IOR ISTITUTO PER LE OPERE DI RELIGIONE

Annual Report 2024

Istituto per le Opere di Religione
Cortile Sisto V
00120 Vatican City
Vatican City State
Registered under no 1 in the Register of Legal Persons
held at "Governatorato" of Vatican City State
Authorisation no. 1 of 10/07/2015 issued by ASIF,
for carrying out financial activities on a professional basis in Vatican City State

"Money must serve, not rule."

His Holiness Pope Francis, Evangelii Gaudium, 2013

His Holiness Pope Francis

the IOR cannot have maximum possible profit as a primary operating principle, but rather those that are compatible with the rules of morality, consistent efficiency and practices that respect its specific nature and the example to be set by its operation

(Excerpt from the speech to the members of the Board of Superintendence, November 2015).

Thank you
for always having affirmed the mission of our Institute as a financial institution at the service of the Catholic Church all over the world and for having guided and sustained us with paternal care in the intensive reform work of these years.

The Commission of Cardinals, the Board of Superintendence, the Prelate,
the Director General and the IOR employees

Greeting to His Holiness Pope Leo XIV

With deep respect and filial devotion,
the Istituto per le Opere di Religione extends its warm
welcome to His Holiness Pope Leo XIV.
In the light of his magisterium, we renew our commitment
to operate with transparency,
responsibility and utmost adherence
to the principles of Catholic ethics,
at the service of the universal mission
of the Church in the world.

IOR
IN 2024

ONE
LOCATION
Vatican City
State

105
employees

112
reached
countries

over
12,000
clients

AT THE SERVICE OF THE CATHOLIC

32.8
milion Eur
net profit

5.7
bilion Eur
total client
assets

CHURCH ALL OVER THE WORLD

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Cardinal Konrad Krajewski

Cardinal Giuseppe Petrocchi

Cardinal Luis Antonio Gokim Tagle

Cardinal Emil Paul Tscherrig

Board of Superintendence

Jean-Baptiste Douville de Franssu, President

Javier Marín Romano, Vice-President

Georg Freiherr von Boeselager

Bernard Brenninkmeijer

Lord Michael Hintze

François Pauly

Sheila Uriarte Tan

Prelate

Msgr. Battista Mario Salvatore Ricca

Director General

Gian Franco Mammì

Message from the President of the Commission of Cardinals

Cardinal Christoph Schönborn
President of the Commission of Cardinals

For me, the release of the Annual Report is not only an opportunity to thank the Corporate Governance and all employees for the positive results achieved again in 2024, which are described in the following pages, but also to hint at the future challenges that lie ahead.

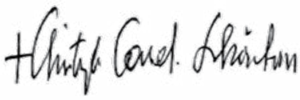
The reorganisation and evolution of the Institute from 2014 to today, which I have personally witnessed, now make it a solid point of reference for the entire Church that we serve in the world, especially in difficult periods such as those we are currently experiencing.

In this regard, I am pleased to read that, in its latest Annual Report, the Financial Supervision and Information Authority, i.e. the authority in charge of supervising the Institute's compliance with prudential and anti-money laundering regulations, acknowledges the "good results achieved by the IOR" and that it "confirms itself as a solid and well-organised entity".

I would also like to mention the commitment to operate in full compliance with Catholic ethics on which the Institute bases its strategies and policies that guide its activities at the service of the Catholic Church all over the world. This is particularly important for the investment activities, where many steps have been taken to build a solid faith-consistent investment process.

Throughout 2024, the Institute has continued, positively, with the centralisation of Vatican finances, in light of the reference legislation in force *(Praedicate Evangelium and Rescriptum ex Audentia SS.MI of* 23 August 2022*)*.

The IOR has also continued to dialogue with the other Economic Entities of the Holy See and the Vatican Institutions, well aware of the importance of working together to address the great challenges of our time such as, for example, technological innovation, which is destined to affect our future choices.



Message from the Prelate

Msgr. Battista Mario Salvatore Ricca
Prelate

I have been present at the Istituto per le Opere di Religione for several years now, and this period has given me the opportunity to see, which is for all to see, that progress in the observance of the Statutes and Internal Regulations, as well as the International Laws that regulate the activities of Financial Institutions, is now well established.

This has been helped by a ‘generational’ change in recent years, which has not only brought about an operational approach free from the habits of thinking and operating, applied in the past and not always corresponding to the best in terms of image and results, but has also brought with it a greater engagement, perhaps enthusiasm, linked to the age of the employees themselves.

In one word: the new vision of the management and the more focused commitment due to the acquisition of a new energy have done the Institute good.

Long gone are the days when the Institute traded autonomy for independence.

This error of perspective led to many troubles, some of which we are still today trying to remedy in the appropriate places.

One thought, in my view, that must always guide the work of the Institute is that of being a service instrument and nothing else.

If we were to go too far in seeking an image more in line with the models in use in the economic field, if we were to implant mechanisms of super-efficiency in our relations with working people, if we were to pursue profit for profit's sake (even with the idea that the more we have the better we can do), in the long term we would go wrong and the specificity of helping the Catholic Church would be lost.

To say it very simply: Providence, seeing that we are the ones who have chosen with only human logic, would let us go our own way: “you wanted to follow the way of the world, you will see where it takes you”.

As yet there is no such risk, but it is always good to be on our guard. Let us not bite off more than we can chew, and remember what Holy Scripture says: money is a way to do good, not an aim.

St. John Chrysostom in his Discourses on the poor Lazarus extended the not good use of money also to not giving others a portion of his own goods.

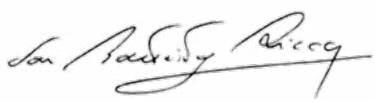
This is the reason why the Institute allocates part of the profit to the Supreme Pontiff every year for his works of religion.

However, almost every day directly there is a minute charity in the Institute that consists of helping those who ask for a subsidy for various needs: medicine, rent, payment of bills, small expenses of all kinds, help for cloistered convents with a few nuns who are all elderly.

In short, there is only to look around, ask a few questions and help; something that the Institute tries to do with everyone who comes to it.

Here too, St. John Chrysostom helps us: “not giving charity is like stealing”.

Efforts have also been made to recover a religious aspect of belonging to this sui generis Institute. To this purpose, there are regular spiritual formation meetings and celebrations. There is still much to learn. Will what has been done be enough? We will see.



Message from the President of the Board of Superintendence

Jean-Baptiste Douville de Franssu
President of the Board of Superintendence

The Board of superintendence is pleased with the Institute performance in 2024, and the service it delivered to the Holy See and its clients. Based on IOR continued progress in delivering quality service and optimizing its cost structure, strong and risk-controlled results are reported for that period with a net profit of Euro 32.8 million.

As described in the Director General report in the following pages the roll out of the IOR 5 years business plan progressed well confirming its unique role as the sole Holy See institution authorised to render financial services. All these efforts have been driven by a focus on controls, transparency, respect for the regulatory framework and the Institute governance, offering highest possible standards in servicing clients and product quality, and adopting ethics based on the Social Teaching of the church. Today, standard available at IOR in its activities meet those of competing international financial institution. The percentage of Asset Under Management (AUM) above their benchmark (79%) as well as IOR investments performance vs competitor (see paragh 1 of chapter 2 in the Management Report) are a good exemple of IOR efforts to being the optimal steward of the assets it was entrusted.

Such progress are of particular importance for the ongoing centralisation process in the Vatican of all asset management activities at IOR as per the new regulations in place. The teams at IOR are looking forward continuing the cooperation with all Vatican dicasteries, institutions and the Vatican Investment Committee on further developing and strengthening Catholic based Faith Consistent Investment services, with a view to be at the forefront of developments in this field and considered as a reference.

All legal actions taken over the years against abuses that occurred before 2014 as to seek justice also progressed well. From the total amount of over Euro 33 million that IOR managed to claw back over the last 10 years, Euro 1.6 million were booked in 2024 and much progressed were made in the various ongoing court cases.

The control functions, consistent with their respective responsibilities and competencies, have developed a highly integrated approach, allowing the Board and Management to have a holistic view of risks and areas for improvement. Collectively, they contribute to developing an internal culture of controls and risk awareness whilst improving the effectiveness of business processes and strengthening the Institute confidence and ability to face future challenges. Investment in IT and technology continued, leveraging the Vatican infrastructure. IOR is in the process of launching a new website with an improved home banking service. Also, worth monitoring is the Institute decision, notably at the request of some of its clients, to increase the use of third-party funds in the management of clients' portfolios as well as in its execution only service.

Hence, IOR entered 2025 with an even more resilient business, and notwithstanding the difficult market environment experienced post the inauguration of President Trump, portfolios are overall well positioned.

Approval of 2024 accounts

The financial statements, prepared in accordance with IAS-IFRS as adopted by the Circular issued by ASIF, were audited by Forvis Mazars S.p.A. The net result for 2024 is Euro 32,759,748 reflecting the environment and all the efforts described above.

Based on the clean opinion issued by Forvis Mazars, the Board approved the financial statements of the Institute and its management report.

The Board has therefore proposed to the Commission of Cardinals to set the dividend for 2024 at Euro 13.8 million.

It is important to note that as there is no lender of last resort in the Vatican to deal with possible short-term market crises and as there is no deposit guarantee laws, IOR has adopted a prudent dividend policy. The actual IOR pay out ratio, up to 50% of IOR results, is in line with the European banking practice (source: EBA supervisory reporting data). This provides IOR with adequate level of capital to ensure that its operations are sustainable, and its clients protected.

This is the final year in which Mazars S.p.A. will audit IOR accounts; the new auditors proposed by the Board and approved by the Commission of Cardinals are Deloitte & Touche S.p.A. The duration of their mandate is 3 years, and it can only be renewed once as per article Art.41, point 3 of the ASIF Regulation no.1 and per article Art.25 of the IOR Statute.

Corporate Governance and Board activity

The IOR has a clear governance and a committed Board which oversee IOR management and operations.

2024 saw some changes in the Board composition. Mauricio Larrain who was on the Board since September 2014 and acted as vice-president of the Board since April 2020, and Scott Malpass who was on the Board since December 2016 left the Board. The Board expressed to both its deepest gratitude for all their support, loyalty and dedication over the years. Their respective contributions, in different ways of course, were critical.

Bernard Brenninkmeijer and François Pauly joined the Board in July 2024 as well as Sheila Uriarte Tan in February 2025. Those 3 senior personalities respectively from the Netherlands, Luxemburg and the Philippines, bring a wealth of experience in banking and asset management. Their contribution has already been felt, in a spirit of service to the Church. Further changes are due at the upcoming Board meetings in 2025.

As of February 2025, the Board is therefore composed of seven members. As per the Statutes, it reviews the Institute's long-term strategy and evaluates the financial and non-financial risks and opportunities for its development. It also ensures that the Institute always fulfils its fiduciary responsibility towards clients, employees and the Holy See. It follows and supervises the work carried out by the Director General in the management of the Institute. In 2024, the Board met on four occasions and various informal meetings and discussions took place. Resolutions were passed on various strategic and business matters, for which the consent of the Board was mandatory, subject to review and consultations in close coordination with the Director General, as well as the Commission of Cardinals (given their oversight authority in accordance with the Statutes of the Institute). The Cardinals were also kept closely informed on every initiative and consulted as necessary on issues relating to potential changes in governance, in the IOR operating model or leadership. Specific joint meeting were held between the Board and the Commission of Cardinals ensuring notably an adequate flow of information.

Board Committees

As per article 17 paragraph 2 and 3 of the Statutes, at the end of 2024 the Board had two committees:

1. Audit & Risk committee,
2. HR, Ethics & Remuneration committee;

The composition of those committees was modified given the change that occurred in terms of composition of the Board. The members of the Audit and Risk committee are Javier Marin Romano (President), François Pauly and Lord Michael Hintze. And the members of the HR, Ethics & Remuneration Committee are Georg Freiherr von Boeselager (President), Bernard Brenninkmeijer and Sheila Uriarte Tan.

In 2024, each of those committees met on four occasions. Each committee has produced a 2024 summary activity report that details all the support that was provided to the Board throughout those months.

Charitable donation

In 2024 about Euro 1 million was provided directly to various charitable causes by the Institute. In addition, the Holy Father decided for the first time to use the entire amount of the dividend paid to charitable work.

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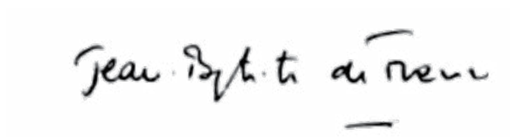
Finally, and based on all the above it remains for me to thanks one more time all the staff at IOR.

I also wish to express my gratitude to His Eminence Cristoph Cardinal Schönborn, President of the Commission of Cardinals as well as to each of its members for the quality of the relationship between their Commission and the Board of Superintendence.

The Board also thanks the Prelate Mgr. Ricca for his contribution to the development of IOR and his spiritual presence.

IOR can proudly say that it led a very successful transformation and has become an indispensable and internationally recognised institution at the service of the Holy See.



IOR ISTITUTO PER LE OPERE DI RELIGIONE

Management Report

Gian Franco Mammì
Director General

IOR Performance Highlights - 2024 Year-end

Net Profit	**32.8** Eur m	Increase of 7.2% compared to 2023 mainly due to the higher result of core business mainly in the interests and commissions components
Intermediation margin	**51.5** Eur m	Increase of 3.6% compared to 2023 mainly due to the higher contribution of Net Commissions (+13%) and Net Interest Income (+6%)
Administrative Expenses	**23.8** Eur m	Slight increase compared to 2023 mainly due to the consolidation of investments in human and capital resources
Administrative expenses / Intermediation Margin	**46.1%**	Ratio in line with 2023
Net Equity	**731.9** Eur m	Increase of 9.6% compared to 2023 mainly due to higher reserve of debt securities recognised at fair value through other comprehensive income (+34.5m) and to the allocation of a portion of the 2023 net result with the aim of increasing the IOR capital strength and supporting its long-term development
TIER 1 Ratio	**69.4%**	Increase of 16,1% compared to 2023 mainly due to a general decrease in risks (credit, counterparty and market) and an increase in total equity
Compliance of IOR products with the principles of Catholic ethics	**100%**	Asset Management products are fully compliant with the principles of Catholic ethics adopted by IOR both in 2024 and 2023
% of Asset Under Management (AUM) above benchmark	**79%**	It represents the percentage of AUM managed by IOR on behalf of third parties with gross performance above the respective benchmarks

Management Report

CHAPTER 1. **STRATEGIC INFORMATION**

1. MISSION, CUSTOMERS AND SERVICES

Mission of the Institute

The Istituto per le Opere di Religione (the "Institute" or "IOR") is an institution of the Holy See, founded on 27 June 1942 by Chirograph of His Holiness Pius XII. Its origins date back to the "Commissione ad Pias Causas" established by Pope Leo XIII in 1887.

The Institute is a public legal entity in accordance with Canon Law (Canons 114 and 116) and carries out financial activities.

The mission of the IOR, established by its Statutes, annexed to the Chirograph dated 7 March 2023 of His Holiness Francis, is "to provide for the custody and administration of movable and immovable assets transferred or entrusted to it by natural or legal persons, and intended for works of religion or charity".

Therefore, the Institute receives assets intended, at least in part or for the future, for the purposes defined in the above clause, according to the established procedures.

In addition, the Institute accepts deposits of assets from entities or persons of the Holy See and of Vatican City State.

The IOR strives to serve the global mission of the Catholic Church through the administration of the entrusted assets and by providing payment services to the Holy See and to Vatican City State, related entities, religious orders, other Catholic institutions, clergy, employees of the Holy See and the accredited diplomatic bodies.

The IOR is exclusively located on the sovereign territory of Vatican City State and is subject to the regulations and legislation applicable therein. The IOR is supervised and regulated by the "Autorità di Supervisione e Informazione Finanziaria" (Supervisory and Financial Information Authority or ASIF).

Customers of the IOR

Customers served by the Institute include:

— Sovereign Institutions of the Holy See and Vatican City State and related entities, nunciatures and apostolic delegations, embassies and diplomats accredited to the Holy See;
— Institutes of Consecrated Life and Societies of Apostolic Life, Dioceses and other Vatican canonical or civil entities as legal persons; clerics and members of Institutes of Consecrated Life and Societies of Apostolic Life, employees and retirees of the Vatican as natural persons.

The IOR's customers have a common characteristic, which is that they are part of and serve the Catholic Church.

The IOR does not accept as customers any individuals or institutions without a close relationship to the Holy See and Catholic Church.

Strict control processes are in place to ensure that this rule is adhered to at all times.

Most of the IOR's clients are active in missions or perform charitable works at institutions such as schools, hospitals or refugee camps.

The Catholic Church, through its institutions involved in missionary activities and charitable works, is present throughout the world, even in countries with very basic infrastructure and underdeveloped banking and payment systems.

In such cases, the IOR's services are particularly valuable. For customers located in these areas, the IOR is a bedrock, affirming itself as a trusted institution able to provide on-site services otherwise lacking or absent. This is even more evident in those geographical areas with high levels of political and/or financial instability.

Nature of the Institute's services

On behalf of its clients, the Institute carries out financial and banking activities authorised by the ASIF: acceptance of deposits, asset management, certain custodial functions, international payment transfers through correspondent banks, and holding salary and pension accounts of employees of the Holy See and Vatican City State.

Credit activity is residual and strictly subject to the constraints of the ASIF authorisation and limits established by the Board of Superintendence.

No funding activities are carried out on the interbank market and IOR does not issue, underwrite or place debt securities.

Accounts opened at the IOR by authorised customers meet the requirements of the legislation in force in Vatican City State on preventing and combating money laundering and the financing of terrorism.

2. CORPORATE GOVERNANCE

The IOR's governance structure is defined in its current Statutes, renewed on 7 March 2023 by Chirograph of the Holy Father. It consists of the following bodies: Commission of Cardinals, Prelate, Board of Superintendence and Director General.

The **Commission of Cardinals** consists of five Cardinals appointed by the Holy Father and it is chaired by a Cardinal designated by the Members of the Commission itself.

The Commission of Cardinals oversees the Institute's adherence to its Statutes.

Furthermore, the Commission of Cardinals:

— deliberates on the distribution of profits, after considering the financial statements and taking into account the IOR's minimum capital requirements;

— proposes changes to the Statutes to the Higher Authority;

— appoints and removes members of the Board of Superintendence and the Prelate;

— deliberates the compensation due to members of the Board of Superintendence;

— approves the appointment and removal of the Director General made by the Board of Superintendence;

— appoints, at the proposal of the Board of Superintendence, the external auditor (natural person or company) mandated to perform the statutory audit of the accounts;

— resolves any issues concerning the members of the Board of Superintendence and the Director General;

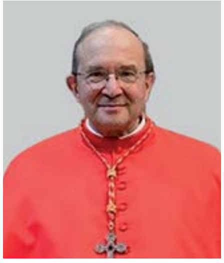
— has the authority to convene the Board of Superintendence and/or the Director General whenever it deems it appropriate.

Members of the Commission of Cardinals are appointed for a five-year term, and may be reappointed once, unless the Higher Autority decides otherwise.

The current members, appointed by Holy Father, are:

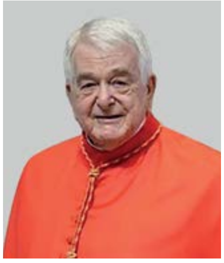
Cardinal Christoph Schönborn,
President,
Archbishop Emeritus of Vienna

Cardinal Konrad Krajewski,
Apostolic Almoner



Cardinal Giuseppe Petrocchi,
Archbishop Emeritus of L'Aquila

Cardinal Luis Antonio Gokim Tagle,
Pro-Prefect of the Dicastery for Evangelisation



Cardinal Emil Paul Tscherrig,
Apostolic Nuncio

The **Prelate** is appointed by the Commission of Cardinals for a five-year term, and may be reappointed once, unless otherwise indicated by the "Ordinario".

He has the function of assisting executives and employees *in situ* to govern and operate in accordance with the founding principles of Catholic ethics and in keeping with the Institute's mission.

Furthermore, the Prelate:

— attends the meetings of the Commission of Cardinals, serving as Secretary;

— keeps the archives of the Commission of Cardinals at his office and makes them available to its members;

— participates in meetings of the Board of Superintendence.

The Prelate of the Institute is Msgr. Battista Mario Salvatore Ricca, appointed in June 2013.

Msgr. Battista Mario Salvatore Ricca
Prelate

The **Board of Superintendence** is responsible for defining and approving the strategic guidelines and policies of the Institute as well as overseeing compliance with them. In particular, the Board's tasks are to:

— define and approve the multi-year strategic plan and general policies for the activities of the Institute in line with its mission;

— define and approve the criteria for identifying extraordinary and most relevant transactions subject to the preliminary assessment of the Board, and take the relevant resolutions;

— approve annual budget targets in line with the risk profile of the Institute;

— define and approve the Institute's risk profile;

— define and approve the Institute's Code of Ethics also upon the proposal of the Director General;

— examine capital adequacy and consistency with the strategic targets of the Institute;

— supervise the Institute's activities and the achievement of the established targets;

— define and approve the general guidelines of the internal controls system as well as to appoint, evaluate and dismiss the Heads of control functions;

— propose changes to the Statutes to the Commission of Cardinals;

— approve the Institute's statutory implementing Regulations, which are to contain *inter alia* a detailed description of the powers and areas of competence of the Board and the Director General, and submit them to the Commission of Cardinals for approval;

— review the annual report of the Director General and approve, no later than 30 April, the financial statements prepared by the Director General;

— submit the financial statements to the Commission of Cardinals enclosing the management report on the Institute's economic and financial situation and on the compliance of its activities with its statutory aims;

— propose to the Commission of Cardinals the appointment of an external auditor (natural person or company) to perform the statutory audit of the accounts;

— report to the Commission of Cardinals on activities conducted regarding overall management performance and its foreseeable evolution;

— deliberate on the remuneration payable to the Director General in accordance with the remuneration and incentive policies in force from time to time.

The Board of Superintendence, appointed by the Commission of Cardinals for a five-year term, may be reappointed once, unless otherwise indicated by the "Ordinario". The Board consists of seven members, each possessing recognised economic and financial experience and proven trustworthiness, in addition to meeting the requirements expressly provided for by regulations.

The current members are:

Jean-Baptiste Douville de Franssu
President

Javier Marín Romano
Vice-President

Georg Freiherr von Boeselager

Bernard Brenninkmeijer

Lord Michael Hintze

François Pauly

Sheila Uriarte Tan

In July 2024, Board members Mauricio Larraín and Scott C. Malpass left the Board, also in July 2024, new Board members Bernard Brenninkmeijer and François Pauly were appointed, while Sheila Uriarte Tan was appointed in February 2025.

The **Director General** is appointed by the Board of Superintendence with the approval of the Commission of Cardinals.

The Director General is responsible, according to the guidelines and strategies set out by the Board of Superintendence, for the management and control of all activities concerning:

— the administration, management and organisation of the Institute;

— the recruitment and management of staff.

The Director General's areas of competence and specific powers are set out in the statutory implementing Regulations.

The Director General prepares a monthly written overview report of the economic and financial accounts at the end of the previous month and transmits it to the members of the Board of Superintendence and the Prelate.

In the first quarter of each year, the Director General prepares the financial statements for the previous business year, in accordance with generally accepted accounting standards, together with a report on management performance of the Institute.

The Director General may be appointed for an indefinite or definite term. In both cases, he will leave office upon reaching the age of 70. In case of definite term, he is appointed for a five-year term and may be reappointed once, unless otherwise indicated by the "Ordinario".

The Director General may assign to one of the managers the function of Deputy Director to replace him/her in the ordinary administration and management of the Institute in the event of absence, impediment or by delegation.

The current Deputy Director is Giovanni Boscia, appointed in January 2023.

The Director General is Gian Franco Mammì, appointed in November 2015.

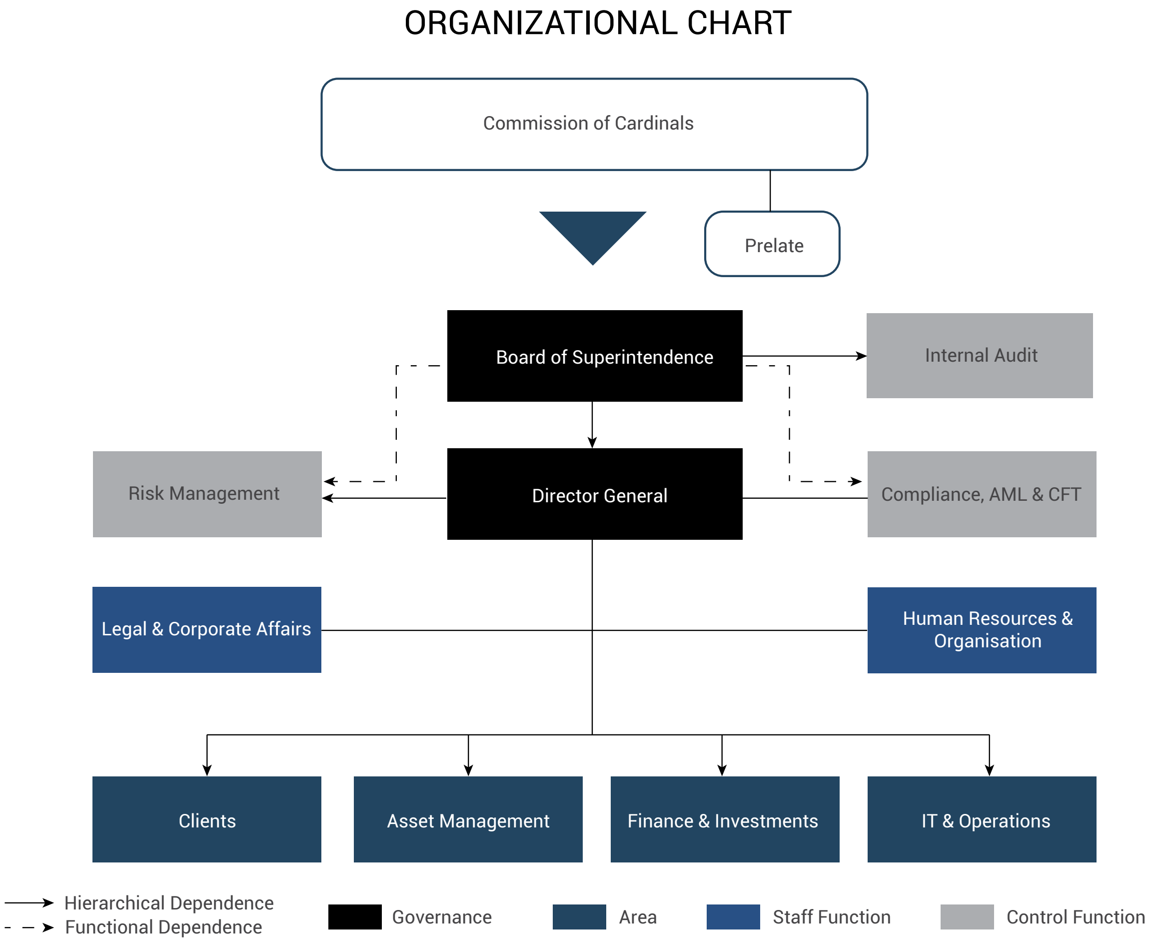
Gian Franco Mammì
Director General

3. THE EXTERNAL AUDITOR

Audits are performed by an external auditor (natural person or company) proposed by the Board of Superintendence and appointed by the Commission of Cardinals for three consecutive financial years. This appointment may be renewed only once. The external auditor provides an opinion on the Institute's financial statements by means of an ad hoc report; for that purpose, it examines all the books and the accounts.

In 2024 the audit was carried out by Forvis Mazars S.p.A., already in its second term.

4. IOR ORGANISATION CHART



The Institute's staff and employment relationship is characterised by its particular ecclesial service and special collaboration in the mission of the Supreme Pontiff and the Holy See, as specified in the letter of the Holy Father Saint John Paul II on the meaning of work for the Apostolic See, dated 20 November 1982.

The juridical, administrative, organisational and economic aspects of the employment relationship are also inspired by this particular nature.

The principles and rules set out by the Staff Regulations of the Institute are applied to the hiring of personnel and employment relationships with regard to disciplinary, remuneration, pension and social security matters.

All employees are required to comply with the Code of Behaviour established and approved by the Board of Superintendence.

During the employment relationship, all Institute employees have an exclusive employment obligation.

5. CONTROL FUNCTIONS

Control functions comprise:

— Internal Audit

— Compliance

— Risk Management

This structure is based on the Vatican laws and requirements established by the Supervisory and Financial Information Authority for an adequate internal audit system, as defined by Regulation no. 1 on prudential supervision of the entities carrying out financial activities on a professional basis, implementing Title III of the Law no. XVIII promulgated on 8 October 2013 covering norms of "Transparency, supervision and financial intelligence".

In accordance with Law no. XVIII/2013 (art. 27 et seq.), Regulation no.1 and best international practices, the Internal Audit function reports to the Board.

In terms of second-level controls, the Compliance Department and the Risk Management Department report to the Board with a dotted line and to the Director General with a hard line.

The Compliance Department is also directly responsible for the AML/CFT (Anti Money Laundering/ Countering the Financing of Terrorism) activities.

6. REGULATORY FRAMEWORK AND TAX REQUIREMENTS

Regulatory framework

The Institute is subject to the laws and regulations of the Holy See and Vatican City State as well as to its own Statutes.

The Vatican legal framework recognises Canon Law as the primary source of legislation and the primary criterion for its interpretation. Furthermore, there are six organic laws and other ordinary laws specific to the Vatican City State. For matters not covered by Vatican laws, the laws and other regulations issued by the Italian Republic are observed as supplementary, subject to prior approval by the competent Vatican authority. They are adopted on the condition that they do not conflict with the doctrine of Divine Law, the general principles of Canon Law or the provisions of the Lateran Pact and subsequent Agreements, and provided that they are applicable to the state of affairs existing in Vatican City State (see Law no. LXXI on the source of law, promulgated by Pope Benedict XVI on 1 October 2008).

According to article 1.4 of Law no. LXXI on the sources of law, the legal framework must also conform to the general norms of international law, and to those arising from treaties and other agreements to which the Holy See is party.

The Institute is subject to Law no. XVIII of 8 October 2013 that covers norms of transparency, supervision, and financial intelligence as amended by Law no. CCXLVII of 19 June 2018 as well as by Decree No. CCCLXXII of 9 October 2020 which became Law no. CCCXCVI of 7 January 2021 and most recently by Law DCXIV of 7 November 2023.

According to Law no. XVIII, the Supervisory and Financial Information Authority (ASIF) has the regulatory responsibility to specify and provide further implementation regarding prudential supervision and measures against money laundering and the financing of terrorism.

To this extent, the ASIF has issued the following Regulation:

— Regulation no. 1 on prudential supervision of the entities carrying out financial activities on a professional basis (in force since 13 January 2015, amended by the Board of Directors by the decision of 19 September 2018, supplemented to with the amendments approved by the Holy Father on 28 August 2023 and subsequently amendments by Decree No. 5 promulgated on 31 December 2023 and entered into force on 15 April 2024);

— Regulation no. 2, establishing the data and information accompanying transfers of funds and the technical requirements for credit transfers and direct debits in Euro (entered into force on 12 December 2017 and subsequently amended by the Board of Directors by the decision of 26 November 2023);

— Regulation no. 3 on payment services provided by entities carrying out financial activities on a professional basis (entered into force on 5 April 2018);

— Regulation no. 4 on due diligence of the customers of the entities carrying out financial activities on a professional basis (entered into force on 19 September 2018 and subsequently amended by the Board of Directors by the decision of 20 June 2024);

— Regulation no. 5 on Suspicious Activity Reports (entered into force on 19 September 2018).

In addition, the ASIF has issued the following Guidelines and Circulars:

— Instruction no. 1 which published the list of high-risk States, with strategic deficiencies in their systems for combating money laundering and the financing of terrorism (entered into force on 23 October 2017, amended by Decree No. 2 of 28 March 2023, with subsequent periodic updates of the attached list);

— Instruction no. 2 concerning the reporting requirements on statistical information on frauds related to means of payment (entered into force on 30 April 2019);

— Instruction no. 3 concerning claim procedures to the Supervisory and Financial Information Authority for the resolution of disputes related to the provision of payment services by entities carrying out financial activities on a professional basis (entered into force on 29 May 2019);

— Instruction no. 4 concerning measures for management of operational and security risks related to payment services and connected reporting duties (entered into force on 29 May 2019);

— Instruction no. 5 which published the list of the functions that are qualified as politically exposed persons within the Holy See and the Vatican City State (entered into force on 29 May 2019 and subsequently amended by the Board of Directors by the decision of 15 December 2022);

— Instruction no. 6 concerning monitoring of the lists of designated subjects (entered into force on 19 September 2019);

— Circular concerning the preparation of the annual financial statements and the consolidated financial statements of entities carrying out financial activities on a professional basis (promulgated on 15 December 2016 and amended on 31 October 2017);

— Circular on monetary and financial statistics of entities carrying out financial activities on a professional basis (promulgated on 29 December 2016);

- Circular on interest rates applied by entities carrying out financial activities on a professional basis (promulgated on 29 December 2016);
- Circular on auditing standards for the annual financial statements and the consolidated financial statements of entities carrying out financial activities on a professional basis (promulgated on 4 July 2019);
- Circular concerning the prevention of financial crimes connected to the Covid-19 emergency (promulgated on 8 May 2020);
- Circular on a transitory treatment of unrealised gains and losses measured at fair value recognised in other comprehensive income considering the Covid-19 pandemic (promulgated on 20 December 2022).

These financial statements were prepared in accordance with the above-mentioned "Circular concerning the preparation of the annual financial statements and the consolidated financial statements of entities carrying out financial activities on a professional basis".

IOR is also subject to Law no. CCLVII, which entered into force in 2018, establishing rules on market abuse. It clarifies and completes the reference framework relating to the abuse of privileged information and market manipulation, and for the Institute applies both to operations on its own account and on behalf of clients.

Tax requirements

Tax income

The IOR financial statements do not report a provision for taxes as there is no tax levy on operating profits by the Vatican City State.

Regarding the real estate properties (No. 3) owned by the Institute in Italy, detailed in Section 2 paragraph 3, the IOR files tax returns in Italy and pays the corresponding taxes (IRES and IMU).

FATCA

Since 2015, the Institute has been subject to FATCA (Foreign Account Tax Compliance Act), a U.S. federal law that requires foreign financial institutions to report to the U.S. Internal Revenue Service (IRS) the details of accounts held by U.S. clients.

In 2015, the Holy See signed the “Agreement between the Holy See, acting also in the name and on behalf of Vatican City State, and the United States of America, to improve international tax compliance and to implement the United States’ Foreign Tax Account Compliance Act (FATCA)” and, as a result, by reason of its activity as a financial institution, the Institute is subject to this requirement.

Tax agreement with Italy

Since 2016, the Institute has been implementing the “Agreement between the Government of the Republic of Italy and the Holy See on tax matters”. In accordance with the Agreement, clients resident in Italy for tax purposes may fulfil their tax obligations, arising from the possession of financial assets held at the Institute, through a Tax Representative chosen by the Institute. The IOR provides the calculations and withholds taxes from customers, which are then paid to the Italian Government through the Italian Tax Representative.

Qualified Intermediary

In June 2021, the Institute was recognised as a Qualified Intermediary (QI) by the IRS.

This status allows the Institute to fulfil its tax obligations towards the United States of America by applying much more streamlined procedures than previously, and by cutting out burdensome intermediary costs. In operational terms, this represented a major step forward in terms of compliance, efficiency and cost reduction. This acknowledgement provides concrete proof the Institute has procedures and processes in line with those of the best financial intermediaries operating in the world's financial markets.

Taxation of other countries

For customers who are non-resident in Italy, the principles of international tax law are applied. This means that each customer must declare his or her holdings and all derived income in his or her country of tax residence in accordance with the laws of that country.

7. PROPOSAL OF DISTRIBUTION OF THE NET PROFIT FOR THE YEAR

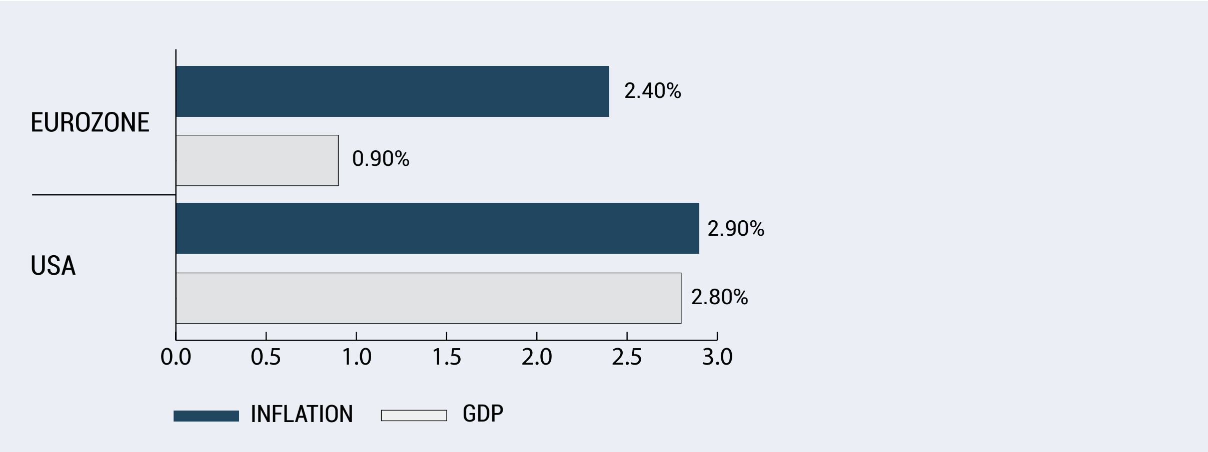
Consistent with the dividend policy principles agreed upon by the Board, the Board has proposed to the Commission of Cardinals to set the dividend for the 2024 at Euro 13.8 million.

Given IOR's ultimate mission, which is to support the work of religion and charity, the Commission of Cardinals confirmed in a resolution the payment of such a dividend.

1. 2024 BUSINESS REVIEW

Macroeconomic scenario

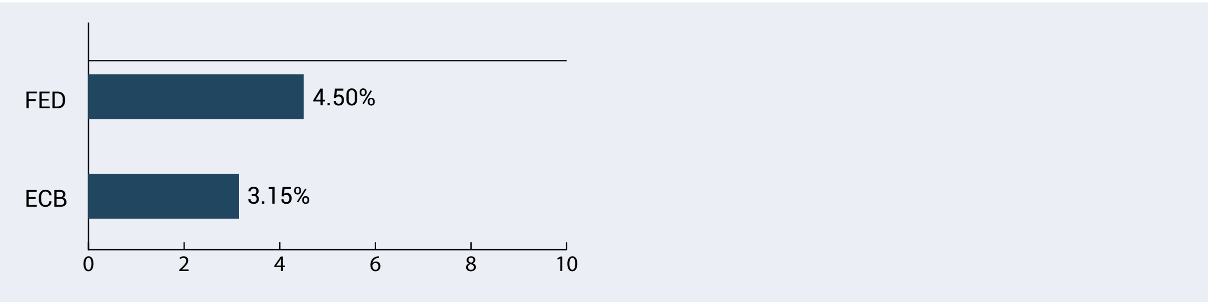
In 2024, the global economy maintained moderate growth, although the world remained marked by military conflicts and political instability in some European countries. The Eurozone showed mixed signals on real growth, which averaged +0.9%, with Germany struggling (-0.20%), Italy growing by 0.7%, and other countries, such as Spain, experiencing well above-average real annual growth (+3.2%). Growth in the United States was 2.8%, while China slowed to 5.0%.



Data as of 31/12/2024 (source: Bloomberg)

Global Inflation declined, but with different dynamics, due to lower energy prices and improvement in supply chains. In the Eurozone, moderate growth and domestic political crises contributed to a return toward the target, with inflation falling from 2.9% at the beginning of the year to 2.4% in December. In the United States, however, it remained higher at 2.9%, reflecting the strength of the economic cycle.

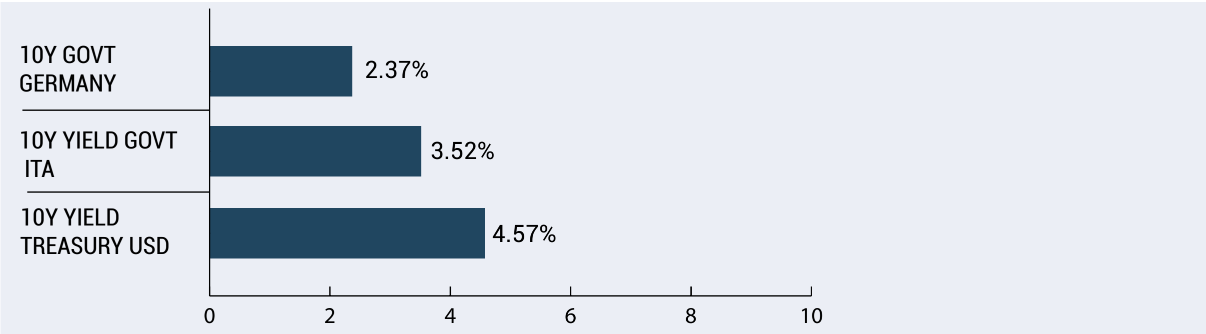
CENTRAL BANK RATES



Data as of 31/12/2024 (source: Bloomberg)

In this context, Central Banks started to ease monetary policy to support growth and respond to the slowdown in inflation, while maintaining a cautious approach to avoid market imbalances. The European Central Bank cut interest rates four times, bringing the main refinancing rate to 3.15%, in response to the economic challenges in Europe, with a particular focus on geopolitical uncertainties. The US Federal Reserve followed a similar policy, lowering rates three times to a range of 4.25%-4.50%. However, given the high level of core inflation and the strength of the labour market, it maintained a more cautious stance.

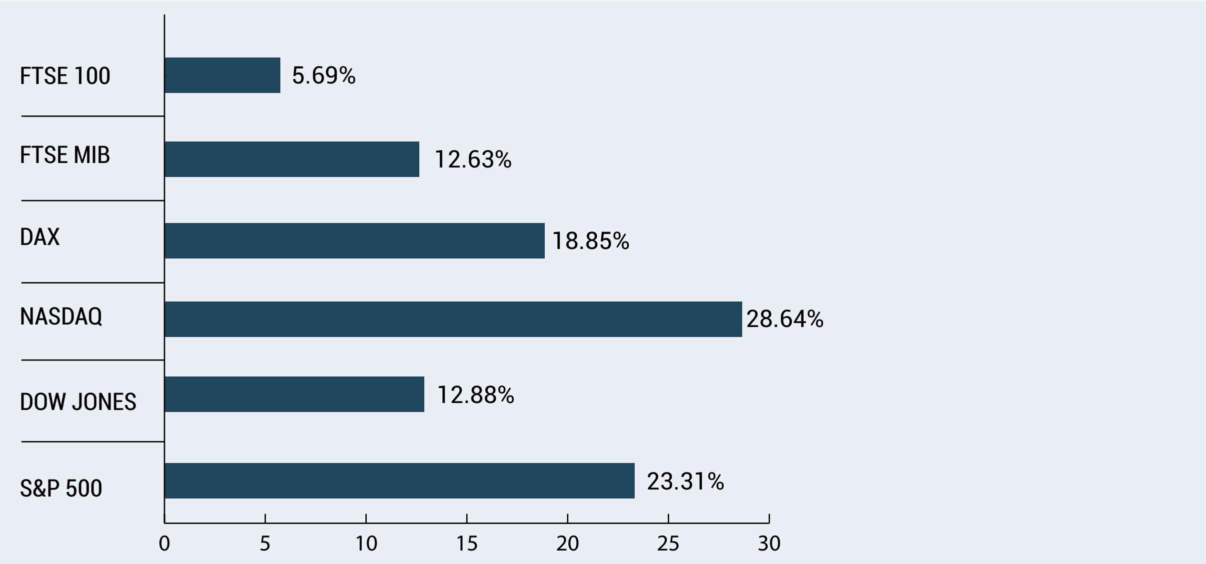
GOVERNMENT BOND YIELDS



Data as of 31/12/2024 (source: Bloomberg

Financial markets have largely benefited from these dynamics, reducing fears of a possible recession. The fixed income market benefited from the fall in interest rates, with yields in Europe and the US falling, especially at shorter maturities, while longer maturities were affected by the consolidation of economic growth. US Treasuries 10-year yields rose from 3.88% to 4.57%, while German Bunds 10-year yields rose from 2.02% to 2.37%. In Italy, BTP 10-year yields fell from 3.70% to 3.52% and the spread against Germany narrowed to 115 basis points (the lowest level since late 2021), with fundamentals improving, albeit slowly.

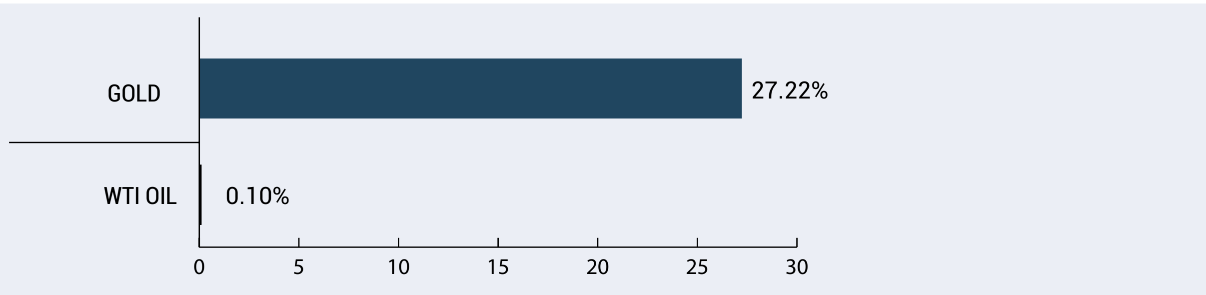
EQUITY INDEXES



Percentage change for the year 2024 (source: Bloomberg)

Equity markets recorded strong gains, although with significant geographical differences. In US, the S&P 500 and the Nasdaq reached all-time highs, benefiting from the growth of the technology sector and artificial intelligence. European indices also rose, but less than Wall Street, due to slower economic growth and lower exposure to the technology sector. In particular, the German DAX delivered a positive performance, while the French CAC 40 closed with a negative performance, weighed down by the country's political instability. The Italian FTSE MIB and the Spanish IBEX 35 showed greater resilience, while the British FTSE 100 experienced more moderate growth.

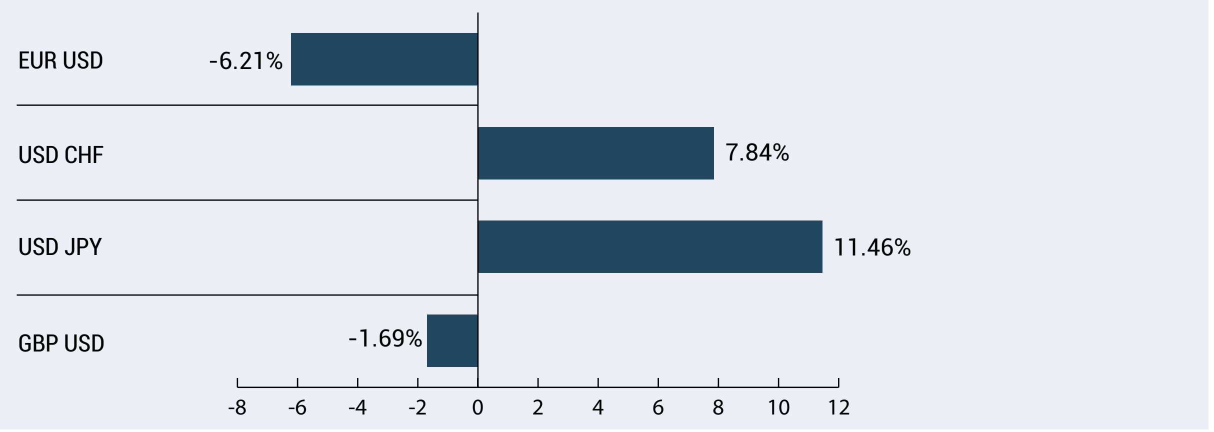
COMMODITIES



Percentage change for the year 2024 (source: Bloomberg)

The commodity market performance experienced mixed trends. WTI Oil fluctuated between $66 and $86 a barrel, closing around $72, while gold reached an all-time high of $2,788 per ounce, closing at $2,624. Industrial metals rallied on the back of the energy transition, while agricultural commodities were volatile due to extreme weather events and supply-side tensions.

CURRENCIES

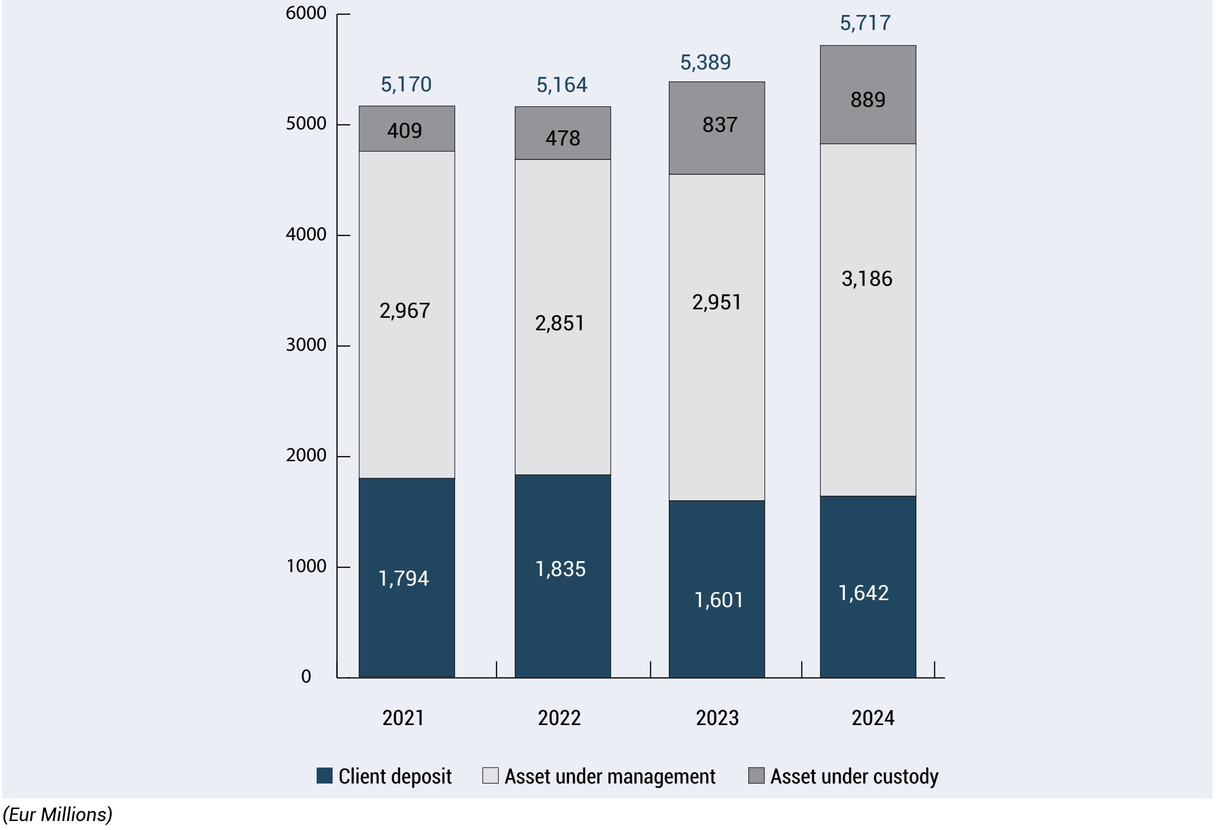


Percentage change for the year 2024 (source: Bloomberg)

In the foreign exchange market, the Euro weakened against US Dollar (-6.21%) and against the pound sterling (-4.64%), but appreciated significantly against the yen (+4.6%) and the Swiss franc (+1.15%). The US dollar generally strengthened against major currencies and emerging markets.

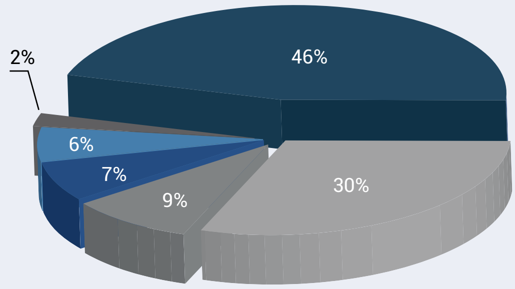
Composition of total Client Assets and Client base

Total Client assets managed by the Institute as of 31 December 2024 reached EUR 5.7 billion:



(Eur Millions)

Measured by assets entrusted, IOR clients as at 31 December 2024, comprised:



Religious orders (Congregations - Associations of the faithful - Seminaries, colleges, universities - Monasteries and convents)	46%
Departments of the Roman Curia, Holy See and Vatican City State Offices and nunciatures	30%
Episcopal conferences, dioceses and parishes	9%
Cardinals, bishops and clergy	7%
Vatican employees and pensioners	6%
Foundations and other entities under Canon Law	2%

The evolution of Client Assets shows how the Institute is fulfilling its role of financial institution serving the Church around the world to the best of its ability.

The opening and/or maintenance of accounts at the Institute continues to be highly selective, in order to safeguard the Institute's service mission, and monitoring is carried out very frequently.

As at 31 December 2024, total client assets recorded on Balance Sheet are EUR 1.7 billion while off Balance Sheet (Assets under management and Assets under custody) are EUR 4 billion.

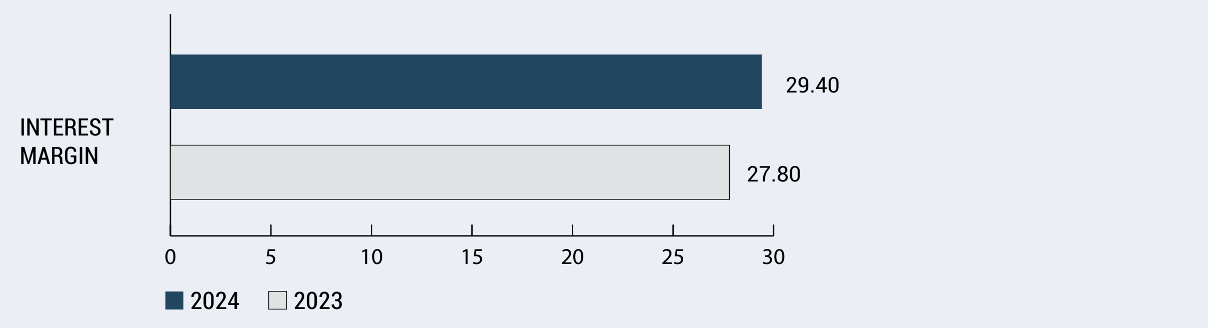
	2024			**2023**		
(in milion Euro)	On Balance Sheet	Off Balance Sheet	**Total**	On Balance Sheet	Off Balance Sheet	**Total**
Client deposit	1,642	-	1,642	1,601	-	1,601
Asset under management	24*	3,162	3,186	133*	2,187	2,951
Asset under custody	-	889	889	-	837	837
Total	**1,666**	**4,051**	**5,717**	**1,735**	**3,654**	**5,389**

** Deposits of Assets under Management are net of commissions collected in the first days of the subsequent year.*

Income Statement

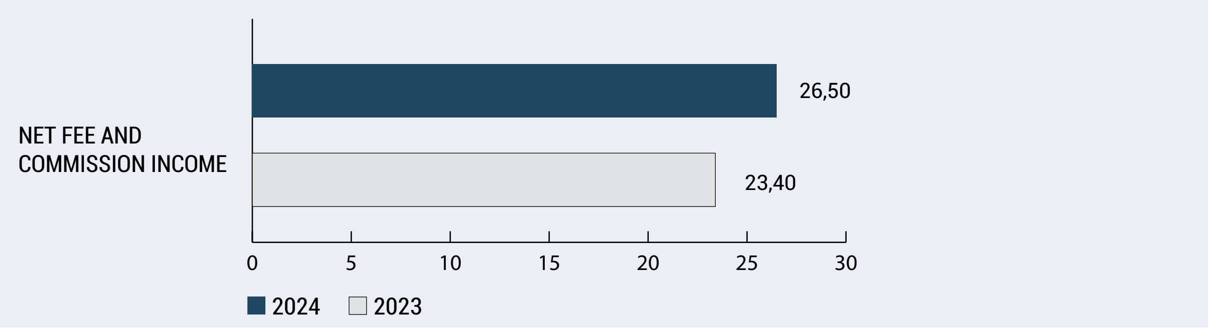
The IOR's net profit of 2024 was EUR 32.8m (2023: EUR 30.6m).

Following an overview of the main Income Statement items (change between 2023 and 2024):



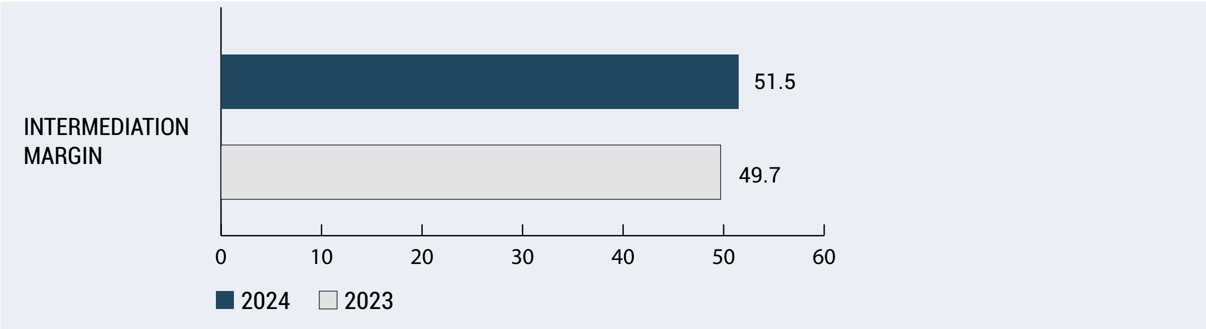
(Eur Millions)

Interest margin increased of 5.8% compared to 2023. It is mainly due to the dynamic property portfolio management and to the growth of the spread (2024:1.14% vs 2023:1.03%) between the average rate received on assets (2024:1.57% vs 2023:1.30%) and the average rate paid on customer deposits (2024:0.43% vs 2023:0.27%).



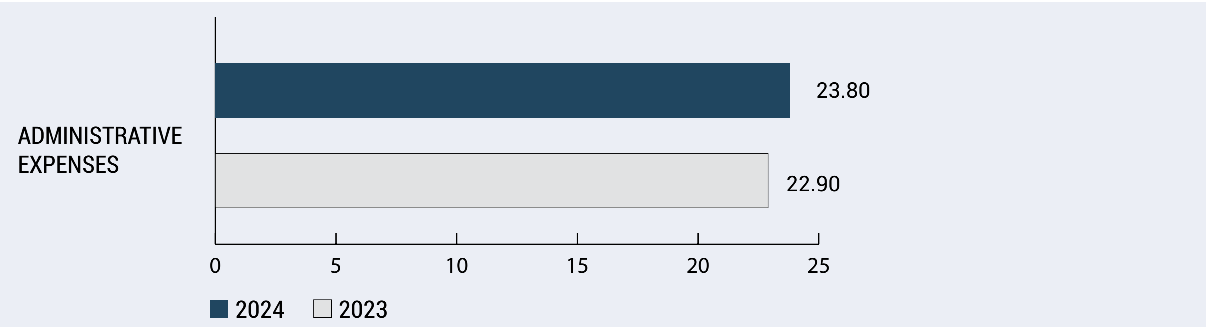
(Eur Millions)

Net fee and commission income increased of 13.2% compared to 2023. It is mainly due to the increase in Fee and commission income (2024: EUR 32.0m vs 2023: EUR 28.9m): higher asset management fees (EUR +1.6m) mainly due to the update of commission chart; higher custody commissions (EUR +1.6m) mainly due to the increased volumes and the update of the commission chart. Other commissions are in line with 2023.



(Eur Millions)

Intermediation margin increased of 3.6% compared to 2023. It is mainly due to the higher result of the IOR financial assets, which made a positive contribution amounting to EUR 23.7m. Debt securities achieved a profit through P&L of EUR 28.6m (2023: EUR 23.4m); foreign exchange activity contributed positively to EUR 1m (2023: EUR 0.7m). While the prudential impairment of an investment funds purchased before 2014 for EUR 5.4m (2023: EUR -0.3m) contributed negatively.



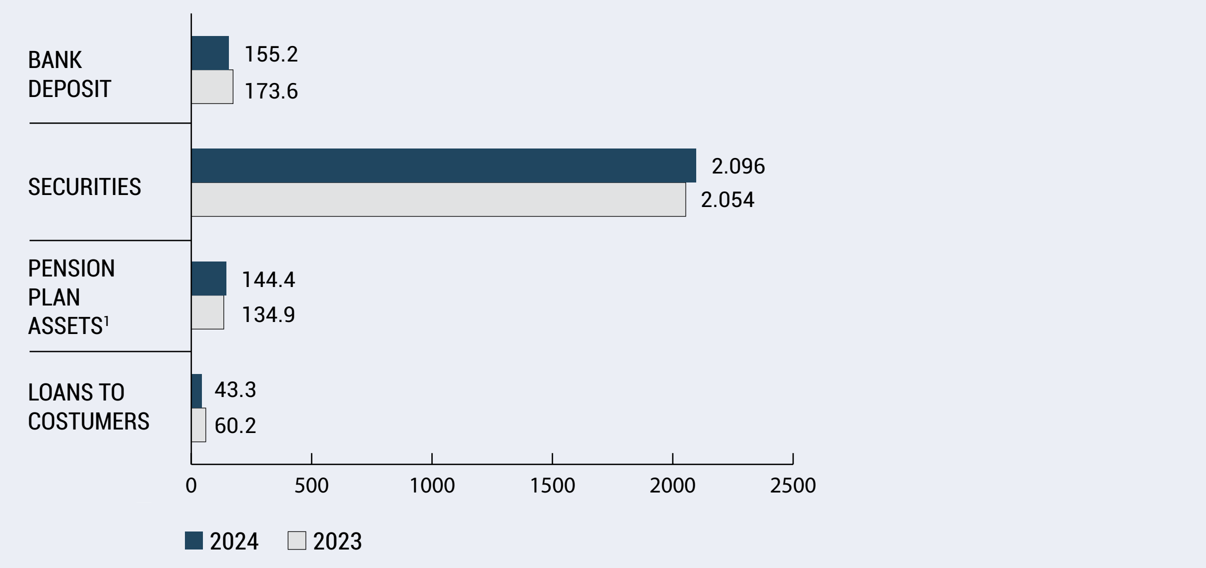
(Eur Millions)

Administrative expenses increased slightly compared to 2023. This is mainly due to the reinforcement of investments in accordance with the Strategic Plan 2021-2025. The increase was mainly due to higher Other administrative expenses (EUR +0.9m) mainly for new software implemented in 2024 and for costs related to the maintenance of the building in which the Institute is located.

Balance Sheet

Following an overview of the main Assets items (change between 2023 and 2024):

ASSETS



(Eur Millions)

The decrease in bank deposits (-10,6%) is exclusively in deposits on demand (2023: EUR 173.6m).

Regarding securities, as at 31 December 2024 debt securities were the most significant investments (EUR 2.094m) and represent 99.9% of the securities, while equities and investment funds accounted for 0.1%. 66% of debt securities were managed according to the business model Held to Collect and Sell (HTCS), 32% according to the business model Held to Collect (HTC) and only 2% according to the business model "Other / Trading".

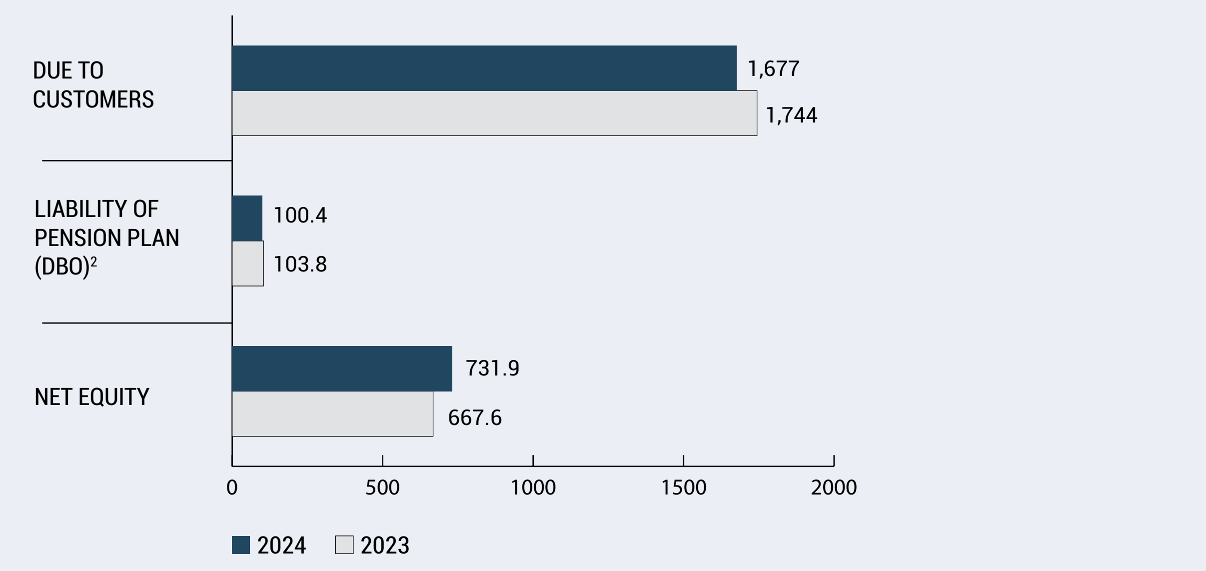
The fair value of Pension Plan Assets increased due to the dynamic property portfolio management and to the general growth in value of the securities.

Net loans to customers decreased in 2024 and constitute only 1.8% of total assets, in this regard, credit activity is residual and strictly subject to the constraints of ASIF authorisation and the limits established by the Board of Superintendence.

[1] In accordance with IAS 19-Employee Benefits, in the Balance Sheet is shown the net value between the Liability (BDO) and the fair value of the Plan Assets (recognised under Assets or Liability respectively depending on whether the fair value is higher or lower than the liability).

Following an overview of the main Liabilities and Equity items (change between 2023 and 2024):

LIABILITIES AND EQUITY



(Eur Millions)

Due to customers (EUR 1.68bn) represents 68.8% of total liabilities at 2024 year-end (2023: EUR 1.74bn). In 2024 customer deposits increased (EUR +41m) and liquidity in Asset Management decreased (EUR -108m) related to the choice of asset manager to invest in securities and minimise liquidity.

The Liability of Pension Plan (DBO) decreased mainly due to the increase of 21 bps of the discount rate (the DBO is performed annually by a qualified actuary).

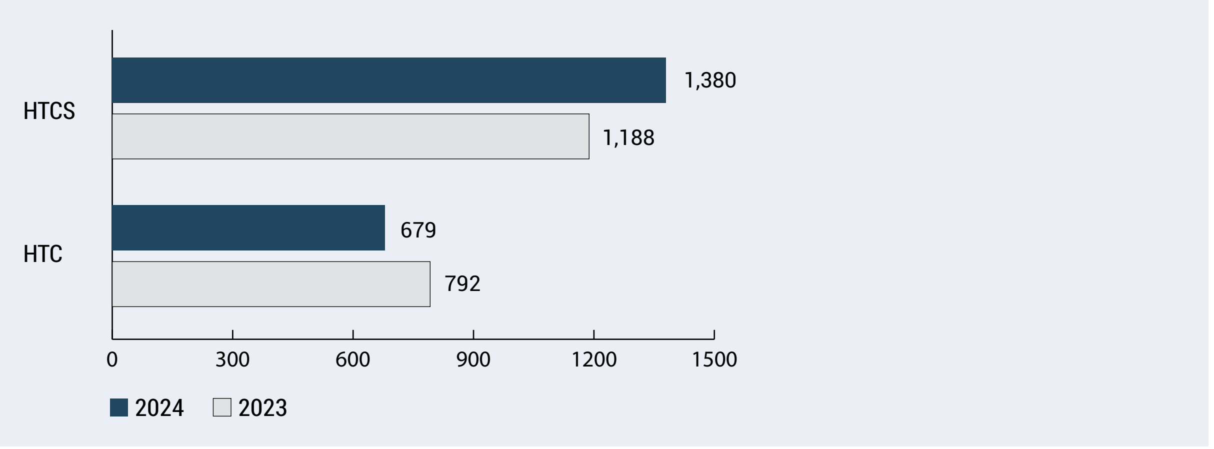
Net Equity increased as a result of the positive change in the unrealised reserve recognised in Other Comprehensive Income (EUR +34.5m) (HTCS bonds and FVOCI shares). This was mainly due to the generalized increase in the assets price. The Available Reserves also increased (EUR +17m) as a result of the allocation of a portion of the 2023 net result with the aim of increasing the IOR capital strength and supporting its long-term development.

[2] In accordance with IAS 19-Employee Benefits, in the Balance Sheet is shown the net value between the Liability (BDO) and the fair value of the Plan Assets (recognised under Assets or Liability respectively depending on whether the fair value is higher or lower than the liability).

Focus on HTCS and HTC business model

IOR invests almost totally in bonds managed according to the HTCS and HTC business models (98% of total proprietary investments[3], excluding pension plan securities):

CARRYING VALUE



(Eur Millions)

1. BONDS HTCS (66% OF TOTAL PROPRIETARY INVESTMENTS)

The Held to Collect and Sell (HTCS) business model provides both the collection of cash flows and the possible sale of securities (pursuing the purposes of IFRS 9 accounting standard: managing daily liquidity needs, maintaining particular yield profiles, active asset liability management, etc.).

Securities to be managed under HTCS business model have to pass the SPPI test.

Securities are measured at fair value (Carrying Value) and profits or losses deriving from the valuation are recognised in a specific equity reserve (Section 12, Paragraph "12.3 - Valuation Reserves").

HTCS	2024	2023
FAIR VALUE RESERVE	(39)	(73)

(Eur Millions)

The negative reserve recognised in recent years is gradually decreasing and will tend to zero by holding the securities up to maturity.

[3] 2024 year-end total proprietary investments amount to EUR 2,096 million of which HTCS bonds: EUR 1,380 million, HTC bonds: EUR 679 million, FVTPL bonds: EUR 35 million, FVTPL shares: zero; FVOCI shares: EUR 2 million.

Income Statement recognition:

— interests and amortised cost effects;

— changes in the credit risk (ECL);

— gain/loss arising from the total or partial disposal of financial assets with consequent reversal of the reserve.

The HTCS bonds in the portfolio are 57% government bonds and 43% credit bonds and have an average maturity of 1.80.

2. BONDS HTC (32% OF TOTAL PROPRIETARY INVESTMENTS)

The Held to Collect (HTC) business model provides the collection of cash flows. The sale of securities is allowed only in accordance with IFRS 9 accounting standard. The conditions are set out in a specific policy adopted by the Institute.

Securities to be managed under the HTC business model have to pass the SPPI test.

Securities are measured at amortised cost[4] using the effective interest rate method (Carrying Value).

The fair value of these securities has no accounting impact; it is shown below only for illustrative purposes:

HTC	2024	2023
MARKET VALUE (Fair value)	630	722
CARRYNG VALUE (amortised cost)	679	792
delta	(49)	(70)

(Eur Milion)

Income Statement recognition:

— interests and amortised cost effects;

— changes in the credit risk (ECL);

— gain/loss arising from the disposal of financial assets if provided by the accounting standards.

The HTC bonds in the portfolio are 64% government bonds and 36% credit bonds and have an average maturity of 3.78.

[4] Amortised cost is a method by which the asset is recognised for an amount equal to the initial recognition minus any capital repayments, plus or minus the accumulated amortisation of the difference between this initial amount and the amount at maturity, subsequently net of value adjustments.

Profitability and efficiency ratios

The table below highlights the main economic, financial and productivity ratios. The ratios show a substantial consolidation in efficiency and profitability:

Number	Probability ratios (%)	2024	2023
1	ROE	4.7%	4.8%
2	ROA	1.3%	1.3%
3	Interest Margin / Total Assets	1.2%	1.1%
4	Intermediation Margin / Total Assets	2.1%	2%

1 The ratio shows the steady growth of the Institute, also considering the high capitalisation. The slight decrease is due to the growth in equity (denominator);

2 in line with 2023;

3 increase due to the growth in margin (numerator) greater than the growth in assets (denominator);

4 increase due to the growth in margin (numerator) greater than the growth in assets (denominator).

Number	Efficiency ratios (%)	2024	2023
5	Administrative expenses / Intemediation Margin	46.1%	46.1%
6	Interest Margin / Intemediation Margin	57.1%	56.9%
7	Net fee and commission income /Intemediation Margin	51.4%	47.1%
8	TIER 1	69.4%	59.8%

5 The ratio shows the coverage of expenses by interests and commissions is equal to 2023;

6 in line with 2023;

7 increase due to the higher growth in Net fee and commission income (denominator) compared to the growth in Intermediation margin (denominator);

8 increase due to a general decrease in risks (credit, counterparty and market) and increased in equity.

Number	Other ratios (%)	2024	2023
9	Liquidity Coverage Ratio (LCR)	5,095%	3,942%
10	Net Stable Funding Ratio (NSFR)	251.6%	292.5%

9-10 They show values well above the regulatory minima in both 2024 and 2023.

Assets under Management

In 2024, a year of high volatility for all asset classes, all Asset Management lines positively performed in absolute terms. All lines reported positive gross returns.

Most of the lines also recorded gross returns higher than the benchmark.

			Annualized Returns		Cumulative Returns	
			2022-2024	2020-2024	2022-2024	2020-2024
			Gross Annual Performance*			
	Monetary	**2024**	LAST 3 Y	LAST 5 Y	LAST 3 Y	LAST 5 Y
1	Monetary – EUR	**3.74%**	1.77%	1.06%	5.39%	5.64%
2	Monetary – USD	**5.26%**	3.55%	2.12%	11.04%	12.95%
	Bonds					
3	Short Term Bd – EUR	**3.35%**	1.15%	0.69%	3.50%	5.05%
4	Short Term Bd – EUR	**4.44%**	2.14%	1.28%	6.55%	8.75%
	Balanced					
5	20% Balanced - EUR	**4.63%**	1.71%	1.02%	5.21%	11.23%
6	20% Balanced - USD	**7 .32%**	2.98%	1.78%	9.20%	19.47%
7	20% Balanced - USD	**5.31%**	2.03%	1.21%	6.22%	14.42%
8	30% Balanced - USD	**8.86%**	3.38%	2.01%	10.49%	25.92%
9	40% Balanced - EUR	**6.08%**	3.75%	n.a.	11.69%	n.a.
10	40% Balanced - USD	**10.15%**	4.67%	n.a.	14.68%	n.a.
11	50% Balanced - EUR	**6.66%**	2.68%	1.60%	8.26%	21%
12	50% Balanced - USD	**11.98%**	4.25%	2.53%	13.31%	36.84%
	Multiasset					
13	MultiAsset EUR	**5.06%**	0.9%	0.54%	2.71%	9.34%
	Equities					
14	Equity - EUR	**9.6%**	3.96%	2.36%	12.36%	41.17%
15	Equity - USD	**19.29%**	6.38%	3.78%	20.39%	71.67%
	% Positive Performance Lines	**100%**	100%	100%	100%	100%

** Aggregates portfolios performance; refers to Institutional category.*

Ior position compared to Morningstar Peer Group (Net performance):

IOR's FLAGSHIP STRATEGIES	3Y	5Y
Monetary		
Monetary – EUR	10	9
Monetary – USD	9	8
Bonds		
Short Term Bd – EUR	4	3
Short Term Bd – USD	1	3
Balanced		
20% Balanced - EUR	4	5
20% Balanced - USD	3	3
30% Balanced - EUR	3	3
30% Balanced - USD	2	1
50% Balanced - EUR	3	4
50% Balanced - USD	1	3
Multiasset		
Multiasset	7	8
Equities		
Equity - EUR	4	3
Equity - USD	1	1
Strategies with decile rank ≤ 5	10 out of 13	10 out of 13

Note: IOR analysis and elaboration based on Morningstar data

2. PREVALENCE OF CATHOLIC PRINCIPLES AND VALUES IN THE MANAGEMENT OF PROPRIETARY AND CUSTOMERS' FINANCIAL ASSETS

Faith consistent investing

The IOR is a unique financial institution at the service of the Church in the world, which bases its activities on the principle of consistency with Catholic ethics rather than the principle of maximum possible gain.

"It is often assumed that mixing faith and ethics with investment criteria may compromise returns. Such concerns have largely been refuted. When faith and ethics criteria are developed with the adequate levels of consideration and expertise, there should be little to no fear of underperformance, or of the risk of not meeting one's fiduciary responsibility. Indeed, there is a growing acknowledgement that responsible investing can deliver equal or better ultimate performance over the long term: do well by doing good! Failing to consider the financial value of environmental, social, and governance issues, is in fact a risk. Neglecting ethical innovations in the market may cause investors to lose the opportunity to improve their risk-adjusted returns, and, therefore, to deliver better overall value for their stakeholders. Ethical researchers have shown that in times of downturn, the most trusted companies suffered fewer losses than the market average, and recovered faster as conditions improved. This can be referred to as a *Sustainability Premium.* For example, after the financial market crisis in 2020 caused by the Covid-19 pandemic, sustainable market indices outperformed non-sustainable peers." [Publication from: The Pontifical Academy of Social Sciences - 2022].

The Institute bases its investment strategies and its method of selecting financial assets on prudent management choices in line with the principles of the Social Doctrine of the Church and invests only in companies that respect those principles. To that extent, the Institute adopted a proprietary methodology that uses very strict selection and monitoring criteria to ensure sustainable and responsible investment choices specifically excluding those companies that do not meet the criteria of Catholic ethics. Therefore, the IOR does not invest in companies involved in activities that damage human life, the environment, society or governance.

This valuable tool and the presence of a team of professionals with different backgrounds, skills, experience and seniority, have allowed the Institute to best serve its clients located in 112 countries and to achieve absolute and relative risk adjusted results in line with expectations that meet Catholic ethics criteria.

The Institute performs screenings of equity and bond issuers according to the following criteria:

1. **Sanctity of human life.** The Institute does not invest in companies that directly or indirectly through subsidiaries:
   — own and/or operate hospitals and specialised centres providing abortion services;
   — produce abortion products;
   — produce contraceptive products;
   — are involved in the use of embryonic stem cells or tissues derived from human embryos or foetuses, or are involved in the use of foetal cell lines.
2. **Respect for human life.** The Institute does not invest in companies that directly or indirectly through subsidiaries:
   — produce controversial military weapons (anti-personnel mines, chemical weapons, nuclear weapons, cluster bombs) or parts of them, considered as such due to their indiscriminate impact on civilian populations;
   — are involved in the production and distribution of small arms;
   — directly produce weapons or provide supporting products and services, specifically intended for military and non-military industries and used for lethal and offensive purposes.
3. **Environmental protection.** The Institute does not invest in activities that may have a negative impact on the environment and sustainable development.
4. **Addictions.** The Institute does not invest in companies directly or indirectly involved in gambling, adult entertainment, loans at usury rates, the production and sale of tobacco, the production and sale of alcohol.
5. **Global Compact.** The Institute does not invest in companies that seriously violate the 10 principles of the UN Global Compact: i) Violation of human rights by the company (Principles I-II); ii) Violation of workers' rights (Principles III-IV-V-VI); iii) Safeguarding the environment (Principles VII-VIII-IX); iv) Violation of business ethics (Principle X).

3. CHARITABLE AND SOCIAL ACTIVITIES

In addition to carrying out the works of religion and charity, to which the dividends, made fully available to the Commission of Cardinals, are allocated, the Institute contributes throughout the year to the implementation of numerous charitable and social activities through:

— donations intended to respond to requests for aid or contributions;

— the granting of property it owns for rent at subsidised prices or free of charge to support organizations with social purposes.

Decisions regarding the recipients and the amounts of cash donations are always collegial in nature, and made directly by the Charity Committee, chaired by the Prelate and composed of executives and employees of the Institute.

The most common donations from the Charity Committee are direct financial aid for destitute families (usually via parishes), specific help for missionary and charity work or contributions to young student priests for the completion of university studies. Regarding properties, the Institute relies on the subsidiary S.G.I.R. S.r.l., a real estate company governed by Italian law, with its registered office in Rome, specifically established to manage this portfolio of properties. Such properties, located in Italy, have been received throughout the course of IOR history through legacies or donations by institutions and individuals.

Alongside the typical activities of a real estate company, the business models used by S.G.I.R. S.r.l. also include the granting of properties:

— through rent with subsidised leases, to help associations or other Catholic institutions that, due to their limited budgets, would not be able afford to rent at market price;

— on loan for free use, for structures that offer hospitality and support to people in conditions of particular fragility or risk, such as migrants, refugees, single mothers and people with mental problems or families in financial difficulties who need accommodation to assist seriously ill relatives in long-term hospitalisation or in need of continuous therapy at health facilities in Rome. In the same facilities, Italian language literacy courses are designed to allow a real social integration of migrants and training courses for pastoral workers or family counsellors, who assist families in situations of distress, with problems as a couple or facing difficulties in parenting.

4. SUSTAINABILITY AGENDA

In line with its statutory aims, the IOR has long since adopted a path towards the inclusion of sustainability risks in the strategic mechanisms, management systems and operational processes that characterise its business model, focused on the process of Investment for Clients (Asset Under Management) and for Proprietary.

In view of the relevance that sustainability issues have acquired in contemporary society and the commitment required of all economic actors operating within it, the IOR launched in 2024 a structured process of collecting information and reporting on the role it plays in the transition towards a model of sustainable economy consistent with Catholic ethics, following the frameworks and leading practices of the sector.

In 2024, following the initiative of the Board of Superintendence, the "Sustainability Programme" initiative was therefore launched with the aim of assessing the state of the art in the Institute, monitoring progress in each sensitive area for IOR and laying the foundations for effective and structured reporting on sustainability issues for the stakeholders.

The Institute has adopted a methodology geared towards the application of best practices in the sector, identifying two main regulatory references in the field of sustainability: the *European Corporate Sustainability Reporting Directive* (CSRD) regulations - for the identification of relevant issues through the analysis of dual materiality - and the *Global Reporting Initiative* (GRI) Standards - for the collection and representation of information on relevant issues. In 2025, for the first time, the IOR will issue a dedicate Sustainability Report.

The following is a representation of how the Institute acts in the areas that have been found to be most relevant; the IOR assigns importance to the systematic monitoring of these areas, the identification of improvement objectives and development paths, and the communication of the results achieved.

Transition to a green economy and climate change. The Institute is committed to sustainability by reducing raw material consumption, energy and waste management. It takes a transparent approach to monitoring the environmental impact of the resources used, optimising the use of raw materials. In 2024, paper production was reduced by 20% compared to 2023; the electricity used comes entirely from renewable sources. Energy efficiency has also been improved through the modernisation of offices and the use of LED lighting. The car fleet has been renewed by favouring hybrid and electric vehicles, reducing the consumption of fossil fuels. The Institute also monitors the management of waste produced.

Quality and Customer Experience. The IOR is committed to ensuring a high quality of services produced and a customer experience characterised by transparency and accountability; it provides clear information through documents, reporting and the online portal for banking services. The Institute adopts policies that integrate ethical, social and environmental criteria in the design and sale of products with responsibility, and it trains staff in transparency and fairness. Products are developed and managed according to internal guidelines, ensuring regulatory compliance and customer protection. In addition, the Institute collects feedback to continuously improve services and promotes transparency and accountability in communication. All processes are monitored and reviewed internally to ensure the quality and appropriateness of the offer.

Integrity in conduct. The Institute adopts a set of measures to combating money laundering, the financing of terrorism and corruption. In particular, the IOR monitors customers' transactions and combats suspicious transactions, adopting policies in line with international standards. In regard to the risk of corruption, the IOR is committed to preventing the issue through a 'zero tolerance' policy and strict control over hiring, gifts, donations and relations with third parties; in addition, it has set up an internal reporting system (whistleblowing) to detect unlawful conduct, guaranteeing the confidentiality and protection of whistle-blowers. The Institute has received positive assessments from Moneyval regarding its effectiveness in combating money laundering and terrorist financing. The IOR respects the principles of honesty and integrity in its tax management, complying with Vatican regulations and international agreements such as FATCA and the tax agreement with Italy. Belonging to the Catholic religion represents for the Institute a requirement for the selection of candidates for hiring in line with the founding principles and mission of the IOR and therefore does not represent an element of discrimination.

Data Privacy and Cyber Security. IOR guarantees the protection of clients' and employees' personal data, complying with Vatican regulations on privacy and cyber security, and processes the data exclusively to fulfil legal obligations, prevent fraud and guarantee the security of payments. It adopts policies and security measures to protect sensitive information through internal controls, continuous training for employees and constant monitoring of cyber vulnerabilities. Although the European GDPR (General Data Protection Regulation) does not apply, the institute complies with international standards on data protection and privacy. The Institute has an Information Security Policy for the protection of assets, data and information to ensure the protection of sensitive information, customer privacy and continuity of services. No security incidents occurred in 2024.

Digitisation and Innovation. The IOR has adopted several digitisation initiatives to improve process efficiency and reduce environmental impact, including the dematerialisation of paper documentation for customer services. The adoption of digital technologies has led to benefits such as reduced paper consumption and waste; the *IorPortal* online service offers benefits such as 24/7 accessibility, ease of operations, time savings and reduced costs, as well as ensuring high security standards. The Institute actively promotes the use of this digital service among its customers. During the years 2023 and 2024, an initiative was carried out to contain the physical space occupied by archived paper documentation, which led to a significant reduction in the volume of archives; the benefits were the allocation of the space thus freed to alternative productive activity and a reduction in the risk of fire.

Value generated and distributed. In 2024, the IOR generated an economic value of 50 million Euro, distributed among employees (30%), suppliers (18%) and the Holy Father (27%). The remaining value was retained to ensure the long-term sustainability of the Institute. In addition, the IOR generated 177 million Euro in value for clients in 2024, the result of the investment activity of clients' assets, which is available for the support of the mission of the Church to which the clients themselves belong, as prescribed by the IOR Statute. The Institute has also carried out social and charitable activities (more details in paragraph 3 of this section).

Responsible Investment. As described in detail in paragraph 2 of this section, The IOR is a unique financial institution at the service of the Church in the world, which bases its activities on the principle of consistency with Catholic ethics rather than the principle of maximum possible gain, and in compliance with international banking standards and best practices. It adopts an Investment Policy in accordance with the Social Doctrine of the Church by selecting investments through the strict application of Catholic-ethical criteria, avoiding investment in companies involved in activities detrimental to human life, the environment, society or governance. Lastly, the Institute also promotes sustainability internally through training courses for employees and collaborative initiatives with other institutions to spread a Catholic-ethical culture. IOR provides loans to hospitals, shelters and soup kitchens. It also provides funding for health and family expenses to employees of the Holy See, amounting to 859,000 Euro. The total amount of loans to customers at the end of 2024 is EUR 53.9 million, most of those are lombard loans. The Institute promotes social initiatives through its investee real estate company SGIR, offering support to people in difficulty (more details in paragraph 3 of this section).

Support to the Universal Church. The Institute promotes the education and financial alphabetisation of its stakeholders, particularly the most vulnerable groups. In 2024, the Institute, which has always been sensitive to this topic, intensified the organisation of training events and conferences in presence, with a focus on awareness and responsible management of economic resources.

Next milestones. The Institute confirms its proactive commitment to continuous improvement and the adoption of best practices in all its areas of intervention.

The Institute's future commitments include a series of initiatives aimed at further strengthening environmental sustainability, digitisation of processes, operational integrity, as well as improvements to its investment policy, thus ensuring an increasingly transparent and responsible service in line with its ethical and Catholic mission.

5. STAFF RECRUITMENT AND REMUNERATION POLICIES

In 2024, IOR continued the process of renewing the Institute's workforce. The addition of new resources and the accompanying retirement activities have made it possible to further strengthen the Institute's key functions, through the inclusion of experienced professionals from the market, while reducing the average age and overall cost of personnel.

Staff recruitment was carried out with a rigorous logic of merit through selection paths based on qualifications and skills. It was also supported by updating the Institute's remuneration policies, which saw the introduction of a modern incentive system based on the annual performance of employees in terms of skills, behaviour and achieved objectives.

Founded on rules of merit, fairness and sustainability, the new appraisal and incentive system aims to support the Institute in the creation of long-term value, while respecting the principles of prudence and careful risk management.

6. FORECAST FOR 2025

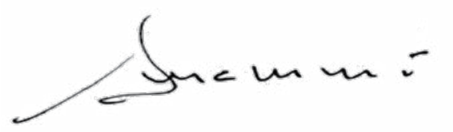
The IOR will continue to serve the Holy Father in his mission as the Universal Pastor, through the provision of dedicated financial advisory service, in full compliance with Vatican and international laws in force.

In 2024, the Institute will continue to operate in accordance with the Strategic Plan 2021-2025 approved by the Board of Superintendence:

- positioning IOR as the financial institution of reference for the Catholic community worldwide, increasing its market share;
- continuously updating and increasing efficiency of services to customers;
- strengthening and structuring the Asset Management offering through a prudent, transparent and scalable investment process;
- accelerating operational efficiency through evolution of IT systems and organisational redesign;
- optimising management of IOR Assets (proprietary portfolio, pension fund, credit, real estate investments) through defined policies, tools and investment processes;
- strengthening risk management and compliance to protect customers as well as Vatican and Holy See Institutions.

In addition, the Institute will continue to implement the provisions of the new Apostolic Constitution *Praedicate Evangelium* of 19 March 2022 and the subsequent *Rescriptum* of 23 August 2022 regarding the IOR's role in the centralisation of the Holy See's financial assets.

Aware of the responsability of the task assigned through the mentioned *Rescriptum* "*... the activity of asset management and custody of the assets of the Holy See and of the Institutions connected with the Holy See exclusively compete to the IOR*", the Institute will continue with even greater commitment to provide quality banking and investment services to all its customers, fully in compliance with Catholic ethics.



IOR ISTITUTO PER LE OPERE DI RELIGIONE

FINANCIAL STATEMENTS

Financial Statements

Balance Sheet
(in Euro)

	ASSETS	2024	2023
10	Cash and cash equivalents	13,138,728	26,919,531
20	Financial assets at fair value through profit or loss of which:	34,675,924	72,174,140
	(a) financial assets held for trading	*34,675,924*	*72,174,140*
30	Financial assets at fair value through other comprehensive income	1,382,706,668	1,189,330,975
40	Financial assets at amortised cost of which:	878,567,530	1,027,196,270
	a) loans and advances to banks	*360,438,291*	*410,745,276*
	b) loans and advances to customers	*518,129,239*	*616,450,994*
70	Investment in subsidiaries	15,965,191	15,834,950
80	Tangible assets	2,929,618	2,499,402
90	Intangible assets	1,559,518	2,153,566
120	Other assets	107,879,879	95,711,643
	Total Assets	**2,437,423,056**	**2,431,820,477**

	LIABILITIES AND EQUITY	2024	2023
10	Financial liabilities at amortised cost [IFRS 7§8 (g)] of which:	1,676,740,185	1,743,842,496
	a) due to banks	-	-
	b) due to customers	*1,676,740,185*	*1,743,842,496*
80	Legates	1,878,286	1,436,826
90	Other liabilities	20,752,902	12,270,101
100	Staff severance provision	4,437,022	5,011,359
110	Provisions for risks and charges of which:	1,699,119	1,699,119
	a) commitments and guarantees issued	*1,699,119*	*1,699,119*
	*b) provisions for pensions and similar obligations**		
120	Valuation reserves	(50,672,799)	(95,737,205)
140	Reserves of which:	449,828,593	432,700,046
	(a) unavailable reserves	*100,000,000*	*100,000,000*
	(b) available reserves	*348,199,643*	*331,201,909*
	(c) other reserves	*1,628,950*	*1,498,138*
150	Capital	300,000,000	300,000,000
160	Profit for the year	32,759,748	30,597,734
	Total Liabilities and Equity	**2,437,423,056**	**2,431,820,477**

* Note: since 2021, the Institute has acquired specific dedicated assets (Plan Assets) for the employees' Pension Plan. In accordance with IAS 19-*Employee Benefits*, the net value between the Liability for defined benefit obligation and the fair value of the Plan Assets is recognised under Assets item 120 "Other Assets" if the Fair Value of the Assets exceeds Liability; otherwise, i.e. if Liabilities exceed the Fair Value of the Assets, the net value is recognised under Liabilities and Equity, item 110 "Provisions for risks and charges (b) Provisions for pensions and similar obligations".

At 2024 year-end, as well as 2023 year-end, the Fair Value of the Plan Assets exceeded Liability for defined benefit obligation and, therefore, the net value was recognised under Assets item 120 "Other Assets".

Income Statement
(in Euro)

	INCOME STATEMENT	2024	2023
10	Interest and similar income	36,334,609	32,452,435
20	Interest and similar expense	(6,902,659)	(4,662,567)
30	**Interest margin**	**29,431,950**	**27,789,868**
40	Fee and commission income	32,013,381	28,892,328
50	Fee and commission expense	(5,552,923)	(5,506,362)
60	**Net fee and commission income**	**26,460,458**	**23,385,966**
70	Dividends and similar income	10,384	9,026
80	Net trading result	(4,080,817)	2,001,122
100	Net gain (loss) on disposal or repurchase of:	(315,466)	(3,530,545)
	(a) financial assets at amortised cost	*181,738*	*192,917*
	(b) financial assets at fair value through other comprehensive income	*(497,204)*	*(3,723,462)*
120	**Intermediation margin**	**51,506,509**	**49,655,437**
130	Net impairment losses/recoveries for credit risk:	(1,554,374)	910,914
	(a) financial assets at amortised cost	*(1,817,923)*	619,518
	(b) financial assets at fair value through other comprehensive income	*263,549*	*291,396*
140	**Net income from financial operations**	**49,952,135**	**50,566,351**
150	Administrative expenses:	(23,752,303)	(22,908,203)
	(a) staff expenses	*(14,971,064)*	*(15,250,127)*
	(b) professional service expenses	*(3,242,128)*	*(3,041,639)*
	(c) other administrative expenses	*(5,539,111)*	*(4,616,437)*
170	Net value adjustments to/recoveries on tangible assets	(300,910)	(265,370)
180	Net value adjustments to/recoveries on intangible assets	(826,822)	(785,707)
190	Other operating income (expense)	7,597,678	3,836,153
200	**Operating costs**	**(17,282,357)**	**(20,123,127)**
220	Net result of fair value measurement of tangible and intangible assets	89,970	154,510
250	**Profit from current operations before taxes**	**32,759,748**	**30,597,734**
270	**Profit from current operations after taxes**	**32,759,748**	**30,597,734**
290	**Profit for the year**	**32,759,748**	**30,597,734**

Statement of Comprehensive Income
(in Euro)

	2024	2023
10. Profit for the year	**32,759,748**	**30,597,734**
Items that will not be reclassified to Income Statement		
20. Equity instruments designated at fair value through other comprehensive income	525,095	301,700
70. Defined-benefit plans: change in actuarial reserve	4,653,305	(3,601,990)
70.1 Defined-benefit plans: Return on Plan assets	5,871,692	4,768,927
Items that will be reclassified to Income Statement		
140. Financial assets (other than equity instruments) measured at fair value through other comprehensive income	34,014,885	62,196,947
170. Total other comprehensive income items after taxes	**45,064,977**	**63,665,584**
180. Comprehensive income (item 10 + item 170)	**77,824,725**	**94,263,318**

Statement of Changes in Equity
(in Euro)

2024				Allocation of previous year profit		Changes during the year			
	Total net equity at 31.12.2023	Changes in opening balances	Total net equity at 01.01.2024	Reserves	Dividends and other allocations	Changes in reserves	Extra dividend distribution	Comprehensive income 2024	Net Equity at 31.12.2024
Capital	300,000,000		300,000,000						300,000,000
Reserves									
(a) unavailable	100,000,000		100,000,000						100,000,000
(b) available	331,201,909		331,201,909	16,997,734					348,199,643
(c) other	1,498,138		1,498,138			130,241		571	1,628,950
Valuation reserves	(95,737,205)		(95,737,205)					45,064,406	(50,672,799)
Net profit (loss) for the year	30,597,734		30,597,734	(16,997,734)	(13,600,000)			32,759,748	32,759,748
Net Equity	667,560,576		667,560,576		(13,600,000)	130,241		77,824,725	731,915,542

2023				Allocation of previous year profit		Changes during the year			
	Total net equity at 31.12.2022	Changes in opening balances	Total net equity at 01.01.2023	Reserves	Dividends and other allocations	Changes in reserves	Extra dividend distribution	Comprehensive income 2023	Net Equity at 31.12.2023
Capital	300,000,000		300,000,000						300,000,000
Reserves									
(a) unavailable	100,000,000		100,000,000						100,000,000
(b) available	306,818,757		306,818,757	24,383,152					331,201,908
(c) other	1,498,138		1,498,138						1,498,138
Valuation reserves	(159,402,788)		(159,402,788)					63,665,583	(95,737,205)
Net profit (loss) for the year	29,583,152		29,583,152	(24,383,152)	(5,200,000)			30,597,734	30,597,734
Net Equity	578,497,259		578,497,259		(5,200,000)			94,263,318	667,560,576

Cash Flow Statement
Direct method
(in Euro)

	2024	2023
A. Operating activities		
1. Ordinary activities	**40,868,161**	**32,981,447**
Interest income	35,509,697	34,640,410
Interest expense	(6,476,508)	(4,416,322)
Dividends and similar income	10,384	9,026
Net commissions	26,460,458	23,385,966
Realised profit (loss) from trading	1,187,197	1,196,933
Realised profit (loss) from *Held to Collect*	181,738	192,917
Realised profit (loss) from *Held to Collect and Sell*	(497,204)	(3,723,462)
Staff expenses	(14,324,040)	(14,482,098)
Other administrative expenses	(8,781,239)	(7,658,076)
Other operating income (expense)	7,597,678	3,836,153
2. Cash generated by/(used in) financial assets	**15,139,707**	**397,513,081**
Financial assets held for trading	32,383,910	(52,836,468)
Financial assets at fair value through other comprehensive income	(155,390,504)	307,316,335
Financial assets measured at amortised cost	144,442,845	146,308,245
Other assets	(6,296,544)	(3,275,031)
3. Cash generated by/(used in) financial liabilities	**(55,172,256)**	**(414,093,772)**
Financial liabilities measured at amortised cost	(67,087,002)	(403,489,854)
Other liabilities	11,914,746	(10,603,918)
Cash generated by/(used in) operating activities	**835,612**	**16,400,756**
B. Investing activities		
1.Cash generated by:	**-**	**-**
Sales of tangible assets	-	-
2. Cash used in:	**(873,930)**	**(334,391)**
Purchases of tangible assets	(641,156)	(202,421)
Purchases of intangible assets	(232,774)	(131,970)
Cash generated by/(used in) investing activities	**(873,930)**	**(334,391)**
C. Financing activities		
Dividend distribution and other purposes	(13,600,000)	(5,200,000)
Cash generated by/(used in) financing activities	**(13,600,000)**	**(5,200,000)**
Cash generated/(used) during the year	**(13,638,318)**	**11,852,504**

Items	2024	2023
Cash and cash equivalents at beginning of the period	26,919,531	15,017,250
Cash generated/(used) during the year	(13,638,318)	11,852,504
Cash and cash equivalents: forex effect	(142,485)	49,777
Cash and cash equivalents at end of the period	13,138,728	26,919,531

Explanatory Notes

PART 1. ACCOUNTING POLICIES

1.1 General information

1.1.1 Statement of compliance with accounting standards

The 2024 financial statements have been prepared in accordance with the Circular concerning the preparation of the annual financial statements and the consolidated financial statements of entities carrying out financial activities on a professional basis, issued by the Supervisory and Financial Information Authority on 15 December 2016 and amended on 31 October 2017.

As stated in the Circular, the financial statements must be prepared in accordance with the "International Accounting Standards – IAS", the "International Financial Reporting Standards – IFRS" and related Interpretations ("Interpretations SIC / IFRIC"), as adopted by the Vatican in a special annex to the Monetary Agreement between the European Union and Vatican City State dated 17 December 2009.

1.1.2 Accounting policies and measurement criteria

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Cash Flow Statement, the Statement of Changes in Equity and the Explanatory Notes.

The financial statements are prepared in Italian.

The accounting policies and the measurement criteria adopted for the preparation of the 2024 financial statements, detailed below, are consistent with those of the previous financial year, except for the adoption of new standards, new interpretations or amendments of standards, as disclosed in Section 1.1.5 "Impact of New Accounting Pronouncements".

The financial statements of the Institute are prepared in Euros, while the explanatory notes are expressed in thousands of Euros.

For the various items, the 2024 figures and corresponding values for the previous year are provided.

Where necessary, the comparative figures have been adjusted to conform to changes in presentations in the current year.

The 2024 financial statements of the IOR were prepared on an ongoing concern basis in accordance with IAS 1- *Presentation of Financial Statements*. On the date of the approval of these financial statements, there were no material uncertainties and, therefore, there was no significant doubt regarding the Institute's ability to continue as an ongoing concern in the foreseeable future.

The financial statements fairly present the financial position, financial performance and cash flows of the Institute.

The preparation of the financial statements requires the management to make estimates and assumptions about the future where actual results may differ. Estimates and assumptions affect the reported amounts of certain assets, liabilities, revenues and expenses in the financial statements.

In addition, by their nature, the estimates and assumptions used may change from year to year and, therefore, in subsequent years the values recognised may differ, even significantly, following changes in the assumptions. Consequently, changes in assumptions may have a significant impact on the financial statements in the year in which the assumptions change.

The preparation of the financial statements also requires the management to exercise judgement to estimate the carrying value of assets and liabilities not readily obtainable from independent sources.

The Director General believes that the underlying assumptions are appropriate and that the IOR's financial statements fairly present its financial positions and results. All estimates are based on historical experience and/or expectations with regard to future events that seem reasonable on the basis of information known at the time of the estimate. They are also reassessed on a regular basis and the effects of any variation are immediately reflected in the financial statements.

Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Section 1.1.4 "Critical accounting estimates and judgements".

The financial statements of the Institute do not reflect a provision for taxes because there is no corporate income tax in the Vatican City State.

For the year ending 31 December 2024, the Institute, given the immaterial value of its subsidiaries, did not prepare consolidated financial statements in accordance with the provisions of the Conceptual Framework (QC6 – QC11) of IAS/IFRS, since the additional information coming from the consolidated financial statements would be immaterial for the users of the financial statements.

The Institute provides the additional information required by IFRS 12-*Disclosure of interests in other entities* in Part 5 "Information on risks and hedging policies", Section 5.2.2.D "Information on unconsolidated structured entities".

The financial statements of the Institute are prepared by the Director General and approved by the Board of Superintendence. After approval, they will be submitted to the Commission of Cardinals, enclosing the Management Report.

The Commission of Cardinals acknowledges the financial statements and decides on the distribution of profits, after taking into account the IOR's minimum capital requirements.

1.1.3 Subsequent events

According to the provisions of IAS 10-*Events after the reporting period*, all events that took place subsequent to 31 December 2024 have been evaluated in the preparation of the 2024 financial statements.

There were no events occurring after 31 December 2024, which is the reporting date of these financial statements, and the date on which the financial statements are presented and authorised by the Director General, such as to require adjustments to the financial statements or additional disclosure as required by IAS 10-*Events after the reporting period.*

1.1.4 Critical accounting estimates and judgements

Critical judgements in preparation of the Institute's financial statements

In the process of applying the accounting policies adopted by the IOR, there are circumstances that lead the management to make estimates and assumptions that have a significant impact on the amounts recognised in the financial statements.

The main area relates to the measurement process used for financial instruments. Fair value measurement requires the use of critical judgements such as determining criteria according to which a market is active or not, whether an asset is liquid or illiquid, when deciding market inputs and parameters to be used, when they must be reviewed, and assessing circumstances where internal parameters are more reliable than market-based ones. Critical judgements are also required for the measurement of impairment and measurement of expected credit loss of financial assets.

Another critical accounting estimate is related to the measurement of retirement benefits and other post-employment liabilities, which are estimated through an actuarial valuation performed by an independent expert. Such an evaluation is based on critical judgements since estimates are made regarding the likelihood of future events and the actual results could differ from those estimates.

Defined benefit plans are measured with reference to uncertain events and based upon actuarial assumptions including discount rates, expected rates of salary increases, estimated retirement dates and mortality rates. The significant assumptions used to measure defined benefit plans are as follows: (i) discount and inflation rates reflect the rates at which benefits could be effectively settled, considering the duration of the obligation. Indicators used in selecting the discount rate include market yields on high quality corporate bonds and an estimate of future inflation rates; (ii) the future salary levels of the individual employees are determined including an estimate of future changes attributed to general price levels (consistent with inflation rate assumptions), promotion and seniority; (iii) demographic assumptions such as mortality, disability and turnover reflect the best estimate of these future events for individual employees involved. Differences in the amount of the defined benefit liability usually occur and they derive from the remeasurements following changes in the current actuarial assumptions or differences between the previous actuarial assumptions and what has actually occurred.

Estimates that contain elements of uncertainty with risk of material adjustments within the next financial year

The process of applying the IOR's accounting policies may require the use of key assumptions affecting the future, and/or other sources of estimation uncertainty at the balance sheet date, with a significant risk of causing material adjustments to the carrying amount of assets and liabilities in the next financial year.

Key assumptions and judgments made in the IOR financial statements relate to the assessment of illiquid debt securities and external investment funds included within the portfolio held for trading, as disclosed in the Section 1.4 "Fair value information".

Illiquid financial assets are not quoted in active markets and their fair value is not readily available in the market.

In 2023, financial assets subject to estimation uncertainties (Level 3 of fair value hierarchy) amounted to EUR 5.85m; in 2024, these financial assets, purchased before 2014, were prudentially fully impaired, so their value at year-end amount to zero. These exclusively comprised externally managed investment funds.

With reference to the contingent liabilities related to commitments linked to these investment funds, they are valued taking into account all available information at the date of preparation of these financial statements. The dispute in progress concerning one of these funds is being resolved. However, at present, there is no significant information to be highlighted in the financial statements.

This assessment is made on the basis of assumptions and the process of estimation is characterised by elements of uncertainty. By their nature, the estimates and assumptions used may vary from one period to another and, therefore, it cannot be excluded that, in subsequent periods, the amounts of such liabilities may differ materially from those currently estimated as a result of new information and changes in the assumptions utilised.

It should be noted that legal actions are still pending against the managers of a fund acquired before 2014. In December 2020, the managers of the fund subjected to the above-mentioned dispute launched a separate action against the Institute, seeking compensation for the damage allegedly caused by the IOR through actions successfully brought against the fund, and obtained a seizure order of EUR 29.5m to protect their compensation claim issued *inaudita altera parte*. The Institute challenged the seizure, as soon as full access to the file was obtained, since, in addition to the unfounded merits of the opposing claim, there is no reason for the precautionary credit protection against an entity, such as the IOR, which is known to be financially sound and solvent. A verdict is awaited and is expected in the second half of 2025. At the balance sheet date, there were also new contingent liabilities relating to proceedings started in 2024 against the IOR, with possible, but not probable, risks of losing the case.

1.1.5 Impact of New Accounting Pronouncements

Accounting standards, amendments and interpretations effective 1 January 2024

The following accounting standards, amendments and interpretations of IFRS were adopted for the first time by the IOR effective 1 January 2024:

- "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" (published on 23 January 2020 and updated on 25 June 2020).

  Amendments to IAS 1-*Presentation of Financial Statements*

  The aim of amendments is to clarify how to classify payables and other liabilities as either current or non-current. The amendments specify that the classification be made on the basis of the rights existing at the reporting date, without considering the expectation of exercising payment deferment. The amendments were initially scheduled to become effective on 1 January 2022, with early adoption permitted. Subsequently, during the IASB meeting on June 2021, they were deferred to 1 January 2024.

The adoption of this standard did not significantly affect IOR financial statements.

- "'Lease Liability in a Sale and Leaseback" (published on 22 September 2022).

  Amendments to IAS 16- *Leasing*

The amendments concern the recognition of sale and leaseback transactions by the lessee-seller in the case of floating payments and whether the transfer of the asset fulfils the requirements of the IFRS 15 to be accounted as a sale of the asset.

The adoption of this standard did not significantly affect IOR financial statements.

- "Supplier finance arrangements" (published on 25 May 2023).

  Amendments to IAS 7**-** *Statement of Cash Flows* and to **IFRS 7**- *Financial Instruments*

  The aim of the amendments is to establish new transparency requirements for supplier finance agreements (examples of these types of contracts are reverse factoring and equivalent transactions) in the financial statements of companies.

  The adoption of this standard did not significantly affect IOR financial statements.

Accounting standards, amendments and interpretations approved by the European Union, mandatorily or early adoptable at 1 January 2025

In this regard the novelty is:

- "The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability" (published on 15 August 2023).

Amendments to IAS 21**-** *The Effects of Changes in Foreign Exchange Rates*

The aim of the amendments is to support companies in determining whether a currency can be converted into another currency, what accounting approach to take if conversion is not possible and the disclosure to be provided in these circumstances. The amendments are effective from 1 January 2025.

No significant impact in the IOR financial statements from the adoption of these amendments is expected.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

At the date of these financial statements, the relevant European Union bodies have not yet completed the approval process necessary for the adoption of the following standards or amendments:

- "Presentation and Disclosure in Financial Statement" (published on 9 April 2024)
  New standard IFRS 18 – the new standard replaces IAS 1 "Presentation of Financial Statements"; it establishes the presentation and disclosure requirements for financial statements with the aim of making the information more transparent and comparable and to ensure that it faithfully represents the assets, liabilities, shareholders' equity, revenues and costs of the entity. The main changes compared to IAS 1 are:

— the classification of income and expenses in five categories (operating, investing, financing, income taxes, discontinued operations) based on the core business activities of the entity;

— new statement items with partial totals (operating profit, profit before financing and income taxes);

— increased obligations relating to the labelling of items as well as the aggregation and disaggregation of information based on characteristics that agree (or not) with financial statement items;

— introduction of disclosure requirements for the inclusion of performance measures (MPSs).

The new standard involves limited amendments to other standards, including IAS 7 "Statement of Cash Flows", IAS 33 "Earnings per Share" and IAS 34 "Interim Financial Reporting".

The new standard becomes effective from 1 January 2027.

- "Subsidiaries without Public Accountability" (published on 30 May 2024)

New standard IFRS 19 – Under certain conditions, the new standard allows subsidiaries that apply the international accounting standards to provide reduced financial statement disclosures, thus lowering their financial statement preparation costs. In order to apply the standard, the subsidiary: i) must not have public liability, and ii) must have a parent company, ultimate or intermediate, which prepares consolidated financial statements in accordance with international accounting standards.

The application of IFRS 19 is optional for eligible subsidiaries and becomes effective from 1 January 2027.

- "Amendments to the Classification and Measurement of Financial Instruments" (published on 30 May 2024)

  Amendments to IFRS 9 and IFRS 7- The amendments to the two standards clarify certain critical aspects of the classification and measurement of financial instruments pursuant to IFRS 9 that emerged from the postimplementation review of the standard. The amendments mainly refer to:

— the classification of financial assets, particularly cases where returns vary when environmental, social and corporate governance (ESG) targets and similar are achieved. As the presence of these ESG-related characteristics could affect the measurement of loans at amortised cost or at fair value, the amendments provide indications and examples to assess whether the contractual cash flows of the financial asset are consistent with a basic loan agreement;

— the derecognition of financial liabilities when settlement is arranged through electronic payment systems. The amendments clarify the date on which the financial liabilities can be derecognised. The IASB has also decided to envisage an accounting policy option allowing a company to derecognise a financial liability before delivering liquidity on the settlement date, if specific criteria are met.

With these amendments to IFRS 9 - Financial Instruments, the IASB also introduced additional disclosure requirements to improve transparency for the benefit of investors as regards equity instruments for which the option has been exercised for the recognition of changes in fair value in the statement of comprehensive income (OCI election) and financial instruments with contingent characteristics, e.g. associated with ESG-linked objectives.

The amendments will become effective from 1 January 2026.

- "Nature-dependent electricity contracts" (published on 18 December 2024)

  Amendments to IFRS 9 and IFRS 7 - The amendments are intended to improve the reporting by companies of the financial effects of contracts for the purchase of electricity from natural sources, often structured as power purchase agreements (PPAs). The amendments include:

— clarifying the application of the 'own-use' requirements;

— permitting hedge accounting if these contracts are used as hedging instruments;

— and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

The amendments will become effective from 1 January 2026.

At the date of these financial statements, assessments of the possible impacts of the application of standards that have been issued but have not yet endorsed are in progress.

1.2 Information on the main financial statement items

1.2.1 Financial assets measured at fair value through profit or loss (FVTPL)

Classification criteria

All financial assets other than those classified as financial assets at fair value through other comprehensive income and as financial assets at amortised cost are classified in this category. The item include:

- financial assets held for trading, essentially represented by debt instruments and equity securities acquired or incurred principally for the purpose of selling in the short term;
- all derivatives with a positive fair value acquired or incurred principally for the purpose of selling in the short term;
- financial assets mandatorily measured at FVTPL, represented by financial assets managed according to the *Held to Collect* or *Held to Collect and Sell* business models but that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual cash flows do not pass the SPPI test as they do not represent solely payments of principal and interest;
- financial assets designated at fair value, i.e. the financial assets thus defined at the time of initial recognition. An entity can irrevocably designate a financial asset as measured at fair value through profit or loss only if that eliminates or significantly reduces an inconsistency in evaluation.

In particular, the Institute recognises in this item:

- debt securities not managed according to the *Held to Collect* or *Held to Collect and Sell* business models (i.e. those included under the "*Other / Trading*" business model) (item a. financial assets held for trading);
- debt securities and loans managed according to the *Held to Collect* or *Held to Collect and Sell* business models that do not pass the SPPI test (item b. financial assets mandatorily at fair value);
- equity securities held for trading purposes or that the Institute did not designate at fair value through other comprehensive income upon initial recognition (item a. financial assets held for trading);
- UCI units held for trading purposes (item a. financial assets held for trading).

As at 31 December 2024, the financial assets classified in this category were mainly those acquired for trading purposes, therefore not managed according to the *Held to Collect* or *Held to Collect and Sell* business models.

The item includes also derivatives, recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

During 2024, as in 2023, the Institute did not hold derivatives.

Recognition criteria

Purchases of financial assets measured at fair value through profit or loss are recognised on the trade date, which is the date on which the Institute is committed to purchasing the asset.

On initial recognition, the financial assets are recognised at fair value through profit or loss, which generally corresponds to the initial cash consideration paid, excluding direct transaction costs directly attributable to the assets, which are recognised through the Income Statement.

Derivatives are initially recognised at fair value on the date in which a derivative contract is stipulated. The fair value generally corresponds to the consideration paid.

Measurement criteria

Subsequent to initial recognition, the financial assets are measured at fair value, with any gains or losses arising from the change in fair value recognised in the Income Statement.

For the fair value measurement please refer ahead to Section 1.4 “Fair value information”.

Income Statement recognition

Gains and losses arising from disposal or redemption and unrealised gains and losses arising from changes in the fair value of financial asset held for trading are recognised in the Income Statement, item 80 “Net trading result”.

Gains and losses arising from disposal or redemption and unrealised gains and losses arising from changes in the fair value of financial assets mandatorily measured at fair value through profit or loss are recognised in the Income Statement, item 110 “Net result from other assets and liabilities measured at fair value through profit or loss”.

Interest income and expense arising from the financial assets at fair value through profit or loss are recognised in the Income Statement on an accrual basis and recognised “pro rata temporis” based on the contractual interest rate. These are recognised in the Income Statement, item 10 “Interest and similar income”.

Dividends on financial assets at fair value through profit or loss are recognised in the Income Statement, item 70 “Dividends and similar income”, when the entity’s right to receive payment is established.

Derecognition

Disposals are recognised on the trade date, which is the date on which the Institute is committed to dispose of the assets.

All financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from the financial assets have expired or when the IOR has substantially transferred all risks and rewards of ownership, or when the Institute no longer has control over the financial assets.

1.2.2 Financial assets measured at fair value through other comprehensive income

Classification criteria

Financial assets that meet both of the following conditions are classified in this category:

- financial assets managed according to the *Held to Collect and Sell* business model, i.e. held both for collecting contractual cash flows and for selling with the objectives provisioned by the IFRS 9- *Financial Instruments* accounting standard. For example, the objective may be to manage everyday liquidity needs, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities that those assets are funding;
- 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).

The category also includes equity securities not held for trading for which the entity applies the option granted by the standard measuring the assets at fair value through other comprehensive income ("FVOCI option").

In particular, the Institute recognises in this item:

- debt securities that are managed according to the *Held to Collect and Sell* business model and have passed the SPPI test;
- equity securities, not classified as controlling, connection or joint control, which are not held for trading, for which the Institute applies the option granted by the standard of measuring the assets at fair value through other comprehensive income ("FVOCI option").

As at 31 December 2024, the financial assets classified in this category were debt securities managed according to the *Held to Collect and Sell* business model and two equity securities that the Institute purchased to participate in the SWIFT and VISA circuits.

Recognition criteria

All purchases of financial assets at fair value through other comprehensive income are recognised on the trade date, which is the date on which the Institute is committed to purchasing the asset.

They are initially recognised at fair value in addition to any direct transaction costs directly attributable to the instrument.

Measurement criteria

Subsequent to initial recognition, assets classified at fair value through other comprehensive income represented by debt securities are measured at fair value with the recognition in the Income Statement of the impacts deriving from the application of amortised cost, the effects of impairment and of any exchange rate effect, while other profits or losses deriving from a change in fair value are recognised in a specific equity reserve and represented in the Statement of Other Comprehensive Income. At the time of disposal of the financial asset, either partial or total, the profit or loss accumulated in the valuation equity reserve is reversed, in whole or in part, to the Income Statement (item 100 "Net gain (loss) on disposal or repurchase of: (b) financial assets at fair value through other comprehensive income").

Equity securities for which the choice was made for classification in this category are measured at fair value and changes in fair value recognised in a specific equity reserve must not subsequently be transferred to the Income Statement, even in the event of disposal. The only component attributable to the equity securities that is recorded in the Income Statement is represented by the related dividends.

For the fair value measurement, please refer to Section 1.4 “Fair value information”.

Financial assets at fair value through other comprehensive income are tested for impairment as required by IFRS 9-*Financial Instruments* with the consequent recognition of the expected losses in the Income Statement and in the equity reserve. More specifically, an expected loss calculated over a 12-month period is recorded for instruments classified as stage 1 (i.e. performing financial assets at the time of origination and instruments for which a significant increase in credit risk has not occurred since the date of initial recognition, measured on a quarterly basis). Instead, for instruments classified as stage 2 (*“in bonis”* for which there was a significant increase in credit risk since the date of initial recognition) and stage 3 (non-performing exposures), an expected loss over the remaining life of the financial instrument is recognised.

Equity securities are not subject to the impairment test.

Income Statement recognition

The amounts arising from the changes in the credit risk of financial assets measured at fair value through other comprehensive income are recognised in the Income Statement under item 130 "Net impairment losses/recoveries for credit risk of: (b) financial assets at fair value through other comprehensive income". The same item includes any recoveries due to a subsequent reduction in credit risk.

Another impact on the Income Statement is the total or partial disposal of financial assets classified in this category other than equity securities. The gain or loss deriving from changes in fair value accumulated in the valuation reserve is reversed, in whole or in part, to the Income Statement (item 100 "Net gain (loss) on disposal or repurchase of: (b) financial assets at fair value through other comprehensive income").

Interest income and expense arising from the financial assets at fair value through other comprehensive income are recognised in the Income Statement on an accrual basis and recognised “pro rata temporis” based on the effective interest rate method. These are recognised in the Income Statement, item 10 “Interest and similar income”.

Dividends on financial assets at fair value through other comprehensive income are recognised in the Income Statement, item 70 "Dividend and similar income", when the entity's right to receive payment is established.

Derecognition

Disposals are recognised on the trade date, which is the date on which the Institute is committed to dispose of the assets.

All financial assets at fair value through other comprehensive income are derecognised when the rights to receive cash flows from the financial assets have expired or when the IOR has substantially transferred all risks and rewards of ownership or when the Institute no longer has control over the financial assets.

1.2.3 Financial assets measured at amortised cost

Classification criteria

Financial assets that meet both of the following conditions are classified in this category:

- financial assets managed according to the *Held to Collect* business model, i.e. held for receiving contractual cash flows and
- financial assets whose 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 passed).

In particular, the Institute recognises in this item debt securities and loans managed according to the *Held to Collect* business model that passed the SPPI test.

Loans consist of:

- loans and advances to banks in various technical forms;
- loans and advances to customers in various technical forms.

Recognition criteria

Purchases of debt securities classified as financial assets at amortised cost are initially recognised on the trade date, which is the date on which the Institute is committed to purchasing the asset.

They are initially recognised at fair value in addition to any direct transaction costs.

Loans to banks and loans to customers are recognised when the amount is advanced to the borrower. They are also initially recognised at fair value, which is the value of the advanced amount, plus any direct transaction costs.

Measurement criteria

Subsequent to initial recognition, financial assets are subsequently measured at amortised cost using the effective interest rate method, adjusted to take into account the effects deriving from changes in credit risk, as better disclosed below.

Amortised cost is a method by which the asset is recognised for an amount equal to the initial recognition minus any capital repayments, plus or minus the accumulated amortisation of the difference between this initial amount and the amount at maturity, subsequently net of value adjustments.

The cumulative amortisation is calculated using the effective interest rate method.

The effective interest method is a method calculating amortised cost of a financial asset or a financial liability and of allocating interest. The effective interest rate is the rate that makes the present value of expected cash flows until maturity exactly equal to the current carrying value of the financial instrument. The calculation not only includes all fees and premiums or discounts received or paid to the counterparty, which are an integral part of the effective interest rate, but also the transaction costs and all other premiums or discounts.

The amortised cost method is not used for short-term loans (which are therefore measured at historical cost) and therefore the effect of applying the discounting logic is negligible. The measurement criterion at historical cost is also adopted for receivables without a defined maturity or revocation date.

Financial assets at amortised cost are tested for impairment for credit risk as required by IFRS 9-*Financial Instruments* with the consequent recognition of the expected losses in the Income Statement.

In this regard, these assets have to be assigned to one of the three stages required by IFRS 9-*Financial Instruments* according to their credit quality and following specific methods for calculating adjustment.

At initial recognition, financial assets are assigned to Stage 1, unless they are non-performing at the time of origination. Therefore, the expected loss over a 12-month period is calculated and impairment equal to the expected loss is recognised in the Income Statement.

With regard to subsequent periods:

- exposures for which credit risk has not significantly deteriorated since initial recognition remain in Stage 1, the expected loss over a 12-month period is calculated and impairment equal to the expected loss is recognised in the Income Statement;
- exposures that, although performing, have seen their credit risk deteriorate significantly since initial recognition, are assigned to Stage 2. The expected loss is calculated over the remaining life of the exposure and it is recognised in the Income Statement;
- exposures that have seen their credit risk deteriorate significantly since initial recognition and for which losses can be observed, are assigned to Stage 3. The expected loss is calculated over the remaining life of the exposure and it is recognised in the Income Statement;
- where the "significance" of this increase is then eliminated, impairment is adjusted to take into account the change from an expected loss over the remaining life of the instrument to an expected loss over a 12-month period.

Performing financial assets, i.e. those assigned to Stage 1 and Stage 2, are evaluated per single financial asset according to the risk parameters as Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

In addition to a significant increase in the credit risk, if objective evidence of a loss also occurred, impairment of the assets is based on the present value of expected cash flows of principal and interest (asset classified as "non-performing"- Stage 3). In determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the discount rate used. The amount of the loss, to be recognised in the Income Statement, is defined on the basis of an analytical assessment process.

Financial assets, which have been assigned the status of bad loan, probable default or past due / overdue for more than ninety days, fall within non-performing assets.

The expected cash flows take into account the expected recovery time of the credit.

The original effective rate of each asset remains unchanged over time even if the position has been restructured, leading to a change in the contractual rate and even if the position becomes, in practice, non-interest bearing.

Should the reasons for the loss of value be removed following an event occurring subsequent to the recognition of the impairment, recoveries are recognised in the Income Statement. The recoveries cannot exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.

The recoveries of value connected with the passing of time are posted in the interest margin.

With regard to the management of non-performing loans and forborne exposures, since both the ASIF Circular concerning annual financial statements and consolidated financial statements and the IAS-IFRS accounting standards do not regulate in detail the accounting treatment of this kind of loans, i.e. loan with measures aimed to returning the debtor to a sustainable repayment situation, considering the amount due and the minimising expected losses (different kinds of restructuring), the Institute strictly adopts the prescriptions of: "Guidance to banks on non-performing loans issued by the European Central Bank (March 2017) and "Guidelines on the management of impaired exposures and subject to concessional measures" issued by the European Banking Authority (EBA) - ABE/GL/2018/06 (31 October 2018), following the practice commonly adopted by financial institutions.

Income Statement recognition

Interest income and expense arising from the financial assets measured at amortised cost are recognised in the Income Statement on an accrual basis and recognised "pro rata temporis" using the effective interest rate method. These are recognised in the Income Statement, item 10 "Interest and similar income".

Gains and losses on financial assets measured at amortised cost are recognised in the Income Statement through the financial amortisation process (item 10 "Interest and similar income").

The measurement criterion at amortised cost produces a translation of transaction costs and ancillary revenues over the duration of the financial assets instead of impacting the Income Statement only in the year of the first recognition.

Other Income Statement impacts occur when the assets are derecognised (item 100 “Net gain (loss) on disposal or repurchase of: (a) financial assets at amortised cost”) or when impairment for expected losses is recognised in the Income Statement (item 130 “Net impairment losses/recoveries for credit risk of: (a) financial assets at amortised cost”).

Also, recoveries of impairment are recognised in the Income Statement (item 130 “Net impairment losses/recoveries for credit risk of: (a) financial assets at amortised cost”).

Interests accruing over time due to the discounting of non-performing loans are recognised in the Income Statement under the item 10 “Interest and similar income”.

Derecognition

Disposals are recognised on the trade date, which is the date on which the Institute is committed to dispose of the assets. The IOR may sell financial assets at amortised cost with the limitations provisioned by the policy adopted by the Institute.

Financial assets measured at amortised cost are derecognised when the rights to receive cash flows from the financial assets have expired or when the IOR has substantially transferred all risks and rewards of ownership or when the Institute no longer has control over the financial assets.

1.2.4 Hedge accounting

The Institute does not enter into Fair value hedges, Cash flow hedges or Net investment hedges for foreign currency transactions/positions.

1.2.5 Investment in subsidiaries

Investment in subsidiaries consists of the stake in the wholly-owned real estate company S.G.I.R. S.r.l., based in Rome, Via della Conciliazione and the minority shareholding in the company Ste Immobiliere Bourbonnaise based in Sept Fons, Dompierre-Sur-Besbre, France.

Investment in subsidiaries in S.G.I.R. S.r.l. is carried at cost, less impairment. The principal assets of this company are real estate properties. Real estate owned by the subsidiary is not depreciated in accordance with the Italian standard OIC 16 because its market value at the end of useful time is estimated constantly higher than the actual carrying value, based on surveys performed by a qualified expert and periodically updated. In addition, underlying land is not depreciated.

The investment in Ste Immobiliere Bourbonnaise is carried at cost (identified using the equity method) with a balancing entry in a specific Unavailable Reserve and subsequent annual valuations are made using the equity method.

1.2.6 Tangible assets

1.2.6.1 Tangible assets for investment - Investment properties

Investment properties are properties directly owned by the IOR. These are buildings not owner-occupied. They were inherited and held to generate rental income, capital appreciation or both.

Investment properties are initially measured at cost (which is zero in case of inheritances) and, subsequently, at fair value, with any change recognised in the Income Statement, item 220 “Net result of fair value measurement of tangible and intangible assets”.

Improvements to buildings increase their carrying amounts.

1.2.6.2 Tangible assets for business activities

Tangible assets for business activities include operating buildings, electronic equipment, furniture, furnishings, all equipment and vehicles.

These are assets held for producing or providing services and they can be used for more than one year.

Electronic and other equipment, furniture and vehicles

All equipment, furniture and vehicles are initially recognised at cost, generally based on the fair value of the consideration paid for the assets and includes expenditure that is directly attributable to the acquisition and start-up of the items.

Subsequent costs are included under the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that the IOR will recognise future economic benefits associated with the item.

All repairs and maintenance costs are charged to the Income Statement in the year they are incurred.

On each balance sheet date, equipment, furniture and vehicles are amortised on a straight-line basis over their expected useful lives, usually measured in four years.

These assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

The result of the impairment test and the depreciations are recognised in the Income Statement under item 170 “Net value adjustments to/recoveries on tangible assets”.

If, in subsequent years, the reasons for the derecognition no longer occur, the original value is restored, adjusted only for depreciation and recognised under item 170 “Net value adjustments to/recoveries on tangible assets”.

Gains and losses on disposals are determined as the difference between the sale proceeds and the carrying amount of the assets. They are recognised in the Income Statement under item 190 “Other operating income (expense)”.

Properties and other

The rights of use over some properties utilised as archives are included in the item.

As required by IFRS 16-*Leasing*, at the initial recognition, such assets are measured on the basis of the lease contract cash flows.

The accounting policies adopted in these cases are as disclosed in the previous paragraph.

1.2.7 Intangible assets

Intangible assets correspond to computer software licenses and to expenses related to their implementation. Acquired computer software licenses are recognised at acquisition costs, including costs incurred to bring the specific software into use. These costs are amortised on a straight-line basis over their expected useful lives, usually measured in four years. For the software *front-to-back*, the expected useful life was measured in five years and the relevant costs are amortised in five years.

When an impairment loss occurs, regardless of the amortisation already recorded, the intangible asset is impaired accordingly.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell it, and its value in use.

The results of the impairment test and depreciation are recognised in the Income Statement under item 180 "Net value adjustments to/recoveries on intangible assets".

If, in subsequent years, the reasons for derecognition no longer apply, the original value is restored, adjusted only for depreciation and recognised under item 180 "Net value adjustments to/recoveries on intangible assets".

Costs associated with maintenance of computer software programs are recognised as an expense in the Income Statement when incurred.

1.2.8 Other assets

Other assets consist mainly of gold and medals and precious coins held by the Institute, commission from asset management services not yet received at the closing date of the financial statements, and Net Assets of IOR Employees' Pension Plan.

Gold is carried at the lower of cost or net estimated recoverable amount.

Medals and precious coins are appraised on the basis of their weight and the quality of gold and silver they contain, carried at the lower of cost or net estimated recoverable amount.

Gains and losses arising from disposal of gold, medals and precious coins are recognised in the Income Statement under item 190 "Other operating income (expenses)". Losses arising from measurement at the lower of cost or net estimated recoverable amount, as well as reversals of the previously recognised losses are recognised in the Income Statement under item 190 "Other operating income (expense)".

With regard to the Net Assets of the IOR Employees' Pension Plan, more details are provided in paragraph 12.2 of Section 12.

1.2.9 Financial liabilities measured at amortised cost

The item comprises amounts due to banks and to customers.

The amount due to banks comprises only interim current accounts overdrafts, as the Institute does not carry out funding activities on the interbank market.

The amount due to customers is composed of financial instruments (other than trading liabilities) that assumed the typical forms of funding, that the IOR carries with customers.

The aforementioned financial liabilities are recognised in the financial statements on the trade date, which is the date when IOR receives the amounts. They are initially recognised at the current value, which normally corresponds to the amount collected. The initial recognition value includes possible transaction costs directly attributable to each liability; charges which are a reimbursement of expenses or that are attributable to internal administrative expenses are not included in the initial carrying amount.

After the initial recognition, the amounts due to banks and to customers are measured at amortised cost using the effective interest rate method. The short-term liabilities remain carried at the amount received because the effect of applying the discounting logic is negligible for them.

Interest expense related to amounts due to banks and to customers is recognised in the Income Statement under item 20 "Interest and similar expense".

Amounts due to banks and to customers are derecognised when they are expired or extinguished.

1.2.10 Legates

According to Canon Law (Can. 1303), the term "Legates – non-autonomous pious foundation" comprises: "temporal goods given in any way to a public juridical person with the obligation, for a period to be determined by particular law, of celebrating Masses, or performing specific ecclesiastical functions, or otherwise achieving the purposes mentioned in Can. 114, par. 2 on the basis of the annual revenues".

Based on such definition, "Legates – non-autonomous pious foundations" are arrangements whereby capital is donated or willed to the IOR for religious or charitable purposes, based on the understanding that the received capital is invested on a long-term basis and the annual income earned from the investment is devoted to the fulfilment of the purpose prescribed by the donor. Under these provisions, the IOR will administer the capital in accordance with the purpose prescribed by the donor (e.g. for Holy Mass Intention or scholarships).

Legates are recognised in the financial statements on the trade date, which is the date when IOR receives the amounts. Legates are initially recognised at the current value, which normally corresponds to the amount received. The initial recognition value includes also transaction costs directly attributable to each liability; not included in the initial value are all charges which are a reimbursement of expenses or which are attributable to internal administrative expenses.

After the initial recognition, Legates are measured at amortised cost using the effective interest rate method.

The interest expense related to the Legates are recognised in the Income Statement under item 20 "Interest and similar expense".

Legates are derecognised when they expire or are extinguished.

As for their duration, the canon law expressly rules against the possibility to create pious-non-autonomous foundations which are permanent or without a precise set term at the end of which they should cease. In the event that such foundations are created, then – as expressly provided for in Canon law, and confirmed by the Dicastery for Legislative Texts – the pious-non-autonomous foundations expire and cease to exist within the term specifically determined by the Ordinary, i.e., in the case of IOR, by the Commission of Cardinals.

The Commission of Cardinals has ordered that the maximum term for these kinds of foundations is 20 years.

At the end of the term, when the foundations cease, unless it has been otherwise determined by the founder, the remaining patrimony is acquired by the public canon law entity where the foundations was hosted, i.e. by IOR.

1.2.11 Staff severance provision

Staff severance provision is a post-employment benefit that corresponds to indemnities paid to personnel when they leave the IOR. The amount due is based on years of service and salary paid in the last year of employment. These benefits are financed by contributions from employees and the IOR.

As a defined benefit plan, the provision is measured utilising certain actuarial assumptions, and it corresponds to the present value of the estimated future cash outflows according to the projected unit credit method required by IAS 19-*Employee benefits*. Remeasurements arising from the defined benefit plan comprise actuarial gains and losses, recognised in a specific equity reserve and represented in the Statement of Other Comprehensive Income. All other expenses related to the defined benefit plan are recognised in the Income Statement under item 150 “Administrative Expenses” (a) “Staff expenses”.

1.2.12 Provisions for risks and charges – Provisions for pensions and similar obligations

For the pensions of its employees, the IOR operates a defined benefit plan, which is financed by contributions from employees and the IOR.

The IOR’s net liability related to the defined benefit plan for pensions is calculated by estimating the amount of future benefit that employees will earn in return for their service in the current and prior periods; that amount is discounted to determine its present value.

The IOR determines the interest expense on the defined benefit liability for the year by applying the discount rate used to measure the same liability at the beginning of the year.

The discount rate is the yield on the reporting date from high quality corporate bonds that have maturity dates approximating the terms of the IOR’s liabilities and that are denominated in the currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary, who assesses the fairness of the liability, using the projected unit credit method required by IAS 19-*Employee benefits*. Remeasurements arising from the defined benefit plan comprise actuarial gains and losses. The IOR recognises them in Other Comprehensive Income and all other expenses related to the defined benefit plan are recognised in the Income Statement under item 150 “Administrative expenses” (a) “Staff expenses”.

When the benefits of the plan are changed, the portion of the changed benefit related to past service by employees is recognised immediately in the Income Statement.

On 1 January 2005, all IOR personnel also joined the Vatican City State pension plan. This system is financed by contributions made by the Institute and employees. Contributions to the Vatican plan made by the IOR are recognised in the Income Statement under item 150 "Administrative expenses" (a) "Staff expenses" when they occur.

Consequently, the IOR's defined benefit plan for pensions covers the entire amount to be paid by the Institute to employees for their service up to 31 December 2004. The obligation related to pensions from 1 January 2005 is limited to the part not covered by the Vatican City State pension plan taking into account the difference in the retirement age of the two pension systems.

Since 2021, the Institute has acquired specific dedicated assets (Plan Assets) for the IOR's defined benefit plans for pensions.

In accordance with IAS 19-*Employee Benefits*, the net value between the Liability for defined benefit obligation and the fair value of the Plan Assets is recognised in the Balance Sheet.

In detail, the net value between the Liability for defined benefit obligation and the fair value of the Plan Assets is recognised under Assets item 120 "Other Assets" if the Fair Value of the Assets exceeds Liability; otherwise, i.e. if Liabilities exceed the Fair Value of the Assets, the net value is recognised under Liabilities and Equity, item 110 "Provisions for risks and charges (b) Provisions for pensions and similar obligations".

More information is disclosed in paragraph 12.2 "Separation of the IOR Employees' Pension Plan" of Part 2 "Information on the Balance Sheet".

1.2.13 Foreign Currency Transactions

Functional and presentation currency

The functional currency is the currency in which the items included in the financial statements must be measured. According to IAS 21-*Effects of changes in foreign exchange rates*, the functional currency is the currency of the primary economic environment in which the entity operates. This is the currency that determines the pricing of transactions, but it is not necessarily the currency in which transactions are denominated.

The presentation currency is the currency in which the financial statements are prepared. IAS 21 allows an entity to prepare its financial statements in any currency.

The IOR's functional and presentation currency is the Euro, which is the currency of the primary economic environment in which the Institute operates.

Transactions and balances

Impacts on profit or loss accounts related to the foreign currency transactions are converted into the functional currency using the exchange rates applicable at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the spot exchange rate at the reporting date (closing rate).

Non-monetary assets and liabilities denominated in foreign currencies are translated using the rate at the date their amount (cost or fair value) was determined: non-monetary items carried at cost are converted at the exchange rate at the date of initial recognition, while non-monetary items carried at fair value are translated using the rate at the date of the measurement of their fair value.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the conversion at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement under item 80 "Net trading result".

Foreign exchange gains and losses resulting from the conversion at year-end exchange rates of non-monetary assets and liabilities are:

- recognised in the Income Statement as part of the fair value gain or loss if the non-monetary assets and liabilities are carried at fair value through profit and loss;
- included in the fair value reserves in the equity if the non-monetary assets and liabilities are carried at fair value through other comprehensive income.

1.2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported on the Balance Sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis. Otherwise, the financial assets and liabilities are separately reported on the Balance Sheet.

1.3 Transfers between Portfolios

The Institute did not make any transfers between portfolios during 2024.

1.4 Fair Value Information

Fair value is defined as the price that would be received in selling an asset or paid when transferring a liability in an ordinary transaction between market participants at the measurement date (i.e. an exit price).

1.4.1 Qualitative fair value information

For the measurement of fair value, the amendments to IFRS 7-*Financial Instruments: Disclosures* and subsequent changes introduced by IFRS 13-*Fair value measurement* define a fair value hierarchy based on level of observable inputs used for measurement. The financial assets are classified according to the following hierarchy that consists of three levels.

Level 1

Under Level 1, the fair value is measured using the quoted prices in active markets for the financial assets and liabilities to be evaluated.

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

- readily and regularly available on stock exchanges, from information providers or intermediaries;
- significant, meaning that it represents effective market transactions regularly occurring in normal transactions.

To be considered Level 1, the price should not be adjusted through an adjustment factor (valuation adjustment). If it is adjusted, the measurement at fair value of the financial instrument will be Level 2 or Level 3.

Level 2

A financial instrument is included under Level 2 when the inputs utilised to measure its fair value are directly or indirectly observable in the market.

The parameters of Level 2 are as follows:

- prices quoted on active markets for similar assets or liabilities;
- price quoted on non-active markets for similar or identical assets and liabilities;
- market observable inputs other than the quoted price for the asset or liability (interest rates, yield curve, credit spreads, volatility);
- parameters that derive mainly from observable market data;
- parameters that are corroborated by correlation or other techniques from observable market data (market-corroborated inputs).

An input is observable when it reflects the assumptions that market participants would use in pricing an asset or liability based on market data provided by sources independent of the reporting entity.

Valuation techniques used to determine fair value that should be used when the market price is not available or not significant must meet three conditions. They must:

1. be methodologically consolidated and widely accepted;
2. utilise market inputs disclosed above;
3. be periodically reviewed.

Valuation techniques used for fair value measurement should be periodically assessed using inputs observable in the markets to ensure that outputs reflect actual data and comparative market prices and to identify any weaknesses in the process.

Level 3

A financial instrument is included under Level 3 when the inputs utilised to measure its fair value are data unobservable on the market (unobservable inputs). It is enough that one of the inputs be unobservable on the market to include mandatorily the financial instrument under Level 3.

Level 3 financial instruments are measured using inputs that are not derived from independent sources or inputs that are based on the reporting entity's own assumptions on the basis of available information.

Fair Value hierarchy

Basically, IFRS 13-*Fair value measurement* requires that the classification of financial instruments at fair value depends on the quality of the sources of the parameters used. Quality is expressed as a matter of their observability. The market price is the most observable and objective input (Level 1). Where no active markets exist or where quoted prices are not available, the entity determines the fair values by using valuation techniques. Valuation techniques can utilise inputs observable on the market (Level 2) or non-observable inputs (Level 3).

The above-mentioned valuation approaches should be applied in a hierarchical order.

When there is availability of quoted market prices in active markets, an entity must measure fair value using Level 1 inputs. Furthermore, the valuation techniques used should priorities the utilisation of inputs observable on the market and should rely as little as possible on the reporting entity's own data, internal valuations or unobservable inputs.

Fair Value Levels: IOR policy

The criteria used by the IOR to determine the fair value of financial instruments are as follows.

The fair values of IOR investments quoted in active markets are usually based on current bid prices.

A financial instrument is considered as quoted in active markets if the prices are readily and regularly available in a stock exchange or through a regulatory agency and those prices represent actual market transactions that occur regularly on an arm's length basis.

In the absence of an active market, or in the event the market at the time of the valuation is not considered active, for example, in case of illiquid markets, the valuation techniques adopted by IOR are based on the use of recent arm's length transactions in the market, even on a non-active market, relative to identical financial instruments or financial instruments with similar characteristics. The valuation techniques include discounted cash flow analysis and other valuation techniques commonly used by market participants.

If recent transactions of the same or similar instruments are not available, the IOR uses valuation techniques based on market parameters or other parameters.

When using valuation techniques, the IOR tries to use observable market data, reducing its reliance on internal data.

Valuation techniques are periodically reviewed for applicability, assessing the quantity and the quality of information available at the balance sheet date, in order to correctly reflect any changes in the market. For the same reason, adjustments to market inputs, utilised in a certain model, can change from time to time.

Consequently, IOR models ensure that outputs reflect actual data and comparative market prices.

The IOR has classified under Level 1 all financial instruments quoted in active markets.

The IOR has classified under Level 2 all illiquid financial instruments, including those that are structured or unstructured, as well as listed external investment funds that are not immediately payable, and unlisted investment funds with investments in listed instruments. The basis for the valuation of illiquid securities follows prices provided by the securities issuer. These prices are internally verified and tested utilising internal models and observable market parameters and, in case of discrepancies, are adjusted considering the result of the above-mentioned analysis. They are also adjusted on the basis of valuations from independent sources.

The IOR has classified under Level 3 financial instruments for which fair values are determined using a model based on internal parameters.

Therefore, IOR models use only observable data. However, notions such as default rates, volatilities and correlations require the Director General to make estimates.

In this category, the Institute has also classified other assets:

— for which the IOR did not receive independent valuations;

— for which the IOR does not have access to financial information;

— for which, despite having financial information, the Institute believes that the valuation of underlying assets, due to the nature of the investment, is based on valuation parameters that are not immediately observable in the market;

— for which the IOR has received independent expert valuations (i.e. for investment properties).

Fair Value Level 2 and 3: valuation techniques and input used

Financial instruments subject to Fair Value Adjustment are classified in Levels 2 and 3. The Fair Value Adjustment is defined as the amount to be added to the mid-price observed in markets, rather than the price determined by the model, with the aim of obtaining the fair value of the financial instrument. The Fair Value Adjustment includes the uncertainty inherent in the valuation of a financial instrument with the goal of reducing the risk of incorrect valuations in the financial statements, ensuring that fair value reflects the price of a market transaction that is actually possible and incorporating possible future costs.

The Institute adjusts the value of financial instruments based on credit risk (Credit Valuation Adjustment), liquidity risk related to the disinvestment, close-out costs and available information about the outstanding assets.

With regard to the Credit Valuation Adjustment, the Institute considers the impact of fair value on credit risk of the counterparty and the country using the following inputs:

— PD (Probability of Default) linked to the rating of counterparty (if not available, the corresponding PD associated with the instrument's characteristics, riskiness and expected maturity was used);

— LGD (Loss Given Default) based on the estimated level of expected recovery in case of counterparty default and defined through market benchmark and based on experience. The percentage used was 45%.

Since 2020, the Institute has used an external provider for the contribution of prices and level of fair value according to the fair value hierarchy. The external provider assigns Level 2 when the prices are quoted on active markets for similar assets or when the prices are quoted on non-active markets for identical or similar assets. If the provider does not have in its perimeter the security to be valued, the Institute uses an internal model and the relative classification of the Fair Value Levels is made according to the utilisation, or otherwise, of market parameters; this consists of:

— Investment funds for which the Institute holds a significant number of shares. For these funds, classified as Level 3, the relevant NAV, i.e., the difference between the present value of the fund's assets and liabilities, is adjusted using an internal model that takes into account both PD, LGD and other risk factors, such as close-out penalties, where there are exit fees and all available information on the value of the underlying assets;

— VISA INC. shares, which are unlisted preferred shares classified as Level 2. Their price is determined internally based on the common share price and using an official price multiplier provided by the issuing company;

— SWIFT SC shares, which are also classified in Level 2 because they are unlisted securities. Their price is determined in non-active markets.

Sensitivity Analysis

For fair value measurements where significant unobservable inputs are used (Level 3), a sensitivity analysis is performed in order to obtain the range of reasonable alternative valuations. The Institute takes into account that the impact of unobservable inputs on the measurement of fair value of Level 3 depends on the correlation between the different inputs used in the valuation process.

For 2024 financial statements, a sensitivity analysis was performed using a stress test on the PD and LGD by +/-5%, and it did not have a significant impact on the value of the investments classified as Level 3.

Fair value hierarchy (transfers between portfolios)

With reference to financial assets and liabilities measured at fair value on a recurring basis, transfers between the fair value hierarchy were based on the following guidelines.

Transfers from Level 3 to Level 2 occur when market observable inputs become available (e.g. prices determined in transactions on similar instruments between independent and knowledgeable counterparties) and there is no input utilised to the valuation technique unobservable on the market.

Transfers from Level 2 to Level 3 occur when inputs that are directly or indirectly observable in the market and that have been used as the basis for the valuation no longer exist, or are no longer updated (e.g. recent comparable transactions or market multiples are no longer applicable) and no other inputs are available; accordingly, the Institute uses valuation techniques that use unobservable inputs.

Transfers from Level 3 or 2 to Level 1 occur when the presence of an active market as defined by IFRS 13-*Fair value measurement* has been verified.

Assets measured at fair value on a recurring basis

The IFRS 13-*Fair Value Measurement* disclosure requirements regarding assets measured at fair value on a recurring basis is provided below. By definition, the carrying value of these items corresponds to their fair value.

Financial assets measured at fair value through profit or loss a) Financial assets held for trading

These consist of:

- Debt securities: debt securities that IOR purchases for trading are regularly traded in active and liquid markets and measured at their market price (mark-to-market). The entire universe of securities held by the Institute are managed by the external provider which provides prices and related Fair Value Levels. Therefore, it was not necessary to utilise an internal valuation model. As at 31 December 2024, the debt securities are mostly classified at Level 1 of the Fair Value hierarchy; there are no debt securities classified at Level 3 of the Fair Value hierarchy.
- Equity securities: the Institute usually has investments in equity securities regularly traded in active and liquid markets and measured at market price (mark-to-market). Consequently, these instruments are classified as Level 1 in the fair value hierarchy. At 2024 year-end, IOR did not hold equity securities in its trading portfolio.
- ETFs, i.e. investment funds listed on the stock exchange passively managed as they link to a pre-existing stock index or similar: ETFs that IOR purchases are regularly traded on active markets and easily negotiable, they are valued at market price (mark-to-market) and are therefore classified as Level 1 of the Fair Value hierarchy. At 2024 year-end, IOR did not hold ETF in its trading portfolio.
- Investment funds: investment funds with underlying securities regularly traded in active and liquid markets and whose NAV is available through infoproviders are classified as Level 2; investment funds with underlying securities not regularly traded in active and liquid markets and measured using a model based on internal inputs are classified as Level 3.

Financial assets measured at fair value through other comprehensive income

- Debt securities: debt securities that IOR manages according to the *Held to Collect and Sell* business model are regularly traded in active and liquid markets and measured at their market price (mark-to-market). The entire universe of securities held by the Institute is managed by the external provider which provides prices and related Fair Value Levels. Therefore, it was not necessary to utilise an internal valuation model. At 2024 year-end, 85% of debt securities were classified as Level 1 of the Fair Value hierarchy and 15% were classified as Level 2. The carrying amount of the debt securities classified as Level 3 was zero.
- Equity securities: equity securities designated at fair value through other comprehensive income are unlisted securities. Two of them are preferred shares classified as Level 2 as their price is determined internally on the basis of the ordinary share price combined with an official price multiplier provided by the issuing company. The third is also classified as Level 2 because its price is determined in non-active markets.

Tangible assets held for investment

This item consists of investment properties directly owned by the Institute.

The fair value of the properties is assessed by a qualified, independent expert.

The appraisal is based on the real estate market data collected through surveys carried out by major industry players. The parameters used also reflect expert assumptions based on available information. For these reasons, the investment properties are classified as Level 3 in the fair value hierarchy.

Assets not measured at fair value on a recurring basis

For assets and liabilities not measured at fair value on a recurring basis, the following information is required by IFRS 13-*Fair Value Measurement*.

Financial assets measured at amortised cost

For securities, the fair value corresponds to the market value at the balance sheet date. At 2024 year-end, 70% of securities are classified as Level 1 in the fair value hierarchy since they are regularly traded on active and liquid markets, while 30% of securities are classified as Level 2. No bond securities are classified as Level 3.

For deposits on demand and time deposits with banks, as they are receivables without a defined expiry or revocation date or they do not exceed ninety days, the carrying value, at the balance sheet date, approximates the fair value and they are classified as Level 1 in the fair value hierarchy.

For receivables from clients the fair value was calculated as follows:

— loans and credit lines: calculated by discounting future cash flows using a discount rate representative for the Institute;

— temporary overdrafts: given their nature, the value of overdrafts approximates the fair value.

As the fair value calculation for receivables from clients is based on parameters not observable on markets, even indirectly, these are classified as Level 3 in the fair value hierarchy.

Liabilities not measured at fair value on a recurring basis

Financial liabilities measured at amortised cost

For amounts due to banks, the carrying value approximates fair value, considering the short maturity of such amounts. They are classified as Level 1 in the fair value hierarchy.

For amounts due to customers, this item comprises client deposits on demand and time deposits, in addition to the liquidity related to Asset Management mandates. The carrying value of such amounts approximates the fair value, considering the short maturity or indefinite maturity.

As the fair value calculation for amounts due to customers is based on parameters not observable on markets, neither directly nor indirectly, these are classified as Level 3 in the fair value hierarchy.

1.4.2 Quantitative fair value information

1.4.2.1 Fair value hierarchy

(a) Assets and liabilities measured at fair value on a recurring basis: detail by fair value level

Assets and liabilities measured at fair value	2024			2023		
	L1	**L2**	**L3**	**L1**	**L2**	**L3**
1.Financial assets at fair value through profit or loss						
a. Financial assets held for trading	34,676			66,322		5,852
b. Financial assets designated at fair value						
c. Other financial assets mandatorily at fair value						
2.Financial assets at fair value through other comprehensive income	1,174,355	208,351		863,932	325,399	
3.Hedging derivatives						
4.Tangible assets			2,142			2,052
5.Intangible assets						
Total	**1,209,031**	**208,351**	**2,142**	**930,254**	**325,399**	**7,904**
1.Financial liabilities held for trading						
2.Financial liabilities designated at fair value						
3. Hedging derivatives						
Total						

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

(b) Annual changes of assets measured at fair value on a recurring basis (Level 3)

The following table provides information about the assets measured at fair value on a recurring basis and classified as Level 3 in the fair value hierarchy at the beginning of the year, disposals and/or additions during the year, and their final values at the balance sheet date.

	Financial assets at fair value through profit or loss				**Financial assets at fair value through other comprehensive income**	**Hedging derivatives**	**Tangible assets**	**Intangible assets**
	Total	**Financial assets held for trading**	**Financial assets designated at fair value**	**Financial assets mandatorily at fair value**				
1. Opening balance	**5,852**	**5,852**					**2,052**	
2. Increases								
2.1 Purchases								
2.2 Profit recognised in:								
2.2.1 Income Statement							90	
- of which Unrealised Profit							90	
2.2.2 Net Equity								
2.3 Transfers from other levels								
2.4 Other increases								
3. Decreases								
3.1 Sales								
3.2 Reimbursement	(463)	(463)						
3.3 Losses recognised in:								
3.3.1 Income Statement	(5,389)	(5,389)						
- of which Unrealised Losses	*(5,133)*	*(5,133)*						
3.3.2 Net Equity								
3.4 Transfers to other levels								
3.5 Other decreases								
4.Closing balance	**-**	**-**					**2,142**	

(c) Annual changes of liabilities measured at fair value on a recurring basis (Level 3)

The Institute does not hold liabilities measured at fair value on a recurring basis.

(d) Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: detail by fair value level

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	**2024**				**2023**			
	Carrying Value	Fair Value			Carrying Value	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Financial assets at amortised cost	878,568	594,476	191,440	46,891	1,027,196	709,952	186,335	65,230
2. Tangible assets held for investment								
3. Non-current assets and disposal groups classified as held for sale								
Total	**878,568**	**594,476**	**191,440**	**46,891**	**1,027,196**	**709,952**	**186,335**	**65,230**
1. Financial liabilities measured at amortised cost	1,676,740			1,676,740	1,743,842			1,743,842
2. Liabilities classified as held for sale								
Total	**1,676,740**			**1,676,740**	**1,743,842**			**1,743,842**

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

1.5 Information on "day one profit/loss"

During 2024, the Institute did not earn day one profit/loss from financial instruments pursuant to paragraph 28 of IFRS 7 -*Financial Instruments: Disclosures* and other related IAS/IFRS.

1.6 Information on contracts with customers

The standard IFRS 15-*Revenue from Contracts with Customers*, adopted by the IOR effective 1 January 2018, established a revenue recognition model, which applies to all contracts with customers except those that fall within the scope of other IAS / IFRS standards such as leasing, insurance contracts and financial instruments.

This core principle is delivered in the following model framework:

— identify the contract(s) with a customer, defined as an agreement of commercial substance between two or more parties capable of generating rights and obligations;

- identify each performance obligation in the contract;
- estimate requirements to fulfil each performance obligation;
- determine the price for each performance obligation, that is the expected remuneration for the transfer of goods or services to the customer;
- allocate each price to each performance obligation;
- recognise revenue when the entity satisfies each performance obligation.

Revenues from contractual obligations with customers are recognised in profit or loss when it is probable that the entity will receive the payment to which it is entitled in exchange for the goods or services transferred to the customer. This payment must be allocated to each obligation covered by the contract and must be recognised as revenue in the Income Statement based on the timing of fulfilment of the obligation. In detail, revenues may be recognised in the Income Statement:

- at a particular point in time, when the entity settles its performance obligation by transferring the promised good or service to the customer, or
- over time, as the entity settles its performance obligation by transferring the promised good or service to the customer.

In the presence of variable consideration (redemptions, discounts, refunds, incentives, performance bonuses or similar items), the revenue is recorded in the Income Statement when it is possible to estimate the revenue reliably and only if it is highly probable that this amount will not subsequently have to be reversed in the Income Statement, in whole or in a significant part. If the Institute receives a payment from the customer that it expects to refund to the customer, in whole or in part, against the revenue recognised in the Income Statement, a liability should be recognised, estimated on the basis of expected future refunds (known as a “refund liability”). The estimate of this liability is updated at each reporting date and is carried out based on the portion of the amount that the Institute expects not to be entitled to.

The accounting treatment adopted by the Institute for the recognition of revenues arising from contracts with customers, mainly recognised under the item "Fee and commission income", is in line with the provisions of the standard.

PART 2. INFORMATION ON THE BALANCE SHEET

ASSETS

SECTION 1 - Cash and cash equivalents (Item 10 Assets)
1.1 Cash and cash equivalents: detail

	2024	2023
(a) Cash	13,139	26,920
(b) Free deposits ex art. 9 (b)		
(c) Free deposits ex art. 9 (c)		
(d) Other free deposits		
Total	**13,139**	**26,920**

SECTION 2 - Financial assets at fair value through profit or loss (Item 20 Assets)

2.1 Financial assets held for trading: detail by asset type

	2024			2023		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities						
1.1. Structured securities						
1.2. Other debt securities	34,676			66,322		
2. Equity securities						
3. UCI units						5,852
4. Loans						
4.1. Outstanding repos						
4.2. Other						
Total A	**34,676**		**-**	**66,322**		**5,852**
B. Derivatives						
1. Financial derivatives						
1.1. Held for trading						
1.2. Related to the fair value option						
1.3. Other						
2. Credit derivatives						
2.1. Held for trading						
2.2. Related to the fair value option						
2.3. Other						
Total B	**-**			**-**		**-**
Total (A+B)	**34,676**		**-**	**66,322**		**5,852**

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

The table shows all financial assets allocated to the trading portfolio and classified in the fair value hierarchy (L1, L2 or L3) according to the asset type.

As at 31 December 2024, Financial assets held for trading comprise debt securities classified as Level 1 in the fair value hierarchy while shares of UCI units classified as Level 3 were prudentially impaired during 2024.

As at 31 December 2024, similar to the prior year, the Institute did not hold any derivative financial instruments in the trading portfolio.

2.2 Financial assets held for trading: detail by borrowers/issuers/counterparties

	2024	2023
A. Cash assets		
1. Debt securities		
(a) Public entities	34,676	66,322
(b) Financial companies		
(c) Insurance companies		
(d) Non-financial companies		
(e) Other issuers		
2. Equity securities		
(a) Banks		
(b) Other issuers:		
- insurance companies		
- financial companies		
- non-financial companies		
- other		
3. UCI units	-	5,852
4. Loans		
(a) Public entities		
(b) Financial companies		
(c) Insurance companies		
(d) Non-financial companies		
(e) Other subjects		
Total A	**34,676**	**72,174**
B. Derivatives		
(a) Banks		
(b) Customers		
Total B		
Total (A+B)	**34,676**	**72,174**

No borrowers/issuers are resident in Vatican City State.

Line (a) “Public entities” of the item A.1 Debt securities in 2024, as well as in 2023, is composed exclusively by securities issued by foreign Central Public Administrations.

The UCI units in 2023 concern investment funds managed by third parties, prudentially impaired in 2024; these funds comprise exclusively real estate purchased before 2014.

Since for these investment funds the Institute holds a significant number of shares, more detail will be provided in section 5.2.2.D “Information on unconsolidated structured entities” of Part 5 “Information on risks and hedging policies”.

In the portfolio of financial assets held for trading, there are no equity securities in default or at risk of default.

SECTION 3 - Financial assets at fair value through other comprehensive income (Item 30 Assets)

3.1 Financial assets at fair value through other comprehensive income: detail by asset type

	2024			2023		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1. Structured securities						
1.2. Other debt securities	1,174,355	205,991		863,932	323,617	
2. Equity securities		2,361			1,782	
3. Loans						
Total	**1,174,355**	**208,352**	**-**	**863,932**	**325,399**	**-**

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

The table shows all financial assets managed according to the *Held to Collect and Sell* business model whose objective is achieved both by collecting cash flows and by selling the financial assets. To be classified in this item, financial assets must pass the SPPI test, i.e. contractual terms of these financial assets must give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At 2024 year-end, 85% of debt securities are classified as Level 1 of the Fair Value hierarchy and 15% are classified as Level 2. The carrying amount of the debt securities classified as Level 3 is zero.

The table also includes equity securities that the Institute purchased to participate in the SWIFT and VISA circuits. For these equity securities the Institute applied the option of measuring the assets at fair value through other comprehensive income (“FVOCI option”). As at 31 December 2024, both financial assets are classified as Level 2 in the fair value hierarchy.

At 2024 year-end, there are no equity securities arising from recovery of impaired loans.

3.2 Financial assets at fair value through other comprehensive income: detail by borrowers/issuers

	2024	2023
1. Debt securities		
(a) Public entities	789,358	477,596
(b) Financial companies	321,492	384,441
(c) Insurance companies	11,534	11,144
(d) Non-financial companies	257,963	314,368
(e) Other issuers		
2. Equity securities		
(a) Banks		
(b) Other issuers:		
- insurance companies		
- financial companies	2,264	1,743
- non-financial companies	96	39
- other		
3. Loans		
(a) Public entities		
(b) Financial companies		
(c) Insurance companies		
(d) Non-financial companies		
(e) Other (including customers)		
Total	**1,382,707**	**1,189,331**

No borrowers/issuers are resident in Vatican City State.

Line (a) "Public entities" of the item 1. Debt securities consists exclusively of securities issued by foreign Central Public Administrations.

In the portfolio of financial assets at fair value through other comprehensive income, there are no equity securities in default or at the risk of default.

3.3 Financial assets at fair value through other comprehensive income: gross value and total value adjustments

	Gross value					Total Value adjustments				*Partial write-offs*
	I stage									
		of which instruments with low credit risk	II stage	III stage	Total	I stage	II stage	III stage	Total	
Debt securities	1,380,936	1,380,936			1,380,936	590			590	
Loans										
Total 2024	**1,380,936**	**1,380,936**			**1,380,936**	**590**			**590**	
Total 2023	**1,188,393**	**1,188,393**			**1,188,393**	**844**			**844**	
Of which: non-performing assets acquired or originated										

The gross value is the sum of the fair value at the reporting date and the value adjustment at the same date; in particular, the value adjustment is equal to the expected credit loss recognised in the item 130 b) of the Income Statement "Net impairment losses/recoveries for credit risk of: b) financial assets at fair value through other comprehensive income" and in the equity reserve as required by IFRS 9-*Financial Instruments.*

SECTION 4 - Financial assets at amortised cost (Item 40 Assets)

4.1 Financial assets at amortised cost: detail by asset type of loans and advances to banks

	2024						2023					
	Carrying value			Fair value			Carrying value			Fair value		
	I and II stage	III stage		L 1	L 2	L 3	I and II stage	III stadio		L 1	L 2	L 3
		Purchased/ originated	Other					Purchased/ originated	Other			
A. Loans to Public Authorities												
1. Time deposits												
2. Outstanding repos												
3. Others												
B. Loans to Central Banks												
1. Time deposits												
2. Outstanding repos												
3. Others												
C. Loans to banks												
1. Loans												
1.1. Current accounts and demand deposits	155,192			155,192			173,634			173,634		
1.2. Time deposits												
1.3. Other loans:												
(a) Outstanding repos												
(b) Finance leases												
(c) Other	967			967			864			864		-
2. Debt securities												
2.1. Structured securities												
2.2 Other debt securities	204,279			156,364	37,863	-	236,247			171,235	47,803	-
Total	**360,438**			**312,523**	**37,863**	-	**410,745**			**345,733**	**47,803**	-

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

The item “Financial assets at amortised cost a) loans and advances to banks” includes loans and debt securities managed according to the *Held to Collect* business model with the intention of collecting contractual cash flows.

The balances are presented net of impairment deriving from the adoption of the models for the measurement of the expected losses on the *Held to Collect* loans portfolio and *Held to Collect* debt securities portfolio, in accordance with the accounting standard IFRS 9-*Financial Instruments*.

At 2024 year-end, 81% of financial assets at amortised cost are classified as Level 1 in the fair value hierarchy since they are regularly traded on active and liquid markets, while 19% of securities are classified as Level 2. No debt securities are classified as Level 3.

The item does not include non-performing loans.

4.2 Financial assets at amortised cost: detail by asset type of loans and advances to customers

	2024						2023					
	Carrying value			Fair value			Carrying value			Fair value		
	I and II stage	III stage		L 1	L 2	L 3	I and II stage	III stage		L 1	L 2	L 3
		Purchased/ originated	Other					Purchased/ originated	Other			
A. Loans												
1. Current accounts	4					4	171					171
2. Outstanding repos												
3. Mortgages												
4. Credit cards and personal loans, including wage assignment												
5. Financial leasing												
6. Factoring												
7. Other loans	40,942		2,401			46,887	54,130		5,877			65,059
B. Debt securities												
1. Structured securities												
2. Other debt securities	474,782			281,953	153,577		556,273			364,219	138,532	
Total	**515,728**		**2,401**	**281,953**	**153,577**	**46,891**	**610,574**		**5,877**	**364,219**	**138,532**	**65,230**

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

The item “Financial assets at amortised cost b) loans and advances to customers” includes loans and debt securities managed according to the *Held to Collect* business model with the intention of collecting contractual cash flows.

The amounts are presented net of impairment deriving from the adoption of the models for the measurement of the expected losses on the *Held to Collect* loans portfolio and *Held to Collect* debt securities portfolio, in accordance with the accounting standard IFRS 9-*Financial Instruments*.

At 2024 year-end, 65% of financial assets at amortised cost are classified as Level 1 in the fair value hierarchy since they are regularly traded on active and liquid markets, while 35% of securities are classified as Level 2. No debt securities are classified as Level 3.

Regarding the sub-item “A. Loans", adequate supporting information is presented in Part 5 "Information on risks and related hedging policies”.

In this regard, credit activity is residual and strictly subject to the constraints of the ASIF authorisation and the limits established by the Board of Superintendence.

4.4 Financial assets at amortised cost: detail by borrowers/issuers of loans and advances to customers

	2024			2023		
	I and II stage	III stage		I and II stage	III stage	
		Purchased/ originated	Other		Purchased/ originated	Other
1. Debt securities						
(a) Public entities	432,107			513,148		
(b) Financial companies						
(c) Insurance companies	42,675			43,125		
(d) Non-financial companies						
(e) Other subjects						
2. Loans						
(a) Public entities	30,070			30,539		
(b) Financial companies						
(c) Insurance companies						
(d) Non-financial companies						
(e) Other subjects	10,876		2,401	23,762		5,877
Total	**515,728**		**2,401**	**610,574**		**5,877**

Line (a) "Public entities" of sub-item “1. Debt securities” is composed exclusively of securities issued by foreign Central Public Administrations.

4.5 Financial assets at amortised cost: gross value and total value adjustments

	Gross value					Total adjustments				***Partial write-offs***
	I stage									
		of which instruments with low credit risk	II stage	III stage	Total	I stage	II stage	III stage	Total	
Debt securities	679,733	679,733			679,733	671			671	
Loans	197,285			12,754	210,039	181		10,352	10,533	
Total 2024	**877,018**	**679,733**		**12,754**	**889,772**	**852**		**10,352**	**11,204**	
Total 2023	**1,022,244**	**793,361**		**14,307**	**1,036,551**	**925**		**8,430**	**9,355**	
Of which: non-performing assets acquired or originated										

SECTION 7 – Investment in subsidiaries (Item 70 Assets)

7.1 Information on investment in subsidiaries

The Institute holds an investment in a real estate company, S.G.I.R. S.r.l., which is based in Italy and is 100% owned by the IOR, and the company Ste Immobiliere Bourbonnaise which is based in France and is 29.5% owned by the Institute (minority shareholding[*]).

7.2 Material investments in subsidiaries: book value, fair value and dividends received

The accounting value of the investment in the real estate company S.G.I.R. S.r.l. was EUR 15.8 m.

There was no change in the value of the investment during 2024 and no dividends were paid.

The equity of S.G.I.R. S.r.l. as at 31 December 2024 was EUR 27.8m (2023: EUR 26.9m), including EUR 12.4m (2023: EUR 12.4m) for a Fiscal Revaluation Reserve.

As it is an unlisted company, the IOR does not measure it at fair value.

S.G.I.R. S.r.l. was specifically set up to manage real estate located in Italy, mainly received as donations or legacies, in an easier and more transparent way. The subsidiary produces social benefits as it is not exclusively focused on profit. In fact, S.G.I.R. S.r.l. grants some properties for rent with subsidised rent or on loan for free use to support institutions with a social purpose, as notably disclosed in the Management Report under "Chapter 2. Operational Information".

[*] The accounting value is EUR 130,000; the company's net equity as at 31 December 2024 amounted to EUR 441,000 (2023: 456,000); the shareholding is value at cost (identified using the equity method) with a balancing entry in a specific Unavailable Reserve.

7.3 Material investment in subsidiaries: financial information

	Cash and cash equiva-lents	Finan-cial assets	Non-fi-nancial assets	Finan-cial liabili-ties	Non-fi-nancial liabilities	Total inco-me	Interest margin	Value adjust-ments and recoveries on tangi-ble and intangible assets	Profit (loss) from current opera-tions before taxes	Profit (loss) from current operations after taxes	Profit (loss) from disposed operating assets after taxes	Profit (loss) for the year (1)	Other income items after taxes (2)	Com-prehen-sive income (3) = (1) + (2)
A. Entities subject to total control														
S.G.I.R. S.r.l.	1,372	1,225	25,844	508	117	2,327	10	13	1,426	919	-	919	-	919
B. Entities subject to joint control														
C. Entities subject to significant influence														

SECTION 8 – Tangible assets (Item 80 Assets)

8.1 Tangible assets in-use: detail of the assets measured at cost

	2024	2023
1. Owned assets		
(a) land		
(b) buildings		
(c) furniture		
(d) electronic equipment	731	379
(e) other	57	25
2. Assets acquired under finance lease		
(a) land		
(b) buildings	-	43
(c) furniture		
(d) electronic equipment		
(e) other		
Total	**788**	**447**

All tangible owned assets in use are measured at cost.

The item 80 “Tangible assets” comprises the assets included in the definition of right of use in accordance with the accounting standard IFRS 16-*Leases*.

At 2023 year-end, the rights of use acquired under lease were related to a lease contract for a property used as a physical document archive that ended in 2024. Since 2025, this contract has been renewed annually.

8.4 Tangible assets held for investment: detail of the assets measured at fair value

	2024			2023		
	L1	L2	L3	L1	L2	L3
1. Owned assets						
(a) land						
(b) buildings			2,142			2,052
2. Assets acquired under finance lease						
(a) land						
(b) buildings						
Total			**2,142**			**2,052**

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

All tangible assets held for investment are measured at fair value.

8.6 Tangible assets in use: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Opening balance		**279**	**2,629**	**5,949**	**374**	**9,231**
A.1 Net total adjustments		(236)	(2,629)	(5,570)	(349)	(8,784)
A.2 Net opening balance		**43**	**-**	**379**	**25**	**447**
B. Increases:						
B.1 Purchases				595	46	641
B.2 Capitalised improvement costs						
B.3 Recoveries						
B.4 Positive fair value differences recognised through:						
a) Net Equity						
b) Income Statement						
B.5 Positive foreign exchange differences						
B.6 Transfer from investment property						
B.7 Other changes						
C. Decreases:						
C.1 Sales						
C.2 Depreciation		(43)		(243)	(15)	(301)
C.3 Impairment losses recognised through:						
a) Net Equity						
b) Income Statement						
C.4 Negative fair value differences recognised through:						
a) Net Equity						
b) Income Statement						
C.5 Negative foreign exchange differences						
C.6 Transfer to:						
a) investment property						
b) assets being disposed						
C.7 Other changes						
D. Net closing balance		**-**	**-**	**731**	**57**	**788**
D.1 Total net adjustments		(279)	(2,629)	(5,813)	(363)	(9,084)
D.2 Gross closing balance		**279**	**2,629**	**6,544**	**420**	**9,872**

8.7 Tangible assets held for investment: annual changes

	Land	Buildings	Total
A. Opening balance		2,052	**2,052**
B. Increases:			
B.1 Purchases			
B.2 Capitalised improvement costs			
B.3 Positive fair value differences		90	**90**
B.4 Recoveries			
B.5 Positive foreign exchange differences			
B.6 Transfer from tangible assets for functional use			
B.7 Other changes			
C. Decreases			
C.1 Sales			
C.2 Depreciation			
C.3 Negative fair value differences			
C.4 Impairment losses			
C.5 Negative foreign exchange differences			
C.6 Transfer to other assets:			
a) tangible assets for functional use			
b) non-current assets being disposed			
C.7 Other changes			
D. Closing balance		2,142	**2,142**

The item includes 3 investment properties received in the past through donations, totalling EUR 2.1m. The item increased from 31 December 2023 due to the positive fair value difference of EUR 90,000 of the properties.

These properties are measured through surveys performed by a qualified independent expert.

In 2024, IOR properties did not generate any rental income, since the Institute signed a lease agreement with its subsidiary S.G.I.R. S.r.l. for the use of properties for free. During 2024, S.G.I.R. S.r.l. earned EUR 74,000 (2023: EUR 73,000) as rental income on these properties.

SECTION 9 – Intangible assets (Item 90 Assets)

9.1 Intangible assets: detail by asset type

	2024		2023	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1. Goodwill				
A.2. Other intangible assets				
A.2.1 Assets carried at cost:				
(a) internally generated intangible assets				
(b) other assets	1,560		2,154	
A.2.2 Assets carried at fair value				
(a) internally generated intangible assets				
(b) other assets				
Total	**1,560**		**2,154**	

Intangible assets consist of software licenses and costs incurred to implement them.

Acquired computer software licenses are recognised at acquisition costs, including costs incurred to bring the specific software into use. These costs are amortised on a straight-line basis over their expected useful lives, generally measured in four years. The exception is the new software *front-to-back* for which the expected useful life was measured at five years and the relevant costs are amortised in five years.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balance				11,983		**11,983**
A.1 Total net adjustments				(9,829)		**(9,829)**
A.2 Net opening balance				2,154		**2,154**
B. Increases						
B.1 Purchases				233		**233**
B.2 Increases of internally generated intangible assets						
B.3 Recoveries						
B.4 Positive fair value differences recognised through:						
- Net Equity						
- Income Statement						
B.5 Positive foreign exchange differences						
B.6 Other changes						
C. Decreases						
C.1 Sales						
C.2 Impairment losses						
- Depreciation				(827)		**(827)**
- Write downs recognised through:						
+ Net Equity						
+ Income Statement						
C.3 Negative fair value differences recognised through:						
- Net Equity						
- Income Statement						
C.4 Transfer to non-current assets being disposed						
C.5 Negative foreign exchange differences						
C.6 Other changes						
D. Net closing balance				1,560		**1,560**
D.1 Total net adjustments				(10,656)		**(10,656)**
E. Gross closing balance				12,216		**12,216**

Intangible assets are carried at cost.

The IOR does not have internally generated intangible assets.

9.3 Intangible assets: other information

At the balance sheet date, there were no:

— restrictions on the distribution of unrealised gains related to revalued intangible assets;

— intangible assets acquired for government concessions;

— intangible assets posted as collateral for own debts;

— commitments for purchasing intangible assets;

— intangible assets subject to rental transactions.

SECTION 12 - Other assets (Item 120 Assets)

12.1 Other assets: detail

	2024	2023
Gold	32,859	36,898
Medals and precious coins	10,717	10,720
Commission from asset management services not yet received	11,596	10,698
Other commission not yet received	2,241	1,879
Compensation to be received	-	-
Securities transactions pending settlement	-	-
Amounts related to customers pending reinvestment	-	48
Client Tax advances	4,523	3,219
Sundry debtors	821	215
Prepayments	1,092	895
Net Assets of IOR Employees' Pension Plan	44,031	31,140
Total	**107,880**	**95,712**

Gold is mainly deposited with the U.S. Federal Reserve, while medals and precious coins are kept exclusively in the IOR vaults.

Also included under Other Assets are commission from asset management services not yet received at the closing date of these financial statements. These commissions, amounting to EUR 11.6m and pertaining to the second half of 2024, were collected at the beginning of 2025.

Included under Other Assets are amounts related to customers concerning coupons paid and securities expired last days of the year related to the Asset Management deposits, which are collected on the first days of the subsequent year.

The "Client Tax advances" includes the two advances related to IVAFE paid by IOR to the Italian Government on behalf of clients subject to the Tax agreement with Italy. Clients are charged in February of the following year.

Net Assets of IOR Employees' Pension Plan, recognised in the item 120 "Other Assets", represents the net value between the Liability for defined benefit obligation for pensions and the fair value of the Plan Assets if the Fair Value of the Assets exceeds the Liability.

12.2 Separation of the IOR Employees' Pension Plan

Since 2021 the Institute decided to acquire specific dedicated assets (Plan Assets) for the employees' Pension Plan, after having carried out all relevant legal and accounting activities for the creation and management of this portfolio.

In particular, the IOR has taken following steps to:

- identify a dedicated assets for pension obligations. The IOR remains obliged, with the whole of its assets, to those entitled to pension benefits;
- identify the "IOR Pension Plan" for management and accounting purposes. The Pension Plan refers to the assets, the operating results, the charges arising from pension benefits and the collection of monthly contributions. The Pension Plan has no legal personality;
- establish the governance of the "IOR Pension Plan" through the Pension Policy and define and formalise the management, administration and control processes;
- identify a collegial body – "IOR Pension Plan Committee" - with governance and control responsibilities that include at least: the Director General, individuals with expertise in financial and pension management, and the control functions;
- establish an Asset Management Policy that regulates the policies to be followed by the Pension Plan manager. The Policy shall be established by the Committee, in accordance with guidelines established by the Board of Superintendence;
- assign to IOR Finance&Treasury Department the financial management of the dedicated Assets;
- attribute to the "IOR Pension Plan" the financial results of the dedicated Assets, management expenses, flows from contributions and withdrawals.

In accordance with IAS 19-*Employee Benefits*, the net value between the Liability for defined benefit obligation and the fair value of the Plan Assets is recognised in IOR Balance Sheet. Considering that, as at 31 December 2024, the Fair Value of the Assets exceeded the Liability, the net value, amounting to EUR 44.0m (2023: EUR 31.1m), is recognised under Assets item 120 "Other Assets".

Conversely, if the Fair Value of the Liability had exceeded the Assets the net value would have been recognised under Liabilities and Equity, item 110 "Provisions for risks and charges (b) Provisions for pensions and similar obligations".

Sec E - Amounts recognised in Balance Sheet	2024	2023
Defined benefit obligation for pensions	100,357	103,789
Fair value of Pension Plan Assets	144,388	134,929
Net defined benefit liability (asset) at 31 December	**(44,031)**	**(31,140)**

Sec G - Change in Balance Sheet	2024	2023
Net liability (asset) recognised at 1 January	(31,140)	(28,797)
Defined benefit cost included in P&L	1,626	2,745
Amounts recognised in Other Comprehensive Income (OCI)	(10,626)	(1,442)
Contributions by individuals	142	148
Contributions for creation of Plan Assets portfolio	-	-
Pensions paid during the year	(4,032)	(3,788)
Return of contributions	(1)	(6)
Net liability (asset) recognised at 31 December	**(44,031)**	**(31,140)**

12.2.1 Plan Assets portfolio

At 31 December 2024, Plan Assets portfolio mainly comprised equity and debt securities and totaled EUR 144.4m. In accordance with IAS 19-*Employee Benefits*, the fair value of the assets is based on IAS 19 - paras. 57 and 113. The yield of the assets, given by interest, dividends and realised or unrealised gains/losses, less any management expenses and taxes, is recognised in accordance with IAS 19 - par.57 letters c) and d).

Sec B - Change in Fair Value of Pension Plan Assets	2024	2023
Fair Value of Pension Plan Assets at 1 January	134,929	127,537
Contributions for creation of Pension Plan Assets portfolio	-	-
Return on Plan Assets (recognised in P&L=Interest income)	3,819	2,765
Administrative expenses paid (trading fees, custody fees, fees for maintaining liquidity, taxes)	(232)	(142)
Return on Plan Assets (recognised in OCI) (excluding interest income)	5,872	4,769
Fair Value of Pension Plan Assets at 31 December	**144,388**	**134,929**

Sec H - Class of Pension Plan Assets	2024	2023
H.1 Fair value of assets		
H.1.1 Cash and cash equivalents	196	384
H.1.2 Equity securities	66,616	35,809
H.1.3 Debt securities	50,054	82,265
H.1.4 Real estate	-	-
H.1.5 Derivative	-	-
H.1.6 Investment funds	7,443	16,471
H.1.7 Assets held by insurance company	-	-
H.1.8 ETF	20,079	-
H.1.9 Total of Pension Plan Assets at 31 December	**144,388**	**134,929**

The item "H.1.6 Investment Funds" includes Exchange Traded Commodities (ETC) securities while the item "H.1.8 ETF" includes bond ETFs and equity ETFs.

12.2.2 Liabilities for Defined Benefit Plan for pensions (DBO)

The defined benefit obligation is the present value of future payments required to settle the pension obligation and is performed by a qualified actuary. As at 31 December 2024, this totaled EUR 100.4m (2023: EUR 103.8m). The recognition, measurement and presentation of the Liability is carried out in accordance with IAS 19-*Employee Benefits*, applying actuarial techniques to determine the value of the liability through the application of demographic and financial assumptions aimed at representing the trend of the population of members and the economic conditions in the short term.

Sec X - Annual changes in Liabilities for Defined Benefit Plan for pensions (DBO)	2024	2023
Net liability recognised at 1 January	103,789	98,740
Contributions by IOR (recognised in P&L=staff expenses)	5,213	5,368
Contributions by individuals	142	148
Pensions paid during the year	(4,032)	(3,788)
Return of contributions	(1)	(6)
Actuarial (gain) loss of the year	(4,754)	3,327
Net liability recognised at 31 December	**100,357**	**103,789**

Annual changes in the plan are detailed below:

	2024	2023
Opening balance	**103,789**	**98,740**
Current Service Cost	1,997	1,947
Interest Cost	3,165	3,385
New position cost	51	36
Contribution by individuals	142	148
Pensions paid during the year	(4,032)	(3,788)
Transfer out	(1)	(6)
Actuarial (gain) loss of the year	(4,754)	3,327
Closing balance	**100,357**	**103,789**

The mainly actuarial valuation of the defined benefit plan liability was performed using the following assumptions:

	2024	2023
Annual discount rate	3.32%	3.11%
Annual inflation rate	2.00%	2.00%*
Annual rate of nominal increase of pensions	2.00%	2.00%
Annual rate of real increase of salaries	2.00%	2.00%

** 4.0% for revaluation in the year 2024*

The index utilised as discount rate was the "Markit – Iboxx Corporate AA 10+" observed as at the end of December 2024.

The *Current Service Cost* is the actuarial present value of benefits due to employees for services rendered during the period.

The *Interest Cost* is the increase in the present value of the obligation due to passage of time and it is proportional to the discount rate used in the assessment of the previous year's liabilities.

The *Actuarial gain/loss* is the change in the liability in the present year arising from:

— the effect of the differences between the previous actuarial assumptions and what actually occurred;

— the effect of the changes in actuarial assumptions.

The results are recognised directly to Equity in a specific reserve named "Valuation reserves" line "Actuarial gains (losses) on defined benefit plans", and the actuarial gain or loss is presented in Other Comprehensive Income.

For the Provision for pensions, in 2024, the Institute recognised an actuarial gain of EUR 4.7m (2023:

loss of EUR 3.3m) in Other Comprehensive Income. As a result, the "Valuation reserves- Actuarial gains (losses) on defined benefit plans" (included in the item 120 "Valuation reserves" into Equity) was negative for EUR 17.3m (2023: EUR -22.0m).

The 2024 actuarial gain is mainly due to the increase of the discount rate 3.32% in 2024 from 3.11% in 2023.

As required by IAS 19-*Employee benefits*, a sensitivity analysis was performed based on the main actuarial assumptions included within the calculation model; these assumptions are:

— annual discount rate;

— annual rate of salary growth;

— annual inflation rate;

— annual mortality rate.

	Annual discount rate		Annual rate of salary growth		Annual inflation rate		Mortality rate	
	+0.50%	-0.50%	+0.50%	-0.50%	+0.50%	-0.50%	+2.5%	-2.5%
Provision	92,831	108,902	102,650	98,240	108,991	92,700	99,795	100,928

12.3 Other information concerning provision for pensions

More information about the calculation of the pension plan is provided in the paragraphs regarding accounting policies.

There are 95 active employees who contribute to the Pension plan (2023:104) and 104 former employees who are in retirement and benefit from the plan (2023: 100).

The portion of employee gross salaries to participate in their pension plans retained by the Institute is 6%.

A portion of this is transferred to the Vatican Pension Plan.

Funds are managed by the IOR Finance&Treasury Department.

12.4 Components of Income (Cost) of defined benefit plan

Sec F. Components of defined benefit income (cost) – Provision for pension	2024	2023
1. Current service cost	(2,048)	(1,983)
2. Net interest cost	654	(620)
a. Interest expense on DBO	*(3,165)*	*(3,385)*
b. Interest (income) on plan assets	*3,819*	*2,765*
4. Administrative expenses and/or taxes (not reserved within DBO)	(232)	(142)
Total income/(cost) recognised in P&L	**(1,626)**	**(2,745)**
a-b-c. Effect of changes in actuarial parameters (demographic and financial assumptions)	4,754	(3,327)
d. Return on Plan Assets (excluding interest income)	5,872	4,769
Total remeasurements included in OCI	**10,626**	**1,442**
7. Total defined benefit income/(cost) recognised in P&L and in OCI	**9,000**	**(1,303)**

LIABILITIES

SECTION 1 - Financial liabilities at amortised cost (Item 10 Liabilities)

1.1 Financial liabilities at amortised cost: detail by type for due to banks

As at 31 December 2024, as well as 31 December 2023, no financial liabilities were recognised in this item.

1.2 Financial liabilities at amortised cost: detail by type for due to customers

	2024	2023
1. Current accounts and demand deposits	1.619.970	1.703.787
2. Time deposits	56.770	40.055
3. Loans		
3.1. Repos		
3.2. Other		
4. Liabilities from commitments to repurchase own equity instruments		
5. Other liabilities		
Total	**1.676.740**	**1.743.842**

The item "Due to customers" slightly decreased compared to 2023, mainly due to the decrease of liquidity in Asset Management, for which the IOR is the depository institution. As at 31 December 2024 amounting to EUR 35.6m (2023: EUR 143.9m).

As at 31 December 2024 the item "Time deposits" consisted almost entirely of deposits with no more than one year maturity.

The item "Due to customers" also includes a deposit at the disposal of the Commission of Cardinals to support works of religion. At the balance sheet date, this amounted to EUR 1.1m (2023: EUR 0.8m).

SECTION 8 – Legates (Item 80 Liabilities)

The item includes the deposits of the non-autonomous pious foundations (so-called "Legates") amounting to EUR 1.9m (2023: 1.4m). These are 63 positions (2023: 64) related to funds donated to the Institute. The IOR has the task, for a significant period, of performing specific ecclesiastical functions or otherwise achieving objectives related to works of piety, apostolate and charity, on the basis of the Legates' annual revenues.

The non-autonomous pious foundations entrusted to the Institute consist also of financial assets amounting to EUR 24.7m at year-end 2024 (2023: EUR 23.7m).

SECTION 9 – Other liabilities (Item 90 Liabilities)

9.1 Other liabilities: detail

	2024	2023
Client assets to be settled	7,506	-
Inheritances to be settled	6,214	4,582
Invoices to be received	4,700	4,448
Transitional items pending allocation to third parties	1	1,141
Funds for charitable contributions	463	856
Outstanding cheques	314	325
Remunerations to be paid	750	200
Taxes payable on behalf of customers	318	208
Debts arising from leasing agreements (IFRS 16)	-	45
Other sundry creditors	491	465
Total	**20,757**	**12,270**

The item "Inheritances to be settled" represents the values of deceased clients pending resolution of inheritance issues.

Funds for charitable contributions consist of the Fund for Holy Masses and Fund for Missionary Activities.

The item "Client assets to be settled" concerns securities transactions on behalf of customers executed but not yet settled as at 31 December 2024; these transactions were settled in the first days of the subsequent year.

In 2023, the item "Transitional items pending allocation to third parties" consisted of the amounts related to the closure of Legates devolved at the beginning of 2024.

Fund for Holy Masses

The Fund for Holy Masses is used to distribute contributions to priests for Holy Masses.

It is financed through small donations or legacies with a specific commitment to celebrating the Holy Masses.

Donations and distributions are directly recorded in the Fund's account.

Distributions to priests are approved by the Charity Committee chaired by the Prelate and composed of executives and employees of the Institute.

Fund for Missionary Activities

The Fund for Missionary Activities is used to distribute donations intended to respond to requests for aid or contributions received by the Institute. The most common activities are financial aid for destitute persons or families (reported by parishes or by individual priests), long-distance adoptions, specific help for missionary and charity work or aid to families in serious difficulties.

It is mainly funded by small donations or legacies with a commitment to carrying out missionary activities.

Donations and distributions are recorded directly in the Fund's account.

Distributions to the beneficiaries are approved by the Charity Committee chaired by the Prelate and composed of executives and employees of the Institute.

The breakdown of Funds for charitable contributions is as follows:

Funds for charitable contributions	**2024**	**2023**
Fund for Holy Masses	452	763
Fund for Missionary Activities	11	93
Total	**463**	**856**

Changes in the funds balance are summarised as follows:

Fund for Holy Masses	**2024**	**2023**
Balance at 1 January	763	1.347
Donations received	93	39
Distributions for Holy Masses	(404)	(623)
Total	**452**	**763**

Fund for Missionary Activities	2024	2023
Balance at 1 January	93	278
Donations received	37	-
Transfers from distribution of the net profit of the year	200	200
Distributions for Missionary Activities	(319)	(385)
Total	**11**	**93**

It should be also noted that the charitable activities of the Commission of Cardinals are carried out through a deposit included under the item "10. Financial liabilities at amortised cost b) due to customers" and disclosed in the proper section.

SECTION 10 – Staff severance provision (Item 100 Liabilities)

10.1 Staff severance provision: annual changes

	2024	2023
A. Opening balance	**5,011**	**5,690**
B. Increases		
B.1 Allocation for the year	677	685
B.2 Other changes	312	464
C. Decreases		
C.1 Benefits paid	(1,563)	(1,828)
C.2 Other changes	-	-
D. Closing balance	**4,437**	**5,011**

The Staff severance provision comprises indemnities to be paid to personnel when they leave the IOR.

The annual change in the provision balance is summarised as follows:

	2024	2023
Balance at 1 January	**5,011**	**5,690**
Current costs borne by the IOR	581	593
Contribution by individuals	95	93
Advances	(168)	(268)
Restitution of advances	212	189
Consideration paid during the year	(1,395)	(1,561)
Actuarial (gain) loss of the year	101	275
Balance at 31 December	**4,437**	**5,011**

The main actuarial assumptions used for the measurement of the Staff severance provision are the same as those used for the Benefit Plan Liability for pensions and they are summarised as follows:

	2024	2023
Annual discount rate	3.32%	3.11%
Annual inflation rate	2.00%	2.00%
Annual rate of real increase of salaries	2.00%	2.00%

The index utilised as discount rate was the "Markit – Iboxx Corporate AA 10+" observed as at the end of December 2024.

For Staff severance provision, in 2024, the Institute recognised an actuarial loss of EUR 0.1m (2023: loss of EUR 0.3m) in Other Comprehensive Income. As a result, the "Valuation reserves- Actuarial gains (losses) on defined benefit plans" (included in the item 120 "Valuation reserves" into Equity) was negative for EUR 1.6m (2023: EUR -1.5m).

As required by IAS 19-*Employee benefits*, a sensitivity analysis was performed based on the main actuarial assumptions included within the calculation model; these assumptions are:

— annual discount rate;

— annual rate of salary growth;

— annual mortality rate;

— probability of advances.

	Annual discount rate		Annual rate of salary growth		Annual mortality rate		Probability of advances	
	+0.50%	-0.50%	+0.50%	-0.50%	+25%	-25%	+0.50%	-0.50%
Provision	4,499	4,366	4,274	4,612	4,439	4,435	4,499	4,378

10.2 Staff severance provision: other information

More information on the calculation of employee termination indemnities is provided in the paragraphs regarding the accounting policies.

The portion of employee gross salaries retained by the Institute is 1.5%.

For staff severance provision no payments are made to the Vatican Pension Plan.

Funds are managed by the IOR Finance&Treasury Department.

SECTION 11 – Provisions for risks and charges (Item 110 Liabilities)

11.1 Provisions for risks and charges: detail by type

	2024	2023
1. Provisions for credit risk relating to financial commitments and guarantees granted		
2. Provisions for other commitments and guarantees granted	1,699	1,699
3. Provisions for pensions		
4. Other allowances for risks and charges		
4.1 legal disputes		
4.2 staff expenses		
4.3 other		
Total	**1,699**	**1,699**

This item "3. Provisions for pensions" amounts to zero as a result of the new representation of the Pension Plan, following the acquisition of dedicated assets (Plan Assets) for the IOR employees' Defined Benefit Plans for pensions (Pension Plan), which are disclosed in paragraph 12.2 "Separation of the IOR Employees' Pension Plan" of Part 2 - Assets.

11.2 Provisions for risks and charges: annual changes

	Provisions for credit risk on commitments and financial guarantees granted	Provisions for other commitments and other guarantees granted	Provisions for pensions	Other provisions	Total
A. Opening balance		**1,699**	**-**	**-**	**1,699**
B. Increases					
B.1 Provision for the year					
B.2 Time value changes					
B.3 Changes due to discount rate variations					
B.4 Other changes					
C. Decreases					
C.1 Utilisation during the year					
C.2 Changes due to discount rate variations					
C.3 Other changes					
D. Closing balance		**1,699**	**-**	**-**	**1,699**

11.4 Provisions for risks and charges: provision for other commitments and other guarantees granted

The amount of EUR 1.7m is due to guarantees granted and to the provision on commitments to disburse funds for uncertain use (see paragraph 13.1 Guarantees issued and commitments).

SECTION 12 – Equity (Items 120-140-150-160 Net Equity)

12.1 Capital

Capital, as a separate component of Equity, represents a permanent endowment that cannot be reduced or distributed, except in case of cessation or liquidation of the entity.

During 2024, no changes were recorded in Capital balance, amounting to EUR 300m.

Securities and liquid funds made up the Capital investments; in detail, other liquid assets, supranational bonds and government bonds with high quality credit rating.

12.2 Earning Reserves

Equity is also comprised of three different earning reserves: Unavailable Reserves, Available Reserves and Other reserves which include First Time Adoption Reserve, Minority shareholding unavailable reserves and Realised FVOCI Reserve.

Earning Reserves: composition

	2024	2023
Unavailable reserves	100,000	100,000
Available reserves	348,200	331,202
Other reserves	1,629	1,498
1.First Time adoption reserve	*1,489*	*1,489*
2. Minority shareholding unavailable reserves	*130*	-
3.Realised FVOCI reserve	*9*	*9*
Total	**449,829**	**432,700**

Unavailable Reserves are earning reserves designed to further strengthen the Institute's Equity and long-term stability. As at 31 December 2024, the Unavailable Reserves amount to EUR 100m and no changes were recorded.

Available Reserves are earning reserves representing earnings that could potentially be distributed, following to a resolution of the Commission of Cardinals. Available Reserves amounting to EUR 348.2m (2023: EUR 331.2m), increased during 2024, as a result of the allocation of a portion of the 2023 net result (17.0m).

The First Time Adoption Reserve was created on 1 January 2018 in order to achieve the Equity impacts arising from the first-time adoption of IFRS 9–*Financial Instruments* and amounting to EUR 1.5m. The reserve did not change in 2019 because the Institute used the "modified retrospective approach" adopting the IFRS 16-*Leases* accounting standard and no adjustments were required to be recognised at the date of first-time adoption. No new accounting standards requiring allocation to the Reserve were adopted after 2019.

The Minority shareholding unavailable reserves includes the value of the shareholding in the company Ste Immobiliere Bourbonnaise recognised at cost, identified using the equity method, and annually revalued using the equity method.

Realised FVOCI Reserve amounting to EUR 9,000 includes realised profits from equity securities not held for trading, for which the entity applied the option granted by the standard measuring the assets at fair value through other comprehensive income ("*FVOCI option*"), and as required by the accounting standard IFRS 9-*Financial Instruments,* profits are not recognised in the Income Statement but remain in the reserves. Specifically, the amount concerns liquidity received from VISA following the share exchange from a corporate stock dividend. The total value of the Institute's investment remained unchanged but the total number of shares held increased.

Unavailable reserves are invested in securities, properties and precious metals. In detail, these reserves consist of gold bars, medals and coins, investment in the subsidiary S.G.I.R. S.r.l., real estate properties and liquid financial instruments traded on regulated markets.

Available Reserves are invested in securities, representing liquid financial instruments traded on regulated markets.

12.3 Valuation Reserves

The Institute has two Valuation Reserves: Valuation Reserves for Financial assets at fair value through other comprehensive income and Valuation Reserves for gains (losses) on defined benefit plans.

Valuation Reserves: composition

	2024	2023
Valuation Reserves for Financial assets at fair value through other comprehensive income	(36,877)	(71,416)
1. Debt securities	*(39,176)*	*(73,190)*
2. Equity securities	*2,299*	*1,774*
Valuation Reserves for gains (losses) on defined benefit plans	(13,796)	(24,321)
1. Defined benefit plans- Actuarial gains (losses)	*(18,779)*	*(23,432)*
2. Defined benefit plans- Return on Plan Assets:		
2.1 Gains (Losses) realised	*3,324*	*(2,245)*
2.2 Gains (Losses) unrealised	*1,659*	*1,356*
Total	**(50,673)**	**(95,737)**

Valuation Reserves for Financial assets at fair value through other comprehensive income represent both the net fair value gain/loss recognised on equity securities designated at fair value through other comprehensive income and the change in fair value of debt securities managed according to the *Held to Collect and Sell* business model recognised at fair value through other comprehensive income. With regard to debt securities, the positive change in the unrealised reserve, amounting to EUR 34.0m in 2024, recognised in Other Comprensive Income, was mainly due to the generalised increase in the assets price.

Valuation Reserves for gains (losses) on defined benefit plans represent both the actuarial unrealised gain or loss related to two the post-employment benefit plans and the return on Pension Plan Assets.

For Staff severance provision and Provisions for pensions, in 2024, the Institute recognised an actuarial gain of EUR 4.7m (2023: loss of EUR 3.6m) in Other Comprehensive Income. As a result, the “Valuation reserves- Actuarial gains (losses) on defined benefit plans” (included in the item 120 “Valuation reserves” into Equity) was negative for EUR 18.8m (2023: EUR -23.4m). The 2024 actuarial gain recorded in “Valuation reserves on defined benefit plans” was mainly due to the increase of the discount rate 3.32% in 2024 from 3.11% in 2023.

For Defined benefit plans - Profitability Return on Plan Assets, in 2024, the Institute recognised a gain of EUR 5.9m (2023: gain of EUR 4.8m) in Other Comprehensive Income, as a result the corresponding reserve (included in the item 120 “Valuation reserves” into Equity) was positive for EUR 5.0m (2023: EUR -889,000)

SECTION 13 – Additional information

13.1 Guarantees and commitments

	Notional value of commitments and financial guarantees granted			2024	2023
	I stage	II stage	III stage		
1) Financial guarantees granted to					
a) Banks					
b) Customers	980			**980**	**1,105**
c) Public Authorities					
d) Foreign Public Authorities					
e) Other financial entities					
f) Non-financial entities					
2) Irrevocable commitments to disburse funds to					
a) Banks					
b) Customers	4,000			**4,000**	**4,000**
c) Public Authorities					
d) Foreign Public Authorities					
e) Other financial entities					
f) Non-financial entities					
3) Other commitments					
Total	**4,980**			**4,980**	**5,105**

As at 31 December 2024, the Institute has outstanding endorsement credits for a guarantee granted in 2019, in favor of an Italian university, which guarantees the performance of a Vatican institution for EUR 1.0m. This guarantee is counter-guaranteed by securities held in custody.

Another guarantee, released before the year 2000, in favor of a bank guaranteeing the performance of a religious congregation for EUR 27,000 was closed in 2024.

On the balance sheet date, the Institute has a commitment of EUR 4m of uncertain use issued in favor of third parties.

13.5 Asset Management and trading on behalf of clients

	2024	2023
1. Trading on behalf of customers		
(a) purchases		
(i) settled	432,620	506,960
(ii) to be settled		
(b) sales		
(i) settled	57,820	34,121
(ii) to be settled		
2. Portfolio management (Assets under Management)		
(a) individual	3,186,143	2,950,564
(b) collective		
3. Custody and administration of securities		
(a) third party securities held in deposit: related to custodian bank activities (excluding portfolio management)		
(i) securities issued by the entity that prepares the financial statement		
(ii) other securities		
(b) third party securities held in deposit: other (excluding portfolio management)		
(i) securities issued by the entity that prepares the financial statement		
(ii) other securities		
(c) third party securities deposited with third parties (Assets under Custody)	888,828	836,523
(d) proprietary portfolio securities deposited with third parties	2,047,141	1,983,295
4. Other operations		

Assets under Management mainly consist of client-owned securities managed by the Institute. Investment decisions are made by the IOR on the basis of portfolio management mandates signed with its clients.

Assets under Management are measured using the mark-to-market method. They include the total value of portfolios, the liquidity related to Asset Management mandates and accruals both on securities and on liquidity. The IOR is the depository of liquidity, amounting to EUR 35.6m (2023: EUR 143.9m), as disclosed in item 10 Liabilities "b) Due to customers".

Assets under Custody include client-owned securities held at the IOR for custodial purposes. The clients make all investment decisions and the IOR has no discretionary power to manage these assets, provided that such decisions are in accordance with the role and mission of the Institute.

Assets under Custody are also measured based on current bid prices, using the mark-to-market method. They also include accruals on interest to be received on debt securities.

PART 3. INFORMATION ON THE INCOME STATEMENT

SECTION 1 – Interest (Items 10-20 Income statement)

1.1 Interest income and similar revenues: detail

	Debt securities	Loans	Other transactions	2024	2023
1. Financial assets at fair value through profit or loss					
- Financial assets held for trading	2,262			**2,262**	**2,149**
- Financial assets designated at fair value					
- Other financial assets mandatorily at fair value					
2. Financial assets at fair value through other comprehensive income	16,050			**16,050**	**10,711**
3. Financial assets at amortised cost					
- Loans and advances to banks	3,411	6,696		**10,107**	**9,134**
- Loans and advances to customers	6,827	1,089		**7,916**	**10,458**
4. Hedging derivatives					
5. Other assets					
6. Financial liabilities					
Total	**28,550**	**7,785**		**36,335**	**32,452**
of which: interest income on non-performing financial assets		**31**		**31**	**54**

Interest income increased from the previous year mainly due to the higher interest received on securities held in the portfolio (HTCS business model) due to rise in yields and owing to higher interest received from banks on term deposits triggered as a form of investment following the rise in interest rates beginning in 2023.

The composition reflects the greater emphasis on financial assets managed according to the *Held to Collect* and *Held to Collect and Sell* business models compared to the trading business model.

Interest and similar income accrued during the year in positions classified as non-performing (other than those recorded in the item 130 Income Statement "Net impairment losses/recoveries for credit risk") at the balance sheet date amounted to EUR 31,000 (2023: EUR 54,000). They were directly deducted from line 3 "Financial assets at amortised cost - Loans and advances to customers".

1.2 Interest income and similar revenues: details in currencies other than the Euro

	Debt securities	Loans	Other transactions	2024	2023
1. Financial assets at fair value through profit or loss					
- Financial assets held for trading	597			**597**	**635**
- Financial assets designated at fair value					
- Other financial assets mandatorily at fair value					
2. Financial assets at fair value through other comprehensive income	5,215			**5,215**	**5,116**
3. Financial assets at amortised cost					
- Loans and advances to banks	556	2,220		**2,776**	**3,159**
- Loans and advances to customers	847	21		**868**	**1,133**
4. Hedging derivatives					
5. Other assets					
6. Financial liabilities					
Total	**7,215**	**2,241**		**9,456**	**10,043**
of which: interest income on non-performing financial assets					

1.3 Interest expense and similar charges: detail

	Payables	Securities	Other transactions	2024	2023
1. Due to Public Entities					
(i) Public Authorities					
(ii) Foreign Public Authorities					
(iii) International and Regional Organisations					
2. Financial liabilities at amortised cost					
- Due to banks	(11)			**(11)**	**(10)**
- Due to customers	(6,892)			**(6,892)**	**(4,652)**
- Debt securities issued					
3. Financial liabilities held for trading					
4. Financial liabilities designated at fair value					
5. Other liabilities and funds				**-**	**(1)**
6. Hedging derivatives					
7. Other financial assets					
Total	**(6,903)**			**(6,903)**	**(4,663)**

Interest expense increased due mainly to the increase in interest rates on deposits (current accounts and time deposits).

The item includes interest expenses accrued on leasing agreements in accordance with the accounting standard IFRS 16-*Leases* that the Institute adopted effective 1 January 2019.

1.4 Interest expense and similar charges: details in currencies other than the Euro

	Payables	Securities	Other transactions	2024	2023
1. Due to Public Entities					
(i) Public Authorities					
(ii) Foreign Public Authorities					
(iii) International and Regional Organisations					
2. Financial liabilities at amortised cost					
- Due to banks	(3)			**(3)**	**(10)**
- Due to customers	(2,586)			**(2,586)**	**(2,295)**
- Debt securities issued					
3. Financial liabilities held for trading					
4. Financial liabilities designated at fair value					
5. Other liabilities and funds					
6. Hedging derivatives					
7. Other financial assets					
Total	**(2,589)**			**(2,589)**	**(2,305)**

SECTION 2 – Fee and commission (Items 40-50 Income Statement)

2.1 Fee and commission income: detail

	2024	2023
a) Guarantees granted/received	9	10
b) Credit derivatives		
c) Asset management, brokerage and advisory services:		
1. trading in financial instruments	4	86
2. trading in currencies		
3. portfolio management		
3.1 individual	22,203	20,551
3.2 collective		
4. Custody and administration of securities	4,579	2,960
5. Custodian bank		
6. Securities placement		
7. Receipt and transmission of orders		
8. Consulting on:		
8.1 investments		
8.2 financial structure		
9. Distribution of third-party services		
9.1 portfolio management		
9.1.1 individual		
9.1.2 collective		
9.2 insurance products		
9.3 other products		
d) Collection and payment services	4,861	4,922
e) Servicing of securitisation		
f) Factoring services		
g) Tax collection services		
h) Multilateral trading systems management		
i) Current account keeping and management	356	363
j) Other services	1	-
Totale	**32,013**	**28,892**

Commission income increased compared to the previous year mainly due to:

— higher asset management fees (EUR +1.6m) due to the update of the commission chart and the increased volumes;

— higher custody commissions (EUR +1.6m) due to the update of the commission chart and the increased volumes.

The other commissions are in line with 2023.

2.2 Fee and commission income: distribution channels of products and services

All the IOR products and services are offered at IOR offices located in Vatican City State.

2.3 Fee and commission expense: detail

	2024	**2023**
a) Guarantees granted/received		
b) Credit derivatives		
c) Asset management and brokerage services:		
1. trading financial instruments		
2. trading currencies		
3. portfolio management		
3.1 own portfolio		
3.2 third-party portfolio		
4. Custody and administration of securities	(1,996)	(1,938)
5. Placement of financial instruments		
6. Off-site offer of financial instruments, products and services		
d) Collection and payment services	(3,405)	(3,408)
e) Current account keeping and management		
1. current account keeping	(75)	(74)
2. liquidity management	(5)	(12)
f) Other services	(72)	(75)
Total	**(5,553)**	**(5,507)**

Fee and commission expense are essentially in line with 2023 both in total and in individual components.

SECTION 3 – Dividends and similar income (Item 70 Income Statement)

3.1 Dividend income and similar revenues: detail

	2024		2023	
	Dividends	**Income from UCI**	**Dividends**	**Income from UCI**
A. Financial assets at fair value through profit or loss				
- Financial assets held for trading				
- Other financial assets mandatorily at fair value				
B. Financial assets at fair value through other comprehensive income	10		9	
C. Investment in subsidiaries				
Total	**10**		**9**	

Dividends and similar income are in line with 2023.

SECTION 4 – Net trading result (Item 80 Income Statement)

4.1 Net trading result: detail

	2024				
	Unrealised profit (A)	Realised profit (B)	Unrealised loss (C)	Realised loss (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt securities	19	350		19	350
1.2 Equity securities					
1.3 UCI units			5,133	256	(5,389)
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Financial assets and liabilities: exchange differences	37	1,100	179		958
4. Derivatives					
4.1 Financial derivatives					
- On debt securities and interest rates					
- On equity securities and stock indices					
- On currencies and gold					
- Other					
4.2 Credit derivatives					
of which: economic hedges related to the fair value option					
Total	**56**	**1,450**	**5,312**	**275**	**(4,081)**

	2023				
	Unrealised profit (A)	Realised profit (B)	Unrealised loss (C)	Realised loss (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt securities	32	1,344		5	1,371
1.2 Equity securities					
1.3 UCI units			272		(272)
1.4 Loans					
1.5 Other		162			162
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Financial assets and liabilities: exchange differences	92	1,291	41	602	740
4. Derivatives					
4.1 Financial derivatives					
- On debt securities and interest rates					
- On equity securities and stock indices					
- On currencies and gold					
- Other					
4.2 Credit derivatives					
of which: economic hedges related to the fair value option					
Total	**124**	**2,797**	**313**	**607**	**2,001**

Debt securities recorded a gain of EUR 350,000 in 2024 (2023: gain of EUR 1.4m): the net realised gain was EUR 331,000 (2023: realised gain of EUR 1.3m) and the unrealised gain was EUR 19,000 (2023: unrealised gain of EUR 32,000).

The UCI units recorded a loss of EUR 5.4m (2023: loss of EUR 272,000): realised result was negative for EUR 256,000 (2023: zero) and unrealised loss was negative for EUR 5.1m (2023: unrealised loss EUR 272,000).

Line 3 "Financial assets and liabilities: exchange differences" includes a gain of EUR 958,000 (2023: gain of EUR 740,000): realised gain was EUR 1.1m (2023: realised gain of EUR 689,000), while net unrealised loss was EUR 142,000 (2023: unrealised gain of EUR 51,000).

SECTION 6 – Net gain (loss) on disposal or repurchase (Item 100 Income Statement)

6.1 Net gain (loss) on disposal or repurchase: detail

	2024			2023		
	Profits	Losses	Net Result	Profits	Losses	Net Result
Financial assets						
1. Financial assets at amortised cost						
- Loans and advances to banks				16		16
- Loans and advances to customers	182		182	179		179
2. Financial assets at fair value through other comprehensive income						
Total assets	121	(618)	(497)	7	(3,733)	(3,726)
2.2 Loans						
Total assets	**303**	**(618)**	**(315)**	**202**	**(3,733)**	**(3,531)**
Financial liabilities at amortised cost						
Due to banks						
Due to customers						
Debt securities issued						
Total liabilities						

This item recorded gain (loss) arising from disposal of debt securities managed according to the *Held to Collect and Sell* and *Held to Collect and Sell* business model. The negative result in debt securities held in the *Held to Collect and Sell* business model is a consequence of the conservative selective reduction of higher-risk exposures due to the downgrading of their credit ratings. The 2023 result is similarly motivated.

SECTION 8 – Net impairment losses/recoveries for credit risk (Item 130 Income Statement)

8.1 Net impairment losses for credit risk related to financial assets at amortised cost: detail

	Write-downs (1)			Write-backs (2)		2024	2023
	III stage		I and II stage	III stage	I and II stage	(1)+(2)	(1)+(2)
	Write-off	Other					
1. Loans and advances to banks:							
a) Acquired or originated impaired							
- Loans							
- Debt securities							
b) Other receivables							
- Loans							
- Debt securities							
2. Loans and advances to customers					102	**102**	**64**
a) Acquired or originated impaired							
- Loans							
- Debt securities							
b) Other receivables							
- Loans							
- Debt securities	(2)	(2,943)	(97)	1,051		**(1,991)**	**491**
Total					71	**71**	**65**
Total	**(2)**	**(2,943)**	**(97)**	**1,051**	**173**	**(1,818)**	**620**

The item includes the adjustments and the value recoveries deriving from the measurement of the expected loss on the portfolio of debt securities and loans, managed according to the *Held to Collect* business model in accordance with the accounting standard IFRS 9-*Financial Instruments*.

The adjustments relating to stage III recognised in 2024 refer to non-performing loans impaired during the year.

The recoveries relating to stage III recognised in the year refer to the consideration received from non-performing exposures, fully or partially impaired during previous years.

The recoveries relating to Stages I and II recorded on debt securities in the year refer to the decrease of expected losses on debt securities compared to the origination or recognised at the end of the previous year.

8.2 Net impairment losses for credit risk related to financial assets at fair value through other comprehensive income: detail

	Write-downs (1)			Write-backs (2)		2024	2023
	III stage		I and II stage	III stage	I and II stage	(1)+(2)	(1)+(2)
	Write-off	Other					
1. Debt securities					264	**264**	**292**
2. Loans of which acquired or originated impaired							
- to banks							
- to customers							
Total					**264**	**264**	**292**

The item includes the adjustments and the value recoveries deriving from the measurement of the expected loss on the portfolio of debt securities, managed according to the *Held to Collect and Sell* business model in accordance with the accounting standard IFRS 9-*Financial Instruments*.

The recoveries relating to stage I and II recorded in the year refer to the decrease of expected losses on debt securities compared to the origination or recognised at the end of the previous year.

SECTION 9 – Administrative expenses (Item 150 Income statement)

9.1 Staff expenses: detail

Other administrative expenses	2024	2023
A. Staff		
1. Wages and salaries	(6,761)	(6,548)
2. Social security charges		
3. Severance pay		
4. Supplementary benefits	(792)	(853)
5. Staff severance provision	(581)	(593)
6. Provisions for post-employment benefits		
(a) defined contribution plans		
(b) defined benefit plans	(5,213)	(5,368)
7. Payments to complementary pension plans		
(a) defined contribution plans		
(b) defined benefit plans		
8. Other benefits for employees	(751)	(1,064)
B. Personnel with contracts pursuant to art. 10 (par.1)		
1. letter (b)		
2. letter (c)		
3. letter (d)		
C. Fees and charges for Board of Superintendence and Director General	(873)	(824)
D. Early retirement cost		
E. Recovery of expenses for employees seconded to other entities		
F. Reimbursement of expenses for employees of the institutions and organisations of the Holy See and Vatican City State seconded to the Institute		
Total	**(14,971)**	**(15,250)**

9.2 Average number of employees by categories

Category	Total	Executives	Officials	Staff
Average number	105	10	26	69

9.3 Post-employment defined benefit plans: costs and revenues

	2024	2023
Post-employment defined benefit plans: costs		
Service Cost of internal Pension Plan	(1,997)	(1,947)
Interest Cost of internal Pension Plan	(3,165)	(3,385)
New position cost	(51)	(36)
Contribution to Vatican Pension Plan	(792)	(853)
Total Costs	**(6,005)**	**(6,221)**
Post-employment defined benefit plans: revenues	-	-
Total	**(6,005)**	**(6,221)**

9.5 Professional service expenses: detail

	2024	2023
A. Professional service expenses		
1. Legal services	(1,854)	(2,180)
2. Notary services		
3. Management consultancies	(206)	(293)
4. Technical consultancies	(869)	(296)
5. Operational consultancies	(167)	(126)
6. Translation services	(45)	(51)
B. Expenses related to work contracts		
1. ex art. 10 (par. 1) letter (a)		
2. ex art. 11 (par. 1)		
C. Expenses related to outsourcing contracts		
D. Expenses related to external auditors	(101)	(96)
Total	**(3,242)**	**(3,042)**

9.6 Other administrative expenses: detail

	2024	2023
1.*Software* maintenance	(2,071)	(1,620)
2.Other maintenance	(634)	(471)
3.Information providers	(1,304)	(1,275)
4.Other expenses	(1,530)	(1,250)
Total	**(5,539)**	**(4,616)**

SECTION 11 – Net value adjustments to/recoveries on tangible assets (Item 170 Income statement)

11.1 Net value adjustments to/recoveries on tangible assets: detail

	2024				2023			
	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Tangible assets								
A.1 Owned assets								
- Functional use	(258)			**(258)**	(183)			**(183)**
- For investment								
- Inventories								
A.2 Acquired under finance lease								
- Functional use	(43)			**(43)**	(82)			**(82)**
- For investment								
Total	**(301)**			**(301)**	**(265)**			**(265)**

The item includes depreciation on assets under lease contracts recognised in accordance with the accounting standard IFRS 16-*Leases* adopted by the Institute, effective 1 January 2019.

SECTION 12 – Net value adjustments to/recoveries on intangible assets (Item 180 Income statement)

12.1 Net value adjustments to/recoveries on intangible assets: detail

	2024				2023			
	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Intangible assets								
A.1 Owned assets								
-Internally generated by the Institute								
- Other	(827)			**(827)**	(786)			**(786)**
A.2 Acquired under finance lease								
Total	**(827)**			**(827)**	**(786)**			**(786)**

SECTION 13 – Other operating income (expenses) (Item 190 Income statement)

13.1 Other operating income (expense): detail

	2024	2023
A. Income	**7,652**	**3,935**
Legates closure		
Compensation	1,650	121
Closure of positions due to limitation period		
Extraordinary income	451	161
Write-backs from gold and precious metals		
Gain on sale of property		
P&L result of employees' Pension Plan (gain)	3,587	2,623
Realised gain from gold and precious metals	1,964	-
Tax recoveries	-	336
Non-existence of liabilities	-	694
B. Expenses	**(54)**	**(99)**
Operating losses	(53)	(47)
Extraordinary expenses	(1)	(52)
Impairment on gold and precious metals		
Realised loss from gold and precious metals		
P&L result of employees' Pension Plan (loss)		
Total	**7,598**	**3,836**

In 2024 the item is mainly composed of the positive result related to the management of the Employees' Pension Plan (EUR 3.6m) (2023: 2.6m), the realised gain from gold trading (EUR 2.0m) and the compensation of a lawsuit for past abuse (EUR 1.65m).

SECTION 15 – Net result of fair value measurement of tangible and intangible assets (Item 220 Income statement)

15.1 Net result of changes in the fair value (or the revalued value) or the presumable realisable value of tangible and intangible assets: detail

	2024					2023				
	Revaluations (a)	Impairment (b)	Exchange differences		Net result (a-b+c-d)	Revaluations (a)	Impairment (b)	Exchange differences		Net result (a-b+c-d)
			Positive (c)	Negative (d)				Positive (c)	Negative (d)	
A. Tangible assets										
A.1 Owned assets										
- Functional use										
- Held for investment	90				90	155				155
- Inventories										
A.2 Acquired under finance lease										
- Functional use										
- Held for investment										
B. Intangible assets										
B.1 Owned assets										
B.1.1 Internally generated by the Institute										
B.1.2 Other										
B.2 Acquired under finance lease										
Total	**90**				**90**	**155**				**155**

PART 4. INFORMATION ON COMPREHENSIVE INCOME

	2024			2023		
	Gross amount	Income tax	Net amount	Gross amount	Income tax	Net amount
10. Profit (loss) for the year	**32,760**		**32,760**	**30,598**		**30,598**
Other comprehensive income that will not be reclassified to the Income Statement						
20. Equity instruments designated at fair value through other comprehensive income						
a) change in fair value	524		524	302		302
b) transfer to other components of Equity (equity securities cancelled)						
c) transfer to the Income Statement	1		1	-		-
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)						
40. Hedge accounting of equity instruments designated at fair value through other comprehensive income						
a) change in fair value (hedged item)						
b) change in fair value (hedging instrument)						
50. Tangible assets						
60. Intangible assets						
70. Defined-benefit plans: change in actuarial reserve	4,653		4,653	(3,602)		(3,602)
70.1 Return on Plan Assets of defined-benefit plans	5,872		5,872	4,768		4,768
80. Non-current assets and disposal groups classified as held for sale						
90. Portion of valuation reserves from investments valued at equity method						
100. Income taxes relating to other income components without reversal to the Income Statement						
Other comprehensive income that will be reclassified to Income Statement (after tax)						
110. Foreign investments hedging						
(a) change in fair value						
(b) transfer to the Income Statement						
(c) other changes						

	2024			2023		
	Gross amount	Income tax	Net amount	Gross amount	Income tax	Net amount
120. Foreign exchange differences						
(a) change in fair value						
(b) transfer to the Income Statement						
(c) other changes						
130. Cash flow hedging						
(a) change in fair value						
(b) transfer to the Income Statement						
(c) other changes						
of which: result of net positions						
140. Hedging instruments						
(a) change in fair value						
(b) transfer to the Income Statement						
(c) other changes						
150. Financial assets (different from equity instruments) at fair value through other comprehensive income						
(a) change in fair value	42,359		42,359	68,668		68,668
(b) transfer to the Income Statement	(8,344)		(8,344)	(6,471)		(6,471)
(c) other changes						
160. Non-current assets and disposal groups classified as held for sale						
(a) change in fair value						
(b) transfer to the Income Statement						
(c) other changes						
170. Portion of valuation reserves from investments valued at equity method						
(a) change in fair value						
(b) transfer to the Income Statement						
(c) other changes						
180. Income taxes related to other comprehensive income that will be reclassified to Income Statement						
190. Total other comprehensive income	**45,065**		**45,065**	**63,665**		**63,665**
200. Comprehensive income (Item 10+190)	**77,825**		**77,825**	**94,263**		**94,263**

Attachments

A.1 Disclosure concerning the fees of the independent auditors and services other than auditing

During 2024, the IOR did not pay fees to the companies belonging to the network of the audit firm Forvis Mazars S.p.A. with the exception of those related to the audit of the annual accounts.

For audit services, fees amount to EUR 97,000 (2023: EUR 96,000). The fees due are those contractually agreed, not including out-of-pocket expenses or taxes while inclusive of any indexation and flat rate reimbursement of expenses.

A.2 Exchange rates at the balance sheet date

The balances at year-end denominated in foreign currencies are mainly measured at the exchange rates observed by the European Central Bank on the last working day of the year (in 2024: 31 December).

The exchange rates not quoted by the European Central Bank are provided by infoproviders on the same date.

For the 2024 financial statements, the rates were the following:

Currency		2024	2023
U.S. Dollars	USD	1.0389	1.1050
Swiss Francs	CHF	0.9412	0.9260
Canadian Dollars	CAD	1.4948	1.4642
English Pounds	GBP	0.8292	0.8691
Australian Dollars	AUD	1.6772	1.6263
Japanese Yen	JPY	163.06	156.33
Czech Crowns	CZK	25.185	24.724
Danish Crowns	DKK	7.4578	7.4529
Norwegian Crowns	NOK	11.795	11.2405
Polish Zloty	PLZ	4.275	4.3395
Swedish Crowns	SEK	11.459	11.096
South African Rand	ZAR	19.6188	20.3477
Singapore Dollars	SGD	1.4164	1.4591
New Zealand Dollars	NZD	1.8532	1.7504

A.3 Date of authorisation for issue

The financial statements were presented and authorised for issuance by the Director General on 14 April 2025 and approved by the Board of Superintendence on 29 April 2025.

PART 5. INFORMATION ON RISKS AND HEDGING POLICIES

5.1 Introduction

The Institute's policies and procedures for the management and monitoring of risks arising from investment decisions are summarised in the following paragraphs, with a focus on the bodies involved and their responsibilities. The Institute decided:

a) to assign risk measurement functions and risk control to a specific department, i.e. the Risk Management Department;

b) assign the definition of operating limits, the authorisation of possible overruns or payment requests within assigned limits, to a Control Functions Committee.

This structure is based on the Vatican laws and rules and requirements provided by the Supervisory and Financial Information Authority (ASIF), as defined by Regulation ASIF no.1/2015 on prudential supervision of entities carrying out financial activities on a professional basis (Regulation no.1), implementing Title III of the Law no. XVIII promulgated on 8 October 2013 covering norms on "Transparency, Supervision and Financial Intelligence" (Law no. XVIII).

The Risk Management Department is a structure independent from risk-taking functions, which reports to the Director General with a hard line and reports to the Board of Superintendence with a dotted line.

The following paragraphs disclose the roles of the different organisational structures and the governing bodies involved in the monitoring and management of risks.

5.1.1 Duties and responsibilities of bodies involved

The Institute bodies involved in various capacities in the management and monitoring of risk relating to investment decisions are the following:

- Board of Superintendence;
- Director General;
- Control Functions Committee;
- Crisis Committee;
- Risk Management Department;
- Compliance Department, AML e CFT;
- Internal Audit Department;
- Finance & Investment Area.

5.1.1.1 Board of Superintendence

The Board of Superintendence is responsible for defining the strategic guidelines, the Risk Appetite and general policies for risk management. The Board of Superintendence can request the Director General to update the guidelines for the measurement and assessment of risks and periodically monitors the performance of risks and compliance with the limits established on the basis of the information produced by the Risk Management Department and the Control Functions Committee.

Furthermore, the Board of Superintendence, consistently with general roles and responsibilities assigned by the Statutes:

- defines and approves strategic guidelines and provides for their periodic review, considering the business evolution of the Institute and the reference framework in order to guarantee their effectiveness over time;
- defines and approves, based on a proposal from the Director General, the business model according which the Institute shall manage financial assets and the subsequent classification and measurement in accordance with the provisions of international accounting standard in force from time to time;
- defines and approves, based on a proposal from the Director General, changes to the current business model and the consequent reclassification of financial assets in compliance with provisions of the international accounting standards, the laws and regulations of the Holy See, Vatican City State and ASIF and in proper compliance with economic and financial rules, fully respecting the Institute's mission;
- ensures, through the Director General, the implementation of the programs and the objectives defined with regard to investments and other activities, while verifying their consistency with the business models adopted;
- ratifies, in case of stress circumstances, the disposals of financial assets held in the *Held to Collect* portfolio, authorised by the Director General based on the proposal of the Control Functions Committee, exceeding the risk and maturity limits and frequency and significance thresholds defined in the existing policy.

For these responsibilities the Board of Superintendence is supported by the Audit & Risk Committee, established according to IOR Statutes.

5.1.1.2 Director General

Based on the guidelines set forth by the Board of Superintendence, the Director General establishes the risk management and monitoring methodologies and their implementation and integration proposed by the Control Functions Committee, and the general structure of market and credit operational limits (counterparty risk and issuer risk), consistent with the overall Risk Appetite.

The Director General monitors risk exposure on a daily basis through reports produced by the Risk Management Department and is informed promptly by the department when operational limits have been exceeded and can request an emergency meeting of the Control Functions Committee.

When operational limits are exceeded, an escalation procedure is defined with the involvement of different levels of governance, including the Board of Superintendence, as well as specific deadlines for return, depending on the significance of the events. When needed and supported by the Control Functions Committee, the Director General determines a further and specific way in which the overrun may be managed:

— the Director General can authorise the overrun specifying the period for which the authorisation is granted;

— the Director General can ask the head of the operating area involved for a recovery plan to be established.

Furthermore, the Director General:

— ensures the implementation of the strategic decisions defined by the Board of Superintendence; with regard to classification and measurement of financial instruments;

— proposes, for approval by the Board of Superintendence, the Institute's business according to which the Institute shall manage financial assets and the subsequent classification and measurement in accordance with the provisions of international accounting standards in force from time to time;

— proposes, for approval by the Board of Superintendence, changes to the current business model and the subsequent reclassification of financial assets in accordance with provisions of the international accounting standards and in compliance with laws and regulations of the Holy See, Vatican City State and ASIF and in proper compliance with economic and financial rules;

— leads and coordinates activities carried out by the Chief Financial Officer, for the implementation of programs and the objectives defined with regard to investments and other activities;

— authorises, in case of stress situations, the sales of financial assets included in the *Held to Collect* portfolio, on proposal of the Control Functions Committee, exceeding the risk and maturity limits and frequency and significance thresholds defined in the existing policy.

5.1.1.3 Control Functions Committee

The Control Functions Committee, chaired by the Director General, deals with control and risk management issues, in particular by assessing the risks relevant to the Institute, the deficiencies in the internal control system and the progress of corrective actions to be implemented with a view to risk mitigation.

The Control Functions Committee:

— monitors and assesses the risks relevant to the Institute, including the main risks arising from non-compliance with rules and regulations that may lead to sanctions or damage the Institute's reputation, highlighting the corrective actions agreed to mitigate such risks;

— enables coordination between the Control Functions in planning and carrying out control activities;

— examines the results of the monitoring activities carried out by the first, second and third level units, by the Supervisory Authority and by the independent auditors;

— examines the results of the monitoring activities carried out in the area of IT risks and by the Delegates Law No. LIV, analysing any incidents in order to understand their causes and plan the corrective actions required;

— analyses the progress of corrective actions, highlighting any delays in their implementation;

— deliberates on risk acceptance proposals, submitted by the person in charge of the corrective action, in the event that the corrective actions are not deemed feasible from a cost/benefit perspective, providing the reasons supporting the proposal;

— makes proposals to the Board of Superintendence for the definition of the *Risk Appetite Framework*, defining a limit structure for the Institute's operational areas;

— analyses RAF metrics;

— reviews the reports produced by the Control Functions;

— examines the ICAAP report on the Institution's capital adequacy before it is submitted to the Board of Superintendence;

— examines the Business Continuity Plan (including its updates), submitted by the Business Continuity Manager, before it is submitted to the Board of Superintendence.

The Control Functions Committee also performs the following relevant tasks for the financial reporting:

— decides on the proposal of the CFO, in the event of stress situations, the disposal of financial assets held in the *Held to Collect* portfolio, for the subsequent authorisation of the Director General, exceeding the frequency and significance thresholds defined in the existing policy;

— proposes, with the support of the Head of the Accounting Office, any changes to the policy on the classification and measurement of financial assets.

The organisational aspects of the Control Functions Committee are disclosed in an appropriate regulation.

5.1.1.4 Crisis Committee

The Crisis Committee represents the structure in charge of crisis management, during which all necessary decisions are taken to ensure the restoration of the critical processes within tolerable timescales, limiting economic, operational and reputational impacts and guaranteeing the protection of personnel. The organisational aspects of the Crisis Committee are disciplined by specific regulations.

5.1.1.5 Risk Management Department

The IOR Risk Management Department:

— presents to the Control Functions Committee issues related to the Institute's exposure to market, credit, liquidity, operational and reputational risks, proposing methodologies, instruments and processes for the management of those risks;

— is responsible for the implementation, validation and maintenance of a risk exposure control system and its performance;

— observes the market, credit and liquidity risks and trading activity performance of IOR securities on a daily basis, preparing specific reports for the Board, the Director General, the CFO and the Finance&Treasury Department;

— monitors compliance with the risk indicators outlined in the *Risk Appetite Framework* approved by the Board of Superintendence, preparing specific reports;

— monitors compliance with the *Risk Appetite Framework* and with the business model defined on the basis of international accounting standards in the management of financial assets;

— monitors adherence to operational limits in the Institute's trading activity, promptly informing the Director General and the Finance&Treasury Department of any overruns. When limits are exceeded, it can request an emergency meeting of the Control Functions Committee;

— calculates capital requirements in compliance with regulatory requirements;

— supports the Finance&Treasury Department, together with the Accounting Office, in carrying out analyses for the classification and valuation of financial instruments according to the requirements of the chosen business model Held to Collect, Held to Collectand Sell, Other/Negotiation (FVTPL);

— monitors, within the scope of controls for which it is responsible, the execution of the SPPI test provided by the Finance&Treasury Department;

— monitors the respect of the risk and maturity limits and the defined frequency and significance thresholds in case of sale of securities of the *Held to Collect* portfolio;

— supports the Business functions in identifying and managing operational risks and consolidates the relative information in reporting to the Director General, the Control Functions Committee and the Board of Superintendence;

— periodically monitors the risk mitigation actions taken by Business functions on the main operational risks identified;

— promotes risk culture within the Institute, in particular regarding operational risks.

5.1.1.6 Compliance Department, AML e CFT

The IOR Compliance Department, in accordance with the ASIF Regulation no. 1/2015, oversees, using a risk-based approach, management of the risk of non-compliance in corporate activity.

In particular, it is responsible for managing the risk of non-compliance with the most important regulations, such as those relating to financial activity and brokerage, anti-money laundering, and management of conflicts of interest.

As regulated by Article 29 of Regulation no. 1/2015, the Compliance Department:

— continuously identifies the rules applicable to the Institute and its activities and services provided; measures and assesses the impact of any changes on existing processes and internal procedures;

— verifies compliance with external regulatory requirements and self-regulation;

— proposes organisational and procedural changes that ensure adequate supervision of the risk of non-compliance with identified rules;

— monitors effectiveness of the suggested organisational changes for prevention of the risk of non-compliance;

— prepares direct information flows for the Institute's governance bodies and for the other functions/structures concerned;

— provides advice and assistance to the Institute's governance bodies for all matters in which the non-compliance risk is relevant;

— collaborates in training personnel on the provisions applicable to the Institute's activities.

5.1.1.7 Internal Audit Department

As indicated in Article 29 of the General Regulations of the IOR and in line with the provisions of Article 31 of the ASIF Regulation no. 1/2015, the Internal Audit function verifies (through third-level control activities) the evolution of results and risks, completeness, adequacy, functionality and reliability of the organisational structure and other components of the internal control system, bringing possible improvements to the attention of the bodies of the Institute.

The Internal Audit Department:

— evaluates the completeness, adequacy, functionality and reliability of the system of internal controls, including its ability to detect errors and irregularities;

— assesses the effectiveness and efficiency of operational processes;

— assesses the effectiveness of the RAF definition process, the internal consistency of the overall framework and the compliance of operations with the RAF;

— verifies the regularity of operations of the Offices;

— assesses the organisation, powers and responsibilities of the Risk Management function and the Compliance function.

As indicated in art. 29 of the IOR General Regulations and in line with the provisions of art. 27 par. 3 ii) of ASIF Regulation no. 1/2015, Internal Audit reports to the Board of Superintendence.

5.1.1.8 Finance & Investment Area

The Finance&Investment Area, which reports hierarchically to the Director General, is responsible for financial activities of the Institute, the definition of the budget and the drafting of the Annual Report, as well as the process of purchasing goods and services. The Area implements the strategic and operational decisions defined by the Board of Superintendence and the Director General regarding investments for the Institute's property portfolio. The Finance&Treasury Department reports to this Area.

The Finance&Treasury Department, which operates under the coordination of the CFO, performs the following tasks:

— defines the operating investment decisions to be realised on financial markets, ensuring consistency with strategic goals and predetermined limits;

— requests revisions to the assigned operational limits, or the authorisation to engage with new partners, subject to review by the Control Functions Committee;

— defines, within the limits of the authority granted, the necessary corrective actions to restore the defined risk/return profile;

— manages financial instruments consistent with the business model defined and approved by the Board of Superintendence, in compliance with laws and regulations of the Holy See, Vatican City State, ASIF and with adherence to the best practice of international markets;

— assigns the business model to any new debt instrument bought for the IOR portfolio and is responsible for the business model test execution for classification purposes;

— executes the SPPI test, for the purposes of measuring any new debt instrument bought for the IOR portfolio if managed according to the Held to Collect or Held to Collect and Sell business models.

5.1.2 Risk culture and further developments

Over the years, the Institute has implemented a complete overview of its current financial, credit, liquidity, operational and reputational risk management methodology through the strengthening of first level controls, second level controls (Risk Management and Compliance) and third level controls (Internal Audit) as well as through the review of risk measurement and assessment systems and the adoption of the best market practices.

The approval of a Risk Appetite Framework integrated in the activities of daily risk management allows for the development and dissemination of a risk culture, while the consolidation of the role of the Control Functions Committee has contributed to maintaining a high level of attention from the management.

5.2 Credit risk

Information on credit risk and related hedging policies

5.2.1 Qualitative information

5.2.1.1 General aspects

Credit risk arises from the possibility that counterparties may not honor their commitments. Depending on the nature of those commitments, the Institute's credit risk concerns two categories:

a) credit risk arising from the Institute's investment and trading activity for their own account and on behalf of its clients. Credit risk represents the risk that a counterparty may not fulfil its contractual obligations related to a transaction concerning financial instruments. This risk may be classified in three categories:
   1. cash risk (e.g. bank deposits);
   2. issuer risk (e.g. debt securites);
   3. counterparty risk, mainly generated by the operations in Delivery versus Payment (e.g. term operations, repos).

d) credit risk arising from loans to customers.

It should be mentioned that the Institute credit activity is residual and strictly subject to the constraints of ASIF authorisation and the limits established by the Board of Superintendence.

In general, the main sources of credit risk derive from the investment in bonds, mainly issued by government, financial and corporate "Investment Grade" and by deposits with banks.

At the end of 2024, the bond securities portfolio amounted to EUR 2.1bn with an average duration of 1.98 years, including liquidity, and high credit standing (96% investment grade). The portfolio is composed of government bonds issued by major European countries (core and peripheral), by the United States and residually by non-OECD countries, as well as financial and corporate bonds.

Additional details on the composition of the bond portfolio are provided in the following paragraphs.

5.2.1.2 Credit risk management policies

5.2.1.2.1 Organisational aspects

The credit risks related to proprietary investment activity, as already disclosed, concerns almost all of the credit risk of the Institute and is managed by Finance&Investment Area. The Finance&Treasury Department is responsible for managing credit risk on operational basis in compliance with operational limits.

In particular, the process of risk assumption involves the following:

- the Board of Superintendence which approves the Budget, the RAF and investment portfolio strategy and risk profile including exposure to overall credit risks;
- the Director General who delegates, through the CFO, the operational management of market and credit risks, to the Finance&Treasury Department, within the limits defined by the Risk Appetite Framework and the operational limits predetermined;
- the Finance&Treasury Department, which assumes credit risk in its operations in compliance with defined limits. The assumption of credit risk for amounts greater than the predetermined limit assigned to the Department requires the authorisation of the CFO, the Director General or the Board of Superintendence;
- the Control Functions Committee which supports the Director General in establishing a system of credit risk management and monitoring, defining operational limits, analysing any overruns and in evaluating authorisations of exceeded limits;
- the Risk Management Department, which monitors compliance with operational limits, promptly reporting any unauthorised overruns to the Director General.

5.2.1.2.2 Management, measurement and control systems

Credit risk monitoring activity is delegated to the Risk Management Department, applying the Institute's specific-methodology, validated by the Control Functions Committee and approved by the Director General.

This methodology provides, for the definition of:

- a list of counterparties with whom the Finance&Treasury Department is allowed to engage. For each counterparty, the type of risk that the Institute can assume and the maximum amount of exposure are defined;
- credit risk quantification criteria for each financial instrument, distinguishing between counterparty risk, issuer risk and cash risk.

In order to quantify the maximum amount of exposure to each counterparty the method provides the use of an internal rating, defined according to the credit rating expressed from the main International Rating Agencies.

5.2.1.2.3 Expected loss measurement models

The Institute has developed a methodology for measuring the expected loss in line with the accounting standard IFRS 9-*Financial instruments*, differentiating between the main types of debtors and financial assets to which credit exposures relate. In particular, with regard to advances, credit lines and overdrafts, two categories of customers have been identified: "Consumers" and "No Profit"; in the case of other exposures (debt securities and deposits), the categories "Corporates", "Financials" and "Sovereigns" have been identified.

For each category, the Institute has defined the methodological criteria and consistently estimated the credit parameters relating to the "*Probability of Default*" (PD), "*Loss Given Default*" (LGD) and "*Exposure at Default*" (EAD) using a combination of internally observed historical data (in particular in the case of the Consumer and No Profit categories) and external data taken from official and public databases.

Since no internal credit rating models have been developed with respect to the “Consumer” and “No Profit” classes, the parameters are estimated in aggregate terms, i.e. without differentiating between different degrees of risk, with the exception of the LGD and EAD parameters, which depend on the collaterals and the facility type. For the other categories of debtors, the risk differentiation is carried out in accordance with external ratings.

Consistently with the accounting standard IFRS 9-*Financial instruments*, a method has also been developed for the calculation of annual and multi-period expected losses ("lifetime"), in the latter case using econometric models to link the observed default rates to macroeconomic variables. With regard to the prospective estimates of the macroeconomic variables, the Institute uses as a reference the macroeconomic scenarios prepared by the European Central Bank.

The use of expected annual or multi-period losses depends on the stage of each credit exposure, i.e. the existence of signs of significant deterioration in creditworthiness. In order to determine the stage of exposure, the Institute considers historical and, as far as possible, perspective data and information. In practice, for the categories "Consumers" and "No Profit" the main indicator considered is the number of past-due days.

5.2.1.2.4 Credit risk mitigation techniques

The Institute uses permitted credit risk mitigation techniques for the purposes of calculating the capital requirement, as defined by the Article 81 et seq. of Regulation ASIF no. 1/2015, in continuity with the previous year.

The mitigation was applied to loans granted and secured by pledging client financial assets deposited with the IOR, resulting in a lower incidence of credit risk expressed in RWA (Risk Weighted Assets).

Currently, the Institute has no offsetting agreements in place with financial counterparties and does not operate in the credit derivatives market.

5.2.1.3 Non-performing financial assets

5.2.1.3.1 Strategies and policies for managing non-performing financial assets

For amounts due from clients, an internal monitoring system has been implemented to determine if there is objective evidence of the impairment of loans, based on the following criteria:

— default in contractual payments of both capital and interest;

— delays in payments due to liquidity problems of customers;

— deterioration in the value of the guarantees provided.

The same happens for guarantees issued by IOR and covered by assets held in custody, which are disclosed on paragraph 13.1 “Guarantees and commitments” of the Part 2 “Information on the Balance Sheet”.

5.2.1.3.2 Write-offs

When a loan becomes uncollectible, it is written off against the related provision for loan impairment.

Such exposures are written off after all the necessary procedures have been performed and the extent of the loss has been determined.

Regarding loans to customers, periodically, the Client Area analyses all exposures and submits to the Director General a proposal on how to manage aged loans at risk for non-collection. In particular, when the balance is deemed to be collectible within a short period, an analytic impairment loss is not recognised, but the trend is monitored; when the balance is deemed to be collectible in a mid/long term period, an analytic impairment loss is recognised; when the positions are past due and uncollectible, even after adequate activity of the legal department, the area proposes to write off the amount as a loss on loans to the Director General.

5.2.1.3.3 Purchased or originated impaired financial assets

Credit exposures that are already non-performing on initial recognition or origination are defined “Purchased or originated impaired financial assets” (“POCI”) (IFRS 9 B.5.4.7, B.5.5.26).

The Institute qualifies as a POCI:

— the purchase of non-performing loans;

— new loans to customers who are already classified as non-performing;

— considerable contractual changes that lead to the derecognition of the existing credit and the recording of a new credit to a customer in a state of deterioration (in a non-performing condition);

— acquisition of non-performing loans in the context of a business combination transaction according to IFRS 3.

If a financial asset meets the definition of POCI, it must be recognised according to specific rules provided for this category until derecognition.

POCI impairment is always based on the ECL lifetime methodology.

The exit of a POCI from the category of non-performing following an improvement in credit risk does not imply the allocation of this asset in a different category: no circumstance permits leaving POCI status.

During 2024, as well as during 2023, no POCI assets were recognised.

5.2.2 Quantitative information

5.2.2.A Credit quality

Financial assets included in the current section do not comprise equity securities and UCI units.

A.1 Performing and non-performing credit exposures: amounts, adjustments, changes, economic and geographical detail

A.1.1 Detail of credit exposures by portfolio classification and credit quality (carrying values)

	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets at fair value through other comprehensive income					1,380,346	1,380,346
2. Financial assets at amortised cost		2,401			876,167	878,568
3. Financial assets designated at fair value						
4. Other financial assets mandatorily measured at fair value						
5. Financial assets being disposed						
Total 2024		**2,401**			**2,256,513**	**2,258,914**
Total 2023		**5,877**			**2,208,868**	**2,214,745**

Bad loans are represented with zero value as they are fully impaired.

Loans Unlikely to pay comprise two partially impaired positions and are related to loans granted prior to 2014. For one of these positions a restructuring agreement was made in 2023, the agreement is subject to the rules of non-performing forborne exposure (more details in Part 1, Accounting Policies).

Non-performing past due exposures are not present at the closing date of these financial statements.

Performing past due exposures are loans classified as stage 2.

A.1.2 Detail of credit exposures by portfolio classification and credit quality (gross and net values)

	Non-performing assets			Performing assets			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets at fair value through other comprehensive income				1,380,936	(590)	1,380,346	1,380,346
2. Financial assets at amortised cost	12,753	(10,352)	2,401	877,018	(851)	876,167	878,568
3. Financial assets designated at fair value							
4. Other financial assets mandatorily at fair value							
5.Financial assets being disposed							
Total 2024	**12,753**	**(10,352)**	**2,401**	**2,257,954**	**(1,441)**	**2,256,513**	**2,258,914**
Total 2023	**14,307**	**(8,430)**	**5,877**	**2,210,637**	**(1,769)**	**2,208,868**	**2,214,745**

	Assets with markedly poor credit quality		Total (net exposure)
	Cumulated capital losses	Cumulated capital losses	Esposizione netta
1. Financial assets held for trading			34,676
2. Hedging derivatives			
Total 2024			**34,676**
Total 2023			**36,322**

A.1.3. Breakdown of financial assets by past-due buckets (carrying value)

	Stage I			Stage II			Stage III		
	From 1 to30 days	Over 0and up to90 days	Over 90Days	From 1 to30 days	Over 30 and up to 90 days	From 1 to 30 days	From 1 to 30 days	Over 30 and up to 90 days	Over 90 Days
Financial assets at amortised cost									102
Financial assets at fair value through other comprehensive income									
Total 2024									**102**
Total 2023									**110**

A.1.4. Financial assets, commitments and financial guarantees issued: changes in overall impairment and provisions

	Overall write-downs																
	Financial assets stage I				Financial assets stage II				Financial assets stage III				Of which: acquired or originated impaired financial assets	Total provisions on loans commitments and financial guarantees gra ted			Total
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Of which: individual impairment	Of which: collective impairment	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Of which: individual impairment	Of which: collective impairment	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Of which: individual impairment	Of which: collective impairment		Stage I	Stage II	Stage III	
Opening balance (gross amount)	**926**	**844**		**1,769**					**8,430**		**8,430**					**1,699**	**11,899**
Increases in acquired or originated financial assets									534		534						**534**
Reversals different fromwrite-offs																	
Net losses/ (recoveries) on credit impairment	(73)	(264)		(335)					1,388		1,388						**1,051**
Contractual changes without cancellation																	
Changes in estimation methodology																	
Write-off																	
Other changes	(2)	10		8													**8**
Closing balance (gross amount)	**850**	**590**		**1,442**					**10,352**		**10,352**					**1,699**	**13,491**
Recoveries from financial assets previously written off																	
Write-off recognised directly																	

A.1.5 Financial assets, loan commitments and financial guarantees granted: transfers between risk stages (gross and nominal values)

No transfer between different risk stages in 2024 as well as in 2023.

A.1.6 On- and off-balance sheet credit exposures to banks: gross and net values

	Gross exposure		Individual adjustments	Net exposure	*Write-offs*
	Non-performing assets	Performing assets			
A. On balance sheet exposures					
a) Bad loans					
- of which: forborne exposures					
b) Unlikely to pay					
- of which: forborne exposures					
c) Non-performing past due exposures					
- of which: forborne exposures					
d) Performing past due exposures					
- of which: forborne exposures					
e) Other performing exposures		648,685	600	648,085	
- of which: forborne exposures					
Total A		**648,685**	**600**	**648,085**	
B. Off-balance sheet exposure					
a) Non-performing					
b) Performing					
Total B					
Total A + B		**648,685**	**600**	**648,085**	

On-balance sheet credit exposures to banks include all financial assets claimed from banks, irrespective of their portfolio of allocation.

As disclosed, the use of the term “credit exposures” excludes equity securities and UCI units.

A.1.7 On- and off-balance sheet credit exposures to customers: gross and net values

	Gross exposure		Individual adjustments	Net exposure	*Write-offs*
	Non-performing assets	Performing assets			
A. On balance sheet exposures					
a) Bad loans	3,389		3,389	-	
- of which: forborne exposures					
b) Unlikely to pay	9,364		6,963	2,401	
- of which: forborne exposures					
c) Non-performing past due exposures					
- of which: forborne exposures					
d) Performing past due exposures					
- of which: forborne exposures					
e) Other performing exposures		1,643,947	843	1,643,104	
- of which: forborne exposures					
Total A	**12,753**	**1,643,947**	**11,195**	**1,645,505**	
B. Off-balance sheet exposure					
a) Non-performing					
b) Performing		980		980	
Total B	-	**980**	**-**	**980**	
Total A + B	**12,753**	**1,644,927**	**11,195**	**1,646,485**	

On-balance sheet credit exposures to customers include all on-balance sheet financial assets claimed from customers, irrespective of their portfolio of allocation.

A.1.8 On-balance sheet non-performing credit exposures to banks: changes in gross non-performing exposures

The Institute has no impaired cash and off-balance sheet credit exposures to banks.

A.1.9 On-balance sheet non-performing credit exposures to customers: changes in gross non-performing exposures

	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross non-performing exposures	**3,736**	**10,571**	
- of which: exposures sold not derecognised			
B. Increases			
B.1 Transfers from performing loans	1		
B.2 transfers from other non-performing exposure categories			
B.3 other increases	170	2	
C. Decreases			
C.1 recoveries on impairment losses	(2)		
C.2 write-offs	(2)		
C.3 recoveries on repayments	(514)	(1,209)	
C.4 profits on disposal			
C.5 loss on disposal			
C.6 transfers to other non-performing exposure categories			
C.7 other decreases			
D. Final gross non-performing exposures	**3,389**	**9,364**	
- of which: exposures sold not derecognised			

A.1.9bis On-balance sheet credit exposures to customers: changes in gross forborne exposures broken down by credit quality.

	Forborne exposures: non-performing	Forborne exposures: performing
A. Initial gross exposures	**10,397**	
- of which: exposures sold not derecognised		
B. Increases		
B.1 Transfers from non-forborne performing exposures		
B.2 transfers from forborne performing exposures		
B.3 transfers from forborne non-performing exposures		
B.4 other increases		
C. Decreases		
C.1 recoveries on non-forborne performing exposures		
C.2 recoveries on forborne performing exposures		
C.3 recoveries on forborne non-performing exposures		
C.4 write-offs		
C.5 recoveries on repayments	(1,200)	
C.6 profits on disposal		
C.7 loss on disposal		
C.8 other decreases		
D. Final gross exposures	**9,197**	
- of which: exposures sold not derecognised		

In 2023 the Institute made a restructuring agreement subject to the rules of non-performing forborne exposure (more details in Part 1, Accounting Policies).

A.1.11 On-balance sheet non-performing credit exposures to customers: changes in total adjustments

	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Initial total adjustments	**3,736**		**4,694**			
- of which: exposures sold not derecognised						
B. Increases						
B.1 impairment losses			2,806			
B.2 losses on disposal	1					
B.3 transfers from other non-performing exposure categories						
B.4 other increases	170					
C. Decreases						
C.1 recoveries on impairment losses	(2)					
C.2 recoveries on repayments	(514)		(537)			
C.3 profits on disposal						
C.4 write-offs	(2)					
C.5 transfers to other non-performing exposure categories						
C.6 other decreases						
D. Final total adjustments	**3,389**		**6,963**			
- of which: exposures sold not derecognised						

A.2. Classification of exposures based on external and internal ratings

A.2.1 Detail off and on-balance sheet credit exposures by external rating class (gross values)

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
1. Financial assets at amortised cost								
- Stage I	102,929	81,173	609,052	43,150			40,714	**877,018**
- Stage II								
- Stage III							12,753	**12,753**
2. Financial assets at fair value through other comprehensive income								
- Stage I	591,123	298,446	471,061	17,362			4,715	**1,382,707**
- Stage II								
- Stage III								
Total on-balance sheet financial assets	**694,052**	**379,619**	**1,080,113**	**60,512**			58,182	**2,272,478**
of which: acquired or originated impaired financial assets								
3. Loan commitments and financial guarantees granted								
- Stage I							4,980	**4,980**
- Stage II								
- Stage III								
Total commitments and financial guarantees							4,980	**4,980**
Total	**694,052**	**379,619**	**1,080,113**	**60,512**			**63,162**	**2,277,458**

S&P ratings were used in the preparation of the above table.

The following is a reconciliation between risk classes and ratings:

— Class 1 – from AAA to AA-

— Class 2 – from A+ to A-

— Class 3 – from BBB+ to BBB-

— Class 4 – from BB+ to BB-

— Class 5 – from B+ to B-

— Class 6 – Others

For the analysis of the credit rating of debtors, if only one credit rating is available from an external agency among those selected, this is assigned directly. If there are two credit ratings for the same exposure, the worst of the two is used. If there are more, the two best ratings are selected and the worst of the two is selected.

A.3 Detail of guaranteed credit exposures by type of guarantee

A.3.2 Guaranteed credit exposures to customers

			Real Collateral (1)				Guarantees (2)									
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate assets - mortgages	Real estate assets – inancial lease	Securities	Other real guarantees	CreditLinkedNotes	Governments andCentralBanks	Other Public Entities	Banks	Other entities	Governments and Central Banks	Other Public Entities	Banks	Other entities	**Total (1+2)**
1.Guaranteed on balance sheet credit exposures																
1.1 totally guaranteed	38,798	37,271	3,300		55,343								859			**59,502**
-of which non-performing	1,360	-	3,300													**3,300**
1.2 Partly guaranteed	1,060	991				671										**671**
-of which non-performing	167	102				28										**28**
2. Guaranteed off-balance sheet credit exposures																
2.1 Totally guaranteed																
-of which non-performing																
2.2 parzialmente garantite																
2.2 Partly guaranteed																

5.2.2.B Distribution and concentration of credit exposures

B.1. Detail by sector of on-balance and off-balance sheet credit exposures to customers (carrying value)

Exposures / Counterparties	**Holy See/ VCS**			**Foreign Public Sector**												**Foreign Private Sector**												
	Public Authorities			Foreign Public Authorities			Regional – Local Public Authorities			International Public Authorities			Other Public Entities			Financial companies			Insurance companies			Non-financial companies			Other		
	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments
A. On-balance sheet exposures																											
A.1 Bad loans																										(3,389)	
-of which forborne exposures																											
A.2 Unlikely to pay																									2,401	(6,963)	
-of which forborne exposures																											
A.3 Non-performing past due exposures																											
-of which forborne exposures																											
A.4 Performing exposures	29,863		(137)	1,256,141		(339)										33,844		(31)	54,209		(101)	257,964		(190)	11,083		(45)
-of which forborne exposures																											
TOTAL A	**29,863**		**(137)**	**1,256,141**		**(339)**										**33,844**		**(31)**	**54,209**		**(101)**	**257,964**		**(190)**	**13,484**	**(10,352)**	**(45)**
B. Off-balance sheet exposures																											
B.1 Bad loans																											
B.2 Unlikely to pay																											
B.3 Other non-performing assets																											
B.4 Other exposures																									980		
TOTAL B																									**980**		
TOTAL (A+B) 2024	**29,863**		**(137)**	**1,256,141**		**(339)**										**33,844**		**(31)**	**54,209**		**(101)**	**257,964**		**(190)**	**14,464**	**(10,352)**	**(45)**
TOTAL (A+B) 2023	**29,966**		**(34)**	**1,057,066**		**(461)**										**35,917**		**(38)**	**54,268**		**(113)**	**314,368**		**(283)**	**31,317**	**(8,430)**	**(50)**

B.2. Detail by geographical area of on- and off-balance sheet credit exposures to customers (carrying value)

Exposures / Geographical areas	HOLY SEE/VCS		EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures										
A.1 Bad loans			-	(3,389)						
A.2 Unlikely to pay			2,401	(6,963)						
A.3 Non-performing past due exposures										
A.4 Performing exposures	29,863	(137)	1,218,923	(609)	288,855	(80)	20,429	(14)	85,034	(3)
Total A	**29,863**	**(137)**	**1,221,324**	**(10,961)**	**288,855**	**(80)**	**20,429**	**(14)**	**85,034**	**(3)**
B. Off balance sheet exposures										
B.1 Bad loans										
B.2 Unlikely to pay										
B.3 Other non-performing exposures										
B.4 Performing exposures			980							
Total B			**980**							
Total A+B 2024	**29,863**	**(137)**	**1,222,304**	**(10,961)**	**288,855**	**(80)**	**20,429**	**(14)**	**85,034**	**(3)**
Total A+B 2023	**29,966**	**(34)**	**1,172,664**	**(9,252)**	**278,221**	**(107)**	**18,766**	**(12)**	**23,285**	**(4)**

B.3. Detail by geographical area of on- and off-balance sheet credit exposures to banks (carrying value)

Exposures / Geographical areas	HOLY SEE/VCS		EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures										
A.1 Bad loans										
A.2 Unlikely to pay										
A.3 Non-performing past due exposures										
A.4 Performing exposures			569,078	(572)	60,322	(16)	8,528	(6)	10,157	(6)
Total A			**569,078**	**(572)**	**60,322**	**(16)**	**8,528**	**(6)**	**10,157**	**(6)**
B. Off-balance sheet exposures										
B.1 Bad loans										
B.2 Unlikely to pay										
B.3 Other non-performing exposures										
B.4 Performing exposures										
Total B										
Total A+B 2024			**569,078**	**(572)**	**60,322**	**(16)**	**8,528**	**(6)**	**10,157**	**(6)**
Total A+B 2023			**641,417**	**(748)**	**94,583**	**(26)**	**13,458**	**(8)**	**9,813**	**(8)**

B.4. Large exposures

With regard to the concentration risk coming from exposures towards a counterparty, a customer or a group of connected customers, the Institute presents exposures - as defined in art. 108 of ASIF Regulation no. 1/2015 - mainly towards the Italian Republic and the Federal Republic of Germany. These exposures do not determine additional own funds requirements as a zero-weighting coefficient for credit risk is applied to it, as provisioned by art. 108 c. 2-ter of the ASIF Regulation no.1/2015.

5.2.2.C Securitisation

No securitisation transactions were made by the IOR.

5.2.2.D Information on unconsolidated structured entities

For unconsolidated structured entities, the Institute considers the shares held in externally managed investment funds, when it is the owner of a significant number of shares. In fact, the Institute does not control these funds because it does not participate in investment decisions, either directly or indirectly, and it does not have the ability to affect the returns of the above-mentioned funds.

The information required by IFRS 12-*Disclosure of interests in other entities* on the unconsolidated structured entities is given below.

At the balance sheet date, the Institute holds external funds bought before 2014, prudentially impaired during the year (2023: EUR 5.85 million). During 2024, there was a redemption of 2,409,937 units by the Fund Manager. They are closed-end funds, i.e. funds that can be subscribed to by specific parties and only at certain times. The Institute does not have control over these closed-end funds.

With regard to their underlying asset classes, closed-end funds held by the Institute invest exclusively in real estate.

Regarding geographical distribution, using the criteria of the legally registered domicile, all the funds are located within the European Union.

No dividends were collected from these funds in 2024, or in 2023.

Fund Type	**2024**		**2023**	
	Balance sheet exposure		Balance sheet exposure	
	Nominal Value (quantity)	Carrying amount	Nominal Value (quantity)	Carrying amount
Open-end fund				
Closed-end fund	17,360,063	-	19,770,000	5,852
Hedge fund				
Exchange traded fund				
Unit Investment Trust				
Fund of fund				
Seed Fund				
Total		**-**		**5,852**
Underlying asset class	Balance sheet exposure		Balance sheet exposure	
	Nominal Value (quantity)	Carrying amount	Nominal Value (quantity)	Carrying amount
Equity				
Debt				
Asset Allocation				
Money Market				
Real Estate	17,360,063	-	19,770,000	5,852
Commodity				
Alternative Investments				
Total		**-**		**5,852**
Geographical Area	Balance sheet exposure		Balance sheet exposure	
	Nominal Value (quantity)	Carrying amount	Nominal Value (quantity)	Carrying amount
UE	17,360,063	-	19,770,000	5,852
USA				
Total		**-**		**5,852**

During 2024, the IOR did not provide any guidance to unconsolidated structured entities on their investment policies. The Institute has not sponsored any unconsolidated structured entities.

At the balance sheet date, the Institute had a standing commitment for one of these funds towards third parties for EUR 4m.

100% of S.G.I.R. S.r.l. and 29.5% of Ste Immobiliere Bourbonnaise are owned by IOR. The Institute does not prepare consolidated financial statements because the resulting information would not be relevant to the readers of the financial statements. The total balance sheet assets of the subsidiaries are insignificant when compared with those of the Institute and, accordingly, the consolidated financial statements would not differ significantly from these financial statements.

5.2.2.F Models for the measurement of credit risk

For credit risk measurement, the Institute has adopted the standard methodology defined by ASIF Regulation no. 1/2015, articles 63-89. No individual and portfolio internal models are used.

5.3 Market risk

Information on market risk and relative hedging policies

5.3.1 Interest rate risk and trading portfolio price risk

5.3.1.1 Qualitative information

5.3.1.1.1 General aspects

Market risk is the risk of change in portfolio value from adverse fluctuations in market parameters, such as interest or currency rates, equity prices or prices of commodities underlying derivative contracts.

The Institute's trading portfolio, limited in amount of exposure since the Institute prefers the *Held to Collect* and the *Held to Collect and Sell* business model, consists mainly of bond securities and the main associated risks are interest rate and the issuer's creditworthiness.

Interest rate risk related to the trading portfolio is derived from the Institute's trading activity in financial instruments, mainly exchanged on regulated markets, put in place by the Finance&Treasury Department. This risk pertains to positions in bonds, particularly those based on a fixed rate, the value of which is closely linked to the trend in interest rates. In line with the objectives of budget in liquidity management and capital, and with the Institute's risk threshold, the level of risk in the trading portfolio is rather low, as indicated by the short holding period.

Price risk comes from the exposure on equity securities, ETFs and funds. The Institute reduced the threshold for such risk and exposures, mainly out of the need to obtain a diversified return from proprietary investments.

5.3.1.1.2 Operating procedures and methods for measuring interest rate risk and price risk

Interest rate risk and price risk are measured and managed as part of the overall management and monitoring of risk.

The power to assume market risk belongs to the Director General, who plays an active role in risk management and monitoring, according to the guidelines issued by the Board of Superintendence. Specifically, the Director General delegates the assumption of market risk and management to the Finance&Treasury Department, through the CFO, which operates autonomously in accordance with the assigned limits and the approved budget.

The department responsible for the assumption and the management of market risk is separate from the department that deals with confirmation and settlement, which are, in any case, external to the Risk Management Department.

During 2024, as well as during 2023, the Institute did not hold derivatives.

The system of measurement of financial risks and the establishment of operational limits of the Institute are based on the use of statistical calculation tools. Specifically, the three measures of potential loss are: Value at Risk, Expected Shortfall and Stress Test. These measures are defined as follows:

- Value at Risk (VaR) is defined as the maximum loss that the Institute could withstand, over a period of time, with probability equal to predetermined confidence levels, in the case of market trends adverse to the position taken;
- Expected Shortfall is defined as the average loss that the Institute could withstand in case of a VaR overrun;
- Stress Test is defined as the loss that the Institute could withstand in case of negative events affecting main risk indicators (equity prices and indexes, interest rates, currency rates, credit spread) analysed independently and as established by the *Risk Appetite Framework*.

The VaR is calculated using the historic method (one year of data), with a 1-day timeline and confidence level at 95%.

The Stress Tests are calculated by simulating adverse and extreme scenarios of the main risk factors (interest rate, spread equity price), starting from the worst movements recorded in the history of the world's financial markets.

Monitoring compliance with limits on a daily basis is performed by the Risk Management Department, which updates to the Director General on the level of risk assumed and compliance with operational limits.

When operational limits have been exceeded, there is a process for reporting and eventual authorisation of the same. The Risk Management Department promptly informs the Director General, the CFO and the Finance&Treasury Department about the overrun for the appropriate action, and the Director General deliberates on the matter.

In establishing a system of market risk measurement, the definition of operational limits, and the monitoring of compliance with the limits, the Director General is supported by the Control Functions Committee, which has advisory functions.

During 2024, the Institute maintained a prudential approach in the management of financial risks.

Specifically, during the year, the held for trading portfolio had a daily average VaR of EUR 107,000, a daily maximum VaR of EUR 149,000 and a daily minimum VaR of EUR 1,500; the operational limit was never exceeded. At the end of 2024, the VaR amounted to EUR 5,000.

The Risk Management Department, in order to verify the adequacy of the VaR calculation, periodically conducts retrospective reviews (back testing), comparing the actual trading results achieved, with the VaR measures previously calculated. During 2024, there were 4 overruns in terms of VaR values on a daily basis, in relation to 6 events statistically expected; such a result can be explained by the particularly short duration of the securities held in the trading portfolio.

The potential impact of a shock of +/- 100 basis point on the portfolio held for trading could have an impact of EUR 128,000, representing 0.25%, 0.39% and 0.018% of interest margin, profit for the year and equity, respectively.

Stress test data at the end of 2024 shows, for interest rate risk, an exposure equal to EUR 147,000 for a variation of +50% of interest rates, with a minimum variation of 50 basis points; the exposure is focused on the EUR rate risk for 81.2% and on USD rate risk for the 18.6%.

The management and monitoring of risk are also supported by the position keeping system utilised by the Finance&Treasury Department which allows the monitoring of positions and profits with different levels of aggregation, from single deal to portfolio.

5.3.1.2 Quantitative information

1. Trading portfolio: detail by re-pricing date of financial assets and liabilities on balance sheet and financial derivatives

Type / Re-pricing date	On demand	Up to 3 months	3 - 6 moths	6 – 12 months	1 - 5 years	5 - 10 years	Over 10 years	Undefined
1. Cash assets								
1.1 Debt securities								
- with early redemption option								
- other					34,676			
1.2 Other assets								
2. Cash liabilities								
2.1 Repurchase agreements								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								

2. Trading portfolio: detail of equity securities and index exposures for the main countries' quoted markets

At 2024 year-end, IOR does not hold equity securities in trading portfolio.

With reference to the price risk of other financial instruments classified as held for trading, at the end of 2024, the Institute's portfolio had the following exposure:

— Closed-end investment funds with a book value amount to zero (2023: EUR 5.85m).

5.3.2 Interest rate risk and price risk of portfolios other than trading portfolio

5.3.2.2 Quantitative information

1. Portfolios other than trading portfolio: detail by re-pricing date of financial assets and liabilities

Type / Re-pricing date	On demand	Up to 3 months	3 - 6 months	6 - 12 months	1 - 5 years	5 - 10 years	Over 10 years	Undefined
1. Cash assets								
1.1 Debt securities								
- with early redemption option		16,148			398,448	24,061		
- other					1,304,681	313,949	2,120	
1.2 Loans to banks	156,159							
1.3 Loans to customers								
- current accounts	216							
- other loans:								
a) with early redemption option	2,401							
b) other	40,730							
2. Cash liabilities								
2.1 Due to customers								
- current accounts	1,619,970							
- other liabilities:								
a) with early redemption option								
b) other		28,060	6,615	21,386	709			
2.2 Due to banks								
- current accounts								
- other liabilities								
2.3 Debt securities								
- with early redemption option								
- other								
2.4 Other liabilities								
- with early redemption option								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 Without underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
4. Other off balance sheet transactions								
+ Long positions								
+ Short positions								

Regarding interest rate risk for financial instruments other than those classified as trading, the Institute's exposure refers to the assets measured at amortised cost and assets measured at fair value through other comprehensive income.

The application of a variation of interest rates of +/- 100 basis points to the portfolio, including other financial instruments (EUR 2.0bn) shows a potential impact of EUR 36.5m, in terms of variation of the coupon flow representing 70.8%, 111.3% and 5.0% of interest margin, profit for the year and equity, respectively.

With reference to the price risk of financial instruments not classified as trading, at the end of 2024, the Institute's portfolio had the following exposure:

— Equity instruments measured at FVOCI EUR 2.4m;

— Investment in subsidiaries S.G.I.R. S.r.l. EUR 15.8m, minority shareholding in Ste Immobiliere Bourbonnaise EUR 130,000.

Regarding limits, the Board of Superintendence established thresholds for the investment in financial assets included in the *Held to collect* portfolio concerning credit quality and maturity. For this portfolio, a measure of VaR is also calculated (respectively EUR 1.3m, 1.9m and 2.5m of minimum, medium and maximum daily value), but not associated with limits.

At the end of the year, the 1-day VaR was equal to EUR 1.5m.

A VaR measure is also calculated for the *Held to Collect and Sell* business model (1.7m, 2.0m and 2.7m are respectively the minimum, average and maximum daily values for the year); at the end of the year, the 1-day VaR was EUR 1.8m.

5.3.3 Currency risk

General aspects, operating procedures and methods for measuring currency risk

5.3.3.1 Qualitative information

Currency risk is the risk that the Institute can incur losses due to the adverse variation of currency rates. As mentioned above, the management of currency risk is based on the system in place for the management of financial risks.

For the currency rate, as it was for interest rates, custom stress scenarios were used for each currency providing shock higher for minor currencies and for those not pegged to the Euro. The potential impact of these shocks, only for Assets at year-end 2024, on the trading component would not have generated losses as there were no currency positions.

5.3.3.2 Quantitative information

1. Detail by currency of financial assets, liabilities and derivatives

	Currencies					
	USD	GBP	CAD	AUD	CHF	Other currencies
A. Financial assets						
A.1 Debt securities	388,092				5,233	
A.2 Equity securities	2,264					
A.3 Loans to banks	24,825	3,977	3,243	996	9,709	2,126
A.4 Loans to customers	1					
A.5 Other financial assets	7,634	305	508	317	444	263
B. Other assets						
C. Financial liabilities						
C.1 Due to banks						
C.2 Due to customers	434,715	4,710	3,337	819	15,844	108
C.3 Debt securities						
C.4 Other financial liabilities	2,956		2	52	6	33
D. Other liabilities						
E. Financial derivatives						
- Options						
+ Long positions						
+ Short positions						
- Other derivatives						
+ Long positions						
+ Short positions						
Total Assets	**422,816**	**4,282**	**3,751**	**1,313**	**15,386**	**2,389**
Total Liabilities	**437,671**	**4,710**	**3,339**	**871**	**15,850**	**141**
Difference (+/-)	**(14,855)**	**(427)**	**412**	**442**	**(464)**	**2,247**

The exchange rate risk exposure resulting from the application of the aforementioned stress tests of 100 basis points resulted in an amount equal to EUR 36,000, representing 0.07%, 0.11% and 0.01% of interest margin, profit for the year and equity, respectively.

The difference (+/-) in U.S. dollars (-14.9m) does not represent a foreign exchange exposure but is due to the "Fair value reserve of financial asset at fair value through other comprehensive income " with regard to debt securities in U.S. dollars.

2. Internal models and other methods for sensitivity analysis

For the capital requirement calculation related to currency risk, the IOR adopted the standard methodology provided by ASIF Regulation no. 1/2015.

5.4 Derivative instruments
Derivative instruments and hedging policies

In 2024, IOR did not hold derivative financial instruments.

5.5 Liquidity risk
Information on liquidity risk and relative hedging policies

5.5.1 Qualitative information

5.5.1.1 General aspects, operating procedures and methods for measuring liquidity risk

Liquidity risk is the risk that the Institute will encounter difficulties in meeting payment obligations by cash or by expected or unexpected delivery, compromising daily operations or the financial situation.

Regarding liquidity risk, during 2024, the IOR did not encounter any notable problems; at year-end 2024, the liquidity risk indicator (LCR), calculated over a period of 30 days, resulted in a value equal to 5095%, well above the regulatory the minimum threshold of 200% established by RAF; the increase over the previous year (2023: 3942%) is mainly due to an increase in investments in highly liquid assets, mainly in Euro or US government bonds. It is important to note that Institute's liabilities are represented by its own equity and deposits from customers, mainly on demand. Moreover, the Institute does not carry out funding transactions on the interbank market or on the capital market.

Due to the specific characteristics of the IOR customers, deposits are considered mainly "stable" in accordance with the methodological guide provided by the EBA for the calculation of risk indicators (cfr. The EBA methodological guide risk indicators and detailed risk analysis tools).

From an organisational standpoint, the Institute's liquidity risk is managed by the Finance&Treasury Department, which monitors the expected and realised flows in currencies and maintains an adequate portfolio of liquid assets to meet any unexpected payments.

Monitoring of liquidity and adherence to liquidity operating limits is performed daily by the Risk Management Department.

5.5.2 Quantitative information

The following tables show the Institute's assets and liabilities with current values, divided by contractual maturities of the financial liabilities and the expected maturities of the financial assets. The first table includes only financial assets and liabilities in Euro, while the second table comprises only financial assets and liabilities in currencies other than the Euro.

1.1 Detail by contractual residual maturity of financial assets and liabilities in Euro

Type / Residual maturity	On demand	1 - 7 days	7 - 15 days	15 – 30 days	1 - 3 months	3 - 6 months	6 -12 months	1 - 5 years	Over 5 years	Undefined
Cash assets										
B.1 Government bonds			10,663	166	58,682	147,653	124,782	567,843	182,727	
B.2 Other debt securities			1,676	20,891	28,783	52,015	81,454	457,881	35,800	
B.3 UCI units										
B.4 Loans										
- Banks	111,283									
- Customers	217							531	42,599	
Cash liabilities										
B.5 Deposits and current accounts										
- Banks										
- Customers	1,169,460		1,610	765	22,878	6,565	15,221	709		
B.6 Debt securities										
B.7 Other liabilities										
Off balance sheet transactions										
B.8 Financial derivatives with exchange of capital										
- long positions										
- short positions										
B.9 Financial derivatives without										
exchange of capital										
- long positions										
- short positions										
B.10 Deposits and loans to be settled										
- long positions										
- short positions										
B.11 Irrevocable commitments to										4,000
lend funds										
- long positions									980	
- short positions										
B.12 Financial guarantees granted										
B.13 Financial guarantees received										
B.14 Credit derivatives with exchange of capital										
- long positions										
- short positions										
B.15 Credit derivatives without exchange of capital										
- long positions										
- short positions										

IOR does not hold financial assets subject to securitisation transactions.

1.2 Detail by contractual residual maturity of financial assets and liabilities in currencies other than the Euro

Type / Residual maturity	On demand	1 - 7 days	7 - 15 days	15 – 30 days	1 - 3 months	3 - 6 months	6 -12 months	1 - 5 years	Over 5 years	Undefined
Cash assets										
B.1 Government bonds		64	82	18	10,133	26,482	12,412	131,194	38,787	-
B.2 Other debt securities		58	214	55	7,333	5,152	17,918	145,350	19,107	-
B.3 UCI units										
B.4 Loans										
- Banks	44,876									
- Customers										
Cash liabilities										
B.5 Deposits and current accounts										
- Banks										
- Customers	450,511			1,952	854	50	6,165			
B.6 Debt securities										
B.7 Other liabilities										
Off balance sheet transactions										
B.8 Financial derivatives with exchange of capital										
- long positions										
- short positions										
B.9 Financial derivatives without										
exchange of capital										
- long positions										
- short positions										
B.10 Deposits and loans to be settled										
- long positions										
- short positions										
B.11 Irrevocable commitments to lend funds										
- long positions										
- short positions										
B.12 Financial guarantees granted										
B.13 Financial guarantees received										
B.14 Credit derivatives with exchange of capital										
- long positions										
- short positions										
B.15 Credit derivatives without exchange of capital										
- long positions										
- short positions										

IOR does not hold financial assets subject to securitisation transactions.

5.6 Operational risk

Information on operational risk and relative hedging policies

5.6.1 General aspects, operating procedures and methods for measuring operational risk

Operational risk represents the risk of loss caused by inadequacy and failure of processes, human resources and internal systems, or caused by external events.

Operational risk does not include strategic and reputational risks, but includes legal risk, which is the risk of loss from violations of laws and regulations, contractual or non-contractual liability, or other disputes.

Operational risk includes, among other things, the risk arising from the insufficient process setting (for example, absence or inadequacy of line controls), human resources risk (for example, a lack of professional training for staff), and IT risk (for example, inadequacy of the computer system that could cause loss of data or interruption of operations) or risk from external cyber-attacks.

The Institute has adopted a policy for the management of operational risk and has implemented a framework for the identification, assessment, management and monitoring of operational risk. More specifically, the Institute has defined the process of data collection of losses and related accounting reconciliation process. In addition, the Institute monitors risk evolution through the analysis of results of Key Risk Indicators defined on the relevant processes and identifies action plans for mitigation of the key risks.

Within the annual Risk Self-Assessment, the operational risk inherent in each process is evaluated, identifying the Risk Map of the Institute's operational risks. The recognition and monitoring of Operational Risks are supported by a dedicated IT system (SIRO, Sistema Informatico dei Rischi Operativi) which tracks potential risks and incidents, losses, Key Risk Indicators, existing and additional control measures required for risk mitigation, actions being taken, business/governance or support processes involved.

Regarding the year 2024, 55 (2023: 46) operational risk events were recorded, with total losses of EUR 72,000 (2023: EUR 118,000). Compared to the previous year, there was a slight increase in the number of events while losses were reduced by 39% mainly due to the successful recovery of some losses. The total amounts of losses do not include recoveries from counterparties as penalties for delayed settlements in securities trading as they are not attributable to individual transactions. The number of events does not include late settlements.

It should be noted that operational risk events include both accidents with loss and incidents without loss (near misses) and that the calculation of net losses does not include legal expenses for lawsuits.

Part 6. Information concerning equity

6.1 Shareholders' Equity

6.1.1 Qualitative information

The Institute's equity represents capital funding provided by the owner or generated by the business to create value.

In managing capital (a broader concept than "equity" presented in the balance sheet and consistent with regulatory capital, which is not comprised solely of equity in the strict sense), the Institute's objectives are:

- to safeguard the Institute's ability to continue as an ongoing concern, so that it can continue to provide benefits for all stakeholders;
- to maintain a strong capital base to support business growth.

The Institute pursues its objectives of capital management during the planning processes, through the analysis of risks associated with planned activities, and during the monitoring processes through the analysis and monitoring of compliance with limits.

In managing capital, the Institute observes regulatory capital requirements established by the regulatory framework related to prudential supervision.

6.1.2 Quantitative information

6.1.2.A.1 Detail

	2024	2023
1.Capital	300,000	300,000
2.Reserves		
(a) Earning reserves		
(i) Unavailable	100,000	100,000
(ii) Available	348,200	331,202
(b) Other	1,629	1,498
3.Equity instruments		
4.Valuation reserves		
(a) Financial asset at fair value through other comprehensive income	(36,877)	(71,416)
(b) Tangible assets		
(c) Intangible assets		
(d) Hedging of foreign investments		
(e) Cash flows hedging		
(f) Hedging instruments (non-designated items)		
(g) Exchange differences		
(h) Non-current assets held for sale		
(i) Financial liabilities at fair value through profit or loss (change in credit rating)		
(j) Actuarial gains (losses) on defined benefit plans	(18,779)	(23,432)
(j.1) Return on Plan Assets of defined-benefit plans	4,983	(889)
(k) Share of valuation reserves connected with investments carried at equity		
5.Profit (loss) for the year	32,760	30,598
Total	**731,916**	**667,561**

Capital, clearly identified as a component of Equity, represents a permanent endowment that cannot be reduced or distributed, except in case of cessation or liquidation of the entity.

Unavailable Reserves are profit reserves designed to further strengthen the Institute's Equity and long-term stability.

Available or "distributable" Reserves are earnings available for distribution, following to a resolution of the Commission of Cardinals. Available Reserves increased during 2024, as a result of the allocation of a portion of the 2023 net result. In fact, when distributing the 2023 net profit, EUR 17.0m was allocated to the Reserves of the Institute.

Other Reserves consists of the First-Time Adoption Reserve created on 1 January 2018 in order to achieve the equity impacts arising from the first-time adoption of the accounting standard IFRS 9-*Financial instruments* and the Minority shareholding unavailable reserves includes the value of the shareholding in the company Ste Immobiliere Bourbonnaise recognised at cost, identified using the equity method, and annually revalued using the equity method.

Other Reserves also includes realised profit of equity securities not held for trading for which the entity applies the option granted by the standard measuring the assets at fair value through other comprehensive income ("FVOCI option").

Valuation Reserves for Financial asset at fair value through other comprehensive income represent the net fair value gain/loss recognised on debt securities managed according to the *Held to Collect and Sell* business model that pass the SPPI test and on equity securities designated at fair value through other comprehensive income.

Valuation Reserves for Actuarial gains (losses) on defined benefit plans represent the actuarial unrealised gain or loss related to both the post-employment benefit plans. Reserves include the Return on Plan Assets related to the Pension Fund.

6.1.2.A.2 Fair value reserve of financial assets at fair value through other comprehensive income: detail

	2024		2023	
	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve
1.Debt securities	-	(39,176)	-	(73,190)
2.Equity securities	2,299	-	1,774	-
3.Loans				
Total	**2,299**	**(39,176)**	**1,774**	**(73,190)**

6.1.2.A.3 Fair value reserve of financial assets at fair value through other comprehensive income: annual changes

	Debt securities	Equity securities	Loans
1.Opening balance	**(73,190)**	**1,774**	
2.Positive changes			
2.1 Fair value increases	42,358	525	
2.2 Reclassification from negative reserves to the Income statement:			
- For impairment for credit risk			
- For disposal			
2.3 Transfer to other components of equity (equity securities)			
2.4 Other changes			
3.Negative changes			
3.1 Fair value decreases			
3.2 Impairment for credit risk			
3.3 Reclassification from positive reserves to the Income statement:			
- For disposal	(8,344)		
3.4 Transfer to other components of equity (equity securities)			
3.5 Other changes			
4.Closing balance	**(39,176)**	**2,299**	

6.1.2.A.4 Valuation reserves related to defined benefit plans- Actuarial gains (losses): annual changes

	Provision for pensions	Staff severance provision	Defined benefit plans
1.Opening balance	**(22,005)**	**(1,427)**	**(23,432)**
2.Positive changes			-
2.1 Actuarial gain of the year on defined benefit plans	4,754		4,754
3.Negative changes			
3.1 Actuarial loss of the year on defined benefit plans		(101)	(101)
4.Closing balance	**(17,251)**	**(1,528)**	**(18,779)**

6.1.2.A.5 Valuation reserves related to defined benefit plans- Profitability: annual changes

	Provision for pensions	Defined benefit plans
1.Opening balance	**(889)**	**(889)**
2.Positive changes		
2.1 Profit of the year on defined benefit plans		
- Realised gain	5,568	5,568
- Unrealised gain	304	304
3.Negative changes		
3.1 Loss of the year on defined benefit plans		
- Realised Loss		
- Unrealised Loss		
4.Closing balance	**4,983**	**4,983**

6.2 Own equity and prudential supervision ratios

6.2.B.1 Own equity

	2024	2023
A. Positive components		
1.Capital	300,000	300,000
2.Supplemental Capital		
(a) Retained earnings		
(i) Unavailable	100,000	100,000
(ii) Available	348,200	331,202
(iii) Others	1,629	1,498
(b) Provisions		
(c) Reserves	(50,673)	(95,737)
3.Positive prudential filter IAS/IFRS		
B. Negative components		
1.Goodwill		
2.Intangible assets	(1,560)	(2,154)
3. Impairments on loans		
4. Losses recognised in previous years and in current year		
5. Regulatory downs of assets carried at fair value		
6.Negative prudential filter IAS/IFRS	(3,641)	(1,860)
Common Equity	**693,955**	**632,949**

Capital is defined by ASIF Regulation no.1 art. 3 (8) as the initial funding or subsequent integration of capital by the Holy See or Vatican City State:

a) it is paid pursuant to the legislation of the Holy See and Vatican City State;

a) it is clearly and distinctly identified in the financial statements;

a) it cannot be reduced or distributed, except in the case of cessation or liquidation of the entity, ensuring that it is distributed proportionally to legitimate creditors, in accordance with the legislation of the Holy See and Vatican City State, and acquired by the Apostolic See.

For regulatory purposes, the term "Capital" shall be considered as equivalent to "core capital".

The Supplemental Capital is defined under the ASIF Regulation no. 1 art. 3 (68) as the sum of retained earnings, accumulated as other comprehensive income and other reserves.

The Common Equity is defined under Regulation no. 1, art. 3 (12) as:

— the sum of the following positive components:
    a) the Capital;
    b) the Supplemental Capital;
— deducting the following components:
    a) goodwill;
    b) intangible assets;
    c) adjustments to the value of receivables;
    d) losses recognised in previous financial periods and in the current period;
    e) adjustments to the regulatory value of assets measured at fair value.

For regulatory purposes, "common equity" shall be considered as equivalent to "common equity tier 1".

Regulatory capital consists of common equity and is calculated by the Institute on a monthly basis, although the Supervisory Authority requires that it be calculated only quarterly.

The Common Equity at the end of 2024 amounted to EUR 694.0m (2023: EUR 632.9m).

Considering the items comprising the Institute's equity, the sole prudential filter in common equity is applied to the positive fair value reserve relating to debt securities at fair value through other comprehensive income that are managed according to the *Held to Collect and Sell* business model and positive fair value reserve relating to equity securities designated at fair value through other comprehensive income having utilised the "FVOCI option". These reserves are computed using a negative prudential filter, for an amount equal to 50%. As at 31 December 2024, the prudential filter relates to FVOCI equity securities and Pension Plan Assets equity and bond securities.

Prudentially in the calculation of the Regulatory Capital 2024, the Net profit for the year was not included.

6.2.B.2 Capital adequacy

The monitoring of key ratios is performed by the Risk Management Department, in order to monitor compliance with regulatory requirements.

The table below shows the data relating to capital requirements at the end of 2024 and corresponding values for the previous year.

Category/Amount	Unweighted amounts		Weighted amounts/Capital requirements	
	2024	2023	2024	2023
Risk asset				
A.1 Credit and counterparty risk				
1. Standardised approach	2,411,404	2,337,088	862,225	934,590
2. Approach based on internal ratings				
2.1 Based				
2.2 Advanced				
3. Securitisations				
B. Capital requirements				
B.1 Credit and counterparty risk			68,978	74,767
B.2 Credit valuation adjustment risk				
B.3 Settlement risk				
B.4 Market risk				
1. Standardised approach			3,992	4,072
2. Internal model				
3. Concentration risk				
B.5 Operational risk				
1. Basic indicator approach			6,992	5,861
2. Standardised approach				
3. Advanced approach				
B.6 Other calculation elements				
B.7 Total capital requirements			79,962	84,700
C. Risk weighted assets and capital ratios				
C.1 Risk-weighted assets			999,524	1,058,750
C.2 Capital/ Risk-weighted assets			30.01%	28.34%
C.3 Common equity/Risk-weighted assets (Tier 1)			69.43%	59.78%

The increase in the Tier 1 ratio compared to the end of the previous year is mainly due to the increase of Common Equity for the improvement of the reserves of securities at Fair Value Through OCI and for the allocation of a portion of the 2023 net result. There was also a decrease in credit, counterparty and market risk.

Accordingly, securities subject to credit and counterparty risk increased from EUR 2.3bn at the end of 2023 to EUR 2.4bn at the end of 2024 with a Capital Requirement at around EUR 69m compared to EUR 75m in previous year; the improvement in this requirement is also linked to the improved credit quality of the issuers in the portfolio, mainly investment grade Euro area government bonds. Conversely, Capital Requirement related to market risk decreased slightly from EUR 4.1m in 2023 to EUR 4.0m in 2024.

In line with this, Capital/Risk-weighted assets reached 30.01% and Common equity/Risk-weighted assets reached 69.43%.

Part 7. Related party transactions

Related parties of the Institute include the Commission of Cardinals and key management personnel (Board of Superintendence and Director General).

Transactions with these related parties relate to salaries and remuneration.

Details of key management compensation

Compensation due to related parties was EUR 526,000 in 2024, of which EUR 200,000 was not yet paid as at 31 December 2024.

These amounts are related to Board of Superintendence and Director General and are recognised in the Income Statement as Staff Expenses.

Members of the Commission of Cardinals do not receive any remuneration for their role at the IOR.

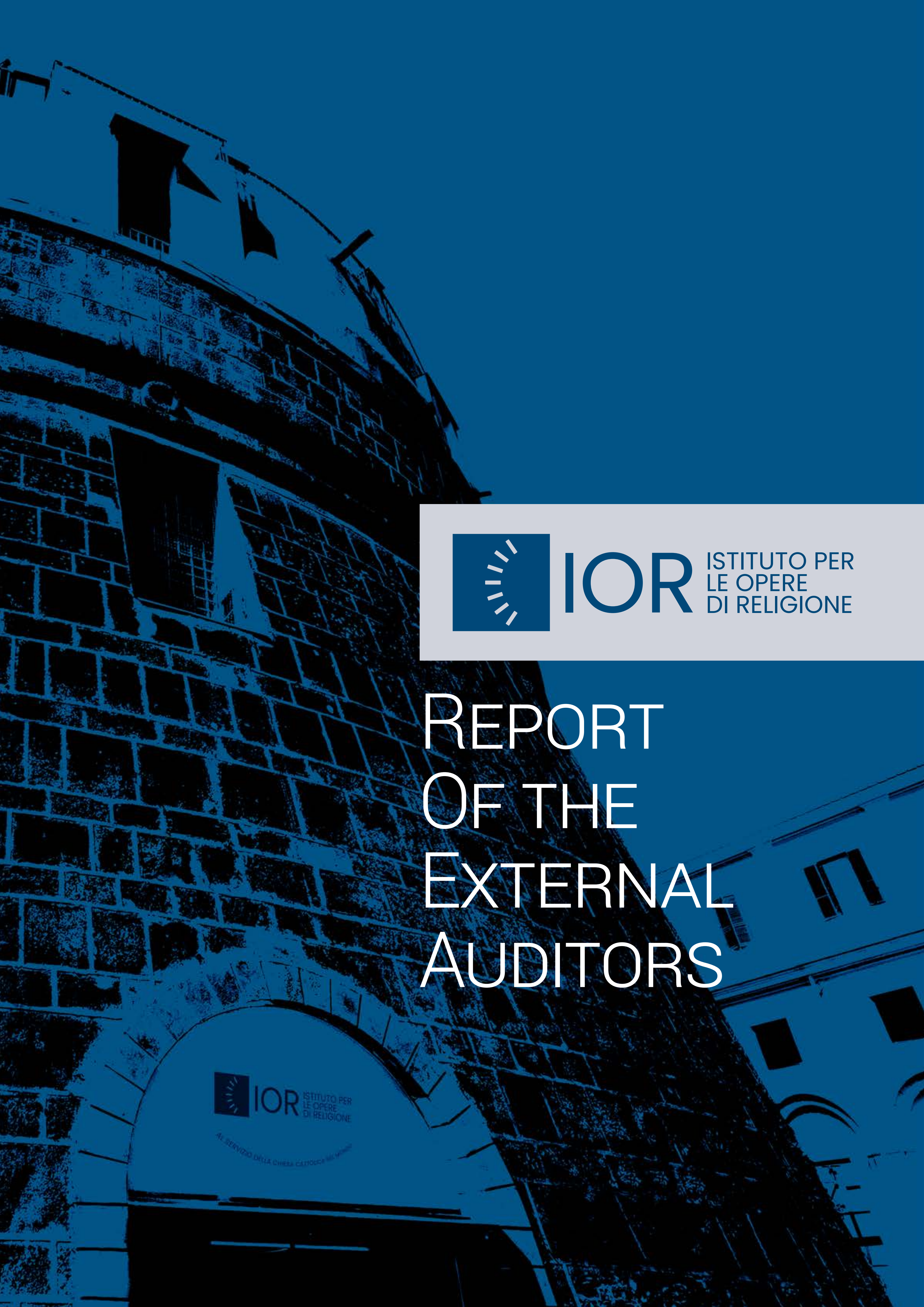
Related-party transactions

During 2024, there were no transactions with key management, except for the management of the deposit accounts opened with the Institute and the salaries and remuneration discussed above.

As at the balance sheet date, the balance of deposits by the members of the Commission of Cardinals was EUR 1.2m.

Key management personnel had deposits totaling EUR 327,000.

Furthermore, the Institute signed a lease agreement with S.G.I.R. S.r.l. for the use of 3 real estate properties for free. In 2024, S.G.I.R. S.r.l. earned rental income for EUR 74,000 on these properties.



IOR
ISTITUTO PER
LE OPERE
DI RELIGIONE

Report Of the External Auditors

Istituto per le Opere di Religione

Independent auditors' report

(translation of the original report issued in Italian)*

Financial statements as of 31 December 2024

ORMB/NSDN/vbrb – R202500506

Via dei Due Macelli, 9
00187 Roma
Tel: +39 06 83365900
forvismazars.com/it

Independent auditors’ report
(translation of the original report issued in Italian)*

To the Members of the Board of Superintendence
of Istituto per le Opere di Religione

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Istituto per le Opere di Religione (the "Institute”) which comprise the balance sheet as of December 31, 2024 and the income statement, statement of comprehensive Income, statement of changes in equity and cash flow statement for the year then ended and explanatory notes, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Institute as of December 31, 2024, and of the result of its operations and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and endorsed by the European Union and the requirements of the regulations issued by the Supervisory and Financial Information Authority of the Vatican City State (the “Requirements”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the section of this report titled *Auditor’s Responsibilities for the Audit of the Financial Statements*. We are independent of the Institute in accordance with the ethical and independence principles of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants and we have fulfilled our responsibilities in accordance with these principles. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Superintendence and the Directorate are responsible for the preparation of the sections of the management report within their respective competence in accordance with the Requirements. Our opinion on the financial statements does not cover the management report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management report controlling the presentation of the same in all its components and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the management report, we are required to report that fact. We have nothing to report in this regard.

Forvis Mazars S.p.A.

Capitale sociale deliberato, sottoscritto e versato € 120.000 - Sede legale: Via Ceresio, 7 - 20154 Milano
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Responsibilities of Directorate for the Financial Statements

The Directorate is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and endorsed by the European Union as well as the Requirements and for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directorate is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directorate either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of Internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directorate;
- conclude on the appropriateness of Directorate's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Institute to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, identified at an appropriate level as required by ISAs, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rome (Italy), 14 April 2025

Forvis Mazars S.p.A.

Signed on the original

Olivier Rombaut
Partner

(*)This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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