1+g) and dividing this amount by (Ke-g).

Tier 1

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

Tier 1 Ratio

It is the ratio of Tier 1 capital to total risk-weighted assets (RWA).

Tier 2

Tier 2 capital consists primarily of eligible subordinated liabilities and any excess of value adjustments over expected losses (excess reserve) for AIRB-weighted positions. Specific transitional provisions (grandfathering) are also foreseen for subordinated instruments that do not meet the requirements of the new Basel III regulations, aimed at the gradual exclusion from own funds (over a period of 8 years) of instruments that are no longer eligible.

Time value

Change in the financial value of an instrument in relation to the different time horizon at which certain cash flows will be available or receivable.

Total Capital Ratio (TCR)

Capitalisation ratio referring to the total of the elements making up own funds (Tier 1 and Tier 2). It is the ratio of own funds to total risk-weighted assets (RWA).

Trading book

This usually refers to positions in securities, and more generally in financial instruments, held with trading intent.

Transaction costs

Marginal costs directly attributable to the acquisition, issue or disposal of a financial asset or liability. This is a cost that would not have been incurred if the Bank had not acquired, issued or disposed of the financial instrument.

Transfer with recourse

Transfer of a claim in which the assignor is guarantor of payment for the third party obligor. The assignor therefore guarantees to the assignee both the existence of the assigned claim and the solvency of the debtor.

Transfer without recourse

Transfer of a claim without the assignor offering any guarantee in the event of non-performance by the debtor. The assignor therefore guarantees to the assignee only the existence of the assigned claim and not also the solvency of the debtor.

UCITS - Collective Investment Undertakings:

Under the Consolidated Law on Finance, these include:

- mutual funds, i.e. vehicles whose function is to pool the financial resources of a plurality of savers into a single undifferentiated asset that is invested in financial assets; and
- SICAVs (Sociétés d'Investissement à Capital Variable), i.e. companies whose sole object is to invest their assets, raised through the placement of their shares with the public.

Value in Use

This is the present value of future cash flows expected to arise from an asset or cash-generating unit.

VaR – Value at Risk

This is a value that indicates the maximum possible loss on a portfolio due to market performance, with a certain probability and assuming that the positions will take a certain period of time to be disposed of.

Vintage

Term used to indicate the seniority of Npe/Npl. This is also to be understood as the origination date of the collateral underlying the securitisation as an important factor in judging the riskiness of that collateral.

Warrant

Tradable instrument giving the holder the right to buy from or sell to the issuer fixed income securities or shares in accordance with specified terms.

β (beta)

Beta coefficient of an issuer or a group of comparable issuers, an expression of the interrelation between the actual return on an equity and the total return of the reference market.

2023 Report and Financial Statements

Directors' Report

General aspects

The “Report and Financial Statements of Banca Ifis S.p.A. 2023” comprises: the Schedules, the related Notes and this Directors’ Report on the Bank.

To allow a more immediate reading of the results, a condensed reclassified income statement is prepared within the Directors' report on Banca Ifis. Analytical details of the restatements and reclassifications made with respect to the financial statements compliant with Bank of Italy Circular 262 are provided in separate tables published among the annexes (see the section “Annexes to the Financial Statements" of Banca Ifis), also in compliance with the requirements of Consob Communication No. 6064293 of 28 July 2006.
Reclassifications and aggregations of the income statement concern the following:

- net allocations to provisions for risks and charges are excluded from the calculation of "Operating costs";
- the following is included under the single item "Net credit risk losses/reversals":
  - net credit risk losses/reversals relating to financial assets measured at amortised cost and to financial assets measured at fair value through other comprehensive income;
  - net allocations to provisions for risks and charges for credit risk relating to commitments and guarantees granted;
  - gains (losses) on sale/buyback of loans at amortised cost.

The balance sheet components were aggregated without reclassification.

Highlights

Below is the Bank's main equity and economic data.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Cash and cash equivalents	599.016	440.114	158.902	36,1%
Financial assets measured at fair value through other comprehensive income	749.171	697.606	51.565	7,4%
Receivables due from banks measured at amortised cost	634.802	562.336	72.466	12,9%
Receivables due from customers measured at amortised cost	9.201.981	8.755.082	446.899	5,1%
Total assets	12.863.172	12.201.450	661.722	5,4%
Payables due to banks	2.604.466	3.485.345	(880.879)	(25,3)%
Payables due to customers	7.077.199	5.947.294	1.129.905	19,0%
Debt securities issued	1.435.852	1.109.027	326.825	29,5%
Equity	1.364.637	1.290.183	74.454	5,8%

RECLASSIFIED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	YEAR		YEAR	
	2023	2022	ABSOLUTE	%
Net banking income	**455.104**	**362.937**	**92.167**	**25,4%**
Net credit risk losses	(51.949)	(51.586)	(363)	0,7%
Net profit (loss) from financial activities	**403.155**	**311.351**	**91.804**	**29,5%**
Operating costs	(221.016)	(206.647)	(14.369)	7,0%
Net allocations to provisions for risks and charges	(6.183)	1.512	(7.695)	(508,9)%
Profit (loss) on equity investments	(3.740)	(4.127)	387	(9,4)%
Pre-tax profit (loss) for the period from continuing operations	**172.216**	**102.089**	**70.127**	**68,7%**
Income taxes for the year relating to current operations	(28.812)	(22.293)	(6.519)	29,2%
Profit (Loss) for the year	**143.404**	**79.796**	**63.608**	**79,7%**

Refer to the section “Reclassified financial and income results” for comments on the dynamics in the balance sheet and income statement.

KPIs

ASSET KPIs	YEAR		CHANGE
	2023	2022	
CET1 Ratio (1)	14,68%	15,02%	(0,3%)
Total Capital ratio (1)	17,71%	19,59%	(1,9%)
Number of company shares (in thousands)	53.811	53.811	0,0%
Number of shares outstanding at year end (2) (in thousands)	52.468	52.433	0,1 %
Price Book Value per share	26,01	24,61	5,7%
Dividend per share (3)	2,10	1,40	50,0%

(1) Total Capital and CET1 include the profits generated by Banca Ifis 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.
(2) Outstanding shares are net of treasury shares held in the portfolio.
(3) The figures for FY 2023 comprise the total of 1,20 Euro per share distributed as an interim dividend in November 2023 and 0,90 Euro per share as a proposal for a final dividend for the FY 2023 prepared by the Board of Directors of Banca Ifis

ECONOMIC KPIs	YEAR		CHANGE
	2023	2022	
ROE	10,7%	6,0%	4,7%
ROA	1,1%	0,8%	0,3%
Reclassified cost/income ratio	48,6%	56,9%	(8,4%)
Earnings per share (EPS)	2,73	1,51	80,5%
Payout ratio	76,8%	92,0%	(15,2%)

Context

The international context and the Italian economy in 2023

If 2022 could be defined as a year "characterised by a very high degree of scenario variability", the year 2023 that has just passed saw an increase in the uncertainty of the environment (important geopolitical crises were added, first and foremost the conflict in the Middle East and the Suez Canal crisis with its impacts on an already critical global supply chain) and, at the same time, an inflationary scenario coexisting with high interest rates appeared, as a consequence of the central banks' contrasting policies (the ECB raised the refinancing rate for main operations from close to 0% in September 2019 to 4,50% in September 2023).
Against this background of global GDP slowing down from 3,5% in 2022 to 3,1% in 2023 (source: IMF in January 2024), the Italian economy held up, even when compared to the EU average (GDP 2023 +0,7% Italy and +0,5% Euro area, IMF forecast January 2024), thanks to important macroeconomic fundamentals such as:

- high liquidity (deposits from Bank of Italy data as at the third quarter of 2023):
  - consumer households 1.142 billion Euro, up 12% on the first quarter of 2019;
  - non-financial companies 509 billion Euro, up 46% compared to the first quarter of 2019;
- a low debt rate (source: Bank of Italy's Financial Stability Report No. 2 of 2023): for households it is approximately 39,6% of GDP compared to an average in the Euro area of over 55%, while businesses stand at 65,7% compared to the Euro area average of 97,5%;
- an ability of companies to maintain an adequate cash-flow: according to the Bank of Italy's business survey, the incidence of reserves considered to be low in view of operational needs until the end of 2023 remained low even for smaller companies and for companies that reported using them to repay debts;
- a more solid and modern production structure achieved through an uninterrupted growth in investment: ISTAT reports that the gross fixed capital formation of non-financial companies increased by 51% between early 2010 and the third quarter of 2023, and that the investment rate rose from 20,8% to 22,2% over the same period;
- a banking system with a low and stable level of credit deterioration: Bank of Italy data report that the Npe ratio of the banking system has been stable between 3,0% and 3,1% since 2022.

Added to these structural elements of the Italian system were the fiscal stimuli produced by expansionary public policies: Italy's net general government debt as a ratio of GDP is -5,0% (Source: Istat in the third quarter of 2023) and, for example, the -4,9% of GDP in France or the United States for which, according to the Congressional Budget Office, the federal deficit in 2023 was 1.678 billion USD, an increase of 25% compared to 2022.

Projections for 2024-2025

Bank of Italy estimates (Economic Bulletin of January 2024) outlined a significant slowdown in world trade: +0,6% in 2023, which compares with +5,4% in 2022, and a recovery to 2,4% in 2024, thus lower than in the pre-pandemic period. In particular, it is considered likely that, as was the case last year, the high credit cost will dampen global demand for investment and durable goods in 2024.
In addition, possible disruptions or slowdowns in global chains, resulting in particular from attacks on shipping traffic in the Red Sea, or increases in energy prices caused by the continuation or escalation of international tensions in the Middle East, could weigh on the outlook scenarios.
Estimates of world output are oriented towards a moderate development: from the OECD's most pessimistic forecast in November 2023 (2,7% in 2024) to the IMF's most favourable forecast in January 2024 (+3,1% in 2024 and +3,2% in 2025), the progression is essentially unchanged from 2023.
The projections of the Eurosystem (December 2023) do not differ greatly: Eurozone output is estimated at +0,8% in 2024 and +1,5% in 2025. The global forecast was revised downwards, due to both the same factors as those indicated by the Bank of Italy, OECD and IMF, and due to the less expansive monetary policy in the securities purchase programmes.
In Italy, the Bank of Italy's January 2024 forecast sees domestic product increasing by +0,6% in 2024 and +1,1 in 2025 and 2026. After having stagnated in the second half of 2023, economic activity is expected to gradually strengthen during 2024, supported by a recovery in disposable income and foreign demand. Investments, on the other hand, are expected to suffer from the high cost of financing and the removal of incentives for housing redevelopment, the effects of which would only be partially offset by the NRRP measures. The IMF's January 2024 GDP forecast is of the same magnitude: +0,7% in 2024 and +1,1% in 2025. In essence, the Italian economy is expected to move on a weak growth path.

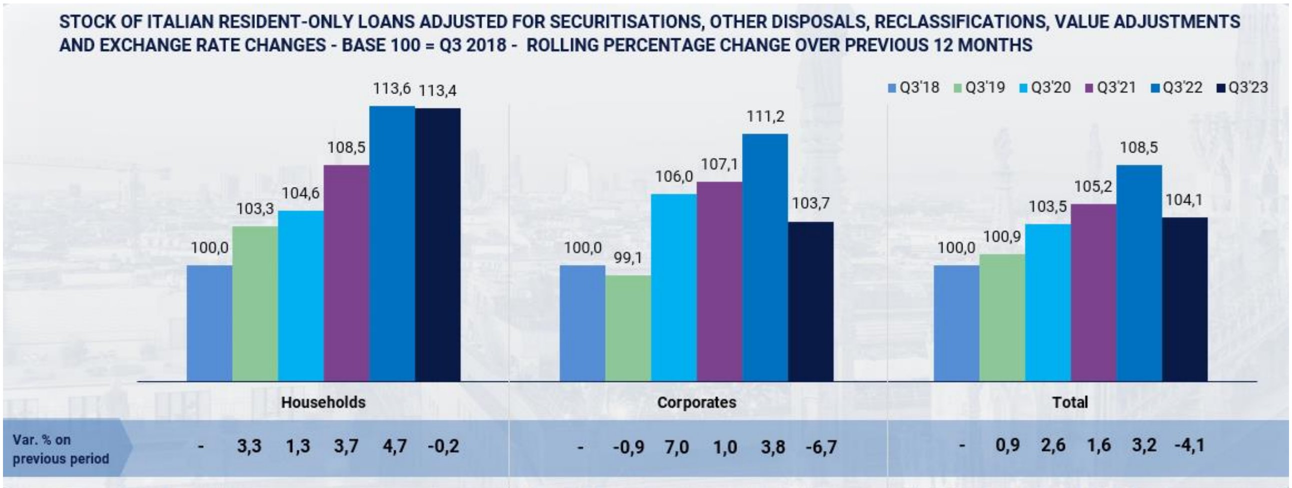
However, the Bank of Italy sees risks for Italian growth mainly due to the possibility that the low dynamism of world trade could persist for a long time. In particular, there are three international risk areas that could affect the Italian economy:

- the weakness of the Chinese economy;
- worsening international political tensions, which, by affecting the confidence of households and businesses, could make the domestic market weak and drive up commodity prices;
- a further tightening of financing conditions with an impact on investment dynamics, a typically pro-cyclical component.

Reference markets

Corporates

Preliminary data shows that output growth is almost nil at the end of 2023, held back by tightening credit conditions, still high energy prices, shrinking investment and a weak domestic market with stagnating consumption. The service sector is stable, manufacturing shows a decline, which is countered by growth in the construction sector also thanks to the tax incentives it has benefited from.
In this context, the Italian production system continued to create employment, which continued to grow in October and November 2023, albeit at a slower pace than in the first part of the year. The employment rate reached a new high (61,8% in November 2023 compared to 57,3% in January 2004).
Since the start of the normalisation process of monetary policy and the increase of central bank rates to counter inflation, the stock of credit has decreased significantly: -4,1% at the end of the third quarter of 2023 compared to the same period in 2022 (Bank of Italy figure, considering that total loans include only transactions with resident customers, excluding monetary financial institutions, and the stock takes into account securitisations, other disposals, reclassifications, value adjustments and exchange rate changes). As the analysis depicted in the next graph shows, the stock of bank loans remains higher than the pre-pandemic situation.



Source: Bank of Italy. Q3 2018 base 100.

The trend in credit disbursed to businesses and households probably reflected in the use of previously accumulated liquid assets to support expenditure and investments. This is evidenced by the values from the Bank of Italy database summarised in the table below. At the same time, the increase in liquidity of Italian companies evidenced by the reversal of the trend in the last two quarters monitored (+3,18% and +1,39%) is the result of the slowdown or postponement of investments.

Economic phenomenon	Banks deposits and postal savings			
Counterpart institutional sector	Consumer households		Non-financial companies and producer households	
Observation date	Value	Variance Q/Q	Value	Variance Q/Q
2023-09-30	1.142.381.383,	-0,11%	508.621.818,	3,18%
2023-06-30	1.143.597.047,	-2,20%	492.923.742,	1,39%
2023-03-31	1.169.350.788,	-2,11%	486.164.377,	-6,47%
2022-12-31	1.194.616.093,	0,32%	519.793.527,	2,42%
2022-09-30	1.190.832.644,	0,47%	507.532.002,	-0,17%
2022-06-30	1.185.226.794,	-0,62%	508.380.167,	2,39%
2022-03-31	1.192.675.036,	0,82%	496.517.356,	-3,64%
2021-12-31	1.183.016.875,	1,70%	515.261.986,	6,14%
2021-09-30	1.163.186.671,	1,16%	485.456.019,	2,12%
2021-06-30	1.149.861.331,	0,13%	475.374.158,	4,74%
2021-03-31	1.148.336.646,	1,37%	453.866.179,	-1,39%
2020-12-31	1.132.865.037,	3,02%	460.275.575,	6,23%
2020-09-30	1.099.641.486,	1,41%	433.276.026,	7,26%
2020-06-30	1.084.376.576,	-0,04%	403.940.477,	10,35%
2020-03-31	1.084.851.291,	2,61%	366.044.266,	0,80%
2019-12-31	1.057.305.717,	1,11%	363.140.844,	1,88%
2019-09-30	1.045.651.303,	2,07%	356.435.186,	-1,58%
2019-06-30	1.024.454.555,	0,51%	362.157.623,	3,81%
2019-03-31	1.019.219.520,	1,33%	348.879.409,	2,23%

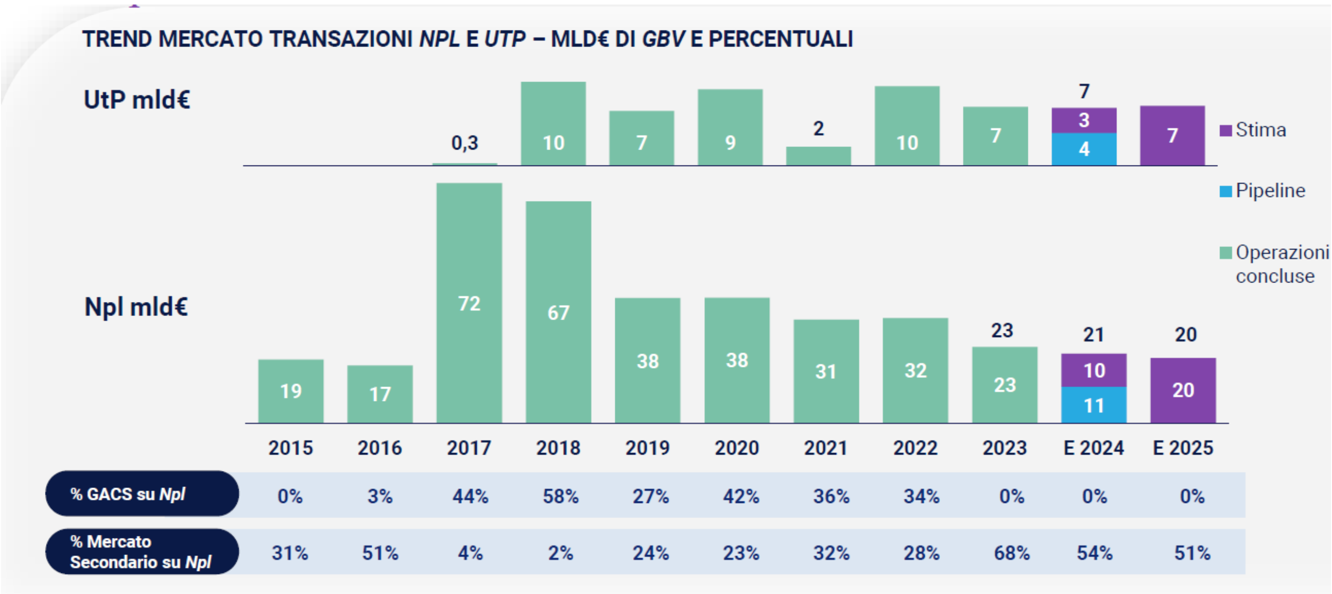
Source: Bank of Italy database. Figures in thousands.

In actual fact, investment remained stable in the third quarter of 2023 and was preceded by a decline in the second quarter (-0,1% and -2,0%, respectively): spending on capital goods declined, despite the marked increase in purchases of transport equipment, while investment in construction rose again (source: Bank of Italy).
In the face of this stagnation, in prospective terms, Bank of Italy surveys report that companies consider the conditions for investing still not positive, even though the share of companies expecting an expansion of investment spending by 2024 exceeds the share of those expecting a reduction. Confirmation of this trend could herald a resumption of investment.
If the risk of attacks on merchant ships remains high in the early months of 2024, the need to follow alternative routes would result in longer delivery times for goods imported by sea from Asia and would affect supply chains, raw material and energy costs, and transport costs. As far as the latter are concerned, mid-January 2024 the World Container Index composite indicator compiled by Drewry had more than doubled compared to November 2023, while remaining just above half the exceptionally high average of the two-year period 2021-22.
In the face of all the critical issues described, the leasing and factoring Areas (two of Banca Ifis's main corporate credit products) showed a positive dynamic, despite the rise in interest rates and the slowdown in world trade. Assilea data record more than 700 thousand new contracts (financial leasing and rental) in the first 11 months of 2023, worth more than 31 billion Euro. Compared to the first 11 months of 2022, the increase is 11,5% on the amounts. At the same time, preliminary Assifact data indicates that 2023 ended with a slightly higher turnover (+0,87%) than the previous year, at 290 billion Euro. Both products benefited from the advantages of being “asset based” and specifically addressing unavoidable business needs: investment and liquidity.

Non-performing loans (Npls)

The Market Watch Npl of Banca Ifis, in its first edition in 2024, returned an image of dynamism of the Italian impaired credit sector and, at the same time, a new declination of it deriving from its now consolidated role as a partner of the banking system.
Credit shows stably limited risk levels. In particular, the deterioration rate of bank loans is estimated to decrease in 2023, due to the resilience of credit quality in the first nine months of 2023. Also at the EU level, there are no tensions on non-performing loans: significant banks (EBA definition) report a stable gross Npe ratio around 1,8% (data as of the third quarter of 2023). The 2023-2025 credit deterioration rate is forecast to remain at a historically low level compared to the values of the sub-prime mortgage and sovereign debt crises. The 2024 and 2025 forecast (deterioration rate of 1,46% and 1,53%, respectively) is slightly higher than the September 2023 estimate

(source: Market Watch Npl of Banca Ifis) due to lower expected growth in domestic production (in 2024 +0,6% compared to +0,93% in September 2023).
The Italian market for Npl portfolio transactions in 2023 was 30 billion Euro. Npl volumes (23 billion Euro, in line with forecasts) were characterised by an important weight of the secondary market (68%). The 2024-2025 forecast shows an incidence of over 50% of the secondary market and, at the same time, a primary market supported by the goal of containing the banking system's Npe ratio around 3%, as shown by the analysis of the business plans of the main Italian banking groups, which show targets between 0% and 4,4%.



Source: Banca Ifis Npl Market Watch, February 2024 edition.

Important evidence is provided by the forecast analysis of the stock of Npls in Italy (source: bank financial statements and investors' financial statements), which shows a decrease from 361 billion Euro in 2015 to 303 billion Euro in 2023, thanks to the specialised management of servicers and the effectiveness of banks' credit policies. Prospectively, in the two-year period 2024-2025, comprehensive stock is expected to remain essentially stable as a result of the increase in new impaired flows offsetting the improved recovery capacity. An analysis of the 34 DBRS-rated portfolios for which time comparisons are available shows that, by mid-2023, performance towards targets was unchanged from that recorded 12 months earlier (102,7% compared with 102,4%), due to the performance of the most recently securitised portfolios, which appear to have been unaffected by rates and inflation.
Finally, in the two-year period 2022 and 2023, the non-performing loans segment saw 23 extraordinary transactions, which resulted in 16 acquisitions and 7 joint ventures and start-ups of new servicers, demonstrating both the interest that this market continues to represent and the continued reorganisation of servicing in search of greater efficiency.

Reclassified financial and income results

Reclassified Statement of financial positions items

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Cash and cash equivalents	599.016	440.114	158.902	36,1%
Financial assets mandatorily measured at fair value through profit or loss	215.466	187.594	27.872	14,9%
Financial assets measured at fair value through other comprehensive income	749.171	697.606	51.565	7,4%
Receivables due from banks measured at amortised cost	634.802	562.336	72.466	12,9%
Receivables due from customers measured at amortised cost	9.201.981	8.755.082	446.899	5,1%
Equity investments	672.528	661.333	11.195	1,7%
Property, plant and equipment and intangible assets	173.804	145.158	28.646	19,7%
Tax assets	238.925	296.853	(57.928)	(19,5)%
Other assets	377.479	455.375	(77.896)	(17,1)%
Total assets	**12.863.172**	**12.201.451**	**661.721**	**5,4%**
Payables due to banks measured at amortised cost	2.604.466	3.485.345	(880.879)	(25,3)%
Payables due to customers measured at amortised cost	7.077.199	5.947.294	1.129.905	19,0%
Debt securities issued	1.435.852	1.109.027	326.825	29,5%
Tax liabilities	38.268	36.009	2.259	6,3%
Provisions for risks and charges	51.804	50.370	1.434	2,8%
Other liabilities	290.946	283.223	7.723	2,7%
Equity	1.364.637	1.290.183	74.454	5,8%
Total liabilities and equity	**12.863.172**	**12.201.451**	**661.721**	**5,4%**

Cash and cash equivalents

At 31 December 2023, this item amounts to 599,0 million Euro, up by approximately 158,9 million Euro. Of this, around +145,0 million Euro is related to the increase in overnight deposits with the Bank of Italy, where surplus liquidity is used.

Financial assets mandatorily measured at fair value through profit or loss

The item totals 215,5 million Euro at 31 December 2023 and consists of loans and debt securities that have not passed the SPPI Test, equity securities traceable to minority shares and UCITS units.

Below is the breakdown of this line item:

FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Debt securities	85.860	70.917	14.943	21,1%
Equity securities	51.051	34.955	16.096	46,0%
UCITS units	71.453	64.533	6.920	10,7%
Loans	7.102	17.189	(10.087)	(58,7)%
Total	**215.466**	**187.594**	**27.872**	**14,9%**

In detail, the growth of 14,9% compared to 31 December 2022 can be summarised as follows:

- the growth in debt securities of 14,9 million Euro is essentially related to new investments in 2023, the effect of which more than offset the normal amortisation of securities and receipts from disposals during the year;
- the 16,1 million Euro increase in equity securities is mainly due to the net subscription of new securities (9,6 million Euro) and fair value changes in the year (6,5 million Euro);

- the increase in the balance of UCITS units in 2023 (+10,7%) is attributable to the positive contribution of revaluations in the amount of 5,5 million Euro and net new subscriptions in the amount of 1,4 million Euro;
- the reduction in the carrying amount of loans, with respect to 31 December 2022 (-58,7%), is driven by the closure of certain transactions during the year and collections related to normal plan amortisation.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income total 749,2 million Euro at 31 December 2023, up 7,4% from December 2022, and include the debt securities characterised by the "Held to Collect & Sell" (HTC&S) business model that passed the SPPI test as well as equity securities for which the Bank elected the so-called OCI option pursuant to IFRS 9.

FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Debt securities	634.306	589.638	44.668	7,6%
of which: government securities	*460.187*	*400.266*	*59.922*	*15,0%*
Equity securities	114.865	107.968	6.897	6,4%
Total	**749.171**	**697.606**	**51.565**	**7,4%**

The growth in debt securities is due to the combined effect of new net subscriptions of income with both bank issuers (+14,9 million Euro) and non-financial issuers (+35,9 million Euro, of which +40,0 million Euro in government bonds), and the increases in fair value measurement (+25,0 million Euro, mainly concentrated on the government bonds portfolio). The related associated net negative fair value reserve amounts to 19,0 million Euro at 31 December 2023 (of which 18,8 million Euro associated with government securities).
The component of the item relating to equity securities is attributable to non-controlling interests and comes to 114,9 million Euro at the end of December 2023, up 6,4% compared to 31 December 2022, mainly due to new investments made in 2023 (+32,7 million Euro, of which 19,6 million Euro on foreign equity investments), only partly offset by disposals made that same year (-22,7 million Euro). The negative net fair value reserve associated with this portfolio at 31 December 2023 is 14,4 million Euro, slightly better than the negative figure posted at the end of 2022 of 14,8 million Euro.

Receivables due from banks measured at amortised cost

Total receivables due from banks measured at amortised cost amount to 634,8 million Euro at 31 December 2023, up 12,9% on the balance booked at 31 December 2022 of 562,3 million Euro.
In addition to loans to central banks, which constitute the funding maintained in order to ensure the orderly conduct of business, the item includes bank debt securities with which a "Held to Collect (HTC)" business model is associated and which have passed the SPPI Test. At 31 December 2023, these securities have a carrying amount of 576,8 million Euro, up 9,6% from the value of 526,2 million Euro at the end of 2022, mainly as a result of the new investments made during the year on 69% Italian bank bonds.

Receivables due from customers measured at amortised cost

Total receivables due from customers measured at amortised cost amount to 9.202,0 million Euro, up 5,1% on 31 December 2022 (8.755,1 million Euro).

RECEIVABLES DUE FROM CUSTOMERS (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.12.2023						
Nominal amount	107.211	186.104	106.737	**400.052**	9.078.531	**9.478.583**
Losses	(84.129)	(81.230)	(7.307)	**(172.666)**	(103.936)	**(276.602)**
Carrying amount	23.082	104.874	99.430	**227.386**	8.974.595	**9.201.981**
Coverage ratio	*78,5%*	*43,6%*	*6,8%*	***43,2%***	*1,1%*	***2,9%***
Gross ratio	*1,1%*	*2,0%*	*1,1%*	***4,2%***	*95,8%*	***100,0%***
Net ratio	*0,3%*	*1,1%*	*1,1%*	***2,5%***	*97,5%*	***100,0%***
POSITION AT 31.12.2022						
Nominal amount	97.186	171.827	147.507	416.520	8.567.595	**8.984.115**
Losses	(67.913)	(64.885)	(9.161)	(141.958)	(87.074)	**(229.032)**
Carrying amount	29.273	106.942	138.347	274.562	8.480.521	**8.755.082**
Coverage ratio	*69,9%*	*37,8%*	*6,2%*	*34,1%*	*1,0%*	***2,5%***
Gross ratio	*1,1%*	*1,9%*	*1,6%*	*4,6%*	*95,4%*	***100,0%***
Net ratio	*0,3%*	*1,2%*	*1,6%*	*3,1%*	*96,9%*	***100,0%***

Total net loans have grown thanks to the contribution of performing exposures, which increase by 494,1 million Euro, of which around 87 million Euro refer to net purchases of government bonds in 2023.
The performance of non-performing loans, down 17,2% compared with the previous year, is driven by non-performing past-due exposures, which increase from 138,3 million Euro in December 2022 to 99,4 million Euro at the end of 2023. More specifically, non-performing past due exposures with the National Health System have reduced.

Equity investments

DESCRIPTION	31.12.2023	31.12.2022
Ifis Finance Sp. Z o.o.	26.356	26.356
Ifis Rental Services S.r.l.	120.895	120.895
Ifis Npl Investing S.p.A.	432.700	432.700
Cap.Ital.Fin. S.p.A.	18.000	21.741
Banca Credifarma S.p.A.	54.597	54.597
Ifis Finance I.F.N. S.A.	19.975	5.039
Ifis NPL 2021-1 SPV S.r.l.	5	5
Total	**672.528**	**661.333**

Equity investments in Group companies come to 672,5 million Euro as compared with the 661,3 million Euro of 2022. The equity investment in Cap.Ital.Fin S.p.A has changed mainly as a result of its value adjustments as a consequence of the losses. In addition, there were increases in the value of the investment in the subsidiary Ifis Finance I.F.N. S.A. following the capital increase carried out.

Intangible assets and property, plant and equipment

Property, plant and equipment come to 140,8 million Euro, as compared with the 122,5 million Euro booked at 31 December 2022, up 14,9%, mainly in view of investments and improvements in Bank offices.
Property, plant and equipment include the historical building "Villa Marocco" located in Mestre - Venice, headquarters of the Bank, which during the second half of the year saw the inauguration of the Banca Ifis International Sculpture Park; a new space designed for the enjoyment of contemporary art and sculpture.
Intangible assets, essentially made up of software, come to 33,0 million Euro, up from 31 December 2022, equal to 22,6 million Euro following investments made in ICT infrastructures in 2023.

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.
Tax assets total 238,9 million Euro, down 19,5% from 31 December 2022, when they were 296,9 million Euro. The following table shows the breakdown of current tax assets by type.

CURRENT TAX ASSETS (in thousands of Euro)	AMOUNTS		CHANGE	
	2023	2022	ABSOLUTE	%
Ires on sale of receivables	-	21.278	(21.278)	(100,0)%
Credits from DTA conversion	15.637	13.424	2.213	16,5%
Irap (regional tax on productive activities)	5.437	4.760	677	14,2%
Ires - claimed for reimbursement	7.166	7.095	71	1,0%
Ires (corporate income tax)	304	304	-	0,0%
Other	726	90	636	706,7%
Total current tax assets	**29.270**	**46.951**	**(17.681)**	**(37,7)%**

Current tax assets amount to 29,3 million Euro, down from the figure at 31 December 2022 (-37,7%) due to the collection of a tax receivable.

Below are details of deferred tax assets:

DEFERRED TAX ASSETS (in thousands of Euro)	AMOUNTS		CHANGE	
	2023	2022	ABSOLUTE	%
Receivables due from customers (Italian Law No. 214/2011)	135.184	166.538	(31.354)	(18,8)%
Past tax losses that can be carried forward	30.803	30.803	-	0,0%
FVOCI reserve	11.928	20.582	(8.654)	(42,0)%
Provisions for risks and charges	11.606	10.985	621	5,7%
Goodwill	7.544	10.059	(2.515)	(25,0)%
Aid for economic growth that can be carried forward	9.186	8.714	472	5,4%
Other	3.404	2.221	1.183	53,3%
Total deferred tax assets	**209.655**	**249.902**	**(40.247)**	**(16,1)%**

Deferred tax assets amount to 209,7 million Euro compared to the figure of 249,9 million Euro at 31 December 2022 and consist mainly of 135,2 million Euro of assets recognised for impairment losses on receivables due from customers, potentially convertible into tax credits (166,5 million Euro at 31 December 2022), 30,8 million Euro assets recognised for prior tax losses and aid for economic growth ("ACE") benefit (30,8 million Euro at 31 December 2022) and 11,9 million Euro in misalignments on financial assets measured at fair value with impact on comprehensive income (FVOCI) (20,6 million Euro at 31 December 2022). With regard to the recoverability of deferred tax assets recognised at 31 December 2023, please refer to "Section 10 - Tax assets and liabilities - Item 100 of Assets and Item 60 of Liabilities" in Part B of the Notes to the Financial Statements.
The item also includes 7,5 million Euro for the tax redemption of goodwill booked on the consolidated financial statements relative to the purchase of the controlling equity investment in Ifis Npl Servicing S.p.A. and 11,6 million Euro for temporary differences in provisions for risks and charges.
Finally, please note that, pursuant to the current Tax Consolidation arrangements, the deferred tax asset receivable related to the taxable profit for the year was included in Other assets as an approximately 3,2 million Euro receivable due from La Scogliera S.A..

Tax liabilities total 38,3 million Euro, up 6,3% from 31 December 2022, equal to 36,0 million Euro.
Current tax liabilities, amounting to 8,8 million Euro, represent the tax liability for the year, 3,1 million higher than the liabilities at 31 December 2022, which were fully settled in the first half of 2023, when paying the balance on the tax relative to the previous year.
The main types of deferred tax liabilities are instead shown below:

DEFERRED TAX LIABILITIES (in thousands of Euro)	AMOUNT		CHANGE	
	2023	2022	ABSOLUTE	%
Receivables for interest on arrears	25.275	25.968	(693)	(2,7)%
Receivables due from customers	2.676	2.790	(114)	(4,1)%
Financial assets	1.033	1.184	(151)	(12,8)%
Property, plant and equipment	295	299	(4)	(1,3)%
Other	190	33	157	475,8%
Total deferred tax liabilities	**29.469**	**30.274**	**(805)**	**(2,7)%**

Deferred tax liabilities, totalling 29,5 million Euro, are slightly down (-2,7%) on the balance of the previous year and largely include 25,3 million Euro in receivables for interest on arrears that will be taxed upon receipt, 2,7 million Euro in other mismatches of trade receivables and 1,0 million Euro relative to financial assets measured at fair value through other comprehensive income (FVOCI).

Other assets and liabilities

Other assets, amounting to 377,5 million Euro as compared to a balance of 455,4 million Euro at 31 December 2022, include:

- financial assets held for trading amounting to 0,6 million Euro, referring entirely to derivative transactions substantially hedged by positions recorded under financial liabilities. The item has reduced compared with the figure of 1,8 million Euro at 31 December 2022, which included 1,3 million Euro of debt and equity securities belonging to the trading portfolio, which were entirely sold in 2023;

- other assets for 376,9 million Euro (453,6 million Euro at 31 December 2022), of which 208,8 million Euro relate to tax credits for superbonuses and other construction tax bonuses (with a nominal amount of 234,1 million Euro). The balance also includes a receivable from the tax consolidating company La Scogliera S.A. in the amount of 3,2 million Euro. The balance at 31 December 2022, of 4,3 million Euro, was fully collected in the first half of 2023 upon settlement of taxes for the previous year within the tax consolidation regime. Therefore, the balance relative to 31 December 2023 reflects the increase in IRES advances for the 2023 tax period paid to the Treasury by the consolidating company on the basis of the debt relative to the previous year and determined on the basis of the results of the existing tax consolidation agreement.

Other liabilities come to 290,9 million Euro as compared with 283,2 million Euro at 31 December 2022, and consist of:

- trading derivatives in the amount of 14,0 million Euro (26,0 million Euro at 31 December 2022), essentially referring to a transaction related to the securitisation of loans in the Npl Segment;
- hedging liabilities amounting to 11,6 million Euro. The transaction relates to a micro fair value hedging strategy on the interest rate risk associated with government bonds held by the Bank, was initiated in 2023 and therefore had a zero balance at 31 December 2022;
- Severance indemnity payable for 5,3 million Euro, essentially in line with the figure of 31 December 2022 (5,4 million Euro).
- other liabilities for 260,0 million Euro (251,8 at 31 December 2022), largely referred to payables due to customers that have not yet been credited for 45,5 million Euro, as well as 42,5 million Euro payable to employees and operating payables for approximately 78,0 million Euro.

Funding

FUNDING (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
a) Payables due to banks	**2.604.466**	**3.485.345**	**(880.879)**	**(25,3)%**
- Payables due to Central banks	1.577.874	2.423.647	*(845.773)*	(34,9)%
of which: TLTRO	*1.577.874*	*2.023.162*	*(445.287)*	*(22,0)%*
of which: LTRO	*-*	*400.485*	*(400.485)*	*(100,0)%*
- Repurchase agreements	715.313	731.791	*(16.478)*	(2,3)%
- Other payables	*311.279*	*329.907*	*(18.628)*	(5,6)%
b) Payables due to customers	**7.077.199**	**5.947.294**	**1.129.905**	**19,0%**
- Repurchase agreements	*346.317*	*50.003*	*296.314*	592,6%
- Retail	4.474.892	4.159.855	315.037	7,6%
- Other term deposits	120.143	101.750	18.393	18,1%
- Lease payables	21.058	19.682	1376	7,0%
- Other payables	2.114.789	1.616.004	498.785	30,9%
c) Debt securities issued	**1.435.852**	**1.109.027**	**326.825**	**29,5%**
Total funding	**11.117.517**	**10.541.666**	**575.851**	**5,5%**

Total funding amounts to 11.117,5 million Euro at 31 December 2023 (5,5% compared to 31 December 2022); 63,7% of the item is represented by payables due to customers, followed by payables due to banks (23,4%), and debt securities issued (12,9%).
Payables due to customers at 31 December 2023 total 7.077,2 million Euro, up 19,0% compared to 31 December 2022.

Below are details of the Bank's retail funding:

RETAIL FUNDING (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Short-term funding (within 18 months)	3.256.259	2.976.991	279.268	9,4%
of which: Unrestricted	*458.116*	*728.224*	*(270.108)*	*(37,1)%*
of which: Like/One	*355.016*	*747.970*	*(392.954)*	*(52,5)%*
of which: restricted	*2.145.288*	*1.437.863*	*707.425*	*49,2%*
of which: German deposit	*297.839*	*62.934*	*234.905*	*373,3%*
Medium/long-term funding (beyond 18 months)	1.218.633	1.182.864	35.769	3,0%
Total retail funding	**4.474.892**	**4.159.855**	**315.037**	**7,6%**

Payables due to banks come to 2.604,5 million Euro, down 25,3% compared to the figure for 31 December 2022, mainly due to the onset maturity of short-term payables due to central banks (LTRO) and the early repayment of 500 million Euro for TLTRO, made in December 2023. At 31 December 2023, this balance is mainly represented by residual TLTRO transactions in the amount of 1,6 billion Euro and repo transactions in the amount of 0,7 billion Euro.

Debt securities issued amount to 1.435,9 million Euro at 31 December 2023. This item breaks down as follows:

- securities issued by the SPV ABCP Programme for 1,1 billion Euro relating to the senior tranche;
- securities issued by the Indigo Lease vehicle in the amount of 0,4 billion Euro relating to the senior tranche, following the restructuring of the transaction during the third quarter of 2023;
- 0,4 billion Euro related to subordinated loans, essentially in line with 31 December 2022;
- bonds issued by Banca Ifis for 1,1 billion Euro. Compared to 31 December 2022, the following main changes have occurred:
    - 600 million Euro relating to the issues of two senior bonds, each with a nominal amount of 300 million Euro and a maturity of 4 years and 5 years respectively, issued in January 2023 and September 2023 (for more details, refer to the section "Significant events during the year");
    - 45 million Euro related to the second tranche issued in March 2023 and related to a senior bond with a duration of 4 years and a total nominal amount of 110 million Euro;
    - redemption of 300 million Euro of the senior bond issued in 2018 and maturing in April 2023.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	YEAR		CHANGE	
	31.12.2023	31.12.2022	ABSOLUTE	%
Provisions for credit risk related to commitments and financial guarantees granted	5.248	9.068	(3.820)	(42,1)%
Provisions on other commitments and guarantees given	-	39	(39)	(100)%
Provisions for pensions	189	-	189	n.a.
Legal and tax disputes	37.953	33.095	4.858	14,7%
Personnel expenses	1.895	2.322	(427)	(18,4)%
Other provisions	6.519	5.846	673	(11,5)%
Total provisions for risks and charges	**51.804**	**50.370**	**1.434**	**2,8%**

Below is the breakdown of the provision for risks and charges at the end of 2023 by type of dispute compared with the amounts for the prior year.

Provisions for credit risk related to commitments and financial guarantees granted

At 31 December 2023, this item amounts to 5,2 million Euro, down 3,8 million Euro on 31 December 2022 and reflects the impairment losses on commitments and financial guarantees granted by the Bank in accordance with standard IFRS 9.

Provisions for pensions

The item, amounting to 0,2 million Euro, includes the provision for the post-retirement medical plan in favour of certain employees, introduced in the third quarter of 2023. It is a defined benefit plan that provides healthcare and other benefits to employees, even after retirement.
The Bank is responsible for the costs and risks associated with the provision of such benefits.

With reference to this fund, as a supplementary defined-benefit pension fund, the determination of the actuarial values required by the application of IAS 19 "Employee Benefits" is carried out by an independent actuary, using the "Project Unit Credit Method". The liability is recognised in the balance sheet net of any plan assets, and actuarial gains and losses calculated in the plan valuation process are recognised in the statement of comprehensive income and, therefore, in equity. At 31 December 2023, this fund amounts to 189 thousand Euro.

Legal and tax disputes

At 31 December 2023, provisions have been made for 38,0 million Euro for legal and tax disputes. The main components are summarised below:

- 21,3 million Euro for 26 disputes concerning the Factoring Area (the plaintiffs seek 41,4 million Euro in damages), mainly connected with the request for the repetition of amounts collected or payments under guarantee in relation to factoring positions without recourse.
- 8,9 million Euro (the plaintiffs seek 14,4 million Euro in damages) for 18 disputes deriving from the business unit acquired from the former Aigis Banca and mainly the Corporate Banking & Lending Area of the Commercial and Corporate Banking Segment.
- 6,5 million Euro (the plaintiffs seek 54,0 million Euro in damages) for 6 disputes concerning the Corporate Banking & Lending Area deriving from the former Interbanca.
- 1,2 million Euro (the plaintiffs seek 1,5 million Euro in damages) for 15 disputes concerning the Leasing Area and tax receivables.

Personnel expenses

At 31 December 2023, provisions are entered for staff for 1,9 million Euro (2,3 million Euro at December 2022), relating to the Solidarity Fund established in 2020.

Other provisions for risks and charges

At 31 December 2023, “Other provisions” are in place for 6,5 million Euro (5,8 million Euro at 31 December 2022), consisting mainly of 1,5 million Euro for probable contractual indemnities for loan transfers related to securitisations of bad loans guaranteed by Italian Treasury Department (“GACS”), 3,9 million Euro for supplementary indemnities for customers connected with the operations of the Leasing Area.

Equity

At 31 December 2023, Equity totals 1.364,6 million Euro, i.e. +5,8% from 1.290,2 million Euro at 31 December 2022. The breakdown of the item and the change compared to the previous year are detailed in the tables below:

EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS		CHANGE	
	2023	2022	ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	84.108	83.767	341	0,4%
Valuation reserves:	(33.085)	(50.653)	17.568	(34,7)%
- Securities	(33.359)	(50.634)	17.275	(34,1)%
- Defined benefit plans (e.g. severance indemnity)	274	314	(40)	(12,7)%
- Exchange differences	-	(333)	333	(100)%
Reserves	1.201.178	1.197.999	3.179	0,3%
Interim dividends	(62.962)	(52.433)	(10.529)	20,1%
Treasury shares	(21.817)	(22.104)	287	(1,3)%
Net profit	143.404	79.796	63.608	79,7%
Equity	**1.364.637**	**1.290.183**	**74.454**	**5,8%**

EQUITY: CHANGES	(in thousands of Euro)
Equity at 31.12.2022	**1.290.183**
Increases:	**158.441**
Profit for the year	143.404
Sale/assignment of treasury shares	341
Change in valuation reserve:	12.355
- securities (net of realisations)	*12.022*
- Exchange differences	*333*
Stock options	1.108
Other changes	1.233
Decreases:	**83.987**
Dividends distributed	83.947
- of which dividend balance on 2022 profit	*20.985*
- of which interim dividend on 2023 profit	*62.962*
Change in valuation reserve on defined benefit plans (e.g. severance indemnity)	40
Equity at 31.12.2023	**1.364.637**

The main changes in equity are:

- the positive change relative to the result for the year attributable to the Bank of 143,4 million Euro;
- the negative change of 83,9 million Euro for dividend distribution, of which 21,0 million Euro for dividends on 2022 earnings and 63,0 million Euro for the interim dividend on 2023 earnings;
- the positive change in the valuation reserve on securities for 12,0 million Euro recorded during the year, due to the fair value adjustment of the financial instruments classified as financial assets measured at fair value through other comprehensive income;
- the positive change of 1,1 million Euro in the stock options reserve related to the 2021-2023 Long Term Incentive (LTI) Plan;
- other increases of 1,2 million Euro, primarily connected with the Bank's share-based remuneration mechanisms for senior management, other than stock options, as explained.

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS AT	
	31.12.2023	31.12.2022
Common Equity Tier 1 (CET1) capital	1.287.685	1.259.562
Tier 1 capital	1.287.685	1.259.562
Total Own Funds	**1.553.347**	**1.643.133**
Total RWAs	**8.769.625**	**8.387.103**
Common Equity Tier 1 ratio	14,68%	15,02%
Tier 1 Capital ratio	14,68%	15,02%
Ratio – Total Own Funds	**17,71%**	**19,59%**

CET1, Tier 1 and Total Capital include the profits accrued by the Bank at 31 December 2023 and are stated 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.

Own funds, risk-weighted assets and prudential ratios at 31 December 2023 were calculated based on the regulatory changes introduced by Directive 2019/878/EU (CRD V) and Regulation (EU) 876/2019 (CRR2), which amended the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 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, Banca Ifis 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 Co-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.

Reclassified income statements items

Formation of net banking income

Net banking income totals 455,1 million Euro, up 25,4% from 362,9 million Euro at 31 December 2022. The item includes dividends received from the subsidiary Ifis Npl Investing S.p.A. in the amount of 89,0 million Euro (40,0 million Euro in 2022). Excluding this last component, net banking income increases by 13,4% compared to December 2022.

NET BANKING INCOME - reclassified - (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	239.089	230.406	8.683	3,8%
Net commission income	87.882	84.327	3.555	4,2%
Other components of net banking income	128.133	48.204	79.929	165,8%
Net banking income	**455.104**	**362.937**	**92.167**	**25,4%**

Net interest income grows by 3,8% compared with the previous year's figure, coming in at 239,1 million Euro due in part to the positive trend in interest rates and higher volumes in all areas of the Bank's operations.

Net commissions amount to 87,9 million Euro, an increase of 4,2% compared to the figure at 31 December 2022: this trend is mainly attributable to the higher contribution of commission income, linked to the increase in yields on loans of the Factoring Area compared to 31 December 2022, against an essentially stable incidence of commission expenses. In particular:

- commission income, totalling 98,7 million Euro, up 4,3% on 31 December 2022, primarily refers to factoring commissions on the turnover generated by customers (with or without recourse, in a flat or monthly scheme), arrangement fees for structured finance transactions, leases, as well as from other fees for services;
- commission expense totals 10,8 million Euro, essentially in line with the figure of 2022, and largely refers to fees paid to banks and financial intermediaries such as management fees, fees paid to third parties for the distribution of leasing products, as well as brokerage operations carried out by approved banks and other credit brokers.

The other components of net banking income are 128,1 million Euro at 31 December 2023, up by 79,9 million Euro compared with 2022, and broke down as follows:

- dividends of 105,2 million Euro, of which 89,0 million Euro generated by Ifis Npl Investing S.p.A. (49,9 million Euro at 31 December 2022, of which 40,0 million Euro related to Ifis Npl Investing);
- 2,9 million Euro due to the positive net result from trading activities, a clear improvement on the negative result of 20,5 million Euro of 2022;
- -0,1 million Euro for the net negative result of hedging activities, which started in 2023 to hedge the interest rate risk associated with the portfolio of government bonds at amortised cost held by the Bank;
- 5,8 million Euro for net gains from the sale or buy-back of financial assets and liabilities (net profits of 4,9 million Euro at 31 December 2022), mainly linked to operations on proprietary portfolio securities;
- 14,3 million Euro from the net positive result of other financial assets and liabilities measured at fair value through profit or loss (essentially in line with the 31 December 2022 figure), primarily represented by the net positive change in the 2023 fair value of UCITS fund units for 5,5 million Euro and equity securities for 6,5 million Euro.

Net profit from financial activities totals 403,2 million Euro, compared to 311,4 million Euro at 31 December 2022 (+29,5%).

FORMATION OF NET PROFIT FROM FINANCIAL ACTIVITIES - reclassified - (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Net banking income	**455.104**	**362.937**	**92.167**	**25,4%**
Net credit risk losses/reversals	(51.949)	(51.586)	(363)	0,7%
Net profit (loss) from financial activities	**403.155**	**311.351**	**91.804**	**29,5%**

Net credit risk losses come to 51,9 million Euro and are in line with respect to December 2022.

Formation of net profit for the year

FORMATION OF NET PROFIT - reclassified - (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Net profit (loss) from financial activities	**403.155**	**311.351**	**91.804**	**29,5%**
Operating costs	**(221.016)**	**(206.647)**	**(14.369)**	**7,0%**
Net allocations to provisions for risks and charges	(6.183)	1.512	(7.695)	(508,9)%
Profit (loss) on equity investments	(3.740)	(4.127)	387	(9,4)%
Pre-tax profit (loss) for the period from continuing operations	**172.216**	**102.089**	**70.127**	**68,7%**
Income taxes for the year relating to current operations	(28.812)	(22.293)	(6.519)	29,2%
Profit (Loss) for the year	**143.404**	**79.796**	**63.608**	**79,7%**

The reclassified cost/income ratio totals 48,6%, compared to 56,9% at 31 December 2022. Operating costs total 221,0 million Euro, showing an increase on 31 December 2022 (+7,0%).

OPERATING COSTS - reclassified - (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Administrative expenses:	247.491	224.837	22.654	10,1%
a) personnel expenses	123.266	114.143	9.123	8,0%
b) other administrative expenses	124.225	110.694	13.531	12,2%
Net impairment losses/reversals on property, plant and equipment and intangible assets	15.582	14.804	778	5,3%
Other operating income/expenses	(42.057)	(32.997)	(9.060)	27,5%
Operating costs	**221.016**	**206.644**	**14.372**	**7,0%**

Personnel expenses, amounting to 123,3 million Euro, increase by 8,0% (114,1 million Euro at 31 December 2022), which can be attributed to the increase in personnel, higher variable remuneration as well as incremental costs attributable to 2023 linked to the renewal of the National Collective Bargaining Agreement (NCBA) for bank employees. The number of Bank employees at 31 December 2023 is 1.350 as compared with 1.312 resources at 31 December 2022.

Other administrative expenses, of 124,2 million Euro at 31 December 2023, are up by 12,2% on the previous year's balance. The change in this item is due to the contrasting effect in some items, as summarised in the table below:

OTHER ADMINISTRATIVE EXPENSES - reclassified - (in thousands of Euro)	YEAR		CHANGE	
	2023	2022	ABSOLUTE	%
Expenses for professional services	**40.357**	**39.657**	**700**	**1,8%**
Legal and consulting services	38.253	37.267	986	2,6%
Auditing	519	549	(30)	(5,5)%
Outsourced services	1.585	1.841	(256)	(13,9)%
Direct and indirect taxes	**14.045**	**13.875**	**170**	**1,2%**
Expenses for purchasing goods and other services	**69.823**	**57.162**	**12.661**	**22,1%**
Software assistance and hire	17.112	15.805	1.307	8,3%
Advertising and inserts	13.018	8.101	4.917	60,7%
Interbank Deposit Protection Fund ("FITD") and Single Resolution Fund	10.834	11.537	(703)	(6,1)%
Property expenses	6.492	5.239	1.253	23,9%
Customer information	3.997	3.400	597	17,6%
Business travel and transfers	3.989	2.140	1.849	86,4%
Telephone and data transmission expenses	2.987	3.043	(56)	(1,8)%
Car fleet management and maintenance	2.847	2.435	412	16,9%
Postage and archiving of documents	861	779	82	10,5%
Securitisation costs	703	1.431	(728)	(50,9)%
Other sundry expenses	6.983	3.252	3.731	114,7%
Total other administrative expenses	**124.225**	**110.694**	**13.531**	**12,2%**

"Legal and consulting services" expenses amount to 38,3 million Euro at 31 December 2023 (+2,6% compared to the previous year), mainly referring to judicial collection activities for non-performing loans, and consulting activities related to the implementation of the Bank's strategic projects.
"Direct and indirect taxes" amount to 14,0 million Euro and consist mainly of stamp duty in the amount of 12,1 million Euro (in line with the figure at the end of 2022), the charge of which to customers is included in "Other operating income".
"Expenses for purchasing goods and other services" amount to 69,8 million Euro, up 22,1% from the 57,2 million Euro at 31 December 2022. The trend is as follows:

- costs for software support and rental, which increase by 8,3% compared to FY 2022, due almost entirely to increased support for the Bank's software;
- costs for advertising and inserts, which increase from 8,1 million Euro to 13,0 million Euro in December 2023, following the implementation of new advertising campaigns in 2023 when the 40th anniversary of the founding of Banca Ifis occurred;
- other costs related to donations for projects supporting communities, territories and people.

Net adjustments and reversals of property, plant and equipment and intangible assets at 31 December 2023 amount to 8,7 million Euro and 6,9 million Euro, respectively, essentially in line with the figures for the previous year.
Other net operating income, amounting to 42,1 million Euro at 31 December 2023, records an increase of 9,1 million Euro on the figure for last year (33 million Euro). The item refers mainly to revenue from the recovery of expenses charged to third parties. The relevant cost component is included in other administrative expenses, namely under legal expenses and indirect taxes, as well as recoveries of expenses associated with leasing operations.
Net allocations to provisions for risks and charges at 31 December 2023 amount to 6,2 million Euro, rising by 7,7 million Euro compared to 31 December 2022, mainly because the comparative balance for 2022 included the 5,9 million Euro reversal of provisions for risks related to credit sale transactions regarding to securitisations of bad loans guaranteed by Italian Treasury Department ("GACS").
Losses on disposal of investments include the effects of the adjustment of the valuation of the subsidiary Cap.Ital.Fin. for 3,7 million Euro.
Pre-tax profit from continuing operations amounts to 172,2 million Euro (+68,7% compared to 31 December 2022).
Income taxes at 31 December 2023 amount to 28,8 million Euro and the tax rate for FY 2023 is 16,73%, down from the previous year's figure of 21,84%. The effective tax rate is below the theoretical tax rate of 33,07% (27,5% IRES + 5,57% IRAP) thanks to the benefits generated primarily by the aid for economic growth ("ACE") deduction and

the partial taxation of dividends received by the Bank, 95% of which are excluded from IRES taxation and 50% from IRAP taxation.

In view of the foregoing, net profits come to 143,4 million Euro (up 79,7% on last year).

Main risks and uncertainties

Taking into account the business carried out and the results achieved, the Bank's financial position is proportionate to its needs. Indeed, the Bank's financial policy is aimed at favouring funding stability and diversification rather than the immediate operating needs. The main risks and uncertainties deriving from the present conditions of financial markets, including following the current situation linked to international tensions, above all with reference to the Middle East, which will impact the supply chain and once again inflation, do not represent a particular problem for the Bank's financial balance and, in any case, they are not likely to threaten business continuity.

Refer to Part E of the Notes for information on Banca Ifis's risks typical of the banking sector, as well as to what is set forth in the Directors' Report on Banca Ifis in the section "Business outlook".

Banca Ifis shares

The share price

The ordinary shares of Banca Ifis S.p.A. are listed on the STAR segment, and the bank is listed on the Ftse Italia Mid Cap index. The following table shows the share prices at the end of the year.

Official share price	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Share price at year-end	15,70	13,31	17,07	9,18	14,00

Outstanding shares	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Number of shares outstanding at year end (in thousands) (1)	52.468	52.433	53.472	53.460	53.452

(1) Outstanding shares are net of treasury shares held in the portfolio. This figure is calculated as the weighted average of the No. of shares outstanding at the ex-dividend date and the number of shares outstanding at the ex-dividend date, using the relevant dividend per share as a weighting factor. The 2023 figure takes the value as of 31 December 2023 as the number of shares outstanding on the ex-dividend date.

Payout ratio

For 2023, the Banca Ifis Board of Directors will propose to the Shareholders' Meeting to distribute 0,9 Euro per share by way of period interim dividend. In November 2023, an interim dividend of 1.2 Euro per share had already been distributed for FY 2023. The total 2023 dividend (interim and balance) thus amounts to 2,1 Euro per share.

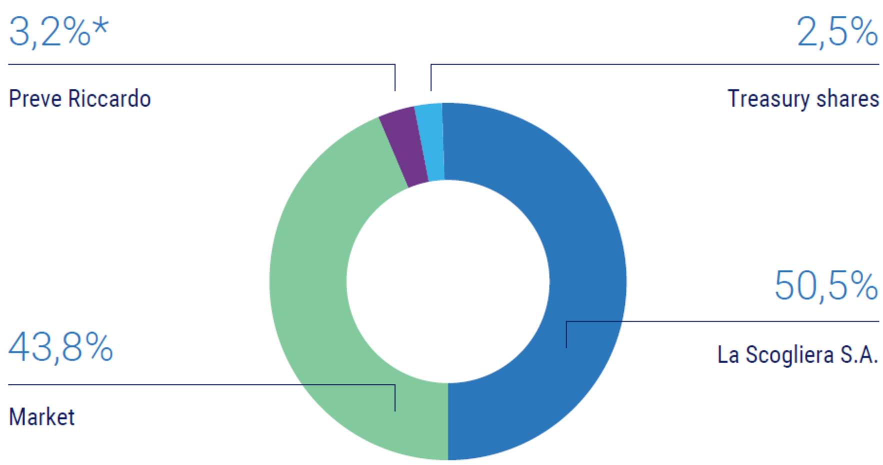
Payout ratio (in thousands of Euro)	2023	2022	2021	2020	2019
Net profit	143.404	79.796	56.468	59.504	27.346
Dividends (1)	110.183	73.418	49.811	25.132	58.797
Payout ratio (1)	**76,8%**	**92,0%**	**88,2%**	**42,2%**	**215,0%**

(1) The figures for FY 2023 take into account both the 2023 interim dividend distributed on 22 November 2023 (the payment date) and the dividend proposal prepared by the Board of Directors of Banca Ifis.

Shareholders

The share capital of Banca Ifis at 31 December 2023 amounts to 53.811.095 Euro and is broken down into 53.811.095 shares worth a nominal amount of 1 Euro each.

Below are Banca Ifis's shareholders that, either directly or indirectly, own equity instruments with voting rights representing over 3% of Banca Ifis's share capital:



*Through himself for 0,32% and through Preve Costruzioni for 2,86%.

Corporate governance rules

Banca Ifis has adopted the Corporate Governance Code for listed companies. The Bank's Board of Directors has established the Control and Risk Committee, the Appointments Committee and the Remuneration Committee. The Board of Directors has also appointed a Supervisory Body with autonomous powers of initiative and control pursuant to Italian Legislative Decree No. 231/2001.

Internal dealing rules

Banca Ifis regulations on internal dealing are aligned with the relevant EU legislation (EU Regulation No. 596/2014, the Market Abuse Regulation) and aims to ensure the utmost transparency in the Bank's disclosures to the market.
On the other hand, the "Policy on transactions carried out by Relevant Persons and Closely Related People in shares, debt securities and related financial instruments issued by Banca Ifis" (the Internal Dealing Policy) governs:

- the requirements related to identifying the Relevant Persons and the so-called "closely related people";
- the management of information relating to transactions exceeding the minimum amount threshold on units, credit securities or related instruments issued by Banca Ifis, carried out, directly or indirectly, by a Relevant Person or by a Closely Related Person and subject to notification obligations;
- the handling of closed periods, i.e. those periods during which the Relevant Persons must refrain from trading in shares or other debt instruments issued by Banca Ifis as well as financial instruments linked to them.

The relevant persons are:

- the members of the Board of Directors;
- the members of the Board of Statutory Auditors;
- managers regarded as "key managers", i.e:
  - any person holding an interest, calculated pursuant to Article 118 of the Issuers' Regulation, equal to at least 10% of the share capital of Banca Ifis, represented by shares with voting rights as well as another subject who controls the Bank;
  - additional persons identified as such, even for limited periods of time, by specific resolution of the Board of Directors of Banca Ifis.

This document is available on Banca Ifis's website, www.bancaifis.it, in the "Corporate Governance" Section, "Internal Dealing" sub-section.

Rules for the handling of inside information

Internal procedures for handling inside information and the list of individuals who have access to inside information are aligned with the Market Abuse Regulation.

In compliance with Article 115-bis of Italian Legislative Decree No. 58/1998, Banca Ifis has created a list of individuals who, in performing their professional and work duties or in carrying out their activity, have access to inside information (the list of insiders). Banca Ifis constantly updates this list.
In addition, the Bank has adopted the "Group policy for the handling of inside information" in order to:

- prevent individuals who, based on their duties, have no reason to know such information from accessing it;
- identify the individuals who have access to such information at all times.

This policy also describes the process of handling inside information of third-party issuers, also with reference to the management of passive market surveys.

Significant events occurred during the year

Banca Ifis transparently and timely discloses information to the market, constantly publishing information on significant events through press releases. Please visit the Media section of the institutional website www.bancaifis.it to view all press releases.
Below is a summary of the most significant events that occurred during the year.

January 2023 issue of the 300 million Euro bond maturing in 4 years

On 12 January 2023, Banca Ifis successfully completed the placement of a Senior Preferred bond issue under its EMTN programme amounting to 300 million Euro. The transaction was intended for institutional investors. Specifically, the issue has a maturity of four years, with settlement date: 19 January 2023. The re-offer price is 99,569, for a return at maturity of 6,25% and a coupon that is payable annually in the amount of 6,125%. The bond was listed on Euronext Dublin and has an expected rating of BB+ by Fitch and Baa3 by Moody's. The placement of this bond is part of the EMTN funding programme envisaged in the Group's 2022-2024 Business Plan, which estimates 2,5 billion Euro of new placements.

The Shareholders' Meeting approved the 2022 Financial Statements, the distribution of a dividend of 0,40 Euro per share as balance for the financial year and the appointment of Sebastien Egon Fürstenberg as Honorary Chairman

The Shareholders’ Meeting of Banca Ifis, which met on 20 April 2023 in single call, chaired by Ernesto Fürstenberg Fassio in accordance with the applicable provisions, and hence in the manner set out in Art. 106 of Decree-Law No. 18 of 17 March 2020, approved:

- in the ordinary session:
  - Banca Ifis 2022 Annual Report;
  - the distribution to shareholders of a dividend of 0,40 Euro, as balance for FY 2022, gross of any withholding taxes, per share, with ex-dividend date (coupon No. 27) on 22 May 2023, record date on 23 May 2023 and payment on 24 May 2023;
  - Section I of the document “Report on Remuneration Policy and Remuneration Paid” prepared in accordance with Art. 123-ter of Legislative Decree No. 58/1998. The Shareholders’ Meeting also resolved in favour of Section II of the aforementioned document relating to the implementation of remuneration policies during FY 2022;
  - the amendment to certain provisions of the "2021-2023 LTI Plan";
  - the appointment of Founder Sebastien Egon Fürstenberg as Honorary Chairman of Banca Ifis for an indefinite term.
- in an extraordinary session, amendments to Articles 2, 4, 6, 8, 12, 14 and 20 of the Banca Ifis Articles of Association.

The Board of Directors of Banca Ifis appoints Simona Arduini as Vice Chair

The Board of Directors of Banca Ifis S.p.A. met on 13 July 2023 and unanimously approved the appointment of Professor Simona Arduini as Vice Chair. Simona Arduini will support the Bank, amongst other matters, in the pursuit of projects in the area of sustainability in all its forms. Prof. Arduini has retained her role as Chair of the Audit and Risk Committee until her term expires and has also joined the Sustainability Committee. It has also been confirmed that Prof. Arduini meets the independence requirements.

Approval of Banca Ifis's new dividend policy

The Board of Directors of Banca Ifis approved the new shareholder remuneration policy on 3 August 2023. This Dividend Policy provides for a progressive mechanism with an increase in the payout ratio when the threshold of earnings needed to meet the Bank's capital requirements (retained earnings) is exceeded, in accordance with the reference macroeconomic and regulatory context and the progress of the Business Plan in force over time. The Board may propose to the Shareholders' Meeting to distribute a portion of the Bank's net profit for the year up to 50% of the consolidated net profit attributable to Banca Ifis up to the Materiality Threshold identified when defining the annual budget and 100% of the consolidated net profit attributable to Banca Ifis in excess of the Materiality

Threshold. The Materiality Threshold, for 2023, is set at 100 million Euro. This is without prejudice, in any case, to the Board's full discretion in defining, on a case-by-case basis, the dividend distribution proposal to be submitted to the Shareholders' Meeting, in accordance with Article 28 CRR.

Publication of Banca Ifis's first TCFD Report

On 3 August 2023, the Board of Directors of Banca Ifis has approved the first edition of the TCFD Report, presenting useful information for investors and stakeholders to correctly assess the Bank's climate-related risks and opportunities. The document, drawn up on a voluntary basis and aligned with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), created on the initiative of the Financial Stability Board, further expands the Group's ESG reporting, representing, among other projects, the strategy to reduce emissions financed on the credit portfolio that the Bank has defined by joining, first in Italy, the Net-Zero Banking Alliance (NZBA), the initiative promoted by the United Nations to accelerate the sustainable transition of the international banking sector. The TCFD Report of Banca Ifis is available at www.bancaifis.it in the “Sustainability” section, subsection “Environment”.

September 2023 issue of the 300 million Euro bond maturing in 5 years

On 6 September 2023, Banca Ifis completed the placement of a 300 million Euro senior preferred bond issue aimed at institutional investors. The transaction is part of the 5 billion Euro EMTN issuance programme, as envisaged in the Bank's 2022-2024 Business Plan. In detail, the bond issue has a term of 5 years, with settlement date: 13 September 2023 and maturity on 13 September 2028. The reoffer price was set at par, with an annually payable coupon of 6,875%. The bond is listed on the Luxembourg Stock Exchange and has a rating of Baa3 by Moody's and BB+ by Fitch.

Roberto Ferrari appointed as Banca Ifis's new CFO

Banca Ifis has strengthened its management team with the addition of Roberto Ferrari who, starting 20 September 2023, has been appointed Chief Financial Officer (CFO). In his new role, Ferrari reports directly to the CEO, Frederik Geertman.
In compliance with the provisions contained in the Instructions to the Rules of Markets organised and managed by Borsa Italiana S.p.A., we inform that Mr Ferrari does not hold shares of Banca Ifis.

Extraordinary tax on the “extra-profits” of banks under Italian Law No. 136/2023

On 9 October 2023, Law No. 136 converted Decree-Law No. 104 of 10 August 2023 (the “Omnibus bis Decree” or the “Asset Decree”), introducing, for 2023, an extraordinary tax on net interest income (the “extra-profits”) of Italian banks, even if they operate in the territory of the Italian State through a permanent establishment. For an assessment and information on the impact of this extraordinary tax on the Bank, refer to the specific paragraph in “Part A - Accounting policies” of the Notes.

Distribution of a 2023 interim dividend of 63,0 million Euro (1.2 Euro per share)

On 09 November 2023, the Banca Ifis Board of Directors, in line with what was resolved by the Shareholders' Meeting on 03 August 2023, resolved to distribute an interim dividend for 2023 totalling 62.961.692,40 Euro, i.e. equal to 1,2 Euro (gross of withholding taxes) for each of the 52.468.077 Banca Ifis shares issued and outstanding as of such date (and therefore excluding treasury shares held by the Bank). The interim dividend 2023 was paid with ex-dividend No. 28 dated 20 November 2023, record date of 21 November and payment date of 22 November 2023.
The report by the Board of Directors and the accounting statement at 30 September 2023 pursuant to Article 2433-bis of the Italian Civil Code, on the basis of which the Board of Directors of Banca Ifis resolved to distribute the interim dividend and included in the Interim Report as at 30 September 2023 - are made available to the public at the Bank's registered office, as well as on the authorised storage mechanism and on the Bank's institutional website, www.bancaifis.it, in the “Investor Relations & Corporate Development" section. Lastly, for the purposes of the distribution of the interim dividend, on 9 November 2023, the independent auditing firm PricewaterhouseCoopers S.p.A. issued the opinion required by Article 2433-bis of the Italian Civil Code, which has been made available to shareholders at the Bank's registered office.

Renewal of the National Collective Bargaining Agreement (NCBA) for credit, financial and instrumental enterprises

On 23 November 2023, ABI signed the agreement with the various trade unions (Fabi, First - Cisl, Fisac - CGIL, Uilca and Unisin) for the renewal of the National Collective Bargaining Agreement (NCBA) of 19 December 2019 for middle managers and staff in the professional areas employed by credit, financial and instrumental enterprises.

Thanks to the agreement, the NCBA, which expired on 31 December 2022, was renewed for both the economic and regulatory parts until 31 March 2026.

The changes include an increase in gross pay, the reinstatement of the full basis for calculating severance indemnity (as of 1 July 2023), 100% pay coverage extended to periods of early disqualification (high-risk pregnancy), an increase in the minimum amount of meal vouchers, and a reduction in weekly working hours as of 1 July 2024.

Subsequent events

Issue of a 400 million Euro bond maturing in 5 years

On 20 February 2024, Banca Ifis successfully completed the placement of a Senior Preferred Unsecured bond issue under its EMTN programme amounting to 400 million Euro. The transaction was intended for institutional investors.

Specifically, the issue has a maturity of five years, with a settlement date scheduled for 27 February 2024. The reoffer price is 99,362, for a return at maturity of 5,65% and a coupon that is payable annually in the amount of 5,50%. The bond will be listed on Euronext Milan and has an expected rating of BB+ by Fitch and Baa3 by Moody's.

The bond placement is part of the EMTN funding programme envisaged in the Bank's Business Plan for the three-year period 2022-2024, which estimates 2,5 billion Euro of new placements.

Information on international tensions

This section aims to provide a specific disclosure on the impacts generated by international tensions, above all with reference to the Middle East.
The Bank has carried out a series of in-depth studies to assess the exposures (direct and indirect) to counterparties resident in the areas involved by such international tensions and to estimate the related impacts and risk containment measures.
Furthermore, the Risk Management function, in addition to the risk factors usually considered, deemed it reasonable to include the current geopolitical tense situation as an additional risk factor.
In particular, this situation has been considered within the institutional documentation (RAF, Recovery Plan and ICAAP/ILAAP Report) from a twofold point of view: on the one hand as a worsening of severities and inclusion of new stress assumptions in the stress test framework, and on the other hand as an extra capital requirement against the strategic and sovereign risks assumed by the Bank.
More specifically, from the point of view of the assumptions directly considered in the stress tests, the following were considered:

- an increase in the conversion to impaired of factoring customers operating in segments with negative outlooks;
- the use of further worsened transition matrices for factoring customers in the stress test pro Recovery Plan.

On the assumptions that have an impact on the levels of internal capital allocated to individual risks, it should be noted that:

- a further worsened interest rate scenario was used as a consequence of a hypothetical continuation of the high inflation context (resulting from the commodity shortage caused by the conflict), which led to a higher estimate of internal capital for sovereign risk;
- additional internal capital was allocated to cover strategic risk, assuming an uncertain economic environment resulting from the current geopolitical situation.

The analyses conducted have revealed a limited number of counterparties present in the areas involved by the current international tensions, to which modest direct credit exposures correspond. Similarly, no particular critical issues have been noted with regard to the trade receivables portfolio.

Business outlook

The US and European economies have proven resilient to rising interest rates. The reasons for the resilience of the US and European economies seem to lie in the combination of expansionary fiscal policies, high available liquidity in the financial markets and strong labour demand.

In the second half of 2023, inflation, consumer spending and excess demand in the labour market started a downward trend. Moreover, the wars in the Middle East and Ukraine did not cause shocks to the world economy, remaining confined to specific territories.

At the end of 2023, central banks ended the cycle of interest rate hikes that began in 2022 and are now considering the timing of a possible reduction with the aim of continuing the gradual decline in inflation and preventing an excessive contraction of domestic demand.

According to Istat estimates, the Italian economy is expected to grow by 0,7% in 2023 and 2024. Domestic demand is expected to be driven mainly by private consumption (+1,4% in 2023 and +1,0% in 2024) supported by decelerating inflation, a gradual recovery of wages and employment growth. Investments are expected to slow down significantly compared to the previous two years (+0,6% in both years). Inflation will decrease due to falling energy prices and the consequences of the restrictive monetary policies implemented by the ECB. The dynamics of the deflator of resident household expenditure is expected to decrease to +5,4% in 2023 and +2,5% in 2024.

In this macroeconomic context, the results of the major European banks benefited, on the revenue side, from higher interest rates and, on the provisioning side, from a limited deterioration in asset quality. The capital and liquidity position of the European banking sector has demonstrated good solidity.

In 2023, Banca Ifis reported a profit of 143,4 million Euro, confirming its strong economic, equity and financial profile. The analyses conducted as at the date of this document on the Bank have not revealed any significant signs of deterioration in asset quality, on which a prudent provisioning policy has nevertheless been applied. However, the Bank carefully monitors market risks that may impact the business, with particular attention to the evolution of the macroeconomic environment and the average cost of funding. Banca Ifis therefore confirms the target of keeping the positive performance recorded in 2023 for FY 2024 too, in the absence of macroeconomic shocks, despite the slowdown in growth and a higher cost of funding.

Other information

Adoption of Opt-Out Option pursuant to Consob resolution No. 18079 of 20 January 2012

On 21 January 2013, Banca Ifis's Board of Directors resolved, as per Article 3 of Consob Regulation No. 18079 of 20 January 2012, to adopt the opt-out option pursuant to Article 70, paragraph 8 and Article 71, paragraph 1-bis, of Consob Issuers' Regulation, thus exercising the right to depart from the obligations to publish information documents required in connection with significant operations like mergers, spin-offs, capital increases by contribution in kind, acquisitions and sales.

Report on Corporate Governance and Shareholding Structure

Pursuant to Article 123 bis, paragraph three, of Italian Legislative Decree no. 58 of 24 February 1998 (so-called "TUF", Consolidated Law on Finance), a separate report has been prepared from this Report on Operations, which was approved by the Board of Directors and published together with the draft financial statements. This document is also made available in the "Corporate Governance" Section, subsection "Reports and Documents", section "Corporate Governance Organisation and Structures" on the corporate website www.bancaifis.it.
The "Report on Corporate Governance and Shareholding Structure" has been drawn up according to the format provided by Borsa Italiana.

Remuneration policies

The "Corporate governance" section, subsection "Remuneration" of the corporate website www.bancaifis.it includes the "2023 Report on Remuneration Policy and Remuneration Paid", drafted pursuant to Article 123 ter of the TUF, where the remuneration policy valid for the year 2023 for Banca Ifis is illustrated, which is substantially in line with the previous versions, except for the regulatory changes provided for in particular by the Supervisory Provisions implementing the CRDV (Directive 2019/878/EU).

Privacy measures

Banca Ifis has consolidated a project to comply with (EU) Regulation No. 2016/679 in order to incorporate the relevant regulatory provisions into its internal privacy management model, planning a series of both technological and organisational steps.

Parent company management and coordination

Pursuant to Articles 2497 to 2497 sexies of the Italian Civil Code, it should be noted that the Parent company La Scogliera S.A. does not carry out any management and coordination activities with respect to Banca Ifis, notwithstanding Article 2497 sexies of the Italian Civil Code, since the management and coordination of investee financial companies and banks is expressly excluded from La Scogliera's corporate purpose.

Information on Banca Ifis's management and coordination activities

Pursuant to Articles 2497 *et seq.* of the Italian Civil Code, Banca Ifis S.p.A. exercises management and coordination activities with respect to its direct and indirect subsidiaries, including companies that are not part of the banking Group under current regulations.

Transactions on treasury shares

At 31 December 2022, Banca Ifis held 1.377.981 treasury shares recognised at a market value of 22,1 million Euro and a nominal amount of 1.377.981 Euro.
During the year, Banca Ifis, as variable pay, awarded the Top Management 34.963 treasury shares at an average price of 9,39 Euro, for a total of 341 thousand Euro and a nominal amount of 34.963 Euro, making profits of 54 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the premium reserve.
During the year, there were no further transactions on treasury shares other than those mentioned above.
Considering the above operations, the stock at the end of the year was 1.343.018 treasury shares, with an equivalent value of 21,8 million Euro and a nominal amount of 1.343.018 Euro.

It should be noted that Banca Ifis does not hold, directly or indirectly, any shares in the Parent company La Scogliera S.A..

Transactions with Group companies and related parties

In compliance with the provisions of Consob Resolution No. 17221 of 12 March 2010 and subsequently amended, as well as the prudential Supervisory provisions for banks in Circular No. 285 of 17 December 2013 of the Bank of Italy, part three, chapter 11 (on "Risk activities and conflicts of interest towards related parties”), any transactions with related parties and relevant parties are implemented pursuant to the procedure approved by the Board of Directors called the “Group Policy covering transactions with related parties, associates and corporate representatives pursuant to Art. 136 of the Consolidated Law on Banking”, last updated in February 2022.
This document is available to the public in the "Corporate Governance" Section, subsection "Reports and Documents", section "Related Parties and Connected Subjects" on the corporate website www.bancaifis.it.
During 2023, no significant transactions with related parties were undertaken outside the scope of the Consolidated Financial Statements.
The disclosure on related party transactions and the description of the most significant transactions concluded with related parties during the financial year, provided for by the Regulation adopted by Consob with resolution No. 17221 of 12 March 2010 and subsequent amendments, are reported in the individual Notes to the Financial Statements, Part H, to which reference should be made.

Atypical or unusual transactions

During 2023, the Bank did not carry out atypical or unusual transactions as defined by Consob Communication No. 6064293 of 28 July 2006.

The Bank's offices

The Bank has its registered office in Venice-Mestre, as well as offices of the Presidency in Rome and operational offices in Milan. There are no branch offices.

Human resources

At 31 December 2023, Banca Ifis had 1.350 employees (1.312 at 31 December 2022). Below is a breakdown of the workforce by classification level.

EMPLOYEES BY CLASSIFICATION LEVEL	31.12.2023		31.12.2022		CHANGES	
	Number	%	Number	%	Number	%
Senior managers	88	6,5%	87	6,6%	1	1,1%
Middle managers	522	38,7%	495	37,7%	27	5,5%
Clerical staff	740	54,8%	730	55,7%	10	1,4%
Total Banca Ifis employees	**1.350**	**100,0%**	**1.312**	**100,0%**	**38**	**2,9%**

Research and development activities

Due to its business, the Bank did not implement any research and development programmes during the year.

Annual profit distribution proposal

Dear Shareholders,

The Board of Directors proposes to allocate the profit for the year, amounting to 143.403.999 Euro, as follows:

- 23.905.112 Euro to be allocated to the non-distributable reserve, corresponding to 2,5 times the amount - equal to 9.562.045 Euro - of the extraordinary tax calculated on the increase in net interest income, in lieu of the payment of this tax, pursuant to Decree-Law No. 104 of 10 August 2023, converted with amendments by Law No. 136 of 9 October 2023;
- distributing to shareholders a cash dividend (before tax withholdings required by law) of 0,9 Euro per ordinary share in issue with ex-dividend date (coupon No. 29) on 20 May 2024. In November 2023, an interim dividend of 1,2 Euro per share had already been distributed for FY 2023. This dividend includes the portion attributable to the company's treasury shares. As per Article 83-terdecies of Italian Legislative Decree No. 58 of 24 February 1998 (Consolidated Law on Finance, or "TUF"), eligibility for the dividend is determined based on the shareholders of record on the intermediary's books as per Article 83-quater, paragraph 3 of the Consolidated Law on Finance at the end of 21 May 2024 (the record date);
- to other reserves the remainder of the allocation referred to above.

Payment will be made on 22 May 2024 through the authorised intermediaries with which the shares are registered on the Monte Titoli System.

Venice - Mestre, 7 March 2024

For the Board of Directors

The CEO

Frederik Herman Geertman

Financial Statements

Statement of Financial Position

	ASSETS (in units of Euro)	31.12.2023	31.12.2022
10.	Cash and cash equivalents	599.016.467	440.113.632
20.	Financial assets measured at fair value through profit or loss	216.049.105	189.364.286
	a) financial assets held for trading	583.205	1.770.200
	c) other financial assets mandatorily measured at fair value	215.465.900	187.594.086
30.	Financial assets measured at fair value through other comprehensive income	749.171.044	697.606.474
40.	Financial assets measured at amortised cost	9.836.784.565	9.317.417.852
	a) receivables due from banks	634.802.491	562.336.322
	b) receivables due from customers	9.201.982.074	8.755.081.530
70.	Equity investments	672.528.343	661.332.156
80.	Property, plant and equipment	140.810.946	122.515.526
90.	Intangible assets	32.993.043	22.641.532
100.	Tax assets:	238.924.453	296.853.729
	a) current	29.269.663	46.951.327
	b) prepaid	209.654.790	249.902.402
120.	Other assets	376.895.638	453.604.458
	Total assets	**12.863.173.604**	**12.201.449.645**

	LIABILITIES AND EQUITY (in units of Euro)	31.12.2023	31.12.2022
10.	Financial liabilities measured at amortised cost	11.117.517.248	10.541.665.757
	a) payables due to banks	2.604.466.155	3.485.344.719
	b) payables due to customers	7.077.198.747	5.947.293.799
	c) debt securities issued	1.435.852.346	1.109.027.238
20.	Financial liabilities held for trading	14.005.340	25.981.863
40.	Hedging derivatives	11.643.727	-
60.	Tax liabilities:	38.268.504	36.009.281
	a) current	8.799.355	5.735.357
	b) deferred	29.469.149	30.273.924
80.	Other liabilities	259.976.018	251.813.515
90.	Post-employment benefits	5.321.717	5.426.669
100.	Provisions for risks and charges:	51.804.638	50.370.168
	a) commitments and guarantees granted	5.248.405	9.107.111
	b) pensions and similar obligations	189.344	-
	c) other provisions for risks and charges	46.366.889	41.263.057
110.	Valuation reserves	(33.085.299)	(50.653.450)
140.	Reserves	1.201.177.993	1.197.999.003
145.	Interim dividends	(62.961.692)	(52.433.114)
150.	Share premiums	84.107.651	83.766.584
160.	Share capital	53.811.095	53.811.095
170.	Treasury shares (-)	(21.817.335)	(22.104.058)
180.	Profit (loss) for the year (+/-)	143.403.999	79.796.332
	Total liabilities and equity	**12.863.173.604**	**12.201.449.645**

Income Statement

	ITEMS (in units of Euro)	31.12.2023	31.12.2022
10.	Interest receivable and similar income	563.632.166	339.279.640
	of which: interest income calculated using the effective interest method	*557.601.255*	*335.749.136*
20.	Interest due and similar expenses	(324.542.772)	(108.874.196)
30.	**Net interest income**	**239.089.394**	**230.405.443**
40.	Commission income	98.701.387	94.639.704
50.	Commission expense	(10.819.465)	(10.313.494)
60.	**Net commission income**	**87.881.922**	**84.326.210**
70.	Dividends and similar income	105.172.263	49.850.900
80.	Net profit (loss) from trading	2.915.709	(20.528.725)
90.	Net result from hedging	(100.442)	-
100.	Profit (loss) from sale or buyback of:	6.210.284	4.491.411
	a) financial assets measured at amortised cost	2.527.346	4.548.360
	b) financial assets measured at fair value through comprehensive income	2.656.229	(87.660)
	c) financial liabilities	1.026.709	30.711
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	14.331.719	13.977.569
	b) other financial assets mandatorily measured at fair value	14.331.719	13.977.569
120.	**Net banking income**	**455.500.849**	**362.522.808**
130.	Net credit risk losses/reversals on:	(54.974.424)	(53.109.452)
	a) financial assets measured at amortised cost	(54.894.049)	(52.277.056)
	b) financial assets measured at fair value through other comprehensive income	(80.375)	(832.395)
150.	**Net profit (loss) from financial activities**	**400.526.425**	**309.413.357**
160.	Administrative expenses:	(247.493.455)	(224.836.977)
	a) personnel expenses	(123.267.457)	(114.142.871)
	b) other administrative expenses	(124.225.998)	(110.694.106)
170.	Net allocations to provisions for risks and charges	(3.555.354)	3.447.701
	a) commitments and guarantees granted	3.670.763	892.552
	b) other net allocations	(7.226.117)	2.555.148
180.	Net impairment losses/reversals on property, plant and equipment	(8.716.206)	(8.432.722)
190.	Net impairment losses/reversals on intangible assets	(6.866.125)	(6.371.461)
200.	Other operating income/expenses	42.061.072	32.996.898
210.	**Operating costs**	**(224.570.068)**	**(203.196.562)**
220.	Profit (loss) on equity investments	(3.740.072)	(4.127.330)
260.	**Pre-tax profit (loss) for the period from continuing operations**	**172.216.285**	**102.089.465**
270.	Income taxes for the year relating to current operations	(28.812.286)	(22.293.132)
280.	**Profit (loss) from continuing operations, net of taxes**	**143.403.999**	**79.796.332**
300.	**Profit (loss) for the year**	**143.403.999**	**79.796.332**

Statement of Comprehensive Income

ITEMS (in units of Euro)		31.12.2023	31.12.2022
10.	**Profit (Loss) for the year**	**143.403.999**	**79.796.332**
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**(4.506.076)**	**(3.028.426)**
20.	Equity securities measured at fair value through other comprehensive income	(4.466.110)	(3.690.231)
30.	Financial liabilities measured at fair value through profit or loss (changes in own credit risk)	-	-
40.	Hedging of equity securities measured at fair value through other comprehensive income	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(39.966)	661.805
80.	Non-current assets and disposal groups	-	-
90.	Share of valuation reserves of equity accounted investments	-	-
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	**16.821.442**	**(32.078.115)**
100.	Foreign investment hedges	-	-
110.	Exchange differences	-	-
120.	Cash flow hedges	-	-
130.	Hedging instruments (non-designated items)	-	-
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	16.821.442	(32.078.115)
150.	Non-current assets and disposal groups	-	-
160.	Share of valuation reserves of equity accounted investments	-	-
170.	**Total other comprehensive income, net of taxes**	**12.315.366**	**(35.106.541)**
180.	**Total comprehensive income (Item 10 + 170)**	**155.719.365**	**44.689.791**

Statement of Changes in Equity at 31 December 2023

(in units of Euro)	Balance at 31.12.2022	Change in opening balances	Balance at 01.01.2023	Allocation of profit from previous year		Changes during the year									Equity at 31.12.2023
							Equity transactions								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Buyback of treasury shares	Interim dividends	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income for the year 2023	
Share capital:															
a) ordinary shares	53.811.095	-	53.811.095	-	-	-	-	-	-	-	-	-	-	-	**53.811.095**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premiums	83.766.584	-	83.766.584	-	-	286.724	54.343	-	-	-	-	-	-	-	**84.107.651**
Reserves:															
a) retained earnings	1.194.780.800	-	1.194.780.800	6.378.451	-	(4.307.464)	-	-	-	-	-	-	-	-	**1.196.851.787**
b) other	3.218.203	-	3.218.203	-	-	-	-	-	-	-	-	-	1.108.002	-	**4.326.206**
Valuation reserves:	(50.653.450)	-	(50.653.450)	-	-	5.252.785	-	-	-	-	-	-	-	12.315.366	**(33.085.299)**
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Interim dividends	(52.433.114)	-	(52.433.114)	-	52.433.114	-	-	-	(62.961.692)	-	-	-	-	-	**(62.961.692)**
Treasury shares	(22.104.058)	-	(22.104.058)	-	-	-	286.723	-	-	-	-	-	-	-	**(21.817.335)**
Profit (loss) for the year	79.796.332	-	79.796.332	(6.378.451)	(73.417.881)	-	-	-	-	-	-	-	-	143.403.999	**143.403.999**
Equity	**1.290.182.392**	**-**	**1.290.182.392**	**-**	**(20.984.767)**	**1.232.045**	**341.066**	**-**	**(62.961.692)**	**-**	**-**	**-**	**1.108.002**	**155.719.365**	**1.364.636.412**

Statement of Changes in Equity at 31 December 2022

(in units of Euro)	Balance at 31.12.2021	Change in opening balances	Balance at 01.01.2022	Allocation of profit from previous year		Changes during the year									Equity at 31.12.2022
							Equity transactions								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Buyback of treasury shares	Interim dividends	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income for the year 2022	
Share capital:															
a) ordinary shares	53.811.095	-	53.811.095	-	-	-	-	-	-	-	-	-	-	-	**53.811.095**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premiums	102.972.388	-	102.972.388	-	-	(19.205.804)	-	-	-	-	-	-	-	-	**83.766.584**
Reserves:															
a) retained earnings	1.165.429.600	-	1.165.429.600	6.656.252	-	22.694.948	-	-	-	-	-	-	-	-	**1.194.780.800**
b) other	5.309.647	-	5.309.647	-	-	(2.846.521)	-	-	-	-	-	-	755.077	-	**3.218.203**
Valuation reserves:	(16.581.115)	-	(16.581.115)	-	-	1.034.206	-	-	-	-	-	-	-	(35.106.541)	**(50.653.450)**
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Interim dividends	-	-	-	-	-	-	-	-	(52.433.114)	-	-	-	-	-	**(52.433.114)**
Treasury shares	(2.846.521)	-	(2.846.521)	-	-	-	-	(19.257.537)	-	-	-	-	-	-	**(22.104.058)**
Profit (loss) for the year	56.467.710	-	56.467.710	(6.656.252)	(49.811.458)	-	-	-	-	-	-	-	-	79.796.332	**79.796.332**
Equity	**1.364.562.804**	**-**	**1.364.562.804**	**-**	**(49.811.458)**	**1.676.829**	**-**	**(19.257.537)**	**(52.433.114)**	**-**	**-**	**-**	**755.077**	**44.689.791**	**1.290.182.392**

Cash Flow Statement

CASH FLOW STATEMENT Indirect method (in units of Euro)	Amount	
	31.12.2023	31.12.2022
A. OPERATING ACTIVITIES		
1. Operations	**147.809.132**	**134.304.181**
- profit (loss) for the year (+/-)	143.403.999	79.796.332
- profit/loss on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	(17.247.428)	6.551.156
- gains/losses on hedging (-/+)	100.442	-
- net credit risk losses/reversals (+/-)	54.974.424	53.109.452
- net impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	15.582.331	14.804.184
- net allocations to provisions for risks and charges and other expenses/income (+/-)	8.804.339	(6.895.401)
- unpaid taxes, duties and tax credits (+/-)	28.812.286	22.293.132
- other adjustments (+/-)	(86.621.261)	(35.354.673)
2. Cash flows generated/absorbed by financial assets	**(499.336.612)**	**64.893.158**
- financial assets held for trading	4.102.704	(18.007.428)
- other assets mandatorily measured at fair value	(13.540.095)	(37.855.940)
- financial assets measured at fair value through other comprehensive income	(34.076.794)	(118.502.995)
- financial assets measured at amortised cost	(561.648.237)	202.666.126
- other assets	105.825.810	36.593.396
3. Cash flows generated/absorbed by financial liabilities	**564.129.561**	**266.796.162**
- financial liabilities measured at amortised cost	574.228.418	320.602.333
- financial liabilities held for trading	(11.976.523)	19.989.976
- other liabilities	1.877.665	(73.796.147)
Net cash flows generated/absorbed by operating activities A (+/-)	**212.602.080**	**465.993.501**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**89.000.000**	**41.147.382**
- sale of equity investments	-	1.147.422
- dividends collected on equity investments	89.000.000	39.999.960
2. Cash flows absorbed by	**(57.542.595)**	**(31.779.448)**
- purchases of equity investments	(14.936.407)	(14.922.549)
- purchases of property, plant and equipment	(25.388.552)	(7.318.436)
- purchases of intangible assets	(17.217.636)	(9.538.462)
- purchases of business units	-	-
Net cash flows generated/absorbed by investing activities B (+/-)	**31.457.405**	**9.367.934**
C. FINANCING ACTIVITIES		
- issues/buyback of treasury shares	-	(19.300.440)
- issues/buyback of equity instruments	-	-
- distribution of dividends and other (*)	(85.156.650)	(102.466.357)
Net cash flows generated/absorbed by financing activities C (+/-)	**(85.156.650)**	**(121.766.797)**
NET CASH GENERATED/USED DURING THE YEAR D=A+/-B+/-C	**158.902.835**	**353.594.638**
RECONCILIATION		
OPENING CASH AND CASH EQUIVALENTS E	**440.113.632**	**86.518.994**
TOTAL NET CASH GENERATED/USED DURING THE YEAR D	**158.902.835**	**353.594.638**
CASH AND CASH EQUIVALENTS: EFFECT OF CHANGES IN EXCHANGE RATES F		**-**
CLOSING CASH AND CASH EQUIVALENTS G=E+/-D+/-F	**599.016.467**	**440.113.632**

(*) The balances in this item represent the cash outflow for dividend payments in the respective years. Specifically, the balance relating to FY 2023 includes both the distribution of the balance of the dividend on 2022 earnings (i.e. the amount in excess of what has already been distributed as an interim dividend during 2022) and the distribution of the interim dividend on 2023 earnings. The balance for FY 2022 instead includes both the distribution of the dividend on 2021 profit and the distribution of the interim dividend on 2022 profit.

Notes to the Financial Statements

Part A - Accounting policies

A.1 - General part

Section 1 – Statement of compliance with international accounting standards

The Annual Financial Statements at 31 December 2023 have been drawn up in accordance with the IAS/IFRS standards in force at said date issued by the International Accounting Standards Board (IASB), together with the relevant interpretations (IFRICs and SICs). These standards were endorsed by the European Commission in accordance with the provisions in Article 6 of European Union Regulation No. 1606/2002. This regulation was implemented in Italy with Italian Legislative Decree No. 38 of 28 February 2005.
Concerning the interpretation and implementation of international accounting standards, the Banca Ifis Group referred to the "Framework for the Preparation and Presentation and Financial Statements", even though it has not been endorsed by the European Commission, as well as the Implementation Guidance, Basis for Conclusions, and any other documents prepared by the IASB or the IFRIC complementing the accounting standards issued.
The accounting standards adopted in preparing these financial statements are those in force at 31 December 2023 (including SIC and IFRIC interpretations).
The Bank also considered the communications from Supervisory Authorities (Bank of Italy, Consob, and ESMA), which provide recommendations on the disclosures to include in the financial statements concerning the most material aspects or the accounting treatment of specific transactions.

These Annual Financial Statements are subject to certification by the delegated corporate bodies and the Manager Charged with preparing the company's financial reports, as per Article 154 bis paragraph 5 of Italian Legislative Decree No. 58 of 24 February 1998.

The Annual Financial Statements are audited by PricewaterhouseCoopers S.p.A..

European Commission Regulation 815/2019 (the European Single Electronic Format – ESEF - Regulation)

European Commission Regulation 815/2019 (the "European Single Electronic Format" or "ESEF" Regulation), issued in order to implement Directive 2004/109/EC (the "Transparency Directive"), introduced the obligation to prepare the annual financial reports of issuers whose securities are listed on regulated markets in the European Union in a single electronic reporting format.
The task of developing regulatory technical standards to specify this format was given to the European Securities and Markets Authority (ESMA), which published the European Single Electronic Format (ESEF). This format represents a combination of xHTML (for the presentation of financial reports in a human readable format) and XBRL (eXtensible Business Reporting Language) "machine readable" markup, with the aim of facilitating the accessibility, analysis and comparability of consolidated financial statements prepared in accordance with the IFRS.
For 2023, it is expected that only the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements must be "branded" to the ESEF taxonomy, according to the "Inline XBRL" specifications of the basic taxonomy issued by the ESMA. Since the document "2023 Financial Statements" also includes the separate financial statements of the Parent company, the entire document is in xHTML format.

Section 2 – Basis of preparation

The Annual Financial Statements consist of:

- the Annual Financial Statements (statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, and statement of cash flows);
- the Notes to the Financial Statements;

In addition, it also comprises the Directors' Report.

The Annual Financial Statements have been drawn up according to the general principles of IAS 1, referring also to IASB's "Framework for the preparation and presentation of financial statements", with particular attention to the fundamental principles of substance over legal form, the concepts of relevance and materiality of information, and the accruals and going concern accounting concepts.

For the preparation of these Annual Financial Statements, reference was made to the format set out by Bank of Italy's Circular No. 262 of 22 December 2005, 8th update of 17 November 2022.
In line with the aforementioned Circular, items that do not show any amounts for the reference year and previous year are not shown in the tables.

In addition to the accounting data as at 31 December 2023, the financial statements provide comparative information for the last approved financial statements as at 31 December 2022.

The currency of account is the Euro and, if not indicated otherwise, amounts are expressed in thousands of Euro. The tables in the Notes may include rounded amounts; any inconsistencies and/or discrepancies in the data presented in the different tables are due to these rounding differences.
Assets and liabilities, as well as costs and revenues, have been offset only if required or permitted by an accounting standard or the relevant interpretation.

The recognition, measurement and derecognition criteria for assets and liabilities, and the procedures for recognising revenues and costs, adopted in the Annual Financial Statements as at 31 December 2023, have remained substantively unchanged from those adopted for the preparation of the 2022 financial statements of Banca Ifis, with the exception of the criteria for accounting for hedge accounting implemented by the Bank for the first time in 2023, illustrated in paragraph "4 - Hedging transactions" of section "A.2 - Main items of the financial statements";

The financial statements are prepared in accordance with the following general principles:

- going concern: the Financial Statements are prepared on a going concern basis, having regard to the Bank's business, as detailed below;
- accrual accounting: the Financial Statements are prepared in accordance with accrual accounting principles;
- consistency of presentation: the presentation and classification of items in the financial statements is kept constant from one year to the next unless a standard or interpretation requires a change in presentation or another presentation or classification is no longer appropriate. In the latter case, the Notes to the financial statements provide information on the changes made compared to the previous year;
- materiality and aggregation: the balance sheet and income statement consist of items (denoted by Arabic numerals), sub-items (denoted by letters) and additional disclosure details (the "of which" of items and sub-items). The items, sub-items and related information details constitute the financial statements accounts. New items may be added to the previously described financial statements if their content is not traceable to any of the items already included in the schedules. The subheadings provided for in the schedules may be grouped together when one of the two following conditions is met:
    - the amount of the subheadings is insignificant;
    - grouping improves the clarity of the financial statements; in this case, the Notes to the financial statements contain the grouped sub-items separately.
- substance over form: transactions and other events are recognised and represented in accordance with their substance and economic reality and not merely according to their legal form;
- offsetting: assets and liabilities, income and expenses are not offset unless permitted or required by an international accounting standard or interpretation thereof or by the provisions of the aforementioned Circular No. 262;
- comparative information: for each balance sheet and income statement, comparative information for the previous year is provided, unless an accounting standard or interpretation permits or provides otherwise. Figures for the previous year may be adjusted where necessary to ensure comparability of information for the current year. Any non-comparability, adjustment or impossibility of the latter are reported and commented on in the Notes to the Financial Statements.

The Notes to the Financial Statements are divided into parts: A - Accounting policies, B - Information on the balance sheet, C - Information on the income statement, D - Consolidated comprehensive income, E - Information on risks and related hedging policies, F - Information on corporate assets, G - Business combinations, H - Related-party transactions, I - Share-based payments, L - Segment reporting, M - Leasing disclosure.
Each part of the Notes is divided into sections, each of which illustrates a single aspect of management.

Information on the business as a going concern

The Bank of Italy, Consob and Isvap, with document No. 2 issued on 6 February 2009 ("Disclosure in financial reports on the going concern assumption, financial risks, asset impairment tests and uncertainties in the use of estimates"), together with the subsequent document No. 4 of 4 March 2010, require directors to assess with particular accuracy the existence of the company as a going concern, as per IAS 1.
Unlike in the past, present conditions on financial markets and in the real economy, together with the uncertainties in short-term forecasts, require particularly accurate assessments of the going concern assumption, as records of the Bank's profitability and easy access to financial resources may no longer be sufficient in the current context. In this regard, having examined the risks arising from the current macroeconomic environment, including in light of the current situation, geopolitical tensions and related possible macroeconomic implications including those arising from international tensions related to the Middle East, the directors believe that the Bank has a reasonable expectation of continuing to operate in the foreseeable future. Indeed, the directors do not believe that any risks or uncertainties have arisen that would cast doubt on the company's ability to continue as a going concern, and therefore the Financial Statements as at 31 December 2023 have been prepared on a going concern basis.

Extraordinary tax on the “extra-profits” of banks under Italian Law No. 136/2023

Law No. 136 of 9 October 2023 converted Decree-Law No. 104 of 10 August 2023 (the “Omnibus bis Decree” or “Asset Decree”), introducing new measures aimed at economic operators and private individuals as well as confirming or modifying some already existing measures. The new measures adopted include the introduction, for 2023, of an extraordinary tax on net interest income (the “extra-profits”) of Italian banks, even if they operate in the territory of the Italian State through a permanent establishment. In particular, it establishes the application of a 40% tax rate on a taxable base configured by comparing the "Net interest income" under item 30 of the Income Statement of banking institutions (on the basis of the financial statement formats governed by Circular No. 262/2005 and subsequent updates of the Bank of Italy) of the tax year prior to the one in progress on 1 January 2022 and that of the tax year prior to the one in progress on 1 January 2024 only. In any event, the tax thus calculated may not exceed 0,26% of the risk-weighted assets (or “RWAs”) on an individual basis for each Bank. In lieu of making the payment, each bank on an individual basis may elect to allocate a certain amount, not less than 2,5 times the tax calculated as above, to a non-distributable profit reserve in equity. In such a case, if you subsequently choose to use this specific reserve for the distribution of profits (and thus make it from 'non-distributable' to 'distributable'), within 30 days of the approval of the relevant resolution, the tax originally calculated must be paid with a surcharge in proportion to the interest accrued in the meantime.
From an accounting point of view, in light of the specific characteristics of the tax in question and in particular the way in which it is determined, the provisions of IFRIC Interpretation 21 “Taxes” and IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” were deemed applicable. In particular, according to IFRIC 21, a liability relating to the payment of a tax arises at the moment when the binding event occurs, i.e. when the obligation to pay the tax arises. The definition of a liability provided by IAS 37 also requires that an outflow of resources embodying economic benefits is deemed probable for the fulfilment of the obligation.
In this regard, it should be noted that, in relation to the provisions of the rule, the Bank has the realistic alternative of not paying the tax, by setting aside, when approving the 2023 Annual financial statements, a non-distributable profit reserve equal to 2,5 times the extraordinary tax. This makes the described requirement of the accounting standard not in fact fulfilled. Consequently, since the Bank's Directors had positively concluded on the possibility of availing themselves of this option, and having verified the reasonableness of this alternative in the case at hand, as at 31 December 2023, it was deemed that there was no binding event against which to recognise a liability and related charge.
This tax is quantified at 9.562.045 Euro for the Bank. Therefore, the corresponding reserve allocation that the directors intend to propose to the shareholders' meeting amounts to 23.905.112 Euro.
It should also be noted that the provision of the last part of paragraph 5-bis of Italian Law No. 136/2023 determines an obligation to be considered new and autonomous and consisting in the maintenance of the non-distributable restriction on the reserve recorded by the Bank in the 2023 Annual Financial Statements. In this regard, the Bank’s Directors will assess over time the substantive reasonableness of the option not to distribute based on the specific facts and circumstances.

Significant restrictions

There were no significant restrictions as per paragraph 13 of IFRS 12, i.e. statutory, contractual and regulatory restrictions on its ability to access or use the assets and settle the liabilities of the Bank, nor protective rights of non-controlling interests that can significantly restrict the Bank's ability to access or use the assets and settle the liabilities of the Bank.

Section 3 - Subsequent events

No significant events occurred in the period between the reporting date (31 December 2023) and the date of approval of the draft Financial Statements by the Board of Directors (7 March 2024), which could be classified as "adjusting events" within the meaning of IAS 10, i.e. events that lead to an adjustment of balance sheet and income statement information at the reporting date.

With reference also to what are termed "non-adjusting events", note on 20 February 2024, the issue of a 400 million Euro bond with a 5-year maturity (for more details see the section "Subsequent events" of the Banca Ifis Directors' Report).

Section 4 – Other aspects

Highlights for 2023 financial statement assessments

On 25 October 2023, ESMA published a disclosure notice ("European common enforcement priorities for 2023 annual financial reports") containing certain topics and recommendations with reference to both financial and sustainability reporting for FY 2023. In particular, for the financial statements prepared in accordance with IAS/IFRS, the priorities for FY 2023 are related to climate issues and their impact on key financial statement estimates, as well as the impact of the current macroeconomic environment on refinancing and other financial risks, and on the fair value measurement process and related disclosure.
The disclosure call also, with specific reference to Alternative Performance Indicators (APIs, or Alternative Performance Measures - APMs), emphasises that issuers are required to comply with the ESMA Guidelines and related Q&A in particular when the same indicators are presented in contexts other than financial statements. Attention is also drawn to the correct application of the European Single Electronic Format (ESEF), both in relation to the marking of numerical elements in the Consolidated Financial Statements and in relation to the block marking of the related notes.
For further information on Alternative Performance Indicators (APIs) and on issues related to the application of the Single Electronic Reporting Format (ESEF), please refer to the section "APIs - Alternative Performance Indicators" contained in the Directors' Report on the Group and the section "European Commission Regulation 815/2019 (the European Single Electronic Format - ESEF) Regulation" included in "Section 1 - Statement of compliance with international accounting standards", "A.1 - General Part" of this Part A of the Individual Notes to the Financial Statements.

Below is also an illustration of the aspects considered as priorities for the assessments conducted for the preparation of the 2023 Annual Report and for the related disclosure, in line with the recommendations provided by ESMA.

Environmental and climatic aspects

With regards the first aspect considered as a priority by the ESMA, the consideration of environmental and climate aspects represents an important element of attention in the strategy pursued by the Bank, capable of influencing its operational activities, objectives and business conduct, in the awareness that it can play a leading role in the action against climate change.
With this in mind, in 2023, the Bank became more aware of the impact of ESG topics on its business model, competitive environment as well as its objectives and strategies, in its role as a guide for companies and private customers in the transition process towards an economy that combines economic sustainability with environmental and social sustainability. In particular, on 3 August 2023, the Board of Directors of Banca Ifis approved the first edition of the TCFD Report (see also the section "Significant events during the year" of the Directors' Report), which presents useful information for investors and stakeholders to properly assess the Bank's climate-related risks and opportunities and further expands the ESG reporting, representing, among other projects, the strategy of reducing emissions financed on the loan portfolio that the Bank has defined by joining, first in Italy, the Net-Zero Banking Alliance (NZBA).
With specific reference to climate and environmental risks, the analysis of supervisory expectations gave rise to a project to integrate environmental factors into corporate strategies, governance and control systems, the risk

management framework and disclosure. A further strategic objective is to incorporate the relevant risks into the company's main valuation processes.
The findings of the materiality assessment exercise indicate an overall moderate exposure to climate and environmental risks.
For more detailed information on the initiatives undertaken by the Bank and the Group in the area of green financing, both of a qualitative and quantitative nature, and the instruments used, refer to the Consolidated Non-Financial Statement (NFS).
For specific information on environmental and climate risk management, please refer to the section "Management of risks linked to climate change" in Part E of the Notes to the Consolidated Financial Statements.

Macroeconomic environment

With reference to the macroeconomic context, i.e. the second priority aspect according to the ESMA, note that in the current environment, macroeconomic forecasts are characterised by significant uncertainty factors, thus requiring significant judgement in the selection of assumptions and forecasts to be used as reference in budgetary assessments.
The high credit cost is still expected to slow down global demand for investment and durable goods.
Future projections may be impacted by possible disruptions or slowdowns in global chains, resulting in particular from attacks on shipping traffic in the Red Sea, or increases in energy prices caused by the continuation or escalation of tensions in the Middle East, could weigh on the outlook scenarios.
World and European production estimates are pointing to moderate growth, and our country's economy is also expected to move along a weak growth path.
However, there is a possibility that the lack of dynamism in world trade will persist for a long time and that this could have a negative impact on the Italian economy. In particular, there are three international risk fronts:

- the weakness of China's economy;
- the worsening international political tensions, which, by affecting the confidence of households and businesses, could weaken the domestic market and drive commodity prices up;
- a further tightening of financing conditions with an impact on the pro-cyclical dynamics of investments.

In any case, positive signs can be derived from the following considerations:

- the US and European economies have proven resilient to rising interest rates, thanks to a combination of expansionary fiscal policies, high liquidity available in the financial markets and strong demand for labour;
- in the second half of 2023, inflation, consumer spending and excess demand in the labour market started a downward trend, which is expected to continue;
- the wars in the Middle East and Ukraine did not cause shocks to the world economy, remaining confined to specific territories.
- at the end of 2023, central banks ended the cycle of interest rate hikes that began in 2022 and are now considering the timing of a possible reduction with the aim of continuing the gradual decline in inflation and preventing an excessive contraction of domestic demand.

For more details on the considerations regarding the macroeconomic environment, please refer to the following sections of the Directors' Report: "Background", "Information on international tensions" and "Outlook".
With particular regard to the topic of measuring expected losses on credit exposures in the current macroeconomic environment, please refer to the following specific sub-section within the section "Risks and uncertainties related to estimates" of this "Section 4 - Other aspects".
With reference to the considerations, also of a forecasting nature, made on the basis of the current macroeconomic situation for the purpose of probability testing to verify the recoverability of deferred tax assets (DTAs) recognised in the Annual Financial Statements, reference should again be made to the specific sub-section within the section "Risks and uncertainties related to estimates" of this "Section 4 - Other aspects".

Additional information regarding the reform of reference indices for determining interest rates

On the basis of the indications contained in Bank of Italy Circular No. 262, the following is the disclosure required by IFRS 7, paragraphs 24 I and 24 J concerning the reform of interest rate benchmarks (the “Interest rate benchmark reform” or “IBOR Reform”).
The reform of the money market reference rates (IBOR) is a multi-year project covering the global markets with the aim of strengthening the integrity and representativeness of the reference rates, which have been endangered

in recent years by a number of manipulation episodes and the significant reduction of trade in the interbank market.
This reform process is grounded at EU level in EU Regulation 2016/1011 of 8 June 2016 (the "Benchmark Regulation" or "BMR"), which entered into force on 30 June 2016, applicable as of 1 January 2018 and amended during 2021. The Benchmark Regulation introduced in the EU a new framework for benchmark interest rates, i.e. indices by reference to which the amount to be paid for a Financial Instrument or a Financial Contract is determined. The reference indices are, as a rule, combined with a contractually stipulated "spread" to determine the interest rate applied to the contract.
In compliance with the regulatory provisions set out in the BMR (Art. 28) and as confirmed by the European Securities and Markets Authority (ESMA), the Bank has adopted an internal plan in previous years to identify the actions to be taken in the event of the termination or substantial change of a reference index used for the parametrisation of a Financial Contract.
At the date of preparation of these Annual financial statements, Banca Ifis has completed the transactions concerning the above-mentioned transition of reference rates.
Finally, we note the insignificant impact on the Bank of the changes in implementation of the reform.

Risks and uncertainties related to estimates

Using accounting standards often requires management to make estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities. In making the assumptions underlying the estimates, management considers all available information at the reporting date of these Annual Financial Statements, as well as hypotheses and any other factor deemed reasonable in light of past experience and foreseeable future evolutions.
By their very nature, it is therefore not possible to rule out the possibility that the assumptions made, however reasonable, may not be confirmed in the future scenarios in which the Bank will find itself operating. Future results may therefore differ from the estimates made, and adjustments to the carrying value of assets and liabilities recognised in the financial statements, which cannot be foreseen or estimated at the date of this document, may be necessary. In this regard, it should be noted that adjustments in financial statement estimates may become necessary as a result of changes in the circumstances on which they were based, new information or increased experience.
The accounting policies considered most critical to the true and fair representation of the Bank's financial position, results of operations and cash flows are illustrated below, both for the materiality of the amounts to be recognised in the financial statements impacted by these policies, and for the high degree of judgement required in the valuations, which implies the use of estimates and assumptions by management, with reference to the specific sections of the Notes to the financial statements for detailed information on the valuation processes conducted at 31 December 2023. In particular, the aspects that required the use of complex estimates with significant assumptions are:

- determination of the fair value of receivables and financial instruments not quoted in active markets;
- measurement of the Expected Credit Loss (ECL);
- estimate of provisions for risks and charges;
- assessment in respect of the potential recovery of deferred tax assets (DTAs).

For the items listed above, the principal issues regarding risks and uncertainties associated with estimates are discussed in the following paragraphs. Instead, for the cases relative to equity investments, reference should be made to the measurement criteria described in paragraph “5 - Equity investments” of section "A.2 - Main items of the financial statements” of these individual Notes.

Determination of the fair value of receivables and financial instruments not quoted in active markets

In the presence of receivables and financial instruments not quoted in active markets or illiquid and complex instruments, it is necessary to activate adequate valuation processes characterised with certain judgement on the choice of valuation models and related input parameters, which may sometimes not be observable in the market. There is a degree of subjectivity involved in assessing whether certain inputs are observable and categorising them within the fair value hierarchy accordingly. For qualitative and quantitative information on the method to determine the fair value of instruments measured at fair value, reference should be made to section "A.2 - Main items of the financial statements" of these individual Notes.

Measurement of the Expected Credit Loss (ECL)

The determination of the ECL for financial assets measured at amortised cost is a complex process that requires the use of significant assumptions and estimates.
For financial assets for which no objective evidence of loss has been individually identified, i.e. for unimpaired ("performing") exposures, the impairment model involves the need to identify whether or not there has been a significant deterioration since the date of initial recognition of the exposure and the allocation to the three stages of credit risk under IFRS 9 of loans and debt securities classified as Financial assets at amortised cost and as Financial assets at fair value through other comprehensive income.
The IFRS 9 impairment model requires, in fact, that losses be determined with reference to the time horizon of one year for financial assets that have not undergone a significant deterioration in credit risk since initial recognition (Stage 1) rather than by reference to the entire life of the instrument if a significant deterioration or indicator of impairment has been established (Stage 2 and Stage 3).
It therefore follows that the calculation of the relevant expected losses requires an articulated estimation process that mainly concerns:

- defining the parameters for a significant increase in credit risk, which are essentially based on models that consider qualitative and quantitative information for measuring the Probabilities of Default (PD) at the origination of financial assets and at the reporting date, as well as forward looking information;
- the measurement of certain elements necessary for the determination of estimated future cash flows arising from non-performing loans: the expected debt collection times, the presumed realisable value of any guarantees, the costs that it is deemed will be incurred to recover the credit exposure and lastly the likelihood of sale for positions for which there is a disposal plan.

Within the range of possible approaches to estimation models permitted by the relevant international accounting standards, the use of specific methodologies or the selection of certain estimation parameters may significantly influence the measurement of such assets. These methodologies and parameters are necessarily subject to a continuous updating process, also in light of the historical evidence available, with the aim of refining the estimates to better represent the estimated realisable value of the credit exposure. In order to cope with the uncertainty characterising the macroeconomic context and to take due account of risks that are not adequately captured by the valuation models in use, the Bank resorts to prudential adjustments in determining the expected loss (referred to as “overlays”). The assessments performed with regard to the quantification of management overlays support the appropriateness of the measures put in place; the amount of ECL introduced through post-model adjustment was conservative compared to the sensitivity and stress analyses performed on the portfolio.

For more information on the methods and models used to determine the ECL, refer to the explanations given in paragraph “2.3 Measurement of expected credit losses” contained in the "Credit risk" section of "Part E - Information on risks and related hedging policies - Section 2. Prudential consolidation risks” of the Notes to the Consolidated Financial Statements within this document.

Estimate of provisions for risks and charges

The Bank is a party to certain types of litigation and is also exposed to numerous contingent liabilities. The complexities of the specific situations underlying the pending litigations, together with possible interpretation issues, require in certain circumstances significant judgement in estimating the liabilities that may arise upon settlement of the pending litigations. The difficulties of assessment affect both the *an* and the *quantum*, as well as the timing of the eventual manifestation of the liability, and are particularly evident when the proceedings initiated are at an early stage. These circumstances make the valuation of contingent liabilities difficult. As a result, the classification of contingent liabilities and the consequent valuation of the necessary provisions are sometimes based on non-objective elements of judgement and require the use of even complex estimation procedures.
Specifically, the Bank recognises a liability when:

- a legal or constructive obligation exists as a result of a past event;
- it is likely that it will be necessary to spend resources which could generate economic benefits to settle the obligation;
- the amount of the obligation can be reliably estimated.

Should all these conditions not be met, no liability is recognised.
The amount recognised as a provision represents the best estimate of the expense required to meet the obligation and reflects the risks and uncertainties regarding the facts and circumstances in question.

Where the cost deferral is significant, the amount of the provision is determined as the present value of the best estimate of the cost to settle the obligation. In this case a discount rate is used that reflects current market assessments.
The provisions made are periodically reviewed and, if necessary, adjusted to reflect the best current estimate. When the review finds that the cost is unlikely to be incurred, the provision is reversed.
The provisions for risks and charges on commitments and guarantees granted include the provisions for credit risk set aside for loan commitments and the other guarantees granted that fall within the scope of the impairment rules in IFRS 9. As a general rule, in this case the Bank adopts the same methods for allocating items to three credit risk Stages and calculating expected credit losses as the ones described for financial assets measured at amortised cost or at fair value through other comprehensive income.

Assessment in respect of the potential recovery of Deferred Tax Assets (DTAs)

Assets recognised in the financial statements include Deferred Tax Assets (DTAs) mainly generated by temporary differences between the date certain business costs are recognised in the income statement and the date on which the same costs may be deducted, rather than arising from tax loss carry-forwards.
In accordance with accounting standard IAS 12, referred to in the "Group Impairment Policy", a tax asset can only be recognised to the extent that it is probable that future taxable income will be available to allow for its recoverability.
Recognition of these assets and their subsequent maintenance therefore presupposes an assessment of the likelihood of their recovery. This assessment is not carried out for deferred tax assets pursuant to Law No. 214 of 22 December 2011, which can be transformed into tax credits in the event of the recognition of a "statutory loss", a "tax loss" for IRES tax purposes and a "negative net production value" for IRAP tax purposes, and for which the relative recovery is therefore certain regardless of the ability to generate future income.
For the remaining tax assets that cannot be transformed into tax credits, the judgement of their likelihood is supported by a valuation exercise of recoverability (referred to as the “probability test”) characterised by significant elements of complexity or subjectivity. Based on the provisions of IAS 12 and the considerations made by ESMA in its paper of 15 July 2019, the aforementioned assessment of recoverability requires a careful reconnaissance of all evidence supporting the likelihood of having sufficient taxable income in the future, also taking into account the circumstances that generated the tax losses, which should be traced back to clearly identified causes that are deemed to be non-repeatable in the future on a recurring basis.
With reference to the recoverability of deferred tax assets recognised at 31 December 2023 other than those transformable pursuant to Law 2014/2011, based on estimated future taxable income, to be deemed confirmed in light of the results at 31 December 2023, no elements have emerged that could lead to deeming the DTAs in question, amounting to a total of 209,7 million Euro at 31 December 2023, to be likely for recovery. The aforementioned DTAs have therefore been deemed recoverable, albeit over a medium-term time horizon. Specifically, on the basis of the assessments performed and applying conservative hypotheses, with particular reference to the estimating of future income, out of the overall total of 209,7 million Euro, the 135,2 million Euro portion attributable to Law 214/2011 (equal to 64,5% of the total DTA) will be reversed by 2028 due to express regulatory provision. The portion referring to prior tax losses and aid for economic growth (“ACE”) surpluses, totalling 40,0 million Euro (or 19,1% of the total DTA) is expected to be fully recovered from 2026 to 2032 (of which approximately 30 million Euro by 2028). The remaining 34,5 million Euro refers mainly to financial assets measured at fair value with an impact on other comprehensive income (FVOCI) and is therefore related to the performance of the related reserve.

Coming into effect of new accounting standards

Below are the new accounting standards or amendments to existing standards approved by the IASB, as well as new interpretations or amendments to existing ones published by the IFRIC, with separate disclosure of those applicable in the financial year 2023 from those that can be adopted in subsequent financial years but also reporting the changes made in 2023.

IASs/IFRSs and related SIC/IFRIC interpretations endorsed and to be applied as mandatory for the preparation of the 2023 financial statements

Regulation (EU) No 2036 of 19 November 2021 - IFRS 17 "Insurance Contracts" and No 1491 of 8 September 2022 - Amendments to IFRS 17 "Insurance Contracts: Initial application of IFRS 17 and IFRS 9 - Comparative Information" (incorporated into Regulation (EU) No 1803/2023)

The new accounting standard IFRS 17 governs the accounting treatment of insurance contracts; the standard was amended on 25 June 2020 to simplify its implementation and disclosure of financial performance, as well as to postpone the first application of IFRS 17 and make it concurrent with the adoption of IFRS 9.
Finally, on 9 December 2021, an amendment to the transition rules to IFRS 17 was also issued for entities that simultaneously apply the transition to IFRS 9.

Regulation (EU) No 357 of 2 March 2022 - Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 (incorporated into Regulation (EU) No 1803/2023)

The purpose of these amendments is to provide guidelines and examples in the application of relevance and materiality judgements to accounting policy disclosures.

Regulation (EU) No 357 of 2 March 2022 - Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (incorporated in Regulation (EU) No 1803/2023)

The purpose of the amendment is to distinguish the concepts of "accounting policies" and "accounting estimates" by introducing a definition of an accounting estimate, which was previously not provided for. This specification is relevant in view of the different accounting regime for the two cases.

Regulation (EU) No 1392 of 11 November 2022 - Amendments to IAS 12 "Deferred tax related to assets and liabilities arising from a single transaction" (incorporated into Regulation (EU) No 1803/2023)

These amendments narrow the scope of the exemption under IAS 12 for transactions that give rise to equal taxable and deductible temporary differences upon initial recognition. The amendment is particularly relevant for deferred taxes on transactions such as leasing and decommissioning obligations.

Regulation (EU) No 2468 of 8 November 2023 - Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules'"

This follows the publication by the OECD, in December 2021, of a set of rules through which a two-pillar tax model (the Pillar One and Two).
In particular, Pillar Two introduces an overall minimum tax rate of 15% in each jurisdiction where large companies operate.
The changes introduced allow for the non-recognition of deferred taxation that would result from the implementation of the Pillar Two Framework, as well as some additional disclosure requirements for the companies concerned.

It should be noted that the accounting standards, amendments and interpretations outlined above have not had any impact on the Bank; in particular, it should be noted that the Bank does not hold insurance products and does not fall within the scope of application of the so-called "Pillar Two", affecting matters that are not relevant to the Bank or certain clarifications on how to interpret aspects contained in the accounting standards and related disclosures on accounting policies.

Standards issued and endorsed but whose application starts after 31 December 2023

Below is a list of the new international accounting standards or amendments to them, already endorsed by the European Commission, which are of mandatory application, but starting from a date that falls after the reference date of these Annual financial statements. The Bank does not expect any significant impact deriving from the adoption of the following interpretations and amendments of existing international accounting standards to be material:

- Lease Liabilities in a Sale and leaseback transaction (Amendments to IFRS 16) (from 1 January 2024);
- “Amendments to IAS 1 Non-current Liabilities with Covenants” (from 1 January 2024).

Standards issued but not yet approved and effective

The following are the new international accounting standards or amendments to them, not yet endorsed by the European Commission, which are mandatory from a date that falls after the reference date of these Annual Financial Statements. The Bank does not consider the impact of the adoption of the following interpretations and amendments of existing international accounting standards to be material:

- “IFRS 14 Regulatory deferral accounts” (application subject to the conclusion of the endorsement process, which is suspended at the reference date of these Financial Statements, pending the new accounting standard on “rate-regulated activities”);
- “Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture” (deferred application until completion of the IASB project on the equity method);
- "Amendments to IAS 1 Classification of liabilities as current or non-current" (from 1 January 2024);
- "Amendment to IAS 7 and IFRS 9 Supplier Finance Arrangements" (from 1 January 2024);
- "Amendment to IAS 21 Lack of Exchangeability" (from 1 January 2025).

Deadlines for the approval and publication of the Financial Statements

Pursuant to Article 154-ter of Italian Legislative Decree No. 59/98 (Consolidated Law on Finance), the Bank’s Financial Statements must be approved and the Annual Financial Report published, including the draft Annual Financial Statements, the Directors' Report, and the declaration as per Article 154-bis, paragraph 5, within one hundred and twenty days of year end. The Board of Directors approved the Bank's Draft Financial Statements on 7 March 2024; the Annual Financial Statements will be submitted to the Shareholders' Meeting to be held on 18 April 2024 on first call for approval.

A.2 - Main items of the financial statements

1 - Financial assets measured at fair value through profit or loss ("FVTPL")

Classification criteria

This category comprises financial assets other than Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost. Specifically, this line item includes:

- financial assets held for trading, essentially consisting of debt and equity securities as well as the positive amount of derivative contracts held for trading;
- financial assets designated at fair value, i.e. non-derivative financial assets designated as such on initial recognition if the relevant conditions are met. At initial recognition, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss if, and only if, doing so would eliminate or significantly reduce a measurement or recognition inconsistency.
- financial assets mandatorily measured at fair value, consisting of financial assets that are not eligible for the measurement at amortised cost or fair value through other comprehensive income based on the relevant cash flow characteristics. Specifically, this category includes:
  - debt instruments, securities and loans without cash flows that are solely payments of principal and interest consistent with a "basic lending arrangement" (so-called "SPPI test" failed);
  - UCITS units;
  - equity instruments for which the Bank elects not to use the option under the standard to measure them at fair value through other comprehensive income (so-called “OCI Option”).

Derivative contracts include those embedded in complex financial instruments if the host contract is not a financial asset falling within the scope of IFRS 9, which are recognised separately if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid instrument they are part of is not measured at fair value with the relevant changes recognised in profit or loss.

Reclassifications to other categories of financial assets are allowed only if the entity changes its business model to manage the financial assets. In these cases, financial assets may be reclassified from the category measured at fair value through profit or loss to one of the other two categories under IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value corresponds to the fair value at the time of the reclassification, which is applied prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is calculated based on its fair value at the reclassification date, which is considered to be the date of initial recognition for the stage allocation for impairment purposes.

Recognition criteria

Financial assets are initially recognised at the date of settlement in the case of debt and equity securities, at the date of disbursement for loans and at inception in the case of derivative contracts. At initial recognition, financial assets are measured at fair value, which is normally equal to the price paid excluding the expenses and income directly attributable to the instrument, which are recognised in profit or loss.

Measurement criteria

Even after initial recognition, financial assets are measured at fair value, and the impact of the application of this method is recognised through profit or loss.
The fair value of the financial instruments included in this portfolio is calculated based on quoted prices in active markets, prices provided by market participants, or internal valuation models generally used for pricing financial instruments that take into account all relevant risk factors and are based on observable market data.
In the case of financial assets not quoted in an active market, the cost method is used as an approximation of fair value exclusively on a residual basis and in limited circumstances, that is if all the other previously mentioned measurement methods are not applicable.
Interest is shown under item "10. Interest receivable and similar income”.
Gains and losses from trading and valuation gains and losses from the trading portfolio, including derivatives associated with financial assets/liabilities designated at fair value, are recognised in the income statement under item “80. Net profit (loss) from trading”. The same economic effects relating to financial assets designated at fair value and those mandatorily measured at fair value are recorded under item "110. Net result of other financial assets and liabilities measured at fair value through profit or loss", under "a) financial assets and liabilities measured at fair value” and “b) other financial assets mandatorily measured at fair value”.

Derecognition criteria

Financial assets are derecognized only when the contractual rights to the cash flows expire or when the assets are disposed of if the disposal resulted in the substantial transfer of all risks and rewards associated with the assets. Should the company retain part of the relevant risks and rewards, the financial assets will continue to be recognised, even though legal ownership has been actually transferred to a third party.
Where it is not possible to ascertain the substantial transfer of the risks and rewards, financial assets are derecognised if the company no longer has control over them. Otherwise, the financial assets are recognised proportionally to the entity’s continuing involvement in the asset, measured according to the exposure to changes in the transferred assets’ value and cash flows.
Lastly, as for the transfer of collection rights, transferred financial assets are derecognised even if contractual rights to receive cash flows are maintained but an obligation to pay such flows to one or more entities is taken on.

2 - Financial assets measured at fair value through other comprehensive income ("FVOCI")

Classification criteria

This category comprises financial assets that meet both the following conditions:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (“HTC&S - Held to Collect and Sell” Business Model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest consistent with a “basic lending arrangement”, in which consideration

for the time value of money and credit risk are typically the most significant elements of interest (so-called "SPPI test" passed).

In addition, this line item includes equity instruments not held for trading for which at initial recognition the entity used the option to measure them at fair value through other comprehensive income not to be reclassified to profit or loss (so-called "OCI Option").
Reclassifications to other categories of financial assets are allowed only if the entity changes its business model to manage the financial assets. In these cases, financial assets may be reclassified from the category measured at fair value through other comprehensive income to one of the other two categories under IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value corresponds to the fair value at the time of the reclassification, which is applied prospectively from the reclassification date. If the asset is reclassified from the category concerned to amortised cost, the fair value of the financial asset at the reclassification date is adjusted by the accumulated gain (loss) presented in the valuation reserve. If the asset is reclassified to fair value through profit or loss, the accumulated gain (loss) previously recognised within the valuation reserve is reclassified from equity to profit or loss.

Recognition criteria

Financial assets are initially recognised at the date of settlement in the case of debt and equity securities, whereas loans are recognised at the date they were granted. These assets are initially recognised at fair value, including transaction costs directly attributable to the instruments, if any.

Measurement criteria

After initial recognition, the assets measured at fair value through other comprehensive income that are not equity securities are measured at fair value, recognising the impact of the application of amortised cost, impairment, and any exchange rate changes through profit or loss. Gains and losses resulting from changes in fair value are recognised under a dedicated equity reserve until the financial asset is transferred: then, accrued profits and losses are reclassified to profit or loss.
The equity instruments the Group elected to classify within this category are measured at fair value, and the amounts recognised through equity (Statement of comprehensive income) are not subsequently reclassified to profit or loss - including in the event of their disposal. The relevant dividends represent the only component of the equity securities concerned that is recognised through profit or loss.
The fair value is calculated on the basis already described for Financial assets measured at fair value through profit or loss.
In the case of Financial assets measured at fair value through other comprehensive income that are either debt securities or receivables, at each reporting date, including interim reporting dates, the Bank assesses whether a significant increase in credit risk (impairment) has occurred pursuant to IFRS 9, recognising an impairment loss to cover the expected credit losses through profit or loss.
Conversely, equity securities are not tested for impairment.

Derecognition criteria

Derecognition of financial assets measured at fair value through comprehensive income occurs when contractual rights to cash flows expire or if the assets are sold but only if the sale has resulted in the substantial transfer of all risks and rewards associated with the assets. Should the company retain part of the relevant risks and rewards, the financial assets will continue to be recognised, even though legal ownership has been actually transferred to a third party.
Where it is not possible to ascertain the substantial transfer of the risks and rewards, financial assets are derecognised if the company no longer has control over them. Otherwise, the financial assets are recognised proportionally to the entity's continuing involvement in the asset, measured according to the exposure to changes in the transferred assets' value and cash flows.
Lastly, as for the transfer of collection rights, transferred financial assets are derecognised even if contractual rights to receive cash flows are maintained but an obligation to pay such flows to one or more entities is taken on.

3 - Financial assets measured at amortised cost

Classification criteria

This category includes financial assets (specifically loans and debt securities) that meet both the following conditions:

- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows ("HTC - Held to Collect" Business Model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest consistent with a "basic lending arrangement", in which consideration for the time value of money and credit risk are typically the most significant elements of interest (so-called "SPPI test" passed).

Specifically, if the above technical requirements are met, this line item includes:

- loans and advances to banks, with the exception of loans and advances on demand (which are classified under "Cash and cash equivalents");
- receivables due from customers, largely consisting of:
  - demand advances to customers as part of factoring operations vis-à-vis a receivables portfolio factored with recourse and still recognised in the seller's statement of financial position, or vis-à-vis receivables factored without recourse, providing no contractual clauses that eliminate the conditions for their recognition exist;
  - loans to customers deriving from mortgages or loans extended as part of corporate banking operations;
  - repurchase and reverse repurchase agreements;
  - receivables arising from finance leases;
  - purchased or originated credit impaired (POCI) financial assets.
- debt securities acquired through subscription or private placement, with fixed or determinable payments, not quoted in active markets.

Reclassifications to other categories of financial assets are allowed only if the entity changes its business model to manage the financial assets. In these cases, which are expected to be very infrequent, the financial assets may be reclassified from the category measured at amortised cost to one of the other two categories under IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value corresponds to the fair value at the time of the reclassification, which is applied prospectively from the reclassification date. Gains or losses arising from the difference between the amortised cost of the financial asset and the relevant fair value are measured through profit or loss if the asset is reclassified to Financial assets measured at fair value through profit or loss or, if it is reclassified to Financial assets measured at fair value through other comprehensive income, through equity, within the specific valuation reserve.

Recognition criteria

These financial assets are initially recognised at the date of settlement in the case of debt and equity securities, whereas loans are recognised at the date they were granted. At initial recognition, the assets are measured at fair value, including transaction income or costs directly attributable to the asset. Costs meeting these characteristics, but to be reimbursed by the debtor or falling under normal internal administrative costs, are excluded.
Repurchase agreements or reverse repurchase agreements are recognised as funding or lending transactions. Specifically, repurchase agreements are recognised as payables for the amount received, while reverse repurchase agreements are recognised as receivables for the amount paid.

Measurement criteria

After initial recognition, receivables are measured at amortised cost, which is equal to the initial amount minus/plus principal repayments, impairment losses/reversals of impairment losses, and amortisation calculated using the effective interest method. The effective interest rate is calculated as the rate at which the present value of expected cash flows for the principal and interest is equal to the amount of the loan granted, including any costs/revenues directly attributable to the financial asset. This finance-based accounting method allows to spread the economic effect of costs/revenues over the expected residual life of the receivable.

The amortised cost method usually does not apply to short-term loans, as the effect would be immaterial. These are measured instead at their acquisition cost. A similar criterion applies to loans without a definite payment date or revocable loans.
At each reporting date, including interim reporting dates, the Group estimates the impairment of these assets in accordance with the impairment rules of IFRS 9.

The aforementioned assets are in fact examined with the aim of estimating the expected losses in value related to credit risk (“ECL” - “Expected Credit Losses”). These losses are recognised in the income statement under item "130. Net credit risk losses/reversals”. If it is found that there is no reasonable expectation of recovery, the gross exposure is written off: in such a case, the gross exposure is reduced by the amount considered unrecoverable, offset by the reversal of the provision to cover expected losses and impairment losses in the income statement, for the portion not covered by the provision.

In more detail, the impairment model, as described in detail under "Other Information" in this Section A.2, provides for the classification of assets into three distinct "Stages" (Stage 1, Stage 2, Stage 3), depending on the evolution of the debtor's creditworthiness, to which correspond different criteria for measuring expected losses:

- Stage 1: unimpaired (performing) financial assets for which no significant deterioration in credit risk has been observed since initial recognition or for which the credit risk is considered low. Impairment is based on an estimate of expected loss with a time horizon of one year;
- Stage 2: unimpaired (performing) financial assets that have experienced a significant deterioration in credit risk since initial recognition (SICR - “Significant Increase in Credit Risk”). Impairment is based on an estimate of the expected loss over the entire remaining life of the financial asset;
- Stage 3: impaired financial assets for which there is objective evidence of impairment and which are assessed on the basis of an estimate of the expected loss over the life of the instrument.

For performing assets, expected losses are determined according to a collective process based on certain risk parameters represented by the probability of default (PD), the loss given default (LGD) and the exposure value (EAD).

For impaired assets, impairment losses are quantified on the basis of an analytical valuation process according to homogeneous risk categories - aimed at determining the present value of expected future recoverable cash flows, discounted on the basis of the original effective interest rate.

Impaired assets include exposures that have been attributed the status of non-performing, unlikely to pay or past-due/overdrawn for more than ninety days according to the definitions established by current supervisory regulations (Bank of Italy Circular No. 272 "Accounts Matrix") and recalled by Bank of Italy Circular No. 262, as they are considered consistent with the accounting rules set forth by IFRS 9 in terms of objective evidence of impairment.

The projected cash flows also take into account expected recovery times and the presumed net realisable value of any guarantees.

The original value of the financial assets is reinstated in subsequent years if the credit quality of the exposure improves compared to that which led to the previous write-down. The write-back is recorded in the income statement under the same heading ("130. Net credit risk losses/reversals") and, in any event, may not exceed the amortised cost that the asset would have had in the absence of previous adjustments.

Purchased or Originated Credit Impaired (POCI)

“Purchased or Originated Credit Impaired (POCI) Financial Assets” means the exposures that were impaired at the date they were acquired or originated.
POCI financial assets include also the exposures acquired as part of sales (of either individual assets or portfolios) and business combinations.
As previously mentioned, interest is accounted for by applying a credit-adjusted effective interest rate, i.e. the rate that, upon initial recognition, discounts all the asset's estimated future cash receipts at amortised cost considering also lifetime expected credit losses.

The Bank regularly reviews said expected credit losses, recognising impairment losses or gains through profit or loss. Favourable changes in lifetime ECLs are recognised as an impairment gain, even if said lifetime ECLs are lower than those incorporated into cash flow estimates at initial recognition.
"Purchased or Originated Credit Impaired Financial Assets" are usually allocated to Stage 3 at initial recognition. A subsequent improvement in the counterparty's creditworthiness, which may be reflected in the present value of cash flows, shall cause the exposure to be classified within Stage 2.
These assets shall never be allocated to Stage 1, as the expected credit loss must always be calculated over a time horizon equal to their remaining useful life, whereas IFRS 9 requires an ECL estimated over a 12-month horizon for Stage 1 assets.

Derecognition criteria

Financial assets measured at amortised cost are derecognised when all contractual rights over the cash flows have expired or if they are assigned but only when all relevant risks and rewards have been substantially transferred. Should the company retain part of the relevant risks and rewards, the financial assets will continue to be recognised, even though legal ownership has been actually transferred to a third party.
Where it is not possible to ascertain the substantial transfer of the risks and rewards, financial assets are derecognised if the company no longer has control over them. Otherwise, the financial assets are recognised proportionally to the entity's continuing involvement in the asset, measured according to the exposure to changes in the transferred assets' value and cash flows.
Finally, as for the transfer of collection rights, transferred financial assets are derecognised even if contractual rights to receive cash flows are maintained but an obligation to pay such flows to one or more entities is taken on.

Specifically in respect of non-performing exposures, they shall be derecognised when considered unrecoverable and the Bank forfeits the legal right to collect. For instance, this occurs when insolvency proceedings are settled, the borrower dies without heirs, a court issues a final ruling that the debt does not exist, etc.
As for total or partial derecognitions without a forfeiture of the right to collect the receivable (write-off), to avoid continuing to recognise receivables that, even though they are still managed by debt collection structures, are highly unlikely to be recovered, the Bank identifies the exposures to be derecognised that have all of the following characteristics:

- the receivable has been written off;
- the receivable has been classified as a bad loan for more than 5 years;
- the counterparty has filed for bankruptcy, been put into administrative liquidation (LCA), or is subject to any insolvency proceedings.

Derecognitions are directly recorded under "Net credit risk losses/reversals" to the extent of the unadjusted remaining portion, and are recognised as a reduction of the principal. Partial or complete reversals of previous impairment losses are recognised as a reduction of "Net credit risk losses/reversals".

In some cases, throughout the life of the financial assets concerned, and specifically of receivables, the parties to the agreement subsequently agree to modify the original contractual terms. When, during the life of an instrument, the contractual terms are modified, the Group shall assess whether the original asset must continue to be recognised or, conversely, the original instrument must be derecognised and a new financial instrument recognised in its place.
Generally, modifications of a financial asset result in its derecognition and the recognition of a new asset when they are "substantial". The "substantiality" of the modification shall be assessed considering both qualitative and quantitative factors. In some cases, it will become apparent, without conducting complex analyses, that the changes introduced substantially modify the characteristics and/or contractual cash flows of a specific asset, whereas in other cases, additional analyses (including quantitative analyses) will be required to appreciate their impact and assess whether to derecognise the asset and recognise a new financial instrument.
The (quali-quantitative) analyses aimed at defining the "substantiality" of the contractual modifications made to a financial asset shall therefore consider:

- the purposes for which the modifications were made: for instance, renegotiations for business reasons or forbearance measures due to the counterparty's financial difficulties:
- the existence of specific objective factors affecting the substantial modifications of the characteristics and/or contractual cash flows of the financial instrument (including, but not limited to, the modification of the type of counterparty risk the entity is exposed to) that are believed to require derecognising the asset because of their impact (estimated to be significant) on the original contractual cash flows.

4 - Hedge accounting

Classification criteria

With reference to hedging, the Bank has chosen to adopt the provisions of IFRS 9 for first-time application and not to avail itself of the option, provided by the same standard, to apply the hedge accounting rules dictated by IAS 39, in the version endorsed by the European Commission (the “carved out” version), with the exception of the specific cases provided for in IFRS 9 (par. 6.1.3) and not governed by the same standard.
Risk hedging transactions are intended to neutralise, from an accounting point of view, potential recognisable losses on a particular financial instrument or group of financial instruments, attributable to a particular risk, by means of recognisable gains on a different financial instrument or group of financial instruments should that particular risk actually arise.
Only instruments involving a counterparty outside the Bank can be designated as hedging instruments.
The only type of hedge used by the Bank at 31 December 2023 is the specific fair value hedge ("micro" fair value hedge), which is intended to hedge the exposure to changes in the fair value of a balance sheet asset or liability attributable to a particular risk and, in particular, from changes in interest rates.
A derivative instrument may be considered to be a hedging instrument if there is formalised documentation of the unique relationship to the hedged item and if it is effective at the time the hedge commences and, prospectively, over the life of the hedge.
At the start of the hedging relationship, a designation and related formal documentation must be prepared containing the company's risk management objectives and the hedging strategy adopted. Specifically, the documentation must include: the identification of the hedging instrument, the hedged item, the nature of the hedged risk and the assessment of the effectiveness of the hedging instrument.

Recognition criteria

Derivative hedging instruments are recognised at fair value, on the date the relevant contracts are entered into, and are classified as assets under item "50. Hedging derivatives" or on the liabilities side of the balance sheet under item "40. Hedging derivatives” depending on whether the value is positive or negative.

Measurement criteria

After initial recognition, hedging derivatives continue to be measured at fair value. Specifically, in the case of fair value hedges, the changes in the fair value of the hedged item are offset by the changes in the fair value of the hedging instrument. This offsetting is recognised through the recognition in the income statement of changes in value, referring both to the hedged item produced by the underlying risk factor and to the hedging instrument. Any difference, representing the partial ineffectiveness of the hedge, consequently constitutes the net economic effect.
The effectiveness of the hedge, therefore, depends on the extent to which changes in the fair value of the hedged instrument are offset by those of the hedging instrument. Such an assessment must take into account the intent pursued at the time the hedge was implemented.
Effectiveness is assessed at each balance sheet or interim reporting date using prospective tests, which justify the application of hedge accounting by demonstrating the expected effectiveness based on limits defined internally by the Bank.
If the tests do not confirm the effectiveness of the hedge, hedge accounting is discontinued, the hedging derivative contract is reclassified as a trading instrument and the hedged financial instrument regains the valuation criterion corresponding to its balance sheet classification. If the hedged asset or liability is measured at amortised cost, the higher or lower value resulting from the measurement of the hedged asset or liability at fair value due to the hedge becoming ineffective is recognised in the Income Statement using the effective interest rate method.
In addition, the accounting for outstanding fair value hedges ceases prospectively in the following cases:

- the hedging instrument matures, is terminated or exercised;
- the hedged item is sold, expires or is refunded;
- the decision is made to revoke the designation.

5 - Equity investments

Classification criteria

This item includes interests held in direct subsidiaries and associates.
A 'subsidiary' is defined as the company over which control is exercised. This condition arises when one has the power to determine, directly or indirectly, the administrative and management choices of the enterprise so as to obtain the relevant benefits. This is the case when more than half of the voting rights are held, directly and/or indirectly, or in the presence of other conditions of *de facto* control, such as the appointment of a majority of directors.
Associated companies are considered to be non-controlled companies in which significant influence is exercised. Significant influence is presumed to be exercised in all cases where the company holds 20% or more of the voting rights (including "potential" voting rights) and, irrespective of the share held, where there is the power to participate in the management and financial decisions of the investee companies by virtue of particular legal ties, such as shareholders' agreements, the purpose of which is for the participants in the agreement to ensure representativeness in the management bodies and to safeguard the unity of management direction, without however having control.

Recognition criteria

The initial recognition of financial assets classified in this category takes place on the settlement date at cost, including any goodwill paid at the time of acquisition, which is therefore not subject to separate, independent recognition.

Measurement criteria

The initial carrying amount (purchase cost plus transaction costs) is not subject to subsequent measurement, except for the need to record impairment losses under IAS 36.
If there is objective evidence that the value of an investment may have been impaired, the recoverable amount of the investment is estimated, which is the higher of fair value less costs to sell and value in use. An impairment loss is recognised in the income statement (under the heading "Profit (loss) on equity investments" if the recovery amount is lower than the carrying amount. If the reasons for the impairment no longer exist as a result of an event that occurred after the recognition of the impairment loss, this is reversed through profit or loss up to the amount of impairment recorded previously, in the same item.
Dividends are recognised as income when the right to receive them arises, i.e. when their distribution is approved, regardless of whether they are generated before or after the acquisition date. The risk that the recognition of the dividend in the income statement may result in an overvaluation of the investment, if it relates to profits formed prior to the acquisition, is overcome by conducting an impairment test on the investment.
In the event of a loss of control, connection or joint control, as a result of a partial disposal of the investment, the residual interest held is recognised in the balance sheet at fair value and gains and losses with respect to the previous carrying value are recognised in the income statement.

Derecognition criteria

Equity investments are derecognised when there is a sale that transfers substantially all the risks and rewards associated with them.
In the presence of a situation that results in the loss of significant influence or joint control, any remaining equity investment is reclassified to the financial asset portfolios required by IFRS 9.

6 - Property, plant and equipment

Classification criteria

The item includes property, plant and equipment held for investment purpose in accordance with IAS 40 as well as those for functional use in accordance with IAS 16.
All property (either fully owned or leased) held by the company for the purposes of obtaining rent and/or a capital gain fall under investment property.
More specifically, property, plant and equipment for functional use include:

- land;

- buildings;
- furniture and accessories;
- electronic office machines;
- various machines and equipment;
- vehicles;
- leasehold improvements on third-party property.

Those are physical assets held for use in production, in providing goods and services or for administrative purposes, and that are expected to be used for more than one fiscal year.
This item also includes the rights of use acquired through leases and relating to the use of property, plant and equipment.
Under IFRS 16, a lease is a contract, or part of a contract, that, in exchange for a fee, transfers the right to use an asset (the underlying asset) for a period of time.
Finally, the item includes leasehold improvements on third-party property and expenses relating to identifiable and separable asset. Normally, this kind of investment is sustained in order to make a property rented from third parties suitable for use.

Recognition criteria

Property, plant and equipment are initially recognised at cost, including all directly attributable costs connected to the acquisition or to bring the asset into use.
Subsequently incurred expenses are added to the carrying amount of the asset, or recognised as separate assets, if they are likely to yield future economic benefits exceeding those initially estimated and if the cost can be measured reliably; otherwise, they are recognised in profit or loss.
For tangible assets represented by rights of use in accordance with IFRS 16, the initial recognition value corresponds to the sum of the lease liability (present value of future lease payments to be paid over the lease term), lease payments made prior to or on the effective date of the lease, initial direct costs, and any costs for dismantling or restoring the asset underlying the lease.

Measurement criteria

Property, plant and equipment and investment property are measured at cost, net of any depreciation or impairment losses.
Property, plant and equipment with a finite useful life are systematically depreciated on a straight-line basis over their useful life, with the exception of that described below.
Property, plant and equipment with an indefinite useful life, whose residual value is equal to or higher than their carrying amount, are not depreciated.
For accounting purposes, land and buildings are treated separately, even when acquired together. Land is not depreciated, as it has an indefinite useful life. Where the value of land is included in the value of a building, the former is considered separately by applying the component approach. The separate values of the land and the building are calculated by independent experts in this field and only for entirely owned properties.
The useful life, residual amounts and depreciation methods of property, plant and equipment are reviewed at the closure of each financial year and, if expectations are not in line with previous estimates, the depreciation rate for the current year and subsequent ones is adjusted.
If there is objective evidence that an individual asset may be impaired, the asset's carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, intended as the present value of future cash flows expected to arise from this asset. Any impairment loss is recognised in profit or loss.
When an impairment loss is reversed, the new carrying amount cannot exceed the net carrying amount that would have been measured if no impairment loss had been recognised on the asset in previous years.
The usually estimated useful lives are the following:

- buildings: not exceeding 34 years;
- furniture: not exceeding 7 years;
- electronic systems: not exceeding 5 years;
- other: not exceeding 5 years;
- improvements on third party property/leasehold improvements: not exceeding 5 years.

With reference to the asset consisting of the right of use, recorded pursuant to IFRS 16, it is measured using the cost model in accordance with IAS 16 Property, plant and equipment; in this case, the asset is subsequently depreciated on a straight-line basis over the term of the lease contract and subject to an impairment test if impairment indicators emerge.

Derecognition criteria

Property, plant and equipment are derecognised from the statement of financial position on disposal or when they are withdrawn from use and no future economic benefits are expected from their disposal. Any profit/loss that arises at the time the asset is derecognised (calculated as the difference between the net carrying amount of the asset and the amount received) is recognised in the Income Statement when the item is derecognised.
The right of use deriving from lease contracts is derecognised from the statement of financial position at the end of the lease.

7 - Intangible assets

Classification criteria

Intangible assets are non-monetary assets, identifiable even though they lack physical substance, that meet the requirements of identifiability, control over a resource and existence of future economic benefits. Intangible assets mainly include software.

Recognition criteria

Intangible assets initially are recognised in the statement of financial position at cost, i.e. the purchase price and any direct cost incurred in preparing the asset for use.
In particular, costs incurred internally for the development of software projects constitute intangible assets and are only capitalised if all of the following conditions are met:

- the cost attributable to the development activity can be reliably determined;
- there is the intention, the availability of financial resources and the technical capacity to make the asset ready for use or sale;
- it can be demonstrated that the asset is able to produce future economic benefits. Capitalised software development costs include only those expenses incurred that can be directly attributed to the development process.

Measurement criteria

Subsequent to initial recognition, intangible assets with a finite useful life are recognised at cost less amortisation determined on the basis of their estimated useful life.
If there is objective evidence that a single asset may be impaired, the asset’s carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, intended as the present value of future cash flows expected to arise from this asset. Any impairment loss is recognised in profit or loss.
Intangible assets with an indefinite useful life, including goodwill, are recorded at cost less any impairment losses incurred. These assets are not depreciated, but only periodically checked for impairment with respect to the carrying amount.
At each year-end or interim reporting date, if there is evidence of impairment, an estimate of the asset's recoverable amount is made. The amount of the loss, recognised in the income statement, is equal to the difference between the asset's carrying amount and its recoverable amount.
With regard to goodwill, the adequacy of the carrying amount is periodically verified. In particular, whenever there is evidence of impairment, and in any case at least once a year, an impairment test is conducted. For this purpose, the cash-generating unit to which goodwill is to be allocated is identified. This unit represents the minimum level at which goodwill is monitored for internal management purposes and must not be greater than the operating Segment determined in accordance with IFRS 8.
The amount of the impairment, if any, is determined on the basis of the difference between the carrying amount of goodwill and its recovery value, if lower. This recoverable amount is equal to the higher of the fair value of the cash-generating unit, net of any costs to sell, and its value in use. Value in use is the present value of the future

cash flows expected from the generating units to which goodwill has been allocated. The resulting value adjustments are recorded in the income statement under item "240. Value adjustments of goodwill". No subsequent write-back is permitted.

Derecognition criteria

An intangible asset is derecognised from the statement of financial position on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

8 - Non-current assets and disposal groups

Non-current assets or groups of assets/liabilities for which a process of disposal has begun and their sale is considered highly probable are classified under the item of the assets "Non-current assets and disposal groups" and the item of the liabilities "Liabilities associated with assets held for sale". With the exception of certain types of assets (e.g. financial assets coming under the scope of application of IFRS 9), for which IFRS 5 specifically establishes that the measurement criteria of the relevant accounting standard must be applied, these assets/liabilities are otherwise measured at the lower of carrying amount and their fair value net of selling costs.
Income and expenses (net of the tax effect) attributable to asset disposal groups held for sale or recognized as such during the year, are presented in the income statement in a separate item.

9 - Current and deferred taxes

Classification criteria

The items include current and deferred tax assets and current and deferred tax liabilities related to income taxes, respectively.

Current and deferred taxes, calculated in compliance with national tax laws, are recognised in profit or loss with the exception of items directly credited or debited to equity.

Current tax liabilities are shown in the statement of financial position gross of the relevant tax advances paid.

Deferred tax assets and liabilities are recognised in the statement of financial position at pre-closing balances and without set-offs, and are included in the items "Tax assets" and "Tax liabilities", respectively, except when there is a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which deferred tax liabilities or assets are expected to be settled or recovered.

Under the existing tax consolidation arrangements between the Bank and La Scogliera S.A., the current corporate income tax (IRES) expense for the year is included in either Other assets or Other liabilities as receivables due from/payables due to the consolidating company, La Scogliera S.A., in accordance with tax legislation.

Recognition and measurement criteria

Deferred tax assets and liabilities are calculated based on temporary differences—without time limits—between the value attributed to the asset or liability according to statutory criteria and the corresponding tax base, applying the tax rates expected to be applicable for the year in which the tax asset will be realised, or the tax liability will be settled, according to theoretical tax laws in force at the realisation date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- when the timing of the reversal of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that they can be recovered, based on the ability of the Bank, as a result of the "tax consolidation" option, to continue to generate taxable profit, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

10 - Provisions for risks and charges

Classification criteria

Provisions for risks and charges in respect of commitments and guarantees granted

The sub-item of provisions for risks and charges under review includes the provisions for credit risk set aside for loan commitments and the other guarantees granted that fall within the scope of the impairment rules in IFRS 9. As a general rule, in this case the Bank adopts the same methods for allocating items to three credit risk stages and calculating expected credit losses as the ones described for financial assets measured at amortised cost or at fair value through other comprehensive income.
The aggregate item therefore also includes the provisions for risks and charges set aside for other types of commitments and guarantees granted that, because of their specific characteristics, they do not fall within the scope of the impairment rules in IFRS 9.

Provisions for pensions and similar obligations

Pension funds are established in implementation of company agreements and qualify as defined benefit plans under IAS 19. The liability relating to these plans and the related current service cost are determined on the basis of actuarial assumptions by applying the "Projected Unit Credit Method", which involves projecting future outflows on the basis of historical statistical analyses and the demographic curve, and discounting these flows on the basis of a market interest rate. The contributions paid in each reporting period are treated as separate units, which are recognised and valued individually for the purpose of determining the final obligation. The rate used for discounting is determined on the basis of the market yields recorded on the valuation dates of bonds of leading companies, taking into account the average residual life of the liability. The present value of the obligation at the balance sheet date is also adjusted for the fair value of any plan assets.
Actuarial gains and losses (i.e. changes in the present value of the obligation resulting from changes in actuarial assumptions and adjustments based on past experience) are recognised in the statement of comprehensive income.

Other provisions

Other reserves for risks and charges include provisions for legal or employment-related obligations or disputes, including tax disputes, arising from a past event for which it is probable that economic resources will be disbursed to fulfil the obligations, provided a reliable estimate of the amount can be made.

Criteria for measurement and recognition of income components

Provisions for risks and charges consist of liabilities of uncertain amount or maturity and are recognised in the balance sheet if:

- a legal or constructive obligation exists as a result of a past event;
- it is likely that it will be necessary to use resources which could generate economic benefits to settle the obligation;
- the amount of the likely future outlay can be reliably estimated.

The amount recognised as a provision represents the best estimate of the financial outlay required to settle the obligation at the reporting date and reflects the risks and uncertainties inherent in the facts and circumstances

examined. Where the time element is significant, provisions are discounted using current market rates. The provision and the effect of discounting are recognised in the income statement under item "170. Net allocations to provisions for risks and charges", as well as the increase in the provision due to the passage of time.
Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. When the use of resources, capable of producing economic benefits to meet the obligation, becomes improbable, the provision is reversed.
In addition, each fund is only used to meet those outgoings for which it was originally established.
If it is not considered probable that financial resources will be required to be disbursed to fulfil the obligation, no provision need be recognised in the financial statements; in such a case, adequate disclosure of the possible risk of loss is required in the Notes to the financial statements, unless the likelihood of using resources is considered remote or the phenomenon is not material.

11 - Financial liabilities measured at amortised cost

Classification criteria

The item includes payables due to banks and customers and debt securities issued and is made up of the various forms of interbank funding, as well as funding from customers and through outstanding bonds, net of any buybacks.
Also included are debts entered into by the lessee under finance leases, as well as repurchase and reverse repurchase agreements for deposits and securities lent with receipt of cash collateral at the lender's full disposal.
Finally, operating debts related to the provision of financial services as defined in the Consolidated Banking Act and the Consolidated Finance Act are included.

Recognition criteria

The initial recognition of these liabilities occurs upon receipt of the amounts collected or settlement of the debt securities issued and is made on the basis of the relative fair value, which is normally equal to the amount collected or the issue price, increased by any additional costs/income directly attributable to the individual funding or issuance transaction and not reimbursed by the creditor counterparty.
Repurchase agreements with a repurchase obligation are recorded in the balance sheet as funding transactions for the amount collected in the spot market.
Lease payables are recognised on the basis of the present value of future instalments still to be paid over the contractual term discounted at the interest rate implicit in the transaction or, if not determinable, the marginal financing rate.

Measurement criteria

After initial recognition at fair value, these instruments are later measured at amortised cost, using the effective interest method.
The amortised cost method does not apply to short-term liabilities, as the effect of discounting would be insignificant.
Lease payables are revalued when there is a lease modification (a change in the perimeter of the contract), which is not accounted for/considered as a separate contract.

Derecognition criteria

Financial liabilities are derecognised when they are annulled, expired, extinguished or settled. The difference between the carrying amount and the acquisition cost is recognised in profit or loss.
Liabilities are derecognised also when previously issued securities are bought back, even if such instruments will be sold again in the future. Gains and losses from such derecognition are recognised in profit or loss when the buyback price is higher or lower than the carrying amount.
Subsequent sales of the company's own bonds on the market are considered as an issuance of new debt.

12 - Financial liabilities held for trading

Classification criteria

This item includes:

- financial liabilities issued with the intention of repurchasing them in the short term;
- liabilities that are part of a portfolio of financial instruments that are jointly managed and for which there is a proven strategy to achieve profits in the short term;
- derivative contracts with a negative fair value and not designated as hedging instruments, including those linked to assets/liabilities designated at fair value through profit or loss.

Recognition criteria

Financial liabilities held for trading are initially recognised at the date of settlement in the case of liabilities for cash, and at inception in the case of derivative contracts.
Initial recognition is made on the basis of the fair value of the liability, normally equal to the amount collected, without considering transaction costs or income directly attributable to the instrument itself, which are charged directly to the income statement.

Measurement criteria

Even after initial recognition, financial liabilities held for trading are measured at fair value at the period closure, and the impact of the application of this method is measured through profit or loss. The fair value is calculated based on the same criteria as those used for financial assets held for trading.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liabilities are transferred with the transfer of substantially all risks and rewards of ownership.

13 - Financial liabilities designated at fair value

It should be noted that the Bank does not engage in such operations.

14 - Foreign currency transactions

Initial recognition

At initial recognition, foreign currency transactions are recognised in the money of account, applying the exchange rate at the date of the transaction.

Subsequent recognitions

At each reporting date, foreign currency monetary assets and liabilities are translated using the closing exchange rate.
Non-monetary assets and liabilities recognised at historical cost are translated at the historical exchange rate, while those measured at fair value are translated using the period-end rate. Any exchange differences arising from the settlement of monetary elements or their translation at exchange rates different from those used at initial recognition or in previous financial statements are recognised in profit or loss in the period in which they arise, excluding those relating to financial assets measured at fair value through other comprehensive income, as they are recognised in equity.

15 - Other information

Cash and cash equivalents

This item comprises legal tender, including foreign banknotes and divisional currencies, current accounts and "sight" deposits with central banks, with the exception of compulsory reserves, as well as "sight" claims on banks. The latter definition includes availability that can be withdrawn at any time without notice or with 24 hours or one working day's notice.
The item is recorded at face value. For foreign currencies, the face value is converted into euro at the closing exchange rate at the end of the financial year.

Other assets

This item includes assets that cannot be allocated to other balance sheet asset items. The item may include but is not limited to:

- gold, silver and precious metals;
- accrued income other than that to be capitalised on the relevant financial assets, including that arising from contracts with customers in accordance with IFRS 15;
- receivables related to the provision of non-financial goods or services;
- tax credits related to the "Cura Italia" and "Relaunch" Decree-Laws;
- tax debit items other than those recorded under item "100. Tax assets”.

Any remaining balances (of "debit balance") of travelling and suspended items not allocated to the relevant accounts may also be included, provided they are of an insignificant amount overall.

Other liabilities

This item includes liabilities that cannot be allocated to the other liability items in the balance sheet.
This item includes but is not limited to:

- payment agreements that IFRS 2 requires to be classified as payables;
- debts connected with the payment of non-financial goods and services;
- accrued expenses other than those to be capitalised on the relevant financial liabilities, including those arising from contracts with customers in accordance with IFRS 15;
- miscellaneous tax credit items other than those recorded under item "60. Tax liabilities” related, for example, to the activity of a tax substitute.

Post-employment benefits and other employee benefits

According to IAS 19, employee benefits include all types of remuneration provided in exchange for the work performed by employees or by virtue of the termination of the employment relationship, which can be broken down into:

- short-term benefits (other than termination benefits) that are expected to be settled within 12 months after the end of the financial year in which the employees were employed;
- post-employment benefits such as the severance indemnity;
- termination benefits due to employees following the company's decision to terminate employment before the retirement date;
- long-term benefits (other than termination benefits) that are expected to be settled over a period of more than 12 months after the end of the financial year in which the employees were employed.

Pursuant to IAS 19 “Employee benefits” and up to 31 December 2006, the so-called “TFR” (severance indemnity), post-employment benefit for employees of the Bank, was classified as a “defined benefit plan”. It therefore had to recognise this benefit by discounting it using the projected unit credit method.
Following the coming into force of the 2007 Budget Law, which brought the reform regarding supplementary pension plans - as per Italian Legislative Decree No. 252 of 5 December 2005 - forward to 1 January 2007, the employee was given a choice as to whether to allocate the post-employment benefits earned as from 1 January 2007 to supplementary pension funds or to maintain them in the company, which would then transfer it to a dedicated fund managed by INPS (the Italian National Social Security Institute).
This reform has led to changes in the accounting of post-employment benefits (severance indemnity) as for both the benefits earned up to 31 December 2006 and those earned from 1 January 2007.

In particular:

- post-employment benefits earned as from 1 January 2007 constitute a “defined-contribution plan”, regardless of whether the employee has chosen to allocate them to a supplementary pension fund or to INPS's Treasury Fund. Those benefits shall be calculated according to contributions due without applying actuarial methods;
- post-employment benefits earned up to 31 December 2006 continue to be considered as a “defined-benefit plan”, and as such are calculated on an actuarial basis which, however, unlike the calculation

method applied until 31 December 2006, no longer requires that the benefits be proportionally attributed to the period of service rendered. This is because the employee's service is considered entirely accrued due to the change in the accounting nature of benefits earned as from 1 January 2007.

Actuarial gains/losses shall be included immediately in the calculation of the net obligations to employees through equity, to be reported in other comprehensive income.

Share-based payments

They are payments granted to employees or similar parties as remuneration for the services received that are settled in equity instruments.
The relevant international accounting standard is IFRS 2 – Share-based payments; specifically, since the Bank is to settle the obligation for the service received in equity instruments (shares "to the value of", i.e. a given amount is converted into a variable number of shares based on the fair value at grant date), those payments fall under "equity-settled share-based payments". The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.
That cost is recognised in employee benefits expense together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The cost or revenue in the income statement represents the movement in cumulative expense recognised at the beginning and end of that year.

Treasury shares

Pursuant to regulations in force in Italy, buying back treasury shares requires a specific resolution of the shareholders' meeting and the recognition of a specific reserve in equity. Treasury shares in the portfolio are deducted from equity and measured at cost, calculated using the "Fifo" method. Differences between the purchase price and the selling price deriving from trading in these shares during the reference year are recognised under equity reserves.

Recognition of revenues and costs

Revenues

Revenues are gross streams of economic benefits flowing to the entity as consideration for the obligation to transfer to the customer a wide range of goods and services in the ordinary course of business.
Under IFRS 15, an entity must recognise revenue based on the consideration expected to be received for goods and services provided in the ordinary course of business. In detail, the recognition of revenue must take place on the basis of the following five steps:

- identification of a contract, defined as an agreement of commercial substance between two or more parties capable of generating rights and obligations;
- identification of the individual obligations ("performance obligations") contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the stand-alone selling price of the individual obligation;
- recognition of the revenue allocated to the individual obligation when it is settled, i.e. when the customer obtains control of the goods and services. This recognition takes into account the fact that certain services may be rendered at a specific time or over a period of time.

Revenue arising from contractual obligations with customers is recognised in profit or loss when it is probable that the entity will receive the consideration to which it is entitled in exchange for the goods or services transferred to the customer. This consideration must be allocated to the individual obligations under the contract and must be recognised as income in the income statement according to the timing of performance of the obligation. In detail, revenues may be recognised in the income statement:

- at a point in time, when the entity performs the obligation to do by transferring the promised good or service to the customer, or

- over time, as the entity performs the obligation to do by transferring the promised good or service to the customer.

The obligation to perform is considered to have been performed when the customer acquires control of the transferred good or service.
The consideration promised in the contract with the customer may include fixed amounts, variable amounts, or both. In detail, the contract price may vary as a result of reductions, discounts, rebates, incentives, performance bonuses or other similar elements. The variability of the consideration may also depend on the occurrence or non-occurrence of a future event. In the case of variable consideration, revenue is recognised in the income statement if it can be reliably estimated and only if it is highly probable that all or a significant portion of the consideration will not subsequently be reversed from the income statement.
When an entity receives consideration from a customer that it expects to refund to the customer, in whole or in part, against the revenue recognised in the income statement, it is necessary to recognise a liability, to be estimated based on expected future refunds (termed a “refund liability”). The estimate of this liability is updated at each balance sheet or interim reporting date and is based on the portion of the consideration that the entity expects not to be entitled to.

Costs

Costs related to obtaining and fulfilling contracts with customers are recognised in the income statement in the periods in which the corresponding revenues are recognised; costs that do not have a direct association with revenues are immediately recognised in the income statement.

Dividends

Dividends are recognised through profit or loss in the year in which the resolution concerning their distribution is passed.

Impairment of financial instruments

Under IFRS 9, the relevant impairment provisions apply to financial assets measured at amortised cost, financial assets measured 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.

For further details, please refer to paragraph "2.3 Measurement of expected losses" in "Section 2 - Prudential consolidation risks" of "Part E - Information on risks and related hedging policies" of the Notes to the Consolidated Financial Statements.

Offsetting of financial instruments

Pursuant to IAS 32, paragraph 42, financial assets and financial liabilities are netted and shown for the net balance if the entity:

- has a legal right to effect such set-off, which is currently exercisable in all circumstances, whether in the ordinary course of business or in default, insolvency or bankruptcy of the parties;

- intends to settle transactions on a net settlement basis or on a gross settlement basis whose substantive effects are equivalent to a net settlement.

A.3 - Disclosure of transfers of financial assets between portfolios

No financial assets were transferred between portfolios during 2023.

A.4 - Fair value disclosure

Qualitative disclosure

Fair value is the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date, under current market conditions (i.e. the exit price), regardless of the fact that said price is directly observable or that another measurement approach is used.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
IFRS 13 establishes a fair value hierarchy based on the extent to which inputs to valuation techniques used to measure the underlying assets/liabilities are observable. Specifically, the hierarchy consists of three Levels.

- Level 1: the instrument's fair value is measured based on (unadjusted) quoted prices in active markets.
- Level 2: the instrument's fair value is measured based on valuation models using inputs observable in active markets, such as:
  - quoted prices for similar assets or liabilities;
  - quoted prices for identical or similar assets or liabilities in non-active markets;
  - observable inputs such as interest rates or yield curves, implied volatility, default rates and illiquidity factors;
  - inputs that are not observable but supported and confirmed by market data.
- Level 3: the instrument's fair value is measured based on valuation models using mainly inputs that are unobservable in active markets.

Each financial asset or liability of the Bank is categorised in one of the above Levels, and the relevant measurements may be recurring or non-recurring (see IFRS 13, paragraph 93, letter a). The fair value measurement is categorised in its entirety in the same Level of the fair value hierarchy as the lowest Level input.
The choice among the valuation techniques is not optional, since these shall be applied in a hierarchical order: indeed, the fair value hierarchy gives the highest priority to (unadjusted) quoted prices available in active markets for identical assets or liabilities (Level 1 data) and the lowest priority to unobservable inputs (Level 3 data).
Valuation techniques used to measure fair value are applied consistently on an on-going basis.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

In the absence of quoted prices in an active market, the fair value measurement of a financial instrument is performed using valuation techniques maximising the use of inputs observable on the market.
The use of a valuation technique is intended to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. In this case, the fair value measurement may be categorised in Level 2 or Level 3, according to what extent inputs to the pricing model are observable. In the absence of observable prices in an active market for the financial asset or liability to be measured, the fair value of the financial instruments is measured using the so-called comparable approach (Level 2), requiring valuation models based on market inputs.
In this case, the valuation is not based on the quoted prices of the financial instrument being measured (identical asset), but on prices, credit spreads or other factors derived from the official quoted prices of instruments that are substantially similar in terms of risk factors and duration/return, using a given calculation method (pricing model).
In the absence of quoted prices in an active market for a similar instrument, or should the characteristics of the instrument to be measured not allow to apply models using inputs observable in active markets, it is necessary to use valuation models assuming the use of inputs that are not directly observable in the market and, therefore, requiring to make estimates and assumptions (non observable input - Level 3). In such cases, the financial instrument is measured using a given calculation method that is based on specific assumptions regarding:

- the trend in future cash flows, possibly contingent on future events whose probability of occurring can be derived from historical experience or based on behavioural assumptions;
- the Level of specific inputs not quoted on active markets: for the purposes of estimating them, information acquired from prices and spreads observed on the market shall have a higher priority. If these are not available, entities shall use historical data about the specific underlying risk factor or specialist research on the matter (e.g. reports by ratings agencies or primary market players).

In the cases described above, consideration is always given to the value of potentially making valuation adjustments taking into account the risk premiums that operators typically consider in pricing instruments. If not explicitly considered in the valuation model, valuation adjustments may include:

- model adjustment: adjustments that take into account any deficiencies in the valuation models highlighted during calibration;
- liquidity adjustment: adjustments that take into account the bid-ask spread if the model calculates a mid-price;
- credit risk adjustment: adjustments related to the counterparty or own credit risk;
- other risk adjustment: adjustments related to a risk premium "priced" in the market (e.g. relating to the complexity of valuation of an instrument).

As for the measurement of financial assets and liabilities measured at fair value on a recurring basis, the Bank applies the Discounted Cash Flow (DCF) Model to receivables mandatorily measured at fair value, discounting the expected cash flows from each loan at a market rate determined by taking into account the risk free rate for similar maturities, the Cost of Funding (COF), the counterparty's credit risk, and the capital absorption cost.

For the measurement of unlisted equities, mainly income and financial models are used, in particular the method defined as "Market Multiples of Comparable Companies" to which a control method such as the "Discounted Cash Flow Model" or the "Comparable Transactions Method" is compared. The latter method is applied to transactions that have similar economic and asset characteristics to the one being valued and adjusted for the economic and asset magnitudes of the asset being valued.
In general, where the purchase of the equity security or POCI loan measured at fair value in the last year and market conditions have not changed significantly since the date of purchase, the purchase value is retained in the balance sheet. Factors taken into consideration that are indicative of a purchase price that is not representative of fair value include deviations of the asset's performance from forecasts and changes in the market scenario or context in which the counterparty operates.
With specific reference to the valuation of UCITS units, the approach used takes Net Asset Value (NAV) as the starting point for determining fair value. Thereafter, it must be verified whether, in determining the NAV, the fund's assets have been measured at fair value in accordance with the applicable international standards. A discount is applied to the NAV determined in this way using a structured rate as described below:

- liquidity adjustment: the liquidity discount must take into account the inability to mobilise the economic commitment in the short term. This discount, which refers to a time horizon expressing the average duration of the investments in the fund, is applied to the NAV defined above inversely proportional to changes in the NAV itself. Once the investment phase is over, the discount applied will decrease proportionally from year to year until it settles at the base discount applied for the first year;
- credit risk adjustment: the credit risk discount must take into account the probability of default of the underlying asset in which the fund invests;
- other risk adjustment: this category includes the discount of any other significant element known to the manager of the instrument at the time of measurement.

As for over-the-counter (OTC) derivatives not quoted in active markets, their fair value is calculated based on measurement techniques that take into account all risk factors that could affect the value of the financial instrument concerned, using observable market inputs (interest rates, exchange rates, share indices, etc.) adjusted as appropriate to account for the creditworthiness of the specific counterparty, including the counterparty's credit risk (CVA, Credit Value Adjustment) and/or the Group's own credit risk (DVA, Debt Value Adjustment).
The increase in interest rates, which occurred during the year, had a significant impact on the fair value of derivatives. However, with reference to the measurement of counterparty risk (Credit Valuation Adjustment and Debit Valuation Adjustment), as of 31 December 2023, the impact on the balance sheet values of derivatives with mark-to-market, both positive and negative, is substantially nil as almost all derivative financial instruments are securitised through Credit Support Agreements (CSA). The balance at 31 December 2023 of derivatives, for which

there is no counterparty risk mitigation (CSA) element, should not be considered significant and amounts to 153 thousand Euro.

As for the measurement of financial assets and liabilities measured at fair value on a non-recurring basis, the relevant portfolio consists of on-balance-sheet exposures classified as performing with a residual life exceeding one year (medium-long term). Therefore, all exposures classified as non-performing, the ones with a residual life less than one year, and unsecured loans are excluded from the valuation, as it is believed that their amortised cost can be used as an approximation of fair value.

For non-performing loans (bad loans, unlikely to pay, past due), the fair value is conventionally assumed to be equal to the net carrying amount and is shown in Level 3. In this regard, it should be noted that, in the recent past, significant transactions of assignments of non-performing loans have been observed on the Italian market, with prices that have discounted the specific characteristics of the portfolios sold and the different yields demanded by the buyers. The fair value determined on the basis of the aforementioned transactions would therefore be characterised by a high dispersion of values, such that the identification of a reference value would not be objective.

For the purposes of measuring performing loans at fair value, given the absence of prices directly observable on active and liquid markets, entities shall use valuation techniques based on a theoretical model meeting the requirements of IAS/IFRS standards (Level 3). The approach used to determine the fair value of performing loans is the aforementioned DCF Model applied to loans with a residual maturity of more than one year, while the nominal amount is considered for other loans with short or no maturity. Future cash flows consist of the sum of principal and interest and are discounted using a rate formed by the credit spread (coverage curve) and the 3-month Euribor rate.

For financial liabilities at amortised cost, the fair value calculated for disclosure purposes is determined by applying the following methodologies:

- for medium- and long-term liabilities, the measurement is performed by discounting future cash flows using an interest rate that incorporates its own credit risk component;
- for on-demand liabilities with short-term or indefinite maturity, the carrying amount is a good approximation of fair value.

A.4.2 Measurement processes and sensitivity

In compliance with IFRS 13, for financial assets and financial liabilities measured at fair value and categorised within Level 3, the Bank tests their sensitivity to changes in one or more unobservable inputs used in the fair value measurements like, by way of example and in no means exhaustive, discount rates applied to cash flows, i.e. expected cash flows themselves.

With regard to debt security exposures measured at Level 3 fair value, amounting to 85,9 million Euro at 31 December 2023, the effects of potential changes in the parameters used are deemed not significant.

For equity securities (equal to 121,1 million Euro) and units of UCITSs (equal to 71,5 million Euro), it is generally not possible to perform any quantitative sensitivity analysis of fair value to changes in unobservable inputs, as either the fair value is derived from third-party sources, or it is the result of a model whose inputs are specific to the entity being valued (e.g. company assets) and for which the information necessary for a sensitivity analysis is not available.

A.4.3 Fair value hierarchy

Concerning recurring fair value measurements of financial assets and liabilities, Banca Ifis transfers them between Levels of the hierarchy based on the following guidelines.

- for debt securities and financing:
  - the transfer from Level 3 to Level 2 takes place when the inputs to the valuation technique used are observable at the measurement date;
  - the transfer from Level 3 to Level 1 is allowed when it is confirmed that there is an active market for the instrument at the measurement date;
  - finally, they are transferred from Level 2 to Level 3 when some inputs relevant in measuring fair value are not directly observable at the measurement date.

- for equity instruments, the Level transfer takes place when:
    - observable inputs became available during the period (e.g. prices for identical assets and liabilities defined in comparable transactions between independent and knowledgeable parties). In this case, they are reclassified from Level 3 to Level 2;
    - inputs directly or indirectly observable used in measuring them are no longer available or current (e.g. no recent comparable transactions or no longer applicable multiples). In this case, the entity shall use valuation techniques incorporating unobservable inputs.

A.4.4 Other information

There is no further information to report than that presented in the preceding paragraphs.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value Level

Financial assets/liabilities measured at fair value (in thousands of Euro)	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	5.144	583	210.322	32.399	500	156.465
a) financial assets held for trading	-	583	-	1.270	500	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	5.144	-	210.322	31.129	-	156.465
2. Financial assets measured at fair value through other comprehensive income	673.789	5.373	70.009	631.016	-	66.590
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**678.933**	**5.956**	**280.331**	**663.415**	**500**	**223.055**
1. Financial liabilities held for trading	-	14.005	-	-	25.982	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	11.644	-	-	-	-
Total	**-**	**25.649**	**-**	**-**	**25.982**	**-**

Key:
L1 = Level 1: fair value of a financial instrument quoted in an active market;
L2 = Level 2 fair value measured using valuation techniques based on observable market inputs other than the financial instrument's price;
L3 = Level 3 fair value calculated using valuation techniques based on inputs not observable in the market.

At 31 December 2023, the impact of applying the Credit Valuation Adjustment to the book values of the derivatives with a positive mark-to-market amounts to 0,2 million Euro (related to derivatives held for trading); as for the instruments with a negative mark-to-market, there was no impact resulting from the application of the Debit Valuation Adjustment to the equity amounts of the derivatives.
Financial assets measured at fair value through other comprehensive income mainly consist of listed securities (Level 1). With regard to securities in Level 3, the amount includes shares in the Bank of Italy with a carrying amount of 50,0 million Euro.

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	*of which: a) financial assets held for trading*	*of which: b) financial assets designated at fair value*	*of which: c) other financial assets mandatorily measured at fair value*				
1. Opening balance	**156.465**	**-**	**-**	***156.465***	**66.590**	**-**	**-**	**-**
2. Increases	**117.954**	**-**	**-**	***117.954***	**5.267**	**-**	**-**	**-**
2.1. Purchases	95.287	-	-	*95.287*	5.122	-	-	-
2.2. Profit taken to:	20.656	-	-	*20.656*	145	-	-	-
2.2.1. Income Statement	20.656	-	-	*20.656*	-	-	-	-
- of which capital gains	*19.871*	-	-	*19.871*	-	-	-	-
2.2.2. Equity	-	-	-	-	145	-	-	-
2.3. Transferred from other Levels	-	-	-	-	-	-	-	-
2.4. Other increases	2.011	-	-	*2.011*	-	-	-	-
3. Decreases	**64.097**	**-**	**-**	***64.097***	**1.848**	**-**	**-**	**-**
3.1. Sales	30.123	-	-	*30.123*	-	-	-	-
3.2. Reimbursements	24.211	-	-	*24.211*	-	-	-	-
3.3. Losses taken to:	9.402	-	-	*9.402*	1.847	-	-	-
3.3.1. Income Statement	9.402	-	-	*9.402*	-	-	-	-
- of which capital losses	*9.150*	-	-	*9.150*	-	-	-	-
3.3.2. Equity	-	-	-	-	1.847	-	-	-
3.4. Transferred to other Levels	-	-	-	-	1	-	-	-
3.5. Other decreases	361	-	-	*361*	-	-	-	-
4. Closing balance	**210.322**	**-**	**-**	***210.322***	**70.009**	**-**	**-**	**-**

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (Level 3)

The case does not exist.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value Levels

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis (in thousands of Euro)	31.12.2023				31.12.2022			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	9.836.783	2.340.968	-	7.476.013	9.317.418	2.318.881	-	6.912.951
2. Property, plant and equipment held for investment purpose	407	-	-	407	423	-	-	423
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	**9.837.190**	**2.340.968**	**-**	**7.476.420**	**9.317.841**	**2.318.881**	**-**	**6.913.374**
1. Financial liabilities measured at amortised cost	11.117.517	1.329.813	104.630	9.497.304	10.541.666	1.002.626	64.192	9.246.836
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**11.117.517**	**1.329.813**	**104.630**	**9.497.304**	**10.541.666**	**1.002.626**	**64.192**	**9.246.836**

Key
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Among financial assets measured at amortised cost, the amount reported under Level 1 refers to government and other listed debt securities, while the balance reported under Level 3 consists mainly of credit exposures.
Level 1 amortised cost financial liabilities relate to bonds issued by the Bank.

A.5 - Disclosure on day one profit/loss

With reference to the provisions of IFRS 7 par. 28, a financial instrument must initially be recognised at a value equal to its fair value which, unless there is evidence to the contrary, is equal to the price paid/collected in trading. The above standard governs such cases by establishing that an entity may recognise a financial instrument at a fair value other than the consideration given or received only if the fair value is evidenced:

- by comparison with other observable current market transactions in the same instrument;
- through valuation techniques using exclusively, as variables, data from observable markets.

In other words, the assumption under IFRS 9, whereby fair value is equal to the consideration given or received, may be overcome only if there is objective evidence that the consideration given or received is not representative of the actual market value of the financial instrument being traded.
Such evidence must be derived only from objective and non-refutable parameters, thus eliminating any hypothesis of discretion on the part of the evaluator.
The difference between the fair value and the negotiated price, only when the above conditions are met, is representative of the day one profit and is immediately recognised in the income statement.
No such transactions were carried out as part of the Bank's operations during 2023.

Part B - Information on the Statement of Financial Position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31.12.2023	31.12.2022
a) Cash	26	29
b) Current accounts and on demand deposits at Central banks	515.114	370.021
c) Current accounts and on demand deposits at banks	83.876	70.064
Total	**599.016**	**440.114**

At 31 December 2023 this item amounts to 599 million Euro, and includes, in compliance with the requirements for balance sheet items set out in the 7th October 2021 update of Bank of Italy Circular No. 262/2005, on demand receivables due from banks.
Of the growth of 158,9 million Euro recorded by the item, about 145,0 million Euro related to the increase in overnight deposits with the Bank of Italy, where the Bank's surplus liquidity is used.

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by type

Items/Amounts	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	-	-	-	677	-	-
1.1 Structured	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	677	-	-
2. Equity securities	-	-	-	593	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**1.270**		**-**
B. Derivatives						
1. Financial derivatives	-	583	-	-	500	-
1.1 for trading	-	583	-	-	500	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 connected to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**583**	**-**	**-**	**500**	**-**
Total (A+B)	**-**	**583**	**-**	**1.270**	**500**	**-**

Key:
L1 = Level 1;
L2 = Level 2;
L3 = Level 3.

Financial assets held for trading consist entirely of derivative transactions that were substantially hedged by positions recognised as financial liabilities outstanding at 31 December 2023 and amount to 0,6 million Euro.
The item has reduced by 67,1% compared with the figure of 1,8 million Euro at 31 December 2022, which included 1,3 million Euro of debt and equity securities belonging to the Group's trading portfolio, which were entirely sold in the first half of 2023.

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

Items/Amounts	31.12.2023	31.12.2022
A. Cash assets		
1. Debt securities	**-**	**677**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	676
d) Other financial companies	-	1
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity securities	**-**	**593**
a) Banks	-	593
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. UCITS units	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**-**	**1.270**
B. Derivatives		
a) Central Counterparties	-	-
b) Other	583	500
Total (B)	**583**	**500**
Total (A+B)	**583**	**1.770**

2.3 Financial assets designated at fair value: breakdown by type

The case does not exist.

2.4 Financial assets designated at fair value: breakdown by debtor/issuer

The case does not exist.

2.5 Financial assets mandatorily measured at fair value: breakdown by type

Items/Amounts	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**85.860**	**31.129**	**-**	**39.788**
1.1. Structured	-	-	-	-	-	-
1.2. Other debt securities	-	-	85.860	31.129	-	39.788
2. Equity securities	**-**	**-**	**51.051**	**-**	**-**	**34.955**
3. UCITS units	**5.144**	**-**	**66.309**	**-**	**-**	**64.533**
4. Loans	**-**	**-**	**7.102**	**-**	**-**	**17.189**
4.1 Reverse repurchase agreements	-	-	-	-	-	4.937
4.2. Others	-	-	7.102	-	-	12.252
Total	**5.144**	**-**	**210.322**	**31.129**	**-**	**156.465**

Key
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial assets mandatorily measured at fair value through profit or loss come to 215,5 million Euro. This item consists of loans and debt securities that did not pass the SPPI test, equity securities from minority shares and UCITS units.
Debt securities classified as Level 3 are instead represented by junior, mezzanine and single-tranche securities related to securitisation transactions totalling 85,9 million Euro at 31 December 2023 (39,8 million Euro at the end of 2022).
Equity securities represent minority interests in companies in connection with transactions conducted by the Equity Investment unit.
The item "UCITS units", totalling 71,5 million Euro as at 31 December 2023, refers to 65,1 million Euro in units of equity and bond funds, 5,2 million Euro in units of real estate funds, and the remainder in multi-fund sub-funds. The values classified at Level 1 refer to an investment made in 2023 in a listed equity fund.

2.6 Financial assets mandatorily measured at fair value: breakdown by debtor/issuer

	31.12.2023	31.12.2022
1. Equity securities	**51.051**	**34.955**
of which: banks	-	-
of which: other financial companies	*3.051*	*1.844*
of which: non-financial companies	*48.000*	*33.111*
2. Debt securities	**85.860**	**70.917**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	31.129
d) Other financial companies	85.860	39.788
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	**71.453**	**64.533**
4. Loans	**7.102**	**17.189**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	71	116
of which: insurance companies	-	-
e) Non-financial companies	7.031	17.073
f) Households	-	-
Total	**215.466**	**187.594**

UCITS units include 35,1 million Euro in equity funds that invest in non-performing loans, 28,8 million Euro in equity funds.

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

Items/Amounts	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**628.933**	**5.373**	**-**	**589.638**	**-**	**-**
1.1 Structured	4.370	-	-	6.006	-	-
1.2 Other debt securities	624.563	5.373	-	583.632	-	-
2. Equity securities	**44.856**	**-**	**70.009**	**41.378**	**-**	**66.590**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**673.789**	**5.373**	**70.009**	**631.016**	**-**	**66.590**

Key
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial assets measured at fair value through other comprehensive income total 749,2 million Euro at 31 December 2023, up 51,6 million Euro from December 2022, and include the debt securities that passed the SPPI test as well as equity securities for which the Bank elected the so-called OCI option pursuant to IFRS 9.

Level 1 “other debt securities” referred for 460,2 million to Italian and foreign government bonds.

Equity securities measured at fair value through other comprehensive income amount to 114,9 million Euro at 31 December 2023, up 6,4% from 31 December 2022. This item is attributable to minority interests in leading companies in the banking and insurance, energy and telecommunications sectors, both Italian (81,4 million Euro) and foreign (33,5 million Euro). Therefore, growth continues (+6,9 million Euro over 2022) consistent with the strategies of a proprietary portfolio that guarantees stable dividends.

It should also be noted that financial assets measured at fair value through Level 3 comprehensive income include shares in the capital of the Bank of Italy in the amount of 50 million Euro. In this regard, it should be noted that these units derive from the capital increase transaction carried out by the Bank of Italy in 2013 as a result of Decree-Law No. 133 of 30 November 2013, converted by Law No. 5 of 29 January 2014, which resulted in the issuance of new quotas, for a value of 25.000 Euro per unit.

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

Items/Amounts	31.12.2023	31.12.2022
1. Debt securities	**634.306**	**589.638**
a) Central Banks	-	-
b) Public Administrations	460.187	403.247
c) Banks	93.023	107.267
d) Other financial companies	26.345	29.023
of which: insurance companies	-	-
e) Non-financial companies	54.751	50.101
2. Equity securities	**114.865**	**107.968**
a) Banks	51.767	58.633
b) Other issuers:	63.098	49.335
- other financial companies	9.879	13.331
of which: insurance companies	*3.881*	*6.860*
- non-financial companies	53.219	36.004
- other	-	-
3. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**749.171**	**697.606**

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and overall impairment losses/reversals

	Gross amount					Overall impairment losses/reversals				Overall partial write-offs (1)
	Stage 1	*of which: Low credit risk instruments*	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	
Debt securities	632.507	*632.505*	2.962	-	-	(1.032)	(131)	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2023	**632.507**	***632.505***	**2.962**	**-**	**-**	**(1.032)**	**(131)**	**-**	**-**	**-**
Total 31.12.2022	**590.721**	***590.721***	**-**	**-**	**-**	**(1.083)**	**-**	**-**	**-**	**-**

(1) Value to be disclosed for information purposes.

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: breakdown of receivables due from banks by type

Type of transaction/Amounts	31.12.2023						31.12.2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purcha-sed or origina-ted impaired	L1	L2	L3
A. Receivables due from Central	**25.490**	**-**	**-**	**-**	**-**	**25.490**	**6.145**	**-**	**-**	**-**	**-**	**6.145**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	25.490	-	-	X	X	X	6.145	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. Receivables due from banks	**609.312**	**-**	**-**	**587.903**	**-**	**34.586**	**556.191**	**-**	**-**	**515.273**	**-**	**32.750**
1. Loans	32.471	-	-	-	-	32.471	30.040	-	-	-	-	30.040
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2 Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Other loans:	32.471	-	-	X	X	X	30.040	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Financing for leasing	100	-	-	X	X	X	272	-	-	X	X	X
- Other	32.371	-	-	X	X	X	29.768	-	-	X	X	X
2. Debt securities	576.841	-	-	587.903	-	2.115	526.151	-	-	515.273	-	2.710
2.1 Structured	9.411	-	-	7.296	-	2.115	9.413	-	-	7.189	-	2.180
2.2 Other debt securities	567.430	-	-	580.607	-	-	516.738	-	-	508.084	-	530
Total	**634.802**	**-**	**-**	**587.903**	**-**	**60.076**	**562.336**	**-**	**-**	**515.273**	**-**	**38.895**

Total receivables due from banks measured at amortised cost amount to 634,8 million Euro at 31 December 2023, up 12,9% on the balance booked at 31 December 2022. The growth is mainly driven by debt securities due to banks measured at amortised cost, which come to 576,8 million Euro (+9,6% compared with 31 December 2022) and loans to central banks relating to the mandatory reserve in the amount of 25,5 million Euro (6,1 million Euro at 31 December 2022). The item also includes various loans due in the amount of 32,5 million Euro (30,0 million Euro at the end of 2022).

4.2 Financial assets measured at amortised cost: breakdown of receivables due from customers by type

Type of transaction/Amounts	31.12.2023						31.12.2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
1. Loans	**6.430.177**	**212.796**	**33.541**	**-**	**-**	**6.715.836**	**6.328.961**	**257.620**	**41.593**	**-**	**-**	**6.661.934**
1.1. Current accounts	123.034	5.358	119	X	X	X	129.791	9.342	837	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Loans/mortgages	2.367.007	59.780	31.778	X	X	X	2.447.874	57.554	38.897	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	19	-	277	X	X	X	14	12	508	X	X	X
1.5. Financing for leasing	1.352.040	10.270	-	X	X	X	1.284.262	13.752	-	X	X	X
1.6. Factoring	2.231.959	115.552	58	X	X	X	2.127.701	163.921	197	X	X	X
1.7. Other loans	356.118	21.836	1.309	X	X	X	339.319	13.039	1.154	X	X	X
2. Debt securities	**2.525.467**	**-**	**-**	**1.753.065**	**-**	**700.101**	**2.126.908**	**-**	**-**	**1.803.608**	**-**	**212.123**
2.1. Structured	16.561	-	-	10.808	-	5.511	13.374	-	-	10.003	-	2.375
2.2. Other debt securities	2.508.906	-	-	1.742.257	-	694.590	2.113.534	-	-	1.793.605	-	209.747
Total	**8.955.644**	**212.796**	**33.541**	**1.753.065**	**-**	**7.415.937**	**8.455.869**	**257.620**	**41.593**	**1.803.608**	**-**	**6.874.056**

Total receivables due from customers measured at amortised cost amount to 9.202,0 million Euro, up 5,1% compared to 31 December 2022 (8.755,1 million Euro) in relation to the growth of debt securities by 398,6 million Euro. Financing is broadly in line with the previous year, due to an increase in leasing and factoring, which was offset by a reduction in mortgages. A 17,2% reduction is also recorded in non-performing loans, driven by non-performing past-due exposures, which go from 138,3 million Euro in December 2022 to 99,4 million Euro at the end of 2023. More specifically, non-performing past due exposures with the National Health System have reduced.

4.3 Financial assets measured at amortised cost: breakdown of receivables due from customers by debtor/issuer

Type of transaction/Amounts	31.12.2023			31.12.2022		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	Stages 1 and 2	Stage 3	Purchased or originated impaired
1. Debt securities:	**2.525.467**	**-**	**-**	**2.126.908**	**-**	**-**
a) Public Administrations	1.660.628	-	-	1.571.496	-	-
b) Other financial companies	776.746	-	-	463.757	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	88.093	-	-	91.655	-	-
2. Loans to:	**6.430.177**	**212.796**	**33.541**	**6.328.961**	**257.620**	**41.593**
a) Public Administrations	265.267	76.186	57	286.822	120.305	729
b) Other financial companies	1.063.999	1.580	342	1.115.371	10.053	-
of which: insurance companies	*798*	-	-	*1.295*	-	-
c) Non-financial companies	4.633.067	115.103	24.526	4.432.268	110.067	32.450
d) Households	467.844	19.927	8.616	494.500	17.195	8.414
Total	**8.955.644**	**212.796**	**33.541**	**8.455.869**	**257.620**	**41.593**

4.4 Financial assets measured at amortised cost: gross amount and overall impairment losses/reversals

	Gross amount					Overall impairment losses/reversals				Overall partial write-offs (1)
	Stage 1	*of which: Low credit risk instruments*	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	
Debt securities	3.106.136	*3.106.135*	-	-	-	(3.828)	-	-	-	-
Loans	6.100.582	-	489.007	385.461	33.541	(63.858)	(37.593)	(172.665)	-	(33.775)
Total 31.12.2023	**9.206.718**	***3.106.135***	**489.007**	**385.461**	**33.541**	**(67.686)**	**(37.593)**	**(172.665)**	**-**	**(33.775)**
Total 31.12.2022	**8.646.125**	***2.657.765***	**460.805**	399.579	**41.593**	**(74.856)**	**(13.869)**	**(141.959)**	**-**	**(40.040)**

(1) Amount to be reported for disclosure purposes

Section 5 - Hedging derivatives - Item 50

Item 50 is not present at the reporting date.

5.1 Hedging derivatives: breakdown by hedge type and Levels

The case does not exist.

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

The case does not exist.

Section 6 - Value adjustment of financial assets generically hedged - Item 60

Item 60 is not present at the reporting date.

6.1 Value adjustment of hedged assets: breakdown by hedged portfolio

The case does not exist.

Section 7 - Equity investments - Item 70

7.1 Equity investments: information on investments

Company Name	Registered office	Head Office	Equity %	Voting rights %
A. Subsidiaries				
1. Ifis Finance Sp. Z o.o.	Warsaw	Warsaw	100,00%	100,00%
2. Ifis Rental Services S.r.l.	Milan	Milan	100,00%	100,00%
3. Ifis Npl Investing S.p.A.	Mestre	Florence, Milan and Mestre	100,00%	100,00%
4. Cap.Ital.Fin. S.p.A.	Naples	Naples	100,00%	100,00%
5. Banca Credifarma S.p.A.	Bologna	Bologna	87,74%	87,74%
6. Ifis Finance I.F.N. S.A.	Bucharest	Bucharest	99,99%	99,99%
7. Ifis NPL 2021-1 SPV S.r.l.	Conegliano (TV)	Conegliano (TV)	51,00%	51,00%
B. Joint ventures	-	-	-	-
C. Companies under significant influence	-	-	-	-

7.2 Significant shareholdings: carrying amount, fair value and dividends received

The case does not exist.

7.3 Significant shareholdings: accounting information

The case does not exist.

7.4 Non-significant shareholdings: accounting information

The case does not exist.

7.5 Equity investments: annual changes

	31.12.2023	31.12.2022
A. Opening balance	**661.333**	**650.540**
B. Increases	**14.937**	**16.067**
B.1 Purchases	14.937	16.067
B.2 Reversals of impairment losses	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**3.742**	**5.274**
C.1 Sales	-	922
C.2 Impairment losses/reversals	3.740	4.352
C.3 Devaluations	-	-
C.4 Other changes	2	-
D. Closing balance	**672.528**	**661.333**
E. Total revaluations	-	-
F. Total adjustments	**3.740**	**4.352**

Purchases refer to the capital increase subscribed by the Bank with reference to Ifis Finance I.F.N. S.A. The write-backs recorded refer entirely to the investment in Cap.Ital.Fin. S.p.A. and reflect the adjustment of the cost of the investment to the related carrying amount of shareholders' equity.

7.6 Commitments in respect of interests in companies held jointly

The case does not exist.

7.7 Commitments in respect of interests in companies subject to significant influence

The case does not exist.

7.8 Significant restrictions

The case does not exist.

7.9 Other information

The case does not exist.

Section 8 - Property, plant and equipment - Item 80

8.1 Property, plant and equipment for functional use: breakdown of assets measured at cost

	31.12.2023	31.12.2022
1. Owned	**119.196**	**102.367**
a) Land	20.297	20.297
b) Buildings	62.521	63.975
c) Furniture	3.454	2.729
d) Electronic equipment	5.506	3.924
e) Other	27.418	11.442
2. Rights of use acquired through leases	**21.208**	**19.725**
a) Land	-	-
b) Buildings	18.024	17.395
c) Furniture	-	-
d) Electronic equipment	67	98
e) Other	3.117	2.232
Total	**140.404**	**122.092**
of which: obtained by enforcing collateral	**-**	**-**

Property, plant and equipment amount to 140,4 million Euro, showing an increase of 15,0% compared to the balance of 122,1 million Euro in 2022.
At the end of December 2023, the properties recognised under property, plant and equipment include the important historical building "Villa Marocco", located in Mestre – Venice and housing Banca Ifis's registered office. For Villa Marocco, as a valuable property, the residual value is considered higher than the book value and consequently has not been subject to depreciation but to at least annual impairment testing. To this end, they are appraised by experts specialising in luxury properties. During the year, no elements emerged that required a write-down of the carrying amount.

8.2 Property, plant and equipment held for investment purpose: breakdown of assets measured at cost

Assets/Amounts	31.12.2023				31.12.2022			
	Carry-ing amount	Fair value			Carry-ing amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned	**407**			**407**	**424**			**424**
a) Land								
b) Buildings	407			407	424			424
2. Rights of use acquired through leases								
a) Land								
b) Buildings								
Total	**407**			**407**	**424**			**424**
of which: obtained by enforcing collateral	-	-	-	-	-	-	-	-

Key
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

8.3 Property, plant and equipment for functional use: breakdown of assets written back

There is no data to report.

8.4 Property, plant and equipment held for investment purpose: breakdown of assets measured at fair value

There is no data to report.

8.5 Inventories of tangible assets covered by IAS 2: composition

The Bank holds no inventories of tangible assets governed by IAS 2.

8.6 Property, plant and equipment for functional use: annual changes

	Land	Buildings	Furnish-ings	Electronic equip-ment	Other	Total 31.12.2023
A. Gross opening balance	**20.297**	**82.373**	**2.695**	**4.364**	**18.364**	**128.093**
A.1 Total net amortisation and impairment losses	-	(1.003)	34	(342)	(4.690)	**(6.001)**
A.2 Net opening balance	**20.297**	**81.370**	**2.729**	**4.022**	**13.674**	**122.092**
B. Increases	**-**	**4.613**	**1.285**	**3.507**	**19.586**	**28.991**
B.1 Purchases	-	4.613	1.285	3.507	11.615	**21.020**
B.2 Capitalised improvement expenses	-	-	-	-	7.958	**7.958**
B.3 Reversals of impairment losses	-	-	-	-	-	**-**
B.4 Fair value gains taken to:	-	-	-	-	-	**-**
a) equity	-	-	-	-	-	**-**
b) profit or loss	-	-	-	-	-	**-**
B.5 Exchange gains	-	-	-	-	-	**-**
B.6 Transfers from investment property	-	-	X	X	X	**-**
B.7 Other changes	-	-	-	-	13	**13**
C. Decreases	**-**	**5.438**	**560**	**1.956**	**2.725**	**10.679**
C.1 Sales	-	-	-	1	2	**3**
C.2 Depreciation	-	3.764	560	1.948	2.318	**8.590**
C.3 Impairment losses taken to:	-	-	-	-	110	**110**
a) equity	-	-	-	-	-	**-**
b) profit or loss	-	-	-	-	110	**110**
C.4 Fair value losses taken to:	-	-	-	-	-	**-**
a) equity	-	-	-	-	-	**-**
b) profit or loss	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Transfers to:	-	-	-	-	-	**-**
a) Property, plant and equipment held for investment purpose	-	-	-	-	-	**-**
b) Non-current assets and disposal groups	-	-	X	X	X	**-**
C.7 Other changes	-	1.674	-	7	295	**1.976**
D. Net closing balance	**20.297**	**80.545**	**3.454**	**5.573**	**30.535**	**140.404**
D.1 Total net amortisation and impairment losses	-	(23.260)	(8.673)	(19.248)	(8.248)	**(59.429)**
D.2 Gross closing balance	**20.297**	**103.805**	**12.127**	**24.821**	**38.783**	**199.833**
E. Measurement at cost	-	-	-	-	-	**-**

Property, plant and equipment for functional use are measured at cost and are depreciated on a straight-line basis over their useful life, with the exclusion of land with an indefinite useful life and the "Villa Marocco" property, whose residual value at the end of its useful life is expected to be higher than its book value.
Property, plant and equipment not yet brought into use at the reporting date are not depreciated.

8.7 Property, plant and equipment held for investment purpose: annual changes

	31.12.2023	
	Land	**Buildings**
A. Opening balance	**-**	**423**
B. Increases	**-**	**-**
B.1 Purchases	-	-
B.2 Capitalised improvement expenses	-	-
B.3 Fair value gains	-	-
B.4 Reversals of impairment losses	-	-
B.5 Exchange gains	-	-
B.6 Transfers from property for functional use	-	-
B.7 Other changes	-	-
C. Decreases	**-**	16
C.1 Sales	-	-
C.2 Depreciation	-	-
C.3 Fair value losses	-	-
C.4 Impairment losses	-	16
C.5 Exchange losses	-	-
C.6 Transfers to:	-	-
a) property for functional use	-	-
b) Non-current assets and disposal groups	-	-
C.7 Other changes	-	-
D. Closing balance	**-**	**407**
E. Measurement at fair value	**-**	**407**

8.8 Inventories of tangible assets covered by IAS 2: annual changes

There is no data to report.

8.9 Commitments to purchase property, plant and equipment

There were no commitments to purchase property, plant and equipment.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown by asset type

Assets/Amounts	31.12.2023		31.12.2022	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**-**	**X**	**-**
A.2 Other intangible assets	**32.993**	**-**	**22.642**	**-**
of which: software	*32.993*	-	*22.642*	-
A.2.1 Assets measured at cost:	32.993	-	22.642	-
a) Internally generated intangible assets	1.326	-	524	-
b) Other assets	31.667	-	22.118	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**32.993**	**-**	**22.642**	**-**

Other intangible assets at 31 December 2023 refer almost exclusively to software purchase and development, amortised on a straight-line basis over the estimated useful life, which is five years from deployment.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total 31.12.2023
		FINITE	INDEF	FINITE	INDEF	
A. Opening balance	**-**	**1.048**	**-**	**24.760**	**-**	**25.808**
A.1 Total net amortisation and impairment losses	-	(524)	-	(2.642)	-	**(3.166)**
A.2 Net opening balance	**-**	**524**	**-**	**22.118**	**-**	**22.642**
B. Increases	**-**	**902**	**-**	**16.316**	**-**	**17.218**
B.1 Purchases	-	-	-	16.316	-	**16.316**
B.2 Increases in internally generated intangible assets	X	902	-	-	-	**902**
B.3 Reversals of impairment losses	X	-	-	-	-	**-**
B.4 Fair value gains	-	-	-	-	-	**-**
- to equity	X	-	-	-	-	**-**
- to profit or loss	X	-	-	-	-	**-**
B.5 Exchange gains	-	-	-	-	-	**-**
B.6 Other changes	-	-	-	-	-	**-**
C. Decreases	**-**	**100**	**-**	**6.767**	**-**	**6.867**
C.1 Sales	-	-	-	-	-	**-**
C.2 Impairment losses/reversals	-	100	-	6.766	-	**6.866**
- Amortisation	X	100	-	6.766	-	**6.866**
- Impairment losses:	-	-	-	-	-	**-**
+ equity	X	-	-	-	-	**-**
+ profit or loss	-	-	-	-	-	**-**
C.3 Fair value losses:	-	-	-	-	-	**-**
- to equity	X	-	-	-	-	**-**
- to profit or loss	X	-	-	-	-	**-**
C.4 Transfer to non-current assets under disposal	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Other changes	-	-	-	1	-	**1**
D. Net closing balance	**-**	**1.326**	**-**	**31.667**	**-**	**32.993**
D.1 Total net amortisation, impairment losses and reversals of impairment losses	-	(153)	-	(63.881)	-	**(64.034)**
E. Gross closing balance	**-**	**1.479**	**-**	**95.548**	**-**	**97.027**
F. Measurement at cost	-	-	-	-	-	**-**

Key
FIN: finite useful life
INDEF: indefinite useful life

Purchases refer exclusively to investments for the enhancement of IT systems.

9.3 Intangible assets: other information

The case does not exist.

Section 10 - Tax assets and liabilities - Item 100 of assets and Item 60 of liabilities

National consolidated tax regime

Banca Ifis, together with the other Group companies, Ifis Npl Investing S.p.A., Ifis Rental Services S.r.l., Ifis Npl Servicing S.p.A. and Cap.Ital.Fin. S.p.A., together with the ultimate Parent company La Scogliera S.A., has opted for the application of group taxation (tax consolidation) in accordance with articles 117 et seq. of Italian Presidential Decree No. 917/86.
Transactions between these companies were regulated by means of a private written agreement between the parties. This agreement will lapse after three years.
Adhesion to the tax consolidation allows the taxable income of the participating companies to be offset against each other (using the losses and the aid for economic growth ("ACE") realised during the adhesion period).
As envisaged by applicable regulations, adhering entities have an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera S.A., the consolidating company.
Under this tax regime, the tax profits reported by Banca Ifis for the fiscal year 2023 were transferred to the consolidating company La Scogliera S.A..
The credit due to the tax consolidating company, La Scogliera S.A., entered under "Other assets" on these Financial Statements, at 31 December 2023 comes to 3,2 million Euro, accrued at Banca Ifis.

10.1 Deferred tax assets: breakdown

The main types of deferred tax assets are set out below:

Deferred tax assets	31.12.2023	31.12.2022
A. Gross deferred tax assets	**209.655**	**249.902**
A1. Receivables (including securitisations)	135.184	166.538
A2. Other financial instruments	11.928	20.582
A3. Goodwill	7.544	10.059
A4. Expenses spanning several years	-	-
A5. Tangible assets	-	-
A6. Provisions for risks and charges	11.606	10.985
A7. Entertainment expenses	-	-
A8. Personnel-related expenses	-	-
A9. Tax losses	39.989	39.517
A10. Unused tax credits to be deducted	-	-
A11. Other	3.404	2.221
B. Set-off with deferred tax liabilities	-	-
C. Net deferred tax assets	**209.655**	**249.902**

Deferred tax assets amount to 209,7 million Euro compared to the figure of 249,9 million Euro at 31 December 2022 and consist mainly of 135,2 million Euro of assets recognised for impairment losses on receivables due from customers, potentially convertible into tax credits (166,5 million Euro at 31 December 2022), 40,0 million Euro assets recognised for prior tax losses and aid for economic growth ("ACE") benefit (39,5 million Euro at 31 December 2022) and 11,9 million Euro in misalignments on financial assets measured at fair value with impact on comprehensive income (FVOCI) (20,6 million Euro at 31 December 2022).
The item also includes approximately 7,5 million Euro for the tax redemption of goodwill booked on the Consolidated Financial Statements relative to the purchase of the controlling equity investment in Ifis Npl Servicing S.p.A. and 11,6 million Euro for temporary differences in provisions for risks and charges.
Finally, please note that the receivable related to the aid for economic growth ("ACE") (D.L. No. 201 of 6 December 2011) contributed to the Tax Consolidation arrangements in accordance with the terms and conditions envisaged by legislation governing the contribution of deferred tax assets to the period tax result, was included in Other assets as an approximately 3,2 million Euro receivable due from La Scogliera S.A..
In accordance with the rules set forth in IAS 12 and the ESMA communication of 15 July 2019, the Bank recognised Deferred Tax Assets (DTAs), after verifying that the amounts so recognised are supported by a probability opinion on their recoverability. For the purpose of expressing the aforementioned opinion, current tax provisions were

taken into consideration, with particular reference to the rules for transforming certain deferred tax assets into tax credits, and the Bank's ability to generate future taxable income also taking into account the "tax consolidation" option.
The result of the assessment shows that, in the presence of future taxable income, the DTAs recorded against the deferred tax losses and aid for economic growth (“ACE”) surpluses totalling 40,0 million Euro are fully recoverable, albeit over the medium-term.

Estimated future taxable income

Future taxable income was estimated based on Banca Ifis's most recent income projections.
In view of the current uncertain environment, the last expected income without any growth assumptions was taken as a reference for long-term profitability.

Probability test results and sensitivity analysis

On the basis of the assessment carried out with the model described previously, out of the overall total of 209,7 million Euro, the 135,2 million Euro portion attributable to Law 214/2011 (equal to 64,5% of the total DTA) will be reversed by 2028 due to express regulatory provision. The portion referring to prior tax losses and aid for economic growth (“ACE”) surpluses, totalling 40,0 million Euro (or 19,1% of the total DTA) is expected to be fully recovered from 2026 to 2032 (approximately 30,3 million Euro by 2028). The remaining 34,5 million Euro refers mainly to financial assets measured at fair value with an impact on other comprehensive income (FVOCI) and is therefore related to the performance of the related reserve.

10.2 Deferred tax liabilities: breakdown

The main types of deferred tax liabilities are shown below:

Deferred tax liabilities	31.12.2023	31.12.2022
A. Gross deferred tax liabilities	**29.469**	**30.274**
A1. Capital gains to be spread over multiple periods	-	-
A2. Goodwill	-	-
A3. Tangible assets	295	299
A4. Financial instruments	1.033	1.184
A5. Personnel-related expenses	-	-
A6. Other	28.141	28.791
B. Set-off with deferred tax assets	**-**	**-**
C. Net deferred tax liabilities	**29.469**	**30.274**

Deferred tax liabilities, totalling 29,5 million Euro, mainly include 25,3 million Euro in receivables for interest on arrears that will be taxed upon receipt, 0,3 million Euro in the revaluation of property, and 2,7 million Euro in other mismatches of trade receivables and 1,0 million Euro relative to financial assets measured at fair value through other comprehensive income (FVOCI).

10.3 Changes in deferred tax assets (recognised through profit or loss)

	31.12.2023	31.12.2022
1. Opening balance	**229.439**	**267.718**
2. Increases	**34.081**	**12.959**
2.1 Deferred tax assets recognised in the year	34.081	12.959
a) relative to previous years	403	87
b) due to change in accounting standards	-	-
c) reversals of impairment losses	-	-
d) other	33.678	12.872
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**65.793**	**51.238**
3.1 Deferred tax assets reversed during the year	60.316	37.569
a) reversals	57.126	34.401
b) impairment losses due to unrecoverability	-	-
c) change in accounting standards	-	-
d) other	3.190	3.168
3.2 Reductions in tax rates	-	-
3.3 Other decreases:	5.477	13.669
a) conversion into tax credits as per Italian Law No. 214/2011	5.359	13.669
b) other	118	-
4. Closing balance	**197.727**	**229.439**

Concerning the changes in deferred tax assets (recognised through profit or losses), note that the increases do not include the aid for economic growth (“ACE”) benefit as it is accounted for under other assets as a receivable from La Scogliera S.A., the consolidating company from a tax point of view, as a result of the consolidation agreements in force.

10.3bis Changes in deferred tax assets as per Italian Law No. 214/2011

	31.12.2023	31.12.2022
1. Opening balance	**166.538**	**199.622**
2. Increases	**-**	**149**
3. Decreases	**31.354**	**33.233**
3.1 Reversals	25.995	19.564
3.2 Conversion in tax credits	5.359	13.669
a) deriving from losses for the year	-	-
b) deriving from tax losses	5.359	13.669
3.3 Other decreases	-	-
4. Closing balance	**135.184**	**166.538**

10.4 Changes in deferred tax liabilities (recognised through profit or loss)

	31.12.2023	31.12.2022
1. Opening balance	**29.155**	**31.968**
2. Increases	**700**	**633**
2.1 Deferred tax assets recognised in the year	700	633
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	700	633
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	**-**	**-**
3. Decreases	**1.419**	**3.446**
3.1 Deferred tax liabilities reversed during the year	1.419	3.446
a) reversals	1.419	3.446
b) due to change in accounting standards	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**28.436**	**29.155**

10.5 Changes in deferred tax assets (recognised through equity)

	31.12.2023	31.12.2022
1. Opening balance	**20.463**	**3.125**
2. Increases	-	**17.789**
2.1 Deferred tax assets recognised in the year	-	17.789
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	-	17.789
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**8.535**	**451**
3.1 Deferred tax assets reversed during the year	8.535	451
a) reversals	8.535	451
b) impairment losses due to unrecoverability	-	-
c) due to change in accounting standards	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**11.928**	**20.463**

The change in deferred tax offsetting shareholder’s equity is strictly related to the tax impact of the change in the fair value reserve for financial assets measured at fair value through other comprehensive income, with specific reference to the debt securities included in the Bank’s portfolio.

10.6 Changes in deferred tax liabilities (recognised through equity)

	31.12.2023	31.12.2022
1. Opening balance	**1.119**	**312**
2. Increases	**1.911**	**2.303**
2.1 Deferred tax assets recognised in the year	1.911	2.303
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	1.911	2.303
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1.997**	**1.496**
3.1 Deferred tax liabilities reversed during the year	1.997	1.496
a) reversals	1.997	1.496
b) due to change in accounting standards	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**1.033**	**1.119**

10.7 Other information

A) Current tax assets

	31.12.2023	31.12.2022
A. Gross current tax assets	**29.270**	**46.951**
A1. IRES advances	304	304
A2. IRAP advances	5.437	4.760
A3. Other receivables and withholdings	23.529	41.887
B. Set-off with current tax liabilities	**-**	**-**
C. Net current tax assets	**29.270**	**46.951**

B) Current tax liabilities

	31.12.2023	31.12.2022
A. Gross current tax liabilities	**8.799**	**5.735**
A1. IRES tax payables	-	-
A2. IRAP tax payables	8.799	5.735
A3. Other current income taxes payable	-	-
B. Set-off with current tax assets	**-**	**-**
C. Net current tax liabilities	**8.799**	**5.735**

Section 11 – Non-current assets and disposal groups and related liabilities – Item 110 (assets) and Item 70 (liabilities)

Item 110 of assets and item 70 of liabilities did not exist at the reporting date.

11.1 Non-current assets and disposal groups: breakdown by type of asset

The case does not exist.

11.2 Other information

The case does not exist.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

	AMOUNTS	
	31.12.2023	31.12.2022
Tax receivables	220.522	268.509
Accrued income and deferred expenses	21.686	14.720
Guarantee deposits	685	968
Debtors for invoices	34.558	53.240
Sundry receivables	37.175	57.103
Miscellaneous provisional items	20.831	17.267
Effects portfolio	41.439	41.798
Total other assets	**376.896**	**453.605**

Other assets amount to 376,9 million Euro at 31 December 2023 (453,6 million Euro at 31 December 2022).

"Tax receivables" consist mainly of the portion deemed recoverable of tax credits for superbonus and other building tax bonuses, (208,7 million Euro of Ecobonus), purchased in previous years, to which a nominal amount of 234,1 million Euro corresponds. The balance also includes a receivable from the tax consolidating company La Scogliera S.A. in the amount of 3,2 million Euro. The balance at 31 December 2022, of 4,3 million Euro, was fully collected in the first half of 2023 upon settlement of taxes for the previous year within the tax consolidation regime. Therefore, the balance relative to 31 December 2023 reflects the increase in IRES advances for the 2023 tax period paid to the Treasury by the consolidating company on the basis of the debt relative to the previous year and determined on the basis of the results of the existing Tax Consolidation Agreement.

LIABILITIES

Section 1 - Financial liabilities measured at amortised cost - Item 10

1.1 Financial liabilities at amortised cost: breakdown of payables due to banks by type

Type of transaction/Amounts	31.12.2023				31.12.2022			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Payables due to Central banks	**1.577.874**	**X**	**X**	**X**	**2.423.647**	**X**	**X**	**X**
2. Payables due to banks	**1.026.592**	**X**	**X**	**X**	**1.061.698**	**X**	**X**	**X**
2.1 Current accounts and on demand deposits	19.202	X	X	X	66.924	X	X	X
2.2 Term deposits	117.309	X	X	X	149.523	X	X	X
2.3 Loans	880.222	X	X	X	845.251	X	X	X
2.3.1 Repurchase agreements	715.313	X	X	X	731.791	X	X	X
2.3.2 Other	164.909	X	X	X	113.460	X	X	X
2.4 Debt from buyback commitments on treasury equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	9.859	X	X	X	-	X	X	X
Total	**2.604.466**	**-**	**-**	**2.604.466**	**3.485.345**	**-**	**-**	**3.485.345**

Key
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Payables due to banks amount to 2.604,5 million Euro, down 25,3% compared to 31 December 2022. The change is mainly attributable to the maturity of short-term loans to central banks (LTRO) as well as the early repayment of 500 million Euro in the TLTRO in December 2023.
The item “Other payables” mainly includes deposits for margins related to transactions on derivatives.
The fair value of payables due to banks is in line with the relevant carrying amount, considering the counterparty and the fact that interbank deposits are short- or very short-term.

1.2 Financial liabilities measured at amortised cost: breakdown of payables due to customers by type

Type of transaction/Amounts	31.12.2023				31.12.2022			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and on demand deposits	1.043.442	X	X	X	1.231.787	X	X	X
2. Term deposits	4.136.919	X	X	X	3.537.655	X	X	X
3. Loans	493.791	X	X	X	101.327	X	X	X
3.1 Repurchase agreements	346.317	X	X	X	50.003	X	X	X
3.2 Other	147.474	X	X	X	51.324	X	X	X
4. Debt from buyback commitments on treasury equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	21.058	X	X	X	19.682	X	X	X
6. Other payables	1.381.989	X	X	X	1.056.843	X	X	X
Total	**7.077.199**	**-**	**-**	**6.892.782**	**5.947.294**	**-**	**-**	**5.761.386**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Payables due to customers at 31 December 2023 total 7.077,2 million Euro, up 19,0% compared to 31 December 2022. The change is mainly driven by the increase in retail deposits (+7,6% compared to December 2022) and repurchase agreements, which increased by 296,3 million Euro, partially offset by a decrease in current accounts and demand deposits (-15,3% compared to the previous year).
This latter item includes funding from the on demand Rendimax savings account and the Rendimax on-line current account, amounting to 421,9 million Euro and 35,6 million Euro, respectively; term deposits represent restricted funding from fixed-term Rendimax accounts and time deposits. Lease payables represent lease liabilities (connected with finance lease contracts and rights of use acquired under leases), in accordance with IFRS 16.
Other payables show an increase of 30,8% in relation to the restructuring of the Indigo Lease securitisation that took place during the third quarter of 2023, illustrated in section “C. Securitisation transactions”.

1.3 Financial liabilities measured at amortised cost: breakdown of debt securities issued by type

Type of securities/Amounts	31.12.2023				31.12.2022			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	1.435.796	1.329.813	104.630	-	1.108.922	1.002.626	64.192	-
1.1 structured bonds	-	-	-	-	-	-	-	-
1.2 other bonds	1.435.796	1.329.813	104.630	-	1.108.922	1.002.626	64.192	-
2. Other securities	56	-	-	56	105	-	-	105
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	56	-	-	56	105	-	-	105
Total	**1.435.852**	**1.329.813**	**104.630**	**56**	**1.109.027**	**1.002.626**	**64.192**	**105**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Debt securities issued at 31 December 2023 total 1.435,9 million Euro, up 29,5% compared to 31 December 2022. “Bonds” include senior bonds issued by the Bank in the amount of 1.063,1 million Euro, including interest, up 51% year-on-year:

- 600 million Euro relating to the two senior bonds, each with a nominal amount of 300 million Euro and a maturity of 4 years and 5 years respectively, issued in January 2023 and September 2023;
- 45 million Euro related to the second tranche issued in March 2023 and related to a senior bond with a duration of 4 years and a total nominal amount of 110 million Euro;
- redemption of 300 million Euro of the senior bond issued in 2018 and maturing in April 2023.

The item also includes the Tier 2 bond in the amount of 372,7 million Euro, including interest.

1.4 Breakdown of subordinated debts/securities

The line item "Debt securities issued" includes 372,7 million Euro in subordinated notes related to Euro Tier 2 bond issued in mid-October 2017 for a nominal amount of 400 million Euro.

1.5 Breakdown of structured debts

The case does not exist.

1.6 Lease payables

The lease payable is related to lease contracts of properties and cars for 18,5 million Euro, all coming under the scope of application of accounting standard IFRS 16, as more extensively described in “Part M - Leasing disclosure” of this document.
The item also includes 2,6 million Euro for the real estate lease the former company Toscana Finanza S.p.A. entered into in 2009 for the property located in Florence, which housed the headquarters of Npl Investing S.p.A. until August 2016. The term of the lease entered into with Centro Leasing S.p.A. is 18 years (from 01.03.2009 to 01.03.2027) and provides for the payment of 216 monthly instalments of 28.490 Euro, including the principal, interest and an option to buy the asset at the end of the lease for 1.876.800 Euro. At the reference date of these Financial Statements, the property is used as an additional operational headquarters of the Bank.
The interest rate on lease payables reflects the average cost of funding, taking into account the creditworthiness of the lessee and the economic context in which the transaction occurs, accordingly with the IFRS 16.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Amounts	31.12.2023					31.12.2022				
	NA	Fair value			Fair value*	NA	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Payables due to banks	-	-	-	-	-	-	-	-	-	-
2. Payables due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other					X					X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives	-	-	14.005	-	-	-	-	25.982	-	-
1.1 For trading	X	-	14.005	-	X	X	-	25.982	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 For trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**14.005**	**-**	**X**	**X**	**-**	**25.982**	**-**	**X**
Total (A+B)	**X**	**-**	**14.005**	**-**	**X**	**X**	**-**	**25.982**	**-**	**X**

Key:
NA = Nominal or notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair Value = Fair value calculated excluding changes in value due to changes in the issuer's creditworthiness compared to the date of issuance*

With regard to Level 2 trading liabilities, see the comments in "Section 2 - Financial assets measured at fair value through profit or loss - Item 20" of Assets in these individual Notes.

2.2 Details of "Financial liabilities held for trading": subordinated liabilities

The case does not exist.

2.3 Details of "Financial liabilities held for trading": structured debts

The case does not exist.

Section 3 - Financial liabilities designated at fair value - Item 30

Item 30 is not present at the reporting date.

3.1. Financial liabilities designated at fair value: breakdown by type

The case does not exist.

3.2 Details of "Financial liabilities designated at fair value": subordinated liabilities

The case does not exist.

Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by hedge type and hierarchical Levels

	Fair Value 31.12.2023			NA 31.12.2023	Fair Value 31.12.2022			NA 31.12.2022
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**11.644**	**-**	**355.700**	**-**	**-**	**-**	**-**
1) Fair value	-	11.644	-	355.700	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**11.644**	**-**	**355.700**	**-**	**-**	**-**	**-**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Hedge type	Fair Value							Cash flows		Foreign investments
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	equity securities and share indexes	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	11.644	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**11.644**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 5 - Value adjustment of financial liabilities generically hedged - Item 50

Item 50 is not present at the reporting date.

5.1 Value adjustment of hedged financial liabilities: breakdown by hedged portfolio

The case does not exist.

Section 6 - Tax liabilities - Item 60

Current tax liabilities, amounting to 8,8 million Euro, represent the tax burden for the year and show an increase of 3,1 million compared with the 5,7 million Euro recorded at 31 December 2022. Deferred tax liabilities, amounting to 29,5 million Euro, are better described in "Section 10 - Tax assets and liabilities - Item 100 of assets and Item 60 of liabilities" of the Assets in these individual Notes.

Section 7 - Liabilities associated with assets held for sale - Item 70

Item 70 is not present at the reporting date.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	31.12.2023	31.12.2022
Payables due to suppliers	77.994	79.032
Payables due to personnel	20.612	19.198
Payables due to the Tax Office and Social Security agencies	21.850	9.567
Sums available to customers	20.157	21.966
Accrued liabilities and deferred income	4.667	4.483
Other payables	114.695	117.567
Total	**259.975**	**251.813**

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	31.12.2023	31.12.2022
A. Opening balance	**5.427**	**6.419**
B. Increases	**277**	**101**
B.1 Provisions for the year	194	49
B.2 Other changes	83	52
C. Decreases	**382**	**1.093**
C.1 Payments made	335	181
C.2 Other changes	47	912
D. Closing balance	**5.322**	**5.427**
Total	**5.322**	**5.427**

The liability for severance pay at 31 December 2023 amounts to 5,3 million Euro, substantially in line with the previous year's figure (5,4 million Euro). Payments made represent the portions paid to employees during the year. Other decreases include the impact of the discounting of benefits earned up to 31 December 2006 and still held in the company, which, based on the changes introduced by the new IAS 19, are recognised through equity.

9.2 Other information

Under IAS/IFRS standards, a company's liabilities regarding benefits that will be paid to employees at the conclusion of the employer/employee relationship (post-employment benefits) should be recognised based on actuarial calculations of the amount that will be paid at maturity.
Specifically, these allocations must take into account the amount already earned over the period at the reporting date, projecting it into the future in order to calculate the amount that will be paid at the conclusion of the employer/employee relationship. This amount must then be discounted to take into account the time that will pass until payment.
Following the coming into force of the 2007 Budget Law, which brought the reform regarding supplementary pension plans - as per Italian Legislative Decree No. 252 of 5 December 2005 - forward to 1 January 2007, the employee was given a choice as to whether to allocate the post-employment benefits earned as from 1 January 2007 to supplementary pension funds or to maintain them in the company, which would then transfer it to a dedicated fund managed by INPS (the Italian National Social Security Institute).
This reform has led to changes in the accounting of post-employment benefits (severance indemnity) as for both the benefits earned up to 31 December 2006 and those earned from 1 January 2007.
In particular:

- post-employment benefits earned as from 1 January 2007 constitute a "defined-contribution plan", regardless of whether the employee has chosen to allocate them to a supplementary pension fund or to INPS's Treasury Fund. Those benefits shall be calculated according to contributions due without applying actuarial methods;

- post-employment benefits earned up to 31 December 2006 continue to be considered as a "defined-benefit plan", and as such are calculated on an actuarial basis which, however, unlike the calculation method applied until 31 December 2006, no longer requires that the benefits be proportionally attributed to the period of service rendered. This is because the employee's service is considered entirely accrued due to the change in the accounting nature of benefits earned as from 1 January 2007.

The actuarial valuation of the severance indemnity was conducted by an independent external actuary, based on the "accrued benefits" methodology using the "Projected Unit Credit" criterion, as required by IAS 19. The following table shows the main demographic, economic and financial assumptions on which the valuation at 31 December 2023 is based.

Main actuarial assumptions for the valuation of the severance indemnity ("TFR")	
Demographic assumptions (2023):	
Employee mortality rate	From Istat table resident population
Probability of the request for advance payment of severance indemnity	1,3%
Measure required in the case of severance indemnity advance	70,0%
Frequency of turnover	2,2%
Financial assumptions (2023):	
Annual discount rate	3,2%
Annual inflation rate	2,3%

As illustrated above, the changes in some of the actuarial assumptions for the valuation of the severance indemnity at 31 December 2023, compared to the previous year, resulted in an overall increase in the provision of 0,1 million Euro, equal to the combined effect of the following elements:

- changes in financial assumptions, for an overall positive net effect of 0,1 million Euro.
- changes in other actuarial assumptions, for an overall insignificant net effect.

With regard to the discount rate of 3,2%, which is one of the most important assumptions used in the measurement of defined benefit plan obligations, reference was made to an average rate calculated on the basis of the duration of the settlements using reference indices on corporate bonds in euro currency and with a maturity > 10 years as benchmarks.

In fact, IAS 19 requires that this rate should reflect the time value of money, but not the entity-specific credit risk, actuarial or investment risk, and the risk that the actual data experienced may differ in the future from the actuarial assumptions used. The standard further specifies that this rate shall be determined by reference to market yields, at the end of the reporting period, of securities of primary corporations of the country in which the entity operates (referred to as the "High Quality Corporate Bond yield") and, alternatively, in the absence of a market for such securities, by reference to market yields of government securities.

Sensitivity analyses

As required by IAS 19, a sensitivity analysis of the severance pay obligation was conducted assuming an increase or decrease in the discount rate and inflation rate of 50 basis points. The analysis is intended to show how much the balance sheet liability would vary in relation to reasonably possible fluctuations in these actuarial assumptions.

The results of the sensitivity analysis are as follows, in terms of changes in the severance pay liability:

	Change in TFR in absolute terms (million Euro)	Change in TFR in percentage terms
Modification of actuarial assumptions:		
- Discounting rate		
+ 0,5%	(214,1)	(4,02%)
- 0,5%	228,5	4,29%
- Inflation rate		
+ 0,5%	138,7	2,61%
- 0,5%	(137,5)	(2,58%)

Amounts in brackets indicate a decrease in the provision.

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Amounts	31.12.2023	31.12.2022
1. Provisions for credit risk related to commitments and financial guarantees granted	5.248	9.068
2. Provisions on other commitments and guarantees given	-	39
3. Provisions for pensions	189	-
4. Other provisions for risks and charges	46.367	41.263
4.1 legal and tax disputes	37.953	33.095
4.2 personnel expenses	1.895	2.322
4.3 other	6.519	5.846
Total	**51.804**	**50.370**

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and financial guarantees granted	Provisions for pensions	Other provisions for risks and charges	Total 31.12.2023
A. Opening balance	**39**	-	**41.263**	**41.302**
B. Increases	**-**	**217**	**8.000**	**8.217**
B.1 Provisions for the year	-	209	7.900	**8.109**
B.2 Changes due to the passage of time	-	8	-	**8**
B.3 Changes due to changes in the discount rate	-	-	-	**-**
B.4 Other changes	-	-	100	**100**
C. Decreases	**39**	**28**	**2.896**	**2.963**
C.1 Used in the year	-	-	2.476	**2.476**
C.2 Changes due to changes in the discount rate	-	-	-	**-**
C.3 Other changes	39	28	420	**487**
D. Closing balance	**-**	**189**	**46.367**	**46.556**

10.3 Provisions for credit risk related to commitments and financial guarantees granted

	Provisions for credit risk related to commitments and financial guarantees granted				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased and/or originated impaired**	**Total**
Loan commitments	2.294	546	-	-	**2.840**
Guarantees granted	284	43	2.081	-	**2.408**
Total	**2.578**	**589**	**2.081**	**-**	**5.248**

At 31 December 2023 the balance of 5,2 million Euro reflects the impairment of irrevocable commitments to disburse funds and financial guarantees issued by the Bank and is down on the value at the end of the previous year (amounting to 9,1 million Euro) following the enforcement of certain underlying guarantees during the year.

10.4 Provisions on other commitments and other guarantees given

The case does not exist.

10.5 Defined-benefit corporate pension funds

1. Illustration of fund characteristics and related risks

The item includes the provision related to the post-retirement medical plan in favour of certain employees, introduced in the third quarter of 2023: this is a defined benefit plan that provides for healthcare and other benefits to employees, even after retirement.

Specifically, Banca Ifis has provided, for all managerial staff, insurance cover for the reimbursement of medical expenses (RSMO) valid and effective until the age of 85. This cover is therefore in continuity with the cover in place during employment, even after retirement. The only condition for access is the termination of employment with Banca Ifis due to retirement. The policy premium will be borne by the Bank with an annual contribution from the retired manager. Therefore, the Bank is responsible for the costs and risks associated with the provision of such benefits.

2. Changes in net defined benefit liabilities (assets) and redemption rights during the year

Since the post-retirement medical plan was introduced during the third quarter of 2023, the opening balances at January 2023 of the net defined benefit liabilities are nil. At 31 December 2023, due to the activation of the plan and the related accruals for the second half of 2023, this fund amounts to 189 thousand Euro.

3. Disclosure of fair value of plan assets

There is no information to be reported in this paragraph.

4. Description of the main actuarial assumptions

For this fund, as a supplementary defined-benefit pension fund, the determination of the actuarial values required by the application of IAS 19 "Employee Benefits" is carried out by an independent actuary, using the "Project Unit Credit Method". The liability is recognised in the balance sheet net of any plan assets, and actuarial gains and losses calculated in the plan valuation process are recognised in the statement of comprehensive income and, therefore, in equity.

The main actuarial assumptions adopted are as follows:

- discount rate of 3,2%, calculated as an average rate on the basis of the duration of the liquidations and using reference indices on corporate bonds in euro currency and with maturity > 10 years as benchmarks;
- premium inflation rate of 2,3%;
- annual turnover rate of 2,0%;
- frequency of “waiver” (non-payment of the premium component of pensioners) of 2,0%.

5. Information on amount, timing and uncertainty of cash flows

Given that the healthcare benefits are provided through a policy and that they constitute a benefit for the recipients until they reach the age of 85, the obligation subject to discounting under IAS 19 is that relating to the period in retirement and up to the age of 85.

A sensitivity analysis was also conducted on these net defined benefit liabilities, analysing what the amount of the net liabilities would be in the event of:

- a change in the discount rate of +/- 0,5% (50 bps);
- a change in the growth rate of payments to the insurance company of +/- 0,5% (50 bps);
- a change in the inflation rate of +/- 0,5% (50 bps);
- a change in the wage growth rate of +/- 0,5% (50 bps);
- a change in retirement age of +/- 1 year;
- a change in average longevity of +/- 1 year.

The maximum and minimum values of the net defined-benefit liabilities at 31 December 2023 resulting from the aforementioned sensitivities are 218 thousand Euro and 133 thousand Euro, respectively.

6. Multi-employer plans

There is no information to be reported in this paragraph.

7. Defined benefit plans that share risks between entities under common control

There is no information to be reported in this paragraph.

10.6 Provisions for risks and charges - Other provisions

Legal and tax disputes

At 31 December 2023, provisions have been made for 38,0 million Euro for legal and tax disputes in respect of which the Bank is deemed to have a present obligation that may lead to the use of financial resources. Information on the amount of the allocation to the provisions for risks and charges is not provided by individual dispute but by type, both in consideration of the number of disputes and in order to avoid prejudicing the Bank in the evolution of the dispute with the counterparty, either through legal proceedings or settlements. More specifically, the amount mainly breaks down as follows:

- 21,3 million Euro for 26 disputes concerning the Factoring Area (the plaintiffs seek 41,4 million Euro in damages), mainly connected with the request for the repetition of amounts collected or payments under guarantee in relation to factoring positions without recourse. Compared to 31 December 2022, two new cases were received with a corresponding provision of 2,0 thousand Euro, while 4 cases were closed with a total provision of 140 thousand Euro;
- 8,9 million Euro (the plaintiffs seek 14,4 million Euro in damages) for 18 disputes deriving from the business unit acquired from the former Aigis Banca and mainly the Corporate Banking & Lending Area of the Commercial and Corporate Banking Segment. During the year, a dispute whose associated provision for risks and charges amounted to 40 thousand Euro was closed, and, in addition, utilisations of 0,8 million Euro were recorded on disputes still outstanding at 31 December 2023;
- 6,5 million Euro (the plaintiffs seek 54,0 million Euro in damages) for 6 disputes concerning the Corporate Banking & Lending Area deriving from the former Interbanca. With respect to 31 December 2022, a new case was notified, the corresponding provision amounting to 3,3 million Euro;
- 1,2 million Euro (the plaintiffs seek 1,5 million Euro in damages) for 15 disputes concerning the Leasing Area and tax receivables. In 2023, 6 cases were closed, the provision for risks and charges for which amounts to 246 thousand Euro at 31 December 2022, while no new disputes were received during the year.

Personnel expenses

At 31 December 2023, provisions are entered for staff for 1,9 million Euro (2,3 million Euro at December 2022), relating to the Solidarity Fund established in 2020.

Other provisions for risks and charges

At 31 December 2023, "Other provisions" are in place for 6,5 million Euro (5,8 million Euro at 31 December 2022), consisting mainly of 1,5 million Euro for probable contractual indemnities for loan transfers, 3,9 million Euro for supplementary indemnities for customers connected with the operations of the Leasing Area.

Contingent liabilities

Here below are the most significant contingent liabilities outstanding at 31 December 2023. Based on the opinion of the legal advisers assisting the Bank, they are considered possible, and therefore they are only disclosed. The amount sought in association with these contingent liabilities totals 471,4 million Euro at 31 December 2023.
During the fourth quarter of 2022, the Bank was sued by the bodies of two bankruptcy proceedings, which requested that it be ordered to pay 389,3 million Euro in one case and 47,7 million Euro in the other, as compensation for damages for the unlawful forbearance in its capacity as lender, albeit marginal, of the companies now in proceedings. The first claim was made jointly and severally with 23 other institutions, while the second claim was made jointly and severally with 8 other institutions. The Bank, supported by its legal advisers, evaluated the risk of defeat as "possible" and, therefore, it did not allocate funds to the provisions for risks and charges.

Tax litigation - income tax

Dispute concerning the assumed "permanent establishment" in Italy of the Polish company

Following a tax audit for the years 2013/2017, Notices of Assessment were served for the years 2013/2017 in which the "concealed permanent establishment" of Ifis Finance Sp. z o.o., the subsidiary based in Poland, was contested.
The Financial Police Force hypothesised that the office in Poland was used in the Bank's strategies more as a branch/office for the promotion and sale of services offered, *de facto*, by the Bank, rather than constituting an independent and autonomous legal entity in the exercise of its activity.
2013-2014-2015:

- on 12 November 2020, the Venice Provincial Tax Commission fully upheld the appeal filed by the Bank (ruling No. 266/2021) against the notices of IRES, IRES surcharge and IRAP tax assessment for the years 2013/2014/2015 issued by the Italian Revenue Agency. The Commission in fact declared that it was a "legitimate right of the Italian Parent company, seeking to expand its banking and factoring services business in Poland, to determine the operative strategy of the Parent company established to this end";
- on 14 October 2021, the Revenue Agency was notified of the filing of the appeal with the Veneto Regional Tax Commission ("CTR");
- on 2 December 2021, the Bank filed its rebuttal arguments in defence of its positions as confirmed by the Provincial Tax Commission;
- with judgement No. 201/2023, filed on 27 February 2023, the Veneto Court of Tax Appeals of second instance rejected the appeal of the Revenue Agency, thus confirming the first instance sentence (favourable to the Bank) and awarded 5 thousand Euro in expenses *ex lege* in favour of the Bank. At present, the Revenue Agency has not yet appealed in Cassation.

2016:

- in June 2022, the Notices of Assessment for 2016 were also served, containing the same objections and arguments as in the previous years, with the addition of the disputes of costs recorded in 2016 that were deemed to be outside the accrual period;
- the Notice of Assessment for 2016 was challenged within the time limits provided for by the legislation, and at the same time one third of the taxes were paid pending judgement. The Venice Tax Commission, with ruling No. 111/2024 filed on 8 February 2024, upheld the appeal filed by the Bank.

2017:

- in September 2022, the Notices of Assessment for 2017 were also served containing the same objections and arguments as for the previous year. These deeds were challenged within the terms of the law.

Tax litigation - value added tax (VAT)

On 29 November 2023, a Notice of Assessment was served in which the Revenue Agency contested the Bank's failure to pay VAT in the amount of 170 thousand Euro on 88 contracts for not having carried out adequate preventive controls on the existence of the conditions in the presence of which the client would have been able to deduct the VAT on the car, not deeming sufficient for these purposes the issuance of the letter of intent through which the client declared that he was entitled, as a habitual exporter, to receive the invoice under the non-taxable regime.

The Notice of Assessment in question will be challenged within the time limits provided for by the legislation, and at the same time one third of the taxes will be paid pending judgement.

Regarding that described previously, the Bank, supported by the opinions of its tax advisers, evaluated the risk of defeat possible, but not probable and therefore, it did not allocate funds to the provisions for risks and charges.

Section 11 - Redeemable shares - Item 120

Item 120 is not present at the reporting date.

11.1 Redeemable shares: breakdown

The case does not exist

Section 12 - Equity - Items 110, 130, 140, 150, 160, 170 and 180

12.1 "Share capital" and "Treasury shares": breakdown

Item		31.12.2023	31.12.2022
160	Share capital (in thousands of Euro)	53.811	53.811
	Number of ordinary shares	53.811.095	53.811.095
	Nominal amount of ordinary shares	1 euro	1 euro
170	Treasury shares (in thousands of Euro)	(21.817)	(22.104)
	Number of treasury shares	1.343.018	1.377.981

12.2 Share capital - number of shares: annual changes

Items/Types	Ordinary	Other
A. Shares held at the beginning of the year	**53.811.095**	**-**
- fully paid-up	53.811.095	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	(1.377.981)	-
A.2 Outstanding shares: opening balance	**52.433.114**	**-**
B. Increases	**34.963**	**-**
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	34.963	-
C. Decreases	**-**	**-**
C.1 Annulments	-	-
C.2 Buybacks of treasury shares	-	-
C.3 Company sell-offs	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**52.468.077**	**-**
D.1 Treasury shares (+)	1.343.018	-
D.2 Shares held at the end of the year	53.811.095	-
- fully paid-up	53.811.095	-
- not fully paid-up	-	-

Other increases in the number of shares refer to the allocation of shares during the year as part of remuneration mechanisms for the Bank's Top Management, which were included in treasury shares at the start of the year.

12.3 Share capital: other information

The share capital is composed of 53.811.095 ordinary shares with a nominal value of 1 Euro each, bearing no rights, liens and obligations, including those relating to dividend distribution and capital redemption.

12.4 Profit reserves: other information

Items/Components	31.12.2023	31.12.2022
Legal reserve	10.762	10.762
Extraordinary reserve	514.469	508.090
Other reserves	649.803	653.824
Buyback reserve	21.817	22.104
Total profit reserves	**1.196.851**	**1.194.780**
Stock option reserve	2.058	950
Other reserves, not “profit reserves”	2.269	2.269
Total reserves item	**1.201.178**	**1.197.999**

Pursuant to Article 1, paragraph 147 of the 2014 Stability Law (Italian Law No. 147 of 27 December 2013) and Article 1, paragraph 704 of the 2020 Budget Law (Italian Law No. 160 of 27 December 2019), the Bank has realigned the spread between the statutory value and tax value on certain properties. The amount corresponding to the higher values following the realignment, net of the substitute tax, generated a 15,3 million Euro untaxed reserve.
In addition, following the 2017 merger of Interbanca S.p.A. into Banca Ifis, Article 172 paragraph 5 of the Consolidated Law on Income Tax required the Bank to restore the merging entity's deferred tax reserves as follows:

- 4,6 million Euro special reserve as per Article 15 paragraph 10 of Italian Law No. 516 of 07/08/82;
- 2,3 million Euro revaluation reserve as per Italian Law No. 408/90.

There were an additional 20,7 million Euro in deferred tax reserves recognised by the Bank and arising from the merger of Interbanca, in accordance with the following laws: No. 576/75, No. 83/72 and No. 408/90, that had been previously recognised as share capital of the latter.

The item "Extraordinary Reserve" shows an increase of 6,4 million Euro corresponding to the portion of the profit of 31 December 2022 allocated to reserves.

Lastly, we note the 1,1 million Euro increase in the "Stock options reserve" related to the 2021-2023 Long-Term Incentive (LTI) Plan illustrated in paragraph “2. Other information” of the section “Part I - Share-based payments”.

12.5 Equity instruments: breakdown and annual changes

The case does not exist.

12.6 Other information

The case does not exist.

Breakdown of Shareholders' equity with regard to availability and distributability

As required by Article 2427, paragraph 7-bis of the Italian Civil Code, the following table shows the equity items along with the nature, possible use and availability, as well as what has been used in previous years.

Items	Amount at 31.12.2023	Possibility of use (*)	Portion available	Summary of uses during the last three years	
				For loss coverage	For other reasons
Share capital	53.811	-	-	-	-
Share premiums	84.108	A, B, C *(1)*	84.108	-	19.258*(2)*
Reserves:	1.201.178	-	1.179.040	-	-
- Legal reserve	*10.762*	*B*	*10.762*	-	-
- Extraordinary reserve	*514.469*	*A, B, C*	*514.469*	-	-
- Reserves from the application of international accounting standards	*321*	*(3)*	-	-	-
- Reserve for own shares	21.817	-	-	-	-
- Other reserves	*653.809*	*A, B, C*	*653.809*	-	*853(4)*
Interim dividends (-)	(62.962)	-	-	-	-
Valuation reserves:	(33.085)	-	-	-	-
- Financial assets measured at fair value through other comprehensive income	*(33.359)*	*(5)*	-	-	-
- Actuarial gains (losses) related to defined benefit plans	*274*	-	-	-	-
Treasury shares (-)	(21.817)	-	-	-	-
Total Capital and Reserves	**1.221.233**		**1.263.148**	**-**	**-**
Non-distributable portion		***(6)***	**10.762**		

(*) A = to increase capital, B = to cover losses, C = for distribution to shareholders.
(1) The share premium reserve is available and distributable as the legal reserve has reached one fifth of the share capital.
(2) establishment of the reserve for the purchase of treasury shares.
(3) The item includes 2,5 million Euro in reserves deriving from the first time adoption of accounting standard IFRS 9 (FTA), net of the related tax effects, of which: 1,0 million Euro due to the FTA IFRS 9 effect on Banca Ifis and 1,5 million Euro for the FTA IFRS 9 effect on IFIS Leasing, merged by incorporation into Banca Ifis in 2018.
(4) The share included in utilisations refers to allocations linked to the staff incentive scheme.
(5) The reserve, where positive, is restricted pursuant to Article 6 of Italian Legislative Decree No. 38/2005.
(6) The non-distributable portion refers to the legal reserve pursuant to Art. 2430 of the Italian Civil Code.

Other information

1. Commitments and financial guarantees granted (other than those measured at fair value)

	Nominal amount of commitments and financial guarantees granted				Total 31.12.2023	Total 31.12.2022
	Stage 1	Stage 2	Stage 3	Purchased and/or originated impaired		
1. Loan commitments	**1.052.806**	**23.274**	**23.914**	**-**	**1.099.994**	**989.694**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	1	-	-	-	1	1
c) Banks	135.235	-	-	-	135.235	135.000
d) Other financial companies	409.627	2	648	-	410.277	332.779
e) Non-financial companies	496.786	22.822	22.598	-	542.206	504.863
f) Households	11.157	450	668	-	12.275	17.051
2. Guarantees granted	**64.459**	**132.374**	**17.188**	**-**	**214.021**	**317.680**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	4.626	189	-	-	4.815	6.235
e) Non-financial companies	58.154	132.043	17.188	-	207.385	309.343
f) Households	1.679	142	-	-	1.821	2.102

2. Other commitments and guarantees granted

	Nominal amount	
	31.12.2023	31.12.2022
1. Other guarantees granted	**32.688**	**20.960**
of which: non-performing	-	*11*
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	32.688	20.960
f) Households	-	-
2. Other commitments	**56.930**	**40.646**
of which: non-performing	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	53.011	40.646
e) Non-financial companies	3.919	-
f) Households	-	-

3. Assets used as collateral for own liabilities and commitments

Portfolios	31.12.2023	31.12.2022
1. Financial assets measured at fair value through profit or loss	-	15.176
2. Financial assets measured at fair value through other comprehensive income	513.461	496.964
3. Financial assets measured at amortised cost	2.793.189	2.362.759
4. Property, plant and equipment	-	-
- of which: property, plant and equipment qualifying as inventories	-	-

Financial assets measured at fair value through other comprehensive income, just like financial assets measured at amortised cost, respectively for 449,4 million Euro and 1.614,8 million Euro, refer to government securities guaranteeing loans on the Eurosystem and a forward contract.
The rest of the financial assets measured at amortised cost refer to bank deposits backing derivative transactions.

4. Administration and mediation on behalf of third parties

Type of services	Amount
1. Execution of orders on behalf of clients	**-**
a) purchases	-
1. settled	-
2. unsettled	-
b) sales	-
1. settled	-
2. unsettled	-
2. Individual portfolio management	**-**
3. Safekeeping and administration of securities	
a) third party securities in custody: associated with depositary bank services (excluding portfolio management)	-
1. securities issued by the reporting bank	-
2. other securities	-
b) other third party securities in custody (excluding portfolio management): other	432.499
1. securities issued by the reporting bank	-
2. other securities	432.499
c) third party securities held with third parties	388.901
d) own securities held with third parties	4.569.121
4. Other transactions	**-**

5. Financial assets subject to on-balance sheet netting, or subject to master netting agreements or similar arrangements

The case does not exist.

6. Financial liabilities subject to on-balance sheet netting, or subject to master netting agreements or similar arrangements

The case does not exist.

7. Securities lending transactions

The case does not exist.

8. Disclosure of joint operations

The case does not exist.

Part C - Information on the Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest receivable and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31.12.2023	Total 31.12.2022
1. Financial assets measured at fair value through profit or loss:	**4.028**	**348**	**-**	**4.376**	**1.507**
1.1. Financial assets held for trading	2	-	-	2	18
1.2. Financial assets designated at fair value	-	-	-	-	-
1.3. Other financial assets mandatorily measured at fair value	4.026	348	-	4.374	1.489
2. Financial assets measured at fair value through other comprehensive income	**13.704**	**-**	**-**	**13.704**	**6.149**
3. Financial assets measured at amortised cost:	**93.265**	**441.615**	**-**	**534.880**	**331.623**
3.1. Receivables due from banks	22.755	24.088	-	46.843	17.096
3.2. Receivables due from customers	70.510	417.527	-	488.037	303.755
4. Hedging derivatives	**-**	**-**	**1.449**	**1.449**	**-**
5. Other assets	**-**	**-**	**9.222**	**9.222**	**10.773**
6. Financial liabilities	**-**	**-**	**-**	**-**	**-**
Total	**110.997**	**441.963**	**10.671**	**563.631**	**339.280**
of which: interest income on impaired financial assets	-	*10.520*	-	***10.520***	***18.725***
of which: interest income on financial leases	-	*82.243*	-	***82.243***	***52.567***

As for "Financial assets measured at fair value through profit or loss", the amounts refer to debt securities and loans that failed the SPPI test, as per IFRS 9, whereas in the case of "Financial assets measured at fair value through other comprehensive income", the reported amounts are almost exclusively related to the government bonds in the portfolio.
Interest income on receivables due from customers measured at amortised cost relating to debt securities relates to securitised securities in the amount of about 24,9 million Euro, government securities in the amount of 38,9 million Euro, and the remainder relates to other securities held in the portfolio.
The item "Hedging derivatives" in the column "Other transactions" shows the positive or negative amount of differentials or margins accrued on the aforementioned derivatives that correct the interest income component recognised on the hedged financial instruments (in the case in point, these are certain government securities valued at amortised cost hedged with a micro fair value hedge strategy).
Interest income on impaired financial assets mainly refers to impaired assets related to the National Health System (7,6 million Euro).

1.2 Interest receivable and similar income: other information

1.2.1 Interest income on foreign currency financial assets

	31.12.2023	31.12.2022
Interest income on foreign currency financial assets	5.348	4.754

1.3 Interest due and similar expenses: breakdown

Items/Technical forms	Payables	Securities	Other transactions	31.12.2023	31.12.2022
1. Financial liabilities measured at amortised cost	(257.863)	(66.565)	-	(324.428)	(107.045)
1.1 Payables due to central banks	(67.566)	-	-	(67.566)	(1.177)
1.2 Payables due to banks	(41.464)	-	-	(41.464)	(6.334)
1.3 Payables due to customers	(148.833)	-	-	(148.833)	(66.359)
1.4 Debt securities issued	-	(66.565)	-	(66.565)	(33.175)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	-	-	(5)	(5)	(1)
5. Hedging derivatives	-	-	-	-	-
6. Financial assets	-	-	-	(109)	(1.828)
Total	**(257.863)**	**(66.565)**	**(5)**	**(324.542)**	**(108.874)**
of which: interest expense on lease payables	*(402)*	-	-	*(402)*	*(269)*

At 31 December 2023, interest expense on payables due to customers include 88,5 million Euro related to retail funding – deriving mainly from the Rendimax savings account and the time deposit (55,5 million Euro in 2022). The increase in interest payments to central banks is due, on the one hand, to the rise in interest rates on the TLTRO loan and, on the other hand, to the suspension of incentives by the ECB, which had led banks to benefit from negative interest rates in 2022 on the sole condition that they did not reduce lending.

1.4 Interest due and similar expenses: other information

1.4.1 Interest expense on foreign currency liabilities

	31.12.2023	31.12.2022
Interest expense on foreign currency liabilities	(5.090)	(3.020)

1.5 Hedging differentials

Items	Total 31.12.2023	Total 31.12.2022
A. Positive differentials on hedging transactions	7.243	-
B. Negative differentials on hedging transactions	5.794	-
C. Balance (A-B)	**1.449**	**-**

Section 2 – Commissions – Items 40 and 50

2.1 Commission income: breakdown

Type of services/Amounts	31.12.2023	31.12.2022
a) Financial instruments	-	-
1. Placement of securities	-	-
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	-	-
2. Receipt and transmission of orders and execution of orders on behalf of customers	-	-
2.1 Receipt and transmission of orders for one or more financial instruments	-	-
2.2 Execution of orders on behalf of clients	-	-
3. Other commissions related to activities linked to financial instruments	-	-
of which: trading on own account	-	-
of which: individual portfolio management		
b) Corporate finance	**253**	**174**
1. Mergers and acquisitions advisory services	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	253	174
c) Investment advisory activities	-	-
d) Clearing and settlement	-	-
e) Custody and administration	-	-
1. Depository bank	-	-
2. Other commissions related to custody and administration activities	-	-
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary activities	-	-
h) Payment services	**1.197**	**1.340**
1. Current accounts	697	758
2. Credit cards	-	-
3. Debit cards and other payment cards	91	76
4. Bank transfers and other payment orders	93	113
5. Other fees related to payment services	316	393
i) Distribution of third-party services	**4.681**	**6.279**
1. Collective portfolio management	-	-
2. Insurance products	4.681	6.279
3. Other products	-	-
of which: individual portfolio management	-	-
j) Structured finance	**-**	**-**
k) Servicing for securitisation transactions	**-**	**-**
l) Loan commitments	**-**	**-**
m) Guarantees granted	**1.566**	**1.729**
of which: credit derivatives	-	-
n) Loans	**87.170**	**82.340**
of which: for factoring transactions	*62.472*	*58.270*
o) Trading in currencies	**-**	**-**
p) Commodities	**-**	**-**
q) Other commission income	**3.834**	**2.778**
of which: for management of multi-lateral trading facilities	-	-
of which: for management of organised trading facilities	-	-
Total	**98.701**	**94.640**

Commissions linked to financing operations amount to 87,2 million Euro, an increase of 5,9% compared to the amount recorded for the previous year.

Commissions related to the distribution of insurance products recorded at the end of 2023 include approximately 4,7 million Euro (5,9 million Euro at the end of 2022) related to the operations of the Leasing Area.

2.2 Commission income: distribution channels of products and services

Channels/Amounts	31.12.2023	31.12.2022
a) At own branches:	**-**	
1. portfolio management	-	
2. placement of securities	-	
3. third-party services and products	-	
b) Out-of-office offer:	**-**	
1. portfolio management	-	
2. placement of securities	-	
3. third-party services and products	-	
c) Other distribution channels:	**4.681**	**6.279**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	4.681	6.279
Total	**4.681**	**6.279**

2.3 Commission expense: breakdown

Services/Amounts	31.12.2023	31.12.2022
a) Financial instruments	**(269)**	**(233)**
of which: trading in financial instruments	*(269)*	*(233)*
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and Settlement	**-**	**-**
c) Custody and administration	**(176)**	**(148)**
d) Collection and payment services	**(232)**	**(284)**
of which: credit cards, debit cards and other payment cards	-	-
e) Servicing for securitisation transactions	**-**	**(7)**
f) Loan commitments	**-**	**-**
g) Financial guarantees received	**(896)**	**(1.103)**
of which: credit derivatives	-	-
h) Out-of-office canvassing of financial instruments, services and products	**(2.358)**	**(1.910)**
i) Trading in currencies	**-**	**-**
j) Other commissions payable	**(6.888)**	**(6.628)**
Total	**(10.819)**	**(10.313)**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	31.12.2023		31.12.2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	2.818	303	155
C. Financial assets measured at fair value through other comprehensive income	13.354	-	9.393	-
D. Equity investments	89.000	-	40.000	-
Total	**102.354**	**2.818**	**49.696**	**155**

The item mainly comprises 89 million Euro in dividends received from the subsidiary Ifis Npl Investing S.p.A. (40,0 million Euro in 2022). The remainder is attributable to dividends received on equities held in the FVOCI portfolio.

Section 4 – Net profit (loss) from trading – Item 80

4.1 Net profit (loss) from trading: breakdown

Transactions/Income items	Capital gains (A)	Profit from trading (B)	Capital losses (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**29**	**290**	**-**	**(53)**	**266**
1.1 Debt securities	29	-	-	(26)	3
1.2 Equity instruments	-	290	-	(27)	263
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and financial liabilities: exchange differences	**-**	**-**	**-**	**-**	**245**
4. Derivatives	**90.902**	**14.401**	**(63.595)**	**(39.303)**	**2.405**
4.1. Financial derivatives:	90.902	14.401	(63.595)	(39.303)	2.405
- On debt securities and interest rates	47.889	6.648	(23.577)	(35.632)	(4.672)
- On equity instruments and share indexes	43.013	7.753	(40.018)	(3.671)	7.077
- On currencies and gold	-	-	-	-	-
- Other	-	-	-	-	-
4.2 Derivatives on loans	-	-	-	-	-
Of which: natural hedges connected to the fair value option	-	-	-	-	-
Total	**90.931**	**14.691**	**(63.595)**	**(39.356)**	**2.916**

Section 5 – Net result from hedging – Item 90

5.1 Net result from hedging: breakdown

Income components/Values	Total 31.12.2023	Total 31.12.2022
A. Income related to:		
A.1 Fair value hedging derivatives	-	-
A.2 Financial assets hedged (fair value)	12.613	-
A.3 Financial liabilities hedged (fair value)	-	-
A.4 Cash flow hedging derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Total income from hedges (A)	**12.613**	**-**
B. Charges relating to:		
B.1 Fair value hedging derivatives	(12.713)	-
B.2 Financial assets hedged (fair value)	-	-
B.3 Financial liabilities hedged (fair value)	**-**	**-**
B.4 Cash flow hedging derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedges (B)	**(12.713)**	**-**
C. Net result from hedging (A - B)	**(100)**	**-**
of which: result of hedges of net positions	-	-

Section 6 - Profit (loss) from sale or buyback - Item 100

6.1 Profit (loss) from sale or buyback: breakdown

Items/Income items	31.12.2023			31.12.2022		
	Profit	Losses	Net result	Profit	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	2.735	(208)	2.527	5.541	(993)	4.548
1.1 Receivables due from banks	-	-	-	-	-	-
1.2 Receivables due from customers	2.735	(208)	2.527	5.541	(993)	4.548
2. Financial assets measured at fair value through other comprehensive income	4.333	(1.677)	2.656	400	(488)	(88)
2.1 Debt securities	4.333	(1.677)	2.656	400	(488)	(88)
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**7.068**	**(1.885)**	**5.183**	**5.941**	**(1.481)**	**4.460**
B. Financial liabilities measured at amortised cost						
1. Payables due to banks	-	-	-	-	-	-
2. Payables due to customers	-	-	-	-	-	-
3. Debt securities issued	1.099	(72)	1.027	117	(86)	31
Total liabilities (B)	**1.099**	**(72)**	**1.027**	**117**	**(86)**	**31**

Section 7 - Net result of financial assets and liabilities measured at fair value through profit or loss - Item 110

7.1 Net change in other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

The case does not exist.

7.2 Net change in other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets mandatorily measured at fair value

Transactions/Income items	Capital gains (A)	Gains on sale (B)	Capital losses (C)	Losses on sale (D)	Net result [(A+B)-(C+D)]
1. Financial assets	**20.454**	**3.751**	**(9.453)**	**(420)**	**14.332**
1.1 Debt securities	2.397	894	(581)	(420)	2.290
1.2 Equity instruments	9.313	785	(3.602)	-	6.496
1.3 UCITS units	8.256	-	(2.712)	-	5.544
1.4 Loans	488	2.072	(2.558)	-	2
2. Financial assets: exchange differences	-	-	-	-	-
Total	**20.454**	**3.751**	**(9.453)**	**(420)**	**14.332**

Section 8 - Net credit risk losses/reversals - Item 130

8.1 Net credit risk losses related to financial assets measured at amortised cost: breakdown

Transactions/ Income components	Losses						Reversals				Total 31.12.2023	Total 31.12.2022
	Stage 1	Stage 2	Stage 3		Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Receivables due from banks	**(28)**	-	**-**	**-**	**-**	**-**	**303**	**-**	**-**	**-**	**275**	**(1.305)**
- Loans	(28)	-	-	-	-	-	-	-	-	-	(28)	(97)
- Debt securities	-	-	-	-	-	-	303	-	-	-	303	(1.208)
B. Receivables due from customers	**(17.365)**	**(103)**	**(7.617)**	**(82.516)**	**-**	**-**	**748**	**-**	**51.684**	**-**	**(55.169)**	**(50.972)**
- Loans	(17.365)	(103)	(7.617)	(82.516)	-	-	172	-	51.684	-	(55.745)	(49.681)
- Debt securities	-	-	-	-	-	-	576	-	-	-	576	(1.291)
Total	**(17.393)**	**(103)**	**(7.617)**	**(82.516)**	**-**	**-**	**1.051**	**-**	**51.684**	**-**	**(54.894)**	**(52.277)**

Net credit risk losses relative to financial assets measured at amortised cost total 54,9 million Euro at 31 December 2023, slightly up on the net losses of 52,3 million Euro recorded at end 2022 (+5%).
The Bank made provisions in 2023 for the deterioration of individually material positions in corporate banking. These latter are offset by some significant write-backs on both impaired positions and positions written off in previous years.

8.2 Net credit risk losses related to financial assets measured at fair value through other comprehensive income: breakdown

<table>
<tr><th rowspan="3">Transactions/ Income components</th><th colspan="6">Losses</th><th colspan="4">Reversals</th><th rowspan="3">Total 31.12.2023</th><th rowspan="3">Total 31.12.2022</th></tr>
<tr><th rowspan="2">Stage 1</th><th rowspan="2">Stage 2</th><th colspan="2">Stage 3</th><th colspan="2">Purchased or originated impaired</th><th rowspan="2">Stage 1</th><th rowspan="2">Stage 2</th><th rowspan="2">Stage 3e</th><th rowspan="2">Purchased or originated impaired</th></tr>
<tr><th>Write-offs</th><th>Other</th><th>Write-offs</th><th>Other</th></tr>
<tr><td>A. Debt securities</td><td>(334)</td><td>(117)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>371</td><td>-</td><td>-</td><td>-</td><td>(80)</td><td>(832)</td></tr>
<tr><td>B. Loans</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>- To customers</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>- To banks</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>(334)</td><td>(117)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>371</td><td>-</td><td>-</td><td>-</td><td>(80)</td><td>(832)</td></tr>
</table>

Section 9 - Gains/losses on contractual modifications without derecognition

Item 140 is not present at the reporting date.

9.1 Profit (loss) from contractual changes: breakdown

The case does not exist

Section 10 - Administrative expenses - Item 160

10.1 Personnel expenses: breakdown

Type of expense/Sectors	31.12.2023	31.12.2022
1) Employees	(120.152)	(111.632)
a) salaries and wages	(84.053)	(79.361)
b) social security contributions	(22.613)	(21.095)
c) post-employment benefits	(2.270)	(2.017)
d) pension expense	-	-
e) allocations for post-employment benefits	(2.790)	(2.287)
f) allocations to pensions and similar provisions:	(217)	-
- defined contribution plans	-	-
- defined benefit plans	(217)	-
g) payments made to supplementary external funds:	(1.567)	(1.411)
- defined contribution plans	(1.567)	(1.411)
- defined benefit plans	-	-
h) costs arising from share-based payment agreements	(1.108)	(755)
i) other employee benefits	(5.534)	(4.706)
2) Other serving employees	(226)	(65)
3) Directors and Statutory Auditors	(5.090)	(4.285)
4) Retired personnel	-	-
5) Recovery of expenses for seconded personnel	3.783	3.521
6) Reimbursement of expenses for seconded third-party employees at the Company	(1.581)	(1.682)
Total	**(123.266)**	**(114.143)**

Personnel expenses, amounting to 123,3 million Euro, increase by 8,0% (114,1 million Euro at 31 December 2022), which can be attributed to the increase in personnel, higher variable remuneration as well as incremental costs pertaining to 2023 linked to the renewal of the National Collective Bargaining Agreement (NCBA) for bank employees. The number of Bank employees at 31 December 2023 is 1.350 as compared with 1.312 resources at 31 December 2022.
"Allocations for post-employment benefits" include both contributions that employees have chosen to leave in the company and to be paid to INPS's Treasury Fund, and contributions to be paid to supplementary pension funds, as well as the interest expense on the defined benefit obligation.
The sub-items "allocations for post-employment benefits" and "allocations to pensions and similar provisions - defined benefit" also include interest accrued during the year due to the passage of time.

10.2 Average number of employees by category

Employees	31.12.2023	31.12.2022
Employees:	**1.331**	**1.291,5**
a) managers	87,5	83,5
b) middle managers	508,5	484
c) other employees	735	724
Other personnel	**-**	**-**

10.3 Defined-benefit corporate pension funds: costs and revenues

The balance at 31 December 2023 of provisions for defined-benefit corporate pension funds amounts to 217 thousand Euro at the end of 2023 and refers to pension funds started from the financial year. For more information on defined-benefit pension funds, refer to "Section 10 - Provisions for risks and charges - Item 100", paragraph “10.5 Defined-benefit corporate pension funds”.

10.4 Other employee benefits

Other employee benefits at 31 December 2023 amount to 5,5 million Euro. The amount essentially relates to sickness benefit contributions of approximately 2,5 million Euro, contributions for meal vouchers (1,6 million Euro), and training expenses of 1,3 million Euro.

10.5 Other administrative expenses: breakdown

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	31.12.2023	31.12.2022
Expenses for professional services	**(40.357)**	**(39.657)**
Legal and consulting services	(38.253)	(37.267)
Auditing	(519)	(549)
Outsourced services	(1.585)	(1.841)
Direct and indirect taxes	**(14.045)**	**(13.875)**
Expenses for purchasing goods and other services	**(69.823)**	**(57.162)**
Software assistance and hire	(17.112)	(15.805)
Interbank Deposit Protection Fund (“FITD”) and Single Resolution Fund	(10.834)	(11.537)
Advertising and inserts	(13.018)	(8.101)
Property expenses	(6.492)	(5.239)
Customer information	(3.997)	(3.400)
Telephone and data transmission expenses	(2.987)	(3.043)
Car fleet management and maintenance	(2.847)	(2.435)
Business travel and transfers	(3.989)	(2.140)
Securitisation costs	(703)	(1.431)
Postage and archiving of documents	(861)	(779)
Other sundry expenses	(6.983)	(3.252)
Total other administrative expenses	**(124.225)**	**(110.694)**

Other administrative expenses, of 124,2 million Euro at 31 December 2023, are up by 12,2% on the previous year’s balance.

“Legal and consulting services" expenses amount to 38,3 million Euro at 31 December 2023 (+2,6% compared to the previous year), mainly referring to judicial recovery activities for non-performing loans, and consulting activities related to the implementation of the Bank's strategic projects.

"Direct and indirect taxes" amount to 14,0 million Euro and consist mainly of stamp duty in the amount of 12,1 million Euro (in line with the figure at the end of 2022), the charge of which to customers is included in “Other operating income”.

“Expenses for purchasing goods and other services” amount to 69,8 million Euro, up 22,1% from the 57,2 million Euro at 31 December 2022. In particular, it is pointed out that:

- costs for software support and rental, which increase by 8,3% compared to FY 2022, due almost entirely to increased support for the Bank's software;
- costs for advertising and inserts increase from 8,1 million Euro to 13,0 million Euro in December 2023, following the implementation of new advertising campaigns in 2023 when the 40th anniversary of the founding of Banca Ifis occurred;
- other costs related to donations for projects supporting communities, territories and people.

Section 11 - Net allocations to provisions for risks and charges - Item 170

11.1 Net allocation to provisions for credit risk related to loan commitments and financial guarantees granted: breakdown

Net allocation to provisions for credit risk related to loan commitments and financial guarantees granted total a positive 3,7 million Euro in at 31 December 2023, reflecting the estimated risk on the commitments made.

11.2 Net allocation to provisions for other commitments and other guarantees given: breakdown

The case does not exist.

11.3 Net allocations to other provisions for risks and charges: breakdown

For more details, see Part B, "Section 10 - Provisions for risks and charges" in these individual Notes.

Section 12 - Net impairment losses/reversals on property, plant and equipment - Item 180

12.1 Net impairment losses on property, plant and equipment: breakdown

Assets/Income items	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. for functional use	(8.590)	(110)	-	(8.700)
- Owned	(4.942)	(110)	-	(5.052)
- Rights of use acquired through leases	(3.648)	-	-	(3.648)
2. Held for investment	-	(16)	-	(16)
- Owned	-	(16)	-	(16)
- Rights of use acquired through leases	-	-	-	-
3. Inventories	X	-	-	-
Total	**(8.590)**	**(126)**	**-**	**(8.716)**

Section 13 - Net impairment losses/reversals on intangible assets - Item 190

13.1 Net impairment losses on intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	*(6.866)*	-	-	*(6.866)*
A.1 Owned	(6.866)	-	-	(6.866)
- Internally generated	(100)	-	-	(100)
- Other	(6.766)	-	-	(6.766)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(6.866)**	**-**	**-**	**(6.866)**

Section 14 - Other operating income (expenses) - Item 200

14.1 Other operating costs: breakdown

Type of expense/Amounts	31.12.2023	31.12.2022
a) Transactions with customers	(102)	(49)
b) Capital losses	(13)	(31)
c) Other expenses	(1.130)	(4.520)
Total	**(1.245)**	**(4.600)**

14.2 Other operating income: breakdown

Amounts/Income	31.12.2023	31.12.2022
a) Recovery of third party expenses	13.897	14.036
b) Rental income	1.167	1.118
c) Income from the realisation of property, plant and equipment	215	21
d) Other income	28.023	22.419
Total	**43.302**	**37.594**

Other income and expenses at 31 December 2023 show a net positive balance of 42,1 million Euro, an increase of 27,5% from the previous year. The item mainly includes revenue from the recovery of expenses charged to third parties. The relevant cost component is included in other administrative expenses (legal expenses and indirect taxes), as well as recoveries of expenses associated with leasing operations.

Section 15 – Profit (loss) on equity investments – Item 220

15.1 Analysis of profit (loss) on equity investments

Income components/Values	31.12.2023	31.12.2022
A. Income	-	225
1. Revaluations	-	-
2. Gains on sale	-	225
3. Reversals	-	-
4. Other income	-	-
B. Expenses	(3.740)	(4.352)
1. Write-downs	-	-
2. Impairment losses	(3.740)	(4.352)
3. Losses on sale	-	-
4. Other expenses	-	-
Net result	**(3.740)**	**(4.127)**

The value adjustments recorded in both 2023 and 2022 refer entirely to the investment in Cap.Ital.Fin. S.p.A. and reflect the adjustment of the cost of the investment to the related carrying amount of shareholders' equity.

Section 16 - Net profit (loss) from fair value measurement of property, plant and equipment and intangible assets - Item 230

Item 230 is not present at the reporting date.

Section 17 - Value adjustments of goodwill - Item 240

Item 240 is not present at the reporting date.

Section 18 - Profit (loss) from sale or buyback - item 250

18.1 Profit (Loss) from sale of investments: breakdown

At 31 December 2023, as in the previous year, there are no gains or losses on the disposal of investments.

Section 19 - Income taxes for the year relating to current operations - Item 270

19.1 Income taxes for the year relating to current operations: breakdown

Income items/Sectors	31.12.2023	31.12.2022
1. Current taxes (-)	(8.799)	(5.735)
2. Changes in current taxes of previous years (+/-)	1.395	441
3. Reductions in current taxes for the year (+)	-	-
3.*bis* Reduction in current taxes for the year for tax credits as per Italian Law No. 214/2011 (+)	-	13.669
4. Changes in deferred tax assets (+/-)	(22.127)	(33.481)
5. Changes in deferred tax liabilities (+/-)	719	2.813
6. Tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(28.812)	(22.293)

19.2 Reconciliation between theoretical tax charges and effective tax charges for the year

Items/Components	31.12.2023	31.12.2022
Pre-tax profit (loss) for the period from continuing operations	**172.216**	**102.089**
IRES - theoretical tax charges (27,5%)	(47.359)	(28.075)
- effect of non-taxable income and other decreases - permanent	34.206	17.394
- effect of non-deductible charges and other increases - permanent	(5.610)	(4.978)
- non-current corporate income tax (IRES)	504	54
IRES - Effective tax charges	**(18.259)**	**(15.605)**
IRAP - theoretical tax charges (5,57%)	(9.592)	(5.686)
- effect of income/charges that are not part of the taxable base	(1.853)	(1.389)
- non-current corporate income tax (IRAP)	892	387
IRAP - Effective tax charges	**(10.553)**	**(6.688)**
Effective tax charges for the year	**(28.812)**	**(22.293)**

The tax rate for FY 2023 is 16,73%, compared to 21,84% in the prior year. The effective tax rate is below the theoretical tax rate of 33,07% (27,5% IRES + 5,57% IRAP) thanks to the benefits generated primarily by the aid for economic growth ("ACE") deduction and the partial taxation of dividends received by the Bank, 95% of which are excluded from IRES taxation and 50% from IRAP taxation.

Section 20 - Profit (Loss) from discontinued operations after tax - Item 290

Item 290 is not present at the reporting date.

Section 21 - Other information

21.1 Disclosure of government grants as per Article 1, paragraph 125 of Italian Law No. 124 of 4 August 2017 (the "Annual Law on the Market and Competition")

Italian Law No. 124 of 4 August 2017 (Annual Market and Competition Law), under Art. 1, paragraphs 125-129, introduced various measures aimed at increasing the transparency of contributions by administrations and public companies, including listed, in the favour of third sector subjects and businesses in general.
Specifically, with respect to the financial reporting process, the law requires all businesses to disclose subsidies, grants, paid positions, and economic benefits of any kind received from the following entities in the notes to the Annual Financial Statements:

- public administrations and entities with equivalent status (Article 2-bis, Italian Legislative Decree No. 33/2013);
- entities owned, either de jure or de facto, directly or indirectly, by public administrations; and
- state-owned enterprises.

Said disclosures are required if the amounts received during the reporting period exceeded 10 thousand Euro.
Consistently with the clarification issued by Italy's Council of State with opinion No. 1.149 of 1 June 2018 and the guidance provided by trade associations (Assonime), the disclosure requirements do not apply to the following:

- prices for the business provision of professional and other services and supplies or other appointments coming under the scope of the core business. Indeed, these amounts received do not come under the scope of donations/public support policies;
- tax expenditures available to all businesses that meet specific conditions, based on pre-established general requirements, which are also the subject of specific disclosures;
- extension of subsidised loans to customers, as these involve funds of third parties (e.g. interest rate subsidies from the public administration) and not funds of the bank that acts as intermediary.

For information on subsidies, contributions, paid assignments and economic advantages of any kind received by the Bank, please refer to the National Register of State Aid, "Transparency" section.

Section 22 - Earnings per share

22.1 Average number of ordinary diluted shares

Earnings per share and diluted earnings per share	31.12.2023	31.12.2022
Net profit (in thousands of Euro)	143.404	79.796
Average number of outstanding shares (1)	52.456.037	52.685.625
Average number of diluted shares	52.567.897	52.706.323
Earnings per share (Units of Euro)	**2,73**	**1,51**
Diluted earnings per share (Units of Euro)	**2,73**	**1,51**

(1) The average number of outstanding shares is to be understood net of the average number of treasury shares held in the portfolio.

22.2 Other information

There is no further information to report.

Part D - Statement of comprehensive income

	ITEMS (in thousands of Euro)	31.12.2023	31.12.2022
10.	**Profit (Loss) for the year**	**143.404**	**79.796**
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**(4.506)**	**(3.028)**
20.	Equity securities measured at fair value through other comprehensive income	(2.746)	(2.494)
	a) fair value gains (losses)	1.045	(3.181)
	b) transfers to other components of equity	(3.791)	687
70.	Defined benefit plans	(55)	913
100.	Income taxes related to other comprehensive income to be reclassified to profit or loss	(1.705)	(1.447)
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	**16.821**	**(32.078)**
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	25.093	(48.339)
	a) fair value gains (losses)	21.044	(49.040)
	b) reclassification to profit or loss	4.049	701
	- credit risk losses	80	832
	- gains/losses on sale	3.969	(131)
	c) other changes	-	-
180.	Income taxes related to other comprehensive income to be reclassified to profit or loss	(8.272)	16.261
190.	**Total other comprehensive income**	**12.315**	**(35.106)**
200.	**Total comprehensive income (Item 10 + 190)**	**155.719**	**44.690**

Part E - Information on risks and related hedging policies

Background

This Part of the Notes includes quantitative information on risks referring to Banca Ifis S.p.A. For qualitative information on the risk management and monitoring process, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

Section 1 - Credit risk

Qualitative information

For qualitative information, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

Quantitative information

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, impairment losses, trend, and economic breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

Portfolio/Quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	23.082	104.874	99.430	205.901	9.403.496	**9.836.783**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	634.306	**634.306**
3. Financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	2.466	4.564	-	-	85.932	**92.962**
5. Financial assets under disposal	-	-	-	-	-	**-**
Total 31.12.2023	**25.548**	**109.438**	**99.430**	**205.901**	**10.123.734**	**10.564.051**
Total 31.12.2022	**34.210**	**115.455**	**138.346**	**220.637**	**9.486.514**	**9.995.162**

Excluded from this table are on-demand receivables from banks (which are classified under the item "Cash and cash equivalents", in accordance with Bank of Italy instructions), equity securities and UCITS units.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

Portfolio/Quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Overall impairment losses/reversals	Net exposure	Overall partial write-offs (1)	Gross exposure	Overall impairment losses/reversals	Net exposure	
1. Financial assets measured at amortised cost	400.051	172.665	227.386	3.112	9.714.677	105.280	9.609.397	**9.836.783**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	635.469	1.163	634.306	**634.306**
3. Financial assets designated at fair value	-	-	-	-	X	X	-	**-**
4. Other financial assets mandatorily measured at fair value	7.030	-	7.030	-	X	X	85.932	**92.962**
5. Financial assets under disposal	-	-	-	-	-	-	-	**-**
Total 31.12.2023	**407.081**	**172.665**	**234.416**	**3.112**	**10.350.146**	**106.443**	**10.329.635**	**10.564.051**
Total 31.12.2022	**429.970**	**141.959**	**288.011**	**3.082**	**9.722.303**	**89.808**	**9.707.151**	**9.995.162**

(1) Amount to be reported for disclosure purposes

Excluded from this table are on-demand receivables from banks (which are classified under the item "Cash and cash equivalents", in accordance with Bank of Italy instructions), equity securities and UCITS units.

Portfolio/Quality	Low credit quality assets		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	583
2. Hedging derivatives	-	-	-
Total 31.12.2023	**-**	**-**	**583**
Total 31.12.2022	**9**	**4**	**1.173**

A.1.3 Distribution of financial assets by past due buckets (carrying amounts)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3			Purchased or originated impaired		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	65.283	-	-	8.236	39.138	92.422	3.515	12.298	81.919	719	701	6.506
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2023	**65.283**	**-**	**-**	**8.236**	**39.138**	**92.422**	**3.515**	**12.298**	**81.919**	**719**	**701**	**6.506**
Total 31.12.2022	**75.786**	**549**	**232**	**12.269**	**28.211**	**102.953**	**6.745**	**11.442**	**127.363**	**1.144**	**910**	**9.111**

A.1.4 Financial assets, loan commitments and financial guarantees granted: overall impairment losses/reversals and overall provisions

Reason/Risk stage	Overall impairment losses/reversals																							Total provisions on loan commitments and financial guarantees granted				Tot.
	Stage 1 assets						Stage 2 assets						Stage 3 assets						Purchased or originated impaired financial assets									
	Due from banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets under disposal	*of which: individual impairment*	*of which: collective impairment*	Due from banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets under disposal	*of which: individual impairment*	*of which: collective impairment*	Due from banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets under disposal	*of which: individual impairment*	*of which: collective impairment*	Financial assets measured at amortised cost	Financial assets measured at fair value	Financial assets under disposal	*of which: individual impairment*	*of which: collective impairment*	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and fin. guarantees issued impaired acquired or	
Opening balance of total impairment losses/reversals of impairment losses	**143**	**74.855**	**1.083**	**-**	**-**	***76.081***	**-**	**13.869**	**-**	**-**	**-**	***13.869***	**-**	**141.959**	**-**	**-**	***141.959***	**-**	**-**	**-**	**-**	**-**	**-**	**3.826**	**2.775**	**2.506**	**-**	**241.016**
Increases from purchased or originated financial assets	215	26.721	74	-	-	*27.010*	-	1.802	-	-	-	*1.802*	-	23.594	-	-	*23.594*	-	X	X	X	*X*	*X*	2.217	392	865	-	**55.880**
Derecognitions other than write-offs	(169)	(4.562)	-	-	-	*(4.731)*	-	(852)	-	-	-	*(852)*	-	(13.234)	-	-	*(13.234)*	-	(8)	-	-	-	*(8)*	(1.770)	(37)	(33)	-	**(20.665)**
Net credit risk losses/reversals (+/-)	(4)	(26.153)	(126)	-	-	*(26.284)*	-	24.519	131	-	-	*24.650*	-	21.204	-	-	*21.204*	-	3.543	-	-	-	*3.543*	(1.699)	(2.541)	(1.253)	-	**17.621**
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-offs not recognised directly through profit or loss	-	(173)	-	-	-	*(173)*	-	(15)	-	-	-	*(15)*	-	(4.827)	-	-	*(4.827)*	-	(3.385)	-	-	-	*(3.385)*	-	-	-	-	**(8.400)**
Other changes	(13)	(3.001)	1	-	-	*(3.013)*	-	(1.730)	-	-	-	*(1.730)*	-	3.969	-	-	*3.969*	-	(150)	-	-	-	*(150)*	4	-	(4)	-	**(924)**
Closing balance of total impairment losses/reversals of impairment losses	**172**	**67.687**	**1.032**	**-**	**-**	***68.890***	**-**	**37.593**	**131**	**-**	**-**	***37.724***	**-**	**172.665**	**-**	**-**	***172.665***	**-**	**-**	**-**	**-**	**-**	**-**	**2.578**	**589**	**2.081**	**-**	**284.528**
Reversals from collections on financial assets written off	-	47	-	-	-	*47*	-	-	-	-	-	-	-	217	-	-	*217*	-	259	-	-	-	*259*	-	-	-	-	**523**
Write-offs recognised directly through profit or loss	-	(50)	-	-	-	*(50)*	-	-	-	-	-	-	-	(399)	-	-	*(399)*	-	(106)	-	-	-	*(106)*	-	-	-	-	**(555)**

A.1.5 Financial assets, loan commitments and financial guarantees granted: transfers between different credit risk stages (gross and nominal amounts)

Portfolios/risk stages	Gross amounts/nominal amount					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortised cost	307.438	251.173	36.391	16.051	71.396	34.047
2. Financial assets measured at fair value through other comprehensive income	2.962	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-
4. Loan commitments and financial guarantees granted	92.762	6.786	30	15.735	7.515	4.491
Total 31.12.2023	**403.162**	**257.959**	**36.421**	**31.786**	**78.911**	**38.538**
Total 31.12.2022	**415.138**	**169.654**	**67.520**	**24.960**	**79.381**	**21.823**

A.1.6 On- and off-balance-sheet exposures to banks: gross and net amounts

"On-demand" credit exposures include on-demand loans to banks classified under "Cash and cash equivalents".
On-balance-sheet exposures include all on-balance-sheet financial assets due from banking counterparties (except for equity securities and units of UCITSs), regardless of the portfolio they are included in (measured at amortised cost, measured at fair value through other comprehensive income, designated at fair value, mandatorily measured at fair value, under disposal).

Types of exposures/Amounts	Gross exposure					Overall impairment losses/reversals and overall allocations					Net exposure	Overall partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
A. On-balance-sheet credit exposures												
A.1 On demand	**599.163**	**599.163**	**-**	**-**	**-**	**172**	**172**	**-**	**-**	**-**	**598.991**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	599.163	599.163	-	X	-	172	172	-	X	-	598.991	-
A.2 Other	**729.437**	**729.195**	**242**	**-**	**-**	**1.611**	**1.610**	**1**	**-**	**-**	**727.826**	**-**
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past due exposures	596	354	242	X	-	1	-	1	X	-	595	-
- of which forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other performing exposures	728.841	728.841	-	X	-	1.610	1.610	-	X	-	727.231	-
- of which forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
Total (A)	**1.328.600**	**1.328.358**	**242**	**-**	**-**	**1.783**	**1.782**	**1**	**-**	**-**	**1.326.817**	**-**
B. Off-balance-sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1.009.155	135.235	-	X	-	-	-	-	X	-	1.009.155	-
Total (B)	**1.009.155**	**135.235**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.009.155**	**-**
Total (A+B)	**2.337.755**	**1.463.593**	**242**	**-**	**-**	**1.783**	**1.782**	**1**	**-**	**-**	**2.335.972**	**-**

A.1.7 On- and off-balance-sheet exposures to customers: gross and net amounts

Types of exposures/Amounts	Gross exposure					Overall impairment losses/reversals and overall allocations					Net exposure	Overall partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
A. On-balance-sheet credit exposures												
a) Bad loans	109.676	X	-	102.826	4.385	84.128	X	-	84.128	-	25.548	2.973
- of which forborne exposures	*5.893*	*X*	-	*5.893*	-	*5.216*	*X*	-	*5.216*	-	*677*	*1*
b) Unlikely to pay	190.667	X	-	176.691	9.413	81.229	X	-	81.229	-	109.438	120
- of which forborne exposures	*43.297*	*X*	-	*33.901*	*6.131*	*16.619*	*X*	-	*16.619*	-	*26.678*	*66*
c) Non-performing past due exposures	106.737	X	-	105.943	793	7.307	X	-	7.307	-	99.430	19
- of which forborne exposures	*2.303*	*X*	-	*2.303*	-	*629*	*X*	-	*629*	-	*1.674*	*10*
d) Performing past due exposures	209.899	65.185	143.892	X	822	4.593	256	4.337	X	-	205.306	179
- of which forborne exposures	*2.920*	-	*2.727*	*X*	*193*	*163*	-	*163*	*X*	-	*2.757*	-
e) Other performing exposures	9.496.743	9.044.849	347.834	X	18.129	100.240	66.853	33.387	X	-	9.396.503	30.484
- of which forborne exposures	*85.352*	-	*77.636*	*X*	*7.716*	*6.230*	-	*6.230*	*X*	-	*79.122*	-
Total (A)	**10.113.722**	**9.110.034**	**491.726**	**385.460**	**33.542**	**277.497**	**67.109**	**37.724**	**172.664**	**-**	**9.836.225**	**33.775**
B. Off-balance-sheet credit exposures												
a) Non-performing	41.102	X	-	41.102	-	2.085	X	-	2.085	-	39.017	-
b) Performing	1.611.283	1.066.594	160.702	X	-	3.163	2.574	590	X	-	1.608.120	-
Total (B)	**1.652.385**	**1.066.594**	**160.702**	**41.102**	**-**	**5.248**	**2.574**	**590**	**2.085**	**-**	**1.647.137**	**-**
Total (A+B)	**11.766.107**	**10.176.628**	**652.428**	**426.562**	**33.542**	**282.745**	**69.682**	**38.314**	**174.749**	**-**	**11.483.362**	**33.775**

On-balance-sheet exposures include all on-balance-sheet financial assets due from customer counterparties (except for equity securities and units of UCITSs) regardless of the portfolio they are included in (measured at amortised cost, measured at fair value through other comprehensive income, designated at fair value, mandatorily measured at fair value, under disposal).

A.1.8 On-balance-sheet exposures to banks: trends in gross non-performing exposures

The case does not exist

A.1.8bis On-balance-sheet exposures to banks: trends in gross forborne exposures broken down by credit quality

The case does not exist

A.1.9 On-balance-sheet exposures to customers: trends in gross non-performing exposures

Reason/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Opening gross exposure	**102.122**	**180.341**	**147.507**
- of which: transferred and not derecognised	*2.000*	*15.664*	*8.503*
B. Increases	**175.998**	**306.477**	**156.984**
B.1 income from performing exposures	1.713	79.980	87.970
B.2 income from purchased or originated impaired financial assets	286	29.661	342
B.3 transfers from other non-performing exposure categories	30.486	45.683	23
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	143.513	151.153	68.649
C. Decreases	**168.444**	**296.151**	**197.754**
C.1 outflows to performing exposures	130	17.874	43.323
C.2 write-offs	6.277	1.883	-
C.3 collections	20.865	51.257	4.438
C.4 proceeds from sales	-	-	-
C.5 losses on sale	-	-	-
C.6 transfers to other non-performing loan categories	399	30.454	45.339
C.7 contractual modifications without derecognition	-	-	-
C.8 other decreases	140.773	194.683	104.654
D. Closing gross exposure	**109.676**	**190.667**	**106.737**
- of which: transferred and not derecognised	*149*	*2.278*	*2.473*

On-balance-sheet exposures include all on-balance-sheet financial assets due from customers (except for equity securities and units of UCITSs) regardless of the portfolio they are included in (measured at amortised cost, measured at fair value through other comprehensive income, designated at fair value, mandatorily measured at fair value, under disposal).

A.1.9 bis On-balance-sheet exposures to customers: trends in gross forborne exposures broken down by credit quality

Reason/Categories	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**37.585**	**80.588**
- of which: transferred and not derecognised	*1.357*	*12.467*
B. Increases	**99.805**	**78.198**
B.1 inflows from non-forborne performing exposures	85	56.773
B.2 inflows from forborne performing exposures	15.457	X
B.3 inflows from non-performing forborne exposure	X	9.299
B.4 inflows from non-forborne non-performing exposures	21.132	157
B.5 other increases	63.131	11.969
C. Decreases	**85.897**	**70.514**
C.1 outflows to non-forborne performing exposures	X	29.514
C.2 outflows to forborne performing exposures	9.299	X
C.3 outflows to non-performing forborne exposures	X	15.457
C.4 write-offs	283	-
C.5 collections	16.019	10.875
C.6 proceeds from sales	-	-
C.7 losses on sale	-	-
C.8 other decreases	60.296	14.668
D. Closing gross exposure	**51.493**	**88.272**
- of which: transferred and not derecognised	*764*	*231*

A.1.10 On-balance-sheet non-performing exposures to banks: trends in overall impairment losses/reversals

The case does not exist.

A.1.11 On-balance-sheet non-performing exposures to customers: trends in overall impairment losses/reversals

Reason/Categories	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*
A. Opening balance of total impairment losses/reversals of impairment losses	**67.913**	***3.180***	**64.885**	***11.536***	**9.161**	***844***
- of which: transferred and not derecognised	*477*	-	*1.229*	*300*	*1.053*	*160*
B. Increases	**33.143**	***2.669***	**53.513**	***15.187***	**5.020**	***655***
B.1 impairment losses from purchased or originated impaired financial assets	1.553	*X*	1.061	*X*	195	*X*
B.2. other impairment losses	17.765	*449*	49.111	*13.554*	4.809	*654*
B.3 losses on sale	-	-	-	-	-	-
B.4 transfers from other non-performing exposure categories	114	*21*	1.473	*190*	16	*1*
B.5 contractual modifications without derecognition	-	-	-	-	-	-
B.6 other increases	13.711	*2.199*	1.868	*1.443*	-	-
C. Decreases	**16.928**	***633***	**37.169**	***10.104***	**6.874**	***870***
C.1 impairment reversals from appreciation	7.633	*284*	30.427	*10.033*	3.061	*661*
C.2 impairment reversals from collection	3.003	*66*	915	*49*	123	*19*
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-offs	6.277	*283*	1.883	-	-	-
C.5 transfers to other non-performing loan categories	15	-	115	*22*	1.473	*190*
C.6 contractual modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	-	-	3.829	-	2.217	-
D. Closing balance of total impairment losses/reversals of impairment losses	**84.128**	***5.216***	**81.229**	***16.619***	**7.307**	***629***
- of which: transferred and not derecognised	*124*	*6*	*1.325*	*294*	*434*	*48*

A.2 Classification of financial assets, loan commitments and financial guarantees granted by external and internal rating

A.2.1 Breakdown of financial assets, loan commitments and financial guarantees granted by external rating class (gross amounts)

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

A.2.2 Breakdown of financial assets, loan commitments and financial guarantees granted by internal rating class (gross amounts)

The Bank does not use internal ratings for the purposes of calculating capital absorption. The Bank has implemented an internal ratings system geared towards operating Segments, differentiated by legal nature and size. This has been developed on proprietary databases and has the following components:

- a "financial" module, to assess the company's operating/financial soundness;
- a "central credit register" module, presenting the evolution of counterparty risk vis-à-vis the banking industry;

- an "internal performance" module, monitoring the performance of the relationships between the counterparty and the Bank.
- a "socio-demographic" module aimed at assessing the risk profile on the basis of biographical information.

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.

A.3 Breakdown of guaranteed credit exposures by guarantee type

A.3.1 Guaranteed on- and off-balance-sheet exposures to banks

	Gross exposure	Net exposure	Collateral guarantees (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
								Other derivatives								
			Property - Mortgages	Property - lease financing	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial corporations	Other entities	General governments	Banks	Other financial corporations	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	**100**	**100**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100**
1.1 totally guaranteed	100	100	-	-	-	100	-	-	-	-	-	-	-	-	-	**100**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Secured "off-balance sheet" credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.3.2 Guaranteed on- and off-balance-sheet exposures to customers

	Gross exposure	Net exposure	Collateral guarantees (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
								Other derivatives								
			Property Mortgages	Property Finance Leases	Securities	Other collateral	CNL	Central counterparties	Banks	Other financial corporations	Other entities	General governments	Banks	Other financial corporations	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	**3.047.481**	**2.923.977**	**237.589**	**-**	**-**	**1.621.823**	**-**	**-**	**-**	**-**	**-**	**732.497**	**651**	**6.042**	**134.234**	**2.732.836**
1.1 totally guaranteed	2.032.669	1.951.708	184.999	-	-	1.493.496	-	-	-	-	-	154.262	651	6.028	112.271	1.951.707
- of which non-performing	*121.290*	*68.043*	*28.682*	-	-	*18.844*	-	-	-	-	-	*11.428*	-	*18*	*9.071*	*68.043*
1.2 partially guaranteed	1.014.812	972.269	52.590	-	-	128.327	-	-	-	-	-	578.235	-	14	21.963	781.129
- of which non-performing	*57.539*	*33.609*	*2.887*	-	-	*85*	-	-	-	-	-	*24.589*	-	-	*817*	*28.378*
2. Guaranteed off-balance-sheet credit exposures:	**34.246**	**34.057**	**-**	**-**	**195**	**7.633**	**-**	**-**	**-**	**-**	**-**	**186**	**-**	**51**	**15.108**	**23.173**
2.1 totally guaranteed	22.151	22.002	-	-	195	7.451	-	-	-	-	-	-	-	51	13.686	21.383
- of which non-performing	*1.801*	*1.801*	-	-	-	-	-	-	-	-	-	-	-	-	*1.801*	*1.801*
2.2 partially guaranteed	12.095	12.055	-	-	-	182	-	-	-	-	-	186	-	-	1.422	1.790
- of which non-performing	*2.019*	*2.019*	-	-	-	-	-	-	-	-	-	-	-	-	*465*	*465*

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

The case does not exist at 31 December 2023.

B. Concentration and distribution of credit exposures

B.1 Breakdown of on- and off-balance-sheet exposures to customers by segment

Exposures/Counterparties	General governments		Financial companies		*Financial companies (of which: insurance companies)*		Non-financial corporations		Households	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	*Net exposure*	*Overall impairment losses/reversals*	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet credit exposures										
A.1 Bad loans	77	551	6	52	-	-	23.547	79.653	1.918	3.872
- of which forborne exposures	-	-	-	-	-	-	*547*	*4.732*	*130*	*484*
A.2 Unlikely to pay	10.411	1.855	1.119	5.611	-	-	85.655	67.210	12.253	6.553
- of which forborne exposures	-	-	*30*	*119*	-	-	*19.897*	*14.592*	*6.751*	*1.908*
A.3 Non-performing past due exposures	65.698	152	455	63	-	-	24.540	3.320	8.737	3.772
- of which forborne exposures	*51*	-	-	-	-	-	*380*	*88*	*1.243*	*541*
A.4 Performing exposures	2.386.141	2.184	1.953.363	7.477	*798*	-	4.788.827	89.660	473.478	5.512
- of which forborne exposures	-	-	*3.604*	*581*	-	-	*69.207*	*5.512*	*9.068*	*300*
Total (A)	**2.462.327**	**4.742**	**1.954.943**	**13.203**	***798***	**-**	**4.922.569**	**239.843**	**496.386**	**19.709**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	648	-	-	-	37.701	2.085	668	-
B.2 Performing exposures	1	-	466.260	1.195	-	-	744.610	1.955	13.415	13
Total (B)	**1**	**-**	**466.908**	**1.195**	**-**	**-**	**782.311**	**4.040**	**14.083**	**13**
Total (A+B) 31.12.2023	**2.462.328**	**4.742**	**2.421.851**	**14.398**	***798***	**-**	**5.704.880**	**243.883**	**510.469**	**19.722**
Total (A+B) 31.12.2022	**2.382.599**	**6.390**	**2.035.480**	**12.614**	***1.295***	**-**	**5.562.595**	**201.867**	**539.254**	**18.132**

B.2 Geographical breakdown of on- and off-balance-sheet exposures to customers

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet credit exposures										
A.1 Bad loans	25.548	84.101	-	28	-	-	-	-	-	-
A.2 Unlikely to pay	106.889	81.194	2.550	36	-	-	-	-	-	-
A.3 Non-performing past due exposures	98.891	7.241	537	66	2	-	-	-	-	-
A.4 Performing exposures	9.021.433	98.097	481.765	5.685	65.866	668	14.174	294	18.570	87
Total (A)	**9.252.761**	**270.633**	**484.852**	**5.815**	**65.868**	**668**	**14.174**	**294**	**18.570**	**87**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	31.649	2.085	7.368	-	-	-	-	-	-	-
B.2 Performing exposures	1.090.600	3.122	132.928	41	-	-	640	-	118	-
Total (B)	**1.122.249**	**5.207**	**140.296**	**41**	**-**	**-**	**640**	**-**	**118**	**-**
Total (A+B) 31.12.2023	**10.375.010**	**275.840**	**625.148**	**5.856**	**65.868**	**668**	**14.814**	**294**	**18.688**	**87**
Total (A+B) 31.12.2022	**9.896.687**	**233.689**	**571.684**	**4.725**	**31.253**	**307**	**19.687**	**277**	**617**	**5**

B.3 Geographical breakdown of on- and off-balance-sheet exposures to banks

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet credit exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	1.103.455	1.276	223.362	507	-	-	-	-	-	-
Total (A)	**1.103.455**	**1.276**	**223.362**	**507**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	135.235	-	430	-	-	-	-	-	-	-
Total (B)	**135.235**	**-**	**430**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2023	**1.238.690**	**1.276**	**223.792**	**507**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2022	**1.025.265**	**1.466**	**251.562**	**549**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Major exposures

		31.12.2023	31.12.2022
a)	Amount (carrying amount)	7.091.600	6.315.731
b)	Amount (weighted value)	837.594	785.315
c)	Number	10	7

The overall weighted amount of Large exposures at the weighted amount at 31 December 2023, comprising 10 positions, consists of 135,9 million Euro in tax assets, 122,8 million Euro in exposure to equity investments not included in the prudential scope of consolidation and the remaining 578,9 million Euro in positions vs supervised intermediaries, mainly connected with reverse repurchase agreements, derivatives and securities.

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.

C. Securitisation transactions

Securitisations in which the Bank is the originator and for which all the liabilities issued by the special purpose vehicles were subscribed by the Bank at the time of issue shall not be recorded in this section. For more details on this type of transactions, please refer to Part E of these individual Notes to the Financial Statements on liquidity risk.

Qualitative information

The Bank has exposures to securitisations originated by third parties, acquired for investment purposes with the aim of generating a profit margin and achieving an appreciable medium/long-term return on capital.
These transactions may be originated by the Bank's Business Units, based on the characteristics of the underlying portfolio -- performing or non-performing -- or as part of liquidity investments.
The acquisition activities are carried out in accordance with the policies and procedures relating to credit risk, and in particular with the policies in force for the securitisation transactions and investment policies applicable to the Proprietary Finance portfolio and in compliance with the propensity to risk established within the Risk Appetite Framework (RAF). The Bank invests in securitisations of which it is able to value, on the basis of its experience, the relevant underlying assets.
In particular, after identifying the investment opportunity, the unit that proposes the transaction conducts a due diligence review to estimate future cash flows and determine whether the price is fair, coordinating the organisational units concerned from time to time and formalising the relevant findings to be submitted to the competent decision-making body.
Subsequent to the purchase, the investment is constantly monitored based on the performance indicators of the underlying exposures and whether cash flows are in line with the estimates made at the time of the acquisition.

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

the policy sets out the responsibilities of the organisational units and corporate bodies, with reference to both the due diligence process and the ongoing monitoring of the transaction.
Outstanding securitisation transactions at 31 December 2023 are listed below.

Securitisation as originator

IFIS ABCP Programme securitisation

On 7 October 2016, Banca Ifis launched a three-year revolving securitisation of trade receivables due from account debtors. After Banca Ifis (originator) initially reassigned the receivables for 1.254,3 million Euro, in the second quarter of 2018, the vehicle named Ifis ABCP Programme S.r.l. issued 850 million Euro, increased to 1.000 million Euro, worth of senior notes subscribed for by the investment vehicles owned by the banks that co-arranged the transaction, simultaneously with the two-year extension of the revolving period. An additional tranche of senior notes, with a maximum nominal amount of 150 million Euro, initially issued for 19,2 million Euro, and that was subsequently adjusted based on the composition of the assigned portfolio, was subscribed for by Banca Ifis. In 2019, this portion was first partially repaid by the vehicle, then sold to a third-party bank for a total residual value of 98,9 million Euro. The difference between the value of the receivables portfolios and the senior notes issued represents the credit granted to the notes' bearers, which consists in a deferred purchase price.
Banca Ifis acts as servicer, performing the following tasks:

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

As part of the securitisation programme, the Bank sends the amount it collects to the vehicle on a daily basis, while the new portfolio is assigned approximately six times each month; this ensures a short time lapse between the outflows from the Bank and the inflows associated with the payment of the new assignments.
Only part of the securitised receivables due from account debtors are recognised as assets - especially for the portion that the Bank has purchased outright, resulting in the transfer of all risks and rewards to the buyer. Therefore, the tables in the quantitative disclosure show only this portion of the portfolio.
In compliance with IAS/IFRS accounting standards, currently the securitisation process does not involve the substantial transfer of all risks and rewards, as it does not meet derecognition requirements. In addition, the vehicles have been consolidated in order to better represent the transaction as a whole of the vehicle Ifis ABCP Programme S.r.l. because, following an analysis of the requirements set forth in IFRS 10, it was found to be subject to the control of Banca Ifis (for further details, see "Section 3 - Scope and methods of consolidation" of the paragraph “A.1 - General part” of "Part A - Accounting policies" of these Notes to the Consolidated Financial Statements).
The maximum theoretical loss for Banca Ifis is represented by the losses that could potentially arise within the portfolio of assigned receivables, and the impact would be the same as if the securitisation programme did not exist; therefore, the securitisation has been accounted for as follows:

- the securitised receivables purchased outright were recognised under "receivables due from customers", subitem "factoring";
- the funds raised from the issue of senior notes subscribed for by third parties were recognised under "debt securities issued” of the balance sheet liabilities;
- the interest on the receivables was recognised under the same item of the income statement "interest receivable and similar income";
- the interest on the notes was recognised under "interest due and similar expenses", sub-item "debt securities issued";
- the arrangement fees were fully recognised in profit or loss in the year in which the programme was launched.
- At 31 December 2023, the interest expense on the senior notes recognised in profit or loss amounts to 43,0 million Euro.

Indigo lease securitisation

In 2016, Banca Ifis, through the originator company, the former Ifis Leasing S.p.A. (incorporated into Banca Ifis since May 2018) finalised a securitisation that involved selling a portfolio of performing loans totalling 489 million Euro to the special purpose vehicle Indigo Lease S.r.l.

The securitisation was rated by the agencies Moody's and DBRS, which will also perform the annual monitoring throughout the term of the transaction.

The initial purchase price of the assigned receivables portfolio, equal to 489 million Euro, was paid by the vehicle to the merged entity, the former Ifis Leasing using funds raised from the issue of senior notes for an amount of 366 million Euro. These received an AA3 (sf) rating from Moody's and an AA (sf) rating from DBRS, and their redemption is connected to the collections realised on the receivables portfolio. In addition, the vehicle issued 138 million Euro in junior notes that were acquired by the former Ifis Leasing and did not receive a rating. In addition, the latter received a specific servicing mandate to collect and manage the receivables.

During 2017, following the transaction restructuring, a revolving system was launched involving monthly assignments of new credit to the SPV, until July 2021. At the same time, the maximum nominal amount of the senior and junior notes was increased respectively to 609,5 and 169,7 million Euro. In the same period, Banca Ifis acquired all the senior notes issued by the vehicle. Following the May 2018 merger of the former Ifis Leasing, for incorporation into Banca Ifis, the latter also became the subscriber of the junior notes.

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

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

As part of the transaction, Banca Ifis sold to UniCredit Bank AG the entire amount of senior securities, corresponding to a nominal amount of 609,5 million Euro and a principal amount outstanding of 400 million Euro. The junior securities, with a principal amount outstanding of 147,6 million Euro, were fully retained by Banca Ifis as originator. Therefore, as of July 2023 Indigo Lease is no longer a self-securitisation.

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

At 31 December 2023, the interest expense on the senior notes recognised in profit or loss amounts to 8,5 million Euro.

Third-party securitisations

At 31 December 2023, the Bank holds 784,7 million Euro in notes deriving from third-party securitisation transactions, as follows: 689,6 million Euro of senior notes (of which 31,8 million relate to securities with underlying non-financial assets), 42,2 million Euro of mezzanine notes, 0,6 million Euro of junior notes and single tranche securities for 52,3 million Euro. In particular, the multi-originator securitisations in which the Bank, together with other banks, also assumed the role of originator amount to 39,1 million Euro at 31 December 2023 (46,3 million Euro at 31 December 2022). For further details, please refer to paragraph "C. Financial assets sold and derecognised in full" below, within subsection "E. Disposal transactions" of "Section 1 - Credit risk” of “Part E - Information on risks and related hedging policies” of these Notes to the Financial Statements. The value of the portfolio increases compared to the figure of 418,6 million Euro at 31 December 2022, due to new securities subscriptions made by the Bank during 2023 of approximately 503,6 million Euro and repayments of existing transactions.

Quantitative information

C.1 Exposures from the main "own" securitisations broken down by type of securitised asset and type of exposure

Type of securitised asset/Exposure	On-balance-sheet exposures						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals
A. Fully derecognised	**4.928**	**1**	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**213.798**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- receivables due from customers	-	-	-	-	213.798	-	-	-	-	-	-	-	-	-	-	-	-	-

C.2 Exposures from the main "third-party" securitisations broken down by type of securitised asset and type of exposure

Type of securitised asset/Exposures	On-balance-sheet exposures						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals
Secured and unsecured loans	741.891	986	42.213	438	577	-	-	-	-	-	-	-	179	2	-	-	-	-
Debt securities	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**741.891**	**986**	**42.213**	**438**	**577**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**179**	**2**	**-**	**-**	**-**	**-**

C.3 Special purpose vehicle for the securitisation

Securitisation name / Special purpose vehicle name	Registered office	Consolidation	Assets			Liabilities		
			Receivables	Debt securities	Other	Senior	Mezzanine	Junior
Ifis ABCP Programme S.r.l.	Conegliano (TV)	100%	1.391.859	-	49.659	1.050.775	-	-
Indigo Lease S.r.l.	Conegliano (TV)	100%	504.940	-	30.642	400.000	-	147.671

C.4 Non-consolidated special purpose vehicles for the securitisation

The case does not exist

C.5 Servicer activities – own securitisations: collection of securitised loans and redemption of securities issued by the SPV for securitisation

The case does not exist

D. Disclosure on structured entities not consolidated in the accounts (other than securitisation vehicles)

There are no unconsolidated structured companies at 31 December 2023 other than the securitisation company falling within the Bank's scope.

E. Disposals

A. Financial assets sold and not derecognised in full

Qualitative information

Transfer transactions that did not result in the derecognition of the underlying financial assets are represented by:

- securitisation transactions of credit exposures to customers;
- repurchase agreements (repos) on securities owned, mainly classified in the portfolios "Financial assets measured at fair value through other comprehensive income" and "Financial assets measured at amortised cost".

In the case of repurchase agreements, the non-derecognition of the security, which is the subject of a spot sale, derives from the fact that the Bank retains substantially all the risks and rewards associated with the security, having the obligation to repurchase it forward at a contractually agreed price. The securities being transferred therefore continue to be shown in the accounting portfolios to which they belong; the consideration for the transfer is recognised under “Financial liabilities measured at amortised cost: a) payables due to banks or b) payables due to customers”, depending on the type of counterparty. In this regard, it should be noted that the following tables do not represent repurchase agreements on securities not recorded in the balance sheet, if the availability of the same results from reverse repurchase agreements (please refer to the section "Other information" in Part B of these individual notes to the financial statements).

For securitisation transactions, described in section "C. Securitisation transactions" above, the non-derecognition follows the Bank's subscription of the tranches of junior securities or similar exposures, which entail the risk of first losses for it and, likewise, the benefit associated with the return on the portfolio of transferred assets. In exchange for the transfer, the consideration received is recognised as a balancing entry to a liability to the special purpose vehicle, net of any tranches of securities subscribed or drawdowns of forms of liquidity support in favour of the vehicle in order to make principal payments. The loan thus recorded to the special purpose vehicle will be reduced by the sums collected by the originator, as "servicer", and transferred to the same vehicle.

Quantitative information

E.1. Financial assets sold and fully recognised and associated financial liabilities: carrying amounts

	Financial assets sold and fully recognised				Associated financial liabilities		
	Carrying amount	*of which: securitised*	*of which: subject to repurchase agreements*	*of which non-performing*	Carrying amount	*of which: securitised*	*of which: subject to repurchase agreements*
A. Financial assets held for trading	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
4. Derivatives	-	-	-	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**2.542**	**-**	***2.542***	**-**	**2.371**	**-**	***2.371***
1. Debt securities	2.542	-	*2.542*	-	2.371	-	*2.371*
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**1.909.255**	***758.259***	***1.150.996***	***3.017***	**2.431.121**	***1.371.862***	***1.059.259***
1. Debt securities	1.150.996	-	*1.150.996*	-	1.059.259	-	*1.059.259*
2. Loans	758.259	*758.259*	-	*3.017*	1.371.862	*1.371.862*	-
Total 31.12.2023	**1.911.797**	***758.259***	***1.153.538***	***3.017***	**2.433.492**	***1.371.862***	***1.061.630***
Total 31.12.2022	**1.619.523**	***807.088***	***812.435***	***6.230***	**1.817.564**	***1.035.770***	***781.794***

E.2 Financial assets sold and partly recognised and associated financial liabilities: carrying amounts

The case does not exist.

E.3. Disposal transactions with liabilities having recourse only to assets sold and not derecognised in full: fair value

	Recorded in full	Recorded partially	Total	
			31.12.2023	31.12.2022
A. Financial assets held for trading	-	-	-	-
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**2.542**	**-**	**2.542**	-
1. Debt securities	2.542	-	2.542	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortised cost	**1.909.255**	**-**	**1.909.255**	**507.406**
1. Debt securities	1.150.996	-	1.150.996	-
2. Loans	758.259	-	758.259	507.406
Total financial assets	**1.911.797**	**-**	**1.911.797**	**507.406**
Total associated financial liabilities	**2.433.491**	**-**	**X**	**X**
Net balance at 31.12.2023	**(521.694)**	**-**	**1.911.797**	**X**
Net balance at 31.12.2022	**507.406**	**-**	**X**	**507.406**

B. Financial assets sold and derecognised in full with recognition of continuing involvement

The Bank has not entered into any disposal transactions for which disclosure is required under IFRS 7.

C. Financial assets sold and derecognised in full

Qualitative information

At 31 December 2023, the Bank holds securitised securities and mutual fund units acquired as a result of transactions involving the sale of financial assets that were derecognised in full during 2023 and in previous years. These transactions involved the transfer of financial assets, consisting of loans, by the Bank to securitisation special purpose entities or mutual funds and their derecognition in accordance with IFRS 9, following verification that the originator Bank itself had substantially transferred the risks and rewards of the transferred assets and had simultaneously retained no control over those assets. Instead of these derecognised assets, securitised securities or fund units received in the same transactions have been recognised as financial assets.

In relation to the provisions contained in the Bank of Italy's Communication of 23 December 2019, transposed in the 8th update of Circular 262, the following information is provided on: "Multi-originator sales of loan portfolios - in particular of "unlikely to pay" loans - that are attributable to the assignment of loans to a mutual fund with allocation of the relevant shares to the assigning intermediaries.

Quantitative information

The following table provides details of the funds held, showing the fund management company and the carrying amount at 31 December 2023.

Fund name	Carrying amount at 31/12/2023 (in thousands)	Asset management company
City Regeneration Fund	6.579	Redo SGR
IDeA Corporate Credit Recovery I - Loans sub-fund	2.744	Dea Capital Alternative Funds SGR
IDeA Corporate Credit Recovery II - Loans sub-fund	2.525	Dea Capital Alternative Funds SGR
IDeA Corporate Credit Recovery II - Shipping sub-fund	1.551	Dea Capital Alternative Funds SGR
BCC NPLs 2020	38.032	BCC NPLs 2020 S.r.l
BCC NPLs 2021	6.075	BCC NPLs 2021 S.r.l

Transactions concluded during the year

City Regeneration Fund
A closed-end real estate alternative investment fund reserved for professional investors established in November 2020 with the objective of making sustainable investments in real estate initiatives aimed at urban regeneration and having a social impact, with a focus on Social Housing, Senior Living and Student Housing.
In November 2023, Banca Ifis sold its claim against a single debtor, the owner of the largest urban regeneration project in Italy, with a nominal amount of 9,2 million Euro and a carrying amount of 5,9 million Euro. For this transaction, Banca Ifis received units of the City Regeneration Fund, entered at a fair value of 6,3 million Euro.
At 31 December 2023, Banca Ifis's share is 1,9% of the total value of the Fund's subscriptions and its carrying amount is 6,6 million Euro.

Transactions concluded in previous years

IDeA CCR I Fund - Credit sub-fund
Fund established in January 2016, with the objective of purchasing non-performing loans and instruments claimed by banks from companies involved in restructuring processes.
Banca Ifis became a shareholder in July 2019, as part of the last closing realised by the sub-fund, through the subscription of units worth 15,9 million Euro, in conjunction with the sale to the Fund of receivables and equity instruments owed to an operator in the automotive segment. Banca Ifis's share of the Fund is 13,66%. No distributions were made from the sub-fund during 2023. The sub-fund's management team is focused on selling the last asset in the portfolio from which the final redemption of units will be derived. The carrying amount at 31 December 2023 is 2,7 million Euro.

IDeA CCR II Fund - Credit sub-fund
Fund established in 2017, a replica of the CCR I fund launched in previous years, with the objective of purchasing non-performing loans and instruments claimed by banks from companies involved in restructuring processes.
In 2017, Banca Ifis subscribed units for a total initial value of 8,8 million Euro in conjunction with the assignment to the Fund of its claim against a single debtor operating in the manufacturing sector.
At subscription, Banca Ifis's shareholding in the sub-fund was 3,72%. As a result of the subsequent closings implemented by the Fund, in which Banca Ifis did not participate, the Fund's shareholding in the sub-fund was reduced to 1,07% at 31/12/2023
Over the years, distributions have been made in favour of shareholders. The carrying amount at 31 December 2023 is 2,5 million Euro.

IDeA CCR II Fund - Shipping sub-fund
Sub-fund established in 2018 within the CCR II Fund launched in 2017, specifically for non-performing loans arising from transactions with ship operators. The sub-fund is denominated in US dollars.

The subscription of the sub-fund's shares by Banca Ifis took place in December 2018 with an investment of 37,7 million Dollar, an amount coinciding with the price of the sale of ship mortgage-backed loans to as many operators. Banca Ifis's shareholding represents 19,34% of the sub-fund's units.
Over the years, the Fund has made significant distributions from the proceeds realised through the restructuring of receivables, repossession of ships and the subsequent sale of part of them, greatly anticipating the recovery expected by shareholders. The carrying amount at 31 December 2023 is 1,6 million Euro.

In addition to the above, again with a view to pursuing de-risking activities, Banca Ifis participated in two multi-originator securitisation transactions in 2020 and 2021, respectively.

“BCC NPLs 2020” securitisation
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 the bank) 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 of bad loans guaranteed by Italian Treasury Department (“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 55.077.000,00 Euro subscribed by the bank), maturing in January 2045 and with Baa2 and BBB ratings issued by Moody's Italia S.r.l. and Scope, respectively;
- 41 million Euro in Mezzanine Notes maturing in January 2045, with rating Caa2 and CC assigned, respectively, by Moody’s Italia S.r.l. 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 the bank 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. The carrying amount at 31 December 2023 is 37,9 million Euro for senior units, 0,2 million Euro for mezzanine units, and junior units are of negligible value.

“BCC NPLs 2021” securitisation
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 of bad loans guaranteed by Italian Treasury Department (“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 7.823.000 Euro subscribed by the bank), maturing in April 2046 and with Baa2, BBB and BBB ratings issued by Moody's Italia S.r.l., Scope and Arc Rating S.A., respectively;
- 39,5 million Euro in Mezzanine securities maturing in April 2046, with rating Caa2, CCC and CCC+ assigned respectively by Moody's Italia S.r.l., Scope and Arc Rating S.A., respectively;
- 13 million Euro in Junior securities 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. The carrying amount at 31 December 2023 is 6,1 million Euro for senior units while the mezzanine units and junior units are of irrelevant value.

D. Covered bond transactions

The case does not exist.

F. Models for measuring credit risk

Banca Ifis does not have internal portfolio models on credit risk (VaR methodology).

Section 2 - Market risks

2.1 Interest rate risk and price risk - supervisory trading book

Qualitative information

For qualitative information, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

Quantitative information

1. Supervisory trading book: breakdown by residual maturity (re-pricing date) of on-balance-sheet financial assets and liabilities and financial derivatives - Currency: Euro

Type/Residual maturity	on demand	up to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	over 5 to 10 years	over 10 years	indefinite life
1. On-balance-sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	17.365	4.793	63	398	975	4	-
+ short positions	-	816	-	61	373	14.633	7.714	-
- Other								
+ long positions	-	-	6.439	1.041	4.025	-	-	-
+ short positions	-	-	6.439	1.041	4.025	-	-	-

2. Supervisory trading book: distribution of equity exposures and equity indices by major market listing countries

The case does not exist.

3. Supervisory trading book - internal models and other methods for the sensitivity analysis

The case does not exist.

2.2 Interest rate risk and price risk - banking book

Qualitative information

For qualitative information, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

Quantitative information

1. Banking book: breakdown by residual maturity (re-pricing date) of financial assets and liabilities - Currency: Euro

Type/Residual maturity	on demand	up to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	over 5 to 10 years	over 10 years	Indefinite life
1. On-balance-sheet assets	**2.630.343**	**4.126.184**	**1.224.935**	**561.816**	**1.793.988**	**576.002**	**49.299**	**-**
1.1 Debt securities	9.872	1.555.342	525.306	296.105	834.803	539.518	48.915	-
- with early redemption option	-	651.540	41.727	120.356	204.992	82.757	21.909	-
- other	9.872	903.802	483.579	175.749	629.881	456.761	27.006	-
1.2 Loans to banks	580.356	29.308	6	13	71	-	-	-
1.3 Loans to customers	2.040.115	2.541.534	699.623	265.698	959.114	36.484	384	-
- current a/c	101.095	-	-	-	-	-	-	-
- other loans	1.939.020	2.541.534	699.623	265.698	959.114	36.484	384	-
- with early redemption option	237.684	1.042.559	497.424	145.625	542.264	31.799	234	-
- other	1.701.336	1.498.975	202.199	120.073	416.850	4.685	150	-
2. On-balance-sheet liabilities	**1.147.709**	**4.201.891**	**1.305.814**	**1.127.866**	**3.115.239**	**19.322**	**2.368**	**-**
2.1 Due to customers	1.128.397	2.314.153	865.025	1.039.904	1.642.632	4.721	2.368	-
- current a/c	548.475	37.649	34.926	50.620	68.241	-	-	-
- other payables	579.922	2.276.504	830.099	989.284	1.574.391	4.721	2.368	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	579.922	2.276.504	830.099	989.284	1.574.391	4.721	2.368	-
2.2 Payables due to banks	19.295	1.887.727	93.982	87.961	383.591	14.601	-	-
- current a/c	19.202	-	-	-	-	-	-	-
- other payables	93	1.887.727	93.982	87.961	383.591	14.601	-	-
2.3 Debt securities	17	11	346.807	1	1.089.016	-	-	-
- with early redemption option	-	-	-	-	372.744	-	-	-
- other	17	11	346.807	1	716.272	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	339.700	16.000	-	-	-	-	-
+ short positions	-	-	-	-	94.200	261.500	-	-
4. Other off-balance-sheet transactions								
+ long positions	393.056	-	-	-	-	-	-	-
+ short positions	130.316	2.532	2.056	61.263	168.850	28.039	-	-

1. Banking book: breakdown by residual maturity (re-pricing date) of financial assets and liabilities - Currency: Other currencies

Type/Residual maturity	on demand	up to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	over 5 to 10 years	over 10 years	Indefinite life
1. On-balance-sheet assets	**56.416**	**121.912**	**9.533**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	9.201	37.996	-	-	-	-	-	-
1.3 Loans to customers	47.215	83.916	9.533	-	-	-	-	-
- current a/c	27.416	-	-	-	-	-	-	-
- other loans	19.799	83.916	9.533	-	-	-	-	-
- with early redemption option	64	7.022	-	-	-	-	-	-
- other	19.735	76.894	9.533	-	-	-	-	-
2. On-balance-sheet liabilities	**79.999**	**117.309**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	79.999	-	-	-	-	-	-	-
- current a/c	79.999	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables due to banks	-	117.309	-	-	-	-	-	-
- current a/c	-	-	-	-	-	-	-	-
- other payables	-	117.309	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions								
+ long positions	-	8.757	-	-	-	-	-	-
+ short positions	-	8.757	-	-	-	-	-	-

2. Banking book - internal models and other methods for the sensitivity analysis

The case does not exist.

2.3 Currency risk

Qualitative information

For qualitative information, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

Quantitative information

1. Breakdown of assets, liabilities and derivatives by currency

Items	Currencies					
	US DOLLAR	UK STERLING	JAPANESE YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
A. Financial assets	**149.294**	**8.872**	**752**	**37**	**2.769**	**36.212**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	1.551	3.600	-	-	1.537	3.294
A.3 Loans to banks	39.267	1.135	116	37	1.232	5.409
A.4 Loans to customers	108.476	4.137	636	-	-	27.509
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**150.603**	**8.648**	**704**	**-**	**2.700**	**34.654**
C.1 Payables due to banks	75.672	8.644	704	-	2.700	29.589
C.2 Payables due to customers	74.931	4	-	-	-	5.065
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**2**	**5**	**-**	**-**	**-**	**-**
E. Financial derivatives						
- Options						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	41.914
Total assets	**149.294**	**8.872**	**752**	**37**	**2.769**	**36.212**
Total liabilities	**150.605**	**8.653**	**704**	**-**	**2.700**	**76.568**
Imbalance (+/-)	**(1.311)**	**219**	**48**	**37**	**69**	**(40.356)**

2. Internal models and other methods for the sensitivity analysis

Banca Ifis does not have internal models for currency risk.

Section 3 - Derivative instruments and hedging policies

3.1 Derivative instruments held for trading

A. Financial derivatives

Please see paragraph "1.2 Market risks" of Section 2 of Part E of the Notes to the Consolidated Financial Statements.

A.1 Financial derivatives held for trading: year-end notional amounts

Underlying assets/ Types of derivatives	31.12.2023				31.12.2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**-**	**-**	**581.929**	**-**	-	-	**515.460**	-
a) Options	-	-	570.424	-	-	-	288.350	-
b) Swaps	-	-	11.505	-	-	-	227.110	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and share indexes	**-**	**-**	**25.393**	**-**	-	-	**15.975**	-
a) Options	-	-	25.393	-	-	-	15.975	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**607.322**	**-**	**-**	**-**	**531.435**	**-**

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Types of derivatives	31.12.2023				31.12.2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	430	-	-	-	333	-
b) Interest rate swaps	-	-	153	-	-	-	167	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**583**	**-**	**-**	**-**	**500**	**-**
2. Negative fair value								
a) Options	-	-	13.852	-	-	-	25.098	-
b) Interest rate swaps	-	-	153	-	-	-	884	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**14.005**	**-**	**-**	**-**	**25.982**	**-**

A.3 OTC financial derivatives held for trading: notional amounts, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial corporations	Other entities
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional amount	X	576.177	-	5.752
- positive fair value	X	-	-	153
- negative fair value	X	14.005	-	-
2) Equity securities and share indexes				
- notional amount	X	25.393	-	-
- positive fair value	X	430	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and share indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives held for trading: notional amounts

Underlying assets/Residual life	Up to 1 year	Over 1 to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	103.879	198.050	280.000	**581.929**
A.2 Financial derivatives on equity securities and share indexes	25.393	-	-	**25.393**
A.3 Financial derivatives on exchange rates and gold	-	-	-	**-**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
Total 31.12.2023	**129.272**	**198.050**	**280.000**	**607.322**
Total 31.12.2022	**275.380**	**135.605**	**120.450**	**531.435**

B. Credit derivatives

B.1 Credit derivatives held for trading: year-end notional amounts

The case does not exist.

B.2 Credit derivatives held for trading: gross positive and negative fair value - breakdown by product

The case does not exist.

B.3 OTC credit derivatives held for trading: notional amounts, gross positive and negative fair value by counterparty

The case does not exist.

B.4 Residual life of OTC credit derivatives held for trading: notional amounts

The case does not exist.

B.5 Credit derivatives related to the fair value option: annual changes

The case does not exist.

3.2 Hedges

Qualitative information

A. Fair value hedging

Banca Ifis's hedges are designed to reduce the Bank's overall exposure to interest rate risk caused by movements in the interest rate curve. Specifically, the hedging strategy is that of a "package" of specific hedges on fixed-rate securities in the Proprietary Portfolio with which a "HTC" (Held to Collect) business model is associated. These are government bonds issued by the Italian government (BTPs) that pass the "SPPI test" prescribed by IFRS 9, and are therefore classified in the balance sheet item "Financial assets measured at amortised cost - receivables due from customers".

In hedge accounting, the Bank applies standard IFRS 9 and, at the reference date of the Financial Statements, only adopts specific hedges (micro fair value hedges) and not general hedges (macro fair value hedges).

Within the micro fair value hedge, debt securities on the asset side are hedged.

The main types of derivatives used are plain interest rate swaps (IRS), which are not listed on regulated markets but are traded on over-the-counter (OTC) circuits.

B. Cash flow hedging

The case does not exist.

C. Foreign investment hedges

The case does not exist.

D. Hedging instruments

The main causes of ineffectiveness of the model adopted by the Bank for verifying the effectiveness of hedges are attributable to the following phenomena:

- mismatch between the notional amount of the derivative and the underlying hedged item recognised at the time of initial designation or generated thereafter, such as in the case of any partial disposals of the hedged securities;
- application of different curves on the hedging derivative and the hedged item for the purpose of performing the effectiveness test on fair value hedges. Derivatives are discounted to Overnight curves, while hedged items are discounted to the indexation curve of the hedging instrument;
- inclusion in the effectiveness test of the value of the variable leg of the hedging derivative, assuming a fair value hedge.

The ineffectiveness of the hedge is promptly detected for the purposes:

- determining the effect on the income statement;
- assessing whether or not hedge accounting rules can continue to be applied.

The Bank does not use dynamic hedges, as defined in IFRS 7, paragraph 23C.

E. Items hedged

The main types of items hedged are, at the reference date of the Financial Statements, debt securities on the asset side. They are hedged in micro fair value hedge relationships, using interest rate swaps (IRS) as hedging instruments.

The interest rate risk is generally hedged for all or most of the term of the bond.

To verify the effectiveness of the hedge, the Bank uses a prospective effectiveness test measured through the ratio of the delta fair value of each hedging instrument and the related hedged item based on sensitivity analysis of 100 bps on interest rates. The verification of hedging effectiveness through the prospectus described above is performed prior to the designation of the hedging relationship, as an ex-ante estimate, and is subsequently monitored on an ongoing basis and reported periodically to senior management.

Quantitative information

A. Financial hedging derivatives

A.1 Financial hedging derivatives: year-end notional amounts

Underlying assets/Types of derivatives	Total 31.12.2023				Total 31.12.2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**-**	**-**	**355.700**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	355.700	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and share indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**355.700**	**-**	**-**	**-**	**-**	**-**

A.2 Financial hedging derivatives: gross positive and negative fair value - breakdown by product

Types of derivatives	Positive and negative fair value								Change in value used to recognise hedge ineffectiveness	
	Total 31.12.2023				Total 31.12.2022				Total 31.12.2023	Total 31.12.2022
	Over the counter			Organised markets	Over the counter			Organised markets		
	Central counterparts	Without central counterparties			Central counterparts	Without central counterparties				
		With offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements			
1. Positive fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Negative fair value	**-**	**-**	**11.644**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	11.644	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**11.644**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.3 OTC financial hedging derivatives: notional amounts, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial corporations	Other entities
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional amount	X	355.700	-	-
- positive fair value	X	-	-	-
- negative fair value	X	11.644	-	-
2) Equity securities and share indexes				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and share indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial hedging derivatives: notional amounts

Underlying assets/Residual life	Up to 1 year	Over 1 to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	94.200	261.500	**355.700**
A.2 Financial derivatives on equity securities and share indexes	-	-	-	**-**
A.3 Financial derivatives on exchange rates and gold	-	-	-	**-**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
Total 31.12.2023	**-**	**94.200**	**261.500**	**355.700**
Total 31.12.2022	**-**	**-**	**-**	**-**

A. Credit hedging derivatives

B.1 Credit hedging derivatives: year-end notional amounts

The case does not exist.

B.2 Credit hedging derivatives: gross positive and negative fair value - breakdown by product

The case does not exist.

B.3 OTC credit hedging derivatives: notional amounts, gross positive and negative fair value by counterparty

The case does not exist.

B.4 Residual life of OTC credit hedging derivatives: notional amounts

The case does not exist.

C. Non-derivative hedging instruments

C.1 Hedging instruments other than derivatives: breakdown by accounting portfolio and type of hedge

The case does not exist.

D. Instruments hedged

D.1 Fair value hedges

	Specific hedges: carrying amount	Specific hedges - net positions: carrying amount of assets or liabilities (before netting)	Specific hedges			General hedges: Carrying amount
			Cumulative changes in the fair value of the hedged instrument	Termination of hedging: residual cumulative changes in fair value	Change in value used to recognise hedge ineffectiveness	
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedges of:	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Equity securities and share indexes	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans and receivables	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortised cost - hedge of:	**378.003**	**-**	**12.613**	**-**	**12.613**	**-**
2.1 Debt securities and interest rates	378.003	-	12.613	-	12.613	X
2.2 Equity securities and share indexes	-	-	-	-	-	X
2.3 Currencies and gold	-	-	-	-	-	X
2.4 Loans and receivables	-	-	-	-	-	X
2.5 Other	-	-	-	-	-	X
Total 31.12.2023	**378.003**	**-**	**12.613**	**-**	**12.613**	**-**
Total 31.12.2022	**-**	**-**	**-**	**-**	**-**	**-**
B. Liabilities						
1. Financial liabilities measured at amortised cost - hedge of:	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 31.12.2023	**-**	**-**	**-**	**-**	**-**	**-**
Total 31.12.2022	**-**	**-**	**-**	**-**	**-**	**-**

D.2 Cash flow hedges and foreign investment hedges

The case does not exist.

E. Effects of hedging transactions on equity

E.1 Reconciliation of equity components

The case does not exist.

3.3 - Other information on derivative instruments for trading and hedging

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair values for counterparties

	Central counterparties	Banks	Other financial corporations	Other entities
A. Financial derivatives				
1) Debt securities and interest rates				
- notional amount	-	931.876	-	5.752
- net positive fair value	-	-	-	153
- net negative fair value	-	25.649	-	-
2) Equity securities and share indexes				
- notional amount	-	25.393	-	-
- net positive fair value	-	430	-	-
- net negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
B. Credit derivatives				
1) Protection purchase				
- notional amount	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
2) Protection sale				
- notional amount	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-

Section 4 - Liquidity risk

Qualitative information

For qualitative information, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

Quantitative information

1. Breakdown by residual contractual duration of financial assets and liabilities - Currency: Euro

Items/Duration	on demand	over 1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	Over 5 years	indefinite life
A. Cash assets	**636.084**	**44.198**	**228.286**	**652.912**	**1.477.310**	**630.470**	**894.601**	**4.479.383**	**1.755.095**	**32.521**
A.1 Government bonds	483	-	56.522	219.596	239.376	28.947	82.557	973.300	508.000	-
A.2 Other debt securities	10.163	892	602	22.076	6.165	19.246	118.840	743.558	879.108	-
A.3 UCITS units	69.902	-	-	-	-	-	-	-	-	-
A.4 Loans	555.536	43.306	171.162	411.240	1.231.769	582.277	693.204	2.762.525	367.987	32.521
- banks	65.463	231	482	537	2.834	7	14	71	-	25.490
- customers	490.073	43.075	170.680	410.703	1.228.935	582.270	693.190	2.762.454	367.987	7.031
B. On-balance-sheet liabilities	**1.007.030**	**51.036**				**905.378**	**3.776.765**		**407.444**	**-**
B.1 Deposits and current accounts	1.004.331	48.275				500.722	990.511		-	-
- banks	19.202	-	-			-			-	-
- customers	985.129	48.275				500.722	990.511		-	-
B.2 Debt securities	17	-	-			349.998	53.537		-	-
B.3 Other liabilities	2.682	2.761				54.658			407.444	-
C. Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of underlying assets										
- long positions	-	-	-			-	-		-	-
- short positions	-	-	-			-	-		-	-
C.2 Financial derivatives without exchange of underlying assets										
- long positions	583	-	-			-	-		-	-
- short positions	14.005	-	-			-	-		-	-
C.3 Deposits and loans to be received										
- long positions	-	-	-			-	-		-	-
- short positions	-	-	-			-	-		-	-
C.4 Irrevocable loan commitments										
- long positions	46.448	-	-			4.188	68.282		34.089	-
- short positions	130.316	-	-			2.056	61.263		28.039	-
C.5 Financial guarantees granted	-	-	-			-	-		-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1. Breakdown by residual contractual duration of financial assets and liabilities - Currency: Other currencies

Items/Duration	on demand	over 1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	Over 5 years	indefinite life
A. Cash assets	**42.174**	**45.855**	**9.349**	**21.122**	**62.858**	**10.054**	**-**	**2**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	1.551	-	-	-	-	-	-	-	-	-
A.4 Loans	40.623	45.855	9.349	21.122	62.858	10.054	-	2	-	-
- banks	9.236	38.031	-	-	-	-	-	-	-	-
- customers	31.387	7.824	9.349	21.122	62.858	10.054	-	2	-	-
B. On-balance-sheet liabilities	**79.999**	**101.187**	**3.166**	**12.956**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	79.999	101.187	3.166	12.956	-	-	-	-	-	-
- banks	-	101.187	3.166	12.956	-	-	-	-	-	-
- customers	79.999	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
C. Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of underlying										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of underlying										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- long positions	-	8.757	-	-	-	-	-	-	-	-
- short positions	-	8.757	-	-	-	-	-	-	-	-
C.4 Irrevocable loan commitments										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 financial guarantees granted	-	-	-	-	-	-	-	-	-	-
C.6 financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of underlying										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of underlying										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Self-securitisation transactions

As of July 2023, Banca Ifis no longer has any self-securitisation transactions. Refer to paragraph "C. Securitisations", sub-paragraph "Indigo Lease Securitisation" for a description of the transaction.

Securitisation transactions

As for the securitisations outstanding at 31 December 2023 and their purpose, see the comments in the section on credit risks.

Section 5 - Operational risks

Qualitative information

For qualitative information, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

Quantitative information

For quantitative information, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

Part F - Information on equity

Section 1 - Equity

A. Qualitative information

Managing equity concerns a set of policies and decisions necessary to establish capital levels that are consistent with the assets and risks taken by the Bank. The Bank is subject to the capital adequacy requirements established by the so-called Basel Committee (CRR/CRD IV).

The Board of Directors constantly monitors that the Bank meets the minimum supervisory requirements, and therefore the capital adequacy ratios, as well as complies with the capital limits set out in the Risk Appetite Framework (RAF).

Furthermore, also in accordance with the European Central Bank (ECB)'s recommendation of 28 January 2015, the Bank ensures compliance with capital adequacy ratios through a pay-out policy linked to the achievement of the above minimum capital requirements, as well as the careful assessment of the potential impact of extraordinary financial operations (share capital increases, convertible loans, etc.).

The Bank's capital adequacy is further assessed and monitored every time an extraordinary operation is planned. In this case, based on available information regarding the operation to be implemented, the Bank estimates the impact on capital adequacy ratios as well as the RAF, and considers any measures necessary to meet the requirements.

Transactions on treasury shares

At 31 December 2022, Banca Ifis held 1.377.981 treasury shares recognised at a market value of 22,1 million Euro and a nominal amount of 1.377.981 Euro.

During the year, Banca Ifis, as variable pay, awarded the Top Management 34.963 treasury shares at an average price of 9,39 Euro, for a total of 341 thousand Euro and a nominal amount of 34.963 Euro, making profits of 54 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the premium reserve.

During the year, there were no further transactions on treasury shares other than those mentioned above.

Considering the above operations, the stock at the end of the year was 1.343.018 treasury shares, with an equivalent value of 21,8 million Euro and a nominal amount of 1.343.018 Euro.

It should be noted that the Banca Ifis does not hold, directly or indirectly, any shares in the ultimate Parent company La Scogliera S.A..

B. Quantitative information

B.1 Company's equity: breakdown

Equity items	31.12.2023	31.12.2022
1. Share capital	53.811	53.811
2. Share premiums	84.108	83.767
3. Reserves	1.201.178	1.197.999
- profits	1.196.851	1.194.781
a) legal reserve	10.762	10.762
b) statutory reserve	-	-
c) treasury shares	21.817	22.104
d) other	1.164.272	1.161.915
- other	4.327	3.218
3.5 Interim dividends (-)	(62.962)	(52.433)
4. Equity	-	-
5. (Treasury shares)	(21.817)	(22.104)
6. Valuation reserves:	(33.085)	(50.653)
- Equity securities measured at fair value through other comprehensive income	(14.369)	(15.156)
- Hedging of equity securities measured at fair value through other comprehensive income	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(18.990)	(35.811)
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Foreign investment hedges	-	-
- Cash flow hedges	-	-
- Hedging instruments (non-designated items)	-	-
- Exchange differences	-	-
- Non-current assets and disposal groups	-	-
- Financial liabilities measured at fair value through profit or loss (changes in own credit risk)	-	-
- Actuarial gains (losses) on defined benefit pension plans	274	314
- Share of valuation reserves of equity accounted investments	-	-
- Specific revaluation laws	-	-
7. Profit (loss) for the year	143.404	79.796
Total	**1.364.637**	**1.290.183**

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts	31.12.2023		31.12.2022	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1.018	(20.008)	832	(36.643)
2. Equity securities	2.958	(17.327)	3.886	(19.042)
3. Loans	-	-	-	-
Total	**3.976**	**(37.335)**	**4.718**	**(55.352)**

B.3 Valuations reserves for financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equity securities	Loans
1. Opening balance	**(35.811)**	**(15.156)**	**-**
2. Increases	**17.895**	**6.931**	**-**
2.1 Fair value gains	13.112	6.111	-
2.2 Credit risk losses	450	-	-
2.3 Reclassification to profit or loss of negative reserves from sale	4.333	-	-
2.4 Transfers to other components of equity (equity securities)	-	463	-
2.5 Other changes	-	357	-
3. Decreases	**1.074**	**6.144**	**-**
3.1 Fair value losses	704	429	-
3.2 Reversals of credit risk losses	370	-	-
3.3 Reclassification to profit or loss of positive reserves from sale	-	-	-
3.4 Transfers to other components of equity (equity securities)	-	5.715	-
3.5 Other changes	-	-	-
4. Closing balance	**(18.990)**	**(14.369)**	**-**

B.4 Valuation reserves for defined benefit plans: annual changes

The valuation reserve relative to defined benefit plans has a positive balance at 31 December 2023 of 274 thousand Euro. The change compared to the end of the previous year is attributable to a decrease of approximately 60 thousand Euro due to the assumptions underlying the actuarial calculations for determining the staff severance fund, only partially offset by the introduction, during the year, of a health fund for certain employees, which led to an increase of around 20 thousand Euro in the reserve.

Section 2 - Own funds and prudential ratios

Pursuant to the provisions of Bank of Italy Circular 262/2005 and subsequent updates, the section on Own Funds and Capital Ratios is replaced with a reference to the similar information contained in the "Pillar III" public disclosure, i.e. the document "Disclosure to the Public as of 31 December 2023 - Pillar III" prepared at 31 December 2023 by Banca Ifis, available on the website www.bancaifis.it in the "Investor Relations & Corporate Development" section.

Part G - Business combinations

Section 1 - Transactions carried out during the year

This section provides the information on business combinations required by IFRS 3 in paragraphs 59, letter a), 60 and 63. Moreover, in application of the Bank of Italy provisions set forth in Circular 262/2005 and subsequent updates, this section also conventionally includes business combination transactions between entities subject to common control (referred to as "business combination between entities under common control").

1.1 Business combinations

The Bank did not carry out any business combinations during the year. With regard to the acquisition of Revalea S.p.A. by the subsidiary Ifis Npl Investing S.p.A., please refer to the corresponding section of the Consolidated Financial Statements.

Section 2 - Transactions carried out after the end of the year

The Bank did not carry out any business combination between the end of the year and the date of preparation of this document.

Section 3 - Retrospective adjustments

In 2023, the Group did not make any retrospective adjustment to business combinations carried out in previous periods.

Part H - Related-party transactions

In compliance with the provisions of Consob resolution No. 17221 of 12 March 2010 (as subsequently amended by means of Resolution No. 17389 of 23 June 2010) and the provisions of Bank of Italy Circular 263/2006 (Title V, Chapter 5), the "Group Policy covering transactions with related parties, associates and corporate representatives pursuant to Art. 136 of the Consolidated Law on Banking" was prepared. This document is publicly available on Banca Ifis's website, www.bancaifis.it, in the "Corporate Governance" Section.

During FY 2023, there were no transactions with related parties during the financial year that materially affected the Bank's financial position or results.
With regard to transactions of greater significance carried out with related parties as defined by the Group's policies pursuant to Article 4 of the Consob regulation on related party transactions, see the specific paragraph in section "2. Information on related-party transactions" in this Part H.

At 31 December 2023, the Banca Ifis Group was owned by La Scogliera S.A. and consists of the Parent company Banca Ifis S.p.A., the wholly-owned subsidiaries Ifis Finance Sp. z o.o., Ifis Rental Services S.r.l., Ifis Npl Investing S.p.A., Ifis Npl Servicing S.p.A. and Cap.Ital.Fin. S.p.A. and Revalea S.p.A., acquired in October 2023, by Ifis Finance I.F.N. S.A. controlled 99,99%, the 87,74% owned subsidiary Banca Credifarma S.p.A. and the vehicle Ifis NPL 2021-1 SPV S.r.l., in which the Group holds the majority of the shares.
The types of related parties, as defined by IAS 24, that are relevant for Banca Ifis include:

- the ultimate Parent company La Scogliera S.A.;
- the subsidiaries;
- key management personnel;
- close relatives of key management personnel and the companies controlled by (or associated to) them or their close relatives.

Here below is the information on the remuneration of key management personnel as well as transactions undertaken with the different types of related parties.

1. Information on the remuneration of key management personnel

The definition of key management personnel, as per IAS 24, includes all those persons having authority and responsibility for planning, directing and controlling the activities of Banca Ifis, directly or indirectly, including the Bank's directors (whether executive or otherwise).
In compliance with the provisions of the Bank of Italy's Circular No. 262 of 22 December 2005 as subsequently updated, key management personnel also include the members of the Board of Statutory Auditors.

Key management personnel in office at 31 December 2023

Figures in thousands of Euro	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	
					Stock options	Other share-based payments
Administrative and auditing bodies (1)	4.475	-	178	-	475	350
Other managers (2)	7.217	31	603	305	559	1.192
Total at 31.12.2023	**11.692**	**31**	**781**	**305**	**1.034**	**1.542**

(1) These refer to positions on the Board of Directors (or similar bodies) of the Parent company Banca Ifis.
(2) These refer to 17 managers with the position of Co-General Manager or other Key Manager of the Parent company Banca Ifis.

The above information includes fees paid to Directors (5,1 million Euro, gross amount) and Statutory Auditors (360 thousand Euro, gross amount). Post-employment benefits amounting to 31 thousand Euro refer to the health insurance policy taken out during the year for executives terminating their employment due to retirement.

2. Information on related-party transactions

Here below are the assets, liabilities, guarantees and commitments outstanding at 31 December 2023, broken down by type of related party pursuant to IAS 24.

Related party transactions: balance sheet and off-balance sheet items

Items	Parent company	Subsidiaries	Key management personnel	Other related parties	Total	As a % of the item
Financial assets measured at fair value through profit or loss	-	-	-	14.593	**14.593**	6,8%
Financial assets measured at fair value through other comprehensive income	-	-	-	2.847	**2.847**	0,4%
Receivables due from customers measured at amortised cost	-	1.313.830	1.415	17.277	**1.332.522**	14,5%
Other assets	3.231	22.204	-	1.510	**26.945**	7,1%
Total assets	**3.231**	**1.336.034**	**1.415**	**36.227**	**1.376.907**	**10,7%**
Payables due to banks measured at amortised cost	-	19.183	-	-	**19.183**	0,7%
Payables due to customers measured at amortised cost	-	1.483.640	1.205	2.088	**1.486.933**	21,0%
Other liabilities	12	2.378	-	-	**2.390**	0,9%
Valuation reserves	-	-	-	(7.220)	**(7.220)**	21,8%
Total liabilities	**12**	**1.505.201**	**1.205**	**(5.132)**	**1.501.286**	**11,7%**
Commitments and guarantees granted	-	-	-	4.406	**4.406**	n.a.

Related party transactions: income statement items

Items	Parent company	Subsidiaries	Key management personnel	Other related parties	Total	As a % of the item
Interest receivable	-	39.599	23	661	**40.283**	7,1%
Interest expense	-	(2.103)	(8)	(3)	**(2.114)**	0,7%
Commission income	-	446	-	29	**475**	0,5%
Commission expense	-	(762)	-	-	**(762)**	7,0%
Administrative expenses	(112.890)	1.511	(10)	1	**(111.388)**	45,0%
Other operating income and expenses	-	21.071	-	-	**21.071**	50,1%

The transactions with the ultimate Parent company La Scogliera S.A. concern the application of Group taxation (tax consolidation) in accordance with Arts. 117 et seq. of Italian Presidential Decree No. 917/86. Relations between the ultimate Parent company and subsidiaries included in the tax consolidation are regulated by private agreements signed between the parties. All adhering entities have an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera S.A., the consolidating company. Under this tax regime, the taxable income and tax losses are transferred to the consolidating company La Scogliera S.A., which is responsible for calculating the overall Group income. Following the exercise of the option at 31 December 2023, Banca Ifis recognised a receivable due from the ultimate Parent company amounting to 3,2 million Euro.
Transactions with key management personnel relate almost entirely to Rendimax savings and current accounts as well as mortgages.
In general, market conditions are applied to transactions with other related parties that fall within the ordinary course of Banca Ifis's business. Other assets include 1,5 million Euro to a minority shareholder of the Bank as advances for the provision of goods and services.

Other information

With reference to Paragraph 8 of Article 5 "Public disclosure of related-party transactions" of the Consob Regulation containing provisions on related party transactions (adopted by Consob with Resolution No. 17221 of 12 March 2010, as amended), the following are the most significant transactions concluded in 2023.

Restructuring of a securitisation completed through the subsidiary Ifis NPL 2021-1 SPV s.r.l.

On 28 July 2023, with the support of JP Morgan SE as co-arrangers, Banca Ifis finalised the restructuring of the non-performing loan securitisation realised in March 2021 through the Ifis NPL 2021-1 SPV.

The restructuring of the Ifis NPL 2021-1 SPV falls within the scope of funding activities and allows Banca Ifis to raise liquidity on the institutional market without deconsolidating the underlying loans from the balance sheet of the Ifis Npl Investing subsidiary. The transaction also generated a strengthening of the Bank's liquidity profile, while allowing Ifis Npl Investing to increase its ability to self-finance its investment activities in new Npl portfolios.

Specifically, the securitisation restructuring involves the sale to the SPV of a new portfolio of non-performing loans owned by the subsidiary Ifis Npl Investing. The assigned portfolio mainly comprises unsecured loans backed by Garnishment Orders over one-fifth salary or subject to amicable collection.

As a result of the further sale, the SPV issued on 28 July 2023 three tranches of new senior, mezzanine and junior securities with a total nominal amount of 630 million Euro. The senior securities, with a nominal amount of 515 million Euro, were partly allocated to the repayment of existing senior securities and the remainder subscribed by Ifis Npl Investing (subsequently sold by the latter to Banca Ifis) and are used for financing transactions through repurchase agreements (repos) on the institutional market. The mezzanine securities, which will be partly used to repay the existing mezzanine securities, and the junior securities will instead be fully subscribed by Ifis Npl Investing.

The senior bonds received investment grade ratings from three leading rating agencies (Moody's, Scope Ratings and ARC Ratings) and were listed on the ExtraMOT PRO professional segment of the Borsa Italiana market regulation.

Part I - Share-based payments

Qualitative information

1. Description of share-based payment agreements

Below are the equity-based payment arrangements, as defined by IFRS 2, for the Bank's staff. A variable remuneration arrangement is in place for all employees.

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:

- Ratio of the final Return On Risk-Adjusted Capital (RORAC) with the provisional one approved by the Board of Directors (RORAC*), no less than 80%;
- meeting the minimum Liquidity Coverage Ratio (LCR) requirement applicable from time to time;
- meeting the minimum Net Stable Funding Ratio (NSFR) requirement applicable from time to time;
- consolidated Total Capital Ratio exceeding the Overall Capital Requirement announced by the Supervisory Body as part of the “Capital Decisions” following the periodic Supervisory Review and Evaluation Process (SREP).

Failure to meet one of these conditions will result in variable pay not being awarded.
Without prejudice to the opening of the gates to the payment of variable remuneration described above, the variable remuneration of the Chief Executive Officer of the Bank is linked to the achievement of specific qualitative and quantitative performance targets.
In particular, the Chief Executive Officer is the beneficiary:

- of a Short-Term Incentive ("STI") System;
- of a “2021-2023 Long Term Incentive Plan” (the "LTI Plan").

With reference to the Short-term Incentive (STI) System, the objectives assigned to the CEO represent a combination of quantitative and qualitative criteria, referring to the Bank's results, as well as qualitative aspects relating to strategic action.
The performance scorecard, introduced in this exercise, includes the following KPIs:

- Economic-financial KPIs with a weight of 65%, structured over three specific drivers (profitability, credit cost and efficiency), consistent with the Bank's 2022 objectives;
- KPI of strategy and sustainability with a weight of 35%, which aim to assess the achievement of strategic directives, as well as the achievement of corporate objectives in the ESG area.

The short-term variable remuneration cap payable to the CEO is set at 60% of fixed remuneration; variable remuneration will accrue on the basis of the degree of achievement of objectives, with variable remuneration being paid on a linear progression between 60% and 100%.
This variable component is paid in the amount of 40% with a non-deferred payment (up front) and in the amount of 60% with a deferred payment over a period of five years (starting from the year following the year in which the up front portion accrues), in accordance with the provisions of the relevant supervisory regulations for variable remuneration of particularly high amounts.
The deferred portion of variable remuneration (amounting to 60%) shall be paid as follows:

- 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.

The portion of variable remuneration up front (40%) and is paid as follows:

- 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 total variable remuneration) paid in cash.

It is understood that the allocation of Banca Ifis shares will affect, in addition to the Chief Executive Officer and the Co-General Managers, the employees identified as most relevant pursuant to Circular No. 285/2013 and Delegated Regulation No. 923/2021 where the variable component of remuneration is above 50 thousand Euro or represent more than a third of the annual total remuneration.

For the purpose of assigning variable remuneration in financial instruments, or in Banca Ifis shares, the Bank calculates the fair value of the share - at the time of the assignment - based on the average stock market price with reference to the month prior to the date of approval of the Banca Ifis Financial Statements by the Shareholders' Meeting (or, in the case of assignment of variable remuneration for any reason subsequent to the Shareholders' Meeting, from the date of the event, this being understood to mean any dates of signing of agreements or in the absence thereof, the dates of approval by the competent bodies of the related awards). The number of shares is determined by rounding to the nearest integer.
Variable pay is subject to malus/clawback mechanisms that may cause the amount to be as low as zero if certain conditions are met.

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

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 provides 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 has a duration of three years (2021, 2022 and 2023) and the options will become exercisable after the aforementioned three-year vesting period and 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 grants 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.
Subsequently, 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 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 (including 12 key managers and Co-General Managers), the Plan provides 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 right to receive the options will accrue at the end of the vesting period (which for the additional beneficiaries will be two years, 2022-2023) and upon achievement of the targets set out in the Plan, up to a maximum of 320.000 options in total that can be granted to the 13 additional beneficiaries.
A further addition to this Plan, proposed by the Board of Directors and approved by the Shareholders' Meeting held on 20 April 2023 (see also the section "Significant events during the year" of the Directors' Report), concerned operational aspects of the Plan's mechanics (which otherwise remains unchanged in all its essential and structural elements, as already approved at the aforementioned Shareholders' Meetings). In particular, the integration consisted in recognising the possibility for beneficiaries, at the opening of each option exercise window, to postpone the exercise of all or part of any options that may have vested and may already be exercised in that window in the subsequent "exercise windows" provided for by the Plan.
In addition, 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 innovations made in 2022 and 2023, at 31 December 2023 the Plan's beneficiaries total 13, of which 12 are key managers (including the Chief Executive Officer), and the maximum amount of options that can be granted is 996.000 (696.000 to the Chief Executive Officer and 300.000 to the other beneficiaries).
At an accounting level, this stock option plan has been accounted for in accordance with the provisions of IFRS 2 for equity settled transactions. In view of the difficulty of reliably assessing the fair value of the services received as consideration for stock options, reference is made to the initial fair value of the latter.
The fair value of the payments settled by the issuance of these options for the services covered by the LTI Plan is recognised as an expense in the income statement under "Administrative Expenses: a) Personnel Expenses" as an offsetting entry to "Reserves" in Equity on an accrual basis in proportion to the vesting period over which the service is provided. For FY 2023, the corresponding cost recognised in the Income Statement amounts to 1,1 million Euro, while the corresponding equity reserve (which also includes the portion of cost accrued in FYs 2021 and 2022) totals 2,1 million Euro.

For more details on the Bank's equity-based payment arrangements, refer to the “2023 Report on Remuneration Policy and Remuneration Paid”, prepared pursuant to Article 123 ter of the TUF, available in the “Corporate governance” subsection of the “Remuneration” section of the corporate website www.bancaifis.it, where the remuneration policy valid for FY 2023 is illustrated.

Quantitative information

1. Annual changes

The table on annual changes is not presented here, since for the Bank share-based payment agreements intended by way of short-term incentive (“STI”) do not fall within the category concerned by said table. On the other hand, with regard to the 2021-2023 Long Term Incentive (LTI) Plan, as at the reporting date, no options associated with this plan have yet been granted; therefore, the table is currently unvalued (opening balances, changes during the year and closing balances nil).

2. Other information

If a result is achieved that equals or exceeds 100% of the annual targets assigned, the variable component of Top Management will be considered as accrued in the amount of 100% of its value; the number of shares to be attributed will be in any case calculated as described above.

Part L - Segment reporting

In accordance with IFRS 8, Banca Ifis S.p.A., Parent company of the Banca Ifis Group, presents the Segment reporting in Part L of the Notes to the Consolidated Financial Statements in this document.

Part M - Leasing disclosure

Section 1 - Lessee

Qualitative information

As lessee, the Bank has stipulated lease contracts on properties mainly to be used instrumentally. They are therefore leases of properties intended to host internal offices. As the lease business is correlated to the Bank's need to offshore its offices, particularly close attention is paid to identifying the most suitable properties for use, designated in line with the economic criteria established by the company.
At 31 December 2023, there are 48 passive lease contracts for buildings and 8 for car parking spaces, the related right of use booked at 31 December 2023 is 14,9 million Euro, whilst the corresponding lease liabilities come to 15,4 million Euro. The Bank also has a property in Florence, financially leased as described in "Part B - Information on the Statement of financial position".
At year end, the Bank holds 282 contracts for motor vehicles. They are mainly long-term hires of structure cars and fringe benefits for employees; the related right of use and corresponding lease liability is 3,1 million Euro at 31 December 2023.
In view of the non-marginal nature of the lease contracts in relation to the asset value, consisting of the right of use entered in total in the financial statements in accordance with IFRS 16, the Bank's total lease liabilities at 31 December 2023 come to 21,1 million Euro.
Banca Ifis is not exposed to outgoing cash flows, which are not already reflected in the measurement of the leasing liabilities. In greater detail, exposure deriving from the extension options are included in lease liabilities booked, insofar as the Bank considers the first renewal as certain; the other situations recalled by the standard (variable payments connected with leasing, guarantees of residual value, lease commitments that are not operative) are not present for the contracts stipulated as lessee.
The Bank books the following as costs:

- short-term leases in the event of assets such as properties and technologies (in particular, the mainframe hardware), when the related contracts have a maximum term of twelve months and have no option for extension;
- leases of low-value assets (in accordance with the option granted by paragraph 5 of IFRS 16), i.e. characterised with a value of less than 5 thousand Euro, mainly related to mobile telephony.

Quantitative information

The table below provides indication on the amortisation/depreciation cost for assets consisting of the right of use, broken down by classes of underlying asset.

AMORTISATION/DEPRECIATION COSTS FOR ASSETS COMPRISING THE RIGHT OF USE (in thousands of Euro)	31.12.2023	31.12.2022
a) Land	-	-
b) Buildings	2.045	2.004
c) Furniture	-	-
d) Electronic equipment	157	226
e) Other	1.312	1.012
Total	**3.514**	**3.242**

Section 2 - Lessor

Qualitative information

The Bank also operates on the market with fixed or variable-rate financial leasing solutions for vehicles (cars, commercial and industrial vehicles) and instrumental assets (industrial machinery, medical equipment, technological assets) to both private customers and small and medium enterprises through an internal commercial structure and a network of selected agents in financial assets throughout the whole of national territory. The leasing of instrumental assets is also distributed through relations with manufacturers, distributors and retailers. With reference to the specific financial leasing segments:

- Automotive: in 2023, this segment recorded an increase compared to 2022 both in terms of the number of vehicles (+22%) and value financed (+28,8%). Compared to 2022, the industrial vehicle leasing segment recorded +8% over the previous year (for 2,7 billion Euro), passenger car leasing +35,3% (for 4,5 billion Euro) and finally commercial vehicle leasing +24,8% (for 1,4 billion Euro). In this segment, the Bank has signed contracts for approximately 365 million Euro, or +6% compared with the amount disbursed in 2022;
- instrumental segment: down by -17,7%, compared to 2022 for a total of 8,9 billion Euro. The Bank recorded a drop of: -8,3% in this segment, - 280 million Euro, compared to the market trend.

As lessor, the Bank does not stipulate lease contracts for properties for commercial use or accommodation with third parties or other Group companies.
In referring to the greater detail given in the Directors' Report of the Consolidated Financial Statements in this document, it is there pointed out that the lease agreements stipulated with customers enable the management of risk on the underlying assets in line with the Bank’s policy, as there is no provision for buy-back agreements, guarantees on residual value or variable payments. The Bank therefore books the financial lease in accordance with accounting standard IFRS 16 and classifies the transactions amongst financial assets measured at amortised cost.

Quantitative information

1. Information from the statement of financial position and income statement

For information on finance leases, reference is made to the contents of Section 4, Assets, of Part B of these individual Notes. As regards interest income on lease loans, reference is made to the contents of Section 1 of "Part C - Information on the Income Statement"; for commissions, refer to Section 2 of Part C and, finally, for other income, refer to Section 14, again of Part C of these individual Notes.

2. Finance leases

2.1. Classification by time frames of payments to be received and reconciliation with the leasing loans entered under assets

Time frames	31.12.2023	31.12.2022
	Payments to be received for leasing	Payments to be received for leasing
Up to 1 year	91.696	432.346
Over 1 to 2 years	200.027	364.853
Over 2 to 3 years	316.150	294.891
Over 3 to 4 years	438.561	207.951
Over 4 to 5 years	438.810	126.765
Over 5 years	83.080	16.908
Total payments to be received for leasing	**1.568.324**	**1.443.714**
RECONCILIATION WITH LOANS		
Financial gains not accrued (-)	(173.038)	(112.873)
Residual value not guaranteed (-)	-	-
Financing for leasing	**1.395.286**	**1.330.841**

The table shows the classification by time frame of payments receivable for leasing and the reconciliation of such payments and lease loans as lessor. Finally, the table does not show impairment losses totalling 32,9 million Euro at 31 December 2023 (32,6 million Euro in 2022).

2.2 Other information

There is no further information to report than that presented in the preceding paragraphs.

3. Operating leases

3.1 Classification by time frames of payments to be received

The case does not exist.

3.2 Other information

The case does not exist.

Venice - Mestre, 7 March 2024

For the Board of Directors

The CEO

Frederik Herman Geertman

Attestations and reports

Certification of the Annual Financial Statements at 31 December 2023 pursuant to Article 154-bis, paragraph 5, of Italian Legislative Decree No. 58 of 24 February 1998 and Art. 81-ter of Consob Regulation No. 11971 of 14 May 1999 and subsequent amendments and additions

1. We, the undersigned, Frederik Herman Geertman – CEO and Massimo Luigi Zanaboni - Manager Charged with preparing the Company's financial reports of Banca Ifis S.p.A., having also taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree No. 58 dated 24 February 1998, hereby certify:

    i. the adequacy in relation to the characteristics of the business;

    ii. the actual application of the administrative and accounting procedures for the preparation of the Annual Financial Statements, during the period 1 January 2023 - 31 December 2023.

2. The adequacy of the administrative and accounting procedures in place for preparing the Financial statements has been assessed through a process established by Banca Ifis S.p.A. on the basis of the guidelines set out in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO), an internationally accepted reference framework.

3. The undersigned further confirm that:

    3.1 the Financial statements:

    a) have been prepared in accordance with the Accounting Standards applied recognized by the European Union pursuant to (EC) Regulation No. 1606/2002 of the European Parliament and the Council of 19 July 2002;

    b) correspond to the accounting books and records;

    c) provide a true and correct representation of the financial position of the issuer.

    3.2 The Directors' Report contains a reliable analysis of the business outlook and management result, the financial position of the issuer and a description of the main risks and uncertainties it is exposed to.

Venice - Mestre, 7 March 2024

CEO	Manager Charged with preparing the Company's financial reports
Frederik Herman Geertman	Massimo Luigi Zanaboni

This report has been translated into the English language solely for the convenience of international readers.

Board of Statutory Auditors' report

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

(pursuant to article 153, of Legislative Decree No. 58/1998 and Article 2429, paragraph 2 of the Italian Civil Code)

(Translation from the original Italian text)

Dear Shareholders,

The Board of Statutory Auditors of Banca Ifis S.p.A. (hereinafter also "Banca Ifis" or the "Bank" or "Ifis"), pursuant to Article 153 of Legislative Decree No. 58/1998 and Article 2429, paragraph 2, of the Civil Code, is required to report to the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2023 on the supervisory activity performed during the year, in compliance with the duties attributed to it by Article 149 of the aforementioned legislative decree.

Background

During FY 2023, the Board of Statutory Auditors (hereinafter also referred to as the "Board") in office met 23 times, of which 5 times jointly with the Control and Risk Committee (the "CRC") and 1 time jointly with the Boards of Statutory Auditors of the Italian Companies directly and indirectly controlled by Banca Ifis.

During 2024, and up to the date of this Report, 8 meetings of the Board of Statutory Auditors were held, 2 of which were held jointly with the Control and Risks Committee.

1. Activity of the Board of Statutory Auditors

During the financial year ended 31 December 2023, the Board of Statutory Auditors carried out its institutional duties in compliance with the provisions of the Civil Code, Legislative Decree No. 385/1993 (the "Consolidated Law on Banking" or "TUB"), Legislative Decree No. 58/1998 (the "Consolidated Law on Finance" or "TUF"), Law No. 231/2007, the provisions of the Articles of Association, the indications contained in the Code of Corporate Governance, the principles of conduct recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Board of Certified Public Accountants), as well as the special laws on the subject and the provisions issued by the Supervisory Authorities (Bank of Italy and Consob). Moreover, since Banca Ifis has adopted the traditional governance model, the Internal Control and Audit Committee is one with the Board of Statutory Auditors, which is responsible for further specific control and monitoring functions in the area of financial reporting and auditing provided for by Article 19 of Legislative Decree No. 39 of 27 January 2010, as amended by Legislative Decree No. 135 of 17 July 2016.

Where the Board of Statutory Auditors considered it necessary to make recommendations or suggestions, it communicated them both during the meetings held with the internal functions concerned, and directly to the body with management or strategic supervision functions and to the relevant internal board Committees, as minuted over time.

The Board of Statutory Auditors reported periodically to the Board of Directors on the activities carried out and the opinions given. Furthermore, the Board of Statutory Auditors, taking into account the provisions of the document "Rules of Conduct for the Board of Statutory Auditors of Listed Companies" updated by the CNDCEC on 21 December 2023, in particular in Rule Q.1.7 - Self-Assessment of the Board of Statutory Auditors - conducted, with the assistance of a consulting firm, a self-assessment process, as a result of which the Board of Statutory Auditors expressed an overall assessment of adequacy in relation to its size and composition, as well as a favourable opinion on the requirements of professionalism, independence and integrity and on the functioning mechanisms of the body.

In this Report, the Board of Statutory Auditors gives an account of the activities carried out during the financial year, separately for each supervisory area provided for by the regulations governing the activities of the Board.

2. Significant events and transactions

2.1 Period events and transactions

In carrying out the activities of supervision and control, the Board of Statutory Auditors obtained periodically from the Directors, including through the participation in meetings of the Board of Directors, information on the activities carried out and on the most important economic, financial and equity operations approved and implemented by the Bank and by the subsidiaries, also pursuant to Article 150, paragraph 1 of the Consolidated Law on Finance.

Reference should be made to the information provided in the Report on Operations regarding significant events during the year and after year-end.

In September 2017, Banca Ifis S.p.A. subscribed to the issue programme of financial instruments called "Euro Medium Term Note Programme" (the "EMTN Programme"), most recently renewed for 2023 by board resolution passed on 1 June 2023.
As part of this programme, Banca Ifis, during 2023, completed the placement of two Senior Preferred bond issues in the amount of 300 million Euro each: the first completed on 12 January 2023 with a 4-year maturity, and the second, completed on 6 September 2023, with a 5-year maturity.

Funding activities also include the restructuring of the securitisation of non-performing loans realised in March 2021 through the securitisation vehicle Ifis NPL 2021-1 SPV, finalised by Banca Ifis on 28 July 2023 with the support of JP Morgan SE and aimed at allowing Banca Ifis to raise liquidity on the institutional market without deconsolidating the underlying loans from the balance sheet of the subsidiary Ifis NPL Investing S.p.A.

On 13 July 2023, the Board of Directors appointed with immediate effect, pursuant to Article 12 of the Articles of Association in force and after verifying the eligibility requirements, Prof. Simona Arduini as Deputy Chair of the Board of Directors, until the expiry of the term of office of the Board currently in office.
On the same date, the Board of Directors also designated and appointed, effective as of 20 September 2023 and subject to the positive outcome of the eligibility verification also by the Bank of Italy, Roberto Ferrari as Chief Financial Officer of Banca Ifis, following the resignation submitted, effective as of 1 April 2023, by the previous Chief Financial Officer Mariacristina Taormina.

On 3 August 2023, the Board of Directors approved the "Remuneration Policy for Shareholders of Banca Ifis S.p.A." (the "Dividend Policy').

As part of the Banca Ifis Group's framework for managing climate change, the Board of Directors approved the Task Force on Climate-related Financial Disclosures Report (TCFD Report) on 3 August 2023, in order to provide more timely communication on the subject of climate risks. The document represents, among other projects, the strategy to reduce emissions financed on the credit portfolio that the Bank has defined by joining, first in Italy, the Net-Zero Banking Alliance (NZBA), an initiative promoted by the United Nations to speed up the sustainable transition of the international banking sector.

On 31 October 2023, the long-term industrial partnership signed in May 2023 for the management of non-performing loans (Npls) was finalised, resulting from the purchase - by the subsidiary Ifis Npl Investing - from the Mediobanca Group, for a consideration of 100 million Euro, of Revalea S.p.A., a company established in 2022 from the spin-off of Npls deriving from the acquisition of non-performing loan portfolios with a gross book value of approximately 6,5 billion Euro and a net carrying amount of approximately 232 million Euro.

On 9 November 2023, the Board of Directors resolved to distribute an interim dividend for 2023, in line with the resolution passed by the Shareholders' Meeting on 20 April 2023.

On 9 November 2023, with reference to the extraordinary tax introduced by D.L. No. 104 of 10 August 2023, converted with amendments by Law No. 136 of 9 October 2023 (the "Extra-profits tax"), the Bank informed the market, during the presentation of the results for the first nine months of 2023, of the Directors' decision to make use of the option to allocate this tax, to be decided at the shareholders' meeting called to approve the financial statements as at 31 December 2023, to a non-distributable equity reserve, for an amount not less than 2,5 times the amount of the tax, as an alternative to the payment of the amount. The amount of the extraordinary tax quantified at Group level is approximately 10,8 million Euro - of which 9,5 million Euro refers to the Parent Company - and the amount to be allocated to reserves is 27,1 million Euro - of which 23,9 million Euro refers to the Parent Company.

In December 2023, in advance of the 25 September 2024 maturity date, the Bank repaid 500 million Euro of the outstanding refinancing with the European Central Bank (TLTRO-III), bringing the outstanding debt of the operation to 1,5 billion Euro.

2.2 Significant subsequent events

Significant events subsequent to the close of FY 2023 that this Board believes should be recalled include the following.

On 18 January 2024, the Board of Directors approved the 2024 Liquidity Funding Plan.
Subsequently, on 22 February 2024, the Board of Directors approved a further proposal for repayment of the TLTRO-III, in advance of the legal maturity of 25 September 2024 and in partial form with respect to the total outstanding debt of 1,5 billion Euro.

On 23 January 2024, the Bank of Italy received notification of the conclusion of the periodic prudential review process ("Supervisory Review and Evaluation Process" or "SREP") conducted on the Banca Ifis Group. The Supervisory Authority identified the CET 1 Ratio, Tier 1 Ratio and

Total Capital Ratio for 2023 on a consolidated basis. On 30 January 2024, the Bank of Italy, in a letter addressed to the Company, represented the need to "*repeat the collection of funding plans for 2024 as well, in order to ensure adequate liquidity risk monitoring and to have reliable information to promptly identify potential vulnerabilities*", in consideration of the uncertainties and changes in the reference framework, including the continuation of geopolitical tensions at an international level and the weak macroeconomic outlook. In detail, the Bank of Italy has requested Italy's Less Significant Institutions (LSIs), and therefore also the Bank, to provide "*updated funding plans for the two-year period 2024 - 2025, together with comparative data for 2023 and any contingency plans [...] based on prior feedback from the risk management department*". The Bank of Italy also requested that this information be submitted to the Board of Directors and the Board of Statutory Auditors for evaluation, based on prior feedback from the Risk Management department. Following this communication, the Bank drew up an updated version of the planning forecasts and this Board of Statutory Auditors expressed its assessments.

On 30 January 2024, Founder and Honorary Chairman Sebastien Egon Fürstenberg tendered his resignation from his position as a member of the Board of Directors of Banca Ifis effective 8 February 2024, in order to devote himself full-time to the Honorary Chairmanship assigned to him by the Shareholders' Meeting on 20 April 2023.

On 20 February 2024, Banca Ifis completed the placement of a Senior Preferred Unsecured bond issue under its EMTN programme for an amount of 400 million Euro, maturing in 5 years. The transaction was intended for institutional investors. The bond placement is part of the EMTN funding programme envisaged in the Bank's Business Plan for the three-year period 2022-24.

On 7 March 2024, the 2021-2023 Long Term Incentive Plan ("LTI Plan") having matured - on 31 December 2023 - the Board of Directors took note of the determination of the variable remuneration for the results of the LTI Plan and resolved on the remuneration to be assigned to the beneficiaries.

3. Supervisory activities

3.1 Supervisory Activities on compliance with the law and the Articles of Association

The undersigned Board of Statutory Auditors monitored compliance with the law and the Articles of Association, acquiring the information instrumental to the performance of the tasks assigned to it through the articulated system of information flows provided for in the Group, as well as through participation, as a collegial body or with the presence of at least one member, in all meetings of the Board of Directors (18), in all meetings of the Control and Risk Committee (23), in all meetings of the Remuneration Committee (9) and the Appointments Committee (10), of which one jointly between the three board Committees.

In the course of 2023, the members of the current Board of Statutory Auditors participated in various training and induction courses on topics related to supervisory activities, risk scenarios, market dynamics, digital innovation, the evolution of corporate governance rules, ESG topics and regulatory and legislative matters. Such refresher training is carried out as part of the training plan prepared in compliance with the provisions of Circular 285/2013 (point e., paragraph 2.1, Section IV, Chapter 1, Title IV), taking into account the individual as well as the collective training needs of the Bank's control body and governing body.

The minutes of the Board of Statutory Auditors, which sometimes contain explicit recommendations to rapidly resolve difficulties that have come to light, are made available, in full, to the CEO and to the Chairman of the Board of Directors. The Chairman of the Control and Risk Committee is constantly invited to attend the meetings of the Board, in the belief that this ensures an adequate flow of information within the company.

The Head of Internal Auditing also attends the meetings of the Board of Statutory Auditors, as a permanent invitee for the continuous interaction with the corporate function of third-level control.

During FY 2023, the Board of Statutory Auditors:

- expressed opinions pursuant to Article 2389, paragraph 3 of the Civil Code on the remuneration of directors holding special offices;
- expressed opinions in relation to the so-called "non-audit fees" for non-audit services, as provided for by the regulations in force and by the internal procedure adopted by the Company, verifying in particular their effects on independence, with no exceptions to be noted;
- did not receive, during FY 2023, any complaints from Shareholders pursuant to Article 2408, paragraph 1 of the Civil Code.

Relations with Supervisory Authorities

Bank of Italy

With reference to relations with the Bank of Italy, it is reported that in the period between 23 January 2023 and 17 February 2023 the Company was subjected, pursuant to the Provisions on Banking and Finance, to an inspection by the Supervisory Authority, aimed at analysing the recent evolution of the intermediary's liquidity situation, the related operational safeguards and the initiatives that the Bank is taking in relation to the need to replace the funding deriving from the long-term operations carried out with the European Central Bank.
The Board of Statutory Auditors monitored the support provided to the Bank of Italy during the inspection by the functions involved over time, as well as the timely implementation of remedial actions and improvement measures according to the time line that Ifis had submitted to the Bank of Italy.
In this context, subsequent to the approval of the 2023 Liquidity Funding Plan on 22 December 2022, on 15 June 2023 the Board of Directors approved the update of the Contingency Funding Plan for 2023, on 18 January 2024 approved the 2024 Liquidity Funding Plan and, lastly, on 7 March 2024 approved the funding forecasts also for 2025.

In November 2023, the Bank of Italy, through its "*Guidelines on the assessment of requirements and suitability criteria for corporate officers of LSI banks, financial intermediaries, loan consortia, e-money institutions, payment institutions, trust companies and depositor guarantee schemes*", released its guidelines containing a brief review of the evidence emerging from the analysis conducted by the Supervisory Authority on the suitability checks carried out by supervised entities, including Banca Ifis, in the two-year period 2021-2022, in application of the new provisions introduced by Ministerial Decree No. 169/2020.

On the basis of the suitability checks of corporate officers, which are part of the fundamental controls to ensure a corporate governance based on sound and prudent management criteria, the Authority has identified certain areas for improvement and good practices in the assessment procedures. The Board of Statutory Auditors, as the Company's Controlling Body, takes an active part in monitoring the implementation of the actions and any further improvements by the Bank.

3.2 - Supervision of compliance with the principles of proper administration, relations with subsidiaries or other related parties

The Board of Statutory Auditors, as part of its supervisory activity on the observance of the principles of proper administration - also in compliance with the obligation set forth in Article 150 of the Consolidated Law on Finance - periodically obtained from the Directors, the Chief Executive Officer (hereinafter also referred to as "CEO"), the control functions, the management, and the Statutory Auditor information on the activities carried out and on the most significant economic, financial and equity transactions carried out by the Company and its subsidiaries, as well as on the Group's strategic guidelines.

The Board of Statutory Auditors held regular meetings with the Financial Reporting Officer (hereinafter also referred to as the "Manager charged with preparing the Company's financial reports") and the internal control functions. Hearings were scheduled with the Bank's management and periodic meetings were held with the representatives of the auditing firm in order to mutually exchange data and information relevant to the performance of their duties, as required by Article 150, paragraph 3 of the Consolidated Law on Finance.

On the basis of the information made available to the Board of Statutory Auditors, it would appear reasonable to believe that the transactions resolved by the Board of Directors and implemented by the CEO are not in breach of the law, the Articles of Association and the provisions issued by the Supervisory Authorities, as it can also be reasonably excluded that they are manifestly imprudent, or risky, or in conflict of interest, or in contrast with the resolutions passed by the Shareholders' Meeting, or such as to compromise the integrity of the company's assets.

Acknowledging the Directors' Report, the information produced to the Board of Directors by the CEO, the Supervisory Board pursuant to Legislative Decree No. 231/2001, and in light of the findings gathered as part of its supervisory activities, it is possible, on the part of the Board of Statutory Auditors, to reasonably exclude the existence of atypical and/or unusual transactions entered into with third parties, with Group companies or with related parties and associated parties.

With specific reference to transactions with related parties, the Board of Statutory Auditors regularly receives periodic information flows on any transactions concluded with such related parties and connected persons, monitoring the performance of exposures attributable to connected persons; where necessary, it has proceeded to request further information and details.

Detailed and exhaustive information is given on related party transactions in the specific section "Related Party Transactions" of the Directors' Report as well as in Part H of the Notes to the Consolidated and Separate Financial Statements.

As far as the Board of Statutory Auditors is aware, these transactions were concluded in the interest of the Bank and do not give rise to any remarks on their fairness, as they are part of Ifis' ordinary operations. It is therefore acknowledged that adequate information was provided to the Board of Statutory Auditors on transactions concluded with related parties and/or connected persons, in accordance with Consob provisions and in compliance with the provisions on connected persons set forth in Bank of Italy Circular 285.

The Board of Statutory Auditors has monitored the adequacy of the instructions issued by the Bank to its subsidiaries, verifying the effectiveness of the exchange of information and information flows between the parent company and the subsidiaries. The rules and procedures in place enable the Parent Company to fulfil its public disclosure obligations in a timely manner in accordance with the provisions of Article 114, paragraph 2 of the Consolidated Law on Finance.

The Board of Statutory Auditors, as also provided for in Article 151-*ter*, paragraph 4, of the Consolidated Law on Finance, exchanged information flows with the Boards of Statutory Auditors of the subsidiaries, both on the basis of special joint meetings and through the completion of a questionnaire for the exchange of information prepared on an annual basis. In addition, as part of the process of appointing the statutory auditors for the period 2023-2031, in order to ensure continuity in the application of the Single Auditor principle for the Group, the procedure to identify the Auditor has been put in place by Ifis and the companies belonging to the Group.

In 2023, the Board reviewed the audits conducted by Internal Audit regarding the outsourcing of Essential or Important Operating Functions and agreed with the comments contained therein.

3.3 - Supervisory activities on the implementation of corporate governance

In relation to the provisions of Article 149, paragraph 1, letter c-*bis*, of the Consolidated Law on Finance concerning the supervision by the Board of Statutory Auditors "*on the procedures for the concrete implementation of the corporate governance rules set forth in codes of conduct drawn up by management companies of regulated markets or by trade associations, which the company, by means of public disclosures, declares that it complies with*", the Board of Statutory Auditors reports that it performed this activity during the year. Pursuant to Article 123-*bis* of the Consolidated Law on Finance, the Company prepared its annual Report on Corporate Governance and Shareholding Structures (hereinafter also referred to as the "Corporate Governance Report") for 2023, which was approved on 7 March 2024, to which reference should be made for further details, which illustrates, *inter alia*, Banca Ifis' administration and control model and provides full information on the manner in which the Bank has adopted and implemented the recommendations made by the Corporate Governance Committee.

The Board of Statutory Auditors also supervised the adoption of the policy for the remuneration of directors and key managers, in line with the provisions of the Corporate Governance Code, as well as the subsequent Remuneration Report pursuant to Article 123-*ter* of the Consolidated Law on Finance, expressing an opinion on the adequacy of the remuneration policy adopted by the Bank with respect to the purposes expressed in this area by Circular 285/2013 and the Remuneration Report itself.

The Board of Statutory Auditors, also through its attendance of all the meetings of the Remuneration Committee, oversaw the application of the remuneration policies and 2024 innovations, examined by the Remuneration Committee on 6 March 2024, and submitted to the Shareholders' Meeting for approval.

At the above-mentioned meeting of the Remuneration Committee, the Board of Statutory Auditors acknowledged the positive opinion expressed by Compliance on the compliance of the Remuneration Report with the applicable regulatory provisions, sharing its conclusions and comments. At the 20 March 2024 meeting of the Remuneration Committee, the Board also acknowledged, and shared the comments contained, the checks conducted by the Internal Audit function and set out in the document "Compliance of remuneration practices with internal policies and reference regulations", checks which led to a substantially favourable opinion.

In general, in light of the provisions of the Supervisory Authorities on the subject of remuneration and incentive systems, the Board of Statutory Auditors monitored, in close connection with the Remuneration Committee, the changes introduced to the 2024 Remuneration Policy, although substantially in line with that of 2023, examined by the Remuneration Committee on 6 March 2024, for details of which reference should be made to the Remuneration Report made available to Shareholders, on the correct application of the rules relating to the remuneration of the Chief Executive Officer, the heads of the Control Functions and the Manager charged with preparing the Company's financial reports, and on the dissemination of the remuneration policies for FY 2024 to the companies belonging to the Group.

The Board of Statutory Auditors has no objections to the Remuneration Policy submitted to the Shareholders' Meeting.

3.4 - Supervision of the statutory audit process and the independence of the auditing firm

Pursuant to the Consolidated Law on Auditing (Art. 19 of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016), the Board of Statutory Auditors (identified by the Consolidated Act as the "Internal Control and Statutory Audit Committee") is in charge of (i) informing the board of directors of the audited entity of the outcome of the statutory audit and transmitting to that body the additional report referred to in Article 11 of European Regulation 537/2014 (the "European Regulation"), accompanied by any observations, (ii) monitoring the statutory audit of the annual and consolidated accounts (iii) verifying and monitoring the independence of the statutory auditors or statutory auditing firms pursuant to Articles 10 and 17 of the aforementioned decree and Art. 6 of the European Regulation, in particular with regard to the adequacy of the provision of non-audit services to the audited entity in accordance with Art. 5 of such Regulation and (iv) the responsibility for the procedure to select statutory auditors or auditing firms and to recommend statutory auditors or audit firms for appointment pursuant to Art. 16 of the European Regulation.

In this context, the Board of Statutory Auditors currently in office carried out an ongoing monitoring process of the activities performed in 2023 and up to the date of this report by PricewaterhouseCoopers S.p.A. (hereinafter also referred to as "PwC"), both through meetings at special meetings of the Board of Statutory Auditors and at joint meetings of the Board of Statutory Auditors and the CRC.

Information to the Board of Directors on the outcome of the statutory audit and the Additional Report pursuant to Art. 11 of the European Regulation

In relation to the auditing firm, the Board of Statutory Auditors reports that PwC has today issued the Additional Report pursuant to Article 11 of the European Regulation, from which no deficiencies emerge in the internal control system for financial reporting and/or in the accounting system.

Supervisory activities on the statutory audit of annual and consolidated accounts

- the accounts were audited, in accordance with the regulations in force, by the auditing firm PwC, which was appointed by the Shareholders' Meeting of 28 April 2022 as independent auditor for financial years 2023-2031;
- the Board of Statutory Auditors met periodically with the auditing firm PwC, and the meetings did not reveal any significant facts worthy of mention concerning the auditing activity nor any decisive deficiencies in the integrity of the internal control system with regard to the financial reporting process in particular;
- PwC today issued its report containing its opinion on the annual financial statements and consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the measures issued in implementation of Art. 9 of Legislative Decree No. 38/05 and Article 43 of Legislative Decree No. 136/15. Furthermore, in the same report, PwC issued an opinion on the consistency of the Directors' Report and the information in the Corporate Governance Report with the Financial Statements. This report does not contain any remarks or requests for information. In the aforementioned report, it is also acknowledged that the Directors' approval of the non-financial statement has been verified.

Independence of the auditing firm, in particular with regard to the provision of non-audit services

With regard to the annual confirmation of independence pursuant to Art. 6, paragraph 2), letter a) of the European Regulation and paragraph 17 of Standard ISA Italia 260, the Board of Statutory Auditors represents that it received written confirmation from the auditing firm on 8 March 2024.

The Board of Statutory Auditors monitored the independence of the auditing firm and, in particular, received periodic evidence of the non-audit assignments to be assigned (or assigned by virtue of specific regulatory provisions) to the statutory auditor.

As can be seen from the consolidated financial statements of the Ifis Group, during the year 2023 PwC, also through its network, performed the following activities for the Group:

Company and reporting period (*Euro/000*)		**PwC**		**Other companies in the PwC network**		
		Auditing	**Certification services**	**Auditing**	**Other services**	**Total**
Banca Ifis S.p.A.	2023	344	137	-	19	500
Subsidiaries	2023	433	-	74	-	507
Total		**777**	**137**	**74**	**19**	**1.007**

The Board of Statutory Auditors considers that the aforementioned fees are appropriate to the size, complexity and characteristics of the work performed and also considers that the engagements (and related fees) other than audit services are not such as to affect the statutory auditor's independence. The Board also verified that the tasks entrusted to the auditing firm are not among those prohibited for the auditing firm in office under the aforementioned European Regulation.

It is also acknowledged that the Board of Directors and the undersigned Board of Statutory Auditors have shared the view that it is deemed appropriate for the appointed auditing firm to focus on its typical activity and to be involved, either directly or through companies belonging to its network, limited to projects that have already been commissioned and for which the assignment to another firm might be uneconomic.

Appointment as statutory auditor for the period 2023-2031

Please note that the 2023 annual financial statements of Banca Ifis represent the first financial statements audited by PwC, following the engagement for FYs 2023-2031 on the grounded proposal of the Board of Statutory Auditors, by resolution of the shareholders' meeting of Banca Ifis on 28 April 2022.

3.5 - Supervisory activities on the administrative-accounting system and on the financial report and non-financial disclosure processes

Referring to the aforementioned Article 19 of Legislative Decree No. 39/2010 as amended by Legislative Decree No. 135/2016, the Board of Statutory Auditors, in monitoring the financial reporting process, interacted with the CRC set up within the Board of Directors, in order to coordinate their respective competences and avoid any overlapping of activities. In this regard, the Board of Statutory Auditors participated, where possible with all its members, in the activities of the Control and Risk Committee, particularly when they referred to issues of specific relevance for the purposes of Legislative Decree No. 39/2010 and the above-mentioned supervisory matters, making relations fluid and facilitating the coordination and exchange of information between the two bodies.

With specific reference to the different areas of supervision, we would point out the following.

Supervision of the financial reporting process

The Board of Statutory Auditors verified the existence of rules and procedures governing the process of the formation and dissemination of financial information. In this regard, the Corporate Governance Report defines the reference guidelines for the establishment and management of the system of administrative and accounting procedures for Ifis and its consolidated companies, regulating the relevant steps and responsibilities.

The Board of Statutory Auditors examined, with the assistance of the Manager charged with preparing the Company's financial reports, the procedures relating to the preparation of the Company's financial statements and the consolidated financial statements, as well as other periodic accounting documents. The Board of Statutory Auditors also had evidence of the process by which the Manager charged with preparing the Company's financial reports and the director delegated to do so can issue the certifications required by Article 154-*bis* of the Consolidated Law on Finance.

The Board of Statutory Auditors has been informed that the administrative/accounting procedures for the preparation of the financial statements and all other financial disclosures are prepared under the responsibility of the Manager charged with preparing the Company's financial reports, who, together with the Chief Executive Officer, certifies the adequacy and effective application of these procedures in the preparation of the annual and consolidated financial statements and the half-year financial report.

The Board of Statutory Auditors acknowledges that it has not received, during the periodic meetings held with the Manager charged with preparing the Company's financial reports, any reports of significant deficiencies in the operational and control processes that could affect the judgement of the adequacy and effective application of the administrative-accounting procedures, for the purpose of the correct representation of the economic, equity and financial situation of management events, in accordance with international accounting standards.

The annual financial statements of the Bank and the consolidated financial statements of the Group, in application of Legislative Decree No. 38/2005 are prepared by applying the IAS/IFRS issued by the International Accounting Standards Board and the related interpretations of the International Financial Reporting Interpretations Committee, endorsed by the European Commission, as established by European Community Regulation No. 1606/2002.

The Bank's annual financial statements and the Group's consolidated financial statements are prepared on the basis of the instructions issued by the Bank of Italy in Circular 262/2005 and subsequent updates. The draft annual financial statements of Ifis at 31 December 2023 and the consolidated financial statements of the Group at 31 December 2023 were approved by the Board of Directors at its meeting on 7 March 2024. As already mentioned, the consolidation scope has changed following the 2023 corporate evolution. The public disclosure, in accordance with the provisions of the prudential supervisory regulations, was made through the Bank's website within the deadlines set for the publication of financial statements.

The Board of Statutory Auditors also examined declarations, issued on 7 March 2024 by the CEO and by the Manager charged with preparing the Company's financial reports, in accordance with the provisions contained in Article 154-*bis* of the Consolidated Law on Finance and in Article 81-*ter* of Consob Regulation 11971/1999, from which no shortcomings emerged that might affect the judgement of adequacy of the administrative-accounting procedures.

PwC, during the periodic meetings and in the light of the Additional Report - provided for by Article 11 of Regulation (EU) No. 537/2014 issued on 27 March 2024, did not report any critical situations to the Board of Statutory Auditors that could affect the internal control system relating to the administrative and accounting procedures, nor did it ever highlight facts that were deemed reprehensible or any irregularities that would require reporting pursuant to Article 155, paragraph 2, of the Consolidated Law on Finance.

As already mentioned, the Board of Directors has prepared, in accordance with the law, the Financial Statements and the Consolidated Financial Statements as at 31 December 2023, in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the measures issued in implementation of Art. 9 of Legislative Decree No. 38/05, both of which are audited by PwC.

With regard to the above, no elements were revealed that would lead to the conclusion that the activity has not been carried out in accordance with the principles of correct administration or that the organisational structure, the system of internal audit and accounting and administrative systems were not, in their entirety, substantially adequate to the needs and dimensions of the company.

Consolidated non-financial statement (NFS)

Banca Ifis, as a public interest entity (PIE), is required to disclose non-financial information in accordance with the provisions of Legislative Decree No. 254/2016 issued in implementation of Directive 2014/95/EU, which entered into force on 25 January 2017.

In compliance with the aforementioned regulations, the Group's consolidated non-financial statement (hereinafter also referred to as the "NFS") has been prepared to ensure an understanding of the Group's business, its performance, its results and the impact it has produced, covering the issues deemed relevant and provided for in Article 3 of Legislative Decree No. 254/2016, in accordance with GRI Reporting Standards - Universal Standard 2021.

As anticipated, and in line with the ESMA's Public Statement of 25 October 2023, the Group carried out an analysis during the year to identify climate change risks and their potential impact on the Group's activities, and also began a process of adapting to the requirements of the European Taxonomy, with the aim of providing investors and the market with an overall view of the potentially relevant impacts on the Ifis Group in achieving its strategic objectives.

The NFS contains a description of issues concerning corporate governance, corporate policies, the company's management and organisational model, and the company's achievements with regard to relevant environmental issues, sustainable growth projects and social responsibility, personnel management, human rights and anti-corruption.

With specific regard to the examination of the consolidated non-financial statement, the Board of Statutory Auditors monitored compliance with the provisions set forth in Legislative Decree No. 254/2016, as provided for in particular in Article 3, paragraph 7 of that decree, within the scope of the competences attributed to it by the law. On this point, please note that:

- pursuant to Art. 3, paragraph 10, of Legislative Decree No. 254/2016 and Art. 5 of Consob Regulation No. 20267, the Company has appointed PwC to conduct the limited review of the Group's consolidated non-financial statement;
- the Board of Statutory Auditors has obtained periodic updates on the performance of activities preparatory to the preparation of the NFS;
- PwC issued its report today, certifying that on the basis of the work carried out, no evidence has emerged to suggest that the NFS relating to the financial year ending 31 December 2023 had not been prepared, in all significant aspects, in accordance with the requirements of Article 3 of Legislative Decree No. 254 of 30 December 2016.

On the basis of the information acquired, the Board of Statutory Auditors certifies that, in the course of its auditing activities relating to the NFS, no elements of non-compliance and/or violation of the relevant regulatory provisions were found, and consequently, no remarks to be submitted to the Shareholders' Meeting.

It should also be noted that Directive No. 2022/2464 (i.e. the Corporate Sustainability Reporting Directive - CSRD), which was published in the EU Official Journal on 16 December 2022 and entered into force on 5 January 2023, is partially applicable as of the financial years starting on 1 January 2024 and must be transposed by the member states by 6 July 2024.
Therefore, on the occasion of the Board's approval of the file of the Draft Annual Financial Statements and Consolidated Financial Statements as at 31 December 2024, the NFS will be omitted by being included as a sustainability disclosure in the Directors' Report.

3.6 - Supervisory activities on the adequacy of the internal audit system, of the risk management systems and of the organisational structure

The Group's internal control system is based on:

- control bodies and functions, involving in particular, each for their respective competences, the Board of Directors, the Control and Risk Committee, the Director in charge of the internal control and risk management system, the Board of Statutory Auditors, as well as the other corporate functions with specific tasks in this respect;
- information flows and coordination between the parties involved in the internal control and risk management system.

The design of Banca Ifis's system of internal controls, briefly described, has three levels:

- first-level (or line) controls: exercised directly by the operational and back-office structures, which are primarily responsible for the risk management process;
- second-level controls: exercised by the risk management function (identifies the risks to which Banca Ifis and the Group companies are exposed and periodically measures and monitors these risks through specific indicators, planning any mitigation actions), the compliance function (verifies the effectiveness of the organisational measures proposed and implemented for the purpose of non-compliance risk management) and the anti-money laundering function;
- third-level controls: exercised by the internal audit function, through activities aimed at identifying violations of procedures and regulations, as well as periodically assessing the completeness, adequacy, functionality and reliability of the internal control system and the information system.

In carrying out its activities, the Board of Statutory Auditors maintained continuous contact with the various control functions, as well as supervised the adequacy of the systems of internal control and risk management systems through:

- meetings with the management of the Bank;
- regular meetings with the various control functions (i.e., Internal Audit, Compliance, Anti-Money Laundering (AML) and Risk Management and the Manager charged with preparing the Company's financial reports) in order to evaluate the methodology for the planning of

operations, based on the identification and evaluation of the principal risks present in the organisational processes and units;

- examination of the periodical reports from the control Functions and the periodical information regarding the results of monitoring activities;
- acquired information from the managers of corporate Functions;
- discussion of the results of the work carried out by the independent auditing firm;
- participation in the work of the CRC and, when the topics so required, in their joint examination with the Committee.

The Board of Statutory Auditors acknowledges that the annual reports from the control functions conclude with a substantially favourable judgement on the internal control system.

Over the course of 2023, the Board of Statutory Auditors supervised the suitability and effects of the entire ICAAP and ILAAP 2022 processes on the requirements set out by the regulations, underscoring the usefulness of appropriate data aggregation, integration, and validation processes to maintain the aforementioned documents.

Intervention plans were provided with reference to the activities and areas for improvement identified, whose timely implementation is judged by the Board of Statutory Auditors as essential and that require particular attention by the management body.

On the basis of the activities carried out, the Board of Statutory Auditors - also in relation to the continuous evolution of the Bank and the Group - believes that although there are certain areas for possible further improvement, there are no elements that are sufficiently critical as to invalidate the internal control system and risk management.

The Board of Statutory Auditors was today updated about the meetings held by the Supervisory Body and the exchange of information was also ensured by the dialogue that took place within the Board of Statutory Auditors with the auditor who is a member of the Supervisory Body, without receiving any reports and/or comments worthy of note.

* * *

The Board of Statutory Auditors is not aware, in addition to what has already been discussed earlier, of facts or details that need to be communicated to the Shareholders' Meeting.

In the course of the activity performed and on the basis of the information obtained, no omissions, reprehensible facts, irregularities or in any case other significant circumstances were detected that would require reporting to the Supervisory Authorities or mention in this report.

Concluding remarks

As detailed in the Report, the Board of Statutory Auditors verified the functionality of the internal procedures, which were found to be sufficiently adequate and suitable to ensure compliance with the law, regulations and Articles of Association. The Board of Statutory Auditors ascertained that the decision-making process takes into account the riskiness and effects of the management choices made and that the corporate bodies have a sufficient information flow system, also with reference to any interests of the Directors. The organisational structure, the administrative accounting system and the statutory audit process were found to be adequate and functional for the tasks they are called upon to perform. It was also verified that there were no elements such as to render the internal control system and the governance and risk management process unreliable, even though they presented aspects for improvement that the Board of Statutory Auditors had pointed out in the exercise of its mandate.

Final considerations and proposals to the Shareholders' Meeting

This Report details the control activities carried out and the actions taken by the Board of Statutory Auditors with regard to the information obtained and the supervisory activities performed in fulfilment of its duties.

In light of the overall supervisory activity performed, in relation to the audits concluded at the date of publication of this Report, the Board of Statutory Auditors of Banca Ifis has no observations to make to the Shareholders' Meeting pursuant to Article 153, paragraph 2, of Legislative Decree No. 58/1998 concerning the financial statements and their approval as well as matters falling within its competence.

In actual fact, taking into account all of the foregoing, considering the content of the opinions issued by the auditing firm and having acknowledged the attestations issued jointly by the Chief Executive Officer and the Manager charged with preparing the Company's financial reports, the Board of Statutory Auditors does not deem that there exist - to the extent of its competence - any elements hindering the approval of the annual financial statements of Banca Ifis S.p.A. as at 31 December 2023 accompanied by the Directors' Report and the Notes to the Financial Statements, as resolved by the Board of Directors on 7 March 2024.

Venice - Mestre, 27 March 2024

THE BOARD OF STATUTORY AUDITORS

Andrea Balelli (Chairman)

Annunziata Melaccio (Standing Auditor)

Franco Olivetti (Standing Auditor)

Independent auditors' report on the Annual Financial Statements

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Banca Ifis SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Banca Ifis SpA (hereinafter the "Bank"), which comprise the statement of financial position as of 31 December 2023, the income statement, statement of comprehensive income, statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the Bank's financial position as of 31 December 2023 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of Banca Ifis SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Key audit matters	*Auditing procedures performed in response to key audit matters*
Valuation of receivables due from customers measured at amortised cost *Notes to the financial statements:* *Part A - Accounting policies* *Part B – Information on the statement of financial position – Assets, Section 4* *Part C – Information on the consolidated income statement, Section 8* *Part E – Information on risks and related hedging policies* Receivables due from customers as of 31 December 2023 are the largest part of the financial position line item 40 b) *"Financial assets measured at amortised cost – Receivables due from customers"* which totals Euro 9,202 million corresponding to 71.5 per cent of total assets. Net credit losses booked in the year for these loans, total Euro 56 million and are the directors' best estimate of expected credit losses at the reporting date made on the basis of the applicable reporting standards. The process of classification into different risk categories and the expected credit losses valuation criteria are characterized by a high level of complexity and high degree of judgement and require the estimation of several variables. The use of significant assumptions is particularly relevant for measuring the significant increase in credit risk ("SICR"), allocating loans to the different risk stages ("Staging") and determining assumptions and inputs to the models used for the expected credit loss ("ECL") calculation and, with specific regards to loans assessed on an individual basis (Stage 3), for estimating the future cash flows, recovery times and the recoverable amount of any collateral. In the current year, in addition to the recurring process of updating the input data and refining of risk parameters, the Group, as in previous years, applied "*post model adjustments/management overlays*" to consider the uncertainties in the macroeconomic environment as well as some	In performing our audit procedures, we considered internal control relevant to the financial reporting process. To address this key audit matter, we performed the following relevant procedures, with the support of the experts of the PwC network as needed: • Assessment of the adequacy of the IT environment and tests of the operating effectiveness of the applicable key controls over the systems and computer applications used by the Bank for the valuation of receivables due from customers; • Understanding and evaluation of the design of key controls related to the monitoring, classification and impairment valuation of receivables due from customers and tests of their operating effectiveness; • Understanding and assessment of the appropriateness of the policies, procedures and models used for determining the *SICR*, *Staging* and *ECL* calculation both collectively and individually, and of the assumptions and evaluations underlying the *"post model adjustments/management overlays"* applied; • Understanding and review of the methods used to define the key estimation parameters for the models used to determine the ECL and assessment of the updates and refinements introduced during the year. In particular, we assessed the reasonableness of the macroeconomic scenarios assumed, also by checking their consistency with external sources, as well as their probabilities weighting, also in the light of the uncertainties in the macroeconomic environment;

pwc

Key audit matters	*Auditing procedures performed in response to key audit matters*
additional risk factors not adequately captured by models in use consider some additional risk factors not adequately captured by the models in use. Considering the materiality of the amount, the high complexity of the estimation processes and the high degree of judgement involved we considered the valuation of these loans as a key audit matter.	• Assessment of the correct application of the defined criteria for loans classified as not impaired (Stage 1 and Stage 2) and, of the completeness and accuracy of the data used for the *ECL* calculation; • Tests, for a sample of loans, of the reasonableness of their classification as not impaired (Stage 1 and Stage 2) versus impaired (Stage 3) based on the available information on the debtor's status and other supporting evidences, including external information; • For impaired loans (Stage 3), in order to assess the reasonableness of the directors' conclusions, considering the classification criteria and categories required by the applicable financial and regulatory reporting framework, tests, for a sample of loans, of the reasonableness of the assumptions used to determine the future cash flows from work-out activity, in the valuation of collateral and to estimate the recovery times; • Critical assessment of the control activities carried out during the year by internal control functions (in particular by the Validation function), of the related outcomes and of the remedial actions undertaken; • Comparative and trend analysis of the volumes of receivables due from customers and related coverage ratios, also by comparing data of previous years and information related to publicly available industry data; • Review of ECL sensitivity analyses to the macroeconomic scenarios that influence the risk parameters of the models used; • Tests of the completeness and adequacy of financial statements disclosures in accordance with International Financial Reporting Standards, the applicable regulatory framework and the communications and recommendations issued by the Supervisory Authorities.

Other Aspects

The financial statements of the Bank for the year ended 31 December 2022 were audited by another auditor who, on 29 March 2023, issued an unmodified opinion on these financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Bank's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern.
In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 28 April 2022 the shareholders of Banca Ifis SpA in general meeting engaged us to perform the statutory audit of the Bank's and the consolidated financial statements for the years ending 31 December 2023 to 31 December 2031.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Bank in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Banca Ifis SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements as of 31 December 2023, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements as of 31 December 2023 have been prepared in XHTML in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Banca Ifis SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Banca Ifis SpA as of 31 December 2023, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Banca Ifis SpA as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Banca Ifis SpA as of 31 December 2023 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 27 March 2024

PricewaterhouseCoopers SpA

Signed by

Pierfrancesco Anglani
(Partner)

As disclosed by the Directors, the accompanying financial statements of Banca Ifis SpA constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Attachments to the Separate Financial Statements

Reconciliation between reclassified financial statements and individual financial statements

RECONCILIATION BETWEEN ASSETS ITEMS AND RECLASSIFIED ASSETS ITEMS (in thousands of Euro)			31.12.2023	31.12.2022
Cash and cash equivalents			**559.016**	**440.114**
+	10.	*Cash and cash equivalents*	559.016	*440.114*
Financial assets held for trading			**583**	**1.770**
+	*20.a*	*Financial assets measured at fair value through profit or loss: a) financial assets held for trading*	*583*	*1.770*
Financial assets mandatorily measured at fair value through profit or loss			**215.466**	**187.594**
+	*20.c*	*Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value*	*215.466*	*187.594*
Financial assets measured at fair value through other comprehensive income			**749.171**	**697.606**
+	*30.*	*Financial assets measured at fair value through other comprehensive income*	*749.171*	*697.606*
Receivables due from banks measured at amortised cost			**634.802**	**562.336**
+	*40.a*	*Financial assets measured at amortised cost: a) receivables due from banks*	*634.802*	*562.336*
Receivables due from customers measured at amortised cost			**9.201.981**	**8.755.082**
+	*40.b*	*Financial assets measured at amortised cost: b) receivables due from customers*	*9.201.981*	*8.755.082*
Equity investments			**672.528**	**661.333**
+	*70*	*Equity investments*	*672.528*	*661.333*
Property, plant and equipment			**140.811**	**122.516**
+	*80.*	*Property, plant and equipment*	*140.811*	*122.516*
Intangible assets			**32.993**	**22.642**
+	*90.*	*Intangible assets*	*32.993*	*22.642*
of which: - goodwill			**-**	**-**
Tax assets			**238.925**	**296.853**
a) current			**29.270**	**46.951**
+	*100.a*	*Tax assets: a) current*	*29.270*	*46.951*
b) prepaid			**209.655**	**249.902**
+	*110.b*	*Tax assets: b) prepaid*	*209.655*	*249.902*
Non-current assets and disposal groups			**-**	**-**
+	*110.*	*Non-current assets and disposal groups*	-	-
Other assets			**376.896**	**453.606**
+	*120.*	*Other assets*	*376.896*	*453.606*
Total assets			**12.863.172**	**12.201.451**

RECONCILIATION BETWEEN ASSETS AND LIABILITIES ITEMS AND RECLASSIFIED ASSETS AND LIABILITIES ITEMS (in thousands of Euro)			31.12.2023	31.12.2022
Payables due to banks			**2.604.466**	**3.485.345**
+	*10.a*	*Financial liabilities measured at amortised cost: a) payables due to banks*	*2.604.466*	*3.485.345*
Payables due to customers			**7.077.199**	**5.947.294**
+	*10.b*	*Financial liabilities measured at amortised cost: b) payables due from customers*	*7.077.199*	*5.947.294*
Debt securities issued			**1.435.852**	**1.109.027**
+	*10.c*	*Financial liabilities measured at amortised cost: c) securities issued*	*1.435.852*	*1.109.027*
Financial liabilities held for trading			**14.005**	**25.982**
+	*20.*	*Financial liabilities held for trading*	*14.005*	*25.982*
Hedging derivatives			***11.644***	**-**
+	*40.*	*Hedging derivatives*	*11.644*	*-*
Tax liabilities			**38.268**	**36.009**
a) current			**8.799**	**5.735**
+	*60.a*	*Tax liabilities: a) current*	*8.799*	*5.735*
b) deferred			**29.469**	**30.274**
+	*60.b*	*Tax liabilities: b) deferred*	*29.469*	*30.274*
Other liabilities			**259.975**	**251.814**
+	*80.*	*Other liabilities*	*259.975*	*251.814*
Post-employment benefits			**5.322**	**5.427**
+	*90.*	*Post-employment benefits*	*5.322*	*5.427*
Provisions for risks and charges			**51.804**	**50.370**
+	*100.a*	*Provisions for risks and charges: a) commitments and guarantees granted*	*5.248*	*9.107*
+	*100.b*	*Provisions for risks and charges: b) pensions and similar obligations*	*189*	*-*
+	*100.c*	*Provisions for risks and charges: c) other provisions for risks and charges*	*46.367*	*41.263*
Valuation reserves			**(33.085)**	**(50.653)**
+	*110.*	*Valuation reserves*	*(33.085)*	*(50.653)*
Reserves			**1.201.178**	**1.197.999**
+	*140.*	*Reserves*	*1.201.178*	*1.197.999*
Interim dividends			**(62.962)**	**(52.433)**
+	*145.*	*Interim dividends*	*(62.962)*	*(52.433)*
Share premiums			**84.108**	**83.767**
+	*150.*	*Share premiums*	*84.108*	*83.767*
Share capital			**53.811**	**53.811**
+	*160.*	*Share capital*	*53.811*	*53.811*
Treasury shares (-)			**(21.817)**	**(22.104)**
+	*170.*	*Treasury shares (-)*	*(21.817)*	*(22.104)*
Profit (loss) for the year (+/-)			**143.404**	**79.796**
Total liabilities and equity			**12.863.172**	**12.201.451**

		RECONCILIATION BETWEEN THE INDIVIDUAL INCOME STATEMENT AND THE RECLASSIFIED INCOME STATEMENT (in thousands of Euro)	31.12.2023	31.12.2022
Net interest income			**239.089**	**230.406**
+	*30.*	*Net interest income*	*239.089*	*230.406*
Net commission income			**87.882**	**84.327**
+	*60.*	*Net commission income*	*87.882*	*84.327*
Other components of net banking income			**128.133**	**48.204**
+	*70.*	*Dividends and similar income*	*105.172*	*49.851*
+	*80.*	*Net profit (loss) from trading*	*2.916*	*(20.529)*
+	*90.*	*Net result from hedging*	*(100)*	*-*
+	*100.a*	*Gains (losses) on sale/buyback of: a) financial assets measured at amortised cost*	*2.527*	*4.548*
-	*100.a (partial)*	*Gains (losses) on sale/buyback of loans at amortised cost*	*(397)*	*413*
+	*100.b*	*Gains (losses) on sale/buyback of: b) financial assets measured at fair value through other comprehensive income*	*2.656*	*(88)*
+	*100.c*	*Gains (losses) on sale/buyback of: c) financial liabilities*	*1.027*	*31*
+	*110.b*	*Net result of other financial assets and liabilities measured at fair value through profit or loss: b) other financial assets mandatorily measured at fair value*	*14.332*	*13.978*
Net banking income			**455.104**	**362.937**
Net credit risk losses/reversals			**(51.949)**	**(51.586)**
+	*130.a*	*Net credit risk losses/reversals related to: a) financial assets measured at amortised cost*	*(54.894)*	*(52.277)*
+	*130.b*	*Net credit risk losses/reversals related to: b) financial assets measured at fair value through other comprehensive income*	*(80)*	*(832)*
+	*100.a (partial)*	*Gains (losses) on sale/buyback of loans at amortised cost*	*397*	*(413)*
+	*170.a (partial)*	*Net allocations for credit risk related to commitments and guarantees granted*	*2.628*	*1.936*
Net profit (loss) from financial activities			**403.155**	**311.351**
Administrative expenses			**(247.491)**	**(224.837)**
+	*160.a*	*a) personnel expenses*	*(123.266)*	*(114.143)*
+	*160.b*	*b) other administrative expenses*	*(124.225)*	*(110.694)*
Net impairment losses/reversals on property, plant and equipment and intangible assets			**(15.582)**	**(14.804)**
+	*180.*	*Net impairment losses/reversals on property, plant and equipment*	*(8.716)*	*(8.433)*
+	*190.*	*Net impairment losses/reversals on intangible assets*	*(6.866)*	*(6.371)*
Other operating income/expenses			**42.057**	**32.994**
+	*200.*	*Other operating income/expenses*	*42.057*	*32.994*
Operating costs			**(221.016)**	**(206.647)**
+	*210.*	*Operating costs*	*(224.571)*	*(203.199)*
-	*170.*	*Net allocations to provisions for risks and charges*	*3.555*	*(3.448)*
Net allocations to provisions for risks and charges			**(6.183)**	**1.512**
+	*170.a*	*Net allocations to provisions for risks and charges: a) commitments and guarantees granted*	*3.671*	*893*
-	*170.a (partial)*	*Net allocations for credit risk related to commitments and guarantees granted*	*(2.628)*	*(1.936)*

RECONCILIATION BETWEEN THE INDIVIDUAL INCOME STATEMENT AND THE RECLASSIFIED INCOME STATEMENT (in thousands of Euro)	31.12.2023	31.12.2022
+ *170.b* *Net allocations to provisions for risks and charges: b) other net allocations*	*(7.226)*	*2.555*
Profit (loss) on equity investments	**(3.740)**	**(4.127)**
+ *220.* *Profit (loss) on equity investments*	*(3.740)*	*(4.127)*
Pre-tax profit (Loss) for the period from continuing operations	**172.216**	**102.089**
Income taxes for the year relating to current operations	**(28.812)**	**(22.293)**
+ *270.* *Income taxes for the year relating to current operations*	*(28.812)*	*(22.293)*
Profit (loss) for the year	**143.404**	**79.796**

List of fees and services provided by the independent auditing firm and entities belonging to the independent auditing firm's network

Information provided pursuant to Art. 149-duodecies of the Consob Issuers' Regulation.

For FY 2023, the auditing firm PricewaterhouseCoopers S.p.A. and the other companies in the PwC network performed the services detailed below on behalf of our Group. The summary table includes the fees for audit and non-audit services for FY 2023 as set out in the existing contractual terms and conditions.

Type of services (units of Euro)	PricewaterhouseCoopers S.p.A.		Other companies in the PricewaterhouseCoopers S.p.A. network		Total
	Banca Ifis	Subsidiaries	Banca Ifis	Subsidiaries	
Independent auditors' fees	344.090	432.545	-	73.831	**850.466**
Certification services	137.390	-	-	-	**137.390**
Other services (*)	-	-	18.800	-	**18.800**
Total	**481.480**	**432.545**	**18.800**	**73.831**	**1.006.656**

(*) "Other services" include due diligence for the acquisition of VAT credits.

The fees indicated are net of VAT, expenses and Consob contribution.

bancaifis.it