

(Translation from the Italian original which remains the definitive version)

Banca CF+ Group Condensed Interim Consolidated Financial Report

30 June 2025

Banca CF+ S.p.A.

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CORPORATE BODIES AND MANAGEMENT

Board of Directors

(elected by the shareholders on 18 April 2025)

Chairman:	Panfilo TARANTELLI
Deputy Chairman:	Davide CROFF
Chief Executive Officer and General Manager:	Iacopo DE FRANCISCO
Directors:	Salvatore BAIAMONTE
	Claudio BATTISTELLA
	Emanuela DA RIN
	Flavia ALZETTA
	Massimo RUGGIERI
	Flavio OTTAVIANI

Board of Statutory Auditors

(elected by the shareholders on 30 April 2024)

Chairman:	Antonio MELE
Standing Statutory Auditors:	Franco VEZZANI
	Giuseppina PISANTI
Substitute Statutory Auditors:	Paolo CARBONE
	Fabio Maria VENEGONI

Management

Chief Executive Officer and General Manager:	Iacopo DE FRANCISCO
Deputy General Manager and Chief Lending Officer:	Alberto BERETTA
Chief Financial Officer:	Mariacristina TAORMINA
Chief Risk Officer:	Giovanna BENCIVENGA

**DIRECTORS' REPORT ON THE CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

Banca CF+ Group

BANKS	Banca CF+ S.p.A. (Parent)
SECURITISATION VEHICLES AS PER LAW NO. 130/99	
	Crediti Fiscali+ S.r.l. (formerly "Convento SPV S.r.l.")
	Lazzaro SPV S.r.l. (formerly "Cassia SPV S.r.l.")

Competitive position

The Banca CF+ Group (formerly “Credito Fondiario Group”, the “group”) came into being in August 2021 after completion of the “Reorganisation Project 3.0”.

This project covered in particular the demerger of the debt purchasing and debt servicing businesses of the then Credito Fondiario to a separate non-banking entity.

As part of this reorganisation, Credito Fondiario kept the banking licence and began its transformation into a challenger bank while concurrently completing a renaming and rebranding journey that led it to also change its name to Banca CF+.

The group operates through advanced operating and distribution models, investing in technology as a tool that facilitates and accelerates access to credit for businesses. Specialised in corporate finance solutions and working with performing and reperforming companies, the group’s products include factoring services, tax asset purchases and short and medium-term loans to companies with structural and liquidity requirements, including those secured by central guarantee funds.

The reorganisation project led the group to rewrite its mission to return to its origins as a corporate bank. Developing the full potential of its extensive experience achieved in over 125 years of operations, the parent has built a diversified product portfolio to meet the liquidity requirements of companies that need support to implement their development, consolidation or relaunch plans. This specialised offering is accompanied by an evolved technological platform, capable of making bank-business relations more efficient and rapid, especially in terms of response times and credit disbursement. This strategic repositioning represents the natural evolution of a bank that has always been characterised by a great ability to reinvent itself in order to meet the needs of the market.

Ownership structure

On 2 August 2021, as part of the group’s reorganisation, Tiber Investments S.à r.l. transferred its 87.12% investment in Banca CF+ to another Luxembourg company of the Elliott Group, Tiber Investments 2 S.à r.l. (“Tiber 2”).

Elliott, an institutional investor leading the US market for over 40 years, continues to be a key partner and investor in Banca CF+ through Tiber 2.

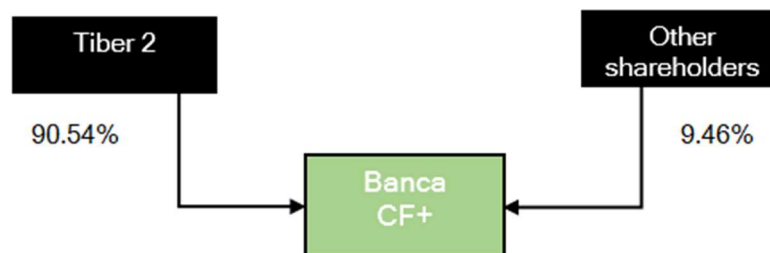
The shareholders have steadily supported the parent’s transformation into a challenger bank, with capital strengthening initiatives to support the rapid start-up and growth of the new business lines.

The capital increase of €27 million approved by the parent's shareholders on 6 September 2024 took place towards the end of the year with €20,146,729 allocated to share capital and €6,849,888 to the share premium.

This initiative was followed by the Board of Directors' resolution of 11 February 2025 approving a new capital increase and a €15 million injection by the parent's controlling shareholder, Tiber 2, for future capital increases in April 2025.

Furthermore, on 30 June 2025, the parent's Board of Directors, which met on 29 June 2025, approved the launch of a voluntary tender offer on all the ordinary shares of Banca Sistema S.p.A.. Banca CF+ will benefit from the full financial support of funds advised by Elliott Investment Management L.P., as a key shareholder, to support the growth and development plans resulting from the completion of the offer.

The following table presents the parent's ownership structure at 30 June 2025:



Key figures

The following table presents the group's key figures at 30 June 2025:

	€m	
GROUP KEY FIGURES	30/06/2025	31/12/2024
Total assets	1,908.3	1,959.3
Guaranteed finance products (carrying amount)	765.4	761.2
Guaranteed finance products - H1 2025 disbursements	138.0	352.2
Factoring products (carrying amount)	188.1	170.6
H1 2025 factoring turnover	384.0	637.7
Tax assets (carrying amount)	166.23	94
Tax assets purchased in H1 2025	117.3	216.2
Investments in ABS (carrying amount)	102.5	197.8
Investments in portfolios of non-performing exposures (carrying amount)	78.9	82.5
Investments in portfolios of non-performing exposures (gross carrying amount)	491.9	518.2
Net non-performing loans - business lines segment	20.2	12.6
Total funding	1,758.7	1,823.4
Retail savings (on-line deposits)	1,333.9	1,269.1
Equity attributable to the owners of the parent	113.4	101.3
Own funds	124.8	113.1
Employees	222	204
Structure indicators		
Net loans and receivables with customers at amortised cost/Total assets	85.8%	86.6%
Direct funding/Total liabilities	98.0%	98.1%
Equity/Total liabilities	6.3%	5.4%
Net loans and receivables with customers at amortised cost/Direct funding from customers	122.8%	133.6%
Profitability indicators		
ROE (loss/equity)	-2.4%	-10.8%
ROA (loss/total assets)	-0.1%	-0.6%
Capital indicators - Group		
CET 1 ratio	14.5%	13.5%
Tier 1 ratio	14.7%	13.7%
Total capital ratio	18.6%	17.9%
Capital indicators - Banca CF+ S.p.A. (parent)		
CET 1 ratio	14.0%	12.8%
Tier 1 ratio	14.0%	12.8%
Total capital ratio	17.6%	16.6%
Liquidity indicators		
LCR - group	979.9%	1722.3%
NSFR - group	148.5%	147.9%
Risk indicators - Financing and factoring segment		
Gross NPE ratio	12.8%	8.7%
Net NPE ratio	10.6%	7.3%
NET NPE/tangible equity	20.6%	15.2%

Consolidation scope

In accordance with IFRS 10, the group has checked whether it controls its investees and other entities it works with to define its consolidation scope. Specifically, it checked:

- the power to direct the relevant activities of the investee;
- exposure, or rights, to variable returns from involvement with the investee;
- the ability to use power over the investee to affect the amount of its returns.

Pursuant to IFRS 10, special purpose entities are treated as subsidiaries when the parent concurrently is:

- significantly exposed to variable returns due to its investment in the investee, the provision of financing or the supply of guarantees;
- able to direct the significant activities, including on a de facto basis.

Therefore, as well as Banca CF+ S.p.A., the consolidation scope includes the vehicles as per Law no. 130/99 ("SPVs") of which the parent holds all or the majority of the junior asset-backed securities (ABS) issued and has de facto control as per IFRS 10. Investments in certain SPVs (Restart SPV S.r.l. and Italian Credit Recycle S.r.l.), of which the parent has subscribed 47.3% of the securitisation mezzanine notes, fall under IFRS 11 (joint control) and they are presented accordingly. The table below lists the in-scope companies at 30 June 2025:

Group company	Investor	Investment %	Consolidation/ recognition method
Lazzaro SPV S.r.l. (formerly Cassia SPV S.r.l.)	Banca CF+ S.p.A.	60% of the SPV's quota capital and 100% of its mono tranche notes	Line-by-line
Crediti Fiscali+ SPV S.r.l.	Banca CF+ S.p.A.	60% of the SPV's quota capital and 100% of its junior notes	Line-by-line
Ponente SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
New Levante SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Cosmo SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Fairway S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Aventino SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Liberio SPV S.r.l.	Banca CF+ S.p.A.	95% of the SPV's mono tranche notes	Line-by-line
Restart SPV S.r.l.	Banca CF+ S.p.A.	47.3% of the SPV's mezzanine notes	Equity
Italian Credit Recycle S.r.l.	Banca CF+ S.p.A.	47.3% of the SPV's mezzanine notes	Equity

In June 2025, a securitisation was completed involving the ABS issued by the SPVs Liberio, Rienza and ICR and lease asset portfolios of EBC, Castore and Polluce, whereby the parent sold these assets to Lazzaro SPV (formerly Cassia SPV S.r.l.). The notes issued by Lazzaro SPV, fully subscribed by Banca CF+, were included in the perimeter of the financial guarantee issued by the funds advised by Elliott (the Asset Protection Scheme or "APS") through the signing of an addendum to the original agreement of 21 March 2025, which already included a specific provision to that effect.

From an accounting viewpoint, the transaction qualifies as a self-securitisation as the parent's sale of the assets to Lazzaro SPV did not qualify for derecognition under IFRS 9 as the related risks and rewards were not transferred because the parent subscribed 100% of the notes.

Macroeconomic scenario¹

In the first half of 2025, the international environment was burdened by ongoing political instability and conflicts. At the beginning of April, the US administration announced a drastic increase in tariffs on almost all trading partners, causing a contraction of GDP in the United States as a consequence of a surge in imports as companies frontloaded their foreign purchases. Global trade policies continue to be affected by the flurry of announcements, suspensions and negotiations between the United States and its main trading partners about tariffs. The expansion in world GDP could be significantly impacted by the tariffs' direct and indirect effects and the right trade policies, raising concerns about the outlook for international trade. International financial markets also underwent a rapid and sharp correction, with share prices recording heavy losses, especially in those sectors most exposed to global trade, while the considerable increase in volatility spurred investors to reallocate their portfolios towards safer assets.

GDP contracted in the US in the first quarter of 2025, falling for the first time in three years as the positive effects of investments and consumption were offset by the negative effects of exports. Increased imports of goods into the US caused world trade to temporarily accelerate in the first quarter of 2025. In China, growth struggled to strengthen in the first half of the year, economic activity was held back by subdued domestic demand and the continuing crisis in the real estate market, with the first signs of weakening exports, especially to the US.

Preliminary agreements on tariffs reached between the US and the UK, China, Vietnam and the EU led to a partial and temporary suspension of the increases announced in April.

Global growth forecasts have been revised downwards since the start of the year, reflecting the state of uncertainty as to how international relations might evolve. Forecasts published in June by the OECD revised global GDP and international trade growth downwards from 3.8% in 2024 to 2.8% in 2025. Growth in 2025 is expected to be 1.6% in the US (2.8% in 2024) and 4.7% in China (5% in 2024).

With respect to the other major advanced economies, inflation fell to 3.4% both in Japan and the UK. At the end of June, the Bank of England and the Bank of Japan kept their policy rates unchanged at 4.25% and 0.5%, respectively. The People's Bank of China also left its interest rate on refinancing operations and reserve requirement ratio unchanged, confirming an accommodative monetary policy stance and

1. Source: Bank of Italy's Economic Bulletin nos. 2 and 3 of 2025

pledging to step up support for economic activity. The Federal Reserve left its policy rates unchanged at 4.25%-4.50%, maintaining its cautious stance owing to high uncertainty regarding the impact of tariffs.

Euro-area GDP showed moderate growth in the first quarter (up 0.6%, from 0.3% in Q4 2024) supported by the services sector, especially digital services, and the recovery of manufacturing activity. GDP remained broadly stable in France, while it increased both in Germany and Italy driven by exports. Spain continued to grow, although at a slower pace, decelerating from 0.8% in Q4 2024 to 0.6% in Q1 2025. Ireland made an outstanding contribution, with a 9.7% increase in GDP over the previous quarter, mainly driven by exports from multinational pharmaceutical companies (a sector that remained outside the tariff package) and investments in operating assets and intellectual property.

Trade tensions and the unstable global environment caused uncertainty and caution on the part of households and businesses, dampening domestic demand. Household consumption slowed down, and investment was held back by uncertainty around trade policies. Economic growth in the bloc was higher than expected in the first three months of 2025. GDP momentum was driven by the frontloading of exports to the United States in anticipation of higher tariffs. Euro-area activity weakened in the spring months, as strong US demand waned and domestic demand was still held back by high uncertainty.

Consumer price inflation in June was 2%, slightly down from 1.9% in May. Core inflation, which excludes the food and energy components, was 2.3% in Q2, slightly down from Q1 (2.4%).

The Eurosystem staff macroeconomic projections released in June point to growth of 0.9% in 2025, 1.1% in 2026 and 1.3% in 2027. Compared with ECB projections last December, those for the 2025-2026 period have been revised downwards by roughly 0.4 percentage points.

Monetary policy measures

In the first half of 2025, the Federal Reserve, the Bank of England and the Bank of Japan all left their policy rates unchanged. At its meetings in April and June, the ECB Governing Council cut its deposit facility rate by a total of 50 basis points to 2%. The overall reduction of 200 basis points since the start of the monetary easing cycle in June 2024 is still passing through to the cost of credit.

On 4 March, the European Commission announced its proposal for a new plan, called ReArm Europe, aimed at rapidly and significantly increasing the Union's defence capabilities. The plan could allow up to €800 billion in higher military spending over the next four years and provides for: a) the activation of the Stability and Growth Pact's national escape clause to increase defence spending by up to 1.5% of GDP, to allow member states over the next four years to deviate from the net spending trajectory outlined in their medium-term structural budget plans; b) loans granted by the EU to member states up to a total amount of €150 billion, to be used for joint public procurement initiatives (including with partners from

outside the EU); c) the possibility, at the initiative of a member state, of redirecting the cohesion funds at its disposal towards defence spending. The European Council, the Council of the EU and the Parliament have, on the whole, commented positively on the ReArm Europe plan. On 8 July, the request for activation of the national safeguard clause under the Stability and Growth Pact for the four-year period 2025-2028 for defence purposes was accepted for 15 member states.

Financial markets

In the first half of 2025, the financial markets were affected by the uncertainty caused by trade tensions and showed signs of a reduction in the exposure of global investors to some dollar-denominated assets. After a drop in April with the introduction of new tariffs, the US saw a rise in yields on government bonds up until the end of May, as did Japan, driven by concerns about the outlook for the two countries' public finances. In Japan, there were signs that institutional investors are less able to absorb issuance at longer maturities, amid high uncertainty about macroeconomic policies and fiscal prospects.

Since mid January, equity indices have fallen sharply in Japan and the US, where they were affected by steeply declining prices in the automotive and technology sectors and the companies most exposed to international trade in terms of turnover. Stock markets in the main advanced economies broadly recouped the losses suffered during the turmoil triggered by the announcement of the new US tariffs, reaching slightly higher levels than those at the beginning of the year. Equity prices benefited from the partial easing of tensions between the US and China and the release of favourable data on corporate profits. Share prices rose in the euro area and Italy, reflecting a stronger risk appetite among investors and expectations of a less restrictive monetary policy stance.

Demand for euro-area government bonds was not affected by the high international uncertainty. Yields fell mostly in countries where progress in consolidating public finances has supported the demand for government bonds. Yields declined in Greece, Italy, Portugal and Spain, given that their respective government finances have gradually consolidated. The reduction in the risk of a recession caused by the trade tensions had a positive impact on financial sector prices.

On the currency market, the US dollar weakened sharply against the main currencies of advanced economies (Canadian dollar, Euro, Swiss franc, British pounds and Japanese yen) and those of emerging markets, reversing the trend seen up until the end of June. In contrast to previous episodes of financial turmoil, the US dollar also depreciated during the phases of simultaneous increases in US government bond yields and their spreads vis-à-vis other sovereign bonds, since in the past, the US dollar generally appreciated in times of high uncertainty, buoyed by investors' appetite for assets and currencies perceived as safe. This trend could point to a persistent increase in the risk perception of US bond investors because of the ongoing trade tensions and the greater uncertainty about the fiscal outlook. Financial market

assessments of the risks relating to the Euro/US dollar exchange rate were significantly oriented towards a strengthening of the Euro.

The yield on ten-year Italian government bonds rose from 3.86% in the first quarter to 3.44% in the second quarter, partly because of more favourable assessments by some rating agencies while that on the corresponding German Bund remained essentially unchanged. The yield spread between the two bonds contracted by 39 basis points to around 85 basis points. The yield spreads between the leading euro-area sovereign bonds and the German Bund also narrowed. Between the beginning of April and the first week of July, share prices in Italy increased overall by 17%. Bank equity prices rose by 23%, in line with those in the euro area (24%).

The implied volatility of financial derivatives on ten-year Italian government bonds decreased in the second quarter compared to the beginning of the year, remaining at low levels by historical standards, and liquidity conditions remained stable.

Corporate bond issues increased from 3.1% in February to 3.5% in May. Since the beginning of the year, yields on bonds issued by Italian non-financial companies remained essentially unchanged (3.5%). Between the beginning of April and the first week of July, financial sector prices rose by around 18%. Bank equity prices rose by 23%, in line with those in the Euro area (24%). The yield spreads of bonds issued by banks and non-financial companies vis-à-vis the risk-free rate narrowed considerably.

Italy

Italy's GDP posted modest growth in the first quarter of the year (0.3%), bolstered by domestic demand, which benefited from the increase in labour income, and foreign demand, due to the significant increase in exports. In the second quarter, economic activity increased in both the industry and services sectors. In the construction sector, the boost was mainly provided by the gradual implementation of projects in connection with the National Recovery and Resilience Plan with growth of 1.4%.

Household consumption rose by 0.2% in the first quarter, boosted by increased purchasing power, improved employment and real wages. Consumption continued to make a positive contribution to GDP growth in the spring, despite the fall in household confidence. The rise in spending on services was countered by a decline in purchases of durable goods, reflecting uncertainty about the economic outlook. In the first quarter, the employment rate increased by 0.7% compared to the previous quarter (-0.1% in Q4 2024), while the unemployment rate edged up (6.3% between April and May) although it remained at historically low levels.

Exports increased mainly to the US, with Bank of Italy estimating more than one third due to goods exports in anticipation of the tightening of trade policies. Value added in industry grew by 1.1% (0.8% in 2024),

driven by the recovery of production in energy-intensive sectors such as metallurgy and the manufacture of chemicals and paper.

In the first few months of 2025, rising energy prices caused inflation to increase slightly to 2.1%. Inflation is expected to remain low, averaging around 1.5% in 2025 and 2026, before increasing to 2% in 2027. In June, annual consumer price inflation stood at 1.7% (2.1% in the first quarter), which was helped by the “utility bills decree” introduced by the government to mitigate the increase in the cost of energy for households and businesses by lowering prices in the regulated electricity market.

In the first half of the year, the PMI for the tertiary sector increased slightly year-on-year, reflecting less unfavourable assessments of current production and new orders, but remained below the expansion threshold.

On 4 June, the European Commission published the European Semester Spring Package. With regard to the eight countries with an ongoing excessive deficit procedure (EDP) and the recommendations for net expenditure issued by the EU Council in January, the Commission believes that four countries, including Italy, are fully compliant with these recommendations.

According to the 2025 Public Finance Document of 12 April, Italy’s net borrowing is expected to stand at 3.3% of GDP in 2025, to then fall below 3% in 2026.

The uptick in economic activity will be mainly driven by consumption, buoyed by the positive employment trend and the rise in real disposable income. Investment should benefit from the measures set out in the National Recovery and Resilience Plan and the improvement in financing conditions brought about by the reduction in official rates announced by the ECB last summer. However, it will be adversely affected by the uncertainty associated with trade tensions, as well as the effects of the withdrawal of incentives for residential construction. Exports will be significantly hurt by tighter trade policies and Bank of Italy has estimated that the tariffs will shave 0.5 percentage points off GDP growth over the 2025-2027 three-year period. According to projections by Bank of Italy, GDP will grow by 0.6% in 2025, 0.8% in 2026 and 0.7% in 2027.

Banks

During the six months, the cost of bank funding continued to decline, in line with the above-mentioned reductions in key interest rates.

Between February and May, the marginal cost of bank funding dropped by 24 basis points, to 1.2%, mainly reflecting the decrease in deposit yields and in interest rates on the interbank market. The contraction in bank funding came to a halt in the second quarter of 2025. Growth in deposits by residents remained strong, buoyed by the demand deposits component.

During the first half of the year, interest rates on loans to businesses fell and the decline in key interest rates continued to be passed through to the cost of loans to non-financial companies. The interest rates on new loans to businesses fell to 3.7% in May from 4% in February, in line with the decrease in the short-term risk-free benchmark rate. The average cost of outstanding loans continued to fall too, reflecting the large share of floating rate loans. The average cost of new mortgage loans to households remained broadly unchanged between February and May (at 3.2%), affected by the higher long-term benchmark rate, which rose markedly in early March following the announcements of increased public spending on defence and infrastructure in Germany.

The contraction in loans to non-financial companies eased, although it is still significant for smaller businesses. In an environment of high uncertainty, demand for credit remains subdued and lending policies continued to be cautious.

In particular, loans to non-financial companies continued to contract in the second quarter, though significantly less than in February (-1.4%, from -2.1% year-on-year). The fall was more significant for small businesses and for manufacturing and construction companies. This contraction reflects the reduction in loans with longer maturities, which more than offset the increase in short- and medium-term loans. Specifically, exporting companies, which are more exposed to the unpredictability of trade policies, increased their demand for short-term credit, while reducing that for longer-term loans, presumably postponing investment decisions until the uncertainty subsides. Lending to households accelerated between February and May (from 0.7% to 1.5%), reflecting the improvement in mortgage lending; consumer credit continued to grow steadily.

According to the Italian banks interviewed in March for the euro-area bank lending survey (BLS), demand for loans at the beginning of the year remained modest, following a slight increase in late 2024. Greater recourse to internal financing offset the expansionary effect of the fall in interest rates.

Lending policies for businesses remained cautious in the first quarter, reflecting banks' heightened risk perception. In the first half of 2025, the marginal cost of bank funding dropped to 1.2% from 1.5% at the end of 2024, reflecting the decrease in deposit yields and in interest rates on the interbank market. Specifically, exporting companies, which are more exposed to the unpredictability of trade policies, reduced their demand for longer-term loans, which are typically used to finance investment in operating assets and to expand production capacity, and increased their demand for short-term credit, postponing investment decisions until the uncertainty subsides. The contraction in bank funding was also impacted by the repayment of funds from the third series of targeted long-term refinancing operations (TLTRO3).

Operations and key events of the period

Development of the new group's business lines

During the six months, the group continued to develop its business lines: it recorded a three-digit annual growth rate (Compounded Average Growth Rate, "CAGR") for all major parameters in its first two years of operations. In particular, loans and receivables with customers (financing, factoring and tax) increased from about €80 million at the time of the demerger to over €1 billion at 30 June 2025 (>10x). This section focuses on the characteristics of the products offered by the group and the initiatives taken in the period to steer their development.

Guaranteed finance

The group's products are mainly designed for Italian SMEs and large companies with turnover of more than €1 million. At public guarantee fund level, the main instruments supporting SMEs that the group focuses on are those of the Central Guarantee Fund. Therefore, risks on the loans are mostly mitigated by state backing.

Starting from 2022, the parent's guaranteed finance business line became fully operational after its set-up in December 2021 when it acquired 100% of Five Sixty S.r.l., a consultancy company with considerable experience in the guarantee fund market. The parent entered into an operating partnership with Garanzia Etica S.c., a financial intermediary as per article 106 of the Consolidated Banking Act specialised in servicing for access to guarantee funds and management of benefits.

Products are distributed through the direct channel, the network of agents and brokers and BancoPosta, with which the parent signed a strategic partnership agreement for the distribution of MCC/SACE-backed loans in 2023 (SACE is the financial and insurance group controlled by the Italian Ministry of Economy and Finance). In April 2024, the parent renewed its partnership with SACE by signing the "Futuro" and "Green" agreements, which allow Italian companies, especially SMEs, to access medium- and long-term guaranteed loans aimed at strategic level investments and ecological transition objectives, respectively.

In 2024, the parent launched the new "Digital Lending" financing product for the distribution of small loans guaranteed by the Central Guarantee Fund, i.e., up to €500 thousand. The project is part of the parent's plan to continuously refresh its commercial offering and services and is aimed at further strengthening and digitalising business processes, leveraging the technological assets acquired as part of the acquisition of the Instapartners (formerly Credimi S.p.A.) business unit.

Confirming its support for the world of entrepreneurship, as of April 2025, the parent has also extended access to the Digital Lending product to companies that have been established for at least three years

with a minimum turnover of €150,000. It concurrently lowered the minimum funding request from €40,000 to €20,000.

The parent disbursed loans of €138 million, including €45 million through the digital lending channel, as part of its guaranteed finance business in the first half of 2025. At 30 June 2025, the carrying amount of loans guaranteed by the MCC and/or SACE was €766 million, net of impairment losses.

Factoring

During the six months, the parent continued to develop its factoring business through the unit set up in 2021 and accelerating its development by acquiring a company already active in this sector. In December 2021, the parent acquired 100% of Fifty S.r.l., a credit broker which has developed a proprietary fintech platform to manage factoring products. The subsidiary was merged into the parent with statutory, accounting and tax effect from 1 January 2022, allowing it to independently manage the entire factoring value chain.

During the period, the parent provided companies with invoice financing in the form of recourse and non-recourse factoring for €384 million. At 30 June 2025, factoring assets amounted to €188.1 million.

Tax assets

Banca CF+ continues to invest in tax assets from performing companies and companies in complicated situations, including insolvencies and voluntary winding-ups, through its subsidiary Crediti Fiscali+. This business line has been strengthened in recent years by the strategic partnership agreement with Be Finance, a market leader in the domestic tax asset sector, signed in November 2018. As part of its drive to build up the tax asset business, on 13 July 2022, the parent's shareholders approved the merger of the subsidiary Be Credit Management S.p.A., already wholly-owned, into the parent. The merger became effective on 1 October 2022. On 1 February 2025, the parent finalised the acquisition of a business unit from Be TC S.r.l. ("**BE TC**"), another company related to Be Finance and active in the financial and business management consulting sector and operating in the negotiation and signing of contracts for the purchase of tax assets or portfolios of tax assets. The business unit transferred with effect from 1 February 2025 mainly comprises a production unit, including 11 qualified resources, and the existing contract with Crediti Fiscali+ for brokerage activities related to the purchase of tax assets.

Investments made during the period mostly consisted of the parent's subscription of ABS for €92.1 million issued by the securitisation vehicle Crediti Fiscali+ S.r.l., which purchased tax assets for €91.9 million.

Starting from the second half of 2024, the parent also began purchasing portfolios of former 110% superbonus tax assets, not only for offsetting purposes but also for resale to third parties.

The condensed interim consolidated financial statements at 30 June 2025 include, under loans and receivables with customers at amortised cost, tax assets of €139.9 million purchased by the vehicles Crediti Fiscali+ and Fairway. They also include, under other assets, former 110% superbonus tax assets of €26.3 million purchased directly by the parent for offsetting purposes (€21 million) or resale to third parties (€5.3 million).

Approval of the 2025-2027 financial projections

On 11 February 2025, the parent's board of directors approved the 2025 budget and the 2025-2027 financial projections (the “projections”) for the group. The projections were drawn up in line with the strategic guidelines under which the parent aims to be a challenger bank for businesses/SMEs focused on high-potential market segments.

They are based on the following considerations:

- interest rate scenario: changes in the macroeconomic scenario have had a significant impact on interest rates, which are expected to contract in 2025 and 2026, while a slight increase is expected in 2027. Lower interest rates lead to a lower cost of funding than in 2024 - and, indirectly, to a higher and potentially growing demand for credit;
- government guarantee regulatory framework: the projections incorporate the impacts of significant updates to the government guarantee regulatory frameworks that occurred during 2024;
- capitalisation: implementation of a capital strengthening transaction of approximately €15 million, already injected by the controlling shareholder, Tiber 2, as described in the “Capitalisation” section of this report.

The 2025 budget and the projections - which are developed in continuity with the parent's strategic guidelines - also envisage the implementation of the following strategic/operational projects aimed at strengthening CF+'s business model:

- integration of the BE TC business unit: the acquisition of the BE TC business unit, effective from 1 February 2025, entailed the integration of 11 resources and the complete insourcing within the parent of the expertise and all functions related to the tax assets business;
- signing of a financial guarantee contract, as described in detail in the “Legacy portfolio” section, covering ABS securities for a total amount of €256.7 million, which will mitigate any losses on this portfolio.

Following the capitalisation, already in 2025 and throughout the plan period, the group will be well positioned to consistently meet capital requirements and strengthen the drive for investments and operating activities, necessary to improve its profitability.

Voluntary tender offer for all the shares of Banca Sistema

On 30 June 2025, by means of a communication pursuant to article 102.1 of Legislative Decree no. 58 of 24 February 1998 (the Consolidated Finance Act) and article 37 of the regulation adopted by Consob (the Italian commission for listed companies and the stock exchange) with resolution no. 11971 of 14 May 1999 (the “Issuers’ Regulations”), the parent announced that it had launched a voluntary tender offer pursuant to article 102 and following articles of the Consolidated Finance Act for 80,421,052 ordinary shares of Banca Sistema S.p.A. (“Banca Sistema”), as resolved by its Board of Directors at the meeting held on 29 June 2025.

The offer, which is subject to obtaining the relevant regulatory authorisations and the fulfilment of certain conditions precedent, covers the parent’s acquisition of all the shares of Banca Sistema (the “shares”) traded on Euronext Milan, Euronext STAR Milan segment, organised and managed by Borsa Italiana S.p.A.. It is not aimed at the delisting of the issuer’s shares. Banca CF+ will merge into Banca Sistema as soon as this is feasible once the offer has been completed. The parent will benefit from the full financial support of its key shareholder to pursue the growth and development plans resulting from the completion of the offer.

It will pay a total consideration of €1.80 for each share tendered to the offer as follows: a. €1.382 in cash and b. €0.418 by allocating 21 shares of Kruso Kapital S.p.A. (“KK”), a subsidiary of Banca Sistema whose shares are traded on the multilateral trading system Euronext Growth Milan, organised and managed by Borsa Italiana S.p.A.. The KK shares will be allocated after a share split has been carried out using a ratio of 1:98 for each share tendered.

The offer is open to all Banca Sistema’s shareholders. On 29 June 2025, the parent signed an agreement with Banca Sistema’s main shareholders, Gianluca Garbi, SGBS S.r.l. and Garbifin S.r.l. (the “tendering shareholders”) establishing that, inter alia, the tendering shareholders irrevocably commit to the offer by tendering 19,995,371 ordinary shares, making up roughly 24.86% of Banca Sistema’s share capital.

The combination of the two banks will also:

- strengthen the post-combination bank’s competitive position by growing to a scale that enables cost synergies and optimised investments in future development;
- diversify revenue streams with business segments that are complementary to the group’s existing operations and the offering of products with high strategic value;
- consolidate relations with corporate customers by developing a lending platform offering short- and medium- to long-term products, enabling the group to capture a greater share of customers’ credit needs;
- rationalise the funding structure in terms of its composition and cost, stabilising funding and optimising the return on assets to support the group’s expansion, also leveraging the capital

market as a source of funding;

- develop the ability to attract new talent with specific professional skills to support business development.

These objectives will be achieved by maintaining a solid capital position, creating value for shareholders through the distribution of sustainable dividend flows over time. Attainment of these assumptions hinges on the post-merger bank continuing to be listed on the stock exchange, as this will provide it with greater flexibility in seizing strategic opportunities and facilitate its potential role as aggregator of specialised entities in the market.

Banca CF+ will benefit from the full financial support of funds advised by Elliott Investment Management L.P., as a key shareholder, to support the growth and development plans resulting from the completion of the offer.

Before the deadline for submission of the offer document to Consob, the parent submitted the following applications to the competent authorities to obtain the prior authorisations required by the applicable laws and sector regulations pursuant to article 102.4 of the Consolidated Finance Act in relation to the offer:

- (i) application to the European Central Bank and Bank of Italy for prior authorisation for the direct and indirect acquisition of a controlling interest in the issuer, pursuant to article 22 and following articles of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 and articles 19 and 22 of Legislative decree no. 385 of 1 September 1993 (the Consolidated Banking Act);
- (ii) application to Bank of Italy for prior authorisation for the indirect acquisition of a controlling interest in KK, pursuant to articles 19 and 22 of the Consolidated Banking Act, as referred to in article 110 of the same Act;
- (iii) application to Bank of Italy for authorisation of the acquisition of direct and indirect investments which, in aggregate, exceed 10% of the CF+ Group's own funds, pursuant to articles 53 and 67 of the Consolidated Banking Act, as implemented in Part Three, Chapter I, Section V of Bank of Italy Circular no. 285 of 17 December 2013;
- (iv) application, pursuant to article 56 of the Consolidated Banking Act and Title III, Chapter 1, Sections II and III of Bank of Italy Circular no. 229 of 21 April 1999, for the amendments to the by-laws in connection with the capital increase and necessary to maintain compliance with regulatory capital requirements, as well as the application for authorisation, pursuant to articles 26 and 28 of Regulation (EU) no. 575/2013, to include the new shares in Common Equity Tier 1;
- (v) all other applications or communications for the obtainment of prior authorisations or clearances which, pursuant to the sector regulations under article 102.4, of the Consolidated Finance Act, may be required in relation to the offer, including those which may be required by competent foreign authorities (the "prior authorisations").

On 21 July 2025, Banca CF+ filed the offer document with Consob for publication pursuant to article 102.3 of the Consolidated Finance Act and article 37-ter of the Issuers' Regulation. Pursuant to article 102.4 of the Consolidated Finance Act, Consob can only approve the offer document after all the prior authorisations have been obtained.

Following the parent's notification to the Presidency of the Council of Ministers on 19 July 2025, pursuant to article 2 of Decree law no. 21 of 15 March 2012, as converted into law and subsequently amended (the "golden power decree") - the golden power notification - on 1 September 2025, the Presidency of the Council of Ministers announced that the transaction does not fall within the scope of the regulations set forth in the golden power decree and, therefore, may be completed. Receipt of the above-mentioned measure is one of the authorisations necessary for the transaction's completion.

Capitalisation

To drive the planned growth set out in the 2025-2027 financial projections (described in the "Approval of the 2025-2027 financial projections" section), on 11 February 2025, the parent's Board of Directors approved a new capital increase against payment in instalments to be offered with rights of first refusal to the parent's shareholders pursuant to article 2441 of the Italian Civil Code for a maximum of €17 million. The parent's controlling shareholder, Tiber 2, injected €15 million for the future capital increase in April 2025.

Legacy portfolio

As mentioned earlier in the "Competitive positioning" section, Banca CF+ was created in 2021 by the demerger of the debt servicing and debt purchasing businesses. At the demerger date, the assets represented by securitisation notes with underlying exposures (performing and non-performing) were transferred to the demerger beneficiary, with the exception of certain securitisation notes and credit exposures (the "legacy portfolio") retained by the parent. The operational management (definition of the collection strategy, collection management, cash flow estimation, etc.) of the exposures underlying the notes is performed by third-party servicers on the basis of specific agreements.

The legacy portfolio consists of ABS of different seniority (senior, mezzanine and junior) issued by securitisation vehicles with underlying portfolios of non-performing exposures (bad and UTPs related to banking and leasing activities). It also includes some portfolios of credit exposures (performing and non-performing banking and leasing).

In the first six months of 2025, the group continued to manage these assets through the servicers, to which their management is contractually entrusted, collecting €8.5 million on POCI exposures, as well as €18.9 million on ABS held by the parent and issued by unconsolidated SPVs. As mentioned later in this

report, the mid-year business plan review of the legacy portfolio (“BP review”) performed at 30 June 2025 led to the recognition of net losses of €0.3 million, comprising impairment losses of €0.8 million and net fair value gains of €0.5 million on ABS notes measured at fair value that are not fully consolidated.

In March 2025, the parent signed a financial guarantee contract (asset protection scheme, “APS”) with two counterparties belonging to the group headed by the key shareholder. This financial guarantee covers a portion of the ABS, equal to about 60% of the legacy portfolio’s carrying amount at 31 December 2024. In June 2025, it was extended to an additional portion (the Lazzaro notes), up to approximately 80% of the carrying amount, through the signing of an addendum to the original contract, which already included a specific provision to that effect.

The contract has a term of 10 years and is intended to mitigate the possible effects on profit or loss of any impairment losses on the portfolio, as the parent has recognised large impairment losses in the years following the demerger. It establishes the guarantors’ obligation to make - at the parent’s request and in the case of specific contractually foreseen circumstances (“notes event”) - a payment under the guarantee to cover any loss incurred by it.

At 30 June 2025, the APS was applied for the first time to mitigate the effects of the BP review process. In particular, the parent claimed and received compensation of €1.76 million, which has been recognised under other operating income.

A breakdown of the legacy portfolio at the reporting date is as follows:

(€'000)

Type of investment	Gross carrying amount	Carrying amount		Total	Coverage on gross carrying amount
		Performing	Non-performing		
POCI exposures purchased through SPVs	238.998	-	75.563	75.563	68%
Unconsolidated ABS of the parent*	2.607.944	186.218		186.218	93%
POCI bank loans purchased directly by the parent	4.996		2.102	2.102	58%
POCI leases purchased directly by the parent	247.944		1.190	1.190	100%
Leases purchased directly by the parent	7.135	2.315	4.702	7.017	2%
Other legacy loans disbursed by the parent	19.185	18.921		18.921	1%
Equity instruments	4.000	4.000		4.000	0%
Total	3.130.202	211.454	83.557	295.011	91%

Funding strategy

The parent has adopted a funding strategy aimed at achieving the best possible cost-risk balance. Accordingly, it ensures it has access to a wide variety of sources of funds and can create the perfect funding fix to avail of the best medium to long-term market conditions.

This diversification is essential to ensure the sound and prudent management of liquidity risk.

Generally speaking, the group's funding strategy is based on:

- financing source stability, in line with the planned conversion of maturities;
- optimised cost of funding while concurrently ensuring diversified sources of funding, reference markets and tools;
- a sufficient volume of high quality liquid assets, that can also be sold to the markets in difficult times and that are eligible as collateral with central banks to meet any overnight funding requirements;
- financing the parent's growth through strategic fund-raising activities, consistently with its funding profile structure;
- compliance with the regulatory metrics provided for in the risk appetite statement;
- mitigation of liquidity risk by applying market best practices (maintaining an appropriate liquidity buffer in line with its assets) and complying with regulations. Specifically, this objective is achieved as a result of:
 - the creation of capital cushions, which include marketable securities eligible for refinancing by central banks;
 - a risk and operating limit system;
 - diversified sources and channels of funding, counterparties and maturities.

The parent strategically aims to align sources of funding with its lending business. In addition to funding from retail customer deposits, the parent also draws on a variety of institutional funding sources linked to the interbank market, the repos market and committed credit facilities. This allows it to diversify its funding by product, counterparty and maturity.

The parent's total funding amounts to €1,723.1 million at the reporting date. Specifically, it has the following sources of funds:

- repurchase agreements with banks of €210.4 million;
- interbank credit facilities of €25.0 million;
- corporate deposits of €103.6 million;
- refinancing operations with the central bank of €55.0 million;
- retail customers' deposits of €1,329.1 million;

The parent has joined Bank of Italy's Collateral Management System (ABACO) for the collateralisation of eligible exposures.

During the first half of 2025, the parent consolidated retail funding in the German, Dutch and Spanish markets via the Raisin platform and commenced the process to start funding in Ireland.

Developments and investments in technology

Although it does not carry out specific research projects, the parent continued its technological

development path, confirming the importance of innovation and service automation as key enablers for achieving its business plan objectives. The activities carried out during the period were geared towards strengthening and making the ICT unit more structured, capitalising on the work carried out in previous years - in particular during 2024 - and ensuring full consistency with the parent's digital strategy and regulatory requirements, in particular those introduced by Regulation (EU) 2022/2554 (Digital Operational Resilience Act - DORA).

In line with the forecasts of its 2025 IT Plan, the parent has focused its efforts on four main directions:

- continuation along the path of technological innovation and transformation, aimed at enhancing the tools supporting its business and operational processes;
- evolution and streamlining of the existing applications, through the incorporation of new functional requirements and the optimisation of reporting and business monitoring solutions;
- implementation of regulatory compliance measures, either by launching new projects or by completing those already started;
- strengthening ICT Governance, by consolidating the IT framework, enhancing first-level controls and improving the ICT vendor management and supervision process.

During the first half of 2025, the parent also continued structural activities aimed at strengthening security and operational resilience, focusing in particular on protecting IT assets, managing digital identities and improving the governance of security controls.

Finance & investments

The Finance & Investments Department set up in 2022, has the following objectives:

- i) ensure a balanced and efficient management of liquidity and collateral;
- ii) engage in the definition/structuring/management of secured and unsecured funding products;
- iii) ensure proactive management of financial assets and the proprietary portfolio.

At 30 June 2025, the proprietary portfolio is invested in Italian government bonds with a residual maturity of no more than 10 years, primarily aimed at optimising the parent's liquidity profile and contributing positively to the generation of net interest income. The carrying amount of securities, all classified in the hold to collect (HTC) portfolio, amounts to €334.4 million.

During the six-month period, the parent recognised gains of €2.1 million on the sale of government bonds classified in the HTC and HTCS (hold to collect and sell) portfolios with a nominal amount of €121 million,

disposed of prior to their maturity date. This non-recurring and immaterial transaction involved HTC securities and was undertaken as part of the parent's specific business model assessment policy, aimed at supporting its capitalisation.

In the first half of 2025, the parent again used mechanisms to hedge fluctuations in the risk-free component that contributes to the formation of the discount rate (K_e) of ABS measured at fair value, by entering into listed derivatives.

Workforce

Banca CF+ pays great attention to its human capital, a real strength and competitive advantage in delivering service excellence. It aims to ensure a fair gender balance and an inclusive culture within the work environment, allowing for fair and equal growth at all levels.

The group's workforce numbers 222 resources all employed at the parent, of which 86 are women and 136 are men, with an average age of 40 years in the period (41 years in 2024). The workforce increased by 9% (204 employees at 31 December 2024) during the six months, partly due to the entry of 11 resources with the BE TC business unit acquisition.

Concurrently with the development of business activities in the period, the parent continued the strategy of hiring specialised professionals begun in previous years, with the strengthening of both the business structure (factoring, financing, tax assets and finance & investments) and the governance and support structure (accounting and loans management, IT and controls).

100% of the parent's employees are on permanent, full-time contracts.

The following two tables show a breakdown of the parent's workforce by professional category and gender/age group:

Workforce by professional category and gender		
Professional category	H1 2025	2024
Managers	9%	10%
Men	86%	80%
Women	14%	20%
Junior managers	52%	49%
Men	70%	68%
Women	30%	32%
White collars	38%	41%
Men	44%	43%
Women	56%	57%

Workforce by professional category and age group		
Professional category	H1 2025	2024
<30 years	9%	9%
Managers	0%	0%
Junior managers	5%	5%
White collars	95%	95%
Between 30 and 50 years (inclusive)	74%	74%
Managers	8%	9%
Junior managers	52%	50%
White collars	41%	41%
>50 years	17%	17%
Managers	22%	21%
Junior managers	68%	68%
White collars	11%	12%

Attention to the wellbeing and safety of employees is one of the key principles of **Banca CF+**'s strategy, aware that its growth is closely linked to the satisfaction, enhancement and protection of its employees.

To this end, the parent has adopted a set of concrete initiatives aimed at improving the quality of its employees' working life and facilitating their work-life balance, differentiated according to the characteristics of their role and work organisation. Specifically:

- **Time flexibility:** possibility to choose their start times to facilitate the management of personal and family needs.
- **Remote work:** accessible to all employees, with an extension - from 2025 - of up to **12 days per month** for all staff.
- **Workplace wellbeing initiatives:** a package of initiatives to promote health and safety, including health insurance policies that can be extended to the family unit, periodic medical check-ups and supplementary pension schemes.
- **Training:** targeted programmes for the various positions (workers, supervisors, managers, emergency workers, prevention and protection officers, safety officers, etc.), to ensure continuous updating about and expertise in safety and prevention matters.
- **Ethics and inclusion:** a set of tools and policies aimed at promoting a fair and respectful working environment, including the **Code of Ethics**, the **Diversity & Inclusion Committee**, **D&I Policy**, **anonymous and secure whistleblowing** channels and the **psychological support** service to ensure employees' wellbeing.

These actions testify to Bank CF+'s commitment to promoting a healthy, inclusive and sustainable working environment, where wellbeing, safety and respect for people represent fundamental and non-negotiable values.

Financial performance and position

This section contains comments on the main income statement and statement of financial position figures for the period. A more specific view by business segment is provided in the "Financial performance by business segment" section.

Financial performance

	(€m)			
Reclassified income statement	H1 2025	H1 2024	Variation	Variation %
Net interest income	30,9	28,2	2,6	9,3%
Net fee and commission income	1,0	0,2	0,8	499,1%
Net profit on sale of financial assets	2,4	0,9	1,5	158,0%
Net fair value gain on ABS	1,3	5,9	(4,6)	-78,2%
Total income	35,5	35,2	0,3	0,9%
Net impairment losses for credit risk	(10,2)	(5,9)	(4,3)	73,8%
Operating costs	(28,4)	(23,8)	(4,6)	19,1%
Pre-tax profit (loss)	(3,0)	5,5	(8,6)	-155,0%
Income taxes	0,3	(2,1)	2,4	-115,8%
Post-tax profit (loss) from continuing operations	(2,7)	3,5	(6,2)	-51,6%
Post-tax profit (loss) from discontinued operations	-	-	-	0,0%
Profit (loss) for the period	(2,7)	3,5	(6,2)	-178,4%
Profit (loss) for the period attributable to non-controlling interests	-	-	-	0,0%
Profit (loss) for the period attributable to the owners of the parent	(2,7)	3,5	(6,2)	-178,4%

The group made a loss of €2.7 million for the six months, entirely attributable to the owners of the parent, compared to a profit of €3.5 million for the same period of 2024.

Compared to the first half of 2024, the loss for the six months ended 30 June 2025 reflects an increase in net interest income and net fee and commission income (+€2.6 million and +€0.9 million, respectively) thanks to the growth in volumes of the parent's core business, as well as a profit of €2 million on the sale of government bonds (+€1.1 million compared to the first half of 2024), a positive performance adversely affected however by impairment losses of €9.1 million (€2.7 million for the corresponding period of 2024) and an increase in operating costs (+€4.6 million compared to the first half of 2024), partly as a result of the expenses incurred for the presentation of the tender offer for Banca Sistema.

The mid-year business plan review of the legacy portfolio ("BP review") performed at 30 June 2025, covering the portfolios in which the parent has invested either directly or by subscribing ABS, led to the recognition of net losses of €0.3 million, comprising impairment losses of €0.8 million and net fair value gains of €0.5 million on ABS notes measured at fair value that are not fully consolidated. In addition to the

effect of the BP review, the ABS' fair value increased by €1.4 million due to the market adjustment to the components of the rate used to discount the notes' estimated cash flows.

The profit for the first half of 2024 had been penalised by the BP review with net losses totalling €4.1 million, but had also benefited from the earn-out on an ABS of €5 million.

At 30 June 2025, the APS financial guarantee was applied for the first time mitigating the effects of the BP review process. In particular, the parent claimed and received compensation of €1.76 million, which has been recognised under other operating income.

An analysis of the key income statement captions is provided below with the variations compared to the corresponding period of the previous year.

Net interest income amounts to €30.9 million compared to €28.2 million for the corresponding period of 2024. Interest income of €61.6 million (€58.8 million in the first half of 2024) mostly refers to financing as follows:

(€m)	H1 2025	H1 2024
Guaranteed finance	28.17	27.60
Factoring	3.76	3.02
Tax assets (Crediti Fiscale+ and Fairway)	7.14	7.56
Tax assets (110 superbonus)	0.92	0.53
Liquidity and investments	9.22	5.52
Legacy - consolidated portfolios	5.04	5.95
Legacy - unconsolidated ABS	6.35	7.32
Legacy - portfolios recognised in the banking book	1.02	1.29
Total	61.62	58.80

Interest expense of €30.8 million (€30.6 million in the first half of 2024) mainly refers to online deposits from retail customers ("DOL") (€19.3 million compared to €19 million in the first half of 2024), repos and interbank and corporate deposits/financing (€9.6 million compared to €9.7 million in the first half of 2024) and securities issued (€2 million, of which €1.8 million related to the subordinated bonds issued by the parent in October 2023).

Net fee and commission income amounts to €1 million compared to €0.2 million in the corresponding period of 2024. The caption mainly includes commissions of €2.5 million and €0.9 million, respectively, related to the factoring business and on financing not included in the amortised cost, net of commissions paid to agents and brokers. Fee and commission expense includes fees and commissions paid by the

SPVs to external servicers for their roles in the respective securitisations (€0.7 million), those paid by the parent to the Gardant Group for activities outsourced to it since 1 August 2021 (€0.2 million), as well as €0.8 million paid to third parties that assist the parent with its online deposit collection activities. Fee and commission expense also includes the portion of the cost for the period of €0.55 million relating to the APS financial guarantee contract.

Net trading income of €0.1 million includes:

- income of €0.3 million on the sale of the 110% superbonus tax assets purchased by the parent for resale;
- income of €0.6 million on the trading of options on government securities;
- expense of €0.2 million on the trading of listed derivatives (futures), used to hedge fluctuations in the risk-free component that contributes to the formation of the discount rate (Ke) of ABS measured at fair value and issued by unconsolidated SPVs;
- expense of €0.5 million related to the settlement of the option signed in 2018 for the acquisition of BE TC S.r.l.. In fact, the parent finalised the acquisition of a business unit from BE TC S.r.l. in January 2025, as a result of which, the above-mentioned option was terminated. The agreements finalised as part of the acquisition led to the recognition of income of €0.3 million under the caption “Net gain on other financial assets and liabilities at fair value through profit or loss”. This income reflects the reduction of the deferred purchase price (DPP) liability with BE TC S.r.l., recognised by the parent in respect of certain tax assets.

Net gains on the sale of financial assets at amortised cost (€2.4 million) mostly refer to the gains of €2.1 million on the sale of government bonds classified in the HTC and HTCS portfolios with a nominal amount of €121 million prior to their maturity. This non-recurring and immaterial transaction involved HTC securities and was undertaken as part of the parent’s specific business model assessment policy.

The **net gain on other financial assets and liabilities at fair value through profit or loss** of €1.2 million (€3.7 million in the corresponding period of 2024) is the balance of fair value gains of €2 million on the ABS issued by the unconsolidated companies and fair value losses of €0.8 million on liabilities recognised by the parent.

The net gain for the first half of 2024 had been penalised by the BP review with net losses totalling €4.1 million, but had also benefited from the earn-out on an ABS of €5 million.

Total income amounts to €35.5 million compared to €35.2 million for the corresponding period of the previous year.

Net impairment losses amount to €10.2 million compared to €6 million in the corresponding period of 2024. They include:

- net individual impairment losses of €9.1 million on stage 3 loans and guaranteed finance products;
- impairment losses on factoring assets (€0.5 million, including €0.4 million on stage 3 assets);
- net impairment losses of €0.8 million on unconsolidated ABS.
- individual impairment losses of €0.2 million on the parent's and consolidated SPVs' POCI portfolios;
- collective impairment gains of €0.1 million on the parent's performing financing and guaranteed finance products;

The individual impairment losses on guaranteed finance and factoring products reflect their transfer to stage 3 during the period. The individual impairment gains on the POCI portfolios acquired by the parent directly or through SPVs were determined on the basis of the business plan review performed at 30 June 2025.

Administrative expenses of €27.1 million (€22.9 million in the first half of 2025) consist of personnel expenses (€14.8 million compared to €13.2 million in the corresponding period of 2024) and other administrative expenses (€12.3 million compared to €9.7 million in the corresponding period of 2024). Variable remuneration, including social security contributions, amounts to €1.5 million, in line with the corresponding period of 2024.

The increase in personnel expenses reflects the greater number of employees up from 202 at 30 June 2024 to 222 at 30 June 2025, partly due to the acquisition of the BE TC business unit (11 resources).

The increase in administrative expenses was also due to higher extraordinary costs for specific projects (e.g., implementation of the APS financial guarantee, finalisation of the Lazzaro securitisation, the Banca Sistema tender offer, etc.) and production costs (+€0.4 million, +10%) driven by credit outsourcer expenses, stamp duty and the digital lending communication.

Net accruals to provisions for risks and charges of €0.7 million mainly include the amount accrued for the operating risk associated with tax assets acquired through the consolidated companies Crediti Fiscali + and Fairway for which a tax dispute is pending with the tax authorities.

Amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets amount to €2.7 million (€2.3 million in the corresponding period of 2024). The caption mostly consists of the depreciation of right-of-use assets recognised in accordance with IFRS 16 (€0.7 million, offices in Rome and Milan, printers and cars), amortisation of software (€1.7 million,

including that obtained with the acquisition of Fifty and the Credimi business unit) and depreciation of property and equipment (€0.2 million).

Other net income amounts to €2 million. Other income includes, inter alia, the compensation of €1.8 million paid to the parent under the APS financial guarantee contract (described earlier) and the recovery of stamp duties on retail customers of €0.6 million. Other expenses include prior year expense on legal disputes of €0.2 million.

The group's **pre-tax loss** comes to €3 million compared to a pre-tax profit of €5.5 million for the first half of 2024 and the budgeted loss of €2.5 million. The group recognised income tax income of €0.3 million, of which income tax expense of €0.1 million related to the parent and the release of deferred tax liabilities recognised on the SPVs' results and consolidation entries of €0.5 million.

The **loss** for the period of €2.7 million is entirely attributable to the owners of the parent.

Financial position

	(€m)			
Reclassified statement of financial position	30/06/2025	31/12/2024	Variation	Variation %
Cash and cash equivalents	76	100	(24)	-24%
Financial assets	1,724	1,792	(68)	-4%
<i>Financial assets held for trading</i>	0	1	(1)	-90%
<i>Other financial assets mandatorily measured at fair value</i>	82	86	(4)	-5%
<i>Financial assets at fair value through other comprehensive income</i>	4	9	(5)	-57%
<i>Loans and receivables with customers at amortised cost</i>	1,638	1,696	(58)	-3%
Loans and receivables with banks	12	11	1	9%
Equity investments	-	-	-	-
Property, equipment and investment property and intangible assets	16	17	(1)	-9%
Tax assets (current and deferred)	13	15	(3)	-17%
Other assets	67	23	45	196%
Total assets	1,908	1,959	(51)	-3%
Funding and other financial liabilities	1,752	1,818	(66)	-4%
<i>Due to banks</i>	266	433	(167)	-39%
<i>Due to customers</i>	1,452	1,353	99	7%
<i>Securities issued</i>	30	28	2	7%
<i>Financial liabilities held for trading</i>	0	0	-	0%
<i>Liabilities at fair value</i>	4	3	1	20%
Tax liabilities	3	4	(1)	-14%
Other liabilities	38	35	3	8%
Post-employment benefits	0	0	-	0%
Provisions for risks and charges	1	0	1	117%
Equity	113	101	12	12%
Share capital	39	39	-	0%
Reserves	77	73	4	5%
Equity attributable to non-controlling interests	-	-	-	-
Loss for the period/year	(3)	(11)	8	-75%
Total liabilities and equity	1,908	1,959	(51)	-3%

Total **assets** amount to €1,908.4 million compared to €1,959.3 million at 31 December 2024.

Investments in debt and equity instruments amount to €523.6 million compared to €656.2 million at 31 December 2024, including:

- ABS of €81.8 million issued by the unconsolidated vehicles and measured at fair value (junior and mezzanine notes of Gardenia, Redaia, Rienza, Palatino, Bramito, Domizia, Vette, Restart, ICR and Appia that did not pass the SPPI test);
- ABS of €104.5 million issued by the unconsolidated vehicles and measured at amortised cost (senior and mezzanine notes of Bramito, Palatino, Domizia, Vette, ICR and Luzzatti that passed the SPPI test);
- government bonds of €333.4 million held by the parent and classified as HTC under financial assets at amortised cost;
- participating financial instruments at fair value through other comprehensive income of €4 million.

The reduction of €133 million compared to 31 December 2024 is mainly attributable to the decrease in government securities (-Euro 121.3 million compared to 31 December 2024 considering both the HTC and HTCS portfolios) and to the collections on ABS issued by unconsolidated SPVs (€9.2 million on securities at amortised cost and €9.7 million on securities at fair value).

Loans and receivables, classified as financial assets at amortised cost, amount to €1,202.3 million at 30 June 2025 (€1,135.3 million at 31 December 2024) and consist of:

- loans and receivables with customers of €215.5 million purchased through securitisation vehicles (including tax assets of €139.9 million purchased by Crediti Fiscali+ and Fairway and POCI non-performing exposures of €75.6 million purchased by Ponente SPV, New Levante SPV, Cosmo SPV, Aventino SPV and Liberio SPV);
- POCI bank loans of €2.1 million purchased directly by the parent;
- lease portfolios of €8.2 million purchased directly by the parent;
- loans and guaranteed finance products of €788.4 million disbursed by the parent;
- factoring assets of €188.1 million disbursed by the parent.

The increase compared to 31 December 2024 (€67 million) is mainly attributable to the guaranteed finance products placed by the parent (disbursements of €137.4 million, an increase of €4 million net of repayments and impairment losses), factoring assets (up €18 million) and tax assets purchased through Crediti Fiscali+ of €91.9 million (up €45 million net of collections in the six months).

In the period, the SPVs collected €60 million on consolidated portfolios, of which €51.5 million related to tax assets.

The securities (and loans) included in the Lazzaro securitisation issue, described earlier, have not been derecognised from the consolidated assets as the group, as sole noteholder of the ABS issued by Lazzaro, continues to be exposed to the risks and rewards of these assets. They are therefore treated as assets transferred and not derecognised.

The **net interbank balance** is a negative €177.2 million at 30 June 2025 compared to a negative €321.6 million at 31 December 2024. **Cash** held with banks amounts to €76.1 million at 30 June 2025 (€100.2 million at 31 December 2024), including the PM account balance and overnight deposits with Bank of Italy (€54.7 million). In addition to cash belonging to the parent, the caption includes cash held by the consolidated companies (€11.5 million). **Due to banks** totalling €265.9 million (€433.2 million at 31 December 2024) mainly comprises repurchase agreements entered into by Banca CF+ on securities in its portfolio for a total of €210.6 million (€252.9 million at 31 December 2024) and ordinary advances from Bank of Italy of €55 million (€180.3 million at 31 December 2024).

Hedging derivatives amount to €0.1 million at 30 June 2025 and include an interest rate swap with a positive fair value entered into as part of the micro fair value hedging strategy launched in the second quarter of 2025. The hedged items are Italian treasury bonds (BTPs) classified in the HTC portfolio. The fair value gains or losses on the hedged items are recognised directly as an adjustment to the amortised cost of the bonds under loans and receivables with customers. The net amount recognised in profit or loss is close to zero.

Property, equipment and investment property and intangible assets amount to €15.9 million (€17.4 million at 31 December 2024).

Property, equipment and investment property include the right-of-use assets recognised in accordance with IFRS 16 (the leased Rome and Milan offices and cars and printers for a total of €4.4 million).

Completion of the acquisition of the business unit of BE TC S.r.l. led to the recognition of goodwill of €0.5 thousand under the intangible assets. They also comprise goodwill related to the acquisition of Be Credit Management S.p.A. (€0.9 million) and goodwill and the intangible asset recognised provisionally as part of the PPA procedure for the acquisition of Fifty S.r.l. (€1.3 million and €0.9 million, respectively, net of amortisation) at 31 December 2021. Following the completion of the PPA procedure for the acquisition of the Credimi business unit, the caption also includes the carrying amount of the acquired software (€4.9 million at 30 June 2025, net of amortisation).

Other assets are mostly made up of:

- the 110% superbonus tax assets of €26.3 million purchased directly by the parent, which include assets of €5.3 million purchased for resale to third parties and classified in the “other” business model (fair value through profit or loss);

- prepayments and accrued income of €32.8 million;
- the APS compensation of €1.8 million due for the first half of 2025 under the APS contract.

Tax assets of €12.5 million (€15.2 million at 31 December 2024) comprise current tax assets of €7 million and deferred tax assets of €5.6 million. Current tax assets mostly refer to payments on account made by the parent, principally for stamp duties (€2.8 million), withholding taxes on interest (€3.8 million) and substitute taxes on loans (€0.2 million).

Deferred tax assets relate entirely to the parent and include €4.1 million on carryforward tax losses, the **ACE** (Aid for Economic Growth) benefit (€0.8 million), the impairment losses on loans and receivables that are deductible over more than one year in accordance with Law no. 214/2011 (€0.2 million) and the cost of aligning the carrying amount of the goodwill arising on the mergers of Fifty and BECM (€0.5 million recognised at 31 December 2022).

Liabilities include:

- due to customers of €1,452.1 million (€1,353.4 million at 31 December 2024), which mainly include the parent's funding through online deposits from retail customers of €1,333.9 million (€1,276.9 million at 31 December 2024), of which deposits for which the time deposit letter had either been signed or had not been signed of €377.9 million and €956.1 million, including accrued interest, respectively, pegged to an average fixed rate of 3.5% and with maturities ranging from 3 to 84 months. Due to customers also includes a loan from Cassa Depositi e Prestiti of €25 million and deposits from corporate customers of €84 million;
- securities issued of €30.3 million, of which €3 million related to the portion of notes issued by the consolidated vehicle Liberio SPV, held by third parties, and €27.3 million, including accrued interest, related to the subordinated bonds issued by the parent on 13 October 2023, which have a nominal amount of €25 million and bear interest at a rate of 14.5%. The bonds qualify as a Tier 2 capital instrument in accordance with the provisions of Regulation (EU) no. 575/2013 ("CRR", Capital Requirements Regulation) and Bank of Italy Circular no. 285 of 17 December 2013.

Financial liabilities at fair value through profit or loss amount to €4.1 million at 30 June 2025 (€3.4 million at 31 December 2024) and mostly comprise liabilities recognised for deferred prices related to the former Artemide portfolio and the Crediti Fiscali+ portfolio due to Fire and BE TC S.r.l., respectively.

Tax liabilities of €3.4 million (€4 million at 31 December 2024) include current tax liabilities of €0.1 million recognised by the parent and deferred tax liabilities of €3.3 million, mostly recognised on the SPVs' segregated assets' profits or losses (€3 million). The remainder (€0.3 million) relates to tax liabilities

recognised by the parent on the fair value gain arising on Credimi's intangible asset following completion of the PPA procedure.

Equity amounts to €113.4 million, of which €0.008 million is attributable to non-controlling interests, and includes the loss for the period. The increase on 31 December 2024 is due to the €15 million injection for future capital increases made by Tiber 2 on 29 April 2025.

Reconciliation between equity and the loss for the period of the parent with those of the group

	(€'000)	
	Equity	Loss for the period
As per the separate financial statements	107,317	(1,794)
Consolidated vehicles	6,081	(916)
As per the consolidated financial statements	113,398	(2,710)
Non-controlling interests	8	-
As per the consolidated financial statements (owners of the parent)	113,390	(2,710)

Financial performance by business segment

In order to provide a better understanding of the group's figures, this section includes tables with a breakdown by business segment in accordance with the new methodology set out in the segment reporting policy, approved by the parent's Board of Directors in 2025. The policy provides for the allocation of the financial figures using standard criteria, which makes it possible to intercept revenue, cost and asset items specific to each segment. In this way, the parent is able to make plans for each of these items and, at the same time, to monitor the segments' performance against planned objectives.

The tables present the business lines and central functions separately. The first segment is the sum of the Financing, Factoring, Tax assets, Investments and Legacy segments, while the second consists of Corporate Centre and Treasury.

At this level, the cost base is allocated according to the methodology defined by the segment reporting policy: this provides for the separation of costs associated with business functions (directly or indirectly) from central costs. The cost of funding is determined by applying the TIT methodology.

Specifically, the business lines segment combines the following business lines:

- **Financing:** business activities related to MCC/SACE/FEI-backed financing products designed for Italian SMEs and distributed through a network of credit brokers;
- **Factoring:** business activities designed to meet the short-term liquidity and working capital optimisation needs of SMEs;

- **Tax assets:** the business activity related to the purchase of tax assets, including the results of the related securitisation vehicles. It has three products with different profitability characteristics and expected collection times: low yield, high yield and the 110% superbonus;
- **Investments:** the proactive management of the government bond portfolio carried out independently by the treasury desk;
- **Legacy:** the portion of assets being run-off, such as the portfolio of securitised ABS with underlying non-performing exposures, non-performing exposures recognised directly in the statement of financial position or held by the consolidated SPVs, deriving from the pre-demerger period and held by the then Credito Fondiario S.p.A.. The segment's activity consists of optimising the recovery of exposures, managed by external servicers, until the complete extinction of the portfolio.

The assets included in the central functions segment mostly consist of liquidity which is managed on a centralised basis and some other immaterial assets. Revenue essentially includes the amounts estimated using the TIT methodology, which, in turn, represent the cost of funding the business lines segment.

Costs include those items that can be classified as central costs and therefore cannot be allocated either directly or indirectly to the business lines segment.

Breakdown by business segment: income statement (€m)

Income statement as per management accounts (€m)	CF+ Group		Business lines		Central functions	
	H1 2024	H1 2025	H1 2024	H1 2025	H1 2024	H1 2025
Net interest income	28.0	30.9	30.9	34.7	-2.9	-3.8
Net fee and commission income	0.6	2.4	0.6	2.4	0.0	0.0
Other income, net	2.1	3.8	2.1	4.3	0.0	-0.5
Total income	30.8	37.1	33.6	41.4	-2.9	-4.3
Net impairment losses	-2.1	-10.3	-1.9	-10.4	-0.2	0.1
Net financial income	28.6	26.8	31.7	31.0	-3.1	-4.2
Personnel expense	-13.2	-14.8	-10.2	-11.2	-3.1	-3.7
Other administrative expenses	-8.4	-12.0	-7.3	-11.0	-1.1	-1.0
Amortisation, depreciation and impairment losses	-2.3	-2.7	-2.2	-2.6	-0.1	-0.1
Other operating income, net	0.9	1.2	0.9	1.2	0.0	0.0
Operating costs	-23.1	-28.3	-18.8	-23.5	-4.2	-4.7
Non-recurring operating costs	-	-1.6	-	-	0.0	-1.6
Total operating costs	-23.1	-29.9	-18.8	-23.5	-4.2	-6.3
Pre-tax profit (loss)	5.5	-3.0	12.8	7.4	-7.3	-10.5

During the first half of 2025, the group recognised total income of €37.1 million, of which €41.4 million attributable to the business lines segment and -€4.3 million to the central functions segment.

The increase in the business lines segment's income was driven by growth in business volumes (total assets of €1.9 billion, +12% compared to 30 June 2024) across all products, particularly in factoring and

tax asset products. The business lines segment's average asset yield decreased on the corresponding period of 2024 (from 7.1% to 8.5%), mostly due to downward market rate trends. The parent's cost of funding (CoF) is 3.1% at 30 June 2025 (down roughly 60bps compared to the second half of 2024).

The group developed new business of about €640 million in the six months compared to €550 million in the corresponding period of 2024 (+16% year-on-year) and in particular:

- Financing: around €137 million was disbursed compared to €187 million in the first half of 2024 (when the group factored loans of around €100 million approved in the last quarter of 2023), with approximately 65% backed at origination. This represents a slight decrease compared to the same period in 2024 (69%);
- Factoring: turnover of €384 million compared to €283 million in the corresponding period of 2024 (+36% year-on-year);
- Tax assets: purchased tax assets of €92 million compared to €79 million in the corresponding period of 2024 (+16% year-on-year).
- 110% superbonus: purchased tax assets of €25 million (business started in the second half of 2024).

With respect to the operating costs, following the revision of the segment reporting policy approved in August 2025, the criteria for allocating indirect costs were revised and updated, with the result that these costs are now distributed among the segments according to two main drivers:

- average stock YTD, which reflects the business lines' operational size;
- average FTE YTD, which measures the degree of utilisation of human resources shared among the departments.

The main effect of applying these drivers was to reduce the share of costs previously allocated to the central functions segment and to provide a more accurate representation of the business segments' profitability.

Total personnel expenses for the six-month period amount to €14.8 million, of which €11.2 million related to the business lines segment (75% of the total) and €3.7 million to the central functions segment (25% of the total). This caption increased by about €1.6 million compared to the same period of 2024 (+12%), with the rise in employees (from 202 FTE to 222 FTE in 2024) mainly to develop the business lines segment.

Other administrative expenses (incurred by the parent as part of its ordinary operations) amount to €12.0 million, of which €11.0 million related to the business lines segment (92% of the total) and €1.0 million to the central functions segment (8% of the total). Other administrative expenses, net of extraordinary costs, increased compared to the same period of 2024, mainly due to expenses directly linked to the group's business performance (e.g., increased origination volumes and APS).

Finally, operating expenses of €1.6 million incurred as part of the Banca Sistema transaction contributed to the total operating costs of €29.9 million for the first half of 2025.

The year-on-year increase in total income (€6.3 million) offset the increase in operating costs, net of non-recurring items (€5.2 million). The normalised cost/income ratio (calculated by dividing only expenses related to the parent's ordinary operations by total income) remained substantially stable compared to the first half of 2024 (76% for the first half of 2025 compared to 75% for the same period of 2024).

The parent's net impairment losses amount to approximately €10.3 million (including impairment losses of €10.4 million in the business lines segment and impairment gains of €0.1 million in the central functions segment). If a series of non-recurring, one-off impairment losses in the financing business area (€2.4 million) and accruals to provisions for risks related to tax assets (approximately €0.7 million) are included, the cost of risk (CoR) is up 40 bps from 30 June 2024 (53 bps vs 13 bps).

At 30 June 2025, stage 3 exposures (financing) amount to €99 million, a significant increase compared to €57 million at 30 June 2024, with an impairment rate of 19.1% (14.7% at 30 June 2024). The gross and net NPE ratios for the financing, factoring and tax assets business lines increased to 12.8% and 9.0%, respectively, during the six months.

	CF+ Group		Business lines		Central functions	
	H1 2024	H1 2025	H1 2024	H1 2025	H1 2024	H1 2025
Gross NPE ratio	8.3%	12.8%	8.3%	12.8%		
Net NPE ratio	6.2%	9.0%	6.2%	9.0%		
NPE coverage ratio	14.7%	19.4%	14.7%	19.4%		
Cost/income (%)	75%	76%	56%	57%		

Breakdown by business segment: statement of financial position (€m)

	CF+ Group		Business lines		Central functions	
	30/06/2024	30/06/2025	30/06/2024	30/06/2025	30/06/2024	30/06/2025
Total assets	1,737	1,909	1,563	1,754	174	155
of which: financial assets	932	1,120	932	1,120	0	0
of which: government bonds	309	333	309	333	0	0
RWA	578	672	536	609	42	63
of which: credit RWA	502	591	460	528	42	63
of which: operational RWA	76	81	76	81	0	0
Credit RWA %	29%	31%	29%	30%	24%	41%

At 30 June 2025, total assets amount to €1.9 billion, including financial assets of €1.1 billion (excluding the legacy segment of €295 million) and government bonds of €333 million. Financial assets comprise:

- Financing: €765 million compared to €689 million at 30 June 2024;
- Factoring: €188 million compared to €118 million at 30 June 2024;
- Tax assets: €166 million compared to €125 million at 30 June 2024, including 110% superbonus tax assets of €26 million.

Other events that took place during the period

APS

On 21 March 2025, the parent signed an APS financial guarantee contract covering ABS of €174.6 million with two counterparties belonging to the group headed by the key shareholder (see the section on the legacy portfolio for more information). In June 2025, this guarantee was extended by signing an addendum to the original contract, as a result of which the amount guaranteed under the APS increased by €82.1 million. At 30 June 2025, the parent claimed and received compensation of €1.76 million. The contract has a 10-year term and the related cost for the period is €0.55 million.

Acquisition of the BE TC business unit

On 1 February 2025, the parent finalised the acquisition of a business unit from BE TC, a company related to Be Finance and active in the financial and business management consulting sector and operating in the negotiation and signing of contracts for the purchase of tax assets or portfolios of tax assets. The business unit mainly comprises a production unit, including 11 qualified resources, and the existing contract with Crediti Fiscali+ for brokerage activities related to the purchase of tax assets.

Bank of Italy audit

On 24 February 2025, Bank of Italy commenced an audit of the bank and the group, pursuant to articles 54 and 68 of Legislative decree no. 385 of 1 September 1993. As a result of its work completed on 9 May 2025, Bank of Italy notified the parent of its audit report on 17 July 2025. The report did not identify any elements that could give rise to uncertainties regarding the parent's ability to continue as a going concern or that should be disclosed herein. At the date of preparation of this document, the parent has already submitted its considerations on the content of the above audit report to the regulator.

Events after the reporting period

No adjusting events (as per the definition of IAS 10.8) took place in the period from the reporting date to the date of approval of the condensed interim consolidated financial statements that would have required the parent to adjust the amounts recognised in the condensed interim consolidated financial statements.

Reference is made to the previous sections for information on the other aspects.

Business opportunities and going concern

The parent's directors have prepared the condensed interim consolidated financial statements at 30 June 2025 on a going concern basis as there are no doubts about the group's ability to continue as a going concern in the foreseeable future and for beyond 12 months from the reporting date.

At the reporting date, the group's capital ratios are above the thresholds required by prudential regulations, as were all the liquidity indicators.

On 29 April 2025, the controlling shareholder made a capital injection of €15 million for the purposes of a future capital increase, implementing the Board of Directors' resolutions passed in the first quarter of 2025.

As a result of its audit pursuant to articles 54 and 68 of Legislative decree no. 385 of 1 September 1993, commenced on 24 February 2025 and completed on 9 May 2025, Bank of Italy notified the parent of its audit report on 17 July 2025. The report did not identify any elements that could give rise to uncertainties regarding the parent's ability to continue as a going concern or that should be disclosed herein. At the date of preparation of this document, the parent has already submitted its considerations on the content of the above audit report to the regulator.

Lastly, the voluntary tender offer for all the shares of Banca Sistema described in a previous section of this report is conditional upon the issue of the required prior authorisations by the competent authorities, as well as specific conditions precedent. Therefore, the assessment of the group's ability to continue as a going concern and the preparation of the balances presented in this interim financial report are not affected by the outcome of that transaction, which is expected to be known in the near future.

Other matters

Management and coordination activities pursuant to article 2497 and following articles of the Italian Civil Code

At the reporting date, the parent was not managed or coordinated by another company pursuant to article 2497 and following articles of the Italian Civil Code.

Treasury shares and shares of parents

The consolidated companies do not hold treasury shares.

Related party transactions

Reference should be made to section on related party transactions of the notes to the condensed interim consolidated financial statements for information about the group's transactions with subsidiaries, parents and subsidiaries of parents.

Risks and uncertainties

The disclosures required by article 2428 of the Italian Civil Code on the group's exposure to the main risks are provided in the section on risks and hedging policies of the notes to the condensed interim consolidated financial statements.

Other information

The group companies did not carry out research and development activities in the first half of 2025.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position

(€'000)

Assets		30/06/2025	31/12/2024
10.	Cash and cash equivalents	76,116	100,185
20.	Financial assets at fair value through profit or loss	81,840	86,833
	<i>a) held for trading</i>	79	796
	<i>b) designated at fair value</i>	-	-
	<i>c) mandatorily measured at fair value</i>	81,762	86,037
30.	Financial assets at fair value through other comprehensive income	4,000	9,347
40.	Financial assets at amortised cost	1,650,512	1,707,511
	<i>a) loans and receivables with banks</i>	12,442	11,422
	<i>b) loans and receivables with customers</i>	1,638,070	1,696,089
50.	Hedging derivatives	119	-
70.	Equity investments	-	-
90.	Property, equipment and investment property	5,574	6,132
100.	Intangible assets	10,330	11,272
	including:		
	- goodwill	2,678	2,178
110.	Tax assets	12,548	15,193
	<i>a) current</i>	6,996	9,551
	<i>b) deferred</i>	5,552	5,642
130.	Other assets	67,367	22,777
Total assets		1,908,406	1,959,251

(€'000)

Liabilities and equity		30/06/2025	31/12/2024
10.	Financial liabilities at amortised cost	1,748,284	1,815,015
	<i>a) due to banks</i>	265,853	433,247
	<i>b) due to customers</i>	1,452,142	1,353,447
	<i>c) securities issued</i>	30,289	28,321
20.	Financial liabilities held for trading	70	7
30.	Financial liabilities at fair value through profit or loss	4,073	3,396
60.	Tax liabilities	3,421	3,973
	<i>a) current</i>	86	74
	<i>b) deferred</i>	3,335	3,898
80.	Other liabilities	37,622	34,748
90.	Post-employment benefits	485	385
100.	Provisions for risks and charges:	1,046	459
	<i>a) commitments and guarantees given</i>	-	-
	<i>b) pension and similar provisions</i>	-	-
	<i>c) other provisions</i>	1,046	459
120.	Valuation reserves	3,827	3,979
150.	Reserves	25,230	11,407
160.	Share premium	47,838	57,643
170.	Share capital	39,213	39,213
190.	Equity attributable to the owners of the parent (+/-)	8	8
200.	Loss for the period/year	(2,710)	(10,983)
Total liabilities and equity		1,908,406	1,959,251

Income statement

(€'000)

Captions		H1 2025	H1 2024
10.	Interest and similar income	61,622	58,801
20.	Interest and similar expense	(30,768)	(30,577)
30.	Net interest income	30,854	28,224
40.	Fee and commission income	3,991	2,307
50.	Fee and commission expense	(2,988)	(2,140)
60.	Net fee and commission income	1,004	168
70.	Dividends and similar income	0	-
80.	Net trading income	98	2,254
90.	Net hedging income	3	-
100.	Net gain from sales or repurchases of:	2,389	926
	a) financial assets at amortised cost	2,061	926
	b) financial assets at fair value through other comprehensive income	328	-
110.	Net gain on other financial assets and liabilities at fair value through profit or loss	1,188	3,651
	a) financial assets and liabilities designated at fair value	(765)	6,188
	b) other financial assets mandatorily measured at fair value	1,952	(2,536)
120.	Total income	35,536	35,222
130.	Net impairment losses for credit risk associated with:	(10,169)	(5,850)
	a) financial assets at amortised cost	(10,171)	(5,850)
	b) financial assets at fair value through other comprehensive income	2	-
150.	Net financial income	25,367	29,372
190.	Administrative expenses:	(27,100)	(22,900)
	a) personnel expense	(14,842)	(13,245)
	b) other administrative expenses	(12,258)	(9,655)
200.	Net reversals of (accruals to) provisions for risks and charges	(653)	27
	b) other	(653)	27
210.	Depreciation and net impairment losses on property, equipment and investment property	(962)	(898)
220.	Amortisation and net impairment losses on intangible assets	(1,706)	(1,412)
230.	Other operating income, net	2,017	1,336
240.	Operating costs	(28,404)	(23,847)
250.	Net gains (losses) on equity investments	-	-
290.	Pre-tax profit (loss) from continuing operations	(3,037)	5,525
300.	Income taxes	327	(2,066)
310.	Post-tax profit (loss) from continuing operations	(2,710)	3,459
320.	Post-tax profit (loss) from discontinued operations	-	-
330.	Profit (loss) for the period	(2,710)	3,459
340.	Profit (loss) attributable to non-controlling interests		
350.	Profit (loss) attributable to the owners of the parent	(2,710)	3,459

Statement of comprehensive income

		(€'000)	
Captions		H1 2025	H1 2024
10.	Profit (loss) for the period	(2,710)	3,459
	Other comprehensive income, net of tax, that will not be reclassified to profit or loss:	11	7
70.	Defined benefit plans	11	7
	Other comprehensive expense, net of tax, that will be reclassified to profit or loss:	(163)	-
150.	Financial assets (other than equity instruments) at fair value through other comprehensive income	(163)	-
200.	Total other comprehensive income (expense), net of tax	(152)	7
210.	Comprehensive income (expense) (Captions 10+200)	(2,862)	3,466
220.	Comprehensive income (expense) attributable to non-controlling interests	-	-
230.	Comprehensive income (expense) attributable to the owners of the parent	(2,862)	3,466

Statement of changes in equity for the six months ended 30 June 2025

(€'000)

	Balance at 31.12.2024	Change to opening balances	Balance at 1.1.2025	Allocation of prior year loss		Changes of the period									Equity at 30.06.2025	Equity att. to the owners of the parent at 30.06.2025	Equity attributable to non- controlling interests at 30.06.2025
				Reserve s	Dividends and other allocations	Changes in reserves	Equity transactions							H1 2025 comprehensive expense			
							Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Change in equity investments				
Share capital: a) ordinary shares b) other shares	39,221 -	- -	39,221 -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	39,221 -	39,213 -	- -
Share premium	57,643	-	57,643	(9,805)	-	-	-	-	-	-	-	-	-	-	47,838	47,838	-
Reserves: a) income-related b) other	- 3,233 8,174	- - -	- 3,233 8,174	- - (1,177)	- -	- 15,000	- -	- -	- -	- -	- -	- -	- -	- -	- 3,233 21,996	- 3,233 21,996	- -
Valuation reserves	- 3,979 -	- - -	- 3,979 -	- - -	- -	- -	- -	- -	- -	- -	- -	- -	(152)	- 3,827 -	- 3,827 -	- -	- -
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss for the period/year	(10,983)	-	(10,983)	10,983	-	-	-	-	-	-	-	-	-	(2,710)	(2,710)	(2,710)	-
Total equity	101,268		101,268	-	-	-	-	-	-	-	-	-	-	(2,862)	113,406	113,398	8
<i>Equity attributable to the owners of the parent</i>	101,260		101,260	-	-	-	-	-	-	-	-	-	-	(2,862)		113,398	-
<i>Equity attributable to non- controlling interests</i>	8	-	8									-	-	-		-	8

Statement of changes in equity for the six months ended 30 June 2024

(€'000)

	Balance at 31.12.2023	Change to opening balances	Balance at 1.1.2024	Allocation of prior year loss		Changes of the year									Equity at 30.06.2024	Equity att. to the owners of the parent at 30.06.2024	Equity attributable to non-controlling interests at 30.06.2024
						Changes in reserves	Equity transactions							H1 2024 comprehensive income			
				Reserves	Dividends and other allocations		Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Change in equity investments				
Share capital:																	
a) ordinary shares	19,075	-	19,075	-	-	-	-	-	-	-	-	-	-	-	19,075	19,067	8
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	88,060	-	88,060	(37,267)	-	-	-	-	-	-	-	-	-	-	50,793	50,793	-
Reserves:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) income-related	3,233	-	3,233			-	-	-	-	-	-	-	-	-	3,233	3,233	-
b) other	5,901	-	5,901	2,273	-	-	-	-	-	-	-	-	-	-	8,174	8,174	-
Valuation reserves	3,814	-	3,814	-	-	-	-	-	-	-	-	-	-	7	3,821	3,821	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the period/year	(34,994)	-	(34,994)	34,994	-	-	-	-	-	-	-	-	-	3,459	3,459	3,459	-
Total equity	85,089		85,089	-	-	-	-	-	-	-	-	-	-	3,466	88,555	88,547	8
Equity attributable to the owners of the parent	85,081		85,081	-										3,466	88,547	88,547	-
Equity attributable to non- controlling interests	8	-	8									-		-	8	-	8

Statement of cash flows (indirect method)

			(€'000)
A. OPERATING ACTIVITIES	Amount		
	H1 2025	H1 2024	
1. Operations	9,167	7,753	
- profit (loss) for the period (+/-)	(2,710)	3,459	
- net gains/losses on financial assets held for trading and other financial assets/liabilities at fair value through profit or loss (-/+)	(1,286)	(5,905)	
- gains/losses on hedging transactions (-/+)	-	-	
- net impairment losses/gains for credit risk (+/-)	10,169	5,850	
- amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets	2,668	2,310	
- net accruals to/net reversals of provisions for risks and charges and other costs/revenue (+/-)	653	(27)	
- unsettled taxes and tax assets (+/-)	(327)	2,066	
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups, net of tax (+/-)	-	-	
- other adjustments (+/-)	0	0	
2. Cash flows generated by/used for financial assets	17,235	(100,178)	
- financial assets held for trading	718	(199)	
- financial assets at fair value through profit or loss	-	-	
- other assets mandatorily measured at fair value	6,228	4,507	
- financial assets at fair value through other comprehensive income	5,349	-	
- financial assets at amortised cost	46,828	(109,666)	
- other assets	(41,888)	5,180	
3. Cash flows generated by/used for financial liabilities	(64,302)	64,288	
- financial liabilities at amortised cost	(66,731)	63,417	
- financial liabilities held for trading	161	1,518	
- financial liabilities at fair value through profit or loss	(88)	(903)	
- other liabilities	2,356	257	
Net cash flows used in operating activities	(37,900)	(28,137)	
B. INVESTING ACTIVITIES	H1 2025	H1 2024	
1. Cash flows generated by	-	-	
- sales of equity investments	-	-	
- dividends from equity investments	-	-	
- sales of property, equipment and investment property	-	-	
- sales of intangible assets	-	-	
- sales of business units	-	-	
2. Cash flows used to acquire	(1,169)	(2,174)	
- equity investments	-	-	
- property, equipment and investment property	(405)	(232)	
- intangible assets	(764)	3,558	
- business units	-	(5,500)	
Net cash flows used in investing activities	(1,169)	(2,174)	
C. FINANCING ACTIVITIES	H1 2025	H1 2024	
- issue/repurchase of treasury shares	-	-	
- issue/purchase of equity instruments	15,000	-	
- dividend and other distributions	-	-	
Net cash flows generated by financing activities	15,000	-	
NET CASH FLOWS FOR THE YEAR	(24,069)	(30,311)	

Key:

(+) Generated

(-) Used

RECONCILIATION		
Financial statements captions	Amount	
	H1 2025	H1 2024
Opening cash and cash equivalents	100,185	126,959
Total net cash flows for the year	(24,069)	(30,311)
Cash and cash equivalents: exchange gains (losses)	-	-
Closing cash and cash equivalents	76,116	96,648

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies

A.1 - GENERAL PART

The condensed interim consolidated financial statements at and for the six months ended 30 June 2025 have been prepared in accordance with IAS 34 “Interim Financial Reporting”, which sets out the minimum content requirements and the recognition and measurement criteria applicable to condensed interim financial statements.

The accounting standards and interpretations applied to the classification, recognition, measurement and derecognition of assets and liabilities, and to the recognition of related revenue and costs, are consistent with those used in preparing the consolidated financial statements at 31 December 2024. These were prepared in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board (IASB), together with the related interpretations issued by the IFRS Interpretations Committee (IFRIC), and endorsed by the European Commission under Regulation (EC) no. 1606 of 19 July 2002, and the guidelines set out in Bank of Italy’s Circular no. 262 of 22 December 2005, as subsequently amended.

In accordance with IAS 8, the new IFRS or amendments to existing standards and the related EU endorsement regulations, the application of which is mandatory for annual periods beginning on or after 1 January 2025, are set out below:

Amendments to standards/interpretations	Endorsement regulation	Effective date
Lack of exchangeability (Amendments to IAS 21)	2862/2024	1 January 2025

The new standards and amendments effective as of 1 January 2025, where applicable, did not have a significant impact on the group’s financial position and financial performance.

This section sets out the group’s accounting policies and an analysis of the main captions.

The condensed interim consolidated financial statements show the figures as at and for the six months ended 30 June 2025 and the following comparative information:

- statement of financial position at 31 December 2024;
- income statement for the six months ended 30 June 2024;
- statement of comprehensive income for the six months ended 30 June 2024;
- statement of changes in equity for the six months ended 30 June 2024;
- cash flow statement for the six months ended 30 June 2024.

Section 2 - Basis of preparation

The condensed interim consolidated financial statements consist of:

- statement of financial position;
- income statement;
- statement of comprehensive income;
- statement of cash flows;
- statement of changes in equity;
- notes.

Pursuant to article 5 of Legislative decree no. 38/2005, the reporting currency used to prepare the condensed interim consolidated financial statements is the Euro. The amounts in the consolidated financial statements, these notes and the Directors' report are presented in thousands of Euros, unless specified otherwise.

The group prepared the condensed interim consolidated financial statements in line with the general principles set out in IAS 1:

- a) Going concern: assets, liabilities and off-statement of financial position items are measured on a going concern basis as management is reasonably certain that the group will continue to operate for least 12 months after the reporting date. At the reporting date, the group's capital ratios are above the thresholds required by prudential regulations, as were all the liquidity indicators. On 29 April 2025, the controlling shareholder made a capital injection of €15 million for the purposes of a future capital increase, implementing the Board of Directors' resolutions passed in the first quarter of 2025. As a result of its audit pursuant to articles 54 and 68 of Legislative decree no. 385 of 1 September

1993, commenced on 24 February 2025 and completed on 9 May 2025, Bank of Italy notified the parent of its audit report on 17 July 2025. The report did not identify any elements that could give rise to uncertainties regarding the parent's ability to continue as a going concern or that should be disclosed herein. At the date of preparation of this document, the parent has already submitted its considerations on the content of the above audit report to the regulator.

Lastly, the voluntary takeover bid for all the shares of Banca Sistema described earlier is conditional upon the issue of the required prior authorisations by the competent authorities, as well as specific conditions precedent. Therefore, the assessment of the group's ability to continue as a going concern and the preparation of the balances presented in this interim financial report are not affected by the outcome of that transaction, which is expected to be known in the near future.

- b) Accruals basis of accounting: expenses and revenue are recognised on an accruals and matching basis.
- c) Consistency of presentation: the presentation and classification criteria of the captions are consistent from one period to another to ensure comparable information, unless their modification is required by a standard or an interpretation or an improvement in the materiality and reliability of the caption's presentation becomes necessary. Captions are presented and classified in line with Bank of Italy's instructions for banks' financial statements in Circular no. 262 of 22 December 2005 and subsequent amendments.
- d) Materiality and aggregation: in line with Bank of Italy's instructions for banks' financial statements, the various classes of similar items are presented separately, if material. Different items, if material, are presented separately.
- e) Offsetting: except when required or allowed by the IFRS or Bank of Italy's instructions for banks' financial statements, assets and liabilities and expenses and revenue are not offset.
- f) Comparative information: comparative information from the previous year for all amounts reported in the current year's consolidated financial statements is disclosed, including qualitative when deemed useful for understanding, except when the IFRS permit or require otherwise. The information is analysed and illustrated and all the additional disclosures deemed necessary to provide a true and fair view of the group's financial position, financial performance and cash flows are presented. The different national and international regulations are considered, when possible, as are the Bank of Italy instructions about financial statements when preparing the schedules.
- g) Departures: if, in exceptional cases, application of the requirements of the IFRS is not compatible with a true and fair view of the group's financial position, financial performance and cash flows, it is not applied. The notes explain the reasons for the departure from the standards and its effect on the group's financial position, financial performance and cash flows. No departures were made.

Section 3 - Other issues

Use of accounting estimates

Application of the IFRS to interim financial reporting requires management to make accounting estimates for some asset and liability captions that are considered reasonable and realistic based on the information available when the estimate is made. The estimates affect the carrying amount of the assets and liabilities and the disclosure about contingent assets and liabilities at the reporting date as well as the revenue and costs for the reporting period.

Changes in the conditions underlying the judgements, assumptions and estimates may affect subsequent period results.

The main areas for which judgements are required by management are:

- calculation of impairment losses or gains on financial assets at amortised cost, which include the ABS and POCI securities held by the parent and the group;
- use of valuation models to calculate the fair value of financial instruments not quoted on active markets and measure liabilities at fair value;
- calculation of employee benefits and provisions for risks and charges;
- estimates and assumptions about the recoverability of deferred tax assets;
- estimates and assumptions about the recoverability of intangible assets with indefinite useful lives.

With reference to the estimates and assumptions about the recoverability of deferred tax assets, when preparing its consolidated financial statements at 31 December 2024, the parent designed a specific probability test in accordance with IAS 12, which was approved by the Board of Directors. The cash flows underlying the quantification of taxable profits are based on the most recent strategic projections for the 2025-2027 three-year period approved by the parent's Board of Directors.

Management used the same projections to estimate the cash flows used for the impairment test, aimed at verifying the recoverability of intangible assets with an indefinite life. The impairment test, approved by the parent's Board of Directors, was prepared to test the factoring and tax assets CGUs for impairment by calculating their value in use based on the dividend discount model considering excess capital rather than the minimum regulatory capital allocated thereto.

In the first half of 2025, no impairment indicators were identified that required an interim update of the tests described above. The increase in intangible assets with an indefinite useful life, referring to goodwill (€0.5 million), relates to a transaction completed in January 2025 with third parties at market values. The balances were appraised by an independent expert and do not require updating, also considering the short time lapse.

Independent auditors

The group has engaged an audit company for its statutory audit, which includes the activities required by article 14.1 of Legislative decree no. 39 of 27 January 2010.

The 2022-2030 audit engagement has been assigned to EY S.p.A..

These condensed interim consolidated financial statements of the Banca Cf+ Group are subject to review by the above-mentioned independent auditors.

Consolidation scope

In accordance with IFRS 10, the group has checked whether it controls its investees and other entities it works with to define its consolidation scope. Specifically, it checked:

- the power to direct the relevant activities of the investee;
- exposure, or rights, to variable returns from involvement with the investee;
- the ability to use power over the investee to affect the amount of its returns.

Pursuant to IFRS 10, special purpose entities are treated as subsidiaries when the parent concurrently is:

- significantly exposed to variable returns due to its investment in the investee, the provision of financing or the supply of guarantees;
- able to direct the significant activities, including on a de facto basis.

As well as Banca CF+ S.p.A., the consolidation scope includes the SPVs over which the parent has de facto control because it holds the majority of their junior notes. Investments in certain SPVs (Restart SPV S.r.l. and Italian Credit Recycle S.r.l.), of which the parent has subscribed approximately 47.5% of the securitisation notes, fall under IFRS 11 (joint control) and are accounted for accordingly.

List of consolidated companies

Banca CF+ S.p.A.

PONENTE SPV S.r.l.

NEW LEVANTE SPV S.r.l.

COSMO SPV S.r.l.

CREDITI FISCALI+ S.r.l.

FAIRWAY SPV S.r.l.

LIBERIO SPV S.r.l.

AVENTINO SPV S.r.l.

LAZZARO SPV S.r.l. (formerly CASSIA SPV S.r.l.)

List of equity-accounted investees

ITALIAN CREDIT RECYCLE S.r.l.

RESTART SPV S.r.l.

Basis of consolidation

The group's consolidation method entails, inter alia:

- the determination of the internal rate of return ("IRR") on the basis of GDP net solely of up front costs and credit collection costs. This approach is in line with the requirements of IFRS 9 for POCI financial assets (most exposures are impaired when purchased or, in any case, purchased at a discount), used to calculate the portfolio's amortised cost;
- the recognition of the portfolio's initial carrying amount on the basis of the actual cash flows (purchase price net of collections plus the securitisations' structuring costs);
- recalculation of the frequency of the collections on a monthly rather than a quarterly basis;
- measurement of the ABS subscribed by third parties and any deferred purchase price ("DPP") included in the securitisations at amortised cost.

The portfolios of the jointly-controlled vehicles (Restart and ICR) have been measured using the equity method with the presentation of the related net gain or loss in the caption "Financial assets at amortised cost".

The vehicle Lazzaro SPV (formerly Cassia SPV S.r.l.) completed the securitisation of the Liberio, Rienza and ICR securities and the EBC, Castore and Polluce portfolios in June 2025. The notes issued were included in the perimeter of the financial guarantee issued by the funds advised by Elliott (the Asset Protection Scheme or "APS") through the signing of an addendum to the original agreement of 21 March

2025, which already included a specific provision to that effect as a result of which the amount guaranteed under the APS increased by €82.1 million.

The securities (and loans) subject to the Lazzaro securitisation issue, described in the introduction, have not been derecognised from the consolidated assets as the group, as sole noteholder of the ABS issued by Lazzaro, continues to be exposed to the risks and rewards of these assets. They are therefore treated as assets transferred and not derecognised.

A.2 - MAIN FINANCIAL STATEMENTS CAPTIONS

The accounting policies adopted to prepare the condensed interim consolidated financial statements are set out below.

1 - Financial assets at fair value through profit or loss (FVTPL)

Recognition

Debt and equity instruments are initially recognised at the settlement date, loans at the disbursement date and derivatives at the date they are entered into.

Upon initial recognition, financial assets at fair value through profit or loss are measured at fair value without considering transaction costs or income directly attributable to the transaction.

Classification

This category includes financial assets other than those classified at fair value through other comprehensive income or at amortised cost. Specifically, this caption includes:

- financial assets held for trading, which are mainly derivatives held for trading with positive fair values;
- financial assets designated at fair value, relating to the contractual earn-out components of the consideration for the sale of ABS;
- those assets that are mandatorily measured at fair value, because they do not meet the requirements for their measurement at amortised cost or at fair value through other comprehensive income. The contractual terms of these financial assets give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding (i.e., they did not pass the SPPI test) or the asset is not held within a business model whose objective is to hold financial assets in order to collect contractual

cash flows (hold to collect model) or whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell model). The latter category includes the ABS in which the group invested under a hold to collect business model and which are measured at fair value since they did not pass the SPPI test.

Under the IFRS 9 general reclassification rules for financial assets (except for equity instruments, whose reclassification is not allowed), an entity is required to reclassify financial assets if it changes its business model for managing those financial assets. Such changes are expected to be very infrequent. In these cases, an entity reclassifies a financial asset out of the fair value through profit or loss measurement category and into one of the other two categories provided for by IFRS 9 (financial assets at amortised cost or financial assets at fair value through other comprehensive income). The transferred asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from the reclassification date. The effective interest rate is determined on the basis of the fair value of the reclassified financial asset at the reclassification date.

Measurement

After initial recognition, financial assets at fair value through profit or loss are measured at fair value and the resulting gain or loss is recognised in profit or loss.

Derecognition

These financial assets are derecognised only if their sale has entailed the substantial transfer of all the related risks and rewards. If a significant part of the risks and rewards of the transferred financial asset is retained, they continue to be recognised even when title has legally been transferred.

If it is not possible to ascertain the substantial transfer of risks and rewards of title, the group derecognises the financial assets if it no longer has control thereover. If the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Transferred financial assets are derecognised when the group retains the contractual right to receive the cash flows but assumes a concurrent obligation to pay the cash flows without material delay to one or more recipients.

Recognition of costs and revenue

Interest income, calculated using the IRR in particular for ABS, is recognised as “Interest and similar income” in the income statement (Caption 10).

Gains and losses and fair value gains and losses compared to the instruments’ acquisition cost are recognised under income statement caption “110. Net gain (loss) on other financial assets and liabilities at fair value through profit or loss”.

2 - Financial assets at fair value through other comprehensive income (FVOCI)

Recognition

Debt and equity instruments are initially recognised at the settlement date and loans at the disbursement date.

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

Classification

A financial asset shall be classified in this category if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test passed).

This category also includes equity instruments other than those held for trading which the group has designated as measured at fair value through other comprehensive income upon initial recognition.

Under the IFRS 9 general reclassification rules for financial assets (except for equity instruments, whose reclassification is not allowed), an entity is required to reclassify financial assets if it changes its business model for managing those financial assets.

Such changes are expected to be very infrequent. In these cases, an entity reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into one of the

other two categories provided for by IFRS 9 (financial assets at amortised cost or financial assets at fair value through profit or loss). The transferred asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from the reclassification date. If an asset is reclassified out of this category and into the amortised cost measurement category, the cumulative gain or loss previously recognised in the fair value reserve is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. If an asset is reclassified out of this category and into the fair value through profit or loss measurement category, the cumulative gain or loss previously recognised in the fair value reserve is reclassified from equity to profit or loss.

Measurement

After initial recognition, a gain or loss on a financial asset measured at fair value through other comprehensive income other than equity instruments is recognised in a specific equity reserve, except for those arising from the application of amortised cost, impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised. When the financial asset is derecognised, in part or in its entirety, the cumulative gain or loss previously recognised in the fair value reserve is reclassified, in part or in its entirety, from equity to profit or loss.

The equity instruments that the group has elected to classify in this category are measured at fair value and any cumulative gain or loss recognised in OCI (statement of comprehensive income) cannot be subsequently transferred to profit or loss, even when the instrument is disposed of. Only dividends on such investments are recognised in profit or loss.

Like for assets measured at amortised cost, the group assesses whether the credit risk of its financial assets measured at fair value through other comprehensive income (either debt instruments or loan assets) has increased significantly, in accordance with the impairment requirements of IFRS 9. If this is the case, the group recognises the expected credit loss accordingly. Specifically, it recognises a 12-month expected credit loss on its financial instruments classified at stage 1 (i.e., financial assets that are not originated credit-impaired and financial assets whose credit risk has not increased significantly since initial recognition) upon initial recognition and at each subsequent reporting date. It recognises a lifetime expected credit loss on its financial instruments classified at stage 2 (performing financial assets, whose credit risk increased significantly since initial recognition) and stage 3 (credit-impaired financial assets). Conversely, equity instruments are not subject to impairment testing.

Derecognition

These financial assets are derecognised only if their sale has entailed the substantial transfer of all the related risks and rewards. If a significant part of the risks and rewards of the transferred financial asset is retained, they continue to be recognised even when title has legally been transferred.

If it is not possible to ascertain the substantial transfer of risks and rewards of title, the group derecognises the financial assets if it no longer has control thereover. If the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Transferred financial assets are derecognised when the group retains the contractual right to receive the cash flows but assumes a concurrent obligation to pay the cash flows without material delay to one or more recipients. If it is not possible to ascertain the substantial transfer of risks and rewards of title, the group derecognises the financial assets if it no longer has control thereover. If the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Recognition of costs and revenue

Gains and losses on the assets' sale are recognised in caption "100. Net gain (loss) from sales or repurchases of: b) financial assets at fair value through other comprehensive income" in the income statement. Fair value gains and losses are recognised directly in equity (caption "110. Valuation reserves") and reclassified to the income statement (caption "100. Net gain (loss) from sales or repurchases of: b) financial assets at fair value through other comprehensive income") when realised due to their sale or when impairment losses are recognised. In this case, they are recognised in caption "130. Net impairment losses/gains for credit risk associated with: b) financial assets at fair value through other comprehensive income". This caption shows the net impairment gains or losses solely for debt instruments as impairment gains or losses on quoted equity instruments are recognised directly in equity (fair value reserve) while impairment gains cannot be recognised for unquoted equity instruments.

3 - Financial assets at amortised cost

Recognition

Debt instruments are initially recognised at the settlement date, while loans are recognised at the disbursement date. Upon initial recognition, the assets are measured at fair value, including transaction costs or income directly attributable to the transaction.

The disbursement date of loans is usually the agreement signing date. If they are not the same, when signing the agreement, the group recognises a commitment to grant funds which is extinguished when the loan is disbursed. They are recognised at their fair value, which equals the amount disbursed, or their subscription price including transaction costs or revenue attributable to the individual loan and determinable from the transaction start date, even when they are disbursed subsequently.

The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or are administrative costs.

Classification

A financial asset (in particular, loans and debt instruments) is classified in this category if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows (hold to collect model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test passed).

Specifically, the following are recognised in this caption:

- loans and receivables with banks that meet the requirements set out above;
- loans and receivables with customers that meet the requirements set out above;
- debt instruments that meet the requirements set out above.

This caption also includes trade receivables arising from the provision of financial services, as defined by the Italian Consolidated Banking Act and the Italian Consolidated Finance Act.

Under the IFRS 9 general reclassification rules for financial assets, an entity is required to reclassify financial assets if it changes its business model for managing those financial assets. Such changes are expected to be very infrequent. In these cases, an entity reclassifies a financial asset out of the fair value at amortised cost measurement category and into one of the other two categories provided for by IFRS 9 (financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss). The transferred asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss, if the asset is reclassified out of this category and into the fair value through profit or loss measurement category, whereas it is recognised in the fair value reserve in equity if the asset is reclassified into the fair value through other comprehensive income category.

Measurement

After initial recognition, these financial assets are subsequently measured at amortised cost using the effective interest method. Under this method, the asset is recognised at its initial carrying amount decreased by principal repayments and adjusted by accumulated amortisation (calculated using the effective interest method) of the difference between the carrying amount at initial recognition and at maturity (generally due to the cost/revenue directly allocated to the individual asset) and by the loss allowance, if any. The effective interest rate is the rate that exactly discounts estimated future cash flows (principal and interest) to the disbursed amount, including directly attributable costs and revenue. This accounting method allows the distribution of the costs and revenue directly attributable to a financial asset over its expected residual life.

See the “Amortised cost measurement” section for further information on how financial assets are measured at amortised cost. This section also describes the accounting treatment of POCI assets.

The amortised cost method is not used for assets measured at historical cost as discounting these loans has no material impact considering their short term, and assets without a set maturity or on demand.

Impairment is strictly related to the exposures' credit staging, i.e., their classification in one of the three stages provided for by IFRS 9, the last of which (stage 3) includes credit-impaired financial assets and the other two (stages 1 and 2) include performing financial assets.

The expected credit losses on these assets are recognised in profit or loss as follows:

- upon initial recognition, the 12-month expected credit losses;

- upon subsequent measurements, if the credit risk has not increased significantly since initial recognition, the 12-month expected credit losses;
- upon subsequent measurements, if the credit risk has increased significantly since initial recognition, the lifetime expected credit losses;
- upon subsequent measurements, if, after the credit risk increased significantly since initial recognition, the increase is no longer significant, the amount that accounts for the change from a lifetime expected credit loss to a 12-month expected credit loss.

If they are performing, these financial assets are subject to an individual impairment assessment according to their risk parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset - classified as "credit-impaired", like all the other relationships with the same counterparty - and the present value of the estimated future cash flows, discounted using the original effective interest rate. The amount of the loss to be recognised in profit or loss is calculated based on an individual measurement or a collective measurement by group of similar assets and, then, individually allocated to each position, considering forward-looking information and possible alternative recovery scenarios as detailed in the "Impairment of financial assets" section.

Credit-impaired assets include financial assets classified as bad, unlikely to pay or overdrawn/past due by over ninety days according to the rules issued by Bank of Italy, in line with the IFRS and EU supervisory regulations.

The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees.

The original effective rate of each asset remains unchanged over time even when it is restructured with a variation of the contractual interest rate and when the asset, in practice, no longer bears contractual interest.

When the reasons for the impairment loss are no longer valid due to an event that took place subsequently to its recognition, the impairment loss is reversed through profit or loss. The reversal cannot exceed the amortised cost the asset would have had if it had not been impaired.

Reversals resulting from the unwinding of the discount are recognised in net interest income.

In some cases, during the lifetime of these financial assets, and of loans in particular, the original contractual terms may be subsequently modified by the parties to the contract. When the contractual terms are modified during the lifetime of an instrument, the group assesses whether the original asset should continue to be recognised in the statement of financial position or whether, instead, it should be derecognised and a new financial asset needs to be recognised.

In general, modifications to a financial asset lead to its derecognition and the recognition of a new asset when they are “substantial”. The assessment of the “substantial nature” of the modification is made using both qualitative and quantitative information. In some cases, without resorting to complex analyses, it is clear that the characteristics and/or contractual cash flows of a particular asset are substantially modified while, in other cases, further analyses (including quantitative analyses) are necessary to assess the effects of the modifications and check whether or not to derecognise the asset and recognise a new financial instrument.

The qualitative and quantitative analyses aimed at defining the “substantial nature” of contractual changes made to a financial asset must, therefore, consider:

- the purposes for which the modifications were made: e.g., (a) renegotiations for commercial reasons and (b) forbearance measures due to financial difficulties of the counterparty:

- the former, aimed at “retaining” the customer, involve a borrower that does not have financial difficulties. This category includes all renegotiations aimed at aligning the cost of the debt to market conditions. These transactions involve a change in the original terms of the contract, usually requested by the borrower and relating to aspects concerning the cost of the debt, with a consequent economic benefit for the borrower. In general, whenever the group carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer could borrow from another intermediary and the group would incur a decrease in expected future revenue;
- The latter, carried out for “reasons of credit risk” (forbearance measures), relate to the group’s attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and rewards, following the modifications, are not normally substantially transferred and, consequently, the accounting treatment that provides the most relevant information for the condensed interim consolidated financial statements users (apart from the triggers discussed below) is “modification accounting” - which involves the recognition

through profit or loss of the difference between the carrying amount and the present value of the modified cash flows discounted at the original interest rate - rather than derecognition;

- the existence of specific triggers that affect the contractual characteristics and/or cash flows of the financial instrument (such as, for example, a change in currency or a modification of the type of risk the financial instrument is exposed to, when correlated to equity and commodity parameters), which are expected to lead to derecognition due to their impact (expected to be significant) on the original contractual cash flows.

Derecognition

These financial assets are derecognised only if their sale has entailed the substantial transfer of all the related risks and rewards. If a significant part of the risks and rewards of the transferred financial asset is retained, they continue to be recognised even when title has legally been transferred.

If it is not possible to ascertain the substantial transfer of risks and rewards of title, the group derecognises the financial assets if it no longer has control thereover. If the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Transferred financial assets are derecognised when the group retains the contractual right to receive the cash flows but assumes a concurrent obligation to pay the cash flows without material delay to one or more recipients.

Recognition of costs and revenue

Interest income, calculated using the IRR, is recognised as “Interest and similar income” in the income statement (Caption 10). Default interest is recognised in profit or loss when collected.

Impairment gains are recognised in caption “130. Net impairment losses/gains for credit risk associated with: a) financial assets at amortised cost”.

If the amount of the impairment loss decreases in subsequent years and the decrease is objectively related to an event that took place after recognition of the impairment loss, the impairment loss is reversed directly or through the release of the allowance to profit or loss.

If the assets are derecognised, any resulting losses are recognised in profit or loss, net of the related allowance.

4 - Hedging derivatives

Recognition

Like all derivatives, hedging derivatives are initially recognised and subsequently measured at fair value.

Classification: type of hedge

Hedging transactions are intended to offset potential losses arising from exposure to a specific risk, where such losses are identifiable in relation to a specific item or group of items, in the event that the risk materialises.

The types of hedges used are as follows:

- fair value hedge: the objective is to hedge exposure to changes in the fair value of recognised assets, liabilities or portions thereof, groups of assets or liabilities, firm commitments and portfolios of financial assets and liabilities (including core deposits), attributable to one or more identified risks, as permitted under IAS 39 as endorsed by the European Commission. The objective of macro hedging is to reduce fluctuations in the fair value attributable to interest rate risk associated with a monetary amount arising from a portfolio of financial assets or liabilities. Net exposures arising from mismatches between assets and liabilities cannot be designated for macro hedging;
- cash flow hedge: the objective is to hedge exposure to variability in future cash flows attributable to specific risks associated with recognised items. This type of hedge is primarily employed to stabilise the interest cash flows of floating-rate funding to the extent that such funding finances fixed-rate lending. In certain circumstances, similar hedging transactions are undertaken in relation to specific types of floating-rate lending;
- hedge of a net investment in a foreign operation: this relates to hedging the risks associated with an investment in a foreign entity that is denominated in a foreign currency.

The parent's hedge accounting framework is primarily aimed at managing interest rate risk arising from its banking book.

At the date of preparation of this interim financial report, the applicable hedging strategies are limited to a micro fair value hedge relating to government bonds held to collect.

Measurement

Hedging derivatives are measured at fair value. Specifically:

- in the case of fair value hedges, changes in the fair value of the hedged item are offset against corresponding changes in the fair value of the hedging instrument. Offsetting is achieved by recognising changes in fair value in profit or loss for both the hedged item (limited to the portion attributable to the designated risk factor) and the hedging instrument. Any resulting difference, which reflects the partial ineffectiveness of the hedging relationship, is recognised in profit or loss. In the case of macro hedging, changes in the fair value of the hedged assets and liabilities - limited to the portion attributable to the hedged risk - are recognised in the statement of financial position under caption 60 "Macro-hedged financial assets" or caption 50 "Macro-hedged financial liabilities";
- in the case of cash flow hedges, changes in the fair value of the derivative are recognised in equity, to the extent of the effective portion of the hedge. Amounts are reclassified to profit or loss when, in relation to the hedged item, the hedged cash flows occur or if the hedge becomes ineffective;
- hedges of a net investment in a foreign operation are accounted for in the same manner as cash flow hedges.

A derivative instrument is designated as a hedging instrument when there is formal documentation of the hedging relationship between the hedged item and the hedging instrument and the hedge is effective both at inception and on a prospective basis throughout its duration. The effectiveness of a hedge is determined by the extent to which changes in the fair value or expected cash flows of the hedged item are offset by corresponding changes in the fair value of the hedging instrument. Therefore, hedge effectiveness is assessed by comparing the changes in fair value or expected cash flows of the hedged item and the hedging instrument, taking into account the hedging objective established by the entity at the inception of the hedge. A hedge is considered effective when changes in the fair value (or cash flows) of the hedging instrument almost entirely offset the corresponding changes in the hedged item, that is, when the offset falls within the range of 80% to 125% for the hedged risk component.

The assessment of effectiveness is carried out at each annual or interim reporting date using:

- prospective tests, which justify the application of hedge accounting by demonstrating the hedge's expected effectiveness;
- retrospective tests, which assess the degree of hedge effectiveness achieved during the reporting period, i.e. the extent to which actual results have deviated from perfect hedging.

If the tests do not confirm hedge effectiveness, hedge accounting is discontinued, the hedging derivative is reclassified as a trading instrument and the hedged item reverts to being measured in accordance with its original classification for financial reporting purposes. If a macro hedging relationship is discontinued, any fair value gains or losses accumulated in the statement of financial position under caption 60 "Macro-hedged financial assets" or caption 50 "Macro-hedged financial liabilities" are reclassified to profit or loss as interest income or expense over the residual life of the original hedging relationships, provided that the relevant requirements are met.

Derecognition

If the tests do not confirm hedge effectiveness, either retrospectively or prospectively, hedge accounting is discontinued. In this circumstance, the hedging derivative is reclassified to "Financial assets at fair value through profit or loss", specifically to financial assets held for trading.

Moreover, the hedging relationship ceases when:

- a derivative expires, is extinguished or exercised;
- the hedged item is sold, expires or is repaid;
- it is no longer highly probable that the future hedged transaction will occur.

5 - Property, equipment and investment property

Recognition

Property, equipment and investment property are initially recognised at cost, which comprises the asset's purchase price, trade discounts and rebates, non-refundable purchase taxes (e.g., non-deductible VAT and registration taxes) and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Right-of-use assets are initially recognised as the sum of the lease liability (present value of the future lease payments over the lease term), any lease payments made at or before the

commencement date, any initial direct costs and any costs to be incurred in dismantling or restoring the underlying asset.

Classification

Property, equipment, machinery and other assets used in operations are covered by IAS 16 while investment property (land and buildings) fall under the scope of IAS 40. The category comprises assets under finance lease (for the lessees) and operating lease (for the lessors) as well as leasehold improvement costs. Reference is made to IFRS 16 to determine whether an arrangement contains a lease. Property, equipment and machinery are recognised as assets when:

- it is probable that future economic benefits associated with the item will flow to the group;
- the cost of the item can be measured reliably.

Measurement

Subsequent costs, related to an asset already recognised, are added to its carrying amount when it is probable that they will increase the future economic benefits in excess of the normal output of the asset as originally estimated. All other costs are expensed when incurred.

After recognition as an asset, an item of property, equipment and investment property is recognised at its cost less any accumulated depreciation and any accumulated impairment losses. Impairment tests are performed once a year.

Derecognition

Property, equipment and investment property are derecognised on disposal or retirement and no future economic benefits are expected from their use or disposal. Right-of-use assets are derecognised at the end of the lease term.

Recognition of costs and revenue

The depreciable amount of an asset is allocated on a systematic basis over its useful life. The useful life of an asset is defined considering its use to the group. When expectations differ significantly from previous estimates, the depreciation charge for the current and subsequent periods is adjusted.

Impairment losses are recognised if an item of property and equipment or investment property has undergone impairment pursuant to IAS 36. The impairment loss is fully or partially reversed if the reasons therefor are no longer valid in subsequent periods and the reversal is recognised under non-recurring income.

6 - Intangible assets

Recognition

Intangible assets are recognised at cost, adjusted for any transaction costs, only if it is probable that the future economic benefits associated with the asset will flow to the group and the asset's cost may be determined reliably. If these conditions are not met, the cost of the asset is recognised in profit or loss when incurred.

Classification

Intangible assets include goodwill, regulated by IFRS 3, and other intangible assets which fall under the scope of IAS 38.

An intangible asset is recognised as such solely when it is a resource that is:

- non-monetary;
- identifiable;
- without physical substance;
- held for use in the production or supply of goods or services, lease to third parties or for administrative purposes;
- controlled by the group;
- from which future economic benefits are expected to flow to the group.

Measurement

The cost of assets with finite useful lives is amortised on a straight-line or diminishing balance basis depending on how the economic benefits are expected to flow to the group. Assets with indefinite useful lives are not amortised, but are regularly tested for impairment.

If there is any indication that an asset may be impaired, the asset's recoverable amount is estimated. The impairment loss, which is recognised in profit or loss, is equal to the difference between the asset's carrying amount and recoverable amount.

In particular, intangible assets include:

(a) technology-based intangible assets, such as software, which are amortised on the basis of their expected technological obsolescence and over a maximum period of seven years. In particular, the costs incurred internally for the development of software projects are recognised under intangible assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development stage can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability to make the intangible asset available for use or sale, iii) the future economic benefits to be generated by the asset can be demonstrated. Capitalised software development costs include only the costs directly attributable to the development stage. They are amortised systematically over the estimated useful life of the relevant product/service so as to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the group from the beginning of production over the product's estimated life;

b) goodwill, which may be recognised as part of business combinations when the positive difference between the consideration transferred plus the fair value of any non-controlling interests and the fair value of the acquired assets and liabilities represents the acquiree's future income-generating potential.

If this difference is negative (gain from a bargain purchase) or if the positive difference is not justified by the acquiree's future income-generating potential, it is immediately recognised in profit or loss.

Once a year (or whenever there is an impairment indicator), goodwill is tested for impairment. This requires the identification of the cash-generating unit to which goodwill is allocated. Any impairment losses are determined on the basis of the difference between the carrying amount of goodwill and its recoverable amount, if lower. The recoverable amount is the higher of the fair value less costs to sell of the cash-generating unit and its value in use. Any resulting impairment losses are recognised in profit or loss.

Derecognition

Intangible assets are derecognised on disposal and if no future economic benefits are expected therefrom.

Recognition of costs and revenue

The depreciable amount of an intangible asset is allocated on a systematic basis over its useful life. The useful life of an asset is defined considering its use to the group. When expectations differ significantly from previous estimates, the depreciation charge for the current and subsequent periods is adjusted.

Impairment losses are recognised if an intangible asset has undergone impairment pursuant to IAS 36. The impairment loss is fully or partially reversed if the reasons therefor are no longer valid in subsequent periods and the reversal is recognised under non-recurring income.

7 - Current and deferred taxes

Recognition

Current and deferred taxes, calculated in accordance with the Italian tax legislation, are recognised as an expense on an accruals basis, in line with the costs and revenue generating them. They show the tax benefit (expense) for the reporting period. Under the liability method, they include:

- a) current tax assets, the amount of income taxes recoverable in respect of the taxable profit (tax loss) for the period;
- b) current tax liabilities, the amount of income taxes payable in respect of the taxable profit (tax loss) for the period;
- c) deferred tax assets, the amount of income taxes recoverable in future periods in respect of deductible temporary differences (mainly expenses deductible in the future from taxable profit (tax loss) under the ruling tax laws);
- d) deferred tax liabilities, the amount of income taxes payable in future periods in respect of taxable temporary differences (mainly deferred tax on revenue or advance deductions of expenses when determining taxable profit (tax loss) of future periods under the ruling tax laws).

Classification

Current tax assets and liabilities shows the group's tax position vis-à-vis the tax authorities. Current tax liabilities include the tax liability for the reporting period while the current tax assets comprise payments on account and other tax assets for withholdings or other prior year tax assets which the group intends to use for offsetting purposes in subsequent periods.

Deferred tax assets and liabilities are classified as non-current assets and liabilities pursuant to IAS 1.56.

Therefore, deferred taxes are presented under non-current liabilities as "Deferred tax liabilities" when they are liabilities, i.e., are related to items that will become taxable in future periods, otherwise they are recognised as "Deferred tax assets" under non-current assets when they relate to items that will be deductible in future periods.

Deferred taxes are recognised under equity if they relate to transactions that affect equity.

Measurement

Corporate income tax (IRES) and the regional tax on production activities (IRAP) are calculated using a realistic estimate of the positive and negative items of the reporting period using the enacted tax rates.

Deferred tax assets are only recognised when it is probable that the group will have sufficient taxable profit in the same period as the reversal of the deductible temporary differences. Deferred tax liabilities are always recognised.

Current and deferred taxes are offset only when the group has the legally enforceable right to set off the recognised amount and intends to do so.

Recognition of costs and revenue

The balancing entry of tax assets and liabilities (current and deferred) is the caption "Income taxes" in the income statement. When the current or deferred taxes to be recognised relate to transactions, the results of which are recognised directly in equity, the related tax assets and liabilities are also recognised in equity.

8 - Financial liabilities at amortised cost

Recognition

The group commences recognising these financial liabilities at the contract's execution date, which normally coincides with when the cash is received or the debt instruments are issued.

The financial liabilities are initially recognised at their fair value, which usually equals the cash received or the issue price, increased by any transaction costs that are directly attributable to the acquisition or issue of the financial liabilities. Internal administrative costs are excluded.

Classification

Due to banks and to customers and securities issued may comprise the various forms of the group's funding (interbank and with customers), repurchase agreements and certificates of deposit, bonds and other securities issued (including the subordinated bonds which qualify as a Tier 2 capital instrument issued by the parent), net of any portions redeemed.

This caption also includes the group's lease liabilities recognised as a lessee in finance leases.

Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Current liabilities, where the time value of money is immaterial, are recognised at the amount received.

Derecognition

Financial liabilities are derecognised when they expire or are extinguished. They are derecognised even when the group has repurchased a portion of previously issued bonds. The difference between the financial liability's carrying amount and the consideration paid is recognised in profit or loss.

Replacements on the market of repurchased securities issued by the group are considered new issues and recognised at the new placing price.

Recognition of costs and revenue

Interest expense, calculated using the nominal interest rate, is recognised as “Interest and similar expense” in the income statement.

9 - Financial liabilities held for trading

Recognition

Financial liabilities held for trading are initially recognised at the settlement date, except for derivatives that are recognised at the date they are entered into.

These financial liabilities are initially recognised at their fair value, which usually equals the cash received, without considering any transaction costs or income directly attributable to the financial liability and which are recognised in profit or loss.

Classification

This caption mainly includes derivatives with a negative fair value that are not designated as hedging instruments.

Measurement and recognition of costs and revenue

Financial liabilities held for trading are measured at fair value through profit or loss. Gains and losses arising from changes in fair value and/or from the sale of these liabilities are recognised in profit or loss.

When the fair value of a derivative liability becomes positive, it is recognised in “Financial assets at fair value through profit or loss: a) financial assets held for trading”.

Trading gains and losses and fair value gains and losses are recognised in caption “80. Net trading income (expense)” in the income statement.

Derecognition

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

10 - Financial liabilities at fair value through profit or loss

Recognition

These financial liabilities are measured at fair value since their initial recognition. Any fair value gains or losses are immediately recognised in profit or loss.

Classification

At initial recognition, the group designates a financial liability as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- a group of financial assets or liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- there is a hybrid contract that contains one or more embedded derivatives, which may significantly modify the cash flows that otherwise would be required by the contract.

The election to designate a financial liability as measured at fair value through profit or loss is irrevocable, is made on an instrument-by-instrument basis and is not necessarily applied to all instruments with similar characteristics. However, such election cannot be applied to an individual component of a financial instrument, attributable to just one risk component to which the instrument is exposed. This caption includes certain liabilities whose settlement is deferred and linked to the performance of certain assets.

Measurement and recognition of costs and revenue

After initial recognition, the liabilities are measured at fair value and any fair value gain or loss is recognised in profit or loss.

Derecognition

Financial liabilities are derecognised when they expire or are extinguished.

11 - Post-employment benefits

The Italian post-employment benefits are classified as:

- defined contribution plans for the benefits accrued after 1 January 2007 (when the pension reform implemented by Legislative decree no. 252 of 5 December 2005 was enacted) when the employee has opted to transfer them to a supplementary pension fund or to the INPS (the Italian social security institution) treasury fund. The group's liability is recognised under personnel expense and is calculated considering the benefits due without applying actuarial methods;
- defined benefit plans for the benefits vested up to 31 December 2006. They are recognised at their actuarial value using the projected unit credit method, without considering the pro rata past service cost as the benefits related to the current service cost have mostly vested and its revaluation is not expected to give rise to significant employee benefits in the future.

The discount rate used is determined by reference to market yields at the reporting date on high quality corporate bonds consistent with the term of the post-employment benefit obligations, weighted to reflect the percentage of the amount paid and advanced, for each due date, compared to the total amount to be paid and advanced before final settlement of the entire obligation. The plan servicing costs are recognised as personnel expense while the actuarial gains and losses are recognised in other comprehensive income (expense) as required by IAS 19.

12 - Provisions for risks and charges

Recognition

Provisions for risks and charges include accruals for legal or labour obligations or for disputes (including tax) arising as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

A provision is recognised when and only when:

- the group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

- a reliable estimate can be made of the amount of the obligation.

Classification

If the recognition criteria are met, the group recognises the provision under “Provisions for risks and charges” (caption 120).

The provisions include accruals made to cover:

- the group's legal disputes, especially risks related to claw-back claims, operational risks on services provided on behalf of third parties and all other operational risks arising in conjunction with complaints received from customers;
- all other accruals for specific expense and/or risks for which the group has voluntarily or under contract agreed to cover even though they have not yet been specifically formalised at the reporting date.

Measurement

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and that takes risks and uncertainties that inevitably surround many events and circumstances into account.

Provisions for liabilities expected to be settled after one year are recognised at their present value.

Derecognition

A provision is reversed to profit or loss if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or at the time of its settlement.

Recognition of costs and revenue

When the effect of the time value of money is material, the provision is discounted using current market rates. The provision and increase in the provision due to the passage of time are recognised in profit or loss.

The accrual to the restructuring provision covers significant reorganisations that have a material effect on the group's nature and strategies. It mainly covers the related consultancy fees.

Accruals made to the provisions for risks and charges are recognised in the income statement caption “Net reversals of (accruals to) provisions for risks and charges”.

13 - Other information

Treasury shares

The parent and the other group companies do not have treasury shares.

Other assets

Other assets comprise tax assets directly acquired by the parent from third parties that originated as a result of tax incentive measures granted in the form of tax credits or deductions (the 110% superbonus). Their recognition, classification and measurement are based on the guidelines of document no. 9 on the application of the IFRS jointly issued by Bank of Italy, Consob (the Italian Commission for listed companies and the stock exchange) and IVASS (the Italian Institute for insurance supervision). This document clarified that the above tax assets are in substance more similar to a financial asset and, therefore, a model based on IFRS 9 is the most appropriate accounting policy to provide relevant and reliable disclosure.

The tax assets acquired by the parent are managed under:

- the hold to collect business model and measured at amortised cost if, at the acquisition date, the amount is consistent with the current and prospective capacity of its liabilities with the tax authorities and if the assets were acquired for offsetting purposes;
- the hold to collect and sell business model and measured at fair value through other comprehensive income if, at the acquisition date, the amount is consistent with the current and prospective capacity of its liabilities with the tax authorities and if the assets were acquired for the purposes of both offsetting and sale to third parties;
- the trading business model and measured at fair value through profit or loss account if the assets were acquired solely to be resold to third parties and make a profit and their amount exceeds the estimated ceiling for the relevant offsetting.

These assets are recognised when the parent formally accepts them through its online tax account. They are derecognised when sold to third parties on the date of their acceptance through their online tax account.

The fair value of these tax assets is measured by discounting the expected offsets or, in the case of a planned sale to third parties, the expected proceeds, using a discount rate that reflects the time value of money and a risk premium. Specifically, the discount rate is benchmarked to a risk-free interest rate, updated at each measurement date, plus the risk premium determined at the time of investment.

Prepayments and accrued income, deferred income and accrued expenses

These captions, which include income and expense related to the reporting period accrued on assets and liabilities, are recognised as an adjustment to the assets and liabilities to which they refer.

Classification of financial assets

The classification of the financial assets into the three categories established by the standards depends on two classification drivers: the business model used to manage the financial instruments and the contractual cash flow characteristics of the financial assets (or SPPI test).

The classification of the financial assets derives from the combined effect of the two drivers mentioned above, as described below:

- Financial assets at amortised cost: assets that pass the SPPI test and come under the hold to collect (HTC) business model;
- Financial assets at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and come under the hold to collect and sell (HTCS) business model;
- Financial assets at fair value through profit or loss (FVTPL): this is a residual category, which includes financial instruments that cannot be classified in the previous categories based on the results of the business model assessment or the test of the contractual cash flow characteristics (SPPI test not passed).

SPPI test

In addition to the analysis of the business model, a financial asset may be classified as at amortised cost or at FVOCI if its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test). Loans and debt instruments, in particular, should be subjected to this test.

The SPPI test should be carried out on each financial instrument upon initial recognition.

After initial recognition, and as long as it is maintained in the statement of financial position, the asset is no longer subjected to the SPPI test. If a financial asset is derecognised and a new financial asset is recognised, the SPPI test must be performed on the new asset.

For the application of the SPPI test, IFRS 9 provides the following definitions:

- Principal: the fair value of the financial asset at initial recognition. This may change over the life of the financial asset, for example if there are repayments of part of the principal;
- Interest: the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks and costs and a profit margin.

In assessing whether the contractual flows of a financial asset qualify as SPPI, IFRS 9 refers to the general concept of a “basic lending arrangement”, which is independent of the legal form of the asset. When contract terms introduce exposure to risks or volatility in the contractual cash flows that is inconsistent with the definition of a basic lending arrangement, such as exposure to changes in share or commodity prices, the contractual cash flows do not meet the definition of SPPI. The application of the classification driver based on contractual cash flows sometimes requires judgement and, consequently, the establishment of internal application policies.

When assessing a modified time value of money element – for example, when the interest rate of the financial asset is reset periodically, but the frequency of the reset or the frequency of payment of the coupons does not reflect the nature of the interest rate (such as when the interest rate is reset monthly on the basis of a one-year rate) or when the interest rate is reset regularly on the basis of an average of particularly short or medium-to-long term rates – an entity should assess, using both quantitative and qualitative information, whether the contractual cash flows still meet the definition of SPPI (benchmark cash flows test). If the test shows that the (undiscounted) contractual cash flows are “significantly different” from the (also undiscounted) cash flows of a benchmark instrument (i.e., without the modified time value element), the contractual cash flows cannot be considered to meet the definition of SPPI.

The standard requires specific analyses (“look through tests”) to be performed and these are therefore also conducted on multiple contractually linked instruments (CLIs) that create concentrations of credit risk for debt repayment and on non-recourse assets, for example when a loan can only be enforced on specified assets of the debtor or on the cash flows from specified assets.

The presence of contractual clauses that may change the frequency or amount of the contractual cash flows must also be considered to determine whether those cash flows meet the SPPI requirements (e.g., prepayment options, the possibility of deferring contractually agreed cash flows, embedded derivative instruments, subordinated instruments, etc.).

However, as envisaged by IFRS 9, a contractual cash flow characteristic does not affect the classification of the financial asset if it could have only a de minimis effect on the contractual cash flows of the financial asset (in each reporting period and cumulatively). Similarly, if a cash flow characteristic is not genuine, i.e., if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur, it does not affect the classification of the financial asset.

Business model

IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed:

- Hold to collect (HTC): this is a business model whose objective is achieved by collecting the contractual cash flows of the financial assets included in the portfolios associated to it. The inclusion of the portfolio of financial assets in this business model does not necessarily result in the inability to sell the instruments, but the frequency, value and timing of sales in prior periods, the reasons for the sales, and the expectations about future sales, need to be considered;
- Hold to collect and sell (HTCS): this is a mixed business model whose objective is achieved by collecting the contractual cash flows of the financial assets in portfolio and (also) through the sale of the financial assets, which is an integral part of the strategy. Both activities (collection of contract flows and sales) are indispensable to achieve the business model's objective. Accordingly, sales are more frequent and significant than for an HTC business model and are an integral part of the strategies pursued;
- others/trading: this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not come under the previous categories (hold to collect and hold to collect and sell). In general, this classification applies to a portfolio of financial assets whose management and performance are measured based on fair value.

The business model reflects the way in which financial assets are managed to generate cash flows for the benefit of the entity and is defined by senior management with the appropriate involvement of the business structures.

It is defined by considering the way in which financial assets are managed and, as a consequence, the extent to which the portfolio's cash flows derive from the collection of contractual flows, from the sale of the financial assets, or from both. This assessment is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as the so-called "worst case" or "stress case" scenarios. For example, if an entity expects that it will sell a particular portfolio of financial assets only in a stress case scenario, that scenario does not affect the entity's assessment of the business model for those assets if the entity reasonably expects that such a scenario will not occur.

The business model does not depend on management's intentions regarding an individual financial instrument, but refers to the way in which groups of financial assets are managed in order to achieve a specific business objective.

In short, the business model:

- reflects the way in which financial assets are managed to generate cash flows;
- is defined by senior management, with the appropriate involvement of the business structures;
- must be observable by considering the way the financial assets are managed.

In operational terms, the assessment of the business model is carried out in line with the group's organisation, the specialisation of the business functions, the risk cascading model and the assignment of delegated powers (limits).

All relevant factors available at the date of the assessment are used in the assessment of the business model. The above information includes the strategy, the risks and their management, the remuneration policies, the reporting and the amount of the sales. In the analysis of the business model, the elements investigated must be consistent with each other and, in particular, with the strategy pursued. Evidence of activities not in line with the strategy must be analysed and duly justified.

In this regard, and in relation to the business models under which the financial assets are held, a specific business model assessment policy - approved by the competent governance levels - defines and sets out the components of the business model in relation to the financial assets included in the portfolios managed as part of the operations of the parent's business structures.

For the HTC portfolios, the group has set limits for frequent but not significant sales to be considered eligible (individually or in aggregate, or for infrequent sales even if their amount is significant) and the

parameters have also been established for identifying sales as being consistent with that business model because they relate to an increase in credit risk.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition decreased by principal repayments and adjusted by accumulated amortisation (calculated using the effective interest method) of the difference between the carrying amount at initial recognition and at maturity and by the loss allowance, if any.

The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the present value of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions are met (for example, reviews of market interest rates).

After initial recognition, amortised cost enables allocation of revenue and costs directly by decreasing or increasing the instrument's carrying amount over its entire expected life via the amortisation process. Amortised cost is calculated differently depending on whether the financial assets/liabilities have fixed or floating rates and - in this last case - whether the rate volatility is known beforehand.

Amortised cost measurement is applied to financial assets at amortised cost and at fair value through other comprehensive income or profit or loss, as well as financial liabilities at amortised cost.

Financial assets and liabilities traded at market conditions are initially recognised at fair value, which is normally equal to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.

As specified by IFRS 9, in some cases, a financial asset is considered credit-impaired at initial recognition because the credit risk is very high and, in the case of a purchase, it is purchased at a deep discount (with respect to the initial disbursement amount). If these financial assets, based on the application of the classification drivers (SPPI test and business model), are classified as assets measured at amortised cost or at fair value through other comprehensive income, they are classified as purchased or originated credit-impaired (POCI) assets and are subject to special impairment requirements. In addition, a credit-adjusted effective interest rate is calculated at the initial recognition of POCI assets, which requires the inclusion of the initial expected credit losses in the cash flow

estimates. This credit-adjusted effective interest rate is used for the application of the amortised cost and the consequent calculation of interest.

The amortised cost method is not used for financial assets and liabilities with a short term, without a set maturity and on demand as discounting these loans has no material impact.

Impairment

Impairment of financial assets

When there is no indication of impairment (performing financial instruments), the group checks whether there is evidence that the credit risk of the individual exposures has increased significantly since initial recognition. This check, in terms of classification (or, more precisely, staging) and measurement, has the following consequences:

- where this evidence does exist, the financial assets are included in stage 2. In this case, in compliance with the IFRS and despite the absence of indication of impairment, the group recognises a loss allowance equal to their lifetime expected credit losses. At each subsequent reporting date, the group reviews the loss allowance, both to periodically check its adequacy with the continuously updated loss estimates and to take account - if the evidence of “significantly increased” credit risk is no longer present - of the change in the forecast period for the calculation of the expected credit loss;
- where this evidence does not exist, the financial assets are included in stage 1. In this case, in compliance with the IFRS and despite the absence of indication of impairment, the group recognises a loss allowance equal to their 12-month expected credit losses. At each subsequent reporting date, the group reviews the loss allowance, both to periodically check its adequacy with the continuously updated loss estimates and to take account - if the evidence of “significantly increased” credit risk emerges - of the change in the forecast period for the calculation of the expected credit loss;

In accordance with IFRS 9 and effective implementation by the group, the following factors constitute the key elements to be taken into account for the measurement of financial assets and, in particular, the identification of the “significant increase” in credit risk (a necessary and sufficient condition for the classification of the asset as stage 2):

ABS not measured at fair value through profit or loss:

- net collections since inception of the securitisation 20% lower than those forecast in the business plan;

- a 3-notch decrease in the external rating of listed securities, if this decrease does not directly lead to classification as stage 3 (junk grade);
- business plan reviewed downward by over 20% of “net recoveries”, if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3;
- business plan reviewed by extending the recovery timing by over three years, if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3;

government bonds:

- application of the low credit risk exemption, i.e., as long as the bond qualifies as investment grade² (from AAA to BBB-), it remains in stage 1 (regardless of any downgrading of one or more than one notches); if the bond is downgraded to speculative grade (i.e., from BB+ to B-), it may be classified at stage 2, only if it is downgraded by at least 3 notches from the origination rate;
- reclassification to stage 3 follows the general rule of IFRS 9 according to which stage 3 includes financial instruments with objective evidence of impairment at the reporting date, i.e., from when they are graded CCC+ or lower.

financial instruments other than loans and receivables and government bonds:

- application of the low credit risk exemption, i.e., as long as the bond qualifies as investment grade (from AAA to BBB-), it remains in stage 1 (regardless of any downgrading of one or more than one notches);
- after reclassification, a 3-notch decrease from an external rating at origination of BBB+ or better, a 2-notch decrease from an external rating at origination of BBB or BBB- and a 1-notch decrease from an external rating at origination of less than BBB-, leads to classification at stage 2 as long as the downgrading does not directly lead to classification as stage 3;

² In general, the Fitch rating is used as the external public rating. Where this is not available, the S&P rating and the Moody's rating are used (in that order).

loans and receivables with customers (loans, personal loans granted to employees, subsidies, leases, factoring assets and guaranteed finance products):

- a past due amount that - subject to the materiality thresholds identified by the regulations - has been as such for at least 30 days. In this case, the credit risk is presumed to have “significantly increased” and the exposure is, therefore, transferred to stage 2 (if it was previously included in stage 1);
- forbearance measures, which lead to the rebuttable presumption that credit risk has “significantly increased” since initial recognition and to the exposure’s reclassification;
- increased credit risk identified during monitoring and assessment (e.g., covenant breaches deemed symptomatic of a significant increase in credit risk, moratorium applications, etc.).

In addition to the above criteria, for guaranteed finance (both medium/large financing and digital lending), a quantitative significant increase in credit risk (SICR) criterion (an increase in credit risk from origination to the reporting date, measured by the delta notch of the rating through comparison of quantitative parameters) is also applied.

For migration to stage 2, the delta notch thresholds are differentiated by rating class at the date of origination (in line with IFRS 9.B5.5.9) and are scaled according to the initial rating.

Where a rating exists at origination but is unavailable at the reporting date, the position is classified as stage 2;

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loans and receivables with banks:

- a 3-notch decrease if the counterparty’s external rating at origination or, where not available, of the counterparty’s country, is equal to BBB+ or better, a 2-notch decrease from an external rating at origination of BBB or BBB- and a 1-notch decrease from an external rating at origination of less than BBB-, as long as the downgrading does not directly lead to classification as stage 3 (junk grade).

Once the allocation to the various credit risk stages has been established, the expected credit losses (ECL) are determined at individual transaction or securities tranche level, based on the PD, LGD and EAD parameters.

Impairment of credit-impaired financial assets

All credit-impaired exposures are classified as stage 3, including those past due by over 90 days, regardless of the amount. Moreover, stage 3 includes all tranches associated with securities in default.

The group only reclassifies assets from stage 1 directly to stage 3 in exceptional cases, i.e., when their credit standing deteriorates dramatically and default is evident before receiving an interim report on credit rating. The group's business model envisages investments in POCI assets, which are therefore directly classified as stage 3 upon initial recognition.

The group assesses its credit-impaired exposures analytically using specific models depending on the nature of the assessed asset.

In particular, its POCI assets have specific impairment characteristics. Since initial recognition and over their entire life, the group recognises a loss allowance equal to their lifetime ECL. Therefore, at each reporting date, the group recognises any impairment gains or losses as may be necessary to adjust their lifetime ECL in profit or loss. Based on the above, the POCI assets are initially classified as stage 3, although they may be subsequently reclassified as performing exposures, nonetheless adjusted by a loss allowance equal to their lifetime ECL.

Business combinations

Business combinations are governed by IFRS 3.

The transfer of control over an entity (or an integrated set of activities and assets that is capable of being conducted and managed as a single business) is considered a business combination.

To this end, control is deemed to have been transferred when the investor is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as, for example, in the case of the exchange of equity investments, the identification of the acquirer considers other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration or the entity which issues new shares.

The acquisition, and therefore the initial consolidation of the acquiree, is recognised on the date on which the acquirer effectively obtains control over the acquired entity or businesses. When the combination occurs in a single exchange, the date of the exchange usually coincides with the acquisition date, provided that there are no agreements stipulating the transfer of control prior to the date of the exchange.

The consideration transferred as part of a business combination is equal to the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the acquirer in return for control.

In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the transaction price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. The “Fair value” section provides information on the fair value measurement of financial instruments. In the case of shares listed on active markets, the fair value is the acquisition-date quoted market price or, should that not be available, the latest price available.

The acquisition-date consideration transferred includes any contingent consideration based on future events, if provided for by the combination agreement and only if it is probable, it can be measured reliably and realised within one year of acquisition of control. Instead, any compensation for impairment losses on the assets used as consideration is not included in the purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.

Acquisition-related costs are those incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for appraisals and audits of financial statements, preparation of information documents required by the law, as well as advisory fees incurred to identify potential targets, if the contract provides for the payment of success fees, as well as debt or equity securities’ registration and issue costs.

The acquirer must account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities are recognised in accordance with IAS 32 and IFRS 9.

Business combinations are recognised using the “acquisition method” whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquiree) or liabilities assumed (including contingent liabilities) are recognised at their acquisition-date fair value.

Any excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased by any non-controlling interests (determined as above) as well as the fair value of any equity interest already held by the acquirer, and the fair value of acquired assets and liabilities is recognised as goodwill. Conversely, when the fair value of acquired assets and liabilities exceeds the sum of the consideration transferred, non-controlling interests and the fair value of any equity interest already held, the difference is recognised in profit or loss.

Business combinations may be recognised provisionally by the end of the reporting period in which the combination occurs, to be finalised within one year of the acquisition date.

Revenue and cost recognition

Revenue is the gross flow of economic benefits generated by an entity's ordinary operations. It is recognised when control of the goods or services is transferred to the customer in an amount that reflects the consideration to which the entity expects to be entitled. Specifically, revenue is recognised using the model that can:

- identify the contract, defined as an agreement that creates enforceable obligations;
- identify the performance obligations in the contract;
- determine the transaction price, i.e., the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods and/or services to a customer;
- allocate the transaction price to the performance obligations on the basis of the relative stand-alone selling prices of each distinct good or service;
- recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue can be recognised at a point in time when the entity satisfies a performance obligation by transferring the promised good or service to a customer, or over time as the entity satisfies the performance obligation by transferring the promised good or service. Specifically:

- interest is recognised on a pro rata basis, using the contractual interest rate or the effective interest rate when the amortised cost model is applied;
- any contractually provided for default interest is recognised only when actually collected;

- dividends are recognised in profit or loss when their distribution is approved;
- commissions on revenue from services contractually provided for are recognised when the services are rendered. Commissions included in amortised cost to calculate the effective interest rate are recognised as interest;
- income and expense from the trading of financial instruments are recognised when the sale is executed and are the difference between the transaction price paid or collected and the instrument's carrying amount;
- gains on the sale of non-financial assets are recognised when the sale is executed, unless the group has substantially retained the risks and rewards of ownership.

Costs are recognised in profit or loss on an accruals basis. Costs to obtain and fulfil a contract with a customer are recognised in profit or loss in the period in which the related revenue is recognised.

A.3 - FAIR VALUE

Qualitative information

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The transaction is a normal transaction between independent parties that have a reasonable understanding of the market conditions and significant facts about the asset or liability. Fundamental to the definition of fair value is the assumption that the entity is able to operate normally and does not need to urgently liquidate or significantly decrease a position. The fair value of an instrument reflects its credit quality as it includes the counterparty or issuer default risk among other things.

The fair value of financial instruments is determined using a hierarchy based on the origin, type and quality of the information used. This hierarchy gives maximum priority to quoted prices (unadjusted) in active markets and less priority to unobservable inputs. There are three different levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

These valuation approaches are applied hierarchically. Therefore, if a quoted price on an active market is available, the Level 1 approach must be applied. In addition, the valuation technique applied must

maximise the use of factors observable on the market and, therefore, rely as little as possible on subjective parameters or “private information”.

In the case of financial instruments that are not quoted on active markets, the level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The valuation techniques used to determine fair value are calibrated regularly and validated using variable inputs observable on the market to ensure that they represent the actual market conditions and to identify any weaknesses.

The fair value hierarchy was included in IFRS 7 solely for disclosure purposes and not for measurement purposes. Therefore, the financial assets and liabilities are measured in accordance with IFRS 13.

Level 1

A financial instrument is quoted on an active market when its price is:

- readily and promptly available from stock exchanges, brokers, intermediaries, information providers, etc.;
- significant, i.e., representative of effective market transactions that take place regularly in normal trading.

In order to be considered as Level 1, the price shall be unadjusted, that is not adjusted by applying a valuation adjustment. Otherwise, the fair value measurement of the financial instrument will fall into Level 2.

Level 2

A financial instrument is included in Level 2 when all the significant inputs (other than quoted prices included in Level 1) used to measure it are observable directly or indirectly on the market.

The Level 2 inputs are:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the financial asset or liability (risk free rate curve, credit spread, volatility, etc.);
- inputs that mainly derive from or are corroborated (through correlation or other techniques) by observable market data (market-corroborated inputs).

An input is observable when it reflects the assumptions that a market participant would use when pricing a financial asset or liability using market data provided by independent sources.

If a fair value measurement uses observable data, which require significant adjustment using unobservable inputs, the measurement is categorised within Level 3 of the fair value hierarchy.

Level 3

Level 3 includes financial instruments, whose fair value is estimated using a valuation technique that uses inputs that are not observable on the market, not even indirectly. Specifically, inclusion in Level 3 takes place when at least one of the significant inputs used to measure the instrument is unobservable.

This categorisation takes place when the inputs used reflect the entity's assumptions, developed on the basis of the available information.

Levels 2 and 3: valuation techniques and inputs used

The fair value of financial instruments is determined using prices on financial markets for instruments quoted on active markets or internal valuation models for other financial instruments.

If a quoted price on an active market is unavailable or the market is not operating regularly, fair value is measured using valuation techniques to establish a price for a hypothetical independent transaction, driven by normal market considerations. These techniques include:

- reference to market values that are indirectly related to the instruments being valued and inferred from products with a similar risk profile and return;
- valuations made using, including partially, non-market inputs calculated using estimates and

assumptions.

Valuation processes and sensitivity

Assets other than short-term exposures classified as Level 3 chiefly include the ABS at fair value through profit or loss and participating financial instruments at fair value through other comprehensive income.

The group measures the ABS using the discounted cash flow model (DCF), estimating the future cash flows and a suitable discount rate that reflects the time value of money and the risk premium. The cash flows are estimated considering the securitisations' business plans. The discount rate is identified as the cost of capital ("Ke"), calculated using the capital asset pricing model ("CAPM") method, and is estimated to be equal to the rate of return on the risk-free assets ("Rf"), increased by the sector-specific risk premium. This premium is calculated by considering the β coefficient, which measures a specific entity's risk, in relation to the variability of its return compared to the market risk and multiplying it by the equity risk premium ("ERP").

A specific risk coefficient is added to the output to account for the riskiness of the relevant securities compared to that of the market (small size premium).

Assisted by independent experts, the group regularly measures financial assets at fair value through other comprehensive income using market multiple or discounted cash flow models.

Fair value hierarchy

The group did not transfer any financial assets or liabilities from one level to another during the reporting period.

Other information

The group did not apply the exception provided for by IFRS 13.48 (fair value based on the net exposure) for financial assets and liabilities that offset the market or counterparty risk.

Quantitative disclosure

Fair value hierarchy

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

(€'000)

Financial assets/liabilities at fair value	30/06/2025			31/12/2024		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	79	-	81,762	289	-	508
a) held for trading	79	-	-	289	-	508
b) designated at fair value	-	-	-	-	-	-
c) mandatorily measured at fair value	-	-	81,762	-	-	86,037
2. Financial assets at fair value through other comprehensive income	-	-	4,000	5,347	-	4,000
3. Hedging derivatives	-	119	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	79	119	85,762	5,635	-	90,545
1. Financial liabilities held for trading	70	-	-	7	-	-
2. Financial liabilities at fair value through profit or loss	-	-	4,073	-	-	3,396
3. Hedging derivatives	-	-	-	-	-	-
Total	70	-	4,073	7	-	3,396

Key:

L1= Level 1

L2= Level 2

L3= Level 3

Changes in assets measured at fair value on a recurring basis (Level 3)

(€'000)

	Financial assets at fair value through profit or loss				Financial assets at fair value through other comprehensive income	Hedging derivatives	Property, equipment and investment property	Intangible assets
	Total	Including: a) held for trading	Including: b) designated at fair value	Including: c) mandatorily measured at fair value				
1. Opening balance	86,545	508	-	86,037	4,000	-	-	-
2. Increases								
2.1 Purchases	136	-	-	136	-	-	-	-
2.2 Gains recognised in:	5,240	-	-	5,240	-	-	-	-
2.2.1 Profit or loss	5,240	-	-	5,240	-	-	-	-
- including: Gains	1,952	-	-	1,952	-	-	-	-
2.2.2 Equity	-	X	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases								
3.1 Sales	-	-	-	-	-	-	-	-
3.2 Repayments	(9,652)	-	-	(9,652)	-	-	-	-
3.3 Losses recognised in:	(508)	(508)	-	0	-	-	-	-
3.3.1 Profit or loss	(508)	(508)	-	0	-	-	-	-
- including losses	(508)	(508)	-	0	-	-	-	-
3.3.2 Equity	-	X	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	81,762	-	-	81,762	4,000	-	-	-

Key:

L1= Level 1

L2= Level 2

L3= Level 3

Changes in liabilities measured at fair value on a recurring basis (Level 3)

(€'000)

	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Hedging derivatives
1. Opening balance	-	3,396	-
2. Increases			
2.1 Issues	-	-	-
2.2 Losses recognised in:	-	-	-
2.2.1 Profit or loss	-	1,085	-
- including losses	-	1,085	-
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases			
3.1 Repayments	-	(58)	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-	-	-
3.3.1 Profit or loss	-	0	-
- including gains	-	0	-
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	(349)	-
4. Closing balance	-	4,073	-

*Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis:
breakdown by fair value level*

(€'000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/06/2025				31/12/2024			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets at amortised cost	1,650,512	332,048	-	1,352,725	1,707,511	447,811	-	1,269,241
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
Total	1,650,512	332,048	-	1,352,725	1,707,511	447,811	-	1,269,241
1. Financial liabilities at amortised cost	1,748,284	-	-	1,748,284	1,815,015	-	-	1,815,015
2. Liabilities associated with disposal groups	-	-	-	-	-	-	-	-
Total	1,748,284	-	-	1,748,284	1,815,015	-	-	1,815,015

Key:

L1= Level 1

L2= Level 2

L3= Level 3

Information on “day one profit/loss”

The carrying amount of financial instruments equals their fair value at the reporting date. With respect to financial instruments not measured at fair value through profit or loss, their fair value is considered to equal their price collected or paid at the recognition date.

Any difference between the amount collected or paid for financial instruments measured at fair value through profit or loss and classified as Level 3 may be recognised in the relevant income statement caption, generating a day one profit or loss (DOP). The difference is recognised in profit or loss only if it is due to changes in factors on which the market participants based their assumptions when setting the price (including the time effect). When the instrument has a set maturity date and a model that monitors changes in the factors is not immediately available, the group may recognise the DOP in profit or loss over the financial instrument's term.

The group has not recognised a day one profit or loss on financial instruments as set out in IFRS 7.28 and the sections in the other related standards.



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Notes to the statement of financial position

CASH AND CASH EQUIVALENTS

		(€'000)	
Assets		30/06/2025	31/12/2024
	Cash	1	1
	Current accounts and demand deposits with central banks	55,010	88,503
	Current accounts and demand deposits with banks	21,104	11,681
	Cash and cash equivalents	76,116	100,185

The caption mainly consists of:

- the group's cash-in-hand;
- the payment module ("PM") account the parent holds as a participant in the European real-time gross settlement system. As per European legislation, the PM account is held with Bank of Italy;
- the parent's cash and cash equivalents;
- an overnight deposit with Bank of Italy;
- cash deposited in the consolidated SPVs' current accounts (€11.5 million).

FINANCIAL ASSETS

Financial assets at fair value through profit or loss

		(€'000)	
Assets		30/06/2025	31/12/2024
	HTC mezzanine ABS that did not pass the SPPI test	10,729	10,773
	HTC junior ABS that did not pass the SPPI test	69,105	73,244
	HTC monoranche ABS that did not pass the SPPI test	1,927	2,019
	Futures	79	289
	Options	-	508
	Financial assets at fair value through profit or loss	81,840	86,833

Financial assets at fair value through profit or loss comprise the ABS issued by unconsolidated vehicles that, despite having been purchased as part of the hold to collect business model, did not pass the SPPI test provided for by IFRS 9.

This caption also includes futures totalling €79 thousand.

Financial assets at fair value through other comprehensive income

		(€'000)	
Assets		30/06/2025	31/12/2024
	Debt instruments	-	5,347
	Equity instruments	4,000	4,000
	Financial assets at fair value through other comprehensive income	4,000	9,347

At the reporting date, financial assets at fair value through other comprehensive income relate to a participating financial instrument entered into by the parent in 2018. At 31 December 2024, the caption also included HTCS government bonds.

Financial assets at amortised cost: loans and receivables with banks

		(€'000)	
Assets		30/06/2025	31/12/2024
	Minimum reserve	10,905	10,177
	ETD margins	1,060	955
	Factoring assets	-	289
	Other	477	-
	Loans and receivables with banks	12,442	11,422

This caption includes the parent's minimum reserve held with Bank of Italy and margins of €1,060 thousand for future positions with bank counterparties.

Financial assets at amortised cost: loans and receivables with customers

		(€'000)	
Assets		30/06/2025	31/12/2024
	HTC debt instruments: government and central banks	333,421	449,345
	HTC senior ABS that passed the SPPI test	71,598	78,324
	HTC mezzanine ABS that passed the SPPI test	32,858	33,103
	Consolidated SPVs' POCI loans	75,563	78,295
	Consolidated SPVs' performing tax assets	139,932	93,524
	Current accounts	0	180
	Loans and subsidies	788,330	784,099
	Personal loans granted to employees	59	69
	Leases	8,207	8,829
	Factoring	188,101	170,313
	Trade receivables	1	8
	Loans and receivables with customers	1,638,070	1,696,089

Loans and receivables with customers amount to €1,638 million, net of impairment losses. They are in line with the balance at 31 December 2024. The caption includes guaranteed finance products of €765,391 thousand, factoring products of €188,101 thousand and investments in government bonds of €333,421 thousand.

Prior to the 2021 demerger, the parent structured securitisation transactions aimed at acquiring loan portfolios (mainly non-performing). It invested in these transactions by subscribing ABS. These portfolios are consolidated since the parent exercises control in accordance with IFRS 10 and are accounted for as POCI exposures. They amount to €75,563 thousand at 30 June 2025 (31 December 2024: €78,295 thousand).

Tax assets of €139,932 thousand at 30 June 2025 include those purchased through the SPVs Crediti Fiscali+ and Fairway.

The HTC senior ABS that passed the SPPI test are those excluded from consolidation.

HEDGING DERIVATIVES

		(€'000)	
Assets		30/06/2025	31/12/2024
	Micro-hedging derivative	119	-
	Hedging derivatives	119	-

The caption includes an interest rate swap with a positive fair value, entered into by the parent as part of the micro fair value hedging strategy launched in the second quarter of 2025. The hedged items are Italian treasury bonds (BTPs) classified in the HTC portfolio.

PROPERTY, EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

		(€'000)	
Assets		30/06/2025	31/12/2024
	Property, equipment and investment property	5,574	6,132
	- including right-of-use assets recognised under IFRS 16	4,402	4,776
	Intangible assets	10,330	11,272
	Capitalised assets	15,904	17,404

This caption comprises the right-of-use assets of €4,402 thousand recognised in accordance with the requirements of IFRS 16. The assets falling within the scope of the standard refer to the leased offices in Rome and Milan, buildings for residential use granted as a benefit to certain employees, company cars and printers.

The group does not have any investment property at the reporting date or other property held for resale regulated by IAS 2. It has not committed its property and equipment in any way.

Intangible assets comprise the cost of software net of accumulated amortisation (€1,889 thousand), goodwill arising on the acquisition of Fifty (€1,272 thousand) and BECM (€906 thousand), the Credimi technological platform (€4,854 thousand) and the unamortised amount of the platform developed internally by Fifty to manage its factoring products (€909 thousand).

With the completion of the acquisition of the business unit of BE TC S.r.l., goodwill of €500 thousand was also recognised in this caption.

OTHER ASSETS

		(€'000)	
Assets		30/06/2025	31/12/2024
	Guarantee deposits	456	456
	Prepayments and accrued income	32,771	2,430
	Tax assets purchased from third parties	26,299	17,606
	Premium for APS compensation	1,758	-
	Sundry assets	6,082	2,285
	Other assets	67,367	22,777

Other assets mainly comprise:

- tax assets of €26,299 thousand purchased by the parent from third parties that originated as a result of tax incentive measures granted in the form of tax credits or deductions (the 110% superbonus);
- prepayments and accrued income of €32,771 thousand that include, inter alia, the portion of the premium paid in advance but pertaining to future years for the 10-year APS financial guarantee contract described earlier;
- the APS compensation of €1,758 thousand due for the first half of 2025 under the aforementioned APS contract that was collected in August 2025;
- sundry assets, which mainly comprise items in transit relating to online deposits and collections to be transferred to the SPV New Levante from assets earmarked for a specific business.

TAX ASSETS

Current tax assets amount to €6,996 thousand and mainly include withholdings on current accounts (€3,823 thousand) and virtual stamp duty (€2,774 thousand) paid on account.

Deferred tax assets of €5,552 thousand solely relate to the parent and include €4,056 thousand related to carryforward tax losses, €779 thousand to the ACE (Aid for Economic Growth) benefit, €505 thousand

to the substitute tax paid to align carrying amounts and tax bases of the Fifty and BECM goodwill and €212 thousand to other deductible temporary differences that can be used to reduce the tax base in future years. The “Use of accounting estimates” paragraph in “Section 3 - Other issues” provides information on the considerations made regarding the recoverability of deferred tax assets.

FINANCIAL LIABILITIES AT AMORTISED COST

		(€'000)	
Liabilities		30/06/2025	31/12/2024
	Ordinary advances from Bank of Italy	55,016	180,016
	Term deposits	-	-
	Repurchase agreements	210,709	252,943
	Futures trading margin	128	289
	Due to banks	265,853	433,247
	Current accounts	377,856	324,229
	Corporate term deposits	109,289	70,168
	Deposits on line (DOL)	956,239	952,985
	Other financial liabilities	8,758	6,065
	Due to customers	1,452,142	1,353,447
	Securities issued	30,289	28,321
	Securities issued	30,289	28,321
	Financial liabilities at amortised cost	1,748,284	1,815,015

Due to banks

Due to central banks of €55,016 thousand relates to advances for open market transactions.

The repurchase agreements of €210,709 thousand refer to funding with government bonds given as security.



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Due to customers

The current accounts mainly include the retail current accounts for which the time deposit letter had to be signed.

The corporate term deposits are related to various counterparties, including Cassa Depositi e Prestiti.

At the reporting date, the liability to DOL customers (retail) amounts to €956,239 thousand (31 December 2024: €952,985 thousand).

The caption "Due to customers" also comprises the lease liabilities of €5,492 thousand recognised in accordance with IFRS 16. They chiefly relate to the Rome and Milan office leases.

The group does not have any structured liabilities, subordinated liabilities or finance lease liabilities to customers.

Securities issued

The caption includes the subordinated bonds with a nominal amount of €25 million issued on 13 October 2023 at an annual interest rate of 14.50%. The bonds qualify as a Tier 2 capital instrument in accordance with the provisions of Regulation (EU) no. 575/2013 ("CRR", Capital Requirements Regulation) and Bank of Italy Circular no. 285 of 17 December 2013.

The subordinated bonds, which were dematerialised and centralised at Euronext Securities Milan (Monte Titoli S.p.A.), were traded on the professional segment of the multilateral trading system Euronext Access Milan organised and managed by Borsa Italiana S.p.A..

The caption also includes the 5% share of the ABS issued by Liberio SPV S.r.l. subscribed by non-group companies.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(€'000)

Liabilities		30/06/2025	31/12/2024
	Futures	70	7
	Financial liabilities held for trading	70	7
	Due to Fire	1,535	1,537
	DPP due to BE TC	2,537	1,859
	Financial liabilities designated at fair value	4,073	3,396
	Financial liabilities at fair value through profit or loss	4,142	3,403

Financial liabilities at fair value through profit or loss amount to €4.1 million at 30 June 2025 (€3.4 million at 31 December 2024) and mostly comprise liabilities recognised for deferred prices related to the former Artemide portfolio and the Crediti Fiscali+ portfolio due to Fire and BE TC S.r.l., respectively. The increase on 31 December 2024 is principally attributable to fair value losses of €0.7 million.

TAX LIABILITIES

(€'000)

Liabilities		30/06/2025	31/12/2024
	Current tax liabilities	86	74
	Deferred tax liabilities	3,335	3,898
	Tax liabilities	3,421	3,973

The group recognised deferred tax liabilities of €3,335 thousand mainly on the consolidation adjustments of the SPVs' portfolios.

POST-EMPLOYMENT BENEFITS AND PROVISIONS FOR SPECIFIC USE

		(€'000)	
Liabilities		30/06/2025	31/12/2024
	Post-employment benefits	485	385
	Legal and tax disputes	1,046	459
	Personnel	-	-
	Other provisions for risks and charges	1,046	459
	Provisions for specific use	1,530	844

The carrying amount of post-employment benefits is calculated using actuarial techniques as provided for by IAS 19 and the following assumptions:

- discount rate: 3.70% (31 December 2024: 3.40%);
- inflation rate: 1.85% (31 December 2024: 1.90%).

Other provisions for risks and charges comprise:

- the provision for litigation, which covers actions for compensation claimed by customers. It is difficult to estimate when the pending litigation will be settled. The group cannot objectively calculate an accrual to the provision as it depends on what level the hearing is at and whether an out-of-court settlement may be reached. Pursuant to IAS 37, it decided not to provide for the pending disputes for which management and the legal advisors deem that a negative outcome is only “possible” and not “probable”. Management’s and the legal advisors’ opinion is supported by a number of factors, including the fact that the proceedings are still at an initial stage and the hearings will take place in the coming months, which make it difficult to estimate the possible amounts and timing. The group expects to use the entire provision in 2025. During the first half of 2025, the parent accrued around €0.8 million for the operational risk associated with tax assets acquired through the consolidated companies Crediti Fiscali + and Fairway for which a dispute is pending with the tax authorities;
- the provision for amounts to be returned to courts, which refers to amounts collected by the parent as part of court enforcement and insolvency proceedings and court-approved creditor settlements that have not yet been finalised. They may have to be returned following

enforcement of the individual voluntary agreement, but it is not known exactly when, as it depends on the courts where the proceedings are being held;

- the provision for legal fees, which includes the fees for professional services to collect problematic loans and receivables for ongoing legal proceedings. The group expects to use the entire provision in the second half of 2025.

OTHER LIABILITIES

		(€'000)	
Liabilities		30/06/2025	31/12/2024
	Remuneration due to employees	3,077	3,279
	Social security contributions	1,221	1,347
	Sundry guaranteed finance liabilities	1,019	41
	Sundry lease liabilities	189	142
	Sundry amounts due to SPVs	84	84
	Factoring transactions	8,323	4,986
	Trade payables	6,943	7,228
	Stamp duties	1,216	1,812
	Substitute tax	170	373
	VAT	53	33
	Items in transit (DOL)	8,134	2,881
	Deferred income	3,221	4,020
	Withholding taxes	3,785	8,550
	Amounts due to SPVs for promissory note planning	49	49
	Sundry liabilities	139	(77)
	Other liabilities	37,622	34,748

The caption mostly comprises remuneration due to employees, invoices received or to be received from suppliers and sundry DOL business liabilities.

Liabilities for factoring transactions mainly include the price payable to transferors for portfolios acquired on a non-recourse basis in the last few days of the period and, to a lesser extent, collections to be reconciled at the reporting date.



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EQUITY

Equity amounts to €113.4 million at 30 June 2025 compared to €101.3 million at 31 December 2024.

The increase of €12.1 million is attributable to the capital injection for a future capital increase made by the majority shareholder in April 2025 (€15 million), net of the loss for the period (€2.9 million).



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Notes to the income statement

NET INTEREST INCOME

(€'000)

Profit or loss	H1 2025	H1 2024	Variation	
			amount	%
Interest and similar income				
- on financial assets at fair value through profit or loss	3,329	3,923	(594)	-15%
- on financial assets at fair value through other comprehensive income	618	-	618	n.s.
- on financial assets at amortised cost	49,620	46,783	2,837	6%
- on hedging derivatives	1	-		n.s.
- on tax assets	8,055	8,094	(39)	0%
Total	61,622	58,801	2,821	5%
Interest and similar expense				
- on amounts due to central banks	(487)	(1,510)	1,022	-68%
- on amounts due to banks	(7,664)	(6,335)	(1,329)	21%
- on amounts due to customers	(20,625)	(20,740)	115	-1%
- on securities issued	(1,992)	(1,992)	0	0%
Total	(30,768)	(30,577)	(191)	1%
Net interest income	30,854	28,224	2,631	9%

Net interest income was positively affected by the performance of the investments made during the first half of 2025. Specifically, interest accrued on the following:

- the SPVs' POCI portfolios (€4,526 thousand);
- Crediti Fiscali+'s and Fairway's tax asset portfolios (€7,138 thousand);
- ABS issued by unconsolidated vehicles (€6,374 thousand, including €3,329 thousand on ABS mandatorily measured at fair value);
- guaranteed finance products (€28,175 thousand);
- factoring (€3,761 thousand);
- the Gimli POCI portfolio purchased in 2018 (€123 thousand);
- the parent's and consolidated companies' leases (€328 thousand and €516 thousand, respectively);
- investment of liquidity (€9,223 thousand);

- the parent's tax asset portfolios (€917 thousand);
- other sums directly disbursed by the parent, such as personal loans granted to employees and subsidies (€570 thousand).

Interest expense is the cost of funding to the group companies, the most significant of which is that accrued on customers' online deposits (€19,287 thousand).

NET FEE AND COMMISSION INCOME

(€'000)					
Profit or loss	H1 2025	H1 2024	Variation		
			amount	%	
Fee and commission income					
- on lending	880	414	466	113%	
- on factoring	3,101	1,879	1,222	65%	
- on other services	10	14	(4)	-27%	
Total	3,991	2,307	1,684	73%	
Fee and commission expense					
- on trading in financial instruments	(61)	-	(61)	n.s.	
- on financial guarantees received	(1,032)	-	(1,032)	n.s.	
- on management and brokerage services	(52)	(391)	339	-87%	
- on other services	(1,843)	(1,749)	(95)	5%	
Total	(2,988)	(2,140)	(848)	40%	
Net fee and commission income	1,004	168	836	499%	

Fee and commission income mainly derives from factoring (€3,101 thousand). Fee and commission expense principally includes commissions paid by the parent and the SPVs for servicing activities and for the roles played by third parties in the related securitisations (€1,696 thousand), as well as the premium for the period paid for the APS financial guarantee contract (€0.55 million).

NET GAIN ON OTHER FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(€'000)

Profit or loss		H1 2025	H1 2024	Variation	
				amount	%
	HTC ABS that did not pass the SPPI test	1,952	(2,536)	4,489	-177%
	Financial liabilities	(765)	1,213	(1,977)	-163%
	Financial assets designated at fair value	-	4,975	(4,975)	-100%
	Net gain on other financial assets and liabilities at fair value through profit or loss	1,188	3,651	(2,464)	-67%

The net gain of €1,188 thousand comprises:

- net fair value gains on financial assets that are mandatorily measured at fair value and, in particular, the ABS that did not pass the SPPI test provided for by IFRS 9 and issued by unconsolidated SPVs (€1,952 thousand);
- fair value losses on liabilities with Fire and BE TC S.r.l. recognised for the deferred prices for the former Artemide and the Crediti Fiscali+ portfolios, respectively (€765 thousand).

NET IMPAIRMENT LOSSES/GAINS ON LOANS AND RECEIVABLES

Net impairment losses amount to €10.2 million for the period, as follows:

- net impairment losses on the GIMLI portfolio (€0.4 million);
- net impairment losses on lease portfolios (€0.1 million);
- net impairment gains of €0.7 million on the consolidated SPVs' POCI portfolios;
- collective impairment gains on loans and receivables with banks and government bonds (€0.1 million);
- impairment losses on loans and guaranteed finance products (€9.5 million, including collective and individual impairment losses of €0.5 million and €9 million, respectively);
- impairment losses on factoring assets (€0.5 million, including collective and individual impairment losses of €0.1 million and €0.4 million, respectively);
- collective impairment gains on the mortgage and other loans disbursed by the parent (€0.5 million);
- impairment losses on Crediti Fiscali+'s and Fairway's tax asset portfolios (€0.2 million);

- collective impairment losses on unconsolidated ABS (€0.8 million).

OPERATING COSTS

		(€'000)			
Profit or loss		H1 2025	H1 2024	Variation	
				amount	%
- Wages and salaries		(8,427)	(7,482)	(945)	13%
- Social security contributions		(3,074)	(2,674)	(400)	15%
- Post-employment benefits		(416)	(396)	(20)	5%
- Defined contribution plans		(287)	(243)	(45)	18%
- Other employee benefits		(2,145)	(1,914)	(230)	12%
- Directors' and statutory auditors' fees		(474)	(512)	38	-7%
- Cost reimbursements for seconded personnel		(19)	(24)	5	-22%
Personnel expense		(14,842)	(13,245)	(1,597)	12%
- Taxes and duties		(1,427)	(1,093)	(334)	31%
- Professionals' fees		(61)	(29)	(32)	112%
- Sundry consultancies		(2,871)	(1,275)	(1,596)	125%
- Insurance		(586)	(724)	138	-19%
- Building leases		(128)	(124)	(4)	3%
- Payroll services		(80)	(53)	(26)	50%
- IT costs		(2,689)	(2,743)	53	-2%
- Maintenance		(88)	(72)	(16)	23%
- Audit fees		(185)	(158)	(28)	17%
- Rating agency fees		-	(0)	0	-100%
- Posting and telephone		(93)	(54)	(39)	72%
- Cleaning		(66)	(58)	(8)	14%
- Information services		(873)	(568)	(306)	54%
- Advertising		(1,659)	(1,120)	(540)	48%
- Sundry lease costs		(45)	(85)	40	-47%
- Contribution to the Interbank Deposit Protection Fund		(14)	(11)	(3)	25%
- Business development costs		(463)	(545)	81	-15%
- Donations		(11)	0	(11)	n.s.
- Other		(917)	(944)	27	-3%
Ordinary administrative expenses		(12,258)	(9,655)	(2,603)	27%
Net reversals of (accruals to) provisions for risks and charges		(653)	27	(680)	-2517%
Amortisation, depreciation and net impairment losses on capitalised assets		(2,668)	(2,310)	(358)	16%
Other operating income, net		2,017	1,336	680	51%
Operating costs		(28,404)	(23,847)	(4,558)	19%

Personnel expense amounts to €14,842 thousand (€13,254 thousand in the first half of 2024). The group's workforce increased from 202 (June 2024) to 222 employees at the reporting date. The higher personnel expense reflects new employees and the increase in the variable remuneration component.

Other administrative expenses come to €12,258 thousand while they amounted to €9,655 thousand for the six months ended 30 June 2024. The increase of €2,603 thousand is due, inter alia, to non-recurring costs for specific projects (e.g., implementation of the APS financial guarantee, finalisation of the Lazzaro securitisation, the Banca Sistema tender offer, etc.) and higher production costs (+€0.4 million, +10%) driven, in particular, by credit outsourcer expenses, stamp duty and the digital lending communication.

Other operating income, net amounts to €2,017 thousand for the period. It is broken down in the following table:

		(€'000)			
Profit or loss		H1 2025	H1 2024	Variation	
				amount	%
	Sundry lease income	23	17	6	37%
	Recovery of due diligence costs	22	20	2	10%
	Sundry factoring costs	31	(5)	35	-732%
	Sundry cost recoveries	582	525	57	11%
	APS compensation	1,758	-	1,758	n.s.
	Other	(399)	780	(1,179)	-151%
	Other operating income, net	2,017	1,337	680	51%

Information on risks and hedging policies

Introduction

The Banca CF+ Group acknowledges the strategic importance of the internal control system, consisting of rules, procedures and structures designed to allow sustainable growth in line with the group's objectives by properly identifying, measuring, managing and monitoring its risks. The risk culture not only relates to the control functions but is disseminated throughout the group.

In particular, the group focuses on its capacity to identify and promptly analyse interrelations between the various risk categories.

As provided for by the current regulations, the Board of Directors, as it is also the body charged with managing the parent, is responsible for defining and approving the parent's risk management policies and it is constantly informed about changes in the group's business risks. The CEO and General Manager, as the body charged with managing the parent, is responsible for the implementation of the risk governance policies and for the adoption of all necessary measures to ensure the internal control system's compliance with applicable legislation and aids the development and spreading at all levels of an integrated risk culture for all different risk types and across the entire group structure. The Board of Statutory Auditors supervises the completeness, functionality and adequacy of the internal control system and the risk appetite framework (RAF). It also monitors compliance with the regulations governing the banking sector, communicating the need for remedial actions to remedy weaknesses or irregularities, when necessary.

The Supervisory Body as per Legislative decree no. 231/01 checks that the organisational, management and control model, required by law, is operational and compliant.

The Audit Committee supports the Board of Directors with its monitoring of the governance and integrated management of the overall business risks to which the group is exposed.

This Committee also acknowledges and expresses its opinion on the risk appetite statement (RAS) and RAF and carries out ongoing checks of any changes in business risks and compliance with the various types of risk assumption thresholds.

The Internal Audit Department, which directly reports to the Board of Directors, checks that the business operations are carried out regularly and monitors changes in risks. It also assesses the completeness, functionality and adequacy of the organisational structures and other components of the internal control system. This department informs the internal bodies of any possible improvements, especially to the RAF or to the risk management process as well as to the risk measurement and control instruments.

The second-level control departments (Compliance & AML and Chief Risk Officer - comprising the ICT Risk & Security and Risk Strategy & Management teams) report directly to the CEO and General Manager and to the Board of Directors.

The Compliance & AML Department:

- prevents and manages the risk of incurring judicial or administration sanctions, large financial losses or damage to the parent's reputation due to violations of imperative regulations or self-regulations;
- performs ongoing checks to ensure that the parent's procedures are suitable to prevent and thwart violations of imperative regulations or self-regulations on money laundering and the financing of terrorism;
- is responsible for the outsourced data protection activities.

The Chief Risk Officer's department:

- through the ICT Risk & Security Department, assists with the definition and implementation of the policies to monitor the parent's ICT risks and security. Its remit is to ensure that the banking group's current and future exposure to the various types of ICT and security risks are properly assessed and managed. It also provides the parent's bodies with the support necessary to promote and disseminate an appropriate ICT risk and security culture within the group;
- through the Risk Strategy & Management Department, monitors all types of risk and provides a clear presentation of the group's total risk profile and its financial strength to the Board of Directors. The department assists with the definition and implementation of the RAF, the related risk governance policies, the various stages of risk management and the setting of risk taking limits.

The internal units that define organisational and control checks for cross-bank risks are an important part of the internal control system as are the individual operating offices in charge of implementing risk mitigation measures and achieving the strategic risk objectives, the tolerance threshold and operating limits defined and approved by the Board of Directors.

Section 1 - IFRS CONSOLIDATION RISKS

QUALITATIVE DISCLOSURE

1. General information

Credit risk mostly arises on:

- portfolios being run-off, i.e., securitised non-performing ABS or exposures, deriving from the pre-demerger business. Given that its debt purchasing and debt servicing businesses were demerged on 1 August 2021, the group has continued to manage ABS and the underlying illiquid and non-performing loans, supported by its servicers;
- the group's core business (lending to SMEs), which comprises the purchasing of tax assets, factoring services and guaranteed finance business (MCC/SACE-backed loans).

The parent's assumption of credit risk is designed to:

- achieve its growth objective for sustainable lending activities in line with its risk appetite and the creation of value;
- diversify its portfolio, limit its exposure to individual counterparties/groups, business or geographical segments;
- efficiently select economic groups and individual customers by carefully analysing their credit standing in order to take on credit risk in line with its risk appetite.

The parent's continued monitoring of the quality of its loan portfolio includes adopting precise operating methods for each stage of the credit disbursement process.

Its classification of non-performing loans complies with the definition of default set out in the European Regulation on prudential requirements for credit institutions and investment firms (article 178 of Regulation (EU) 575/2013).

In line with the provisions set out in Bank of Italy's Circular no. 285/2013, as subsequently amended, about banking groups and banks with class-3 assets, the group measures counterparty risk on a current and forward looking perspective in baseline and adverse scenarios using the standard method.

It uses the granularity adjustment method to calculate single name concentration risk and the ABI method to calculate geographical-business sector concentration risk.

2. Credit risk management policies

2.1 Organisational aspects

A fundamental role in managing and controlling credit risk is played by the internal bodies that, properly assisted by the control departments and each according to its duties, ensure the proper monitoring of credit risk. They identify the strategies to be taken and the risk management policies, checking continuously their efficiency and effectiveness. The internal bodies also define the duties and responsibilities of the departments and units involved in the process.

This monitoring and checking of credit quality, ensured by the internal bodies, is reflected in the parent's current organisational structure with the allocation of specific responsibilities that guarantee that risks are managed and monitored at various levels.

The parent's Board of Directors defines the guidelines for taking on risk and the lending policies which include, inter alia, guidance about the guarantees accepted to mitigate risk.

The operating departments carry out the first level controls regularly and systematically to ensure that the parent operates correctly. They carry out credit standing checks, checks of the collateral and checks by the unit that approves the lending transaction that the transaction complies with both ruling regulations and internal policies. Specifically, new risk taking activities mainly relate to the purchase of tax assets, new factoring transactions and the disbursement of new MCC/SACE-backed loans. In this respect, the following checks are carried out:

- with respect to the purchase of tax assets, thorough due diligence activities to confirm the existence of a tax asset, assess the transferor's credit risk and potential claw back risk and forecast collections;
- with respect to new disbursements, an assessment of credit rating (of both the transferors and the transferred debtors for factoring transactions) based on at least an analysis of the counterparty's financial statements, sector and business plan and that of its legal group (if any), an analysis of the credit information centre data, a check of protested bills, prejudicial events and any adverse conditions. Moreover, a check of the counterparty's reporting quality assessment provided by credit rating agencies supports the background checks and credit assessment. In addition, specific transaction-based assessments are carried out (e.g., claw back risk assessment in the case of factoring with transferors with limited access to the banking system).

The group also monitors the performance of its credit exposures in order to ensure proactive customer relationship management and the prevention of credit deterioration, as well as the classification of the exposures in line with regulations.

The management of non-performing exposures retained after the demerger's completion has been outsourced to specialised servicers reporting to the Chief Lending Officer.

The Chief Risk Officer's department carries out the second level controls:

- it monitors the group's risk profile on a quarterly basis, identifying any critical issues or deviations from the set risk objectives and reporting them to the internal bodies and the Audit Committee;
- it systematically checks the loan portfolio quality, changes in delinquency and defaulting exposures and the effectiveness of their management, reporting its findings to the internal bodies and the Audit Committee and checking any irregularities with the relevant internal bodies;
- it verifies that the performance of individual credit exposures is monitored correctly and the adequacy of the related provisioning, the customer due diligences, their classification, business sector concentration, the collection process and the risks of applying credit risk mitigation techniques;
- it monitors compliance with the risk limits defined in line with the parent's risk appetite.

The Internal Audit Department performs the third level controls and makes sure that the entire process is carried out correctly through:

- remote checks, designed to ensure the orderly monitoring and analysis of credit risks as well as spot checks of the exposures' performance and potential risks in order to agree how and when to intervene if necessary;
- on-site checks, designed to check the operating, accounting and administrative procedures are performed correctly and to check the security, correctness and compliance of the staff's conduct and management practices;
- checks of processes and procedures to assist internal bodies introduce the organisational model by performing analyses of its impact on the internal controls.

2.2 Management, measurement and control systems

Credit risk is the risk that the group may incur losses if its counterparty, beneficiary of a loan or issuer of a financial obligation (bonds, securities, etc.) is unable to meet its commitments (payment of interest and/or repayment of principal on time and any other amounts due) (default risk). Credit risk also includes the potential loss arising from the default of a borrower/issuer or a drop in market value of a financial obligation due to deterioration in its credit quality.

2.3. Measurement of expected credit losses

IFRS 9 introduced three approaches:

1. the general approach, whereby entities recognise 12-month ECL (stage 1) or lifetime ECL (stages 2 and 3);
2. the purchased or originated credit-impaired (POCI) approach, whereby entities recognise the accumulated change in lifetime ECL since initial recognition at each reporting date;
3. the simplified approach for trade receivables or financial assets that do not contain a significant financing component under IFRS 15, whereby entities can elect to recognise lifetime ECL rather than 12-month ECL.

The group measures the ECL through the following steps:

- staging: this is carried out on a case-by-case basis, except for those financial instruments with common characteristics, for which collective staging is allowed;
- calculation of impairment.

Staging

This is carried out on a case-by-case basis, except for those financial instruments with common characteristics, for which collective staging is allowed.

The purpose of staging exposures is to identify impairment before the occurrence of a default event, i.e., before the exposure becomes non-performing and is, therefore, subject to individual impairment.

Indeed, under IFRS 9, at each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. Specifically, based on the increase in their credit risk during the reporting period, financial assets are classified into the following stages:

- stage 1: this includes all performing financial assets whose credit risk, at the staging date, has not significantly increased since initial recognition. For financial assets in stage 1, entities are required to recognise 12-month ECL;
- stage 2: this includes all performing financial assets whose credit risk, at the staging date, has significantly increased since initial recognition. For financial assets in stage 2, entities are required to recognise lifetime ECL;
- stage 3: this includes all non-performing financial assets, comprising those past due by over 90 days, regardless of the amount. Moreover, stage 3 includes all tranches associated with securities in default.

The group has defined the trigger events to determine whether its financial assets' credit risk has increased significantly since initial recognition at the reporting date. If this is the case for stage 1

performing financial assets, they are reclassified to stage 2. The group identified the trigger events considering the particular nature of its financial assets.

In the case of ABS, the trigger events are as follows:

- net collections 20% lower than those forecast in the business plan;
- a 3-notch decrease in the external rating of listed securities, if this decrease does not directly lead to classification as stage 3 (junk grade);
- business plan reviewed downward by over 20% of “net recoveries”, if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3;
- business plan reviewed by extending the recovery timing by over three years, if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3.

In the case of government bonds, the trigger events are:

- performing government bonds are usually classified in stage 1 when they are purchased;
- the low risk exemption is subsequently applied, i.e.³, as long as the bond qualifies as investment grade (from AAA to BBB-), it remains in stage 1 (regardless of any downgrading of one or more than one notch);
- if the bond is downgraded to speculative grade (i.e., from BB+ to B-), it may be classified at stage 2 only if it is downgraded by at least 3 notches from the origination rate;
- reclassification to stage 3 follows the general rule of IFRS 9 according to which stage 3 includes financial instruments with objective evidence of impairment at the reporting date, i.e., from when they are graded CCC+ or lower.

³ IFRS 9.5.5.10 states that an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

The trigger events of financial instruments⁴ (other than loans and receivables and government bonds) are:

- performing non-government bonds are usually classified as stage 1 when they are purchased;
- the low credit risk exemption is subsequently applied⁵, i.e., as long as the bond qualifies as investment grade (from AAA to BBB-), it remains in stage 1 (regardless of any downgrading of one or more than one notch);
- after reclassification, a 3-notch decrease from an external rating at origination of BBB+ or better, a 2-notch decrease from an external rating at origination of BBB or BBB- and a 1-notch decrease from an external rating at origination of less than BBB-, leads to classification at stage 2 as long as the downgrading does not directly lead to classification as stage 3;
- analytical risk assessment of the instrument (issuer risk, country risk, etc.).

In the case of customer financing (loans, subsidies, leases, factoring and guaranteed finance), the trigger events are as follows:

- more than 30 days past due;
- forborne performing;
- evidence of a significant increase in credit risk reported by the Chief Lending Officer's department as part of its monitoring and assessments.

In addition to the above criteria, for guaranteed finance (both medium/large financing and digital lending), a quantitative significant increase in credit risk (SICR) criterion (an increase in credit risk from origination to the reporting date, measured by the delta notch of the rating through comparison of quantitative parameters) is also applied. For migration to stage 2, the delta notch thresholds are differentiated by rating class at the date of origination (in line with IFRS 9.B5.5.9) and are scaled according to the initial rating.

⁴ These refer, without limitation, to financial instruments held by the parent under the HTC business model that also pass the SPPI test.

⁵ IFRS 9.5.5.10 states that an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

In the case of loans and receivables with banks, the trigger events are:

- a 3-notch decrease if the counterparty's external rating at origination or, where not available, of the counterparty's country, is equal to BBB+ or better, a 2-notch decrease from an external rating at origination of BBB or BBB- and a 1-notch decrease from an external rating at origination of less than BBB-, as long as the downgrading does not directly lead to classification as stage 3 (junk grade);
- analytical risk assessment of the counterparty (issuer risk, country risk, etc.).

In addition to the above trigger events, expert qualitative assessments by the relevant parent's departments are used for all the above categories.

Calculation of impairment

The valuation models are regularly reviewed and possibly updated, in order to continuously improve the group's ability to intercept the effects of the changing macroeconomic scenario and introduce the necessary additions made necessary by the evolution of its business. The risk parameters used for each type of asset are summarised below:

ABS measured at amortised cost, loans and receivables with banks and other financial instruments (other than government bonds, ABS and loans and receivables)

The parent uses both internal inputs (information about its relationship with the borrower) and external inputs. It updates the probability of default (PD) once a year using the studies on default and recovery rates published by rating agencies in the first quarter of the year as a base to estimate the multi-period PD vectors, adjusted on a forward-looking basis by the Chief Risk Officer. Specifically, the PD applied to stage 1 and stage 2 securities was calculated using the average PD for the categories from A+ to B- (average of the central categories on the rating scale of rating agencies) and applied differently depending on their time horizon (one year for stage 1 or lifetime for stage 2), excluding judgements about changes in PD and considering any missing additional information about the borrower's credit standing.

As the parent does not have historical information about actual losses, it used the LGD value of 45% as allowed for senior exposures without eligible collateral for the simplified estimate of LGD (article 161 of Regulation (EU) no. 575/2013).

Government bonds

The parent updates the PD once a year using the studies on default and recovery rates of sovereign counterparties published by rating agencies in the first half of the year as a base to estimate the multi-period PD vectors. In line with the approach adopted for ABS and other securities, and considering the average 12-month migration matrices, it calculates marginal PD vectors, adjusted on a forward-looking basis by the Chief Risk Officer. The parent uses the one-year PD, equal to the rating of the issuing country, for stage 1 bonds.

The entire multi-period PD vector, equal to the issuing country's rating, is used for stage 2 bonds.

The LGD is assumed to be steady over the entire maturity of the financial asset and, in line with market practice, the value of **60%** is applied based on the ranking of the instrument (senior) and the classification of the issuing country (developed economies) for the simplified estimate of LGD.

Tax assets

Lacking meaningful internal historical trends on the write-offs of past positions, the risk parameters used for tax assets arising from the tax asset business line - other than those recognised as other assets - are those adopted to test government bonds for impairment, as these exposures are to the public administration and are already subject to ongoing assessment as part of the business plan update.

Loans and receivables with customers (loans, personal loans granted to employees, subsidies, leases, factoring and guaranteed finance products)

The lifetime PD is estimated using the Weibull function in order to obtain a long-term fitting of the system default rates extrapolated from Bank of Italy's public database. The PD vectors are adjusted on a forward-looking basis by the Chief Risk Officer. The parent uses the one-year PD for stage 1 loans and receivables.

The PD is estimated over the life of the stage 2 loans and receivables. Therefore, in order to determine the impairment loss, the related node on the multi-period PD curve is used for each maturity date. Given the current and prospective macroeconomic scenario and in line with the approach adopted in 2024, the parent recognised an additional impairment loss at the reporting date to reflect the possible increase in risk of some sectors.

It acquires eligible personal guarantees to mitigate credit risk and potential losses in the case of default for guaranteed finance and factoring products. Due to the characteristics of these products, the estimate of the LGD considers their secured and unsecured components.

As the parent does not have historical information about actual losses for the other products, it used the LGD value of 45% as allowed for senior exposures without eligible collateral for the simplified estimate of LGD (article 161 of Regulation (EU) no. 575/2013).

Exposures with irregular repayments are classified in different categories depending on the risk level.

Non-performing exposures (stage 3) can be split into:

- non-performing overdrawn and/or past due exposures: on and off-statement of financial position exposures other than bad exposures or unlikely to pay exposures that are past due or overdue by more than 90 days at the reporting date;
- unlikely to pay exposures: on and off-statement of financial position exposures classified as such given that the parent does not expect the borrower will be able to fully meet its commitments (principal and/or interest) without resorting to actions such as asset foreclosure;
- bad exposures: on and off-statement of financial position exposures to borrowers that are insolvent (even if not legally certified as such) or in substantially similar situations regardless of the parent's estimates about probable losses.

Each of the above categories may also be classified as forborne non-performing exposures.

Both performing and non-performing exposures can be classified as forborne when the following regulatory conditions are met:

- modification of the previous terms and conditions of the contract and/or the total or partial refinancing of the exposure;
- confirmation at the forbearance resolution date that the customer is facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). This condition is automatically deemed to be met in the case of a non-performing exposure but has to be based on a specific valuation of the customer in the case of a performing exposure.

Impairment testing aims at identifying impairment losses due to deterioration in the counterparty's credit rating in a timely manner by using appropriate models to determine their amount.

The group has recognised a loss allowance for expected credit losses on:

- financial assets at amortised cost: ABS, loans and receivables with customers, including those arising from leases and factoring, and loans and receivables with banks;

- financial assets at fair value through other comprehensive income.

The ECL calculation model requires a quantitative estimate of future cash flows and assumes that these may be reliably estimated.

The impairment model consists of:

- the staging of exposures, based on an assessment of the increase in the exposure's/counterparty's risk;
- using multi-period risk parameters (e.g., lifetime PD, LGD and EAD) to quantify the lifetime ECL on financial instruments whose credit risk has increased significantly since initial recognition.

Non-performing loans and receivables (bad, unlikely to pay and overdrawn or past due) are tested for impairment individually or collectively. The impairment loss is calculated by discounting the expected future cash flows of principal and interest net of recovery costs considering any guarantees.

The group assesses its credit-impaired exposures analytically depending on the nature of the assessed asset:

- Customer financing: the impairment losses are calculated either individually or collectively in the case of exposures that, due to their inherent characteristics (immaterial amounts and large numbers), can be tested using prudential but streamlined and low-cost models, capable of guaranteeing uniform results.

In line with the supervisory guidance and market practices, as well as the nature of the products offered, Banca CF+ tests all the UTP and bad exposures exceeding €500 thousand individually in order to achieve an accurate as possible estimate of the more risky positions and to recognise a lump-sum impairment loss for smaller exposures and past due exposures for organisational efficiency purposes, maintaining a prudential approach which envisages a threshold equal to that for the lump-sum impairment loss for individual exposures.

The Chief Lending Officer's staff estimates the lifetime expected credit losses of the individual exposures considering their specific nature and the minimum impairment percentages. To this end, they firstly decide whether to assess the counterparty using:

- a going concern approach, where their assessment focuses on the sustainability of the customer's debt over time based on its estimated cash flows;
- a gone concern approach, if recovery is possible through the enforcement of the guarantees and/or liquidation of the company's assets or when there is no reliable information about its estimated future cash flows.

- POCI exposures: the impairment losses are calculated as the difference between the individual portfolios' carrying amount and their expected recoverable amount based on the underlying business plan.
- Tax assets: the impairment losses are calculated as the difference between the individual exposures' carrying amount and their expected recoverable amount based on the underlying business plan. If a tax asset is no longer with the tax authorities but with the transferor, the impairment loss is determined by the Chief Lending Officer based on an estimate of the recoverable amount, in accordance with internal regulations.
- ABS: the impairment losses are the higher of those calculated using the approach described for stages 1 and 2 exposures and their expected recoverable amount based on the underlying business plan.
- Leases: the impairment losses are calculated individually by assessing their recoverability considering issuer risk.

Supported by the information provided by the servicers, the parent revises the business plans used for the measurement of the impaired loans and receivables/ABS every six months or more frequently, if appropriate.

The group also checks that the impairment loss on loans is adequate by comparing its portfolio with the average banking sector data and revising the methods used to calculate recovery forecasts based on the results of its recovery procedures (court-appointed experts' appraisals, prices set for auctions and sales prices at auctions).

Impairment losses on problematic loans and receivables are reversed only when their quality has improved to the point that the group is reasonably certain that it will recover principal and interest and/or has collected amounts greater than the exposure's carrying amount. Depending on the method used to calculate the impairment loss, the proximity to the deadline for collection of the exposure due to the passage of time gives rise to a reversal of impairment losses as it implies a reduction in the unrealised interest expense previously used to decrease the loans and receivables.

Measurement of expected credit losses

IFRS 9 requires an entity to consider relevant forward looking information when measuring credit impairment and not only historical and current information, as it deems that it can affect the recoverability of the credit exposures.

Accordingly, the group considered the following:

- its update of the macro-economic scenarios, using a baseline, a best and an adverse scenario:

- baseline: based on the 2025-2027 macroeconomic projections for Italy prepared by Bank of Italy's experts as part of the Eurosystem's coordinated exercise (see "Macroeconomic Projections for the Italian Economy (Eurosystem staff macroeconomic projections)", 13 June 2025");
- adverse: the June 2025 update of Bank of Italy's Macroeconomic Projections for the Italian Economy states: *"Should the tariffs rise to the levels announced on 2 April and uncertainty remain high, GDP growth might be around 0.2 percentage points lower than under the baseline scenario for the current year, and up to 0.5 percentage points lower per year for the next two years. The overall impact on GDP over the three-year period would be similar to that estimated by the ECB for the euro area (June version)"*. In light of the above, the following information derived from the June "Eurosystem staff macroeconomic projections for the euro area" report was directly used to construct the adverse scenario. Moreover, in line with the assumptions made at the 31 December 2024 reference date, the maximum deviation of -0.1% from the GDP baseline scenario - resulting from the discretionary implementation of GHG emission reduction policies by member states - drawn from the December edition of the "Eurosystem staff macroeconomic projections for the euro area" report was maintained;
- best: given the current macroeconomic situation, the parent did not consider the best scenario when estimating the forward-looking factor for the figures at 30 June 2025;
- the review of the business plan for the POCI portfolios, primarily due to the postponement of the collection dates.

2.4. Credit risk mitigation techniques

In order to mitigate credit risk in line with the regulations, the group uses the CRM (Credit Risk Mitigation) techniques, set out in Bank of Italy's Circular no. 285/2013, as subsequently amended, and the CRR.

Specifically, the group may make use of personal guarantees (sureties, personal guarantees and credit derivatives), financial collateral (liens on cash and/or listed securities and master netting agreements) and property collateral (residential and non-residential property mortgages).

The group has specific procedures to efficiently manage risk covering the various stages involved (from acquisition of the individual guarantees to their execution as well as the more operational aspects for their management) and to identify the relevant internal process owners.

Even when the exposures are secured, the group is still required to measure credit risk, focusing on the borrower's capacity to meet its obligations without considering the guarantee.

3. *Non-performing exposures*

3.1. *Management strategies and policies*

Exposures with irregular repayments are classified in different categories depending on the risk level.

Non-performing exposures can be split into:

- non-performing overdrawn and/or past due exposures: on and off-statement of financial position exposures other than bad exposures or unlikely to pay exposures that are past due or overdue by more than 90 days at the reporting date;
- unlikely to pay exposures: on and off-statement of financial position exposures classified as such given that the group does not expect the borrower will be able to fully meet its commitments (principal and/or interest) without resorting to actions such as asset foreclosure;
- bad exposures: on and off-statement of financial position exposures to borrowers that are insolvent (even if not legally certified as such) or in substantially similar situations regardless of the parent's estimates about probable losses.

Each of the above categories may also be classified as forborne non-performing exposures.

Non-performing exposures can be classified as forborne when the following regulatory conditions are met:

- modification of the previous terms and conditions of the contract and/or the total or partial refinancing of the exposure;
- confirmation at the forbearance resolution date that the customer is facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). This condition is automatically deemed to be met in the case of a non-performing exposure.

The parent also checks that the impairment loss on loans is adequate by comparing its portfolio with the average banking sector data and revising the methods used to calculate recovery forecasts on portfolios being run off based on the results of its recovery procedures (court-appointed experts' appraisals, prices set for auctions and sales prices at auctions).

Impairment losses on ABS reflect both remeasurement of the investment's value compared to its calculation using the amortised cost method agreed during the underwriting phase as well as available onboarding information.

At the reporting date, the group's non-performing exposures were either related to default situations of its new business or mostly credit-impaired when it purchased them (bad or UTP exposures, mainly SME property loans), either as part of securitisations carried out by other banks or financial brokers (e.g., lease companies) or purchased directly by the parent.

Through its securitisation vehicles, the group purchased financial assets at a discount compared to their nominal amount in order to collect the related contractual cash flows.

The risk is managed at the initial stage of the transaction, by carrying out due diligences, and thereafter, with the assistance of the servicers, by regularly analysing and updating the business plans underlying the individual securitisation portfolios and/or the individual exposures purchased.

3.2. Write-offs

The group reduces the carrying amount of a non-performing exposure when it has no reasonable expectations of recovering it in its entirety or a portion thereof (total/partial write-offs), e.g., in the following cases:

- a) irrecoverability, based on certain and precise elements (such as, for example, the debtor being untraceable or destitute, non-recovery from foreclosure of movable and immovable property, unsuccessful seizures, bankruptcy proceedings ended with an incomplete settlement of the parent's claim, if there are no further enforceable guarantees, etc.);
- b) transfers;
- c) waivers, as a result of unilateral debt forgiveness or residual under settlement agreements;
- d) without waivers. In order to avoid retaining in the statement of financial position financial assets that continue to be managed by the credit collection departments but that have a very low chance of being recovered, all or part of their carrying amount is written off due to its irrecoverability even when the related legal case has not been terminated. The write-off may only affect the portion of a financial asset covered by a loss allowance; therefore, each financial asset may be written off to the extent of its carrying amount.

3.3 Purchased or originated credit-impaired financial assets

As described above with respect to the non-performing exposures at 30 June 2025, in addition to some default situations of the group's new business, its non-performing exposures were mostly credit-impaired when it purchased them (bad or UTP exposures, mostly SME property loans), either as part of securitisations carried out by other banks or financial brokers (e.g., lease companies) or purchased directly by the parent.

The parent acquired these financial assets to collect the related cash flows (HTC business model).

As already described, the group calculates the expected credit losses on POCI exposures as the difference between the net present value of their future cash flows (through credit collection activities less related legal costs) discounted at the transaction's interest rate (IRR) calculated at inception and

the gross amount of the purchased exposures (i.e., the purchase price less collections plus interest calculated using the transaction's IRR).

Supported by the information provided by the servicers, the parent revises the business plans used for the measurement of the financial assets every six months or more frequently, if appropriate.

As the department in charge of performing the second level controls, once every six months, the Chief Risk Officer's department checks that the business plan reviews of all portfolios coordinated by the portfolio management office and carried out by external servicers have been carried out using a systematic and accurate review process (individual and/or collective) of collection flow projections.

At this time, the Chief Risk Officer reviews the underlying assumptions by position clusters (defined according to uniform categories of strategy/recovery phases), where they are applied collectively to all portfolios/positions not pipelined by the manager.

The Chief Risk Officer's department is informed of the above assumptions in special meetings with the portfolio management office and, where it deems it appropriate, carries out an in-depth analysis of certain portfolios/positions, with the aim of checking the effectiveness/completeness of the process and the consistency between the analyses carried out/the resulting evidence and the relevant business plan projections.

4. Renegotiated financial assets and forborne exposures

At 30 June 2025, the group has renegotiated performing financial assets, mostly related to waivers on covenants granted to creditworthy counterparties, and forborne exposures.

SECURITISATIONS

This section does not include securitisations where the originating group subscribes all the securities (e.g., ABS, financing during the warehousing stage) issued by the vehicle at their issue date. If the originating group sells all or part of its liabilities after the securitisation, the transaction is disclosed in this section.

Qualitative disclosure

Strategies - processes - objectives:

As a bank specialised in the brokerage, management and servicing of impaired or illiquid exposures, pre-demerger Banca CF+ played many roles in securitisation transactions. It acted as arranger, asset manager and servicer, it structured securitisation vehicles (as per Law no. 130/99) and provided all the related portfolio management services.

The parent also acted as sponsor and with the option of taking part of the risk as the direct investor (in accordance with the retention rules set by the regulations).

It acted as asset manager/primary servicer of portfolios on behalf of third parties.

Internal risk measurement and control systems

The Portfolio Management Office is responsible, inter alia, for the following in connection with the loan portfolios in which the parent invests:

- monitoring the business plan annual and half yearly reviews, with specific reference to the legacy portfolio⁶, working with the securitisations' servicers to define guidelines, monitor execution (e.g., roll-up) and approve the results;

⁶ Portfolio related to the pre-demerger business comprising the run-off investments, not transferred as part of the demerger, in non-performing exposures mostly held by the consolidation SPVs or in which the parent has invested directly or by subscribing ABS.

- ensuring the monitoring of the notes recognised as assets, obtaining information from the securitisations' servicers on the performance of the underlying portfolios (e.g., collection amounts and timing) and analysing the master servicing reports provided for by the contracts for the securitisations in which the parent invests;
- managing the reporting of investments in tax assets, in close coordination with the relevant department;
- ensuring the preparation of management reports for a comprehensive and aggregated view of the performance of the parent's portfolios recognised as assets;
- managing relationships with the servicers involved in order to ensure proper management and an adequate level of service when reviewing the business plans and reporting on the legacy portfolio;
- evaluating the business plan reviews of the legacy portfolio, with the aim of checking the effectiveness/completeness of the process and the consistency between the analyses carried out/the resulting evidence and the relevant business plan projections.

Moreover, as part of the second level controls, prior to completion of the half yearly review, the Chief Risk Officer (Risk Strategy & Management team) reports to the competent bodies the assessment of the legacy portfolio, with the aim of checking the completeness of the process and the consistency between the analyses carried out/the resulting evidence and the relevant business plan projections.

Hedging policies

During the first half of 2025, the parent signed a financial guarantee contract to hedge any losses realised on the ABS recognised in the statement of financial position and deriving from its business model prior to the demerger.

Disclosure on the profit or loss of the securitisations

The profits or losses of the securitisations substantially reflect the performance of the underlying portfolios and the related cash flows at the end of the year, considering any defaults and prepayments made during the period.

PRUDENTIAL CONSOLIDATION - CREDIT RISK MEASUREMENT MODELS

At present, the group does not use internal portfolio valuation models to measure its exposure to credit risk, apart from that described in the first part of this section.

1.1 - MARKET RISK

1.2.1 - Interest rate and price risks - Supervisory trading book

Market risk is the risk of incurring losses generated by operating on the market for financial instruments (assets and liabilities) included in the “Financial assets at fair value through profit or loss” portfolio due to fluctuations in interest rates, exchange rates, the inflation rate, fluctuations in share prices, credit spreads, commodity prices (generic risk) and the issuer’s credit standing (specific risk).

The group can make small investments in the trading book for which it avails of the derogation for small trading book business as per article 94 of the CRR. Although not part of its supervisory trading book, the group is also exposed to the risk of losses solely with respect to its investments in financial assets managed under the HTC and HTCS business models that do not pass the SPPI test.

The group does not have foreign currency assets or liabilities on or off the statement of financial position. It does not undertake transactions in Euros indexed to variations in exchange rates or in gold.

QUALITATIVE DISCLOSURE

A. General information

At 30 June 2025, the parent’s trading book mostly consisted of interest rate derivatives and purchased tax assets (the 110% superbonus). During the period, the parent also adopted yield enhancement strategies through OTC derivatives (call options).

With reference to the banking book, the group is exposed to interest rate risk, which is the risk that a change therein may negatively affect its net interest income and equity.

B. Management and measurement of interest rate and price risks

As part of its routine checks, the Chief Risk Officer’s department monitors changes in the trading book and the corresponding sensitivity to interest rate risk on a daily basis.

1.2.2 - Interest rate and price risks - banking book

The parent is exposed to interest rate risk, which is the risk that a change therein may negatively affect its net interest income and equity.

It uses the method required by the supervisory regulations to measure own funds to cover this risk (simplified method as per annexes C and C-bis to Bank of Italy's Circular no. 285/2013). The method consists of classifying assets and liabilities by time bracket based on their residual life (fixed rate assets and liabilities) or the interest rate renegotiation date (floating rate assets and liabilities), weighing the net exposures in each bracket, adding the weighted exposures of each bracket and calculating the risk indicator (ratio of net weighted exposure to Tier 1).

The EBA guidelines and RTS of 20 October 2022 on interest rate risk and credit spreads, formally adopted by Bank of Italy and enacted with the update of Circular no. 285 issued in June 2024, introduced substantial updates to the methodology for calculating risk. Examples of the main updates impacting the group are listed below:

- valuation of additional add-ons (option risk related to embedded options, basis risk and market value change);
- behavioural allocation for non-maturing deposits based on the core components defined by Circular no. 285 under various interest rate increase or decrease scenarios and according to the counterparty category;
- allocation of the commercial spread portion of floating-rate items over time, based on contractual terms rather than interest rate renegotiation assumptions.

The calculation is the responsibility of the Chief Risk Officer's department, which ensures consistency between the risk measurement tools and the identified measurement methods and rules.

1.2.3 - Currency risk

The group does not have foreign currency assets or liabilities on or off the statement of financial position. It did not undertake transactions in Euros indexed to variations in exchange rates or in gold.

1.3 DERIVATIVES AND HEDGING POLICIES

1.3.1 Trading derivatives

The group has implemented a fair value hedge accounting strategy using OTC (interest rate swaps) derivatives to hedge fixed-rate bonds. Moreover, it continued its strategy to mitigate its securitised portfolios' exposure to interest rate risk using interest rate derivatives.

1.4 - LIQUIDITY RISK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that the group is unable to meet its payment commitments due to its inability to raise funds on the market (funding liquidity risk) and/or to disinvest its assets (market liquidity risk).

The group manages and monitors its liquidity levels to ensure its short-term structural stability, finance its growth and mitigate its liquidity risk.

The Finance & Investment Department handles the group's liquidity.

The group uses different tools to measure, check and constantly monitor its liquidity risk. The main tool is the maturity ladder.

Measurement of the group's exposure to operating liquidity risk is based on the projection of expected cash inflows and outflows and the related shortfalls or surpluses in the various maturity brackets included in the maturity ladder.

Structural liquidity risk management aims at ensuring a balanced liquidity profile in the long term (after 12 months) and its matching to short-term liquidity management.

The group monitors early warning ratios and indicators for the timely identification of any vulnerabilities in its financial position. In addition, it regularly develops stress scenarios and has defined a contingency funding and recovery plan.

Funding requirements are met using term, unrestricted and demand deposits with mainly retail customers in the domestic and European market as well as deposits with corporate customers, funding repos and OMOs with the central bank and, on a residual basis only, short-term funding (up to six months) and other types of secured funding.

The Chief Risk Officer's department carries out the second level controls and checks compliance with the defined limits, as well as the development and updating of behavioural models for funding, with specific reference to the analysis of demand deposit outflows and renewal rates of customer deposits.

At the reporting date, the parent's liquidity would be sufficient in a stress situation. It also has considerable liquidity reserves consisting of highly liquid assets or the possibility to access the funds of the ECB.

1.5 - OPERATIONAL RISK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of operational risk

Main sources and nature of operational risk

Operational risk is the risk of losses arising from shortcomings, malfunctioning or weaknesses in internal procedures, human resources and systems or due to external factors.

It includes losses deriving from fraud, human error, business disruptions, systems unavailability, contractual defaults and natural disasters. It does not include strategic or reputation risks but does include legal risk (i.e., the risk created by violations or non-compliance with laws and regulations or scant transparency about the rights and obligations of counterparties in a transaction) and conduct risk (i.e., the risk of losses resulting from the inappropriate supply of financial services and the resulting litigation costs, including wilful or negligent conduct).

This risk also comprises exposure to fines, warnings and sanctions as a result of measures taken by the supervisory authority or private transactions.

Operational risk is one of the factors that can trigger the second level reputation risk. This is a current or prospective risk of a downturn in profits or capital due to the negative perception of the group by its customers, counterparties, shareholders, employees, investors or regulators.

The internal consequences include employee dissatisfaction.

Reputation risk can be measured as part of the ICAAP process although actual or possible internal capital is not calculated or estimated, respectively.

Reputation risk is managed and monitored with an integrated process involving various internal bodies at different levels and depending on their expertise.

The Board of Directors decides the organisational and risk appetite strategies.

At operational level, the operating and control departments ensure a comprehensive overview of reputation risk, each in their own area of expertise.

Operational risk control unit

The operating departments perform the first level controls while the Chief Risk Officer (both in relation to Risk Strategy & Management and ICT Risk & Security, for the ICT and security risk component), Compliance & AML and Internal Audit Departments carry out the second and third level controls.

Internal operational risk measurement, management and control systems

The parent applies the standardised approach set out in article 312 and subsequent articles of CRR III to measure the regulatory capital requirement for operational risk.

The procedures define in-depth first level controls designed to protect the formal and substantial correctness of the group's operations.

Assessments of the operating performance

The group manages legal risks by recognising a specific provision, which amounted to €0.8 million at the reporting date, part of which relates to tax disputes arising within the tax asset management business. The first level control units also monitor this risk on an ongoing basis as do the second and third level control units.

The parent adopts risk-self-assessment systems for all business processes in order to identify risks (mainly operational and compliance) inherent in the processes and define action plans for their continuous improvement. This is complemented by the ongoing loss data collection process.

Similarly, it holds special training courses, especially for employees with new duties or about new procedures or about significant changes in the regulatory or legislative framework.

QUANTITATIVE DISCLOSURE

The capital requirement to cover operational risk is €6.5 million at the reporting date.

Equity

(€'000)

Captions/Amounts	30/06/2025	31/12/2024
1. Share capital	39,221	39,221
2. Share premium	47,838	57,643
3. Reserves	25,230	11,407
- income-related		
a) legal	3,233	3,233
b) statutory	-	-
c) treasury shares		
d) other	6,996	8,174
- other	15,000	-
3.5 Interim dividends (-)	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves		
- Equity instruments at fair value through other comprehensive income	3,695	3,695
- Hedges of equity instruments at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) at fair value through other comprehensive income	-	163
- Property and equipment and investment property	-	-
- Intangible assets	-	-
- Hedges of investments in foreign operations	-	-
- Cash flow hedges	-	-
- Hedging instruments (non-designated items)	-	-
- Exchange gains (losses)	-	-
- Non-current assets held for sale and disposal groups	-	-
- Financial liabilities at fair value through profit or loss (changes in own credit rating)	-	-
- Actuarial gains on defined benefit pension plans	132	122
- Share of valuation reserves of equity-accounted investees	-	-
- Special revaluation laws	-	-
7. Loss for the period/year	(2,710)	(10,983)
Total	113,406	101,268

Equity amounts to €113.4 million, of which €0.008 million is attributable to non-controlling interests, and includes the loss for the period. The increase on 31 December 2024 is due to the €15 million injection for future capital increases made by Tiber Investment 2 S.à.r.l on 29 April 2025.

At their meeting convened to approve the separate financial statements at 31 December 2023, the parent's shareholders resolved to avail of the option provided for by article 26.5-bis of the Decree law no. 104/2023 (as amended by Law no. 136/2023) and approved the establishment of a non-distributable reserve of €4,135,250, in lieu of payment of the windfall tax introduced by the aforementioned Decree law. This amount was drawn from existing reserves, by placing a restriction on the legal reserve and, for the excess amount, on the share premium.

Own funds and solvency ratios

The group is not obliged to comply with supervisory or reporting requirements which are met by Tiber Investment 2 S.à.r.l.

For the sake of completeness, the following tables show the own funds and risk assets determined at Tiber 2 consolidation level.

(€'000)

	30/06/2025	31/12/2024
A. Common Equity Tier 1 (CET1) before application of prudential filters	108,878	96,866
including CET1 instruments covered by transitional measures	-	-
B. CET1 prudential filters (+/-)	(90)	(100)
C. CET1 including elements to be deducted and the effects of the transitory regime (A +/-B)	108,788	96,766
D. Elements to be deducted from CET1	11,388	11,260
E. Transitory regime - Impact on CET1 (+/-)	-	-
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	97,400	85,506
G. Additional Tier 1 (AT1) including elements to be deducted and the effects of the transitory regime	1,046	1,138
including AT1 instruments covered by transitional measures	-	-
H. Elements to be deducted from AT1	-	-
I. Transitory regime - Impact on AT1 (+/-)	-	-
L. Total Additional Tier 1 (AT1) (G-H+/-I)	1,046	1,138
M. Tier 2 (T2) including elements to be deducted and the effects of the transitory regime	26,377	26,498
including T2 instruments covered by transitional measures	-	-
N. Elements to be deducted from T2	-	-
O. Transitory regime - Impact on T2 (+/-)	-	-
P. Total Tier 2 (T2) (M-N+/-O)	26,377	26,498
Q. Total own funds (F+L+P)	124,823	113,141

Common Equity Tier 1 (CET1 of the Tiber 2 Group) amounts to €97.4 million (€85.5 million at 31 December 2024). The increase is mainly due to the €15 million injection for future capital increases made by Tiber 2 on 29 April 2025.

The elements to be deducted from CET1 at reporting date amount to €11.4 million and mainly comprise deferred tax assets based on future profitability that do not arise from temporary differences (€4.8 million), software recognised as an intangible asset (€3.9 million) and goodwill (€2.7 million).

Tier 2 includes the subordinated bonds with a nominal amount of €25 million issued by the parent in October 2023.

Category/Amounts	Unweighted amounts		Weighted amounts/requirements	
	30/06/2025	31/12/2024	30/06/2025	31/12/2024
A. EXPOSURES				
A.1 Credit and counterparty risk	1,905,496	1,963,229	589,541	535,143
1. Standardised method	1,721,205	1,767,784	405,124	339,560
2. IRB approach				
2.1 Basic				
2.2. Advanced				
3. Securitisations	184,291	195,445	184,417	195,583
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			47,163	42,811
B.2 Risk of adjustments to assessment of credit				
B.3 Regulation risk				
B.4 Market risk				
1. Standard method				
2. Internal models				
3. Concentration risk				
B.5 Operational risk			6,499	7,758
1. Basic method			6,499	7,758
2. Standardised method				
3. Advanced method				
B.6 Other calculation elements			-	37
B.7 Total prudential requirements			53,662	50,607
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			670,781	632,582
C.2 CET1 / Risk-weighted assets (CET1 capital ratio)			14.520%	13.517%
C.3 Tier 1 / Risk-weighted assets (T1 capital ratio)			14.676%	13.697%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			18.609%	17.886%

Consolidated TCR (Tiber 2 Group) stands at 18.61% (31 December 2024: 17.89%) compared to a SREP requirement of 14.44%. Tier 1 ratio is 14.68% (31 December 2024: 13.70%) compared to a SREP requirement of 11.94%. CET 1 ratio stands at 14.52% (31 December 2024: 13.52%) compared to a SREP requirement of 10.04%. The increase in capital ratios compared to December 2024 is mainly attributable to the €15 million capital injection by Tiber 2 mentioned earlier.

Business combinations

On 1 February 2025, the parent finalised the acquisition of a business unit of BE TC, a company active in the financial and business management consulting sector and operating in the negotiation and signing of contracts for the purchase of tax assets or portfolios of tax assets.

The acquisition is the last step of the tax claim project, launched by CF+ (then Credito Fondiario) in partnership with BE Holding S.r.l. (then BE Finance S.r.l., the parent of BE TC) ("BEH") in 2018. The project aimed at consolidating and expanding CF+'s market position in the tax assets sector.

The business unit consists of the assets and liabilities identified in BE TC's statement of financial position as at 28 January 2025 (the "reference statement of financial position"), including: (i) the employment contracts with 11 employees, (ii) the employees' post-employment benefits, (iii) the electronic machines and office furniture (net of the relevant accumulated depreciation), including the equipment and devices in use by employees, (iv) the customer list, (v) the licence to use the application software adopted by the business unit and (vi) the fee letter signed by BE TC and Crediti Fiscali+ S.r.l. (then Convento SPV S.r.l.) (the "SPV") on 9 December 2020, which governs BE TC's fees for services provided to the SPV in connection with the securitisation carried out by the SPV in December 2018.

The consideration for the acquisition is €320,000, which was determined also considering the appraisal issued by an independent expert. The business unit's acquisition date is 1 February 2025, i.e., the acquisition's effective date.

The acquisition meets the definition of a business combination and is, therefore, to be accounted for in accordance with the purchase price allocation (PPA) procedure as per IFRS 3 (revised), to be completed no later than 12 months after the acquisition date, i.e., the date on which the parent obtained control of the business unit.

This standard requires the adoption of the PPA method, whereby the purchase price is allocated to the fair value of the assets acquired and liabilities assumed.

The business unit's assets and liabilities at 1 February 2025 are as follows:

BE TC £'000	Carrying amounts at the reference date (28/01/2025)
Assets	7
Property, equipment and investment property	7
Liabilities	187
Due to employees	74
Post-employment benefits	113
Equity	(180)
Purchase price + adjustment	320
Goodwill	500

Related party transactions

Pursuant to IAS 24.16, a table showing the total fees of the parent's and group companies' boards of directors, boards of statutory auditors and key management personnel for the first half of 2025 is set out below:

(€'000)

	Directors	Statutory auditors	Other key management personnel
a) Short-term benefits	339	126	1,968
b) Post-employment benefits	-	-	142
c) Other long-term benefits	-	-	-
d) Termination benefits	-	-	-
e) Share-based payments	-	-	-
Total	339	126	2,110

No atypical or unusual related party transactions took place during the period that would have affected the group's financial position and performance, given their materiality. All transactions with related parties were conducted at arm's length and are part of the group's operations.

In addition to the above, the following information is provided given the group's numerous related parties.

On 13 October 2023, the parent completed the issue of subordinated bonds with a nominal amount of €25 million at an annual interest rate of 14.50%. These bonds qualify as a Tier 2 capital instrument in accordance with the provisions of the CRR and Bank of Italy Circular no. 285 of 17 December 2013. The subordinated bonds, which were dematerialised and centralised at Euronext Securities Milan (Monte Titoli S.p.A.), were traded on the professional segment of the multilateral trading system Euronext Access Milan organised and managed by Borsa Italiana S.p.A.. Orado Investments S.à r.l., a related party given that it is part of the Elliott Group, subscribed bonds for €13.8 million while other related parties (linked to directors of the parent) subscribed €0.7 million.

On 1 February 2025, the parent completed its acquisition of a business unit from Be TC S.r.l., a company belonging to the Be Finance Group. As detailed in the "Business combinations" section, the consideration for the acquisition was determined at €320,000. The group has recognised a financial liability measured at fair value with Be TC S.r.l. of €2.5 million for the deferred purchase price ("DPP") relating to the tax assets acquired by Crediti Fiscali+.

On 21 March 2025, the parent signed a financial guarantee contract (asset protection scheme, "APS") with two counterparties belonging to the group headed by the key shareholder. This financial guarantee covers a portion of the ABS, equal to about 60% of the legacy portfolio's carrying amount at 31 December

2024. On 25 June 2025, it was extended to an additional portion, up to approximately 80% of the carrying amount through the signing of an addendum to the original contract, which already included a specific provision to that effect. The contract has a term of 10 years and is intended to mitigate the possible effects on profit or loss of any impairment losses on the portfolio. It establishes the guarantors' obligation to make - at the parent's request and in the case of a "notes event" - a payment under the guarantee to cover any loss incurred by it. The portion of the upfront premium paid by the parent that pertains to the period amounts to €0.55 million and has been recognised under fee and commission expense, while the portion relating to future years has been deferred under other assets. For this contract, the parent claimed and received compensation of €1.76 million, which has been recognised under other operating income.

In the first half of the year, commission expense of €0.2 million was paid to the Gardant Group for the servicing activities that the parent outsourced to it, as well as for its roles in the consolidated SPVs' securitisations. At the reporting date, there is a credit facility (of which €2.4 million has been drawn down) agreed in 2020 with Leviticus Reoco S.r.l., a subsidiary of European Investment Holding (a related party). The credit facility's original amount was €5 million which was decreased to €4.5 million in 2023.

Segment reporting

As required by IFRS 8 on operating segment reporting, this section presents the group's financial position and performance by business segment using the method described in the segment reporting policy approved by the parent's Board of Directors in August 2025. The policy provides for the allocation of the financial figures using standard criteria, which makes it possible to intercept revenue, cost and asset items specific to each segment. In this way, the parent is able to make plans for each of these items and, at the same time, to monitor the segments' performance against planned objectives.

The tables present the business lines and central functions separately. The first segment is the sum of the Financing, Factoring, Tax assets, Investments and Legacy segments, while the second consists of Corporate Centre and Treasury.

At this level, the cost base is allocated according to the methodology defined by the segment reporting policy: this provides for the separation of costs associated with business functions (directly or indirectly) from central costs. The cost of funding is determined by applying the TIT methodology.

Specifically, the business lines segment combines the following business lines:

- **Financing:** business activities related to MCC/SACE/FEI-backed financing products designed for Italian SMEs and distributed through a network of credit brokers;
- **Factoring:** business activities designed to meet the short-term liquidity and working capital optimisation needs of SMEs;
- **Tax assets:** the business activity related to the purchase of tax assets, including the results of the related securitisation vehicles. It has three products with different profitability characteristics and expected collection times: low yield, high yield and the 110% superbonus;
- **Investments:** the proactive management of the government bond portfolio carried out independently by the treasury desk;
- **Legacy:** the portion of assets being run-off, such as the portfolio of securitised ABS with underlying non-performing exposures, non-performing exposures recognised directly in the statement of financial position or held by the consolidated SPVs, deriving from the pre-demerger period and held by the then Credito Fondiario S.p.A.. The segment's activity consists of optimising the recovery of exposures, managed by external servicers, until the complete extinction of the portfolio.

The assets included in the central functions segment mostly consist of liquidity which is managed on a centralised basis and some other immaterial assets. Revenue essentially includes the amounts estimated using the TIT methodology, which, in turn, represent the cost of funding the business lines segment.

Costs include those items that can be classified as central costs and therefore cannot be allocated either directly or indirectly to the business lines segment.

Breakdown by business segment: income statement

The income statement reclassified on a management accounting basis is presented below to provide a clearer and more functional view of the group's performance.

For illustrative purposes (without limitation), the main captions reclassified are: costs for funding transactions carried out through the Raisin platform (reclassified to other operating costs), DPP relating to tax assets purchased through SPVs (reclassified to other administrative expenses), certain expenses incurred in connection with the definition and set-up of the APS (reclassified to other administrative expenses) and the effects of the BP review process on the legacy portfolio (reclassified to net impairment losses on loans and receivables).

Income statement as per management accounts (€m)	CF+ Group		Business lines		Central functions	
	H1 2024	H1 2025	H1 2024	H1 2025	H1 2024	H1 2025
Net interest income	28.0	30.9	30.9	34.7	-2.9	-3.8
Net fee and commission income	0.6	2.4	0.6	2.4	0.0	0.0
Other income, net	2.1	3.8	2.1	4.3	0.0	-0.5
Total income	30.8	37.1	33.6	41.4	-2.9	-4.3
Net impairment losses	-2.1	-10.3	-1.9	-10.4	-0.2	0.1
Net financial income	28.6	26.8	31.7	31.0	-3.1	-4.2
Personnel expense	-13.2	-14.8	-10.2	-11.2	-3.1	-3.7
Other administrative expenses	-8.4	-12.0	-7.3	-11.0	-1.1	-1.0
Amortisation, depreciation and impairment losses	-2.3	-2.7	-2.2	-2.6	-0.1	-0.1
Other operating income, net	0.9	1.2	0.9	1.2	0.0	0.0
Operating costs	-23.1	-28.3	-18.8	-23.5	-4.2	-4.7
Non-recurring operating costs	-	-1.6	-	-	0.0	-1.6
Total operating costs	-23.1	-29.9	-18.8	-23.5	-4.2	-6.3
Pre-tax profit (loss)	5.5	-3.0	12.8	7.4	-7.3	-10.5

Breakdown by business segment: statement of financial position (€m)

	CF+ Group		Business lines		Central functions	
	30/06/2024	30/06/2025	30/06/2024	30/06/2025	30/06/2024	30/06/2025
Total assets	1,737	1,909	1,563	1,754	174	155
of which: financial assets	932	1,120	932	1,120	0	0
of which: government bonds	309	333	309	333	0	0
RWA	578	672	536	609	42	63
of which: credit RWA	502	591	460	528	42	63
of which: operational RWA	76	81	76	81	0	0
Credit RWA %	29%	31%	29%	30%	24%	41%

Reference should be made to the “Financial performance by business segment” section of the Directors’ report for further details on the above tables.

Leases

SECTION 1 - LEASES AS LESSEE

Pursuant to IFRS 16.59/60, it is noted that, as a lessee, the group leases its offices in Rome (registered office) and Milan. The leased buildings for residential use granted as a benefit to certain employees, company cars used by employees and printers also fall within the scope of IFRS 16. Moreover, during the year, the group companies were not exposed to: i) variable lease payments; ii) extension or termination options; iii) residual value guarantees; and iv) leases not yet commenced to which the lessee is committed. In addition, there are no restrictions or covenants imposed by leases and sale and leaseback transactions. As a lessee, the parent has not accounted for short-term leases or leases of low-value assets during the year.

SECTION 2 - LEASES AS A LESSOR

The group recognised four lease portfolios in its consolidated financial statements, three of which meet the definition of POCI assets. It constantly monitors the related cash flows and manages the risk associated with the rights it retains in underlying assets through credit collection activities and/or by enforcing the residual value guarantees.

There are no operating leases.

Review report on the interim condensed consolidated financial statements

Gruppo Banca CF+

Review report on the interim condensed consolidated
financial statements

(Translation from the original Italian text)

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

To the Shareholders of
Banca CF+ S.p.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gruppo Banca CF+, which comprise the consolidated balance sheet as of June 30, 2025, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six-month period then ended, and the related explanatory notes. The Directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as issued by the International Accounting Standards Board and adopted by the European Union. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Gruppo Banca CF+ as at June 30th, 2025 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as issued by the International Accounting Standards Board and adopted by the European Union.

Milan, September 22nd, 2025

EY S.p.A.

Signed by: Davide Lisi (Statutory Auditor)

This report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.