BANCA IFIS

Draft
Annual reports

2019

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Banca IFIS S.p.A - Registered office in Via Terraglio 63
30174 Venice - Mestre - Venice Companies Register Number and Tax Code 02505630109
VAT No. 04570150278 - Economic and Administrative Index (REA) number: VE – 0247118
Fully paid-up share capital: 53.811.095 Euro - Registered with the Official List of banks under no. 5508 Parent Company of the Banca IFIS S.p.A. banking group - Member of the National Guarantee Fund, the National Deposit Protection Fund, the Italian Factoring Association and Factors Chain International.

Letter from the Chairman to Shareholders

Sebastien Egon Fürstenberg

Chairman of Banca Ifis

Dear Shareholders,

2019 was a year of change and important decisions, which we made with a due sense of responsibility. A managerial change has taken place with a view to strengthening the growth enjoyed in recent years. The new management team will have the task of implementing the new Business Plan and growth strategy outlined for the next three years: a challenging entrepreneurial design that will need to go hand-in-hand with a suitable, appropriate monitoring of regulatory capital.

In the last 25 years, Banca IFIS's equity has grown by approximately 1,5 billion Euro and the Bank has paid approximately 0,4 billion Euro in dividends. At current stock market prices, the Bank offers one of the highest returns offered by the Italian banking system. In the last ten years, Banca IFIS stands fourth amongst the listed Italian banks in terms of profit generated and has not applied any capital increases.

The scenario uncertainties deriving from the spread of the Covid-19, which is striking our country and the whole world so severely, lead us to be cautious and pay careful attention, even if the history of Banca IFIS and the results always achieved put us in a position where we are aware that we will overcome this phase.

The majority shareholder maintains a long-term vision of creating value over time, thanks to a strategy focussed on the continuous production of sustainable profits and self-financing, thereby assuring its shareholders a suitable return.

This year we are again offering a larger dividend, confirming our strong track record of solidity, which once again makes it possible to reward those who have decided to invest in Banca IFIS.

I would like to thank everyone who has helped make Banca IFIS what it has become today: shareholders, collaborators, the management, customers and suppliers.

Sebastien Egon Fürstenberg, Banca IFIS Chairman

Letter from the CEO to Shareholders

Luciano Colombini

CEO of Banca Ifis

Dear Shareholders,

In 2019 we laid the foundation and groundwork for the next three years.

The Business Plan, presented last 14 January, outlines the Bank's strategy and the objectives to be reached by 2022, calling for, thanks to the significant growth of the core businesses, a net profit of 147 million Euro, a return on tangible equity of 8,9%, 60 million Euro in new investments and 190 new employees.

We analysed our competitive positioning and capital and cost allocation to the various business units as part of the process of preparing the Business Plan to define the Group's strategy and offer increasing transparency to the market. These assets highlighted that all business units remain profitable and represent a leadership position in their markets of reference.

The activities and projects described in the Business Plan are already being implemented and will be pursued and monitored carefully in the next few quarters. One early step included the sale of the Milan property, which generated a pre-tax capital gain of approximately 25 million Euro that will be recorded in the 2020 financial statements, with annual savings, when fully organised, of around 1,5 million Euro in operating costs.

The 2020-22 Business Plan envisages a greater diversification of the funding mix, with the issue of 1,7 billion Euro in bonds over 3 years. In this context, on 18 February, a 400 million Euro senior bond was issued, which enjoyed high demand with final orders, more than 60% of which came from foreign investors, more than three times the amount allocated.

In 2019, in the NPL business, the acquisition was completed of the entire share capital of the servicer FBS, in order to speed up the synergies deriving from the complementary nature of the know-how of Banca IFIS (unsecured retail) and FBS (secured & corporate). The purchase objectives in terms of NPL have been achieved, thereby confirming our dynamic operation on the market and the excellent capacity for execution. In the coming years, the business should also expand into the secured segment through the acquisition of specialised small servicer teams.

In Commercial Banking, we continued to finance the real economy, confirming our role as a bank devoted to serving SMEs, while reaching our targets in terms of revenues and achieving a gradual decline in the loss rate, which in previous years reached extraordinary peak levels due to the crisis in the construction sector. In the near future we will further increase our presence in the small and medium enterprises segment and focus on constantly developing our distribution and operation model to include a wider range of products and investments in digital innovation that will allow us to further expand our customer base.

With the rebranding activity envisaged for this year, we aim to make the Bank's brand more recognisable and increase awareness of such on the reference market.

We will invest in sustainability both through the use in all Group offices of energy obtained 100% from renewable sources and the implementation of a "plastic free" corporate culture, as well as by introducing specific "green" financing programmes and products, focussed on supporting activities and investments for the environmental sustainability of the corporate business.

Finally, we must mention the rather specific events involving the country presently with the Coronavirus emergency. The scope of this major health issue, which is impacting both the economy and the everyday lives of the Italians, cannot currently be forecast, even if clearly we will suffer the slow-down, which we hope will be as brief as possible, of all public and private production activities.

Moreover, the equity and economic structure of Banca IFIS is without doubt well able to overcome the effects of this crisis, without any major issues in terms of its solidity and capacity to generate profit over time. We are certain that with the collaboration enjoyed as always, we will overcome these complicated times, with the enthusiasm and capacity that has always been the hallmark of the Bank.

Luciano Colombini, Chief Executive Officer of Banca Ifis

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1.

Corporate Bodies

Board of Directors

Chairman	Sebastien Egon Fürstenberg
Deputy Chairman	Ernesto Fürstenberg Fassio
CEO	Luciano Colombini (1)
Directors	Simona Arduini
	Monica Billio
	Beatrice Colleoni
	Alessandro Csillaghy De Pacser
	Roberto Diacetti
	Divo Gronchi
	Luca Lo Giudice
	Antonella Malinconico
	Daniele Umberto Santosuosso

(1) The CEO has powers for the ordinary management of the Company.

General Manager

Alberto Staccione

Board of Statutory Auditors

Chairman	Giacomo Bugna
Standing Auditors	Marinella Monterumisi
	Franco Olivetti
Alternate Auditors	Alessandro Carducci Artenisio
	Giuseppina Manzo

Independent Auditors

EY S.p.A.

Corporate Accounting Reporting Officer

Mariacristina Taormina

BANCA IFIS

Fully paid-up share capital: 53.811.095 Euro
Bank Licence (ABI) No. 3205.2
Tax Code and
Venice Companies Register Number: 02505630109
VAT No.: 04570150278
Enrolment in the Register of Banks No.: 5.508
Registered and administrative office
Via Terraglio, 63 – 30174 Mestre – Venice
Website: www.bancaifis.it

FCI
Facilitating Open Account - Receivables Finance

Member of FCI

2.

Directors' report

2.1 Introductory notes on how to read the data

In comparing the period numbers, consideration must be given to the first application of IFRS 16.

Starting 1 January 2019, the Bank adopted the new accounting standard IFRS 16 Leases. As permitted under the transitional provisions of IFRS 16, the Bank elected not to restate the comparative information in the year of initial application of IFRS 16; therefore, the amounts for 2018, calculated under IAS 17, are not fully comparable. In particular, the modified retrospective approach B (paragraph C5 letter b, C7 and C8 letter b.ii of appendix C to IFRS 16) has been applied, which provides for the possibility of recognising the asset consisting of the right of use at the date of initial application for an amount equal to the liability of the lease; according to this approach, at the date of first application, no difference emerges in the opening consolidated equity of Banca Ifis. The right of use, and consequently the related financial liability, amounted to 11,0 million Euro at 1 January 2019.

With regard to the economic data for the period of nine months ended 31 December 2019, based on the provisions of IFRS 16, it should be noted that:

- net interest income includes, among interest expense, the interest accrued on financial liabilities for leases;
- net impairment losses/reversals on property, plant and equipment include the amortisation of rights to use assets under lease contracts;
- other administrative expenses no longer include lease payments relating to contracts falling within the scope of application of IFRS 16.

In view of the above, the economic data for the comparison periods is not fully comparable.

2.2. Highlights

Reclassified data: in the following statements, until the date the relevant business unit was spun off, net impairment losses/reversals on receivables related to NPL operations were entirely reclassified to Interest receivable and similar income to present more fairly this particular business and because they represent an integral part of the return on the investment.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2019	31.12.2018	ABSOLUTE	%
Financial assets measured at fair value through other comprehensive income	1.173.803	432.089	741.714	171,7%
Due from banks measured at amortised cost	460.578	394.151	66.427	16,9%
Receivables due from customers measured at amortised cost	6.912.409	6.741.482	170.927	2,5%
Total assets	10.126.884	9.099.498	1.027.386	11,3%
Payables due to banks	959.403	756.432	202.971	26,8%
Payables due to customers	6.328.711	5.577.057	751.654	13,5%
Debt securities issued	1.067.529	979.002	88.527	9,0%
Equity	1.352.244	1.368.465	(16.221)	(1,2)%

INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	YEAR		YEAR	
	2019	2018	ABSOLUTE	%
Net banking income	276.194	429.167	(152.973)	(35,6)%
Net credit risk losses	(87.005)	(97.796)	(10.791)	(11,0)%
Net profit (loss) from financial activities	189.189	(331.371)	(142.182)	(42,9)%
Operating costs	(150.441)	(214.845)	(64.404)	(30,0)%
Gross profit	38.848	116.526	(77.678)	(67,7)%-
Net profit	27.346	82.806	(55.460)	(67,0)%

2.3. KPI

Reclassified data: in the following statements, until the date the relevant business unit was spun off, net impairment losses/reversals on receivables related to NPL operations were entirely reclassified to Interest receivable and similar income to present more fairly this particular business and because they represent an integral part of the return on the investment.

KPI	YEAR		CHANGE
	2019	2018	
ROE	2,0%	6,1%	(4,1)%
ROA	0,4%	1,3%	(0,9)%
Cost/Income ratio	54,5%	50,1%	4,4%
Ratio - Total Own Funds	21,03%	20,41%	0,6%
Ratio - Common Equity Tier 1	15,69%	15,11%	0,6%
Number of company shares (in thousands)	53.811	53.811	0,0%
Number of shares outstanding at year end(1) (in thousands)	53.452	53.441	0,0%
Book value per share	25,30	25,61	(1,2)%
EPS	0,51	1,55	(67,0)%
Dividend per share(2)	1,10	1,05	4,8%
Payout ratio	215,0%	67,8%	147,2%

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

(2) Dividend proposed by Banca Ifis's Board of Directors.

2.4. Context

An analysis of the Italian economic scenario must include an assessment of global trends in an increasingly inter-connected context.

In general terms, 2019 saw the economy record constant growth, albeit fairly moderate, with an average development rate of +1,2% in the Eurozone and +3,1% in the rest of the world (Winter Forecast by the European Commission). In both cases, GDP growth slowed clearly on 2018.

Starting last autumn, some positive developments reduced global risks - see, amongst others, the “Phase One” agreement on trade between the USA and China - whilst other negative evolutions - such as the heightened geopolitical tension in the Middle East and the difficulties seen in Latin American countries in achieving a recovery and above all the dissemination of the Covid-19 - have revealed new critical issues.

More specifically, it is presently difficult to forecast the economic impact in the medium/long-term of the new Coronavirus, as this depends on how extensively it effectively spreads, as well as on the tax and monetary policies the national and supranational authorities will implement, able to restore market trust.

According to an initial assessment by the OECD, there may well be a downturn to global growth in the first half of 2020, as a consequence of the impact on the procurement chains and raw materials, but also following the decline in tourist flows and, above all, the worsening of economic operators’ expectations.

The performance of world trade will be key to the Italian economy, which is, and will remain, very much dependent on exports. Indeed, export demands for Italy rose by 1,3 percent in 2019, down from the 3,6% of the previous three years. In 2020, it is expected to grow by 1,7%, thereby making it basically in line with 2019, before afterwards speeding up to an average of +2,6% in the two-year period (Bank of Italy estimates in the January 2020 Economic Bulletin).

Italy should close 2019 with almost null growth in the domestic product (+0,2% according to ISTAT and European Commission estimates), mainly due to the slowing of world trade, which determined a reduction in industrial production (+1,3% downturn on 2018 measured by ISTAT), the first since 2014.

The forecasts for the next two years show an intrinsic weakness in the Italian economy: estimates regarding the change to the national GDP oscillate, according to the forecasting institute, within a range of +0,3/+0,5% for 2020 and between +0,6% and +0,9% in 2021. More specifically, the 2020 forecast is impacted by a slow start to the first part of the year.

Confirming the weakness of the forecasts in this start to 2020, is the level assumed by the PMI Manufacturing index (Sales Managers’ forecasts) that, even before the latest events, had gone in swings and roundabouts during the month but unfortunately always below the critical level of 50 (47,9 is the value of January 2020), indicating a downturn to the manufacturing industry.

In a context of general uncertainty, however, it is important to also consider that the forecast may be positively impacted by the public finance manoeuvre approved late December 2019 and the specific interventions to be implemented to support the segments experiencing the greatest crisis. The Government’s plans include a major increase to public investments, equal to approximately a cumulative 20 percentage points in the approach to the three-year period. Even if, at least at present, the issues remain unsolved - infrastructural modernisation, justice and bureaucracy - and limit the competitiveness of the Italy system: at present, the OECD Global Competitiveness Index has Italy classed 30th (in 2019).

Reference markets

Enterprises

After having successfully embarked on the route of internalisation - exports grew by 2,5% even in a year as difficult as was 2019 - Italian businesses have now focussed on innovation, with significant growth rates seen in investments (gross fixed investments have increased by more than 3% per year in 2017 and 2018 and by 2,2% in 2019 too).

Italian SMEs, in particular, left the three-year period 2016-2018 stronger, with growing revenues, increasing profitability and a progressive improvement in financial sustainability. The analyses of the Banca Ifis Studies Offices (published in February 2020 with the new edition of the SME Market Watch) confirm this positive trend, highlighting, out of 9 key sectors of “Made in Italy”, an average annual growth of 4,3% in revenues and an average ROE of 8%.

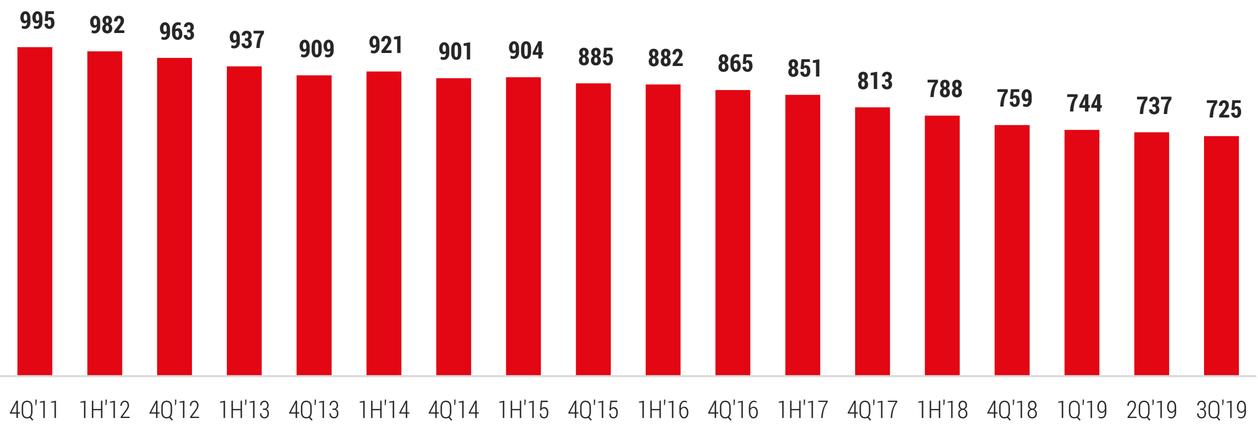
Development of investments to pursue the route of innovation constituted the distinctive trait in the approach taken by the SMEs: the average annual increase in assets available for production comes in at +3,4% in the last three years. Without doubt, public incentives for investments have proven key to sparking this virtuous cycle: 50% of the SMEs interviewed had used them and of these, 70% declared that they were essential to the choice made. For the future, 44% of enterprises have declared that they wish to continue investing, even without new incentives (2019 research carried out by Banca Ifis, in collaboration with Ca' Foscari University of Venice and Padua).

This investment development has not only increased production capacity, rather, indeed first and foremost, it has given rise to a different way of producing. This research has returned a scene whereby technologies play a role as enabler to compete in terms of flexibility (87% of enterprises), customisation of the supply (76%) and production efficiency (65%).

The analysis of the Banca Ifis observatory on SMEs also confirmed the tendency to assure solid financial stability, which has become concrete in the form of an average financial leverage (NFP/EBITDA) of 1,31 in the last three years of financial statements.

The balances of bank loans to enterprises (financial companies and manufacturing families), at the end of the third quarter of 2019, were down 4,4% on the 2018 closing figure and by more than 27%, if compared with December 2011.

Loans (amounts) - Non-financial companies and producer households (Billions of €)



This major decline in bank loans to the production system is hinged on both the greater liquidity of enterprises as a consequence of the increased capacity to self-finance and the lesser tendency of banks to disburse new credit - reduced margins and counterparty risk levels being the main factors - above all in regard to small and micro enterprises.

The reduction in the balances of the traditional bank loan also lies in the increased awareness of enterprises and, once again, particularly for SMEs, in the higher added value that can be achieved through specialised credit. Indeed, annual volumes of leases stipulated on instrumental assets, typically linked to the corporate business, in 2019 reached 9,4 billion Euro, up 45% on the same figure for 2015. Even more relevant is the capacity of factoring to support the liquidity of businesses: 255,5 billion Euro in turnover in 2019, corresponding to an increase of 38% on 2015.

Non-Performing Exposures

The non-performing exposure scenario in the Italian banking system shows the improvement in the gross stock of NPEs, which has halved with respect to the peak seen in 2015. The Banca Ifis Studies Office estimates a 2019 closure at around 145 billion Euro, corresponding to a ratio of NPE over total loans of 7,7%.

This latter figure shows, however, that there is still a long way to go: amongst all European countries, Italy has booked one of the sharpest reduction trends, but still has one of the highest ratios of NPE/loans (8% vs 3% for the European average and vs 5%, which is the target requested by the ECB, EBA data at the second quarter of 2019).

In trend terms, the performance of new flows of non-performing positions remains uncertain: the rate of deterioration of performing loans is lower than it was prior to the crisis (taking 2007 as reference) but the move from UtP (unlikely to pay) to non-performing (NPL) remains higher than that recorded in 2007, due to the negative trend of the Constructions segment.

The NPL (non-performing loan) portfolio transactions market has continued to work intensely in 2019 too, reaching an amount of 32 billion Euro (in terms of GBV) of portfolios sold, in addition to Euro 6 billion in transactions on UtP (unlikely to pay) portfolios. The portion of transactions on the secondary market is up (17% of the 2019 total), as a consequence of the disposals made by the previous investors seeking greater specialisation by portfolio type.

In 2020, portfolio sales will continue to support achievement of the ECB objective of reducing the stock of non-performing positions in the bank accounts: 37 billion are expected in new NPL transactions, with a rising portion of secondary market and another 7 billion in sales transactions on UtP (Banca Ifis NPL Market Watch, January 2020 edition).

2.5. Impact of regulatory changes

Starting 1 January 2019, the following changes have been made both in regard to international accounting standards and to tax matters and, more specifically: Accounting standard IFRS 16 Leases, endorsed by the European Commission with Regulation no. 1986/2017, which annulled and replaced IAS 17, IFRIC 4, SIC 15 and SIC 27; please refer to the paragraph "Impact of the first-time adoption of IFRS 16".

Reintroduction of the 30% depreciation increase for new capital goods (super depreciation) from 1 April 2019 until 31 December 2019, with a maximum ceiling for eligible investments of 2,5 million Euro (Growth Decree - Italian Law no. 58 of 28/06/2019 converting Italian Decree Law no. 34 of 30/04/2019).

Reintroduction of the regulations on aid for economic growth (ACE) with a national return on new capital of 1.3% (2020 Budget Law, Italian Law no. 160 of 27/12/2019)

Introduction of the facilitated definition (Tax peace) of tax disputes in which the Italian Revenue Agency is a party, concerning tax acts, pending in every state and level of justice, in which the first instance appeal was notified to the counterparty by the date of entry into force of the same decree, i.e. by 24 October 2018 (Italian Law no. 136 of 17/12/2018 converting Italian Decree Law no. 119 of 23/10/2018).

Introduction of amnesty to settle incorrect formal obligations (Formal Irregularities) that are not relevant for the purposes of determining the tax base and taxes paid (income tax, VAT and IRAP). In particular, it is provided that violations committed up to 24 October 2018 can be settled by paying 200 Euro for each tax period.

Reopening of the terms for the Tax realignment of the book values of certain corporate assets (2020 Budget Law Italian Law no. 160 of 27/12/2019).

Deferral to subsequent tax periods of the IRES and IRAP deductible portion of the impairment losses on receivables due from customers pursuant to Italian Decree Law no. 83/2015 (Italian Law no. 160 of 27/12/2019).

2.6. Financial and income results

It should be noted that net impairment losses/reversals on receivables of the NPL business till the spin-off (done the 1st of July 2018), were entirely reclassified to interest receivable and similar income to present more fairly this particular business.

Statement of financial positions items

MAIN STATEMENT OF FINANCIAL POSITION ITEMS (in thousands of Euro)	AMOUNTS AT		AMOUNTS AT	
	31.12.2019	31.12.2018	ABSOLUTE	%
Financial assets mandatorily measured at fair value through profit or loss	126.908	195.295	(68.387)	(35,0)%
Financial assets measured at fair value through other comprehensive income	1.173.803	432.089	741.714	171,7%
Receivables due from banks	460.578	394.151	66.427	16,9%
Receivables due from customers	6.912.409	6.741.482	170.927	2,5%
Equity investments	610.861	530.161	80.700	15,2%
Property, plant and equipment and intangible assets	96.971	110.509	(13.538)	(12,3)%
Tax assets	363.303	378.376	(15.073)	(4,0)%
Other assets	382.021	317.406	64.615	20,4%
Total assets	**10.126.884**	**9.099.498**	**1.027.386**	**11,3%**
Payables due to banks	959.403	756.432	202.971	26,8%
Payables due to customers	6.328.711	5.577.057	751.654	13,5%
Debt securities issued	1.067.529	979.002	88.527	9,0%
Financial liabilities held for trading	21.844	31.188	(9.344)	(30,0)%
Other liabilities	397.153	387.353	9.799	2,5%
Equity	1.352.244	1.368.466	(16.221)	(1,2)%
Total liabilities and equity	**10.126.884**	**9.099.498**	**1.027.387**	**11,3%**

Financial assets mandatorily measured at fair value through profit or loss

This item mainly includes loans and debt securities that did not pass the SPPI test, equity securities represented by equity financial instruments, as well as UCITS units.

The reduction in the item is linked to the sale of units of a UCITS fund (held as a cash investment) for approximately 50,0 million Euro insofar as no longer consistent with the Bank's investment policies, to the sale of receivables at fair value for 29,0 million Euro and to the impairment of an equity instrument for 11 million Euro. Net of changes in fair value, this reduction was only partially offset by new subscriptions of units of UCITS funds, for a net amount of 28,0 million Euro, by the subscription of new loans measured at fair value for 14,9 million Euro.

Below is the breakdown of this line item.

FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2019	31.12.2018	ABSOLUTE	%
Debt securities	91	1.935	(1.844)	(95,4)%
Equity securities	-	11.266	(11.266)	(100,0)%
UCITS units	80.197	99.349	(19.152)	(19,3)%
Loans	22.307	51.295	(28.988)	(56,5)%
Total	**102.595**	**163.845**	**(61.250)**	**(37,4)%**

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income amounted to 1.173,8 million Euro at 31 December 2019, up 171,7% from 31 December 2018. The item includes debt securities that have passed the SPPI test and equity securities for which the Bank has exercised the OCI Option.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2019	31.12.2018	ABSOLUTE	%
Debt securities	1.124.635	418.709	705.926	168,6%
Equity securities	49.168	13.380	35.788	267,5%
Total	**1.173.803**	**432.089**	**741.714**	**171,7%**

Debt securities held in the portfolio at 31 December 2019 amounted to 1.124,6 million Euro, up 168,6% compared to the balance at 31 December 2018, mainly driven by the purchase of Italian government securities. Specifically, the item includes 1.093,6 million Euro Italian government securities, whose relative net negative fair value reserve amounts to 0,4 million Euro compared to a net negative reserve of 8,4 million Euro at the end of the previous year.

Here below is the breakdown by maturity of the debt securities held.

Issuer/Maturity	1 year	2 years	3 years	5 years	over 5 years	Total
Government bonds	390.917	363.627	-	228.272	110.787	1.093.603
% of total	*34,8%*	*32,3%*	-	*20,3%*	*9,9%*	*97,2%*
Banks	-	-	-	9.198	6.014	15.212
% of total	-	-	-	*0,8%*	*0,5%*	*1,4%*
Other issuers	-	-	-	8.443	7.377	15.820
% of total	-	-	-	*0,8%*	*0,7%*	*1,4%*
Total	**390.917**	**363.627**	**-**	**245.913**	**124.178**	**1.124.635**
% of total	***34,8%***	***32,3%***	**-**	***21,9%***	***11,0%***	***100,0%***

This item includes also **equity securities** relating to minority interests, amounting to 49,2 million Euro, up 267,4% compared to 31 December 2018. The change is closely linked to the creation, starting from the second half of the year, of a portfolio of listed securities functional to generating income over time. The positive net fair value reserve for these securities totalled 3,0 million Euro.

Due from banks measured at amortised cost

Total Receivables due from banks measured at amortised cost at 31 December 2019 amounted to 460,6 million Euro, compared to 394,1 million Euro at 31 December 2018. The item includes a portion of Receivables due from central banks of 373,7 million Euro (up by 92,8 million Euro on the figure at 31 December 2018).

Receivables due from customers measured at amortised cost

Total **receivables due from customers** amounted to 6.912,4 million Euro, up 2,5% from 6.741,5 million Euro at the end of 2018. The increase is essentially driven by performing exposures, also due to the creation of a portfolio of mainly government securities, aiming to optimise the Bank's liquidity.

RECEIVABLES DUE FROM CUSTOMERS (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING (STAGES 1 AND 2)	TOTAL LOANS
BALANCE AT 31.12.2019						
Nominal amount	247.064	268.352	102.798	**618.214**	6.621.481	**7.239.695**
Impairment losses	(166.556)	(119.674)	(6.184)	**(292.414)**	(34.872)	**(327.286)**
Carrying amount	80.508	148.678	96.614	**325.800**	6.586.609	**6.912.409**
Coverage ratio	*67,4%*	*44,6%*	*6,0%*	***47,3%***	*0,5%*	***4,5%***
Gross ratio	*3,4%*	*3,7%*	*1,4%*	***8,5%***	*91,5%*	**100,0%**
Net ratio	*1,2%*	*2,2%*	*1,4%*	***4,7%***	*95,3%*	**100,0%**
BALANCE AT 31.12.2018						
Nominal amount	258.726	265.648	104.851	**629.225**	6.416.645	**7.045.870**
Impairment losses	(179.263)	(85.412)	(8.954)	**(273.629)**	(30.758)	**(304.387)**
Carrying amount	79.463	180.236	95.897	**355.596**	6.385.887	**6.741.483**
Coverage ratio	69,3%	32,2%	8,5%	**43,5%**	0,5%	**4,3%**
Gross ratio	3,7%	3,8%	1,5%	**8,9%**	91,1%	**100,0%**
Net ratio	1,2%	2,7%	1,4%	***5,3%***	*94,7%*	**100,0%**

Net non-performing receivables due from customers measured at amortised cost come to 80,5 million, +1,3% on the 2018 figure and the ratio of net non-performing positions to loans remains at 1,2%.

The category of **net unlikely to pay** records a balance of 148,7 million, down -17,5% on 2018, with an increase of the coverage ratio that comes in at 44,6%.

Net non-performing past due exposures come to 96,6 million, in line with the previous year's figure (+0.7%). The coverage ratio comes in at 6,0%.

Equity investments

DESCRIPTION	31.12.2019	31.12.2018
IFIS Finance Sp. Z o.o.	26.356	26.356
IFIS Rental Services S.r.l.	120.895	120.895
FBS S.p.A.	70.700	-
IFIS NPL S.p.A.	362.000	362.000
Cap.Ital.Fin S.p.A.	22.110	12.110
Credifarma S.p.A.	8.800	8.800
Total	**610.861**	**530.161**

Equity investments in Group companies come to 610,9 million Euro as compared with the 530,2 million of 2018. The change was closely related to the transactions described in "Significant events occurred during the year" in this document.

Intangible assets and property, plant and equipment

Property, plant and equipment comes to 77,8 million Euro, as compared with the 91,2 million in 2018 (-14,7%). The change is due to the reclassification to non-current assets under disposal of the property in Corso Venezia, Milan, for 25,6 million Euro, following the late 2019 stipulation of a binding offer for its sale. These changes have been prudently offset by the effect of booking 12,0 million Euro in right of use, as envisaged by the new standard IFRS 16 - Leases, in force from 1 January 2019. At the end of the period, the properties recognised under property, plant and equipment included the important historical building "Villa Marocco", located in Mestre – Venice and housing Banca Ifis's registered office.

Since this latter is a luxury property, it is not depreciated, but it is tested for impairment at least annually. To this end, they are appraised by experts specialising in luxury properties. During the year, there were no indications requiring to test the assets for impairment.

Intangible assets consist entirely of software and total 19,1 million Euro, recording a slight downturn on last year (-1,0%).

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.

The following table shows the breakdown of current tax assets by type.

CURRENT TAX ASSETS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	2019	2018	ABSOLUTE	%
Irap (regional tax on productive activities)	10.009	10.102	(93)	(0,9)%
Ires (corporate income tax)	11.718	12.262	(544)	(4,4)%
Ires on sale of receivables	21.278	21.278	-	0,0%
Others	982	1.513	(531)	(35,1)%
Total current tax assets	**43.987**	**45.155**	**(1.168)**	**(2,6)%**

The change in current tax assets is mainly connected with the use offsetting the IRES receivables deriving from the 2018 declaration of income and partial reimbursements deriving from requests submitted during previous years.

Below are details of deferred tax assets:

DEFERRED TAX ASSETS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	2019	2018	ABSOLUTE	%
Receivables due from customers (Italian Law no. 214/2011)	214.627	214.627	-	0,0%
Past tax losses that can be carried forward	59.725	76.023	(16.298)	(21,4)%
Aid for economic growth that can be carried forward	18.308	22.819	(4.511)	(19,8)%
Goodwill	12.573	-	12.573	n.a.
Provisions for risks and charges	7.864	10.320	(2.456)	(23,8)%
Financial assets measured at fair value through other comprehensive income	1.088	5.745	(4.657)	(81,1)%
Others	5.131	3.687	1.444	60,8%
Total deferred tax assets	**319.316**	**333.221**	**(13.905)**	**(4,2)%**

Deferred tax assets, totalling 319,3 million, mainly included 214,6 million Euro in impairment losses on receivables that can be deducted in the following years, 59,7 million Euro in past tax losses that can be carried forward, 18,3 million in ACE (Aid for Economic Growth) benefits that can be carried forward, 12,6 for the tax redemption of goodwill booked on the consolidated financial statements relative to the purchase of the controlling equity investment in FBS S.p.A. and 7,9 million Euro in temporary differences on provisions for risks and charges.

Finally, please note that, pursuant to the current Tax Consolidation arrangements, the deferred tax asset receivable related to the taxable profit for the period was included in Other Assets as an approximately 46,2 million Euro Receivable due from La Scogliera.

The main types of deferred tax liabilities are shown below:

DEFERRED TAX LIABILITIES (in thousands of Euro)	AMOUNT AT		CHANGE	
	2019	2018	ABSOLUTE	%
Receivables due from customers	3.020	3.211	(191)	(5,9)%
Property, plant and equipment	5.964	9.193	(3.229)	(35,1)%
Receivables for interest on arrears	27.260	25.763	1.497	5,8%
Financial assets	1.494	673	821	122,0%
Others	563	289	274	94,8%
Total deferred tax liabilities	**38.301**	**39.129**	**(828)**	**(2,1)%**

Deferred tax liabilities, amounting to 38,3 million Euro, mainly include 27,1 million Euro on receivables recognised for interest on arrears that will be taxed upon collection, 6,0 million Euro on property revaluations and 3,0 million Euro on misalignments of trade receivables.

Other assets and liabilities

Other assets, of 406,4 million Euro as compared to a balance of 348,9 million Euro at 31 December 2018, include:

- financial assets held for trading for 24,3 million Euro (31,5 million Euro at 31 December 2018), mainly relating to transactions hedged by opposite positions entered amongst financial liabilities held for trading;
- Non-current assets under disposal for 25,6 million Euro (this item was not present at 31 December 2018), following the sale of the property in Corso Venezia, Milan.
- other assets for 356,5 million Euro (317,4 million Euro at 31 December 2018), of which 46,2 million Euro refer to the receivable due from the parent company La Scogliera S.p.A. by virtue of the tax consolidation agreements (54,7 million Euro at 31 December 2018) and 29,8 million Euro to Group VAT credits.

Other liabilities come to 368 million Euro as compared with 387,4 million Euro at 31 December 2018, and consist of:

- trading derivatives for 21,8 million Euro (31,2 million Euro at 31 December 2018), mainly referring to transactions hedged by opposite positions entered amongst financial assets held for trading;
- 7,0 million Euro liabilities for post-employment benefits (7,1 million Euro at 31 December 2018);
- 28,6 million Euro for provisions for risks and charges (22,0 million Euro at 31 December 2018);
- 310,6 million Euro other liabilities (313,3 at 31 December 2018), whose most significant items relate to amounts to be credited to customers, awaiting allocation.

Funding

FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2019	31.12.2018	ABSOLUTE	%
a) Payables due to banks	959.403	756.432	202.971	26,8%
- Eurosystem	792.168	695.075	97.093	14,0%
- Other payables	167.235	61.357	105.878	172,6%
b) Payables due to customers	6.328.711	5.577.057	751.654	13,5%
- Repurchase agreements/leasing IFRS 16	150.280	-	150.280	n.a.
- Rendimax and Contomax	4.790.954	4.424.467	366.487	8,3%
- Other term deposits	72.475	37.669	34.806	92,4%
- Lease payables	13.867	3.471	10.396	299,5%
- Other payables	1.301.135	1.111.450	189.685	17,1%
c) Debt securities issued	1.067.529	979.002	88.527	9,0%
Total funding	8.355.643	7.312.491	1.043.152	14,3%

Total funding at 31 December 2019 is 8.355,6 million Euro, up 14,3% on 2018. 75,7% of the item consists of **Payables due to customers** (substantially in line with 2018 in terms of weight), 11,5% **Payables due to banks** (10,3% in 2018) and 12,8% **Securities issued** (13,4% in December 2018).

Payables due to customers at 31 December 2019 amounted to 6.328,7 million Euro (+13,5% compared to 2018), due to the increase in retail funding (Rendimax and Contomax), from 4.424,5 at 31 December 2018 to 4.791,0 million Euro at 31 December 2019.

Payables due to banks come to 959,4 million Euro as compared with the 756,4 million in 2018, up 26,8%. This item mainly refers to the TLTRO tranche totalling 792,2 million Euro subscribed respectively in 2017 and at end 2019, deposits with other banks of 122,6 million Euro and 44,7 million Euro related to other accounts and loans.

Debt securities issued amounted to 1.067,5 million Euro. The item also comprised 605,1 million Euro (including interest) in senior bonds issued by Banca Ifis, as well as the 401,9 million Euro (including interest) Tier 2 bond. Debt securities issued at 31 December 2019 included 59,5 million Euro in a bond loan issued at the time by the merged entity Interbanca.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	YEAR		CHANGE	
	31.12.2019	31.12.2018	ABSOLUTE	%
Provisions for credit risk related to commitments and financial guarantees granted	3.583	3.623	(40)	(1,1)%
Legal and tax disputes	19.403	12.966	6.436	49,6%
Other provisions	5.609	5.425	185	3,4%
Total provisions for risks and charges	28.595	22.014	6.581	29,9%

Provisions for credit risk related to commitments and financial guarantees granted

At 31 December 2018, this line item amounted to 3,6 million Euro and reflected the impairment losses on commitments and financial guarantees granted by the Bank recognised in accordance with standard IFRS 9.

Legal and tax disputes

At 31 December 2019, the Bank had set aside 19,4 million Euro in provisions. This amount mainly relates to the following legal disputes:

- 12,0 million Euro for 44 disputes concerning the Trade Receivables Area (the plaintiffs seek 30,1 million Euro in damages), these disputes are mainly connected with the request for the repetition of amounts collected or payments under guarantee in relation to factoring positions without recourse;
- 5,4 million Euro (the plaintiffs seek 64,8 million Euro in damages) for 27 disputes concerning the Corporate Banking and Commercial Lending Areas and linked for 4,9 million Euro to positions deriving from the former Interbanca;
- 1,9 million Euro (the plaintiffs seek 4,0 million Euro in damages) for 61 disputes concerning the Leasing Area;

Other provisions for risks and charges

At 31 December 2019, there were "Other provisions" of 5,6 million Euro consisting mainly of 4,7 million Euro for supplementary indemnities for customers connected with the operations of the Leasing Area (3,7 million Euro in 2018), 0,6 million Euro for staff-related charges (1,0 million Euro in 2018) and 0,3 million Euro for the provision for complaints.

Contingent liabilities

Here below are the most significant contingent liabilities outstanding at 31 December 2019. Based on the opinion of the legal advisers assisting the subsidiaries, they are considered possible, and therefore they are only disclosed.

Tax dispute

Dispute concerning the write-off of receivables. Company involved IFIS Leasing S.p.A. (former GE Capital Interbanca Group)

The Italian Revenue Agency has reclassified the write-off of receivables made by the Company in 2004, 2005, 2006 and 2007 and added in the years between 2005 and 2014 to losses on receivables - without any actual evidence.

Overall, the Agency assessed 242,7 thousand Euro in additional taxes and administrative penalties amounting to 100%.

Dispute concerning the Notice of Settlement of 3% registration tax. Companies involved: Banca Ifis as the acquiring company of Interbanca S.p.A. and IFIS Rental S.r.l. - (former GE Capital Interbanca Group)

The Italian Revenue Agency has reclassified the restructuring operation of the company GE Capital Services S.r.l. as a Transfer of business unit, requesting the application of the registration tax proportionally equal to 3% of the value of the company for a total of 3,6 million Euro.

Dispute concerning the assumed "permanent establishment" in Italy of the Polish company

Following the investigation carried out by the Guardia di Finanza [Financial Police Force] in regard to Direct Tax, VAT and other tax for the tax years 2016 and 2017 and 2013/2015 limited to transactions implemented with the Polish subsidiary IFIS Finance SP Zoo, Verification Notices were served in regard to the years 2013/2015.

The Guardia di Finanza claims that it has found evidence to suggest that in the foreign country (Poland), a "permanent establishment" of Banca Ifis has been set up and not an autonomous legal subject with capacity of self-determination.

In other words, by refusing to acknowledge the autonomous legal organisation of the Company with simultaneous tax residence of such in Poland, the costs and revenues of the Polish office would constitute positive or negative items producing income taxable in Italy (net of the tax credit for tax ultimately paid abroad).

In holding the Financial Administration's claim to be unfounded, the Bank will be filing an appeal against the Verification Notice pursuant to the law with the competent Tax Commissions, paying 1/3 of the tax as provisional enrolment on the tax register.

Regarding the above tax disputes, the Bank, supported by its tax advisers, evaluated the risk of defeat possible, but not probable and therefore, it did not allocate funds to the provision for risks and charges.

Reimbursements

In line with market practice, under the purchase agreement for the former GE Capital Interbanca Group, the seller made a series of representations and warranties related to Interbanca and other Investees. In addition, the agreement includes a series of special reimbursements paid by the seller related to the main legal and tax disputes involving the former GE Capital Interbanca Group companies.

With specific reference to some tax disputes relating to the former GE Capital Interbanca Group, requests were submitted for facilitated settlement of tax disputes pursuant to articles 6 and 7 of Italian Decree Law no. 119 of 23 October 2018, converted, with amendments, by Italian Law no. 136 of 17 December 2018, whose terms expired on 31 May 2019.

The settlement was completed with the incurrence of a total charge of 30,9 million Euro, recorded as Other administrative expenses, fully covered by a contractual indemnity to the extent such as not to have impacts on the net result from the closure of the dispute.

Equity

At 31 December 2019, **equity** totalled 1.352,2 million Euro, as compared with the 1.368,5 million Euro (-1,2%) at 31 December 2018.

The breakdown of the item and the change compared to the previous year are detailed in the tables below:

EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS AT		CHANGE	
	2019	2018	ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	102.285	102.116	169	0,2%
Valuation reserves:	2.691	(8.549)	11.240	(131,5)%
- Securities	2.737	(8.692)	11.429	(131,5)%
- Post-employment benefits	(46)	143	(189)	(132,2)%
Reserves	1.169.123	1.141.385	27.738	2,4%
Treasury shares	(3.012)	(3.103)	91	(2,9)%
Net profit	27.346	82.806	(55.460)	(67,0)%
Equity	**1.352.244**	**1.368.466**	**(16.222)**	**(1,2)%**

EQUITY: CHANGES	(in thousands of Euro)
Equity at 31.12.2018	**1.368.466**
Change in opening balances	-
Increases:	**42.587**
Profit for the year	27.346
Change in valuation reserve:	13.753
- Securities	*13.753*
Other changes	1.488
Decreases:	**58.809**
Dividends distributed	56.125
Change in valuation reserve:	2.513
- Securities	*2.324*
- Post-employment benefits	*189*
Other changes	171
Equity at 31.12.2019	**1.352.244**

The change in the valuation reserve for the year was attributable to the fair value adjustment of the financial instruments classified as Financial assets measured at fair value through other comprehensive income.

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS AT	
	31.12.2019	31.12.2018
Common Equity Tier 1 Capital[(1)](CET1)	1.176.460	1.139.483
Tier 1 capital (T1)	1.176.460	1.139.483
Total own funds	**1.576.460**	1.539.483
Total RWA	**7.496.182**	**7.542.228**
Ratio - Common Equity Tier 1	15,69%	15,11%
Ratio - Tier 1 Capital	15,69%	15,11%
Ratio – Total Own Funds	**21,03%**	**20,41%**

(1) Common Equity Tier 1 capital includes the profit for the year net of estimated dividends.

Individual own funds, risk-weighted assets and prudential ratios at 31 December 2019 were calculated based on the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR), which were transposed in the Bank of Italy's Circulars no. 285 and no. 286.

Income statements items

Formation of net banking income

Net banking income of 276,2 million Euro is down 35,6% on last year (429,2 million Euro in 2018). The data of the first half of 2018 includes the reclassification of net impairment losses/reversals of NPL business into interest receivables.

Adjusting from this reclassification the change was influenced by stable results of the Trade receivables (-1,0%) and positive results of the Leasing (+8,7%) and Fast Finance (+10,6%). These results were offset by the reduction in the Corporate Banking area (-28,2%) mainly linked to the lower contribution of the "reversal PPA" (77,8 million Euro at 31 December 2018 compared to 57,9 million Euro at 31 December 2019) and the recognition of negative changes in the fair value of financial assets held in portfolio (-11,0 million Euro).

NET BANKING INCOME (in thousands of Euro)	YEAR		CHANGE	
	31.12.2019	31.12.2018	ABSOLUTE	%
Net interest income	202.054	340.085	(138.031)	(40,6)%
Net commission income	83.632	81.489	2.143	2,6%
Other components of net banking income	(9.492)	7.593	(17.085)	(225,0)%
Net banking income	**276.194**	**429.167**	**(152.973)**	**(35,6)%**

Net interest income dropped by 40,6% on 2018, coming in at 202,1 million Euro because of the reasons previously discussed with reference to net banking income.

Net commission income totalled 83,6 million Euro, up 2,6% from 31 December 2018.

Commission income, totalling 92,0 million Euro compared to 91,3 million Euro at 31 December 2018, came primarily from factoring commissions on the turnover generated by individual customers (with or without recourse, in a flat or monthly scheme), arrangement fees for structured finance transactions, leases, third-party servicing, as well as from other fees usually charged to customers for services.

Commission expense, totalling 8,4 million Euro compared to 9,7 million Euro in the prior year, largely referred to fees paid to banks and financial intermediaries such as management fees, fees paid to third parties for the distribution of leasing products, as well as brokerage operations carried out by approved banks and other credit brokers.

The other components of net banking income are made up as follows:

- 0,8 million Euro from dividends (0,3 million Euro at 31 December 2018)
- 4,0 million Euro in the negative result from trading activities (negative result of 0,8 million Euro at 31 December 2018), mainly driven by the cost of cross currency swaps entered into in order to neutralise the exchange rate risk deriving from loans to customers in currencies other than the Euro;
- 2,9 million Euro in gains on the disposal of assets measured at amortised cost (10,3 million Euro at 31 December 2018);
- 9,2 million Euro the net negative result of other financial assets and liabilities measured at fair value through profit or loss (negative 2,2 million Euro at 31 December 2018). This result is the combined effect on gains from the disposal of financial assets measured at fair value for 6,4 million Euro, juxtaposed by comprehensive changes in fair value of 15,6 million Euro, of which one connected with a single participating financial instrument for 11,3 million Euro.

Formation of net profit (loss) from financial activities

Net profit from financial activities totalled 189,2 million Euro, compared to 331,4 million Euro at 31 December 2018 (-42,9%).

FORMATION OF NET PROFIT FROM FINANCIAL ACTIVITIES (in thousands of Euro)	YEAR		CHANGE	
	31.12.2019	31.12.2018	ABSOLUTE	%
Net banking income	276.194	429.167	(152.973)	(35,6)%
Net credit risk losses/reversals	(87.005)	(97.796)	10.791	(11,0)%
Net profit (loss) from financial activities	189.189	331.371	(142.182)	(42,9)%

The net banking income related to 2018 reflects the reclassification of net impairment losses/reversals of NPL business into interest receivables for 76,8 million Euro. So far net credit risk losses totalled 87,0 million Euro (compared to 97,8 million Euro at 31 December 2018, -11,0%) and were almost entirely driven by provisions made at year end, for a deterioration in clients already subject to restructuring.

Formation of profit for the year

FORMATION OF NET PROFIT (in thousands of Euro)	YEAR		CHANGE	
	31.12.2019	31.12.2018	ABSOLUTE	%
Net profit (loss) from financial activities	**189.189**	**331.371**	**(142.182)**	**(42,9)%**
Operating costs	(150.441)	(214.845)	64.404	(30,0)%
Profit (loss) on equity investments	100	-	100	n.a.
Pre-tax profit from continuing operations	**38.848**	**116.526**	**(77.678)**	**(66,7)%**
Income tax expense	(11.502)	(33.720)	22.218	(65,9)%
Net profit	**27.346**	**82.806**	**(55.460)**	**(67,0)%**

The cost/income ratio totalled 54,5%, compared to 50,1% at 31 December 2018. Operating costs dropped by 30,0%, because of the spin-off of the business unit NPL (occurred in second half 2018).

OPERATING COSTS (in thousands of Euro)	YEAR		CHANGE	
	31.12.2019	31.12.2018	ABSOLUTE	%
Administrative expenses:	207.054	227.458	(20.404)	(9,0)%
a) personnel expenses	95.815	98.032	(2.217)	(2,3)%
b) other administrative expenses	111.239	129.426	(18.187)	(14,1)%
Net allocations to provisions for risks and charges	10.621	1.146	9.475	826,8%
a) commitments and guarantees granted	1.190	311	879	282,6%
b) other net allocations	9.431	835	8.596	1029,5%
Net impairment losses/reversals on property, plant and equipment	5.397	4.538	859	18,9%
Net impairment losses/reversals on intangible assets	6.270	5.848	422	7,2%
Other operating income/expenses	(78.901)	(24.145)	(54.756)	226,8%
Operating costs	150.441	214.845	(64.404)	(30,0)%

Personnel expenses, of 95,8 million Euro, dropped 2,3% on last year. In total, the Bank has 1.195 employees, as compared with 1.174 at 31 December 2018.

Other administrative expenses also dropped by 14,1%, coming in at 111,2 million Euro as compared with 129,4 million Euro for the same period of 2018. This item includes the expense of 30,9 million Euro relating to the settlement of certain tax disputes regarding the former subsidiary Interbanca, the economic impact of which is fully offset in the item "other net operating income" for 46,2 million Euro (including the related tax effect) against the activation of outstanding guarantees.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	YEAR		CHANGE	
	2019	2018	ABSOLUTE	%
Expenses for professional services	**23.283**	**38.985**	**(15.702)**	**(40,3)%**
Legal and consulting services	21.129	28.967	(7.838)	(27,1)%
Auditing	449	444	5	1,1%
Outsourced services	1.705	9.574	(7.869)	(82,2)%
Direct and indirect taxes	**45.161**	**32.757**	**12.404**	**37,9%**
Expenses for purchasing goods and other services	**42.795**	**57.684**	**(14.889)**	**(25,8)%**
Software assistance and hire	13.660	14.580	(920)	(6,3)%
FITD and Resolution fund	6.492	5.983	509	8,5%
Property expenses	4.681	6.262	(1.581)	(25,2)%
Customer information	4.592	10.056	(5.464)	(54,3)%
Telephone and data transmission expenses	2.308	3.167	(859)	(27,1)%
Business trips and transfers	2.195	3.096	(901)	(29,1)%
Car fleet management and maintenance	2.102	3.365	(1.263)	(37,5)%
Advertising and inserts	1.886	2.547	(661)	(26,0)%
Securitisation costs	1.422	1.642	(220)	(13,4)%
Postage and archiving of documents	1.037	4.213	(3.176)	(75,4)%
Other sundry expenses	2.420	2.773	(353)	(12,7)%
Total administrative expenses	**111.239**	**129.426**	**(18.187)**	**(14,1)%**

The sub-item “Legal and consulting services” comes to 21,1 million Euro at 31 December 2019, down 27,1% on the 29,0 million Euro of the previous year, due to the spin-off of the NPL business unit (during the second half of 2018). If we strip the 2018 figure of this effect, 2019 shows growth of 18,8%, mainly in connection with the legal consultancy connected with the corporate acquisitions and the reorganisation of the corporate structures of both the Bank and the Group.

In the same way, the sub-item "Outsourced services", with 1,7 million Euro at 31 December 2019, shows a clear downturn on last year (9,6 million Euro in 2018), as a result of the spin-off of the NPL business unit (the out-of-court collection costs, for activities entrusted to external agencies totalled 7,9 million Euro in 2018).

The item "Direct and indirect taxes", equal to 45,2 million Euro compared to 32,7 million Euro at 31 December 2018, is significantly influenced by the charge of 30,9 million Euro related to the requests for facilitated settlement of tax disputes presented during 2019. The item also includes stamp duty of 10,5 million Euro, the charge of which to customers is included in the item Other operating income.

"Expenses for purchasing goods and other services" amounted to 42,8 million Euro, down 25,8% from 57,7 million Euro in the same period of the previous year. The change in this item is due to the contrasting effect in the change in some of the most significant items, in particular:

- Customer information expenses of 4,6 million Euro are down 54,3% on the previous year;
- FITD and Resolution fund amounted to 6,5 million Euro, up 8,5% compared to 6,0 million Euro at 31 December 2018.
- Property and car fleet management, which decreased by a total of 1,6 million Euro, essentially due to the application from 1 January 2019 of the new IFRS 16 standard.
- Trips and transfers drop by 29,1% on last year, coming in at 2,2 million Euro.

Net allocations to provisions for risks and charges amounted to 10,6 million Euro compared with net allocations of 1,1 million Euro at 31 December 2018. Period net allocations mainly referred, for 6,2 million Euro, to disputes relating to trade receivables, for 1,8 million Euro to provisions made for leasing, for 1,6 million Euro to disputes deriving from the former Interbanca portfolio, for 1,0 million Euro to essential commitments to disburse funds.

Other net operating income amounted to 78,9 million Euro (24,1 million Euro at 31 December 2018) and included the effects of the aforementioned activation of guarantees in place in view of the closure of certain tax disputes for 46,2 million Euro at 31 December 2019; net of this amount, other net operating income mainly refers to revenues deriving from the recovery of expenses charged to third parties, the related cost item of which is included in other administrative expenses, in particular under legal expenses and indirect taxes, as well as from the recovery of expenses connected with leasing activities, in line with the previous year.

Income from equity investments includes the effects of the sale of the controlling interest in Two Solar Park 2008 S.r.l. at the end of the first half of 2019.

Pre-tax profit from continuing operations amounted to 38,8 million Euro (-66,6% compared to 31 December 2018).

Income taxes amounted to 11,5 million Euro (-65,88% compared to 31 December 2018). The tax rate for FY 2019 was 29,6%, compared to 29,0% in the prior year. Please note that the tax rate used in 2019 suffers the negative effects of the non-deductibility of the expense relating to requests for the facilitated settlement of tax disputes mentioned previously and partially offset by the positive effects of the reintroduction of the regulations on aid for economic growth (ACE), the tax redemption of goodwill entered in the consolidated financial statements in relation to the purchase of the controlling equity investment in FBS S.p.A., the tax alignment of the value of certain properties to their carrying amount and the positive outcome of an IRAP appeal relating to tax year 2018.

The net profit attributable to the Parent company amounted to 27,3 million Euro (-67,0% on the same period of last year).

2.7. Main risks and uncertainties

Taking into account the business carried out and the results achieved, the Bank's financial position is proportionate to its needs. Indeed, the Bank's financial policy is aimed at favouring funding stability and diversification rather than the immediate operating needs. The main risks and uncertainties deriving from the present conditions of financial markets, including following the new coronavirus, do not represent a particular problem for the Bank's financial balance and, in any case, they are not likely to threaten business continuity.

Reference should be made to Part E of the Notes to the Separate Financial Statements for further information on the Banca IFIS's risks, typical of the banking sector.

2.8. Banca Ifis shares

The share price

As from 29 November 2004, Banca Ifis S.p.A.'s ordinary shares have been listed on the STAR segment of Borsa Italiana (the Italian stock exchange). The transfer to STAR occurred a year after the listing on the Mercato Telematico Azionario (MTA, an electronic stock market) of Borsa Italiana S.p.A.. Previously, as from 1990, the shares had been listed on the Mercato Ristretto (MR, a market for unlisted securities) of Borsa Italiana. The following table shows the share prices at the end of the year. As from 18 June 2012, Banca Ifis joined the Ftse Italia Mid Cap index.

Official share price	31.12.2019	31.12. 2018	31.12. 2017	31.12.2016	31.12.2015
Share price at period-end	14,00	15,44	40,77	26,00	28,83

Outstanding shares	31.12.2019	31.12. 2018	31.12. 2017	31.12.2016	31.12.2015
Number of shares outstanding at period end (in thousands)(1)	53.452	53.441	53.433	53.431	53.072

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

Payout ratio

For 2019, the Board of Directors proposed to the Shareholders' Meeting to distribute a dividend of 1,10 Euro per share.

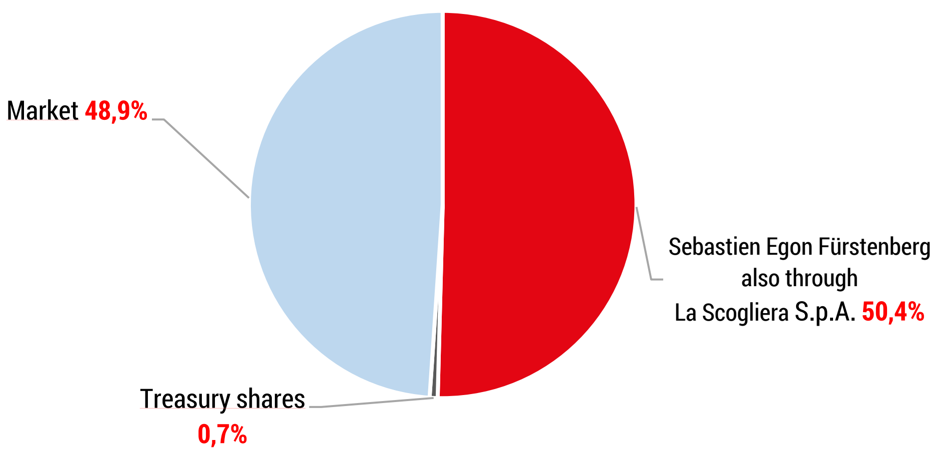
Payout ratio (in thousands of Euro)	2019	2018	2017	2016	2015
Net profit	27.346	82.806	154.906	71.722	160.743
Dividends	58.797 (1)	56.125	53.433	43.813	40.334
Payout ratio	215,0%	67,8%	34,5%	61,1%	25,1%

(1) Dividend proposed by the Board of Directors.

Shareholders

The share capital of Banca Ifis at 31 December 2019 amounted to 53.811.095 Euro and is broken down into 53.811.095 shares worth a nominal amount of 1 Euro each.

The following table shows Banca Ifis's shareholders that, either directly or indirectly, own equity instruments with voting rights representing over 3% of Banca Ifis's share capital, or 2% in the case of shareholders that are also Directors of the Bank:



Corporate governance rules

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

Internal dealing rules

Banca Ifis regulations on internal dealing is aligned with the relevant EU legislation (EU Regulation no. 596/2014, Market Abuse Regulation).

The Policy currently in force governs the requirements placed on the Bank concerning trading by the Relevant Persons as well as the Persons Closely Associated with them in shares or other debt instruments issued by Banca Ifis as well as financial instruments linked to them. This is to ensure the utmost transparency in the Bank's disclosures to the market.

Specifically, this Policy governs:

- the requirements related to identifying the Relevant Persons and Closely Related People;
- the handling of information concerning the Transactions that the Relevant Persons submitted to the Bank;
- the handling of closed periods, i.e. those periods during which the Relevant Persons must refrain from trading in shares or other debt instruments issued by Banca Ifis as well as financial instruments linked to them.

This document is available on Banca IFIS's website, *www.bancaifis.it*, in the "Corporate Governance" Section.

Rules for the handling of inside information

Internal procedures for handling inside information and the list of individuals who have access to inside information are aligned with the mentioned Market Abuse Regulation.

In compliance with article 115-bis of Italian Legislative Decree no. 58/1998, Banca Ifis has created a list of individuals who, in performing their professional and work duties or in carrying out their activity, have access to inside information (the list of insiders). Banca IFIS constantly updates this list.

In addition, it adopted a Group policy for the handling of inside information in order to:

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

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

2.9. Significant events occurred during the year

Banca Ifis transparently and timely discloses information to the market, constantly publishing information on significant events through press releases. Please visit the “Institutional Investor Relations” and “Media Press” sections of the institutional website www.bancaifis.it to view all press releases.

Here below is a summary of the most significant events occurred during the year and before the approval of this document:

Finalised acquisition of 90% of the capital of FBS S.p.A.

On 7 January 2019, the acquisition was finalised of FBS S.p.A., the fourth national operator specialising in the management of mortgage and corporate NPLs. The operation, announced on 15 May 2018 and financed entirely from the liquidity available to Banca Ifis, involved 90% of the capital of FBS for a total amount of 58,5 million Euro paid in cash.

The Shareholders' Meeting approves the 2018 financial statements. New Board of Directors elected, Luciano Colombini named Chief Executive Officer

The ordinary Shareholders' Meeting of Banca Ifis S.p.A. held on 19 April 2019 approved the 2018 financial statements, the distribution of a dividend of 1,05 Euro for each ordinary share with detachment of coupon (no. 22) on 29 April 2019, record date 30 April and payment from 2 May 2019. The Shareholders' Meeting approved the increase in the number of directors from 9 to 12, appointing members of the Board of Directors for the three-year period 2019-2021. Luciano Colombini became the new Chief Executive Officer of Banca Ifis S.p.A. on 19 April 2019.

Fitch confirms BB+ rating, outlook stable

On 19 July 2019, the agency Fitch Rating Inc. confirmed its Long-term Issuer Default Rating (IDR) of BB+, stable outlook.

Results of the Bank of Italy's inspection report

On 2 August 2019, the results of the Bank of Italy's inspection, which began on 28 January 2019 and ended on 30 April 2019, were received. It revealed no conformity issues and did not lead to the initiation of any sanction proceedings.

Abandoned negotiations between Banca Ifis and Credito Fondiario

With reference to the information disclosed in a press release dated 2 August 2019, concerning the subscription between Banca Ifis S.p.A. and the Group Credito Fondiario S.p.A. of a non-binding letter of intent aimed at studying the implementation of a partnership in the debt servicing segment, on 30 October 2019, the Board of Directors of Banca Ifis resolved to permanently abandon negotiations with Credito Fondiario and therefore to not go to the due diligence phase, due to the difficulties encountered in defining a negotiating agreement satisfactory to both parties in terms of governance structures.

Banca Ifis acquires full ownership of FBS S.p.A.

On 30 October 2019, Banca Ifis closed the purchase of the 10% interest in FBS S.p.A. held by minority shareholders for a total amount of 12,2 million Euro. By making Banca Ifis the sole shareholder of FBS S.p.A., this deal allows the integration of FBS into the Banca Ifis Group to be completed in the short term and permit even more effective development of the Italian Non-Performing Loans market, with coverage of all segments of non-performing loans, through flexible investment and management structures.

Sale of the property located on Corso Venezia in Milan to Merope A.M.

On 29 November 2019 Banca Ifis announced that it had signed a contract with Merope Asset Management for the sale of the property located at Corso Venezia 56 in Milan for the price of 50,5 million Euro, realising a pre-tax gain of approximately 25 million Euro, to be recognised in financial year 2020, in addition to annual savings on operating costs, once fully effective, of approximately 1,5 million Euro. The sale of the property, in line with the strategy pursued by Banca Ifis, is intended to optimise the use of owned properties, rationalise spaces and contain costs. The transaction will be completed in the first half of 2020.

The Shareholders' Meeting approves amendments to the Articles of Association and updates the Remuneration Policies

On 19 December 2019 the Shareholders' Meeting of Banca Ifis S.p.A., gathered in extraordinary and ordinary session, approved amendments to Articles 8, 10, 12, 13 and 20 of the Articles of Association and the addition of Articles 10-bis and 12-bis. The amendments to the Articles of Association relate to: the rules governing the chair of the Shareholders' Meeting and the role of secretary of the Shareholders' Meeting; the ratio of the fixed to the variable component of the remuneration of personnel; the introduction of the position of honorary Chairman of the Bank; the function of secretary of the Board of Directors and responsibility for appointment of the secretary; the express provision of internal board committees; the introduction of the "casting vote"; and the rules governing the powers of representation in the event of the absence or impediment of the Chairman of the Board of Directors.

The Shareholders' Meeting also approved the update to the Banca Ifis's Remuneration Policies for 2019.

2.10. Significant subsequent events

Presentation of the 2020/2022 Business Plan

On 14 January 2020 the Board of Directors of Banca Ifis, chaired by Vice Chairman Ernesto Fürstenberg Fassio, approved the 2020/2022 Strategic Plan, which calls for a net profit of 147 million Euro in 2022, investments of 60 million Euro and 190 new employees.

Preferred unsecured senior bond placement

On 18 February 2020, the placement was successfully concluded of a Senior Preferred 4-year bond issue, for an amount of 400 million Euro.

The 300 million Euro bond has a 5-year maturity and a 1,75% fixed coupon rate, and the issue price was 99,692%.

The bond, reserved to professional investors, was strongly in demand with final orders, more than 60% of which came from foreign investors, more than three times the allocated amount.

Covid-19

The figures entered on the separate financial statements at 31 December 2019 took into account estimates and assumptions based on the macroeconomic and financial indicators envisaged at the reporting date. The Bank considers the spread of the new Coronavirus in early January 2020, first throughout continental China and then in Italy in the second half of February, resulting in a suspension of economic and commercial business, as a subsequent event that does not entail any adjustment of the financial statements as prepared. At present, the situation is evolving rapidly, making it impossible to forecast the potential impact of said event on the Bank's prospective economic, equity and financial position. If present, this impact will be included in the estimates adopted by the Bank in 2020.

The Bank is monitoring the phenomenon daily, paying close attention both to how the situation evolves in the territory and the related institutional assessments, as well as to potential impacts on the various business lines in which the Bank operates, including the maintenance and constant monitoring of asset quality.

2.11. Outlook

The first few weeks of 2020 were favourable and benefited from the stabilisation of the world economy recorded in the second half of 2019, supported by the expansive monetary policies and the first stage in the commercial agreement between China and the USA, which opened up to a solution to the tariff war.

The latest estimates by Prometeia had Italy's gross domestic product booked as expected to grow by 0,5%. The Italian banking system was expected to benefit from growth of the gross domestic product and the demand for finance (mainly medium and long-term) from businesses and families looking to make the most of the low interest rates.

The bank's derisking process, aimed at improving the quality of assets, is expected to continue over the next few quarters, supporting the offer of NPL on the primary market. Banca Ifis will be playing an active part in all unsecured NPL disposal processes.

On 14 January 2020, Banca Ifis disclosed its 2020-22 Business Plan to the financial community, setting out the strategic guidelines and main economic-financial objectives set for the next few years. The 2020-22 Business Plan is based on macroeconomic estimates that forecast a slight improvement in the GDP in 2022 and negative interest rates through to 2022 (EURIBOR 3M -0,35% at 2022).

On 18 February, consistently with the objectives of the Business Plan that sees a greater diversification of the funding mix, a 400 million Euro senior bond was issued, which enjoyed high demand with final orders, more than 60% of which came from foreign investors, more than three times the amount allocated.

Additionally, and again in line with that defined by the 2020-22 Business Plan, the Bank has started a design process aimed at rationalising its corporate and organisational structures in the NPL business and redefining the operative processes, including through the creation of a new company and the merger of existing ones.

However, late February saw a slow-down to certain production activities as a result of the new Coronavirus (Covid-19) epidemic.

The financial markets reacted negatively and the stock market indexes recorded a downturn that eroded the earnings of the first few weeks of the year. From the start of the year through to 4 March 2020, the FTSMIB index has recorded a reduction of 6,6%; Italian banks book downturns that exceed the Italian index, anticipating the possible negative impacts on net banking income and the quality of assets deriving from the economic slow-down. Since the start of the year, the market price of the Banca Ifis share has dropped by 8,6%.

The Monetary Fund, and indeed Standard & Poor's, have reduced the Eurozone growth forecasts. The manoeuvres implemented both by the central banks, like the Federal Reserve, which has reduced rates by half a point, and the individual national governments, will be focussed on supporting the real economies and, accordingly, the aggregated demand. The Eurogroup is also striving to identify joint strategies to prevent the general slow-down to the economy from turning into a recession.

At present, the situation is evolving rapidly, making it impossible to quantitatively forecast the potential impact of said event on the Bank's prospective economic, equity and financial position and indeed said impact on the banking system as a whole.

As regards the specific Bank business segments, we note, however, that there has been a physiological slow-down to commercial development in terms of credit, connected with both the restrictions to travel imposed by the Bank on its networks and the measures defined autonomously by customers (potential and portfolio). Certain specific positions are also being assessed on sectors that are particularly impacted by the current crisis, such as tourism and food & beverage, on which the Bank has activated closer monitoring measures in order to intercept any possible signs of difficulty or tension in the positions.

At the time this document was drafted, no operating losses were recorded as due to COVID-19. We are operatively monitoring certain receivables due from ordinary counterparties (retail and corporate), which may be subject to suspension free of charge for the counterparties, as from the end of the first quarter 2020.

2.12. Other information

Adoption of Opt-Out Option Pursuant To Consob Regulation 18079 of 20 January 2012

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

Report on Corporate Governance and Shareholding Structure

Pursuant to article 123 bis, paragraph three, of Italian Legislative Decree no. 58 of 24 February 1998, a separate report has been prepared from this Report on Operations, which was approved by the Board of Directors and published together with the draft financial statements at 31 December 2019. This document is also made available on Banca IFIS's website, www.bancaifis.com, in the "Corporate Governance" Section.

The Report on Corporate Governance and Shareholding Structure has been drawn up according to the format provided by Borsa Italiana.

Together with this Report, the "Report on Remuneration" prepared pursuant to article 123-ter of the Consolidated Law on Finance, was also made available.

Privacy measures

Banca Ifis has consolidated a project to comply with Regulation (EU) 2016/679 in order to incorporate the relevant regulatory provisions into its internal privacy management model, planning a series of both technological and organisational steps.

Parent company management and coordination

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

National consolidated tax regime

The companies Banca Ifis S.p.A., IFIS NPL S.p.A., IFIS Rental Services S.r.l. and Cap.Ital.Fin. S.p.A., together with the parent company, La Scogliera S.p.A., have opted for the application of group taxation (tax consolidation) in accordance with articles 117 et seq. of Italian Presidential Decree no. 917/86.

Transactions between these companies were regulated by means of a private written agreement between the parties. This agreement will lapse after three years.

As envisaged by applicable regulations, adhering entities have an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera S.p.A., the consolidating company.

Under this tax regime, the taxable profits and tax losses reported by each entity for the fiscal year 2019 were transferred to the consolidating company La Scogliera S.p.A..

At 31 December 2019, the net receivable recorded as due from the parent company is 101,4 million.

Transactions on treasury shares

At 31 December 2018, Banca Ifis held 370.112 treasury shares recognised at a market value of 3,1 million Euro and a nominal amount of 370.112 Euro.

During the year, Banca Ifis, as variable pay for the 2015 financial results, awarded the Top Management 10.968 treasury shares at an average price of 15,33 Euro, for a total of 168 thousand Euro and a nominal amount of 10.968 Euro, making profits of 77 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the capital reserve.

The remaining balance at the end of 2019 was 359.144 treasury shares with a market value of 3,0 million Euro and a nominal amount of 359.144 Euro.

Related-party transactions

In compliance with the provisions of Consob resolution 17221 of 12 March 2010 and subsequently amended by means of Resolution 17389 dated 23 June 2010, as well as the prudential Supervisory provisions for banks in Circular no. 263 of 27 December 2006, Title V, Chapter V (12 December 2011 update) on Risk activities and conflicts of interest towards related parties issued by the Bank of Italy, any transactions with related parties and relevant parties are authorised pursuant to the procedure approved by the Board of Directors.

This document is publicly available on Banca IFIS's website, www.bancaifis.it, in the "Corporate Governance" Section.

For information on individual related party transactions, please refer to part H of the Notes.

Atypical or unusual transactions

During 2019, the Bank did not carry out atypical or unusual transactions as defined by Consob Communication no. 6064293 of 28 July 2006.

Research and development activities

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

2.13. Annual profit distribution proposal

Dear Shareholders,

The Board of Directors proposes distributing to shareholders a cash dividend (before tax withholdings required by law) of Euro 1,10 per ordinary share with coupon detachment (coupon no. 23) on 18 May 2020. This dividend includes the portion attributable to the company's treasury shares. As per article 83-terdecies of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance), eligibility for the dividend is determined based on the shareholders of record on the intermediary's books as per article 83-quater, paragraph 3 of the Consolidated Law on Finance at the end of 19 May 2019 (so-called record date). The dividend will be paid, to this end using the year profit of 27.346.365,86 and for the remainder through the distribution of unrestricted profit reserves from previous years.

Payment will be made on 20 May 2020 through the authorised intermediaries with which the shares are registered on the Monte Titoli System.

Venice - Mestre, 12 March 2020

For the Board of Directors

The Chairman

Sebastien Egon Fürstenberg

The C.E.O.

Luciano Colombini

3.

Financial Statements

3.1. Statement of financial position

ASSETS (in Euro)		AMOUNTS AT 31.12.2019	31.12.2018
10.	Cash and cash equivalents	29.644	28.574
20.	Financial assets measured at fair value through profit or loss	126.907.743	195.294.622
	a) financial assets held for trading	24.313.368	31.449.837
	c) other financial assets mandatorily measured at fair value	102.594.375	163.844.785
30.	Financial assets measured at fair value throughother comprehensive income	1.173.803.378	432.089.320
40.	Financial assets measured at amortised cost	7.372.986.021	7.135.633.531
	a) receivables due from banks	460.578.031	394.150.773
	b) receivables due from customers	6.912.407.990	6.741.482.758
70.	Equity investments	610.861.081	530.161.109
80.	Property, plant and equipment	77.841.987	91.222.192
90.	Intangible assets	19.129.468	19.287.044
	of which:		
	- goodwill	-	-
100.	Tax assets:	363.303.390	378.376.160
	a) current	43.987.146	45.155.071
	b) deferred	319.316.244	333.221.089
110.	Non-current assets and disposal groups	25.559.513	-
120.	Other assets	356.461.069	317.405.599
	Total assets	10.126.883.294	9.099.498.151

LIABILITIES AND EQUITY (in Euro)		AMOUNTS AT 31.12.2019	31.12.2018
10.	Financial liabilities measured at amortised cost	8.355.643.299	7.312.491.232
	a) payables due to banks	959.402.999	756.432.526
	b) payables due to customers	6.328.711.394	5.577.056.827
	c) debt securities issued	1.067.528.906	979.001.879
20.	Financial liabilities held for trading	21.844.241	31.187.910
60.	Tax liabilities:	50.881.385	44.983.990
	a) current	12.579.982	5.855.068
	b) deferred	38.301.403	39.128.922
80.	Other liabilities	310.621.899	313.298.052
90.	Post-employment benefits	7.052.406	7.057.190
100.	Provisions for risks and charges:	28.595.827	22.013.608
	a) commitments and guarantees granted	3.582.839	3.622.760
	c) other provisions for risks and charges	25.012.988	18.390.848
110.	Valuation reserves	2.690.806	(8.549.182)
140.	Reserves	1.169.123.258	1.141.385.246
150.	Share premiums	102.284.576	102.116.429
160.	Share capital	53.811.095	53.811.095
170.	Treasury shares (-)	(3.011.864)	(3.103.286)
180.	Profit (loss) for the year (+/-)	27.346.366	82.805.867
	Total liabilities and equity	10.126.883.294	9.099.498.151

3.2. Income Statement

	ITEMS (in Euro)	YEAR	
		31.12.2019	**31.12.2018**
10.	Interest receivable and similar income	316.248.102	368.086.080
	of which: interest income calculated using the effective interest method	315.309.334	363.191.390
20.	Interest due and similar expenses	(114.194.423)	(104.821.505)
30.	**Net interest income**	**202.053.679**	**263.264.575**
40.	Commission income	91.975.858	91.194.329
50.	Commission expense	(8.343.369)	(9.704.917)
60.	**Net commission income**	**83.632.489**	**81.489.412**
70.	Dividends and similar income	813.154	335.629
80.	Net profit (loss) from trading	(4.042.660)	(773.780)
100.	Profit (loss) from sale or buyback of:	2.941.509	10.253.694
	a) financial assets measured at amortised cost	1.982.717	2.022.522
	b) financial assets measured at fair value through other comprehensive income	958.778	(100)
	c) financial liabilities	14	8.231.272
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	(9.204.378)	(2.223.497)
	b) other financial assets mandatorily measured at fair value	(9.204.378)	(2.223.497)
120.	**Net banking income**	**276.193.793**	**352.346.033**
130.	Net impairment/reversal of impairment for credit risk:	(87.004.500)	(20.975.496)
	a) financial assets measured at amortised cost	(87.117.251)	(19.956.033)
	b) financial assets measured at fair value through other comprehensive income	112.751	(1.019.462)
150.	**Net profit (loss) from financial activities**	**189.189.293**	**331.370.537**
160.	Administrative expenses:	(207.053.398)	(227.458.307)
	a) personnel expenses	(95.814.735)	(98.032.347)
	b) other administrative expenses	(111.238.663)	(129.425.960)
170.	Net allocations to provisions for risks and charges	(10.621.454)	(1.146.188)
	a) commitments and guarantees granted	(1.190.078)	(310.823)
	b) other net allocations	(9.431.376)	(835.365)
180.	Net impairment losses/reversals on property, plant and equipment	(5.396.981)	(4.537.894)
190.	Net impairment losses/reversals on intangible assets	(6.270.166)	(5.847.775)
200.	Other operating income/expenses	78.901.155	24.145.338
210.	**Operating costs**	**(150.440.844)**	**(214.844.826)**
220.	Profit (loss) on equity investments	99.999	-
260.	**Pre-tax profit (loss) from continuing operations**	**38.848.448**	**116.525.711**
270.	Income taxes for the year relating to current operations	(11.502.082)	(33.719.845)
300.	**Profit (Loss) for the year**	**27.346.366**	**82.805.867**

3.3. Statement of Comprehensive Income

ITEMS (in Euro)		31.12.2019	31.12.2018
10.	Profit (Loss) for the year	27.346.366	82.805.867
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	191.372	1.702.721
20.	Equity securities measured at fair value through other comprehensive income	380.438	1.586.339
30.	Financial liabilities measured at fair value through profit or loss (changes in own credit risk)	-	-
40.	Hedging of equity securities measured at fair value through other comprehensive income	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(189.066)	116.381
80.	Non-current assets and disposal groups	-	-
90.	Share of valuation reserves of equity accounted investments	-	-
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	9.862.320	(12.546.152)
100.	Foreign investment hedges	-	-
110.	Exchange differences	-	-
120.	Cash flow hedges	-	-
130.	Hedging instruments (non-designated items)	-	-
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	9.862.320	(12.546.152)
150.	Non-current assets and disposal groups	-	-
160.	Share of valuation reserves of equity accounted investments	-	-
170.	Total other comprehensive income, net of taxes	10.053.692	(10.843.431)
180.	Total comprehensive income (Item 10+170)	37.400.058	71.962.436

3.4. Statement of Changes in Equity at 31 December 2019

	Balance at 31/12/2018	Change in opening balances	Balance at 01/01/2019	Allocation of profit from previous year		Changes during the year								Equity at 31/12/2019
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Buyback of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock Options	Comprehensive income for the year 2019	
Share capital:	X	X	X	X	X	X	X	X	X	X	X	X	X	X
a) ordinary shares	53.811.095	X	53.811.095	-	X	X	-	-	X	X	X	X	X	53.811.095
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	X	-
Share premiums	102.116.430	X	102.116.430	-	X	168.146	-	X	X	X	X	X	X	102.284.576
Reserves:	X	X	X	X	X	X	X	X	X	X	X	X	X	X
a) retained earnings	1.135.934.023	-	1.135.934.023	26.681.318	X	1.227.426	-	-	-	X	X	X	X	1.163.842.767
b) other	5.451.222	-	5.451.222	-	X	(170.731)	-		-		-	-		5.280.491
Valuation reserves:	(8.549.182)	-	(8.549.182)	X	X	1.186.295	X	X	X	X	X	X	10.053.692	2.690.805
Equity instruments	-	X	-	X	X	X	X	X	X	-	X	X	X	-
Treasury shares	(3.103.286)	X	(3.103.286)	X	X	X	-	91.422	X	X	X	X	X	(3.011.864)
Profit (loss) for the year	82.805.867	-	82.805.867	(26.681.318)	(56.124.549)	X	X	X	X	X	X	X	27.346.366	27.346.366
Equity	**1.368.466.169**	**-**	**1.368.466.169**	**-**	**(56.124.549)**	**2.411.135**	**-**	**91.422**	**-**	**-**	**-**	**-**	**37.400.058**	**1.352.244.236**

3.5. Statement of Changes in Equity at 31 December 2018

	Balance at 31/12/2017	Change in opening balances	Balance at 01/01/2018	Allocation of profit from previous year		Changes during the year									Equity at 31/12/2018
							Equity transactions								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Buyback of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock Options		Comprehensive income for the year 2018	
Share capital:															
a) ordinary shares	53.811.095	-	53.811.095	-	-	-	-	-	-	-	-	-		-	53.811.095
b) other shares	-	-		-	-	-	-	-	-	-	-	-		-	-
Share premiums	101.864.338	-	101.864.338	-	-	-	-	252.092	-	-	-	-		-	102.116.430
Reserves:															
a) retained earnings	1.022.301.814	972.604	1.023.274.418	101.472.813	-	11.251.408	-	(64.616)	-	-	-	-		-	1.135.934.023
b) other	5.445.570	-	5.445.570	-	-	5.652	-	-	-	-	-	-		-	5.451.222
Valuation reserves:	2.132.973	(7.851)	2.125.122	-	-	169.127	-	-	-	-	-	-		(10.843.431)	(8.549.182)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Treasury shares	(3.167.902)	-	(3.167.902)	-	-	-	-	64.616	-	-	-	-		-	(3.103.286)
Profit (loss) for the year	154.906.079	-	154.906.079	(101.472.813)	(53.433.266)	-	-	-	-	-	-	-		82.805.867	82.805.867
Equity	**1.337.293.967**	**964.753**	**1.338.258.720**	**-**	**(53.433.266)**	**11.426.187**	**-**	**252.092**	**-**	**-**	**-**	**-**		**71.962.436**	**1.368.466.169**

3.6. Cash Flow Statement

CASH FLOW STATEMENT Indirect method	AMOUNT	
	31.12.2019	31.12.2018
A. OPERATING ACTIVITIES		
1. Operations	162.186.492	380.569.811
- profit (loss) for the year (+/-)	27.346.366	82.805.867
- profit/loss on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	13.247.038	2.997.278
- net credit risk losses/reversals (+/-)	87.004.500	20.975.496
- net impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	11.667.147	10.385.669
- net allocations to provisions for risks and charges and other expenses/income (+/-)	10.621.454	1.237.188
- unpaid taxes, duties and tax credits (+/-)	11.502.082	33.719.845
- other adjustments (+/-)	797.905	228.448.468
2. Cash flows generated/absorbed by financial assets	(1.036.003.520)	264.520.450
- financial assets held for trading	3.093.809	5.332.314
- other assets mandatorily measured at fair value	52.046.032	(107.261.698)
- financial assets measured at fair value through other comprehensive income	(730.361.319)	376.069.275
- financial assets measured at amortised cost	(324.469.742)	114.882.718
- other assets	(36.312.300)	(124.502.159)
3. Cash flows generated/absorbed by financial liabilities	1.019.946.347	(220.545.097)
- financial liabilities measured at amortised cost	1.029.285.273	(218.878.337)
- financial liabilities held for trading	(9.343.669)	(7.051.291)
- other liabilities	4.742	5.384.531
Net cash flows generated/absorbed by operating activities A (+/-)	146.129.319	424.545.164
B. INVESTING ACTIVITIES		
1. Cash flows generated by	-	14.546.044
- sale of property, plant and equipment	-	14.546.044
2. Cash flows absorbed by	(90.287.461)	(386.160.869)
- purchases of equity investments	(80.699.973)	(382.300.000)
- purchases of property, plant and equipment	(3.474.897)	-
- purchases of intangible assets	(6.112.590)	(3.860.869)
Net cash flows generated/absorbed by investing activities B (+/-)	(90.287.461)	(371.614.825)
C. FINANCING ACTIVITIES		
- issues/buyback of treasury shares	259.569	316.708
- issues/buyback of equity instruments	23.732	167.231
- distribution of dividends and other	(56.124.090)	(53.432.828)
Net cash flows generated/absorbed by financing activities C (+/-)	(55.840.789)	(52.948.889)
NET CASH GENERATED/USED DURING THE YEAR D=A+/-B+/-C	1.070	(18.550)
RECONCILIATION		
OPENING CASH AND CASH EQUIVALENTS E	28.574	47.124
TOTAL NET CASH GENERATED/USED DURING THE YEAR D	1.070	(18.550)
CASH AND CASH EQUIVALENTS: EFFECT OF CHANGES IN EXCHANGE RATES F		
CLOSING CASH AND CASH EQUIVALENTS G=E+/-D+/-F	29.644	28.574

KEY:
(+) generated
(-) absorbed

4.

Notes to the Financial Statements

4.1. Part A - Accounting policies

General part

Section 1 – Statement of compliance with international accounting standards

The Separate Financial Statements at 31 December 2019 have been drawn up in accordance with the IAS/IFRS standards in force at said date issued by the International Accounting Standards Board (IASB), together with the relevant interpretations (IFRICs and SICs). These standards were endorsed by the European Commission in accordance with the provisions in article 6 of European Union Regulation no. 1606/2002. This regulation was implemented in Italy with Italian Legislative Decree no. 38 of 28 February 2005.

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

The accounting standards adopted in preparing these financial statements are those in force at 31 December 2019 (including SIC and IFRIC interpretations).

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

These Separate Financial Statements are subject to certification by the delegated corporate bodies and the Corporate Accounting Reporting Officer, as per article 154 bis paragraph 5 of Italian Legislative Decree no. 58 of 24 February 1998.

The Separate Financial Statements are audited by EY S.p.A..

Section 2 – Basis of preparation

The financial statements consist of:

the separate financial statements (statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, and statement of cash flows);
the Notes to the Financial Statements;

In addition, they contain the Directors' Report.

The Separate Financial Statements have been drawn up according to the general principles of IAS 1, referring also to IASB's "Framework for the preparation and presentation of financial statements", with particular attention to the fundamental principles of substance over legal form, the concepts of relevance and materiality of information, and the accruals and going concern accounting concepts.

For the preparation of these Separate Financial Statements, reference was made to the format set out by Bank of Italy's Circular no. 262 of 22 December 2005, 6th update of 22 December 2018.

The currency of account is the Euro and, if not indicated otherwise, amounts are expressed in thousands of Euro. The tables in the notes may include rounded amounts; any inconsistencies and/or discrepancies in the data presented in the different tables are due to these rounding differences.

Assets and liabilities, as well as costs and revenues, have been offset only if required or permitted by an accounting standard or the relevant interpretation.

The Notes do not include the items and tables required by Bank of Italy's Regulation no. 262/2005 where these items are not applicable to Banca Ifis.

The criteria for recognising, measuring and derecognising assets and liabilities, and the methods for recognising revenue and costs adopted in preparing the Separate Financial Statements at 31 December 2019 were updated compared to those used to prepare the

Separate Financial Statements for the year ended 31 December 2018, as the new accounting standard IFRS 16 “Leases” became effective from 01 January 2019.

Information on the business as a going concern

The Bank of Italy, Consob and Isvap, with document no. 2 issued on 6 February 2009 ("Disclosure in financial reports on the going concern assumption, financial risks, asset impairment tests and uncertainties in the use of estimates"), together with the subsequent document no. 4 of 4 March 2010, require directors to assess with particular accuracy the existence of the company as a going concern, as per IAS 1.

Unlike in the past, present conditions on financial markets and in the real economy, together with the negative short/medium-term forecasts, require particularly accurate assessments of the going concern assumption, as records of the company's profitability and easy access to financial resources may no longer be sufficient in the current context.

In this regard, having examined the risks and uncertainties associated with the present macro-economic context, and considering also the financial and economic plans drawn up by the Bank, Banca Ifis can indeed be considered a going concern, in that it can be reasonably expected to continue to operate in the foreseeable future. Therefore, the Separate Financial Statements at 31 December 2019 have been prepared in accordance with this fact.

Uncertainties connected to credit and liquidity risks are considered insignificant or, at least, not significant enough to raise doubts over the company's ability to continue as a going concern, thanks also to the good profitability levels that the Bank has consistently achieved, to the quality of its loans, and to its current access to financial resources.

Section 3 - Subsequent events

No significant events occurred between year-end and the preparation of these separate financial statements other than those already included herein.

For information on such events, please refer to the Directors' Report.

Section 4 - Other aspects

Risks and uncertainties related to estimates

Using accounting standards often requires management to make estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities. In making the assumptions underlying the estimates, management considers all available information at the reporting date as well as any other factor deemed reasonable for this purpose.

Specifically, it made estimates on the carrying amounts of some items recognised in the financial statements at 31 December 2019, as per the relevant accounting standards. These estimates are largely based on the expected future recoverability of the amounts recognised and were made on a going concern basis. Such estimates support the carrying amounts reported at 31 December 2019.

Estimates are reviewed at least annually when preparing the financial statements.

The risk of uncertainty in the estimates, considering the materiality of the reported amounts of assets and liabilities and the judgement required of management, substantially concerns the measurement of:

- fair value of receivables and financial instruments not quoted in active markets;
- receivables managed by the Pharma BU, and specifically the interest on arrears considered recoverable;
- mesurement of the expected credit loss;
- provisions for risks and charges;
- post-employment benefits;
- goodwill and other intangible assets.

Fair value of financial instruments not quoted in active markets

In the presence of financial instruments not quoted in active markets or illiquid and complex instruments, it is necessary to activate adequate valuation processes characterised with certain judgement on the choice of valuation models and related input parameters, which may sometimes not be observable in the market. There is a degree of subjectivity involved in assessing whether certain inputs are observable and categorising them within the fair value hierarchy accordingly. For qualitative and quantitative information on the method to determine the fair value of instruments measured in the financial statements at fair value, reference should be made to paragraph A.2 - Part relating to the main items of the consolidated financial statements at 31 December 2019.

Receivables managed by the Pharma BU, and specifically the interest on arrears considered recoverable

As for the receivables of the Pharma BU, the Bank estimates the cash flows from receivables due from Italy's National Health Service using a proprietary model, calculating the interest on arrears considered recoverable based on the Bank's historical evidence and differentiating according to the type of collection actions taken by the Pharma BU (settlement or judicial action). Overall, the assumptions underlying the estimate of their recoverability were conservative. Banca IFIS estimates cash flows in accordance with the provisions of the joint Bank of Italy/Consob/Ivass document no. 7 of 9 November 2016 Accounting of interest on arrears as per Italian Legislative Decree no. 231/2002 on performing loans purchased outright.

Credit risk losses

The allocation of receivables and debt instruments classified as Financial assets measured at amortised cost and Financial assets measured at fair value through other comprehensive income in the three credit risk stages set forth in IFRS 9 and the calculation of the relative expected losses requires a detailed estimation process that regards primarily:

- the determination of parameters for a significant increase in credit risk, based essentially on models for the measurement of the probability of default (PD) at the origination of the financial assets and at the reporting date;
- the measurement of certain elements necessary for the determination of estimated future cash flows arising from non-performing loans: the expected debt collection times, the presumed realisable value of any guarantees, the costs that it is deemed will be incurred to recover the credit exposure and lastly the likelihood of sale for positions for which there is a disposal plan.

With reference to the determination of the Expected Credit Loss, reference should be made to paragraph A.2 - Part relating to the main items of these financial statements at 31 December 2019.

For the other cases listed, reference should be made to the valuation criteria described in paragraph A.2 - Part relating to the main items of these financial statements at 31 December 2019.

Coming into effect of new accounting standards

Standards issued, effective and applicable to these financial statements

The Financial Statements at 31 December 2018 have been drawn up in accordance with the IAS/IFRS standards in force at the reporting date. See the paragraph "Statement of compliance with international accounting standards".

The accounting standards used in preparing these Separate Financial Statements, as far as the classification, recognition, measurement, and derecognition of financial assets and liabilities as well as the methods for recognising revenue and costs are concerned, changed compared to the ones used in preparing the consolidated financial statements at 31 December 2018. These changes derive essentially from the mandatory application, starting 1 January 2019, of international financial reporting standard IFRS 16 Leases, endorsed by the European Commission with Regulation no. 1986/2017, which annulled and replaced IAS 17, IFRIC 4, SIC 15 and SIC 27; please refer to the paragraph "Impact of the first-time adoption of IFRS 16".

In addition, the Bank has adopted for the first time some accounting standards and amendments effective for annual periods beginning on or after 1 January 2018. Below are the new accounting standards and the amendments to existing accounting standards endorsed by the EU, which have not materially affected the amounts reported in the Separate Financial Statements at 31 December 2018.

- IFRIC 23 Uncertainty over Tax Treatments;
- Prepayment Features with Negative Compensation (Amendments to IFRS 9);
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28);
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19);
- Annual cycle of improvements to IFRS 2015-2017 - amendments to IFRS 3, IFRS 1, IAS 12 and IAS 23-

Standards issued but not yet effective

The following are the new international accounting standards or amendments to them approved by the European Commission, which are mandatory from 1 January 2020. The Bank does not consider the impact of the adoption of the following interpretations and amendments of existing international accounting standards to be material:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendment to IFRS 3 Business Combinations);
- Definition of Material (Amendment to IAS 1 and IAS 8);
- IFRS 17 Insurance Contracts.

There were no other changes requiring disclosure as per IAS 8, paragraphs 28, 29, 30, 31, 39, 40, and 49.

Impact of the first-time adoption of IFRS 16

IFRS 16 introduces new criteria for the accounting presentation of lease contracts mainly for lessees, replacing the previous standards/interpretations (IAS 17, IFRIC 4, SIC 15 and SIC 27). Lease is defined as a contract the performance of which depends on the use of an identified asset and which gives the right to control the use of the asset for a period of time in exchange for a fee.

IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The purpose is to ensure that lessees and lessors provide appropriate information in a manner that faithfully represents transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance, and cash flows of the entity.

The standard applies to all contracts that contain the right to use an asset (Right of Use) for a certain period of time in exchange for a certain fee. IFRS 16 applies to all transactions that include the right to use the asset, regardless of the contractual form, i.e. finance or operating lease, rental or hire.

The main amendment concerns the representation of the lessee in the statement of financial position with reference to the Right of Use and the commitment made in relation to operating leases, through the recognition of an asset and a liability. Specifically, the lessee shall recognise a liability based on the present value of future lease payments as well as a corresponding right-of-use asset.

After initial recognition:

- the right of use will be subject to amortisation over the duration of the contract or the useful life of the asset (on the basis of IAS 16), if the lease contract transfers ownership of the underlying asset to the lessee at the end of the lease period or if the cost of the asset consisting of the right of use reflects the fact that the lessee will exercise the purchase option, or valued using an alternative criterion - revaluation or fair value model - (respectively IAS 16 or IAS 40)
- the liability shall be gradually reduced as lease payments are made, and the lessee shall recognise interest expense on the liability through profit or loss.

IFRS 16 may not apply to leases with a term of less than 12 months or an underlying asset of low value when new. In this regard, Banca Ifis has decided to exercise the option provided for by IFRS 16 not to apply the new accounting requirements relating to the recognition and measurement of the right of use and the liability for short-term leases defined as leases with a duration of less than 12 months, also taking into account any extension or withdrawal options in the contract. Similarly, the Bank has decided to exercise the option of not applying the new accounting requirements contracted with a unit value of the asset of less than 5 thousand Euro.

For the purposes of determining the lease term, to be understood as "the non-cancellable period of the lease, to which both of the following periods should be added (IFRS 16.18):

- periods covered by a lease extension option, if the lessee has reasonable certainty to exercise the option; and
- periods covered by the option to terminate the lease, if the lessee has reasonable certainty to not exercise the option",

in view of the types of lease contracts in place, the Bank uses as the main factor for assessing the existence of an economic incentive to extend the lease, the historical value of the renewals made, without excluding the possibility of making further considerations.

The lease liability at the commencement date is the "present value of the payments due under the lease not paid at that date". (IFRS 16.26). In order to determine the discount rate, Banca Ifis uses the interest rate implicit in the lease contract, where available. In the absence of the latter, the Bank adopts its own funding cost as the discount rate.

As for the lessor, the accounting requirements for leases in IAS 17 remain essentially unchanged, differentiating between operating and finance leases. In the event of a finance lease, the lessor will continue to recognise a receivable for future lease payments in the statement of financial position.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and, although earlier application is permitted, the Bank decided not to adopt it early.

The Bank has availed itself of the option provided for by IFRS 16 not to recalculate the comparative values on a homogeneous basis in the year of first-time adoption of IFRS 16, in accordance with the provisions of the modified retrospective approach B (paragraph C5 letter b, C7 and C8 letter b.ii of Appendix C to IFRS 16), which provides for the possibility of recognising the asset consisting of the right of use at the date of initial application for an amount equal to the liability of the lease adjusted by the amount of any prepaid expenses or accrued expenses relating to the lease; according to this approach, at the date of first application, there were no differences in the opening equity of Banca Ifis.

The table below shows the effects at 1 January 2019 of the application of IFRS 16 in Banca Ifis.

Assets/Amounts	31.12.2018	Rights of use acquired through leases	01.01.2019
Property, plant and equipment for functional use	90.502	11.025	90.502
a) Land	35.902	-	35.902
b) Buildings	47.323	9.049	47.323
c) Furniture	1.332	-	1.332
d) Electronic equipment	4.487	155	4.487
e) Other	1.458	1.821	1.458
Property, plant and equipment held for investment purpose	-	-	-
b) Buildings	720	-	720
Total	91.222	11.025	91.222

Deadlines for the approval and publication of the Financial Statements

Pursuant to article 154-ter of Italian Legislative Decree no. 58/98 (Consolidated Law on Finance), the Bank must approve the separate financial statements and publish the Annual Financial Report, including the draft separate financial statements, the directors' report, and the declaration as per article 154-bis, paragraph 5. The Board of Directors approved the Bank's draft separate financial statements on 12 March 2020; the separate financial statements will be submitted to the Shareholders' Meeting to be held on 23 April 2020 on first call for approval.

A.2 - Main items of the financial statements

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

Classification criteria

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

- financial assets held for trading, essentially consisting of debt and equity securities as well as the positive amount of derivative contracts held for trading;

- financial assets measured at fair value, i.e. non-derivative financial assets designated as such on initial recognition if the relevant conditions are met. At initial recognition, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss if, and only if, doing so would eliminate or significantly reduce a measurement or recognition inconsistency.
- financial assets mandatorily measured at fair value, consisting of financial assets that are not eligible for the measurement at amortised cost or fair value through other comprehensive income based on the relevant business model or cash flow characteristics. Specifically, this category includes:
  - debt instruments, securities and loans without cash flows that are solely payments of principal and interest consistent with a "basic lending arrangement" (so-called "SPPI test" failed);
  - debt instruments, securities and loans held within a business model that is neither “Held to collect” (whose objective is to hold the asset to collect contractual cash flows) nor “Held to collect and sell” (whose objective is achieved by both collecting contractual cash flows and selling financial assets);
  - UCITS units;
  - equity instruments for which the Bank elects not to use the option under the standard to measure them at fair value through other comprehensive income (so-called “OCI Option”).

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

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

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

Recognition criteria

Financial assets are initially recognised at the date of settlement in the case of debt and equity securities, and at inception in the case of derivative contracts. At initial recognition, financial assets held for trading are measured at cost, that is the instrument's fair value, excluding the expenses and income directly attributable to the instrument, which are recognised in profit or loss.

Measurement criteria

Even after initial recognition, financial assets are measured at fair value, and the impact of the application of this method is recognised through profit or loss.

The fair value of the financial instruments included in this portfolio is calculated based on quoted prices in active markets, prices provided by market participants, or internal valuation models generally used for pricing financial instruments that take into account all relevant risk factors and are based on observable market data.

In the case of financial assets not quoted in an active market, the cost method is used as an approximation of fair value exclusively on a residual basis and in limited circumstances, that is if all the other previously mentioned measurement methods are not applicable.

Derecognition criteria

Financial assets are derecognised exclusively when all relevant risks and rewards have been substantially transferred. Should the company retain part of the relevant risks and rewards, the financial assets will continue to be recognised, even though legal ownership has been actually transferred to a third party.

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

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

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

Classification criteria

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

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

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

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

Recognition criteria

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

Measurement criteria

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

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

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

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

Conversely, equity securities are not tested for impairment.

Derecognition criteria

Financial assets measured at fair value through other comprehensive income are derecognised exclusively when all relevant risks and rewards have been substantially transferred. Should the company retain part of the relevant risks and rewards, the financial assets will continue to be recognised, even though legal ownership has been actually transferred to a third party.

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

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

3 - Financial assets measured at amortised cost

Classification criteria

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

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

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

- receivables due from banks,
- receivables due from customers, largely consisting of:
  - demand advances to customers as part of factoring operations vis-à-vis a receivables portfolio factored with recourse and still recognised in the seller's statement of financial position, or vis-à-vis receivables factored without recourse, providing no contractual clauses that eliminate the conditions for their recognition exist;
  - loans to customers deriving from mortgages or loans extended as part of corporate banking operations;
  - distressed retail loans acquired from banks and retail lenders;
  - tax receivables resulting from insolvency proceedings;
  - reverse repurchase agreements;
  - receivables arising from finance leases;
  - salary- or pension-backed loans.
- debt securities acquired through subscription or private placement, with fixed or determinable payments, not quoted in active markets.

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

Recognition criteria

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

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

Measurement criteria

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

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

At each reporting date, including interim reporting dates, the Bank estimates the impairment of these assets in accordance with the impairment rules of IFRS 9, detailed in paragraph 16 – Other information.

The impairment losses found are recognised through profit or loss under “Net credit risk losses/reversals”—and so are the reversals of part or all of the amounts previously written down.

Impairment losses are reversed if the quality of the exposure has improved to the point of reducing the previously recognised impairment loss.

In profit or loss, under “Interest receivable and similar income”, the Bank recognises the amount represented by the gradual reversal of the discount calculated at the time the impairment loss was recognised.

In the Notes, impairment losses on non-performing exposures are classified as individual impairment losses in the mentioned income statement item even under a lump-sum calculation method.

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

Generally, modifications of a financial asset result in its derecognition and the recognition of a new asset when they are "substantial". The "substantiality" of the modification shall be assessed considering both qualitative and quantitative factors. In some cases, it will become apparent, without conducting complex analyses, that the changes introduced substantially modify the characteristics and/or contractual cash flows of a specific asset, whereas in other cases, additional analyses (including quantitative analyses) will be required to appreciate their impact and assess whether to derecognise the asset and recognise a new financial instrument.

The (quali-quantitative) analyses aimed at defining the "substantiality" of the contractual modifications made to a financial asset shall therefore consider:

- the purposes for which the modifications were made: for instance, renegotiations for business reasons or forbearance measures due to the counterparty's financial difficulties:
  - the former, intended to "retain" the customer, involve a borrower that is not in financial distress. This case includes all renegotiations aimed at adjusting the cost of debt to market conditions. These transactions result in changes to the original contractual terms, usually at the request of the borrower, that concern aspects associated with the cost of debt, giving rise to an economic benefit for the borrower. Generally, the Bank believes that, whenever it enters into a renegotiation in order to avoid losing the client, this

renegotiation shall be considered as substantial, since, in its absence, the customer could obtain financing from another intermediary and the bank would see estimated future revenue decline;
- the latter, offered for "credit risk reasons" (forbearance measures), are part of the Bank's attempt to maximise the recovery of the cash flows of the original receivable. Following the modifications, usually the underlying risks and rewards have not been substantially transferred: therefore, the accounting presentation that provides the most relevant information to users of the financial statements (expect for the following discussion about objective factors) is the one made through "modification accounting" - whereby the difference between the carrying amount and the present value of modified cash flows discounted at the original interest rate is recognised through profit or loss - rather than derecognition;

- the existence of specific objective factors affecting the substantial modifications of the characteristics and/or contractual cash flows of the financial instrument (including, but not limited to, the modification of the type of counterparty risk the entity is exposed to) that are believed to require derecognising the asset because of their impact (estimated to be significant) on the original contractual cash flows.

Derecognition criteria

A receivable is derecognised when it is considered unrecoverable and the Bank forfeits the legal right to collect it. For instance, this occurs when insolvency proceedings are settled, the borrower dies without heirs, a court issues a final ruling that the debt does not exist, etc.

As for total or partial derecognitions without a forfeiture of the right to collect the receivable, to avoid continuing to recognise receivables that, even though they are still managed by debt collection structures, are highly unlikely to be recovered, at least every half-year, the Bank identifies the exposures to be derecognised that have all of the following characteristics:

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

Derecognitions are directly recorded under net impairment losses on receivables to the extent of the unadjusted remaining portion, and are recognised as a reduction of the principal. Partial or complete reversals of previous impairment losses are recognised as a reduction of net impairment losses on receivables.

Sold or securitised financial assets are derecognised exclusively when all relevant risks and rewards have been transferred. Should the company retain part of the relevant risks and rewards, the financial assets will continue to be recognised, even though legal ownership has been actually transferred to a third party.

In such cases, a financial liability is recognised for an amount equal to the consideration received.

If some, but not all, the risks and rewards have been transferred, financial assets are derecognised only if the company no longer has control over them. Otherwise, the financial assets are recognised proportionally to the entity's continuing involvement in them.

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

5 - Equity investments

Classification criteria

The Bank obtains control when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Bank controls an investee if, and only if, the Bank has:

- power over the investee (i.e. it has existing rights that give it the current ability to direct the relevant activities of the investee);

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

Generally, there is a presumption that a majority of voting rights gives control over the investee. In support of this presumption, when the Entity holds less than a majority of the voting rights (or similar rights), the Bank shall consider all relevant facts and circumstances when assessing whether it controls the investee, including:

- Contractual arrangements with other vote holders;
- Rights arising from contractual arrangements;
- Voting rights and potential voting rights.

The Bank shall reassess whether it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control.

Recognition criteria

The cost of the acquisition is calculated as the sum of:

- the fair value at the acquisition date of assets given, liabilities assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus
- any costs directly attributable to the acquisition.

Measurement criteria

If there is objective evidence that an equity investment may be impaired, the entity shall estimate its recoverable amount, taking into account the present value of the future cash flows that it could generate, including from its ultimate disposal. If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss.

If the reasons for the impairment no longer exist as a result of an event that occurred after the recognition of the impairment loss, this is reversed through profit or loss.

Derecognition criteria

Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the equity investment is sold by transferring substantially all the risks and rewards incidental to ownership.

6 - Property, plant and equipment

Classification criteria

The item includes property, plant and equipment held for investment purpose as well as those for functional use.

All property (either fully owned or leased) held by the company for the purposes of obtaining rent and/or a capital gain fall under investment property.

All property (either fully owned or leased) held by the company for business and expected to be used for more than one fiscal year fall under property for functional use.

Property, plant and equipment for functional use include:

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

Those are physical assets held for use in production, in providing goods and services or for administrative purposes, and that are expected to be used for more than one fiscal year.

This item also includes the rights of use acquired through leases and relating to the use of property, plant and equipment.

Under IFRS 16, a lease is a contract, or part of a contract, that, in exchange for a fee, transfers the right to use an asset (the underlying asset) for a period of time.

Leasehold improvements on third-party property are improvements and expenses relating to identifiable and separable asset. Normally, this kind of investment is sustained in order to make a property rented from third parties suitable for use.

Recognition criteria

Property, plant and equipment are initially recognised at cost, including all directly attributable costs connected to the acquisition or to bring the asset into use.

Subsequently incurred expenses are added to the carrying amount of the asset, or recognised as separate assets, if they are likely to yield future economic benefits exceeding those initially estimated and if the cost can be measured reliably; otherwise, they are recognised in profit or loss.

According to IFRS 16, leases are accounted for on a right of use basis, with the lessee having a financial obligation at the inception date to make payments due to the lessor to compensate for its right to use the underlying asset during the lease term.

When the asset is made available to the lessee for use (start date), the lessee recognises both the liability and the asset consisting of the right of use.

Measurement criteria

Property, plant and equipment, including investment property, are measured at cost, net of any depreciation or impairment losses.

Property, plant and equipment with a finite useful life are systematically depreciated on a straight-line basis over their useful life.

Property, plant and equipment with an indefinite useful life, whose residual value is equal to or higher than their carrying amount, are not depreciated.

For accounting purposes, land and buildings are treated separately, even when acquired together. Land is not depreciated, as it has an indefinite useful life. Where the value of land is included in the value of a building, the former is considered separately by applying the component approach. The separate values of the land and the building are calculated by independent experts in this field and only for entirely owned properties.

The useful life, residual amounts and depreciation methods of property, plant and equipment are reviewed at the closure of each period and, if expectations are not in line with previous estimates, the depreciation rate for the current period and subsequent ones is adjusted.

If there is objective evidence that an individual asset may be impaired, the asset's carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, intended as the present value of future cash flows expected to arise from this asset. Any impairment loss is recognised in profit or loss.

When an impairment loss is reversed, the new carrying amount cannot exceed the net carrying amount that would have been measured if no impairment loss had been recognised on the asset in previous years.

The usually estimated useful lives are the following:

- buildings: not exceeding 34 years;
- furniture: not exceeding 7 years;
- electronic systems: not exceeding 3 years;
- other: not exceeding 5 years;
- leasehold improvements on third-party property: not exceeding 5 years.

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

Derecognition criteria

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

The right of use deriving from lease contracts is derecognised from the statement of financial position at the end of the lease.

7 - Intangible assets

Classification criteria

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

Recognition criteria

Intangible assets are recognised in the statement of financial position at cost, i.e. the purchase price and any direct cost incurred in preparing the asset for use.

Goodwill is represented by the positive difference between the acquisition cost and the fair value of the acquiree's assets and liabilities and when such positive difference is representative of the capacity to generate returns in the future.

Measurement criteria

Intangible assets with a finite useful life are systematically amortised according to their estimated useful life.

If there is objective evidence that a single asset may be impaired, the asset's carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, intended as the present value of future cash flows expected to arise from this asset. Any impairment loss is recognised in profit or loss.

Intangible assets with an indefinite useful life are not amortised. The carrying amount is compared with the recoverable amount at least on an annual basis. If the carrying amount is greater than the recoverable amount, a loss equal to the difference between the two amounts is recognised in profit or loss.

Should the impairment of an intangible asset (excluding goodwill) be reversed, the increased net carrying amount cannot exceed the net carrying amount that would have been measured if no impairment loss had been recognised on the asset in previous years.

Goodwill is recognised in the statement of financial position at cost, net of any accrued losses, and is not subject to amortisation. Goodwill is tested for impairment at least annually by comparing its carrying amount to its recoverable amount. To this end, goodwill must be allocated to cash-generating units (CGUs) in compliance with the maximum combination limit that cannot exceed the "operating segment" identified for internal management purposes.

The impairment loss, if any, is calculated based on the difference between the carrying amount of the CGU plus its recoverable amount, which is the higher of the CGU's fair value less costs to sell and its value in use.

The amount of any impairment losses is recognised in profit or loss and is not derecognised in the following years should the reason for the impairment be no longer valid.

Derecognition criteria

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

8 - Non-current assets and disposal groups

Non-current assets or groups of assets/liabilities for which a process of disposal has begun and their sale is considered highly probable are classified under the item of the assets "Non-current assets and asset disposal groups held for sale" and the item of the liabilities "Liabilities associated with assets held for sale". With the exception of certain types of assets (e.g. financial assets coming under the scope of application of IFRS 9), for which IFRS 5 specifically establishes that the measurement criteria of the relevant accounting standard must be applied, these assets/liabilities are otherwise measured at the lower of carrying amount and their fair value net of selling costs.

Income and expenses (net of the tax effect) attributable to asset disposal groups held for sale or recognized as such during the year, are presented in the income statement in a separate item.

9 - Current and deferred taxes

Classification criteria

Current and deferred taxes, calculated in compliance with national tax laws, are recognised in profit or loss with the exception of items directly credited or debited to equity.

Current tax liabilities are shown in the statement of financial position gross of the relevant tax advances paid for the current year.

Deferred tax assets and liabilities are recognised in the statement of financial position at pre-closing balances and without set-offs, and are included in the items `Tax assets' and `Tax liabilities', respectively, except when there is a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which deferred tax liabilities or assets are expected to be settled or recovered.

Under the existing tax consolidation arrangements between the Group companies, the current corporate income (IRES) tax expense for the year is included in either Other Assets or Other Liabilities as Receivables due from/Payables due to the Consolidating/Parent company La Scogliera S.p.A.

Recognition and measurement criteria

Deferred tax assets and liabilities are calculated based on temporary differences—without time limits—between the value attributed to the asset or liability according to statutory criteria and the corresponding tax base, applying the tax rates expected to be applicable for the year in which the tax asset will be realised, or the tax liability will be settled, according to theoretical tax laws in force at the realisation date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

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

10 - Provisions for risks and charges

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

In addition, these include also the provisions for risks and charges set aside for other types of commitments and guarantees granted that, because of their specific characteristics, they do not fall within the scope of the impairment rules in IFRS 9. Specifically, other provisions for risks and charges consist of liabilities arising when:

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

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

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

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

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

11 - Financial liabilities measured at amortised cost

Classification criteria

Payables due to banks and customers and debt securities issued include the various forms of interbank funding, as well as funding from customers and through outstanding bonds, net of any buybacks.

In addition, payables incurred by the lessee as part of finance lease transactions are also included.

Recognition criteria

Payables due to banks and customers and debt securities issued are initially recognised at their fair value, which is equal to the consideration received, net of transaction costs directly attributable to the financial liability.

Measurement criteria

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

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

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

Derecognition criteria

Financial liabilities are derecognised when they are annulled, expired or settled. The difference between the carrying amount and the acquisition cost is recognised in profit or loss.

Liabilities are derecognised also when previously issued securities are bought back, even if such instruments will be sold again in the future. Gains and losses from such derecognition are recognised in profit or loss when the buyback price is higher or lower than the carrying amount.

Subsequent sales of the company's own bonds on the market are considered as an issuance of new debt.

12 - Financial liabilities held for trading

Classification criteria

Financial liabilities held for trading refer to derivative contracts that are not hedging instruments.

Recognition criteria

At initial recognition, financial liabilities held for trading are recognised at fair value.

Measurement criteria

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

Derecognition criteria

Financial liabilities are derecognised when they are settled or when the obligation is fulfilled, cancelled or expired. The difference arising from their derecognition is recognised in profit or loss.

13 - Foreign currency transactions

Initial recognition

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

Subsequent recognitions

At each reporting date, including interim periods, foreign currency monetary assets and liabilities are translated using the closing exchange rate.

Non-monetary assets and liabilities recognised at historical cost are translated at the historical exchange rate, while those measured at fair value are translated using the year-end rate. Any exchange differences arising from the settlement of monetary elements or their translation at exchange rates different from those used at initial recognition or in previous financial statements are recognised in profit or loss in the period in which they arise, excluding those relating to available for sale financial assets, as they are recognised in equity.

14 - Other information

Post-employment benefits

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

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

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

In particular:

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

the employee's service is considered entirely accrued due to the change in the accounting nature of benefits earned as from 1 January 2007.

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

Share-based payments

They are payments granted to employees or similar parties as remuneration for the services received that are settled in equity instruments.

The relevant international accounting standard is IFRS 2 – Share-based payments; specifically, since the Bank is to settle the obligation for the service received in equity instruments (shares "to the value of", i.e. a given amount is converted into a variable number of shares based on the fair value at grant date), those payments fall under "equity-settled share-based payments". The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The cost or revenue in the statement of profit or loss for the year represents the movement in cumulative expense recognised at the beginning and end of that year.

Treasury shares

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

Recognition of income and costs

Income from management and guarantee services for receivables purchased through factoring activities are recognised under commission income according to their duration. Components considered in the amortised cost to calculate the effective interest rate are excluded and recognised instead under interest income.

Costs are recognised on an accrual basis. Concerning the costs of the NPL segment, the costs incurred upfront for non-judicial debt collection operations through settlement plans, as well as legal expenses and registration fees for judicial debt collection operations, are recognised in profit or loss under "Other administrative expenses" in the period in which the positive impact of the relevant receivables deriving from the change in the underlying cash flows associated with the plans entered into or the court orders obtained is recognised in profit or loss.

Dividends

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

Repurchase and reverse repurchase agreements

Securities received as a result of transactions that contractually require they are subsequently sold, as well as securities delivered as a result of transactions that contractually require they are subsequently repurchased, are not recognised in and/or derecognised from the financial statements.

Consequently, in cases of securities acquired under a reverse repurchase agreement, the amount paid is recognised as due from customers or banks, or as a financial asset held for trading; and in cases of securities sold under a repurchase agreement, the liability is entered under payables due to banks or customers, or under financial liabilities held for trading. Income from these commitments, made up of the coupons matured on the securities and of the difference between their spot price and their forward price, is recognised under interest income in profit or loss.

The two types of transactions are offset if, and only if, they have been carried out with the same counterparty and if such offsetting is contractually envisaged.

Amortised cost

The amortised cost of a financial asset or liability is its amount upon initial recognition, net of any principal repayments, plus or minus the overall amortisation of the difference between the initial and the maturity value calculated using the effective interest method, and deducting any impairment losses.

The effective interest rate method is a method of spreading interest income or interest expense over the duration of a financial asset or liability. The effective interest rate is the rate that precisely discounts expected future payments or cash flows over the life of the financial instrument at the net carrying amount of the financial asset or liability. It includes all the expenses and basis points paid or received between the parties to a contract that are an integral part of such rate, as well as the transaction costs and all other premiums or discounts.

Commissions considered an integral part of the effective interest rate are the initial commissions received for selling or buying a financial asset not classified as measured at fair value: for example, those received as remuneration for the assessment of the debtor's financial situation, for the assessment and the registration of sureties and, in general, for completing the transaction.

Transaction costs, in turn, include fees and commissions paid to agents (including employees that act as sales agents), advisors, brokers and dealers, levies charged by regulatory bodies and stock exchanges, and transfer taxes and duties. Transaction costs do not include financing, internal administration or operating costs.

Amortised cost applies to financial assets measured at amortised cost and at fair value through other comprehensive income, as well as financial liabilities measured at amortised cost.

Specifically concerning financial assets that are considered to be impaired at initial recognition, be they measured at amortised cost or fair value through other comprehensive income, and classified as "Purchased or Originated Credit Impaired (POCI) Financial Assets", at initial recognition, the Bank calculates a credit-adjusted effective interest rate for which it is necessary to incorporate the initial expected credit losses into cash flow estimates. The Bank uses said credit-adjusted effective interest rate to apply the amortised cost method and, therefore, calculate the relevant interest.

Purchased or Originated Credit Impaired (POCI) Financial Assets

"Purchased or Originated Credit Impaired (POCI) Financial Assets" means the exposures that were impaired at the date they were acquired or originated.

POCI financial assets include also the exposures acquired as part of sales (of either individual assets or portfolios) and business combinations.

Based on the Business Model within which the asset is managed, POCI financial assets are classified as either Financial assets measured at fair value through other comprehensive income or Financial assets measured at amortised cost. As previously mentioned, interest is accounted for by applying a credit-adjusted effective interest rate, i.e. the rate that, upon initial recognition, discounts all the asset's estimated future cash receipts measured at amortised cost considering also lifetime expected credit losses.

The Bank regularly reviews said expected credit losses, recognising impairment losses or gains through profit or loss. Favourable changes in lifetime ECLs are recognised as an impairment gain, even if said lifetime ECLs are lower than those incorporated into cash flow estimates at initial recognition.

"Purchased or Originated Credit Impaired Financial Assets" are usually allocated to Stage 3 at initial recognition.

A subsequent improvement in the counterparty's creditworthiness, which may be reflected in the present value of cash flows, shall cause the exposure to be classified within Stage 2.

These assets shall never be allocated to Stage 1, as the expected credit loss must always be calculated over a time horizon equal to their remaining useful life.

Impairment of financial instruments

Under IFRS 9, the relevant impairment provisions apply to financial assets measured at amortised cost, financial assets at fair value through other comprehensive income that are not equity securities, and loan commitments and guarantees granted that are not measured at fair value through profit or loss.

"Expected Credit Losses" (ECLs) are calculated based on whether the financial instrument's credit risk has significantly increased since initial recognition.

The general impairment model requires allocating the financial instruments within the scope of IFRS 9 to three Stages, which reflect the deterioration in credit quality:

- Stage 1: financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date;
- Stage 2: financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that individually do not have objective evidence of impairment;
- Stage 3: financial assets that have had a significant increase in credit risk since initial recognition with objective evidence of impairment at the reporting date. This coincides with non-performing exposures, i.e. those classified as bad loans, unlikely to pay, or non-performing past due exposures according to the rules of the Bank of Italy.

The existence of a significant increase in credit risk is identified for each individual relationship using both qualitative and quantitative criteria. Banca Ifis applies the following transfer criteria differentially based on the scope of the outstanding loan portfolios:

- comparison between the one-year PD at initial recognition and the one-year PD at the reporting date; if the change in PD exceeds a given threshold, the exposure is allocated to Stage 2. The threshold is defined as factor X where: PD_(t=rep) (t=rep)>X*PD_(t=0) (t=0)=Threshold
  The threshold uses a PD at origination which allows to capture significant change in credit risk compared to original valuation;
- exposures that are more than 30 days past due or overdrawn;
- forborne exposures;
- “Watchlist & Other Early Warnings (e.g. financial ratios)", exposures included in the watchlist as part of the tier 1 credit monitoring process or exposures to companies with negative equity, substantial reductions in sales and/or EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) compared to the prior period.

The stage allocation of the exposures in the Debt securities portfolio is managed at the level of the purchased tranche for each ISIN code held at the reporting date and requires using an external rating of the issue or, if this is not available, the issuer; in short, they are allocated to the different stages based on the following transfer criteria:

- "Low credit risk exemption": if the issue rating of the security (ISIN) at the reporting date is "investment grade", the tranche is allocated to Stage 1; otherwise, the Bank assesses the significant increase in credit risk between origination and reporting date;
- if the issue is "speculative grade", for each individual tranche, the Bank assesses the difference between the issue rating at the reporting date and the origination date; if the resulting rating difference is of 2 or more grades, the tranche is allocated to Stage 2; otherwise, it is allocated to Stage 1;
- if the issue rating at the reporting date is "speculative grade" and no issue rating at the origination date is available, the tranche is allocated to Stage 2;
- if there is no issue rating at the reporting date, but an issuer rating is available, the exposure shall be allocated by applying the previously described approach for the issue rating to the issuer rating.

Exposures are allocated to Stage 3 if credit risk has increased to the point that the instrument is considered impaired, i.e. classified as non-performing, including in the case of financial instruments in default.

If, at a given reporting date, an exposure is allocated to Stage 2 for one or more of the above transfer conditions, but these conditions no longer exist at a subsequent measurement date, the exposure is reallocated to Stage 1.

Therefore, for financial assets subject to impairment under IFRS 9, the expected credit loss represents an estimate of the weighted probability of credit losses over the expected lifetime of the financial instrument and is calculated based on the above stage allocation.

In particular:

- 12-month expected credit loss, for assets allocated to Stage 1. 12-month expected credit losses are those that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected lifetime is less than 12 months), weighted by the probability that the default event will occur.

"Lifetime" expected credit loss, for assets allocated to Stage 2 and Stage 3. Lifetime expected credit losses are those that result from all possible default events over the expected life of the financial instruments, weighted by the probability that the default will occur.

If, at the reporting date, the credit risk on a financial instrument has not significantly increased since initial recognition, the entity shall adjust the loss allowance for the financial instrument to an amount equal to the 12-month expected credit losses.

The key inputs in the calculation of ECLs are:

- PD (Probability of Default) is an estimate of the likelihood of default over a given time horizon, using the first year of a multi-period PD model. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. Multi-period PDs are adjusted according to short-term expectations to incorporate point-in-time effects (current stage of the Bank's risk factors compared to the long-term situation).
- EAD (Exposure at Default) is an estimate of the exposure at a future default date, taking into account potential expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise (e.g. bullet), expected drawdowns on committed facilities and off-balance exposures (applying a proper Credit conversion factor), and accrued interest from missed payments.
- LGD (Loss Given Default) is an estimate of the loss arising in the event of a default occurring at a given time. It is estimated differently according to the loan's status (performing, past-due, unlikely-to-pay, bad loan), on a modelling of historic recovery cash flows and other important drives in determining the recovery process specific to business type and product.

Once the allocation of exposures to the various stages of credit risk has been defined, the determination of expected losses (ECL) is carried out, at the level of individual transactions or tranches of securities, on the basis of models calibrated on internal Bank data, and models calibrated on data from the External Credit Assessment Institution ("ECAI agencies") on portfolios for which no internal observations are available, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), on which appropriate corrective action is taken to ensure compliance with the specific requirements of IFRS 9.

Non-performing loans are assessed either individually or collectively, according to the cases described below, and the total amount of the impairment loss on each loan is equal to the difference between the carrying amount at measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the original effective interest rate. Expected cash flows are calculated taking into account the expected recovery times, the estimated realisable value of guarantees, if any, and the costs expected to be incurred to recover the exposure.

The original effective interest rate of each loan does not change over time even if a restructuring involved changing the contractual rate or the loan no longer bears contractual interest in practice. Any impairment loss is recognised through profit or loss. The impairment loss is reversed in the following years to the extent that the reason for the impairment no longer exists, provided this assessment can be related objectively to an event occurring after the impairment was recognised. The reversal is recognised through profit or loss and shall not exceed the amortised cost that the loan would have had if the impairment had not been recognised.

Bad loans, excluding those referring to leasing and retail portfolios of personal loans or mortgages, with an outstanding gross amount of more than 100 thousand Euro are individually evaluated, whereas bad loans with an outstanding gross amount of less than 100 thousand Euro as well as bad loans with an outstanding gross amount of more than 100 thousand Euro but that were classified as such over 10 years prior to the reporting date are written off.

Unlikely to pay, excluding those referring to leasing or retail portfolios of personal loans or mortgages, with an amount of more than 100 thousand Euro are individually evaluated, whereas those with an amount of less than 100 thousand Euro are collectively tested for impairment.

Other non-performing loans are collectively tested for impairment. Such measurement applies to categories of loans with a homogeneous credit risk. The relevant losses are estimated as a percentage of the original loan amount by taking into account historical time series based on observable market data existing at the time of measurement and allowing to calculate the latent losses for each category.

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

No financial assets were transferred between portfolios during 2019.

A.4 - Fair value disclosure

Qualitative disclosure

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

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

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

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

Level 2: the instrument's fair value is measured based on valuation models using inputs observable in active markets, such as:

quoted prices for similar assets or liabilities;

quoted prices for identical or similar assets or liabilities in non-active markets;

observable inputs such as interest rates or yield curves, implied volatility, default rates and illiquidity factors;

inputs that are not observable but supported and confirmed by market data.

Level 3: the instrument's fair value is measured based on valuation models using mainly inputs that are unobservable in active markets.

Each financial asset or liability of the Bank is categorised in one of the above levels, and the relevant measurements may be recurring or non-recurring (see IFRS 13, paragraph 93, letter a). The fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input.

The choice among the valuation techniques is not optional, since these shall be applied in a hierarchical order: indeed, the fair value hierarchy gives the highest priority to (unadjusted) quoted prices available in active markets for identical assets or liabilities (Level 1 data) and the lowest priority to unobservable inputs (Level 3 data).

Valuation techniques used to measure fair value are applied consistently on an on-going basis.

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

In the absence of quoted prices in an active market, the fair value measurement of a financial instrument is performed using valuation techniques maximising the use of inputs observable on the market.

The use of a valuation technique is intended to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. In this case, the fair value measurement may be categorised in Level 2 or Level 3, according to what extent inputs to the pricing model are observable.

In the absence of observable prices in an active market for the financial asset or liability to be measured, the fair value of the financial instruments is measured using the so-called comparable approach (Level 2), requiring valuation models based on market inputs.

In this case, the valuation is not based on the quoted prices of the financial instrument being measured (identical asset), but on prices, credit spreads or other factors derived from the official quoted prices of instruments that are substantially similar in terms of risk factors and duration/return, using a given calculation method (pricing model).

In the absence of quoted prices in an active market for a similar instrument, or should the characteristics of the instrument to be measured not allow to apply models using inputs observable in active markets, it is necessary to use valuation models assuming the use of inputs that are not directly observable in the market and, therefore, requiring to make estimates and assumptions (non observable input - Level 3). In these cases, the financial instrument is measured using a given calculation method that is based on specific assumptions regarding:

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

In the cases described above, entities may make valuation adjustments taking into account the risk premiums considered by market participants in pricing instruments. If not explicitly considered in the valuation model, valuation adjustments may include:

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

With regard to the valuation of financial assets and liabilities measured at fair value on a recurring basis, the method used by the Bank for receivables mandatorily measured at fair value is the Discounted Cash Flow Model, which discounts the expected cash flows of each loan at a market rate that takes into account elements such as the risk-free rate for equal maturities, the funding cost, the lifetime credit risk of the counterparty and the cost of capital absorption.

In order to measure unquoted equity instruments, the Bank mainly uses income or financial models (Discounted Cash Flow Model or market multiples for comparable entities).

With specific reference to the valuation of UCITS units, the approach used on the basis of the methods presented above for the valuation is the Net Asset Value determined by the AMC. It must be verified whether, in determining the NAV, the fund's assets have been measured at fair value in accordance with the IVS (International Valuation Standards) and/or the RICS Valuation (Professional Standards Red Book). A discount is applied to the NAV determined in this way using a structured rate as described above.

Finally, as for over-the-counter (OTC) derivatives not quoted in active markets, their fair value is calculated based on measurement techniques that take into account all risk factors that could affect the value of the financial instrument concerned, using observable market inputs (interest rates, exchange rates, share indices, etc.) adjusted as appropriate to account for the creditworthiness of the specific counterparty, including the counterparty's credit risk (CVA, Credit Value Adjustment) and/or the Bank's own credit risk (DVA, Debt Value Adjustment).

As for the measurement of financial assets and liabilities measured at fair value on a non-recurring basis, the relevant portfolio consists of on-balance-sheet exposures classified as performing with a residual life exceeding one year (medium-long term). Therefore, all exposures classified as non-performing, the ones with a residual life less than one year, and unsecured loans are excluded from the valuation, as it is believed that their amortised cost can be used as an approximation of fair value.

For the purposes of measuring performing loans at fair value, given the absence of prices directly observable on active and liquid markets, entities shall use valuation techniques based on a theoretical model meeting the requirements of IAS/IFRS standards (Level 3). The approach used to determine the fair value of receivables is the Discounted Cash Flow Model, i.e. the discounting of expected future cash flows at a risk-free rate for the same maturity, increased by a spread representative of the counterparty's risk of default plus a liquidity premium.

As for acquired tax receivables, the Bank believes their amortised cost can be used as an approximation of fair value. The only element of uncertainty concerning these receivables due from tax authorities is the time required for collecting them; currently, there are no significant differences in the time it takes for the tax authorities to repay their debts. It should also be noted that Banca Ifis is one of the leading players in this operating segment, which makes it a price maker in the case of sales.

In general, for the purposes of the Level 3 fair value measurement of assets and liabilities, reference is made to:

- market rates calculated, according to market practice, using either money market rates for maturities less than one year, and swap rates for greater maturities, or the rates quoted in the market for similar transactions;
- Banca Ifis's credit spreads;
- financial statements and information from business plans.

A.4.2 Measurement processes and sensitivity

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

A.4.3 Fair value hierarchy

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

Debt securities are transferred from level 3 to level 2 when the inputs to the valuation technique used are observable at the measurement date. The transfer from level 3 to level 1 is allowed when it is confirmed that there is an active market for the instrument at the measurement date. Finally, they are transferred from level 2 to level 3 when some inputs relevant in measuring fair value are not directly observable at the measurement date.

Equity securities classified as assets measured at fair value through other comprehensive income are transferred between levels when:

- observable inputs became available during the period (e.g. prices for identical assets and liabilities defined in comparable transactions between independent and knowledgeable parties). In this case, they are reclassified from level 3 to level 2;
- inputs directly or indirectly observable used in measuring them are no longer available or current (e.g. no recent comparable transactions or no longer applicable multiples). In this case, the entity shall use valuation techniques incorporating unobservable inputs.

Quantitative information

A.4.5 Fair value hierarchy

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

Financial assets/liabilities measured at fair value (in thousands of Euro)	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	5.061	24.313	97.534	-	80.532	114.763
a) financial assets held for trading	-	24.313	-	-	31.450	-
b) financial assets measured at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	5.061	-	97.534	-	49.082	114.763
2. Financial assets measured at fair value through other comprehensive income	1.159.444	-	14.359	418.709	-	13.380
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	1.164.505	24.313	111.893	418.709	80.532	128.143
1. Financial liabilities held for trading	-	21.844	-	-	31.188	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	21.844	-	-	31.188	-

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

At 31 December 2019, the impact of the application of the Credit Value Adjustment on the assets of derivatives with a positive mark-to-market is 0,6 thousand Euro (relating to trading derivatives); with regard to instruments with a negative mark-to-market, there is no impact of the application of the Debit Value Adjustment on the assets of derivatives.

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets measured at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	114.763	-	-	114.763	13.380	-	-	-
2. Increases	55.446	-	-	55.446	2.198	-	-	-
2.1. Purchases	40.940	-	-	40.940		-	-	-
2.2. Profit taken to:	-	-	-	-	-	-	-	-
2.2.1. Income Statement	14.506	-	-	14.506	-	-	-	-
- of which capital gains	13.303	-	-	13.303	-	-	-	-
2.2.2. Equity	-	X	X	X	2.198	-	-	-
2.3. Transferred from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	72.675	-	-	72.675	1.219	-	-	-
3.1. Sales	50.159	-	-	50.159	599	-	-	-
3.2. Reimbursements	4.600	-	-	4.600	-	-	-	-
3.3. Losses taken to:	-	-	-	-	-	-	-	-
3.3.1. Income Statement	17.916	-	-	17.916	-	-	-	-
- of which capital losses	16.907	-	-	16.907	-	-	-	-
3.3.2. Equity	-	X	X	X	620	-	-	-
3.4. Transferred to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-		-	-	-
4. Closing balance	97.534	-	-	97.534	14.359	-	-	-

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

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis (in thousands of Euro)	31.12.2019				31.12.2018			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	7.372.987	241.048	-	7.174.534	7.135.635	14.155	-	7.217.251
2. Property, plant and equipment held for investment purpose	720	-	-	720	720	-	-	880
3. Non-current assets and disposal groups	25.560	-	-	50.500	-	-	-	-
Total	7.399.267	241.048	-	7.225.754	7.136.355	14.155	-	7.218.131
1. Financial liabilities measured at amortised cost	8.355.643	748.984	-	7.613.490	7.312.491	708.742	-	6.485.996
2. Liabilities associated with non-current assets	-	-	-	-	-	-	-	-
Total	8.355.643	748.984	-	7.613.490	7.312.491	708.742	-	6.485.996

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

A.5 - Disclosure on day one profit/loss

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

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

In other words, the assumption under IFRS 9, whereby fair value is equal to the consideration given or received, may be overcome only if there is objective evidence that the consideration given or received is not representative of the actual market value of the financial instrument being traded.

Such evidence must be derived only from objective and non-refutable parameters, thus eliminating any hypothesis of discretion on the part of the evaluator.

The difference between the fair value and the negotiated price, only when the above conditions are met, is representative of the day one profit and is immediately recognised in the income statement.

No such transactions were carried out as part of the Bank's operations during 2019.

4.2. Part B - Statement of financial position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31.12.2019	31.12.2018
a) Cash	30	29
b) On demand deposits at Central banks	-	-
Total	30	29

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

2.1 Financial assets held for trading: breakdown by type

Items/Amounts	31.12.2019			31.12.2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	-	-	-	-	-	-
B. Derivatives						
1. Financial derivatives	-	24.313	-	-	31.450	-
1.1 held for trading	-	24.313	-	-	31.450	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 connected to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	-	24.313	-	-	31.450	-
Total (A+B)	-	24.313	-	-	31.450	-

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

The financial assets held for trading outstanding at 31 December 2019 still mainly referred to interest rate derivatives that the merged entity Interbanca S.p.A. negotiated with its Corporate clients up to 2009 to provide them with instruments to hedge risks such as fluctuations in interest rates. In order to remove market risk, these transactions are hedged with "back to back" trades, in which

Interbanca assumed a position opposite to the one sold to corporate clients with independent market counterparties. Alongside these financial assets, the trading book also includes options and futures deriving from hedges and ancillary enhancements to the Bank's proprietary investment strategy, whose business started in the second half of 2019.

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

Items/Amounts	31.12.2019	31.12.2018
A. Cash assets		
1. Debt securities	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies		
e) Non-financial companies	-	-
2. Equity securities	-	-
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. UCITS units	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	-	-
B. Derivatives		
a) Central Counterparties	-	-
b) Other	24.313	31.450
Total (B)	24.313	31.450
Total (A+B)	24.313	31.450

2.5 Financial assets mandatorily measured at fair value: breakdown by type

Items/Amounts	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	91	-	-	1.935
1.1. Structured	-	-	-	-	-	-
1.2. Other debt securities	-	-	91	-	-	1.935
2. Equity securities	-	-	-	-	-	11.266
3. UCITS units	5.061	-	75.136	-	49.082	50.267
4. Loans	-	-	22.307	-	-	51.295
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2. Others	-	-	22.307	-	-	51.295
Total	5.061	-	97.534	-	49.082	114.763

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

Other debt securities consisted of junior and mezzanine notes associated with securitisation transactions.

Equity securities are zeroed in comparison with last year, following the comprehensive impairment of equity instruments relative to a previously restructured position.

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

	31.12.2019	31.12.2018
1. Equity securities	-	11.266
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	11.266
2. Debt securities	91	1.935
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	91	1.935
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	80.197	99.349
4. Loans	22.307	51.295
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	260	37.306
of which: insurance companies	-	-
e) Non-financial companies	22.047	13.987
f) Households	-	2
Total	102.595	163.845

UCITS units included 3,5 million Euro in closed-end real estate funds, 52,0 million Euro in funds investing in non-performing loans, 15,5 million Euro in equity funds, and 5,5 million Euro in bond funds.

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

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

Items/Amounts	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Debt securities	1.124.635	-	-	418.709	-	-
1.1 Structured	-	-	-	-	-	-
1.2 Other	1.124.635	-	-	418.709	-	-
2. Equity securities	34.809	-	14.359	-	-	13.385
3. Loans	-	-	-	-	-	-
Total	1.159.444	-	14.359	418.709	-	13.385

Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

Level 1 “other debt securities” referred for 1.094 million to floating-rate Italian government bonds.

“Equity securities” referred to minority interests. The change compared to last year is closely linked to the creation, starting from the second half of the year, of a portfolio of listed securities functional to generating income over time. Level 3 securities are connected with minority interests deriving from the acquisition of the former Interbanca Group.

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

Items/Amounts	31.12.2019	31.12.2018
1. Debt securities	1.124.635	418.709
a) Central Banks	-	-
b) Public Administrations	1.093.602	410.410
c) Banks	15.212	8.299
d) Other financial companies	13.666	-
of which: insurance companies	-	-
e) Non-financial companies	2.155	-
2. Equity securities	49.168	13.380
a) Banks	5.747	22
b) Other issuers:	43.421	13.358
- other financial companies	10.971	6.671
of which: insurance companies	3.242	-
- non-financial companies	32.450	-
- other	-	6.688
3. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	1.173.803	432.089

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

	Gross amount				Overall impairment losses/reversals			Overall partial write-offs(1)
	Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	1.125.461	1.125.461	-	-	826	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 31.12.2019	1.125.461	1.125.461	-	-	826	-	-	-
Total 31.12.2018	419.996	419.996	-	-	1.287	-	-	-
of which: purchased or originated credit impaired financial assets	X	X	-	-	X	-	-	-

(1) Amount to be reported for disclosure purposes

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

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

Type of transaction/Amounts	31.12.2019						31.12.2018					
	Carrying amount			*Fair value*			Carrying amount			*Fair value*		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3
A. Receivables due from Central banks	373.705	-	-	-	-	373.705	280.871	-	-	-	-	280.871
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Legal reserve	31.162	-	-	X	X	X	33.212	-	-	X	X	X
3. Reverse repurchase agreements		-	-	X	X	X	-	-	-	X	X	X
4. Others	342.543	-	-	X	X	X	247.659	-	-	X	X	X
B. Receivables due from banks	86.873	-	-	10.232	-	76.641	113.280	-	-	-	-	113.280
1. Loans	76.631	-	-	-	-	76.641	113.280	-	-	-	-	-
1.1 Current accounts and demand deposits	42.626	-	-	X	X	X	73.207	-	-	X	X	X
1.2. Term deposits	31.757	-	-	X	X	X	38.461	-	-	X	X	X
1.3 Other loans:	2.248	-	-	X	X	X	1.612	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	1.400	-	-	X	X	X	-	-	-	X	X	X
- Other	848	-	-	X	X	X	1.612	-	-	X	X	X
2. Debt securities	10.242	-	-	10.232	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	10.242	-	-	10.232	-	-	-	-	-	-	-	-
Total	460.578	-	-	10.232	-	450.346	394.151	-	-	-	-	394.151

Key:

Fair value

L1 = Stage 1

L2 = Stage 2

L3 = Stage 3

The fair value of receivables due from banks is in line with the relevant carrying amount, considering the fact that interbank deposits are short- or very short-term indexed-rate instruments.

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

Type of transaction/Amounts	31.12.2019						31.12.2018					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	L1	L2	L3
1. Loans	6.279.615	325.798	89.099	-	-	6.649.051	6.222.169	355.596	126.927	-	-	6.673.483
1.1. Current accounts	81.905	41.805	36	X	X	X	126.595	40.980	134	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X	49.846	-	-	X	X	X
1.3. Loans/mortgages	2.098.072	110.053	87.629	X	X	X	1.931.965	130.010	122.272	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	-	-	-	X	X	X	-	-	-	X	X	X
1.5. Finance leases	1.227.920	16.193	-	X	X	X	1.158.551	16.410	-	X	X	X
1.6. Factoring	2.512.884	143.644	-	X	X	X	2.610.077	149.261	3	X	X	X
1.7. Other loans	358.834	14.103	1.434	X	X	X	345.134	18.935	4.518	X	X	X
2. Debt securities	306.995	1	-	230.816	-	75.137	163.717	1	-	14.155	-	149.617
2.1. Structured	996	-	-	-	-	996	-	-	-	X	X	X
2.2. Other debt securities	305.999	1	-	230.816	-	74.141	163.717	1	-	X	X	X
Total	6.586.610	325.799	89.099	230.816	-	6.724.188	6.385.886	355.597	126.927	14.155	-	6.823.100

Acquired non-performing exposures largely referred to the non-performing assets arising from the acquisition of the former GE Capital Interbanca Group.

Finally, other debt securities include 213,0 million Euro in government securities acquired during the second half of the year with a view to optimizing Bank liquidity. Level 3 securities include investments in securitisations and minibond issues.

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

Type of transaction/Amounts	31.12.2019			31.12.2018		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired
1. Debt securities:	**306.995**	**1**	**-**	**163.717**	**1**	**-**
a) Public Administrations	216.023	-	-	-	-	-
b) Other financial companies	73.074	-	-	146.017	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	17.898	1	-	17.700	1	-
2. Loans to:	**6.279.615**	**325.798**	**89.099**	**6.222.169**	**355.596**	**126.927**
a) Public Administrations	688.933	49.241	-	705.261	51.656	-
b) Other financial companies	1.005.551	3.084	4.078	1.003.050	2.760	4.455
of which: insurance companies	219	-	-	83	-	-
c) Non-financial companies	4.148.643	238.329	68.643	4.084.451	256.502	104.061
d) Households	436.488	35.144	16.378	429.407	44.678	18.411
Total	**6.586.610**	**325.799**	**89.099**	**6.385.886**	**355.597**	**126.927**

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

	Gross amount				Overall impairment losses/reversals			Overall partial write-offs(1)
	Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	317.563	317.564	-	1	326	-	-	-
Loans	6.393.787	-	371.009	618.214	29.227	5.616	292.418	58.507
Total 31.12.2019	**6.711.350**	**317.564**	**371.009**	**618.215**	**29.553**	**5.616**	**292.418**	**58.507**
Total 31.12.2018	**6.141.685**	**164.299**	**388.554**	**629.224**	**27.034**	**4.040**	**273.627**	**340.838**
of which: purchased or originated credit impaired financial assets	X	X	14.888	79.720	X	54	5.455	1.349

(1) Amount to be reported for disclosure purposes

Section 7 - Equity investments - Item 70

7.1 Equity investments: information on investments

Company Name	Registered office	Head Office	Equity %	Voting rights %
A. Subsidiaries				
1. IFIS Finance Sp. Z o.o.	Warsaw	Warsaw	100%	100%
2. IFIS Rental Services S.r.l.	Milan	Milan	100%	100%
3. IFIS NPL S.p.A.	Mestre	Florence, Milan and Mestre	100%	100%
4. FBS S.p.A.	Milan	Milan	100%	100%
5. Cap.Ital.Fin. S.p.A.	Naples	Naples	100%	100%
6. Credifarma S.p.A.	Rome	Rome	70%	70%
B. Joint ventures	-	-	-	-
C. Companies under significant influence	-	-	-	-

7.5 Equity investments: annual changes

	31.12.2019	31.12.2018
A. Opening balance	530.161	364.312
B. Increases	80.700	380.910
B.1 Purchases	70.700	9.510
B.2 Reversals of impairment losses	-	-
B.3 Revaluations	-	-
B.4 Other changes	10.000	371.400
C. Decreases	-	215.061
C.1 Sales	-	-
C.2 Impairment losses and amortisation	-	-
C.3 Devaluations	-	-
C.4 Other changes	-	215.061
D. Closing balance	610.861	530.161
E. Total revaluations	-	-
F. Total adjustments	-	-

Purchases refer to the acquisition of FBS S.p.A.

"Other increases" included 10,0 million Euro resulting from the capital increase in favour of the subsidiary Cap.Ital.Fin. S.p.A.

Section 8 - Property, plant and equipment - Item 80

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

	31.12.2019	31.12.2018
1. Owned	63.021	86.660
a) Land	19.487	35.902
b) Buildings	36.562	43.481
c) Furniture	1.554	1.332
d) Electronic systems	4.301	4.487
e) Others	1.117	1.458
2. Rights of use acquired through leases	14.101	3.842
a) Land	-	-
b) Buildings	12.110	3.842
c) Furniture	-	-
d) Electronic systems	495	-
e) Others	1.496	-
Total	77.122	90.502
of which: obtained by enforcing collateral	-	-

Property, plant and equipment come in at 77,1 million Euro as compared with the 90,5 of 2018. The change is partly due to the reclassification of 25,6 million Euro of the Milan property in Corso Venezia to non-current assets under disposal, following the late 2019 stipulation of a binding offer for its sale; this reduction was only partially offset by the effect of the entry of 11,0 million Euro of the right of use, as envisaged by the new standard IFRS 16 - Leases, in force starting 01 January 2019.

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

The property Villa Marocco, is not depreciated, but it is impairment tested at least once a year, as it is a prestigious property. To this end, it is appraised by experts specialising in luxury properties. The impairment test did not reveal any impairment losses to be recognised in profit or loss.

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

Assets/Amounts	31.12.2019				31.12.2018			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned	720	-	-	720	720	-	-	880
a) Land	-	-	-	-	-	-	-	-
b) Buildings	720	-	-	720	720	-	-	880
2. Rights of use acquired through leases	-	-	-	-	-	-	-	-
a) Land	-	-	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-	-	-
Total	720	-	-	720	720	-	-	880
of which: obtained by enforcing collateral	-	-	-	-	-	-	-	-

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

8.6 Property, plant and equipment for functional use: annual changes

	Land	Buildings	Furnishings	Electronic systems	Others	Total 31.12.2019
A. Gross opening balance	35.902	67.831	11.273	18.204	13.317	146.527
A.1 Total net depreciation and impairment losses	-	(20.508)	(9.941)	(13.717)	(11.859)	(56.025)
A.2 Net opening balance	35.902	47.323	1.332	4.487	1.458	90.502
B. Increases	-	12.977	566	2.338	2.665	18.546
B.1 Purchases	-	2.420	566	1.435	410	4.831
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	610	-	-	-	610
B.4 Fair value gains taken to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	9.947	-	903	2.255	13.105
C. Decreases	(16.415)	(11.628)	(344)	(2.029)	(1.510)	(31.926)
C.1 Sales	-	(92)	-	-	(267)	(359)
C.2 Depreciation	-	(2.391)	(344)	(2.029)	(1.243)	(6.007)
C.3 Impairment losses taken to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses taken to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to	(16.415)	(9.145)	-	-	-	(25.560)
a) Property, plant and equipment held for investment purpose	-	-	-	-	-	-
b) non-current assets and disposal groups	(16.415)	(9.145)	-	-	-	(25.560)
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	19.487	48.672	1.554	4.796	2.613	77.122
D.1 Total net depreciation and impairment losses	-	22.234	10.284	15.261	12.992	60.771
D.2 Gross closing balance	19.487	70.906	11.838	20.057	15.605	137.893
E. Measurement at cost	-	-	-	-	-	-

Property, plant and equipment for functional use are measured at cost and are depreciated on a straight-line basis over their useful life, with the exclusion of land with an indefinite useful life and the "Villa Marocco" property, whose residual value at the end of its useful life is expected to be higher than its book value.

Property, plant and equipment not yet brought into use at the reporting date are not depreciated.

As specified previously, transfers of land and buildings to "Transfers to non-current assets and asset disposal groups held for sale" include the binding offer of sale of the property in Corso Venezia, Milan.

8.7 Property, plant and equipment held for investment: annual changes

	31.12.2019	
	Land	Buildings
A. Opening balance		720
B. Increases	-	-
B.1 Purchases	-	-
B.2 Capitalised improvement expenses	-	-
B.3 Fair value gains	-	-
B.4 Reversals of impairment losses	-	-
B.5 Exchange gains	-	-
B.6 Transfers from property for functional use	-	-
B.7 Other changes	-	-
C. Decreases	-	-
C.1 Sales	-	-
C.2 Depreciation	-	-
C.3 Fair value losses	-	-
C.4 Impairment losses	-	-
C.5 Exchange losses	-	-
C.6 Transfers to other asset portfolios:	-	-
a) property for functional use	-	-
b) Non-current assets and disposal groups	-	-
C.7 Other changes	-	
D. Closing balance	-	720
E. Measurement at fair value	-	720

Buildings held for investment purposes are measured at cost and refer to leased property. They are not depreciated as they are destined for sale.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown by asset type

Assets/Amounts	31.12.2019		31.12.2018	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets	19.129	-	19.287	-
A.2.1 Assets measured at cost:	19.129	-	19.287	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	19.129	-	19.287	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	19.129	-	19.287	-

Other intangible assets at 31 December 2017 refer exclusively to software purchase and development, amortised on a straight-line basis over the estimated useful life, which is 5 years from deployment.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total 31.12.2019
		FINITE	INDEF	FINITE	INDEF	
A. Opening balance	-	-	-	48.615	-	48.615
A.1 Total net amortisation and impairment losses	-	-	-	(29.328)	-	(29.328)
A.2 Net opening balance	-	-	-	19.287	-	19.287
B. Increases	-	-	-	6.112	-	6.112
B.1 Purchases	-	-	-	6.112	-	6.112
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Reversals of impairment losses	X	-	-	-	-	-
B.4 Fair value gains	-	-	-	-	-	-
- to equity	X	-	-	-	-	-
- to profit or loss	X	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	(6.270)	-	(6.270)
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses and amortisation	-	-	-	(6.270)	-	(6.270)
- Amortisation	X	-	-	(6.270)	-	(6.270)
- Impairment losses:	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.3 Fair value losses:	-	-	-	-	-	-
- to equity	X	-	-	-	-	-
- to profit or loss	X	-	-	-	-	-
C.4 Transfer to non-current assets under disposal	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	-	-	-	19.129	-	19.129
D.1 Total net amortisation, impairment losses and reversals of impairment losses	-	-	-	29.328	-	29.328
E. Gross closing balance	-	-	-	48.457	-	48.457
F. Measurement at cost	-	-	-	19.129	-	19.129

Key
FIN: finite useful life
INDEF: indefinite useful life

Purchases refer exclusively to investments for the enhancement of IT systems.

Section 10 - Tax assets and liabilities - Item 100 of assets and Item 60 of liabilities

10.1 Deferred tax assets: breakdown

The main types of deferred tax assets are set out below:

Deferred tax assets	31.12.2019	31.12.2018
A. Gross deferred tax assets	319.316	333.221
A1. Receivables (including securitisations)	214.627	216.864
A2. Other financial instruments	1.088	5.745
A3. Goodwill	12.573	-
A4. Expenses spanning several years	-	-
A5. Property, plant and equipment	-	-
A6. Provisions for risks and charges	7.864	10.320
A7. Entertainment expenses	-	-
A8. Personnel-related expenses	-	-
A9. Tax losses	78.033	98.842
A10. Unused tax credits to be deducted	-	-
A11. Others	5.131	1.450
B. Set-off with deferred tax liabilities	-	-
C. Net deferred tax assets	319.316	333.221

Deferred tax assets of 319,3 million Euro mainly comprise 214,6 million Euro for impairment losses on receivables deductible during following years and which can be transformed into tax credits in accordance with Italian Law no. 214/2011 and 78,0 for tax losses and surplus previous ACE that can be carried forward to subsequent tax periods.

The reduction in prepaid tax for 13,9 million Euro is mainly due to the use for 20,8 million Euro of previous tax losses and ACE surpluses offsetting the period tax charge and the receivable due from the consolidating company La Scogliera S.p.A. and the 4,7 million reduction in taxation connected with the negative fair value reserve of the assets measured at fair value through other comprehensive income, partly offset by an increase of 12,6 million for prepaid tax allocated for the redemption in accordance with Italian Decree Law no. 98/2011 of goodwill entered on the consolidated financial statements in relation to the purchase of the controlling investment by Banca Ifis in regard to FBS S.p.A., whose substitute tax, of 6,1 million, was noted on profit and loss with a counter-entry under "Current tax liabilities".

10.2 Deferred tax liabilities: breakdown

The main types of deferred tax liabilities are shown below:

Deferred tax liabilities	31.12.2019	31.12.2018
A. Gross deferred tax liabilities	38.301	39.129
A1. Capital gains to be spread over multiple periods	-	-
A2. Goodwill	-	-
A3. Property, plant and equipment	5.964	9.193
A4. Financial instruments	1.494	673
A5. Personnel-related expenses	-	-
A6. Others	30.843	29.263
B. Set-off with deferred tax assets	-	-
C. Net deferred tax liabilities	38.301	39.129

Deferred tax liabilities, amounting to 38,3 million Euro, mainly include 27,3 million Euro on receivables recognised for interest on arrears that will be taxed upon collection, 6,0 million Euro on property revaluations and 3,2 million Euro on misalignments of trade receivables.

The reduction in deferred tax liabilities for 0,8 million Euro is mainly due to the reduction of 2,9 million Euro for the cancellation of deferred tax already entered on tangible assets, due to the exercise of the option envisaged by Italian Law no. 160/2019 (2020 Budget Law) for the realignment of tax values with the greater book values, with reference to owned properties and lands, which equates to substitute tax of 0,9 million noted on the income statement with a counter-entry under "Current tax liabilities", partly offset by the 0,8 million Euro increase in tax relating to the positive fair value reserve of some assets measured at fair value through other comprehensive income and the 1,5 million Euro increase in tax relating to late payment interest already taxable upon collection only.

10.3 Changes in deferred tax assets (recognised through profit or loss)

	31.12.2019	31.12.2018
1. Opening balance	327.453	301.603
2. Increases	15.267	67.111
2.1 Deferred tax assets recognised in the year	2.693	10.431
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) reversals of impairment losses	-	-
d) other	2.693	10.431
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	12.574	56.680
3. Decreases	24.509	41.261
3.1 Deferred tax assets reversed during the year	24.509	41.242
a) reversals	20.223	38.349
b) impairment losses due to unrecoverability	-	-
c) change in accounting standards	-	-
d) other	4.286	2.893
3.2 Reductions in tax rates	-	-
3.3 Other reductions:	-	19
a) conversion into tax credits as per Italian Law no. 214/2011	-	19
b) other	-	-
4. Closing balance	318.211	327.453

10.3bis Changes in deferred tax assets as per Italian Law no. 214/2011

	31.12.2019	31.12.2018
1. Opening balance	214.613	176.214
2. Increases	14	38.427
3. Decreases	-	29
3.1 Reversals	-	-
3.2 Conversion in tax credits	-	19
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	19
3.3 Other decreases	-	9
4. Closing balance	214.627	214.613

10.4 Changes in deferred tax assets (recognised through profit or loss)

	31.12.2019	31.12.2018
1. Opening balance	38.372	36.704
2. Increases	1.703	9.419
2.1 Deferred tax assets recognised in the year	1.703	9.419
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	1.703	9.419
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	
3. Decreases	3.268	7.751
3.1 Deferred tax liabilities reversed during the year	3.268	7.751
a) reversals	421	7.565
b) due to change in accounting standards	-	-
c) other	2.847	186
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	36.807	38.372

10.5 Changes in deferred tax assets (recognised through equity)

	31.12.2019	31.12.2018
1. Opening balance	5.768	332
2. Increases	236	5.904
2.1 Deferred tax assets recognised in the year	-	5.881
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	-	5.881
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	236	23
3. Decreases	4.899	468
3.1 Deferred tax assets reversed during the year	4.899	468
a) reversals	4.899	191
b) impairment losses due to unrecoverability	-	-
c) due to change in accounting standards	-	-
d) other	-	277
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	1.105	5.768

10.6 Changes in deferred tax liabilities (recognised through equity)

	31.12.2019	31.12.2018
1. Opening balance	757	1.799
2. Increases	1.069	59
2.1 Deferred tax assets recognised in the year	821	59
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	821	59
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	248	-
3. Decreases	332	1.101
3.1 Deferred tax liabilities reversed during the year	84	1.101
a) reversals	84	-
b) due to change in accounting standards	-	-
c) other	-	1.101
3.2 Reductions in tax rates	-	-
3.3 Other decreases	248	-
4. Closing balance	1.494	757

Section 11 – Non-current assets and disposal groups and related liabilities – Item 110 of the assets and Item 70 of the liabilities

11.1 Non-current assets and disposal groups: breakdown by type of asset

	31.12.2019	31.12.2018
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3. Property, plant and equipment	25.560	-
of which: obtained by enforcing collateral	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	25.560	-
of which measured at cost	25.560	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets measured at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: obtained by enforcing collateral	-	
B.6 Intangible assets	-	-
B.7. Other assets	-	-
Total (B)	-	-
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. Liabilities associated with assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	-	-
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities associated with discontinued operations		
C.1 Financial liabilities measured at amortised cost	-	-
C.2 Financial liabilities held for trading	-	-
D.3. Financial liabilities measured at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total (D)	-	-
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

As indicated previously, non-current assets held for disposal refer to the property of Corso Venezia, Milan, for which, at the end of 2019, a binding offer of sale was stipulated.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

	AMOUNTS AT	
	31.12.2019	31.12.2018
Tax receivables	40.315	68.529
Accrued income and prepaid expenses	7.102	6.921
Guarantee deposits	1.037	940
Other sundry items	308.007	241.016
Total other assets	**356.461**	**317.406**

Other assets amounted to 356,5 million Euro at end 2019 (+12,3% on last year).

The item includes 46,2 million Euro, which refer to the receivable due from the parent company La Scogliera S.p.A. by virtue of the tax consolidation agreements (54,7 million Euro at 31 December 2018) and 29,8 million Euro for Group VAT credits.

LIABILITIES

Section 1 - Financial liabilities measured at amortised cost - Item 10

1.1 Financial liabilities measured at amortised cost: breakdown of payables due to banks by type

Type of transaction/Amounts	31.12.2019				31.12.2018			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Payables due to Central banks	792.168	X	X	X	695.075	X	X	X
2. Payables due to banks	167.235	X	X	X	61.357	X	X	X
2.1 Current accounts and on demand deposits	27.921	X	X	X	32.551	X	X	X
2.2. Term deposits	119.663	X	X	X	25.393	X	X	X
2.3 Loans	19.211	X	X	X	3.413	X	X	X
2.3 1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	19.211	X	X	X	3.413	X	X	X
2.4 Debt from buyback commitments on treasury equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	440	X	X	X	-	X	X	X
Total	959.403	-	-	959.403	756.432	-	-	756.432

Key

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

Payables due to central banks essentially consisted of the subscribed 800,0 million Euro (par value) TLTRO tranche obtained in March 2017 and in December 2019.

The fair value of payables due to banks is in line with the relevant carrying amount, considering the fact that interbank deposits are short- or very short-term.

1.2 Financial liabilities measured at amortised cost: breakdown of payables due to customers by type

Type of transaction/Amounts	31.12.2019				31.12.2018			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and on demand deposits	1.039.558	X	X	X	1.017.824	X	X	X
2. Term deposits	4.065.418	X	X	X	3.649.160	X	X	X
3. Loans	150.280	X	X	X	897.375	X	X	X
3.1 Repurchase agreements	150.280	X	X	X	-	X	X	X
3.2 Other	-	X	X	X	897.375	X	X	X
4. Debt from buyback commitments on treasury equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	13.866	X	X	X				
6. Other payables	1.059.589	X	X	X	12.698	X	X	X
Total	6.328.711	-	-	6.352.300	5.577.057	-	-	5.558.561

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

Current accounts and on demand deposits at 31 December 2018 included funding from the on demand rendimax savings account and the contomax on-line current account, amounting to 779,6 million and 40,0 million Euro, respectively; term deposits represent funding from fixed-term rendimax and contomax accounts and time deposits. Other loans relate to the financial lease payable and the payable for the rights of use acquired through leasing.

It should be noted that the Bank does not carry out "term structured repo" transactions.

1.3 Financial liabilities measured at amortised cost: breakdown of debt securities issued by type

Type of securities/Amounts	31.12.2019				31.12.2018			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	1.067.078	748.984	-	301.336	978.462	708.742	-	170.463
1.1 structured bonds	-	-	-	-	-	-	-	-
1.2 other bonds	1.067.078	748.984	-	301.336	978.462	708.742	-	170.463
2. Other securities	451	-	-	451	540	-	-	540
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	451	-	-	451	540	-	-	540
Total	1.067.529	748.984	-	301.787	979.002	708.742	-	171.003

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

Bonds also comprised 605,1 million Euro (including interest) in senior bonds issued by Banca Ifis, as well as the 401,9 million Euro (including interest) Tier 2 bond. Debt securities issued at 31 December 2019 included 59,5 million Euro in a bond loan issued at the time by the merged entity Interbanca.

1.4 Breakdown of subordinated debts/securities

The line item "Debt securities issued" included 401,8 million Euro in subordinated notes related to Euro Tier 2 bond issued in mid-October 2017 for a nominal amount of 400 million Euro.

1.6 Lease payables

	31.12.2019	31.12.2018
Lease payables	13.867	3.471

Lease payables amounted to 13,9 million Euro. The increase is mainly driven by the effect of the implementation of the new standard IFRS 16 - Leases, in force starting 01 January 2019 and as more extensively described in “Part M - Information on leasing” of this document.

It also includes 3,3 million Euro for the real estate lease the former company Toscana Finanza S.p.A. entered into in 2009 for the property located in Florence, which housed the headquarters of the NPL Segment until August 2016. The term of the lease entered into with Centro Leasing S.p.A. is 18 years (from 01.03.2009 to 01.03.2027) and provides for the payment of 216 monthly instalments of 28.490 Euro, including the principal, interest and an option to buy the asset at the end of the lease for 1.876.800 Euro. The property currently houses the head office of Banca Ifis.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Amounts	31.12.2019					31.12.2018				
	NA	Fair value			Fair value*	NA	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Payables due to banks	-	-	-	-	-	-	-	-	-	-
2. Payables due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-		-	-	-	-	-
3.1 Bonds	-	-	-	-		-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-		-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	-	-	-	-	-	-	-	-	-	-
B. Derivatives										
1. Financial derivatives		-	21.844	-		-	-	31.188	-	-
1.1 Held for trading	X	-	21.844	-	X	X	-	31.188	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives		-	-	-		X	-	-	-	X
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	X	-	21.844	-		X	-	31.188	-	X
Total (A+B)	X	-	21.844	-	-	X	-	31.188	-	X

Key:
NA = Nominal or notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair Value* = Fair value calculated excluding changes in value due to changes in the issuer's creditworthiness compared to the date of issuance

Concerning level 2 liabilities held for trading, see the comments in section 2 under assets.

Section 6 - Tax liabilities - Item 60

See section 10 under assets.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	31.12.2019	31.12.2018
Payables due to suppliers	85.255	29.541
Payables due to personnel	13.344	11.833
Payables due to the Tax Office and Social Security agencies	11.209	8.294
Sums available to customers	20.596	18.889
Accrued expenses and deferred income	2.307	4.300
Other payables	177.914	240.443
Total	310.625	313.300

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	31.12.2019	31.12.2018
A. Opening balance	7.057	5.476
B. Increases	368	2.428
B.1 Provisions for the year	107	91
B.2 Other changes	261	393
Business combinations	-	1.944
C. Decreases	373	847
C.1 Payments made	373	105
C.2 Other changes	-	553
Business combinations	-	189
D. Closing balance	7.052	7.057
Total	7.052	7.057

Payments made represent the benefits paid to employees during the year.

Other changes include the impact of the discounting of benefits earned up to 31 December 2006 and still held in the company, which, based on the changes introduced by the new IAS 19, are recognised through equity.

Pursuant to the requirements of the ESMA in the document "European common enforcement priorities for 2012 financial statements" of 12 November 2012, the discount rate used was the interest rate based on the market yield of a benchmark of AA-rated European corporate bonds with maturity over 10 years. The same interest rate was used to discount the obligations at 31 December 2018.

9.2 Other information

Under IAS/IFRS standards, a company's liabilities regarding benefits that will be paid to employees at the conclusion of the employer/employee relationship (post-employment benefits) should be recognised based on actuarial calculations of the amount that will be paid at maturity.

Specifically, these allocations must take into account the amount already earned over the period at the reporting date, projecting it into the future in order to calculate the amount that will be paid at the conclusion of the employer/employee relationship. This amount must then be discounted to take into account the time that will pass until payment.

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

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

In particular:

post-employment benefits earned as from 1 January 2007 constitute a defined-contribution plan, regardless of whether the employee has chosen to allocate them to a supplementary pension fund or to INPS's Treasury Fund. Those benefits shall be calculated according to contributions due without applying actuarial methods;

post-employment benefits earned up to 31 December 2006 continue to be considered as a defined-benefit plan, and as such are calculated on an actuarial basis which, however, unlike the calculation method applied until 31 December 2006, no longer requires that the benefits be proportionally attributed to the period of service rendered. This is because the employee's service is considered entirely accrued due to the change in the accounting nature of benefits earned as from 1 January 2007.

Section 10 - Provision for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Amounts	31.12.2019	31.12.2018
1. Provisions for credit risk related to commitments and financial guarantees granted	3.583	3.623
2. Provisions on other commitments and guarantees given	-	-
3. Provisions for pensions	-	-
4. Other provisions for risks and charges	25.012	18.391
4.1 legal and tax disputes	19.403	3.517
4.2 personnel expenses	600	926
4.3 other	5.009	13.948
Total	28.595	22.014

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and financial guarantees granted	Provisions for pensions	Other provisions for risks and charges	Total 31.12.2019
A. Opening balance	-	-	18.391	18.391
B. Increases	-	-	11.414	11.414
B.1 Provisions for the year	-	-	11.414	11.414
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to changes in the discount rate	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases	-	-	4.792	4.792
C.1 Used in the year	-	-	1.696	1.696
C.2 Changes due to changes in the discount rate	-	-	-	-
C.3 Other changes	-	-	3.097	3.097
D. Closing balance	-	-	25.012	25.012

10.3 Provisions for credit risks related to commitments and financial guarantees granted

	Provisions for credit risk related to commitments and financial guarantees granted			
	Stage 1	Stage 2	Stage 3	Total
1. Loan commitments	1.448	-	-	1.448
2. Guarantees granted	121	62	1.952	2.135
Total	**1.569**	**62**	**1.952**	**3.583**

10.6 Provisions for risks and charges - Other provisions

Legal and tax disputes

At 31 December 2019, the Bank had set aside 19,4 million Euro in provisions. This amount mainly relates to the following legal disputes:

- 12,0 million Euro for 44 disputes concerning the Trade Receivables Area (the plaintiffs seek 30,1 million Euro in damages), these disputes are mainly connected with the request for the repetition of amounts collected or payments under guarantee in relation to factoring positions without recourse;
- 5,4 million Euro (the plaintiffs seek 64,8 million Euro in damages) for 27 disputes concerning the Corporate Banking and Commercial Lending Areas and linked for 4,9 million Euro to positions deriving from the former Interbanca;
- 1,9 million Euro (the plaintiffs seek 4,0 million Euro in damages) for 61 disputes concerning the Leasing Area;

Other provisions for risks and charges

At 31 December 2019, the Bank had set aside 5,6 million Euro in provisions, including 4,7 million Euro in supplementary customer allowances associated with the Leasing area's operations and 0,6 million Euro in personnel-related expenses.

Contingent liabilities

Here below are the most significant contingent liabilities outstanding at 31 December 2019. Based on the opinion of the legal advisers assisting the subsidiaries, they are considered possible, and therefore they are only disclosed.

Tax dispute

Dispute concerning the write-off of receivables. Company involved IFIS Leasing S.p.A. (former GE Capital Interbanca Group)

The Italian Revenue Agency has reclassified the write-off of receivables made by the Company in 2004, 2005, 2006 and 2007 and added in the years between 2005 and 2014 to losses on receivables - without any actual evidence.

Overall, the Agency assessed 242,7 thousand Euro in additional taxes and administrative penalties amounting to 100%.

Dispute concerning the Notice of Settlement of 3% registration tax. Companies involved: Banca Ifis as the acquiring company of Interbanca S.p.A. and IFIS Rental S.r.l. - (former GE Capital Interbanca Group)

The Italian Revenue Agency has reclassified the restructuring operation of the company GE Capital Services S.r.l. as a Transfer of business unit, requesting the application of the registration tax proportionally equal to 3% of the value of the company for a total of 3,6 million Euro.

Dispute concerning the assumed “permanent establishment” in Italy of the Polish company

Following the investigation carried out by the Guardia di Finanza [Financial Police Force] in regard to Direct Tax, VAT and other tax for the tax years 2016 and 2017 and 2013/2015 limited to transactions implemented with the Polish subsidiary IFIS Finance SP Zoo, Verification Notices were served in regard to the years 2013/2015.

The Guardia di Finanza claims that it has found evidence to suggest that in the foreign country (Poland), a “permanent establishment” of Banca Ifis has been set up and not an autonomous legal subject with capacity of self-determination.

In other words, by refusing to acknowledge the autonomous legal organisation of the Company with simultaneous tax residence of such in Poland, the costs and revenues of the Polish office would constitute positive or negative items producing income taxable in Italy (net of the tax credit for tax ultimately paid abroad).

In holding the Financial Administration's claim to be unfounded, the Bank will be filing an appeal against the Verification Notice pursuant to the law with the competent Tax Commissions, paying 1/3 of the tax as provisional enrolment on the tax register.

Regarding the above tax disputes, the Bank, supported by its tax advisers, evaluated the risk of defeat possible, but not probable and therefore, it did not allocate funds to the provision for risks and charges.

Reimbursements

In line with market practice, under the purchase agreement for the former GE Capital Interbanca Group, the seller made a series of representations and warranties related to Interbanca and other Investees. In addition, the agreement includes a series of special reimbursements paid by the seller related to the main legal and tax disputes involving the former GE Capital Interbanca Group companies.

With specific reference to some tax disputes relating to the former GE Capital Interbanca Group, requests were submitted for facilitated settlement of tax disputes pursuant to articles 6 and 7 of Italian Decree Law no. 119 of 23 October 2018, converted, with amendments, by Italian Law no. 136 of 17 December 2018, whose terms expired on 31 May 2019.

The settlement was completed with the incurrence of a total charge of 30,9 million Euro, recorded as Other administrative expenses, fully covered by a contractual indemnity to the extent such as not to have impacts on the net result from the closure of the dispute.

Section 12 - Equity - Items 110, 130, 140, 150, 160, 170 and 180

12.1 Share capital and treasury shares: breakdown

Item		31.12.2019	31.12.2018
160	Share capital (in thousands of Euro)	53.811	53.811
	Number of ordinary shares	53.811.095	53.811.095
	Nominal amount of ordinary shares	1 euro	1 euro
170	Treasury shares (in thousands of Euro)	(3.012)	(3.103)
	Number of treasury shares	359.144	370.112

12.2 Share capital - number of shares: annual changes

Items/Types	Ordinary	Others
A. Shares held at the beginning of the year	53.811.095	-
- fully paid-up	53.811.095	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	(370.112)	-
A.2 Outstanding shares: opening balance	53.440.983	-
B. Increases	10.968	-
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of treasury shares	10.968	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Annulments	-	-
C.2 Buybacks of treasury shares	-	-
C.3 Company sell-offs	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	53.451.951	-
D.1 Treasury shares (+)	359.144	-
D.2 Shares held at the end of the year	53.811.095	-
- fully paid-up	53.811.095	-
- not fully paid-up	-	-

12.3 Share capital: other information

The share capital is composed of 53.811.095 ordinary shares with a nominal value of 1 Euro each, bearing no rights, liens and obligations, including those relating to dividend distribution and capital redemption.

12.4 Profit reserves: other information

Items/Components	31.12.2019	31.12.2018
Legal reserve	10.762	10.762
Extraordinary reserve	498.732	487.336
Other reserves	654.348	637.906
Total profit reserves	1.163.842	1.136.004
Buyback reserve	3.012	3.103
Future buyback reserve		-
Other reserves	2.269	2.278
Total reserves item	1.169.123	1.141.385

Total profit reserves include 633,4 million Euro as non-available reserve until approval of the financial statements for the year ended 31 December 2021. This amount is equal to the gain on bargain purchase from the acquisition of the former GE Capital Interbanca Group.

Pursuant to article 1, paragraph 145 of the 2014 Stability law (Italian Law no. 147 of 27.12.2013) and article 1, paragraph 704 of the 2020 Budget Law (Italian Law no. 160 of 27.12.2019), the Bank has realigned the spread between the statutory value and tax value on certain properties. The amount corresponding to the higher values following the realignment, net of the substitute tax, generated a 15,3 million Euro untaxed reserve.

In addition, following the merger of Interbanca S.p.A. into Banca Ifis, article 172 paragraph 5 of the Consolidated Law on Income Tax required the surviving entity to restore the merging entity's deferred tax reserves as follows:

- 4,6 million Euro special reserve as per article 15 paragraph 10 of Italian Law no. 516 of 7/8/82;
- 2,3 million Euro revaluation reserve as per Italian Law no. 408/90.

Finally, there were an additional 20,7 million Euro in deferred tax reserves recognised by Banca Ifis and arising from the merger of Interbanca, in accordance with the following laws: no. 576/07, no. 83/72 and no. 408/90, that had been previously recognised as share capital of the latter.

Other information

1. Commitments and financial guarantees given (other than those measured at fair value)

	Nominal amount of commitments and financial guarantees granted			Total 31.12.2019	Total 31.12.2018
	Stage 1	Stage 2	Stage 3		
1. Loan commitments	**698.970**	**213**	**36.470**	**735.653**	**833.949**
a) Central Banks	-	-	-	-	-
b) Public Administrations	-	-	-	-	440
c) Banks	-	-	-	-	-
d) Other financial companies	384.839	-	-	384.839	484.414
e) Non-financial companies	309.459	159	36.418	346.036	339.287
f) Households	4.672	54	52	4.778	9.808
2. Guarantees granted	**205.084**	**9.511**	**40.976**	**255.571**	**247.390**
a) Central Banks	-	-	-	-	-
b) Public Administrations	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	6.568	-	-	6.568	6.965
e) Non-financial companies	194.425	9.511	28.449	232.385	227.623
f) Households	4.091	-	12.527	16.618	12.802

2. Other commitments and guarantees given

	Nominal amount	
	Total (31.12.2019)	Total (31.12.2018)
1. Other guarantees given	**19**	**-**
of which: non-performing	19	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	19	-
f) Households	-	-
2. Other commitments	**39.657**	**-**
of which: non-performing	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	39.657	-
e) Non-financial companies	-	-
f) Households	-	-

3. Assets used as collateral for own liabilities and commitments

Portfolios	31.12.2019	31.12.2018
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	1.096.321	410.410
3. Financial assets measured at amortised cost	228.882	31.542
4. Property, plant and equipment - of which: property, plant and equipment qualifying as inventories	- -	- -

Financial assets measured at fair value through other comprehensive income, as well as financial assets measured at amortised cost for 213 million, refer to government securities as a guarantee of loans at the Eurosystem and a reverse repurchase agreement.

The rest of the financial assets measured at amortised cost refer to bank deposits backing derivative transactions.

4. Administration and mediation on behalf of third parties

Type of services	AMOUNT
1. Execution of orders on behalf of clients	-
a) purchases	-
1. settled	-
2. unsettled	-
b) sales	-
1. settled	-
2. unsettled	-
2. Individual portfolio management	**-**
3. Safekeeping and administration of securities	**4.179.867**
a) third party securities in custody: associated with depositary bank services (excluding portfolio management)	-
1. securities issued by the reporting bank	-
2. other securities	-
b) other third party securities in custody (excluding portfolio management): other	1.009.560
1. securities issued by the reporting bank	-
2. other securities	1.009.560
c) third party securities held with third parties	944.877
d) own securities held with third parties	2.225.430
4. Other transactions	-

4.3. Part C - Information on the income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest receivable and similar income: breakdown

Items/Types	Debt securities	Loans	Other transactions	Total 31.12.2019	Total 31.12.2018
1. Financial assets measured at fair value through profit or loss:	368	4.572	-	4.940	12.274
1.1. Financial assets held for trading	-	-	-	-	-
1.2. Financial assets measured at fair value	-	-	-	-	-
1.3. Other financial assets mandatorily measured at fair value	368	4.572	-	4.940	12.274
2. Financial assets measured at fair value through other comprehensive income	3.864	-	X	3.864	6.904
3. Financial assets measured at amortised cost:	4.367	302.563	-	306.930	348.503
3.1. Receivables due from banks	33	2.941	X	2.974	2.830
3.2. Receivables due from customers	4.334	299.622	X	303.956	345.673
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	514	514	405
6. Financial liabilities	X	X	X	-	-
Total	8.599	307.135	514	316.248	368.086
of which: income on impaired financial assets	-	19.158	-	19.158	n.d.
of which: interest income on financial leases	-	44.289	-	44.289	n.d.

As for Financial assets measured at fair value through profit or loss, the amounts refer to debt securities and loans that failed the SPPI test, as per IFRS 9, whereas in the case of Financial assets measured at fair value through other comprehensive income, the reported amounts are almost exclusively related to the government bonds in the portfolio.

Interest income from Receivables due from customers at amortised cost referring to debt securities is associated with the senior tranche of a securitisation backed by the Italian government's state-guarantee scheme for NPL-backed securities (GACS) that the Bank purchased in January 2018, as well as with the securities portfolio, established as a use of liquidity in the second half of 2019.

Finally, interest income from impaired financial assets mainly consisted of interest income from non-performing assets that arose from the business combination with the former GE Capital Interbanca Group.

1.2 Interest receivable and similar income: other information

1.2.1 Interest income on foreign currency financial assets

	31.12.2019	31.12.2018
Interest income on foreign currency financial assets	6.536	8.771

1.3 Interest due and similar expenses: breakdown

Items/Types	Payables	Securities	Other transactions	Total 31.12.2019	Total 31.12.2018
1. Financial liabilities measured at amortised cost	(83.474)	(30.714)	-	(114.188)	(104.822)
1.1 Payables due to central banks	(2.741)	X	X	(2.741)	(5.150)
1.2 Payables due to banks	(2.219)	X	X	(2.219)	(1.796)
1.3 Payables due to customers	(78.514)	X	X	(78.514)	(67.456)
1.4 Debt securities issued	X	(30.714)	X	(30.714)	(30.420)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities measured at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(6)	(6)	
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	-	-
Total	(83.474)	(30.714)	(6)	(114.194)	(104.822)
of which: interest expense on lease payables	(210)	-	-	(210)	(104)

Interest expense on payables due to customers included 70,3 million Euro at 31 December 2019 (59,1 million Euro in 2018) relating to retail funding - deriving mainly from the Rendimax savings account and the Contomax current account.

Interest expense on debt securities issued included 7,7 million Euro in funding costs for the securitisation carried out in late 2016, as detailed in Part E of these Notes.

1.4 Interest due and similar expenses: other information

1.4.1 Interest expense on foreign currency liabilities

	31.12.2019	31.12.2018
Interest expense on foreign currency liabilities	(2.006)	(1.432)

Section 2 – Commissions – Items 40 and 50

2.1 Commission income: breakdown

Type of services/Amounts	31.12.2019	31.12.2018
a) guarantees granted	2.004	2.243
b) credit derivatives	-	-
c) management, mediation and consultancy services:	8.394	8.138
1. trading in financial instruments	-	-
2. trading in currencies	-	-
3. individual asset management	53	843
4. safe custody and management of securities	-	
5. depository bank	-	-
6. placement of securities	-	-
7. order collection and transmission	-	-
8. consultancy	-	-
8.1 on investments	-	-
8.2 on financial structure	-	-
9. third-party services	8.341	7.295
9.1. portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	-	-
9.3. other products	8.341	7.295
d) collection and payment services	127	147
e) servicing for securitisation transactions	-	-
f) services for factoring transactions	60.532	56.502
g) tax collection and payment	-	-
h) management of multi-lateral trading systems	-	-
i) current account holding and management	619	621
j) other services	20.300	23.543
Total	91.976	91.194

In 2019, commissions for other services included 8,0 million Euro (compared to 7,3 million Euro in 2018) in fees received as part of leasing operations.

2.2 Commission income: distribution channels of products and services

Channels/Amounts	Total (31.12.2019)	Total (31.12.2018)
a) At own branches:	-	-
1. portfolio management	-	-
2. placement of securities	-	
3. third-party services and products	-	-
b) Out-of-office offer:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
c) Other distribution channels:	8.394	8.138
1. portfolio management	53	843
2. placement of securities	-	-
3. third-party services and products	8.341	7.295
Total	8.394	8.138

2.3 Commission expense: breakdown

Services/Amounts	31.12.2019	31.12.2018
a) guarantees received	(479)	(486)
b) credit derivatives	-	-
c) management, mediation and consultancy services:	(39)	(12)
1. trading in financial instruments	-	-
2. trading in currencies	-	-
3. portfolio management:	-	-
3.1 own assets	-	-
3.2 delegated by third parties	-	-
4. safe custody and management of securities	(39)	(12)
5. placement of financial instruments	-	-
6. out-of-office canvassing of financial instruments, services and products	-	-
d) collection and payment services	(67)	(617)
e) other services	(7.759)	(8.590)
Total	(8.344)	(9.705)

Section 3 - Dividends and similar income - Item 70

Items/Income	31.12.2019		31.12.2018	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	35	-
C. Financial assets measured at fair value through other comprehensive income	813	-	301	-
D. Equity investments	-	-	-	-
Total	813	-	336	-

Section 4 – Net profit (loss) from trading – Item 80

4.1 Net profit (loss) from trading: breakdown

Transactions/Income items	Capital gains (A)	Profit from trading (B)	Capital losses (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	-	120	-	-	120
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	120	-	-	120
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Tax assets and liabilities: exchange differences	X	X	X	X	(3.361)
4. Derivatives	10.299	10.526	(10.372)	(11.255)	(802)
4.1. Financial derivatives:	10.299	10.526	(10.372)	(11.255)	(802)
- On debt securities and interest rates	10.299	10.331	(9.470)	(10.512)	648
- On equity instruments and share indexes	-	195	(902)	(743)	(1.450)
- On currencies and gold	X	X	X	X	-
- Other	-	-	-	-	-
4.2 Derivatives on loans	-	-	-	-	-
Of which: natural hedges connected to the fair value option	X	X	X	X	-
Total	10.299	10.646	(10.372)	(11.255)	(4.043)

Section 6 - Profit (loss) from sale or buyback - Item 100

6.1 Profit (loss) from sale or buyback: breakdown

Items/Income items	31.12.2019			31.12.2018		
	Profit	Losses	Net result	Profit	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	1.995	(12)	1.983	2.143	(121)	2.023
1.1 Receivables due from banks	-	-	-	-	-	-
1.2 Receivables due from customers	1.995	(12)	1.983	2.143	(121)	2.023
2. Financial assets measured at fair value through other comprehensive income	10.021	(9.062)	959	-	-	-
2.1 Debt securities	10.021	(9.062)	959	-	-	-
2.2 Loans	-	-	-	-	-	-
Total assets (A)	12.016	(9.074)	2.942	2.143	(121)	2.022
B. Financial liabilities measured at amortised cost						
1. Payables due to banks	-	-	-	-	-	-
2. Payables due to customers	-	-	-	-	-	-
3. Debt securities issued	-	-	-	8.233	(2)	8.231
Total liabilities (B)	-	-	-	8.233	(2)	8.231

Section 7 - Net result of financial assets and liabilities measured at fair value through profit or loss - Item 110

7.2 Net change in other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets mandatorily measured at fair value

Transactions/Income items	Capital gains (A)	Gains on sale (B)	Capital losses (C)	Losses on sale (D)	Net result [(A+B)-(C+D)]
1. Financial assets	8.935	2.917	(20.958)	(98)	(9.204)
1.1 Debt securities	495	-	-	(98)	397
1.2 Equity instruments	-	2.044	(11.266)	-	(9.222)
1.3 UCITS units	61	873	(4.600)	-	(3.666)
1.4 Loans	8.379	-	(5.092)	-	3.287
2. Financial assets: exchange differences	X	X	X	X	-
Total	8.935	2.917	(20.958)	(98)	(9.204)

Section 8 - Net credit risk losses/reversals - Item 130

8.1 Net credit risk losses related to financial assets measured at amortised cost: breakdown

Transactions/Income items	Impairment losses (1)			Reversals of impairment losses (2)		Total 31.12.2019	Total 31.12.2018
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write off	Others				
A. Receivables due from banks	-	-	-	20	-	20	224
- loans	-	-	-	20	-	20	224
- debt securities	-	-	-	-	-	-	-
of which: purchased or originated credit impaired loans	-	-	-	-	-	-	-
B. Receivables due from customers	(4.454)	(41.923)	(106.612)	3.079	62.772	(87.138)	(20.180)
- loans	(4.445)	(41.923)	(106.612)	3.079	62.772	(87.129)	(19.795)
- debt securities	(9)	-	-	-	-	(9)	(385)
of which: purchased or originated credit impaired loans	-	-	-	-	-	-	-
Total	(4.454)	(41.923)	(106.612)	3.099	62.772	(87.118)	(19.956)

8.2 Net credit risk losses related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/ Income items	Impairment losses (1)			Reversals of impairment losses (2)		Total 31.12.2019	Total 31.12.2018
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write off	Others				
A. Debt securities	-	-	-	-	113	113	(1.019)
B. Loans	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-
of which: purchased or originated credit impaired financial assets	-	-	-	-	-	-	(1.019)
Total	-	-	-	-	113	113	(1.019)

Section 10 - Administrative expenses - Item 160

10.1 Personnel expenses: breakdown

Type of expense/Sectors	31.12.2019	31.12.2018
1) Employees	(92.263)	(94.336)
a) salaries and wages	(65.094)	(67.242)
b) social security contributions	(18.826)	(19.092)
c) post-employment benefits	-	-
d) pension expense	-	-
e) allocations for post-employment benefits	(3.732)	(3.833)
f) allocations to pensions and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments made to supplementary external funds:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
h) costs arising from share-based payment agreements	-	-
i) other employee benefits	(4.611)	(4.169)
2) Other serving employees	(157)	(33)
3) Directors and Statutory Auditors	(4.332)	(4.019)
4) Retired personnel	-	-
5) Recovery of expenses for seconded personnel	1.927	840
6) Reimbursement of expenses for seconded third-party employees at the Company	(990)	(484)
Total	(95.815)	(98.032)

At 95.8 million Euro, personnel expenses dropped 2,3% (98.0 million Euro in December 2018). In total, the Bank has 1,195 employees, as compared with 1,174 resources last year.

Allocations for post-employment benefits included both contributions that employees have chosen to leave in the company and to be paid to INPS's Treasury Fund, and contributions to be paid to supplementary pension funds -- as well as the interest expense on the defined benefit obligation.

10.2 Average number of employees by category

Employees	31.12.2019	31.12.2018
Employees:	1.184,5	1.196,0
a) managers	63,5	54,5
b) middle managers	439,0	419,5
c) other employees	682,0	722,0
Other personnel	-	-

10.5 Other administrative expenses: breakdown

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	31.12.2019	31.12.2018
Expenses for professional services	23.283	38.985
Legal and consulting services	21.129	28.967
Auditing	449	444
Outsourced services	1.705	9.574
Direct and indirect taxes	45.161	32.757
Expenses for purchasing goods and other services	42.795	57.684
Software assistance and hire	13.660	14.580
FITD and Resolution fund	6.492	5.983
Property expenses	4.681	6.262
Customer information	4.592	10.056
Telephone and data transmission expenses	2.308	3.167
Business trips and transfers	2.195	3.096
Car fleet management and maintenance	2.102	3.365
Advertising and inserts	1.886	2.547
Securitisation costs	1.422	1.642
Postage and archiving of documents	1.037	4.213
Other sundry expenses	2.420	2.773
Total administrative expenses	111.239	129.426

Other administrative expenses come to 111,2 million Euro as compared with the 129,4 million Euro booked last year, thereby recording a downturn of 14,1%. This item includes the expense of 30,9 million Euro relating to the settlement of certain tax disputes regarding the former subsidiary Interbanca, the economic impact of which is fully offset in the item "other net operating income" for 46,2 million Euro (including the related tax effect) against the activation of outstanding guarantees.

The sub-item "Legal and consulting services" comes to 21,1 million Euro at 31 December 2019, down 27,1% on the 29,0 million Euro of the previous year, due to the spin-off of the NPL business unit (during the second half of 2018). If we strip the 2018 figure of this effect, 2019 shows growth of 18,8%, in connection with the legal the costs consultancy connected with the corporate acquisitions and the reorganisation of the corporate structures of both the Bank and the Group.

In the same way, the sub-item "Outsourced services", with 1,7 million Euro at 31 December 2019, shows a clear downturn on last year (9,6 million Euro in 2018), as a result of the spin-off of the NPL business unit (the out-of-court collection costs, for activities entrusted to external agencies totalled 7,9 million Euro in 2018).

The item "Direct and indirect taxes", equal to 45,2 million Euro compared to 57,7 million Euro at 31 December 2018, is significantly influenced by the charge of 30,9 million Euro related to the requests for facilitated settlement of tax disputes presented during 2019. The item also includes stamp duty of 10,5 million Euro, the charge of which to customers is included in the item Other operating income.

"Expenses for purchasing goods and other services" amounted to 42,8 million Euro, down 25,8% from 57,7 million Euro in the previous year. The change in this item is due to the combined effect of the changes seen in some items, in particular:

- Customer information expenses of 4,6 million Euro are down 54,3% on the previous year;
- FITD and Resolution fund amounted to 6,5 million Euro, up 8,5% compared to 6,0 million Euro at 31 December 2018.
- Property and car fleet management, which decreased by a total of 1,6 million Euro, essentially due to the application from 1 January 2019 of the new IFRS 16 standard.
- Trips and transfers drop by 29,1% on last year, coming in at 2,2 million Euro.

Section 11 - Net allocations to provisions for risks and charges - Item 170

11.1 Net provisions for credit risk related to loan commitments and financial guarantees granted: breakdown

Net allocations to provisions for risks and charges amounted to 10,6 million Euro compared with net allocations of 1,1 million Euro at 31 December 2018. Period net allocations mainly referred, for 6,2 million Euro, to disputes relating to trade receivables, for 1,8 million Euro to provisions made for leasing, for 1,6 million Euro to disputes deriving from the former Interbanca portfolio, for 1,0 million Euro to essential commitments to disburse funds.

11.3 Net allocations to other provisions for risks and charges: breakdown

For more details, see Part B, Section 10 Provisions for risks and charges in these Notes.

Section 12 - Net impairment losses/reversals on property, plant and equipment - Item 180

12.1 Net impairment losses on property, plant and equipment: breakdown

Assets/Income items	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. for functional use	(6.007)	-	610	(5.397)
- Owned	(3.298)	-	610	(2.688)
- Rights of use acquired through leases	(2.709)	-	-	(2.709)
2. Held for investment	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3. Inventories	X	-	-	-
Total	(6.007)	-	610	(5.397)

Section 13 - Net impairment losses/reversals on intangible assets - Item 190

13.1 Net impairment losses on intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned	(6.270)	-	-	(6.270)
- Internally generated	-	-	-	-
- Other	(6.270)	-	-	(6.270)
A.2 Rights of use acquired through leases	-	-	-	-
Total	(6.270)	-	-	(6.270)

Section 16 - Other operating income (expenses) - Item 230

14.1 Other operating expenses: breakdown

Type of expense/Amounts	31.12.2019	31.12.2018
a) Transactions with customers	(484)	(130)
b) Other charges	(1.168)	(1.039)
Total	**(1.652)**	**(1.169)**

14.2 Other operating income: breakdown

Amounts/Income	31.12.2019	31.12.2018
a) Recovery of third party expenses	14.564	13.861
b) Rental income	760	981
c) Income from the realisation of property, plant and equipment	97	-
d) Other income	65.132	10.472
Total	**80.553**	**25.314**

Other net operating income, equal to 78,9 million Euro (24,1 million Euro at 31 December 2018) include the effects of the enforcement of the guarantees given in view of the closure of tax disputes for 46,2 million Euro at 31 December 2019. Net of this amount, other net operating income referred mainly to revenue from the recovery of expenses charged to third parties. The relevant cost item is included in other administrative expenses, namely under legal expenses and indirect taxes, as well as recoveries of expenses associated with leasing operations, in line with last year.

15.1 Analysis of profit (loss) on equity investments

Income components/Values	31.12.2019	31.12.2018
A. Income	100	-
1. Revaluations		-
2. Gains on sale	100	-
3. Reversals of impairment losses		-
4. Other income		-
B. Expenses		-
1. Write-downs		-
2. Impairment losses		
3. Losses on sale		
4. Other expenses		
Net result	100	

Profit on equity investments refers entirely to the sale of 100% of the share capital of Two Solar Park 2008 S.r.l. at the end of the first half of 2019.

Section 19 - Income taxes for the year relating to current operations - Item 270

19.1 Income taxes for the year relating to current operations: breakdown

Income items/Sectors	31.12.2019	31.12.2018
1. Current taxes (-)	(12.580)	(5.855)
2. Changes in current taxes of previous years (+/-)	4.221	
3. Reductions in current taxes for the year (+)		-
3.*bis* Change in current tax for the year for tax credits as per Italian Law no. 214/2011 (+)		19
4. Changes in deferred tax assets (+/-)	(4.708)	(26.216)
5. Changes in deferred tax liabilities (+/-)	1.565	(1.668)
6. Income tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(11.502)	(33.720)

19.2 Reconciliation between theoretical tax charges and effective tax charges for the year

Items/Components	31.12.2019	31.12.2018
Pre-tax profit (loss) for the period from continuing operations	38.848	116.526
Corporate tax (IRES) - theoretical tax charges (27,5%)	(10.683)	(32.045)
- effect of non-taxable income and other decreases - permanent	4.703	6.279
- effect of non-deductible charges and other increases - permanent	(12.986)	-
- non-current corporate tax	284	(5)
Corporate tax (IRES) - Effective tax charges	(18.682)	(25.771)
Regional tax on productive activities (IRAP) - theoretical tax charges (5,57%)	(2.164)	(6.490)
- effect of income/charges that are not part of the taxable base	(3.352)	(1.473)
- non-current regional tax on productive activities (IRAP)	4.275	14
Regional tax on productive activities (IRAP) - Effective tax charges	(1.241)	(7.949)
Effective tax charges for the year	8.421	(33.720)

The tax rate for the year 2019 was 29,6%. Please note that the tax rate used in 2019 suffers the negative effects of the non-deductibility of the expense relating to requests for the facilitated settlement of tax disputes mentioned previously and partially offset by the positive effects of the reintroduction of the regulations on aid for economic growth (ACE), the tax redemption of goodwill entered in the statutory consolidated accounts following the purchase of the controlling equity investment in FBS S.p.A., the tax alignment of the value of certain properties to their carrying amount and the positive outcome of an IRAP appeal relating to tax year 2018.

Section 21 - Other information

21.1 Disclosure of government grants as per article 1, paragraph 125 of Italian Law no. 124 of 4 August 2017 (the "Annual Law on the Market and Competition")

Below is a summary of the subsidies, grants, paid positions, and economic benefits of any kind received by the company:

Grantor	Reference	Amount of the government grant
Italian Fund for the support of employment in the credit industry	-	227
Italian Social Security Administration	L. 248/2005	301
Italian Social Security Administration	L. 205/2017	106
Total		634

Please refer to the "Transparency" section of Italy's National State Aid Register for a summary of the applications for Training Aid (article 31 Regulation EC 651/2014) and the relevant commitment of expenditure by the granter.

Section 22 - Earnings per share

22.1 Average number of ordinary diluted shares

Earnings per share and diluted earnings per share	31.12.2019	31.12.2018
Treasury shares (in thousands of Euro)	27.346	82.806
Average number of outstanding shares	53.448.405	53.438.425
Average number of diluted shares	53.448.405	53.438.425
Earnings per share (Units of Euro)	0,51	1,55
Diluted earnings per share (Units of Euro)	0,51	1,55

4.4. Part D - Statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME

	ITEMS (in thousands of Euro)	31.12.2019	31.12.2018
10.	Profit (Loss) for the year	27.346	82.806
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	191	1.703
20.	Equity securities measured at fair value through other comprehensive income	758	2.370
	a) fair value gains (losses)	1.945	2.379
	b) transfers to other components of equity	(1.186)	(8)
70.	Defined benefit plans	(261)	161
100.	Income taxes related to other comprehensive income to be reclassified to profit or loss	(306)	(828)
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	9.862	(12.546)
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	14.963	(18.745)
	a) fair value gains (losses)	13.991	(20.268)
	b) reclassification to profit or loss	972	1.523
	- credit risk losses	(460)	1.523
	- gains/losses on sale	1.433	-
	c) other changes	-	-
180.	Income taxes related to other comprehensive income to be reclassified to profit or loss	(5.100)	6.199
190.	Total other comprehensive income	10.054	(10.843)
200.	Total comprehensive income (Item 10 + 190)	37.400	71.962

4.5. Part E - Information on risks and risk management policies

Background

This Part of the Notes provides quantitative information about the risks in relation to Banca Ifis S.p.A. For qualitative information on the risk management and monitoring process, please refer to Part E in the Notes to the Consolidated Financial Statements.

Section 1 - Credit risk

Qualitative information

For qualitative information, please refer to Part E in the "Notes to the Consolidated Financial Statements".

Quantitative information

A. Credit quality

A.1 Non-performing and performing exposures: amounts, impairment losses, trend, economic breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

Portfolio/Quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	80.508	148.678	96.614	404.484	6.642.703	7.372.987
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1.124.635	1.124.635
3. Financial assets measured at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	5.668	12.868	-	-	3.862	22.398
5. Financial assets under disposal	-	-	-	-	-	-
Total 31.12.2019	86.176	161.546	96.614	404.484	7.771.200	8.520.020
Total 31.12.2018	79.462	227.190	95.898	297.098	6.907.925	7.607.573

Equity securities and UCITS units are not included in this table.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

Portfolio/Quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Overall impairment losses/reversal	Net exposure	Overall partial write-offs(1)	Gross exposure	Overall impairment losses/reversal	Net exposure	
1. Financial assets measured at amortised cost	618.215	292.415	325.800	-	7.082.357	35.170	7.047.187	7.372.987
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1.125.462	827	1.124.635	1.124.635
3. Financial assets measured at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	18.536	-	18.536	-	X	X	3.862	22.398
5. Financial assets under disposal	-	-	-	-	-	-	-	-
Total 31.12.2019	636.751	292.415	344.336	-	8.207.819	35.997	8.175.684	8.520.020
Total 31.12.2018	676.177	273.627	402.550	2.044	7.231.102	32.356	7.205.023	7.607.572

(1) Amount to be reported for disclosure purposes

Equity securities and UCITS units are not included in this table.

Portfolio/Quality	Low credit quality assets		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	540	28	24.285
2. Hedging derivatives	-	-	-
Total 31.12.2019	540	28	24.285
Total 31.12.2018	850	4.429	27.021

A.1.3 Distribution of financial assets by past due buckets (carrying amounts)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	118.757	4.195	112.000	9.147	48.921	199.029	4.829	21.736	176.110
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-	-	-	-
Total (31.12.2019)	**118.757**	**4.195**	**112.000**	**9.147**	**48.921**	**199.029**	**4.829**	**21.736**	**176.110**
Total (31.12.2018)	**102.775**	**4**	**3**	**7.127**	**80.934**	**182.478**	**173.929**	**21.136**	**160.531**

A.1.4 Financial assets, loan commitments and financial guarantees granted: overall impairment losses/reversals and overall provisions

Reason/Risk stage	Overall impairment losses/reversals																Total provisions on loan commitments and financial guarantees granted			Total
	Stage 1 assets					Stage 2 assets					Stage 3 assets									
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets under disposal	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other	Financial assets under disposal	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets under disposal	of which: individual impairment	of which: collective impairment	of which: purchased or originated credit impaired financial assets	Stage 1	Stage 2	Stage 3	
Opening balance of total impairment losses/reversals of impairment losses	**26.490**	**1.287**	**-**	**-**	**27.777**	**4.579**	**-**	**-**	**-**	**4.579**	**273.627**	**-**	**-**	**273.627**	**-**	**-**	**1.746**	**1**	**1.877**	**309.607**
Increases from purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				-
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				-
Net credit risk losses/reversals (+/-)	(398)	(113)	-	-	(511)	1.753	-	-	-	1.753	85.763	-	-	85.763	-	-	56	62	1.072	88.421
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	(47.178)	-	-	(47.178)	-	-	-	-	-	(47.178)
Other changes	3.462	(348)	-	-	3.115	(716)	-	-	-	(716)	(19.797)	-	-	(19.797)	-	-	(232)	-	(998)	(18.854)
Closing balance of total impairment losses/reversals of impairment losses	**29.554**	**827**	**-**	**-**	**30.381**	**5.616**	**-**	**-**	**-**	**5.616**	**292.415**	**-**	**-**	**292.415**	**-**	**-**	**1.570**	**63**	**1.951**	**331.996**
Reversals from collections on financial assets written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.1.5 Financial assets, loan commitments and financial guarantees granted: transfers between different credit risk stages (gross and nominal amounts)

Portfolios/risk stages	Gross amounts/nominal amount					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortised cost	742.932	106.703	27.141	16.279	101.325	33.468
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-
4. Loan commitments and financial guarantees granted	9.795	73	-	-	12.043	1.182
Total 31.12.2019	752.727	106.776	27.141	16.279	113.368	34.650
Total 31.12.2018	356.833	54.295	22.722	21.035	157.841	21.451

A.1.6 On- and off-balance-sheet exposures to banks: gross and net amounts

Types of exposures/Amounts	Gross exposure		Overall impairment losses/reversals and overall allocations	Net exposure	Overall partial write-offs
	Non-performing	Performing			
A. On-balance-sheet credit exposures					
a) Bad loans	-	X	-	-	-
- of which forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	-	-	-	-
- of which forborne exposures	X	-	-	-	-
e) Other performing exposures	X	476.108	318	475.790	-
- of which forborne exposures	-	-	-	-	-
Total (A)	-	476.108	318	475.790	-
B. Off-balance-sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	54.617	-	54.617	-
Total (B)	-	54.617	-	54.617	-
Total (A+B)	-	530.725	318	530.407	-

On-balance-sheet exposures include all on-balance-sheet financial assets due from banks, regardless of the portfolio they are included in (measured at amortised cost, measured at fair value through other comprehensive Income, measured at fair value, mandatorily measured at fair value, under disposal).

A.1.7 On- and off-balance-sheet exposures to customers: gross and net amounts

Types of exposures/Amounts	Gross exposure		Overall impairment losses/reversals and overall allocations	Net exposure	Overall partial write-offs
	Non-performing	Performing			
B. On-balance-sheet credit exposures					
a) Bad loans	252.732	X	166.556	86.176	58.507
- of which forborne exposures	15.708	X	10.273	5.435	225
b) Unlikely to pay	281.221	X	119.675	161.546	-
- of which forborne exposures	32.956	X	6.238	26.718	-
c) Non-performing past due exposures	102.798	X	6.184	96.614	-
- of which forborne exposures	2.196	X	464	1.732	-
d) Performing past due exposures	X	406.574	2.090	404.484	-
- of which forborne exposures	X	4.749	229	4.520	
e) Other performing exposures	X	7.328.999	33.589	7.295.410	-
- of which forborne exposures	X	25.515	497	25.018	
Total (A)	**636.751**	**7.735.573**	**328.094**	**8.044.230**	**58.507**
B. Off-balance-sheet credit exposures					
a) Non-performing	80.799	X	1.952	78.847	-
b) Performing	X	923.380	1.631	921.749	-
Total (B)	**80.799**	**923.380**	**3.583**	**1.000.596**	**-**
Total (A+B)	**717.550**	**8.658.953**	**331.677**	**9.044.826**	**-**

On-balance-sheet exposures include all on-balance-sheet financial assets due from customers regardless of the portfolio they are included in (measured at amortised cost, measured at fair value through other comprehensive Income, measured at fair value, mandatorily measured at fair value, under disposal).

A.1.9 On-balance-sheet exposures to customers: trends in gross non-performing exposures

Reason/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Opening gross exposure	258.726	312.601	104.850
- of which: transferred and not derecognised	-	1.875	5.092
B. Increases	1.538.041	922.603	559.598
B.1 income from performing exposures	3.745	51.413	472.424
B.2 income from purchased or originated impaired financial assets	-	21.895	391
B.3 transfers from other non-performing exposure categories	19.301	41.361	405
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	1.514.995	807.934	86.378
C. Decreases	1.544.035	953.983	561.650
C.1 outflows to performing exposures	6.090	12.943	411.925
C.2 write-offs	81.981	178	13
C.3 collections	32.505	189.602	7.171
C.4 proceeds from sales	-	-	-
C.5 losses on sale	-	-	-
C.6 transfers to other non-performing loan categories	261	15.493	45.314
C.7 contractual modifications without derecognition	-	-	-
C.8 other decreases	1.423.198	735.767	97.227
D. Closing gross exposure	252.732	281.221	102.798
- of which: transferred and not derecognised	-	3.394	4.880

A.1.9 bis On-balance-sheet exposures to customers: trends in gross forborne exposures broken down by credit quality

Reason/Categories	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	114.874	30.258
- of which: transferred and not derecognised	169	1.746
B. Increases	575.665	49.112
B.1 inflows from non-forborne performing exposures	1.913	6.415
B.2 inflows from forborne performing exposures	3.472	X
B.3 inflows from non-performing forborne exposure	X	2.206
B.4 inflows from non-forborne non-performing exposures	22.599	283
B.5 other increases	547.681	40.208
C. Decreases	639.679	49.106
C.1 outflows to non-forborne performing exposures	X	3.862
C.2 outflows to forborne performing exposures	2.206	X
C.3 outflows to non-performing forborne exposures	X	3.472
C.4 write-offs	7.993	1
C.5 collections	56.721	4.728
C.6 proceeds from sales	-	-
C.7 losses on sale	-	-
C.8 other decreases	572.759	37.043
D. Closing gross exposure	50.860	30.264
- of which: transferred and not derecognised	1.036	3.798

A.1.11 On-balance-sheet non-performing exposures to customers: trends in overall impairment losses/reversals

Reason/Categories	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance of total impairment losses/reversals of impairment losses	179.264	10.263	85.411	4.690	8.953	373
- of which: transferred and not derecognised	-	-	521	2	1.203	48
B. Increases	109.951	42	68.743	1.581	2.116	261
B.1 impairment losses from purchased or originated impaired financial assets	-	X	-	X	-	X
B.2. other impairment losses	76.833		66.374		1.917	
B.3 losses on sale	-	-	-	-	-	-
B.4 transfers from other non-performing exposure categories	20.561	42	2.273	161	23	-
B.5 contractual modifications without derecognition	-	-	-	-	-	-
B.6 other increases	12.557		96	1.420	176	261
C. Decreases	122.659	32	34.479	33	4.885	170
C.1 impairment reversals from appreciation	38.049		9.843			
C.2 impairment reversals from collection	4.757		6.712			
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-offs	79.613		178		13	
C.5 transfers to other non-performing loan categories	240	-	17.746	33	4.872	170
C.6 contractual modifications without derecognition	-	-	-	-	-	-
C.7 other decreases		32				
D. Closing balance of total impairment losses/reversals of impairment losses	166.556	10.273	119.675	6.238	6.184	464
- of which: transferred and not derecognised	-	-	1.680	154	-	-

A.2 Classification of financial assets, loan commitments and financial guarantees granted by external and internal rating

For the purposes of calculating capital requirements against credit risk, Banca Ifis uses the external credit assessment institution (ECAI) Fitch Ratings exclusively for the positions recognised under "Exposures to Central Governments and Central Banks"; no external ratings are used for the other asset classes. Considering the composition of the assets, external ratings are used exclusively for the portfolio of government bonds.

A.2.2 Breakdown of financial assets, loan commitments and financial guarantees granted by internal rating class (gross amounts)

The Bank does not use internal ratings for the purposes of calculating capital absorption. The Bank has implemented an Internal Ratings System on the domestic enterprises segment. This has been developed on proprietary databases and has the following components:

- a "financial" module, to assess the company's operating/financial soundness;
- a "central credit register" module, presenting the evolution of counterparty risk vis-à-vis the banking industry;
- an "internal performance" module, monitoring the performance of the relationships between the counterparty and the Bank.

A.3 Breakdown of guaranteed credit exposures by guarantee type

A.3.1 Guaranteed on- and off-balance-sheet exposures to banks

	Gross exposure	Net exposure	Collateral guarantees (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
								Other derivatives								
			Property - Mortgages	Property - lease financing	Securities	Other collateral guarantees	CLN	Central counterparties	Banks	Other financial companies	Other entities	Public Administrations	Banks	Other financial companies	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	1.406	1.400	-	-	-	1.400	-	-	-	-	-	-	-	-	-	1.400
1.1 totally guaranteed	1.406	1.400	-	-	-	1.400	-	-	-	-	-	-	-	-	-	1.400
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed off-balance-sheet credit exposures:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Guaranteed on- and off-balance-sheet exposures to customers

	Gross exposure	Net exposure	Collateral guarantees (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
								Other derivatives								
			Property - Mortgages	Property - lease financing	Securities	Other collateral guarantees	CLN	Central counterparties	Banks	Other financial companies	Other entities	Public Administrations	Banks	Other financial companies	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	2.456.304	2.366.852	432.494	-	8.930	1.379.533	-	-	-	-	-	128.275	340	16.651	235.562	2.201.785
1.1 totally guaranteed	2.118.543	2.046.563	376.742	-	8.930	1.315.131	-	-	-	-	-	127.295	340	15.991	202.134	2.046.563
- of which non-performing	207.655	151.845	93.982	-	-	19.842	-	-	-	-	-	6.327	211	517	30.966	151.845
1.2 partially guaranteed	337.761	320.289	55.752	-	-	64.402	-	-	-	-	-	980	-	660	33.428	155.222
- of which non-performing	31.695	17.563	6.449	-	-	161	-	-	-	-	-	-	-	178	1.233	8.021
2. Secured "off-balance sheet" credit exposures:	17.343	16.470	889	-	-	2.411	-	-	-	-	-	-	-	50	7.559	10.909
2.1 totally guaranteed	8.557	8.540	517	-	-	633	-	-	-	-	-	-	-	50	7.340	8.540
- of which non-performing	593	593	417	-	-	-	-	-	-	-	-	-	-	-	176	593
2.2 partially guaranteed	8.786	7.930	372	-	-	1.778	-	-	-	-	-	-	-	-	219	2.369
- of which non-performing	4.812	3.982	309	-	-	-	-	-	-	-	-	-	-	-	-	309

B. Concentration and distribution of credit exposures

B.1 Breakdown of on- and off-balance-sheet exposures to customers by segment

Exposures/ Counterparties	Public Administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet credit exposures										
A.1 Bad loans	2.317	6.439	985	9.108	-	-	68.648	133.891	14.226	17.118
- of which forborne exposures	-	-	449	5.730	-	-	4.957	4.480	29	63
A.2 Unlikely to pay	565	389	2.239	3.434	-	-	144.019	106.084	14.723	9.768
- of which forborne exposures	-	-	266	7	-	-	20.118	3.228	6.334	3.003
A.3 Non-performing past due exposures	46.362	495	120	90	-	-	43.936	3.848	6.196	1.751
- of which forborne exposures	-	-	6	-	-	-	742	86	984	378
A.4 Performing exposures	1.998.555	1.552	1.092.380	1.514	-	-	4.172.471	27.646	436.488	4.967
- of which forborne exposures	1.596	46	3.697	-	-	-	14.053	168	10.192	512
Total (A)	2.047.799	8.875	1.095.724	14.146	-	-	4.429.074	271.469	471.633	33.604
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	66.268	1.952	12.579	-
B.2 Performing exposures	-	-	391.586	165	-	-	521.350	1.462	8.813	4
Total (B)	-	-	391.586	165	-	-	587.618	3.414	21.392	4
Total (A+B) 31.12.2019	2.047.799	8.875	1.487.310	14.311	-	-	5.016.692	274.883	493.025	33.608
Total (A+B) 31.12.2018	1.167.767	9.706	1.681.744	12.328	-	-	4.952.295	259.636	496.696	27.154

B.2 Geographical breakdown of on- and off-balance-sheet exposures to customers

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet exposures										
A.1 Bad loans	86.176	166.375	-	181	-	-	-	-	-	-
A.2 Unlikely to pay	160.152	117.603	1.394	2.072	-	-	-	-	-	-
A.3 Non-performing past due exposures	95.676	6.131	938	53	-	-	-	-	-	-
A.4 Performing exposures	7.320.961	33.770	228.949	1.032	108.400	682	41.196	192	388	3
Total (A)	7.662.965	323.879	231.281	3.338	108.400	682	41.196	192	388	3
B. Off-balance sheet										
B.1 Non-performing exposures	78.750	1.952	97	-	-	-	-	-	-	-
B.2 Performing exposures	846.240	1.545	73.267	86	-	-	1.996	-	246	-
Total (B)	924.990	3.497	73.364	86	-	-	1.996	-	246	-
Total (A+B) 31.12.2019	8.587.955	327.376	304.645	3.424	108.400	682	43.192	192	634	3
Total (A+B) 31.12.2018	7.986.019	303.453	320.735	4.237	97.629	1.003	106.134	129	248	1

B.3 Geographical breakdown of on- and off-balance-sheet exposures to banks

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	455.976	244	9.591	36	10.223	38	-	-	-	-
Total (A)	455.976	244	9.591	36	10.223	38	-	-	-	-
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	42.543	-	773	-	11.301	-	-	-	-	-
Total (B)	42.543	-	773	-	11.301	-	-	-	-	-
Total (A+B) 31.12.2019	498.519	244	10.364	36	21.524	38	-	-	-	-
Total (A+B) 31.12.2018	381.797	723	15.161	36	21.281	25	-	-	-	-

B.4 Major exposures

		31.12.2019	31.12.2018
a)	Carrying amount	4.123.055	3.040.298
b)	Weighted amount	394.861	436.692
c)	Number	3	3

The overall weighted amount of major exposures at 31 December 2019 consisted of 215 million Euro in tax assets and 180 million Euro in exposures to equity investments not included in the prudential scope of consolidation.

Disclosure regarding Sovereign Debt

On 5 August 2011, CONSOB (drawing on ESMA document no. 2011/266 of 28 July 2011) issued Communication no. DEM/11070007 on disclosures by listed companies of their exposures to sovereign debt and market performance, the management of exposures to sovereign debt, and their operating and financial impact.

Pursuant to said communication, please note that at 31 December 2019 the exposures to sovereign debt entirely consisted of Italian government bonds; their carrying amount totalled 1.310 million Euro, net of the positive 1,7 million Euro valuation reserve.

These securities, with a nominal amount of approximately 1.272 million Euro, are included within the banking book and have a weighted residual average life of approximately 39 months.

The fair values used to measure the exposures to sovereign debt securities at 31 December 2019 are considered to be Level 1.

Pursuant to the CONSOB Communication, besides the exposure to sovereign debt, it is also necessary to consider receivables due from the Italian National Administration, which at 31 December 2019 totalled 738 million, including 125 million Euro relating to tax receivables.

C. Securitisation transactions

Securitisations in which the Bank is the originator and for which all the liabilities issued by the special purpose vehicles were subscribed by the Bank at the time of issue shall not be recorded in this Part. For more details on this type of transactions, please refer to Part E of the Notes to the Financial Statements on liquidity risk.

Qualitative information

Objectives, strategies and processes

The Bank has exposures to securitisation transactions originated by third parties, acquired for investment purposes in order to generate profit margins and earn a fair medium/long-term return on capital.

These transactions may be originated by the Bank's Business Units, based on the characteristics of the underlying portfolio -- performing or non-performing -- or as part of liquidity investments.

The acquisition activities are carried out in accordance with the policies and procedures relating to credit risk, and in particular with the "Policy for the management of securitisation transactions", and in compliance with the propensity to risk established within the Risk Appetite Framework. The Bank invests in securitisation transactions when it is able to assess the relevant underlying assets in light of its experience.

In particular, after identifying the investment opportunity, the unit that proposes the transaction conducts a due diligence review to estimate future cash flows and determine whether the price is fair, coordinating the organisational units concerned from time to time and formalising the relevant findings to be submitted to the competent decision-making body.

Subsequent to the purchase, the investment is constantly monitored based on the performance indicators of the underlying exposures and whether cash flows are in line with the estimates made at the time of the acquisition.

Internal measurement and control systems for risks associated with securitisation transactions

The Bank has not carried out securitisation transactions transferring risks to third parties.

Hedging policies adopted to mitigate the relevant risks

The Bank has a "Securitisation management policy" that governs the management of securitisation transactions in which it is involved as "investor" (i.e. the buyer of the notes) or "sponsor" (i.e. the party that establishes the transaction). For each potential case, the policy sets out the responsibilities of the organisational units and bodies with reference to both the due diligence process and the ongoing monitoring of the transaction.

This section describes the Bank's exposures towards securitisation transactions in which it is involved as originator, sponsor, or investor.

IFIS ABCP Programme securitisation

On 7 October 2016, Banca IFIS launched a three-year revolving securitisation of trade receivables due from account debtors. After Banca Ifis (originator) initially reassigned the receivables for 1.254,3 million Euro, in the second quarter of 2018, the vehicle named IFIS ABCP Programme S.r.l. issued an initial 850 million Euro, increased to 1.000 million Euro, worth of senior notes subscribed for by the investment vehicles owned by the banks that co-arranged the transaction, simultaneously with the two-year extension of the revolving period. An additional tranche of senior notes, with a maximum nominal amount of 150 million Euro, initially issued for 19,2 million Euro, and that was subsequently adjusted based on the composition of the assigned portfolio, was subscribed for by Banca Ifis. During the first half of 2019, this tranche was sold to a third party bank and was entirely subscribed at 31 December 2019. The difference between the value of the receivables portfolios and the senior notes issued represents the credit granted to the notes' bearers, which consists in a deferred purchase price.

Banca Ifis acts as servicer, performing the following tasks:

- following collection operations and monitoring cash flows on a daily basis;

- reconciling the closing balance at every cut-off date;
- verifying, completing and submitting the service report with the information on the securitised portfolio requested by the vehicle and the banks at every cut-off date.

As part of the securitisation programme, the Bank sends the amount it collects to the vehicle on a daily basis, while the new portfolio is assigned approximately six times each month; this ensures a short time lapse between the outflows from the Bank and the inflows associated with the payment of the new assignments.

Only part of the securitised receivables due from account debtors are recognised as assets, especially for the portion that the Bank has purchased outright, resulting in the transfer of all risks and rewards to the buyer. Therefore, the tables in the quantitative disclosure show only this portion of the portfolio.

In compliance with IAS/IFRS accounting standards, currently the securitisation process does not involve the substantial transfer of all risks and rewards, as it does not meet derecognition requirements. In addition, the vehicles were consolidated in order to provide a comprehensive view of the transaction.

The maximum theoretical loss for Banca Ifis is represented by the losses that could potentially arise within the portfolio of assigned receivables, and the impact would be the same as if the securitisation programme did not exist; therefore, the securitisation has been accounted for as follows:

- the securitised receivables purchased outright were recognised under "receivables due from customers", subitem "factoring";
- the funds raised from the issue of senior notes subscribed for by third parties were recognised under "debt securities issued";
- the interest on the receivables was recognised under "interest on receivables due from customers";
- the interest on the notes was recognised under "interest due and similar expenses", subitem "debt securities issued";
- the arrangement fees were fully recognised in profit or loss in the year in which the programme was launched.

At 31 December 2019, the interest expense on the senior notes recognised in profit or loss amounted to 7,7 million Euro.

Third-party securitisation transactions

At 31 December 2019, the Bank held 62,9 million Euro in notes deriving from third-party securitisation transactions: specifically, it held 60,2 million Euro worth of senior notes and 2,7 million Euro worth of mezzanine and junior notes.

More specifically, these derive from three separate third-party securitisation transactions whose underlying assets were, respectively, a speculative mutuo fondiario (a type of mortgage loan), a portfolio of minibonds issued by Italian listed companies, and a portfolio of non-performing loans partially secured by mortgages, whose securitisation was backed by the Italian government's state-guarantee scheme.

Here below are the main characteristics of the transactions outstanding at the reporting date:

- "Cinque V" securitisation: launched in late November 2017, this securitisation through the special purpose vehicle Ballade SPV S.r.l. only has a mutuo fondiario classified as bad loan as the underlying asset, with a nominal amount of 20 million Euro and maturity in October 2020. Also in this case, the Parent company participates as Senior Noteholder and Sponsor, subscribing for 100% of the senior notes (2,1 million Euro) and 5% of the junior notes; the transaction was substantially closed following the sale of the underlying asset to the mortgage credit;
- "Elite Basket Bond (EBB)" securitisation: the special purpose vehicle EBB S.r.l. issued Asset Backed Securities (ABS) at a price equal to the nominal amount, amounting to 122 million Euro, in a single tranche with maturity in December 2027 and a Basket of minibonds issued by 11 Italian listed companies as the underlying asset. These notes are unsecured senior bonds but carry a Credit Enhancement equal to 15% of the transaction's overall amount (24 million Euro), to be used in the event the issuers default on interest and/or principal payments on the minibonds. The Parent

company participates in this transaction only as underwriter, subscribing for 6,0 million Euro worth of notes of the above tranche;

- "FINO 1" securitisation: this is an investment as a senior Noteholder in a securitisation transaction whose tranches issued are supported by a state guarantee "GACS" (Guarantee on the securitisation of bad loans) and with underlying bad loans with an original total nominal amount of about 5,4 billion Euro. The tranche originally subscribed for 92,5 million Euro by Banca Ifis (out of a total nominal amount of 650 million Euro) is the Senior Note Class A, with maturity in October 2045. Net of the redemptions occurred during the year, at 31 December 2019 the carrying amount of the portion subscribed for was 54,2 million Euro.
- For the sake of completeness, please note that, as a result of the actions taken in 2017 by the Italian Interbank Deposit Protection Fund's Voluntary Scheme, the Bank owns mezzanine and junior notes issued by the "Berenice" securitisation transaction, totalling a combined 0,1 million Euro.

Quantitative information

C.1 Exposures from the main "own" securitisations broken down by type of securitised asset and type of exposure

Type of securitised asset/Exposure	On-balance-sheet exposures						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/	Carrying amount	Impairment losses/	Carrying amount	Impairment losses/	Net exposure	Impairment losses/	Net exposure	Impairment losses/	Net exposure	Impairment losses/	Net exposure	Impairment losses/	Net exposure	Impairment losses/	Net exposure	Impairment losses/
A. Fully derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	108.254	-	-	-	-	-	-	-	-	-	-	-	-	-
- receivables due from customers	-	-	-	-	108.254	-	-	-	-	-	-	-	-	-	-	-	-	-

C.2 Exposures from the main "third-party" securitisations broken down by type of securitised asset and type of exposure

Type of securitised asset/Exposure	On-balance-sheet exposures						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/	Net exposure	Impairment losses/	Net exposure	Impairment losses/	Net exposure	Impairment losses/	Net exposure	Impairment losses/	Net exposure	Impairment losses/	Net exposure	Impairment losses/
Secured and unsecured loans	54.152	40	89	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities	5.958	24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	60.111	64	89	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.3 Special purpose vehicle for the securitisation

Securitisation name / Special purpose vehicle name	Registered office	Consolidation	Assets			Liabilities		
			Receivables	Debt securities	Others	Senior	Mezzanine	Junior
IFIS ABCP Programme S.r.l.	Conegliano (Province of Treviso)	100%	1.585.766	-	98.923	1.150.000	-	-

E. Disposals

A. Financial assets sold and not fully derecognised

Qualitative information

Financial assets sold but not derecognised refer to securitised receivables.

Quantitative information

E.1. Financial assets sold and fully recognised and associated financial liabilities: carrying amounts

	Financial assets sold and fully recognised				Associated financial liabilities		
	Carrying amount	of which: securitised	of which: subject to repurchase agreements	of which non-performing	Carrying amount	of which: securitised	of which: subject to repurchase agreements
A. Financial assets held for trading							
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets measured at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income							
1. Debt securities	150.303	-	150.303	-	150.280	-	150.280
2. Equity securities	-	-		X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost							
1. Debt securities	-	-	-	-	-	-	-
2. Loans	832.843	832.843	-	-	212.879	212.879	-
Total 31.12.2019	983.146	832.843	150.303	-	363.159	212.879	150.280
Total 31.12.2018	767.627	767.627	-	-	146.305	146.305	-

Financial assets sold and fully derecognised

In 2019, one disposal took place of receivables to mutual investment funds with the attribution of the related portions to the transferring Banca Ifis.

The transaction was the disposal of a receivable and participating financial instruments deriving from the restructuring of a leverage buy-out to a mutual investment fund that had already taken over control of the debtor company and a significant portion of bank exposure. Receivables was worth a nominal amount of 14,8 million Euro, classified as unlikely to pay and were recorded for a net book value of 12,4 million Euro; participating financial instruments were worth a nominal amount of 12,4 fully impaired. For this transaction, the Group received 1,4 million Euro in cash and units of investment fund initially entered at a fair value of 13,2 million Euro.

Section 2 - Market risks

2.1 Interest rate risk and price risk - supervisory trading book

Qualitative information

For qualitative information, please refer to Part E in the "Notes to the Consolidated Financial Statements".

Quantitative information

1. Supervisory trading book: breakdown by residual maturity (re-pricing date) of on-balance-sheet financial assets and liabilities and financial derivatives - Currency: Euro

Type/Residual maturity	on demand	up to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	over 5 years to 10 years	over 10 years	indefinite life
1. On-balance-sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	11	-	145	6	-	-	-
+ short positions	-	6	-	-	87	68	-	-
- Other								
+ long positions	-	-	-	1.265	800	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	631	160.418	76.901	4.860	66.178	10.039	-	-
+ short positions	630	22.622	76.874	4.834	66.178	10.039	-	-

1. Supervisory trading book: breakdown by residual maturity (re-pricing date) of on-balance-sheet financial assets and liabilities and financial derivatives - Currency: Other currencies

Type/Residual maturity	on demand	up to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	over 5 years to 10 years	over 10 years	indefinite life
1. On-balance-sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	137.326	-	-	-	-	-	-

2.2 Interest rate risk and price risk - banking book

Qualitative information

For qualitative information, please refer to Part E in the "Notes to the Consolidated Financial Statements".

Quantitative information

1. Banking book: breakdown by residual maturity (re-pricing date) of financial assets and liabilities - Currency: Euro

Type/Residual maturity	on demand	up to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	over 5 years to 10 years	over 10 years	Indefinite life
1. On-balance-sheet assets	2.070.135	2.779.474	1.237.196	500.600	1.470.594	212.652	26.521	-
1.1 Debt securities	-	57.457	523.254	200.485	496.466	138.275	26.024	-
- with early redemption option	-	151	1.706	10.118	28.176	994	6.071	-
- other	-	57.306	521.548	190.367	468.290	137.281	19.953	-
1.2 Loans to banks	34.412	390.386	127	256	890	-	-	-
1.3 Loans to customers	2.035.723	2.331.631	713.815	299.859	973.238	74.377	497	-
- current a/c	91.439	-	11.269	-	3.883	1.721	-	-
- other loans	1.944.284	2.331.631	702.546	299.859	969.355	72.656	497	-
- with early redemption option	221.908	881.388	472.624	102.626	577.302	68.960	225	-
- other	1.722.376	1.450.243	229.922	197.233	392.053	3.696	272	-
2. On-balance-sheet liabilities	1.157.282	3.354.440	444.491	300.343	2.558.369	409.495	37	-
2.1 Due to customers	1.066.573	3.353.969	141.780	300.303	1.460.438	5.058	37	-
- current a/c	287.060	81.552	18.537	17.682	11.394	-	-	-
- other payables	779.513	3.272.417	123.243	282.621	1.449.044	5.058	37	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	779.513	3.272.417	123.243	282.621	1.449.044	5.058	37	-
2.2 Due to banks	30.359	440	-	-	795.392	2.579	-	-
- current a/c	25.291	-	-	-	-	-	-	-
- other payables	5.068	440	-	-	795.392	2.579	-	-
2.3 Debt securities	60.350	31	302.711	40	302.539	401.858	-	-
- with early redemption option	-	-	-	-	-	401.858	-	-
- other	60.350	31	302.711	40	302.539	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions								
+ long positions	330.287	-	-	-	-	-	-	-
+ short positions	119.526	11.787	624	21.610	116.039	60.700	-	-

1. Banking book: breakdown by residual maturity (re-pricing date) of financial assets and liabilities - Currency: Other currencies

Type/Residual maturity	on demand	up to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	over 5 years to 10 years	over 10 years	Indefinite life
1. On-balance-sheet assets	47.440	158.652	10.774	136	1.200	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	7.529	15.963	-	-	-	-	-	-
1.3 Loans to customers	39.911	142.689	10.774	136	1.200	-	-	-
- current a/c	26.861	1	-	-	-	-	-	-
- other loans	13.050	142.688	10.774	136	1.200	-	-	-
- with early redemption option	112	20.618	171	57	138	-	-	-
- other	12.938	122.070	10.603	79	1.062	-	-	-
2. On-balance-sheet liabilities	905	114.166	-	89	-	-	-	-
2.1 Due to customers	905	-	-	-	-	-	-	-
- current a/c	905	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	114.166	-	89	-	-	-	-
- current a/c	-	-	-	-	-	-	-	-
- other payables	-	114.166	-	89	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions								
+ long positions	2.256	1.174	-	-	-	-	-	-
+ short positions	2.256	1.174	-	-	-	-	-	-

2.3 Currency risk

Qualitative information

For qualitative information, please refer to Part E in the "Notes to the Consolidated Financial Statements".

Quantitative information

1. Breakdown of assets, liabilities and derivatives by currency

Items	Currencies					
	US DOLLAR	UK STERLING	JAPANESE YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
A. Financial assets	210.141	2.705	16	38	202	42.306
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	31.094	-	-	-	-	1.013
A.3 Loans to banks	18.736	350	16	37	197	4.931
A.4 Loans to customers	160.311	2.355	-	1	5	36.362
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	-	-	-	-	-	-
C. Financial liabilities	103.283	2.713	-	-	11	14.581
C.1 Due to banks	102.485	2.704	-	-	-	14.475
C.2 Due to customers	798	9	-	-	11	106
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives						
- Options						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other						
+ long positions	-	-	-	-	-	-
+ short positions	111.388	-	-	-	-	25.938
Total assets	210.141	2.705	16	38	202	42.306
Total liabilities	214.671	2.713	-	-	11	40.519
Imbalance (+/-)	(4.530)	(8)	16	38	191	1.787

Section 3 - Derivatives and hedging policies

3.1 Derivative instruments held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: year-end notional amounts

Underlying assets/Types of derivatives	31.12.2019				31.12.2018			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	-	256.641	-	-	-	261.621	-
a) Options	-	-	75.464	-	-	-	-	-
b) Swaps	-	-	181.177	-	-	-	261.621	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and share indexes	-	-	66.431	-	-	-	30.091	-
a) Options	-	-	66.431	-	-	-	30.091	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	79.509	-	-	-	206.437	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	79.509	-	-	-	206.437	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-
Total	-	-	402.581	-	-	-	498.149	-

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Underlying assets/Types of derivatives	31.12.2019				31.12.2018			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	3.197	-	-	-	-	-
b) Interest rate swaps	-	-	20.667	-	-	-	30.023	-
c) Cross currency	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	449	-	-	-	1.426	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	-	24.313	-	-	-	31.449	-
2. Negative fair value								
a) Options	-	-	474	-	-	-	-	-
b) Interest rate swaps	-	-	21.277	-	-	-	30.970	-
c) Cross currency	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	93	-	-	-	218	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	-	21.844	-	-	-	31.188	-

A.3 OTC financial derivatives held for trading: notional amounts, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other entities
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional amount	X	193.352	-	63.290
- positive fair value	X	11.678	-	9.009
- negative fair value	X	21.751	-	-
2) Equity instruments and share indexes				
- notional amount	X	30.715	35.716	-
- positive fair value	X	2.833	344	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	79.509	-	-
- positive fair value	X	449	-	-
- negative fair value	X	93	-	-
4) Goods				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and share indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives held for trading: notional amounts

Underlying assets/Residual life	Up to 1 year	Over 1 to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	104.206	132.357	20.078	256.641
A.2 Financial derivatives on equities and share indexes	11.865	54.566	-	66.431
A.3 Financial derivatives on currencies and gold	79.509	-	-	79.509
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2019	195.580	186.923	20.078	402.581
Total 31.12.2018	247.127	192.885	58.137	498.149

Section 4 - Liquidity risk

Qualitative information

For qualitative information, please refer to Part E in the "Notes to the Consolidated Financial Statements".

Quantitative information

1. Breakdown by residual contractual duration of financial assets and liabilities - Currency: Euro

Items/Duration	on demand	over 1 day to 7 days	over 7 days to 15 days	over 15 days to 1 month	over 1 month to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	Over 5 years	indefinite life
A. Cash assets	816.393	63.879	200.680	397.603	1.153.693	787.632	925.256	2.946.352	812.669	392.320
A.1 Government bonds	704	-	446	-	975	195.023	207.044	616.000	263.620	-
A.2 Other debt securities	260	-	-	22	542	2.669	2.077	42.719	88.193	-
A.3 UCITS units	49.102	-	-	-	-	-	-	-	-	-
A.4 Loans	766.327	63.879	200.234	397.581	1.152.176	589.940	716.135	2.287.633	460.856	392.320
- banks	34.555	9.500	11	6.353	882	138	275	891	-	373.784
- customers	731.772	54.379	200.223	391.228	1.151.294	589.802	715.860	2.286.742	460.856	18.536
B. On-balance-sheet liabilities	1.095.011	271.339	200.368	241.472	1.591.392	454.420	323.095	3.658.079	407.674	-
B.1 Deposits and current accounts	1.086.288	120.798	200.353	240.990	1.591.074	142.035	303.196	1.453.721	-	-
- banks	27.921	-	-	-	-	-	-	-	-	-
- customers	1.058.367	120.798	200.353	240.990	1.591.074	142.035	303.196	1.453.721	-	-
B.2 Debt securities	226	1	-	14	16	311.218	18.040	341.749	400.000	-
B.3 Other liabilities	8.497	150.540	15	468	302	1.167	1.859	1.862.609	7.674	-
C. Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of underlying assets										
- long positions	-	20.000	117.850	-	2.926	-	20.220	3.313	-	-
- short positions	-	-	-	-	2.513	-	-	14.071	7.810	-
C.2 Financial derivatives without exchange of underlying assets										
- long positions	23.844	-	-	-	-	-	-	-	-	-
- short positions	21.278	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable loan commitments										
- long positions	14.251	-	7.200	8.860	636	2.036	61.610	167.497	68.196	-
- short positions	119.526	-	4.400	7.023	364	624	21.610	116.039	60.700	-
C.5 financial guarantees granted	-	-	-	-	-	-	-	-	-	-
C.6 financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1. Breakdown by residual contractual duration of financial assets and liabilities - Currency: Other currencies

Items/Duration	on demand	over 1 day to 7 days	over 7 days to 15 days	over 15 days to 1 month	over 1 month to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	Over 5 years	indefinite life
A. Cash assets	73.692	20.015	16.004	6.598	106.039	15.610	5.646	16.316	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	31.094	-	-	-	-	-	-	-	-	-
A.4 Loans	42.598	20.015	16.004	6.598	106.039	15.610	5.646	16.316	-	-
- banks	8.334	16.025	-	-	-	-	-	-	-	-
- customers	34.264	3.990	16.004	6.598	106.039	15.610	5.646	16.316	-	-
B. On-balance-sheet liabilities	923	37.704	18.641	63.268	92	-	91	-	-	-
B.1 Deposits and current accounts	923	37.704	18.641	63.268	92	-	91	-	-	-
- banks	-	37.704	18.641	63.268	92	-	91	-	-	-
- customers	923	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
C. Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	20.067	117.260	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- long positions	-	3.524	-	-	-	-	-	-	-	-
- short positions	-	3.524	-	-	-	-	-	-	-	-
C.4 Irrevocable loan commitments										
- long positions	2.008	-	-	-	-	-	-	-	-	-
- short positions	2.008	-	-	-	-	-	-	-	-	-
C.5 financial guarantees granted	-	-	-	-	-	-	-	-	-	-
C.6 financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Self-securitisation transactions

In December 2016, the Banca, through the merged company IFIS Leasing S.p.A. (originator) finalised a securitisation that involved selling a portfolio of performing loans totalling 489 million Euro to the special purpose vehicle Indigo Lease S.r.l.

The transaction was rated by Moody's and DBRS. The same agencies carry out annual monitoring throughout the transaction.

The initial purchase price of the assigned receivables portfolio, equal to 489 million Euro, was paid by the vehicle to the merged entity IFIS Leasing S.p.A. using funds raised from the issue of senior notes for an amount of 366 million Euro. These received an AA3 (sf) rating from Moody's and an AA (sf) rating from DBRS, and their redemption is connected to the collections realised on the receivables portfolio. In addition, the vehicle issued 138 million Euro in junior notes that were acquired by IFIS Leasing S.p.A. (today incorporated into Banca Ifis S.p.A.), did not receive a rating. In addition, the latter received a specific servicing mandate to collect and manage the receivables.

During the second quarter of 2017, following the transaction restructuring, a revolving system was launched involving monthly assignments of new credit to the SPV, until July 2021. At the same time, the maximum nominal amount of the senior and junior notes was increased respectively to 609,5 and 169,7 million Euro. In the same period, the Bank acquired all the senior notes issued by the vehicle. Following the May 2019 merger of IFIS Leasing S.p.A., Banca Ifis also became the subscriber of the junior notes.

At 31 December 2019 Banca Ifis had therefore subscribed for all the notes issued by the vehicle.

It should be noted that, pursuant to the terms and conditions of the operation, there is no substantial transfer of all the risks and rewards relating to the transferred assets (receivables).

Securitisation transactions

As for the securitisations outstanding at 31 December 2019 and their purpose, see the comments in the section on credit risks.

Section 5 - Operational risks

Qualitative information

For qualitative information, please refer to Part E in the "Notes to the Consolidated Financial Statements".

4.6. Part F - Equity

Section 1 - Equity

A. Qualitative information

Managing equity concerns a set of policies and decisions necessary to establish capital levels that are consistent with the assets and risks taken by the Bank. The Bank is subject to the capital adequacy requirements established by the so-called Basel Committee (CRR/CRD IV).

The Board of Directors constantly monitors that the Bank meets the minimum supervisory requirements, and therefore the capital adequacy ratios, as well as complies with the capital limits set out in the Risk Appetite Framework (RAF).

Furthermore, also in accordance with the European Central Bank's recommendation of 28 January 2015, the Bank ensures compliance with capital adequacy ratios through a pay-out policy linked to the achievement of the above minimum capital requirements, as well as the careful assessment of the potential impact of extraordinary financial operations (share capital increases, convertible loans, etc.).

The Bank's capital adequacy is further assessed and monitored every time an extraordinary operation is planned. In these cases, based on available information regarding said operations, the Bank estimates the impact on capital adequacy ratios as well as the RAF, and considers any measures necessary to meet the requirements.

Transactions on treasury shares

At 31 December 2018, Banca Ifis held 370.112 treasury shares recognised at a market value of 3,1 million Euro and a nominal amount of 370.112 Euro.

In 2019, Banca Ifis, as variable pay for the 2015 financial results, awarded the Top Management 10.968 treasury shares at an average price of 15,33 Euro, for a total of 168 thousand Euro and a nominal amount of 10.968 Euro, making profits of 77 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the capital reserve.

The remaining balance at the end of the year was 359.144 treasury shares with a market value of 3,0 million Euro and a nominal amount of 359.144 Euro.

B. Quantitative information

B.1 Company's equity: breakdown

Equity items	31.12.2019	31.12.2018
1. Share capital	53.811	53.811
2. Share premiums	102.285	102.116
3. Reserves	1.169.123	1.141.385
- profits	1.166.854	1.139.107
a) legal reserve	10.762	10.762
b) statutory reserve	498.732	487.336
c) treasury shares	3.012	3.103
d) other	654.348	637.906
- other	2.269	2.278
4. Equity instruments		
5. (Treasury shares)	(3.012)	(3.103)
6. Valuation reserves:	2.691	(8.549)
- Equity securities measured at fair value through other comprehensive income	3.153	1.586
- Hedging of equity securities measured at fair value through other comprehensive income	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(416)	(10.279)
- Property, plant and equipment		
- Intangible assets		
- Foreign investment hedges		
- Cash flow hedges		
- Hedging instruments (non-designated items)		
- Exchange differences		
- Non-current assets under disposal		
- Financial liabilities measured at fair value through profit or loss (changes in own credit risk)		
- Actuarial gains (losses) on defined benefit pension plans	(46)	143
- Share of valuation reserves of equity accounted investments		
- Specific revaluation laws		
7. Profit (loss) for the year	27.346	82.806
Total	**1.352.244**	**1.368.466**

B.2 Valuation reserves for financial assets at fair value through other comprehensive income: breakdown

Assets/Amounts	31.12.2019		31.12.2018	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1.067	(1.483)		(10.279)
2. Equity securities	4.087	(934)	2.102	(515)
3. Loans	-	-	-	-
Total	5.154	(2.417)	2.102	(10.794)

B.3 Valuations reserves for financial assets at fair value through other comprehensive income: annual changes

	Debt securities	Equity securities	Loans
1. Opening balance (31/12/2018)	(10.279)	1.586	-
2. Increases	20.507	3.485	-
2.1 Fair value gains	18.405	3.226	-
2.2 Credit risk losses	-	X	-
2.3 Reclassification to profit or loss of negative reserves from sale	1.421	X	-
2.4 Transfers to other components of equity (equity securities)	-	-	-
2.5 Other changes	681	259	-
3. Decreases	10.644	1.918	-
3.1 Fair value losses	2.023	348	-
3.2 Reversals of credit risk losses	460	X	-
3.3 Reclassification to profit or loss of positive reserves from sale	2.381	X	-
3.4 Transfers to other components of equity (equity securities)	-	934	-
3.5 Other changes	5.780	636	-
4. Closing balance	(416)	3.153	-

As required by article 2427, paragraph 7-bis of the Italian Civil Code, the following table shows the equity items along with the nature, utilization and distribution possibilities, as well as what has been used in previous years.

Equity items	Amount at 31.12.2019	Possibility of use (*)	Portion available	Summary of uses during the last three years	
				For loss coverage	For other reasons
Share capital	53.811		-	-	-
Share premiums	102.285	A, B, C (1)	102.285	-	-
Reserves:	1.169.123		509.494	-	-
- Statutory reserve	10.762	B	10.762	-	-
- Extraordinary reserve	498.732	A, B, C	498.732	-	-
- Reserves from the application of international accounting standards	321	(2)	-	-	-
- Reserve for own shares	3.012		-	-	-
- Other reserves	656.296	A, B, C (3)	22.896	-	-
Valuation reserves:	2.691		-	-	-
- Financial assets measured at fair value through other comprehensive income	*2.737*	(4)	-	-	-
- Actuarial gains (losses) related to defined benefit plans	*(46)*		-	-	-
Treasury shares (-)	(3.012)		-	-	-
Profit for the year	27.346		-	-	-
Total	1.352.244		611.779	-	-

(*) A = to increase capital, B = to cover losses, C = for distribution to shareholders.

(1) The share premium reserve is available and distributable as the legal reserve has reached one fifth of the share capital.

(2) The item includes 2,4 million Euro in reserves deriving from the first time adoption of accounting standard IFRS 9 (FTA), net of the related tax effects, of which: 1,0 million Euro due to the FTA IFRS 9 effect on Banca Ifis and 1,5 million Euro for the FTA IFRS 9 effect on IFIS Leasing, merged by incorporation into Banca Ifis in 2018.

(3) Consistently with the Bank's willingness to further strengthen its capital base, the amount corresponding to the gain on bargain purchase that arose from the acquisition of the former GE Capital Interbanca Group, equal to 633,4 million Euro, was allocated to a reserve that will remain unavailable until the approval of the financial statements for the year 2021.

(4) The reserve, where available, is restricted pursuant to article 6 of Italian Legislative Decree no. 38/2005.

B.4 Valuation reserves for defined benefit plans: annual changes

The Reserves from valuation relative to defined benefits plans had a negative balance at 31 December 2019 of 46 thousand Euro, pertaining to the Bank. The reduction in the item as compared with the positive value of 189 thousand Euro at the end of the previous year, derives from the net actuarial losses accrued during the period on the Bank's severance indemnity.

Section 2 - Own funds and prudential ratios

Pursuant to Circular 262 - 6th update - the section on own funds and capital ratios is replaced by a reference to the "Pillar 3" disclosures, which contain similar information.

That said, below are the highlights about own funds and capital ratios.

	31.12.2019	31.12.2018
A. Common Equity Tier 1(1) (CET1) before application of prudential filters	1.293.447	1.312.353
- of which CET1 instruments subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	(1.323)	-
C. CET1 gross of items to be deducted and the effects of the transitional regime (A+/-B)	1.292.124	1.312.353
D. Items to be deducted from CET1	117.805	172.841
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions	2.141	(29)
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	1.176.460	1.139.483
G. Additional Tier 1 Capital (AT1) gross of items to be deducted and the effects of the transitional regime	-	-
- of which AT1 instruments subject to transitional provisions	-	-
H. Items to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries that are given recognition in AT1 pursuant to transitional provisions	-	-
L. Total Additional Tier 1 Capital (AT1) (G-H+/-I)	-	-
M. Tier 2 Capital (T2) gross of items to be deducted and the effects of the transitional regime	400.000	400.000
- of which T2 instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	-	-
O. Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries that are given recognition in T2 pursuant to transitional provisions	-	-
P. Total Tier 2 Capital (T2) (M-N+/-O)	400.000	400.000
Q. Total own funds (F+L+P)	1.576.460	1.539.483

Categories/Amounts	Non-weighted amounts		Weighted amounts / requirements	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
A. RISK ASSETS				
A.1 Credit risk and counterparty risk	10.738.232	9.637.194	6.681.910	6.678.451
1. Standardised approach	10.738.232	9.637.194	6.681.910	6.678.451
2. Approach based on internal ratings			-	-
2.1 Basic indicator approach			-	-
2.2 Advanced measurement approach			-	-
3. Securitisation programmes			-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit risk and counterparty risk			534.553	534.276
B.2 Credit and counterparty valuation adjustment risk			816	1.264
B.3 Regulatory risk			-	-
B.4 Market risks			4.342	464
1. Standard method			4.342	464
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			59.984	67.374
1. Basic indicator approach			59.984	67.374
2. Standardised approach			-	-
3. Advanced measurement approach			-	-
B.6 Other calculation factors			-	-
B.7 Total prudential requirements			599.695	603.378
C. RISK ASSETS AND CAPITAL REQUIREMENT RATIOS				
C.1 Risk-weighted assets			7.496.182	7.542.228
C.2 Common Equity Tier 1 capital / Risk-weighted assets (CET1 Capital ratio)			15,69%	15,11%
C.2 Tier 1 Capital / Risk-weighted assets (Tier 1 capital ratio)			15,69%	15,11%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			21,03%	20,41%

4.7. Part G - Business combinations

Section 1 - Transactions carried out during the year

1.1 Business combinations

On 7 January 2019, the Bank finalised the acquisition of control over FBS S.p.A., a servicing specialist (including both master and special services), manager of secured and unsecured NPL portfolios, due diligence advisor, and investor authorised to conduct NPL transactions. The deal, announced on 15 May 2018, concerned 90% of FBS for 58,5 million Euro. At the same time as the purchase and sale contract, contracts were also stipulated to regulate the put and call option agreements with the minority shareholders of the FBS Group, which envisage various ranges of exercise over a period of between 2 and 4 years and variable valuations also depending on the performance of FBS S.p.A.

On 30 October 2019, following the stipulation of a specific agreement with the minority shareholders, the early purchase was completed of the remaining 10% of the investment, for a value of 12,2 million Euro. This transaction therefore took the comprehensive value of the price transferred for 100% of the capital of FBS S.p.A. to 70,7 million Euro.

Considering the two transactions of 7 January 2019 and 30 October 2019, the cost incurred for the FBS acquisition is therefore defined as 70,7 million Euro.

Company Name	Transaction date	(1)	(2)	(3)	(4)
FBS S.p.A.	7 January 2019	70.700	100%	7.835	5.025

Key:

(1) = Transaction cost

(2) = Percentage interest acquired carrying voting rights in the annual general meeting

(3) = Total Group revenues.

(4) = Group net profit/loss

Section 2 - Transactions carried out after the end of the year

The Bank did not carry out any business combination between the end of the year and the date of preparation of this document.

Section 3 - Retrospective adjustments

During the year ended 31 December 2019, no retrospective adjustments were made.

4.8. Part H - Related-party transactions

In compliance with the provisions of Consob resolution no. 17221 of 12 March 2010 (as subsequently amended by means of Resolution no. 17389 of 23 June 2010) and the provisions of Circular 263/2006 (Title V, Chapter 5) of the Bank of Italy, Banca IFIS prepared the procedure relating to transactions with "related parties". The latest version was approved by the Board of Directors on 6 March 2018. This document is publicly available on Banca IFIS's website, www.bancaifis.it, in the "Corporate Governance" Section.

During 2019, no significant transactions with related parties were undertaken.

At 31 December 2019, Banca Ifis was owned by La Scogliera S.p.A. and consisted of the Parent company Banca Ifis S.p.A., the wholly-owned subsidiaries IFIS Finance Sp. Z o.o., IFIS Rental Services S.r.l., IFIS NPL S.p.A. and Cap.Ital.Fin. S.p.A., by the 70% subsidiary Credifarma S.p.A. and, following the acquisition of the FBS Group completed on 7 January 2019, by the companies FBS S.p.A. 100% controlled, FBS Real Estate S.p.A. 99.28% controlled and by the company Elipso Finance S.r.l. 50% jointly controlled. It should also be noted that the 100% stake in the company Two Solar Park 2008 S.r.l. was sold to third parties on 26 June 2019.

The types of related parties, as defined by IAS 24, that are relevant for Banca Ifis include:

- the parent company;
- the subsidiaries;
- key management personnel;
- close relatives of key management personnel and the companies controlled by (or associated to) them or their close relatives.

Here below is the information on the remuneration of key management personnel as well as transactions undertaken with the different types of related parties.

1. Information on the remuneration of key management personnel

The definition of key management personnel, as per IAS 24, includes all those persons having authority and responsibility for planning, directing and controlling the activities of Banca Ifis, directly or indirectly, including the Bank's directors (whether executive or otherwise).

In compliance with the provisions of the Bank of Italy's Circular no. 262 of 22 December 2005 (6th update of 30 November 2018), key management personnel also include the members of the Board of Statutory Auditors.

Key management personnel in charge at 12/31/2019

Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments
3.835	-	76	68	187

The above information includes fees paid to Directors (2,6 million Euro, gross amount) and Statutory Auditors (313 thousand Euro, gross amount).

2. Information on related-party transactions

Here below are the assets, liabilities, guarantees and commitments outstanding at 31 December 2019, broken down by type of related party pursuant to IAS 24.

Items	Parent company	Subsidiaries	Key management personnel	Other related parties	Total	As a % of the item
Financial assets measured at fair value through other comprehensive income	-	-	-	5.500	5.500	0,5%
Receivables due from customers measured at amortised cost	-	940.897	-	4.537	945.434	13,7%
Other assets	101.362	9.113	-	-	110.475	31,0%
Total assets	**101.362**	**950.010**	**-**	**10.037**	**1.061.409**	**10,5%**
Payables due to customers measured at amortised cost	-	26.168	-	274	26.442	0,4%
Other liabilities	-	322	-	-	322	0,1%
Total liabilities	**-**	**26.490**	**-**	**274**	**26.764**	**0,3%**

Items	Parent company	Subsidiaries	Key management personnel	Other related parties	Total	As a % of the item
Interest receivable	-	15.598	-	1.439	17.037	5,4%
Commission income	-	5	-	-	5	0,0%
Commission expense	-	(371)	-	-	(371)	4,4%
Administrative expenses	-	887	-	-	887	(0,4)%
Other operating income and expenses	-	9.937	-	-	9.937	12,6%

Banca Ifis's transactions with the parent company La Scogliera S.p.A. concern the application of group taxation (tax consolidation) in accordance with articles 117 and following of Italian Presidential Decree no. 917/86. Transactions between these companies were regulated by means of a private written agreement between the parties. This agreement will lapse after three years. For tax purposes, the consolidated company has an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera S.p.A., the consolidating company. Under this tax regime, Banca Ifis's taxable income is transferred to La Scogliera S.p.A., which is responsible for calculating the overall Group income. As a result, at 31 December 2019, Banca Ifis recognised net receivables due from the parent company amounting to 101,4 million Euro.

Transactions with subsidiaries mainly relate to:

940,9 million Euro in loans Banca Ifis granted to its subsidiaries;

15,6 million Euro in interest on loans and current accounts;

9,9 million Euro in chargebacks for the lease of spaces and secondment agreements.

Transactions with other related parties that are part of Banca Ifis's ordinary business are conducted at arm's length.

At 31 December 2019, there is a transaction involving an entity for which Banca Ifis holds an equity investment in excess of 20%, entered amongst financial assets measured at fair value through other comprehensive income for a total of 5,5 million Euro and related loans for 3,9 million Euro, classified amongst receivables due from customers measured at amortised cost.

During the year, it continued its factoring operations in favour of one company headed by close relatives of executive members of the Board of Directors: the Banca Ifis Group's exposure at 31 December 2019 amounted to 0,6 million Euro.

4.9. Part I - Share-based payments

Qualitative information

1. Description of share-based payment agreements

Top Management's remuneration consists of fixed pay and variable pay calculated as a percentage of consolidated profit gross of taxes.

Access to variable pay is contingent on:

- the Group's consolidated profit before taxes for the year exceeding 80 million Euro;
- meeting the minimum Liquidity Coverage Ratio (LCR) requirement applicable from time to time to the Group as calculated on a quarterly basis during the reporting year;
- meeting the minimum Net Stable Funding Ratio requirement applicable from time to time to the Group as calculated on a quarterly basis during the reporting year;
- the consolidated Total Own Funds Capital Ratio exceeding the Overall Capital Requirement announced by the Supervisory Body as part of the "Capital Decisions" following the periodic Supervisory Review and Evaluation Process (SREP).

Failure to meet one of these conditions will result in variable pay not being awarded.

The Shareholders' Meeting held on 19 April 2019, following expiry of the mandate of the Board of Directors in office for the three years 2016, 2017 and 2018 proceeded to appoint the Board of Directors for the three years 2019, 2020 and 2021. The appointment of the new Board of Directors was then followed by a review of the current remuneration and incentive policies; policies that were submitted, for due approval, to the Shareholders' Meeting on 19 December 2019. Said review regarded, amongst others, provisions on the economic treatment of the newly-appointed Chief Executive Officer. More specifically, starting 2019, the variable component of the remuneration of the Chief Executive Officer was reduced to 60% ("cap") of fixed remuneration, as compared with the variable component of 100% that had been envisaged the previous year. Instead, nothing has changed for the Chief Executive Officer for whom, for 2019 too, a variable component of 60% of the fixed remuneration was confirmed as the maximum limit that can be achieved.

60% of this variable component is awarded with an upfront payment, and the remaining 40% is deferred for three years from the date it was promised.

The deferred portion of variable remuneration (amounting to 40%) shall be paid as follows:

50% in the form of shares in the Parent company to be awarded after the end of the three-year vesting period (the period after which the shares may be awarded) and that may be exercised following a retention period (during which the shares cannot be sold) of one additional year;
the remaining 50% of deferred variable remuneration shall be paid in cash after three years and is subject to annual revaluation at the legal interest rate applicable from time to time.

The variable component paid upfront (the remaining 60%) shall be paid as follows:

- 50% in cash;
- and the remaining 50% in the form of shares in the Parent that may be exercised following a three-year retention period, in line with the strategic planning time horizon.

Starting from 2014, variable pay is paid 50% in cash and 50% in the form of shares in the Parent. This applies to both upfront and deferred variable pay.

The number of shares to be awarded is calculated by relying on the average share price for the month before the variable pay for the period is determined -- which shall occur at the date of the Meeting convened for the approval of the Financial Statements -- as the fair value of the share.

Variable pay is subject to malus/clawback mechanisms that may cause the amount to be reduced to as low as zero if certain conditions are met.

Quantitative information

The table on annual changes is not presented here, since for Banca Ifis share-based payment agreements do not fall within the category concerned by said table.

2. Other information

If a result is achieved that equals or exceeds 100% of the annual targets assigned, the variable component of Senior Management will be considered as accrued in the amount of 100% of its value and, in this case, the variable remuneration referring to the component to be paid in shares, for 2019, is 299 thousand Euro; the number of shares to be attributed will be in any case calculated as described above.

In this regard, it is specified that, with reference to the CEO, starting 2019, the annual variable emoluments (equal to up to 60% of the recurring fixed emoluments - "cap" -):

- if achieving a result of 100% (or more) of the targets assigned, it will be understood as accrued at 100% of its value and,
- if a result is achieved that ranges between 80% and 100% of the targets assigned, it will be intended as accrued, in a growing proportion, up to a maximum of 100% of the target ("cap").

4.10. Part L - Segment reporting

In accordance with IFRS 8, Banca Ifis S.p.A., Parent company of the Banca Ifis Group, presents the segment reporting in Part L of the Notes to the Consolidated Financial Statements.

4.11. Part M - Leasing disclosure

Section 1 - Lessee

Qualitative information

As lessee, the Bank has stipulated lease contracts on properties mainly to be used instrumentally. They are therefore leases of properties intended to host internal offices. As the lease business is correlated to the Bank's need to offshore its offices, particularly close attention is paid to identifying the most suitable properties for use, designated in line with the economic criteria established by the company.

At 31 December, there are 46 passive lease contracts for buildings and 20 for car parking spaces, the related right of use booked at 31 December 2019 is 12,1 million Euro, whilst the corresponding lease liabilities come to 11,9 million Euro. The Bank also has a property in Florence, financially leased as described in part B - Statement of financial position.

As regards the contracts for cars, the Bank has passive contracts for 283 cars at 31 December 2019, which are mainly long-term hires of structure cars and fringe benefits for employees; at 31 December 2019, the related right of use is 1,5 million Euro, while the corresponding lease liability is also 1,5 million Euro.

In view of the non-marginal nature of the lease contracts in relation to the asset value, consisting of the right of use entered in total in the financial statements in accordance with IFRS 16, the Bank's total lease liabilities at 31 December 2019 come to 14,1 million Euro.

Banca Ifis is not exposed to outgoing cash flows, which are not already reflected in the measurement of the leasing liabilities. In greater detail, exposure deriving from the extension options are included in lease liabilities booked, insofar as the Bank considers the first renewal as certain; the other situations recalled by the standard (variable payments connected with leasing, guarantees of residual value, lease commitments that are not operative) are not present for the contracts stipulated as lessee.

The Bank books the following as costs:

- short-term leases in the event of assets such as properties and technologies (in particular, the mainframe hardware), when the related contracts have a maximum term of twelve months and have no option for extension.
- leases of assets of modest value, i.e. characterised by a new value of less than 5 thousand Euro, mainly for mobile telephony.

Quantitative information

The table below provides indication on the amortisation/depreciation cost for assets consisting of the right of use, broken down by classes of underlying asset.

AMORTISATION/DEPRECIATION COSTS FOR ASSETS COMPRISING THE RIGHT OF USE (in thousands of Euro)	31.12.2019	31.12.2018
a) Land	-	-
b) Buildings	1.611	121
c) Furniture	-	-
d) Electronic equipment	188	-
e) Other	910	-
Total	2.709	121

Section 2 - Lessor

Qualitative information

The Bank offers fixed or variable-rate financial leasing solutions for vehicles (cars, commercial and industrial vehicles) and instrumental assets (industrial machinery, medical equipment, technological assets) to both private customers and small and medium enterprises through an internal commercial structure and a network of selected Agents in Financial Assets throughout the whole of national territory. The leasing of instrumental assets is also distributed through relations with manufacturers, distributors and retailers.

As lessor, the Bank does not stipulate lease contracts for properties for commercial use or accommodation with third parties or other group companies.

In referring to the greater detail given in the report on operations to the consolidated financial statements, it is there pointed out that the lease agreements stipulated with customers enable the management of risk on the underlying assets in line with the Bank's policy, as there is no provision for buy-back agreements, guarantees on residual value or variable payments. The Bank therefore books the financial lease in accordance with accounting standard IFRS 16 and classifies the transactions amongst financial assets measured at amortised cost.

Quantitative information

1. Information from the statement of financial position and income statement

For information on lease financing, reference is made to the contents of Section 4, Assets, of Part B of the notes of this document. As regards interest income on lease loans, reference is made to the contents of Section 1 of Part C; for commission, refer to Section 2 of Part C and, finally, for other income, refer to Section 14, against of Part C of the notes, of this document.

2. Finance leases

2.1. Classification by time frames of payments to be received and reconciliation with the leasing loans entered under assets

Time frames	31.12.2019	31.12.2018
	Payments to be received for leasing	Payments to be received for leasing
Up to 1 year	452.623	423.958
Over 1 to 2 years	366.839	347.155
Over 2 to 3 years	278.767	269.156
Over 3 to 4 years	175.002	166.077
Over 4 to 5 years	73.783	70.020
Over 5 years	9.618	9.126
Total payments to be received for leasing	1.356.632	1.285.492
RECONCILIATION WITH LOANS		
Financial gains not accrued (-)	(105.909)	(107.833)
Residual value not guaranteed (-)		
Financing for leasing	1.245.513	1.174.961

The table shows the classification by time frame of payments receivable for leasing and the reconciliation of such payments and lease loans as lessor. The table does not show impairment losses totalling 26,4 million Euro and the amount of explicit receivables for 21,2 million Euro.

Venice - Mestre, 12 March 2020

For the Board of Directors

The Chairman

Sebastien Egon Fürstenberg

The C.E.O.

Luciano Colombini

5.

Attachments to the Separate Financial Statements

5.1. Statement of prices for the auditing of the accounts and services other than auditing in accordance with article 149-duodecies of Consob Regulation no. 11971 of 14 May 1999

Type of services	Service provider	Beneficiary	Fees (units of Euro)
Independent auditors' fees	EY S.p.A	Banca Ifis S.p.A.	288.354
		Subsidiaries	306.545
Certification services	EY S.p.A	Banca Ifis S.p.A.	93.500
		Subsidiaries	-
Tax consultancy services	EY S.p.A	Banca Ifis S.p.A.	-
		Subsidiaries	-
Other services	EY S.p.A	Banca Ifis S.p.A.	-
		Subsidiaries	-
Total			688.399

5.2. Certification of the financial statements pursuant to the provisions of art. 154-bis, paragraph 5, of the legislative decree 58 of February 24, 1998 and art. 81 ter of Consob Regulation no. 11971 of 14 May 1999 as amended

1. We the undersigned, Luciano Colombini – CEO and Mariacristina Taormina – in her capacity as Manager charged with preparing the financial reports of Banca IFIS S.p.A., having also taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree no.58 dated 24 February 1998, hereby certify:

   i. the adequacy in relation to the characteristics of the Company;

   ii. the effective implementation of the administrative and accounting procedures

   for the preparation of Banca IFIS's financial statements, over the course of the period from January 1st, 2019 to December 31st, 2019.

2. The adequacy of the administrative and accounting procedures in place for preparing the financial statements as at December 31st, 2019 has been assessed through a process established by Banca IFIS S.p.A. on the basis of the guidelines set out in the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission (CoSO),* an internationally accepted reference framework.

3. The undersigned further confirm that:

   3.1 the financial statements as at December 31st, 2019:

   a) are prepared in compliance with International Accounting Standards, endorsed by the European Commission as for European regulation no. 1606/2002 of the European Parliament and Council of July 19th, 2002;
   b) correspond to the related books and accounting records;
   c) provide a true and correct representation of the financial position of the issuer.

   3.2 The management report contains a reliable analysis of the business outlook and management result, the financial position of the issuer and a description of the main risks and uncertainties it is exposed to.

Venice, March 12th, 2020

CEO	Manager charged with preparing the Company's financial reports
Luciano Colombini	Mariacristina Taormina

This report has been translated into the English language solely for the convenience of international readers.

5.3. Board of Statutory Auditors' report

REPORT of the BOARD OF STATUTORY AUDITORS
to the FINANCIAL STATEMENTS as of 31 December 2019
(Translation from the original Italian text)

Dear Shareholders,

with this report – prepared pursuant to Art. 153 of Legislative Decree 58/1998 and Art. 2429, paragraph 2, Italian Civil Code – the Board of Statutory Auditors of Banca IFIS S.p.A. hereby informs you of the supervisory and control activities carried out in the performance of their duties, during the year ended 31 December 2019.

Introduction

The Shareholders' Meeting held on 19 April 2019 renewed the corporate bodies taking the number of Directors from 9 to 12 of which 8 newly appointed. The Meeting then appointed the new Chief Executive Officer.

The Board of Statutory Auditors was also renewed. The Meeting confirmed Giacomo Bugna as its President and appointed two new standing auditors, Marinella Monterumisi and Franco Olivetti.

In addition, please also note that the Board of Directors in its meeting of 13 January 2020 approved the 2020-2022 Strategic Plan and presented it to the financial community on 14 January 2020.

Lastly, on 19 March 2020, this Board of Statutory Auditors received the resignation of the director Alessandro Csillaghy effective as of 31 March 2020.

1. Activity of the Board of Statutory Auditors

During financial year 2019, the Board of Statutory Auditors carried out its institutional tasks in accordance with the rules of the Italian Civil Code and with Legislative Decrees 385/1993 (Consolidated Banking Law), 58/1998 (Consolidated Law on Finance), 39/2010, the By-Laws, in addition to being in compliance with those issued by the public Authorities that exercise activities of supervision and control, also taking into account the standards of conduct recommended by the National Council of Chartered Accountants in the document dated April 2018.

During the year, the Board of Statutory Auditors performed its duties holding 28 meetings, of which 6 held jointly with the Risk Management and Internal Control Committee and 2 held jointly with the Internal Control Committee, the Appointments Committee and the Remuneration Committee.

The Board also took part in all the 20 meetings held by the Board of Directors.

The Board of Statutory Auditors or single Auditors also took part in the meetings of the Risk Management and Internal Control Committee, of the Appointments Committee and of the Remuneration Committee.

The minutes of the Board of Statutory Auditors' meetings, which sometimes contain explicit recommendations to rapidly resolve difficulties that have come to light, are always sent in their entirety to the CEO and to the General Manager. The Chairman of the Risk Management and Internal Control Committee is constantly invited to attend meetings of the Board of Statutory Auditors. It is believed that such attendance will ensure an adequate flow of information between the committees within the Board of Directors.

The Head of Internal Auditing also attends the meetings of the Board of Statutory Auditors, as a permanent invitee for the continuous interaction with the corporate function of third-level control.

During 2019, Banca Ifis S.p.a. was audited by the Supervisory Authority. During that audit, the Board of Statutory Auditors interacted with the audit delegation every time it was required to do so. The audit ended with no specific findings.

On receiving the audit results, the Bank prepared a plan of corrective actions to be implemented and completed pursuant to timing indicated by the Supervisory Authority.

2. Significant transactions of the year

On carrying out the activities of supervision and control, the Board of Statutory Auditors obtained periodically from the Directors, including through the participation in meetings of the Board of Directors, information on the activities carried out and on the most important economic, financial and equity transactions approved and implemented by the Bank and by its subsidiaries, also pursuant to Art. 150, paragraph 1 of the Consolidated Law on Finance.

During the past financial year, the Bank purchased 100% of the capital of FBS S.p.A., an operator specialised (registered in the Register pursuant to art. 106 of the Consolidated Banking Law) in servicing activities (*master and special servicer*) for NPL portfolios, both guaranteed and not, by finalising the purchase of 90% of the capital in the month of January and the remaining 10% in October 2019.

That acquisition also involved the acquisition of FBS Real Estate S.p.A., as it is controlled 100% by FBS S.p.A.

Acquisition of FBS S.p.A. led to recognition, in the consolidated financial statements, of goodwill amounting to about €38 million.

During 2019, the Bank also sold its controlling investment in Two Solar Park 2008 s.r.l.

As a consequence of the above transactions, the scope of the Banking group consolidation has changed compared to the previous year and, as of 31 December 2019, includes the companies IFIS Finance Sp. Z.o.o, IFIS NPL S.p.a., Cap.Ital.Fin. S.p.A., Credifarma S.p.A FBS S.p.A., as well as the non-regulated company IFIS Rental Services S.r.l. and FBS Real Estate S.p.A.

Among the significant events of 2019, details of which are provided in the Management Report and the Explanatory Notes, it has been considered appropriate to report the first application of the IFRS 16 accounting standard, whose effects are covered in the Explanatory Notes.

3. Supervisory activities

3.1 – Supervisory activities on the observance of the law, the By-Laws, and the Self-Regulation Code for listed companies

On the basis of the information obtained through its own supervisory activities, the Board of Statutory Auditors was not made aware of any transactions that had not been conducted in compliance with the principles of correct management and that had not been approved and implemented in accordance with the law and with the By-Laws, which were contrary to the interests of the Bank, that were in contrast with the resolutions passed by the Shareholders' Meeting, that were imprudent or risky or were such as to compromise the integrity of corporate assets.

The Board of Statutory Auditors was not made aware of any transactions that could pose conflicts of interest.

The Board of Statutory Auditors monitored compliance of the Procedure for transactions with subjects related to the law in force and its correct application.

In particular, as provided for by the relevant rules, the Chairman and/or the other Statutory Auditors participated in the meetings of the Risk Management and Control Committee to discuss transactions with related parties; the Board of Statutory Auditors periodically received information relating to the progress of their positions.

The Board of Statutory Auditors assessed that the Board of Directors, in the Management Report and in the Notes, had provided adequate information on the transactions with related parties, taking into account the provisions of regulations in force. To the knowledge of the Board of Statutory Auditors, there are no intra-group transactions and no transactions with Related Parties being implemented in 2019 that were contrary to the interests of the company.

In the year 2019, the Bank did not perform any atypical or unusual transactions. With regard to transactions of particular importance, these respect the principles of prudence, do not contravene the resolutions of the Board of Directors' Meetings, and do not prejudice company assets.

Regarding the outsourcing of Bank activities, and in particular of the Important Operational Functions, the Board of Statutory Auditors acknowledged the report prepared by Internal Audit and expressed its opinion and recommendations in the Board of Directors' meeting of 29 April 2019, as requested by the Supervisory Authority.

The Board of Statutory Auditors, on acknowledging the accession of Banca IFIS S.p.A. to the Self-Regulation Code for listed companies, verified the requirements of independence of its members, in addition to the correct application of the criteria and procedures of verification adopted by the Board of Directors to assess the independence of directors.

3.2 – Supervisory activities on the adequacy of the internal audit system, of the risk management systems and of the organisational structure

The Board of Statutory Auditors monitored the suitability of internal monitoring systems and risk management through:

- meetings with the management of the Bank;
- regular meetings with the Audit Functions - Internal Audit, Compliance, Anti-money laundering (AML) and Risk Management and the Financial Reporting Officer - in order to evaluate the methodology for the planning of operations, based on the identification and evaluation of the principal risks present in the organisational processes and units;
- examination of the periodical reports from the Audit Functions and the periodical information regarding the results of monitoring activities;
- acquired information from the managers of corporate functions;
- discussion of the results of the work carried out by the external auditing firm;
- participation in the work of the Risk Management and Control Committee and, when the topics so required, in their joint examination with the Committee.

In the execution of its monitoring duties, the Board of Statutory Auditors maintained continuous relations with the Audit Function.

During the year the heads of Internal Audit and Risk Management changed. The Board of Statutory Auditors, as established by law, expressed its opinion in the Board meetings on respectively 30 May 2019 and 28 November 2019.

Having considered Bank development, the Board of Statutory Auditors focused on preparation of organisational safeguards to continually improve monitoring of the main risks.

The Board of Statutory Auditors focussed on the organisational structure of control functions, oriented to the control of risks in the new banking group configuration, which currently centres 3rd level control functions with the parent company, as well as 2nd level control functions for subsidiaries, except for Capitalfin S.p.A. and Credifarma S.p.A. for which there is independent control of the 2nd level control functions.

In that area, in the light of control structures, also by defining the management and coordination processes and policies of the control functions and their centralisation/decentralisation choices, the Board of Statutory Auditors acknowledged actions being implemented to strengthen the control and monitoring procedures for any risks possibly connected to liquidity (such as mismatching and funding gaps), potentially resulting from the change to procurement and use profiles, and those related to improving the Internal Audit action methods.

Furthermore, the Board of Statutory Auditors recommended assumption of all necessary and opportune initiatives - such as completion of setting-up the Validation Function - in order to guarantee the integrity and correctness of application of evaluation models, together with the results of the same, for the portfolios of non-performing loans.

Lastly, related to developments in implementing the group's IRB system, for management purposes, the Board of statutory Auditors recalled the need for it to be implemented in full for the various credit processing stages, as well as a full definition of the group's credit policies.

Over the course of 2019, the Board of Statutory Auditors also monitored maintenance of the Risk Appetite Framework and supervised the suitability and effects of the entire ICAAP and ILAAP processes on the requirements set out by regulations, underscoring the usefulness of appropriate data aggregation, integration, and validation processes to maintain the aforementioned documents.

The Board of Statutory Auditors acknowledges that the annual Reports from the Control Functions conclude with a substantially favourable judgement of the internal control system.

Action plans were provided with reference to the activities and to the problems identified, whose timely implementation is judged by the Board of Statutory Auditors as essential and that require special attention by the Management Body.

On the basis of activities carried out and the results of audits conducted by Internal Audit – also in relation to the continuous growth of the Bank and the group – the Board of Statutory Auditors believes that there are certain areas for further improvement, highlighting at the same time that there are no elements that are sufficiently critical to invalidate the internal control system and risk management.

3.3 – Supervisory activities on the administrative-accounting system and on the financial reporting and non-financial disclosure processes

The Board of Statutory Auditors, in its role as Committee for internal control and auditing, monitored the process and the efficiency of internal monitoring systems and risk management with regards to financial reporting.

The Board of Statutory Auditors periodically met the Financial Reporting Officer for the exchange of information regarding the administrative-accounting system and its reliability, in order to have an accurate presentation of management-related issues.

During these meetings, there were no indications of any significant short-comings in the operational and auditing processes that could invalidate the opinion of the adequacy and effective application of administrative accounting procedures.

The Board of Statutory Auditors examined the Report of the Financial Reporting Officer for the 2019 financial statements, which contains the results of tests on the controls carried out as well as the main problems identified in application of the relevant legislation and the methodologies used and identifies the appropriate remedies.

During the year the Bank, with the constant incitement of the Board of Statutory Auditors, improved the audit systems to ensure consistency and alignment of the data between the various characteristic sources of the individual pieces of information.

The Board of Statutory Auditors also examined declarations, issued on 12 March 2020 by the CEO and by the Financial Reporting Officer, in accordance with the provisions contained in Article 154 bis of the Consolidated Law on Finance and in Article 81 ter of the Italian Securities and Exchange Commission Regulation 11971/1999, from which no failings emerged that might affect the opinion of the adequacy of the administrative-accounting procedures.

The Board of Statutory Auditors then acknowledged the monitoring systems developed by the Financial Reporting Officer regarding the subsidiaries in the group of consolidated companies that do not show any significant criticality profiles.

The external Auditing Firm, EY S.p.a., during periodical meetings and in the light of the Additional report -– pursuant to Art. 11 of EU Regulation 537/2014 and issued on 25 March 2020, did not report any critical situations to the Board of Statutory Auditors that could affect the internal control system relating to the administrative and accounting procedures, nor did it ever highlight facts that were deemed reprehensible or any irregularities that would require reporting pursuant to Art. 155, paragraph 2, of the Consolidated Law on Finance.

The Board of Directors prepared, in accordance with the law, the consolidated financial statements as of 31 December 2019 of the Banca IFIS Group that were submitted for audit by the external auditing firm EY S.p.A. The group of consolidated companies, as previously mentioned, was modified following corporate changes that occurred during 2019. The Board of Statutory Auditors acknowledged the preparation of instructions provided to the subsidiaries for the process of consolidation.

With regard to the consolidated financial statements – as required by the rules of conduct recommended by the National Council of Chartered Accountants in the document dated April 2018 – the Board of Statutory Auditors monitored compliance with the procedural rules concerning the formation and layout of the same and of the management report. With regard to the above, no elements emerged to conclude that activities had not been carried out in accordance with the principles of correct administration or that the organisational structure, the internal audit and accounting and administrative systems were not, in their entirety, substantially adequate to the needs and size of the company.

The Bank has prepared the Non-Financial Disclosure (hereinafter NFD): the obligation to prepare the NFD was introduced by Legislative Decree 254/2016 and regulatory indications were completed by the "Implementation regulation of Legislative Decree 254 of 30 December 2016” published on 18 January 2018 by the Consob through Resolution 20267 and by the Call for attention no. 1 issued by the Consob on 28 February 2019.

The Bank prepared the NFD as an independent document, on a consolidated basis and this Board of Statutory Auditors, in the light of the provisions of Article 3, paragraph 7 of Legislative Decree 254/2016, checked the document - also in the light of what was declared by the external auditing firm in its report pursuant to Article 3, paragraph 10 of Legislative Decree 254/2016 issued on 25 March 2019 - with regards to its completeness and correspondence to regulations and according to the preparation criteria illustrated in the Methodology Notes for the Non-Financial Disclosure, without identifying elements which require mention in this report.

The NFD was also audited by the external auditing firm EY, which issued its report on 25 March 2020 without identifying any elements that could indicate that the NFD was not drafted in compliance with laws in force.

3.4 – Supervisory activities pursuant to Legislative Decree 39/2010

The Board of Statutory Auditors, as the "Committee for internal audit and for general auditing", supervised the Auditing Firm's operations, as provided for by Art. 19 of Legislative Decree 39/2010.

During the year, the Board of Statutory Auditors met with the external Auditing Firm EY S.p.A. several times, as already stated, pursuant to Art. 150 of the Consolidated Law on Finance, in order to exchange information concerning the activities carried out in implementation of their respective duties.

The external auditing firm

- issued, on 02 August 2019, the report on the limited audit of the abbreviated six-month consolidated financial statements with no exceptions being highlighted;
- issued, on 25 March 2020 - pursuant to Art.14 of Italian Legislative Decree 39/2010 and Art. 10 of EU Regulation 537 of 16 April 2014 - the certification reports from which it is evident that the financial statements and consolidated financial statements, closed on 31 December 2019, were drawn up clearly and represent in a truthful and correct manner the financial and asset situation, the operating result and the cash flows of Banca IFIS S.p.A. and of the Group for the year ended on that date. In the opinion of the external Auditing Firm, the Management Report on the financial statements and consolidated financial statements as of 31 December 2019 and the information of the “Report on corporate governance and shareholder structure” are consistent with the annual financial statements and consolidated financial statements as of 31 December 2019.

Still on 25 March 2020, the Auditing Firm presented the Board of Statutory Auditors with the Additional Report, provided for in Article 11 of EU Regulation 537/2014, which this Board of Statutory Auditors will submit to the attention of the upcoming meeting of the Board of Directors on 26 March 2020.

The Additional Report does not present any significant shortfalls in the internal auditing system with regards to the financial reporting process which would merit being brought to the attention of those responsible for governance.

In the Additional Report, the external Auditing Firm presented the Board of Statutory Auditors with the declaration regarding independence pursuant to Article 6 of EU Regulation 537/2014, from which no situations emerge that might compromise independence.

Lastly, the Board of Statutory Auditors acknowledged the Transparency Report of 30 June 2019 prepared by the external auditing firm and published on its website pursuant to Legislative Decree 39/2010.

Lastly, as previously mentioned, the Board of Statutory Auditors examined the content of the report by EY S.p.A. regarding the Non-financial Disclosure issued pursuant to Article 3, paragraph 10 of Legislative Decree 254/2016 on 25 March 2020.

The Board of Statutory Auditors reports that over the course of 2019, as well as auditing the individual financial statements, consolidated financial statements, and the financial statements of the subsidiaries, EY S.p.A., with the approval of this Board of Statutory Auditors, was entrusted with the following audit-related tasks:

- Profit verification 31/12/2019 BANCA IFIS individual and consolidated for €42,000
- Comfort Letter on EMTN Program renewal for 2019 for €45,000
- Agreed Upon procedures on the Servicer Reports of Indigo Lease for €50,000
- Agreed Upon procedures on TLTRO III for €27,000
- Limited Review accounting statements 31/3/2019 FBS S.p.A. for €22,000

The external Auditing Firm also confirmed to the Board of Statutory Auditors that, during the year and in the absence of the conditions for their release, it did not issue opinions pursuant to the law.

3.5 – Relations with the Supervisory Body

Following renewal of corporate bodies, the Board of Directors renewed the Supervisory Body (SB) which has 5 members including the standing auditor Marinella Monterumisi.

The Board of Statutory Auditors has read the minutes of meetings held by the SB and the exchange of information was also guaranteed by the discussion had within the Board of Statutory Auditors with the auditor member of the SB, without receiving reports and/or notes requiring a mention. The Bank and the Group are performing a general review of the Management and Organisation Model and the latter is also being updated to include the new predicate offences.

4. Remuneration policies

Remuneration policies were updated through the Shareholders' Meeting resolution of 19 December 2019, after the Bank's new Board of Directors had been appointed; related, in particular, to provisions for the economic treatment of the Chief Executive Officer, to treatment linked to key resources joining the company and provisions for severance indemnities.

Updates added include the possibility of a ratio between the fixed and variable components of individual remuneration of personnel that exceeds 100% (ratio 1:1); however not exceeding the limit set pursuant to pro tempore legislative and regulatory provisions in force (currently equal to 200%, ratio 2:1). Moreover, "golden parachutes" have been introduced for when the employment of key personnel should cease, as indicated in detail in paragraph 7 of the "Remuneration Report" made available to Shareholders. .

During the session of 25 March 2020, the Board of Statutory Auditors furthermore acknowledged, thus agreeing with its comments, the audits carried out by the Internal Audit function and presented in the document on adherence of remuneration policies to the Bank of Italy's regulations and the policies approved; audits which led to a satisfactory outcome.

By taking part in the Remuneration Committee meeting of 11 March 2020, the Board of Statutory Auditors acknowledged allocation of the variable remuneration for 2019 - of which a part in treasury shares of the Bank - to the CEO and the General Manager in accordance with the policies approved by the Shareholders' Meeting of 19 December 2019 and the operating procedure approved by the Board of Directors.

In general, in light of the provisions issued by the Supervisory Authorities on remuneration and incentive systems, the Board of Statutory Auditors monitored, in close connection with the Remuneration Committee, correct application of the rules governing the remuneration of managers of the Audit Functions and of the Manager Responsible and the communication of remuneration policies for the 2020 financial year to the companies belonging to the Group.

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The Board of Statutory Auditors is not aware, in addition to what was illustrated above, of facts or details that need to be submitted to the Shareholders' Meeting.

During 2019, the Board of Statutory Auditors did not receive complaints from Shareholders pursuant to Art. 2408 of the Italian Civil Code.

Finally, with reference to the COVID-19 epidemiological emergency, the Board of Statutory Auditors acknowledges that stated by the Board of Directors in its Directors' Report and Explanatory Notes, accompanying the 2019 financial statements.

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In the course of the activity performed and on the basis of the information obtained, no omissions, reprehensible facts, irregularities or in any case other significant circumstances were detected that would require reporting to the Supervisory Authorities or mention in this report.

In conclusion, the Board of Statutory Auditors - taking into account the specific tasks conferred on the external Auditing Firm regarding auditing of the accounts and the reliability of the financial statements that issued its opinion with no reserves, and in light of the statements issued pursuant to Art. 154 of Legislative Decree 58/1998 by the Financial Reporting Officer and the Chief Executive Office - has no comments to make to the Shareholders' Meeting, pursuant to Art. 153 of the Consolidated Law on Finance, related to approval of the financial statements for the years as of 31 December 2019, accompanied by the Management Report, as presented by the Board of Directors, and therefore has no objections to the approval of the financial statements, to the proposed allocation of the operating profit or to distribution of dividends.

Venice - Mestre, 26 March 2020.

for the Board of Statutory
Auditors.
The Chairman

Giacomo Bugna

This report has been translated into the English language solely for the convenience of international readers.

5.4. Independent auditors' report on the Separate Financial Statements

Building a better working world

Banca IFIS S.p.A.

Financial statements as at December 31, 2019

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Via Isonzo, 11
37126 Verona

Tel: +39 045 8312511
Fax: +39 045 8312550
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of Banca IFIS S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Banca IFIS S.p.A. ("the Company"), which comprise the statement of financial position as at December 31, 2019, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Banca IFIS S.p.A. as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005 and article 43 of Legislative Decree n. 136/2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of Banca IFIS S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matters:

Key Audit Matter	Audit response
Classification and Valuation of Loans to Customers Loans to customers amount to Euro 6,912 million, net of analytical and portfolio value adjustments for a total of Euro 327 million, and represent 68% of total assets at December 31, 2019. The process of classification and valuation of loans to customers in the various risk categories and the calculation of loan adjustments are relevant for the audit due to the significant value of the loans in the financial statements, and due to the use of estimates that present a high degree of complexity and subjectivity in determining value adjustments. In this context, the identification and calibration of the parameters relating to the significant increase in credit risk for the purposes of the stage allocation of performing credit exposures (Stage 1 and Stage 2) is of particular importance, as well as the estimate of the values to be attributed to the PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure at Default) as inputs to the Expected Credit Loss model, the identification of objective evidence of increased risk for the classification of non-performing credit exposures (Stage 3) and the determination of the related recoverable cash flows. The disclosure on the evolution of the quality of the portfolio of loans to customers and the classification and evaluation criteria adopted is provided in Part A - Accounting Policies, in Part B - Information on the balance sheet, in Part C - Information on the income statement and in Part E - Information on risks and related hedging policies of the notes to the financial statements.	Our audit procedures in response to the key aspect included, inter alia: • understanding and analysis of the main choices regarding policies and processes carried out by the Company with reference to the classification and valuation of loans to customers and performing compliance procedures over key controls; • carrying out portfolio analyses to understand, also through discussion with Company management, the main changes and the relative coverage levels by risk category; • performing substantive procedures to verify the proper classification of credit positions; • understanding, also through the support of our risk management and information systems experts, of the methodology used to estimate, at the balance sheet date, the expected credit losses on collectively assessed exposures, as well as performing compliance and substantive procedures to verify the completeness of the databases used and the related calculations; • verification on a sample basis of the proper application of Company policies for estimating expected credit losses on exposures analytically assessed; • examination of the adequacy of the disclosure provided in the notes to the financial statements.

Valuation of equity investments

Equity investments in subsidiaries at December 31, 2019 amount to € 610.9 million and represent 6.03% of total assets at December 31, 2019. The Company assesses the presence of impairment indicators for each investment at least annually, consistently with the strategy for the management of the entities and, should they occur, perform impairment testing of these activities. The processes and methods for assessing and determining the recoverable value of each equity investment are based on sometimes complex assumptions which, by their nature involve recourse to the judgment of management, in particular to forecast future profitability. In this context, to estimate future cash flows, Company management used the data contained in the "Strategic Plan" for the period 2020-2022 while, for the subsequent period, growth rates were considered consequent to internal trends and consistent with the economic outlook. As part of the accounting policies reported in part A of the notes to the financial statements, the accounting and valuation criteria for equity investments are described, as well as the risks and uncertainties associated with the use of the estimates underlying the valuation process.	Our audit procedures in response to the key aspect included, inter alia: • the analysis of the procedures and the key controls put in place by the Company regarding the identification of any impairment losses and the valuation of the investments; • the comparison between the data used to identify impairments and those presented in the "Strategic Plan" for the period 2020-2022, including the analysis of the main deviations; • the assessment of the appropriateness of the methodology and the reasonableness of the assumptions made by the Directors in relation to the determination of the recoverable value, with the support of our experts in companies' valuations, as well as the verification of the mathematical accuracy of the calculations and the sensitivity analysis on key assumptions; • examination of the adequacy of the disclosure provided in the notes to the financial statements.

Responsibilities of Directors and Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005 and article 43 of Legislative Decree n. 136/2015, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Directors are responsible for assessing Banca IFIS S.p.A.'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 they either intend to liquidate the Company or to

cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Banca IFIS S.p.A.'s internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Banca IFIS S.p.A.'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 Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Banca IFIS S.p.A., in the general meeting held on April 17, 2014, engaged us to perform the audits of the separate and consolidated financial statements for each of the years ending December 31, 2014 to December 31, 2022.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of Banca IFIS S.p.A. in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the Board of Statutory Auditors ("Collegio Sindacale") in their capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of Banca IFIS S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of Banca IFIS S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the financial statements of Banca IFIS S.p.A. as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Banca IFIS S.p.A. as at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated December 30, 2016

The Directors of Banca IFIS S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated December 30, 2016. We have verified that non-financial information have been approved by the Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information are subject to a separate compliance report signed by us.

Verona – March 25, 2020

EY S.p.A.

Signed by: Marco Bozzola, Partner

This report has been translated into the English language solely for the convenience of international readers.

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