Consolidated Half-Year Financial Report at 30 June 2024

Banca Ifis

Summary

Corporate Bodies

Corporate offices and Independent auditing firm in office at approval of the Consolidated Half-Year Financial Report at 30 June 2024

Honorary Chairman
Sebastien Egon Fürstenberg

Board of Directors

Chairman	Ernesto Fürstenberg Fassio
Vice Chair	Simona Arduini
Chief Executive Officer	Frederik Herman Geertman [(1)]
Directors	Monica Billio
	Nicola Borri
	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.*

Board of Statutory Auditors

Chairman	Andrea Balelli
Standing Auditors	Annunziata Melaccio
	Franco Olivetti
Alternate Auditors	Marinella Monterumisi
	Emanuela Rollino

General Management

Co-General Managers	Fabio Lanza
	Raffaele Zingone

Manager charged with preparing the the Company's financial reports
Massimo Luigi Zanaboni

Independent Auditors
PricewaterhouseCoopers S.p.A.

Parent company name: Banca Ifis S.p.A.
Share capital: 53.811.095 Euro, fully paid-up
Reporting party's name: Banca Ifis S.p.A.
Ultimate Parent company name: 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
FCI Member
Registered and administrative office Via Terraglio, 63 30174 Mestre - Venice (Italy)
Nature of reporting party's business: Credit business
ABI: 3205.2
Tax Code and Venice Companies Register Number: 02505630109
VAT no.: 04570150278
Enrolment in the Register of Banks no.: 5508
Website: www.bancaifis.it

Interim Directors' report on the Group

General aspects

The Consolidated Half-Year Financial Report at 30 June 2024 consists of the Interim Directors' report on the Group and the Condensed Consolidated Half-Year Financial Statements; it is accompanied by the certification of the Manager Charged with preparing the Company's financial reports.

The balance sheet and income statement, within the Interim Directors' Report on the Group, are presented in reclassified form, according to management criteria, in order to provide timely information on the Group's general performance based on aggregated economic and financial data that are quick and easy to understand. It should be noted that in connection with the acquisition of Revalea S.p.A. finalised on 31 October 2023 and its inclusion in the scope of consolidation, the figures for the first half of 2024 and in particular the income statement figures may not be fully comparable with those of the same period 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 this document), 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 ordinary and extraordinary charges introduced against the Group's banks (Banca Ifis and Banca Credifarma) under the Single and National Resolution Mechanisms (FRU and FRN) and the Deposit Protection Mechanism (DGS or FITD) are shown under a separate item called "Charges related to the banking system" (which is excluded from the calculation of "Operating costs"), instead of being shown under "Other administrative expenses" or "Net allocations to provisions for risks and charges";
- 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 are aggregated without reclassification.

Reclassified financial statements

Reclassified Consolidated Statement of Financial Position

ASSETS (in thousands of Euro)	30.06.2024	31.12.2023
Cash and cash equivalents	637.310	857.533
Financial assets held for trading	16.194	12.896
Financial assets mandatorily measured at fair value through profit or loss	245.606	221.982
Financial assets measured at fair value through other comprehensive income	536.313	749.176
Receivables due from banks measured at amortised cost	690.501	637.567
Receivables due from customers measured at amortised cost	10.463.920	10.622.134
Equity investments	24	24
Property, plant and equipment	155.713	143.255
Intangible assets	79.795	76.667
of which:		
- goodwill	*38.020*	*38.020*
Tax assets:	246.041	285.435
a) current	*25.957*	*46.601*
b) prepaid	*220.084*	*238.834*
Other assets	401.369	444.692
Total assets	**13.472.786**	**14.051.361**

LIABILITIES AND EQUITY (in thousands of Euro)	30.06.2024	31.12.2023
Payables due to banks measured at amortised cost	1.343.651	2.717.139
Payables due to customers measured at amortised cost	6.774.913	5.814.624
Debt securities issued measured at amortised cost	3.108.078	3.288.895
Financial liabilities held for trading	14.539	14.005
Hedging derivatives	3.414	11.644
Tax liabilities:	46.445	57.717
a) current	*14.996*	*26.025*
b) deferred	*31.449*	*31.692*
Other liabilities	379.621	387.554
Post-employment benefits	7.677	7.906
Provisions for risks and charges	58.016	58.178
Valuation reserves	(36.526)	(39.215)
Reserves	1.546.079	1.505.424
Interim dividends (-)	-	(62.962)
Share premiums	85.353	84.108
Share capital	53.811	53.811
Treasury shares (-)	(20.990)	(21.817)
Equity attributable to non-controlling interests (+/-)	15.091	14.240
Profit (loss) for the period (+/-)	93.614	160.110
Total liabilities and equity	**13.472.786**	**14.051.361**

Reclassified Consolidated Income Statement

ITEMS OF THE INCOME STATEMENT (in thousands of Euro)	30.06.2024	30.06.2023
Net interest income	**287.363**	**274.686**
Net commission income	**46.909**	**50.297**
Other components of net banking income	40.242	23.523
Net banking income	**374.514**	**348.506**
Net credit risk losses/reversals	(15.841)	(16.338)
Net profit (loss) from financial activities	**358.673**	**332.168**
Administrative expenses:	(210.800)	(195.604)
a) personnel expenses	*(86.613)*	*(80.445)*
b) other administrative expenses	*(124.187)*	*(115.159)*
Net impairment losses/reversals on property, plant and equipment and intangible assets	(10.820)	(8.552)
Other operating income/expenses	15.524	12.466
Operating costs	**(206.096)**	**(191.690)**
Charges related to the banking system	(8.096)	(4.090)
Net allocations to provisions for risks and charges	(706)	(526)
Non-recurring expenses and income	(320)	-
Pre-tax profit (loss) for the period from continuing operations	**143.455**	**135.862**
Income taxes for the period relating to continuing operations	(48.990)	(43.856)
Profit (loss) for the period	**94.465**	**92.006**
(Profit) loss for the period attributable to non-controlling interests	(851)	(970)
Profit (loss) for the period attributable to the Parent company	**93.614**	**91.036**

Consolidated Statement of Comprehensive Income

CONSOLIDATED COMPREHENSIVE INCOME (in thousands of Euro)	30.06.2024	30.06.2023
Profit (loss) for the period	**94.465**	**92.006**
Other comprehensive income, net of taxes, not to be reclassified to profit or loss	(2.666)	(3.565)
Other comprehensive income, net of taxes, to be reclassified to profit or loss	(3.033)	8.444
Comprehensive Income	**88.766**	**96.885**
Consolidated comprehensive income attributable to non-controlling interests	(851)	(970)
Consolidated comprehensive income attributable to the Parent company	**87.915**	**95.915**

Refer to the section “Group financials and income results” in the Notes for comments on the balance sheet and economic trends.

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	TOTAL 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 30.06.2024	140.110	*981*	-	*139.129*	49.687	55.809	**245.606**
Amounts at 31.12.2023	107.169	*975*	-	*106.194*	41.735	73.078	**221.982**
% Change	30,7%	*0,6%*	-	*31,0%*	19,1%	(23,6)%	**10,6%**
Financial assets measured at fair value through other comprehensive income							
Amounts at 30.06.2024	1.288	-	-	*1.288*	-	535.025	**536.313**
Amounts at 31.12.2023	1.333	-	-	*1.333*	-	747.843	**749.176**
% Change	(3,4)%	-	-	*(3,4)%*	-	(28,5)%	**(28,4)%**
Receivables due from customers (1)							
Amounts at 30.06.2024	6.742.972	*2.744.496*	*1.571.179*	*2.427.297*	1.590.648	2.130.300	**10.463.920**
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**
% Change	(0,3)%	*(3,5)%*	*1,2%*	*2,6%*	(3,4)%	(3,7)%	**(1,5)%**
Goodwill							
Amounts at 30.06.2024	-	-	-	-	38.020	-	**38.020**
Amounts at 31.12.2023	-	-	-	-	38.020	-	**38.020**
% Change	-	-	-	-	0,0%	-	**0,0%**
Other assets							
Amounts at 30.06.2024	162.188	*162.188*	-	-	-	239.181	**401.369**
Amounts at 31.12.2023	208.748	*208.748*	-	-	-	235.944	**444.692**
% Change	(22,3)%	*(22,3)%*	-	-	-	1,4%	**(9,7)%**

(1) In the Governance & Services and Non-Core Segment, at 30 June 2024, there are government securities amounting to 1.469,0 million Euro (1.628,7 million Euro at 31 December 2023).

The remaining balance sheet items, other than those shown in the above table, are allocated to the Governance & Services and Non-Core Segment, from which the corresponding economic items are reallocated to the other Segments, on a direct or indirect basis.

RECLASSIFIED INCOME STATEMENT DATA At 30.06.2024 (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	**121.343**	***57.441***	***25.139***	***38.763***	**153.618**	**12.402**	**287.363**
Net commission income	**49.024**	***32.848***	***5.634***	***10.542***	**(416)**	**(1.699)**	**46.909**
Other components of net banking income	6.124	*17*	-	*6.107*	7.110	27.008	40.242
Net banking income	**176.491**	***90.306***	***30.773***	***55.412***	**160.312**	**37.711**	**374.514**
Net credit risk losses/reversals	(18.945)	*(9.158)*	*(3.750)*	*(6.037)*	124	2.980	(15.841)
Net profit (loss) from financial activities	**157.546**	***81.148***	***27.023***	***49.375***	**160.436**	**40.691**	**358.673**
Operating costs	(88.280)	*(50.246)*	*(18.456)*	*(19.578)*	(98.408)	(19.408)	(206.096)
Charges related to the banking system	-	-	-	-	-	(8.096)	(8.096)
Net allocations to provisions for risks and charges	(3.996)	*(8.359)*	*116*	*4.247*	1.757	1.533	(706)
Non-recurring expenses and income	-	-	-	-	(320)	-	(320)
Pre-tax profit (loss) for the period from continuing operations	**65.270**	***22.543***	***8.683***	***34.044***	**63.465**	**14.720**	**143.455**
Income taxes for the period relating to continuing operations	(22.289)	*(7.698)*	*(2.966)*	*(11.625)*	(21.673)	(5.028)	(48.990)
Profit (loss) for the period	**42.981**	***14.845***	***5.717***	***22.419***	**41.792**	**9.692**	**94.465**
(Profit) loss for the period attributable to non-controlling interests	-	-	-	-	-	(851)	(851)
Profit (loss) for the period attributable to the Parent company	**42.981**	***14.845***	***5.717***	***22.419***	**41.792**	**8.841**	**93.614**

SEGMENT KPIs (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & 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 30.06.2024	0,57%	*0,68%*	*0,48%*	*0,50%*	n.a.	(1,01)%
Amounts at 31.12.2023	0,95%	*1,13%*	*0,29%*	*1,18%*	n.a.	(1,46)%
% Change	(0,38)%	*(0,45)%*	*0,19%*	*(0,68)%*	n.a.	0,45%
Net bad loans/Receivables due from customers						
Amounts at 30.06.2024	0,3%	*0,3%*	*0,0%*	*0,5%*	78,4%	0,2%
Amounts at 31.12.2023	0,3%	*0,4%*	*0,0%*	*0,3%*	77,6%	0,3%
% Change	0,0%	*(0,1)%*	*0,0%*	*0,2%*	0,8%	(0,1)%
Coverage ratio on gross bad loans						
Amounts at 30.06.2024	79,7%	*87,8%*	*93,5%*	*45,6%*	0,0%	64,0%
Amounts at 31.12.2023	80,7%	*85,6%*	*93,5%*	*50,4%*	0,0%	53,8%
% Change	(1,0)%	*2,2%*	*0,0%*	*(4,8)%*	0,0%	10,2%
Net non-performing exposures/Net receivables due from customers						
Amounts at 30.06.2024	3,0%	*4,1%*	*0,7%*	*3,2%*	98,3%	1,2%
Amounts at 31.12.2023	3,1%	*4,5%*	*0,7%*	*3,1%*	98,2%	1,2%
% Change	(0,1)%	*(0,4)%*	*0,0%*	*0,1%*	0,1%	0,0%
Gross non-performing exposures/Gross receivables due from customers						
Amounts at 30.06.2024	5,3%	*7,5%*	*2,0%*	*4,7%*	98,3%	2,0%
Amounts at 31.12.2023	5,3%	*7,6%*	*1,9%*	*4,8%*	98,2%	2,0%
% Change	0,0%	*(0,1)%*	*0,1%*	*(0,1)%*	0,1%	0,0%
RWA (3)						
Amounts at 30.06.2024	5.791.237	*2.692.154*	*1.294.785*	*1.804.298*	1.846.111	1.428.530
Amounts at 31.12.2023	5.813.454	*2.737.066*	*1.344.965*	*1.731.423*	1.898.366	1.537.717
% Change	(0,4)%	*(1,6)%*	*(3,7)%*	*4,2%*	(2,8)%	(7,1)%

(1) In the Governance & Services and Non-Core Segment, at 30 June 2024, there are government securities amounting to 1.469,0 million Euro (1.628,7 million Euro at 31 December 2023).
(2) This indicator is calculated comparing the "annualised" value of net credit risk losses/reversals at the end of the year over the average loans to customers (calculated quarterly).
(3) Risk weighted assets; the amount only relates to the credit risk.

Quarterly Evolution

RECLASSIFIED CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2024		YEAR 2023			
	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	**146.605**	**140.758**	**156.691**	**134.820**	**135.247**	**139.439**
Net commission income	**23.835**	**23.074**	**23.922**	**24.002**	**26.970**	**23.327**
Other components of net banking income	18.836	21.406	11.646	5.029	10.464	13.059
Net banking income	**189.276**	**185.238**	**192.259**	**163.851**	**172.681**	**175.825**
Net credit risk losses/reversals	(7.252)	(8.589)	(21.537)	(14.532)	(6.367)	(9.971)
Net profit (loss) from financial activities	**182.024**	**176.649**	**170.722**	**149.319**	**166.314**	**165.854**
Personnel expenses	(43.217)	(43.396)	(43.336)	(40.021)	(40.737)	(39.708)
Other administrative expenses	(62.246)	(61.941)	(71.244)	(51.806)	(61.337)	(53.822)
Net impairment losses/reversals on property, plant and equipment and intangible assets	(5.646)	(5.174)	(4.682)	(4.472)	(4.350)	(4.202)
Other operating income/expenses	7.133	8.391	7.709	4.894	5.824	6.642
Operating costs	**(103.976)**	**(102.120)**	**(111.553)**	**(91.405)**	**(100.600)**	**(91.090)**
Charges related to the banking system	(8.087)	(9)	(861)	(6.242)	1.760	(5.850)
Net allocations to provisions for risks and charges	1.443	(2.149)	(6.383)	31	(8)	(518)
Non-recurring expenses and income	(280)	(40)	(1.599)	(1.320)	-	-
Gains (losses) on disposal of investments	-	-	986	-	-	-
Pre-tax profit (loss) for the period from continuing operations	**71.124**	**72.331**	**51.312**	**50.383**	**67.466**	**68.396**
Income taxes for the period relating to continuing operations	(24.289)	(24.701)	(15.521)	(16.264)	(21.778)	(22.078)
Profit (loss) for the period	**46.835**	**47.630**	**35.791**	**34.119**	**45.688**	**46.318**
(Profit) loss for the period attributable to non-controlling interests	(397)	(454)	(422)	(414)	(566)	(404)
Profit (loss) for the period attributable to the Parent company	**46.438**	**47.176**	**35.369**	**33.705**	**45.122**	**45.914**

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.

For the interim financial statements, some indicators presented in the Annual report are not considered representative.

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 Condensed consolidated half-year 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 this Consolidated Half-Year Financial Report at 30 June 2024.

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.

Reclassified cost/income ratio (in thousands of Euro)	30.06.2024	30.06.2023
A. Reclassified operating costs	206.096	191.690
B. Reclassified net banking income	374.514	348.506
Reclassified cost/income ratio (A/B)	**55,0%**	**55,0%**

Price/book value per share	30.06.2024	31.12.2023
A. Share price at period-end	19,43	15,70
B. Equity attributable to the Parent company per share	32,74	32,01
Price/book value per share (A/B) euro	**0,59**	**0,49**

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;
- Governance & Services and Non-Core Segment, which provides the divisions 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 financial numerical 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 also 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 division dedicated to supporting companies and private equity funds in structuring financing, both bilateral and pooled;
  - Equity Investments, a division dedicated to investments in non-financial companies and in units of intermediaries;
  - Lending, a business 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 30 June 2024.

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	FIRST HALF OF		CHANGE	
	2024	2023	ABSOLUTE	%
Net interest income	**121.343**	**115.640**	**5.703**	**4,9%**
Net commission income	**49.024**	**48.731**	**293**	**0,6%**
Other components of net banking income	6.124	10.507	(4.383)	(41,7)%
Net banking income	**176.491**	**174.878**	**1.613**	**0,9%**
Net credit risk losses/reversals	(18.945)	(19.792)	847	(4,3)%
Net profit (loss) from financial activities	**157.546**	**155.086**	**2.460**	**1,6%**
Operating costs	**(88.280)**	**(81.702)**	**(6.578)**	**8,1%**
Net allocations to provisions for risks and charges	(3.996)	(377)	(3.619)	n.s.
Pre-tax profit (loss) for the period from continuing operations	**65.270**	**73.007**	**(7.737)**	**(10,6)%**
Income taxes for the period relating to continuing operations	(22.289)	(23.567)	1.278	(5,4)%
Profit (loss) for the period	**42.981**	**49.440**	**(6.459)**	**(13,1)%**

Net income of the Commercial & Corporate Banking Segment comes to 43,0 million Euro, down 6,5 million Euro compared to 30 June 2023, mainly due to the increase in operating costs as detailed below based on the contribution of the individual Business Areas. The Segment's net banking income comes to 176,5 million Euro, up 1,6 million Euro compared to the same period of the previous year, thanks to the positive performance of the Factoring Area (+3,6 million Euro). This result was determined by the growth in net interest income of 5,7 million Euro (+4,9%), against the substantial stability of net commissions, the effects of which were partially offset by the reduction in other components of net banking income by 4,4 million Euro. The latter change is mainly attributable to lower fair value revaluations of securities in the Corporate Banking & Lending Area.

Compared to the same period of the previous year, there are lower net value adjustments of 0,8 million Euro (-4,3%).

The increase in operating costs of 6,6 million Euro compared to 30 June 2023 is due to the rise in personnel expenses due to both the increase in headcount and greater costs connected with the renewed National Collective Bargaining Agreement (CCNL). Costs related to the amortisation of intangible assets relating to investments in software functional to the digitalisation of customer relations and the related credit generation and management process are also on the rise.

At 30 June 2024, net allocations to provisions for risks and charges amount to a negative 4,0 million Euro, a worsening compared with the negative balance of 0,4 million Euro for the first half of 2023. The increase of 3,6 million Euro is mainly attributable to provisions to cover risks related to outstanding disputes over tax credits for superbonus and other building tax bonuses, only partly offset by releases for the positive resolution of existing disputes.

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

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

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 30.06.2024						
Nominal amount	110.602	163.045	96.389	**370.036**	6.649.690	**7.019.726**
Losses	(88.184)	(75.770)	(4.788)	**(168.742)**	(108.012)	**(276.754)**
Carrying amount	22.418	87.275	91.601	**201.294**	6.541.678	**6.742.972**
Coverage ratio	*79,7%*	*46,5%*	*5,0%*	***45,6%***	*1,6%*	***3,9%***
Gross ratio	*1,6%*	*2,3%*	*1,4%*	***5,3%***	*94,7%*	***100,0%***
Net ratio	*0,3%*	*1,3%*	*1,4%*	***3,0%***	*97,0%*	***100,0%***
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)	**(269.504)**
Carrying amount	19.054	93.698	100.118	**212.870**	6.550.597	**6.763.467**
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%***

Net non-performing exposures in the Commercial & Corporate Banking Segment stand at 201,3 million Euro at 30 June 2024, down 11,6 million Euro on 31 December 2023 (212,9 million Euro). The trend is attributable to a significant decrease in both non-performing past-due exposures for 8,5 million Euro (especially those in the Factoring Area) and in unlikely to pay for 6,4 million Euro (especially in the Corporate Banking & Lending Area), only partly offset by higher migrations to non-performing loans for 3,4 million Euro.

The coverage ratio of the non-performing portfolio goes from 43,3% at 31 December 2023 to 45,6% at 30 June 2024, the result of the increase in the coverage ratio associated with unlikely to pay, partly offset by the reduction in the coverage ratio on past due exposures and non-performing loans.

The Commercial & Corporate Banking Segment includes loans that are mainly impaired (classified in the accounts as "POCI"), mainly referring to assets stemming from business combinations: the net value of these assets is 10,4 million Euro at 30 June 2024, as compared with the 12,3 million Euro recorded at 31 December 2023, of which 6,8 million Euro non-performing (8,5 million Euro at 31 December 2023).

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

KPIs	AMOUNTS		CHANGE	
	30.06.2024	31.12.2023	ABSOLUTE	%
Credit cost (1)	0,57%	0,95%	-	(0,38)%
Net impaired assets/ Net receivables due from customers	3,0%	3,1%	-	(0,1)%
Gross impaired assets/ Gross receivables due from customers	5,3%	5,3%	-	0,0%
RWA (2)	5.791.237	5.813.454	(22.217)	(0,4)%

(1) This indicator is calculated comparing the "annualised" value of net credit risk losses/reversals at the end of the year over the 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 period, 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)	FIRST HALF OF		CHANGE	
	2024	2023	ABSOLUTE	%
Net interest income	**57.441**	**53.662**	**3.779**	**7,0%**
Net commission income	**32.848**	**34.035**	**(1.187)**	**(3,5)%**
Other components of net banking income	17	(1.022)	1.039	(101,7)%
Net banking income	**90.306**	**86.675**	**3.631**	**4,2%**
Net credit risk losses/reversals	(9.158)	(1.499)	(7.659)	n.s.
Net profit (loss) from financial activities	**81.148**	**85.176**	**(4.028)**	**(4,7)%**
Operating costs	**(50.246)**	**(47.626)**	**(2.620)**	**5,5%**
Net allocations to provisions for risks and charges	(8.359)	399	(8.758)	n.s.
Pre-tax profit (loss) for the period from continuing operations	**22.543**	**37.949**	**(15.406)**	**(40,6)%**
Income taxes for the period relating to continuing operations	(7.698)	(12.163)	4.465	(36,7)%
Profit (loss) for the period	**14.845**	**25.786**	**(10.941)**	**(42,4)%**

During the first six months of 2024, the contribution made by the Factoring Area towards net banking income booked by the Commercial & Corporate Banking Segment comes to 90,3 million Euro, up 4,2% on the same period of last year. This result is due to the greater contribution of net interest income (up by 3,8 million Euro), while net commission income declines by 1,2 million Euro. Turnover for the first half of 2024 amounts to 6,4 billion Euro, a slight decrease of 80 million Euro compared to the same period of the previous year, while the total amount of receivables shows a slight increase of 43 million Euro compared to the same period of the previous year (the figure at 30 June 2024 is 3,7 billion Euro).

In the first half of 2024, net credit risk losses amount to 9,2 million Euro, an increase of 7,7 million Euro compared to the same period of the previous year, due to greater provisions made on impaired positions.

Therefore, net profit from financial activities amount to 81,1 million Euro (-4,7% on the same period of last year).

The increase in operating costs of 2,6 million Euro compared to the first half of 2023 is mainly due to higher personnel expenses related to the renewed National Collective Bargaining Agreement (CCNL). Costs related to the amortisation of intangible assets relating to investments in software functional to the digitalisation of customer relations and the related credit generation and management process are also on the rise.

At 30 June 2024, net allocations to provisions for risks and charges amount to a negative 8,4 million Euro, a worsening compared with the positive balance of 0,4 million Euro for the first six months of 2023. The increase of 8,8 million Euro is mainly attributable to the previously-mentioned provisions to cover risks related to outstanding disputes over tax credits for superbonus and other building tax bonuses.

As regards the main equity aspects, at 30 June 2024, total net commitments for the Area amount to 2.744,5 million Euro, down 3,5% on the figure at 31 December 2023, in line with the seasonal nature of the business.

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

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 30.06.2024						
Nominal amount	76.782	67.704	73.384	**217.870**	2.667.881	**2.885.751**
Losses	(67.383)	(36.065)	(971)	**(104.419)**	(36.836)	**(141.255)**
Carrying amount	9.399	31.639	72.413	**113.451**	2.631.045	**2.744.496**
Coverage ratio	*87,8%*	*53,3%*	*1,3%*	***47,9%***	*1,4%*	***4,9%***
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	**2.844.804**
Coverage ratio	*85,6%*	*51,4%*	*2,8%*	***43,3%***	*1,3%*	***4,5%***

The Area's total net receivables amount to 2,7 billion Euro, down 3,5% from the 31 December 2023 figure due to the seasonality of the factoring business. At 30 June 2024, there is a decrease in net non-performing loans of 15,5 million Euro, due almost entirely to the decrease in past-due exposures. In overall terms, the coverage of non-performing exposures increases by 460 bps (from 43,3% to 47,9%) as a result of provisions made during the period on unlikely to pay and non-performing positions.

KPIs	AMOUNTS		CHANGE	
	30.06.2024	31.12.2023	ABSOLUTE	%
Credit cost [(1)]	0,68%	1,13%	-	(0,45)%
Net impaired assets/ Net receivables due from customers	4,1%	4,5%	-	(0,4)%
Gross impaired assets/ Gross receivables due from customers	7,5%	7,6%	-	(0,1)%
RWA [(2)]	2.692.154	2.737.066	(44.912)	(1,6)%

(1) This indicator is calculated comparing the "annualised" value of net credit risk losses/reversals at the end of the year over the annual average loans to customers (calculated quarterly).
(2) Risk weighted assets; the amount only relates to the credit risk.

The credit cost decreases from 1,13% at 31 December 2023 to 0,68% at 30 June 2024 (annualised figure), as the comparative figure in 2023 included net value adjustments for credit risk totalling 28,9 million Euro as a result mainly of specific provisions made on individually significant counterparties.

It should be noted that net non-performing exposures include a total of 72,9 million Euro in respect of the NHS (72,2 million Euro at 31 December 2023).

Leasing Area

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	FIRST HALF OF		CHANGE	
	2024	2023	ABSOLUTE	%
Net interest income	**25.139**	**24.956**	**183**	**0,7%**
Net commission income	**5.634**	**5.583**	**51**	**0,9%**
Net banking income	**30.773**	**30.539**	**234**	**0,8%**
Net credit risk losses/reversals	(3.750)	(1.642)	(2.108)	128,4%
Net profit (loss) from financial activities	**27.023**	**28.897**	**(1.874)**	**(6,5)%**
Operating costs	**(18.456)**	**(16.090)**	**(2.366)**	**14,7%**
Net allocations to provisions for risks and charges	116	(557)	673	(120,8)%
Pre-tax profit (loss) for the period from continuing operations	**8.683**	**12.250**	**(3.567)**	**(29,1)%**
Income taxes for the period relating to continuing operations	(2.966)	(3.954)	988	(25,0)%
Profit (loss) for the period	**5.717**	**8.296**	**(2.579)**	**(31,1)%**

Net banking income from the Leasing Area amounts to 30,8 million Euro, essentially in line with the figure at 30 June 2023.

Net credit risk losses amount to 3,8 million Euro, making for growth of 2,1 million Euro compared to the same period of the previous year. The figure for the first half of 2024 is negatively impacted by individually significant write-downs in the rental business of 1,2 million Euro.

Operating costs total 18,5 million Euro, showing an increase of 2,4 million Euro compared with 30 June 2023. Again, the increase is due to the combined effect of higher personnel expenses related to the renewed CCNL as well as the amortisation of new software to support the business.

At 30 June 2024, the Area's total net loans come to 1.571,2 million Euro, essentially in line with 31 December 2023.

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 30.06.2024						
Nominal amount	11.249	14.220	7.441	**32.910**	1.578.953	**1.611.863**
Losses	(10.517)	(9.275)	(2.094)	**(21.886)**	(18.798)	**(40.684)**
Carrying amount	732	4.945	5.347	**11.024**	1.560.155	**1.571.179**
Coverage ratio	*93,5%*	*65,2%*	*28,1%*	***66,5%***	*1,2%*	***2,5%***
POSITION AT 31.12.2023						
Nominal amount	10.597	12.865	7.314	**30.776**	1.559.223	**1.589.999**
Losses	(9.910)	(7.894)	(2.244)	**(20.048)**	(17.748)	**(37.796)**
Carrying amount	688	4.972	5.070	**10.730**	1.541.475	**1.552.205**
Coverage ratio	*93,5%*	*61,4%*	*30,7%*	***65,1%***	*1,1%*	***2,4%***

Total net credit exposures are broadly in line with the December 2023 figure, while net impaired exposures increase by 2,7% compared to December 2023.

The coverage ratio of impaired assets increases by 140 bps, going from 65,1% to 66,5%, mainly due to the worsening of individually significant positions to unlikely to pay status, while the coverage ratio for performing loans increases from 1,1% to 1,2% as a result of the revision of the satellite models carried out in the period February-May 2024.

KPIs	AMOUNTS		CHANGE	
	30.06.2024	**31.12.2023**	**ABSOLUTE**	**%**
Credit cost (1)	0,48%	0,29%	-	0,19%
Net impaired assets/ Net receivables due from customers	0,7%	0,7%	-	0,0%
Gross impaired assets/ Gross receivables due from customers	2,0%	1,9%	-	0,1%
RWA (2)	1.294.785	1.344.965	(50.180)	(3,7)%

(1) This indicator is calculated comparing the "annualised" value of net credit risk losses/reversals at the end of the year 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)	FIRST HALF OF		CHANGE	
	2024	2023	ABSOLUTE	%
Net interest income	**38.763**	**37.022**	**1.741**	**4,7%**
Net commission income	**10.542**	**9.113**	**1.429**	**15,7%**
Other components of net banking income	6.107	11.529	(5.422)	(47,0)%
Net banking income	**55.412**	**57.664**	**(2.252)**	**(3,9)%**
Net credit risk losses/reversals	(6.037)	(16.651)	10.614	(63,7)%
Net profit (loss) from financial activities	**49.375**	**41.013**	**8.362**	**20,4%**
Operating costs	**(19.578)**	**(17.986)**	**(1.592)**	**8,9%**
Net allocations to provisions for risks and charges	4.247	(219)	4.466	n.s.
Pre-tax profit (loss) for the period from continuing operations	**34.044**	**22.808**	**11.236**	**49,3%**
Income taxes for the period relating to continuing operations	(11.625)	(7.450)	(4.175)	56,0%
Profit (loss) for the period	**22.419**	**15.358**	**7.061**	**46,0%**

Net banking income of the Corporate Banking & Lending Area comes to 55,4 million Euro at 30 June 2024, down 2,3 million Euro on 30 June 2023 (-3,9%). The negative change is a result of the combined effect of the following factors:

- growth of 1,7 million Euro in net interest income (+4,7%), thanks to the positive contribution of the Corporate Banking business for 3,9 million Euro, partly offset by the reduction of the Pharmacies division for 2,3 million Euro;
- higher net commissions of 1,4 million Euro (+15,7%), mainly from the Pharmacies division;
- 5,4 million Euro decrease in the contribution of the other components of net banking income mainly due to lower capital gains on disposals.

Net credit risk losses amount to 6,0 million Euro, down 10,6 million Euro compared to the same period of the previous year.

The increase in operating costs of 1,6 million Euro compared to the first half of 2023 is due to the combined effect of higher personnel expenses related to the renewed CCNL as well as higher ICT and interbank network expenses to support customer operations.

The net releases for provisions for risks and charges for the period, amounting to 4,2 million Euro, refer to the settlement of disputes arising from the acquisition of the former Aigis Banca business unit.

At 30 June 2024, the Area's total net receivables due from customers amount to 2.427,3 million Euro, essentially in line with 31 December 2023.

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 30.06.2024						
Nominal amount	22.571	81.121	15.564	**119.256**	2.402.856	**2.522.112**
Losses	(10.284)	(30.430)	(1.723)	**(42.437)**	(52.378)	**(94.815)**
Carrying amount	12.287	50.691	13.841	**76.819**	2.350.478	**2.427.297**
Coverage ratio	*45,6%*	*37,5%*	*11,1%*	***35,6%***	*2,2%*	***3,8%***
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	**73.156**	2.293.304	**2.366.460**
Coverage ratio	*50,4%*	*38,0%*	*11,2%*	***37,5%***	*2,2%*	***3,9%***

The amount of net non-performing exposures at 30 June 2024, 76,8 million Euro, shows an increase of 3,7 million Euro on the value at year-end 2023. The increase is mainly due to past due exposures (up especially in the lending business of secured loans) and non-performing loans.

KPIs	AMOUNTS		CHANGE	
	30.06.2024	31.12.2023	ABSOLUTE	%
Credit cost[(1)]	0,50%	1,18%	-	(0,68)%
Net impaired assets/ Net receivables due from customers	3,2%	3,1%	-	0,1%
Gross impaired assets/ Gross receivables due from customers	4,7%	4,8%	-	(0,1)%
RWA [(2)]	1.804.298	1.731.423	72.875	4,2%

(1) This indicator is calculated comparing the "annualised" value of net credit risk losses/reversals at the end of the year 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 86,0 million Euro and other components of the net interest income from cash flow changes for 67,3 million Euro and the contribution of Revalea for 18,2 million Euro, as reported in the summary table of "Income statement 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	6.104.700	197.506	3,2%	18.219	473.117	
Cost	254.247	8.646	3,4%	-	6.713	Acquisition cost
Non-judicial	11.561.030	465.702	4,0%	41.359	766.757	
of which: Collective (curves)	*11.038.724*	*192.775*	*1,7%*	*(4.189)*	*319.531*	*Cost = NPV of flows from model*
of which: Plans	*522.306*	*272.927*	*52,3%*	*45.548*	*447.226*	*Cost = NPV of flows from model*
Judicial	6.554.755	902.623	13,8%	111.993	1.777.728	
of which: Other positions undergoing judicial processing	*1.274.239*	*141.404*	*11,1%*	-	*292.515*	*Acquisition cost*
of which: Writs, Property Attachments, Garnishment Orders	*2.123.531*	*632.924*	*29,8%*	*99.107*	*1.329.036*	*Cost = NPV of flows from model*
of which: Secured and Corporate	*3.156.985*	*128.295*	*4,1%*	*12.886*	*156.177*	*Cost = NPV of flows from model*
Total	**24.474.732**	**1.574.477**	**6,4%**	**171.571**	**3.024.315**	

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 (8,6 million Euro at 30 June 2024, compared to 14,1 million Euro at 31 December 2023) 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 30 June 2024 come to 192,8 million Euro as compared with 216,7 million Euro at 31 December 2023 (down 11,0%). Practices on which a realignment plan has been agreed and formalised come in at 272,9 million Euro at 30 June 2024 (273,2 million Euro at 31 December 2023);
- 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 141,4 million Euro at 30 June 2024 (175,1 million Euro at 31 December 2023); practices in phases of writ, attachment order and garnishment order are allocated to a specific basin, which records an increase of 4,6%, coming

in at 632,9 million Euro as compared with the 605,2 million Euro recorded in December 2023. The judicial management basin include all "Secured and Corporate" positions of corporate banking origin or real estate, equal to 128,3 million Euro at 30 June 2024, down on the figure at 31 December 2023 (138,0 million Euro).

Finally, the Group seizes market opportunities in accordance with its business model by selling portfolios of positions for which no significant collections are expected.

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	FIRST HALF OF		CHANGE	
	2024	2023	ABSOLUTE	%
Net interest income	**153.618**	**131.952**	**21.666**	**16,4%**
Net commission income	**(416)**	**1.759**	**(2.175)**	**(123,7)%**
Other components of net banking income	7.110	2.821	4.289	152,0%
- of which: Gains (losses) on the disposal of financial assets	*6.312*	*3.235*	*3.077*	*95,2%*
Net banking income	**160.312**	**136.532**	**23.780**	**17,4%**
Net credit risk losses/reversals	124	-	124	n.a.
Net profit (loss) from financial activities	**160.436**	**136.532**	**23.904**	**17,5%**
Operating costs	**(98.408)**	**(91.551)**	**(6.857)**	**7,5%**
Net allocations to provisions for risks and charges	1.757	17	1.740	n.s.
Non-recurring expenses and income	(320)	-	(320)	n.a.
Pre-tax profit (loss) for the period from continuing operations	**63.465**	**44.998**	**18.467**	**41,0%**
Income taxes for the period relating to continuing operations	(21.673)	(14.525)	(7.148)	49,2%
Profit (loss) for the period	**41.792**	**30.473**	**11.319**	**37,1%**

Net interest income, which amounts to 153,6 million Euro (+16,4%), consists of:

- interest income from amortised cost, i.e. the interest accruing at the original effective rate, which increases from 84,7 million Euro to 86,0 million Euro at 30 June 2024, due to an increase in the average value of underlying assets, which have completed the documentary check phase and have left the staging phase;
- interest income on notes and other minority components, which shows a balance of 3,6 million Euro at 30 June 2024, a rise on the 2,0 million Euro recorded in the first half of 2023;
- Revalea's contribution in terms of interest income and changes in cash flow of 18,8 million Euro, of which 18,2 million Euro was for interest on the proprietary portfolio;
- other components of net interest income from change in cash flow, which change from 57,4 million Euro in June 2023 to 67,3 million Euro at 30 June 2024, 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 9,1 million Euro (21,6 million Euro at 30 June 2023), to which the repayment plans contribute 27,4 million Euro (down from the figure of 37,8 million Euro in the first half of 2023), partially offset by the negative effect of curve models of 18,3 million Euro (16,1 million Euro in the same period of the previous year). On the other hand, are legal expenses of 58,2 million Euro (35,8 million Euro at 30 June 2023), following actions for injunction, attachment and garnishment orders.
- interest expense of 22,1 million Euro, up 10,0 million Euro on the balance recorded for the same period of the previous year.

Net commissions represent a cost of 0,4 million Euro at 30 June 2024, compared to revenues of 1,8 million Euro in the same period of the previous year. This change is mainly attributable to the portfolio management fees of the newly acquired Revalea paid to a third-party servicer.

During the first six months of 2024, disposals of Npl portfolios were realised, in line with the Group's policy, from which net gains on disposal amount to 6,3 million Euro, up 3,1 million Euro compared with the first half of 2023.

In view of the above, the Npl Segment's net banking income comes to a total of 160,3 million Euro, up 23,8 million Euro on the same period of the previous year.

The Npl Segment's credit cost does not change significantly between the first half of 2024 and the same period of the previous year. The net releases for the period relate to the change in the provision for impairment losses on securitisation securities with underlying non-performing loans.

Operating costs of 98,4 million Euro at 30 June 2024 are up 6,9 million Euro on the first half of 2023. This increase is due to the combined effect of higher personnel expenses related to both the renewed CCNL and the increase in the workforce in the amount of 3,0 million Euro, as well as higher debt collection costs associated with the newly acquired Revalea.

The item "non-recurring expenses and income" presents a net balance at 30 June 2024 that is negative for 320 thousand Euro and refers to non-recurring operating costs accrued in the first half of 2024 related to the acquisition of Revalea and its integration within the Banca Ifis Group and, specifically, the Npl Segment.

As a consequence of the foregoing, period profit of the Npl Segment is 41,8 million Euro, up 11,3 million Euro on the same period of last year.

Below is the breakdown of net loans by credit quality.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2024	31.12.2023	ABSOLUTE	%
Net bad loans	1.247.642	1.276.812	(29.170)	(2,3)%
Net unlikely to pay	312.336	335.773	(23.437)	(7,0)%
Net non-performing past due exposures	3.876	4.029	(153)	(3,8)%
Total net non-performing exposures to customers (stage 3)	**1.563.854**	**1.616.614**	**(52.760)**	**(3,3)%**
Total net performing exposures (stages 1 and 2)	26.794	29.544	(2.750)	(9,3)%
- of which: proprietary loans acquired	*10.623*	*12.601*	*(1.978)*	*(15,7)%*
- of which: loans disbursed	*14.519*	*13.929*	*590*	*4,2%*
- of which: debt securities	*364*	*1.848*	*(1.484)*	*(80,3)%*
- of which: receivables related to servicer activities on behalf of third parties	*1.288*	*1.166*	*122*	*10,5%*
Total on-balance-sheet receivables due from customers	**1.590.648**	**1.646.158**	**(55.510)**	**(3,4)%**
- of which: owned receivables acquired measured at amortised cost	***1.574.477***	***1.629.215***	***(54.738)***	***(3,4)%***

As regards the Npl Segment loans, 1.574,5 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. Excluded from this classification are new disbursements of performing loans, debt securities measured at amortised cost, and receivables related to servicer activities on behalf of third parties.

KPIs (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2024	31.12.2023	ABSOLUTE	%
Nominal amount of receivables managed	24.474.732	26.147.455	(1.672.723)	(6,4)%
RWA (1)	1.846.111	1.898.366	(52.255)	(2,8)%

(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 billion Euro.

NPL SEGMENT NON-PERFORMING LOAN PORTFOLIO PERFORMANCE	30.06.2024	31.12.2023
Opening loan portfolio	**1.629.215**	**1.505.026**
Purchases (+)	6.060	230.589
- of which from business combination	-	*210.762*
Sales (-)	(19.094)	(21.244)
Gains (losses) on disposals (+/-)	6.310	10.377
Interest income from amortised cost (+)	92.515	170.423
Other components of interest from change in cash flow (+)	79.057	131.081
Collections (-)	(219.586)	(397.038)
Closing loan portfolio	**1.574.477**	**1.629.215**

Total purchases in the first half of 2024 come to 6,1 million Euro, down on the 15,3 million Euro of the first six months of 2023. During the first half of 2024, sales of Npls were completed for a total price of 19,1 million Euro, which generated net profits of 6,3 million Euro.

The item "Collections", equal to 219,6 million Euro at 30 June 2024, includes the instalments collected during the period from re-entry plans, from garnishment orders and transactions carried out, and rises by 12,6% on the collections of 195,0 million Euro made in the first half of 2023.

At 30 June 2024, the portfolio managed by the Npl Segment includes 2.350.298 positions, for a nominal amount of 24,5 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)	FIRST HALF OF		CHANGE	
	2024	2023	ABSOLUTE	%
Net interest income	**12.402**	**27.094**	**(14.692)**	**(54,2)%**
Net commission income	**(1.699)**	**(193)**	**(1.506)**	**779,8%**
Other components of net banking income	27.008	10.195	16.813	164,9%
Net banking income	**37.711**	**37.096**	**615**	**1,7%**
Net credit risk losses/reversals	2.980	3.454	(474)	(13,7)%
Net profit (loss) from financial activities	**40.691**	**40.550**	**141**	**0,3%**
Operating costs	**(19.408)**	**(18.437)**	**(971)**	**5,3%**
Charges related to the banking system	(8.096)	(4.090)	(4.006)	97,9%
Net allocations to provisions for risks and charges	1.533	(166)	1.699	n.s.
Pre-tax profit (loss) for the period from continuing operations	**14.720**	**17.857**	**(3.137)**	**(17,6)%**
Income taxes for the period relating to continuing operations	(5.028)	(5.764)	736	(12,8)%
Profit (loss) for the period	**9.692**	**12.093**	**(2.401)**	**(19,9)%**
(Profit) loss for the period attributable to non-controlling interests	(851)	(970)	119	(12,3)%
Profit (loss) for the period attributable to the Parent company	**8.842**	**11.123**	**(2.281)**	**(20,5)%**

The Segment's net banking income amounts to 37,7 million Euro, essentially in line with the first half of 2023 and is determined in particular by the following dynamics:

- net interest income has decreased by 14,7 million Euro on the first half of 2023. The negative change is due for 4,3 million Euro to the run-off portfolio of the Non-Core division and for the remaining change of 10,4 million Euro to the cost of funding;

- other components of net banking income have increased by 16,8 million Euro, of which 6,0 million Euro was due to the sale of a PFI (Participating Financial Instrument) and 12,6 million Euro to the disposal of bond positions.

In terms of funding, “Rendimax Deposit Account” continues to constitute the Group’s main source of finance, with a comprehensive cost of 60,7 million Euro, higher than the same period of last year (27,3 million Euro) due to the increase in average rates that go from 1,73% at 30 June 2023 to 2,95% at 30 June 2024 following the successful retail funding campaigns run late 2023 and early 2024. Average assets under management also increase, amounting to 4.142 million Euro at 30 June 2024 compared to 3.885 million Euro at 30 June 2023.

At 30 June 2024, the carrying amount of the bonds issued by Banca Ifis amounts to 1.510,1 million Euro, an increase of 363,0 million Euro compared with 30 June 2023, due to two new issues compared to the situation at 30 June 2023 and the simultaneous maturity in June 2024 of the Senior Preferred bond issued in 2020 for a nominal amount of 400 million Euro. The two new issues, carried out as part of the Group’s EMTN issuance programme, are both 5-year Senior Preferred, one issued in September 2023 worth a nominal amount of 300 million Euro, and the other issued in February 2024 with a nominal amount of 400 million Euro (for more details on the latter, please refer to the section “Significant events occurred in the period”). In economic terms, interest expense accrued on all issues rose by 16,5 million Euro compared with the first half of 2023, coming in at a total of 47 million Euro at 30 June 2024.

Funding through securitisation, amounting to 1.598,0 million Euro at 30 June 2024, is up by 143,4 million Euro compared with the figure at 30 June 2023 and consists of:

- securities issued by the SPV ABCP Programme for 873,2 million Euro relating to the senior tranche. It should be noted that at the end of June 2024, the restructuring of this securitisation, involving proprietary factoring receivables, was completed (for more details, please refer to the section “Significant events occurred in the period” below);
- securities issued by the SPV Indigo Lease for 400,3 million Euro relating to the senior tranche;
- securities issued by the SPV Emma for 324,5 million Euro relating to the senior tranche.

Accrued interest expense increase from 28,2 million Euro at 30 June 2023 to 42,4 million Euro at 30 June 2024 due to the effect of the change in the market curves to which they are indexed and to the placement, which took place in July 2023, of the Indigo Lease securitisation notes carried out with the restructuring of the transaction (at 30 June 2023 it was still a self-securitisation fully subscribed by Banca Ifis Group companies).

It should also be noted that access to funding through TLTRO operations, with a nominal amount of 411,5 million Euro (with final maturity September 2024), decreased compared to 30 June 2023 due to the repayment of a nominal 500 million Euro at end 2023, a nominal 750 million Euro in March 2024 and a nominal 375 million Euro in June 2024.

The credit cost worsens by 0,5 million Euro.

Operating costs come to 19,4 million Euro, up 1,0 million Euro on 30 June 2023, related to higher consultancy expenses and higher ICT costs to strengthen the Climate & ESG control. As these costs are not related to specific immediate business topics, they were allocated to the Governance & Services and Non-Core Segment.

The item “Charges related to the banking system” includes the costs incurred during the period for the operation of the banking system’s guarantee funds. At 30 June 2024, the item amounts to 8,1 million Euro and refers to the cost of the annual contribution to the Interbank Deposit Protection Fund (FITD), of which 7,9 million Euro relates to the Parent company Banca Ifis and the remainder to the subsidiary Banca Credifarma. It should be noted that in February 2024, with the introduction of Article 42-bis into the FITD’s Articles of Association, transitional rules were defined to allow for the call of the 2024 contributions by 3 July 2024, effectively bringing forward the calculation and payment of the quotas by the member banks and the consequent recognition in the Income Statement (during previous years, it was usually required during the fourth quarter of each financial year). The comparative balance at 30 June 2023, amounting to 4,1 million Euro, represents the cost of the contribution under the accumulation plan of the Single Resolution Fund (SRF) made in the first half of 2023. As far as the SRF is concerned, nothing was required in terms of contributions at 30 June 2024, the savings plan target having been reached in 2023.

Net allocations to provisions for risks and charges amount to a positive 1,5 million Euro, thanks to a positive outcome for the Group on a dispute in progress. These releases noted were only partially offset by provisions for the period made mainly for contractual guarantees given on transferred positions.

As a result of the above trends, the profit for the period of the Governance & Services and Non-Core Segment amounts to 9,7 million Euro, down from 12,1 million Euro (-2,4 million Euro) at 30 June 2023. Excluding the profit for the period attributable to minority interests, the Segment's contribution to the profit for the period attributable to the Parent company amounts to 8,8 million Euro.

As regards equity figures, at 30 June 2024, total net receivables for the Segment amount to 2.130,3 million Euro, down 3,7% on the figure at 31 December 2023 (2.212,5 million Euro). The decrease of 82,2 million Euro is mainly due to the bond divestments discussed above and the physiological decrease in the run-off portfolio.

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:

- net non-performing loans: 6,4 million Euro at 30 June 2024, down 1,6 million Euro on the figure recorded at 31 December 2023;
- net performing exposures: 11,9 million Euro at 30 June 2024, down 4,9 million Euro on the figure recorded at 31 December 2023.

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 30.06.2024						
Nominal amount	11.155	23.637	8.443	**43.235**	2.109.299	**2.152.534**
Losses	(7.140)	(8.568)	(2.949)	**(18.658)**	(3.576)	**(22.234)**
Carrying amount	4.015	15.069	5.494	**24.577**	2.105.723	**2.130.300**
Coverage ratio	*64,0%*	*36,2%*	*34,9%*	***43,2%***	*0,2%*	***1,0%***
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	**2.212.508**
Coverage ratio	*53,8%*	*36,2%*	*37,6%*	***41,4%***	*0,2%*	***1,0%***

(1) In the Governance & Services and Non-Core Segment, at 30 June 2024, there are government securities amounting to 1.469,0 million Euro (1.628,7 million Euro at 31 December 2023).

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 30 June 2024 is essentially in line with the figure at 31 December 2023 and is mainly related to the Non-Core division portfolio, which records lower coverage due to the presence of POCI receivables.

Net non-performing loans of the Governance & Services and Non-Core Segment are down 4,0% compared to the figure of December 2023, due to the reduction of the non-performing loan portfolio, while performing loans record a decrease of 3,7% mainly due to the effect of the disposals of debt securities carried out during the period under consideration, mainly relating to government securities (these securities went from 1.628,7 million Euro at 31 December 2023 to 1.469,0 million Euro at the end of June 2024).

The coverage of non-performing loans, influenced by the aforementioned POCI loans, is 43,2% at June 2024 (41,4% at 31 December 2023).

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 period.

Official share price	30.06.2024	31.12.2023	31.12.2022	31.12.2021	31.12.2020
Share price at period-end	19,43	15,70	13,31	17,07	9,18

Price/book value

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

Price/book value	30.06.2024	31.12.2023	31.12.2022	31.12.2021	31.12.2020
Share price at period-end	19,43	15,70	13,31	17,07	9,18
Equity attributable to the Parent company per share	32,74	32,01	30,24	29,85	28,50
Price/book value	**0,59**	**0,49**	**0,44**	**0,57**	**0,32**

Outstanding shares	30.06.2024	31.12.2023	31.12.2022	31.12.2021	31.12.2020
Number of shares outstanding at period-end (in thousands) (1)	52.570	52.468	52.433	53.472	53.460

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

Earnings per share (EPS)

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

Earnings per share and diluted earnings per share	30.06.2024	30.06.2023
Net profit for the period attributable to the Parent company (in thousands of Euro)	93.614	91.036
Average number of outstanding shares (1)	52.529.575	52.456.037
Average number of shares outstanding for diluted earnings per share purposes	53.388.645	52.456.037
Earnings per share (EPS)	**1,78**	**1,74**
Diluted earnings per share (EPS)	**1,75**	**1,74**

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

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 individual 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 occurred in the period

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.
Here below is a summary of the most significant events in the period.

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%.

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 Group's Business Plan for the three-year period 2022-2024, which estimates 2,5 billion Euro of new placements.

The Shareholders' Meeting has approved the 2023 Financial Statements and the distribution of a dividend of 0,90 Euro per share for the year

The Shareholders' Meeting of Banca Ifis S.p.A., which met on 18 April 2024 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 an ordinary session:

- the Financial Statements at 31 December 2023;
- the allocation of net profit, taking into account the exercise of the capitalisation option provided for by Article 26, paragraph 5-*bis* of Decree Law No. 104/2023 (converted with amendments by Law No. 136 of 9 October 2023), to the non-distributable reserve in the amount of 23.905.112 Euro (amount equal to two and a half times the tax calculated pursuant to the aforementioned Article 26 of Decree Law No. 104/2023);
- 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. This 2023 dividend balance will be paid with ex-dividend date 20 May 2024, record date of 21 May 2024 and payment date of 22 May 2024;

- 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 2023;
- the proposal by the majority shareholder La Scogliera S.A. to appoint Nicola Borri as a new independent director, to replace the resigning director Sebastien Egon Fürstenberg, who, as honorary chairman, continues to participate in corporate and board life under the terms of the Articles of Association. Prof. Borri will remain in office until the natural expiry of the Board of Directors currently in office, i.e. until the Shareholders' Meeting called to approve the financial statements for FY 2024.

Restructuring of the securitisation "Ifis ABCP Programme" of factoring receivables worth 1,15 billion Euro

On 28 June 2024, Banca Ifis successfully completed the restructuring of the securitisation called "Ifis ABCP Programme", worth 1,15 billion Euro involving proprietary factoring receivables. The securitisation was initially finalised on 13 October 2016 and relates to the assignment, on a revolving basis, of receivables due from private customers arising from the Group's ordinary factoring activities, acquired both with and without recourse and of which the assigned debtor has been notified of the assignment.

The restructuring has led Banca Ifis, which assumed the role of Lead-Arranger and Calculation Agent, to improve the economic conditions of the securitisation and to enlarge the investor base from six to eight institutions. The Bank already involved in the project were joined by Cassa Depositi e Prestiti S.p.A. (CDP), whose commitment aims to provide new finance to SMEs, and Natixis CIB, the latter also assuming the role of co-arranger.

This restructuring transaction did not have any impact on the Banca Ifis Group's economic and equity position at 30 June 2024.

1,1 billion Euro TLTRO lines repaid in the half-year

As far as TLTRO funding is concerned, it should be noted that in the first half of 2024, thanks to the Group's solid liquidity position of 1,7 billion Euro of reserves and free assets that can be financed by the ECB, we continued with the early repayment path with respect to the September 2024 maturity date, of TLTRO III lines for a further nominal amount of 1.125 million Euro (bringing to a nominal value of 1.625 million the amount of TLTRO III lines repaid to date), also completing well in advance all managerial actions to repay by September 2024 the remaining nominal amount of 411,5 million Euro.

It should be noted that, as early as the end of 2023, the Group put in place the managerial actions preparatory to the replacement of this funding component through senior bond issues, the increase of retail funding with a multi-channel strategy and targeted marketing campaigns as well as the restructuring of securitisation transactions on the Group's portfolios. As a result, these actions effectively changed the Group's funding structure, which at 30 June 2024 consists of 60,3% in payables due to customers (49,0% at 30 June 2023), 27,7% in debt securities issued (23,4% at 30 June 2023) and 12,0% in payables due to banks (27,6% at 30 June 2023).

Significant subsequent events

No significant events occurred between the end of the reporting period and the approval of the Consolidated Half-Year Financial Report by the Board of Directors.

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 and the continuing Russia-Ukraine conflict.

At the Banca Ifis Group level, country risk monitoring is carried out on conflict-affected countries. This continuous monitoring has 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.

Furthermore, the Risk Management function, in addition to the risk factors usually considered, continues to deem 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.

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 first half of 2024, inflation continued the downward trend that started in 2023. Consumer spending and excess demand in the labour market, especially in the US, have 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 its meeting on 6 June 2024, the ECB cut interest rates by 0,25%, and is considering the timing of a further possible reduction, with the dual aim of continuing the gradual decline in inflation and preventing an excessive contraction in domestic demand. However, the dynamics of interest rate cuts are set to be slower than estimated at the start of the year.

According to ISTAT estimates, Italian GDP is expected to grow by 1,0% in 2024 and 1,1% in 2025, moderately accelerating from 0,9% in 2023. In 2024, GDP growth would be supported by the contribution of both domestic demand net of inventories and net foreign demand (+0,7% for both), with inventories still contributing negatively (-0,4%). In 2025, the growth of the Italian economy is expected to be driven mainly by domestic demand (+0,9%). Private consumption continues to be supported by a strengthening employment market and rising real wages but held back by an increased propensity to save. These dynamics are expected to lead to moderate growth (+0,4%) in household consumption in 2024 and a subsequent acceleration in 2025 (+1%). Gross fixed capital formation is expected to decelerate over the two-year forecast period (+1,5% and +1,2% in 2024 and 2025, respectively, from +4,7% in 2023), driven by the disappearance of tax incentives for construction, which should be offset by both the effects of the implementation of the measures envisaged in the National Recovery and Resilience Plan (NRRP) and the reduction in interest rates. In the coming months, a gradual return to inflation rates close to the ECB's targets is expected; this will lead to a sharp deceleration of the deflator of resident household expenditure in 2024 (+1,6% from +5,2% in 2023), which will be followed by a moderate increase in 2025 (+2,0%).

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 the first half of 2024, Banca Ifis reported a profit attributable to the Parent company of 94 million Euro, confirming its strong economic, equity and financial profile. Analyses conducted to date 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. Since the start of the year, the Group has also initiated a series of managerial actions to reduce the negative impact of a possible reduction in interest rates. Specifically, the duration of the Group's proprietary securities portfolio was increased from 2,3 years in December 2023, to 2,8 years in March 2024, to 3,1 years in June 2024, while the percentage of new fixed-rate leasing disbursements was almost doubled to about 80% compared to the last half of 2023. 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. The Group continues to carefully monitor market risks that may impact the business.

Other information

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS	
	30.06.2024[1]	31.12.2023[2]
Common Equity Tier 1 (CET1) capital	1.569.618	1.544.497
Tier 1 capital	1.570.547	1.545.424
Total Own Funds	**1.802.564**	**1.812.324**
Total RWAs	**10.245.592**	**10.390.002**
CET1 Ratio	**15,32%**	**14,87%**
Tier 1 Ratio	15,33%	14,87%
Total Capital Ratio	**17,59%**	**17,44%**

(1) CET1, Tier 1 and Total Capital include the profits generated by the Banking Group in the first half of 2024, net of the related accrued dividend.
(2) CET1, Tier 1 and Total Capital include the profits accrued by the Banking Group at 31 December 2023, net of the related dividend, including the portion distributed on an interim basis in compliance with the provisions of Article 2433, paragraph 4 of the Italian Civil Code.

Consolidated own funds, Risk weighted assets and prudential ratios at 30 June 2024 were calculated based on the regulatory changes introduced by Directive No. 2019/878/EU (CRD V) and Regulation (EU) No. 876/2019 (CRR2), which amended the regulatory principles set out in Directive No. 2013/36/EU (CRD IV) and Regulation (EU) No. 575/2013 (CRR), as subsequently amended, which were transposed in the Bank of Italy's Circular No. 285.

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

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 following factors:

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 30 June 2024, taking into account the transitional treatment adopted to mitigate the impacts of IFRS 9 on CET1, Own funds amount to 1.802,6 million Euro, recording a negative change of 9,8 million Euro compared to 31 December 2023. This change is mainly attributable to the following components:

- inclusion of the profit for the period to 30 June 2024 net of the related accrued dividend: the positive change amounts to 46,8 million Euro;
- lesser deduction of investments in intangible assets, determining a positive change of 8 million Euro;
- positive change in other reserves in the amount of 2,8 million Euro;
- the reduction of the transitional filter introduced to mitigate the impact of the FTA of IFRS 9 (Art. 473-*bis* CRR) in the amount of 13,4 million Euro;
- higher deduction from the CET1, deriving from the increase in receivables within the scope of what is termed "Calendar provisioning", for 12,4 million Euro;
- the decrease in reserves mainly due to the change in securities classified at fair value with impact on comprehensive income (FVOCI): the negative change amounts to 6,7 million Euro;
- the reduced eligibility for Tier 2 capital of the subordinated loan with a maturity of less than 5 years, mainly due to the joint effect of the application of the amortisation under Article 64 of the CRR and the deduction of the repurchase obligation authorised by the Bank of Italy, which has entailed a total reduction of 34,9 million Euro.

The negative change in shareholders' equity due to the aforementioned phenomena was mitigated by a reduction in Risk weighted assets (RWA) of 144,4 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	**5.791.237**	***2.692.154***	***1.294.785***	***1.804.298***	**1.846.111**	**1.428.530**	**9.065.878**
RWA for market risk	X	*X*	*X*	*X*	X	X	65.816
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	85.955
Total RWAs	**X**	***X***	***X***	***X***	**X**	**X**	**10.245.592**

At 30 June 2024, taking into account the transitional treatment adopted to mitigate the impact of IFRS 9, Risk weighted assets (RWAs) amount to 10.245,6 million Euro, a decrease of 144,4 million compared to December 2023. Specifically, please note:

- a reduction in credit risk of 183,7 million Euro mainly attributable to the following changes:
  - a reduction of 43,8 million Euro recorded on the corporate portfolio mainly related to a decrease in loans on the Factoring Area;
  - a reduction of 79,3 million Euro related to the exposure class Institutions, mainly due to the decrease in repurchase agreements and securities transactions;
  - a reduction of 117,1 million Euro in the "Exposures in default" portfolio, following a decrease in volumes in the Npl Segment;
  - net changes in the other exposure classes, the effect of which amounts to a total increase of 56,6 million Euro;
- an increase in market risk and Credit Valuation Adjustment (CVA) components, totalling 39,2 million Euro, due to an increase in derivative transactions, respectively.

Following the above-described dynamics, at 30 June 2024, the CET1 ratio stands at 15,32%, up 45 basis points from 31 December 2023, while the Total Capital ratio stands at 17,59%, up 15 basis points compared with 31 December 2023.

At 30 June 2024, not considering the filter related to the IFRS 9 transitional regime, fully loaded Own funds amount to 1.789,9 million Euro and consequently the RWAs, when fully applied, come to 10.245,6 million Euro.

OWN FUNDS AND CAPITAL ADEQUACY RATIOS WITHOUT IFRS 9 TRANSITIONAL ARRANGEMENTS (in thousands of Euro)	AMOUNTS	
	30.06.2024(1)	31.12.2023(2)
Common Equity Tier 1 (CET1) capital	1.556.961	1.518.451
Tier 1 capital	1.557.890	1.519.378
Total Own Funds	**1.789.907**	**1.786.278**
Total RWAs	**10.245.592**	**10.386.270**
CET1 Ratio	**15,20%**	**14,62%**
Tier 1 Ratio	15,21%	14,63%
Total Capital Ratio	**17,47%**	**17,20%**

(1) CET1, Tier 1 and Total Capital include the profits generated by the Banking Group in the first half of 2024, net of the related accrued dividend.
(2) CET1, Tier 1 and Total Capital include the profits accrued by the Banking Group at 31 December 2023, net of the related dividend, including the portion distributed on an interim basis in compliance with the provisions of Article 2433, paragraph 4 of the Italian Civil Code.

By way of comparison with the results achieved, 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 "Significant events occurred in the period"), including 2,5% by way of capital conservation buffer (RCC):

- 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%.

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%

(1) RCC: capital conservation buffer.

At 30 June 2024, the Banca Ifis Group easily met the above-specified requirements.

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

The minimum own funds and eligible liabilities (MREL) requirements communicated by the Bank of Italy to the Parent company Banca Ifis and its subsidiary Banca Credifarma are shown in the table below.

MREL requirement	
Banca Ifis	Banca Credifarma
14,80% (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 2,50% (including only the capital conservation buffer to which the quarterly determined countercyclical buffer is added).

At 30 June 2024, following the monitoring process, both indicators were easily met.

On 27 June 2024, the Bank of Italy notified the Parent company Banca Ifis and its subsidiary Banca Credifarma of the start of the procedure to determine the new requirements, which envisage for Banca Ifis 14,81%[1] of TREA and 4,26% of LRE and for Banca Credifarma 8% of TREA and 3% of LRE.

Group liquidity position and coefficients

During the first half of 2024, the Group continued its strategy of differentiating between distribution channels, in order to ensure a better balance with respect to retail funding. The Group has liquidity at 30 June 2024 (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 1.250% and 100% respectively).

Disclosure regarding sovereign debt

Consob Communication No. DEM/11070007 of 5 August 2011, drawing on ESMA document No. 2011/266 of 28 July 2011, 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 30 June 2024 the carrying amount of sovereign debt exposures is 1.803 million Euro, net of the negative valuation reserve of 21 million Euro.

These securities, with a nominal amount of 1.846 million Euro have a weighted residual average life of 49 months.

[1] The MREL requirement in terms of TREA includes "On Top" the combined capital requirement component of 2,50% (including only the capital conservation buffer to which the quarterly determined countercyclical buffer is added).

The fair values used to measure the exposures to sovereign debt securities at 30 June 2024 are considered to be Level 1.

Pursuant to the Consob Communication, besides the exposure to sovereign debt, it is also necessary to consider receivables disbursed to and due from the Italian National Administration. These exposures at 30 June 2024 amount to 317 million Euro, of which 88 million Euro related to tax credits.

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

The latest version of the Report on Corporate Governance and Shareholding Structure, prepared in accordance with the third paragraph of Art. 123-*bis* of Legislative Decree No. 58 of 24 February 1998 (Consolidated Law on Finance, or "TUF"), is that 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 for the year ended 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 "2024 Report on Remuneration Policy and Remuneration Paid", drafted pursuant to Article 123-ter of the TUF, where the remuneration policy for the Banca Ifis Group is illustrated, which is substantially in line with last year's.

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.

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.

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 Italian branch of La Scogliera, the consolidating company.

Under this tax regime, the taxable profits and tax losses reported by each entity for the first half of 2024 are transferred to the consolidating company La Scogliera.

The receivable from the tax consolidating company La Scogliera, recorded under "Other assets", amounts to 10,2 million Euro, while the related payable, recorded under "Other liabilities" in this Consolidated Half-Year Financial Report, amounts to 17,7 million Euro at 30 June 2024, of which 15,5 million Euro accrued to the subsidiary Ifis Npl Investing. The net debt to the tax consolidating company La Scogliera amounts therefore to 7,5 million Euro.

Transactions on treasury shares

At 31 December 2023, Banca Ifis held 1.343.018 treasury shares recognised at a market value of 21,8 million Euro and a nominal amount of 1.343.018 Euro.

During the first half of 2024, Banca Ifis, as variable pay, awarded the Top Management 101.703 treasury shares at an average price of 12,55 Euro, for a total of 1,2 million Euro and a nominal amount of 101.703 Euro, making profits of 419 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the premium reserve.

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

Considering the above operations, the stock at 30 June 2024 was 1.241.315 treasury shares, with an equivalent value of 21,0 million Euro and a nominal amount of 1.241.315 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 the first half of 2024, no significant transactions with related parties were undertaken outside the scope of the Consolidated Half-Year Financial Report. For more details, see the section "Related-party Transactions" in the Notes to this document.

Atypical or unusual transactions

During the first half of 2024, 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 Bank has its registered office in Venice-Mestre, as well as offices of the Chairmanship in Rome and operational offices in Milan. There are no branch offices.

Human resources

At 30 June 2024, the Banca Ifis Group had 1.979 employees (1.940 at 31 December 2023). Below is a breakdown of the workforce by classification level.

GROUP EMPLOYEES BY CLASSIFICATION LEVEL	30.06.2024		31.12.2023		CHANGES	
	Number	%	Number	%	Number	%
Senior managers	100	5,1%	100	5,2%	-	0,0%
Middle managers	636	32,1%	608	31,3%	28	4,6%
Clerical staff	1.243	62,8%	1.232	63,5%	11	0,9%
Total Group employees	**1.979**	**100,0%**	**1.940**	**100,0%**	**39**	**2,0%**

Research and development activities

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

Venice - Mestre, 2 August 2024

For the Board of Directors

The CEO

Frederik Herman Geertman

Condensed consolidated half-year financial statements

Consolidated Statement of Financial Position

	ASSETS (in thousands of Euro)	30.06.2024	31.12.2023
10.	Cash and cash equivalents	637.310	857.533
20.	Financial assets measured at fair value through profit or loss	261.800	234.878
	a) financial assets held for trading	*16.194*	*12.896*
	c) other financial assets mandatorily measured at fair value	*245.606*	*221.982*
30.	Financial assets measured at fair value through other comprehensive income	536.313	749.176
40.	Financial assets measured at amortised cost	11.154.421	11.259.701
	a) receivables due from banks	*690.501*	*637.567*
	b) receivables due from customers	*10.463.920*	*10.622.134*
70.	Equity investments	24	24
90.	Property, plant and equipment	155.713	143.255
100.	Intangible assets	79.795	76.667
	of which:		
	- goodwill	*38.020*	*38.020*
110.	Tax assets:	246.041	285.435
	a) current	*25.957*	*46.601*
	b) prepaid	*220.084*	*238.834*
130.	Other assets	401.369	444.692
	Total assets	**13.472.786**	**14.051.361**

	LIABILITIES AND EQUITY (in thousands of Euro)	30.06.2024	31.12.2023
10.	Financial liabilities measured at amortised cost	11.226.642	11.820.658
	a) payables due to banks	*1.343.651*	*2.717.139*
	b) payables due to customers	*6.774.913*	*5.814.624*
	c) debt securities issued	*3.108.078*	*3.288.895*
20.	Financial liabilities held for trading	14.539	14.005
40.	Hedging derivatives	3.414	11.644
60.	Tax liabilities:	46.445	57.717
	a) current	*14.996*	*26.025*
	b) deferred	*31.449*	*31.692*
80.	Other liabilities	379.621	387.554
90.	Post-employment benefits	7.677	7.906
100.	Provisions for risks and charges:	58.016	58.178
	a) commitments and guarantees granted	*5.045*	*5.374*
	b) pensions and similar obligations	*232*	*196*
	c) other provisions for risks and charges	*52.739*	*52.608*
120.	Valuation reserves	(36.526)	(39.215)
150.	Reserves	1.546.079	1.505.424
155.	Interim dividends (-)	-	(62.962)
160.	Share premiums	85.353	84.108
170.	Share capital	53.811	53.811
180.	Treasury shares (-)	(20.990)	(21.817)
190.	Equity attributable to non-controlling interests (+/-)	15.091	14.240
200.	Profit (loss) for the period (+/-)	93.614	160.110
	Total liabilities and equity	**13.472.786**	**14.051.361**

Consolidated Income Statement

	ITEMS (in thousands of Euro)	30.06.2024	30.06.2023
10.	Interest receivable and similar income	431.426	359.987
	of which: interest income calculated using the effective interest method	*421.583*	*351.561*
20.	Interest due and similar expenses	(223.108)	(142.696)
30.	**Net interest income**	**208.318**	**217.291**
40.	Commission income	56.678	56.737
50.	Commission expense	(9.769)	(6.440)
60.	**Net commission income**	**46.909**	**50.297**
70.	Dividends and similar income	8.674	8.795
80.	Net profit (loss) from trading	3.401	(3.377)
90.	Net result from hedging	(1.317)	(251)
100.	Profit (loss) from sale or buyback of:	16.662	7.045
	a) financial assets measured at amortised cost	*15.519*	*5.178*
	b) financial assets measured at fair value through other comprehensive income	*1.056*	*836*
	c) financial liabilities	*87*	*1.031*
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	12.822	11.311
	b) other financial assets mandatorily measured at fair value	*12.822*	*11.311*
120.	**Net banking income**	**295.469**	**291.111**
130.	Net credit risk losses/reversals on:	62.938	38.974
	a) financial assets measured at amortised cost	*62.442*	*38.995*
	b) financial assets measured at fair value through other comprehensive income	*496*	*(21)*
150.	**Net profit (loss) from financial activities**	**358.407**	**330.085**
180.	**Net profit (loss) from financial and insurance activities**	**358.407**	**330.085**
190.	Administrative expenses:	(219.216)	(199.694)
	a) personnel expenses	*(86.613)*	*(80.445)*
	b) other administrative expenses	*(132.603)*	*(119.249)*
200.	Net allocations to provisions for risks and charges	(440)	1.557
	a) commitments and guarantees granted	*266*	*2.083*
	b) other net allocations	*(706)*	*(526)*
210.	Net impairment losses/reversals on property, plant and equipment	(5.790)	(4.642)
220.	Net impairment losses/reversals on intangible assets	(5.030)	(3.910)
230.	Other operating income/expenses	15.524	12.466
240.	**Operating costs**	**(214.952)**	**(194.223)**
290.	**Pre-tax profit (loss) for the period from continuing operations**	**143.455**	**135.862**
300.	Income taxes for the period relating to continuing operations	(48.990)	(43.856)
330.	**Profit (loss) for the period**	**94.465**	**92.006**
340.	Profit (loss) for the period attributable to non-controlling interests	(851)	(970)
350.	**Profit (loss) for the period attributable to the Parent Company**	**93.614**	**91.036**

Earnings per share and diluted earnings per share	30.06.2024	30.06.2023
Earnings per share (EPS)	**1,78**	**1,74**
Diluted earnings per share (EPS)	**1,75**	**1,74**

Consolidated Statement of Comprehensive Income

	ITEMS (in thousands of Euro)	30.06.2024	30.06.2023
10.	**Profit (loss) for the period**	**94.465**	**92.006**
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**(2.666)**	**(3.565)**
20.	Equity securities measured at fair value through other comprehensive income	(2.950)	(3.535)
40.	Hedging of equity securities measured at fair value through other comprehensive income	11	-
70.	Defined benefit plans	272	(30)
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	**(3.033)**	**8.444**
120.	Exchange differences	310	2.102
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(3.343)	6.342
200.	**Total other comprehensive income, net of taxes**	**(5.699)**	**4.879**
210.	**Comprehensive income (Item 10 + 200)**	**88.766**	**96.885**
220.	Consolidated comprehensive income attributable to non-controlling interests	(852)	(970)
230.	**Consolidated comprehensive income attributable to the Parent Company**	**87.914**	**95.915**

Statement of Changes in Consolidated Equity at 30 June 2024

(figures in thousands of Euro)	Balance at 31.12.2023	Change in opening balances	Balance at 01.01.2024	Allocation of profit from previous year		Changes in the period										Consolidated equity at 30.06.2024	Group equity at 30.06.2024	Equity attributable to non-controlling interest at 30.06.2024
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions								Comprehensive income for the period			
							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	59.589	X	59.589	-	X	X	-	-	X	X	X	X	X	-	X	**59.589**	**53.811**	**5.778**
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	X	-	X	**-**	**-**	**-**
Share premiums	85.728	X	85.728	-	X	826	419	X	X	X	X	X	X	-	X	**86.973**	**85.353**	**1.620**
Reserves:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) retained earnings	1.496.626	-	1.496.626	51.676	X	(9.370)	-	-	X	-	X	X	X	-	X	**1.538.932**	**1.533.146**	**5.786**
b) other	13.815	-	13.815	-	X	-	-	X	X	-	X	-	155	-	X	**13.970**	**12.933**	**1.037**
Valuation reserves	(39.197)	-	(39.197)	X	X	8.388	X	X	X	X	X	X	X	-	(5.699)	**(36.508)**	**(36.526)**	**18**
Equity instruments	-	X	-	X	X	X	X	X	X	X	-	X	X	-	X	**-**	**-**	**-**
Interim dividends	(62.962)	X	(62.962)	X	62.962	X	X	X	-	X	X	X	X	X	X	**-**	**-**	**-**
Treasury shares	(21.817)	X	(21.817)	X	X	X	827	-	X	X	X	X	X	X	X	**(20.990)**	**(20.990)**	**-**
Profit (loss) for the period	161.916	-	161.916	(51.676)	(110.240)	X	X	X	X	X	X	X	X	X	94.465	**94.465**	**93.614**	**851**
Consolidated equity	**1.693.699**	**-**	**1.693.699**	**-**	**(47.278)**	**(156)**	**1.246**	**-**	**-**	**-**	**-**	**-**	**155**	**-**	**88.766**	**1.736.432**	**X**	**X**
Group equity	**1.679.459**	**-**	**1.679.459**	**-**	**(47.278)**	**(156)**	**1.246**	**-**	**-**	**-**	**-**	**-**	**155**	**-**	**87.914**	**1.721.341**	**1.721.341**	**X**
Equity attributable to non-controlling interests	**14.240**	**-**	**14.240**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**852**	**15.091**	**X**	**15.091**

Statement of Changes in Consolidated Equity at 30 June 2023

(figures 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 in the period										Consolidated equity at 30.06.2023	Group equity at 30.06.2023	Equity attributable to non-controlling interests at 30.06.2023
							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 period			
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	-	X	**59.587**	**53.811**	**5.776**
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	X	-	X	**-**	**-**	**-**
Share premiums	85.387	X	85.387	-	X	341	-	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	(1.945)	-	-	X	-	X	X	X	-	X	**1.498.501**	**1.494.521**	**3.980**
b) other	13.184	-	13.184	-	X	-	-	X	X	-	X	-	541	-	X	**13.725**	**12.688**	**1.037**
Valuation reserves	(59.704)	-	(59.704)	X	X	2.083	X	X	X	X	X	X	X	-	4.879	**(52.742)**	**(52.760)**	**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	-	X	X	X	X	X	X	**-**	**-**	**-**
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 period	141.887	-	141.887	(68.469)	(73.418)	X	X	X	X	X	X	X	X	X	92.006	**92.006**	**91.036**	**970**
Consolidated equity	**1.597.781**	**-**	**1.597.781**	**-**	**(20.985)**	**479**	**-**	**287**	**-**	**-**	**-**	**-**	**541**	**-**	**96.885**	**1.674.988**	**X**	**X**
Group equity	**1.585.349**	**-**	**1.585.349**	**-**	**(20.985)**	**479**	**-**	**287**	**-**	**-**	**-**	**-**	**541**	**-**	**95.915**	**1.661.586**	**1.661.586**	**X**
Equity attributable to non-controlling interests	**12.432**	**-**	**12.432**	-	-	-	-	-	-	-	-	-	-	-	**970**	**13.402**	**X**	**13.402**

Consolidated Cash Flow Statement

CONSOLIDATED CASH FLOW STATEMENT Indirect method (in thousands of Euro)	30.06.2024	30.06.2023
A. OPERATING ACTIVITIES		
1. Operations	**80.753**	**93.716**
- profit (loss) for the period (+/-)	94.465	90.066
- profit/loss on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	(16.223)	(7.934)
- gains/losses on hedging (-/+)	1.317	251
- net credit risk losses/reversals (+/-)	(62.938)	(38.974)
- net impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	10.820	8.552
- net allocations to provisions for risks and charges and other expenses/income (+/-)	4.040	(3.114)
- unpaid taxes, duties and tax credits (+/-)	48.990	43.856
- other adjustments (+/-)	282	1.013
2. Cash flows generated/absorbed by financial assets	**388.653**	**5.163**
- financial assets held for trading	103	(2.168)
- other assets mandatorily measured at fair value	(10.802)	38.657
- financial assets measured at fair value through other comprehensive income	207.659	(69.123)
- financial assets measured at amortised cost	157.966	46.457
- other assets	33.727	(8.660)
3. Cash flows generated/absorbed by financial liabilities	**(619.785)**	**14.937**
- financial liabilities measured at amortised cost	(596.892)	10.138
- financial liabilities held for trading	534	368
- other liabilities	(23.427)	4.431
Net cash flows generated/absorbed by operating activities (+/-)	**(150.379)**	**113.816**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**-**	**-**
- sale of equity investments	-	-
- sale of property, plant and equipment	-	-
2. Cash flows absorbed by	**(22.697)**	**(14.688)**
- purchases of property, plant and equipment	(15.372)	(6.424)
- purchases of intangible assets	(7.325)	(8.264)
- purchases of subsidiaries and business units	-	-
Net cash flows generated/absorbed by investing activities (+/-)	**(22.697)**	**(14.688)**
C. FINANCING ACTIVITIES		
- issues/buyback of treasury shares	-	-
- distribution of dividends and other	(47.146)	(20.834)
- sale/purchase of minority control	-	-
Net cash flows generated/absorbed by financing activities (+/-)	**(47.146)**	**(20.834)**
NET CASH FLOWS GENERATED /ABSORBED DURING THE PERIOD	**(220.223)**	**78.294**
RECONCILIATION		
OPENING CASH AND CASH EQUIVALENTS	**857.533**	**603.134**
TOTAL NET CASH GENERATED/USED DURING THE PERIOD	**(220.223)**	**78.294**
CASH AND CASH EQUIVALENTS: EFFECT OF CHANGES IN EXCHANGE RATES	**-**	**-**
CLOSING CASH AND CASH EQUIVALENTS	**637.310**	**681.428**

Notes

Accounting policies

Statement of compliance with IFRS

The Condensed consolidated half-year financial statements at 30 June 2024 are prepared by applying the IASs/IFRSs issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Union, as established by European Community Regulation No. 1606 of 19 July 2002.

For the interpretation and application of the international accounting standards, reference was made to the following documents, although not endorsed by the European Union:

- Systematic Framework for the Preparation and Presentation of Financial Statements ("Conceptual Framework");
- Implementation Guidance, Basis for Conclusions and any other documents prepared by the IASB or IFRIC to complement the issued accounting standards.

The accounting standards adopted in preparing these Condensed consolidated half-year financial statements are those in force at 30 June 2024 (including SIC and IFRIC interpretations).

For an overview of the accounting standards and related interpretations endorsed by the European Commission, which are expected to be applied in FY 2024 or in future financial years, please refer to the following.

Insofar as applicable, the Bank also considered the communications from Supervisory Authorities (Bank of Italy, ECB, EBA, Consob, and ESMA), which provide recommendations on the disclosure to include in the Financial report concerning some of the most material aspects in terms of accounting or the accounting treatment of specific transactions.

The accounting standards used for the preparation of the Condensed consolidated half-year financial statements are those adopted for the preparation of the Consolidated financial statements at 31 December 2023, to which reference should be made for an explanation of the criteria for the recognition, classification, measurement, derecognition and recording of income and expense items in the financial statements.

With reference to the information provided, it should be noted that the Condensed consolidated half-year financial statements at 30 June 2024 have been prepared in condensed form, in accordance with IAS 34 "Interim Financial Reporting".

The Condensed consolidated half-year financial statements approved by Banca Ifis's Board of Directors on 2 August 2024 are subjected to a limited audit by PricewaterhouseCoopers S.p.A.

Basis of preparation

The Condensed consolidated half-year 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);
- specific Notes.

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

The Condensed consolidated half-year financial statements have been drawn up according to the provisions of art. 154-ter of Italian Legislative Decree no. 58 of 24 February 1998 and in application of the general principles of

IAS 1, also referring 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 Condensed consolidated half-year 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 period and period used for comparison.

The financial statements provide, in addition to the accounting data at 30 June 2024, comparative information relating, for the balance sheet balances, to the last approved Consolidated Financial Statements at 31 December 2023 and, for the balances relating to the Income Statement, Comprehensive Income, Changes in Shareholders' Equity and Statement of Cash Flows, to those of the Consolidated Half-Year Financial Report at 30 June 2023.

It should be noted that in connection with the acquisition of Revalea S.p.A. finalised on 31 October 2023 and its inclusion in the scope of consolidation, the figures for the first half of 2024 and in particular the income statement figures may not be fully comparable with those of the same period 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.

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.

The recognition, measurement and derecognition criteria for assets and liabilities, and the procedures for recognising revenues and costs, adopted in the Condensed consolidated half-year financial statements at 30 June 2024 have remained substantially unchanged from those adopted for the preparation of the 2023 financial statements of the Banca Ifis Group, to which reference is made.

The accounting data used to prepare the Condensed half-year financial statements are those prepared by the subsidiaries with reference to 30 June 2024, 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 Condensed consolidated half-year financial statements are prepared in accordance with the following general principles:

- going concern: the Condensed consolidated half-year financial statements are prepared on a going concern basis, having regard to the Group's business, as detailed below;
- accrual accounting: the Condensed consolidated half-year financial statements are prepared in accordance with accrual accounting principles;
- consistency of presentation: the presentation and classification of items in the Condensed consolidated half-year 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 period;
- 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 Condensed consolidated half-year financial statements accounts. New items may be added to the previously described Condensed consolidated half-year 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 not significant;
  - grouping promotes clarity in the Condensed consolidated half-year financial statements;

- 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 period is provided, unless an accounting standard or interpretation permits or provides otherwise. Figures for the previous period may be adjusted where necessary to ensure comparability of information for the reference period. Any non-comparability, adjustment or impossibility of the latter are reported and commented on in the Notes.

Information on the business as a going concern

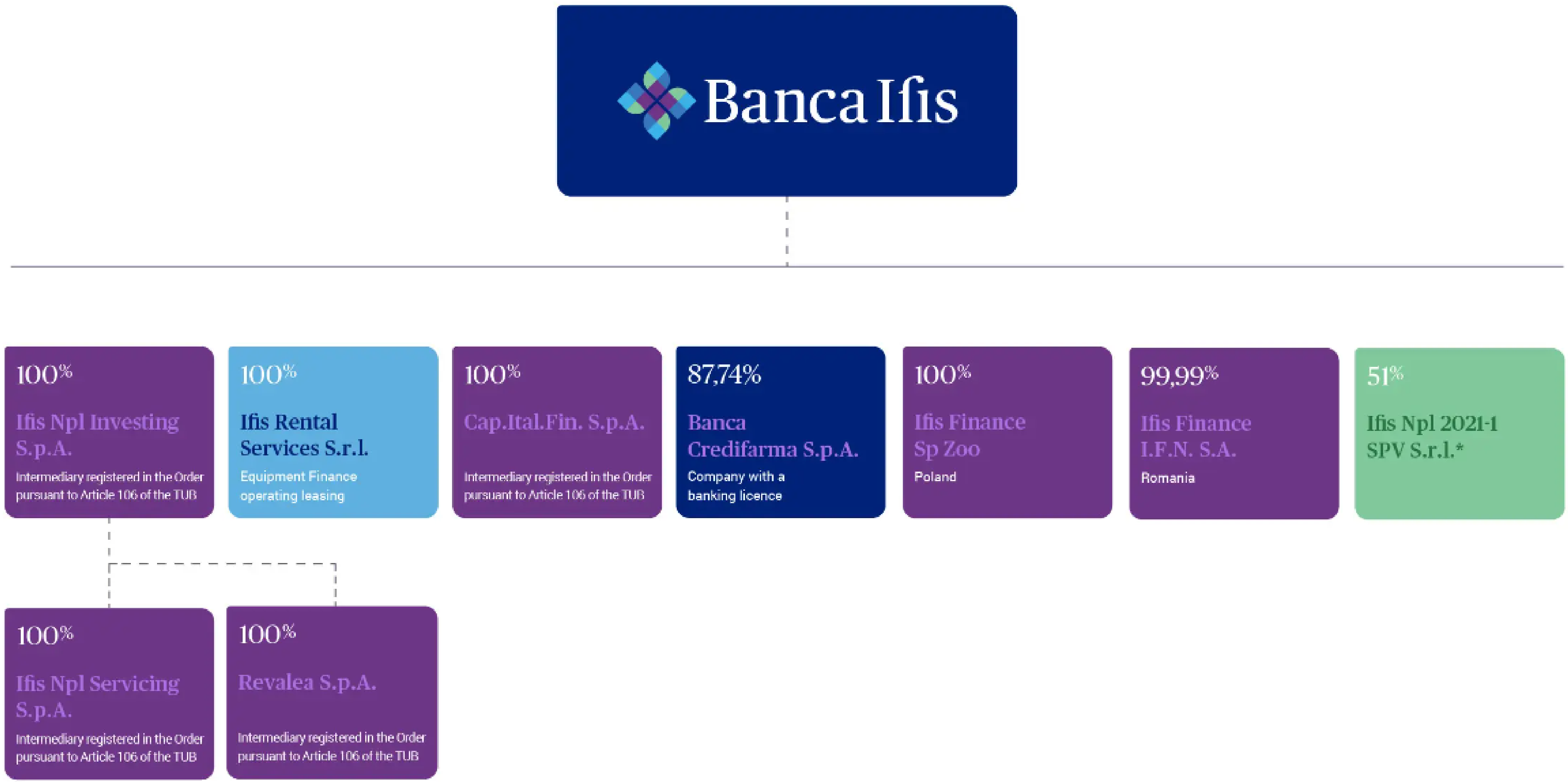
The Bank of Italy, Consob and Isvap, with document No. 2 issued on 6 February 2009 ("Disclosure in financial reports on the going concern assumption, financial risks, asset impairment tests and uncertainties in the use of estimates"), together with the subsequent document No. 4 of 4 March 2010, require 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 have not noted any risks or uncertainties that would cast doubt on the company's ability to continue as a going concern, and therefore the Condensed consolidated half-year financial statements at 30 June 2024 have been prepared on a going concern basis. For more details on the analyses conducted with reference to international tensions, please refer to the specific section of the Group's Interim Report on Operations entitled "Information on international tensions".

Consolidation scope and methods

The Condensed consolidated half-year financial statements of the Banca Ifis Group have been drawn up on the basis of the accounts at 30 June 2024 prepared by the directors of the companies included in the consolidation scope on the basis of homogeneous accounting standards.



● Company with banking licence ● Financial company ● Company not belonging to the Banking Group ● Securitization vehicle

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

Equity investments in exclusively controlled companies

COMPANY NAME	HEAD OFFICE	REGISTERED OFFICE	TYPE (1)	INVESTMENT		VOTING RIGHTS % (2)
				PARTICIPATING PARTICIPANT	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 (Province of Venice)	Mestre (Province of Venice)	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 (Province of Venice)	Mestre (Province of Venice)	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 (Province of Treviso)	Conegliano (Province of Treviso)	1	Banca Ifis S.p.A.	51%	51%
Indigo Lease S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	4	Other	0%	0%
Ifis ABCP Programme S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	4	Other	0%	0%
Emma S.P.V. S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	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 controlled companies, classed as such on the basis of that explained below and included in the scope of consolidation at 30 June 2024, there were no changes compared to the situation at the end of 2023.

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 period-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.

With reference to the subsidiary Revalea S.p.A., acquired on 31 October 2023, it is specified that the allocation of the acquisition cost, equal to 100 million Euro, 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 at 30 June 2024 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.

The Banca Ifis Group, as the acquirer, recognised a difference of 8,5 million Euro at the date of acquisition of control of Revalea, which was attributed to a bargain purchase and recognised in the Consolidated Financial Statements at 31 December 2023 under the item "Other operating income and expenses" in the Income Statement.

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 Condensed consolidated half-year financial statements at 30 June 2024 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.

The profit (loss) for the period and each of the other components of the Statement of Comprehensive Income are attributed to the shareholders of the Parent company and minority interests, even if this implies that the minority interests have a negative 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 Condensed consolidated half-year financial statements, respectively, under the headings: "Equity attributable to non-controlling interests", "Profit (loss) for the period attributable to non-controlling interests", "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 "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 30 June 2024, 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.

Equity investments in exclusively controlled companies with significant minority interests

Minority interests, availability of minority votes and dividends distributed to minorities

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

Equity investments with significant minority 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 period (1)	Other comprehensive income, net of taxes (2)	Comprehensive income (3) = (1) + (2)
Banca Credifarma S.p.A.	707.425	5.166	691.532	988	548.426	123.073	15.737	19.009	(7.824)	10.484	6.938	-	6.938	5	6.943

Subsequent events

No significant events occurred in the period between the reference date of the half-year report (30 June 2024) and the date of its approval by the Board of Directors (2 August 2024) other than those falling under the heading of "non-adjusting events" in accordance with IAS 10, i.e. events that do not entail any adjustment to the balances in the financial statements, as they are the expression of situations arising after the reference date of the half-year report.

For information on such events occurred after the closure of the reference period and up until the date of preparation of the Condensed consolidated half-year financial statements, refer to the section "Significant subsequent events" of the Interim Directors' report on the Group.

Other aspects

Highlights for assessments at 30 June 2024

Environmental and climatic aspects

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, 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.

For specific information on the Group's environmental and climate risk management, projects launched and the effects on the Group's equity and economic position please refer to the section "Management of risks linked to climate change" in the next section "Information on risks and related hedging policies" of the Notes.

Macroeconomic environment

With reference to the macroeconomic context, 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;

- 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 in the course of 2024 started a process of lowering them (with reference to the European context, the ECB decided on a rate cut of 25 basis points at the beginning of June 2024) 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 Interim Directors' Report on the Group: "Information on international tensions" and "Outlook".

With particular regard to the impact on the equity and economic position as at 30 June 2024, please refer to what is illustrated below in the section "Risks and uncertainties related to estimates" of this section "Other aspects".

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 this Consolidated Half-Year Financial Report, 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 this document, 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 30 June 2024. 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;
- estimate of the recoverability of the value of goodwill recorded;
- 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 the Consolidated financial statements at 31 December 2023.

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 Group’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 divisions where cash flows are measured by means of the manager’s analytical forecasts.

Reference should be made to the details given in the Section “Information on risks and related hedging policies” of the Notes within this document.

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 the sub-paragraph "Measurement of expected credit losses" contained in the "Credit risk" paragraph of the section "Information on risks and related hedging policies" of the Notes within this document.

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 Group 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.

Estimate of the recoverability of the value of goodwill

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. At 30 June 2024, goodwill entered under assets amounts to 38,0 million Euro (value unchanged compared with 31 December 2023) and is fully allocated to the Cash Generating Unit (CGU) "Npl Segment".

With reference to the valuation at 30 June 2024 concerning the presence of any trigger events, which would call for impairment testing, the analysis did not reveal any such trigger events.

It is noted that the results of the test conducted on 31 December 2023 had led to the confirmation of the recoverability of the carrying amount recorded in the consolidated financial statements at that date.

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”). 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 30 June 2024 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 30 June 2024, no elements have emerged that could lead to deeming the DTAs in question, amounting to a total of 84,0 million Euro (52,6 million Euro if considered net of the DTLs entered for 31,4 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 220,1 million Euro, the 136,0 million Euro portion attributable to Law 214/2011 (equal to 61,8% 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 40,5 million Euro (or 18,4% of the total DTA) should be fully recovered from 2026 to 2032 (of which approximately 30 million Euro by 2028). The remaining 43,5 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. In view of the uncertainty surrounding the recoverability of DTAs related to the past tax losses of the subsidiary Cap.Ital.Fin. realised mainly prior to joining the tax consolidation programme, it was prudently decided not to recognise them; the unrecognised DTAs totalled 2,6 million Euro.

Deadlines for the approval and publication of the Consolidated Half-Year Financial Report

Pursuant to Article 154-ter of Italian Legislative Decree No. 59/98 (Consolidated Law on Finance), the Company must publish the Consolidated Half-Year Financial Report, including the Condensed consolidated half-year financial statements, the Interim directors’ report on the Group, and the declaration as per article 154-bis, paragraph 5, as soon as possible, and in any case within three months of the end of the first half of the year. Banca Ifis Group’s Consolidated Half-Year Financial Report at 30 June 2024 was submitted to the approval of the Bank’s Board of Directors on 2 August 2024.

Coming into effect of new accounting standards

Standards issued, effective and applicable to these Condensed consolidated half-year financial statements

The Condensed consolidated half-year financial statements at 30 June 2024 have been drawn up in accordance with IAS 34 (Interim financial statements) and in compliance with the recording and measurement criteria of the IASs/IFRSs in force at the reporting date. See the paragraph “Statement of compliance with international 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 first half of 2024 from those that can be adopted in subsequent periods but also reporting the changes made in the first half of the year.

IASs/IFRSs and related SIC/IFRIC interpretations endorsed and to be applied as mandatory for the preparation of the Condensed consolidated half-year financial statements at 30 June 2024

Regulation (EU) No 2579 of 20 November 2023 - Amendments to IFRS 16 "Lease liability in a sale and leaseback"

On 22 September 2022, the IASB issued these amendments in response to a recommendation of the IFRIC, with the aim of clarifying how a seller-lessee should perform the subsequent measurement of liabilities in sale and leaseback transactions that meet the requirements of IFRS 15 for the purpose of accounting as a sale. Sale and leaseback is a transaction whereby a lessee sells an asset and subsequently leases it for a period of time from the new owner. IFRS 16 already included the information for accounting for a sale and leaseback at the date the transaction occurs, but not its subsequent treatment.

In particular, the lessee must determine the liability of such a transaction in such a way that it does not recognise in profit or loss any amounts that relate to the RoU (which it has retained), except for any gain or loss related to the partial or total termination of the contract.

These amendments concern sale and leaseback transactions concluded after the date of first application.

Regulation (EU) No 2822 of 19 December 2023 - Amendments to IAS 1 "Classifying liabilities as current or non-current and non-current liabilities with covenants"

On 23 January 2020, the IASB issued an amendment to IAS 1 "Classifying liabilities as current or non-current" to clarify that the classification of liabilities between current and non-current depends on the rights existing at the end of the reporting period. Its application, initially scheduled for FY 2022, was first postponed to 1 January 2023, with the amendments approved by the IASB on 15 July 2020, and finally postponed to 1 January 2024, with the amendments issued on 31 October 2022 "Non-current liabilities with covenants". This latter amendment provides that only those covenants that an entity is required to meet on or before the reporting date are likely to affect the classification of a liability as current or non-current. It is also required to disclose information in the notes to the financial statements that enables users of the financial statements to understand the risk that non-current liabilities with covenants may become repayable within twelve months.

Regulation (EU) No 1317 of 15 May 2024 - Amendments to IAS 7 and IFRS 7 "Supplier finance arrangements"

On 25 May 2023, the IASB published through this amendment certain disclosure requirements aimed at improving the transparency of financial arrangements with suppliers and their effects on a company's liabilities, cash flows and exposure to liquidity risk.

The lack of transparency on the content of these financing agreements is an obstacle to a proper analysis by a company's investors.

The purpose of the amendments is to supplement the requirements already laid down in the accounting standards by obliging companies to disclose the terms and conditions of agreements, the liabilities that are part of the agreements with separate indication of the amounts for which suppliers have already received payment, payment due dates, and information on liquidity risk.

Standards issued and endorsed but whose application starts after 30 June 2024

At 30 June 2024, there are no standards falling under this paragraph.

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 Condensed consolidated half-year 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.

Amendments to IAS 21: "The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability"

On 15 August 2023, the IAS issued an amendment to IAS 21 with the aim of specifying the situations in which one currency is convertible into another, how to determine the exchange rate to be applied when one currency is not exchangeable for another, and the disclosure to be provided in such cases. The amendments will be applicable on or after 1 January 2025.

IFRS 18 "Presentation and Disclosure in Financial Statements"

On 9 April 2024, the IASB published the new accounting standard IFRS 18 "Presentation and Disclosure in Financial Statements", which replaces IAS 1 "Presentation of Financial Statements".

The new standard introduces three sets of new requirements to improve companies' financial reporting and provide investors with a better basis for analysis and comparison:

- better comparability in the income statement;
- greater transparency of performance measures defined by management;
- more useful grouping of information in the balance sheet.

Since the structure of bank financial statements is governed by Bank of Italy Circular No. 262, there are currently no impacts or information gaps, which, in any case, will have to be incorporated in the aforementioned Circular. The first application of the new standard is scheduled for 1 January 2027.

IFRS 19 "Subsidiaries without Public Accountability: Disclosures"

On 9 May 2024, the IASB published the new accounting standard IFRS 19 "Subsidiaries without Public Accountability: Disclosures" which will be applicable for reporting periods beginning on 1 January 2027.

IFRS 19 was instituted for subsidiaries of a parent company that prepares its financial statements in accordance with IFRS, in order to reduce the cost of preparing IFRS financial statements by allowing reduced disclosure:

- for subsidiaries that use IFRS for SMEs or national accounting standards for their own financial statements, and that are often required to have a dual track for their own financial statements due to the different provisions contained in these standards compared to those in IFRS;
- for subsidiaries that use IFRS accounting standards for their financial statements and are required to provide disclosures that may be disproportionate to the information needs of their users.

This relief is only applicable to subsidiaries that do not have "public liability".

A subsidiary has public liability if:

- its debt or equity instruments are traded on a public market or is in the process of issuing such instruments for trading on a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- one of its main activities is holding assets in a fiduciary capacity for a large group of persons (e.g. banks, credit unions, insurance companies, securities brokers, mutual funds and investment banks).

Entities with the above characteristics may, but are not required to, apply IFRS 19 in their consolidated, separate or individual financial statements.

Amendments to IFRS 9 and IFRS 7 "Classification and Measurement of Financial Instruments"

On 30 May 2024, the IASB issued an amendment to IFRS 9 (and, by extension, IFRS 7), whose first application is scheduled for 1 January 2026, resulting from the responses to the Post Implementation Reviews on certain areas of major concern or doubt triggered by the application of the standard.

In particular, the topics addressed are:

- the classification of financial instruments with contractual cash flow characteristics impacted by ESG clauses. On this topic, the IASB has provided some, non-exhaustive examples of financial instruments that determine whether or not the SPPI test is passed. In greater detail:
  - the presence of a clause providing for the recognition of additional interest in the event that the borrower achieves an ESG objective (e.g. a reduction in carbon emissions), the extent of which is contractually predetermined, falls within the realm of a "basic lending agreement" and thus allows the test to be passed;
  - the existence of a condition whereby the interest rate is adjusted according to a market variable (e.g. the carbon price index) does not compensate the lender for the risks and costs associated with lending the principal amount; therefore, it does not delineate a basic lending arrangement;
- extinguishing liabilities by means of electronic payment systems. The amendment provides that a liability may be settled in cash, using an electronic payment system, prior to the settlement date (by way of derogation from what is currently provided for) and if, and only if, the payment instruction has been ordered by the entity:
  - cannot be withdrawn, interrupted or cancelled;
  - the cash to be used for settlement of the payment instruction is not accessible and
  - the settlement risk associated with the electronic payment system is not significant, i.e. when the completion of the payment instruction follows a standard administrative procedure and the time between requirements (a) and (b) and the delivery of the cash to the counterparty is short. However, settlement risk would not be not significant if completion of the payment instruction is contingent on the entity's ability to deliver cash on the settlement date.

These changes are not expected to have a significant impact on the Group's financial position.

Disclosure of transfers of financial assets between portfolios

No transfers of financial assets between portfolios were made in the first half of 2024.

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.

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.

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 change in interest rates, which occurred during the first half of 2024, affected the fair value of derivatives. However, with reference to the measurement of counterparty risk (Credit Valuation Adjustment and Debit Valuation Adjustment), at 30 June 2024, 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 30 June 2024 of derivatives, for which there is no counterparty risk mitigation (CSA) element, should not be considered significant (78 thousand Euro, a reduction compared with the figure of 153 thousand Euro at 31 December 2023).

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). Fair value is therefore by convention taken as equal to the carrying amount for 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 Group believes that their carrying amount 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 a market interest rate that incorporates its own credit risk component;
- for on-demand liabilities with short-term or indefinite maturity, the carrying amount is considered as a good approximation of fair value.

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 93,1 million Euro at 30 June 2024, the effects of potential changes in the parameters used are deemed not significant.

For equity securities and units of Level 3 UCITSs, respectively equal, at 30 June 2024, to 127,2 million Euro and 86,1 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.

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.

Quantitative information

Fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value Levels

Financial assets/liabilities measured at fair value (in thousands of Euro)	30.06.2024			31.12.2023		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	7.247	14.475	240.078	5.144	12.896	216.838
a) financial assets held for trading	*1.719*	*14.475*	-	-	*12.896*	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	*5.528*	-	*240.078*	*5.144*	-	*216.838*
2. Financial assets measured at fair value through other comprehensive income	459.848	5.679	70.786	673.789	5.373	70.014
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**467.095**	**20.154**	**310.864**	**678.933**	**18.269**	**286.852**
1. Financial liabilities held for trading	-	14.539	-	-	14.005	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	3.414	-	-	11.644	-
Total	**-**	**17.953**	**-**	**-**	**25.649**	**-**

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 30 June 2024, 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 30 June 2024 comprise only trading derivatives, all of which are classified as Level 2, with the exception of one government security and one equity security held for trading and classified as Level 1.

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.

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)	30.06.2024				31.12.2023			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	11.154.421	2.194.114	2.030	8.941.620	11.259.701	2.341.123	-	8.907.986
2. Property, plant and equipment held for investment purpose	407	-	-	407	407	-	-	407
3. Non-current assets and disposal groups					-	-	-	-
Total	**11.154.828**	**2.194.114**	**2.030**	**8.942.027**	**11.260.108**	**2.341.123**	**-**	**8.908.393**
1. Financial liabilities measured at amortised cost	11.226.642	1.406.884	110.456	9.490.547	11.820.658	1.329.813	104.630	10.726.387
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**11.226.642**	**1.406.884**	**110.456**	**9.490.547**	**11.820.658**	**1.329.813**	**104.630**	**10.726.387**

Key
CA = Carrying amount
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.

Financial assets measured at amortised cost include bank and customer debt securities measured at amortised cost with a carrying amount at 30 June 2024 of 2.475,6 million Euro and a fair value of 2.411,7 million Euro (of which 2.194,1 million Euro at Level 1, 2,0 million Euro at Level 2 and 215,5 million Euro at Level 3). This perimeter includes government bonds at amortised cost with a carrying amount at the end of June 2024 of 1.469,0 million Euro, corresponding to a Level 1 fair value of 1.405,5 million Euro.

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 the first half of 2024.

Group financials and income results

Statement of financial positions items

RECLASSIFIED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2024	31.12.2023	ABSOLUTE	%
Cash and cash equivalents	637.310	857.533	(220.223)	(25,7)%
Financial assets mandatorily measured at fair value through profit or loss	245.606	221.982	23.624	10,6%
Financial assets measured at fair value through other comprehensive income	536.313	749.176	(212.863)	(28,4)%
Receivables due from banks measured at amortised cost	690.501	637.567	52.934	8,3%
Receivables due from customers measured at amortised cost	10.463.920	10.622.134	(158.214)	(1,5)%
Property, plant and equipment and intangible assets	235.508	219.922	15.586	7,1%
Tax assets	246.041	285.435	(39.394)	(13,8)%
Other assets	417.587	457.612	(40.025)	(8,7)%
Total assets	**13.472.786**	**14.051.361**	**(578.575)**	**(4,1)%**
Payables due to banks measured at amortised cost	1.343.651	2.717.139	(1.373.488)	(50,5)%
Payables due to customers measured at amortised cost	6.774.913	5.814.624	960.289	16,5%
Debt securities issued measured at amortised cost	3.108.078	3.288.895	(180.817)	(5,5)%
Tax liabilities	46.445	57.717	(11.272)	(19,5)%
Provisions for risks and charges	58.016	58.178	(162)	(0,3)%
Other liabilities	405.251	421.109	(15.858)	(3,8)%
Consolidated equity	1.736.432	1.693.699	42.733	2,5%
Total liabilities and equity	**13.472.786**	**14.051.361**	**(578.575)**	**(4,1)%**

Cash and cash equivalents

Cash and cash equivalents include sight bank accounts and amount to 637,3 million Euro at 30 June 2024. The decrease compared to the figure of 857,5 million Euro at the end of 2023 is related to the decrease in overnight deposits with the Bank of Italy (-145 million Euro) and current accounts on demand with banks for approximately 75 million Euro in connection with the performance of outstanding securitisations.

Financial assets mandatorily measured at fair value through profit or loss

Financial assets mandatorily measured at fair value through profit or loss total 245,6 million Euro at 30 June 2024. 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	
	30.06.2024	31.12.2023	ABSOLUTE	%
Debt securities	93.065	86.919	6.146	7,1%
Equity securities	56.439	51.051	5.388	10,6%
UCITS units	91.636	76.910	14.726	19,1%
Loans	4.466	7.102	(2.636)	(37,1)%
Total	**245.606**	**221.982**	**23.624**	**10,6%**

In detail, the increase of 10,6% compared to 31 December 2023 can be broken down as follows:

- the 6,1 million Euro (+7,1%) increase in debt securities was the result of the 5,6 million Euro net effect of subscriptions and redemptions for the period and 0,5 million Euro net positive fair value changes;
- the 5,4 million Euro increase (+10,6%) in equity securities is mainly due to the fair value changes during the period (+4,8 million Euro) and the subscription of new securities (+0,6 million Euro);
- period increase in the balance of UCITS units (+14,7 million Euro, +19,1%), following the growth recorded in fair value measurements (+1,7 million Euro) and the positive contribution of net new subscriptions of 13,1 million Euro;
- decrease in the book value of loans compared to 31 December 2023 (-37,1%), mainly as a result of the collection upon closure of a singularly significant position in the amount of 2,5 million Euro.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income amount to 536,3 million Euro at 30 June 2024, down 28,4% from December 2023. 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	
	30.06.2024	31.12.2023	ABSOLUTE	%
Debt securities	412.478	634.306	(221.828)	(35,0)%
of which: government securities	*300.843*	*460.187*	*(159.344)*	*(34,6)%*
Equity securities	123.835	114.870	8.965	7,8%
Total	**536.313**	**749.176**	**(212.863)**	**(28,4)%**

Debt securities owned measured at fair value through other comprehensive income decrease by 221,8 million Euro (-35,0%) compared to the balance at 31 December 2023, mainly due to the effect of natural maturities and disposals during the period (322,4 million Euro, of which 246,8 million Euro related to government bonds, mainly due to the reaching of natural maturities), only partially replaced by new subscriptions for the period (+106,9 million Euro, of which 91,1 million Euro related to government bonds) and against a substantially unchanged fair value measurement for the period. The related associated net negative fair value reserve amounts to 22,3 million Euro at 30 June 2024 (of which 21,0 million Euro associated with Government securities).

This item also includes equity securities attributable to non-controlling interests, which amount to 123,8 million Euro at the end of June 2024, up 7,8% compared to 31 December 2023, mainly due to investments made in the first half of 2024 (+30,5 million Euro, of which 17,6 million Euro on foreign equity investments), only partly offset by period disposals (-19,1 million Euro) and by the slight decline in period fair value amounts (-2,5 million Euro). The net fair value reserve associated with this portfolio at 30 June 2024 shows a negative value of 8,9 million Euro, better than the negative figure posted at the end of 2023 of 14,4 million Euro.

Receivables due from banks measured at amortised cost

Total receivables due from banks measured at amortised cost amount to 690,5 million Euro at 30 June 2024, up on the figure booked at 31 December 2023 (637,6 million Euro). The change in this item is attributable to the growth in loans to central banks for reserve requirements (+14,6 million Euro), as well as repurchase agreements (repos) with banks, up by 25,2 million Euro.

In addition to loans to central banks for mandatory reserve and bank repurchase agreements, 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 30 June 2024 have a carrying amount of 582,8 million Euro, substantively stable compared to the figure at December 2023 (+1%, equal to +5,8 million Euro), insofar as the effect of new subscriptions during the half-year of Italian (+148,3 million Euro) and foreign (+13,9 million Euro) bank bonds was substantively offset by that of period bond disposals within the limits envisaged by the Group policy (155,7 million Euro, of which 104,4 million Euro Italian bonds).

Receivables due from customers measured at amortised cost

Total receivables due from customers measured at amortised cost amount to 10.463,9 million Euro, essentially stable (-1,5%) on the 31 December 2023 figure of 10.622,1 million Euro. The item includes debt securities for 1,9 billion Euro (2,0 billion Euro at 31 December 2023, -6,4%), of which government securities for 1,5 billion Euro (1,6 billion Euro at 31 December 2023, -9,8%). In the absence of the debt securities component, receivables due from customers amount to 8.571 million Euro, essentially stable compared to the December 2023 figure (8.600 million Euro).

The main dynamics by operating Segment are shown below:

- The Commercial & Corporate Banking Segment stands at 6.743,0 million Euro compared with 6.763,5 million Euro at December 2023. The trend sees consolidated growth in the Corporate Banking & Lending Area (+60,8 million Euro, +2,6%) and in the Leasing Area (+1,2%) offset by a slowdown in the Factoring Area (-100,3 million Euro, -3,5%) in line with the seasonality of the business;
- receivables due from customers in the Npl Segment decrease compared to 31 December 2023 (-3,4%) to 1.591 million Euro;
- the contribution of the Governance & Services and Non-Core Segment come to 2.130 million Euro, down 3,7% compared to the end-of-2023 figure of 2.212,5 million Euro, mainly as a result of the normal amortisation and divestment during the period of debt securities issued totalling 347,0 million Euro (of which 320,4 million Euro related to government bonds) and the physiological decrease in the run-off portfolios of the Non-Core division (-22,3 million Euro compared to December 2023, -12,1%).

RECEIVABLES DUE FROM CUSTOMERS BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2024	31.12.2023	ABSOLUTE	%
Commercial & Corporate Banking Segment	**6.742.972**	**6.763.468**	**(20.496)**	**(0,3)%**
- of which non-performing	*201.293*	*212.870*	*(11.577)*	*(5,4)%*
Factoring Area	2.744.496	2.844.805	(100.309)	(3,5)%
- of which non-performing	*113.450*	*128.985*	*(15.535)*	*(12,0)%*
Leasing Area	1.571.179	1.552.204	18.975	1,2%
- of which non-performing	*11.024*	*10.729*	*295*	*2,7%*
Corporate Banking & Lending Area	2.427.297	2.366.459	60.838	2,6%
- of which non-performing	*76.819*	*73.155*	*3.664*	*5,0%*
Npl Segment	**1.590.648**	**1.646.158**	**(55.510)**	**(3,4)%**
- of which non-performing	*1.563.854*	*1.616.614*	*(52.760)*	*(3,3)%*
Governance & Services and Non-Core Segment(1)	**2.130.300**	**2.212.509**	**(82.208)**	**(3,7)%**
- of which non-performing	*24.577*	*25.598*	*(1.021)*	*(4,0)%*
Total receivables due from customers	**10.463.920**	**10.622.134**	**(158.214)**	**(1,5)%**
- of which non-performing	*1.789.725*	*1.855.082*	*(65.357)*	*(3,5)%*

(1) In the Governance & Services and Non-Core Segment at 30 June 2024 there are government securities amounting to 1.469,0 million Euro (1.628,7 million Euro at 31 December 2023).

Total net non-performing exposures, which are significantly affected by the receivables of the Npl Segment, amount to 1.789,7 million Euro at 30 June 2024, compared to 1.885,1 million Euro at 31 December 2023 (-3,5%).

Net of this item relative to the Npl Segment, net non-performing loans come to 225,9 million Euro, a reduction on the 238,5 million Euro recorded at 31 December 2023, 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
	30.06.2024	31.12.2023	%
Net Npe ratio	3,05%	3,24%	(0,19)%
Gross Npe ratio	5,36%	5,48%	(0,12)%

The net Npe ratio stands at 3,05%, down 19 bps from December 2023, while the gross Npe ratio is 5,36%, down 12 bps from December 2023. The change is driven by a reduction in net impaired exposures and an increase in performing exposures.

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

Intangible assets and property, plant and equipment

Intangible assets come to 79,8 million Euro, up 4,1% from 76,7 million Euro at 31 December 2023.

This item refers to software and intangible assets generated in-house in the total amount of 41,8 million Euro (up from the balance of 38,6 million Euro at 31 December 2023 as a result of investments made during the period) and 38,0 million Euro in goodwill following the acquisition of the former Fbs Group.

Property, plant and equipment comes to 155,7 million Euro, as compared with the 143,3 million Euro booked at 31 December 2023, up 8,7% mainly as a result of the investments made in the first half of 2024 by the Parent company Banca Ifis, including the purchases of an office building in Milan and Palazzo San Pantalon in Venice, on whose façade the work "The Migrant Child" by the artist Banksy is painted.

At the end of June 2024, the properties recognised under property, plant and equipment included the important historical building "Villa Fürstenberg" ("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 246,0 million Euro, a decrease of 13,8% compared to 31 December 2023, mainly due to the reversals of the portions of deferred tax assets pursuant to Law 214/11 that were prepaid under current legislation.

Specifically, current tax assets amount to 26,0 million Euro, and decrease by 44,3% compared to the figure at 31 December 2023, which was 46,6 million Euro due to the effect of the liquidation of tax relative to the previous year.

Deferred tax assets amount to 220,1 million Euro, down on the figure of 238,8 million Euro at 31 December 2023 and consist mainly of 136,0 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 (144,7 million Euro at 31 December 2023), 40,5 million Euro of assets recognised for prior tax losses and aid for economic growth ("ACE") benefit (41,1 million Euro at 31 December 2023) and 43,5 million Euro (53,1 million Euro at 31 December 2023) in tax misalignments mainly relating to financial assets measured at fair value through other comprehensive income (FVOCI) and provisions for risks and charges. The decrease is mainly attributable to the release of the portion of deferred tax assets that can be converted into tax credits under Law 214/2011.

With reference to the recoverability of deferred tax assets recognised at 30 June 2024, please refer to the section "Risks and uncertainties related to estimates" within the "Accounting policies" section of these Notes.

Tax liabilities amount to 46,4 million Euro (57,7 million Euro at 31 December 2023) and are made up as follows:

- current tax liabilities of 15,0 million Euro (26,0 million Euro at 31 December 2023) representing the tax burden accrued during the period;
- deferred tax liabilities, amounting to 31,5 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 Circular No. 285.

Here below is the breakdown of the different treatments by type and the relevant impact on CET1 and Risk weighted assets (RWAs) at 30 June 2024:

- the "deferred tax assets that rely on future profitability and do not arise from temporary differences" are subject to deduction from CET1; at 30 June 2024, the deduction is 40,5 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 9,3 million Euro by the corresponding deferred tax liabilities. This deduction will be gradually absorbed by the future use of these deferred tax assets;
- the "deferred tax assets that rely on future profitability and arise from temporary differences" are not deducted from CET1 and receive instead a 250% risk weight: at 30 June 2024, these assets amount to 44 million Euro. The amount weighted according to a factor of 250%, as provided for by art. 38 par 5 pursuant to CRR, is shown net of the offsetting with the corresponding deferred tax liabilities for an amount of 22 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 30 June 2024, the corresponding weight totals 136 million Euro;
- "current tax assets" receive a 0% weight as they are exposures to the Central Government.

Other assets and liabilities

Other assets, of 417,6 million Euro as compared to a balance of 457,6 million Euro at 31 December 2023, include:

- financial assets held for trading in the amount of 16,2 million Euro (12,9 million Euro at 31 December 2023), mainly referring to transactions in derivatives (14,5 million Euro up on the figure of 12,9 million Euro at 31 December 2023) hedged by mirror positions recorded under financial liabilities held for trading;

- other assets of 401,4 million Euro (444,7 million Euro at 31 December 2023), which include tax receivables of 178,0 million Euro (of which 162,2 million Euro related to tax credits for superbonus and other building tax bonuses worth a nominal amount of 183,0 million Euro, a reduction compared with the carrying amount of 208,7 million Euro at 31 December 2023), transitory items and effects portfolio for 100,9 million Euro (up 28,4 million Euro compared with December 2023), accrued income and deferred expenses for 66,1 million Euro (+6,2 million Euro compared with December 2023) and receivables from the tax consolidating company La Scogliera connected to the Group's tax consolidation for 10,2 million Euro (-22,0 million Euro compared with December 2023). It should be noted that the balance at 31 December 2023 relating to the receivable from the tax consolidating company La Scogliera was entirely collected during the first half of 2024, and therefore the balance due from the tax consolidating company at 30 June 2024 refers exclusively to advances paid in respect of 2024.

With specific reference to the above-mentioned tax credits for superbonus and other building tax bonuses recognised under "other assets" in the nominal amount of 183,0 million Euro at 30 June 2024, it should be noted that during the first half of 2024 there was an update of the associated regulations. Indeed, with the approval of Law No. 67 of 23 May 2024, published in Official Journal No. 123 of 28 May 2024, a number of important innovations were introduced with regard to building bonus credits.

More specifically, it was stipulated that:

- expenses incurred from 1 January 2024 for Super Eco Bonus interventions are deductible by the beneficiary in 10 annual instalments;
- the residual portions of the 110% Super Eco Bonus Credits that are "traceable" (i.e. have an identification code) and have been purchased at a price of less than 75% of their nominal amount are to be spread over 6 years starting on 1 January 2025;
- from 1 January 2025, it will no longer be possible to offset any Ecobonus credit against INPS and INAIL social security debts.

With reference to the specific position of the Banca Ifis Group in this new regulatory scenario, on the basis of analyses carried out, it is reasonably believed that these new provisions will not have any significant impact either in terms of lengthening the time horizon of netting or in terms of quantitative limitations to netting itself. Indeed:

- the Group stopped purchasing these receivables at the start of FY 2022;
- no building bonus credit included in the Group's portfolio simultaneously fulfils the three conditions for the application of the new 6-year allocation;
- the Group acquired credits to be used in offsetting for a total amount below its tax capacity, both to avoid the risk of incapacity and to leave room for offsetting tax credits arising from other types of concessions (e.g., film industry).

Other liabilities come to 405,3 million Euro as compared with 421,1 million Euro at 31 December 2023, and mainly consist of:

- trading derivatives for 14,5 million Euro, mainly referring to transactions hedged by opposite positions entered amongst financial assets held for trading, and increase by 3,8% compared to the balance at 31 December 2023 of 14,0 million Euro, mirroring the performance of the component in assets;
- hedging derivative liabilities, related to the micro fair value hedging strategy on the interest rate risk associated with government securities held by the Group, which show a negative fair value of 3,4 million Euro at 30 June 2024, down from the balance of 11,6 million Euro at 31 December 2023;
- severance indemnity payable for 7,7 million Euro, essentially in line with the figure of 31 December 2023 (7,9 million Euro).
- other liabilities for 379,6 million Euro, down 2% from 387,6 million Euro at 31 December 2023. This item recorded an increase in certain debt items related to the banking system (FITD) of 8,1 million Euro, offset by a decrease in payables to the tax consolidating company La Scogliera (-13,6 million Euro) and in tax and social security payables of 7,6 million Euro. More specifically, the most significant items making up the balance at 30 June 2024 largely refer to transitional items and payables due to customers that have not yet been credited, to operating payables for 118,9 million Euro and to payables due to La Scogliera for 17,7 million Euro (31,2 million Euro at 31 December 2023). In particular, it should be noted that the debt exposure at 31 December 2023 towards La Scogliera, was entirely paid off during the first half of 2024 and, therefore, the balance towards the tax consolidating company at 30 June 2024 refers exclusively to tax items pertaining to the first half of 2024.

Funding

FUNDING (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2024	31.12.2023	ABSOLUTE	%
Payables due to banks	**1.343.651**	**2.717.139**	**(1.373.488)**	**(50,5)%**
- Payables due to Central banks	510.253	1.577.874	(1.067.621)	(67,7)%
- Repurchase agreements	477.978	715.313	(237.335)	(33,2)%
- Other payables	355.420	423.952	(68.532)	(16,2)%
Payables due to customers	**6.774.913**	**5.814.624**	**960.289**	**16,5%**
- Repurchase agreements	635.780	346.317	289.463	83,6%
- Retail	5.054.332	4.474.892	579.440	12,9%
- Other term deposits	252.547	122.325	130.222	106,5%
- Lease payables	23.710	22.702	1.008	4,4%
- Other payables	808.544	848.388	(39.844)	(4,7)%
Debt securities issued	**3.108.078**	**3.288.895**	**(180.817)**	**(5,5)%**
Total funding	**11.226.642**	**11.820.658**	**(594.016)**	**(5,0)%**

Total funding amounts to 11,2 billion Euro at 30 June 2024 and shows a decrease compared with the figure at 31 December 2023 (-5,0%); it is represented for 60,3% by payables due to customers (49,2% at 31 December 2023), for 27,7% by debt securities issued (27,8% at 31 December 2023), and for 12,0% by payables due to banks (23,0% at 31 December 2023).

Payables due to banks come to 1,3 billion Euro, down 50,5% compared to the end-December 2023 figure, mainly as a result of the repayment of two TLTRO III lines in the first half of 2024 totalling a nominal 1,1 billion Euro (a repayment of a tranche for a nominal 750 million Euro in the first quarter and a partial repayment of a nominal 375 million Euro at the end of June 2024) and a reduction in repurchase agreements payable to banks of 237,3 million Euro. At 30 June 2024, the balance of payables due to banks is mainly represented by the remaining TLTRO transactions for 430,9 million Euro (amount including accrued interest of 19,4 million Euro), characterised by final maturity in September 2024, by deposits payable in foreign currency for 79,4 million Euro following the participation at the end of June by the Parent company Banca Ifis in the ECB's weekly auction relating to refinancing operations in dollars (these deposits matured and were returned on 5 July 2024), and by repurchase agreements for 478,0 million Euro.

Payables due to customers at 30 June 2024 total 6,8 billion Euro, up 16,5% compared to 31 December 2023. The growth is driven by retail funding, which amounts to 5,1 billion Euro at the end of June 2024 (+12,9% compared to 31 December 2023), and repurchase agreements with customers, which amount to 635,8 million Euro (+289,5 million Euro compared to the balance at the end of 2023, or +83,6%).

Debt securities issued amount to 3,1 billion Euro at 30 June 2024, down by 180,8 million Euro (-5,5%) following the half-year dynamics, characterized by the issue in February 2024 of a senior bond worth a nominal amount of 400 million Euro and having a term of 5 years (for more details, please refer to the section "Significant events occurred in the period" of the Interim Directors' report on the Group), which has essentially replaced the Senior Preferred bond worth a nominal 400 million Euro issued in 2020 and which reached maturity on 25 June 2024, and the normal amortisation of the Group's securitisation securities (-255,1 million Euro compared to December 2023). Debt securities issued as at 30 June 2024 consist of:

- securities issued by the SPV ABCP Programme for 873,2 million Euro relating to the senior tranche. It should be noted that at the end of June 2024, the restructuring of this securitisation, involving proprietary factoring receivables, was completed (for more details, please refer to the section "Significant events occurred in the period" of the Interim Directors' report on the Group);
- securities issued by the SPV Indigo Lease for 400,3 million Euro relating to the senior tranche;
- securities issued by the Emma SPV for 324,5 million Euro relating to the senior tranche;
- 386,3 million Euro related to subordinated loans, essentially in line with 31 December 2023;
- bonds issued by Banca Ifis in the amount of 1,1 billion Euro, slightly up on the end-December 2023 figure (+5,7%) for the above-mentioned February 2024 issue of the senior bond of 400 million Euro, which more than offset the half-year collections on other bonds.

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

RETAIL FUNDING (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2024	31.12.2023	ABSOLUTE	%
Short-term funding (within 18 months)	**3.454.031**	**3.256.259**	**197.772**	**6,1%**
of which: Unrestricted	*444.507*	*458.116*	*(13.609)*	*(3,0)%*
of which: Like/One	*273.399*	*355.016*	*(81.617)*	*(23,0)%*
of which: restricted	*2.266.946*	*2.145.288*	*121.658*	*5,7%*
of which: German deposit	*469.179*	*297.839*	*171.340*	*57,5%*
Medium/long-term funding (beyond 18 months)	**1.600.301**	**1.218.633**	**381.668**	**31,3%**
Total retail funding	**5.054.332**	**4.474.892**	**579.440**	**12,9%**

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2024	31.12.2023	ABSOLUTE	%
Provisions for commitments and financial guarantees granted	5.045	5.374	(329)	(6,1)%
Pensions and similar obligations	232	196	36	18,4%
Legal and tax disputes	35.709	43.029	(7.320)	(17,0)%
Personnel expenses	2.119	2.592	(473)	(18,2)%
Other provisions	14.911	6.987	7.924	113,4%
Total provisions for risks and charges	**58.016**	**58.178**	**(162)**	**(0,3)%**

Below is the breakdown of the provision for risks and charges at 30 June 2024 by type of dispute compared with the amounts for the end of the prior year.

Provisions for commitments and financial guarantees granted

Provisions for financial commitments and guarantees issued at 30 June 2024 show a balance of 5,0 million Euro, reflecting the impairment of irrevocable commitments to disburse funds and financial guarantees issued by the Group, basically stable compared with December 2023 (-0,3 million Euro).

Pensions and similar obligations

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 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 30 June 2024, this fund amounts to 232 thousand Euro, an increase of 36 thousand Euro compared to the balance at 31 December 2023.

Legal and tax disputes

At 30 June 2024, provisions are entered for legal and tax disputes for a total of 35,7 million Euro, a reduction on the 43,0 million Euro recorded at 31 December 2023. This amount mainly breaks down as follows:

- 23,1 million Euro for 31 disputes concerning the Factoring Area (the plaintiffs seek 42,3 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 2023, 7 new cases were received with a corresponding provision of 1,9 thousand Euro, while 2 cases were closed with a total provision of 107 thousand Euro;
- 4,7 million Euro (the plaintiffs seek 8,4 million Euro in damages) for 10 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. 7 disputes were closed or are being settled during the period, and the associated provision at 31 December 2023 amounts to 6,2 million Euro;
- 3,3 million Euro (the plaintiffs seek 4,1 million Euro in damages) for 6 disputes concerning the Corporate Banking & Lending Area deriving from the former Interbanca. Compared to 31 December 2023, only one new case has been notified with a corresponding provision at 30 June 2024 of 62 thousand Euro, while one case was closed with an associated provision of 3,2 million Euro;
- 1,2 million Euro (the plaintiffs seek 1,5 million Euro in damages) for 23 disputes concerning the Leasing Area and tax receivables. During the first half of 2024, 3 cases were closed, the associated provision for risks and charges of which amounted to 11 thousand Euro at 31 December 2023, while 11 new disputes were received, the associated provision for risks and charges of which amounted to 56 thousand Euro;
- 1,4 million Euro (the plaintiffs seek 6,7 million Euro in damages) for 45 disputes of Ifis Npl Investing. In the first half of 2024, 20 disputes were closed for a provision of 307 thousand Euro and 8 new cases were received, for which the provision made at 30 June 2024 was 54 thousand Euro;
- 957 thousand Euro relating to various disputes concerning Banca Credifarma (the plaintiffs seek 4,0 million Euro). During the first half of 2024, 3 disputes were closed, for which the associated provision amounts to 64 thousand Euro at 31 December 2023, while no new cases have been received;
- 526 thousand Euro (the plaintiffs seek 868 thousand Euro in damages) for 12 disputes regarding the company Revalea. No new litigations were notified to the company during the period, while 6 cases were closed, the total provision at 31 December 2023 amounted to 203 thousand Euro;
- 487 thousand Euro (the plaintiffs seek 1,1 million Euro) mainly for disputes with customers and agents relating to Cap.Ital.Fin. During the first half of 2024, 18 cases were closed with a provision of 236 thousand Euro at 31 December 2023 and 13 cases were opened with a provision of 30 thousand Euro;

- 30 thousand Euro (the plaintiffs seek the same amount in damages) for disputes concerning the investee Ifis Rental Services.

Personnel expenses

At 30 June 2024, provisions are entered for staff for 2,1 million Euro (2,6 million Euro at 31 December 2023) of which 1,6 million Euro relating to the Solidarity Fund.

Other provisions for risks and charges

At 30 June 2024, there are “Other provisions” of 14,9 million Euro, up from the figure at 31 December 2023 (+7,9 million Euro, +113%), mainly as a result of allocations to cover risks related to outstanding disputes over tax credits for superbonus and other building tax bonuses. The item also consists of 3,7 million Euro for Supplementary Customer Indemnity in connection with the Leasing Area’s operations, 3,0 million Euro for the provision for risks linked to assignments and 0,4 million Euro for the provision for complaints.

Contingent liabilities

The most significant contingent liabilities within the meaning of IAS 37 existing at 30 June 2024, the negative outcome of which is deemed not probable although possible, are detailed below. Such disclosures are not provided with respect to situations where the likelihood of deploying resources capable of producing economic benefits is remote. The amount sought in association with these contingent liabilities totals 469,7 million Euro at 30 June 2024.

During 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 Administration 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.

- for 2013-2014-2015, both the Court of First Instance (Judgement No. 266/2021) and the Court of Taxation of Second Instance (Judgement No. 201/2023) fully upheld the arguments of Banca Ifis, rejecting the Revenue Agency’s objections. The courts have 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”. The Revenue Agency has until 29 September 2024 to file a possible appeal to the Court of Cassation;
- for the years 2016 and 2017, the Court of First Instance fully upheld the Bank’s appeal (Judgement 111/2024 and Judgement 426/2024).

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 was challenged within the time limits provided for by the legislation, and at the same time one third of the taxes was 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.

Consolidated equity

Consolidated equity at 30 June 2024 totals 1.736,4 million Euro, up 2,5% on the 1.693,7 million Euro booked at end 2023. The main changes in consolidated shareholders' equity are summarised in the following tables.

EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2024	31.12.2023	ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	85.353	84.108	1.245	1,5%
Valuation reserves:	(36.526)	(39.215)	2.689	(6,9)%
- Securities	*(31.252)*	*(33.359)*	*2.107*	*(6,3)%*
- Defined benefit plans (e.g. severance indemnity)	*562*	*290*	*272*	*93,8%*
- Exchange differences	*(5.836)*	*(6.146)*	*310*	*(5,0)%*
Reserves	1.546.079	1.505.424	40.655	2,7%
Interim dividends (-)	-	(62.962)	62.962	(100,0)%
Treasury shares (-)	(20.990)	(21.817)	827	(3,8)%
Equity attributable to non-controlling interests	15.091	14.240	851	6,0%
Profit for the period attributable to the Parent company	93.614	160.110	(66.496)	(41,5)%
Consolidated equity	**1.736.432**	**1.693.699**	**42.733**	**2,5%**

With reference to the extraordinary tax on the "extra-profits" of the banks under Italian Law No. 136/2023, it should be noted that the corresponding allocations to reserves proposed by the directors to the relevant shareholders' meetings have been approved by them and amounted to 23.905.112 Euro for Banca Ifis (resolution dated 18 April 2024) and 3.252.404 Euro for Banca Credifarma (resolution dated 10 April 2024). Finally, it should 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 financial statements. In this regard, the directors currently confirm their intention not to proceed with any distribution of the reserves thus constituted.

CONSOLIDATED EQUITY: CHANGES	(in thousands of Euro)
Consolidated equity at 31.12.2023	**1.693.699**
Increases:	**96.460**
Profit for the period attributable to the Parent company	93.614
Sale or assignment of treasury shares	1.246
Change in valuation reserve	593
- Defined benefit plans (e.g. severance indemnity)	*272*
- Exchange differences	*310*
- Hedging of equity securities at fair value through other comprehensive income (net of realisations)	*11*
Stock options	155
Equity attributable to non-controlling interests	852
Decreases:	**53.727**
Dividends distributed	47.278
Change in valuation reserve on securities (net of realisations)	6.293
Other changes	156
Consolidated equity at 30.06.2024	**1.736.432**

Income statements items

In connection with the acquisition of Revalea S.p.A. finalised on 31 October 2023 and its inclusion in the scope of consolidation, the economic figures for the first half of 2024 may not be fully comparable with those of the same period 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.

Formation of net banking income

Net banking income totals 295,5 million Euro, up 1,5% from 291,1 million Euro at 30 June 2023, following the growth in the contribution made by all Segments.

The main components of net banking income and their changes compared to the same period of the previous year are presented below.

NET BANKING INCOME (in thousands of Euro)	FIRST HALF OF		CHANGE	
	2024	2023	ABSOLUTE	%
Net interest income	208.318	217.291	(8.973)	(4,1)%
Net commission income	46.909	50.297	(3.388)	(6,7)%
Other components of net banking income	40.242	23.523	16.719	71,1%
Net banking income	**295.469**	**291.111**	**4.358**	**1,5%**

Net interest income decreases by 4,1%, going from 217,3 million Euro at 30 June 2023 to 208,3 million Euro at 30 June 2024, as the positive contribution made by the Commercial & Corporate Banking Segment and the Npl Segment was partly offset by the reduction in net interest income from the Governance & Services and Non-Core Segment, which suffers both the physiological lesser contribution of a portfolio in run-off and the related PPA (-1,5 million Euro) and the higher cost of funding.

Net commissions amount to 46,9 million Euro, a decrease of 3,4 million Euro compared to the figure at 30 June 2023, as the positive contribution of the Lending Area's Pharmacies unit (+0,8 million Euro) was more than offset by the commissions paid by the newly acquired company Revalea to a third-party servicer, amounting to 2,4 million Euro. In particular:

- commission income, totalling 56,7 million Euro, in line with 30 June 2023, 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 usually charged to customers for services;
- Commission expense is 9,8 million Euro, up 3,3 million Euro compared with the figure of the corresponding period of 2023, in connection with the fees incurred by Revalea, 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 40,2 million Euro at 30 June 2024, up by 16,7 million Euro compared with the first half of 2023. Below are details of the components:

- net gains from the sale/repurchase of financial assets and liabilities of 16,7 million Euro (+9,7 million Euro compared to net gains of 7,0 million Euro at 30 June 2023), mainly comprising 10,3 million Euro related to securities transactions in the proprietary portfolio mainly for the disposals of bonds (vs 2,8 million Euro recorded in the first half of 2023), of which 7,7 million Euro related to bank debt securities, and by 6,3 million Euro arising from the disposals of loans in the Npl Segment (3,2 million Euro at 30 June 2023);

- net positive result of other financial assets and liabilities measured at fair value through profit or loss for 12,8 million Euro (up 1,5 million Euro compared with the figure at 30 June 2023), primarily represented by the net positive change in the H1 2024 fair value of equity securities for 10,7 million Euro (which includes the capital gain on the sale for 6,0 million Euro of participating financial instruments obtained from a restructuring operation of the debt of a position in the Non-Core division) and UCITS fund units for 1,7 million Euro;
- dividends generated by shares in the Group's own portfolio in the amount of 8,7 million Euro (-0,1 million Euro compared to the figure for the first six months of 2023);
- positive net result from trading activities of 3,4 million Euro as an increase of 6,8 million Euro compared to the negative net result of 3,4 million Euro in the first six months of 2023, mainly due to the positive contribution of trading derivatives (+5,2 million Euro compared to the balance at June 2023);
- negative net result from hedging activities of 1,3 million Euro, a deterioration from the negative figure of 0,3 million Euro at 30 June 2023, which, however, is not a readily comparable figure as hedging activities had only been in place since June 2023.

Formation of net profit (loss) from financial activities

The Group's net profit from financial activities totals 358,4 million Euro, compared to 330,1 million Euro at 30 June 2023 (+8,6%).

FORMATION OF NET PROFIT FROM FINANCIAL ACTIVITIES (in thousands of Euro)	FIRST HALF OF		CHANGE	
	2024	2023	ABSOLUTE	%
Net banking income	295.469	291.111	4.358	1,5%
Net credit risk losses/reversals on:	62.938	38.974	23.964	61,5%
a) financial assets measured at amortised cost	*62.442*	*38.995*	*23.447*	*60,1%*
b) financial assets measured at fair value through other comprehensive income	*496*	*(21)*	*517*	*n.a.*
Net profit (loss) from financial activities	**358.407**	**330.085**	**28.322**	**8,6%**

Net credit risk write-backs total 62,9 million Euro at 30 June 2024, improving by 24,0 million Euro on the 39,0 million Euro at 30 June 2023. This item includes the impact of the changes in estimated cash flows from the Npl Segment's receivables, which, pursuant to IFRS 9, are included within POCI ("Purchased or originated credit-impaired") loans. These valuation effects related to the Npl Segment amount to net write-backs of 79,1 million Euro at 30 June 2024, compared to net write-backs of 57,4 million Euro at 30 June 2023, and related to the change in expected cash flows as a function of realised collections compared to forecasts.

Further details of the different trends connected with the reclassified cost of loans are given in the section "Contribution of operating Segments to Group results" of the Interim Directors' Report on the Group.

Formation of net profit for the period

Formation of net profit for the period is summarised in the table below:

FORMATION OF NET PROFIT (in thousands of Euro)	FIRST HALF OF		CHANGE	
	2024	2023	ABSOLUTE	%
Net profit (loss) from financial activities	**358.407**	**330.085**	**28.322**	**8,6%**
Operating costs	**(214.952)**	**(194.223)**	**(20.729)**	**10,7%**
Pre-tax profit from continuing operations	**143.455**	**135.862**	**7.593**	**5,6%**
Income taxes for the period relating to continuing operations	(48.990)	(43.856)	(5.134)	11,7%
Profit (loss) for the period	**94.465**	**92.006**	**2.459**	**2,7%**
Profit (loss) for the period attributable to non-controlling interests	(851)	(970)	119	(12,3)%
Profit (loss) for the period attributable to the Parent company	**93.614**	**91.036**	**2.578**	**2,8%**

Operating costs total 215,0 million Euro, showing an increase on 30 June 2023 (+10,7%).

OPERATING COSTS (in thousands of Euro)	FIRST HALF OF		CHANGE	
	2024	2023	ABSOLUTE	%
Administrative expenses:	219.216	199.694	19.522	9,8%
a) personnel expenses	*86.613*	*80.445*	*6.168*	*7,7%*
b) other administrative expenses	*132.603*	*119.249*	*13.354*	*11,2%*
Net allocations to provisions for risks and charges	440	(1.557)	1.997	(128,3)%
Net impairment losses/reversals on property, plant and equipment and intangible assets	10.820	8.552	2.268	26,5%
Other operating income/expenses	(15.524)	(12.466)	(3.058)	24,5%
Operating costs	**214.952**	**194.223**	**20.729**	**10,7%**

Personnel expenses, amounting to 86,6 million Euro, record an increase of 7,7%, which can be attributed on the one hand to the growth in the number of resources in force at the reference date (the number of Group employees at 30 June 2024 was 1.979, up 3,8% compared to 1.906 resources at 30 June 2023) and on the other hand to the effects of the renewed national collective bargaining agreement (+3,0 million Euro).

Other administrative expenses at 30 June 2024 are 132,6 million Euro, showing an increase on 30 June 2023. This change is mainly related to the contribution of Revalea in the amount of 9,1 million Euro (contribution not present for the comparative figure of June 2023 as the company was acquired during the fourth quarter of 2023) and higher costs for 4,0 million Euro for charges related to the banking system following the change in the first half of 2024 of the logics underlying the calculation and payment of the related units.

The performance of this item is detailed in the table below.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	FIRST HALF OF		CHANGE	
	2024	2023	ABSOLUTE	%
Expenses for professional services	**67.365**	**55.906**	**11.459**	**20,5%**
Legal and consulting fees	40.543	43.593	(3.050)	(7,0)%
Fees to auditing firms	574	439	135	30,7%
Outsourced services	26.248	11.874	14.374	121,1%
Direct and indirect taxes	**18.563**	**22.077**	**(3.514)**	**(15,9)%**
Expenses for purchasing goods and other services	**46.355**	**41.266**	**5.089**	**12,3%**
Software assistance and hire	10.848	10.142	706	7,0%
FITD and Single Resolution Fund	8.096	4.090	4.006	97,9%
Advertising and inserts	7.303	5.857	1.446	24,7%
Customer information	5.255	5.326	(71)	(1,3)%
Property expenses	3.997	3.440	557	16,2%
Business travel and transfers	1.929	1.514	415	27,4%
Postage and archiving of documents	1.895	1.962	(67)	(3,4)%
Telephone and data transmission expenses	1.861	1.770	91	5,1%
Car fleet management and maintenance	1.838	1.657	181	10,9%
Securitisation costs	832	1.879	(1.047)	(55,7)%
Other sundry expenses	2.501	3.629	(1.128)	(31,1)%
Non-recurring administrative expenses	**320**	**-**	**320**	**n.a.**
Total other administrative expenses	**132.603**	**119.249**	**13.354**	**11,2%**

The sub-item "Expenses for professional services" is 67,4 million Euro at 30 June 2024, up by 11,5 million Euro compared with the figure at 30 June 2023 (+20,5%) and mainly consists of:

- "Legal and consulting fees", which come to 40,5 million Euro during the first half of 2024, down 7,0% on the figure recorded for the same period of last year;
- costs for "Outsourced services", which amount to 26,2 million Euro at 30 June 2024, record an increase of 14,4 million Euro on the figure recorded for the same period of the previous year. The change is attributable on the one hand to the entry of the newly acquired company Revalea into the Group's perimeter (+7,1 million Euro), and on the other hand to the higher cost of the recovery activity of Ifis Npl Investing (+7,4 million Euro), which in the first half of 2023 had benefited from the settlement of the effects of the change in the commission system.

"Direct and indirect taxes" come to 18,6 million Euro, a reduction on the figure at 30 June 2023, which was 22,1 million Euro (-15,9%). The item mainly consists of the registration tax incurred for the judicial recovery of receivables belonging to non-performing loans for an amount of 11,7 million Euro at 30 June 2024, down 3,6 million Euro compared with the figure for the same period of last year, and also includes costs for stamp duty for 6,2 million Euro (in line with the 30 June 2023 figure), the recharging of which to customers is included in the item "Other operating income".

The sub-item "Expenses for purchasing goods and other services" amounts to 46,4 million Euro, up 12,3% from the 41,3 million Euro at 30 June 2023. The top factors that mainly influence the result are:

- costs for "Software assistance and hire", which increase by 7,0% compared to the first six months of 2023, almost entirely attributable to higher support services for the Group's software;
- the cost of the annual contribution to the Interbank Deposit Protection Fund (FITD) amounting to 8,1 million Euro, of which 7,9 million Euro related to the Parent company Banca Ifis and the remainder pertaining to the subsidiary Banca Credifarma. It should be noted that in February 2024, with the introduction of Article 42-bis into the FITD's Articles of Association, transitional rules were defined to allow for the call of the 2024 contributions by 3 July 2024, effectively bringing forward the calculation and payment of the quotas by the member banks and the consequent recognition in the Income Statement (during previous years, it was usually required during the fourth quarter of each financial year). The comparative balance at 30 June 2023, amounting to 4,1 million Euro, represents the cost of the contribution under the accumulation plan of the Single Resolution Fund (SRF) made in the first half of 2023. As far as the SRF is concerned, nothing was required in terms of contributions at 30 June 2024, the savings plan target having been reached in 2023;
- expenses for "Advertising and inserts", which increase from 5,9 million Euro to 7,3 million Euro at June 2024, due to increased sponsorships in the first half of 2024 by the Group.

The item "Non-recurring administrative expenses" amount to 320 thousand Euro at 30 June 2024 and included administrative costs directly or indirectly related to the acquisition of Revalea and its integration within the Npl Segment (balance nil at 30 June 2023, as the acquisition of Revalea had not yet been realised at that date).

Net allocations to provisions for risks and charges at 30 June 2024 amount to 0,4 million Euro, while the balance at 30 June 2023 recorded net reversals of 1,6 million Euro. The performance in the first half of 2024 was characterised by:

- net reversals on commitments and guarantees given in the amount of 0,3 million Euro;
- net accruals to other provisions for risks and charges of 0,7 million Euro, mainly comprising:
  - net allocations to provisions recorded on the Parent company Banca Ifis for 2,5 million Euro, mainly consisting of a provision of 6,6 million Euro to cover potential risks related to existing disputes on tax credits for superbonus and other building tax bonuses (recognised in the balance sheet item "Other assets") as well as provisions for payments under guarantee in the amount of 1,2 million Euro and 1,5 million Euro for guarantees for indemnities related to a transaction involving the sale of an equity investment, the negative effects of which were partially offset by releases on individually significant positions in the amount of 7,2 million Euro;
  - net releases recorded on companies in the Npl Segment totalling 1,8 million Euro related to various disputes.

Net adjustments of property, plant and equipment and intangible assets at 30 June 2024 amount to 5,8 million Euro and 5,0 million Euro, respectively, essentially in line with the figures for the same period of the previous year.

Other net operating income, amounting to 15,5 million Euro at 30 June 2024, records growth of 3,1 million Euro (+24,5%) on the figure for the equivalent period last year. 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.

As a result of the dynamics outlined above, operating costs in June 2024 amount to 215,0 million Euro, up from the balance of 194,2 million Euro in June 2023.

Pre-tax profit from continuing operations amounts to 143,5 million Euro, up 5,6% compared to 30 June 2023.

Income tax at 30 June 2024 comes to 49,0 million Euro and the tax rate is 34,15%, up from the figure of 32,28% in the same period of the previous year due to the repeal of the aid for economic growth ("ACE") benefit as of FY 2024.

The net profit attributable to the Parent company amounts to 93,6 million Euro, up 2,8% on the same period of 2023.

Information on Risks and Risk Management 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 in the Pillar 3 provisions, the Banca Ifis Group published, along with the 2023 Consolidated Financial Statements, information on its capital adequacy, its exposure to risks, and the general characteristics of the systems it has put in place to identify, measure and manage these risks. The document was published on the website www.bancaifis.it in the Investor Relations & Corporate Development section and remains valid at the date of approval of this Consolidated Half-Year Financial Report at 30 June 2024.

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 Group 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 was approved by the Banca Ifis Board of Directors on 7 March 2024, jointly with the 2023 consolidated financial statements, and 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 of the Notes to the 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 the Bank of Italy's expectations on climate and environmental risks (i.e. Expectations VI), the Parent company Banca Ifis carried out an initial Climate Stress test exercise in the first half of 2024, which was attached to the ICAAP Report. The study of the effects of climate and environmental risks on credit risk was conducted by analysing the possible impact of severe climate change on the Income Statement through the deterioration of credit quality and risk parameters.

The choice of climate scenario was guided by the characteristics of the Banca Ifis Group's portfolio, which is poorly securitised and mainly made up of short-term products such as factoring. Given the low materiality of securitised exposures, scenarios capturing physical risks, such as flooding, were not deemed suitable for the Group's specificities. The "Short-term disorderly" scenario, shared by the ECB in the context of the 2022 climate stress test, was chosen because it is the latest short-term climate scenario readily available on the market. This scenario assesses the short-term vulnerabilities of banks to a sharp and sudden increase in the price of issues resulting from a disorderly transition. It captures transition risk by anticipating long-term effects in a severe but plausible tail event. Unlike the 30-year long-term scenarios, the short-term scenario does not fully reflect the benefits of the transition and the related economic recovery. In terms of severity, however, it is not as bad as a typical EU-Wide stress test scenario, as a disorderly transition is different from a severe economic crisis. Compared to the baseline scenario, Italy's economic growth is projected to decrease by around 3,7% at a cumulative 2-year level (compared to 9,6% in the adverse scenario of the EU-Wide stress test 2023). Energy variables such as the price of oil per barrel (projected to rise by 66 Dollar and 124 Dollar in the first and second projection years compared to the baseline scenario) are the most stressed as they reflect the rising cost of emissions, the main assumption of the "Short-term disorderly" climate scenario. Compared to more recent climate scenarios, which are not considered since they are long-term (with projections through to 2050) such as the "Delayed transition" published by NGFS (step 4), the "Short-term disorderly" scenario considered for the Climate Stress exercise is more severe in terms of energy price shocks (i.e. oil price per barrel).

In order to align the scenario with current economic conditions, the macroeconomic projections were defined by applying the shocks (i.e. deviations from the baseline scenario) of the "Short-term disorderly" scenario of the 2022 Climate Risk Stress Test to the latest baseline scenario projections. This approach ensures consistency and comparability of results with the latest scenarios underlying the management budget rather than the capital adequacy assessment exercise.

The projections of the main macroeconomic variables of the considered climate scenario are presented below.

FINANCIAL INDICATORS FINANCIAL YEAR END (%)	Climate Scenario - Short-term disorderly		
	2024	2025	2026
Italian real GDP growth y/y	(2,2)%	(0,2)%	0,8%
Italian unemployment	8,2%	8,3%	7,5%
Euribor 3M	4,0%	3,6%	3,1%
10-year BTP yield	4,8%	5,1%	5,7%
Brent barrel oil price growth y/y	76,6%	40,5%	25,7%
Italian inflation	2,9%	2,8%	2,9%

The result of the application of the "Short term disorderly" climate scenario on the Banca Ifis Group's risk parameters (PD and LGD) is a marginal impact in terms of ECL increase.

Risks of accounting consolidation

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.

Credit quality

Distribution 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	1.274.075	414.680	100.970	213.262	9.151.434	11.154.421
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	412.478	412.478
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	4.440	-	-	93.091	97.531
5. Financial assets under disposal	-	-	-	-	-	-
Total 30.06.2024	**1.274.075**	**419.120**	**100.970**	**213.262**	**9.657.003**	**11.664.430**
Total 31.12.2023	**1.303.993**	**448.587**	**109.533**	**230.248**	**9.895.667**	**11.988.028**

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.

Distribution 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	Gross exposure	Overall impairment losses/reversals	Net exposure	
1. Financial assets measured at amortised cost	1.977.124	187.399	1.789.725	9.477.101	112.405	9.364.696	11.154.421
2. Financial assets measured at fair value through other comprehensive income	-	-	-	413.145	667	412.478	412.478
3. Financial assets designated at fair value	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	4.440	-	4.440	X	X	93.091	97.531
5. Financial assets under disposal	-	-	-	-	-	-	-
Total 30.06.2024	**1.981.564**	**187.399**	**1.794.165**	**9.890.246**	**113.072**	**9.870.265**	**11.664.430**
Total 31.12.2023	**2.042.622**	**180.510**	**1.862.112**	**10.153.262**	**114.337**	**10.125.916**	**11.988.028**

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.

Disclosure on structured entities (other than securitisation vehicles)

There are no unconsolidated structured companies at 30 June 2024 other than the securitisation company falling within the Banca Ifis Group's scope.

Risks of prudential consolidation

Credit risk

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 division 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 this document, 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 unit 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 division 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 business 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 subsidiary 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).

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 causes of default are the failure of the borrower's autonomous capacity to service and repay the debt (due to lack of liquidity, insolvency, etc.), as well as the occurrence of circumstances affecting the borrower's economic/financial condition, such as "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.

Organisational aspects

The principles and guidelines that the Banca Ifis Group follows with regard to the granting of credit are expressed in the "Group Credit Policy" applied and disseminated, to the extent of their competence, to all the organisational units of the Bank and Group companies involved in the processes of taking out and managing 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 function 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 (CCO):

- Commercial & Corporate Banking Underwriting dedicated, both with reference to the initial granting of credit and renewal and review activities, to assessing the creditworthiness of the counterparties as well as the risk inherent in the transactions and approving credit facilities in compliance with the powers assigned to it by the Board of Directors and formalised in the Group’s System of Delegated Authorities for the assumption of credit risk;
- Commercial Banking, dedicated to the promotion of financing services to domestic and foreign companies and to the care of the correct relationship with the counterparties developed directly or indirectly, as well as the debtors (domestic or foreign) acquired as part of the operations carried out;
- Corporate & Investment Banking, dedicated to Structured Finance transactions or investments in performing non-financial companies and intermediaries;
- Pharmacies, directly manages existing portfolio relationships with domestic pharmacy counterparties in close cooperation with the organisational units of the subsidiary Banca Credifarma;
- Insurance, dedicated to the insurance products offered to its customers;
- Leasing 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 division;
- 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;
- 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.

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 and the first half of 2024, 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”.

As regards the pre-garnishment order model, the first half of 2024 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 business.

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. In particular:
    - 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.

Measurement of expected credit losses

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

In particular, with regard to the models developed internally, the risk parameter estimates (PD and LGD) were updated both with regard to the Through the Cycle (hereinafter also TTC) component, by lengthening the time series, and with regard to the Point in Time (hereinafter also PIT) and Forward Looking (hereinafter also FL) components. With reference to the PD parameter, a model change was introduced in the way PIT and FL elements are included, whereby the first 3 annual nodes of the TTC PD curve are calibrated to Anchor Points calculated on the basis of an appropriate mix of historical and prospective information. Another change introduced concerns the macroeconomic scenarios underlying the forward-looking conditioning; at the end of the first half of the year, the scenarios were updated, the details of which are given later in this section, in order to allow the valuation of credits to be as compliant as possible with the accounting standard. The development and maintenance activities of the IFRS 9 impairment framework had no significant impact either in absolute terms or in terms of the level of portfolio coverage.

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

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

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

The most significant aspects that characterise this approach, concern:

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

In this context, the Group has adopted a method 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;
- "EBA Backstop": the criterion transfers to Stage 2 positions with PDs at the "reporting date" that are 200% higher than ("threefold") at the "origination date" or with PDs at the "reporting date" that are 20% higher.

According to IFRS 9, an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the 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.

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

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

Concerning the PD of 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.

LGD is estimated on historical proprietary evidence with the exception of a few residual transactions (due to the lack of sufficient objective historical data given the recent business or given the particular type of counterparty - i.e. banks, central governments and territorial entities) for which an industry LGD was used. The cash flows used in estimating LGD are discounted at the Effective Interest Rate (EIR).

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

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

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

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

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.

Measurement of expected losses (ECL)

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

The current macroeconomic environment incorporates both cautious optimism about the continuation of the recovery, with signs of lower inflation and an expectation of monetary policy easing, and the repercussions of the uncertain geopolitical environment, with possible repercussions on global trade and commodity and energy prices. The Group adopts two scenarios to reflect the uncertainty of the macroeconomic environment:

- Baseline scenario: this is the main reference scenario that envisages resilient global economic activity growing faster than in previous crises, with Italy also performing well. Inflation gradually declined, aided by falling energy prices and the gradual depletion of the translation effect. Interest rates are therefore expected to fall. However, a change of tax policy stance in a restrictive direction is also expected in order to tackle the public debt that has grown in times of crisis;
- Adverse scenario: this is the severe but plausible scenario according to which the global geopolitical situation is expected to worsen due to conflicts and election outcomes with potential consequences on transport, energy and commodity prices, curbing global trade and investment decisions and driving up 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. Italy is also expected to undergo a particularly strict interpretation of the Stability and Growth Pact.

FINANCIAL INDICATORS FINANCIAL YEAR END (%)	Base case			Adverse scenario		
	2024	2025	2026	2024	2025	2026
Italian real GDP growth y/y	0,7%	0,9%	0,7%	0,1%	0,4%	0,5%
Italian unemployment	7,1%	7,2%	7,0%	7,3%	7,7%	8,1%
Euribor 3M	3,7%	2,7%	2,6%	3,8%	3,0%	2,9%
10-year BTP yield	3,8%	4,0%	4,4%	3,9%	4,7%	5,0%
Brent barrel oil price growth y/y	0,8%	1,8%	0,5%	15,4%	1,8%	0,5%
Italian inflation	1,8%	2,1%	2,0%	3,0%	2,3%	2,1%

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

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" and "adverse") with respect to the multi-scenario approach followed for the purpose of preparing this document.

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 ECL from model of approximately +0,7%, while the 100% "baseline" weighting would lead to an impact of approximately -0,5% (in a wide range of up to 0,4 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, 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, at 30 June 2024, the total amount of the described prudential adjustments (management overlay) was 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. At 30 June 2024, an additional 12,8 million Euro of prudential adjustments are 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).

During the first half of 2024, a study was conducted on the effects of climate and environmental risks on credit risk, analysing the possible impacts that acute climate events captured in the “Short-term disorderly” scenario (described in the sub-section “Managing climate change-related risks” within the paragraph “Organisation of risk governance”) could cause on risk parameters (PD and LGD) and consequently on the ECL of the performing portfolio. With reference to the overall scenario of the first half of 2024 (weighted 60% as “baseline” and 40% as “adverse”), the application of the “Short term disorderly” climate scenario on the Banca Ifis Group’s risk parameters (PD and LGD) would have a marginal impact in terms of ECL increase. Given the low materiality, it is not deemed necessary to include climatic factors in the risk parameters, nor to allocate additional ECL through the application of a specific overlay.

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

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 Group’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 Group 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 Group 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 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 Group considers specific criteria when weighing the different categories of risks and guarantees. Specifically, when measuring collateral, it applies prudential "spreads" differentiated by type of guarantee.

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

Non-performing loans (Npls)

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 Npls, presented to the Bank of Italy in March 2024:

- “Gross Npe ratio”, consisting of the ratio of “gross non-performing exposures” to “total receivables due from customers”;
- “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 30 June 2024, excluding the positions stemming from the acquisition and management of non-performing exposures of third party originators managed by the subsidiaries Ifis Npl Investing, 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 2024. Regardless of the current outlook, the pursuit of the objective of a general limitation in the stock of non-performing loans remains and is expected to take place through a differentiated strategy in relation to the specificity of the individual portfolios concerned (taking into account the type of counterparty and the specificity of the individual products). In general, the action that will be taken is essentially based on the following goals, which it has been pursuing for some time now:

- containment of the default rate in order to reduce the inflow of non-performing positions by extending and strengthening the monitoring of lending aimed at anticipating, and possibly preventing, deterioration of positions;
- improvement of the “performing” rates of return through a more significant use of forbearance measures in relation to counterparties that show signs of financial difficulty;
- leveraging the expertise within the Banca Ifis Group at the reference date of the document 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.

Write off

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.

Purchased or originated credit impaired (POCI) financial assets

Organisational aspects

For organisational aspects relating to impaired financial assets acquired or originated, please refer to the specific paragraph above in the subsection "Organisational aspects" of this section "Prudential consolidation risks".

Quantitative information

The outstanding nominal amount of Ifis Npl Investing S.p.A.'s proprietary portfolio is 18.370 million Euro. At the time of purchase, the nominal amount of these receivables was approximately 19.764 million Euro, and they were acquired for 1.130 million Euro, i.e. an average price equal to 5,72% of the historical nominal amount. In the first half of 2024, a nominal amount of 212 million Euro in receivables were acquired for 6 million Euro, i.e. an average price equal to 2,8%. The POCI outstanding portfolio has a weighted average ageing of 64.4 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 30 June 2024 is 6.106 million Euro.

As regards the individual phases of processing of Npl receivables, as described in paragraph "Organisational aspects" above in relation to credit risk, the carrying amount at 30 June 2024 of the positions in out-of-court management comes to 458 million Euro, whilst the carrying amount of the positions under legal management[2] comes to 918 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. During the first six months of 2024, 6 significant sales of portfolios were made to leading players operating in Npl purchases. Overall, receivables were sold with an amount of 1,477 million Euro, for an overall consideration of 19 million Euro.

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,

[2] Legal management including garnishment actions with third parties, corporate positions, MIPOs and bankruptcy procedure.

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 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.

At 30 June 2024, the impact on the Banca Ifis Group of trade renegotiations or concessions constituting “modification without derecognition” under IFRS 9 is essentially nil.

Prudential consolidation - 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
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	
A. On-balance-sheet credit exposures											
a) Bad loans	1.367.586	X	-	116.473	1.251.113	93.514	X	-	93.514	-	1.274.072
b) Unlikely to pay	501.548	X	-	175.443	321.665	82.685	X	-	82.685	-	418.863
c) Non-performing past due exposures	107.611	X	-	103.324	4.287	6.882	X	-	6.882	-	100.729
d) Performing past due exposures	227.342	53.163	163.088	X	11.091	17.626	270	17.354	X	-	209.716
e) Other performing exposures	8.835.354	8.241.528	485.214	X	14.991	92.994	67.123	25.871	X	-	8.742.360
Total (A)	**11.039.441**	**8.294.691**	**648.302**	**395.240**	**1.603.147**	**293.701**	**67.393**	**43.225**	**183.081**	**-**	**10.745.740**
B. Off-balance-sheet credit exposures											
a) Non-performing	29.303	X	-	29.303	-	2.081	X	-	2.081	-	27.222
b) Performing	2.152.731	1.226.575	210.479	X	-	2.964	2.370	594	X	-	2.149.767
Total (B)	**2.182.034**	**1.226.575**	**210.479**	**29.303**	**-**	**5.045**	**2.370**	**594**	**2.081**	**-**	**2.176.989**
Total (A+B)	**13.221.475**	**9.521.266**	**858.781**	**424.543**	**1.603.147**	**298.746**	**69.763**	**43.819**	**185.162**	**-**	**12.922.729**

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).

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 30 June 2024 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.

At the end of June 2024, this securitisation was restructured to a value of 1,2 billion Euro. This restructuring has led Banca Ifis, which assumed the role of Lead-Arranger and Calculation Agent, to improve the economic conditions of the securitisation and to enlarge the investor base from six to eight institutions. The banks already involved in the project were joined by Cassa Depositi e Prestiti S.p.A. (CDP), whose commitment aims to provide new finance to SMEs, and Natixis CIB, the latter also assuming the role of co-arranger. Overall, the restructuring involved maintaining the current structural features, net of the extension of the revolving period for a period of 24 months, the extension of the final maturity date of the securities and a revision of the economic conditions applied. The securities of the securitisation are today listed on the ExtraMOT PRO segment of Borsa Italiana. This restructuring transaction did not have any impact on the Banca Ifis Group's economic and equity position at 30 June 2024.

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 the section on "Scope and methods of consolidation" of the paragraph on "Accounting policies" of these Notes).

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 30 June 2024 was 321,5 million Euro, 53,0 million Euro and 83,5 million Euro, respectively.

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

Indigo lease 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

At 30 June 2024, the Banca Ifis Group holds a portfolio of securities issued by securitisation vehicles for a total of 313,3 million Euro, of which 220,3 million Euro measured at amortised cost and 93,1 million Euro measured at fair value with impact on the income statement. Such data includes:

- multi-originator securitisations in which the Group assumed, together with other banks, also the role of originator. The Group subscribed for securities with a carrying amount at 30 June 2024 of 39,3 million Euro (at 31 December 2023, the carrying amount was 44,1 million Euro). For more details, please refer to the paragraph "Financial assets sold and derecognised in full" below, within the subsection "Disposal transactions" of this section on "Prudential consolidation risks".
- single-tranche securities characterised by a carrying amount at 30 June 2024 of 53,1 million Euro;
- securities with underlying non-financial assets with a carrying amount at 30 June 2024 of 33,0 million Euro.

Disposals

Financial assets sold and not fully derecognised

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.

For securitisation transactions, described in the section "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.

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.

Financial assets sold and fully derecognised

At 30 June 2024, 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 the first half of 2024 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.

Below is information 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.

The following table provides details of the funds held, showing the fund management company and the carrying amount at 30 June 2024.

Fund name	Carrying amount at 30.06.2024 (in thousands of Euro)	Asset management company
Illimity Credit & Corporate Turnaround Fund	5.944	Illimity SGR
City Regeneration Fund	6.858	Redo SGR
IDeA Corporate Credit Recovery I - Loans sub-fund	5.597	Dea Capital Alternative Funds SGR
IDeA Corporate Credit Recovery II - Loans sub-fund	2.788	Dea Capital Alternative Funds SGR
IDeA Corporate Credit Recovery II - Shipping sub-fund	2.598	Dea Capital Alternative Funds SGR
BCC NPLs 2020	33.909	BCC NPLs 2020 S.r.l
BCC NPLs 2021	5.381	BCC NPLs 2021 S.r.l

Transactions completed during the first half of 2024

"Illimity Credit & Corporate Turnaround Fund"

A closed-end Italian alternative investment fund reserved for professional investors set up in 2021 with the objective of making investments in unlikely-to-pay corporate credits, equity and semi-equity instruments, with a focus on Italian SMEs in temporary economic-financial imbalance but with solid prospects for recovery.

In April 2024, Banca Ifis subscribed for shares for a total value of 7,4 million Euro, an amount coinciding with the transfer price of a receivable from a single debtor, a leader in the development and distribution of window lifters and handles for passenger cars and industrial vehicles.

At 30 June 2024, Banca Ifis's share is 3,33% of the total value of the fund's subscriptions and its carrying amount is 5,9 million Euro.

Transactions concluded in previous years

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 30 June 2024, Banca Ifis's share is 1,9% of the total value of the Fund's subscriptions and its carrying amount is 6,9 million Euro.

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 business. Banca Ifis's share of the Fund is 13,66% of the sub-fund. No distributions were made from the sub-fund during 2023 and the first half of 2024. 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 30 June 2024 is 5,6 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 30 June 2024.

Over the years, distributions have been made in favour of shareholders. The carrying amount at 30 June 2024 is 2,8 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 30 June 2024 is 2,6 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 (referred to as "GACS") pursuant to L.D. No. 18 of 14 February 2016.

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

- 520 million Euro of senior securities (of which a nominal 55,1 million 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 Banca Ifis Group is 245 thousand Euro and 143 thousand Euro, respectively.

In the context of this transaction, the Group benefited from the accounting and prudential derecognition of the transferred assets. The carrying amount at 30 June 2024 is 33,7 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 (referred to as "GACS") pursuant to L.D. No. 18 of 14 February 2016.

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

- 284 million Euro of senior securities (of which a nominal 7,8 million 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 Banca Ifis Group is 131 thousand Euro and 43 thousand Euro, respectively.

In the context of this transaction, the Group benefited from the accounting and prudential derecognition of the transferred assets. The carrying amount at 30 June 2024 is 5,4 million Euro for senior units while the mezzanine units and junior units are of irrelevant value.

Covered bond transactions

The Banca Ifis Group did not engage in any covered bond transactions.

Prudential consolidation - models for measuring credit risk

The Banca Ifis Group does not have internal portfolio models on credit risk (VaR methodology).

Market risks

Interest rate risk and price risk – supervisory trading book

General aspects

In the first half of 2024, the investment strategy continued, as regulated in the "Banca Ifis Proprietary Portfolio Management Policy" and in the "Policy for Managing Securitisation & Structured Solutions investment operations" 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, 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 Group assumes a position opposite to the one sold to corporate clients with independent market counterparties.

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 managerial), 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.

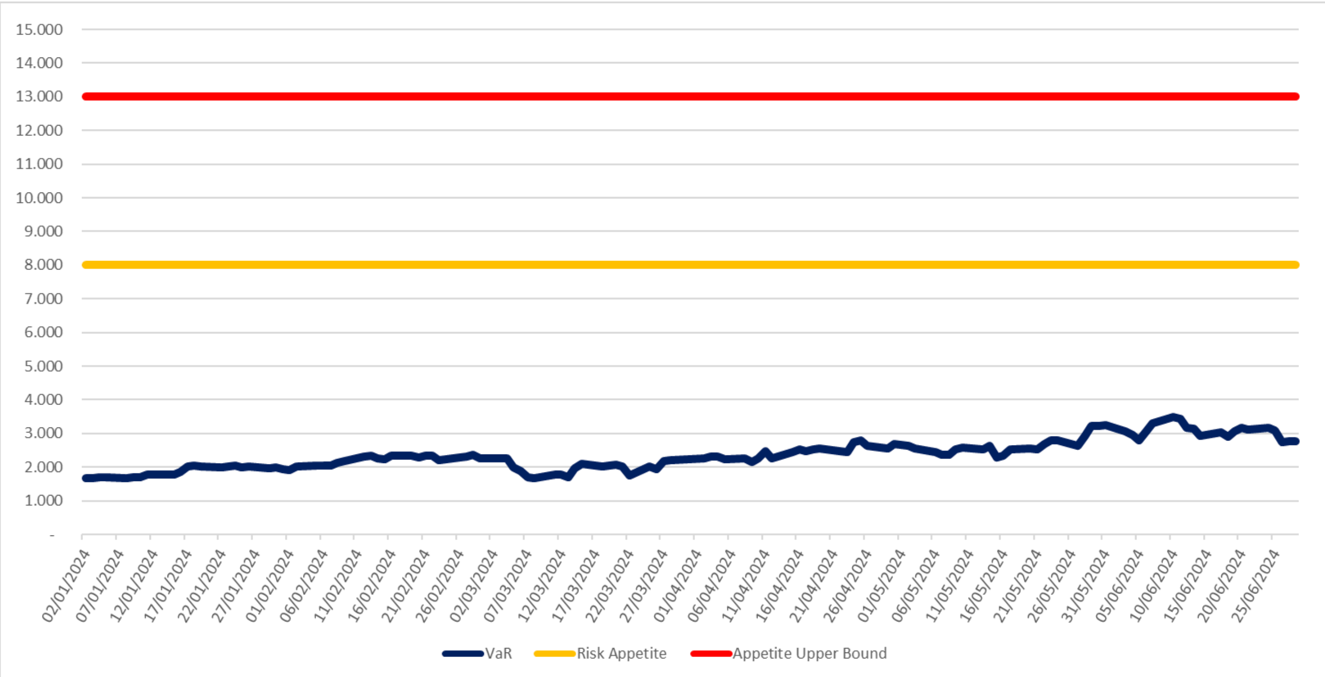
Specifically, the VaR is measured using a confidence interval of 99% and a holding period of 1 day; it expresses the "threshold" of daily losses that, on the basis of probabilistic hypotheses may only be surpassed in 1% of cases. The approach used to calculate the VaR is historical simulation. With this 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 the first half of 2024, VaR utilisation was well below the assigned limit at all times, partly as a result of the low volatility experienced by the various asset classes, as can be seen in the chart below. The figure at the end of June 2024 stands at 2,8 million Euro, against a risk appetite level of approximately 8 million Euro.



Interest rate risk and price risk – banking book

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) at a variable rate.

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 30 June 2024, 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 3,1 years and 3,9 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	2.507	(2.507)	1,71
1.1 Debt securities	802	(802)	2,47
1.2 Loans to banks	3	(3)	0,05
1.3 Loans to customers	1.701	(1.701)	1,60
2. On-balance-sheet liabilities	(1.356)	1.356	1,15
2.1 Payables due to customers and securities issued	(1.309)	1.309	1,26
2.2 Payables due to banks	(47)	47	0,33
3.1 Hedging derivatives - variable leg	8	(8)	0,22
3.2 Hedging derivatives - fixed leg	(171)	171	4,41
Total	**988**	**(988)**	**0,53**

From a managerial viewpoint, the above assets are specifically monitored as regulated in the documents “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 period, of a change of 1 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 -1 bps	Sensitivity +1 bps
Debt securities	(78)	78
Loans to banks	(38)	38
Loans to customers	(486)	486
Payables due to customers and securities issued	348	(348)
Payables due to banks	101	(101)
Hedging derivatives	(29)	29
Total	**(183)**	**183**

It should be noted that, as required by regulations, the values proposed in the above tables represent sensitivity analyses referring to a 12-month time horizon.

Currency risk

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 Group'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 Group'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 the Banca Ifis 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 Group 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 Group 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 701 thousand Euro at 30 June 2024.

The Risk Management function is committed to monitoring the set limits, aimed at verifying that the Group's exchange rate risk remains low. At 30 June 2024, the total net position amounts to about 3 million Euro (or about 0,2% of own funds), with a maximum single-currency exposure of 2 million Euro.

Currency risk hedging

Considering the size of this investment and the foregoing on the management method, the Group did not deem it necessary to hedge the ensuing currency risk.

Derivative instruments and hedging policies

Derivative instruments held for trading

Financial derivatives

Please see the paragraph above on “Market risks”.

Credit derivatives

The Banca Ifis Group does not hold credit derivatives.

Hedges

Fair value hedging

The Banca Ifis Group’s hedges are designed to reduce the Group’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 Condensed consolidated half-year 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.

Cash flow hedging

At 30 June 2024, the Banca Ifis Group does not engage in cash flow hedges.

Foreign investment hedges

At 30 June 2024, the Banca Ifis Group does not engage in net investment hedging in a foreign entity.

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:

- the determination of the effect on the income statement or on comprehensive income (in the case of fair value hedges on equity securities measured at fair value through comprehensive income);
- 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.

Items hedged

The main types of items hedged are, at the reference date of this document, 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.

Liquidity risk

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 30 June 2024, financial sources mainly consisted of equity, online funding (Rendimax product), consisting of on-demand and time deposits, medium/long-term bonds issued as part of the EMTN programme, medium/long-term securitisation transactions, as well as funding from corporate customers. Funding in the form of repurchase agreements (REPO), entered into with leading banks, continued to be a significant source of funding in the first half of 2024. Finally, with regard to the Eurosystem's funding (TLTRO), which is due to mature naturally in the course of 2024, the early repayment phase already started at the end of 2023 continues. During the first half of 2024, in fact, a total of 1,1 billion Euro was repaid in advance, bringing the amount still outstanding (which amounted to 1,6 billion Euro at 31 December 2023) down to 0,4 billion Euro at 30 June 2024.

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 division 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 Group'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 period compared with the previous year.

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
LCR	869%	1.073%	1.229%	1.149%	2.619%	1.295%
NSFR	130%	127%	133%	133%	140%	>100%

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.

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 30 June 2024 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 30 June 2024 and their purpose, see the comments in the previous section entitled "Credit risk".

Operational risks

General aspects, management procedures and measurement methods of the 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[3] 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 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

[3] 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".
Moreover, following the issuance of the Digital Operational Resilience Regulation ("DORA"), the Banca Ifis Group launched a dedicated project initiative aimed at defining and implementing the necessary compliance measures.

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.

Insurance company risks

The Banca Ifis Group does not engage in transactions that give rise to risks to be reported in this section.

Risks of the other entities

There are 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.

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 the first half of 2024, there were no transactions with related parties during the period 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 the section below entitled "Information on related-party transactions" of this section.

At 30 June 2024, 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., 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.

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 30 June 2024

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)	3.038	-	89	-	103	175
Other managers (2)	3.289	38	229	168	45	448
Total at 30.06.2024	**6.327**	**38**	**318**	**168**	**148**	**623**

(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 (3,2 million Euro, gross amount) and statutory auditors (184 thousand Euro, gross amount). Post-employment benefits amounting to 38 thousand Euro refer to the health insurance policy for executives terminating their employment due to retirement.

Information on related-party transactions

Here below are the assets, liabilities, guarantees and commitments outstanding at 30 June 2024, broken down by type of related party pursuant to IAS 24.

Related party transactions: balance sheet and off-balance sheet items

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	-	-	18.508	**18.508**	7,1%
Financial assets measured at fair value through other comprehensive income	-	-	347	**347**	0,1%
Receivables due from customers measured at amortised cost	-	11.632	1.027	**12.659**	0,1%
Other assets	10.179	-	1.510	**11.689**	2,9%
Total assets	**10.179**	**11.632**	**21.392**	**43.203**	**0,3%**
Payables due to customers measured at amortised cost	-	1.897	1.764	**3.661**	0,1%
Other liabilities	17.658	-	3.545	**21.203**	5,6%
Valuation reserves	-	-	720	**720**	(2,0)%
Total liabilities	**17.658**	**1.897**	**6.029**	**25.584**	**0,2%**
Commitments and guarantees (off-balance sheet)	-	16	1.027	**1.043**	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	-	13	-	**13**	0,0%
Interest due and similar expenses	-	(10)	(4)	**(15)**	0,0%
Commission income	-	-	3	**3**	0,0%
Administrative expenses	(73)	-	(8.611)	**(8.684)**	13,2%
Other operating income and expenses	-	1	123	**124**	0,5%

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. With reference to "Other assets", at 30 June 2024 Cap.Ital.Fin. recorded a receivable from the ultimate Parent company of 565 thousand Euro, Ifis Rental Services a receivable of 1,7 million Euro, while Ifis Npl Investing and Ifis Npl Servicing recorded a receivable of 7,3 million Euro and 604 thousand Euro, respectively. With regard to "Other liabilities", at 30 June 2024, Ifis Rental Services recorded a liability of 1,4 million Euro, Ifis Npl Investing a liability of 15,5 million Euro and Ifis Npl Servicing a liability of 773 thousand Euro.

The amounts recorded under "Other assets" towards the consolidating company La Scogliera totalling 10,2 million Euro almost exclusively represent advance payments made in respect of the 2024 tax period, while the amounts recorded under "Other liabilities" represent the tax burden relating to the first half of 2024.

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 to the above, during the first half of 2024, the Group purchased legal services from affiliated companies for 8,7 million Euro, which are then deferred on the basis of the progress of the processing of receivables pertaining to the 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), for the Banca Ifis Group, there were no significant transactions concluded in the first half of 2024.

Share-based payments

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 system is in place for all employees, with the exception of those of a Group subsidiary for which there is a different national collective bargaining agreement classification.

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:

- Return On Risk-Adjusted Capital (RORAC) at Group level, defined as the ratio between consolidated net profit and Capital absorbed by Pillar 1 risks (i.e. 8% of Pillar 1 Risk weighted assets), above the tolerance threshold defined annually in the Banca Ifis Group's Risk Appetite Framework (RAF) at consolidated level;
- compliance with the tolerance threshold, higher than the minimum regulatory limit, of the Group's Liquidity Coverage Ratio (LCR) indicator, as defined annually in the Banca Ifis Group's RAF at a consolidated level in compliance with current supervisory regulations;
- compliance with the tolerance threshold, higher than the minimum regulatory limit, of the Group's Net Stable Funding Ratio (NSFR) indicator, as defined annually in the Banca Ifis Group's RAF at a consolidated level in compliance with current supervisory regulations;
- Consolidated Total Capital Ratio above the tolerance threshold defined annually in the Banca Ifis Group RAF at consolidated level, which exceeds 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 Parent company is linked to the achievement of specific qualitative and quantitative performance targets.

In particular, the CEO is the recipient of a Short-Term Incentive System ("STI"). He was also assigned a "2021-2023 Long Term Incentive Plan" (the "LTI Plan"), which vested on 31 December 2023, 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

LTI Plan for the CEO

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 and which vested on 31 December 2023. The Plan provided for the assignment to the CEO, free of charge, of a certain number of options that will give the right to purchase, at a unit exercise price (the "strike price") equal to 12,92 Euro, a corresponding number of Banca Ifis shares.

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

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

The final results confirmed the attainment of the minimum level with reference to the TSR objectives and the maximum level with reference to the economic-financial and ESG indicators. Consequently, on the basis of the resolution of the Shareholders' Meeting of Banca Ifis of 18 April 2024, the Chief Executive Officer was assigned 609.000 option rights, which will be exercisable after a one-year retention period in accordance with the regulatory time-line.

Also for the 2021-2023 LTI Plan, options are granted to the CEO 40% as up front and 60% as deferred over 5 years.

LTI Plan for Co-General Managers and other Group employees

As envisaged in the Plan approved by the Shareholders' Meeting of 28 July 2021, and in execution of the mandate granted to the Board of Directors on that occasion, on 9 June 2022, the latter resolved to include 13 "additional beneficiaries" in the LTI Plan, apart from the CEO, assigning them the same objectives already envisaged for the

Chief Executive Officer and illustrated in the 2022 Remuneration Policy. These additions to the Plan were then approved by the Shareholders' Meeting of Banca Ifis on 28 July 2022.

Also for these additional beneficiaries, represented by high-level managers of the Group (including 12 key managers and Co-General Managers), the Plan provided for the assignment of a certain number of options that will entitle them to purchase, free of charge and always at a strike price per share of 12,92 Euro, a corresponding number of Banca Ifis shares.

A further addition to this Plan, proposed by the Board of Directors and approved by the Shareholders' Meeting held on 20 April 2023, 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.

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

As a result of the aforementioned changes in 2022 and 2023, the Plan's beneficiaries, apart from the CEO, total 12, including 11 executives with strategic responsibilities, and the maximum amount of options assignable is 300.000.

This Plan also vested on 31 December 2023 at the end of the vesting period, and the options will become exercisable after an additional year of retention, subject to the circumstance that the relationship between the Group and the beneficiaries is still in place, and that pre-determined quantitative and qualitative, financial and non-financial targets, linked to the Group's long-term strategies, have been achieved. The options will be exercisable upon attainment of the targets under the Plan and for a total number of up to a maximum of 300.000 options (320.000 original) in total that can be allocated to the 13 additional beneficiaries.

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

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

The outcome of the Plan's finalisation found that the TSR objectives were not achieved in view of the two-year vesting period instead of the three-year period; the other objectives were achieved at the maximum level. Consequently, by resolution of the Shareholders' Meeting of Banca Ifis of 18 April 2024 for the remaining 12 beneficiaries, a total of 225.000 option rights were assigned, which will be exercisable at the end of the one-year retention period.

Accounting representation at 30 June 2024

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 the first half of 2024, the corresponding cost recognised in the Income Statement amounts to 155 thousand Euro, while the corresponding equity reserve (which also includes the portion of cost accrued in FYs 2021, 2022 and 2023) totals 2,2 million Euro and is associated with only the stock options effectively assigned by resolution passed by the Shareholders' Meeting on 18 April 2024.

For more details on the Banca Ifis Group's equity-based payment arrangements, refer to the "2024 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 2024 is illustrated.

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.

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 the first half of 2024, the operating Segments taken as a reference for the provision of the information under review are the same as those used for the Consolidated financial statements at 31 December 2023, namely:

- 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 divisions 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 30 June 2024 compared with the corresponding figures for the same period of the previous year.

To allow a more immediate reading of the results, reclassified economic data is prepared within this section.

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 document), 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 expenses and income”;
- the ordinary and extraordinary charges introduced against the Group’s banks (Banca Ifis and Banca Credifarma) under the Single and National Resolution Mechanisms (FRU and FRN) and the Deposit Protection Mechanism (DGS or FITD) are shown under a separate item called “Charges related to the

banking system" (which is excluded from the calculation of "Operating costs"), instead of being shown under "Other administrative expenses" or "Net allocations to provisions for risks and charges";

- 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 financial numerical 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 30.06.2024	140.110	*981*	-	*139.129*	49.687	55.809	**245.606**
Amounts at 31.12.2023	107.169	*975*	-	*106.194*	41.735	73.078	**221.982**
% Change	30,7%	*0,6%*	-	*31,0%*	19,1%	(23,6)%	**10,6%**
Financial assets measured at fair value through other comprehensive income							
Amounts at 30.06.2024	1.288	-	-	*1.288*	-	535.025	**536.313**
Amounts at 31.12.2023	1.333	-	-	*1.333*	-	747.843	**749.176**
% Change	(3,4)%	-	-	*(3,4)%*	-	(28,5)%	**(28,4)%**
Receivables due from customers (1)							
Amounts at 30.06.2024	6.742.972	*2.744.496*	*1.571.179*	*2.427.297*	1.590.648	2.130.300	**10.463.920**
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**
% Change	(0,3)%	*(3,5)%*	*1,2%*	*2,6%*	(3,4)%	(3,7)%	**(1,5)%**
Goodwill							
Amounts at 30.06.2024	-	-	-	-	38.020	-	**38.020**
Amounts at 31.12.2023	-	-	-	-	38.020	-	**38.020**
% Change	-	-	-	-	0,0%	-	**0,0%**
Other assets							
Amounts at 30.06.2024	162.188	*162.188*	-	-	-	239.181	**401.369**
Amounts at 31.12.2023	208.748	*208.748*	-	-	-	235.944	**444.692**
% Change	(22,3)%	*(22,3)%*	-	-	-	1,4%	**(9,7)%**

(1) In the Governance & Services and Non-Core Segment, at 30 June 2024, there are government securities amounting to 1.469,0 million Euro (1.628,7 million Euro at 31 December 2023).

The remaining balance sheet items, other than those shown in the above table, are allocated to the Governance & Services and Non-Core Segment, from which the corresponding economic items are reallocated to the other Segments, on a direct or indirect basis.

RECLASSIFIED INCOME STATEMENT DATA At 30.06.2024 (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	**121.343**	***57.441***	***25.139***	***38.763***	**153.618**	**12.402**	**287.363**
Net commission income	**49.024**	***32.848***	***5.634***	***10.542***	**(416)**	**(1.699)**	**46.909**
Other components of net banking income	6.124	*17*	-	*6.107*	7.110	27.008	40.242
Net banking income	**176.491**	***90.306***	***30.773***	***55.412***	**160.312**	**37.711**	**374.514**
Net credit risk losses/reversals	(18.945)	*(9.158)*	*(3.750)*	*(6.037)*	124	2.980	(15.841)
Net profit (loss) from financial activities	**157.546**	***81.148***	***27.023***	***49.375***	**160.436**	**40.691**	**358.673**
Operating costs	(88.280)	*(50.246)*	*(18.456)*	*(19.578)*	(98.408)	(19.408)	(206.096)
Charges related to the banking system	-	-	-	-	-	(8.096)	(8.096)
Net allocations to provisions for risks and charges	(3.996)	*(8.359)*	*116*	*4.247*	1.757	1.533	(706)
Non-recurring expenses and income	-	-	-	-	(320)	-	(320)
Pre-tax profit (loss) for the period from continuing operations	**65.270**	***22.543***	***8.683***	***34.044***	**63.465**	**14.720**	**143.455**
Income taxes for the period relating to continuing operations	(22.289)	*(7.698)*	*(2.966)*	*(11.625)*	(21.673)	(5.028)	(48.990)
Profit (loss) for the period	**42.981**	***14.845***	***5.717***	***22.419***	**41.792**	**9.692**	**94.465**
(Profit) loss for the period attributable to non-controlling interests	-	-	-	-	-	(851)	(851)
Profit (loss) for the period attributable to the Parent company	**42.981**	***14.845***	***5.717***	***22.419***	**41.792**	**8.841**	**93.614**

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.

Venice - Mestre, 2 August 2024

For the Board of Directors

The CEO

Frederik Herman Geertman

Attestations and reports

Certification of the Manager Charged with preparing the Company's financial reports

Certification of the Condensed consolidated half-year financial statements at 30 June 2024 pursuant to art. 154-bis, paragraph 5, of 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 Condensed consolidated half-year financial statements, during the period 1 January 2024 - 30 June 2024.
2. The adequacy of the administrative and accounting procedures in place for preparing the Condensed consolidated half-year financial statements at 30 June 2024 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 Condensed consolidated half-year 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 related books and accounting 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 Group consolidated interim management report includes a reliable analysis of the significant events that took place in the first six months of the financial year and their impact on the Condensed consolidated half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year.

     the Group consolidated interim management report also includes a reliable analysis of the disclosure on significant related party transactions.

Venice - Mestre, 2 August 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.

Report of the Independent Auditors limited to the Condensed consolidated half-year financial statements

Review report on condensed consolidated half year financial statements

To the shareholders of
Banca Ifis SpA

Foreword

We have reviewed the condensed consolidated half year financial statements of Banca Ifis SpA and its subsidiaries (the Banca Ifis Group) as of 30 June 2024, comprising the consolidated statement of financial position, the consolidated income statement, the consolidate statement of comprehensive income, the statement of changes in consolidated equity, the consolidated cashflows statement and related explanatory notes. The directors of Banca Ifis SpA are responsible for the preparation of the condensed consolidated half year financial statements in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated half year financial statements based on our review.

Scope of Review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution n° 10867 of 31 July 1997. A review of condensed consolidated half year financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated half year financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half year financial statements of Banca Ifis Group as of 30 June 2024 are not prepared, in all material respects, in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 2 August 2024

PricewaterhouseCoopers SpA

Signed by

Pierfrancesco Anglani
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Annexes

Reconciliation between reclassified consolidated financial statements and consolidated financial statements

RECONCILIATION BETWEEN ASSETS ITEMS AND RECLASSIFIED ASSETS ITEMS (in thousands of Euro)			30.06.2024	31.12.2023
Cash and cash equivalents			**637.310**	**857.533**
+	*10.*	*Cash and cash equivalents*	*637.310*	*857.533*
Financial assets held for trading			**16.194**	**12.896**
+	*20.a*	*Financial assets measured at fair value through profit or loss: a) financial assets held for trading*	*16.194*	*12.896*
Financial assets mandatorily measured at fair value through profit or loss			**245.606**	**221.982**
+	*20.c*	*Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value*	*245.606*	*221.982*
Financial assets measured at fair value through other comprehensive income			**536.313**	**749.176**
+	*30.*	*Financial assets measured at fair value through other comprehensive income*	*536.313*	*749.176*
Receivables due from banks measured at amortised cost			**690.501**	**637.567**
+	*40.a*	*Financial assets measured at amortised cost: a) receivables due from banks*	*690.501*	*637.567*
Receivables due from customers measured at amortised cost			**10.463.920**	**10.622.134**
+	*40.b*	*Financial assets measured at amortised cost: b) receivables due from customers*	*10.463.920*	*10.622.134*
Equity investments			**24**	**24**
+	*70.*	*Equity investments*	*24*	*24*
Property, plant and equipment			**155.713**	**143.255**
+	*90.*	*Property, plant and equipment*	*155.713*	*143.255*
Intangible assets			**79.795**	**76.667**
+	*100.*	*Intangible assets*	*79.795*	*76.667*
of which: - goodwill			***38.020***	***38.020***
Tax assets			**246.041**	**285.435**
a) current			**25.957**	**46.601**
+	*110.a*	*Tax assets: a) current*	*25.957*	*46.601*
b) prepaid			**220.084**	**238.834**
+	*110.b*	*Tax assets: b) prepaid*	*220.084*	*238.834*
Other assets			**401.369**	**444.692**
+	*130.*	*Other assets*	*401.369*	*444.692*
Total assets			**13.472.786**	**14.051.361**

RECONCILIATION BETWEEN ASSETS AND LIABILITIES ITEMS AND RECLASSIFIED ASSETS AND LIABILITIES ITEMS (in thousands of Euro)			30.06.2024	31.12.2023
Payables due to banks measured at amortised cost			**1.343.651**	**2.717.139**
+	*10.a*	*Financial liabilities measured at amortised cost: a) payables due to banks*	*1.343.651*	*2.717.139*
Payables due to customers measured at amortised cost			**6.774.913**	**5.814.624**
+	*10.b*	*Financial liabilities measured at amortised cost: b) payables due from customers*	*6.774.913*	*5.814.624*
Debt securities issued measured at amortised cost			**3.108.078**	**3.288.895**
+	*10.c*	*Financial liabilities measured at amortised cost: c) securities issued*	*3.108.078*	*3.288.895*
Financial liabilities held for trading			**14.539**	**14.005**
+	*20.*	*Financial liabilities held for trading*	*14.539*	*14.005*
Hedging derivatives			**3.414**	**11.644**
+	*40.*	*Hedging derivatives*	*3.414*	*11.644*
Tax liabilities			**46.445**	**57.717**
a) current			**14.996**	**26.025**
+	*60.a*	*Tax liabilities: a) current*	*14.996*	*26.025*
b) deferred			**31.449**	**31.692**
+	*60.b*	*Tax liabilities: b) deferred*	*31.449*	*31.692*
Other liabilities			**379.621**	**387.554**
+	*80.*	*Other liabilities*	*379.621*	*387.554*
Post-employment benefits			**7.677**	**7.906**
+	*90.*	*Post-employment benefits*	*7.677*	*7.906*
Provisions for risks and charges			**58.016**	**58.178**
+	*100.a*	*Provisions for risks and charges: a) commitments and guarantees granted*	*5.045*	*5.374*
+	*100.b*	*Provisions for risks and charges: b) pensions and similar obligations*	*232*	*196*
+	*100.c*	*Provisions for risks and charges: c) other provisions for risks and charges*	*52.739*	*52.608*
Valuation reserves			**(36.526)**	**(39.215)**
+	*120.*	*Valuation reserves*	*(36.526)*	*(39.215)*
Reserves			**1.546.079**	**1.505.424**
+	*150.*	*Reserves*	*1.546.079*	*1.505.424*
Interim dividends (-)			**-**	**(62.962)**
+	*155.*	*Interim dividends (-)*	*-*	*(62.962)*
Share premiums			**85.353**	**84.108**
+	*160.*	*Share premiums*	*85.353*	*84.108*
Share capital			**53.811**	**53.811**
+	*170.*	*Share capital*	*53.811*	*53.811*
Treasury shares (-)			**(20.990)**	**(21.817)**
+	*180.*	*Treasury shares (-)*	*(20.990)*	*(21.817)*
Equity attributable to non-controlling interests (+/-)			**15.091**	**14.240**
+	*190.*	*Equity attributable to non-controlling interests (+/-)*	*15.091*	*14.240*
Profit (loss) for the period			**93.614**	**160.110**
+	*200.*	*Profit (loss) for the period (+/-)*	*93.614*	*160.110*
Total liabilities and equity			**13.472.786**	**14.051.361**

RECONCILIATION BETWEEN THE CONSOLIDATED INCOME STATEMENT AND THE RECLASSIFIED CONSOLIDATED INCOME STATEMENT (in thousands of Euro)		30.06.2024	30.06.2023
Net interest income		**287.363**	**274.686**
+ 30.	***Net interest income***	***208.318***	***217.291***
	+ 10. Interest receivable and similar income	*431.426*	*359.987*
	+ 20. Interest due and similar expenses	*(223.108)*	*(142.696)*
+ 130.a (Partial)	*Net impairments/reversals of impairments of the Npl Segment to the extent representative of business operations*	*79.045*	*57.395*
Net commission income		**46.909**	**50.297**
+ 60.	***Net commission income***	***46.909***	***50.297***
	+ 40. Commission income	*56.678*	*56.737*
	+ 50. Commission expense	*(9.769)*	*(6.440)*
Other components of net banking income		**40.242**	**23.523**
+ 70.	*Dividends and similar income*	*8.674*	*8.795*
+ 80.	*Net profit (loss) from trading*	*3.401*	*(3.377)*
+ 90.	*Net result from hedging*	*(1.317)*	*(251)*
+ 100.a	*Gains (losses) on sale/buyback of: a) financial assets measured at amortised cost*	*15.519*	*5.178*
+ 100.b	*Gains (losses) on sale/buyback of: b) financial assets measured at fair value through other comprehensive income*	*1.056*	*836*
+ 100.c	*Gains (losses) on sale/buyback of: c) financial liabilities*	*87*	*1.031*
+ 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*	*12.822*	*11.311*
Net banking income		**374.514**	**348.506**
+ 120.	*Net banking income*	*295.469*	*291.111*
+ 130.a (Partial)	*Net impairments/reversals of impairments of the Npl Segment to the extent representative of business operations*	*79.045*	*57.395*
Net credit risk losses/reversals		**(15.841)**	**(16.338)**
+ 130.a	*Net credit risk losses/reversals related to: a) financial assets measured at amortised cost*	*62.442*	*38.995*
- 130.a (Partial)	*Net impairments/reversals of impairments of the Npl Segment to the extent representative of business operations*	*(79.045)*	*(57.395)*
+ 130.b	*Net credit risk losses/reversals related to: b) financial assets measured at fair value through other comprehensive income*	*496*	*(21)*
+ 200.a (partial)	*Net allocations for credit risk related to commitments and guarantees granted*	*266*	*2.083*
Net profit (loss) from financial activities		**358.673**	**332.168**
+ 180.	***Net profit (loss) from financial and insurance activities***	***358.407***	***330.085***
	+ 150. Net profit (loss) from financial activities	*358.407*	*330.085*
+ 200.a (partial)	*Net allocations for credit risk related to commitments and guarantees granted*	*266*	*2.083*

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RECONCILIATION BETWEEN THE CONSOLIDATED INCOME STATEMENT AND THE RECLASSIFIED CONSOLIDATED INCOME STATEMENT (in thousands of Euro)		30.06.2024	30.06.2023
Administrative expenses		**(210.800)**	**(195.604)**
a) personnel expenses		**(86.613)**	**(80.445)**
+ 190.a	*a) personnel expenses*	*(86.613)*	*(80.445)*
b) other administrative expenses		**(124.187)**	**(115.159)**
+ 190.b	*b) other administrative expenses*	*(132.603)*	*(119.249)*
- 190.b (partial)	*b) other administrative expenses: non-recurring charges*	*320*	*-*
- 190.b (partial)	*b) other administrative expenses: contributions to resolution and deposit protection funds*	*8.096*	*4.090*
Net impairment losses/reversals on property, plant and equipment and intangible assets		**(10.820)**	**(8.552)**
+ 210.	*Net impairment losses/reversals on property, plant and equipment*	*(5.790)*	*(4.642)*
+ 220.	*Net impairment losses/reversals on intangible assets*	*(5.030)*	*(3.910)*
Other operating income/expenses		**15.524**	**12.466**
+ 230.	*Other operating income/expenses*	*15.524*	*12.466*
Operating costs		**(206.096)**	**(191.690)**
+ 240.	*Operating costs*	*(214.952)*	*(194.223)*
- 190.b (partial)	*b) other administrative expenses: non-recurring charges*	*320*	*-*
- 190.b (partial)	*b) other administrative expenses: contributions to resolution and deposit protection funds*	*8.096*	*4.090*
- 200.	*Net allocations to provisions for risks and charges*	*440*	*(1.557)*
Charges related to the banking system		**(8.096)**	**(4.090)**
+ 190.b (partial)	*b) other administrative expenses: contributions to resolution and deposit protection funds*	*(8.096)*	*(4.090)*
Net allocations to provisions for risks and charges		**(706)**	**(526)**
+ 200.a	*Net allocations to provisions for risks and charges: a) commitments and guarantees granted*	*266*	*2.083*
- 200.a (partial)	*Net allocations for credit risk related to commitments and guarantees granted*	*(266)*	*(2.083)*
+ 200.b	*Net allocations to provisions for risks and charges: b) other net allocations*	*(706)*	*(526)*
Non-recurring expenses and income		**(320)**	**-**
+ 190.b (partial)	*b) other administrative expenses: non-recurring charges*	*(320)*	*-*
Pre-tax profit (loss) for the period from continuing operations		**143.455**	**135.862**
+ 290.	*Pre-tax profit (loss) for the period from continuing operations*	*143.455*	*135.862*
Income taxes for the period relating to continuing operations		**(48.990)**	**(43.856)**
+ 300.	*Income taxes for the period relating to continuing operations*	*(48.990)*	*(43.856)*
Profit (Loss) for the period		**94.465**	**92.006**
+ 330.	*Profit (loss) for the period*	*94.465*	*92.006*
	+ 310. Profit (loss) from continuing operations, net of taxes	*94.465*	*92.006*
(Profit) loss for the period attributable to non-controlling interests		**(851)**	**(970)**
+ 340.	*Profit (loss) for the period attributable to non-controlling interests*	*(851)*	*(970)*
Profit (loss) for the period attributable to the Parent company		**93.614**	**91.036**
+ 350.	*Profit (loss) for the period attributable to the Parent company*	*93.614*	*91.036*

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