

## PILLAR III

Disclosure to the public

2024





# Contents

<b>Introduction</b>	2
<b>Section 1</b> - Risk management objectives and policies (Art. 435 CRR)	9
<b>Section 2</b> - Scope of application (Art. 436 CRR)	37
<b>Section 3</b> - Own funds (Art. 437 CRR)	43
<b>Section 4</b> - Capital requirements (Art. 438 CRR)	58
<b>Section 5</b> - Exposure to counterparty credit risk (Art. 439 CRR)	66
<b>Section 6</b> - Capital buffers (Art. 440 CRR)	71
<b>Section 7</b> - Credit risk adjustments (Art. 442 CRR)	74
<b>Section 8</b> - Unencumbered assets (Art. 443 CRR)	91
<b>Section 9</b> - Use of ECAIs (Art. 444 CRR)	94
<b>Section 10</b> - Exposure to market risk (Art. 445 CRR)	100
<b>Section 11</b> - Operational risk (Art. 446 CRR)	103
<b>Section 12</b> - Exposures in equities not included in the trading book (Art. 447 CRR)	107
<b>Section 13</b> - Exposure to interest rate risk on positions not included in the trading book (Art. 448 CRR)	111
<b>Section 14</b> - Exposure to securitization positions (Art. 449 CRR)	114
<b>Section 15</b> - Remuneration policy (Art. 450 CRR)	119
<b>Section 16</b> - Leverage (Art. 451 CRR)	132
<b>Section 17</b> - Use of credit risk mitigation techniques (Art. 453 CRR)	138
<b>Section 18</b> - Liquidity risk	140
<b>Certification by the Financial Reporting Officer</b>	147
<b>Certification compliant with Article 431 (3) of the CRR (Regulation (EU) No. 575/2013 as updated) on disclosure requirements pursuant to Part Eight of the CRR</b>	148

# Introduction

The Basel Committee Accords ("Basel 3") aimed at strengthening banks' capacity to absorb shocks from financial and economic tensions, improving risk management and governance and strengthening banks' transparency and reporting, entered into force in European Union law on January 1, 2014.

This being said, at Community level, the contents of "Basel 3" were adopted with two distinct pieces of legislation:

- ▶ Regulation (EU) No. 575/2013 dated June 26, 2013 ("CRR") - Part eight "Disclosure by institutions" (Arts. 431 - 455) and Part ten, Title I, Chapter 3, "Transitional provisions for disclosure of own funds" (Art. 492) - which governs Pillar I prudential supervision mechanisms and public disclosure rules (Pillar III);
- ▶ Directive 2013/36/EU of June 26, 2013 ("CRD IV"), which concerns, inter alia, conditions for access to banking, freedom of establishment and freedom to provide services, the prudential supervision process and additional capital reserves

The above-mentioned European regulation became applicable in the Italian legal system on the basis of Bank of Italy Circular No. 285 "*Supervisory Provisions for Banks*" of December 17, 2013 as subsequently amended, which implements the provisions of the CRR and the CRD IV.

With the publication of Regulation (EU) 2019/876, (CRR2), a series of significant amendments to the regulatory *framework* was introduced, applicable as of June 28, 2021. These changes, regarding in particular Part Eight of the CRR, aim to standardize the periodic disclosure to be provided to the market.

With the publication of Regulation (EU) 2024/1623 (CRR3) on May 31, 2024, further significant changes were made to the regulatory framework, relating to credit risk requirements, credit valuation adjustment risk (CVA), operational risk, market risk and the output floor, and to the capital requirements that banks calculate using their internal models. The entry in force of the above Regulation is January 1, 2025, with the exception of the changes to prudential requirements for Market Risk (so-called "FRTB", *Fundamental Review of the Trading Book*), for which the entry into force was postponed, during 2024, to January 1, 2026.

In Commission Implementing Regulation (EU) 2021/637 (repealed and replaced by Regulation 2024/3172 of 29 November 2024, but effective since December 31<sup>1</sup>, the reference date of this Disclosure), operators were provided with instructions for mapping between the information to be published starting from the reference date of June 30, 2021 and what is set forth in supervisory reporting. In accordance with the CRR, banks publish the required information at least on an annual basis, and the Core Metrics on a semi-annual basis. Credit institutions are responsible for evaluating the need to provide the required information more frequently, in light of the relevant characteristics of their activity and elements susceptible to rapid changes. The guidelines specify minimum content consistent with the significance of the reporting institution, particularly with reference to capital requirements, the breakdown and adequacy of capital, the leverage ratio, risk exposure and the general characteristics of systems in place to identify, measure and manage such risks.

The approach based on three "Pillars" was maintained.

Specifically:

- ▶ **Pillar I** defines the system of capital requirements that banks are required to meet to deal with typical banking risks: credit risk (which also includes counterparty risk), market risk and operational risk.

1) Except for those aspects related to Disclosure on the use of the standardized approach and internal models for market risk, in effect until December 31, 2025.

This aspect has been strengthened by CRR2 by introducing a definition of higher quality capital and requiring additional capital conservation buffers, with the inclusion of rules on liquidity risk management, for both the short term (Liquidity Coverage Ratio - LCR) and the long term (Net Stable Funding Ratio - NSFR), and the introduction of a limit on leverage;

- ▶ **Pillar II** requires banks to set up strategies, control processes and tools for determining, in addition to Pillar I risks, the adequacy of current and future capital. It is the Supervisory Authority's responsibility to verify the reliability and accuracy of the results generated and, where necessary, to take appropriate corrective action. The BFF Group annually submits the "ICAAP/ILAAP Report" to the Bank of Italy, as an autonomous assessment of current and future capital adequacy and the liquidity risk governance and management system in relation to the risks assumed and company strategies;
- ▶ **Pillar III** establishes specific periodic disclosure obligations concerning capital adequacy, risk exposure and the general features of the related systems for the identification, measurement and management of such risks. This aspect has also been revised to introduce increased transparency requirements and more detailed information on the breakdown of regulatory capital and on how the Banking Group calculates its capital ratios.

Based on Article 433 of the CRR, banks publish the public disclosures required by EU regulations at least on an annual basis and the Core Metrics on a semi-annual basis, in conjunction with the date of publication of the financial statements.

To this end, the Board of Directors of BFF Bank has approved a dedicated procedure named "Procedure for Disclosure to the Public (Pillar III)".

Pursuant to this procedure, the disclosure to the public should be:

- ▶ approved by the Board of Directors before it is made public;
- ▶ published on the website [www.bffgroup.com](http://www.bffgroup.com) (Section: <https://investor.bff.com/it/pillar-iii> in Italian and <https://investor.bff.com/en/pillar-iii> in English) at least once a year and semi-annually with regard to the Core Metrics by the deadlines set for the publication of the financial statements, and therefore within 30 days of the date of approval of the financial statements by the Shareholders' Meeting.

The BFF Banking Group ("BFF Banking Group" or the "Group") is a leader in specialized finance. It is the only pan-European platform, present in 9 countries, specializing in the management and non-recourse purchase of trade receivables from the public administration and National Health Systems. Through the merger with DEPObank, it is also a leader in *securities services*, as the only Italian custodian bank, and in payment services, distributed to more than 100 banks and PSPs in Italy.

The Group is active in Italy, Croatia, France, Greece and Portugal through BFF Bank, in Spain through BFF Finance Iberia S.A.U. ("BFF Finance Iberia") and in Poland, the Czech Republic and Slovakia through BFF Polska S.A. ("BFF Polska") and its associates (the "BFF Polska Group").

BFF Bank meets the obligation of disclosure to the public for the BFF Banking Group and drafts this document on a consolidated basis based on the above-mentioned regulatory provisions.

It should be noted that:

- ▶ Information on the risks to which the Group is exposed and on risk management and control policies is also provided in Part E of the Notes to the Consolidated financial statements at December 31, 2024;
- ▶ Information relating to Own funds and banking capital ratios, relating to the Group, is also published in Part F of the Notes to the 2024 Consolidated financial statements;
- ▶ Information on governance is also provided in the "Report on Corporate Governance and Ownership Structure" published in the "Governance" section of the Group website [www.bff.com](http://www.bff.com);
- ▶ Information regarding the Group's remuneration and incentive policies is also provided in the "Report on Remuneration" published in the "Governance" section of the Banking Group website;
- ▶ with reference to certain *best practices* identified by the EBA in its "Report on assessment of institutions' Pillar 3 Disclosures" (EBA/REP/2020/09), and in its "Guidelines on the management of environmental, social and governance (ESG) risks" (EBA/GL/2025/01), scheduled to come into force on January 11, 2026, and by the Bank of Italy in the Supervisory Expectations on Climate and Environmental Risks (April 2022), disclosure on sustainability issues, including information on impacts, risks and opportunities and their interaction with the strategy and business model is provided, based on current regulations, in a special Section of the Report on Operations and published on the Group's website [www.bff.com](http://www.bff.com).

Disclosure to the Public (Pillar III) is also subject to the certification by the Financial Reporting Officer pursuant to Article 154-*bis* of Italian Legislative Decree 58/98 (Consolidated Law on Finance, or "TUF").

This document is broken down into 18 sections, which provide qualitative and quantitative information referring to the date of December 31, 2024. The paragraphs for which there is no informational content are not published.

All amounts are stated in thousands of euros, when not specified otherwise.

The summary statement of the sections required by the reference regulation is laid out below, with an indication of the relevant information published in this document.

Section	Description/Reference to CRR Articles	Qualitative information	Quantitative information	Page
1	Risk management objectives and policies - Art. 435	X	n/a	9
2	Scope of application - Art. 436	X	n/a	37
3	Own funds - Art. 437	X	X	43
4	Capital requirements - Art. 438	X	X	58
5	Exposure to counterparty credit risk - Art. 439	X	X	66
6	Capital buffers - Art. 440	X	X	71
7	Credit risk adjustments - Art. 442	X	X	74
8	Unencumbered assets - Art. 443	X	X	91
9	Use of ECAs - Art. 444	X	X	94
10	Exposure to market risk - Art. 445	X	X	100
11	Operational risk - Art. 446	X	X	103
12	Exposures in equities not included in the trading book - Art. 447	X	X	107
13	Exposure to interest rate risk on positions not included in the trading book - Art. 448	X	X	111
14	Exposure to securitization positions - Art. 449	X	X	114
15	Remuneration policy - Art. 450	X	X	119
16	Leverage - Art. 451	X	X	132
17	Use of credit risk mitigation techniques - Art. 453	X	X	138
18	Liquidity risk	X	X	140

(\*) "n/a", i.e. "Not applicable"

Furthermore, references to the EBA requirements (Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12) are provided.

Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12			Pillar III - 12/31/2024
Tables	Qualitative information	Quantitative information	Section
EU OVA	x		1
EU OVB	x		1
EU LI1		x	2
EU LI2		x	2
EU LI3		x	2
EU LIA	x	-	2
EU LIB	x	-	2
EU CC1	x	x	3
EU CC2	x	x	3
EU CCA	x	x	3
EU OVC	x		4
EU KM1		x	4
IFRS9-FL		n/a	4
EU OV1		x	4
EU INS1		n/a	4
EU INS2		n/a	4
EU CCR1		x	5
EU CCR2		x	5
EU CCR3		x	5
EU CCR4		n/a	5
EU CCR5		x	5
EU CCR6		n/a	5
EU CCR7		n/a	5
EU CCR8		x	5
EU CCRA	x		5
EU CCyB1		x	6
EU CCyB2		x	6
EU CRA	x		7
EU CRB	x		7
EU CR1		x	7
EU CR1-A		x	7
EU CR2		x	7
EU CR2a		x	7
EU CQ1		x	7
EU CQ2		x	7

(CONT'D)



**Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12**
**Pillar III - 12/31/2024**

Tables	Qualitative information	Quantitative information	Section
EU CQ3		x	7
EU CQ4		x	7
EU CQ5		x	7
EU CQ6		x	7
EU CQ7		n/a	7
EU CQ8		n/a	7
EU CR10		n/a	7
EU CR6		n/a	7
EU CR6-A		n/a	7
EU CR7		n/a	7
EU CR7-A		n/a	7
EU CR8		n/a	7
EU CR9 - EU CR9.1		n/a	7
EU CRE	n/a		7
EU AE1		x	8
EU AE2		x	8
EU AE3		x	8
EU AE4	x		8
EU CRD	x		9
EU CR4		x	9
EU CR5		x	9
EU MR1		x	10
EU MRA	x		10
EU MRB	n/a		10
EU MR2-A		n/a	10
EU MR2-B		n/a	10
EU MR3		n/a	10
EU MR4		n/a	10
EU PV1		x	10
EU-OR1		x	11
EU ORA	x		11
			12
EU-IRRBBA	x		
EU-IRRBB1		x	13
EU-SEC1		x	14
EU-SEC2		n/a	14
EU-SEC3		x	14
EU-SEC4		n/a	14

(CONT'D)

Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12			Pillar III - 12/31/2024
Tables	Qualitative information	Quantitative information	Section
EU-SEC5		n/a	14
EU-SECA	x		14
EU REMA	x		15
EU REM1		x	15
EU REM2		x	15
EU REM3		x	15
EU REM4		x	15
EU REM5		x	15
EU LR1		x	16
EU LR2		x	16
EU LR3		x	16
EU LRA	x		16
EU CR3		x	17
EU CRC	x		17
EU LIQ1		x	18
EU LIQ2		x	18
EU LIQA	x		18
EU LIQB	x		18

# Section 1

## Risk management objectives and policies (Art. 435 CRR)

### Qualitative disclosure

#### Introduction

The BFF Banking Group has adopted suitable corporate governance tools and adequate management and control mechanisms in order to mitigate the risks to which it is exposed. These measures are part of the governance of the organization and of the internal control system, aimed at ensuring management practices grounded in efficiency, effectiveness and fairness, covering every type of business risk, consistently with the characteristics, dimensions and complexity of the business activities carried out by the Group.

With this in mind, the Group formalized its risk management policies and periodically reviews them to ensure their effectiveness over time. It constantly monitors the functioning of the risk management and control processes.

Such policies define:

- ▶ The governance of risks and the responsibilities of the Organizational Units involved in the management process;
- ▶ The mapping of the risks to which the Group is exposed, the measuring and stress testing methods, and the information flows that summarize the monitoring activities;
- ▶ The annual assessment process on the adequacy of internal capital and the adequacy of the liquidity risk governance and management system;
- ▶ The activities for the assessment of prospective capital and liquidity adequacy, associated with the strategic planning process.

The corporate governance bodies of BFF Bank S.p.A. - as the BFF Banking Group's Parent Company - define the risk governance and management model at Group level, taking into account the specific types of operations and the related risk profiles characterizing all of the Group's entities, with the aim of creating an integrated and consistent risk management policy. Within this framework, the Parent Company's corporate governance bodies perform the activities entrusted to them not only with regard to their specific business activities, but also taking into account the Group's operations as a whole and the risks to which it is exposed, and involving, as appropriate, the governance bodies of the subsidiaries in the decisions concerning risk management procedures and policies.

At the Group level, the Risk Management Function cooperates in the process of defining and implementing the risk governance policies through an adequate risk management process. The Function Head is not involved in the operating activities he or she has to monitor, and his or her tasks and responsibilities are governed by specific Internal Regulations.

In addition to other tasks, the Risk Management Function is responsible for:

- ▶ cooperating with the corporate governance bodies in defining the overall risk management system and the entire reference framework relating to the assumption and control of Group risks (Risk Appetite Framework);
- ▶ establishing adequate risk management processes through the adoption and maintenance of suitable risk management systems, in order to map, measure, control or mitigate all relevant risks;

- ▶ providing an assessment of the capital absorbed, also under stress conditions, and of the related present and prospective capital adequacy, by defining processes and procedures to meet every type of present and future risk, which take into account strategies and context changes;
- ▶ supervising the functioning of the risk management process and monitoring compliance with it;
- ▶ monitoring the adequacy and effectiveness of measures taken to remedy any deficiencies found in the risk management system;
- ▶ submitting periodic reports to the corporate bodies on the activities carried out and providing them with advice on risk management issues;

The organizational placement of the Risk Management Function complies with the principle of separation between Corporate Control Functions and Corporate Structures of the Parent Company, prescribed by current Supervisory Provisions.

To further protect its independence, the Risk Management Function, as of January 1, 2025, reports hierarchically to the Board of Directors and functionally to the Chief Executive Officer, and is organizationally separate from the Internal Audit Function and the Compliance & AML Function.

In addition, the Risk Management Function is not involved in risk-taking decision-making processes.

### The internal control system

To guarantee sound and prudent management, the BFF Group combines business profitability with a knowledgeable assumption of risks and with operational conduct inspired by criteria of fairness.

Therefore, in line with legal and supervisory regulations and consistent with the instructions of the Corporate Governance Code for listed companies, the BFF Group has set up an internal control system suitable to identify, measure and continuously verify the risks typical of its corporate activities.

The CEO is the Director responsible for the Banking Group's Internal Control system, as envisaged by the Corporate Governance Code.

Pursuant to the provisions of the Supervisory Authority, the organizational framework of the Group's internal control system is based on the following three control levels:

- ▶ **First-level controls** (line controls) aim to ensure that transactions are carried out correctly, and are performed by the same operating structures that execute the transactions, also with the support of IT procedures and constant monitoring by the heads of such operating structures.
- ▶ **Second-level controls** aim to ensure the correct implementation of the risk management process and compliance with the regulatory framework, including the risk of money laundering and terrorist financing. The functions responsible for such controls are distinct from business functions and contribute to the definition of risk governance policies and the risk management process and are entrusted to the Risk Management Function and to the Compliance and Anti-Money Laundering Function. The organizational placement of the Risk Management Function and the Compliance and Anti-Money Laundering Function complies with the principle of separation between Corporate Control Functions and Corporate Structures of the Parent Company, prescribed by current Supervisory Provisions.

As of January 1, 2025, to further protect their independence, they report hierarchically to the Board of Directors and functionally to the Chief Executive Officer, whereas previously they were under the staff of the Chief Executive Officer, and they are also independent of the Internal Audit Function, being subject to review by it. The duties and respective responsibilities are governed within the pertinent internal regulations of the Functions. On January 1, 2025, Director Domenico Gammaldi was appointed AML Officer in place of the Chief Executive Officer. The ICT and Security Risk Control Function is a part of the Risk Management Function, and is responsible for managing and supervising ICT and security risks, as well as for checking the compliance of ICT operations with the ICT and security risk management system.

- ▶ **Third-level controls and internal audit** activities are instead carried out by the Group's Internal Audit Function, reporting directly to the Board of Directors.

### Focus on Control Functions

#### ***Risk Management***

In terms of second-level controls, the Function ensures the consistency of the risk measurement and control systems with the processes and methodologies of company activities by coordinating with the relevant company structures; oversees the realization of the process for determining adequacy of capital and liquidity risk governance and management systems ("ICAAP/ILAAP"); monitors the controls over the management of risks, in order to define methods to measure those risks; assists corporate bodies in designing the Risk Appetite Framework (RAF); verifies that the limits assigned to the various operating functions are being observed; and checks that the operations of the individual areas are consistent with the assigned risk and return objectives.

At Group level, the Risk Management Function is responsible for:

- ▶ Cooperating with the corporate governance bodies in defining the overall risk management system and the entire reference framework relating to the assumption and control of Group risks (Risk Appetite Framework);
- ▶ Ensuring that the Parent Company and each Group Company has an adequate risk management system, consistent with the Group's strategy and policy and with the Supervisory Provisions;
- ▶ Providing a proper assessment of the capital absorbed, also under stress conditions, and of the related present and prospective capital adequacy, by defining processes and procedures to meet every type of present and future risk, taking into account strategies and context changes;
- ▶ Overseeing the implementation of the Risk Management Process, as defined in the Group risk management policy, and ascertaining that it is being complied with;
- ▶ Monitoring the adequacy and effectiveness of the actions taken to resolve weaknesses found in the risk management system;
- ▶ Submitting periodic reports to the corporate bodies on the activities carried out and providing them with consulting on risk management issues;
- ▶ Handling the measurement of risks, including market risks, underlying relationships with related parties, verifying compliance with the limits assigned to the various Company Structures, checking the consistency of the operations of each unit with the levels of risk propensity defined in the RAF.

The Risk Management Function is also responsible for the overall vision of all risks assumed by the Group and includes the specific skillsets relating to the management of the various types of risk, ensuring the promotion of a company-wide risk culture. In particular, the Risk Management Function:

- ▶ Is responsible for defining and updating the methodologies and tools for the identification, measurement, assessment, control, management and mitigation of the Pillar I and Pillar II Risks to which the Group Companies are exposed;
- ▶ Is involved in the definition of the RAF, the risk governance policies and the various phases of the Risk Management Process as well as the establishment of operational limits on the assumption of the various types of risk. In this regard, it also has the duty of proposing the quantitative and qualitative parameters necessary to define the RAF, which also refer to stress scenarios and, in the case of changes in the bank's internal and external operating context, the adjustment of such parameters, verifies the adequacy of the RAF and its operating limits, and the adequacy of the Risk Management Process;
- ▶ if one or more thresholds defined in the RAF are breached, including operating limits, as per the defined escalation procedures, it evaluates the relative reasons and the effects on the company situation, including in terms of costs, informs the organizational units involved as well as the Corporate Bodies and proposes corrective measures. Ensures that the Board of Directors is informed in the case of serious violations; the Risk

*Management Function* plays an active role in ensuring that the recommended measures are adopted by the organizational units concerned and brought to the attention of the Corporate Bodies;

- ▶ Defines and enacts the annual activity plan and informs the Parent Company's Board of Directors on an annual basis about the performance of its activities;
- ▶ Monitors the effective risk assumed by the Group Companies on an ongoing basis and its consistency with risk targets, as well as respect for the operating limits on the assumption of the various types of risk, as a result optimizing capital allocation processes;
- ▶ Handles the updating of the "Contingency Funding Plan" and oversees the monitoring of the relative contingency indicators;
- ▶ Defines shared metrics for the assessment and control of operational risks consistent with the RAF, coordinating with the Compliance & AML Function and with the ICT O.U.;
- ▶ Defines methods for the assessment and control of reputational risks, coordinating with the Compliance & AML Function and with the Company Structures that are most exposed;
- ▶ Supports the corporate bodies in the assessment of strategic risk, monitoring the significant variables;
- ▶ Ensures the consistency of the risk measurement and control systems with the processes and methodologies for the assessment of company activities by coordinating with the relevant Company Structures;
- ▶ Develops, maintains, applies and ensures the application of indicators capable of identifying anomalies and inefficiencies in risk measurement and control systems;
- ▶ Analyses risks linked to new products and services and those deriving from entry into new operating and market segments, assuming different risk scenarios and evaluating the bank's capacity to ensure effective risk management. It may ask for changes to be made to specific products or services to be screened beforehand by the corporate bodies in compliance with the new product approval process;
- ▶ Monitors portfolio diversification at Group level, in order to avoid excessive exposure concentration;
- ▶ Monitors operating limits and large exposures;
- ▶ Develops preventive opinions on the consistency with the RAF of Major Operations (MO), possibly by acquiring the opinion of other Functions, O.U.s and/or Departments involved in the Risk Management Process, depending on the nature of the transaction;
- ▶ If one or more thresholds defined in the RAF are breached, including operating limits, as per the defined escalation procedures it evaluates the relative reasons and the effects on the company situation, including in terms of costs, informs the operating units involved as well as the corporate bodies and proposes corrective measures. Ensures that the body with strategic supervision functions is informed in the case of serious violations; the Risk Management Function plays an active role in ensuring that the recommended measures are adopted by the functions concerned and brought to the awareness of the Corporate Bodies;
- ▶ Monitors the adequacy and effectiveness of the actions taken to resolve weaknesses found in the Risk Management Process;
- ▶ Defines and implements the annual activity plan and annually informs the Parent Company's Board of Directors about the performance of activities; in this Plan, the main risks to which the Group is or could be exposed are identified and evaluated, and related management actions are scheduled. The planning of activities takes into account any deficiencies identified in controls, as well as any newly identified risks.
- ▶ Performs second-level controls on the guarantees acquired to secure credit exposures and the related impact in terms of CRM;
- ▶ Evaluates the consistency of the classification of performing and non-performing loans;
- ▶ Calculates value adjustments on the Group's performing loans consistent with the approaches defined by IFRS 9;

- ▶ Evaluates the consistency of generic and specific value adjustments applied by the Group and the adequacy of the debt collection process;
- ▶ Proposes to the CEO the definition of the qualitative and quantitative Stage Allocation criteria and monitors them;
- ▶ Performs a performance analysis to evaluate the qualitative evolution of the credit risk of each Group portfolio in line with IFRS 9 criteria;
- ▶ Monitors the development of forward-looking impacts on CET1 resulting from *calendar provisioning*;
- ▶ Oversees and contributes to the development, as the second-level control function - and therefore separate from the operating units - of the process of determining the internal funds transfer pricing system, in line with the requirements of the Supervisory Provisions in force and taking into account the specific operational characteristics of the Group;
- ▶ Prepares adequate documentation and information flows for the corporate bodies and the other Company Control Functions of the Parent Company; in particular, the Head of the Risk Management Function informs the Head of the Internal Audit Function of the weaknesses that may be of interest for audit activities;
- ▶ Actively works with other relevant departments of the Bank to integrate ESG factors, including but not limited to climate and environmental factors, into the Bank's strategies, the RAF, and risk governance policies;
- ▶ in line with the activities defined in the three-year plan in the area of climate and environmental risks, these risk factors are incorporated into the assessment of the exposure subject to the different types of risk (e.g., credit risk) and in their monitoring, by developing information flows based on the levels of materiality of the climate and environmental risks which the Bank is exposed to;
- ▶ Contributes to ensuring the consistency of the remuneration and incentive system with the framework for determining the Group's risk appetite (RAF), including through the definition of risk indicators to be used for correction mechanisms, and gives an opinion on the correct activation of the latter;
- ▶ Verifies, within the scope of controls on the Depositary Bank, the consistency over time of the methodologies and policy adopted for measuring financial instruments and performs spot checks on the correct use of pricing models, the classification of illiquid/unlisted securities and their proper valuation, ex post with respect to the definitive NAV valuation;
- ▶ Monitors liquidity risk, also performing, inter alia, the calculation of the LCR - Liquidity Coverage Ratio and NSFR - Net Stable Funding Ratio liquidity indicators, and the internal Minimum Cumulative Balance indicator.

Furthermore, as already highlighted, the Risk Management Function is responsible for managing the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP) and acts as the planning, guidance and coordination structure for such processes. In this context, the Risk Management Function is responsible for:

- ▶ Identifying the risks (and the relative sources) to be subjected to assessment on the basis of an analysis of the regulatory context, the reference market, operations and the business lines;
- ▶ Observing the effective risk assumed by the Group on an ongoing basis and its consistency with risk targets, as well as respect for the operating limits on the assumption of the various types of risk;
- ▶ Verifying that the risk measurement and control systems are subjected to periodic backtesting, that an appropriate number of scenarios are analyzed and that conservative assumptions are used on dependencies and correlations; in risk measurement, generally taking into account model risk and any uncertainty in the evaluation of certain types of financial instruments;
- ▶ Identifying and documenting the differences between regulatory methodologies and the methodologies used for Pillar II Risks, any time they are developed/revised;
- ▶ Defining and applying valuation stress test methodologies, at least annually, on the robustness and effectiveness of the stress testing program and the need to update it;

- ▶ Measuring Internal Capital against each risk and determining total Internal Capital;
- ▶ Generating the reporting to be sent to the Organizational Units involved in the process;
- ▶ Reconciling total capital with Own Funds, identifying, amongst the capital elements deemed appropriate for the coverage of total Internal Capital, the items linked to Own Funds;
- ▶ Identifying and documenting the composition of total capital available against the total Internal Capital requirements and verifying the relative coverage;
- ▶ Preparing the documentation relating to the methodologies and models used, for the purpose of internal approval by the Parent Company's Board of Directors;
- ▶ Drafting the ICAAP/ILAAP Report;
- ▶ Performing the self-assessment within the ICAAP/ILAAP Report;
- ▶ Monitoring the activities planned and the realization timing relating to the areas for improvement identified during the ICAAP/ILAAP self-assessment and is also responsible for their full implementation.
- ▶ Lastly, within the scope of the Recovery Plan, the Risk Management Function is responsible for:
- ▶ Preparing the definition and updating of the overall recovery framework structure and the Recovery Plan, with the support of the O.U.s involved in various bases;
- ▶ Handling the phase of proposing the definition of the Recovery Plan, with reference to:
  - Recovery indicators and the relative calibration thresholds to be included in the Recovery Plan;
  - Recovery scenarios (definition of quantitative and qualitative metrics);
  - Evaluation of the capital and liquidity impacts of the recovery options to be included in the Recovery Plan, in coordination with the Parent Company's Finance and Administration Department;
- ▶ Coordinating the operating phases for the preparation and formalization of the Recovery Plan;
- ▶ Interacting with the Competent Authority on the matter, particularly with regard to any requests for clarification or additional information;
- ▶ Monitoring the recovery indicators and applying the escalation procedures defined within the document itself in the event of one or more thresholds being exceeded;
- ▶ Supporting the CEO or another Managing Director on the Board of Directors in the verification and monitoring of the proper management of the state of crisis;
- ▶ Assessing requests as they are received from the Resolution Authority, estimating their possible impacts and the activities needed to respond to them.

### **Compliance and Anti-Money Laundering (AML)**

Also within the scope of second-level controls, the Compliance and Anti-Money Laundering (AML) Function: *i)* supervises, according to a risk-based approach, the management of the risk of non-compliance with regulations, with regard to all the activities falling within the regulatory framework for the Bank and the Group – also through its managers/local functions at its branches and/or subsidiaries as well as specialized entities – continuously verifying whether internal processes and procedures are adequate in preventing such risk and identifying the relevant risks to which the Bank and the subsidiaries are exposed; *ii)* ensures a comprehensive and integrated view of the risks of non-compliance the Bank and Subsidiaries are exposed to, ensuring adequate reporting to the respective Corporate Bodies. The Function is also responsible for the controls required by anti-money laundering regulations for the prevention of the use of the financial system to launder the proceeds of criminal activity and terrorist financing. At Group level, the Compliance and AML Function is responsible for:

- ▶ Identifying on an ongoing basis the rules applicable to the Group and evaluating and measuring their impact on company processes and procedures, identifying the company functions and structures concerned and informing them in that regard;



- ▶ Ensuring the mitigation of compliance risk, in order not to incur legal or administrative sanctions, significant financial losses or reputational damage as a result of violations of mandatory provisions (laws, regulations) or internal regulations (e.g., by-laws, codes of conduct, corporate governance codes);
- ▶ Identifying the compliance risks deriving from the introduction of new regulations, preventively evaluating their potential impact on processes and procedures; monitoring the adoption of organizational adaptations (structures, processes and procedures) required to prevent compliance risk and verify their effectiveness;
- ▶ Collaborating in the definition of policies and procedures for mitigating legal and reputational risks linked to the failure to comply with internal and external regulations and, when necessary, identifying suitable improvements and/or corrections, and verifying their adequacy and proper application;
- ▶ Verifying the existence and reliability, on an ongoing basis, of suitable procedures and systems for ensuring respect for all legal obligations and those laid out by internal regulations;
- ▶ Providing consulting and assistance to the corporate bodies on all matters in which compliance risk plays a role;
- ▶ Collaborating in mandatory personnel training activities;
- ▶ Spreading a corporate culture inspired by principles of integrity, fairness and regulatory compliance;
- ▶ Supporting company structures for the definition of compliance risk assessment methodologies.

### Internal Audit Function

The Internal Audit function carries out independent controls for the Parent Company, the foreign branches and the other Group companies with which servicing agreements are in place that govern the provision of the audit service. Moreover, the Parent Company's Internal Audit Function performs management and coordination with respect to the Internal Audit Function of the subsidiary BFF Polska S.A., which functionally reports to the Head of the Parent Company function. The *Group Internal Audit Charter* approved by the Board of Directors states that the *Internal Audit* Function, with a view to third-level controls, assesses the overall functioning of the internal control system, bringing possible improvements to the attention of the corporate bodies.

The Head of the Internal Audit Function has the necessary autonomy and is independent of the operating structures, in compliance with the Bank of Italy's regulation on Internal Controls, the Corporate Governance Code and internal regulations.

During the course of 2024, the Internal Audit Function performed audits in line with the 2024 Audit Plan prepared according to a risk-based approach, approved by the Board of Directors in December 2023 and updated in July 2024, following up on the findings issued and reporting quarterly on the work done to the Bank's governance and control bodies, through its dashboard.

The Function also prepared the mandatory reporting required by banking regulations and namely the "Annual *Internal Audit Report - Assessment of the Internal Control System*" and the "Report on outsourced critical or important functions" (so-called CIF).

The Head of the Internal Audit Function is also responsible for the whistleblowing system.

### Other control functions and bodies

Finally, under the provisions and terms of the law, Staff reporting to the **Financial Reporting Officer** evaluate the effectiveness of the oversight being provided by the Internal Control System in regards to Financial Reporting Risk. In particular, it performs assessments and monitoring at a Group level, evaluating the adequacy of the coverage of the potential risk by performing adequacy and effectiveness tests on key controls on an ongoing basis, identifying possible points of improvement in the Internal Control System in the accounting area. In this context, the Financial Reporting Officer and the Chief Executive Officer of the Parent Company together certify

the following aspects through specific reports attached to the annual and consolidated financial statements, and interim reporting: the suitability of the accounting procedures used in preparing the annual, consolidated and interim financial statements; compliance of documentation with applicable international accounting standards endorsed by the European Union; whether accounting books and records are suitable for providing a true and fair view of the financial position, financial performance and cash flows of the Group on a consolidated level and of the individual subsidiaries included under the scope of the consolidation; and the reliability of content, in relation to specific aspects, of the Director's report on operations and half-year report on operations.

The Bank also has an Organization, Management and Control Model pursuant to Italian Legislative Decree No. 231/2001, drafted in compliance with the requirements of the Decree itself, as well as the guidelines of Assifact and ABI. The latest revision of the Model was approved by the Board of Directors in December 2024. In detail, the revision incorporated (i) the changes to the so-called "catalog of crimes" since the last update in December 2022, (ii) the changes made to the organizational structure following the results of the Bank of Italy's audit, and (iii) certain areas of improvement that emerged from the *Quality review* of the Model carried out in 2023.

The Model includes a General Part, which provides a summary description of the reference regulatory framework, the key characteristics and features of the Model identified within the operations defined as "sensitive" for the purposes of the Decree, the structure and composition of the Supervisory Body as well as the description of the system of sanctions to prevent violation of the provisions contained in the Model. The Model also has Special Parts that include: i) the Matrix of activities at risk, the purpose of which is to identify the type of crimes that can potentially be committed in the performance of the Bank's activities; ii) the Protocols of the Departments, the corporate Organizational Units and foreign branches for which local regulations are also taken into account, that set out the activities, controls and reporting mechanisms suitable to ensure the adequacy of the Bank's organizational and control system for the rules in the Decree; iii) the Table of Information Flows to the Supervisory Body.

Updates to the Model are approved during the year by the Board of Directors following a process of analyzing the most recently introduced types of offense as well as to take into account organizational developments within the Bank.

The Italian subsidiaries BFF Immobiliare Srl and BFF Techlab Srl have their own Organization, Management and Control Models and a one-person Supervisory Body.

The Spanish subsidiary BFF Finance Iberia, S.A. adopted its own Organization Model in accordance with Article 31-*bis* of the Spanish Penal Code, similar in its structure to the Bank's Model.

For the Polish subsidiary BFF Polska S.A. and its subsidiaries, specific "anti-corruption" guidelines have been adopted, with the identification of a specific single-tier body responsible for them, represented by BFF Polska S.A.'s Compliance & AML Function.

The Group's Code of Ethics is the document defining the set of ethical values embraced by Group activities, respect for which makes it possible, among other things, to prevent the criminal offenses enumerated in Italian Legislative Decree No. 231/01.

Furthermore, the Parent Company and the subsidiaries have a whistleblowing process in place formalized in a dedicated procedure approved by the competent bodies, and a specific Anti-Corruption Policy.

The management policies adopted for each category of risk of the Banking Group, described in more detail in the relative sections, are set forth below.

## CREDIT RISK

The main activity of the Banking Group is factoring, which is governed, in Italy, by the Italian Civil Code (Book IV - Title I, Chapter V, Articles 1260-1267) and Law No. 52 of February 21, 1991 and subsequent amendments, and which consists of a plurality of financial services that can be structured in various ways, mainly through the sale of trade receivables. The Group mainly offers non-recourse factoring services with debtors belonging to the public administration, in addition to other lending products always with a focus on the Public Administration. From March 2021, with the integration of DEPObank, the Group began to provide credit as an instrumental activity in addition to specific treasury activities (managed through the granting of operating limits) and securities services (mainly managed through the granting of account overdraft facilities).

Moreover, for the purpose of diversifying its business and its geographical presence, the Banking Group operates in Eastern European countries through the BFF Polska Group and its subsidiaries (BFF MF, BFF CZ, BFF CEE, Medico Fund, Municipal Fund), which mostly provide financial services to companies operating in the healthcare sector and to Public Administration agencies and their suppliers in the countries in which they operate.

### Credit risk management policies

#### 1. Organizational aspects

The assessment of a transaction, for the different products offered by the Banking Group, is conducted through the analysis of a number of factors, ranging from the degree of risk fragmentation to the characteristics of the commercial relationship underlying the credit quality and the customer's/debtor's ability to repay.

The guidelines and procedures to monitor and control credit risk are set forth in the current "Credit Regulation," approved by the Board of Directors on December 21, 2023, and by the "Credit Regulation" of subsidiaries. A further organizational measure tackling credit risk is provided by the internal regulation for monitoring credit quality, which describes the credit control process on the debtor and is an integral part of the aforementioned "Credit Regulation".

Credit risk is therefore monitored at various levels within the framework of the multiple operating processes.

## 2. Management, measurement and control systems

The management, measurement and control system relating to credit risk has been created to ensure control over the main types of risks belonging to the credit risk category.

For this purpose, it must be noted that the core business carried out by the Group mainly consists, as mentioned above, of the purchase of non-recourse<sup>2</sup> trade receivables due from debtors belonging to Public Administration agencies, and *that with regard to exposures related to the custodian bank operations, these are mainly towards banks.*

Based on the above, in particular, credit risk is linked to the possibility that an unexpected change in the creditworthiness of a counterparty to which the Company is exposed may generate a corresponding decrease in the value of the credit position. It can be broken down as follows:

- ▶ Credit risk in the strict sense: the risk of default of counterparties to which the Group is exposed, which is fairly limited considering the public nature of the Group's counterparties, the majority of which are not subject to bankruptcy proceedings or other procedures that could undermine their substantial solvency;
- ▶ Dilution risk: the risk that the amounts owed by the assigned debtor are reduced due to allowances or offsets arising from returns and/or disputes concerning the quality of the product or service or any other issue;
- ▶ Factorability risk: the risk related to the nature and characteristics of the commercial relationship subject to factoring/sale, affecting the ability of the trade receivable sold to self-liquidate (e.g., risk of direct payments from the debtor to the potentially insolvent assignor);
- ▶ Risk of late payment: the risk of a delay in the collection times of the trade receivables sold compared to those expected by the Group.

In light of the risks detailed above, the Group has internal regulations that describe the phases that industry regulations identify as components of the credit process:

- ▶ Background check;
- ▶ Decision;
- ▶ Disbursement;
- ▶ Monitoring and review;
- ▶ Dispute.

Non-recourse factoring by its very nature represents the service that is most exposed to credit risk. For this reason, the background check for the credit line application is carried out highly accurately on the basis of what is set forth in the Credit Regulation, the Credit Line Granting and Review Methodologies and Criteria, the non-recourse customer screening procedure and the entity and borrower screening procedure. Furthermore, after the first loan is granted, both customers and borrowers are reviewed at least every year to evaluate their creditworthiness and are also monitored on an ongoing basis.

The Group also marginally offers the following two types of services: "receivables management only" and "recourse factoring".

2) For the classification of factoring transactions as "non-recourse" and "recourse", irrespective of the contractual form, any transaction carried out with the full transfer to the Group of the risks and rewards connected with the assets subject to the transaction is considered "non-recourse", pursuant to IAS 39 and the new IFRS 9 ("derecognition").  
On the other hand, transactions that do not result in the above-mentioned transfer of risks and rewards to the Group are considered "recourse".

In the “loans and receivables management only” service, credit risk is considerably reduced because it is limited to the Group’s exposure to the customer for payment of the agreed fees and commissions, that is, the reimbursement of legal fees incurred.

With reference to the granting of credit to counterparties using the custodian bank service, credit risk is very low, as it is mainly concentrated on bank counterparties, asset management companies and Funds.

With regard to the allocation of operating limits and/or “intermediation” caps, there is no specific request from customers and the assessment is initiated at the initiative of the Finance and Treasury OU or the relevant organizational units.

As part of the management of counterparties providing retail intermediation services, specific operating limits have been established, aimed at monitoring and controlling the operations of these entities. In some cases, guarantees have been requested to mitigate the risk assumed for these activities. Exposure to the customers’ credit risk is constantly monitored. The credit quality of public sector entities is analyzed within the framework of the risk of delay in repaying liabilities.

With specific reference to BFF Polska S.A., it should be noted that the company operates in Poland, and also in Slovakia and the Czech Republic through its subsidiaries.

BFF Polska S.A. mainly operates in three sectors:

- ▶ Financing the working capital of suppliers to the Public Administration;
- ▶ Financing current and future trade receivables in the public and healthcare sector;
- ▶ Direct financing for parties in the public and healthcare sector.

Also with regard to the specific types of investment by BFF Polska S.A. and its subsidiaries, Group credit risk management aims at building a robust and balanced financial asset portfolio to reduce to a minimum the risk of impaired exposures and at the same time generate the expected profit margin and loan portfolio value. As a general rule, the Banking Group’s customers have a suitable credit standing and, if necessary, adequate guarantees are requested to mitigate the risk of financial losses arising from customers’ non-performance. Exposure to the customers’ credit risk is constantly monitored. The credit quality of public sector entities is analyzed within the framework of the risk of delay in repaying liabilities.

The assessment of credit risk is part of an overall analysis of the adequacy of the Group’s capital in relation to the risks connected with lending.

With this in mind, the Group uses the “standardized” approach to measure credit risk, as governed by Regulation (EU) No. 575/2013 (CRR) and adopted by the Bank of Italy Circular No. 285 “*Supervisory provisions for banks*” and Circular No. 286 “*Instructions for the preparation of supervisory reporting by banks and securities intermediaries*”, both dated December 17, 2013, and subsequent amendments. This approach involves the classification of exposures into different classes (“portfolios”), depending on the type of counterparty, and the application of diversified weighting ratios, set forth in detail in Section 4 of this document, to each portfolio.

Furthermore, the credit risk management process abides by external regulations (CRR, Bank of Italy Circulars No. 285 “*Supervisory provisions for banks*” and No. 286 “*Instructions for the preparation of supervisory reporting by banks and securities intermediaries*” and subsequent amendments) regarding risk concentration.

Specifically:

- ▶ “Large exposure” means any risk position equal to or greater than 10% of the eligible capital, as defined in CRR II (equal to Tier 1 capital);

- ▶ As a banking group, the Group is required to limit each risk position to within the limit of 25% of the eligible capital, as defined in the CRR II (equal to Tier 1 capital), at both individual and consolidated level.

Considering the fact that the Group's exposure consists almost entirely of receivables purchased on a non-recourse basis and due from individual public administration entities, portfolio risk is considered limited, since the derecognition of receivables entails the allocation of the exposure to a higher number of counterparties (i.e., the assigned debtors), which, in the case of certain exposures, receive preferential treatment in terms of weighting for large exposures.

Finally, in accordance with Bank of Italy Circular no. 139 of 11 February 1991, as subsequently amended, "*Central Credit Register. Instructions for credit intermediaries*", the Bank reports monthly to the Central Credit Register, providing information on the dynamics of the debtor's financial debt over time and on the ratio granted/used (which expresses the company's financial commitment and the margins of indebtedness to the system). This compliance also allows the visibility of the financial position of the subjects reported by the Bank, in order to better monitor the performance of the receivable.

### 3. Credit quality assessment

The Group performs an impairment test on the loan portfolio, aimed at identifying any impairment of its assets, in line with the provisions of the applicable standards and the prudential criteria required by supervisory regulations and the internal policies adopted by the BFF Banking Group.

This assessment is based on the distinction between these two categories of exposures:

- ▶ *Exposures subject to generic adjustments ("collective impairment");*
- ▶ *Exposures subject to specific adjustments.*

Note that IFRS 9 entered into force on January 1, 2018. This standard replaces the concept of incurred losses, envisaged by IAS 39, with that of expected credit losses.

The approach adopted by the Group is based on a prospective model that may require the recognition of expected credit losses over the lifetime of the exposure on the basis of supportable information that is available without undue cost or effort and includes historical, current and forward-looking data. In this context, an approach based on the use of credit risk parameters (Probability of Default – PD, Loss Given Default – LGD, Exposure at Default – EAD) has been adopted, redefined based on a multi-period perspective.

More specifically, according to IFRS 9, impairment of receivables is recognized in three stages, each with different methods for calculating the losses to be recorded.

As for Stage 1, expected credit losses are measured over a 12-month period. As for Stage 2 (including financial assets whose credit risk increased significantly since initial recognition), expected credit losses are measured over the full lifetime of the instrument (lifetime expected losses). Stage 3 includes all financial assets that show objective impairment at the reporting date (non-performing exposures).

Additional information on credit risk is provided in section 7.

## 4. Securitization transactions

### Disclosure on the transaction with “TeamSystem S.p.A. – Invoice Trading PA.”

#### Qualitative information

##### Strategies, processes and objectives

The Parent Company BFF has initiated a project with its partner TeamSystem S.p.A. to extend its operations to small and medium-sized enterprises through a digital invoice trading platform.

The Parent participated in the project by investing in an Alternative Investment Fund (“AIF” - FPAM1 Fund) reserved for the purchase of receivables due from the Public Administrations.

The Fund, established on March 6, 2023, managed by TeamSystem Capital at Work SGR S.p.A., aims to increase the value of its assets through investments made to acquire, subscribe and/or sell ABS securities issued by the “SPV Project 2214 S.r.l.” securitization vehicle, the underlying assets of which are represented by PA/NHS receivables acquired from assignor companies.

##### Transaction details

BFF subscribed units of the fund on July 11, 2023; subsequently, its operations began, with the acquisition of the first invoice and the issue of notes by the vehicle in early September 2023.

The securitization transaction was carried out through the vehicle established by Zenith Service S.p.A., which acquires trade receivables owed from PA and NHS entities and issues notes on the basis of Italian Legislative Decree 130/99, in partly paid mode. TeamSystem Capital at Work SGR S.p.A. has taken on the role of Portfolio Manager in the transaction structure, and in particular has been made responsible for verifying the consistency between the Fund Investment Policy and the individual PA Receivables that will be acquired as part of the securitization transaction.

At consolidated level, the vehicle falls within the accounting scope of consolidation of the BFF Banking Group, but not the prudential scope of consolidation, in accordance with the provisions of Article 19(1) CRR.

At December 31, 2024, the vehicle had no receivables in its portfolio.

## Description of the risk profile

Investment in the Fund entails a degree of risk typical of investments in an AIF, primarily connected to possible changes in the value and profitability of the assets in which the Fund has invested.

To mitigate the risk connected to the investment, the fund's Investment Policy and the investment limits set forth in the Fund Regulation have been carefully assessed.

In particular, the main guidelines are set forth in brief below:

- ▶ the PA Receivables underlying the ABS securities in which the Fund Assets are invested must be certain, liquid and payable at the due date specified on the invoice;
- ▶ the Fund cannot invest in ABS Securities with PA Receivables as their underlying asset for which, at the moment of acquisition, the relative assigned debtors are in a proven state of insolvency and, in particular:
  - PA Receivables referring to debtors that are found to be subject to distress, pre-distress or in recovery, compulsory administrative liquidation or another applicable bankruptcy procedure;
  - PA Receivables that refer to credit exposures and/or debtors classified as in default pursuant to Art. 178 of Regulation (EU) 575/2013 of the European Parliament and the Council, as well as the implementing provisions and/or interpretative guidelines of such provision (past due, UTP, non-performing);
- ▶ the PA Receivables underlying the ABS Securities must also have the following characteristics:
  - minimum amount by individual invoice of €5,000;
  - performing receivable or receivable past due for no more than 30 days;
  - term not exceeding 90 days, where term refers to the payment terms of the invoice (to be calculated as the difference between the invoice issue date and the invoice due date);
  - being monetary receivables deriving from or relating to supply contracts and/or trade contracts governed by Italian law that have been signed/executed by an Assignor Company;
  - relating to services already provided excluding payments on account and/or receivables relating to the real estate sector and subject to the assessment of work in progress.

## Quantitative information

### Type of financial instruments held

During 2024, the BFF Banking Group had no direct exposures to securitization.

### Disclosure of the transaction "Dionysus - Fire S.p.A."

The Parent Company BFF has a partnership with Fire S.p.A., for investment in a securitization aimed at purchasing portfolios of loans classified as defaulting.



The purchase concerns portfolios of loans classified as defaulting originated by banks or consumer credit companies arising from loans in any form granted by these entities or from the assignment of loans of this type made in the context of securitization transactions. Fire is the Special Servicer, while Centotrenta Servicing is the Master Servicer. The SPV ex lege 130 acquired the loans in question, placing them in a sub-fund called "NPLs". The notes issued were purchased by BFF and Fire as follows:

- ▶ BFF: 100% of senior notes and 5% of junior notes;
- ▶ Fire: 95% of junior notes.

It should be noted that BFF acts as the sponsor of the transaction.

In general, purchased NPE loans meet the requirements of Article 269 *bis* of Regulation (EU) No 575/2013 (the "CRR"), regarding the weighting of loans, which allows for a 100% weighting of the Senior Note in the case that securitized loans are purchased at a discount of not less than 50%.

## COUNTERPARTY RISK

Counterparty risk represents a particular type of credit risk, characterized by the fact that the exposure, owing to the financial nature of the contract executed between the parties, is uncertain and can change over time in relation to the evolution of the underlying market factors.

For BFF, counterparty risk may be generated by repurchase agreements and derivatives, as well as by trading in tax credits allocated in the trading portfolio with respect to which a counterparty enters into a purchase commitment. Counterparty risk is measured using the original exposure method.

## MARKET RISK

Market risk relates to positions held for trading, that is, positions intentionally held for sale in the short term, acquired in order to take advantage of purchase and sale price differences, or other changes in prices or interest rates. BFF's instruments classified as held for trading purposes include tax credits purchased from third parties for the purpose of resale and the transferee counterparty's commitment to purchase the same.

The regulation identifies and regulates the treatment of the various types of market risk in reference to the regulatory trading portfolio. The Group measures market risk using the "Standardized" approach.

Normally, Market Risk also includes Exchange Risk, which is discussed in a specific paragraph later in this Section.

## INTEREST RATE RISK AND CREDIT SPREAD RISK

For assessing the interest rate risk (IRRBB) potentially linked to fluctuations in interest rates, the Group has adopted the method used to determine internal capital set forth in the 48th update of the Bank of Italy Circular No. 285/2013 of June 28, 2024. In particular, the Bank has chosen to use the standardized approach (S-SA) described in Regulation (EU) 2024/857, with the sole exception of the treatment of wholesale financial non-maturity deposits for which, given their operational nature and significant persistence and stability, it is deemed appropriate to adopt the same methodology envisaged by the standardized methodology adopted for wholesale non-financial maturity deposits.

The Bank measures interest rate risk exposure, both in terms of its impact on economic value and net interest income, using the EBA interest rate shocks indicated in Regulation (EU) 2023/856, taking into account the worst-case scenario.

In accordance with the provisions of EBA Guidelines EBA/GL/2022/14, the Bank also quantifies and monitors the Banking Group's exposure to the risk of Credit Spread in the Banking Book (CSRBB), or the risk associated with changes in credit spreads.

The Bank has adopted a specific Policy for the management of Interest Rate Risk, recently supplemented in light of regulatory changes and to also include the management of Credit Spread Risk.

## EXCHANGE RISK

Exchange rate risk, which in accordance with regulations, is included under market risk, is represented by the Banking Group's exposure to fluctuations in currency exchange rates, considering positions in foreign currency as well as those with indexation clauses linked to the exchange rate trends of a given currency.

The Group manages and monitors the risk of fluctuations in exchange rates. The Group has a specific internal regulation for the management of exchange risk referring to exposures arising from the management of assets, funding transactions, the purchase or sale of financial instruments in foreign currency, and any other type of transaction in a currency other than the reference currency. Whenever possible, the Group limits open positions to foreign exchange risk by offsetting asset and liability items (*natural hedging*). Currency swaps are used for liquidity management in different currencies; however, these do not affect exposure to foreign exchange risk.

Exposure to currency risk – determined on the basis of the net foreign exchange position using a method based on the supervisory regulations – is monitored in real time by the Finance and Administration Department and managed in compliance with the limits established by specific internal rules.

## LIQUIDITY RISK

Liquidity risk is represented by the possibility that the Group may not be able to fulfill its payment obligations due to the inability to access funding in the financial markets, or because of restrictions on the disposal of assets. This risk is also represented by the inability to raise new financial resources adequate, in terms of amount and cost, to meet operating needs, which would force the Group to slow or halt the development of activities or sustain excessive funding costs to meet its obligations, with significant adverse impacts on the profitability of its operations.

As required by the provisions of the prudential supervision regulation issued by the Bank of Italy, the Group adopted a Group Liquidity Risk Management Policy and a Group Treasury and Finance Regulation, aimed at

maintaining a high degree of diversification in order to reduce liquidity risk, and identifying the governance and control principles and the organizational units responsible for the operational and structural management of liquidity risk. To ensure the implementation of the liquidity risk management and control processes, the Group adopted a governance model based on the following principles:

- ▶ Separation of processes for the management of liquidity and processes for the control of liquidity risk;
- ▶ Development of processes to manage and control liquidity risk, consistent with the hierarchical structure and through a process for the delegation of powers;
- ▶ Sharing of decisions and clear responsibilities among management, control and operational bodies;
- ▶ Making liquidity risk management and monitoring processes consistent with prudential supervisory requirements.

Liquidity risk stress tests were performed for assessing the potential impact of stress scenarios on the Group's solvency conditions.

The documents governing the matter are the "Group Liquidity Risk Management Policy", approved by the Board of Directors, with the aim of defining the guidelines for liquidity management and the documents to be adopted in a state of liquidity crisis (Contingency Funding and Recovery Plan), transposing the latest regulatory updates (see Bank of Italy Circular 285/2013). As part of the Risk Appetite Framework specific liquidity metrics have been defined, both regulatory, Liquidity Coverage Ratio - LCR and Net Stable Funding Ratio - NSFR, and internal, "minimum cumulative balance on total assets", calculated as the lowest weekly value in the quarter of reference of the ratio of the minimum cumulative balance recorded in the time periods within one month to the total assets of the last available group, in order to better represent the Group's operational reality.

Liquidity risk also includes the intraday risk deriving from the temporal mismatch between outflows (settled at daily cut-offs or when orders are received from customers) and inflows (settled at different intraday cut-offs), which may render it impossible for the Bank to discharge its payment obligations when they are called in due to a temporary lack of funds. To hedge intraday liquidity risk, rules are defined for the maintenance of a minimum portfolio of eligible securities necessary to meet requirements for intraday and periodic refinancing from central banks.

The Group's liquidity position, which is healthy and constantly monitored, has always remained solid thanks to the extensive availability of liquid reserves deriving from funding. The regulatory liquidity indicators – Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), despite being affected to varying extents (more so for the NSFR) by the increase in past-due positions, show values as at December 31, 2024 of 234.21% and 139.74%, respectively, well above the regulatory limits.

## ENCUMBERED ASSET MANAGEMENT PROCESS

As the Parent Company, BFF has adopted a specific policy for the management of the BFF Banking Group's encumbered assets, for the measurement and relative controls to be performed on them, which governs activities intended to:

- ▶ Outline the liquidity risk governance policies deriving from a deterioration in the credit quality of encumbered assets;
- ▶ Include in its emergency plans (Contingency Funding and Recovery Plan) strategies geared towards managing any potential increase in the share of encumbered assets deriving from situations of significant tension, or plausible, albeit unlikely, shocks, with regard, inter alia, to a rating downgrade for the Bank, the impairment of pledged assets and an increase in margin requirements;

- ▶ Ensure that the corporate bodies receive prompt information, at least with regard to:
  - i. the level, evolution and nature of the encumbered assets and sources constituting the encumbrance;
  - ii. the amount, evolution and credit quality of unencumbered assets that may be encumbered, with an indication of the volume of assets that may potentially be encumbered;
  - iii. the amount, evolution and nature of the encumbered assets resulting from the materialization of stress scenarios (potential share of encumbered assets).

The BFF Banking Group monitors the “Asset encumbrance ratio” (hereinafter also the “AE ratio”), in order to observe the risk exposure trend linked to the share of encumbered assets, which derives from the unavailability of assets that may be readily liquidated through sale, sale with repurchase agreement, collateral assignment or securitization, resulting in:

- ▶ A reduction in the share of assets available to creditors and depositors not guaranteed;
- ▶ An increase in funding and liquidity risk, as the share of encumbered assets reduces the possibility of obtaining new secured funding.

The AE ratio is defined as the ratio between the total carrying amount of encumbered assets and the reused guarantees received, and the total assets in the financial statements and collateral received.

Within the RAF document, a specific operating limit is established, which is monitored on an ongoing basis.

## OPERATIONAL RISK

Operational risk is the risk of incurring a loss due to inadequacy or failures of procedures, human resources and internal systems or as a result of external events. This category includes, amongst other items, losses caused by fraud, human error, business interruption, system failure, breach of contracts and natural disasters; operational risk includes legal risk but excludes strategic and reputational risks.

With regard to the Banking Group, exposure to this category of risk is generated predominantly by failure in work processes, in organization, governance - human errors, computer software malfunctions, inadequate organization and control measures - as well as by any loss of human resources in key corporate management positions. Exposure to operational risks deriving from external sources appears to be of negligible importance, partly due to the mitigation tools adopted to address such adverse events (such as, by way of example: the business continuity plan, data storage processes, back up tools, insurance policies, etc.).

The process adopted by the Group to manage and control operational risks is founded on the principle of promoting a corporate culture for managing risk and defining the appropriate standards and incentives with the aim of fostering the adoption of professional and responsible behavior at all operational levels, as well as designing, implementing and managing an integrated system for operational risk management that is adequate in relation to the nature, activities, size and risk profile.

The operational risk assessment model adopted is of the “mixed” type, meaning a model based both on qualitative assessments - linked to process mapping, at-risk activities and the corresponding controls adopted - and on quantitative assessment.

Lastly, to calculate the capital requirements against operational risk, the Banking Group uses the Basic Indicator Approach (BIA) whereby the capital requirement is determined by applying a 15% coefficient to the three-year average of the relevant indicator, calculated on the financial statement items of the last three years, in accordance with Regulation (EU) No. 575/2013. Moreover, for a better assessment of risk exposure, the Bank has implemented a quantitative operational risk assessment process (OpVaR) that monitors the Group's operational risk calculated to the 99.9th percentile.

With the entry into force of CRR III on January 1, 2025, the basic approach will be replaced by the business indicator component calculated in accordance with Article 313 of Regulation (EU) No 575/2013. This calculation, of greater operational complexity, is equal to the sum of the following components multiplied by fixed coefficients determined according to the business indicator (BI):

- ▶ ILDC = the interest, leases and dividend component (ILDC), expressed in € billion;
- ▶ SC= the services component (SC), expressed in € billion;
- ▶ FC= the financial component (FC), expressed in € billion.

Initial simulations using the new method show no significant impact on the Group.

The Group also assesses operational risks in connection with the introduction of relevant new products, activities, processes and systems, and mitigates the consequent operational risk that may arise through the preventive involvement of the Company Control Functions and the definition of specific policies and regulations on various subjects and topics.

In addition, in order to control the above mentioned risks, the Group adopts specific Organization Models for the management of the risks regarding money laundering, occupational health and safety, and information security.

## RISKS OF THE OTHER COMPANIES

The consolidated financial statements include the aggregated financial position items of BFF Bank S.p.A., BFF Finance Iberia, BFF Polska Group, BFF Immobiliare Srl, the securitization vehicle SpV Project 2214 and BFF Techlab Srl (See Section 2 - **Template EU LI3**).

These companies do not show further and relevant risk factors other than those mentioned in the preceding paragraphs.

### **Declaration of the management body, pursuant to Article 435(1)(e) and (f) of EU Regulation No. 575/2013**

The Chief Executive Officer of BFF Bank S.p.A., Massimiliano Belingheri, based on the mandate of the Board of Directors, declares pursuant to Article 435(1)(e) and (f) of EU Regulation No. 575/2013 that:

- a) The risk management systems put into place in the BFF Banking Group, and described in the document "Pillar III - Disclosure to the public - Year 2024", are aligned with the entity's profile and strategy;
- b) In particular, this section, "Risk management objectives and policies", of the above-mentioned document describes in brief the overall risk profile of the Group.

## Information relating to governance arrangements (Art. 435(2) CRR)

### 1. BOARD OF DIRECTORS

#### A) Engagement policy for the selection of members of the Board of Directors and limit on assignments

Under the Corporate By-laws<sup>3</sup>, the Bank is administered by a Board of Directors composed of a number of members that is established by the Shareholders' Meeting at the time of appointment. In any case, there may be no less than 5 (five) and no more than 13 (thirteen) directors, with a majority of independent directors as indicated in Article 13 of Ministerial Decree No. 169 of 23/11/2020, and at least two-fifths of the Directors must belong to the least represented gender and at least two must meet the independence requirements in Article 148, paragraph three of the TUF (the "**Fit&Proper Decree**"). The members of the Board of Directors have a term of office for a period not to exceed 3 (three) years, established on appointment, ending on the date of the Shareholders' Meeting convened to approve the financial statements for the final year of their term, and they may be re-elected.

The Board consists of Independent directors, Executive directors and Non-executive directors.

In compliance with current laws and regulatory provisions, and with provisions in Article 15 of the Corporate By-laws, the Board Directors of BFF are appointed on the basis of voting from lists submitted by the outgoing Board of Directors (the "**Board List**") and/or by the Shareholders.

Each list contains a number of candidates not exceeding the number of members to be elected, listed with a progressive number. The composition of the Board of Directors ensures: (i) that all directors meet the requirements of good standing and professionalism and criteria of fairness and competence set forth by regulations in force at any given time<sup>4</sup>; (ii) the presence of the majority of Directors in possession of the independence requirements set forth by regulations and legislation in force over time; (iii) the appointment of Directors belonging to the least represented gender, at least to the minimum extent set forth by regulations in force (at two-fifths); (iv) the presence of one Director from the list that received the second highest number of votes.

In the Bank's "*Board of Directors' Regulations*" (the "**BoD Regulations**")<sup>5</sup> and in the "*Policy for the evaluation of the requirements and criteria for eligibility to carry out the office of Corporate Representatives and Managers of the main Corporate Functions*", the Board of Directors established the requirements that BFF Directors must meet in addition to those laid out by regulations in force, and expressed its orientation regarding the maximum number of offices they may hold in other companies, in keeping with the provisions of Article 17 of the Fit & Proper Decree.

In compliance with regulatory and legislative provisions in force, the Board of Directors, with the contribution of the Nominations Committee and in coordination with the Chairperson of the Board of Directors, for the

3) The Bank's By-laws are available on its *website* (the "**Website**") at the following address: <https://investor.bff.com/it/documenti-societari> and show the breakdown of the Board of Directors in Art. 14 ff.

4) Reference is made to Articles 147-ter(4) and 148 of Italian Legislative Decree No. 58/1998 (as amended; the "Consolidated Law on Finance" or "TUF"), as well as the provisions laid out in Article 26 of Italian Legislative Decree No. 385/1993 (as amended; the "Consolidated Law on Banking" or "TUB"), Decree No. 169/20 "Regulation on the requirements and criteria of suitability for the performance of the role of corporate officers of banks, financial intermediaries, credit guarantee consortia, electronic money institutions, payment institutions and depositary guarantee systems", which entered into force on December 30, 2020 (the "**Fit & Proper Decree**", applicable at the first renewal of the bodies subsequent to its entry into force), Article 36 of Decree-Law No. 201/2011 ("**Salva Italia Decree**" which establishes an interlocking prohibition) and the Corporate Governance Code for listed companies approved by the Corporate Governance Committee established by the business associations (ABI, ANIA, Assonime, Confindustria), Borsa Italiana S.p.A. and the association of professional investors (Assogestioni) in January 2020 (the "**Corporate Governance Code**")

5) The BoD Regulations are available on the Bank's website at the following address: <https://investor.bff.com/it/procedure-e-regolamenti>.

purposes of the appointment and co-opting of its members, defines, taking into account the results of the annual self-assessment process (the **"Self-Assessment Process"**, described below), its qualitative and quantitative composition considered optimal for the effective performance of the duties and responsibilities assigned to the management body by law, Supervisory Provisions and the Corporate By-laws, identifying and justifying the theoretical profile of the candidates (including the characteristics of professionalism and independence, if applicable) deemed appropriate for these purposes.

Specifically, on renewal of the entire management body, the Board of Directors, on the basis of the results of the Self-Assessment Process, makes its guidance available to the Shareholders on the optimal qualitative/quantitative composition (in terms, inter alia, of skills, experience, age, gender and international background), with regard to the characteristics and goals of the Bank.

The Board of Directors in office as of December 31, 2024 was appointed by the Shareholders' Meeting (the **"Shareholders' Meeting"**) on March 18, 2024 for a three-year period based on the *Guidelines to shareholders on the qualitative/quantitative composition of the Board of Directors and for the preparation of the Board of Directors list* (the **"Guidelines"**)<sup>6</sup> prepared by the outgoing Board of Directors. The expiration of its term coincides with the approval by the Shareholders' Meeting of the financial statements for the year 2026. In quantitative terms, the Shareholders' Meeting adopted the guidance expressed in the Guidelines to Shareholders, inter alia, by confirming the number of Directors at nine.

The Board of Directors in office at December 31, 2024 consists of the Directors listed below.

<b>Ranieri de Marchis</b>	Chairperson
<b>Anna Kunkl</b>	Deputy Chairperson - Independent director
<b>Massimiliano Belingheri</b>	Chief Executive Officer
<b>Alexia Ackermann</b>	Independent director
<b>Guido Cutillo (*)</b>	Independent director
<b>Domenico Gammaldi</b>	Independent director
<b>Mimi Kung</b>	Independent director
<b>Susana Mac Eachen (*)</b>	Independent director
<b>Piotr Henryk Stepniak</b>	Non-Executive Director

(\*) Director taken from the minority shareholders' list.

For the sake of comprehensiveness, several members of the Board of Directors already held the role of Director of the Issuer prior to the above-mentioned appointment. Specifically, the following were appointed for the first time: (i) Ranieri de Marchis (ii) Alexia Ackermann (iii) Mimi Kung; (iv) Guido Cutillo; and (v) Susana Mac Eachen. The Board of Directors, following the resolution of the Shareholders' Meeting of April 18, 2024, will remain in office in its current composition until the approval of the annual financial statements as of December 31, 2026.

As concerns the qualitative aspect, at the time of appointment, the candidates for member of the Board of Directors, taking into account the indications set forth in the Guidelines, inter alia:

- (i) Declared the non-existence of reasons for ineligibility and incompatibility, as well as the fulfillment of the requirements laid out by regulations and legislation in force;
- (ii) Provided an exhaustive disclosure on their personal and professional characteristics, as well as on the skills gained in the banking, financial and/or other relevant fields as specified in more detail in the Guidelines and/or the BoD Regulations;

(iii) Indicated the management and control offices held in other companies;

6) Available on the website at: <https://investor.bff.com/it/Assemblea-degli-Azionisti-25-marzo-2021>

(iv) Declared that they could dedicate adequate time to the office in light of its complexity.

After its appointment by the Shareholders' Meeting, on April 23, 2021, the Board of Directors verified the compliance between the qualitative/quantitative composition deemed optimal and that actually resulting from the appointment process. At those times, the Board of Directors also verified, for each of its members, compliance with the limit on the number of assignments set forth in Articles 17, 18 and 19 of the Fit & Proper Decree, the availability of adequate time for carrying out the duties of office, taking into account, inter alia, participation in the board committees set forth in Article 16 of the Fit & Proper Decree, the fulfillment of the requirements of professionalism and integrity, the fulfillment of criteria of fairness and skill, the absence of offices in competing companies or groups of companies (also for the purposes of the interlocking directorship prohibition pursuant to Article 36 of Decree-Law No. 201/2011), the existence of independent judgment, set forth in Article 15 of the Fit & Proper Decree, and the fulfillment of the independence requirements pursuant to Article 148 (3) of the TUF and as referred to in Art. 147-ter (4) of the TUF and/or Article 2, recommendation 7 of the Corporate Governance Code of listed companies, and Article 13 of the Fit & Proper Decree for seven Directors.

Ranieri De Marchis, Anna Kunkl, Domenico Gammaldi, Alexia Ackermann, Mimi Kung, Guido Cutillo and Susana Mac Eachen declared that they meet the requirements of independence pursuant to Article 148, paragraph 3, of the TUF, and as referred to in Article 147-ter, paragraph 4, of the TUF and Article 2, recommendation 7, of the *Corporate Governance Code* of listed companies.

The composition of the Board of Directors appointed on March 18, 2024 - also with regard to the statements provided during the candidacy phase - is therefore compliant with applicable legislative and regulatory provisions regarding gender balance and the independence requirement. Subsequent to appointment, the continuing fulfillment of the above-mentioned requirements is confirmed on an annual basis by the Board of Directors, also as part of the Self-Assessment Process performed in keeping with the Supervisory Provisions and the Corporate Governance Code, as incorporated within the "*Board of Directors self-assessment process regulation*" adopted by the Bank.

In more detail, the Self-Assessment Process concerns aspects related to the qualitative/quantitative composition and functioning of the Board of Directors and its internal Committees, taking into account, amongst other items, the size, degree of diversity in terms of age, gender, experience and professional expertise, etc., of its members, the presence of non-executive and independent members and the adequacy of the appointment process and selection criteria in order to identify any points of weakness and guarantee the most correct functioning over time and the consequent effectiveness of the body with strategic supervision function and the board committees, as well as to guarantee the effectiveness of governance that is duly based on the principles of sound and prudent management.

As a result of the Self-Assessment for FY2024 (the "**2024 Self-Assessment**"), the assessment aspects regarding the composition and operation of the board in general were considered adequate overall, as specific areas of strength related to the operating dynamics, as well as the qualitative and quantitative composition of the Board were identified. Certain actions to be implemented following the identification of areas for improvement were defined.

The summary statement of the number of offices held in other companies by members of the Board of Directors in office at December 31, 2024 is provided below, which takes into account the mechanisms of aggregation and exemption of the offices set forth in the *Regulation on the requirements and criteria of suitability for the performance of the role of corporate officers of banks, financial intermediaries, credit guarantee consortia, electronic money institutions, payment institutions and depositary guarantee systems* (the "Fit & Proper Decree"):



Director	Total number of offices held in other companies
Ranieri de Marchis	1 non-executive
Anna Kunkl	0
Massimiliano Belingheri	1 non-executive
Alexia Ackermann	0
Guido Cutillo	0
Domenico Gammaldi	1 non-executive
Mimi Kung	0
Susana Mac Eachen	0
Piotr Henryk Stepniak	3 non-executive

## B) Succession plan for the Chairperson and Chief Executive Officer

On December 20, 2017, the Board of Directors approved the *"Succession plan of the Chief Executive Officer"*, subsequently updated in December 2018, November 2019, 2020 and 2021, and September 2024, consisting of: (i) the *"Contingency Plan"* identifying (a) the steps to be taken immediately following the occurrence of a definitive or temporary impediment, and (b) the party responsible for taking over the role of Chief Executive Officer on a temporary basis, for the period of time required to appoint a new Chief Executive Officer in cases of definitive impediment, or until the state of impediment is over, in cases of temporary impediment; (ii) the *"Succession Planning"* which establishes the actions to be taken to identify and appoint a new Chief Executive Officer if a definitive impediment is confirmed.

The Nominations Committee annually checks the need and/or opportunity to update the Succession Plan, providing pertinent information to the Board of Directors so it may pass the relative resolutions.

In light of the 35th update of the Bank of Italy Circular no. 285 of December 17, 2013 – which among other things established that in large or more complex banks plans must be put in place to ensure the orderly succession of senior positions in the event of termination due to expiration of the mandate or for any other reason – on May 25, 2023, on the proposal of the Nominations Committee, the Board of Directors approved the *"Succession Plan of the Chairperson"* and the update of the *"Succession Plan of the Chief Executive Officer"*, merged into a single document *"Succession Plan of the Chairperson and the Chief Executive Officer"* (the **"Succession Plan"**), including their respective profiles.

On September 30, 2024, the Succession Plan was reviewed by the Board of Directors - after its review by the Nominations Committee - in order to re-evaluate the process and plan for managing the succession of the Bank's senior positions including the Chairperson and CEO.

For more information, refer to the Corporate Governance Report relating to the year 2024.

## C) Policy on diversity adopted with regard to selection of members of the Board of Directors, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved

On September 28, 2018, the Board of Directors approved, at the proposal of the Nominations Committee, the *"Board of Directors diversity policy"*, updated on December 22, 2020 in order to incorporate, inter alia, (i) the amendment of the provision on the gender composition of the Board of Directors, based on which two-fifths of the elected directors (rounding up to the next whole number) must belong to the least represented gender

for at least six consecutive terms of office as of the first appointment of the Board of Directors subsequent to January 1, 2020, (ii) the results of the Self-Assessment, (iii) the reference to Sustainable Success, and which was most recently updated on July 29, 2021, in order to incorporate the provisions introduced by: (i) the Fit & Proper Decree, (ii) the "Supervisory provisions on the procedure for assessing the suitability of representatives of banks, financial intermediaries, electronic money institutions, payment institutions and depositor guarantee system" and (iii) the 35th update, of July 2, 2021, of Bank of Italy circular No. 285 of December 17, 2013 (the "**BoD Diversity Policy**").

Such Policy is subject to review and, if necessary, updated at least on an annual basis, including with the help of external professionals, based on the proposal of the Nominations Committee. Revisions comply with the outcome of the Self-Assessment Process and are designed to reflect and anticipate changes in the Company, so that the identification of the requirements for Board composition is consistent with the above-mentioned outcome.

The BoD Diversity Policy describes the optimal characteristics of the composition of the management body, so that it may exercise its duties in the most effective way, making decisions on the basis of a plurality of qualified and diverse points of view.

In particular, it is deemed that the optimal composition of the Board of Directors should be geared towards meeting at least the following criteria:

- (i) The presence of a consistent number of Non-executive and/or independent directors other than the Chairperson of the Board of Directors. In any event, in compliance with regulations in force over time and, unless the Corporate By-laws call for a higher number of Directors, the number of Independent directors must be equal at least to the majority of the members of the Board of Directors, and if the Bank decides to submit the BoD List, at least half of the candidates on it must meet the independence requirements set forth by law, the Corporate By-laws and the Board of Directors' Regulations. The number of Non-executive and/or independent directors must also guarantee a diverse composition of the Internal committees;
- (ii) The maintenance of at least a share of two-fifths, rounded up, of the members of the Board of Directors, at the time of appointment and during the term of office, belonging to the least represented gender;
- (iii) Diversity in terms of age, so as to allow for a plurality of perspectives and management and professional experiences;
- (iv) The balancing of different periods of seniority in office, in an attempt to strike a balance between continuity requirements and management renewal;
- (v) Considering the Group's international scope, the presence of one-third of directors who have gained adequate experience in international contexts (preferably in the Group's markets and particularly in Eastern Europe, i.e. Poland, Czech Republic, Slovakia and Croatia) in order, inter alia, to prevent the endorsement of opinions and the phenomenon of "group thinking", and in the specific business of depositary bank, payment and accessory services.

In general, the Directors should have a management and/or professional and/or academic and/or institutional profile such so as to achieve a diverse and complementary mix of skills and experience, gained for at least three years.

Specifically with regard to the Chairperson of the Board of Directors and the Chief Executive Officer, the BoD Diversity Policy lays out the requirements of professionalism that they must have respectively gained for at least five years in compliance, inter alia, with what is set forth in the Fit & Proper Decree.

As noted previously, aside from the requirements of professionalism set forth by regulations, the Directors must meet the further requirements set forth in the BoD Regulations available on the Bank's website, which should be referred to for further details: <https://investor.bff.com/it/procedure-e-regolamenti>.

The BoD Diversity Policy is primarily implemented - in compliance with provisions of law and the Corporate By-laws on the appointment of the Board of Directors and its Chairperson with the list voting mechanism, as well as the Succession Plan - during (i) the appointment of Board of Directors, through the formulation by the outgoing Board of Directors, with the contribution of the Nominations Committee and the Chairperson, of the Guidelines for Shareholders, as well as any formation and presentation to the Shareholders of the BoD List; (ii) co-opting; (iii) early departure from office of the Chief Executive Officer, and (iv) the appointment of the Chairperson of the Board of Directors. For the appointment of the Board of Directors and for the co-opting pursuant, respectively, to points (i) and (ii), the Self-assessment process is fundamental.

In view of the Board of Director's approval of the Diversity Policy in the third quarter of 2018, the outcomes from the Policy's implementation were monitored, also during the renewal of the Board of Directors by the Shareholders' Meeting on April 18, 2024. In this regard, it was noted that in relation to the breakdown of the Board of Directors: (i) the number of non-executive and/or independent directors had remained unchanged; (ii) the number of Directors belonging to the least represented gender had remained unchanged; (iii) the diversification of age groups within the Board of Directors had remained essentially unchanged, and the plurality of managerial and professional experience had been maintained.

Considering the renewal of the Board of Directors by the Shareholders' Meeting on April 18, 2024, the new Board of Directors will monitor the implementation of the BoD Diversity Policy. The results of this monitoring will be disclosed in the Corporate Governance Report relating to the year 2024.

The current Board of Directors has nine members (4 women and 5 men), of whom one holds an executive position and 7 are independent; of these, 5 are resident in Italy, 1 resident in a European country and 3 resident in non-European countries.

On May 9, 2024, the Board of Directors ascertained that the Directors had at least one of the following areas of expertise:

- a) Adequate knowledge of the banking industry, trends and the economic and financial system, banking and financial regulation and, especially, risk management and control methodologies, acquired through long-term experience in administration, management and control roles in the financial sector;
- b) Experience in business management and company organization acquired through long-term activity in administration, management or control roles in companies, or groups of significant economic size or in the public administration;
- c) Capacity to read and interpret economic and financial data, acquired through long-term experience in administration and control roles in companies or the exercise of professional activity or university instruction;
- d) International experience and knowledge of foreign markets acquired by performing long-term business or professional activities at foreign institutions or internationally focused entities, businesses or groups.

The Directors' profiles are reasonably complementary in terms of professional background and expertise, so as to guarantee the development of internal dialog, efficient functioning and the overall suitability of the Board and the Board Committees to fulfill their obligations.

## 2. CONTROL AND RISKS COMMITTEE

### A) Establishment of a separate risk committee and the number of times it has met;

In compliance with the Supervisory Provisions, and in line with the provisions of the Corporate Governance Code, the Board of Directors has established a Control and Risks Committee (the “**CR Committee**”).

Pursuant to the “*Control and Risks Committee Regulation*”, the CR Committee consists of 3 (three) Board members, all non-executive and the majority independent pursuant to the Corporate By-laws and the BoD Regulations (i.e., TUF and Corporate Governance Code). An Independent director chairs the CR Committee.

The CR Committee in office as of December 31, 2024 was composed of: the independent Directors Domenico Gammaldi (Chairperson), Alexia Ackermann, and the non-executive director Piotr Stepniak. Mr. Gammaldi (Chairperson) has adequate accounting, financial and risk management expertise, as confirmed when he was appointed by the Board of Directors.

As from January 1, 2025, following the appointment of Domenico Gammaldi as AML Officer, the CR Committee has been chaired by Alexia Ackermann, who has gained extensive expertise in financial accounting and/or risk management, as verified by the BoD at the time of her appointment. The CR Committee performs recommendation and advisory functions for the Board of Directors, in order to support, with adequate investigation activity, the assessments and decisions of the Board of Directors with respect to the Internal control and risk management system (relating to all activities supporting the proper and effective determination and application of the Risk Appetite Framework and the risk governance policies) and periodic financial reporting.

The members of the Board of Statutory Auditors are also permanently invited to attend the meetings of the CR Committee, to ensure the presence of at least one member of the control body.

The Chairperson of the CR Committee reports on each of its meetings at the next meeting of the Board of Directors.

In the course of 2025, 16 meetings are indicatively planned, of which 4 were held on January 28, February 7, February 25 and March 10. In 2024, the CR Committee met 20 times; the average duration of these meetings was roughly 2 hours and 24 minutes.

The information flow on risks sent to the CR Committee is identified by a specific internal regulation and consists primarily of the documents prepared by the Company Control Functions (i.e., by the Internal Audit Function, the Risk Management Function and the Compliance and AML Function) concerning the planning of activities and the related reporting (annual reports and quarterly *Tableau de Bord*, also submitted subsequently to the Board and transmitted to the Bank of Italy), as well as other verifications required by regulations in force (reporting on material risks assumed by the Bank and other Group companies, disclosure on controls concerning risk governance and management, report on outsourced important operating functions, report on the Internal Capital Adequacy Assessment Process, etc.).

## B) Description of the information flow on risk to the Board of Directors

The information flow on risk addressed to the Board of Directors after assessment by the CR Committee is set forth below:

Owner	Information flows generated	frequency	BoD/Risk Committee
Risk Management Function	Activity Plan	annual	✓
	Report on activities performed	annual	✓
	ICAAP/ILAAP	annual	✓
	Contingency Funding Plan	annual	✓
	Recovery Plan	annual	✓
	Risk Report - BFF PL Group	quarterly	Supervisory Board of BFF Polska Group
	Tableau de Bord of the Risk Management Function (Risk Report)	quarterly	✓
	Resolution Framework	annual	✓
	Risk Opinion / OMR	by event	✓
	Risk Self-Assessment	annual	on demand
	RAF	annual	✓
	RAF Operating Limits	annual	✓
	Reputational Risk Assessment	annual	✓
	Strategic Risk Assessment	annual	✓
ICT and security risk control function	Regulations related to the Stress Test Framework	annual	✓
	IDM check/€40	annual	✓
	Report on the findings of the analysis of operational and security risks related to payment systems	annual	✓
	Summary report on ICT and security risks	annual	✓
Compliance Function	Communication of serious operational and security incidents	by event	✓
	Audit reports	by event	on demand
	Activity Plan	annual	✓
	Monthly Compliance Report	monthly	-
	Tableau de Bord of the Compliance Function	quarterly	✓
	Annual Report on Compliance Activities	annual	✓
	Group Compliance Risk Self Assessment	annual/event-based	✓
	Outcome of Level II controls on investment services(*)	annual	✓
	Report on Relevant information and inside information	half-yearly	
	Report on Suspicious activity reporting of market abuse in investment services	half-yearly	
	Report on giveaways and gifts	half-yearly	
	Report on Audits	per event (negative outcome of audits and/or audits considered by the Manager to be relevant)	✓

(CONT'D)

Owner	Information flows generated	frequency	BoD/Risk Committee
AML Function	Annual Report on AML Activities	annual	✓
	Semiannual report of AML controls	half-yearly	-
	Self-assessment exercise for AML purposes	annual	✓
	AML activity plan	annual	✓
	Portuguese Branch AML Report	annual	✓
	Greek Branch AML Report	annual	✓
	Spanish Branch AML Report	annual	✓
	Monthly reporting of AML activities carried out by the function in the reporting month and representation of any critical issues/anomalies	monthly	-
	AML Tableau de bord	quarterly	✓
	Report on Audits	per event (negative outcome of audits and/or audits considered by the Manager to be relevant)	✓
AML Officer	Changes/updates to the Annual Plan of AML Activities	half-yearly	✓
	Suspicious activity reporting, Negative opinions on establishing/continuing business relationships, Onboarding terminated for AML reasons, Relationships terminated for AML reasons, Non-routine requests from the Supervisory Authority, Ex-post checks, Significant critical issues found	by event	-
	Critical issues/anomalies found and their recommended remedial actions	by event	✓
	Annual and Strategic Internal Audit Plan	annual	✓
	Audit Report	event-based (negative outcome of audits and outcomes of Special Investigations concerning Whistleblowing) Quarterly (as an Attachment to the Tableau de Bord)	✓
	Tableau de Bord of the Internal Audit Function	Quarterly	✓
	ICAAP - ILAAP Audit Report	annual	✓
	Annual Report on the auditing of outsourced critical or important functions	annual	✓
	Audit Report on the Incentive and remuneration system(**)	annual	✓
	Annual report on Internal Audit activities	annual	✓
Internal Audit Function	Annual Whistleblowing Report	annual	-
	Reporting of audit actions	monthly	✓
	Report on the Quality Assurance and Improvement Program (QAIP)	annual	✓
	Report on activities performed	half-yearly	✓
	Opinions of the Board of Statutory Auditors	by event	✓
	Reporting on gaps identified	by event	✓
SUPERVISORY BODY			
Board of Statutory Auditors			

\* Report included in the Report on Compliance activities

\*\* The Shareholders' Meeting is the final recipient of the report.

## Section 2

### Scope of application (Art. 436 CRR)

#### Qualitative disclosure

The disclosure requirements pursuant to this document, as set forth pursuant to Article 436 of the CRR, refer to the BFF Bank Banking Group, enrolled in the Register of Banking Groups, of which BFF Bank is Parent Company.

The BFF Banking Group is a leader in specialized finance. It is the only pan-European platform, present in 9 countries, specializing in the management and non-recourse purchase of trade receivables from the public administration and National Health Systems. Through the merger with DEPObank, it is also a leader in *securities services*, as the only Italian custodian bank, and in payment services, distributed to more than 100 banks and PSPs in Italy. The Group is active in Italy, Croatia, France, Greece and Portugal through BFF Bank, in Spain through BFF Finance Iberia and in Poland, the Czech Republic and Slovakia through BFF Polska and its associates (the "BFF Polska Group").

Subsidiaries are companies over which the Group exercises control. The Group controls a company when it is exposed to the variable returns generated by it and has the ability to affect such returns through its power over the company. Generally, control is deemed to exist when more than half of the voting rights are directly or indirectly held, taking also into account potentially exercisable or convertible voting rights.

All direct subsidiaries are consolidated on a line-by-line basis from the date on which control is transferred to the Group. Conversely, they are excluded from the scope of consolidation when such control ceases.

The financial statements of the companies that are consolidated on a line-by-line basis are prepared in accordance with the IASs/IFRSs used for the preparation of the consolidated financial statements.

The accounting scope of consolidation relevant for the purposes of the financial statements reflects the aggregation of balance sheet and income statement items of BFF Bank S.p.A. (BFF), BFF Finance Iberia S.A. (wholly owned subsidiary of BFF Bank S.p.A.), the companies of the BFF Polska Group, BFF Immobiliare Srl, BFF Techlab Srl and the securitization vehicle SPV Project 2214, invested in via the subscription of units of the FPAM1 closed-end investment fund.

BFF Bank also offers deposit products to retail and corporate customers in Italy, Spain, Poland, Germany, Ireland and the Netherlands.

BFF Finance Iberia S.A. started operating in the *non-recourse factoring* sector of the Spanish market in 2010 and consolidated its leadership position thanks to the acquisition of IOS Finance in 2019, one of its main competitors (now merged by incorporation into BFF Finance Iberia). Credit management is also provided by BFF in Spain.

BFF Polska Group is an independent specialized operator, *leader in the provision of financial services to companies operating in the healthcare sector in Poland, Slovakia and the Czech Republic.*

BFF Polska Group mainly operates in three areas:

- ▶ Financing the working capital of suppliers to the Public Administration;
- ▶ Financing of current and future receivables;
- ▶ Financing investments in the public and healthcare sector.

Through BFF Polska Group, the Banking Group operates in a leadership position in the Polish alternative financing market (AFM) for hospitals, in which intermediaries offer forms of financing competing with traditional banking services to healthcare facilities. Other specialized operators and, to a much less significant extent, some traditional banks, are also active in this segment.

The company BFF Immobiliare S.r.l., 100% owned by BFF Bank S.p.A., was established with a view to finalizing the “Casa BFF” operation, which involved the purchase of a buildable area and the subsequent occupation of an office building which has become the new registered office of the BFF Group and will house all of the Bank’s personnel present in the city of Milan.

BFF Techlab S.r.l. carries out operations aimed at the vertical integration of all development activities linked to the management and evolution of the Group’s information system, favoring cost synergies and boosting operational efficiency.



## Quantitative disclosure

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

	a	b	c	d	e	f	g
	Carrying amounts as reported in published financial statements	Carrying amounts in the scope of prudential consolidation	Carrying amounts of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
<b>Assets</b>							
10. CASH AND CASH EQUIVALENTS	153,689	153,380	153,380				
20. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	179,319	179,646	178,142	1,502		1	
a) financial assets held for trading	1,504	1,504		1,502		1	
b) financial assets carried at fair value							
c) other financial assets subject to mandatory fair value measurement	177,815	178,142	178,142				
30. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	141,442	141,442	141,442				
40. FINANCIAL ASSETS MEASURED AT AMORTIZED COST	10,667,128	10,667,128	10,190,391	460,130			16,606
a) loans and receivables with banks	602,651	602,651	197,177	405,474			
b) loans and receivables with customers	10,064,477	10,064,477	9,993,215	54,656			16,606
50. HEDGING DERIVATIVES	303	303		303			303
60. VALUE ADJUSTMENT OF MACROHEDGED FINANCIAL ASSETS							
70. EQUITY INVESTMENTS	13,690	13,690	13,690				
80. TECHNICAL PROVISIONS CEDED TO REINSURERS							
90. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	104,750	104,750	104,750				
100. INTANGIBLE ASSETS	77,519	77,517	10,866				66,651
of which: - goodwill	30,957	30,957					30,957
110. TAX ASSETS	101,071	101,071	101,071				
A) Current	40,250	40,250	40,250				
B) Deferred	60,821	60,516	60,212				304
120. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS							
130. OTHER ASSETS	712,511	712,510	500,151			211,994	365
<b>TOTAL ASSETS</b>	<b>12,151,421</b>	<b>12,151,436</b>	<b>11,393,883</b>	<b>461,935</b>		<b>211,996</b>	<b>83,622</b>

	a	b	c	d	e	f	g
	Carrying amounts as reported in published financial statements	Carrying amounts in the scope of prudential consolidation	Carrying amounts of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
<b>Liabilities</b>							
10. FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	10,661,211	10,661,244					
A) DUE TO BANKS	1,342,119	1,342,119					
B) DUE TO CUSTOMERS	8,709,179	8,709,211					
C) SECURITIES ISSUED	609,914	609,914					
20. FINANCIAL LIABILITIES HELD FOR TRADING	139	139					139
30. FINANCIAL LIABILITIES CARRIED AT FAIR VALUE							
40. HEDGING DERIVATIVES							
50. VALUE ADJUSTMENT OF MACROHEDGED FINANCIAL LIABILITIES							
60. TAX LIABILITIES	166,691	166,691					
A) CURRENT	2,794	2,794					
B) DEFERRED	163,897	163,897					
70. LIABILITIES LINKED TO ASSETS HELD FOR SALE							
80. OTHER LIABILITIES	388,397	388,380					
90. EMPLOYEE SEVERANCE PAY	3,372	3,372					
100. PROVISIONS FOR RISKS AND CHARGES	54,803	54,803					
A) COMMITMENTS AND GUARANTEES GIVEN	258	258					
B) POST-EMPLOYMENT BENEFITS AND SIMILAR OBLIGATIONS	6,937	6,937					
C) OTHER PROVISIONS FOR RISKS AND CHARGES	47,609	47,609					
110. TECHNICAL PROVISIONS							
120. VALUATION RESERVES	21,085	21,085					
130. REDEEMABLE SHARES							
140. EQUITY INSTRUMENTS	150,000	150,000					
150. RESERVES	282,329	282,329					
155. INTERIM DIVIDEND							
160. SHARE PREMIUM RESERVE	66,277	66,277					
170. SHARE CAPITAL	145,006	145,006					
180. TREASURY SHARES	-3,570	-3,570					
190. MINORITY INTERESTS							
200. PROFIT FOR THE YEAR	215,680	215,680					
<b>TOTAL CONSOLIDATED LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>12,151,421</b>	<b>12,151,436</b>					<b>139</b>

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

	a	b	c	d	e
	Items subject to				
	Total	Credit risk framework	Securitization framework	Subject to the CCR framework	Market risk framework
1 Carrying amount of assets in the scope of prudential consolidation (as per template LI1)	12,067,814	11,393,883		461,935	211,996
2 Carrying amount of liabilities in the scope of prudential consolidation (as per template LI1)					
3 Total net amount in the scope of prudential consolidation	12,067,814	11,393,883		461,935	211,996
4 Off-balance-sheet amounts	511,184	511,184			
5 Differences in valuations	(335)	(335)			
6 Differences due to different netting rules, other than those already included in row 2					
7 Differences due to consideration of provisions					
8 Differences due to the use of credit risk mitigation (CRM) techniques					
9 Differences due to credit conversion factors	(438,766)	(438,766)			
10 Differences due to Securitization with risk transfer					
11 Other differences	1,606,834			1,606,834	
12 Exposure amounts considered for regulatory purposes	13,746,732	11,465,967		2,068,769	211,996

## Template EU LI3:

Row	a	b	c	d	e	f	g	h
	Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Deducted	Description of the entity
			Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted		
010	BFF BANK SPA	Parent company						Credit institution
020	BFF IMMOBILIARE SRL	Full consolidation	x					Financial companies other than credit institutions
030	BFF TECHLAB SRL	Full consolidation	x					Financial companies other than credit institutions
040	SPV Project 2214	Full consolidation	x					Financial companies other than credit institutions
050	BFF Finance Iberia, S.A.	Full consolidation	x					Financial companies other than credit institutions
060	BFF Polska S.A.	Full consolidation	x					Financial companies other than credit institutions
070	BFF Medfinance S.A.	Full consolidation	x					Financial companies other than credit institutions
080	BFF Česká republika s.r.o.	Full consolidation	x					Financial companies other than credit institutions
090	BFF Central Europe s.r.o.	Full consolidation	x					Financial companies other than credit institutions
100	Debt-Rnt sp. Z O.O.	Full consolidation	x					Financial companies other than credit institutions
110	Komunalny Fundusz Inwestycyjny Zamknięty	Full consolidation	x					Financial companies other than credit institutions
120	MEDICO Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty	Full consolidation	x					Financial companies other than credit institutions
130	Kancelaria Prawnicza Karnowski i Wspólnik sp.k.	Consolidation at equity			x			Non-financial companies
140	Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspólnik sp.k.	Consolidation at equity			x			Non-financial companies

## Section 3

### Own funds (Art. 437 CRR)

#### Qualitative disclosure

Own funds represent the first line of defense against risks associated with the complexity of financial activities and constitute the main reference parameter for the assessment of the Group's capital adequacy.

The purpose of prudential supervision regulations is to ensure that all credit intermediaries have a minimum mandatory capitalization in relation to the risks assumed.

The Group constantly assesses its capital structure by developing and employing techniques for monitoring and managing regulated risks, also through a Control and Risks Committee created within the Board of Directors.

Own funds are the sum of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) capital, net of items to be deducted and IAS/IFRS prudential filters.

The main components of the Group's own funds are computed in Common Equity Tier 1 (CET1), and are the following:

- ▶ Paid-in share capital;
- ▶ Reserves (legal reserve, extraordinary reserve, retained earnings reserve, stock option reserve and financial instruments reserve);
- ▶ Any undistributed portion of profit for the period;
- ▶ Revaluation reserves (IASs/IFRS 9 transition reserve, reserve for actuarial gains/losses relating to defined benefit plans, and revaluation reserve for HTC&S securities);
- ▶ Any non-controlling interests eligible for inclusion in the computation of CET1.

Intangible assets, including any goodwill, as well as certain categories of tax assets should be deducted from these items in accordance with the requirements of CRR II and the effects of calendar provisioning.

Additional Tier 1 (AT1) capital includes Tier 1 instruments issued during the previous year.

In 2024 Own funds were influenced primarily by:

- ▶ from the capitalization of the Group's consolidated profit of €215.7 million;
- ▶ from additional deductions due to calendar provisioning of €15.5 million;
- ▶ the payment of coupons relating to the Additional Tier 1 issue for €8.8 million.

## Quantitative disclosure

### Template EU CC1: Breakdown of regulatory own funds

		12/31/2024	12/31/2023	Source based on reference numbers/letters of the balance sheet in the scope of prudential consolidation
		a)	b)	
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>				
1	Capital instruments and the related share premium accounts	211,283	210,224	160. Share premium reserve 170. Share capital
	Of which ordinary shares	211,283	210,224	160. Share premium reserve 170. Share capital
	Of which: instrument type 2			
	Of which: instrument type 3			
2	Retained earnings	269,142	162,013	150. Reserves
3	Accumulated other comprehensive income (and other reserves)	29,866	70,426	120. Valuation reserves 150. Reserves
EU-3a	Funds for general banking risk			
4	Amount of eligible items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1			
5	Minority interests (amount allowed in consolidated CET1)			
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	215,680	65,059	200. Profit for the year
6	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	725,970	507,721	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>				
7	Additional value adjustments (negative amount)	(335)	(319)	
8	Intangible assets (net of related tax liability) (negative amount)	(66,651)	(64,824)	100. Intangible assets
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(304)	(164)	110. Tax assets
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value			
12	Negative amounts resulting from the calculation of expected loss amounts			
	<b>Any increase in equity that results from securitized assets (negative amount)</b>			

(CONT'D)

		12/31/2024	12/31/2023	Source based on reference numbers/letters of the balance sheet in the scope of prudential consolidation
		a)	b)	
13	Gains or losses on an institution's liabilities measured at fair value resulting from changes in own credit standing			
14	Defined-benefit pension fund assets (negative amount)			
15	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	(3,570)	(4,377)	180. Treasury shares
16	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			
17	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)			
19	Empty set in the EU			
20	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative			
EU-20a	Of which: qualifying holdings outside the financial sector (negative amount)			
EU-20b	Of which: securitization positions (negative amount)			
EU-20c	Of which: free deliveries (negative amount)			
EU-20d	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)			
21	Amount exceeding the 17.65% threshold (negative amount)			
22	Of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities			
Empty set in the EU				

(CONT'D)

		12/31/2024	12/31/2023	Source based on reference numbers/letters of the balance sheet in the scope of prudential consolidation
		a)	b)	
23	Of which: deferred tax assets arising from temporary differences			
24	Losses for the current financial year (negative amount)			
25	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)			
EU-25a	Empty set in the EU			
EU-25b	Eligible AT1 deductions that exceed the AT1 items of the institution (negative amount)			
26	Other regulatory adjustments	(16,606)	(1,093)	
27	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(87,466)	(70,776)	
27a	Common Equity Tier 1 (CET1) capital	638,504	436,946	
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	(70,776)	(70,077)	
29	<b>Common Equity Tier 1 (CET1) capital</b>	436,946	461,900	
<b>Additional Tier 1 (AT1) capital: instruments</b>				
30	Capital instruments and the related share premium accounts	150,000	150,000	
31	Of which: classified as equity under applicable accounting standards			
32	Of which: classified as liabilities under applicable accounting standards			
33	Amount of eligible items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1			
EU-33a	Amount of eligible items referred to in Article 494a(1) CRR subject to phase out from AT1			
EU-33b	Amount of eligible items referred to in Article 494b(1) CRR subject to phase out from AT1			
34	Eligible Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties			
35	of which: instruments issued by subsidiaries subject to phase out			
36	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	150,000	150,000	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>				

(CONT'D)



		12/31/2024	12/31/2023	Source based on reference numbers/letters of the balance sheet in the scope of prudential consolidation
		a)	b)	
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)			
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)			
41	Empty set in the EU			
42	Eligible T2 deductions that exceed the T2 items of the institution (negative amount)			
42a	Other regulatory adjustments to AT1 capital			
43	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>			
44	<b>Additional Tier 1 (AT1) capital</b>	<b>150,000</b>	<b>150,000</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>788,504</b>	<b>586,946</b>	
<b>Tier 2 (T2) capital: instruments</b>				
46	Capital instruments and the related share premium accounts			
47	Amount of eligible items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR			
EU-47a	Amount of eligible items referred to in Article 494a (2) CRR subject to phase out from T2			
EU-47b	Amount of eligible items referred to in Article 494b (2) CRR subject to phase out from T2			
48	Eligible own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties			
49	of which: instruments issued by subsidiaries subject to phase out			

(CONT'D)

		12/31/2024	12/31/2023	Source based on reference numbers/letters of the balance sheet in the scope of prudential consolidation
		a)	b)	
50	Credit risk adjustments			
51	<b>Tier 2 (T2) capital before regulatory adjustments</b>			
	<b><i>Tier 2 (T2) capital: regulatory adjustments</i></b>			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)			
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
54a	Empty set in the EU			
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)			
56	Empty set in the EU			
EU-56a	Eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)			
EU-56b	Other regulatory adjustments to T2 capital			
57	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>			
58	<b>Tier 2 (T2) capital</b>			
59	<b>Total capital (TC = T1 + T2)</b>	<b>788,504</b>	<b>586,946</b>	
60	<b>Total Risk exposure amount</b>	<b>5,214,662</b>	<b>3,076,507</b>	
	<b><i>Capital ratios and buffers</i></b>			
61	Common Equity Tier 1	12.244%	14.203%	
62	Tier 1 capital	15.121%	19.078%	
63	Total capital	15.121%	19.078%	
64	Institution CET1 overall capital requirement	9.403%	9.007%	
65	Of which: capital conservation buffer requirement	2.500%	2.500%	
66	Of which: countercyclical buffer requirement	0.113%	0.007%	

(CONT'D)

		12/31/2024	12/31/2023	Source based on reference numbers/letters of the balance sheet in the scope of prudential consolidation
		a)	b)	
67	Of which: systemic risk buffer requirement	0.290%		
EU-67a	Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer			
EU-67b	Of which: additional own funds requirements to cover risks other than excessive leverage risk	2.000%	2.000%	
68	<b>Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)</b>	<b>5.121%</b>	<b>7.703%</b>	
69	Empty set in the EU			
70	Empty set in the EU			
71	Empty set in the EU			
<b>Amounts below the thresholds for deduction (before risk weighting)</b>				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	21,613	18,372	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	13,590	13,068	
74	Empty set in the EU			
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	7,249	5,206	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)			
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)			
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach			
<b>Capital instruments subject to phase-out arrangements (only applicable between Jan 1, 2014 and Jan 1, 2022)</b>				
80	Current cap on CET1 instruments subject to phase out arrangements			
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			

(CONT'D)

		12/31/2024	12/31/2023	Source based on reference numbers/letters of the balance sheet in the scope of prudential consolidation
		a)	b)	
82	Current cap on AT1 instruments subject to phase out arrangements			
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
84	Current cap on T2 instruments subject to phase out arrangements			
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			

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

Row		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to table EU CC1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements				
10.	CASH AND CASH EQUIVALENTS	153,689	153,380	
20.	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	179,319	179,646	
	a) financial assets held for trading	1,504	1,504	
	b) financial assets carried at fair value			
	c) other financial assets subject to mandatory fair value measurement	177,815	178,142	
30.	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	141,442	141,442	
40.	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	10,667,128	10,667,128	
	a) loans and receivables with banks	602,651	602,651	
	b) loans and receivables with customers	10,064,477	10,064,477	
50.	HEDGING DERIVATIVES	303	303	
60.	VALUE ADJUSTMENT OF MACROHEDGED FINANCIAL ASSETS			
70.	EQUITY INVESTMENTS	13,690	13,690	
80.	TECHNICAL PROVISIONS CEDED TO REINSURERS			
90.	PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	104,750	104,750	
100.	INTANGIBLE ASSETS	77,519	77,517	8
	of which: - goodwill	30,957	30,957	
110.	TAX ASSETS	101,071	101,071	
	A) Current	40,250	40,250	
	B) Deferred	60,821	60,516	10
120.	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS			
130.	OTHER ASSETS	712,511	712,510	
TOTAL ASSETS		12,151,421	12,151,436	

(CONT'D)

Row		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to table EU CC1
		As at period end	As at period end	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements				
10.	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	10,661,211	10,661,244	
	A) Due to banks	1,342,119	1,342,119	
	B) Due to customers	8,709,179	8,709,211	
	C) Securities issued	609,914	609,914	10
20.	FINANCIAL LIABILITIES HELD FOR TRADING	139	139	
30.	FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	388,397	388,380	
40.	HEDGING DERIVATIVES			
50.	VALUE ADJUSTMENT OF MACROHEDGED FINANCIAL LIABILITIES			
60.	TAX LIABILITIES	166,691	166,691	
	A) Current	2,794	2,794	
	B) Deferred	163,897	163,897	10
70.	LIABILITIES LINKED TO ASSETS HELD FOR SALE			
80.	OTHER LIABILITIES	388,397	388,380	
90.	EMPLOYEE SEVERANCE PAY	3,372	3,372	
100.	PROVISIONS FOR RISKS AND CHARGES	54,803	54,803	
	A) Commitments and guarantees given	258	258	
	B) Pensions and similar obligations	6,937	6,937	
	C) Other provisions for risks and charges	47,609	47,609	
110.	TECHNICAL PROVISIONS			
120.	VALUATION RESERVES	21,085	21,085	3
130.	REDEEMABLE SHARES			
140.	EQUITY INSTRUMENTS	150,000	150,000	30
150.	RESERVES	282,329	282,329	2, 3
155.	INTERIM DIVIDEND			
160.	SHARE PREMIUM RESERVE	66,277	66,277	1
170.	SHARE CAPITAL	145,006	145,006	1
180.	TREASURY SHARES	(3,570)	(3,570)	16
190.	MINORITY INTERESTS			
200.	PROFIT FOR THE YEAR	215,680	215,680	EU-5a
TOTAL CONSOLIDATED LIABILITIES AND SHAREHOLDERS' EQUITY		12,151,421	12,151,436	

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

Amounts in euro units

Row		Common Equity Tier 1	Tier 1 equity instruments	Eligible liability instruments	Eligible liability instruments
		a	b	c	d
1	Issuer	BFF BANK SPA	BFF BANK SPA	BFF BANK SPA	BFF BANK SPA
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005244402	XS2404266848	IT0005591851	IT0005619140
2a	Public or private placement	Public	Public	Public	Public
3	Governing law(s) of the instrument	Entire instrument - Italian law	Italian law	Italian law	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	n/a	YES	YES	YES
Regulatory treatment					
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 1 capital	Additional Tier 1 capital	Ineligible	Ineligible
5	Post-transitional CRR rules	Tier 1 capital	Additional Tier 1 capital	Eligible liabilities	Eligible liabilities
6	Eligible at solo/ (sub-)consolidated/ solo&(sub-) consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares - Art.28 CRR	<i>Additional Tier 1 capital of the Issuer in accordance with Article 52 of the CRR and Part II, Chapter 1 of Circular No. 285</i>	<i>Eligible liabilities of the Issuer in accordance with Article 72(b) of the CRR</i>	<i>Eligible liabilities of the Issuer in accordance with Article 72(b) of the CRR</i>
8	Amount recognized in regulatory capital or eligible liabilities	207,713,262	150,000,000	308,979,391	300,934,154
9	Nominal amount of instrument	n/a	150,000,000	300,000,000	300,000,000

(CONT'D)

Amounts in euro units

Row		Common Equity Tier 1	Tier 1 equity instruments	Eligible liability instruments	Eligible liability instruments
		a	b	c	d
EU-9a	Issue price	n/a	100% of nominal amount	99.918% of nominal amount	99.861% of nominal amount
EU-9b	Redemption price	n/a	100% of nominal amount	100% of nominal amount	100% of nominal amount
10	Accounting classification	Shareholders' equity	Shareholders' equity	Securities issued	Securities issued
11	Original date of issuance	n/a	01/19/2022	04/ 12/2024	10/ 29/2024
12	Perpetual or dated	n/a	Perpetual	Due date	Due date
13	Original maturity date	n/a	n/a	20/03/2029	30/03/2028
14	Issuer call subject to prior supervisory approval	n/a	YES	YES	YES
15	Optional call date, contingent call dates and redemption amount	n/a	First Option at the discretion of the Issuer: at par from 01/19/2027 to 07/19/2027; Option for tax events: at par, with no time limits when a Tax Event occurs; Option for regulatory events: at par, with no time limits when a MREL Disqualification occurs; Optional redemption, which applies at 1 year from the original due date; Clean-up call	At par at the payment date of 03/20/2028; Option for tax events: at par, with no time limits when a Tax Event occurs; Option for regulatory events: at par, with no time limits when a MREL Disqualification occurs; Optional redemption, which applies at 1 year from the original due date; Clean-up call	At par at the payment date of 03/30/2027; Option for tax events: at par, with no time limits when a Tax Event occurs; Option for regulatory events: at par, with no time limits when a MREL Disqualification occurs; Optional redemption, which applies at 1 year from the original due date; Clean-up call
16	Subsequent call dates, if applicable	n/a	At every interest payment date starting from 01/19/2028	n/a	n/a
<i>Coupons/dividends</i>					
17	Fixed or floating dividend/coupon	n/a	Half-yearly fixed rate with reset (i) 5.5 years after the issue date (first reset date 07/19/2027) and (ii) subsequently every 5 years from the previous reset date	Fixed annual rate with reset to 03/20/2028	Annual fixed rate with reset to 03/30/2027

(CONT'D)



Amounts in euro units

Row		Common Equity Tier 1	Tier 1 equity instruments	Eligible liability instruments	Eligible liability instruments
		a	b	c	d
18	Coupon rate and any related index	n/a	5.875% until 07/19/2027. For the subsequent interest periods, the coupon will be recalculated by adding the fixed margin at the issue date (5.856%) at the 5-year mid-swap rate at the recalculation date.	4.75% until March 20, 2028. If a decision is made to not proceed with redemption, the coupon will be recalculated by adding the fixed margin at the issue date (1.900%) at the 1-year mid-swap rate at the recalculation date.	4.875% until March 30, 2027. If a decision is made to not proceed with redemption, the coupon will be recalculated by adding the fixed margin at the issue date (2.622%) at the 1-year mid-swap rate at the recalculation date.
19	Existence of a dividend stopper	No	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	n/a	n/a	n/a
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	n/a	n/a	n/a
21	Existence of step up or other incentive to redeem	n/a	n/a	n/a	n/a
22	Noncumulative or cumulative	n/a	n/a	n/a	n/a
23	Convertible or non-convertible	n/a	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a

(CONT'D)

Amounts in euro units

Row		Common Equity Tier 1	Tier 1 equity instruments	Eligible liability instruments	Eligible liability instruments
		a	b	c	d
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a
30	Write-down features	n/a	Yes	n/a	n/a
31	If write-down, write-down trigger(s)	n/a	if CET1 (on a consolidated or stand-alone basis) <5.125%	n/a	n/a
32	If write-down, full or partial	n/a	full or partial	n/a	n/a
33	If write-down, permanent or temporary	n/a	temporary	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	In the case of net profit (consolidated or stand-alone), the issuer may, at its full discretion and subject to the Maximum Distributable Amount, increase the nominal amount outstanding of the instrument up to the maximum of the "Initial Principal Amount" pro rata with similar AT1 instruments	n/a	n/a
34a	Type of subordination (only for eligible liabilities)	n/a	n/a	n/a	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	1	2	5	5

(CONT'D)

Amounts in euro units

Row		Common Equity Tier 1	Tier 1 equity instruments	Eligible liability instruments	Eligible liability instruments
		a	b	c	d
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n/a	1	2	2
36	Non-compliant transitioned features	n/a	No	No	No
37	If yes, specify non-compliant features	n/a	n/a	n/a	n/a
37a	Link to the full term and conditions of the instrument (signposting)	<a href="https://investor.bff.com/en/Shareholder-structure">https://investor.bff.com/en/Shareholder-structure</a>	Bonds (bff.com)	Bonds (bff.com)	Bonds (bff.com)

## Section 4

### Capital requirements (Art. 438 CRR)

#### Qualitative disclosure

The Group constantly assesses its capital structure by developing and employing techniques for monitoring and managing regulated risks, in order to ensure that its capital is consistent with its risk appetite and regulatory requirements. To do this, the Group also relies on a Control and Risks Committee created within the Board of Directors.

Compliance with capital adequacy limits for the CET1 Capital Ratio, Tier 1 Capital Ratio, and Total Capital Ratio is constantly monitored by the relevant corporate bodies.

The CET1 Capital Ratio is the ratio of Common Equity Tier 1 capital to Risk-Weighted Assets.

The Tier 1 Capital Ratio is the ratio of Tier 1 Capital to Risk-Weighted Assets.

The Total Capital Ratio is the ratio of Total Own Funds to Risk-Weighted Assets.

In accordance with the provisions of Bank of Italy Circular No. 262 of December 22, 2005 *"Banks' financial statements: layout and preparation"*, the amount of risk-weighted assets was determined as the product of the total of prudential capital requirements and 12.5 (inverse of the minimum obligatory ratio equal to 8%).

The total exposure to risks at December 31, 2024, in relation to its business, is adequate according to the level of capitalization and the risk profile identified.

With regard to the Banking Group, the CET1 Capital Ratio is 12.2% and the Tier 1 Capital Ratio and the Total Capital Ratio are 15.1%.

#### Pillar I – Capital adequacy to meet the typical risks associated with financial operations

From the standpoint of operations, the absorption of risks is calculated using various methods:

- ▶ "Standardized approach" for credit risk;
- ▶ "Original exposure approach" for counterparty risk;
- ▶ "Basic approach" for operational risk;
- ▶ "Standardized approach" for market risk.

#### Credit risk

The assessment of credit risk is part of an overall analysis of the capital adequacy of the Banking Group and the CRR Group, in relation to the risks connected with lending.

With this in mind, the “standardized” approach is used to measure credit risk, as governed by Regulation (EU) No. 575/2013 (CRR) and adopted by the Bank of Italy Circular No. 285 “*Supervisory provisions for banks*” and Circular No. 286 “*Instructions for the preparation of supervisory reporting by banks and securities intermediaries*,” both dated December 17, 2013, and subsequent amendments. This approach involves the classification of exposures into different classes (“portfolios”), depending on the type of counterparty, and the application of diversified weighted ratios to each portfolio.

In particular, in relation to the Regulation cited above, the BFF Banking Group applies the following main weighting factors:

- ▶ 0% for exposures to government agencies and central banks with offices in a European Union member state and financed in the local currency, as well as for exposure to other public administration agencies in compliance with specific requirements of relevant supervisory provisions. This category also includes exposures to Spanish public sector entities and other local authorities as provided for by EBA lists “*EU regional governments and local authorities treated as exposures to central governments in accordance with Article 115(2) of Regulation (EU) 575/2013*” and “*EU public-sector entities treated in exceptional circumstances as exposures to the central government, regional government or local authority in whose jurisdiction they are established in accordance with Article 116(4) of Regulation (EU) 575/2013*”;
- ▶ 20% (i) for exposures to regional government agencies and local authorities with offices in a European Union member state denominated and financed in the local currency, (ii) exposures to public sector entities of countries with Credit Quality Step 1 (including France), (iii) exposures to public sector entities and supervised intermediaries with an original duration of three months or less;
- ▶ 50% for exposures to the public administration agencies of countries with Credit Quality Step 2, which include the exposures to entities of the Portuguese, Polish and Slovakian public sector;
- ▶ 100% (i) for exposures to the public administration agencies of countries with Credit Quality Step 3, 4 and 5 (including Italy and Greece); (ii) for exposures to the public administration agencies of countries where government agencies are not rated and no credit quality steps are available (including Czech Republic and Croatia);
- ▶ 50% or 100% for receivables due from supervised intermediaries, according to the credit quality step of the country in which they have their offices;
- ▶ 75% for loans to retail and SME counterparties;
- ▶ 100% for exposures to private debtors (i.e., businesses), Funds, and asset management companies; for rated private debtors, different weights are applied on the basis of the credit ratings issued by S&P Global Ratings;
- ▶ 100% for property, equipment and investment property, equity investments, collective investment undertakings and other assets;
- ▶ 150% for non-performing exposures, if the specific value adjustments are less than 20% of the non-collateralized portion, before any adjustments;
- ▶ 100% for non-performing exposures, if the specific adjustments are 20% or more than the non-collateralized portion, before any adjustments;
- ▶ 250% to deferred tax assets not deducted from own funds;

It should be recalled that impaired assets are classified in keeping with the prudential definition of default (i.e. past due, unlikely to pay and non-performing loans), which assumes that there is an effective state of deterioration of the credit quality of the exposure, not providing for any discretion and not ensuring that certain cases not representative of a worsening of credit risk (as for most Bank exposures) are treated differently. The actual credit risk profile assumed by the Group is limited, as it has been assumed primarily with respect to public bodies not subject to procedures that entail the risk of a loss of principal and the classification described above could lead to significant distortions in the representation of the Group’s accounting, prudential and capital strength information. This is also supported by the experience of very limited credit losses.

With the entry into force of the CRR III update, from January 1, 2025, some weightings have undergone changes: in any case, the impact of these changes for the Group has been evaluated as not significant.

With the aim of adopting an increasingly prudent approach to the classification and coverage of NPEs, in April 2019 the European Commission approved an update of EU Regulation 575/2013 (CRR) regarding the minimum coverage of impaired loans. For the purposes of evaluating prudential provisions, the legislation in question provides that loans disbursed and classified as impaired after April 26, 2019 are subject to "calendar provisioning". Exposures disbursed earlier and subsequently classified as NPEs will not be subject to the provisions contained in the amendment to Regulation no. 575 (CRR). This update requires banks to maintain an adequate provision level, deducting from their CET 1 any positive difference between prudential provisions (identified by weighting the gross value of guaranteed and unsecured NPEs by certain percentages) and amending funds and other assets (provisions, prudent valuation, other deductions of CET1).

This rule is based on the principle that the prudential definition of default (i.e. past due, unlikely to pay and non-performing) effectively defines a state of deterioration of the credit quality of the exposure, not providing for any discretion and not ensuring that certain cases not representative of a worsening of credit risk (as for most Group exposures) are treated differently.

Thanks to the credit management processes established by the BFF Group, as of December 31, 2024 the impact on CET1 deriving from the application of calendar provisioning was equal to €16.6 million, compared to December 30, 2023 when it amounted to approximately €1.1 million. The increase in the calendar portion is mainly attributable to the increase in past due positions, which occurred as a result of the Supervisory Authority's audits and was recorded in September 2022, leading to the first impacts in terms of calendar provisioning two years after the aforementioned classification. It should be noted that 98.5% of the impact of the calendar provisioning refers to counterparties from the Public Administration.

However, the Bank, considering that the delayed payment and subsequent classification of the credit exposures as non-performing and for this reason some credit exposures are not unambiguously symptomatic of an actual deterioration in credit risk, believes that any calendar provisioning will be released over time based on the collections of credit exposures.

Regarding the classification to NPE, note that on June 27, 2019 the Bank of Italy introduced certain amendments to Circular No. 272 concerning credit quality and the rules on the new definition of default, and most recently on September 23, 2022 it updated its note containing the guidelines of the Supervisory Body on the application of Delegated Regulation (EU) No. 171/2018 on the materiality threshold of overdue credit obligations pursuant to art. 178, par. 2, letter d) CRR (RD), and more generally on the application of the RD regulations. Therefore, at consolidated level and starting from the reporting date of September 30, 2022, the Bank aligned its interpretation criteria on the basis of the clarifications published by the Bank of Italy.

On April 29, 2024, the BFF Group received from the Bank of Italy the report containing the results of the follow-up inspections concluded on January 12, 2024, containing the formalization of a compliance finding on the classification of public receivables, regardless of the representation of an associated credit risk, which are based on a Bank of Italy's interpretation of the EBA guidelines for the new Definition of Default (NDoD) on such public receivables - in particular regarding the application of suspension to the calculation of late payment days for the purposes of the prudential classification of credit exposure - different from that adopted by BFF.

Following the above, on reporting date June 30, 2024, the new classification of the loan portfolio for prudential purposes took place, generating a sharp rise in the scope of the past due, reaching €1,692.4 million on said reporting date compared to €219.9 million on December 31, 2023, and €200.0 million on June 30, 2023. Analytical impairment provisions on past due positions are mainly attributable to impairment testing in accordance with IFRS 9 and amount to approximately €2.3 million.

It should be recalled that impaired assets are classified in keeping with the prudential definition of default (i.e. past due, unlikely to pay and non-performing loans), which assumes that there is an effective state of deterioration of the credit quality of the exposure, not providing for any discretion and not ensuring that certain cases not representative of a worsening of credit risk (as for most Bank exposures) are treated differently. The actual credit risk profile assumed by the Bank is primarily with respect to public bodies not subject to procedures that entail the risk of a loss of principal and the classification described above could lead to significant distortions in the representation of the Bank's accounting, prudential and capital strength information. This is also supported by the experience of very limited credit losses.

The BFF Banking Group constantly maintains, as a capital requirement for credit risk, an amount of regulatory capital equal to at least 8% of the weighted exposures for credit risk. The Risk Weighted Amount is determined by the sum of the risk weighted assets of the various classes.

### Counterparty risk

Counterparty risk represents a particular type of credit risk, characterized by the fact that the exposure, owing to the financial nature of the contract executed between the parties, is uncertain and can change over time in relation to the evolution of the underlying market factors.

For BFF Bank, counterparty risk may be generated by repurchase agreements and derivatives, as well as by trading in tax credits allocated in the trading portfolio with respect to which a counterparty enters into a purchase commitment. Counterparty risk is measured using the original exposure method.

### Operational risk

Operational risk is the risk of incurring a loss due to inadequacy or failure of procedures, human resources and internal systems or as a result of external events. This category includes, amongst other items, losses caused by fraud, human error, business interruption, system failure, breach of contracts and natural disasters; operational risk includes legal risk but excludes strategic and reputational risks.

Operational risk, therefore, refers to various types of events that would not be significant unless analyzed together and quantified for the entire risk category.

The Group, for the measurement of operational risk, applies the "Basic" approach<sup>7</sup> in accordance with Regulation (EU) No 575/2013.

Continuing the Operational Risk Management framework applied, at the consolidated level the Bank uses an internal statistical management model for quantifying exposure to operational risk. This was done for the purpose of verifying that the method used for regulatory purposes did value capital adequately against assumed and assumable risk. The operational risk results obtained from the forward-looking assessment process were also used for quantifying internal capital against operational risk for ICAAP purposes. The assessments carried out in this area have led to the conclusion that the capital requirement for operational risk is higher than the internal capital calculated at the operational level in the ICAAP process.

7) As indicated in detail in Section 4, the methodology for calculating operational risk will change from January 1, 2025 when the so-called "CRR3" comes into effect

### **Market risk**

Market risk relates to positions held for trading, that is, positions intentionally held for sale in the short term, acquired in order to take advantage of purchase and sale price differences, or other changes in prices or interest rates.

The regulation identifies and regulates the treatment of the various types of market risk in reference to the regulatory trading portfolio. The Group measures market risk using the "Standardized" approach.

### **Pillar II – The ICAAP/ILAAP Report**

The supervisory regulations require intermediaries to adopt control strategies and processes for determining the adequacy of current and future capital. It is the Supervisory Authority's responsibility to verify the reliability and accuracy of the results generated and, where necessary, to take appropriate corrective action.

The BFF Banking Group annually submits the "ICAAP/ILAAP Report" to the Bank of Italy, thus providing an update on the internal processes for determining adequacy of capital and of liquidity risk governance and management systems of the Group. In accordance with prudential supervisory provisions, the Group has prepared the "ICAAP/ILAAP Report" approved by the BFF Board of Directors on April 4, 2024. The Report has been prepared in compliance with the requirements established by Circular No. 285.

In relation to the "Supervisory Review and Evaluation Process" (SREP), the Group must comply with a CET1 Ratio of 9.00%, a Tier 1 Ratio of 10.50% and a Total Capital Ratio of 12.50% to which the Countercyclical Capital Buffer ("CCyB") and Systemic Risk Buffer ("SyRB") components are added, the latter being equal to 0.1130% and 0.2903% respectively at December 31, 2024.



## Quantitative disclosure

### EU KM1 template: Key metrics template

Row		a	b	c	d	e
		12/31/2024	09/30/2024	06/30/2024	03/31/2024	12/31/2023
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	638,504	625,703	596,391	433,950	436,946
2	Tier 1 capital	788,504	775,703	746,391	583,950	586,946
3	Total capital	788,504	775,703	746,391	583,950	586,946
	Risk-weighted exposure amounts					
4	Total Risk exposure amount	5,214,662	5,100,750	5,028,975	3,207,672	3,076,507
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	12.24%	12.27%	11.86%	13.53%	14.20%
6	Tier 1 ratio (%)	15.12%	15.21%	14.84%	18.20%	19.08%
7	Total capital ratio (%)	15.12%	15.21%	14.84%	18.20%	19.08%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements based on SREP (%)	2.00%	2.00%	2.00%	2.00%	2.00%
EU 7b	Of which consisting of CET1 capital (%)	2.00%	2.00%	2.00%	2.00%	2.00%
EU 7c	Additional AT1 SREP requirements (%)	2.00%	2.00%	2.00%	2.00%	2.00%
EU 7d	Total SREP own funds requirements (%)	10.00%	10.00%	10.00%	10.00%	10.00%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5000%	2.5000%	2.5000%	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	0.1130%	0.1024%	0.1233%	0.0973%	0.0070%
EU 9a	Systemic risk buffer (%)	0.2903%				
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer (%)					
11	Combined buffer requirement (%)	2.9032%	2.6024%	2.6233%	2.5973%	2.5070%
EU 11a	Overall capital requirements (%)	12.9032%	12.6024%	12.6233%	12.5973%	12.5070%
12	CET1 available after meeting the total SREP own funds requirements (%)	267,038	265,628	243,494	225,452	236,973
(CONT'D)						
	Leverage ratio					
13	Leverage ratio total exposure measure	12,546,856	12,191,998	12,133,781	12,274,427	12,260,487
14	Leverage ratio (%)	6.28%	6.36%	6.15%	4.76%	4.79%

Row		a	b	c	d	e
		12/31/2024	09/30/2024	06/30/2024	03/31/2024	12/31/2023
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
EU 14a	Additional own funds requirements to address risks of excessive leverage (%)					
EU 14b	of which consisting of CET1 capital (%)					
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and total leverage ratio requirement (as a percentage of leverage ratio total exposure amount)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	3,863,687	3,324,754	3,208,237	3,455,002	3,663,490
EU 16a	Cash outflows - Total weighted value	1,925,797	1,811,581	1,854,439	1,798,290	1,885,362
EU 16b	Cash inflows - Total weighted value	385,526	410,672	515,854	477,534	654,921
16	Total net cash outflows (adjusted value)	1,540,271	1,400,910	1,338,586	1,320,756	1,230,441
17	Liquidity coverage ratio (%)	250.78%	238.89%	241.05%	261.31%	297.74%
	Net Stable Funding Ratio					
18	Total available stable funding	6,902,789	6,120,172	6,135,537	6,162,292	6,376,277
19	Total required stable funding	4,939,641	4,736,000	4,565,028	3,455,586	3,313,550
20	NSFR ratio (%)	139.74%	129.23%	134.40%	178.33%	192.43%

## Template EU OV1: Overview of risk weighted exposure amounts

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		12/31/2024	09/30/2024	12/31/2024
1	Credit risk (excluding CCR)	4,258,200	4,288,321	340,656
2	Of which the standardized approach	4,258,200	4,288,321	340,656
3	Of which the foundation IRB (FIRB) approach			
4	Of which: slotting approach			
EU 4a	Of which: equities under the simple risk weighted approach			
5	Of which the advanced IRB (AIRB) approach			
6	Counterparty credit risk - CCR	20,008	14,278	1,601
7	Of which the standardized approach			
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP	6,899	6,141	552
EU 8b	Of which credit valuation adjustment - CVA	432	218	35
9	Of which other CCR	12,678	7,919	1,014
15	Settlement risks			
16	Securitization exposures in the non-trading book (after the cap)	6,231	6,257	498
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach	5,298	5,380	424
EU 19a	Of which 1250%/deduction	933	877	75
20	Position, foreign exchange and commodities risks (Market risk)	5,115	7,469	409
21	Of which the standardized approach	5,115	7,469	409
22	Of which IMA			
EU 22a	Large exposures			
23	Operational risk	925,108	784,426	74,009
EU 23a	Of which basic indicator approach	925,108	784,426	74,009
EU 23b	Of which the standardized approach			
EU 23c	Of which advanced measurement method			
24	Amount below deduction thresholds (subject to 250% risk weighting factor)	52,097	48,225	4,168
29	<b>Total</b>	<b>5,214,662</b>	<b>5,100,750</b>	<b>417,173</b>

## Section 5

### Exposure to counterparty credit risk (Art. 439 CRR)

#### Qualitative disclosure

Counterparty risk represents a particular type of credit risk, characterized by the fact that the exposure, owing to the financial nature of the contract executed between the parties, is uncertain and can change over time in relation to the evolution of the underlying market factors.

If the transactions with a certain counterparty have a positive value, this requirement is generated. If part of the exposure is collateralized, it will be attributed a weighting factor corresponding to the weighting factor assigned to the instrument used as collateral.

For BFF Bank, counterparty risk is mainly generated by repurchase agreements (SFTs, Securities Financing Transactions) and transactions in derivatives. Counterparty risk is measured using the original exposure method (governed by Art. 282 CRR) based on the calculation of the "current replacement cost" and the "future exposure", as regards transactions in derivatives and the "Financial Collateral Comprehensive Method" (governed by CRR Articles 223-228) as regards repurchase transactions.

At December 31, 2024, there were payable repurchase transactions in place with Cassa Compensazione e Garanzia as the counterparty, receivable repurchase transactions with market counterparties and foreign currency swaps.

With respect to transactions in derivatives (at December 31 exclusively foreign currency swaps), BFF Bank also calculates the CVA (*Credit Value Adjustment*), which quantifies the risk of a value adjustment in the credit component relating to transactions in OTC derivatives. The calculation is performed based on the "Standardized Approach", governed by Art. 384 CRR.

Moreover, in Q4 2023 the Bank initiated a purchase and resale of tax credits, included in the trading portfolio in accordance with the Bank of Italy's clarification note of July 24, 2023. This activity generally involves the Bank purchasing Tax Credits from third parties for the purpose of resale to an already identified purchasing company with which it has previously entered into a special framework agreement for the sale of such tax credits.

Consistent with the above note, the assignment commitments agreed in the master agreement with the assignee were treated as derivative contracts to offset the related underlying tax credit recorded in the trading book. Specifically, as of December 31, 2024, the Bank had only irrevocable sales commitments outstanding, which are comparable to unlisted forward derivatives, resulting in the generation of counterparty risk calculated in accordance with Art. 282 CRR ("original exposure" method). Finally, the calculation of the CVA component was performed consistently with other OTC derivative instruments by application of the so-called "Standardized Approach", governed by Art. 384 CRR.

As of December 31, 2024, tax credit exposures held for trading amounted to €212 million, of which 179 million had a firm commitment to sell treated as unlisted forward derivatives.

## Quantitative disclosure

### Template EU CCR1 – Analysis of CRR exposure by approach

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	6,218	31,700		1.4	53,084	53,084	53,084	17,299
EU2	EU - Simplified SA-CCR (for derivatives)				1.4				
1	SA-CCR (for derivatives)				1.4				
2	IMM (for derivatives and SFTs)								
2a	Of which securities financing transactions netting sets								
2b	Of which derivatives and long settlement transactions netting sets								
2c	Of which from contractual cross-product netting sets								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)					2,015,684	2,015,685	2,015,684	2,277
5	VaR for SFTs								
6	<b>Total at 12/31/2024</b>					<b>2,068,769</b>	<b>2,068,769</b>	<b>2,068,769</b>	<b>19,576</b>

### Template EU CCR2: Transactions subject to own funds requirements for CVA risk

		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method		
2	i) VaR component (including the 3x multiplier)		
3	ii) stressed VaR component (including the 3x multiplier)		
4	Transactions subject to the Standardized approach	48,292	432
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	<b>Total transactions subject to own funds requirements for CVA risk</b>	<b>48,292</b>	<b>432</b>

### Template EU CCR3 – Standardized approach: CCR exposures by regulatory exposure class and risk weights

Exposure classes		Risk weight					
		a	b	c	d	e	f
		0%	2%	4%	10%	20%	50%
1	Central governments or central banks	443,476			12,825		
2	Regional government or local authorities						
3	Public sector entities					613	
4	Multilateral development banks						
5	International organizations						
6	Institutions					47,663	
7	Corporates						
8	Retail						
9	Institutions and corporates with a short-term credit assessment						
10	Other exposures	1,555,554					
11	Total exposure value at 12/31/2024	1,999,030			12,825	48,275	

Exposure classes		Risk weight					
		g	h	i	j	k	l
		70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks						456,301
2	Regional government or local authorities						
3	Public sector entities						613
4	Multilateral development banks						
5	International organizations						
6	Institutions			5			47,668
7	Corporates			8,633			8,633
8	Retail						
9	Institutions and corporates with a short-term credit assessment						
10	Other exposures						1,555,554
11	Total exposure value at 12/31/2024			8,638			2,068,769

## Template EU CCR5: Breakdown of collateral for exposures subject to the CCR

Collateral type	a	b	c	d	e	f	g	h
	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash – domestic currency		232,568		10		972		185,382
2 Cash – other currencies								
3 Domestic sovereign debt						456,301		1,555,554
4 Other sovereign debt								
5 Government agency debt								
6 Corporate bonds								
7 Equity securities								
8 Other collateral								
9 Total at 12/31/2023		232,568		10		457,273		1,740,936

## Template EU CCR8: Exposures to CCPs

		a	b
		Exposure value	RWEA
<b>1</b>	<b>Exposures to QCCPs (total)</b>		<b>6,899</b>
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,344,126	
3	i) OTC derivatives		
4	ii) Exchange-traded derivatives		
5	iii) SFTs	1,344,126	
6	iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin	184,587	3,692
9	Prefunded default fund contributions	157,848	3,207
10	Unfunded default fund contributions		
<b>11</b>	<b>Exposures to non-QCCPs (total)</b>		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	i) OTC derivatives		
14	ii) Exchange-traded derivatives		
15	iii) SFTs		
16	iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Prefunded default fund contributions		
20	Unfunded default fund contributions		



## Section 6

### Capital buffers (Art. 440 CRR)

#### Qualitative disclosure

Information is provided below relating to the “Countercyclical capital buffer”, prepared on the basis of the applicable ratios at December 31, 2024 and Delegated Regulation (EU) 2015/1555 of May 28, 2015, supplementing the CRR with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer in accordance with Article 440 of the CRR. As established by Article 140(1) of Directive 2013/36/EU (“CRD IV”), the institution-specific countercyclical capital buffer rate consists of the weighted average of the countercyclical buffer rates that apply in the jurisdictions where the relevant credit exposures of the institution are located.

The CRD IV requires designated national authorities to activate an operational framework for the definition of the countercyclical capital buffer (CCyB) rate starting from January 1, 2016.

The rate is subject to quarterly review. The European regulation was implemented in Italy with Bank of Italy Circular No. 285, containing dedicated rules on the CCyB. On the basis of the analysis of the reference indicators, the Bank of Italy has decided to set the countercyclical rate (relating to exposures to Italian counterparties) at 0% again for the second quarter of 2025.

The relevant credit exposures include all classes of exposures other than those pursuant to Article 112(a) to (f) of Regulation (EU) No. 575/2013. The following portfolios are excluded: exposures to central governments or central banks; exposures to regional governments or local authorities; exposures to public sector entities; exposures to multilateral development banks; exposures to international organizations; exposures to institutions.

#### Quantitative disclosure

With reference to December 31, 2024:

- ▶ The countercyclical capital rates at individual country level have generally been established, with the methods succinctly described above, as 0%. The countries with a rate other than zero for which the Group has exposures include: Holland and the United Kingdom (2.00%), Slovakia (1.50%); the Czech Republic (1.25%); Belgium and France (1.00%).
- ▶ At consolidated level, the specific countercyclical rate of the CRR Banking Group is 0.1129625%.

## Template EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Breakdown by country:		Generic credit exposures		Relevant credit exposures – Market risk		Securitization exposures Exposure value for non-trading book	Total exposure value
		Exposure value under the standardized approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models		
		a	b	c	d		
0010	BELGIUM	970					970
0020	CAMEROON	207					207
0030	CZECH REPUBLIC	3					3
0040	SPAIN	49,192					49,192
0050	FRANCE	20,092					20,092
0060	UNITED KINGDOM	645					645
0070	GREECE	175,215					175,215
0080	ITALY	2,887,615		1			2,887,617
0090	NETHERLANDS	5,940					5,940
0100	POLAND	135,108					135,108
0110	PORTUGAL	117,237					117,237
0120	SLOVAKIA	251,671					251,671
0130	UNITED STATES	1,053					1,053
Total		3,644,950		1			3,644,952

Breakdown by country:		Own funds requirements				Risk- weighted exposure amounts	Weighting factors of own funds requirements (%)	Countercyclical buffer rate (%)
		Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitization positions in the non-trading book	Total			
		g	h	i	j			
0010	BELGIUM	78			78	970	0.03%	1.00%
0020	CAMEROON	17			17	207	0.01%	0.00%
0030	CZECH REPUBLIC	0			0	3	0.00%	1.25%
0040	SPAIN	3,935			3,935	49,192	1.35%	0.00%
0050	FRANCE	1,607			1,607	20,092	0.55%	1.00%
0060	UNITED KINGDOM	52			52	645	0.02%	2.00%
0070	GREECE	14,017			14,017	175,215	4.81%	0.00%
0080	ITALY	225,637	0	5,372	231,009	2,887,615	79.22%	0.00%
0090	NETHERLANDS	475			475	5,940	0.16%	2.00%
0100	POLAND	10,809			10,809	135,108	3.71%	0.00%
0110	PORTUGAL	9,379			9,379	117,237	3.22%	0.00%
0120	SLOVAKIA	20,134			20,134	251,671	6.90%	1.50%
0130	UNITED STATES	84			84	1,053	0.03%	0.00%
TOTAL		286,223	0		291,596	3,644,950	100.00%	12.25%

## Template EU CCyB2: Amount of institution-specific countercyclical capital buffer

		a
1	Total Risk exposure amount	5,214,662
2	Institution specific countercyclical capital buffer rate	0.11296247%
3	Institution specific countercyclical capital buffer requirement	5,891

## Section 7

### Credit risk adjustments (Art. 442 CRR)

#### Qualitative disclosure

##### Exposures subject to generic adjustments (“collective impairment”)

On the basis of IFRS 9, financial assets not measured at fair value must be subjected to the impairment model based on expected losses. The calculation of expected losses required by IFRS 9 indeed takes place based on the product of PD, LGD and EAD, taking into account the significant increase in credit risk or objective signs of impairment of the exposures/counterparties.

In detail, the impairment model is characterized by:

- ▶ The allocation of the transactions in the portfolio to different buckets, based on an assessment of the increase in the level of exposure/counterparty risk;
- ▶ The use of multi-period risk parameters (e.g., lifetime PD, LGD and EAD) to quantify Expected Credit Losses (ECL) for financial instruments subject to a Significant Increase in Credit Risk (SICR) since initial recognition of the instrument.

For the purposes of calculating impairment, IFRS 9 sets out general requirements for calculating ECLs and designing stage allocation criteria, without providing specific guidelines on the modeling approach. Therefore, by analyzing the data provided as input, the assessment and design of the project for the conversion to IFRS 9 allowed to develop a methodological framework to accommodate the peculiarities of the Group's business consistently with the assets it owns as well as available information, in accordance with the guidelines in the standard.

The key concepts introduced by IFRS 9 and required for the purpose of calculating impairment compared to previous accounting standards are as follows:

- ▶ A forward-looking model, allowing the immediate recognition of all expected credit losses over the life of the exposure, thus replacing the “incurred loss” criterion. According to the latter, impairment losses were recognized only when there was evidence that they existed (based on the identification of a trigger event). According to IFRS 9, losses shall be recognized based on supportable information that is available without undue cost or effort and includes historical, current and forward-looking data;
- ▶ ECL recalculated at each reporting date to reflect changes in credit risk since initial recognition of the financial instrument;
- ▶ Use of forward-looking information and macroeconomic factors to determine ECL;
- ▶ Introduction of an additional status with respect to the binary classification of performing and non-performing counterparties, to take account of the increase in credit risk.

The ECL calculation model requires a quantitative assessment of future cash flows and assumes that they can be reliably estimated. This requires the identification of certain elements, namely:

- ▶ Probability of default (PD) models and assumptions about the forward distribution of default events, for the calculation of multi-period PDs used to determine the lifetime expected credit loss;
- ▶ LGD model;
- ▶ A deterministic and stochastic EAD model allowing to define a multi-period distribution as well as a 12-month horizon.

The risk parameters that should be modeled to comply with the rationale of considering the full life-time of the financial instrument are as follows:

- ▶ Multi-period PD;
- ▶ Multi-period LGD;
- ▶ Multi-period EAD.

Furthermore, in compliance with IFRS 9, the ECL calculation shall include Point-in-Time (PIT) adjustments and Forward-Looking Information (FLI).

During the second half of 2024, the IFRS 9 framework underwent changes in relation to: (i) the resolution of the Bank of Italy's finding present in the audit report received by the Bank on 04/29/2024 in which the Supervisory Authority highlighted the need to recalibrate the PD parameter bearing in mind the correct sizing of the past due category resulting from the reclassification implemented on the date of June 30, 2024, (ii) the updating of the time series underlying the estimation of the risk parameters, and (iii) the updating of the macroeconomic scenario reflected in the forward looking component of the lifetime PD curves.

## Receivables subject to specific adjustments ("specific impairment")

As required by IFRS 9 and in line with current supervisory provisions, the Group carried out a review of the assets classified as impaired in order to identify any objective impairment of individual positions.

It should be noted that, with reference to past due exposures, although classified as impaired financial assets and therefore subject to specific impairment, the same assessments that apply for the performing exposures were carried out. This decision is supported by the fact that, in consideration of the Group's core business, impaired past due positions, identified according to objective criteria, do not necessarily represent actual deterioration. However, this approach does not provide an exemption to the competent functions from performing a precise/ analytical assessment ("case-by-case assessment") of positions classified as past due if the value adjustment calculated is not adequate.

It should be noted that the European Court of Human Rights confirmed in a ruling published on January 21, 2025, that the Italian state has an obligation to guarantee the payment of debts owed by public debtors, including municipalities in financial distress, in the presence of judicial decisions that remain enforceable. The Group has undertaken analyses to identify the effects that the implementation of this ruling would have on its portfolio.

As regards the impairment policies adopted, BFF Polska Group and BFF Finance Iberia submit specific periodic reports to the Parent Company, so that the corresponding functions of the parent can report on the activities conducted in this area and check the correctness of the conclusions.

On July 24, 2014, the EBA published the *"Final Draft Implementing Technical Standards on Supervisory reporting on forbearance and nonperforming exposures"* (EBA/ITS /2013/03/rev1 24/7/2014): this document introduces new definitions concerning impaired assets and forbearance measures.

These definitions were adopted with the 7th update of Bank of Italy Circular No. 272 of January 20, 2015, and call for the breakdown of impaired assets into:

- ▶ Non-performing loans
- ▶ Unlikely-to-pay positions
- ▶ Past-due impaired exposures

The BFF Banking Group's net "Impaired assets" total €1,904,150 thousand and include:

- ▶ Non-performing loans are exposures to parties that are in a state of insolvency or in basically similar situations, regardless of any loss projections made by the parent. At December 31, 2024, the overall total of the Banking Group's non-performing loans, net of impairment, amounted to €100,888 thousand, of which €2,996 thousand purchased already impaired. Net non-performing loans concerning Italian municipalities and provincial government in financial distress amounted to €94,796 thousand, accounting for 94.0% of the total. Gross non-performing loans amounted to €115,093 thousand (€120,923 thousand at December 31, 2023). The related impairment totaled €14,204 thousand (€21,117 thousand at December 31, 2023). The decrease in associated loss allowances is mainly attributable to the write-off of non-performing exposures of BFF Polska Group. The portion of the allowance for late payment interest relating to non-performing exposures, recognized at the time of the change in estimate in 2014, was equal to €800 thousand, entirely impaired. Taking account of this amount, too, gross non-performing loans amounted to €115,861 thousand and relevant adjustments totaled €14,973 thousand. With reference to the parent, at December 31, 2024 total non-performing loans, net of any estimated impairment losses, amounted to €95,203 thousand, of which €94,796 thousand concerned Italian municipalities and provincial governments in financial distress; this case is classified as non-performing in accordance with the indications given by the Supervisory Authority, despite the fact that the BFF Banking Group has the legal right to receive 100% of the capital and late payment interest at the end of the insolvency procedure. Specifically, the amount of €2,996 thousand refers to loans and receivables due from local entities (municipalities, provinces) already in financial distress at the time of purchase and purchased at special conditions. The remaining positions referring to BFF Bank are impaired based on subjective assessments arising from legal opinions. Gross non-performing loans relating to BFF Polska Group amounted to €15,830 thousand. After estimated impairment losses of €11,067 thousand they amounted to €4,763 thousand.
- ▶ The BFF Banking Group's unlikely to pay exposures mainly refer to the BFF Polska Group's positions. These exposures reflect the judgment made by the intermediary about the unlikelihood that – excluding such actions as the enforcement of guarantees – the debtor will fully fulfill (for principal and/or interest) its credit obligations. This assessment should be arrived at independently of the existence of any past due and unpaid amounts (or installments). As at December 31, 2024, gross exposures classified as unlikely to pay amounted to €78,142 thousand (€19,125 thousand as at December 31, 2023), of which €70,291 thousand are attributable to BFF Polska Group (€15,840 thousand at December 31, 2023), €4,310 thousand to the Bank (€3,087 thousand at December 31, 2023) and €3,541 thousand to BFF Finance Iberia (€198 thousand at December 31, 2023). It should be noted that the increase, in the amount of €52,980 thousand, stems from counterparties subject to the restructuring procedures of Polish public hospitals considered as not representing in themselves an actual deterioration in asset quality. The total net value is €68,778 thousand (€13,718 thousand at December 31, 2023), referring primarily to BFF Polska Group.

- Net past due exposures of the BFF Banking Group amounted to €1,734,483 thousand. They refer to the parent for €1,546,403 thousand, to the Spanish subsidiary for €18,543 thousand and to BFF Polska Group for €169,538 thousand. 95.2% of these exposures relate to public counterparties. This category increased sharply compared to December 31, 2023 following the portfolio reclassification carried out as at June 30, 2024 to respond to the compliance findings on the previous classification of public receivables carried out by the parent, contained in the Bank of Italy inspection report delivered on April 29, 2024 and to which BFF responded on July 11, 2024. The compliance finding related specifically to the application of the suspension on the calculation of days in arrears for the purpose of the prudential classification of credit exposure to default, and thus led to a revision of the way that loans classified as past due are calculated, generating a sharp rise in this item to a level of €1,692,374 thousand as of June 30, 2024, compared to €219,891 thousand as of December 31, 2023 and €199,974 thousand as of June 30, 2023.

Lastly, please recall that impaired assets are classified in keeping with the prudential definition of default (i.e. past due, unlikely to pay and non-performing), which assumes that there is an effective state of deterioration of the credit quality of the exposure, not providing for any discretion and not ensuring that certain cases not representative of a worsening of credit risk (as for most Group exposures) are treated differently. The actual credit risk profile assumed by the BFF Group is limited, as it has been assumed with respect to public bodies, and the classification described above could result in significant distortions in the representation of the group's accounting, prudential and capital strength information. This is also supported by the experience of very limited credit losses.

### Measurement of impairment losses on financial assets

At each annual or interim reporting date, in accordance with IFRS 9, financial assets other than those measured at fair value through profit or loss are tested to assess whether there is evidence that the carrying amount of the assets may not be fully recoverable. A similar analysis is conducted also for loan commitments and guarantees provided that fall within the scope subject to impairment in accordance with IFRS 9. If such evidence exists (so-called "evidence of impairment"), the financial assets concerned – consistently with any remaining assets of the same counterparty – are considered to be impaired and classified in Stage 3. The Group shall recognize adjustments equal to lifetime expected credit losses for these exposures, consisting in financial assets classified as non-performing loans, unlikely to pay, and exposures past due and/or in arrears as per the Bank of Italy's Circular no. 262/2005.

The impairment model is characterized by:

- The allocation of the transactions in the portfolio to different stages, based on an assessment of the increase in the level of exposure/counterparty risk, considering the "staging allocation criteria";
- The use of multi-period risk parameters (e.g., lifetime PD, LGD and EAD) to quantify expected credit losses (ECL) for financial instruments subject to a significant increase in credit risk since initial recognition.

In the fourth quarter of 2023, the Parent - at consolidated level - revised the methodological set-up of the staging allocation, establishing criteria more representative of the deterioration of credit risk with respect to the Group's business and the methodology of forward-looking and point in time components relating to Probability of Default, which is more aligned with market best practices and the specific nature of the business.

### Changes due to Russian-Ukrainian and Israeli-Palestinian conflicts

During the period ended December 31, 2024, the continuation of tensions in the global geopolitical environment arising from the conflict between Russia and Ukraine, which erupted in early 2022, should still be noted, although the related repercussions on the European and global macroeconomic situation appear to be contained to date also in relation to a lower tension on the price of gas and consequently on inflation, which seems to be back under control, an aspect reinforced by the policy of cutting interest rates undertaken by the ECB.

However, it should be noted that, also looking ahead, the conflict could represent a factor of instability that, in general, can significantly affect the macroeconomic landscapes of the countries that BFF operates in and their growth prospects.

In light of the Parent's business model and the nature of its risk counterparties, the Russia/Ukraine conflict did not entail changes to the model for determining expected losses. However, with the annual update of the macroeconomic scenarios, the Group Risk Management Function monitors the trend of risk parameters against the evolution of the conflict in order to understand any impact on the determination of expected losses.

As already mentioned, during the fourth quarter of 2024, the Risk Management Function updated the macroeconomic scenarios for the forward-looking conditioning of the PD: the forecast scenario assumes that, albeit in a context of high uncertainty, particularly over the trade policies of the new US administration and the ongoing geopolitical tensions in Europe (Russian-Ukrainian war), the growth of foreign demand will consolidate, but at values significantly lower than the average values of the two decades preceding the pandemic. Based on futures contracts, oil prices would decline over the three-year period and natural gas prices would remain stable overall.

Employment would continue to grow, albeit at a slower rate than output. The unemployment rate is expected to remain stable overall over the three-year period 2025-27.

However, macroeconomic uncertainty remains high and stems mainly from the international scenario with lingering tensions related to ongoing conflicts that could negatively impact foreign sales and, through a worsening of household and business confidence, domestic demand. Higher price dynamics could result from further increases in the prices of raw materials and other imported goods.

As regards the Israel/Palestine conflict that began in late 2023, considering the results of the analyses performed by the Parent, at the moment no critical elements have been identified that would require the implementation of additional activities to monitor the risks of the above-mentioned conflict.



## Quantitative disclosure

### Template EU CR1: Performing and non-performing exposures and related provisions

Row		a	b	c	d	e	f
Gross carrying/nominal amount							
Performing exposures				Non-performing exposures			
		Of which stage 1	Of which stage 2			Of which stage 2	Of which stage 3
005	Cash balances at central banks and other demand deposits	169,253	167,404	1,849			
010	Loans and advances	4,153,894	4,108,671	45,223	1,930,201		1,927,009
020	Central banks	16,153	16,153				
030	General governments	3,029,917	2,992,568	37,348	1,800,852		1,797,855
040	Credit institutions	570,639	570,639				
050	Other financial companies	370,001	370,001		1,867		1,867
060	Non-financial companies	165,101	157,423	7,678	68,109		68,109
070	Of which SMEs	5,526	3,277	2,249	5,652		5,652
080	Households	2,084	1,887	196	59,373		59,177
090	Debt securities	4,602,089	4,596,717				
100	Central banks						
110	General governments	4,589,399	4,589,399				
120	Credit institutions						
130	Other financial companies	12,690	7,318				
140	Non-financial companies						
150	Off-balance-sheet exposures	502,976	502,976		8,529		8,529
160	Central banks						
170	General governments	49,187	49,187		5		5
180	Credit institutions	132	132				
190	Other financial companies	414,996	414,996				
200	Non-financial companies	38,661	38,661		8,524		8,524
210	Households						
220	Total	9,428,213	9,375,768	47,072	1,938,730		1,935,538

Row		g	h	i	j	k	l
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures – accumulated impairment and provisions		Non-performing exposures – Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3
005	Cash balances at central banks and other demand deposits	(159)	(158)	(1)			
010	Loans and advances	(1,657)	(1,506)	(151)	(26,052)		(25,855)
020	Central banks						
030	General governments	(186)	(171)	(15)	(3,026)		(3,026)
040	Credit institutions	(38)	(38)				
050	Other financial companies	(273)	(273)		(624)		(624)
060	Non-financial companies	(1,124)	(995)	(129)	(17,465)		(17,465)
070	Of which SMEs	(51)	(26)	(25)	(3,477)		(3,477)
080	Households	(35)	(28)	(7)	(4,937)		(4,741)
090	Debt securities	(1,873)	(1,873)				
100	Central banks						
110	General governments	(1,696)	(1,696)				
120	Credit institutions						
130	Other financial companies	(177)	(177)				
140	Non-financial companies						
150	Off-balance-sheet exposures	(258)	(258)				
160	Central banks						
170	General governments	(1)	(1)				
180	Credit institutions						
190	Other financial companies	(230)	(230)				
200	Non-financial companies	(27)	(27)				
210	Households						
220	Total	(3,947)	(3,795)	(152)	(26,052)		(25,855)

Row		m	n	o
		Accumulated partial write-off	Collateral and financial guarantees received	
			On performing exposures	On non-performing exposures
005	Cash balances at central banks and other demand deposits			
010	Loans and advances		456,465	79
020	Central banks			
030	General governments		41,095	
040	Credit institutions		402,543	
050	Other financial companies			
060	Non-financial companies		12,826	79
070	Of which SMEs			
080	Households			
090	Debt securities			
100	Central banks			
110	General governments			
120	Credit institutions			
130	Other financial companies			
140	Non-financial companies			
150	Off-balance-sheet exposures			
160	Central banks			
170	General governments			
180	Credit institutions			
190	Other financial companies			
200	Non-financial companies			
210	Households			
220	Total		456,465	79

## Template EU CR1-A: Maturity of exposures

Row		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	886,177	4,071,775	517,185	581,249	0	6,056,386
2	Debt securities	7,141	56,588	2,503,482	2,027,632	0	4,594,843
3	Total	893,318	4,128,363	3,020,667	2,608,882	0	10,651,230

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

Row		a
		Gross carrying amount
010	Initial stock of non-performing loans and advances	361,283
020	Inflows to non-performing portfolios	1,705,114
030	Outflows from non-performing portfolios	(136,196)
040	Outflow due to cancellations	(7,823)
050	Outflow due to other situations	(136,196)
060	Final stock of non-performing loans and advances	1,930,201

## Template EU CR2a: Changes in the stock of non-performing loans and advances and related accumulated recoveries

Row		a	b
		Gross carrying amount	Relative net accumulated recoveries
010	Initial stock of non-performing loans and advances	361,283	
020	Inflows to non-performing portfolios	1,705,114	
030	Outflows from non-performing portfolios	(136,196)	
040	Outflow to performing portfolio	(5,679)	
050	Outflow due to partial or total repayment of the loan	(122,694)	
060	Outflow due to liquidations of collateral		
070	Outflow due to taking possession of collateral		
080	Outflow due to the sale of instruments		
090	Outflow due to risk transfers		
100	Outflow due to cancellations	(7,823)	
110	Outflow due to other situations		
120	Outflow due to reclassification to held for sale		
130	Final stock of non-performing loans and advances	1,930,201	

## Template EU CQ1: Credit quality of forborne exposures

Row		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			of which defaulted	of which impaired					
		a	b	c	d	e	f	g	h
005	Cash balances at central banks and other demand deposits								
010	Loans and advances	10,379	34,628	34,628	34,628	(46)	(2,625)		
020	Central banks								
030	General governments	7,631	19,543	19,543	19,543	(6)	(30)		
040	Credit institutions								
050	Other financial companies		1,078	1,078	1,078		(618)		
060	Non-financial companies	2,704	13,472	13,472	13,472	(37)	(1,583)		
070	Households	44	535	535	535	(3)	(394)		
080	Debt securities								
090	Loan commitments given								
100	Total	10,379	34,628	34,628	34,628	(46)	(2,625)		

## Template EU CQ2: Quality of the concession

Row		a
		Gross carrying amount
010	Loans and advances that have been the subject of forbearance measures more than twice	
020	Forborne non-performing loans and advances that have failed to meet the criteria for exclusion from the "non-performing" category	1,078

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

Row		Gross carrying/nominal amount		
		Performing exposures		
		Not past due or past due <= 30 days		Past due > 30 days <= 90 days
		A	b	c
005	Cash balances at central banks and other demand deposits	169,253	168,476	777
010	<i>Loans and advances</i>	4,153,894	3,222,042	931,852
020	<i>Central banks</i>	16,153	16,153	
030	<i>General governments</i>	3,029,917	2,122,684	907,233
040	<i>Credit institutions</i>	570,639	570,639	
050	<i>Other financial companies</i>	370,001	370,001	
060	<i>Non-financial companies</i>	165,101	140,494	24,607
070	<i>Of which SMEs</i>	5,526	3,650	1,877
080	<i>Households</i>	2,084	2,072	12
090	Debt securities	4,602,089	4,602,089	
100	<i>Central banks</i>			
110	<i>General governments</i>	4,589,399	4,589,399	
120	<i>Credit institutions</i>			
130	<i>Other financial companies</i>	12,690	12,690	
140	<i>Non-financial companies</i>			
150	Off-balance-sheet exposures	502,976		
160	<i>Central banks</i>			
170	<i>General governments</i>	49,187		
180	<i>Credit institutions</i>	132		
190	<i>Other financial companies</i>	414,996		
200	<i>Non-financial companies</i>	38,661		
210	<i>Households</i>			
220	<b>Total</b>	<b>9,428,213</b>	<b>7,992,607</b>	<b>932,629</b>

Row	Gross carrying/nominal amount									
	Non-performing exposures									
	Unlikely to pay that are not past-due or past due <= 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years <= 5 years	Past due > 5 years <= 7 years	Past due > 7 years	Of which defaulted		
	d	e	f	g	h	i	j	K	L	
005	Cash balances at central banks and other demand deposits									
010	Loans and advances	1,930,201	699,295	87,735	88,263	117,428	263,583	247,092	426,805	1,930,201
020	Central banks									
030	General governments	1,800,852	666,339	82,072	75,220	86,836	230,883	243,560	415,941	1,800,852
040	Credit institutions									
050	Other financial companies	1,867					564	1,078	225	1,867
060	Non-financial companies	68,109	24,325	331	4,256	10,357	17,416	1,717	9,706	68,109
070	Of which SMEs	5,652	2,853	222		217	2,359			5,652
080	Households	59,373	8,631	5,332	8,786	20,235	14,719	737	933	59,373
090	Debt securities									
100	Central banks									
110	General governments									
120	Credit institutions									
130	Other financial companies									
140	Non-financial companies									
150	Off-balance-sheet exposures	8,529								8,529
160	Central banks									
170	General governments	5								5
180	Credit institutions									
190	Other financial companies									
200	Non-financial companies	8,524								8,524
210	Households									
220	Total	1,938,730	699,295	87,735	88,263	117,428	263,583	247,092	426,805	1,938,730

## Template EU CQ4: Quality of non-performing exposures by geography

	a	b	c	d	e	f	g
	Gross carrying/nominal amount			of which subject to impairment	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	of which non-performing		of which defaulted				
010 On-balance-sheet exposures	10,686,184	1,930,201	1,930,201	10,680,812	(29,582)		
010 CZECH REPUBLIC	2,146	114	114	2,146	(98)		
020 GERMANY	10			10			
030 SPAIN	515,903	24,201	24,201	515,903	(1,892)		
040 FRANCE	57,600	13,349	13,349	57,600	(2)		
050 GREECE	217,132	111,605	111,605	217,132	(213)		
060 CROATIA	258			258	(0)		
070 ITALY	8,416,915	1,447,009	1,447,009	8,411,543	(8,683)		
080 NETHERLANDS	5,978			5,978	(38)		
090 POLAND	1,014,201	84,967	84,967	1,014,201	(15,151)		
100 PORTUGAL	228,807	77,872	77,872	228,807	(252)		
110 SLOVAKIA	226,891	170,787	170,787	226,891	(3,253)		
120 SAN MARINO	46			46	(0)		
130 VATICAN	298	298	298	298	(1)		
140 Off-balance-sheet exposures	511,506	8,529	8,529			258	
150 GREECE							
160 ITALY	458,452	8,524	8,524			245	
170 POLAND	53,053	5	5			12	
180 Total	11,197,690	1,938,730	1,938,730	10,680,812	(29,582)	530	



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

Row		Gross carrying amount			Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
		Of which defaulted				
		a	b			
010	Agriculture, forestry and fishing	2			2	
020	Mining and quarrying					
030	Manufacturing	7,215	4,742	4,742	7,215	(584)
040	Electricity, gas, steam and air conditioning supply	8,242	7,042	7,042	8,242	(166)
050	Water supply	24,421	2,144	2,144	24,421	(163)
060	Construction	11,409	6,345	6,345	11,409	(4,524)
070	Wholesale and retail trade	58,130	6,152	6,152	58,130	(3,556)
080	Transport and storage	10,975	91	91	10,975	(3)
090	Accommodation and food service activities	140	118	118	140	(119)
100	Information and communication	5,524	2,988	2,988	5,524	(1,594)
110	Financial and insurance activities	115	97	97	115	(0)
120	Real estate activities	9,899	8,791	8,791	9,899	(1,026)
130	Professional, scientific and technical activities	940	623	623	940	(313)
140	Administrative and support service activities	7,197	2,862	2,862	7,197	(338)
150	Public administration and defense, compulsory social security					
160	Education	868	737	737	868	(3)
170	Human health services and social work activities	36,016	13,691	13,691	36,016	(3,866)
180	Arts, entertainment and recreation	5			5	(0)
190	Other services	52,112	11,685	11,685	52,112	(2,333)
200	Total	233,210	68,109	68,109	233,210	(18,589)

## Template EU CQ6: Credit quality of loans and advances to non-financial corporations by industry

	a	b	c
	Loans and advances		
		Performing	Of which past due > 30 days ≤ 90 days
010 Gross carrying amount	6,084,095	4,153,894	931,852
020 Of which guaranteed	460,630	460,295	
030 Of which secured by real estate	255		
040 Of which instruments with LTV ratio greater than 60% and less than or equal to 80%			
050 Of which instruments with LTV ratio greater than 80% and less than or equal to 100%			
060 Of which instruments with LTV greater than 100%	255		
070 Accumulated impairment for secured assets	(269)		
080 Collateral			
090 Of which value limited to the exposure value	456,542	456,464	
100 Of which real estate			
110 Of which value over the limit	4	4	
120 Of which real estate	5,000		
130 Financial guarantees received	1	1	
140 Accumulated partial write-off			

		d	e
		Loans and Advances	
		Impaired	
		Unlikely to pay that are not past-due or past due <= 90 days	
010	Gross carrying amount	1,930,201	699,295
020	Of which guaranteed	335	
030	Of which secured by real estate	255	
040	Of which instruments with LTV ratio greater than 60% and less than or equal to 80%		
050	Of which instruments with LTV ratio greater than 80% and less than or equal to 100%		
060	Of which instruments with LTV greater than 100%	255	
070	Accumulated impairment for secured assets	(269)	
080	Collateral		
090	Of which value limited to the exposure value	79	
100	Of which real estate		
110	Of which value over the limit		
120	Of which real estate	5,000	
130	Financial guarantees received		
140	Accumulated partial write-off		

		f	g	h	i	j	k	l
		Impaired						
		Past due >90 days						
			Of which past due > 90 days ≤ 180 days	Of which past due > 180 days ≤ 1 year	Of which past due > 1 year ≤ 2 years	Of which past due > 2 years ≤ 5 years	Of which past due > 5 years ≤ 7 years	Of which past due > 7 years
010	Gross carrying amount	1,230,906	87,735	88,263	117,428	263,583	247,092	426,805
020	Of which guaranteed	335				206	129	
030	Of which secured by real estate	255				255		
040	Of which instruments with LTV ratio greater than 60% and less than or equal to 80%							
050	Of which instruments with LTV ratio greater than 80% and less than or equal to 100%							
060	Of which instruments with LTV greater than 100%	255						
070	Accumulated impairment for secured assets	(269)				(206)	(63)	
080	Collateral							
090	Of which value limited to the exposure value	79				79		
100	Of which real estate							
110	Of which value over the limit							
120	Of which real estate	5,000						
130	Financial guarantees received							
140	Accumulated partial write-off							

## Section 8

### Unencumbered assets (Art. 443 CRR)

#### Qualitative disclosure

Bank of Italy Circular No. 285 requires banks to publish information on encumbered and unencumbered assets, with the methods laid out in the European Banking Authority (EBA) guidelines.

Specifically, the required information is meant to evaluate recourse by institutions to forms of secured funding (for example, covered bank bonds, repurchase agreements, central bank credit lines).

Institutions publish information on encumbered and unencumbered assets at consolidated level by product, also taking into account the specific instructions in Annex XVII of European Union Commission Implementing Regulation 2015/79.

Prudential regulations define Encumbered Assets as assets pledged to secure financial transactions (securitizations, secured funding, repos, etc.) or, otherwise, assets reserved to provide forms of hedging, guarantee or credit enhancement to financial transactions from which such assets cannot be freely withdrawn.

The Bank, as Parent Company, has adopted a specific Group encumbered assets management policy defining the areas of operation of the Bank and its Subsidiaries in the asset encumbrance process, describing the process for the identification, management and monitoring of encumbered assets and the correlated risks and defining the roles and responsibilities of the bodies and functions involved.

The degree of asset encumbrance is monitored in order to observe the risk exposure trend linked to the share of encumbered assets, which derives from the unavailability of assets that may be readily liquidated through sale, sale with repurchase agreement, collateral assignment or securitization, resulting in:

- ▶ A reduction in the share of assets available to creditors and depositors not guaranteed;
- ▶ An increase in funding and liquidity risk, as the share of encumbered assets reduces the possibility of obtaining further secured funding.

Specifically, the degree of asset encumbrance is monitored through the Asset Encumbrance ratio (or the "AE ratio"), calculated in line with regulatory requirements<sup>8</sup> as the ratio between the total carrying amount of encumbered assets and the reused guarantees received, and the total assets in the financial statements and collateral received. A specific operating limit is attributed to this ratio within the RAF, which is monitored on a monthly basis by the Finance & Administration Department.

The main types of transaction that entailed asset encumbrance were:

- ▶ Repurchase Agreements payable carried out either by means of securities in the portfolio held, or by using securities from Repurchase Agreements receivable (Reverse Repos), thus available to the Bank though not part of its portfolio;
- ▶ BFF's operations related to specific services (e.g., issuance of cashier's checks, operations with CCPs) that entail BFF's allocation of collateral in the form of restricted securities or security deposits.

8) Implementing Regulation (EU) No. 2021/451 of December 17, 2020 - Annex XVII.

## Quantitative disclosure

### Template EU AE1: encumbered and unencumbered assets

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
	010	030	040	050	060	080	090	100
010 Assets of the reporting institution	1,941,002	1,590,889			10,210,435	2,996,813		
030 Equity instruments					314,213		314,756	
040 Debt securities	1,590,889	1,590,889	1,552,195	1,552,195	3,009,327	2,996,813	3,043,947	3,026,508
050 of which: covered bonds								
060 of which: securitizations					5,372		5,372	
070 of which: issued by general governments	1,590,889	1,590,889	1,552,195	1,552,195	2,996,813	2,996,813	3,026,508	3,026,508
080 of which: issued by financial companies					12,513		12,067	
090 of which: issued by non-financial companies								
120 Other assets	350,112				6,886,895			

## Template EU AE2: Collateral received and own debt securities issued

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
			Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
	010	030	040	060
<b>130 Collateral received by the reporting entity</b>	340,410		115,895	115,895
140 Loans on demand				
150 Equity instruments				
160 Debt securities	340,410		115,895	115,895
170 of which: covered bonds				
180 of which: securitizations				
190 of which: issued by general governments	340,410		115,895	115,895
200 of which: issued by financial companies				
210 of which: issued by non-financial companies				
220 Loans and advances other than loans on demand				
230 Other collateral received				
<b>240 Own debt securities issued other than own covered bonds or securitizations</b>				
<b>241 Own covered bonds and asset-backed securities issued and not yet pledged</b>				
<b>250 Total assets, collateral received and own debt securities issued at 12/31/2023</b>	<b>340,410</b>			

## Template EU AE3: Sources of encumbrance

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitizations encumbered
	010	030
010 Carrying amount of selected financial liabilities	2,705,820	2,062,866

## Section 9

### Use of ECAIs (Art. 444 CRR)

#### Qualitative disclosure

The assessment of credit risk is part of an overall analysis of the adequacy of the Group's capital in relation to the risks connected with lending.

With this in mind, the Group uses the "standardized" approach to measure credit risk, as governed by Regulation (EU) No. 575/2013 (CRR) and adopted by the Bank of Italy Circular No. 285 "Supervisory provisions for banks" and Circular No. 286 "Instructions for the preparation of supervisory reporting by banks and securities intermediaries," both dated December 17, 2013, and subsequent amendments. This approach involves the classification of exposures into different classes ("portfolios"), depending on the type of counterparty, and the application of diversified weighted ratios to each portfolio.

In particular, the BFF Banking Group applies the following main weighting factors, envisaged by the CRR:

- ▶ 0% for exposures to government agencies and central banks with offices in a European Union member state and financed in the local currency, as well as for exposure to other public administration agencies in compliance with specific requirements of relevant supervisory provisions. This category also includes exposures to Spanish public sector entities and other local authorities as provided for by EBA lists "*EU regional governments and local authorities treated as exposures to central governments in accordance with Article 115(2) of Regulation (EU) 575/2013*" and "*EU public-sector entities treated in exceptional circumstances as exposures to the central government, regional government or local authority in whose jurisdiction they are established in accordance with Article 116(4) of Regulation (EU) 575/2013*";
- ▶ 20% (i) for exposures to regional government agencies and local authorities with offices in a European Union member state denominated and financed in the local currency, (ii) exposures to public sector entities of countries with Credit Quality Step 1 (including France), (iii) exposures to public sector entities and supervised intermediaries with an original duration of three months or less;
- ▶ 50% for exposures to the public administration agencies of countries with Credit Quality Step 2, which include the exposures to entities of the Portuguese, Polish and Slovakian public sector;
- ▶ 100% (i) for exposures to the public administration agencies of countries with Credit Quality Step 3, 4 and 5 (including Italy and Greece); (ii) for exposures to the public administration agencies of countries where government agencies are not rated and no credit quality steps are available (including Czech Republic and Croatia);
- ▶ 50% or 100% for receivables due from supervised intermediaries, according to the credit quality step of the country in which they have their offices;
- ▶ 75% for loans to retail and SME counterparties;
- ▶ 100% for exposures to private debtors (i.e., businesses), Funds, and asset management companies; for rated private debtors, different weights are applied on the basis of the credit ratings issued by S&P Global Ratings;
- ▶ 100% for property, equipment and investment property, equity investments, collective investment undertakings and other assets;
- ▶ 150% for non-performing exposures, if the specific value adjustments are less than 20% of the non-collateralized portion, before any adjustments;
- ▶ 100% for non-performing exposures, if the specific adjustments are 20% or more than the non-collateralized portion, before any adjustments;



- ▶ 250% to deferred tax assets not deducted from own funds;

BFF Bank has adopted Dominion Bond Rating Service (DBRS) as its reference ECAI for public counterparties.

A reconciliation between the credit rating classes and the ratings supplied by DBRS is provided below.

<i>Credit assessment</i>	<i>Credit quality step</i>
AAA	1
AA	1
A	2
BBB	3
BB	4
B	5
CCC	6
CC	6
C	6
D	6

The Banking Group's exposures are represented primarily by exposures with counterparties belonging to the Public Administration or with healthcare companies of the countries in which the Group operates.

For easy reference, the rating classes relating to the countries in which the Banking Group companies operate at December 31, 2024 are provided below.

Class 1: France

Class 2: Spain, Portugal, Poland and Slovakia

Class 3: Italy and Greece

With respect to the corporate portfolio, the Bank relies on the credit ratings issued by S&P Global Ratings. A reconciliation between the credit rating classes and the ratings supplied by DBRS is provided below.

<i>Credit assessment</i>	<i>Credit quality step</i>
AAA	1
AA	1
A	2
BBB	3
BB	4
B	5
CCC	6
CC	6
R	6
SD/D	6

## Quantitative disclosure

### Template EU CR4 – Standardized approach: Credit risk exposure and CRM effects

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWA density	
	On balance sheet exposures	Off-balance-sheet exposures	On balance sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
	a	b	c	d	e	f
1 Central governments or central banks	6,034,174		6,034,174		28,575	0.47%
2 Regional government or local authorities	759,329		759,329		69,554	9.16%
3 Public sector entities	1,222,774	49,186	1,181,229	12,913	462,904	38.76%
4 Multilateral development banks						
5 International organizations						
6 Institutions	2,497,541	132	491,775	132	65,157	13.25%
7 Corporates	261,669	361,924	240,211	7,564	219,791	88.71%
8 Retail	6,391	2,286	6,391	895	5,365	73.64%
9 Secured by mortgages on immovable properties						
10 Exposures in default	1,887,543	8,529	1,887,543	6,352	2,821,081	148.96%
11 Exposures associated with particularly high risk						
12 Covered bonds						
13 Institutions and corporates with a short-term credit assessment						
14 Collective investment undertakings	172,813	89,128	172,813	44,564	104,961	48.29%
15 Equity instruments	162,273		162,273		182,658	112.56%
16 Other items	295,130		295,129		294,946	99.94%
<b>17 TOTAL</b>	<b>13,299,636</b>	<b>511,184</b>	<b>11,230,867</b>	<b>72,419</b>	<b>4,254,993</b>	<b>37.64%</b>

## Template EU CR5: standardized approach

Exposure classes		Risk weight					
		0%	2%	4%	10%	20%	35%
		a	b	c	d	e	f
1	Central governments or central banks	6,016,472					
2	Regional government or local authorities	411,558				347,771	
3	Public sector entities	68,979				334,752	
4	Multilateral development banks						
5	International organizations						
6	Institutions		184,581			307,327	
7	Corporates					36,793	
8	Retail						
9	Exposures secured by mortgages on immovable property						
10	Exposures in default						
11	Exposures associated with particularly high risk						
12	Covered bonds						
13	Exposures to institutions and corporates with a short-term credit assessment						
14	Units or shares in collective investment undertakings	96,312				22,430	
15	Equity exposures						
16	Other items	183					
17	<b>Total at 12/31/2024</b>	<b>6,593,505</b>	<b>184,581</b>			<b>1,049,072</b>	

Exposure classes		Risk weight					
		50%	70%	75%	100%	150%	250%
		g	h	i	j	k	l
1	Central governments or central banks				10,453		7,249
2	Regional government or local authorities						
3	Public sector entities	788,913			1,497		
4	Multilateral development banks						
5	International organizations						
6	Institutions						
7	Corporates				208,080	2,902	
8	Retail			7,285			
9	Exposures secured by mortgages on immovable property						
10	Exposures in default				39,525	1,854,370	
11	Exposures associated with particularly high risk						
12	Covered bonds						
13	Exposures to institutions and corporates with a short-term credit assessment						
14	Units or shares in collective investment undertakings			23,125	25,189	23,142	
15	Equity exposures				148,683		13,590
16	Other items				294,946		
17	<b>Total at 12/31/2024</b>	<b>788,913</b>		<b>30,410</b>	<b>728,374</b>	<b>1,880,414</b>	<b>20,839</b>

Exposure classes	Risk weight			Total	of which unrated
	370%	1250%	Others		
	m	n	o	p	q
1 Central governments or central banks				6,034,174	316
2 Regional government or local authorities				759,329	1,606
3 Public sector entities				1,194,141	1,325
4 Multilateral development banks					
5 International organizations					
6 Institutions				491,907	491,907
7 Corporates				247,774	177,896
8 Retail				7,285	7,285
9 Exposures secured by mortgages on immovable property					
10 Exposures in default				1,893,896	76,264
11 Exposures associated with particularly high risk					
12 Covered bonds					
13 Exposures to institutions and corporates with a short-term credit assessment					
14 Units or shares in collective investment undertakings		154	27,025	217,377	
15 Equity exposures				162,273	32,669
16 Other items				295,130	210,535
<b>17 Total at 12/31/2024</b>		<b>154</b>	<b>27,025</b>	<b>11,303,286</b>	<b>16,013,067</b>

## Section 10

### Exposure to market risk (Art. 445 CRR)

#### MARKET RISKS

##### Qualitative disclosure

Market risk is the risk relating to positions held for trading, that is, positions intentionally held for sale in the short term, acquired in order to take advantage of purchase and sale price differences, or other changes in prices or interest rates.

The regulation identifies and regulates the treatment of the various types of market risk in reference to the regulatory trading portfolio. The Group measures market risk using the "Standardized" approach in accordance with Part Three, Title IV, Chapter 2 of the CRR.

The Bank has a transaction in place for the purchase and resale of tax credits, included in the trading portfolio in accordance with provisions in the Bank of Italy's clarification note of July 24, 2023. This activity generally involves the Bank purchasing Tax Credits from third parties for the purpose of resale to an already identified purchasing company with which it has previously entered into a special framework agreement for the sale of such tax credits.

For the positions not yet sold and thus present in the Bank's trading book, capital absorptions for market risk were calculated consistently with the "Standard" method, which were partially offset by the related transfer agreements, where present, which were treated as OTC derivative contracts (for details see Section 5 – Exposure to counterparty credit risk).

##### Quantitative disclosure

As of December 31, 2024, there are market risk-generating positions mainly arising from the trading in tax credits described above, amounting to market risk absorption of approximately 0.4 million euros.

#### EXCHANGE RISK

##### Qualitative disclosure

Exchange rate risk is represented by the Banking Group's exposure to fluctuations in currency exchange rates, considering positions in foreign currency as well as those with indexation clauses linked to the exchange rate trends of a given currency.

The Group thus manages and monitors the risk of fluctuations in such exchange rates. The Group has a specific internal regulation for the management of exchange risk referring to exposures arising from the management of assets, funding transactions, the purchase or sale of financial instruments in foreign currency, and any other type of transaction in a currency other than the reference currency.

Specifically, the Group mitigates foreign exchange risk primarily by using derivative instruments, forex swaps.

Exposure to exchange rate risk – determined on the basis of the net foreign exchange position using a method based on the supervisory regulations, and permitted exclusively within very restricted total maximum exposure and VaR limits – is monitored on a daily basis by the Finance and Administration Department and managed in compliance with the limits established by specific internal rules.

Currency risk is mitigated by making recourse to linear derivative instruments lacking optional components, such as currency swaps, which allow the Group to perform optimized management of its funding and loans provided in currencies other than the euro in which the Group operates, also through its Subsidiaries, financed by intra-group finance solutions in currencies such as Zloty and Czech koruna

## Quantitative disclosure

The portfolio of Group assets is also expressed in currencies other than the euro; as a result a methodology for the measurement and management of this risk has been adopted. Exchange risk is monitored by the Risk Management Function, in line with the requirements of European regulations (EU Regulation No. 575/2013 - CRR).

### Template EU MR1: Market risk under the standardized approach

		a
		RWEAs
<b>Outright products</b>		
1	Interest rate risk (general and specific)	5,112
2	Equity risk (general and specific)	3
3	Exchange risk	
4	Commodity risk	
<b>Options</b>		
5	Simplified approach	
6	Delta-plus approach	
7	Scenario approach	
8	<b>Securitization (specific risk)</b>	
9	<b>Total</b>	<b>5,115</b>

## Template EU PV1: Prudent valuation adjustments (PVA)

Category level AVA	a	b	c	d	e
	Risk category				
	Equity instruments	Interest rates	Foreign exchange	Credit	Commodities
1	Market price uncertainty				
3	Close-out cost				
4	Concentrated positions				
5	Early termination				
6	Model risk				
7	Operational risk				
10	Future administrative costs				
12	Total Additional Valuation Adjustments (AVAs)				

Category level AVA	EU e1		EU e2	f	g	h	
	Category level AVA - Valuation uncertainty		Investment and funding costs AVA	Total category level post-diversification			
	Unearned credit spreads AVA			Total core approach in the trading book	Total core approach in the banking book		
1	Market price uncertainty						
3	Close-out cost						
4	Concentrated positions						
5	Early termination						
6	Model risk						
7	Operational risk						
10	Future administrative costs						
12	Total Additional Valuation Adjustments (AVAs)			335			



## Section 11

### Operational risk (Art. 446 CRR)

#### Qualitative disclosure

Operational risk is the risk of incurring a loss due to inadequacy or failure of procedures, human resources and internal systems or as a result of external events. This category includes, amongst other items, losses caused by fraud, human error, business interruption, system failure, breach of contracts and natural disasters; operational risk includes legal risk but excludes strategic and reputational risks.

Operational risk, therefore, refers to various types of events that would not be significant unless analyzed together and quantified for the entire risk category.

In the BFF Banking Group, exposure to this category of risk is generated predominantly by failure in work processes, in organization, governance - human errors, computer software malfunctions, inadequate organization and control measures - as well as by any loss of human resources in key corporate management positions. Exposure to operational risks deriving from external sources appears to be of negligible importance, partly due to the mitigation tools adopted to address such adverse events (such as, by way of example: the business continuity plan, data storage processes, back up tools, insurance policies, etc.).

The process adopted by the Group to manage and control operational risks is founded on the principle of promoting a corporate culture for managing risk and defining the appropriate standards and incentives with the aim of fostering the adoption of professional and responsible behavior at all operational levels, as well as designing, implementing and managing an integrated system for operational risk management that is adequate in relation to the nature, activities, size and risk profile.

The operational risk assessment model adopted is of the “mixed” type, meaning a model based both on qualitative assessments - linked to process mapping, at-risk activities and the corresponding controls adopted - and on quantitative assessment, using the methodologies established by banking regulations and sector best practices.

In this regard, the BFF Banking Group adopts an operational risk management framework founded on the following two main processes: the Risk Self Assessment (“RSA”) and Loss Data Collection (“LDC”).

With respect to the RSA process, with reference to the Group scope, the Group performs an annual overall assessment of the level of exposure to Operational Risks using the RSA process. The Risk Self Assessment (RSA) is an annual self-assessment of the prospective exposure to the operational risk inherent in business processes, aimed at enhancing the perception of risk by the key figures (Business Experts) who govern the execution of these processes, taking into account the expected evolution of the business and the organizational and control measures already in place;

The Risk Self Assessment approach is particularly relevant with reference to the numerical assessment of the components of frequency and impact of forward-looking risk. In particular, these components are:

- ▶ Expected frequency of occurrence of events potentially generating operational losses;
- ▶ “Typical” impact of the loss, representing an estimate of the potential losses deriving from the occurrence of the individual risk event in normal operating conditions;
- ▶ “Worst-case” impact, representing the economic impact resulting from the occurrence of the individual loss event, assuming a scenario of extreme but plausible severity in light of operating context factors and the effectiveness of the internal control system.

Operational risks are identified on the basis of company processes, considering the classification of the loss events ("Event Type" or "ET") defined in accordance with the relevant supervisory provisions. In particular, to identify operational risks, reference is made to the specific taxonomies adopted by the Group relating to:

- ▶ The types of risk events that may generate operational losses;
- ▶ The organizational processes exposed to operational risk events;
- ▶ Risk factors inside or outside the Group, at the origin of the occurrence of the harmful event, direct or indirect;
- ▶ The business lines defined by the Supervisory Authority in which the operational loss event may take place.

Both the catalogue of operational risk events and that of organizational processes were defined at Group level in compliance with supervisory provisions.

Following the identification of the main risks within company processes, the process owner analyses and evaluates them through a quantitative estimate of the frequency and relative economic loss (typical and worst-case), taking a potential approach.

The formulation of estimates for each scenario evaluated by the assessors is supported by numerical scales provided by the Risk Management Function and built on the basis of benchmark data. In particular, the following have been provided:

- ▶ A scale supporting the estimate of expected frequency values, expressed in "number of annual events";
- ▶ An economic scale consisting of seven loss ranges, supporting typical and worst-case potential loss estimates.

The estimates take into account internal context factors, particularly the potential causes triggering the risk ("Risk Factors"), the reference company processes and the internal control system and the relative developments already planned. In this sense, the process leads to an estimate of "residual risk".

The operational risk results obtained from the forward-looking assessment process have also been used for quantifying internal capital against operational risk by developing a scenario-based Loss Distribution Approach ("LDA").

Loss Data Collection represents the activity of collecting operational losses or the amount of the economic effect generated by an operating event, caused by one or more risk factors. The information collected is part of a relationship between different entities, or risk event, risk factor and economic effect. Each operating loss is therefore classified based on event type, underlying risk factor(s) and the resulting economic effect.

Furthermore, within the framework of the measures adopted regarding the exposure to operational risk, the Group also monitors the following specific risks, considered to be operational risks or pillar II risks.

- ▶ The risk of money laundering and terrorist financing, or the current or forward-looking risk of losses deriving from the repercussions, including reputational, of money laundering and terrorist financing activities.
- ▶ For the Group, this means primarily the risk that the Bank's financial and commercial counterparties, suppliers, partners, associates and consultants may be parties to transactions that might potentially facilitate the laundering of money coming from illegal or criminal activities.

- ▶ Compliance risk, concerning the risk of legal and administrative penalties, significant financial losses or reputational damage due to failure to comply not only with laws and regulations but also with internal and conduct standards applicable to corporate activities. For this type of risk, a periodic update of the relevant assessment methodology is performed. Such methodology is developed for all activities falling within the parent's regulatory framework, in accordance with a risk-based approach. More specifically, as for the relevant provisions that do not envisage the establishment of specialized control measures (i.e., privacy and occupational health and safety), the Compliance Function provides consulting support to the Bank's functions (ex ante) and assesses the adequacy of the organizational measures and control activities adopted (ex post). As for laws and regulations monitored by specialized functions, the Compliance Function carries out an indirect control by cooperating with the specialized functions in defining compliance risk assessment methods in addition to mapping risks and the corresponding control measures (Compliance Risk Control Matrix).
- ▶ Conduct risk, or the current or forward-looking risk of losses due to the inappropriate offer of financial services and the ensuing procedural costs, including cases of intentionally inappropriate or negligent conduct (e.g. internal fraud).  
Within the operational risk management framework, the Group monitors and oversees conduct risk, evaluating it as part of the RSA process.  
The Group's processes and internal regulations are drafted to discourage, inter alia, improper business practices, avoid market abuse and insider trading or internal offenses by employees.  
The design of new products or entry into new markets is overseen within the RAF by a dedicated process involving the company control functions.

In addition, in order to control the above mentioned risks, the Group adopts specific Organization Models for the management of the risks regarding money laundering, occupational health and safety and information and payment service security.

For computing capital requirements for operational risk, the Banking Group uses the Basic Indicator Approach (BIA), according to which capital requirements are computed by applying a regulatory coefficient to an indicator of the volume of business activity (Relevant Indicator).

With the entry into force of CRR III on January 1, 2025, the basic approach will be replaced by the business indicator component calculated in accordance with Article 313 of Regulation (EU) No 575/2013. This calculation, of greater operational complexity, is equal to the sum of the following components multiplied by fixed coefficients determined according to the business indicator (BI):

- ▶ ILDC = the interest, leases and dividend component (ILDC), expressed in € billion;
- ▶ SC= the services component (SC), expressed in € billion;
- ▶ FC= the financial component (FC), expressed in € billion.

Initial simulations using the new method show no significant impact on the Group.

## Quantitative disclosure

### Template EU OR1: Operational risk own funds requirements and risk-weighted exposure amounts

<i>Banking activities</i>		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		T-3	T-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	529,214	415,396	535,563	74,009	925,108
2	Banking activities subject to standardized (TSA) / alternative standardized (ASA) approaches					
3	Subject to TSA					
4	Subject to ASA					
5	Banking activities subject to advanced measurement approaches AMA					

Based on the method described above, the capital requirement for operational risk as of December 31, 2024 is €74,009 thousand for the Group.

## Section 12

### Exposures in equities not included in the trading book (Art. 447 CRR)

#### Qualitative information

At December 31, 2024, BFF Bank holds equity exposures in the following portfolios:

#### Financial assets subject to obligatory measurement at fair value through profit or loss

Financial assets with obligatory fair value measurement are represented by the financial assets that do not meet the requirements for measurement at amortized cost or fair value through other comprehensive income. These are financial assets whose contractual terms do not provide exclusively for repayments of principal and interest payments on the principal amount outstanding, or which are not held under a business model whose objective is to hold assets for the purpose of collecting contractual cash flows (a "Held to Collect" business model) or whose objective is achieved both by collecting contractual cash flows and by selling financial assets (a "Held to Collect and Sell" business model).

Financial assets subject to obligatory measurement at fair value through profit or loss are initially recorded at fair value, normally represented by the price of the transaction, without considering the costs or income of the transaction directly attributable to the instrument itself.

Subsequent to initial recognition, they are always measured at fair value. The effects of applying this measurement criterion are charged to the income statement.

Lastly, they are derecognized if and only if disposal entails the substantial transfer of all the related risks and benefits.

This portfolio, in the prudential consolidation, mainly includes €172.8 million in closed UCI units reserved to professional investors. The value of these shares has been updated to the latest available NAV made available to these funds. This portfolio also includes the value of the notes issued by the securitization vehicle Dioniso SPV, which the Parent Company subscribed to in 2024, amounting to €5.4 million.

#### Financial assets measured at fair value through other comprehensive income

According to IFRS 9, a financial asset is included in the category if both of the following conditions are met:

- a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (HTC&S business model); and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (meeting the SPPI test).

In particular, this item includes:

- ▶ debt instruments that are included in a Hold to Collect and Sell Business Model and that pass the contractual characteristics test (SPPI test);
- ▶ equity instruments, which cannot be qualified as controlling, associated or connected and which are not held for trading, for which the option for designation at fair value through other comprehensive income has been exercised.

In addition, equity instruments for which the Bank has decided to use the FVOCI (Fair Value through Other Comprehensive Income) option are also measured at fair value through OCI. The FVOCI option provides for the recognition in OCI of all income components relating to these instruments, without any impact (even in the event of disposals) on profit or loss.

The initial recognition of these financial assets takes place on the date of settlement for debt and equity instruments.

On initial recognition, the assets are measured at fair value, including transaction costs or income directly attributable to the instrument.

With regard to debt securities, these assets are subsequently measured at fair value, with the interest recognized at amortized cost in the income statement under item 10 "Interest and similar income". Gains and losses arising from changes in fair value are recognized in equity under item 120 "Revaluation reserves" except for impairment, which is recognized under item 130 "Net adjustments to/reversals of impairment of: b) financial assets measured at fair value through OCI".

Gains and losses are recognized in Revaluation reserves until the financial asset is disposed of, when the accumulated gains or losses are recognized in the income statement under item 100 "Gains (losses) on disposal or repurchase of: b) financial assets measured at fair value through OCI".

Fair value changes recognized under item 120 "Revaluation reserves" are also reported in the consolidated statement of comprehensive income.

Equity instruments (shares) not traded in an active market, whose fair value cannot be determined reliably due to the lack or unreliability of the information needed for fair value measurement, are measured at their last reliably measured fair value.

Equity instruments that were classified in this category are valued at fair value and the amounts recognized as a contra-entry of net equity (Statement of comprehensive income) must not then be transferred to the income statement, not even in the case of disposal. The only component referring to the equity instruments in question subject to recognition in the income statement is the relative dividends.

For the purposes of IFRS 9, the impairment of financial assets included in these categories is recognized in three different stages based on the relevant credit risk level.

If the fair value of a debt instrument increases and such increase can be objectively attributable to an event relating to the improvement in the debtor's creditworthiness, occurring in a period subsequent to the recognition of impairment in the income statement, the impairment is reversed and the amount of the reversal is recognized in the same income statement item. This does not apply to equity securities, which are not tested for impairment.

After the reinstatement, the carrying amount cannot in any case exceed measurement at amortized cost had the impairment loss not been recognized.

Financial Assets measured at fair value through other comprehensive income are derecognized when the contractual rights expire and when, following disposal, substantially all of the risks and rewards relating to the financial asset sold are transferred. On the other hand, if a significant portion of the risks and rewards relating to the disposed financial assets has been retained, they continue to be recognized in the financial statements, even if legally their ownership has been effectively transferred.

Financial assets measured at fair value through other comprehensive income include:

- ▶ the stake in the Bank of Italy of €125 million acquired as it has all of the characteristics of solidity and profitability consistent with the bank's long-term investment strategy;
- ▶ a share in the listed company "General Finance S.p.A." measured at fair value as of December 31, 2024 at €12.8 million
- ▶ the shares relating to the Visa Class C security equal to €1,053 thousand, not listed, whose fair value is determined by the comparison with Visa Series A listed shares (according to the conversion plan defined in 2016 on the occasion of the integration with Visa Europe);
- ▶ other minor investments worth approximately €2,568 thousand.

## Equity investments

Investments in joint ventures and associates are recorded in the financial statements at cost, equal to the fair value of the consideration paid, adjusted for impairment.

This item includes interests in joint ventures and associates. Companies are considered joint ventures if control is shared between the Group and one or more other parties on a contractual basis or when the unanimous consent of all the parties who share control is necessary for decisions concerning significant activities. Companies in which the Bank holds 20% or more of the voting rights and companies for which the administrative, financial and management choices are considered to be subject to significant influence are considered to be associates due to the legal and factual links.

In establishing the existence of control over joint ventures and significant influence over associates, there are no situations to report where it was necessary to carry out particular assessments or make significant assumptions.

The Group uses the equity method to measure these investments, adjusting the initial value to reflect changes in the Group's significant net assets since the purchase date. At each balance sheet date or for interim financial statements, for equity investments the existence of objective evidence that the carrying amount of the assets may not be fully recoverable is verified. The impairment testing process requires checking for impairment indicators and determining the impairment loss, where applicable.

The presence of impairment indicators implies the recognition of a write-down to the extent that the recoverable value is less than the carrying amount. The recoverable value is the greater of the fair value net of costs to sell and the value in use.

Equity investments are derecognized when the contractual rights to the cash flows deriving from the assets expire, or when the investment is sold with a substantial transfer of all the related risks and benefits.

The equity investments include two law firms in which BFF Polska is a limited partner, as well as the equity investment in Unione Fiduciaria equal to 24% of the voting rights. Note that the aforementioned investments are consolidated using the equity method (and not in full).

## Quantitative information

Items	Figures at December 31, 2024				Impairment
	Carrying amount		Fair value		
	Level 1	Level 2/3	Level 1	Level 2/3	
20c Financial assets subject to mandatory fair value measurement		178,142		178,142	
30 Financial assets measured at fair value through other comprehensive income	13,211	128,231	13,211	128,231	
70 Equity investments		13,690		13,690	

Items	Figures at December 31, 2024					
	Realized profits/ losses and impairment		Unrealized capital gains/ losses recognized in the statement of financial position		Unrealized capital gains/ losses included in Tier 1/ Additional Tier 1 capital	
	Profits	Loss	Capital gains	Capital losses	Capital gains	Capital losses
20c Financial assets subject to mandatory fair value measurement				7,138		
30 Financial assets measured at fair value through other comprehensive income						
70 Equity investments						



## Section 13

### Exposure to interest rate risk on positions not included in the trading book (Art. 448 CRR)

#### Qualitative disclosure

##### General aspects, management procedures and measurement methods for interest rate and price risk

Interest rate risk is the current and forward-looking risk of an adverse impact on the economic value of the institution's equity or net interest income, taking into account changes in market value, resulting from adverse interest rate movements affecting interest rate-sensitive instruments. It consists of several components, the most relevant of which are:

- ▶ gap risk: the risk arising from the maturity structure of interest rate-sensitive instruments resulting from differences in the timing of their rate changes, and which includes both changes in the maturity structure of interest rates that occur consistently across the entire yield curve (parallel risk) and those that are differentiated by period (non-parallel risk),
- ▶ basis risk: the risk arising from the impact of relative changes in interest rates on interest rate-sensitive instruments that are similar in terms of maturity but are priced using different interest rate indices,
- ▶ option risk: risk arising from options (integrated and explicit), in which the Bank or its counterparty can change the level and timing of its cash flows. This risk covers both so-called automatic integrated or explicit options, in which the option holder will exercise the option if this is in its financial interest, and so-called behavioral integrated options, in cases where changes in interest rates may affect the customer's behavior with respect to the exercise of the option.

As mentioned above, exposure to interest rate risk is expressed from two different perspectives: volatility of economic value and volatility of profits (and, in particular, net interest income). Specifically:

- ▶ measurement in terms of economic value makes it possible to quantify the long-term effects of changes in interest rates. Indeed, this measurement fully expresses the effects of the above-mentioned change on items sensitive to shifts in interest rates and, therefore, provides indications functional to the strategic decisions and levels of capitalization deemed adequate over a long-term time horizon;
- ▶ measurement in terms of the economic result makes it possible to quantify the short-term effects on the bank's net interest income deriving from changes in interest rates and, as a result, on capital adequacy.

It should be noted that exposure to interest rate risk expressed in terms of both economic value sensitivity and the net interest income is measured with respect to the banking book assets and liabilities (this therefore excludes positions in the trading portfolio - Other).

Following the regulatory changes introduced by the 48th update of the Bank of Italy Circular 285 dated June 18, 2024, the Bank adjusted its methodologies for calculating and quantifying interest rate risk from both an economic value and net interest income perspective. In particular, the Parent has chosen to use the standardized approach (S-SA) as a basis, as described in EU Regulation 857/2024, with the sole exception of the treatment of wholesale financial non-maturity deposits for which, given their operational nature and significant persistence and stability, it is deemed appropriate to adopt the same methodology (and as a result the same thresholds in terms of maximum level of the core component and maximum behavioral maturity) as that adopted for wholesale

non-financial non-maturity deposits. As required by regulations, the Bank distributes demand deposits in the different time bands, differentiated by categories of deposits, based on a methodology developed by the Bank (the Hodrick-Prescott trend) that takes into account the historical persistence of these categories of deposits. As regards factoring loans, on the other hand, a forecast collection curve is applied.

Consistent with that which is set forth in the 48th update of Circular 285, to determine internal capital the Parent uses the EBA interest rate shock scenarios set forth in EU Regulation 856/2023, taking into consideration the worst scenario. In addition, the Bank measures the risk ratio related to economic value, calculated as the ratio of the worst-case scenario to the Tier 1 capital, in order to verify compliance with the regulatory limit of 15%.

Lastly, in accordance with that which is set forth in the EBA Guidelines EBA/GL/2022/14, the Bank performs the appropriate analyses to quantify and monitor the Banking Group's exposure to Credit Spread Risk in the Banking Book (CSRBB), or the risk linked to changes in the credit spreads on financial instruments held in the portfolio, not identified by another existing prudential framework like the IRRBB or expected credit risk/risk of default, which influences both the economic value of equity and net interest income.

The CSRBB considers the combination of two elements:

- ▶ changes in the "market credit spread" or "market price of credit risk" (separate from the idiosyncratic credit spread), representing the credit risk premium requested by market operators for a specific credit quality;
- ▶ changes in the "market liquidity spread", which represents the liquidity premium that stimulates the market propensity to invest and the presence of willing buyers and sellers.

The CSRBB does not include the effect of changes in credit quality during the observation period (e.g., downgrade/increase in the rating category of a specific counterparty or instrument, considered as migration risk), as deterioration in an institution's credit quality is not expected to have any positive impact on the credit spread risk measure, and excludes impaired exposures.

The regulations stipulate that no type of instrument in the banking book should be excluded beforehand from the scope of asset and liability items to be included for CSRBB valuation, regardless of its accounting treatment. Any potential exclusion of instruments from the relevant scope should be adequately documented and justified.

Conversely, the definition of the size and form of the various differential shocks to be used for internal CSRBB calculations is the responsibility of the Bank, based on the characteristics of its banking book assets and liabilities.

## Fair value hedging activities

At December 31, 2024, the BFF Banking Group had no interest rate swaps in place for interest rate risk hedging purposes, as the Group's interest rate risk mitigation is achieved through natural hedging.

## Cash flow hedging activity

At December 31, 2024, the BFF Banking Group had no derivative contract in place intended to offset the potential losses associated with specific types of risks.

## Quantitative information

The table below shows the interest rate risk exposure of the BFF Group, considering the shocks defined by the EBA, at June 30 and December 31, 2024.

## Template EU IRRBB1 – Interest rate risks of non-trading book activities

Supervisory shock scenarios	a	b	c	d
	Changes of the economic value of equity		Changes of the net interest income	
	12/31/2024	06/30/2024	12/31/2024	06/30/2024
1 <i>Parallel up</i>	(34,190)	(69,869)	(9,332)	(14,244)
2 <i>Parallel down</i>	2,214	20,027	(3,900)	12,942
3 <i>Steepener</i>	(19)	5,800		
4 <i>Flattener</i>	(16,207)	(32,381)		
5 <i>Short rates up</i>	(26,225)	(51,729)		
6 <i>Short rates down</i>	462	14,352		

As of December 31, 2024 the greatest impact in relation to *Tier 1* is obtained by applying the *parallel up shock*, with a value that reaches 4.34%, well below the regulatory threshold of 15%.

## Section 14

### Exposure to securitization positions (Art. 449 CRR)

#### Disclosure on the transaction with “TeamSystem S.p.A. – Invoice Trading PA.”

#### Qualitative information

##### Strategies, processes and objectives

The Parent Company BFF has initiated a project with its partner TeamSystem S.p.A. to extend its operations to small and medium-sized enterprises through a digital invoice trading platform.

The Parent participated in the project by investing in an Alternative Investment Fund (“AIF” - FPAM1 Fund) reserved for the purchase of receivables due from the Public Administrations.

The Fund, established on March 6, 2023, managed by TeamSystem Capital at Work SGR S.p.A., aims to increase the value of its assets through investments made to acquire, subscribe and/or sell ABS securities issued by the “SPV Project 2214 S.r.l.” securitization vehicle, the underlying assets of which are represented by PA/NHS receivables acquired from assignor companies.

##### Transaction details

BFF subscribed units of the fund on July 11, 2023; subsequently, its operations began, with the acquisition of the first invoice and the issue of notes by the vehicle in early September 2023.

The securitization transaction was carried out through the vehicle established by Zenith Service S.p.A., which acquires trade receivables owed from PA and NHS entities and issues notes on the basis of Italian Legislative Decree 130/99, in partly paid mode. TeamSystem Capital at Work SGR S.p.A. has taken on the role of Portfolio Manager in the transaction structure, and in particular has been made responsible for verifying the consistency between the Fund Investment Policy and the individual PA Receivables that will be acquired as part of the securitization transaction.

At consolidated level, the vehicle falls within the accounting scope of consolidation of the BFF Banking Group, but not the prudential scope of consolidation.

At December 31, 2024, the vehicle had no receivables in its portfolio.

##### Description of the risk profile

Investment in the Fund entails a degree of risk typical of investments in an AIF, primarily connected to possible changes in the value and profitability of the assets in which the Fund has invested.

To mitigate the risk connected to the investment, the fund’s Investment Policy and the investment limits set forth in the Fund Regulation have been carefully assessed.

In particular, the main guidelines are set forth in brief below:

- the PA Receivables underlying the ABS securities in which the Fund Assets are invested must be certain, liquid and payable at the due date specified on the invoice;

- ▶ the Fund cannot invest in ABS Securities with PA Receivables as their underlying asset for which, at the moment of acquisition, the relative assigned debtors are in a proven state of insolvency and, in particular:
  - PA Receivables referring to debtors that are found to be subject to distress, pre-distress or in recovery, compulsory administrative liquidation or another applicable bankruptcy procedure;
  - PA Receivables that refer to credit exposures and/or debtors classified as in default pursuant to Art. 178 of Regulation (EU) 575/2013 of the European Parliament and the Council, as well as the implementing provisions and/or interpretative guidelines of such provision (past due, UTP, non-performing);
- ▶ the PA Receivables underlying the ABS Securities must also have the following characteristics:
  - minimum amount by individual invoice of €5,000;
  - performing receivable or receivable past due for no more than 30 days;
  - term not exceeding 90 days, where term refers to the payment terms of the invoice (to be calculated as the difference between the invoice issue date and the invoice due date);
  - being monetary receivables deriving from or relating to supply contracts and/or trade contracts governed by Italian law that have been signed/executed by an Assignor Company;
  - relating to services already provided excluding payments on account and/or receivables relating to the real estate sector and subject to the assessment of work in progress.

## Quantitative information

The BFF Banking Group does not hold any financial instruments in relation to the transaction.

## Disclosure of the transaction "Dionysus - Fire S.p.A."

## Quantitative information

The Parent Company BFF has a partnership with Fire S.p.A., for investment in a securitization aimed at purchasing portfolios of loans classified as defaulting.

The purchase concerns portfolios of loans classified as defaulting originated by banks or consumer credit companies arising from loans in any form granted by these entities or from the assignment of loans of this type made in the context of securitization transactions. Fire is the Special Servicer, while Centotrenta Servicing is the Master Servicer. The SPV ex lege 130 acquired the loans in question, placing them in a sub-fund called "NPLs". The notes issued were purchased by BFF and Fire as follows:

- ▶ BFF: 100% of senior notes and 5% of junior notes;
- ▶ Fire: 95% of junior notes.

It should be noted that BFF acts as the sponsor of the transaction.

In general, purchased NPE loans meet the requirements of Article 269 *bis* of Regulation (EU) No 575/2013 (the "CRR"), regarding the weighting of loans, which allows for a 100% weighting of the Senior Note in the case that securitized loans are purchased at a discount of not less than 50%.

## Quantitative information

### EU SEC1 Template - Exposures to securitization positions in the non-trading book

	h	i	j	k
	The institution acts as Sponsor			
	Traditional		Synthetic	Partial total
	STS	Non-STS		
1	Total exposures	5,372		5,372
2	Retail (total)	4,438		4,438
3	Mortgage loans on residential properties	1,219		1,219
4	Credit cards			
5	Other retail exposures	3,219		3,219
6	Re-securitization			
7	Wholesale (total)	935		935
8	Loans to businesses			
9	Mortgage loans on non-residential properties	935		935
10	Leasing and receivables			
11	Other wholesale			
12	Re-securitization			

## EU SEC3 Template - Exposures to securitization positions in the non-trading book and related regulatory capital requirements: the institution acts as assignor or sponsor

	a	b	c	d	e
	Exposure values (by RW/deduction band)				
	≤20% RW	from >20% to 50% RW	from >50% to 100% RW	from >100% to <1250% RW	1250% RW/ deduction
<b>1</b>	<b>Total exposures</b>		<b>5,298</b>		<b>75</b>
2	Traditional transactions		5,298		75
3	Securitizations		5,298		75
4	Retail		4,376		62
5	of which STS				
6	Wholesale		922		13
7	of which STS				
8	Re-securitizations				
9	Synthetic transactions				
10	Securitizations				
11	Retail underlying				
12	Wholesale				
13	Re-securitizations				

	f	g	h	i
	Exposure values (by the regulatory method)			
	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions
<b>1</b>	<b>Total exposures</b>		<b>5,298</b>	<b>75</b>
2	Traditional transactions		5,298	75
3	Securitizations		5,298	75
4	Retail			
5	of which STS			
6	Wholesale			
7	of which STS			
8	Re-securitizations			
9	Synthetic transactions			
10	Securitizations			
11	Retail underlying			
12	Wholesale			
13	Re-securitizations			

	j	k	l	m
	RWEA (by the regulatory method)			
	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions
1	Total exposures		5,298	933
2	Traditional transactions		5,298	933
3	Securitizations		5,298	933
4	Retail			
5	of which STS			
6	Wholesale			
7	of which STS			
8	Re-securitizations			
9	Synthetic transactions			
10	Securitizations			
11	Retail underlying			
12	Wholesale			
13	Re-securitizations			

	n	o	EU-p	EU-q
	Capital requirement after application of the ceiling			
	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions
1	Total exposures		424	75
2	Traditional transactions		424	75
3	Securitizations		424	75
4	Retail			
5	of which STS			
6	Wholesale			
7	of which STS			
8	Re-securitizations			
9	Synthetic transactions			
10	Securitizations			
11	Retail underlying			
12	Wholesale			
13	Re-securitizations			



## Section 15

### Remuneration policy (Art. 450 CRR)

#### Qualitative disclosure

As a result of the audits conducted at the BFF Group during 2023, the Bank of Italy required, among others, the Bank to refrain from approving or paying forms of Variable Remuneration.

Therefore, until this prohibition remains in effect, 2024 variable compensation cannot be paid (except for components related to prior years, even if the scheduled payment date falls within the restriction period).

#### Definition of the Remuneration Policy

The Remuneration and Incentive Policy (also the "Policy") of the BFF Banking Group in force in the year 2024 was approved by the Shareholders' Meeting (also the "Shareholders' Meeting") on April 18, 2024.

The Remuneration Policy was defined and implemented with the ultimate goal of having remuneration systems, in the interests of stakeholders, aligned with long-term business values, strategies and objectives, linked to the proper company results to take into account the risks assumed by the Group and, in particular, with the levels of capital and liquidity required for the activities undertaken, so as to avoid skewed incentives that could result in regulatory breaches or excessive risk assumption for the Group.

In defining its Remuneration and Incentive Policy, the Bank relied on the support of the PedersoliGattai, Mercer and DLA Piper Law Firm.

In this document, the definitions set forth in the 2024 Remuneration and Incentive Policy approved by the Shareholders' Meeting on April 18, 2024 and available on the Bank's website apply.

The Group has developed a governance process concerning the definition, implementation and management of the pay policy. This process calls for the involvement, at different levels and based on the applicable areas, of multiple control bodies and Company functions: every year, the Report on Remuneration Policy and Compensation Paid (also the "Report") is approved by the Shareholders' Meeting, after being approved by the Board of Directors and consulting with the Remuneration Committee.

The details are shown in paragraph 1 of the Policy ("Governance of the remuneration and incentive system"), and there is also a specific reference in Section II of the Report.

The shareholders' resolution approving the remuneration policies was adopted:

- a) in compliance with the qualified majorities provided for by the Remuneration Supervisory Provisions<sup>9</sup>;
- b) following prior notification to the Supervisory Authority provided for by the regulations referred to in the Remuneration Supervisory Provisions<sup>10</sup>.

► The Board of Directors:

Prepares the Policy, submits it to the Shareholders' Meeting, reviews it at least once a year and is responsible for its implementation, ensuring that it is adequately documented and accessible to Personnel.

Approves, in line with the Policy, the remuneration and incentive systems, both short and medium-long term, for the BoD's Personnel. Furthermore, at the proposal of the Remuneration Committee, it approves the entire remuneration package of the CEO, including any allocation of stock options to said officer or other long-term incentive instruments.

Ensures that the remuneration and incentive systems are consistent with the Group's overall choices in terms of risk-taking, strategies, long-term objectives, corporate governance structure and internal controls;

► The Remuneration Committee:

Provides instructions and advice and makes recommendations to the Board of Directors on matters concerning Personnel remuneration and incentives, as well as the monitoring of areas within its remit. It comprises three non-executive members of the Board of Directors, at least two of whom are independent.

For a detailed description of the functions assigned, please refer to paragraph 1.4 of the Remuneration Policy.

For a detailed description of the functions carried out in the course of 2024 and the relative breakdown, please refer to paragraph 2.9 of the Report on compensation paid for 2024.

► The Control and Risks Committee:

One of the functions is to ensure that the incentives underlying the Group's remuneration system are consistent with the maximum levels of risk that the Group intends to assume. In coordination with the Remuneration Committee, it examines whether the incentive systems are consistent with the RAF, as well as with the support of the Risk Management Function.

9) The Remuneration Supervisory Provisions provide that Shareholders' Meeting approval requires the favorable vote of at least two thirds of the share capital represented at the meeting, when it is constituted with at least half of the share capital, or, when this does not happen, the favorable vote of at least three quarters of the share capital represented, whatever that may be.

10) The procedure provides for the transmission to the Bank of Italy or the European Central Bank, at least 60 days before the date on which the shareholders' vote is scheduled, of the proposal to be submitted to the Shareholders' Meeting, with the relative indications and evidence to demonstrate that the higher limit or limits, for the most important personnel or for some categories of them, do not affect compliance with prudential regulations, especially those concerning own-funds requirements.

### Identification of the “most significant personnel”

The Policy is based on a system of classification of company roles consistent with the definition of Key Personnel established by the Group. In particular, the Group identifies the Identified Staff through an at least annual assessment process - entrusted to the Board of Directors, with the support of the Human Resources and Organizational Development Function and the Rules and Processes O.U., and the Risk Management Function – carried out on the basis of the criteria provided for by the Supervisory Provisions. Therefore, taking into account the levels of autonomy between the different roles and their impact on the business, the Board of Directors identifies the Key Personnel by way of a specific resolution after evaluation by the Human Resources and Organizational Development Function with the support of the Risk Management and Compliance and AML Functions and having consulted with the Remuneration Committee.

In addition, whenever the Bank or one of the Subsidiaries establishes a new employment relationship and/or partnership, the Human Resources and Organizational Development Function carries out an assessment to check whether the person or entity in question belongs to the Risk Taker category.

### Remuneration components

Through adequate remuneration and incentive mechanisms, the BFF Group intends to favor business competitiveness, in compliance with the principle of sound and prudent management, and strengthen corporate governance, guaranteeing that decisions are taken in an independent, informed and prompt manner, at the appropriate level, so as to avoid conflicts of interest and guarantee proper reporting according to the provisions of the competent authorities.

The remuneration policies are differentiated by type of recipient, in order to take into account the specific characteristics of each party and specific regulatory provisions.

#### All Directors:

- i. receive the compensation set by the Shareholders’ Meeting as well as a reimbursement of costs incurred during the performance of their duties;
- ii. who are Committee chairs or members may receive additional compensation determined by the Board of Directors pursuant to Article 2389, paragraph 3 of the Italian Civil Code;
- iii. have a civil liability insurance policy, the cost of which is paid by the Bank.

Except in the case of the Chief Executive Officer (and any executive directors), Directors are never entitled to Variable Remuneration.

The Chairperson of the Board of Directors receives a Fixed Remuneration established by the Board of Directors in accordance with Article 2389, paragraph 3 of the Italian Civil Code determined ex ante and consistent with the role assigned, the size and organizational complexity of the Bank and market practices and benchmarks.

#### The Chief Executive Officer receives:

- ▶ a Fixed Remuneration, consisting of a salary pursuant to Article 2389, paragraph 3, and a Benefits package, established by the Board of Directors.
- ▶ a short-term Variable Remuneration (“MBO”) whose maximum opportunity is equal to 100% of the Fixed Remuneration (excluding Benefits) (see par. 5.1 MBO), linked in part to the punctual achievement or surpassing of the Target Risk Adjusted EBTDA defined from year to year and an additional set of non-financial objectives determined from year to year by the Board of Directors.

The payment of short-term Variable Remuneration is subject to the achievement of certain entry gates:

- a) Liquidity Coverage Ratio (LCR)  $\geq$  risk tolerance
- b) Total Capital Ratio (TCR)  $\geq$  risk tolerance
- c) EBTDA<sup>RA</sup> (risk- and cost-of-capital-adjusted return): Positive

The Short-term Variable Remuneration for the Chief Executive Officer is also conditional on achieving an EBTDA<sup>RA</sup> / Target EBTDA<sup>RA</sup> ratio of at least 100%.

For the details, see par. 5.1 of the 2024 Remuneration policy.

- ▶ a medium-to-long term Variable Remuneration (so-called long-term incentive plan) (see par. 5.2 *Variable medium/long-term system (LTI)*).  
This plan is subject to the achievement of objectives in terms of value creation as a whole and also having regard to non-financial objectives, determined consistently with best market practices in the relevant sector. The maximum allocation to that plan is equal to the difference between (i) double the Fixed Remuneration and (ii) the annual value of the MBO received by the Chief Executive Officer, the maximum amount of which is equal to 100% of Fixed Remuneration.
- ▶ a golden parachute potentially payable to the CEO upon termination of office. The details in this regard are provided Par. Details are given in the Par. 5.4 of the Remuneration Policy ("Golden Parachute").
- ▶ a non-competition agreement stipulated to safeguard the Bank's competitiveness and its interests and those of its stakeholders over the medium-to-long term.

The Chief Executive Officer may be the recipient of additional elements of Variable Compensation if they are related to performance with respect to objectives defined beforehand. The following apply to the aforementioned variable component:

- ▶ the limits established in Circular No. 285 in terms of the ratio between the fixed component and the variable component and the balance between cash and financial instruments;
- ▶ *ex-post adjustment mechanisms (Malus and Clawback)*.

#### *Board of Statutory Auditors:*

Members of the Board of Statutory Auditors:

- ▶ receive a fee set by the Shareholders' Meeting as well as a reimbursement of costs incurred during the performance of their duties;
- ▶ do not receive any variable remuneration component or pay linked to the results of the Bank or the Group;
- ▶ have a "civil liability" insurance policy, the cost of which is paid by the Bank.

Furthermore, the Chairperson of the Board of Statutory Auditors receives a higher compensation than that paid to the Statutory Auditors, also established by the Shareholders' Meeting.

#### *Supervisory Body:*

The members of the Supervisory Body who are not Employees receive a Fixed Fee established by the Board of Directors. The amount of the Fixed Fee is established on the basis of market conditions and responsibilities assumed, guaranteeing the independence and autonomy of the function, and the diligent performance of the task. These members cannot receive any Variable Remuneration but receive D&O insurance cover and reimbursement of the expenses actually incurred in the performance of their duties.

For the members of the Supervisory Body who are also Employees, however, there is no compensation for the position, but only D&O insurance coverage and a reimbursement of expenses incurred to carry out their official duties.

### *Remaining employees:*

The remuneration is established, depending on the case, by the Board of Directors (with reference to Senior Executives, Executives reporting directly to the CEO and the Heads of the Control Functions), the CEO or his or her delegates, in compliance with the Group Remuneration Policy and applicable contractual regulations (particularly on the basis of the collective labor agreement for middle management and for professional area employees of credit, financial and instrumental companies, and the collective labor agreement for executive employees of credit, financial and instrumental companies, and the analogous collective labor agreements abroad).

### **Fixed Remuneration**

The Fixed Remuneration is related to the experience and professional skills of the people working in the company, and is also based on the roles held and includes, as per the definition, the Benefits as well. The fixed component of remuneration is determined on the basis of principles of equity, competitiveness, meritocracy and consistency over time.

### **Variable Remuneration**

General principles:

The recognition of Variable Remuneration and the correlation between risk and performance is achieved through a process that aims to remunerate personnel in compliance with the risk profile defined by the Risk Appetite Framework (RAF), and with a view to business continuity and sustainability of long-term results.

In particular, Variable Remuneration is paid subject to the following conditions: (i) liquidity coverage ratio (LCR), (ii) total capital ratio (TCR), at least equal to the level of "risk tolerance" approved by the Board of Directors, and defined within the RAF in force at the end of the year to which the incentive system refers, and (iii) risk-adjusted and cost-of-capital-adjusted positive return (Risk-Adjusted EBTDA, or EBTDA<sup>RA</sup>).

Variable Remuneration is also linked to several parameters consistent with the function of the specific instrument used to pay the Variable Remuneration (e.g. individual and/or Bank/Group performance, however measured, length of service, etc.). No forms of guaranteed Variable Remuneration are permitted except in exceptional cases, for the hiring of new Personnel and limited to the first year of employment or office (e.g., entry bonus).

The variable remuneration component is divided into various components, including:

### **Short-term Variable Remuneration ("MBO")**

The Employee MBO is a formalized incentive system that provides for the payment – based on the annual gross remuneration – of a bonus subject to company and individual qualitative and quantitative objectives being achieved. The mix between quantitative and qualitative objectives is appropriately balanced according to the roles and responsibilities of the entitled Employees. The MBO provides for retention mechanisms for all Employees, namely payment subject to the beneficiary still being employed by the Group.

As regards the determination of the MBO, there is an initial phase during which, based on the achievement of individual objectives, the base amount of the bonus is determined; subsequently, to confirm whether the MBO can actually be paid out, the gates are checked: financial, equity, liquidity and positive profitability, adjusted for risk and the cost of capital (Risk Adjusted EBTDA or EBTDA<sup>RA</sup>).

Once the 3 gates have been respected, the MBO of the Bank's Employees is then also calculated on the basis of two different multiplier mechanisms.

The first multiplier is the RA EBITDA / Target RA EBITDA. This multiplier can increase the MBO by up to 40% for middle managers, Senior Executives, Executives and other senior managers of the Bank, and up to 30% for non-

managerial staff. This multiplier can also be decremental and still allow the MBO to be paid out to the middle manager and non-managerial categories, even if the Target RA EBTDA has not been reached.

The objective and multiplier related to the RA EBTDA / Target RA EBTDA ratio do not apply to:

- a) Corporate Control Functions;
- b) The Financial Reporting Officer;
- c) Human Resources and Organizational Development.

A second multiplier is linked to Customer Satisfaction. This business performance indicator is formulated on the basis of a survey conducted by the Commercial O.U., and can increase the MBO by up to 9%. This indicator applies as a multiplier only incrementally.

### **The deferred portion and the deferral periods:**

For the CEO and the remaining Risk Takers the time horizon and percentage of the stock component is determined as follows:

- i) the percentages of deferral are 40% and 60% in the case of particularly high Variable Remuneration, for the CEO and the remaining members of the Senior Management (see Paragraph 6.2.1.3.);
- ii) the deferral periods are 4 years (5 years for particularly high Variable Remuneration), linear pro-rata (i.e. 10% at one year from the payment of the up-front portion, 10% in the second year, 10% in the third year, 10% in the fourth year). For beneficiaries of particularly high amounts of Variable Remuneration, the deferral is 5 years, linear pro-rata (i.e., 12% at one year from the payment of the up-front portion, 12% in the second year, 12% in the third year, 12% in the fourth year, 12% in the fifth year). The disbursement of deferred amounts to Employees is subject to the beneficiary remaining on staff at the payment date, without prejudice to the fact that, after three years of deferral have passed, beneficiaries will accrue the right to the payment of the subsequent deferred amounts as well, irrespective of whether they still work for the bank.

When annual Variable Remuneration does not exceed €50,000 and does not represent more than one-third of the annual total Remuneration (limited remuneration), the bonus is subject to:

- i. for Risk Takers and for Employees with a minimum qualification of QD3 (third level executive), regardless of their qualification as Risk Takers, a deferral period of two years for 30% of the Variable Remuneration.
- ii. for Risk Takers, a share in financial instruments equal to 50% with a 6-month retention period.

For all matters not expressly envisaged, the same rules envisaged for the Variable Remuneration shall also apply to the Low Variable Remuneration, including the ex post adjustment mechanisms (Malus and Clawback).

The disbursement of deferred amounts to Employees is subject to the beneficiary remaining on staff at the payment date, without prejudice to the fact that, after three years of deferral have passed, beneficiaries will accrue the right to the payment of the subsequent deferred amounts as well, irrespective of whether they still work for the bank.

### **Company bonus**

For employees of the Parent Company subject to the National Collective Bargaining Agreement for managers and personnel in professional areas employed by credit, financial and instrumental enterprises, with the exception of executives, a company bonus ("VAP") has been drawn up that provides economic benefits based on the achievement of specific Group performance objectives.

The company bonus may be provided in cash, through corporate welfare goods and services on the basis of relevant agreements or through financial instruments.

### **Incentive Plans with Financial Instruments**

As part of its incentive policy and in compliance with applicable law, the Group adopts Incentive Plans in Financial Instruments (including "phantom" plans, based on options and shares of the Bank and Stock Option Plans based on the allocation of options that entitle the beneficiary to receive ordinary shares of the Bank).

These plans aim to:

- ▶ encourage Personnel integration, making them share in the company's results;
- ▶ make Personnel more aware about creating value for the Group and for shareholders;
- ▶ increase the retention capacity by making valued staffers less likely to quit the Group;
- ▶ improve the Group's competitiveness in the labor market, making it more attractive to the best talents with the professionalism and skills that the Group needs;
- ▶ promote the sustainability of the Group in the medium and long term, and ensure that Variable Remuneration is based on the results actually achieved.

### **Other components**

There are additional components of Variable Remuneration beyond the MBO bonuses, within the limits of the Policy and regulations in force over time, including Sales Bonuses.

Sales Bonuses provide compensation for the achievement of annual company and individual qualitative and quantitative objectives, which are intended to support the achievement of the Bank's commercial, results and asset-based objectives, taking into account customers' needs and in line with their risk profile.

Forms of Variable Remuneration linked to the retention of Personnel until a certain date or a certain event (retention bonus) may be envisaged if there are justified, documented reasons, in situations where it is important for the Bank to ensure the stability of the relationship.

Specifically, when assessing the award of a retention bonus, the following are analyzed:

- a) the possible risks to the company in the event of termination of the employment relationship or office of a given member of the Personnel;
- b) the reasons why it is important for the company to retain the member of the Personnel in question;
- c) if the amount of the retention bonus granted is necessary and proportionate to retain the member of the Personnel concerned.

### **Golden parachutes**

The golden parachutes are approved by the Board of Directors for Personnel for whom the BoD is responsible, and by the Chief Executive Officer for the rest of the Personnel. The following are golden parachutes<sup>11</sup>:

- i. the amounts recognized under a non-competition agreement;
- ii. the amounts recognized under an agreement for the settlement of an existing or potential dispute relating (or with a view) to termination of the employment relationship or office, regardless of the location in which it is reached;
- iii. the indemnity for failure to give notice, in excess of the amount established by law.

### **Discretionary pension benefits**

To date, there are no discretionary pension benefits for Personnel. However, the Group companies, subject to the approval of the Board of Directors for the Personnel for whom the BoD is responsible, and the Chief Executive Officer for the rest of the Personnel, have the right to grant discretionary pension benefits, as defined and provided for in the Remuneration Supervisory Provisions.

### **Early termination of the relationship**

The course of action to be taken in the event of the employment relationship being terminated is the one indicated by the relevant industry contracts. The Parent Company's Board of Directors may determine golden parachutes for Key Personnel in the event of early termination of employment or departure from office, in compliance with the conditions provided for by applicable regulations and the criteria approved by the Shareholders' Meeting.

To determine these fees, qualitative and quantitative indicators are applied which reflect the performance achieved and the risks assumed by the individual and the Bank, and ex post correction mechanisms (Malus and Clawback), within the limits allowed by collective agreements applicable to the employment relationship, as provided for in the Supervisory Provisions for Banks and, in any case, in compliance with the limits and requirements of the relevant legislation.

### **Non-compete agreements**

If the employee signs a "non-compete agreement" which requires him or her not to professionally engage with specific companies for a specific period of time starting from the date of termination of the employment relationship, the applicable Group company will pay him or her a sum to be determined based on the gross annual fixed remuneration received in the last year.

---

11) Note 16, of the Supervisory Provisions on Remuneration, Section III specifies that, for the purposes of the same, "golden parachutes" are not only the golden parachutes commonly intended (i.e. amounts recognized under an agreement for the settlement of a current or potential dispute, whatever the forum in which it is achieved) but also the payments under non-competition clauses and the indemnity of non-notice to the extent that this may exceed the amount established by law.



The non-compete agreement fee is subject to ex post correction mechanisms (Malus and Clawback), within the limits allowed by collective agreements applicable to the employment relationship, as provided for in regulatory provisions and, in any case, in compliance with the limits and requirements of the relevant legislation.

The payment for the non-competition agreement is made after the termination of the relationship. For Risk Takers, this fee is included in the calculation of the Variable Remuneration to Fixed Remuneration ratio limit.

#### **Ex-post adjustment mechanisms (Malus and Clawback)**

Variable Remuneration, including golden parachutes, is subject to ex-post adjustment mechanisms (Malus and Clawback), which can result in the Variable Remuneration being reduced, significantly reduced or even eliminated. The correction mechanisms must be identified within the limits allowed by law and by collective agreements applicable to employment relationships. They must reflect performance levels net of the risks actually assumed or achieved and capital levels, as well as take into account individual conduct.

Using the company functions, the Parent Company's Board of Directors ascertains the assumptions that determine the activation of the ex-post adjustment mechanisms with reference to the Personnel for whom the BoD is responsible, and resolves to apply them in accordance with the procedures provided for in the Policy. For the remaining Personnel, the CEO is responsible, relying on the support of the competent company functions and, where necessary, the corporate boards of the Subsidiaries.

For the details, see Par. 6.2.3 of the Remuneration Policy ("Ex-post adjustment mechanisms (Malus and Clawback)").

## Quantitative information

### Template EU REM1: Remuneration awarded for the financial year

		MB Supervisory function	MB Management function	Other senior management	Other identified staff	
Row		a	b	c	d	
1	Fixed Remuneration	Number of identified staff	11	1	5	30
2		Total fixed remuneration	572	1,451	1,133	3,771
3		Of which: cash-based	572	1,360	1,055	3,519
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms		91	78	252
8	(Not applicable in the EU)					
9	Variable Remuneration	Number of identified staff	11	1	5	30
10		Total variable remuneration		1,763	1,376	1,814
11		Of which: cash-based			190	530
12		Of which: deferred			76	212
EU-13a		Of which: shares or equivalent ownership interests		1,763	1,186	1,285
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which: deferred				
EU-14x		Of which: other instruments				
EU-14y	Of which: deferred					
15		Of which: other forms				
16		Of which: deferred				
17	Total remuneration (2 + 10)		572	3,214	2,509	5,586

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

Row		MB Supervisory function	MB Management function	Other senior management	Other identified staff
		a	b	c	d
Guaranteed variable remuneration awards					
1	Guaranteed variable remuneration awards - Number of identified staff	-	-		-
2	Guaranteed variable remuneration awards -Total amount	-	-		-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year					
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
Severance payments awarded during the financial year					
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	
7	Severance payments awarded during the financial year - Total amount	-	-	-	
8	Of which paid during the financial year	-	-	-	
9	Of which deferred	-	-	-	
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	

## Template EU REM3: deferred remuneration

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
		a	b	c	d	e	f	EU-g	EU-h
1	MB Supervisory function								
2	Cash-based								
3	Shares or equivalent ownership interests								
4	Share-linked instruments or equivalent non-cash instruments								
5	Other instruments								
6	Other forms								
7	MB Management function	1,775	673	1,102				455	229
8	Cash-based	875	335	540				226	
9	Shares or equivalent ownership interests	900	338	562				229	229
10	Share-linked instruments or equivalent non-cash instruments								
11	Other instruments								
12	Other forms							--	
13	Other senior management	157	54	103				354	176
14	Cash-based	78	27	51				179	
15	Shares or equivalent ownership interests	78	27	51				176	176
16	Share-linked instruments or equivalent non-cash instruments							-	
17	Other instruments							--	
18	Other forms							--	
19	Other identified staff	436	175	260				540	212
20	Cash-based	270	111	159				327	
21	Shares or equivalent ownership interests	166	65	101				212	212
22	Share-linked instruments or equivalent non-cash instruments								
23	Other instruments								
24	Other forms								
25	<b>Total amount</b>	<b>2,368</b>	<b>902</b>	<b>1,465</b>				<b>1,350</b>	<b>617</b>

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

Row	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
		a
1	1,000,000 To below 1,500,000	
2	1,500,000 To below 2,000,000	
3	2,000,000 To below 2,500,000	
4	2,500,000 To below 3,000,000	
5	3,000,000 To below 3,500,000	1
6	3,500,000 To below 4,000,000	
7	4,000,000 To below 4,500,000	
8	4,500,000 To below 5,000,000	
9	5,000,000 To below 6,000,000	
10	6,000,000 To below 7,000,000	
11	7,000,000 To below 8,000,000	
x	To be extended as appropriate, if further payment bands are needed.	

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

Row		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Company functions	Independent internal control functions	All other	Total
1	Total number of identified staff										
2	of which members of the management body	11	1	12							
3	of which other members of senior management										
4	Of which: other identified staff							6	6	23	35
5	Total remuneration of identified staff	572	3,214	3,786				907	892	3,105	4,905
6	Of which: variable remuneration	-	1,763	1,763				85	75	170	331
7	Of which: fixed remuneration	572	1,451	2,023				822	816	2,935	4,574

The "Report on Remuneration" includes all information required by Article 450 of the CRR concerning remuneration policies and practices, relating to the categories of personnel whose professional activity has a significant impact on the bank's risk profile.

## Section 16

### Leverage (Art. 451 CRR)

#### Qualitative disclosure

The Leverage ratio - introduced by Bank of Italy Circulars No. 285 "*Supervisory provisions for banks*" and No. 286 "*Instructions for the preparation of supervisory reporting by banks and securities intermediaries*", both dated December 17, 2013, which adopted Regulation (EU) No. 575/2013 (CRR - Capital Requirement Regulation) as amended, relating to the new harmonized regulations for banks and investment companies, became an integral part of the Disclosure that Institutions are required to provide pursuant to Article 451 of the CRR.

The European Implementing Regulation No. 200/2016 defined the implementing technical standards of Article 451, making it applicable as of January 1, 2015 and providing the relative specifications.

#### Description of the processes used to manage the risk of over-leverage

Over-leverage risk is defined as the "risk that a particularly high level of debt with respect to own funds may make the bank vulnerable, making the adoption of corrective measures to the business plan necessary, including the sale of assets with the recognition of losses that could entail value adjustments, including on the remaining assets".

As concerns over-leverage risk, the Group proceeds with the periodic calculation of the leverage ratio, defined as the ratio between Tier 1 capital and total financial statement assets and off-balance sheet items, the latter weighted according to specific factors defined by Supervisory Provisions.

Current and forward-looking first-level monitoring of the leverage ratio is the responsibility of the Finance and Administration Department, with the support of the Company Structures directly reporting to it.

The Risk Management Function, as the second-level Company Control Function, performs an evaluation of the leverage ratio as part of the overall forward-looking capital adequacy assessment. As part of the ICAAP and in strategic planning processes, the Risk Management Function verifies the level of the forward-looking and stressed leverage ratio indicator, as calculated by the Finance and Administration Department.

The leverage ratio is also monitored in the RAF.

#### Description of the factors impacting the leverage ratio during the period to which the published leverage ratio refers

In order to continuously comply with the current regulatory leverage limits, and in accordance with the Group's Funding Plan, activities which began in 2023 continued, to gradually reduce the size of the portfolio of securities held and the use of repurchase transactions payable with respect to the close of fiscal year 2023, with the aim of maintaining total assets at congruous levels as well as registering positive impacts on leverage.

## Quantitative disclosure

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

		Applicable amount
		a
1	Total assets as per published financial statements	12,151,421
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	15
3	(Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference)	
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	
5	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustment for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	(879,276)
9	Adjustment for securities financing transactions (SFTs)	406,201
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	317,075
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	
12	Other adjustments	551,419
13	<b>Leverage ratio total exposure measure</b>	<b>12,546,856</b>

## Template EU LR2 - LRCom: leverage ratio common disclosure

Rows		CRR leverage ratio exposures	
		12/31/2024	12/31/2023
On-balance sheet exposures (excluding derivatives and SFTs)		10	20
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	11,605,922	11,818,023
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognized as an asset)		
5	(General credit risk adjustments to on-balance sheet items)		
6	(Asset amounts deducted in determining Tier 1 capital)	(83,561)	(66,398)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	11,522,361	11,751,625
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)		
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardized approach		
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions		
EU-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardized approach		
EU-9b	Exposure determined under Original Exposure Method	53,084	42,209
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)		
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardized approach)		
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original exposure method)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	Total derivatives exposures	53,084	42,209
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	460,130	352,200
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	406,201	
16	Counterparty credit risk exposure for SFT assets		
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR.		
17	Agent transaction exposures		
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)		
18	Total securities financing transaction exposures	866,331	352,200

(CONT'D)



Rows		CRR leverage ratio exposures	
		12/31/2024	12/31/2023
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	511,184	527,275
20	(Adjustments for conversion to credit equivalent amounts)	(406,105)	(412,822)
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)		
22	Off-balance-sheet exposures	105,080	114,453
Excluded exposures			
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))		
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d	(Excluded promotional loans of public development banks (or units) - Promotional loans)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))		
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)		
EU-22g	(Excluded excess collateral deposited at triparty agents)		
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)		
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)		
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	788,504	586,946
24	Leverage ratio total exposure measure	12,546,856	12,260,487
Leverage ratio			
25	Leverage ratio (%)	6.284%	4.787%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	6.284%	4.787%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	6.284%	4.787%
26	Regulatory minimum leverage ratio requirement (%)	3.000%	3.000%
EU-26a	Additional own funds requirements to address risks of excessive leverage (%)		
EU-26b	Of which consisting of CET1		
27	Leverage ratio buffer requirement (%)		
EU-27a	Overall leverage ratio requirements (%)	3.000%	3.000%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure		

(CONT'D)

Rows		CRR leverage ratio exposures	
		12/31/2024	12/31/2023
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	866,331	352,200
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	11,680,525	11,908,287
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	11,680,525	11,908,287
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.751%	4.929%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.751%	4.929%

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

Rows		CRR leverage ratio exposures
		a
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	11,605,922
EU-2	Trading book exposures	211,996
EU-3	Banking book exposures, of which:	11,393,926
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	6,034,174
EU-6	Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns	1,940,558
EU-7	Exposures to institutions	649,462
EU-8	Exposures secured by mortgages on immovable property	-
EU-9	Retail exposures	6,391
EU-10	Corporate	240,211
EU-11	Exposures in default	1,887,543
EU-12	Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)	635,588

## Section 17

### Use of credit risk mitigation techniques (Art. 453 CRR)

The BFF Banking Group has a Credit Risk Mitigation framework. The goal of the framework is in the first place to guarantee a better process for the management of the collateral held by the Group to mitigate the risk positions assumed, and in the second place to evaluate the possible effects and benefits in terms of capital requirements.

The exposure to this type of risk is broken down into two main evaluation and oversight areas:

- ▶ Verification of the enforceability and effectiveness of collateral in terms of recovery of the problematic exposure, which requires an analysis of the main characteristics of the attenuation and control tools, with reference primarily to the collateral acquisition and administrative management process, according to what is set forth in the internal regulations of the Group and the individual Group companies in that regard;
- ▶ Measurement of exposure to risk for which credit risk mitigation techniques are found to be less effective or may not have the expected benefit in terms of reducing RWAs; this measurement is performed by the Risk Management Function as part of the ICAAP.

In particular the adequacy of collateral is evaluated according to different criteria based on collateral type:

- ▶ mortgage collateral: the value of the asset is estimated based on a dedicated appraisal performed by an expert/appraisal firm which respects the independence and professional requirements established by regulations in force;
- ▶ personal guarantee: the value of the surety is determined based on the estimated assets of the guarantor (overall amount of enforceable assets), highlighting any encumbrances/restrictions in place on such assets;
- ▶ insurance guarantee: issued by a leading insurance company and aimed at guaranteeing private debtor solvency;
- ▶ financial guarantee: the value of the financial asset/instrument subject to the guarantee is estimated based on the value expressed by the reference market in which the asset subject to the guarantee is traded.

The Group verifies the quantitative and qualitative adequacy of the guarantees given by the various counterparties and, in the case of confirmed total or partial deficiency, it promptly requests that the guarantee be supplemented. Lacking such adjustment, the risk position is immediately reviewed, in order to pass the proper resolution in line with the emerging risks. The guarantees acquired should not present particular encumbrances that may undermine their legal validity. Furthermore, in order to mitigate credit risk, BFF enters into netting (ISDA) and collateral management (CSA) agreements consistent with EMIR regulations, with counterparties to which treasury and security services are offered.

For repurchase agreements for which the Bank has signed specific GMRA contracts, credit risk is transferred from the counterparty to the issuer of the underlying security.

Please note that the Bank, at consolidated level, used the ratings issued by the ECAI S&P in order to calculate RWAs with companies, instead of weighting exposures to companies, consistent with the options provided by the CRR, with a coefficient of 100%. This modification was made to benefit from favorable weighting with an insurance company (20%) used to mitigate actual credit risk to companies, and will allow for a more specific calculation of capital requirements ("Capital Relief" policy)<sup>12</sup>.

## Quantitative information

### Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

		Unsecured carrying amount	Secured carrying amount	of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	5,796,805	456,544	456,385	1	
2	Debt securities	4,602,089				
3	<b>Total</b>	<b>10,398,894</b>	<b>456,544</b>	<b>456,385</b>	<b>1</b>	
4	<i>of which non-performing exposures</i>	1,930,122	79	79		
EU-5	<i>of which defaulted</i>					

12) The Capital relief project calls for the non-recourse purchase of receivables due to assignors from private debtors, through factoring and reverse factoring transactions, backed by an insurance guarantee issued by leading insurance companies.

## Section 18

### Liquidity risk

#### Qualitative disclosure

Liquidity risk is defined as the risk that the Group will be unable to meet its obligations at maturity and/or that it will have to bear non-market financing costs in relation to an unbalanced net financial position due to the inability to raise funds or due to the presence of limits on the disposal of assets, forcing the Group to slow or halt the development of its business, or sustain excessive funding costs to meet its obligations, with significant negative impacts on the profitability of its activities.

In defining liquidity risk, a distinction is drawn between short-term (“liquidity risk”) and long-term (“funding risk” or “structural liquidity risk”) risks:

- ▶ “liquidity risk”, the current or potential risk that the entity is incapable of effectively managing its liquidity requirements in the short term;
- ▶ “funding risk”, the risk that the entity does not have stable sources of funds in the medium and long term, with the resulting current or potential risk of not being able to meet its financial obligations, without an excessive increase in funding costs.

As required by the provisions of the prudential supervision regulation issued by the Bank of Italy, the Group has adopted a Group Risk Management Policy and a system of rules based on governance regulations, with a view to monitoring liquidity risk, and identifying the governance and control principles and the organizational units responsible for the operational and structural management of liquidity risk.

The governance policy, described in the “Group Liquidity Risk Management Policy” which incorporates the latest regulatory updates (see the Bank of Italy Circular 285/2013), is approved by the Board of Directors, and defined consistently with:

- ▶ the Group's strategic objectives;
- ▶ the risk/reward objectives defined in the Risk Appetite Framework;
- ▶ the monitoring processes and strategies to be adopted in the event of a state of tension or liquidity crisis, as defined in the “Contingency Funding Plan” document.

What is set forth in the “Group Liquidity Risk Management Policy” is consistent with what is laid out in the Group Risk Management Policy, in which the scopes and responsibilities of the company structures are set forth in detail at global level for all risks, including liquidity risk.

As part of the “Risk Appetite Framework” specific liquidity metrics have been defined, which are both regulatory, the Liquidity Coverage Ratio - LCR and the Net Stable Funding Ratio - NSFR, and management-related, the “Minimum cumulative balance on total assets”, calculated as the lowest weekly value in the quarter of reference of the ratio of the minimum cumulative balance recorded in the time periods within one month to the total assets of the last available group, in order to better represent the Group's operational reality.

To ensure the implementation of the liquidity risk management and control processes, the Group adopted a governance model based on the following principles:

- ▶ Separation of processes for the management of liquidity and processes for the control of liquidity risk;
- ▶ Development of processes to manage and control liquidity risk, consistent with the hierarchical structure and through a process for the delegation of powers;
- ▶ Sharing of decisions and clear responsibilities among management, control and operational bodies;
- ▶ Making liquidity risk management and monitoring processes consistent with prudential supervisory requirements.

The liquidity governance process (liquidity management and control of the relevant risks) of the BFF Group is centralized in the Parent Company. In this governance model, the Parent Company defines the Group strategy and the guidelines that must be applied to the subsidiaries, at the same time ensuring the management and control of the liquidity position at consolidated level. The subsidiaries participate in liquidity management and risk control with the local functions, each taking into account the specific nature of its core business, but always in compliance with the guidelines defined by the Parent Company. The operational and structural liquidity risk governance and management system is based on the general principles that all Group companies must pursue, aligned with the indications of the Supervisory Authority.

Liquidity risk also includes the intraday risk deriving from the temporal mismatch between outflows (settled at daily cut-offs or when orders are received from customers) and inflows (settled at different intraday cut-offs), which may render it impossible for the Group to discharge its payment obligations when they are called in due to a temporary lack of funds. To hedge intraday liquidity risk, the Bank, through the pooling account with the Bank of Italy, determines the share of eligible securities deemed adequate to secure intraday credit, managing to meet its own and its customers' outgoing obligations.

Liquidity monitoring, which is carried out in accordance with the maximum risk tolerance threshold, and therefore also with the nature, objectives and operational complexity of the Group, aims to ensure the ability to meet expected or unforeseen cash payment commitments.

The parent also conducts liquidity risk stress tests to assess the prospective impacts of stress scenarios on the Group's solvency conditions.

The Risk Management Function identifies the scenarios that could impact the Group's current or forward-looking liquidity risk profile. By way of example, the following different drivers are described, which are taken into consideration in the definition of stress scenarios:

- ▶ market/systemic (market driven) scenarios refer to stress events external to the Group, such as situations of uncertainty in financial and/or political markets that result in difficult market access;
- ▶ idiosyncratic (bank specific) scenarios, which involve stress events external to the Group typically related to a reputational loss with a possible deterioration in creditworthiness;
- ▶ combined scenarios, or the market and idiosyncratic scenarios developed in a single framework to evaluate the overall effect of stress on the Group.

The Group's liquidity position is subject to constant first- and second-level control and monitoring activities. These activities were further intensified as of May 2024 in order to highlight potential stresses following the Bank's announcements to the market as from May 9, 2024, and this strengthened control was maintained until the end of 2024. However, such monitoring confirmed the substantial solidity of the Group's liquidity thanks to the maintenance of adequate liquid reserves deriving from funding.

As from the second quarter of 2024, the regulatory liquidity indicators were affected, with varying intensity (lower for the short term Liquidity Coverage Ratio, or LCR, indicator, and more significant for the medium/long-term Net Stable Funding Ratio, or NSFR, indicator), by the increase in positions classified as past due, which in the calculation of said indicators have an unfavorable treatment with respect to the positions classified as performing. Despite this, the values recorded have consistently remained at a level significantly above regulatory limits. In particular, as at December 31, 2024, the NSFR indicator was up from the June 30 and September 30, 2024 readings, due to the issuance of the Senior Bond and the increase in Transaction Services funding of an operational nature, standing at a level of 139.74%, while the LCR indicator remained at 234.21%.

Note that the current macroeconomic landscape characterized by a high degree of uncertainty due to the continuation of the Russia-Ukraine conflict, the Israeli-Palestinian conflict, and general tensions at the international level with repercussions on the credit system has led the Group to focus attention on the safeguards necessary for monitoring its liquidity position, and specifically it:

- ▶ when deemed necessary, reserves the right to perform stress analyses that are more frequent and more detailed as well as with increasing and variable impacts;
- ▶ maintains a significant share of assets available to meet unforeseen liquidity needs;
- ▶ monitors the markets, including through continuous comparison with market operators and related banks;
- ▶ closely monitors collection trends, in particular of Public Administration debtors.

The funding of the Group is essentially in euros. As of December 31, 2024, as well as for all of the year, the relevant currency used for liquidity reporting at consolidated level is confirmed as exclusively euros as, from the monthly monitoring performed, no other currency was equal to or greater than the threshold defined by regulations, or 5% of the total liabilities held.

BFF also enters into derivative contracts with banking counterparties, through currency swap instruments, in addition to forms of lending and funding in natural hedging, required for currencies other than the euro, in order to have the necessary liquidity for lending in different currencies. These operations do not call for the provision of collateral in the form of cash or other liquid collateral. They provide for possible a margin payment to/receipt from the counterparty in response to the change in the underlying exchange rate over the term of the contract.

Finally, the margins placed against Secured Financing transactions contributed by the Bank to the Central Counterparty ("CCP") as collateral for exposures determined by transactions executed in regulated markets (e.g., Repos) constitute residual encumbered assets.



## Quantitative disclosure

### Template EU LIQ1: Quantitative information of LCR

Row		a	b	c	d
Total unweighted value (average)					
EU 1a	Quarter ending on (DD Month YYYY)	12/31/2024	09/30/2024	06/30/2024	03/31/2024
EU 1b	Number of data points used in the calculation of averages	-	-	-	-
<b>HIGH-QUALITY LIQUID ASSETS</b>					
1	Total high-quality liquid assets (HQLA)				
<b>CASH - OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	2,715,896	2,694,455	2,666,754	2,780,168
3	Stable deposits	1	1	1	1
4	Less stable deposits	1,090,596	1,016,394	997,412	881,170
5	Unsecured wholesale funding	6,186,606	5,794,274	5,963,295	6,063,917
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	6,003,634	5,629,345	5,802,642	5,882,461
7	Non-operational deposits (all counterparties)	181,504	164,929	159,184	181,456
8	Unsecured debt	1,469	-	1,469	-
9	Secured wholesale funding				
10	Additional requirements	181,358	195,786	210,077	169,875
11	Outflows related to derivative exposures and other collateral requirements	-	-	-	-
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	181,358	195,786	210,077	169,875
14	Other contractual funding obligations	113,612	116,654	111,648	89,606
15	Other contingent funding obligations	-	-	-	-
16	TOTAL CASH OUTFLOWS				
<b>CASH - INFLOWS</b>					
17	Secured lending (e.g. reverse repos)	331,690	388,088	301,906	294,291
18	Inflows from fully performing exposures	1,057,562	1,088,116	1,370,241	1,130,773
19	Other cash inflows	1	0	17	9
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related specialized credit institution)				
20	TOTAL CASH INFLOWS	1,389,252	1,476,204	1,672,165	1,425,072
EU-20a	Fully exempt inflows	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-
EU-20c	Inflows subject to 75% cap	1,389,252	1,476,204	1,672,165	1,425,072
<b>TOTAL ADJUSTED VALUE</b>					
EU-21	LIQUIDITY BUFFER				
22	TOTAL NET CASH OUTFLOWS				
23	LIQUIDITY COVERAGE RATIO				

Row		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	12/31/2024	09/30/2024	06/30/2024	03/31/2024
EU 1b	Number of data points used in the calculation of averages	-	-	-	-
<b>HIGH-QUALITY LIQUID ASSETS</b>					
1	Total high-quality liquid assets (HQLA)	3,863,687	3,324,754	3,208,237	3,455,002
<b>CASH - OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	136,782	126,696	124,113	113,086
3	Stable deposits	0	0	0	0
4	Less stable deposits	136,782	126,696	124,113	113,085
5	Unsecured wholesale funding	1,636,138	1,524,258	1,571,149	1,565,549
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,500,908	1,407,336	1,450,661	1,470,615
7	Non-operational deposits (all counterparties)	133,761	116,922	119,020	94,934
8	Unsecured debt	1,469	-	1,469	-
9	Secured wholesale funding	-	-	-	-
10	Additional requirements	21,342,921	16,599,841	11,335,411	11,279,930
11	Outflows related to derivative exposures and other collateral requirements	-	-	-	-
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	39,265	43,973	47,529	30,050
14	Other contractual funding obligations	113,612	116,654	111,648	89,606
15	Other contingent funding obligations	-	-	-	-
16	TOTAL CASH OUTFLOWS	1,925,797	1,811,581	1,854,439	1,798,290
<b>CASH - INFLOWS</b>					
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	385,526	410,672	515,850	477,533
19	Other cash inflows	0	0	3	2
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-
EU-19b	(Excess inflows from a related specialized credit institution)	-	-	-	-
20	TOTAL CASH INFLOWS	385,526	410,672	515,854	477,534
EU-20a	Fully exempt inflows	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-
EU-20c	Inflows subject to 75% cap	385,526	410,672	515,854	477,534
<b>TOTAL ADJUSTED VALUE</b>					
EU-21	LIQUIDITY BUFFER	3,863,687	3,324,754	3,208,237	3,455,002
22	TOTAL NET CASH OUTFLOWS	1,540,271	1,400,910	1,338,586	1,320,756
23	LIQUIDITY COVERAGE RATIO	250.78%	238.89%	241.05%	261.31%

## Template EU LIQ2: Net Stable Funding Ratio

Row	(In currency amount)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items	a	b	c	d	e
1	Capital items and instruments	872,401	-	-	-	872,401
2	<i>Own funds</i>	872,401	-	-	-	872,401
3	<i>Other capital instruments</i>		-	-	-	-
4	Retail deposits		2,478,999	150,163	48,165	2,414,411
5	<i>Stable deposits</i>		1	-	-	1
6	<i>Less stable deposits</i>		2,478,999	150,163	48,165	2,414,410
7	Wholesale funding:		7,243,226	-	784,417	3,557,802
8	<i>Operational deposits</i>		5,296,079	-	-	2,648,039
9	<i>Other wholesale funding</i>		1,947,147	-	784,417	909,763
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	515,890	-	58,176	58,176
12	<i>NSFR derivative liabilities</i>	-				
13	<i>All other liabilities and capital instruments not included in the above categories</i>		515,890	-	58,176	58,176
14	<b>Total available stable funding (ASF)</b>					<b>6,902,789</b>

## Template EU LIQ2: Net Stable Funding Ratio

Row	(In currency amount)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Required stable funding (RSF) Items	a	b	c	d	e
15	Total high-quality liquid assets (HQLA)					328,255
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		118,142	-	-	59,071
17	Performing loans and securities:		2,732,766	135,366	1,331,144	1,625,722
18	<i>Performing securities financing transactions with financial customers collateralized by Level 1 HQLA subject to 0% haircut</i>		405,474	-	-	-
19	<i>Performing securities financing transactions with financial customer collateralized by other assets and loans and advances to financial institutions</i>		372,313	2,962	39,146	77,858
20	<i>Performing loans to non-financial company clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>		344,937	123,178	680,488	812,472
21	<i>With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk</i>		-	-	-	-
22	<i>Performing residential mortgages, of which:</i>		-	-	-	-
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk</i>		-	-	-	-
24	<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		1,610,042	9,226	611,510	396,048
25	Interdependent assets		-	-	-	-
26	<b>Other assets:</b>		<b>2,407,064</b>	<b>183,074</b>	<b>640,100</b>	<b>2,917,419</b>
27	<i>Physical traded commodities</i>				-	-
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		157,687	-	-	134,034
29	<i>NSFR derivative assets</i>		1,668			1,668
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		139			7
31	<i>All other assets not included in the above categories</i>		2,247,571	183,074	640,100	2,781,710
32	Off-balance sheet items		183,478	-	-	9,174
33	<b>Total RSF</b>					<b>4,939,641</b>
34	Net Stable Funding Ratio (%)					139.743%

## Certification by the Financial Reporting Officer

The Financial Reporting Officer, Giuseppe Manno, declares, pursuant to paragraph 2, Article 154-bis of the Italian Consolidated Finance Act, that the accounting information contained in this document corresponds to the contents of accounting documents, books and records.

**Giuseppe Manno**  
Financial Reporting Officer

A handwritten signature in black ink, reading "Giuseppe Manno", written in a cursive script.

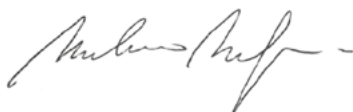
## Certification compliant with Article 431 (3) of the CRR (Regulation (EU) No. 575/2013 as updated) on disclosure requirements pursuant to Part Eight of the CRR

The undersigned Massimiliano Belingheri, in his capacity as Chief Executive Officer, and Giuseppe Sica, in his capacity as Chief Financial Officer,

### CERTIFY

That, compliant with the provisions of Article 431 (3) of the CRR (Regulation (EU) No. 575/2013 as updated) on disclosure requirements pursuant to Part Eight of the CRR, the information provided pursuant to the above-mentioned Part Eight has been drafted in compliance with the formal policy and internal processes, systems and controls.

Massimiliano Belingheri



Giuseppe Sica

