Banca Ifis

Draft annual reports 2020

Draft annual reports

2020

Letter from the Chairman to Shareholders

Sebastien Egon Fürstenberg
Chairman of Banca Ifis S.p.A.

Dear Shareholders,

2020 has been an unprecedented year that we have addressed with a great sense of responsibility and sharing. We have done so putting the human capital right at the heart of all our actions: our employees, first and foremost, thanks to whom the Group - despite the exceptionally complex circumstances - has achieved results that exceeded expectations. We have done so guaranteeing our support to the real economy, with targeted actions and tools dedicated to our customers and their businesses, helping the communities and protecting stakeholders.

2020 was also the year in which the Group rebranded in a project that has significantly increased awareness of the Bank, the subsidiaries and their products, but also improved our market position as challenger bank specialised in market niches with high added values. These elements, coupled with an agile, flexible operating structure, have also made it possible to make the most of new market opportunities during the year and to be ready to face knowingly up to the challenges of the future, like the digital transformation and sustainable transition, projects in which we have invested and will continue to invest.

This is also the context in which we have the generational handover that took place in May 2020, following authorisation by the European Central Bank, with the transfer of the bare ownership of approximately 51% of the share capital of La Scogliera SpA and connected voting rights to my son, Ernesto Fürstenberg Fassio. And this choice continues the family tradition seen over the years, with the aim of pursuing the success of the Institute and, through an appetite for innovation, to overcome the new challenges and rise to the increasingly competitive scenarios.

The choice of the new Chief Executive Officer, Frederik Geertman, announced last December, is yet further confirmation of the desire to develop synergies between the different Bank business lines, which have been recently expanded on, and to speed up the development and digitisation process to play a leading role in the changes taking place in the industry worldwide. Since it was first founded, Banca Ifis has successfully stayed ahead of the trends and risen to the market challenges, creating value for all its shareholders and stakeholders.

I am certain that, thanks to our work in 2020, this value creation path will continue in the future with even more incisive determination.

Sebastien Egon Fürstenberg

Chairman of Banca Ifis

Letter from the CEO to Shareholders

Luciano Colombini
Chief Executive Officer of Banca Ifis S.p.A

Dear Shareholders,

Amidst a 2020 that was characterised by the impact of the COVID-19 pandemic and the consequent major fallout on our country's health, social and economic situation, Banca Ifis proved able to react in all ways.

The year closed with net profit of 68,8 million Euro, after approximately 76 million Euro in additional provisions, with equity indicators strengthened on 31 December 2019, asset quality indicators having improved and liquidity - both structural and short-term - above regulatory levels.

The Bank's positioning on the market, in particular in the two main businesses, has been successfully maintained: NPL portfolio acquisitions have reached 2,7 billion Euro in nominal amount, exceeding the forecasts prepared at the start of the year and in line with the phase seen pre-COVID-19; after the downturn during the months of lock-downs, factoring transactions showed a clear recovery in the fourth quarter.

The major growth in medium-term loans backed by the MCC should also be noted, disbursed partly to offer support to business customers during this difficult period and this support was further confirmed by the authorisation of almost all requests for moratorium and derogations to covenants on structured finance transactions, submitted by customers.

The organisational structure has shown flexibility and a capacity to adjust to an emergency situation of unprecedented scope and proportions: just a few days after the start of the March 2020 lock-down, more than 90% of the Bank's staff had already been assigned to work from home, without forfeiting efficiency and all the time maintaining an adequate level of customer service.

Finally, despite the difficulties of a year marked, amongst others, by major macroeconomic difficulties, Banca Ifis never lost its capacity to plan investments and keep a firm gaze on the medium-term. In this respect, the year's initiatives include:

- the acquisition of the controlling share of Farbanca, which, once integration is completed with Credifarma, will make it possible to create the country's most important banking pole specialised in pharmacies;
- the reorganisation (after the purchase of the residual 10% of FBS) of the NPL industry, with the creation of three different companies: Ifis Npl Investing, assigned to purchase and invest in portfolios; Ifis Npl Servicing, dedicated to the debt collection (including for third parties) and Ifis Real Estate, operating in the real estate business and servicing the other two companies;
- the issue of a 400 million Euro preferred senior bond at more favourable conditions than those envisaged;
- the Group's rebranding and the launch of a major cross-media nationwide communication campaign;
- significant investment in the digitisation of services and products for the companies involving, amongst others, the launch of the Ifis4Business project: the Banca Ifis on-line hub for businesses.

All this would not have been possible without the major effort made by all staff, worthy of mention for the devotion and attachment shown to the Bank, even at such a difficult time.

The presentation of these financial statements marks the end of my experience in Banca Ifis. I would like to thank the Chairman, the Board of Directors, the Board of Auditors and all my colleagues for the very profitable work carried out over these last two years and the cordiality always shown in all relations entertained. I would also like to wish Frederik Geertman, who has agreed to take over as the Bank's CEO, all the best with his new position.

Luciano Colombini
Chief Executive Officer of Banca Ifis

Contents

1.

Corporate Bodies

Board of Directors in office at approval of the reports and separate financial statements

Chairman	Sebastien Egon Fürstenberg
Deputy Chairman	Ernesto Fürstenberg Fassio
CEO	Luciano Colombini (1)
Directors	Simona Arduini Monica Billio Beatrice Colleoni Roberto Diacetti Frederik Geertman(2) Luca Lo Giudice Antonella Malinconico Riccardo Preve Daniele Umberto Santosuosso

(1) The CEO has powers for the ordinary management of the Company
(2) Coopted on 11 February 2021 following the resignation of Divo Gronchi, tendered on 14 January 2021.

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
ABI 3205.2
Tax Code and
Venice Companies Register Number: 02505630109
VAT No.: 04570150278
Enrolment in the Register of Banks No.: 5508
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 Highlights

Below is the Bank's main equity and economic data.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2020	31.12.2019	ABSOLUTE	%
Financial assets measured at fair value through other comprehensive income	774.550	1.173.803	(399.253)	(34,0)%
Receivables due from banks measured at amortised cost	1.140.380	460.578	679.802	147,6%
Receivables due from customers measured at amortised cost	7.837.586	6.912.409	925.177	13,4%
Total assets	11.303.385	10.126.884	1.176.501	11,6%
Payables due to banks	2.396.928	959.403	1.437.525	149,8%
Payables due to customers	6.016.634	6.328.711	(312.077)	(4,9)%
Debt securities issued	1.100.089	1.067.529	32.560	3,1%
Equity	1.335.930	1.352.244	(16.314)	(1,2)%

INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	YEAR		YEAR	
	2020	2019	ABSOLUTE	%
Net banking income	334.140	276.195	57.945	21,0%
Net credit risk losses	(89.443)	(87.004)	(2.439)	2,8%
Net profit (loss) from financial activities	244.697	189.191	55.506	29,3%
Operating costs	(200.236)	(150.441)	(49.795)	33,1%
Gross profit	60.563	38.850	21.713	55,9%
Net profit	59.504	27.348	32.156	117,6%

2.2 KPI

KPI	YEAR 2020	YEAR 2019	CHANGE
ROE	4,4%	2,0%	2,4%
ROA	0,5%	0,4%	0,2%
Cost/Income ratio	59,9%	54,5%	5,5%
Ratio - Total Own Funds	23,99%	21,03%	2,96%
Ratio - Common Equity Tier 1	18,25%	15,69%	2,56%
Number of company shares (in thousands)	53.811	53.811	0,0%
Number of shares outstanding at year end (1) (in thousands)	53.460	53.452	0,0%
Book value per share	24,99	25,30	(1,2)%
EPS	1,11	0,51	117,6%
Dividend per share (2)(3)	0,47	1,10	(57,3)%
Payout ratio	42,2%	215,0%	(172,8)%

(1) Outstanding shares are net of treasury shares held in the portfolio.
(2) The data for FY 2020 refers to the dividend proposed by the Board of Directors of Banca Ifis, in compliance with and up to the limits set out in the recommendation of the Bank of Italy of 16 December 2020.
(3) The FY 2019 data refers to the unitary dividend resolved and not distributed, at least until 30 September 2021, as envisaged by the Bank of Italy Recommendation of 16 December 2020.

2.3 Context

The last few months of 2020 saw a continuation of the world economic recovery, despite the worsening of the pandemic recorded starting October. The PMI (Purchasing Managers' Index) came in at end 2020 on significantly higher levels than those recorded during the first wave of the pandemic; they reflect expansive expectations. On the other hand, a non-homogeneity was seen in the index, whereby the segments linked to the service sectors decline as those linked to manufacturing grow.

The latest forecasts (source: ISTAT processing of ECFIN Autumn Forecasts) indicate the GDP taking a downturn of 4,3% worldwide and of 7,8 in the Eurozone, as a consequence of the impact of the pandemic on all markets and geographic areas, although emerging economies were less exposed. This fact is expected to result in a downturn of 10% in the volume of world trade.

Our country should close the fourth quarter of 2020 with a reduction in the forecast of 2% and tending towards 6,6% in the gross domestic product (ISTAT forecast already corrected for calendar effects and to reduce seasonality). Instead, as regards the GDP relative to the whole of 2020 (despite the fact that final data is not yet available), this is down by 8,9%. This drop is the result of a reduction in the added value of all production segments and, at the same time, a decline in demand, to which both the domestic market (-10% consumption in real terms for families and special private institutions) and the commercial balance (exports are expected to drop by more than 16%) have made a negative contribution.

In seeking to take a look at forecasts for 2021, various variables may potentially determine the evolution of the scenario: timing and effectiveness of the investment and economy stimulus measures, the continued favourable financing conditions offered by central banks, make-up and timing of the implementation of the Next Generation EU plan, intensity of the pandemic and speed of the vaccination plan.

Faced with generalised uncertainty in forecasts, the main operators report risks of a downturn associated with a scenario that has not yet been defined, both due to the evolution of the health emergency and the availability and capacity to disburse vaccines.

The global GDP is presently expected to rise by between 4 and 5% with a volume of world trade growing at around 6%. The estimates of both amounts are down on that hypothesised just a few months ago.

In the Eurozone, 2021 growth is expected to come in just over 4%, an average that conceals inhomogeneous trends between the various industries and countries, at least in the short-term. Taking a longer-term view, on the other hand, the economic recovery of the Eurozone should be supported by favourable financing conditions, an expansive approach by budgeting policies and a recovery in demand when uncertainty is reduced.

The Italian economy has also recorded less favourable forecasts for 2021: GDP estimates come in between +3,5% and +4% (sources: Bank of Italy in the January 2021 economic bulletin; ISTAT forecasts), faced with a consensus of +4,9% of forecasts published between October and December 2020, despite not yet having included the estimated investments to be made in the Next Generation EU. According to these latter forecasts, the Italian product is only likely to strengthen late in the spring, following a positive evolution of the health context. In the second half of 2021, and even more so over the following two years, growth will be supported by expansive policies financed with national and European funds. Although due consideration must be given to the employment gap (hours worked) lost in 2020, which is expected to be fully made up only in 2023.

Reference markets

ENTERPRISES

The current state of Italian businesses had no way of avoiding being impacted by the decline in exports and downturn to investments. These latter, in particular, after having recorded a slow-down in 2019 to the process of accrual of fixed capital (which dropped to +1,6% after three years of solid growth), are expected to drop by -10% in 2020, with a greater focus on assets consisting of plant and equipment than constructions.

Instead, investments in research and development (R&D) and software have proven to be resilient to the crisis (in all, the increase measured by ISTAT in 2020 came to +0,6%), thereby confirming the need to innovate in a context that calls for an addressing of both the technological transformation dictated by digital and the transition towards more socially and environmentally sustainable products and processes. The Banca Ifis Studies Office (December 2020 SME Market Watch) has shown how the pandemic emergency has acted as a powerful accelerator of the digital innovation trend already in progress, causing the penetration of new technologies amongst SMEs to go from 45% in January to 66% in December 2020, an incidence that remains high (62%) even in the SMEs with 2020 turnover on a decline. In terms of R&D, SMEs have maintained a positive approach, as seen in the production system as a whole, driving approximately 85% of SMEs carrying out R&D to keep investments unchanged or even increase them. This data on the one hand confirms that enterprises are aware of the strategic need to evolve the way of doing business and on the other indicates their desire to start up again, once the emergency is over.

In recent months, the Italian financial system has satisfied the demand for credit by enterprises. The conditions at which credit is offered have not shown any tension, thanks to the continued support offered by the monetary policy and public guarantees. After a summer break, loan applications to satisfy liquidity and investment needs slowed, particularly during the last five months of 2020: the growth rate of loans to businesses (non-financial companies and producer households) has dropped as compared with the development rates seen from March to July, when the main public support initiatives were implemented.

Banks: loans to residents in Italy - non-financial companies and producer households

Banks: loans to residents in Italy Non-financial companies and producer households			
Observation date	Amounts in Million Euro	Changes in forecasts	Changes in trends
31 December 2020	750.540	-2,0%	6,0%
30/11/2020	765.574	0,7%	6,3%
31/10/2020	760.192	0,1%	5,4%
30/09/2020	759.488	0,9%	4,7%
31/08/2020	752.630	0,3%	3,4%
31/07/2020	750.557	1,1%	1,5%
30/06/2020	742.228	1,0%	0,7%
31/05/2020	735.231	0,4%	-1,4%
30/04/2020	732.620	0,8%	-2,0%
31/03/2020	727.073	2,2%	-2,3%
29/02/2020	711.560	-0,6%	-6,0%
31/01/2020	715.643	1,1%	-5,8%
31/12/2019	708.195	-1,7%	-6,7%
30/11/2019	720.155	-0,1%	-7,6%
31/10/2019	721.210	-0,6%	-7,1%
30/09/2019	725.483	-0,3%	-6,7%
31/08/2019	727.661	-1,6%	-6,7%
31/07/2019	739.494	0,3%	-6,3%
30/06/2019	737.379	-1,1%	-6,4%
31/05/2019	745.665	-0,3%	-9,0%
30/04/2019	747.608	0,4%	-8,9%
31/03/2019	744.360	-1,7%	-9,0%
28/02/2019	756.906	-0,3%	-7,6%
31/01/2019	759.349	0,1%	-8,4%

The recession sparked by the COVID-19 epidemic has significantly increased the portion of companies that will record a need for liquidity and an equity deficit, the scope of which is still difficult to quantify precisely. To this end, a recent analysis by the Bank of Italy has assessed the effectiveness of the support measures launched by the Italian government in 2020 differently on the different sizes:

- significant, positive impact in offsetting the liquidity deficit;
- limiting of the worsening, without, however, managing to eliminate it, of the equity conditions;
- increased risk of insolvency, once the benefit of the moratoriums has reached an end, due to the high use of new loans, which have extensively benefited from public guarantees.

On the basis of these assessments and despite the recent trends seen in credit performance, during the two years 2021/2022, we are likely to see a harshening of the credit policy to cope with a risk level of businesses that is expected to worsen.

Non-Performing Exposures

Faced with the expected increased risk levels of families and businesses, the forecasts of the Banca Ifis Studies Office expect to see a significant rise in non-performing positions on bank financial statements with a deterioration rate up to 2,6% in 2021 and 3% in 2022. The business component should have a greater weight on the increased credit default.

The deterioration rate expected from the COVID-19 crisis is in any case estimated as being lower than that of the 2011-2013 financial crisis (4,5% the peak reached at the end of these three years), because the current phase benefits from a series of mitigating factors:

- massive cash injections by the central banks.
- supporting plans of the economy (moratoriums on loans, government backed loans, blockage of dismissals, refreshments) activated by the governments;
- lesser duration of the economic crisis, which envisages a partial recovery already in the second part of 2021;
- greater solidity of the banks in terms of underwriting, stricter credit policies and early warning systems;
- active budgeting policies and Next Generation EU plan.

As a consequence of these greater flows expected, the stock of gross deteriorated loans on the bank financial statements is expected to return to rising (+19 billion Euro in 2021 and 20 billion Euro in 2022) with an Npe ratio expected to be 7,8% in 2022.

The Npe portfolio transactions market (non-performing and unlikely to pay) was dynamic in 2020 (38 billion Euro in transfers of non-performing exposures and 9 billion Euro of transactions of unlikely to pay), with a strong speeding up of business in December.

The dynamics seen during the year just ended are expected to continue into 2021/2022 too. In 2021, the volume of transfers may reach 40 billion Euro for non-performing portfolios, of which 30 billion Euro have already been announced or are in process and 12 billion Euro for unlikely to pay transactions. For 2022, a similar amount of transactions is expected.

Business on the secondary market was intense, thereby confirming the level of maturity reached by this market. In transactions on the secondary market, there is a significant component of portfolios on unsecured loans, both in the final figures of 2020 and in the 2021 forecast, which calls for servicers specialised in this asset type.

2.4 Impact of regulatory changes

In 2020, the following changes have been made both in regard to banking and accounting regulations and to tax matters and, more specifically:

- Italian Decree Law no. 18 of 17/03/2020 (the "Cura Italia" Decree), passed by the Council of Ministers as an emergency measure following the spread of the COVID-19 pandemic and then converted into Italian Law no. 27/2020, introduced the following:
  - Article 49 provided, with reference to the "SME guarantee fund" which grants free state guarantees to professionals or micro, small and medium-sized enterprises in cases of difficulty in accessing

credit, the extension of this fund to loans granted by banks to pay off previous debt positions of the company;
  - Art. 54 has established the right for customers to request the suspension of the payment of the mortgage for the purchase of the first house without any negative consequences for the customer, through the support of the "Gasparrini" fund that will "compensate" the banks for the greater deferment granted to the customer;
  - On a tax level, Art. 55 envisaged the possibility, for companies selling receivables that are past due by more than 90 days by 31 December 2020, to transform a portion of the prepaid tax into tax receivables ("DTA"), even if not posted, relative to previous tax losses and surplus unused ACE. The portion of DTA that can be transformed into tax credits is 20% of the nominal amount of the receivables sold. The tax credits deriving from the transformation of the DTAs can be used "starting from the date of legal effect of the transfer", with no limit in amount, for the payment of tax, withholdings and welfare contributions either transferred (infra-group or third parties) or requested for refund from the tax authority and must be specified on the income tax return. The transformation of the DTAs into tax credits is conditional on the exercise by the transferor company (or by the consolidating company in the event of adhesion to the group taxation system) by the end of the year in which the credit transfer takes effect, of the option pursuant to Article 11 of Italian Decree Law no. 59 of 03 May 2016, if not already exercised and the consequent payment of the charges of 1,5%, if due on the basis of the rules of calculation envisaged by this Article. As regards the impact of this provision, please note that the Banca Ifis Group has, in 2020, proceeded to sell the portfolios of loans past due by more than 90 days, to transform 28,4 million Euro of previous tax losses and surplus individual ACS into tax credits, of which 21,5 million still posted amongst current tax assets at 31 December 2020. In addition to the purely financial benefit, the impact of this provision was positive in terms of the CET1 ratio.
  - Article 56 has introduced for micro, small and medium-sized enterprises that self-declare that they have suffered a partial or total reduction in business due to COVID-19 a series of facilities provided that the debt exposure is not already considered impaired, including the impossibility for banks to revoke overdraft facilities or advances on invoices on the amounts granted until 30 September 2020, the extension of the maturity of non-instalment loans and the suspension of instalments and fees of loans until 30 September 2020;
  - Art. 58 has provided, in favour of companies that have obtained financing for "globalisation" projects, the possibility to request the suspension for up to twelve months of the payment of the principal and the interest of the instalments due during the year 2020, with consequent translation of the amortisation plan for a corresponding period.
- The Liquidity Decree (Italian Decree Law no. 23 of 08 April 2020), converted into Italian Law no. 40 of 05 June 2020), strengthened the Guarantee Fund to meet the immediate liquidity needs of businesses and professionals facing the consequences of the COVID-19 epidemic, as summarised below:
  - The coverage of the guarantee has been increased: on small loans of up to 30 thousand Euro, the Fund's intervention covers 100% of loans with a maximum duration of 10 years without a creditworthiness assessment being carried out for the purpose of granting the guarantee. The guarantee covers all funding at 90% up to a maximum amount of 5 million Euro per individual beneficiary. For amounts up to 800.000 Euro, the guarantee of a loan consortium may be added, up to cover 100% of the loan.
  - The number of beneficiaries has been increased: SMEs and natural persons engaged in business, arts or professions have been joined by brokers, insurance agents and sub-agents, as well as Third Sector entities;
  - The access procedures have been simplified: the guarantee is granted automatically and the loan can be disbursed by the banks without waiting for a response from the Fund. The guarantee may also be issued on operations already disbursed (only if the disbursement has been made no more

than three months before the call to the Fund and, in any case, not before 31 January 2020). If banks suspend the instalments (or the principal portion only) of loans already guaranteed, the duration of the guarantees will be automatically extended.

- The Relaunch Decree (Italian Decree Law no. 34/2020), converted into Italian Law no. 77/2020 has, amongst the various provisions, established a guarantee fund with a view to offering relief to SMEs using globalisation credits from the costs and administrative expenses deriving from the need to provide bank and insurance bonds for part of the credits obtained;
- The August Decree (Italian Decree Law no. 104/2020), through Art. 65, extended, amongst others, the deadline of 30 September envisaged by Art. 56 of the Cura Italia Decree, at 31 January 2021.
- The “Ristori” Decree (Italian Decree Law no. 137/2020), the “Ristori-bis” Decree (Italian Decree Law no. 149/2020, the “Ristori-ter” Decree (Italian Decree Law no. 154/2020) and the “Ristori-quater” Decree (Italian Decree Law no. 157/2020) provided benefits and indemnities for the social categories most impacted by the COVID-19 pandemic.
- The 2021 Budget Law (Italian Law no. 178 of 30 December 2020) further extended to 30 June 2021, the deadline of 31 January 2021 set by the August Decree. Therefore:
  - in order to open the revocation credit and for the loans granted in exchange for advances on credits, the amounts agreed cannot be revoked until 30 June 2021;
  - for non-instalment loans, contracts are extended until 30 June 2021 at the same conditions;
  - for mortgages and other loans paid by instalments, the payment of the instalments or lease charges is put on hold until 30 June 2021.
- In addition, in terms of tax matters, we note, in addition to the above-specified possibility of transforming the DTAs into tax credit in accordance with certain conditions pursuant to Art. 55 of Italian Law no. 27/2020, the following:
  - Increase of the annual limit of credits that can be offset through the F24 form: for 2020 only, the ceiling limit is increased by 0,7 to 1 million Euro for the “horizontal” offsetting of tax credits and contributions by means of the F24 form, or reimbursements to subjects holding a tax account, through the simplified procedure in accordance with Art. 34, paragraph 1, first sentence of Italian Law no. 388/2000. As is known, the “horizontal” offsetting envisaged by Article 17 of Italian Legislative Decree no. 241/1997 consists of using tax credits to pay even sundry contributions and tax. The Group used up to the ceiling limit for horizontal offsetting for 2020 only.
  - Other tax benefits: the numerous tax benefits introduced under the scope of the provisions aimed at limiting the economic effect deriving from the COVID-19 epidemiological emergency include the Group having achieved a tax credit deriving from the sanitisation of the environments and instruments used, as well as to purchase personal protection equipment (“PPE”) and other devices to guarantee the health of workers and users, for 36 thousand Euro. In addition, in 2020, the Group booked tax credits for the purchase of new materials as instrumental assets, envisaged by Italian Law no. 160/2019, for an amount of 120 thousand Euro.

2.5 Financial and income results

Statement of financial positions items

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2020	31.12.2019	ABSOLUTE	%
Financial assets mandatorily measured at fair value through profit or loss	127.433	102.595	24.838	24,2%
Financial assets measured at fair value through other comprehensive income	774.550	1.173.803	(399.253)	(34,0)%
Receivables due from banks measured at amortised cost	1.140.380	460.578	679.802	147,6%
Receivables due from customers measured at amortised cost	7.837.586	6.912.409	925.177	13,4%
Equity investments	638.362	610.861	27.501	4,5%
Property, plant and equipment and intangible assets	107.191	96.971	10.220	10,5%
Tax assets	350.172	363.303	(13.131)	(3,6)%
Other assets	327.711	406.364	(78.653)	(19,4)%
Total assets	**11.303.385**	**10.126.884**	**1.176.501**	**11,6%**
Payables due to banks measured at amortised cost	2.396.928	959.403	1.437.525	149,8%
Payables due to customers measured at amortised cost	6.016.634	6.328.711	(312.077)	(4,9)%
Debt securities issued	1.100.089	1.067.529	32.560	3,1%
Tax liabilities	39.814	50.881	(11.067)	(21,8)%
Provisions for risks and charges	48.836	28.595	20.241	70,8%
Other liabilities	365.154	339.521	25.633	7,5%
Group equity	1.335.930	1.352.244	(16.314)	(1,2)%
Total liabilities and equity	**11.303.385**	**10.126.884**	**1.176.501**	**11,6%**

Financial assets mandatorily measured at fair value through profit or loss

The item totalled 127,4 million Euro at 31 December 2020 and consisted of loans and debt securities that have not passed the SPPI Test, as well as UCITS units. The growth of 24,2% on 31 December 2019 is mainly due to new subscriptions of equity securities at fair value for 20,7 million Euro and new loans at fair value for 20,9 million, juxtaposed with a reduction in the units of UCITSs (for approximately 4,4 million Euro) and redemptions and transfers of loans at fair value for approximately 13,1 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	
	31.12.2020	31.12.2019	ABSOLUTE	%
Debt securities	849	91	758	833,0%
Equity securities	20.659	-	20.659	-
UCITS units	74.641	80.197	(5.556)	(6,9)%
Loans	31.284	22.307	8.977	40,2%
Total	**127.433**	**102.595**	**24.838**	**24,2%**

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income totalled 774,6 million Euro at 31 December 2020, down 34,0% from December 2019, and included the debt securities that passed the SPPI test as well as equity securities for which the Bank elected the so-called OCI option pursuant to IFRS 9.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2020	31.12.2019	ABSOLUTE	%
Debt securities	721.216	1.124.635	(403.419)	(35,9)%
Equity securities	53.334	49.168	4.166	8,5%
Total	**774.550**	**1.173.803**	**(399.253)**	**(34,0)%**

The debt securities held in the portfolio at 31 December 2020 total 721,2 million Euro, down 35,9% with respect to the balance at 31 December 2019. The related net positive fair value reserve comes to 1,8 million as compared with a net negative reserve of 0,4 million Euro at 31 December 2019. 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	212.399	414.816	-	50.979	30.447	708.641
% of total	*29,5%*	*57,5%*	*0,0%*	*7,1%*	*4,2%*	*98,3%*
Banks	-	-	-	-	-	-
% of total	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*
Other issuers	-	-	-	8.451	4.124	12.575
% of total	*0,0%*	*0,0%*	*0,0%*	*1,2%*	*0,6%*	*1,7%*
Total	**212.399**	**414.816**	**-**	**59.430**	**34.571**	**721.216**
% of total	***29,5%***	***57,5%***	***0,0%***	***8,2%***	***4,8%***	***100,0%***

This item includes also equity securities relating to minority interests, amounting to 53,3 million Euro, up 8,5% compared to 31 December 2019.

Receivables due from banks measured at amortised cost

Total receivables due from banks measured at amortised cost at 31 December 2020 amounted to 1.140,4 million Euro, compared to 460,6 million Euro at 31 December 2019. This item mainly refers to Receivables due from central banks (690,4 million Euro at 31 December 2020 compared to 373,7 million Euro at 31 December 2019), which constitute the supplies maintained in order to ensure the orderly performance of management activities.

Receivables due from customers measured at amortised cost

Total receivables due from customers measured at amortised cost amounted to 7.837,6 million Euro. The growth of 13,4% on 31 December 2019 (6.912,4 million Euro) is driven by the subscription of debt securities, mainly government securities, for approximately 1,0 billion Euro, which more than offset the reduction in loans connected mainly with the negative outlook seen starting early March, as a consequence of COVID-19 and the reduction in impaired positions due to the joint effect of a reduction in net past-due exposures linked to both collections and the positive completion of restructuring and the disposal of impaired exposures finalised in the last quarter of 2020.

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
POSITION AT 31.12.2020						
Nominal amount	170.019	219.665	34.583	424.267	7.700.858	8.125.125
Impairment losses	(117.295)	(104.924)	(2.534)	(224.753)	(62.786)	(287.539)
Carrying amount	52.724	114.741	32.049	199.514	7.638.072	7.837.586
Coverage ratio	69,0%	47,8%	7,3%	53,0%	0,8%	3,5%
Gross ratio	2,1%	2,7%	0,4%	5,2%	94,8%	100,0%
Net ratio	0,7%	1,5%	0,4%	2,5%	97,5%	100,0%
POSITION 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%

As described previously, the reduction in net non-performing loans on 31 December 2019 is linked to the combined effect of a reduction in net past-due exposures due to both collections and the positive completion of restructuring and sales processes of impaired positions, finalised in the last quarter of 2020.

Equity investments

DESCRIPTION	31.12.2020	31.12.2019
Ifis Finance Sp. Z o.o.	26.356	26.356
Ifis Rental Services S.r.l.	120.895	120.895
Ifis Npl Servicing S.p.A. (formerly Fbs S.p.A.)	70.700	70.700
Ifis Npl S.p.A.	362.000	362.000
Cap.Ital.Fin S.p.A.	14.052	22.110
Credifarma S.p.A.	8.800	8.800
Farbanca S.p.A.	32.520	-
Total	**638.362**	**610.861**

Equity investments in Group companies come to 638,4 million Euro as compared with the 610,9 million of 2019. The change is linked to the acquisition of 70,77% of the capital of Farbanca S.p.A., an operator specialised in credit to pharmacies, completed in November 2020, for an equivalent value of 32,52 million Euro and the impairment of the equity investment in Cap.Ital.Fin., to align it to the related net equity at year end. Ifis Npl Servicing S.p.A. (formerly Fbs S.p.A.)

Intangible assets and property, plant and equipment

Property, plant and equipment comes to 87,5 million Euro, as compared with the 77,8 million Euro booked at 31 December 2019, up 12,3%, mainly in view of investments and improvements to Group offices.

At the end of December 2020, 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 Villa Marocco 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 came to 19,7 million Euro, in line with those at 31 December 2019 of 19,1 million Euro (+3,2%), consisting entirely of software.

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	
	2020	2019	ABSOLUTE	%
Irap (regional tax on productive activities)	5.590	10.009	(4.419)	(44,2)%
Ires (corporate income tax)	10.773	11.718	(945)	(8,1)%
Ires on sale of receivables	21.278	21.278	-	0,0%
Credits from DTA conversion	21.475	-	21.475	n.a.
Other	879	982	(103)	(10,6)%
Total current tax assets	**59.995**	**43.987**	**16.008**	**36,4%**

The change in current tax assets is mainly connected with the conversion, authorised by the “Cura Italia” Decree of the DTAs on tax losses and surplus ACE in tax credit, which can be offset against tax payables and contributions of the Bank (28,4 million, of which 21,5 million remaining at 31 December 2020).

Below are details of deferred tax assets:

DEFERRED TAX ASSETS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	2020	2019	ABSOLUTE	%
Receivables due from customers (Italian Law no. 214/2011)	213.274	214.627	(1.353)	(0,6)%
Past tax losses that can be carried forward	34.432	59.725	(25.293)	(42,3)%
Aid for economic growth that can be carried forward	13.647	18.308	(4.661)	(25,5)%
Goodwill	12.573	12.573	-	0,0%
Receivables due from customers	-	-	-	n.a.
Hire of capital goods	-	-	-	n.a.
Provisions for risks and charges	13.430	7.864	5.566	70,8%
FVOCI reserve	714	1.088	(374)	(34,4)%
Other	2.107	5.131	(3.024)	(58,9)%
Total deferred tax assets	**290.177**	**319.316**	**(29.139)**	**(9,1)%**

Deferred tax assets amounted to 290,2 million Euro, compared with 319,3 million Euro at 31 December 2019, of which 48,1 million Euro for previous tax losses and ACE benefits (78,0 million Euro at 31 December 2019). Banca Ifis has benefited from Art. 55, Italian Decree Law no. 18/2020 (the “CURA ITALIA” Decree), proceeding to transfer the deferred tax assets on previous tax losses and ACE benefit into tax credits for 28,4 million Euro (of which 21,5 remain at 31 December 2020).

The item also included 213,3 million Euro in impairment losses on receivables that can be deducted in the following years, 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 13,4 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 24,9 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	
	2020	2019	ABSOLUTE	%
Receivables due from customers	2.873	3.020	(147)	(4,9)%
Property, plant and equipment	479	5.964	(5.485)	(92,0)%
Receivables for interest on arrears	31.406	27.260	4.146	15,2%
Financial assets	1.022	1.494	(472)	(31,6)%
Other	36	563	(527)	(93,6)%
Total deferred tax liabilities	**35.816**	**38.301**	**(2.485)**	**(6,5)%**

Deferred tax liabilities, amounting to 35,8 million Euro, mainly include 31,4 million Euro on receivables recognised for interest on arrears that will be taxed upon collection and 2,9 million Euro on misalignments of trade receivables.

Other assets and liabilities

Other assets, of 327,7 million Euro as compared to a balance of 406,4 million Euro at 31 December 2019, include:

- financial assets held for trading for 20,9 million Euro (down 14,2% on 31 December 2019), mainly relating to transactions hedged by opposite positions entered amongst financial liabilities held for trading;
- other assets for 306,8 million Euro (356,5 million Euro at 31 December 2019), of which 24,9 million Euro refer to the receivable due from the parent company La Scogliera S.p.A. by virtue of the tax consolidation agreements (46,2 million Euro at 31 December 2019) and 7,9 million Euro to Group VAT credits (29,8 million Euro at 31 December 2019).
- Non-current assets and disposal groups have been zeroed as compared with 31 December 2019 following the sale of the Milan property in Corso Venezia, completed late March 2020.

Other liabilities come to 365,1 million Euro as compared with 339,5 million Euro at 31 December 2019, and consist of:

- trading derivatives for 18,6 million Euro (21,8 million Euro at 31 December 2019), mainly referring to transactions hedged by opposite positions entered amongst financial assets held for trading;
- 6,0 million Euro liabilities for post-employment benefits (7,1 million Euro at 31 December 2019);
- 340,6 million Euro for other liabilities (310,6 at 31 December 2019), largely referred to amounts due to customers that have not yet been credited as well as the payable for 2019 dividends not distributed in the amount of 58,8 million Euro.

Funding

FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2020	31.12.2019	ABSOLUTE	%
a) Payables due to banks	**2.396.928**	**959.403**	**1.437.525**	**149,8%**
- Payables due to Central banks	*2.116.961*	*792.168*	*1.324.793*	*167,2%*
- Other payables	*279.967*	*167.235*	*112.732*	*67,4%*
b) Payables due to customers	**6.016.634**	**6.328.711**	**(312.077)**	**(4,9)%**
- Repurchase agreements	*-*	*150.280*	*(150.280)*	*(100,0)%*
- Rendimax and Contomax	*4.459.954*	*4.790.954*	*(331.000)*	*(6,9)%*
- Other term deposits	*236.246*	*72.475*	*163.771*	*226,0%*
- Lease payables	*15.099*	*13.867*	*1.232*	*8,9%*
- Other payables	*1.305.335*	*1.301.135*	*4.200*	*0,3%*
c) Debt securities issued	**1.100.089**	**1.067.529**	**32.560**	**3,1%**
Total funding	**9.513.651**	**8.355.643**	**1.158.008**	**13,9%**

Total funding amounted to 9.513,7 million Euro at 31 December 2020 (+13,9% compared to 31 December 2019) and is represented for 63,2% by Payables due to customers (compared to 75,7% at 31 December 2019), for 25,2% by Payables due to banks (compared to 11,5% at 31 December 2019), and for 11,6% by Debt securities issued (12,8% at 31 December 2019).

Customer payables at 31 December 2020 come to 6.016,6 million Euro: down 4,9% compared with 31 December 2019 with retail funding down (mainly Rendimax and Contomax), which goes from 4.791,0 million Euro at 31 December 2019 to 4.460,0 million Euro at 31 December 2020; repurchase agreements are also zeroed, whilst other restricted deposits grow.

Payables due to banks amounted to 2.396,9 million Euro, up 149,8% compared to 31 December 2019. This increase is due to the June 2020 subscription of a TLTRO III tranche worth a nominal 1.900 million Euro maturing in June 2023 and the simultaneous early repayment of the TLTRO II tranche subscribed in 2017.

Debt securities issued amounted to 1.100,1 million Euro at 31 December 2020. The item includes senior bonds issued by the Banca Ifis for 634,9 million Euro, as well as the Tier 2 bond for 402,1 million Euro, including interest and securities relating to a debenture loan for 62,7 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	
	31.12.2020	31.12.2019	ABSOLUTE	%
Provisions for credit risk related to commitments and financial guarantees granted	10.459	3.583	6.876	191,9%
Legal and tax disputes	18.092	19.403	(1.311)	(6,8)%
Personnel expenses	6.341	600	5.714	n.a.
Other provisions	13.944	5.009	8.935	178,4%
Total provisions for risks and charges	**48.836**	**28.595**	**20.241**	**70,8%**

Below is the breakdown of the provision for risks and charges at the end of 2020 by type of dispute compared with the amounts for the prior year.

Provisions for credit risk related to commitments and financial guarantees granted

At 31 December 2020, this line item amounted to 10,5 million Euro and reflected the impairment losses on commitments and financial guarantees granted by the Bank recognised in accordance with standard IFRS 9, showing growth by approximately 6,9 million Euro.

Legal and tax disputes

At 31 December 2020, the Bank had set aside 18,1 million Euro in provisions. This amount breaks down as follows:

- 11,2 million Euro for 32 disputes concerning Trade receivables (the plaintiffs seek 32,9 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;
- 5,9 million Euro (the plaintiffs seek 64,0 million Euro in damages) for 13 disputes concerning the Corporate Banking & Commercial Lending Area deriving from the former Interbanca;
- 1,0 million Euro (the plaintiffs seek 3,1 million Euro in damages) for 48 disputes concerning the Leasing Area and trade receivables.

Personnel expenses

At 31 December 2020, provisions are entered for personnel for 6,3 million Euro (0,6 million Euro at December 2019). In order to implement the cost rationalisation programme envisaged in the 2020-2022 Business Plan unveiled on 14 January 2020, the Bank has activated the procedure relative to the use of the extraordinary provisions of the Solidarity Fund in order to activate incentives to take early redundancy, on a purely voluntary basis for those who, already in 2020, meet the requirements to access the Fund and will accrue the requirements to access the A.G.O. pension treatment by 31 December 2024. The provision made by the Bank to the Solidarity Fund at 31 December 2020 is 6,0 million Euro.

Other provisions for risks and charges

At 31 December 2020, there were “Other provisions” of 13,9 million Euro (5,0 million Euro at 31 December 2019) consisting mainly of 7,1 million Euro for probable contractual indemnities for loan transfers, 5,1 million Euro for supplementary indemnities for customers connected with the operations of the Leasing segment, basically in line with 31 December 2019.

Contingent liabilities

Here below are the most significant contingent liabilities outstanding at 31 December 2020. 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 former 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 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.

Equity

At 31 December 2020, Equity totalled 1.335,9 million Euro, up -1,2% from 1.352,2 million Euro at 31 December 2019.

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	
	2020	2019	ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	102.491	102.285	206	0,2%
Valuation reserves:	(10.934)	2.691	(13.625)	(506,3)%
- Securities	(10.733)	2.737	(13.470)	(492,1)%
- Post-employment benefits	(201)	(46)	(155)	337,0%
Reserves	1.134.006	1.169.123	(35.117)	(3,0)%
Treasury shares	(2.948)	(3.012)	64	(2,1)%
Net profit	59.504	27.346	32.158	117,6%
Equity	**1.335.930**	**1.352.244**	**(16.314)**	**(1,2)%**

EQUITY: CHANGES	(in thousands of Euro)
Equity at 31.12.2019	**1.352.244**
Change in opening balances	-
Increases:	**59.774**
Profit for the year	59.504
Change in valuation reserve:	-
- Securities	-
Other changes	270
Decreases:	**76.088**
Dividends resolved and suspended	58.806
- of which profit for 2019	*27.346*
- of which profit reserves	*31.460*
Purchase of own instruments	-
Change in valuation reserve:	13.625
- Securities	*13.470*
- Post-employment benefits	*155*
- Exchange differences	-
Other changes	3.657
Equity at 31.12.2020	**1.335.930**

The main changes in equity are:

- the positive change relative to the result for the year pertaining to the Bank of 59,5 million Euro;
- the net negative change of 13,5 million Euro in the valuation reserve for the period was attributable to the fair value adjustment of the financial instruments classified as Financial assets measured at fair value through other comprehensive income;
- the negative change of 0,2 million Euro in the valuation reserve connected with the change in actuarial losses on employee severance indemnity;
- other net reductions for 3,4 million Euro, mainly linked to losses realised through the sale of financial instruments in the portfolio of Financial assets measured at fair value through other comprehensive income.
- the negative change of 58,8 million Euro for 2019 dividends resolved and not distributed, reducing the Bank's equity and booked as Other liabilities.

On 16 December 2020, given the continued COVID-19 pandemic, the Bank of Italy - in line with the ECB - chose to maintain an extremely prudent approach, so as to safeguard the banks' capacity to absorb losses and grant loans to support the real economy, recommending that until 30 September 2021, the less significant Italian banks abstain from recognising or paying dividends or limit the relevant amount to the lesser of 15% of accumulated profits for 2019-20 or 20 basis points of the CET1 coefficient.

In compliance with and within the limits pursuant to the recommendation of the Bank of Italy specified above, Banca Ifis will continue to maintain the dividends resolved and not distributed in respect of 2019, as a reduction of the Bank's equity and to book them amongst other liabilities, at least until 30 September 2021.

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS AT	
	31.12.2020	31.12.2019
Common Equity Tier 1 Capital(1)(CET1)	1.269.899	1.176.460
Tier 1 Capital(1) (T1)	1.269.899	1.176.460
Total own funds(1)	**1.669.899**	**1.576.460**
Total RWAs	**6.959.557**	**7.496.182**
Common Equity Tier 1 Ratio	18,25%	15,69%
Tier 1 Capital Ratio	18,25%	15,69%
Ratio – Total Own Funds	**23,99%**	**21,03%**

(1) Common Equity Tier 1, Tier 1 Capital, and total Own Funds included the profits generated by the Bank at 31 December 2020 net of the estimated dividend.

Individual own funds, risk-weighted assets and prudential ratios at 31 December 2020 were calculated based on the regulatory principles set out in Directive no. 2013/36/EU (CRD IV) and (EU) Regulation no. 575/2013 (CRR), which were transposed in the Bank of Italy's Circulars no. 285 and no. 286.

Moreover, EU Regulation no. 873/2020, relative to the transitional provisions aimed at attenuating the impact of the introduction of IFRS 9 on Own funds - defines for entities the possibility of including in their Common Equity Tier 1 a portion of the accruals gained for expected credit losses, through different operating methods of the transitional period of reference (1 January 2018 - 31 December 2019 and 1 January 2020 - 31 December 2024).

Please note that at the time, Banca Ifis had already informed the Bank of Italy of its decision to apply the transitional provisions for the entire period.

Income statements items

Formation of net banking income

Net banking income totalled 334,1 million Euro, up 21,0% from 276,2 million Euro at 31 December 2019. The increase is due to the dividends of 69,3 million Euro received by the subsidiary Ifis Npl. Net of this effect, 2020 net banking income would be down 4,1% on the previous year.

The health emergency linked to COVID-19 has generated a reduction in the interest margin and net commission income in all business segments of the company as a consequence of the reduction in volumes under management. In addition to this, a lesser physiological contribution is made of the release of the PPA, the effect of which in 2020 was 57,5 million Euro as compared with 69,8 million Euro last year, despite some significant accelerations during the last quarter.

NET BANKING INCOME (in thousands of Euro)	YEAR		CHANGE	
	31.12.2020	31.12.2019	ABSOLUTE	%
Net interest income	194.165	202.054	(7.889)	(3,9)%
Net commission income	65.725	83.632	(17.907)	(21,4)%
Other components of net banking income	74.250	(9.492)	83.742	(882,2)%
Net banking income	**334.140**	**276.194**	**57.946**	**21,0%**

Net interest income dropped by 3,9% on 2019, coming in at 194,2 million Euro because of the reasons previously discussed with reference to net banking income.

Net commission income totalled 65,7 million Euro, down 21,4% from 31 December 2019.

Commission income, totalling 73,4 million Euro compared to 92,0 million Euro at 31 December 2019, 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 7,7 million Euro compared to 8,3 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:

- 72,3 million Euro from dividends (0,8 million Euro at 31 December 2019);
- -4,5 million Euro in the negative result from trading activities (negative result of -4,0 million Euro at 31 December 2019), 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;
- 16,4 million Euro in gains on the disposal of assets measured at amortised cost (2,9 million Euro at 31 December 2019);
- -10,0 million Euro the net negative result of other financial assets and liabilities measured at fair value through profit or loss (negative -9,2 million Euro at 31 December 2019). This result is the combined effect on gains from the disposal of loans at fair value for 2 million Euro, juxtaposed by comprehensive changes in fair value for a negative value of 12 million Euro, mainly due to capital losses on UCITSs (12,3 million Euro).

Formation of net profit (loss) from financial activities

Net profit from financial activities totalled 244,7 million Euro, compared to 189,2 million Euro at 31 December 2019 (+29,3%).

FORMATION OF NET PROFIT FROM FINANCIAL ACTIVITIES (in thousands of Euro)	YEAR		CHANGE	
	31.12.2020	31.12.2019	ABSOLUTE	%
Net banking income	334.140	276.194	57.946	21,0%
Net credit risk losses/reversals	(89.443)	(87.005)	(2.438)	2,8%
Net profit (loss) from financial activities	**244.697**	**189.189**	**55.508**	**29,3%**

Net credit risk losses totalled 89,4 million Euro at 31 December 2020, compared to net losses of 87,0 million Euro at 31 December 2019 (+2,8%). Banca Ifis recorded less in the way of provisions in the Factoring Area, which in 2019 had been negatively impacted by adjustments on certain individually significant counterparties in the constructors and retail segment, juxtaposed by the increases made in the Corporate Banking & Lending and the Leasing area. A possible potential slowing to the deterioration of credit should also be noted, including in connection with the effect of the package of protection measures assumed by the government in the context of the pandemic. Therefore, in order to take into account the macroeconomic context due to the pandemic and the potential effects that the loss of these supporting measures may have in the near future, additional impairment losses have been made on the industry exposures most impacted by these phenomena for a total of 31 million Euro.

Formation of profit for the year

FORMATION OF NET PROFIT (in thousands of Euro)	YEAR		CHANGE	
	31.12.2020	31.12.2019	ABSOLUTE	%
Net profit (loss) from financial activities	**244.697**	**189.189**	**55.508**	**29,3%**
Operating costs	(200.236)	(150.441)	(49.795)	33,1%
Profit (loss) on equity investments	(8.059)	100	(8.159)	(8158,0)%
Gains (Losses) on disposal of investments	24.161	0	24.161	100%
Pre-tax profit from continuing operations	**60.563**	**38.848**	**21.715**	**55,9%**
Income tax expense	(1.059)	(11.502)	10.443	(90,8)%
Net profit	**59.504**	**27.346**	**32.158**	**117,6%**

The cost/income ratio totalled 59,9%, compared to 54,5% at 31 December 2019. Operating costs totalled 200,2 million Euro, showing an increase on 31 December 2019 (33,1%).

OPERATING COSTS (in thousands of Euro)	YEAR		CHANGE	
	31.12.2020	31.12.2019	ABSOLUTE	%
Administrative expenses:	188.011	207.054	(19.043)	(9,2)%
a) personnel expenses	93.549	95.815	(2.266)	(2,4)%
b) other administrative expenses	94.462	111.239	(16.777)	(15,1)%
Net allocations to provisions for risks and charges	26.655	10.621	16.034	151,0%
a) commitments and guarantees granted	8.897	1.190	7.707	647,6%
b) other net allocations	17.758	9.431	8.327	88,3%
Net impairment losses/reversals on property, plant and equipment	7.234	5.397	1.837	34,0%
Net impairment losses/reversals on intangible assets	7.714	6.270	1.444	23,0%
Other operating income/expenses	(29.378)	(78.901)	49.523	(62,8)%
Operating costs	**200.236**	**150.441**	**49.795**	**33,1%**

Personnel expenses, equal to 93,5 million Euro, are down by 2,4% (95,8 million Euro at 31 December 2019) as a result of a prudent incentive policy and greater control over current expenses in light of the current context. The number of Bank employees at 31 December 2020 was 1.188 as compared with 1.195 resources at 31 December 2019.

Other administrative expenses at 31 December 2019 included 30,9 million Euro in expenses relating to the settlement of certain tax disputes regarding the former subsidiary Interbanca, the economic impact of which is more than offset in the item "other net operating income" for 46,2 million Euro (including the related tax effect) against the activation of outstanding guarantees. Net of this effect, other administrative expenses at 31 December 2020 would rise by 17,6% on 31 December 2019. The increase is mainly due to higher costs for professional services and marketing and advertising expenses.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	YEAR		CHANGE	
	2020	2019	ABSOLUTE	%
Expenses for professional services	**28.720**	**23.283**	**5.437**	**23,4%**
Legal and consulting services	26.369	21.129	5.240	24,8%
Auditing	447	449	(2)	(0,4)%
Outsourced services	1.904	1.705	199	11,7%
Direct and indirect taxes	**13.588**	**45.161**	**(31.573)**	**(69,9)%**
Expenses for purchasing goods and other services	**52.154**	**42.795**	**9.359**	**21,9%**
Software assistance and hire	13.350	13.660	(310)	(2,3)%
Advertising and inserts	8.226	1.886	6.340	336,2%
FITD and Resolution fund	7.991	6.492	1.499	23,1%
Property expenses	4.917	4.681	236	5,0%
Customer information	4.491	4.592	(101)	(2,2)%
Telephone and data transmission expenses	3.405	2.308	1.097	47,5%
Securitisation costs	2.151	1.422	729	51,3%
Car fleet management and maintenance	1.894	2.102	(208)	(9,9)%
Business trips and transfers	1.090	2.195	(1.105)	(50,3)%
Postage and archiving of documents	1.083	1.037	46	4,4%
Other sundry expenses	3.556	2.420	1.136	46,9%
Total other administrative expenses	**94.462**	**111.239**	**(16.777)**	**(15,1)%**

The sub-item “Legal and consulting services” comes to 26,4 million in 2020, up 24,8% on the 21,1 million of 2019. The increase in this item is due to consultancy connected with the Bank’s reorganisation as parent company and integrations applied to the information systems.

Net of the charges relating to the settlement of tax disputes in 2019, which amounted to 30,9 million Euro, the item "Indirect taxes and duties", amounting to 13,6 million Euro compared to 14,3 million Euro at 31 December 2019, is down by 4,9%. The item also includes stamp duty of 11,3 million Euro, the charge-back of which to customers is included in the item “Other operating income”.

“Expenses for purchasing goods and other services” amounted to 52,2 million Euro, up 21,9% from 42,8 million Euro in December 2019. The change in this item is due to the contrasting effect in some of the most significant items, in particular:

- FITD and Resolution fund amounted to 8,0 million Euro, up 23,1% compared to 6,5 million Euro at 31 December 2019.
- Advertising costs that record an increase of 6,3 million Euro, coming in at 8,2 million Euro due to the rebranding project launched by the Bank during the first half of the year;
- Securitisation costs go from 1,4 million Euro to 2,2 million Euro, +51,3%. The item was impacted by the action taken to sell portfolios;
- Telephone and data transmission expenses of 3,4 million Euro rise by 47,5%, also due to the smart working activated following the health emergency;
- Travel and transfers drop by 50,3%, coming in at 1,1 million Euro due to the limits to travel imposed by the COVID-19 health emergency.

Net allocations to provisions for risks and charges amounted to 26,7 million Euro compared with 10,6 million Euro at 31 December 2019. Net provisions for the year mainly, for 6,1 million Euro, refer to the Solidarity Fund, for 7,1 Euro to probable contractual indemnities for the sale of credits and for 8,9 million Euro to provisions made for commitments to disburse funds and guarantees.

Net of the indemnity related to the settlement of the tax dispute in 2019, amounting to 46,2 million Euro, other net operating income, amounting to 29,4 million Euro, decreased by 10,2% compared to the previous year. The item 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.

Losses on disposal of investments includes the effects of the complete impairment of the pre-existing goodwill allocated to Cap.Ital.Fin of 8,1 million Euro.

Gains on disposal of investments of 24,2 million Euro include the effects of the sale of the Milan property in Corso Venezia, net of the related costs of sale.

Pre-tax profit from continuing operations amounted to 60,6 million Euro (+55,9% compared to 31 December 2019).

Income taxes come to 1,1 million Euro, down 91,0% on the figure booked at 31 December 2019, which also suffered the effects of the non-deductibility of the charge relating to the applications for "facilitated settlement of tax disputes" mentioned previously. The tax rate for the year 2020 was 1,75%. The effective tax rate is below (-31,32%) the theoretical tax rate of 33,07% (27,5% IRES + 5,57% IRAP) insofar as it mainly benefited from the ACE deduction (-6,37%) and the partial taxation of dividends collected by the Bank, excluded 95% from IRES taxation and 505 from IRAP taxation (-34,46%); this effect was partially offset by the non-deductibility of the impairment of the equity investment held in Cap.Ital.Fin (+4,40%) and other items (e.g. non-deductible costs and/or items not relevant to IRES/IRAP) with a comprehensively negative impact (+9,51%).

In view of the foregoing, net profits come to 59,5 million Euro (+ 117,6% on last year).

2.6 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 Group'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 current situation linked to the COVID-19 pandemic, 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 A of the Notes to the Financial Statements for further information on the risks, uncertainties and impacts of the COVID-19 epidemic and to the information given in Part E of this same document about the Bank's risks, typical of the banking sector.

2.7 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	31.12.2020	31.12.2019	31.12. 2018	31.12. 2017	31.12.2016
Share price at period-end	9,18	14,00	15,44	40,77	26,00

Outstanding shares	31.12.2020	31.12.2019	31.12. 2018	31.12. 2017	31.12.2016
Number of shares outstanding at period end (in thousands)(1)	53.460	53.452	53.441	53.433	53.431

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

Payout ratio

For 2020, the Board of Directors proposed to the Shareholders' Meeting to distribute a dividend of 0,47 Euro per share.

Payout ratio (in thousands of Euro)	2020	2019	2018	2017	2016
Net profit	59.504	27.346	82.806	154.906	71.722
Dividends (1)(2)	25.126	58.797	56.125	53.433	43.813
Payout ratio	**42,2%**	**215,0%**	**67,8%**	**34,5%**	**61,1%**

(1) The data for 2020 refers to the dividend proposed by the Board of Directors.
(2) The figures for FY 2019 refer to the dividends resolved and not distributed, which the Bank will continue to maintain as a reduction of the Bank's equity and book amongst other liabilities, at least until 30 September 2021, in compliance with the Bank of Italy Recommendation of 16 December 2020.

On 16 December 2020, given the continued COVID-19 pandemic, the Bank of Italy - in line with the ECB - chose to maintain an extremely prudent approach, so as to safeguard the banks' capacity to absorb losses and grant loans to support the real economy, recommending that until 30 September 2021, the less significant Italian banks:

- abstain from recognising or paying dividends or limit the relevant amount to the lesser of 15% of accumulated profits for 2019-20 or 20 basis points of the CET1 coefficient;
- abstain from recognising or paying interim dividends against 2021 profits;
- exercise extreme prudence in recognising variable remuneration.

This recommendation also envisaged that banks intending to pay dividends should:

- first critically verify their equity solidity and related capacity to self-finance, both presently and prospectively, taking into account the impacts of the pandemic on the quality of assets and the income statement; and
- contact the Supervisory Authority to assess whether or not the expected distribution level was prudent;

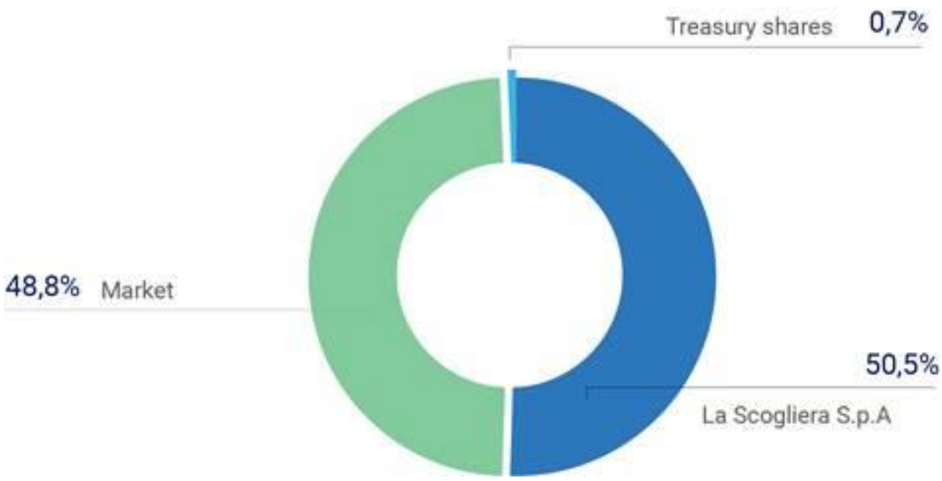
These same limits, restrictions and procedures apply to the buy-back of treasury shares in order to remunerate shareholders.

In compliance and within the limits of the above-specified Bank of Italy recommendation, Banca Ifis will propose to the shareholders' meeting the distribution of a 2020 dividend of 25.126.044 Euro, corresponding to 0,47 Euro per share, consequently deducted from own funds at 31 December 2020. As regards the dividends resolved and not distributed in respect of 2019, the Bank will continue to maintain them as a reduction of the Group's equity and to book them amongst other liabilities, at least until 30 September 2021, as envisaged by the Bank of Italy Recommendation of 16 December 2020.

Shareholders

The share capital of Banca Ifis at 31 December 2020 amounted to 53.811.095 Euro and is broken down into 53.811.095 shares worth a nominal amount of 1 Euro each.

Below are Banca Ifis's shareholders that, either directly or indirectly, own equity instruments with voting rights representing over 3% of Banca Ifis's share capital:



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.

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

2.8 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:

2.8.1 Banca Ifis: successful placement of the 400 million Euro Senior Preferred bond maturing on 25 June 2024

On 18 February 2020, Banca Ifis (Fitch rating BB+) successfully concluded placement of a Senior Preferred bond issue intended for professional investors, for an amount of 400 million Euro. The bond, issued under the scope of the EMTN Programme, comes as part of the funding strategy envisaged by the 2020-2022 Business Plan, which looks to better diversify the sources of finance. The transaction was strongly in demand with final orders, more than 60% of which came from foreign investors, more than three times the allocated amount. The reoffer price was 99,692 Euro, for a return at maturity of 1,82% and a coupon that is payable annually in the amount of 1,75%.

2.8.2 Farbanca joins the Banca Ifis Group

On 10 April 2020, Banca Ifis submitted a binding offer for the purchase of 70,77% of the share capital of Farbanca S.p.A. (company held by Banca Popolare di Vicenza), of which the remaining 29,23% is held by 450 small shareholders, mainly pharmacists. Following on from the press release given on 1 June 2020 in respect of the successful completion of the competitive process on 27 November 2020, Banca Ifis has declared that it has completed the acquisition of 70,77% of the capital of Farbanca S.p.A. held by Banca Popolare di Vicenza in LCA, whilst the remaining 29,23% is still held by approximately 450 minor shareholders, mainly pharmacists. Under the terms of the agreement, Banca Ifis has paid to LCA 32,52 million Euro. Completion of the acquisition follows the issue of the authorisation by the European Central Bank to Banca Ifis on 11 November 2020.

2.8.3 Communication on the FY 2019 and 2020 Dividend Distribution Policy

During 2020, Banca Ifis decided to act responsibly and comply with the recommendations adopted by the Bank of Italy on the dividends policy in the context of the COVID-19 pandemic. Therefore, the April 2020 Shareholders' Meeting, in compliance with the proposal of the Board of Directors, resolved to defer the payment of dividends on FY 2019, at least until 1 October 2020 and, therefore, to make said payment after that date, provided that no regulations or recommendations from supervisory authorities to the contrary are issued before that date.
On 6 August 2020, the Board of Directors acknowledged the Bank of Italy provision of 28 July 2020, whereby the Supervisory Authority recommended that all banks abstain until 1 January 2021 from paying dividends relative to FYs 2019 and 2020.
On 16 December 2020, given the continued COVID-19 pandemic, the Bank of Italy - in line with the ECB - chose to maintain an extremely prudent approach, so as to safeguard the banks' capacity to absorb losses and grant loans to support the real economy, recommending that until 30 September 2021, the less significant Italian banks:

- abstain from recognising or paying dividends or limit the relevant amount to the lesser of 15% of accumulated profits for 2019-20 or 20 basis points of the CET1 coefficient;
- abstain from recognising or paying interim dividends against 2021 profits;
- exercise extreme prudence in recognising variable remuneration.

This recommendation also envisaged that banks intending to pay dividends should:

- first critically verify their equity solidity and related capacity to self-finance, both presently and prospectively, taking into account the impacts of the pandemic on the quality of assets and the income statement; and
- contact the Supervisory Authority to assess whether or not the expected distribution level was prudent.

These same limits, restrictions and procedures apply to the buy-back of treasury shares in order to remunerate shareholders.
In compliance and within the limits of the above-specified Bank of Italy recommendation, Banca Ifis will propose to the shareholders' meeting the distribution of a 2020 dividend of 25.126.044 Euro, corresponding to 0,47 Euro per share, consequently deducted from own funds at 31 December 2020. As regards the dividends resolved and not distributed in respect of 2019, the Bank will continue to maintain them as a reduction of the Group's equity and to book them amongst other liabilities, at least until 30 September 2021, as envisaged by the Bank of Italy Recommendation of 16 December 2020.

2.8.4 Banca Ifis: Frederik Geertman Chief Executive Officer starting from the Shareholders' Meeting on the 2020 financial statements

On 21 December 2020, following agreements reached with the controlling shareholder of Banca La Scogliera S.p.A., the Chief Executive Officer, Luciano Colombini, announced his intention of renouncing his appointment as Director, including CEO, on the board, with effect from April 2021 in the Parent company and from April 2022 in the subsidiaries in which he currently holds a position. Therefore, La Scogliera reached the necessary agreements with Frederik Geertman, to allow him to join the Banca Ifis Board of Directors starting February and take over the role of Chief Executive Officer, subject to his confirmation in the Board by the shareholders' meeting, with effect from the April 2021 shareholders' meeting.

2.9 Significant subsequent events

2.9.1 Resignation of Director Divo Gronchi

On 14 January 2021, the Independent Director Divo Gronchi tendered his resignation, with immediate effect, from the position of Director and, consequently, member of the Company's Appointments Committee and Supervisory Body. Having acknowledged the resignation tendered by Mr Gronchi, the Board of Directors resolved to replenish the Appointments Committee members, choosing Monica Billio as new member. The Board has also resolved to replenish the members of the Bank's Supervisory Body, appointing Beatrice Colleoni as new member.

2.9.2 Agreement for the cessation of contracts with Luciano Colombini

On 11 February 2021, Chief Executive Officer Luciano Colombini tendered his resignation, as already announced last December, from the role of Chief Executive Officer and the position of director on the board of Banca Ifis, to embark on new professional challenges. Mr Colombini will cease office upon conclusion of the Shareholders' meeting to be held this coming April to resolve on the financial statements.

The Chief Executive Officer has waived the entire amount of variable remuneration due him for FY 2020, as part of the agreement relative to the cessation of his contracts. This agreement, which is in line with the Bank's approved 2020 Remuneration Policy, establishes that the CEO will be paid his remuneration for the office until the date on which he effectively leaves office, as well as the deferred components of the bonus already accrued and recognised for FY 2019. At the date on which he leaves office, the CEO will receive severance indemnity equal to the fixed and variable remuneration envisaged for the residual term of the three-year mandate originally conferred upon him (12 months of recurring remuneration), to be paid in accordance with the terms and conditions of the 2020 Remuneration Policy (and, therefore, 50% in financial instruments, with a deferral period, of a portion of 40% of the indemnity, of 3 years, without prejudice, in any case, to the application of the malus and clawback clauses). The agreement also establishes that Mr Colombini shall continue to hold certain positions in the Group until the date on which the financial statements at 31 December 2021 are approved, each time receiving the relevant salary. No non-competition obligations are envisaged.

2.10 Outlook

Starting October 2020, the second wave of COVID-19 led the governments of a great many countries, including Italy, to once again restrict mobility or impose lock-downs to varying degrees, in a bid to limit the growth of contagion. These measures are continuing into the early months of 2021.

The current scenario makes all forecasts regarding both the duration and scope of the new containment/lock-down measures uncertain. We therefore expect to see the first part of 2021 still impacted by restrictions, whilst during the second half of the year, the progressive roll-out of vaccines should support a return to normality and the recovery of the Bank’s businesses and macroeconomic context.

The current economic crisis is very different from previous ones, not only insofar as it has been brought about by a pandemic, but also in terms of the support offered by central banks and governments, which is unparalleled in recent decades. The main uncertainties relate to the speed of the economic recovery and the effectiveness of the government stimulation measures, which will be key in defining the macroeconomic context.

In this context, Banca Ifis remains concentrated on pursuing initiatives aimed at protecting the quality of assets and recoveries of the non-performing portfolio, as well as proceeding with the investments and projects seeking to innovate the business model in support of the Bank's growth over the coming years.

On the credit front, at present, it is difficult to estimate the impacts on the quality of the assets, which will probably only become clear when moratoriums come to an end. The Banca Ifis Group business model, which looks to the short-term and is characterised by a good segment diversification, should afford greater protection. In addition, factoring substantively offers a twofold guarantee of the credit, by the transferred company and by the transferor, whilst the residual value of the leased assets helps reduce the risk. Additional provisions have also been made on performing exposures in the industries most exposed to the effects of the pandemic crisis.

In respect of its business model, the technological innovation aims, in the commercial business, to develop a digital lending platform with a view to digitising all management processes and creating a specific marketplace for small and medium enterprises, with a technological service that extends to all stages of the application, assessment and disbursement of the loan. The early months of 2021 saw the launch of a new service that allows customers to request and obtain a loan backed by the MCC Guarantee Fund in an all-digital procedure implemented from a remote position. In the future, the digital platform will be progressively extended to also include other products and services.

2.11 Other information

Adoption of Opt-Out Option pursuant to Consob resolution no. 18079 of 20 January 2012

On 21 January 2013, Banca Ifis's Board of Directors resolved, as per Article 3 of Consob Resolution 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. 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 (EU) Regulation no. 2016/679 in order to incorporate the relevant regulatory provisions into its internal privacy management model, planning a series of both technological and organisational steps.

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

For the tax period closed at 31 December 2020, the companies Banca Ifis S.p.A., Ifis Npl S.p.A., Ifis Rental Services S.r.l., Cap.Ital.Fin. S.p.A. Ifis Npl Servicing S.p.a. and Gemini S.p.A., together with the parent company, La Scogliera S.p.A., opted for the application of tax consolidation in accordance with Arts. 117 et seq. of Italian Presidential Decree no. 917/86.

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

Adhesion to the tax consolidation allows the taxable income of the participating companies to be offset against each other (using the losses and the ACE realised during the adhesion period).

As envisaged by applicable regulations, adhering entities have an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the 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 2020 were transferred to the consolidating company La Scogliera S.p.A.

It is specified that the Group benefited from the rules introduced by the “Cura Italia” Decree Law, applicable only to the specified tax period, which enabled, in compliance with the requirements laid down by the transformation of tax losses and surplus ACE accrued prior to the tax consolidation by Banca Ifis into tax credits, for an amount of 28,4 million Euro.

The credit due to the tax consolidating company, La Scogliera, entered under “Other assets” on these financial statements, at 31 December 2020 came to 80,1 million Euro, accrued at Banca Ifis.

Transactions on treasury shares

At 31 December 2019, Banca Ifis held 359.144 treasury shares recognised at a market value of 3,0 million Euro and a nominal amount of 359.144 Euro. During the year, Banca Ifis, as variable pay for the 2016 financial results, awarded the

Top Management 7.717 treasury shares at an average price of 35,03 Euro, for a total of 270 thousand Euro and a nominal amount of 7.717 Euro, making profits of 206 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the premium reserve.

The remaining balance at the end of the year was 351.427 treasury shares with a market value of 2,9 million Euro and a nominal amount of 351.427 Euro.

Related-party transactions

In compliance with the provisions of Consob Resolution no. 17221 of 12 March 2010 and subsequently amended, as well as the prudential Supervisory provisions for banks in Circular no. 285 of 17 December 2013 of the Bank of Italy, part three, chapter 11 (on "Risk activities and conflicts of interest towards related parties"), any transactions with related parties and relevant parties are 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.

During 2020, two transactions with related parties were undertaken outside the scope of the consolidated financial statements.

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

Atypical or unusual transactions

During 2020, 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.

2.12 Annual profit distribution proposal

Dear Shareholders,

The Board of Directors proposes to allocate the profit for the year, amounting to 59.503.986 Euro, as follows:

- distributing to shareholders a cash dividend (before tax withholdings required by law) of Euro 0,47 per ordinary share with ex-dividend date (coupon no. 23) on 24 May 2021. 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 25 May 2021 (so-called record date);
- allocating the remainder to other reserves

Payment will be made on 26 May 2021 through the authorised intermediaries with which the shares are registered on the Monte Titoli System.

Venice - Mestre, 11 March 2021

For the Board of Directors

The C.E.O.

Luciano Colombini

3.

Financial Statements

3.1. Statement of Financial Position

	ASSETS (in Euro)	31.12.2020	31.12.2019
10.	Cash and cash equivalents	35.050	29.644
20.	Financial assets measured at fair value through profit or loss	148.302.723	126.907.743
	a) financial assets held for trading	20.869.252	24.313.368
	c) other financial assets mandatorily measured at fair value	127.433.471	102.594.375
30.	Financial assets measured at fair value through other comprehensive income	774.550.328	1.173.803.378
40.	Financial assets measured at amortised cost	8.977.966.031	7.372.986.021
	a) receivables due from banks	1.140.380.504	460.578.031
	b) receivables due from customers	7.837.585.527	6.912.407.990
70.	Equity investments	638.361.724	610.861.081
80.	Property, plant and equipment	87.455.772	77.841.987
90.	Intangible assets	19.735.447	19.129.468
	of which:		
	- goodwill	-	-
100.	Tax assets:	350.171.665	363.303.390
	a) current	59.994.194	43.987.146
	b) deferred	290.177.471	319.316.244
110.	Non-current assets and disposal groups	-	25.559.513
120.	Other assets	306.805.857	356.461.069
	Total assets	**11.303.384.597**	**10.126.883.294**

LIABILITIES AND EQUITY (in Euro)		31.12.2020	31.12.2019
10.	Financial liabilities measured at amortised cost	9.513.651.505	8.355.643.299
	a) payables due to banks	2.396.928.412	959.402.999
	b) payables due to customers	6.016.633.725	6.328.711.394
	c) debt securities issued	1.100.089.368	1.067.528.906
20.	Financial liabilities held for trading	18.551.116	21.844.241
60.	Tax liabilities:	39.814.124	50.881.385
	a) current	3.998.165	12.579.982
	b) deferred	35.815.959	38.301.403
80.	Other liabilities	340.586.351	310.621.899
90.	Post-employment benefits	6.015.842	7.052.406
100.	Provisions for risks and charges:	48.835.856	28.595.827
	a) commitments and guarantees granted	10.458.613	3.582.839
	c) other provisions for risks and charges	38.377.243	25.012.988
110.	Valuation reserves	(10.933.882)	2.690.806
140.	Reserves	1.134.005.594	1.169.123.258
150.	Share premiums	102.490.510	102.284.576
160.	Share capital	53.811.095	53.811.095
170.	Treasury shares (-)	(2.947.500)	(3.011.864)
180.	Profit (loss) for the year (+/-)	59.503.986	27.346.366
	Total liabilities and equity	**11.303.384.597**	**10.126.883.294**

3.2. Income Statement

	ITEMS (in Euro)	31.12.2020	31.12.2019
10.	Interest receivable and similar income	301.405.673	316.248.102
	of which: interest income calculated using the effective interest method	299.286.654	315.309.334
20.	Interest due and similar expenses	(107.240.580)	(114.194.423)
30.	**Net interest income**	**194.165.093**	**202.053.679**
40.	Commission income	73.423.888	91.975.858
50.	Commission expense	(7.698.817)	(8.343.369)
60.	**Net commission income**	**65.725.071**	**83.632.489**
70.	Dividends and similar income	72.325.381	813.154
80.	Net profit (loss) from trading	(4.458.613)	(4.042.660)
100.	Profit (loss) from sale or buyback of:	16.414.063	2.941.509
	a) financial assets measured at amortised cost	2.301.094	1.982.717
	b) financial assets measured at fair value through other comprehensive income	6.662.718	958.778
	c) financial liabilities	7.450.251	14
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	(10.031.390)	(9.204.378)
	b) other financial assets mandatorily measured at fair value	(10.031.390)	(9.204.378)
120.	**Net banking income**	**334.139.605**	**276.193.793**
130.	Net impairment/reversal of impairment for credit risk:	(89.443.155)	(87.004.500)
	a) financial assets measured at amortised cost	(90.051.416)	(87.117.251)
	b) financial assets measured at fair value through other comprehensive income	608.261	112.751
150.	**Net profit (loss) from financial activities**	**244.696.450**	**189.189.293**
160.	Administrative expenses:	(188.011.182)	(207.053.398)
	a) personnel expenses	(93.549.281)	(95.814.735)
	b) other administrative expenses	(94.461.901)	(111.238.663)
170.	Net allocations to provisions for risks and charges	(26.655.071)	(10.621.454)
	a) commitments and guarantees granted	(8.896.640)	(1.190.078)
	b) other net allocations	(17.758.431)	(9.431.376)
180.	Net impairment losses/reversals on property, plant and equipment	(7.234.192)	(5.396.981)
190.	Net impairment losses/reversals on intangible assets	(7.713.844)	(6.270.166)
200.	Other operating income/expenses	29.378.703	78.901.155
210.	**Operating costs**	**(200.235.586)**	**(150.440.844)**
220.	Profit (loss) on equity investments	(8.058.506)	99.999
250.	Gains (Losses) on disposal of investments	24.160.715	-
260.	**Pre-tax profit (loss) from continuing operations**	**60.563.073**	**38.848.448**
270.	Income taxes for the year relating to current operations	(1.059.087)	(11.502.082)
280.	**Profit (loss) from continuing operations, net of taxes**	**59.503.986**	**27.346.366**
300.	**Profit (Loss) for the year**	**59.503.986**	**27.346.366**

3.3. Statement of Comprehensive Income

ITEMS (in Euro)		31.12.2020	31.12.2019
10.	**Profit (Loss) for the year**	**59.503.986**	**27.346.366**
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**(19.487.098)**	**191.372**
20.	Equity securities measured at fair value through other comprehensive income	(19.332.274)	380.438
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	(154.824)	(189.066)
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	**2.207.666**	**9.862.320**
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	2.207.666	9.862.320
150.	Non-current assets and disposal groups	-	-
160.	Share of valuation reserves of equity accounted investments	-	-
170.	**Total other comprehensive income, net of taxes**	**(17.279.432)**	**10.053.692**
180.	**Total comprehensive income (Item 10 + 170)**	**42.224.554**	**37.400.058**

3.5 Statement of Changes in Equity at 31 December 2020

	Balance at 31/12/2019	Change in opening balances	Balance at 01/01/2020	Allocation of profit from previous year		Changes during the year								Equity at 31/12/2020
							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	Derivatives on treasury shares	Stock Options	Comprehensive income for the year 2020	
Share capital:														
a) ordinary shares	53.811.095		53.811.095	-	-	-	-	-	-	-	-	-	-	53.811.095
b) other shares	-			-	-	-	-	-	-	-	-	-		
Share premiums	102.284.576		102.284.576	-	-	205.934	-	-	-	-	-	-	-	102.490.510
Reserves:				-	-	-	-	-	-	-	-	-		
a) retained earnings	1.163.842.767		1.163.842.767	-	-	(35.117.664)	-	-	-	-	-	-	-	1.128.725.103
b) other	5.280.491		5.280.491	-	-	-	-	-	-	-	-	-	-	5.280.491
Valuation reserves	2.690.805		2.690.805	-	-	3.654.745	-	-	-	-	-	-	(17.279.432)	(10.933.882)
Equity instruments	-			-	-	-	-	-	-	-	-	-		
Treasury shares	(3.011.864)		(3.011.864)	-	-	-	-	64.364	-	-	-	-	-	(2.947.500)
Profit (loss) for the year	27.346.366		27.346.366	-	(27.346.366)	-	-		-	-	-	-	59.503.986	59.503.986
Equity	**1.352.244.236**	**-**	**1.352.244.236**	**-**	**(27.346.366)**	**(31.256.985)**	**-**	**64.364**	**-**	**-**	**-**	**-**	**42.224.554**	**1.335.929.803**

3.5 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	Derivatives on treasury shares	Stock Options	Comprehensive income for the year 2019	
Share capital:														
a) ordinary shares	53.811.095	-	53.811.095	-	-	-	-	-	-	-	-	-	-	53.811.095
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share premiums	102.116.430	-	102.116.430	-	-	168.146	-	-	-	-	-	-	-	102.284.576
Reserves:														
a) retained earnings	1.135.934.023	-	1.135.934.023	26.681.318	-	1.227.426	-	-	-	-	-	-	-	1.163.842.767
b) other	5.451.222	-	5.451.222	-	-	(170.731)	-	-	-	-	-	-	-	5.280.491
Valuation reserves	(8.549.182)	-	(8.549.182)	-	-	1.186.295	-	-	-	-	-	-	10.053.692	2.690.805
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(3.103.286)	-	(3.103.286)	-	-	-	-	91.422	-	-	-	-	-	(3.011.864)
Profit (loss) for the year	82.805.867	-	82.805.867	(26.681.318)	(56.124.549)	-	-	-	-	-	-	-	27.346.366	27.346.366
Equity	**1.368.466.169**	**-**	**1.368.466.169**	**-**	**(56.124.549)**	**2.411.136**	**-**	**91.422**	**-**	**-**	**-**	**-**	**37.400.058**	**1.352.244.236**

3.6 Cash Flow Statement

CASH FLOW STATEMENT Indirect method	AMOUNT	
	31.12.2020	31.12.2019
A. OPERATING ACTIVITIES		
1. Operations	**141.469.599**	**162.186.492**
- profit (loss) for the year (+/-)	59.503.986	27.346.366
- profit/loss on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	14.490.003	13.247.038
- net credit risk losses/reversals (+/-)	89.443.156	87.004.500
- net impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	14.948.036	11.667.147
- net allocations to provisions for risks and charges and other expenses/income (+/-)	26.655.071	10.621.454
- unpaid taxes, duties and tax credits (+/-)	1.059.088	11.502.082
- other adjustments (+/-)	(64.629.741)	797.905
2. Cash flows generated/absorbed by financial assets	**(1.282.951.937)**	**(1.036.003.520)**
- financial assets held for trading	(1.014.497)	3.093.809
- other assets mandatorily measured at fair value	(34.870.486)	52.046.032
- financial assets measured at fair value through other comprehensive income	386.236.622	(730.361.319)
- financial assets measured at amortised cost	(1.695.031.426)	(324.469.742)
- other assets	61.727.850	(36.312.300)
3. Cash flows generated/absorbed by financial liabilities	**1.103.214.523**	**1.019.946.347**
- financial liabilities measured at amortised cost	1.153.867.697	1.029.285.273
- financial liabilities held for trading	(3.293.125)	(9.343.669)
- other liabilities	(47.360.049)	4.742
Net cash flows generated/absorbed by operating activities A (+/-)	**(38.267.815)**	**146.129.319**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	119.800.000	**-**
- dividends collected on equity investments	69.300.000	-
- sale of property, plant and equipment	50.500.000	-
2. Cash flows absorbed by	**(81.526.778)**	**(90.287.461)**
- purchases of equity investments	(35.559.000)	(80.699.973)
- purchases of property, plant and equipment	(37.647.956)	(3.474.897)
- purchases of intangible assets	(8.319.822)	(6.112.590)
Net cash flows generated/absorbed by investing activities B (+/-)	**38.273.222**	**(90.287.461)**
C. FINANCING ACTIVITIES		
- issues/buyback of treasury shares	-	259.569
- issues/buyback of equity instruments	-	23.732
- distribution of dividends and other	-	(56.124.090)
Net cash flows generated/absorbed by financing activities C (+/-)	**-**	**(55.840.789)**
NET CASH GENERATED/USED DURING THE YEAR D=A+/-B+/-C	**5.407**	**1.070**
RECONCILIATION		
OPENING CASH AND CASH EQUIVALENTS E	**29.644**	**28.574**
TOTAL NET CASH GENERATED/USED DURING THE YEAR D	**5.407**	**1.070**
CASH AND CASH EQUIVALENTS: EFFECT OF CHANGES IN EXCHANGE RATES F	**-**	**-**
CLOSING CASH AND CASH EQUIVALENTS G=E+/-D+/-F	**35.051**	**29.644**

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 2020 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 Group 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 2020 (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 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, as supplemented by the Bank of Italy in its “Communication of 15 December 2020 - Supplements to the provisions of Circular no. 262 The banking balance: schemes and rules for completion concerning the impacts of COVID-19 and the measures implemented to support the economy and amendments to the IAS/IFRS”.

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 recognition, measurement and derecognition criteria for assets and liabilities, and the procedures for recognising revenues and costs, adopted in the Financial Statements at 31 December 2020 have remained substantially unchanged from those adopted for the preparation of the 2019 financial statements of the Banca Ifis Group.

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 connected to the present macro-economic context, accentuated by the worsening of the COVID-19 pandemic, Banca Ifis can indeed be considered as a going concern, in that it can be reasonably expected to continue operating in the foreseeable future. Therefore, the financial statements at 31 December 2020 are 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 financial statements other than those already included herein.

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

Section 4 – Other aspects

Risks, uncertainties and impacts of the COVID-19 epidemic

The upsurge of the COVID-19 pandemic in October 2020 in Italy and in the rest of Europe and the consequent legislative provisions adopted and being adopted by the various national governments, have given rise to significant uncertainty as to the economic impacts it may have on the Bank.

The results for 2020 include the impacts of COVID-19 as reasonably foreseeable at 31 December 2020. The adverse effects of COVID-19 may, however, persist beyond 2020, extending into the following months, although the timing and amount of such effects currently cannot be foreseen.

During 2020, in order to incorporate the impacts of the health emergency caused by the COVID-19 pandemic into the accounting valuation models used for deteriorated exposures, analyses were performed and new prudent logics implemented, as well as the institutional measures introduced to temporarily support the national economy.

The Italian Government has introduced measures aimed at providing financial support to businesses and households, through moratoriums and strengthening the public credit guarantee system, in order to alleviate the liquidity tensions caused by the emergency and encourage new credit. These measures also mitigate any impact on the credit quality of banks. The Bank has therefore taken steps to revise the estimate of expected losses and the valuation of its portfolios, both in terms of collective reserves and specific reserves.

As regards credit risk management, the Italian Government has introduced measures aimed at providing financial support to businesses and households, through moratoriums and strengthening the public credit guarantee system, in order to alleviate the liquidity tensions caused by the emergency and encourage new credit. These measures also mitigate any impact on the credit quality of banks. The Bank has therefore taken steps to revise the estimate of expected losses and the valuation of its portfolios, both in terms of collective reserves and specific reserves.

As regards the assessment of the significant increase in the credit risk, the measures implemented to support the economy that impacted it include the concession of moratoriums, which must be mentioned. With the suspension of payments of amortisation plans, the verification of past-due by more than 30 days in order to allocate to Stage 2, also ceases. This has led the Group to make prudent corrections in respect of relations with counterparties involved by these moratoriums, or which belong to certain segments considered to be at higher risk of impact from COVID-19, so as to incorporate the increase in the expected risk.

The forward-looking information has seen an update to the macroeconomic scenarios following the evolution of the economic crisis linked to the spread of COVID-19, also in view of the recommendations given by the Supervisory Authorities.

In the face of these corrections, additional provisions were made for bad debt for approximately 31 million Euro. Reference should be made to the details given in Part E - Information on risks and related hedging policies.

In addition, the collection times for receivables and portfolios of receivables secured by real estate for which bankruptcy proceedings are in progress have been reviewed to reflect the aforementioned suspension of execution of the real estate received by way of guarantee.

Please also note that during FY 2020, analytical impairment was calculated on an individually significant position and operating in the retail segment, which, already restructured, has further worsened also following the closure of commercial activities as a consequence of the COVID-19 pandemic. Total provisions in the year on this position amounted to 14,7 million Euro for loans and 2,2 million Euro for unsecured and secured exposures.

As described in greater detail in section 1.2 “Market risks” of Part E of this document, with reference to financial assets measured at fair value on a recurring basis, the effects of the pandemic have been characterised by limited impacts in line with the margins and dimension of the Bank’s portfolio. Amongst others, net of the effects linked with the trend of the individual initiatives underlying the instruments, the income statement recorded negative impacts for changes in fair value in the amount of 4,6 million Euro following the update of the market parameters used to estimate the fair value of level 3 instruments; it is reasonable to consider that the market parameters used, as such and amongst others, already incorporate the negative effects of the COVID-19 pandemic.

As regards the impacts of the COVID-19 pandemic in IFRS 16 or IAS 19, the Bank believes these not to be significant given the business model and the dimension of the underlying assets and liabilities. Reference is made to section 10.3 Other information of Part B of this document with reference to the Bank’s valuations of goodwill.

The Board of Directors, the auditing bodies and the Bank's management continue to constantly monitor the evolution of the emergency deriving from the spread of COVID-19 and to take all the decisions and implement all the measures necessary to cope with it.

Contractual amendments deriving from COVID-19

In the Corporate area, following the COVID-19 emergency, Banca Ifis has taken various actions to best address the emergency in line with the new regulations. More specifically, it has adhered to the Cura Italia Decree, to the ABI credit agreement and the Liquidity Decree, with the consequent concession of moratoriums and the disbursement of new loans backed by the Central Fund.

In 2020, Banca Ifis, in line with the Cura Italia Decree and subsequent regulatory interventions aimed at extending the duration of its provisions, such as the August Decree and the 2021 Budget Law (for more details, see section 2.9 Impact of regulatory changes), implemented the following supporting measures for micro, small and medium enterprises based in Italy, which were classified as performing and had a lack of liquidity due to the COVID-19 epidemic:

- limitation to the revocation of overdrafts until 30 June 2021;
- extension until 30 June 2021 of non-instalment loans with earlier contractual due date;
- suspension until 30 June 2021 and breaking down into instalments of mortgages and lease charges.

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 2020, 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 2020.

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;
- measurement of the expected credit loss;
- provisions for risks and charges;
- post-employment benefits;
- goodwill and other intangible assets.

Fair value of receivables and financial instruments not quoted in active markets

In the presence of receivables and financial instruments not quoted in active markets or illiquid and complex instruments, it is necessary to activate adequate valuation processes characterised with certain judgement on the choice of valuation models and related input parameters, which may sometimes not be observable in the market. There is a degree of subjectivity involved in assessing whether certain inputs are observable and categorising them within the fair value hierarchy accordingly. For qualitative and quantitative information on the method to determine the fair value of instruments measured at fair value, reference should be made to paragraph A.2 - Part relating to the main items of the financial statements at 31 December 2020.

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 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.

Measurement of the expected credit loss

The allocation of receivables and debt securities 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:

- defining the parameters for a significant increase in credit risk, which are essentially based on models for measuring the Probabilities of Default (PD) at the origination of 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.

“Expected Credit Losses” (ECLs) are calculated based on whether the financial instrument's credit risk has significantly increased since initial recognition. Reference should be made to the information given in paragraph A.2 - Part relating to the main items of these consolidated financial statements at 31 December 2020 and to the paragraph above entitled “Risks, uncertainties and impacts of the COVID-19 epidemic”.

Goodwill and other intangible assets.

In accordance with IAS 36, goodwill must be impairment tested annually, to check that the value can be recovered. The recoverable value is the greater of Value in Use and fair value, net of the costs of sale.

In order to determine the value in use of goodwill allocated to the cash generating units (“CGUs”) making it up, Banca Ifis estimates both future cash flows in the explicit forecasting period and flows used to determine the terminal value. In a similar fashion, the Bank also estimates the discounting rate of future cash flows previously estimated. The discounting rate has been determined using the “Capital Asset Pricing Model” (CAPM).

We would refer you to the more detailed information given in Part B - Consolidated Statement of Financial Position, Section 9 - Intangible assets - Item 90, Paragraph 9.3 Other information of these Financial Statements.

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 the Consolidated financial statements at 31 December 2020.

Coming into effect of new accounting standards

Standards issued, effective and applicable to these financial statements

The Financial Statements at 31 December 2020 have been drawn up in accordance with the IAS/IFRS accounting standards in force at the reporting date. See the paragraph "Statement of compliance with international accounting standards".

The accounting standards used in preparing these 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, are the same as those used in preparing the financial statements at 31 December 2019.

The Bank has also adopted for the first time some accounting standards and amendments effective for years beginning on or after 1 January 2020. 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 annual financial statements at 31 December 2020:

- “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)”;
- “Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)”;
- “Amendment to IFRS 16 Leases Covid 19- Related Rent Concessions”.

Standards issued but not yet effective

The following are the new international accounting standards or amendments to them, some of which not yet endorsed by the European Commission, which are mandatory from 1 January 2021 or later. The Group does not consider the impact of the adoption of the following interpretations and amendments of existing international accounting standards to be material:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (from 1 January 2021);
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (from 1 January 2021);
- Amendments to
  - IFRS 3 Business Combinations;
  - IAS 16 Property, Plant and Equipment;
  - IAS 37 Provisions, Contingent Liabilities and Contingent Assets
  - Annual Improvements 2018-2020 (all from 1 January 2022);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (from 1 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (from 1 January 2023);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (from 1 January 2023);

IFRS 17 Insurance Contracts, including Amendments to IFRS 17 (from 1 January 2023).
There were no other changes requiring disclosure as per IAS 8, paragraphs 28, 29, 30, 31, 39 and 40.

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, within 120 days of the end of the financial year. The Board of Directors approved the Bank’s draft separate financial statements on 11 March 2021; the separate financial statements will be submitted to the Shareholders’ Meeting to be held on 22 April 2021 on single 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 measure 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 measured 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 the Group elected to 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;
- 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 measured 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.

At each reporting date, including interim reporting dates, the Group 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 Group 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 Group 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 and 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 year 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 disposal groups" 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 liabilities arise 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 measured 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.

14 - 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.

15 - 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. It therefore 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 Group'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 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 measured 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.

To identify the significant increase in credit risk, Banca Ifis applies the following quantitative and qualitative transfer criteria to the loan portfolio according to the type of counterparty defined by segmenting receivables into portfolios:

- The only quantitative transfer criterion is the Significant Deterioration for which, to identify the “significant increase in credit risk” on exposures within rated portfolios (Italian companies), an approach was used backed by quantitative analyses, under which the exposure is allocated to Stage 2 if the change in the one-year PD between the origination and the measurement date exceeds a given threshold;
- Qualitative transfer criteria:

– "Rebuttable presumption – 30 days past due": the Standard establishes that, regardless of how the entity assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The entity can rebut this presumption if it has reasonable and supportable information that demonstrates that the credit risk has not increased significant since initial recognition even though the contractual payments are more than 30 days past due. However, Banca Ifis has not pursued this option;

- Forbearance: according to this criterion, a financial instrument is allocated to Stage 2 when the Group classifies the exposure as forborne;
- Watchlist: this requires identifying qualitative deterioration criteria defined by the Group as part of the process for defining especially risky positions during credit monitoring.

According to IFRS 9, an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date, that is:

- it has a low risk of default;
- the borrower is considered, in the short term, to have a strong capacity to meet its obligations;
- the lender expects, in the longer term, that adverse changes in economic and business conditions might reduce the ability of the borrower to fulfil its obligations.

The measurement of expected credit losses (ECLs) accounts for cash shortfalls, the probability of default, and the time value of money. Specifically, the Bank measures the loss allowance for the financial instrument as:

- expected losses at 12 months for positions that have not suffered a significant deterioration in creditworthiness (Stage 1); i.e. an estimate of the non-payments resulting from possible default events in the following 12 months, weighted by the probability that such events will occur;
- expected "Lifetime" losses for positions that have suffered a significant deterioration in creditworthiness (Stage 2); in this case, it estimates the cash shortfalls resulting from default events that are possible over the expected life of the financial instrument, weighted by the probability of that default occurring and discounted at the measurement date (ECL).

To ensure its collective impairment calculations are in the closest possible compliance with regulatory requirements, the Bank has defined a specific methodological framework. This involved developing quantitative methods and analyses based on proprietary datasets as well as qualitative methods and analyses to essentially model the following risk parameters and the methodological aspects relevant to the calculation of impairment under IFRS 9:

- estimated Probability of Default (PD);
- estimated Loss Given Default (LGD);
- estimated Exposure at Default (EAD);
- definition of the stage allocation transfer logic;
- calculation of the expected credit losses including point-in-time factors;
- calculation of the expected credit losses including forward-looking elements.

As for the securities portfolio, considering the methodological complexity associated with developing a dedicated model, the Bank decided to use the calculation of impairment under IFRS 9, provided at consortium level by the information system outsourcer (i.e. estimating risk parameters, calculating the Stage allocation and ECLs). Specifically, the formula used to calculate the impairment of the tranches allocated to Stage 1 and 2 is consistent with the approach to credit exposures. The Stage allocation of performing debt securities requires using an external rating of the issue or, if this is not available, the issuer; in short, the securities are allocated to the different Stages based on specific transfer criteria associated with this type of portfolio. Exposures are allocated to Stage 3 if credit risk has deteriorated to the point that the security is considered impaired, i.e. classified as non-performing, including in the case of financial instruments in default.

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

A multi-period approach to risk parameters has been developed exclusively for the PD; the other credit risk parameters (LGD and CCF) are applied on a constant basis until maturity. The LGD has been estimated based on historical proprietary evidence, except in the case of Banks, Central Governments and Local Administrations (excluding municipalities) and operations where there is no sufficiently deep database to estimate the recovery of non-performing positions for which, for lack of any objective historical data, an LGD was used equal to the regulatory floor.

The Bank has adopted econometric models (based on the stress test framework - “satellite” models), aimed at forecasting the evolution of the institute’s risk factors (i.e. mainly PD, LGD, EAD and migrations between statuses for credit risk) on the basis of a joint forecast of the evolution of the economic and financial indicators (see macroeconomic scenario).

The satellite models meet the need to identify the existence of a significant relationship between the general economic conditions (i.e. macroeconomic and financial variables) and a proxy variable of the risk factor (i.e. target variable) e.g. the credit rating of counterparties (which represents the respectively probability of default as a summary of the PD factor) and the recovery rates (summarising the LGD factor for bad loans).

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.

For Stage 3 exposures that are not individually tested for impairment, the Bank defines a lifetime provision in line with the concept of expected credit loss. Specifically concerning LGD, to calculate the collective losses for Stage 3 exposures (mainly non-performing past due and unlikely-to-pay), the Group made certain adjustments to ensure consistency with the measures used for performing loans.

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

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

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 Group 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 Group'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)	31.12.2020			31.12.2019		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	11.623	19.250	117.430	5.061	24.313	97.534
a) financial assets held for trading	1.620	19.250	-	-	24.313	-
b) financial assets measured at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	10.003	-	117.430	5.061	-	97.534
2. Financial assets measured at fair value through other comprehensive income	749.322	-	25.228	1.159.444	-	14.359
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**760.945**	**19.250**	**142.658**	**1.164.505**	**24.313**	**111.893**
1. Financial liabilities held for trading	-	18.551	-	-	21.844	-
2. Financial liabilities measured at fair value	-		-	-	-	-
3. Hedging derivatives	-		-	-	-	-
Total	**-**	**18.551**	**-**	**-**	**21.844**	**-**

Key:
L1 = Level 1: fair value of a financial instrument quoted in an active market;
L2 = Level 2 fair value measured using valuation techniques based on observable market inputs other than the financial instrument's price;
L3 = Level 3 fair value calculated using valuation techniques based on inputs not observable in the market.

At 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 0,4 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	**97.534**	-	-	**97.534**	**14.359**	-	-	-
2. Increases	**53.283**	-	-	**53.283**	**26.426**	-	-	-
2.1. Purchases	49.400	-	-	49.400	26.426	-	-	-
2.2. Profit taken to:	-	-	-	-	-	-	-	-
1.2.2. Income Statement	3.167	-	-	3.167	-	-	-	-
- of which capital gains	1.199	-	-	1.199	-	-	-	-
2.2.2. Equity	-	x	x	x	-	-	-	-
2.3. Transferred from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	716	-	-	716	-	-	-	-
3. Decreases	**33.387**	-	-	**33.387**	**15.557**	-	-	-
3.1. Sales	15.375	-	-	15.375	-	-	-	-
3.2. Reimbursements	2.197	-	-	2.197	4.154	-	-	-
3.3. Losses taken to:	-	-	-	-	-	-	-	-
3.3.1. Income Statement	13.069	-	-	13.069	-	-	-	-
- of which capital losses	13.069	-	-	13.069	-	-	-	-
3.3.2. Equity	-	x	x	x	11.403	-	-	-
3.4. Transferred to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	2.746	-	-	2.746	-	-	-	-
4. Closing balance	**117.430**	-	-	**117.430**	**25.228**	-	-	-

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

measured at fair value or measured at fair value on a non-recurring basis (in thousands of Euro)	31.12.2020				31.12.2019			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	8.977.966	1.219.095	-	7.793.548	7.372.987	241.048	-	7.174.534
2. Property, plant and equipment held for investment purpose	565	-	-	565	720	-	-	720
3. Non-current assets and disposal groups	-	-	-	-	25.560	-	-	50.500
Total	**8.978.531**	**1.219.095**	**-**	**7.794.113**	**7.399.267**	**241.048**	**-**	**7.225.754**
1. Financial liabilities measured at amortised cost	9.513.651	768.887	-	8.714.031	8.355.643	748.984	-	7.613.490
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**9.513.651**	**768.887**	**-**	**8.714.031**	**8.355.643**	**748.984**	**-**	**7.613.490**

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 2020.

4.2 Part B - Statement of financial position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31.12.2020	31.12.2019
a) Cash	35	30
b) On demand deposits at Central banks	-	-
Total	**35**	**30**

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	31.12.2020			31.12.2019		
	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	1.620	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**1.620**	**-**	**-**	**-**	**-**	**-**
B. Derivatives						
1. Financial derivatives	-	19.250	-	-	24.313	-
1.1 held for trading	-	19.250	-	-	24.313	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 connected to the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total (B)	**-**	**19.250**	**-**	**-**	**24.313**	**-**
Total (A+B)	**1.620**	**19.250**	**-**	**-**	**24.313**	**-**

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

The financial assets held for trading outstanding at 31 December 2020 mainly referred to interest rate derivatives that the merged entity, the former 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 last year. In 2020, moreover, financial assets were acquired, added to the Bank's trading portfolio for an amount of 1,6 million.

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

Items/Amounts	31.12.2020	31.12.2019
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	**1.620**	-
a) Banks	382	-
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	1.238	-
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)	**1.620**	**-**
B. Derivatives		
a) Central Counterparties	-	-
b) Other	19.250	24.313
Total (B)	**19.250**	**24.313**
Total (A+B)	**20.870**	**24.313**

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

Items/Amounts	31.12.2020			31.12.2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**849**	**-**	**-**	**91**
1.1. Structured	-	-		-	-	-
1.2. Other debt securities	-	-	849	-	-	91
2. Equity securities	-	-	**20.659**	**-**	**-**	**-**
3. UCITS units	**10.003**		**64.638**	**5.061**	**-**	**75.136**
4. Loans	-	-	**31.284**	**-**	**-**	**22.307**
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2. Others	-	-	31.284	-	-	22.307
Total	**10.003**	-	**117.430**	**5.061**	**-**	**97.534**

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, represented by new subscriptions at fair value for an amount of 20,7 million Euro, together with new loans at fair value of 20,9 million Euro, drive growth in the item, juxtaposed against a reduction in units of UCITSs and redemptions and coupled with a disposal of loans for a total of 17,5 million Euro.

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

	31.12.2020	31.12.2019
1. Equity securities	**20.659**	**-**
of which: banks	-	-
of which: other financial companies	2.137	-
of which: non-financial companies	18.522	-
2. Debt securities	**849**	**91**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	849	91
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	**74.641**	**80.197**
4. Loans	**31.284**	**22.307**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	2.525	260
of which: insurance companies	-	-
e) Non-financial companies	28.639	22.047
f) Households	120	-
Total	**127.433**	**102.595**

UCITS units include 46,9 million Euro in equity funds that invest in impaired loans, 17,7 million Euro in equity funds and 10,0 million Euro in open 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	31.12.2020			31.12.2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**721.216**	**-**	**-**	**1.124.635**	**-**	**-**
1.1 Structured	-	-	-	-	-	-
1.2 Other	721.216	-	-	1.124.635	-	-
2. Equity securities	**28.106**	**-**	**25.228**	**34.809**	**-**	**14.359**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**749.322**	**-**	**25.228**	**1.159.444**	**-**	**14.359**

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

Level 1 "other debt securities" referred for 708,6 million to floating-rate Italian government bonds.
"Equity securities" referred to minority interests. Starting from the second half of the year, the change compared to last year is closely linked to the creation 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 and shares in Bank of Italy for an amount of 15 million Euro.

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

Items/Amounts	31.12.2020	31.12.2019
1. Debt securities	**721.216**	**1.124.635**
a) Central Banks	-	-
b) Public Administrations	708.641	1.093.602
c) Banks	-	15.212
d) Other financial companies	10.480	13.666
of which: insurance companies	-	-
e) Non-financial companies	2.095	2.155
2. Equity securities	**53.334**	**49.168**
a) Banks	18.597	5.747
b) Other issuers:	34.737	43.421
- other financial companies	5.961	10.971
of which: insurance companies	4.093	3.242
- non-financial companies	28.776	32.450
- other	-	-
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	**774.550**	**1.173.803**

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	721.434	721.434	-	-	(218)	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 31.12.2020	**721.434**	**721.434**	**-**	**-**	**(218)**	**-**	**-**	**-**
Total 31.12.2019	**1.125.461**	**1.125.461**	**-**	**-**	**(826)**	**-**	**-**	**-**
of which: purchased or originated credit impaired financial assets	x	x	-	-	x	-	-	-

(1) Value to be disclosed for information 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	31.12.2020						31.12.2019					
	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	**690.431**	-	-	-	-	**690.431**	**373.705**	-	-	-	-	**373.705**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Legal reserve	690.431	-	-	X	X	X	31.162	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	342.543	-	-	X	X	X
B. Receivables due from banks	**449.949**	-	-	**58.785**		**393.216**	**86.873**	-	-	**10.232**		**76.641**
1. Loans	393.216	-	-	-	-	393.216	76.631	-	-	-	-	76.641
1.1 Current accounts and on	119.172	-	-	X	X	X	42.626	-	-	X	X	X
1.2. Term deposits	271.895	-	-	X	X	X	31.757	-	-	X	X	X
1.3 Other loans:	2.149	-	-	X	X	X	2.248	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	781	-	-	X	X	X	1.400	-	-	X	X	X
- Other	1.368	-	-	X	X	X	848	-	-	X	X	X
2. Debt securities	56.733	-	-	58.785	-	-	10.242	-	-	10.232	-	-
2.1 Structured	7.116	-	-	7.116	-	-	-	-	-		-	-
2.2 Other debt securities	49.617	-	-	51.669	-	-	10.242	-	-	10.232	-	-
Total	**1.140.380**	**-**	**-**	**58.785**	-	**1.083.647**	**460.578**	-	-	**10.232**	-	**450.346**

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

Type of transaction/Amounts	31.12.2020						31.12.2019					
	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	**6.372.143**	**199.513**	**54.080**	**-**	**-**	**6.571.723**	**6.279.615**	**325.798**	**89.099**	**-**	**-**	**6.649.051**
1.1. Current accounts	65.882	34.066	534	X	X	X	81.905	41.805	36	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Loans/mortgages	2.466.250	69.593	53.117	X	X	X	2.098.072	110.053	87.629	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	-	-	-	X	X	X	-	-	-	X	X	X
1.5. Finance leases	1.219.185	10.417	-	X	X	X	1.227.920	16.193	-	X	X	X
1.6. Factoring	2.238.730	75.799	-	X	X	X	2.512.884	143.644	-	X	X	X
1.7. Other loans	382.096	9.638	429	X	X	X	358.834	14.103	1.434	X	X	X
2. Debt securities	**1.265.929**	**1**	-	**1.160.310**		**138.178**	**306.995**	**1**	**-**	**230.816**	**-**	**75.137**
2.1. Structured	795	-	-		-	795	996	-	-	-	-	996
2.2. Other debt securities	1.265.134	1	-	1.160.310	-	137.383	305.999	1	-	230.816	-	74.141
Total	**7.638.072**	**199.514**	**54.080**	**1.160.310**		**6.709.901**	**6.586.610**	**325.799**	**89.099**	**230.816**	**-**	**6.724.188**

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 947,9 million Euro in government securities acquired during the year with a view to optimising 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	31.12.2020			31.12.2019		
	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:	**1.265.929**	**1**	-	**306.995**	**1**	**-**
a) Public Administrations	1.099.347	-	-	216.023	-	-
b) Other financial companies	138.649	-	-	73.074	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	27.933	1	-	17.898	1	-
2. Loans to:	**6.372.143**	**199.513**	**54.080**	**6.279.615**	**325.798**	**89.099**
a) Public Administrations	631.391	14.223	-	688.933	49.241	-
b) Other financial companies	1.252.678	1.567	4.856	1.005.551	3.084	4.078
of which: insurance companies	303	-	-	219	-	-
c) Non-financial companies	4.025.197	163.351	40.681	4.148.643	238.329	68.643
d) Households	462.877	20.372	8.543	436.488	35.144	16.378
Total	**7.638.072**	**199.514**	**54.080**	**6.586.610**	**325.799**	**89.099**

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	1.323.681	1.323.681	-	1	1.019	-	-	-
Loans	7.161.278	-	357.103	424.266	57.773	4.818	224.753	39.834
Total 31.12.2020	**8.484.959**	**1.323.681**	**357.103**	**424.267**	**58.792**	**4.818**	**224.753**	**39.834**
Total 31.12.2019	**6.711.350**	**317.564**	**371.009**	**618.215**	**29.553**	**5.616**	**292.418**	**58.507**
of which: purchased or originated credit impaired financial assets	X	X	26.333	28.975	-	79	1.150	6.738

(1) Amount to be reported for disclosure purposes

4.4a Loans measured at amortised cost concerned by COVID-19 support measures: gross value 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	
1. Loans concerned by concessions in compliance with the GLs	510.825	-	21.255	3.848	8.502	595	992	n.a.
2. Loans concerned by other concessions	-	-	3.813	7.230	-	200	3.740	n.a.
3. New loans	200.496	-	12.263	-	132	116	-	n.a.
Total 31.12.2020	**711.321**	**-**	**37.331**	**11.078**	**8.634**	**911**	**4.732**	n.a.
Total 31.12.2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	n.a.

(1) The information relative to the comparative data at 31 December 2019 and to the partial write-offs at 31 December 2020 is not given, in compliance with the provisions of the Bank of Italy Communication of 21 December 2020 called "Supplements to the provisions of Circular no. 262 The banking balance: schemes and rules for completion concerning the impacts of COVID-19 and the measures implemented to support the economy and amendments to the IAS/IFRS"

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. (i)	Mestre	Florence, Milan and Mestre	100%	100%
4. Ifis Npl Servicing S.p.A. (former FBS S.p.A.) (ii)	Milan	Milan	100%	100%
5. Cap.Ital.Fin. S.p.A.	Naples	Naples	100%	100%
6. Credifarma S.p.A.	Rome	Rome	70%	70%
7. Farbanca S.p.A	Bologna	Bologna	71%	71%
B. Joint ventures	-	-	-	-
C. Companies under significant influence	-	-	-	-

Key
(i) Starting 1 January 2021, as part of the reorganisation of the Npl Segment, the company Ifis Npl S.p.A. has been renamed Ifis Npl Investing S.p.A.
(ii) starting 1 January 2021, as part of the reorganisation of the Npl Segment, the company Ifis Npl Servicing S.p.A. has been merged by incorporation into Ifis Npl Investing S.p.A.

7.5 Equity investments: annual changes

	31.12.2020	31.12.2019
A. Opening balance	**610.861**	**530.161**
B. Increases	**35.560**	**80.700**
B.1 Purchases	35.560	70.700
B.2 Reversals of impairment losses	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	10.000
C. Decreases	**8.059**	-
C.1 Sales	**-**	-
C.2 Impairment losses/reversals	**-**	-
C.3 Devaluations	**8.059**	-
C.4 Other changes		-
D. Closing balance	**638.362**	**610.861**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

Purchases refer to the acquisition of 70,77% of the capital of Farbanca S.p.A., completed in November 2020.

Devaluation for 8,1 million Euro refer to the realignment of the cost of the subsidiary Cap.Ital.Fin. S.p.A. to the related closing shareholders' equity.

Section 8 - Property, plant and equipment - Item 80

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

	31.12.2020	31.12.2019
1. Owned	**71.640**	**63.021**
a) Land	19.487	19.487
b) Buildings	42.136	36.562
c) Furniture	1.218	1.554
d) Electronic equipment	3.858	4.301
e) Other	4.941	1.117
2. Rights of use acquired through leases	**15.251**	**14.101**
a) Land	-	-
b) Buildings	13.246	12.110
c) Furniture	-	-
d) Electronic equipment	506	495
e) Other	1.499	1.496
Total	**86.891**	**77.122**
of which: obtained by enforcing collateral	**-**	**-**

Property, plant and equipment come in at 86,9 million Euro as compared with the 77,1 of 2019. The change is driven by both investments in the company offices concerned by restructuring and extension works and the growth in rights of use for approximately 1.148 thousand Euro.

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 purpose: breakdown of assets measured at cost

Assets/Amounts	31.12.2020				31.12.2019			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned	**565**	-	-	**565**	**720**	**-**	**-**	**720**
a) Land		-	-		-	-	-	-
b) Buildings	565	-	-	565	720	-	-	720
2. Rights of use acquired through leases	**-**	-	-		**-**	**-**	**-**	**-**
a) Land	-	-	-		-	-	-	-
b) Buildings	-	-	-		-	-	-	-
Total	**565**	-	-	**565**	**720**	**-**	**-**	**720**
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 equipment	Other	Total 31.12.2020
A. Gross opening balance	**19.487**	**59.451**	**12.161**	**18.059**	**19.423**	**128.581**
A.1 Total net amortisation and impairment losses	-	(10.779)	(10.607)	(13.263)	(16.810)	(51.459)
A.2 Net opening balance	**19.487**	**48.672**	**1.554**	**4.796**	**2.613**	**77.122**
B. Increases	**-**	**11.915**	**3.299**	**1.913**	**5.875**	**23.002**
B.1 Purchases	-	11.800	3.299	1.911	929	17.939
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
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	-	115	-	2	4.946	5.063
C. Decreases	**-**	**(5.205)**	**(3.635)**	**(2.345)**	**(2.048)**	**(13.233)**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	(2.777)	(437)	(2.344)	(1.391)	(6.949)
C.3 Impairment losses taken to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses taken to:	-	(132)	-	-	-	(132)
a) equity	-	(132)	-	-	-	(132)
b) profit or loss	-	-	-	-	-	-
C.5 Exchange losses	-		-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) Property, plant and equipment held for investment purpose	-	-	X	X	X	-
b) Non-current assets and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	(2.296)	(3.198)	(1)	(657)	(6.152)
D. Net closing balance	**19.487**	**55.382**	**1.218**	**4.364**	**6.440**	**86.891**
D.1 Total net depreciation and impairment losses	-	(13.441)	(11.021)	(15.604)	(17.679)	(57.745)
D.2 Gross closing balance	**19.487**	**68.823**	**12.239**	**19.968**	**24.119**	**144.636**
E. Measurement at cost	**19.487**	**55.382**	**1.218**	**4.364**	**6.440**	**86.891**

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.

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

	31.12.2020	
	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	-	**(155)**
C.1 Sales	-	-
C.2 Depreciation	-	-
C.3 Fair value losses	-	-
C.4 Impairment losses	-	(155)
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	-	**565**
E. Measurement at fair value	-	**565**

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	31.12.2020		31.12.2019	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	-	**X**	-
A.2 Other intangible assets	**19.735**	-	**19.129**	-
A.2.1 Assets measured at cost:	19.735	-	19.129	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	19.735	-	19.129	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**19.735**	-	**19.129**	-

Other intangible assets at 31 December 2020 refer exclusively to software purchase and development, amortised on a straight-line basis over the estimated useful life, which is five years from deployment.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total 31.12.2020
		FINITE	INDEF	FINITE	INDEF	
A. Opening balance	-	-	-	**48.457**	-	**48.457**
A.1 Total net amortisation and impairment losses	-	-	-	(29.328)	-	(29.328)
A.2 Net opening balance	-	-	-	**19.129**	-	**19.129**
B. Increases	-	-	-	**8.320**	-	**8.320**
B.1 Purchases	-	-	-	**8.320**	-	**8.320**
B.2 Increases in internally generated intangible assets	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains	-	-	-	-	-	-
- to equity	-	-	-	-	-	-
- to profit or loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	**(7.714)**	-	**(7.714)**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses/reversals	-	-	-	(7.714)	-	(7.714)
- Amortisation	-	-	-	(7.714)	-	(7.714)
- Impairment losses:	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.3 Fair value losses:	-	-	-	-	-	-
- to equity	-	-	-	-	-	-
- to profit or loss	-	-	-	-	-	-
C.4 Transfer to non-current assets under disposal	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	-	-	-	**19.735**	-	**19.735**
D.1 Total net amortisation, impairment losses and reversals of impairment losses	-	-	-	(43.320)	-	(43.320)
E. Gross closing balance	-	-	-	**63.055**	-	**63.055**
F. Measurement at cost	-	-	-	**19.735**	-	**19.735**

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	31.12.2020	31.12.2019
A. Gross deferred tax assets	**290.177**	**319.316**
A1. Receivables (including securitisations)	213.274	214.627
A2. Other financial instruments	714	1.088
A3. Goodwill	12.573	12.573
A4. Expenses spanning several years	-	-
A5. Property, plant and equipment	-	-
A6. Provisions for risks and charges	13.430	7.864
A7. Entertainment expenses	-	-
A8. Personnel-related expenses	-	-
A9. Tax losses	48.079	78.033
A10. Unused tax credits to be deducted	-	-
A11. Other	2.107	5.131
B. Set-off with deferred tax liabilities	**-**	**-**
C. Net deferred tax assets	**290.177**	**319.316**

Deferred tax assets of 290,2 million Euro mainly comprise 213,3 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 48,1 million Euro for tax losses and surplus previous ACE that can be carried forward to subsequent tax periods. With reference to the reduction in prepaid tax, of 29,1 million Euro, please note that the Bank has benefited from Art. 55 of Italian Decree Law no. 18/2020 (the “Cura Italia” Decree), proceeding to transfer the deferred tax assets on previous tax losses and ACE benefit into tax credits for 28,4 million.

At present, no risks are seen on the potential failure to recover prepaid tax in the medium/long-term.

10.2 Deferred tax liabilities: breakdown

The main types of deferred tax liabilities are shown below:

Deferred tax liabilities	31.12.2020	31.12.2019
A. Gross deferred tax liabilities	**35.816**	**38.301**
A1. Capital gains to be spread over multiple periods	-	-
A2. Goodwill	-	-
A3. Property, plant and equipment	479	5.964
A4. Financial instruments	1.022	1.494
A5. Personnel-related expenses	-	-
A6. Other	34.315	30.843
B. Set-off with deferred tax assets	-	-
C. Net deferred tax liabilities	**35.816**	**38.301**

Deferred tax liabilities, totalling 35,8 million Euro, largely included 31,4 million Euro in receivables for interest on arrears that will be taxed upon receipt, 0,5 million Euro in the revaluation of property, and 2,9 million Euro in other mismatches of trade receivables and 1 million Euro relative to financial assets measured at fair value (FVOCI).

The reduction in deferred tax liabilities on the figure at end FY 2019 is mainly due to the reversal deriving from the sale of the Milan property at Corso Venezia 56, on which deferred tax liabilities deriving from the impact of the switch to the international accounting standards IAS-IFRS (FTA).

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

	31.12.2020	31.12.2019
1. Opening balance	**318.211**	**327.453**
2. Increases	**13.108**	**15.267**
2.1 Deferred tax assets recognised in the year	13.108	2.693
a) relative to previous years	879	-
b) due to change in accounting standards	-	-
c) reversals of impairment losses	-	-
d) other	12.229	2.693
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	12.574
3. Decreases	**41.931**	**24.509**
3.1 Deferred tax assets reversed during the year	13.530	24.509
a) reversals	10.990	20.223
b) impairment losses due to unrecoverability	-	-
c) change in accounting standards	-	-
d) other	2.540	4.286
3.2 Reductions in tax rates		-
3.3 Other reductions:	28.401	-
a) conversion into tax credits as per Italian Law no. 214/2011		-
b) other	28.401	-
4. Closing balance	**289.388**	**318.211**

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

	31.12.2020	31.12.2019
1. Opening balance	**214.627**	**214.613**
2. Increases	**-**	**14**
3. Decreases	**1.353**	**-**
3.1 Reversals	1.353	-
3.2 Conversion in tax credits	-	-
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**213.274**	**214.627**

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

	31.12.2020	31.12.2019
1. Opening balance	**36.807**	**38.372**
2. Increases	**4.942**	**1.703**
2.1 Deferred tax assets recognised in the year	4.942	1.703
a) relative to previous years	7	-
b) due to change in accounting standards	-	-
c) other	4.935	1.703
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**6.956**	**3.268**
3.1 Deferred tax liabilities reversed during the year	6.956	3.268
a) reversals	6.956	421
b) due to change in accounting standards	-	-
c) other	-	2.847
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**34.793**	**36.807**

10.5 Changes in deferred tax assets (recognised through equity)

	31.12.2020	31.12.2019
1. Opening balance	**1.105**	**5.768**
2. Increases	**1.203**	**236**
2.1 Deferred tax assets recognised in the year	1.203	-
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	1.203	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	236
3. Decreases	**1.519**	**4.899**
3.1 Deferred tax assets reversed during the year	1.519	4.899
a) reversals	1.519	4.899
b) impairment losses due to unrecoverability	-	-
c) due to change in accounting standards	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**789**	**1.105**

10.6 Changes in deferred tax liabilities (recognised through equity)

	31.12.2020	31.12.2019
1. Opening balance	**1.494**	**757**
2. Increases	**438**	**1.069**
2.1 Deferred tax assets recognised in the year	438	821
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	438	821
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	248
3. Decreases	**909**	**332**
3.1 Deferred tax liabilities reversed during the year	909	84
a) reversals	909	84
b) due to change in accounting standards	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	248
4. Closing balance	**1.023**	**1.494**

Section 11 – Non-current assets and disposal groups and related liabilities – Item 110 (assets) and Item 70 (liabilities)

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

	31.12.2020	31.12.2019
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	-	-

Non-current assets under disposal entered at 31 December 2019 referred to the property in Corso Venezia, Milan, for which, at end 2019, a binding offer had been stipulated for sale, at the price of 50,5 million Euro. This property was sold in 2020, for a price equal to the offer received.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

	AMOUNTS AT	
	31.12.2020	31.12.2019
Tax receivables	14.975	40.315
Accrued income and deferred expenses	9.025	7.102
Guarantee deposits	1.051	1.037
Other sundry items	281.755	308.007
Total other assets	**306.806**	**356.461**

Other assets amounted to 306,8 million Euro at end 2020 (-13,9% on last year).

The item includes 80,1 million Euro, which refer to the receivable due from the parent company La Scogliera S.p.A. by virtue of the tax consolidation agreements (46,2 million Euro at 31 December 2019) and 7,9 million Euro for Group VAT credits (29,8 million Euro at 31 December 2019). Other items also include 24,8 million Euro in receivables due from the SPV Indigo Lease.

LIABILITIES

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

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

Type of transaction/Amounts	31.12.2020				31.12.2019			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Payables due to Central banks	**2.116.977**	**X**	**X**	**X**	**792.168**	**X**	**X**	**X**
2. Payables due to banks	**279.951**	**X**	**X**	**X**	**167.235**	**X**	**X**	**X**
2.1 Current accounts and on demand deposits	26.615	X	X	X	27.921	X	X	X
2.2 Term deposits	105.822	X	X	X	119.663	X	X	X
2.3 Loans	147.514	X	X	X	19.211	X	X	X
2.3.1 Repurchase agreements	35.093	X	X	X	-	X	X	X
2.3.2 Other	112.421	X	X	X	19.211	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	-	X	X	X	440	X	X	X
Total	**2.396.928**	**-**	**-**	**2.396.928**	**959.403**	**-**	**-**	**959.403**

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

Payables due to banks amounted to 2.397,0 million Euro, up 149,8% compared to 31 December 2019. This increase is due to the June 2020 subscription of a TLTRO III tranche worth a nominal 1.900 million Euro maturing in June 2023 and the simultaneous early repayment of the TLTRO II tranche subscribed in 2017.

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	31.12.2020				31.12.2019			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and on demand deposits	1.136.088	X	X	X	1.039.558	X	X	X
2. Term deposits	3.961.348	X	X	X	4.065.418	X	X	X
3. Loans	12.239	X	X	X	150.280	X	X	X
3.1 Repurchase agreements	-	X	X	X	150.280	X	X	X
3.2 Other	12.239	X	X	X	-	X	X	X
4. Debt from buyback commitments on treasury equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	15.099	X	X	X	13.866	X	X	X
6. Other payables	891.860	X	X	X	1.059.589	X	X	X
Total	**6.016.634**	**-**	**-**	**6.022.807**	**6.328.711**	**-**	**-**	**6.352.300**

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

Current accounts and on demand deposits at 31 December 2020 included funding from the on demand rendimax savings account and the contomax on-line current account, amounting to 678,3 million Euro and 44,9 million Euro, respectively; term deposits represent funding from fixed-term rendimax and contomax accounts and time deposits; by contrast repurchase agreements have been zeroed. 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	31.12.2020				31.12.2019			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	1.099.678	768.887	-	293.885	1.067.078	748.984	-	301.336
1.1 structured bonds	-	-	-	-	-	-	-	-
1.2 other bonds	1.099.678	768.887	-	293.885	1.067.078	748.984	-	301.336
2. Other securities	411	-	-	411	451	-	-	451
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	411	-	-	411	451	-	-	451
Total	**1.100.089**	**768.887**	**-**	**294.296**	**1.067.529**	**748.984**		**301.787**

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

Bonds include senior bonds issued by the Bank for 634,9 million Euro, including interest, as well as the Tier 2 bond for 402,1 million Euro, including interest and, finally, securities relating to a debenture loan for 62,7 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 402,1 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

	31.12.2020	31.12.2019
Lease payables	15.099	13.867

The lease payable is related to lease contracts of properties and cars for 12,0 million Euro, all coming under the scope of application of accounting standard IFRS 16, which came into force at 1 January 2019 and as more extensively described in “Part M - Information on leasing” of this document.

The item also includes 3,1 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	31.12.2020					31.12.2019				
	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		-	18.551	-			-	21.844	-	
1.1 Held for trading	X	-	18.551	-	X	X	-	21.844	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives		-	-	-			-	-	-	
2.1 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**	**-**	**18.551**	**-**		**X**	**-**	**21.844**	**-**	
Total (A+B)	**X**	**-**	**18.551**	**-**	**-**	**X**	**-**	**21.844**	**-**	**-**

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

	31.12.2020	31.12.2019
Payables due to suppliers	80.255	85.255
Payables due to personnel	10.779	13.344
Payables due to the Tax Office and Social Security agencies	6.746	11.209
Sums available to customers	44.849	20.596
Accrued liabilities and deferred income	2.239	2.307
Other payables	195.719	177.914
Total	**340.587**	**310.625**

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	31.12.2020	31.12.2019
A. Opening balance	**7.052**	**7.057**
B. Increases	**263**	**368**
B.1 Provisions for the year	49	107
B.2 Other changes	214	261
Business combinations	-	-
C. Decreases	**1.299**	**373**
C.1 Payments made	1.299	373
C.2 Other changes	-	-
Business combinations	-	-
D. Closing balance	**6.016**	**7.052**
Total	**6.016**	**7.052**

Liquidations represent the benefits paid to employees during the year, which in 2020 were involved by scheduled exits within the Solidarity Plan adopted by the Bank.

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 2019.

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	31.12.2020	31.12.2019
1. Provisions for credit risk related to commitments and financial guarantees granted	10.445	3.583
2. Provisions on other commitments and guarantees given	14	-
3. Provisions for pensions	-	-
4. Other provisions for risks and charges	38.377	25.012
4.1 legal and tax disputes	18.092	19.403
4.2 personnel expenses	6.341	600
4.3 other	13.944	5.009
Total	**48.836**	**28.595**

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 31.12.2020
A. Opening balance	**-**	**-**	**25.012**	**25.012**
B. Increases	**-**	**-**	**18.474**	**18.474**
B.1 Provisions for the year	-	-	18.474	18.474
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	**-**	**-**	**5.109**	**5.109**
C.1 Used in the year	-	-	2.478	2.478
C.2 Changes due to changes in the discount rate	-	-	-	-
C.3 Other changes	-		2.631	2.631
D. Closing balance	**-**	**-**	**38.377**	**38.377**

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	2.895			2.895
2. Guarantees granted	215		7.335	7.550
Total	**3.110**		**7.335**	**10.445**

10.6 Provisions for risks and charges - Other provisions

Legal and tax disputes

At 31 December 2020, the Bank had set aside 18,1 million Euro in provisions. This amount mainly relates to the following legal disputes:

- 11,2 million Euro for 32 disputes concerning the Trade Receivables Area (the plaintiffs seek 32,9 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;
- 5,9 million Euro (the plaintiffs seek 64,0 million Euro in damages) for 13 disputes concerning the Corporate Banking and Commercial Lending Areas deriving from the former Interbanca;
- 1,0 million Euro (the plaintiffs seek 3,1 million Euro in damages) for 48 disputes concerning the Leasing Area and trade receivables.
-

Personnel expenses

At 31 December 2020, provisions are entered for personnel for 6,3 million Euro (0,6 million Euro at December 2019). In order to implement the cost rationalisation programme envisaged in the 2020-2022 Business Plan unveiled on 14 January 2020, the Bank has activated the procedure relative to the use of the extraordinary provisions of the Solidarity Fund in order to activate incentives to take early redundancy, on a purely voluntary basis for those who, already in 2020, meet the requirements to access the Fund and will accrue the requirements to access the A.G.O.

pension treatment by 31 December 2024. The provision made by the Bank to the Solidarity Fund at 31 December 2020 is 6,0 million Euro.

Other provisions for risks and charges

At 31 December 2020, there were provisions of 13,9 million Euro (5,0 million Euro at 31 December 2019) consisting mainly of 7,1 million Euro for probable contractual indemnities for loan transfers, 5,1 million Euro for supplementary indemnities for customers connected with the operations of the Leasing segment. Contingent liabilities
Here below are the most significant contingent liabilities outstanding at 31 December 2020. 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 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.

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

12.1 Share capital and treasury shares: breakdown

Item		31.12.2020	31.12.2019
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)	(2.948)	(3.012)
	Number of treasury shares	351.427	359.144

12.2 Share capital - number of shares: annual changes

Items/Types	Ordinary	Other
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 (-)	(359.144)	-
A.2 Outstanding shares: opening balance	**53.451.951**	**-**
B. Increases	**7.717**	**-**
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	-	-
B.3 Other changes	7.717	-
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	**53.459.668**	-
D.1 Treasury shares (+)	351.427	-
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	31.12.2020	31.12.2019
Legal reserve	10.762	10.762
Extraordinary reserve	467.090	498.732
Other reserves	650.937	654.348
Total profit reserves	**1.128.789**	**1.163.842**
Buyback reserve	2.948	3.012
Future buyback reserve	-	-
Other reserves	2.269	2.269
Total reserves item	**1.134.006**	**1.169.123**

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 147 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 granted (other than those measured at fair value)

	Nominal amount of commitments and financial guarantees granted			Total 31.12.2020	Total 31.12.2019
	Stage 1	Stage 2	Stage 3		
1. Loan commitments	**805.998**	**1.615**	**18.989**	**826.602**	**735.653**
a) Central Banks	-	-	-	-	-
b) Public Administrations	-	-	-	-	-
c) Banks	60.000	-	-	60.000	-
d) Other financial companies	401.616	-	-	401.616	384.839
e) Non-financial companies	329.685	1.561	18.746	349.992	346.036
f) Households	14.697	54	243	14.994	4.778
2. Guarantees granted	**232.201**	**-**	**44.078**	**276.279**	**255.571**
a) Central Banks	-	-	-	-	-
b) Public Administrations	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	8.748	-	-	8.748	6.568
e) Non-financial companies	218.982	-	31.551	250.533	232.385
f) Households	4.471	-	12.527	16.998	16.618

2. Other commitments and guarantees given

	Nominal amount	
	Total 31.12.2020	Total 31.12.2019
1. Other guarantees granted	**5.474**	**19**
of which: non-performing	11	19
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	5.474	19
f) Households	-	-
2. Other commitments	**32.348**	**39.657**
of which: non-performing	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	32.348	39.657
e) Non-financial companies	-	-
f) Households	-	-

3. Assets used as collateral for own liabilities and commitments

Portfolios	31.12.2020	31.12.2019
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	713.017	1.096.321
3. Financial assets measured at amortised cost	1.142.749	228.882
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 1,1 million, refer to government securities as a guarantee of loans at the Eurosystem and a reverse repurchase agreement.

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	**4.823.648**
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	971.662
1. securities issued by the reporting bank	-
2. other securities	971.662
c) third party securities held with third parties	921.141
d) own securities held with third parties	2.930.845
4. Other transactions	-

4.3. Part C - Income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest receivable and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31.12.2020	Total 31.12.2019
1. Financial assets measured at fair value through profit or loss:	**5**	**787**	-	**792**	**4.940**
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	5	787	-	792	4.940
2. Financial assets measured at fair value through other comprehensive income	**938**	**-**	**x**	**938**	**3.864**
3. Financial assets measured at amortised cost:	**9.942**	**289.734**	**-**	**299.676**	**306.930**
3.1. Receivables due from banks	711	7.551	-	8.262	2.974
3.2. Receivables due from customers	9.231	282.183	-	291.414	303.956
4. Hedging derivatives	**x**	**x**	**-**	**-**	**-**
5. Other assets	**x**	**x**	**-**	**-**	**514**
6. Financial liabilities	**x**	**x**	**x**	**-**	**-**
Total	**10.885**	**290.521**	**-**	**301.406**	**316.248**
of which: income on impaired financial assets	**-**	34.459	**-**	**34.459**	19.158
of which: interest income on financial leases	**-**	44.519	-	**44.519**	44.289

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

	31.12.2020	31.12.2019
Interest income on foreign currency financial assets	5.399	6.536

1.3 Interest due and similar expenses: breakdown

Items/Technical forms	Payables	Securities	Other transactions	31.12.2020	31.12.2019
1. Financial liabilities measured at amortised cost	(72.028)	(35.209)	-	(107.237)	(114.188)
1.1 Payables due to central banks	(1.459)	x	x	(1.459)	(2.741)
1.2 Due to banks	(1.642)	x	x	(1.642)	(2.219)
1.3 Due to customers	(68.927)	x	x	(68.927)	(78.514)
1.4 Debt securities issued	x	(35.209)		(35.209)	(30.714)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities measured at fair value	-	-	-	-	-
4. Other liabilities and provisions	x	x	(4)	(4)	(6)
5. Hedging derivatives	x	x	-	-	-
6. Financial assets	x	x	x	-	-
Total	**(72.028)**	(35.209)	**(4)**	**(107.241)**	**(114.194)**
of which: interest expense on lease payables	(231)	x		(231)	(210)

Interest expense on payables due to customers included 61,4 million Euro at 31 December 2020 (70,3 million Euro in 2019) relating to retail funding - deriving mainly from the Rendimax savings account and the Time deposit.

Interest expense on debt securities issued included 7,0 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

	31.12.2020	31.12.2019
Interest expense on foreign currency liabilities	(1.323)	(2.006)

Section 2 – Commissions – Items 40 and 50

2.1 Commission income: breakdown

Type of services/Amounts	31.12.2020	31.12.2019
a) guarantees granted	1.787	2.004
b) credit derivatives	-	-
c) management, mediation and consultancy services:	5.591	8.394
1. trading in financial instruments	-	-
2. trading in currencies	-	-
3. individual asset management	-	53
4. safe custody and management of securities	-	-
5. depository bank	-	-
6. placement of securities	--	-
7. order collection and transmission	-	-
8. consultancy	181	-
8.1 on investments		-
8.2 on financial structure	181	-
9. third-party services	5.410	8.341
9.1. portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	-	-
9.3. other products	5.410	8.341
d) collection and payment services	856	127
e) servicing for securitisation transactions	-	-
f) services for factoring transactions	47.896	60.532
g) tax collection and payment	-	-
h) management of multi-lateral trading systems	-	-
i) current account holding and management	578	619
j) other services	16.716	20.300
Total	**73.424**	**91.976**

In 2020, commissions for other services included 5,4 million Euro (compared to 8,0 million Euro in 2019) in fees received as part of leasing operations.

2.2 Commission income: distribution channels of products and services

Channels/Amounts	31.12.2020	31.12.2019
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:	**5.410**	**8.394**
1. portfolio management	-	53
2. placement of securities	-	-
3. third-party services and products	5.410	8.341
Total	**5.410**	**8.394**

2.3 Commission expense: breakdown

Services/Amounts	31.12.2020	31.12.2019
a) guarantees received	(773)	(479)
b) credit derivatives	-	-
c) management, mediation and consultancy services:	(1.199)	(39)
1. trading in financial instruments	(25)	-
2. trading in currencies	-	-
3. portfolio management:	-	-
3.1 own assets	-	-
3.2 delegated by third parties	-	-
4. safe custody and management of securities	(43)	(39)
5. placement of financial instruments		-
6. out-of-office canvassing of financial instruments, services and products	(1.131)	-
d) collection and payment services	(38)	(67)
e) other services	(5.689)	(7.759)
Total	**(7.699)**	**(8.344)**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	31.12.2020		31.12.2019	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-
C. Financial assets measured at fair value through other comprehensive income	3.025	-	813	-
D. Equity investments	69.300	-	-	-
Total	**72.325**	**-**	**813**	**-**

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	**-**	**551**	**-**	**(854)**	**(303)**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	551	-	(854)	(303)
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. Financial assets and financial liabilities: exchange differences	**x**	**x**	**x**	**x**	**(779)**
4. Derivatives	**23.023**	**68.498**	**(66.478)**	**(28.420)**	**(3.377)**
4.1. Financial derivatives:	23.023	68.498	(66.478)	(28.420)	(3.377)
- On debt securities and interest rates	10.725	9.743	(13.502)	(9.637)	(2.671)
- On equity instruments and share indexes	12.298	58.755	(52.976)	(18.783)	(706)
- On currencies and gold	x	x	x	x	x
- Other	-	-	-	-	-
4.2 Derivatives on loans	-	-	-	-	-
Of which: natural hedges connected to the fair value option	x	x	x	x	x
Total	**23.023**	**69.049**	**(66.478)**	**(29.274)**	**(4.459)**

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

6.1 Profit (loss) from sale or buyback: breakdown

Items/Income items	31.12.2020			31.12.2019		
	Profit	Losses	Net result	Profit	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	11.689	(9.388)	2.301	1.995	(12)	1.983
1.1 Receivables due from banks	-	-	-	-	-	-
1.2 Receivables due from customers	11.689	(9.388)	2.301	1.995	(12)	1.983
2. Financial assets measured at fair value through other comprehensive income	12.045	(5.382)	6.663	10.021	(9.062)	959
2.1 Debt securities	12.045	(5.382)	6.663	10.021	(9.062)	959
2.2 Loans				-	-	-
Total assets (A)	**23.734**	**(14.770)**	**8.964**	**12.016**	**(9.074)**	**2.942**
B. Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Payables due to banks	-	-	-	-	-	-
2. Payables due to customers	-	-	-	-	-	-
3. Debt securities issued	7.451		7.451	-	-	-
Total liabilities (B)	**7.451**		**7.451**	**-**	**-**	**-**

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 measured 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	**3.529**	**16**	**(13.576)**	-	**(10.031)**
1.1 Debt securities	-	-	(109)	-	(109)
1.2 Equity instruments	50	6	(173)	-	(117)
1.3 UCITS units	4	10	(12.278)	-	(12.264)
1.4 Loans	3.475	-	(1.016)	-	2.459
2. Financial assets: exchange differences	**x**	**x**	**x**	**x**	**-**
Total	**3.529**	**16**	**(13.576)**	-	**(10.031)**

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			Reversals of impairment losses		31.12.2020	31.12.2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-offs	Other				
A. Receivables due from banks	**(525)**	**-**	**-**	**-**	**-**	**(525)**	**20**
- loans	(481)	-	-	-	-	(481)	20
- debt securities	(44)	-	-	-	-	(44)	-
of which: purchased or originated credit impaired loans	-	-	-	-	-	-	-
B. Receivables due from customers	**(28.346)**	**(247.683)**	**(84.334)**	**409**	**270.428**	**(89.526)**	**(87.138)**
- loans	(27.703)	(247.683)	(84.334)	409	270.428	(88.883)	(87.129)
- debt securities	(643)	-	-	-	-	(643)	(9)
of which: purchased or originated credit impaired loans	-	-	-	-	-	-	-
Total	**(28.871)**	**(247.683)**	**(84.334)**	**409**	**270.428**	**(90.051)**	**(87.118)**

Net credit risk losses relative to financial assets measured at amortised cost totalled 90,1 million Euro at 31 December 2020, compared to net losses of 87,1 million Euro at 31 December 2019 (+3,4%). Banca Ifis recorded less in the way of provisions in the Factoring Area, which in 2019 had been negatively impacted by adjustments on certain individually significant counterparties in the constructors and retail segment, juxtaposed by the increases made in the Corporate Banking & Lending and the Leasing area. A possible potential slowing to the deterioration of credit should also be noted, including in connection with the effect of the package of protection measures assumed by the government in the context of the pandemic. Therefore, in order to take into account the macroeconomic context due to the pandemic and the potential effects that the loss of these supporting measures may have in the near future, additional impairment losses have been made on the industry exposures most impacted by these phenomena for a total of 31 million Euro.

8.1a Net credit risk losses related to loans measured at amortised cost concerned by COVID-19 support measures: breakdown

Transactions/ Income items	Net impairment losses			Total 31.12.2020	Total 31.12.2019
	Stage 1 and 2	Stage 3			
		Write-offs	Other		
1. Loans concerned by concessions in compliance with the GLs	5.233	38	578	5.849	n.a.
2. Loans concerned by other concessions	76	-	2.656	2.732	n.a.
3. New loans	248	-	-	248	n.a.
Total 31.12.2020	**5.557**	**38**	**3.234**	**8.829**	
Total 31.12.2019	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**

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)		31.12.2020	31.12.2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-offs	Other				
A. Debt securities	-	-	-	-	608	608	113
B. Loans	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-
of which: purchased or originated credit impaired financial assets	-	-	-	-	-	-	-
Total	-	-	-	-	**608**	**608**	**113**

Section 10 - Administrative expenses - Item 160

10.1 Personnel expenses: breakdown

Type of expense/Sectors	31.12.2020	31.12.2019
1) Employees	(89.972)	(92.263)
a) salaries and wages	(62.690)	(67.242)
b) social security contributions	(18.744)	(19.092)
c) post-employment benefits	-	-
d) pension expense	-	-
e) allocations for post-employment benefits	(3.877)	(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	(4.661)	(4.169)
2) Other serving employees	(235)	(157)
3) Directors and Statutory Auditors	(3.732)	(4.332)
4) Retired personnel	-	-
5) Recovery of expenses for seconded personnel	1.265	1.927
6) Reimbursement of expenses for seconded third-party employees at the Company	(875)	(990)
Total	**(93.549)**	**(95.815)**

Personnel expenses, equal to 93,5 million Euro, are down by 2,4% (95,8 million Euro at December 2019) as a result of a prudent incentive policy and greater control over current expenses in light of the current context. In total, the Bank has 1.188 employees, as compared with 1.195 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	31.12.2020	31.12.2019
Employees:	**1.185,5**	**1.184,5**
a) managers	69,0	63,5
b) middle managers	440,0	439,0
c) other employees	676,5	682,0
Other personnel	**-**	**-**

10.5 Other administrative expenses: breakdown

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	31.12.2020	31.12.2019
Expenses for professional services	**28.720**	**23.283**
Legal and consulting services	26.369	21.129
Auditing	447	449
Outsourced services	1.904	1.705
Direct and indirect taxes	**13.588**	**45.161**
Expenses for purchasing goods and other services	**52.154**	**42.795**
Software assistance and hire	13.350	13.660
Advertising and inserts	8.226	1.886
FITD and Resolution fund	7.991	6.492
Property expenses	4.917	4.681
Customer information	4.491	4.592
Telephone and data transmission expenses	3.405	2.308
Securitisation costs	2.151	1.422
Car fleet management and maintenance	1.894	2.102
Business trips and transfers	1.090	2.195
Postage and archiving of documents	1.083	1.037
Other sundry expenses	3.556	2.420
Total other administrative expenses	**94.462**	**111.239**

Other administrative expenses come to 94,5 million Euro as compared with the 111,2 million Euro booked last year, thereby recording a downturn of 15,1%. At December 2019, the item included 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 was 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. Net of this effect, other administrative expenses at 31 December 2020, would rise by 17,6% on 31 December 2019. The increase is mainly due to higher costs for professional services and marketing and advertising expenses.

The sub-item “Legal and consulting services” comes to 26,4 million Euro at 31 December 2020, up 24,8% on the 21,1 million Euro of last year. The increase in this item is due to consultancy connected with the Bank’s reorganisation as parent company and integrations applied to the information systems.

Net of the charges relating to the settlement of tax disputes in 2019, which amounted to 30,9 million Euro, the item "Indirect taxes and duties", amounting to 13,6 million Euro in 2020 compared to 14,3 million Euro at 31 December 2019, is down by 4,9%. The item also includes stamp duty of 11,3 million Euro, the charge-back of which to customers is included in the item “Other operating income”.

“Expenses for purchasing goods and other services” amounted to 52,2 million Euro, up 21,9% from 42,8 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:

- FITD and Resolution fund amounted to 8,0 million Euro, up 23,1% compared to 6,5 million Euro at 31 December 2019.
- Advertising costs that record an increase of 6,3 million Euro, coming in at 8,2 million Euro, due to the rebranding project started by the Bank during the first half of 2020;
- Telephone and data transmission expenses of 3,4 million Euro rise by 47,5%, also due to the smart working activated following the health emergency;
- Securitisation costs go from 1,4 million Euro to 2,2 million Euro, recording a rise of 51,3%. The item was impacted by the action taken to sell portfolios;
- Travel and transfers drop by 50,3%, coming in at 1,1 million Euro due to the limits to travel imposed by the COVID-19 health emergency.

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 provisions for credit risk related to loan commitments and financial guarantees granted totalled 8,9 million Euro in at 31 December 2020, showing growth on the 1,2 million Euro recorded in FY 2019, consistently with that defined by IFRS 9.

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	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. for functional use	(7.080)	-	-	(7.080)
- Owned	(3.641)	-	-	(3.641)
- Rights of use acquired through leases	(3.439)	-	-	(3.439)
2. Held for investment	-	(155)	-	(155)
- Owned	-	(155)	-	(155)
- Rights of use acquired through leases	-	-	-	-
3. Inventories	x	-	-	-
Total	**(7.080)**	**(155)**	**-**	**(7.235)**

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	(7.714)	-	-	(7.714)
- Internally generated		-	-	
- Other	(7.714)	-	-	(7.714)
A.2 Rights of use acquired through leases		-	-	
Total	**(7.714)**	**-**	**-**	**(7.714)**

Section 14 - Other operating income (expenses) - Item 200

14.1 Other operating expenses: breakdown

Type of expense/Amounts	31.12.2020	31.12.2019
a) Transactions with customers	(380)	(484)
b) Capital losses	(522)	-
b) Other charges	(1.782)	(1.168)
Total	**(2.684)**	**(1.652)**

14.2 Other operating income: breakdown

Amounts/Income	31.12.2020	31.12.2019
a) Recovery of third party expenses	14.407	14.564
b) Rental income	93	760
c) Income from the realisation of property, plant and equipment	18	97
d) Other income	17.544	65.132
Total	**32.062**	**80.553**

In a similar fashion to other administrative expenses, without considering the effects of indemnities for the definition of tax litigation of the former Interbanca, which at December 2019 came to 46,2 million Euro, other net operating income, of 29,4 million Euro drop by 10,2% on the same period of the previous year. 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 (legal expenses and indirect taxes), as well as recoveries of expenses associated with leasing operations, which in 2020 were negatively impacted by the health emergency.

15.1 Analysis of profit (loss) on equity investments

Income components/Values	31.12.2020	31.12.2019
A. Income	-	100
1. Revaluations	-	-
2. Gains on sale	-	100
3. Reversals of impairment losses	-	-
4. Other income	-	-
B. Expenses	(8.059)	-
1. Write-downs	(8.059)	-
2. Impairment losses	-	-
3. Losses on sale	-	-
4. Other expenses	-	-
Net result	**(8.059)**	**100**

The loss from equity investments refers entirely to the impairment of the investment in Cap.Ital.Fin. S.p.A.

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Section 18 - Profit (loss) from sale or buyback - item 250

18.1 Profit (Loss) from sale of investments: breakdown

Type of expense/Amounts	31.12.2020	31.12.2019
A. Property	24.161	-
- Gains on disposal	24.161	-
- Losses on disposal	-	-
B. Other assets	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
Net result	**24.161**	**-**

Gains on disposal of investments of 24,2 million Euro include the effects of the sale of the Milan property in Corso Venezia, net of the related costs of sale.

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	31.12.2020	31.12.2019
1. Current taxes (-)	(3.998)	(12.580)
2. Changes in current taxes of previous years (+/-)	790	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 (+)	-	-
4. Changes in deferred tax assets (+/-)	135	(4.708)
5. Changes in deferred tax liabilities (+/-)	2.014	1.565
6. Income tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(1.059)	(11.502)

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

Items/Components	31.12.2020	31.12.2019
Pre-tax profit (loss) for the period from continuing operations	**60.563**	**38.848**
Corporate tax (IRES) - theoretical tax charges (27,5%)	(16.655)	(10.683)
- effect of non-taxable income and other decreases - permanent	23.587	4.703
- effect of non-deductible charges and other increases - permanent	(4.086)	(12.986)
- non-current corporate tax (IRES)	802	284
Corporate tax (IRES) - Effective tax charges	**3.648**	**(18.682)**
Regional tax on productive activities (IRAP) - theoretical tax charges (5,57%)	(3.373)	(2.164)
- effect of income/charges that are not part of the taxable base	(1.322)	(3.352)
- non-current regional tax on productive activities (IRAP)	(12)	4.275
Regional tax on productive activities (IRAP) - Effective tax charges	**(4.707)**	**(1.241)**
Effective tax charges for the year	**(1.059)**	**8.421**

The tax rate for the year 2020 was 1,75%. The effective tax rate is below (-31,32%) the theoretical tax rate of 33,07% (27,5% IRES + 5,57% IRAP) insofar as it mainly benefited from the ACE deduction (-6,37%) and the partial taxation of dividends collected by the Bank, excluded 95% from IRES taxation and 505 from IRAP taxation (-34,46%); this effect was partially offset by the non-deductibility of the impairment of the equity investment held in Cap.Ital.Fin (+4,40%) and other items (e.g. non-deductible costs and/or items not relevant to IRES/IRAP) with a comprehensively negative impact (+9,51%).

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 are the subsidies, grants, paid positions, and economic benefits of any kind received by the Bank, gross of the 4% withholding envisaged by Article 28, paragraph 2 of Italian Presidential Decree no. 600/1973.

Grantor	Reference	Amount of the government grant
Italian Fund for the support of employment in the credit industry	-	258
Italian Social Security Administration	Italian Law no. 205/2017	153
Metropolitan city of Bologna	Italian Law no. 68/1999	8
Total		**419**

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 no. 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	31.12.2020	31.12.2019
Treasury shares (in thousands of Euro)	59.504	27.346
Average number of outstanding shares	53.457.850	53.448.405
Average number of diluted shares	53.457.850	53.448.405
Earnings per share (Units of Euro)	**1,11**	**0,51**
Diluted earnings per share (Units of Euro)	**1,11**	**0,51**

4.4 Part D - Statement of comprehensive income

ITEMS (in thousands of Euro)		31.12.2020	31.12.2019
10.	**Profit (Loss) for the year**	**59.504**	**27.346**
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**(19.487)**	**191**
20.	Equity securities measured at fair value through other comprehensive income	(21.932)	758
	a) fair value gains (losses)	(17.166)	1.945
	b) transfers to other components of equity	(4.766)	(1.186)
70.	Defined benefit plans	(214)	(261)
100.	Income taxes related to other comprehensive income to be reclassified to profit or loss	2.659	(306)
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	**2.208**	**9.862**
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	3.599	14.963
	a) fair value gains (losses)	(5.747)	13.991
	b) reclassification to profit or loss	9.346	972
	- credit risk losses	(608)	(460)
	- gains/losses on sale	9.954	1.433
	c) other changes	-	-
180.	Income taxes related to other comprehensive income to be reclassified to profit or loss	(1.391)	(5.100)
190.	**Total other comprehensive income**	**(17.279)**	**10.054**
200.	**Total comprehensive income (Item 10 + 190)**	**42.225**	**37.400**

4.5 Part E - Information on risks and risk management policies

Background

This Part of the Notes includes quantitative information on risks referring 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	52.724	114.741	32.049	292.580	8.485.872	8.977.966
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	721.216	721.216
3. Financial assets measured at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	3.809	20.596	-	4.114	3.614	32.133
5. Financial assets under disposal	-	-	-	-	-	-
Total 31.12.2020	**56.533**	**135.337**	**32.049**	**296.694**	**9.210.702**	**9.731.315**
Total 31.12.2019	**86.176**	**161.546**	**96.614**	**404.484**	**7.771.200**	**8.520.020**

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/reversals	Net exposure	Overall partial write-offs (1)	Gross exposure	Overall impairment losses/reversa	Net exposure	
1. Financial assets measured at amortised cost	424.267	224.753	199.514	589	8.842.062	63.610	8.778.452	8.977.966
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	721.434	218	721.216	721.216
3. Financial assets measured at fair value	-	-	-	-	x	x	-	-
4. Other financial assets mandatorily measured at fair value	24.404	-	24.404	-	x	x	7.729	32.133
5. Financial assets under disposal	-	-	-	-	-	-	-	-
Total 31.12.2020	**448.671**	**224.753**	**223.918**	**589**	**9.563.496**	**63.828**	**9.507.397**	**9.731.315**
Total 31.12.2019	**636.751**	**292.415**	**344.336**	**-**	**8.207.819**	**35.997**	**8.175.684**	**8.520.020**

(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	312	32	19.217
2. Hedging derivatives	-	-	-
Total 31.12.2020	**312**	**32**	**19.217**
Total 31.12.2019	**540**	**28**	**24.285**

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	72.085	-	2.123	2.148	41.455	216.272	3.324	3.559	109.147
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-	-	-	-
Total 31.12.2020	**72.085**	**-**	**2.123**	**2.148**	**41.455**	**216.272**	**3.324**	**3.559**	**109.147**
Total 31.12.2019	**118.757**	**4.195**	**112.000**	**9.147**	**48.921**	**199.029**	**4.829**	**21.736**	**176.110**

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	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured a fair value through other comprehensive income	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	**(29.554)**	**(827)**	-	**(30.381)**	**(5.616)**	-	-	**(5.616)**	**(292.415)**	-	**(292.415)**	-	**(3.120)**	**(1.570)**	**(63)**	**(1.951)**	**(331.996)**
Increases from purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(147)	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	116.316	-	116.316	-	5.902				116.316
Net credit risk losses/reversals (+/-) (1)	(26.923)	609	-	(26.315)	(1.260)	-	-	(1.260)	(61.824)	-	(61.824)	-	(40.359)	(1.553)	63	(5.385)	(96.273)
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly through profit or loss	-	-	-	-	-	-	-	-	23.237	-	23.237	-	2.406	-	-	-	23.237
Other changes	(2.315)	-	-	(2.315)	2.058	-	-	2.058	(10.067)	-	(10.067)	-					(10.324)
Closing balance	**(58.792)**	**(218)**	-	**(59.011)**	**(4.818)**	-	-	**(4.818)**	**(224.753)**	-	**(224.753)**	-	**(35.318)**	**(3.123)**	**-**	**(7.336)**	**(299.040)**
Reversals from collections on financial assets written off	-	-	-	-	-	-	-	-		-		-	-	-	-	-	-
Write-offs recognised directly through profit or loss	(229)	-	-	(229)	-	-	-	-	(536)	-	(536)	-	(184)	-	-	-	(765)

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	691.909	139.995	13.479	28.371	58.855	21.664
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-
4. Loan commitments and financial guarantees granted	1.089	874	1.244	1	9.189	4.406
Total 31.12.2020	**692.998**	**140.869**	**14.723**	**28.372**	**68.044**	**26.070**
Total 31.12.2019	**752.727**	**106.776**	**27.141**	**16.279**	**113.368**	**34.650**

A.1.5a Loans concerned by COVID-19 support measures: transfers between different credit risk stages (gross 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
A. Loans measured at amortised cost	**15.455**	**10.674**	**897**	**1.348**	**1.540**	**481**
A.1 concerned by concessions in compliance with the GLs	10.130	10.181	876	497	1.540	332
A.2 concerned by other concessions	-	-	21	-	-	-
A.3 new funding	5.325	493	-	851	-	149
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 concerned by concessions in compliance with the GLs	-	-	-	-	-	-
B.2 concerned by other concessions	-	-	-	-	-	-
B.3 new funding	-	-	-	-	-	-
Total 31.12.2020	**15.455**	**10.674**	**897**	**1.348**	**1.540**	**481**
Total 31.12.2019	**-**	**-**	**-**	**-**	**-**	**-**

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	Gross 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	1.141.204	823	1.140.381	-
- of which forborne exposures	x	-	-	-	-
Total (A)	**-**	**1.141.204**	**823**	**1.140.381**	**-**
B. Off-balance-sheet credit exposures					
a) Non-performing	-	x	-	-	-
b) Performing	x	107.508	-	107.508	-
Total (B)	**-**	**107.508**	**-**	**107.508**	**-**
Total (A+B)	**-**	**1.248.712**	**823**	**1.247.889**	**-**

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	Gross exposure	Overall partial write-offs
	Non-performing	Performing			
B. On-balance-sheet credit exposures					
a) Bad loans	173.828	X	117.295	56.533	588
- of which forborne exposures	4.475	X	3.536	939	8
b) Unlikely to pay	240.261	X	104.924	135.337	-
- of which forborne exposures	27.970	X	9.554	18.416	-
c) Non-performing past due exposures	34.583	X	2.534	32.049	-
- of which forborne exposures	3.060	X	503	2.557	-
d) Performing past due exposures	X	298.676	1.982	296.694	-
- of which forborne exposures	X	4.339	263	4.076	-
e) Other performing exposures	X	8.131.344	61.022	8.070.322	39.246
- of which forborne exposures	X	30.297	731	29.566	-
Total (A)	**448.672**	**8.430.020**	**287.757**	**8.590.935**	**39.834**
B. Off-balance-sheet credit exposures					
a) Non-performing	63.079	X	7.335	55.744	-
b) Performing	X	1.025.254	3.123	1.022.131	-
Total (B)	**63.079**	**1.025.254**	**10.458**	**1.077.875**	**-**
Total (A+B)	**511.751**	**9.455.274**	**298.215**	**9.668.810**	**39.834**

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.1.7a Loans concerned by COVID-19 support measures: gross and net amounts

Types of exposures/Amounts	Gross exposure	Overall impairment losses/reversals and overall allocations	Net exposure	Overall partial write-offs[1]
A. Non-performing loans:	**391**	**156**	**235**	**n.a.**
a) Concerned by concession in compliance with the GLs	22	9	13	n.a.
b) Concerned by other concessions	369	147	222	n.a.
c) New loans	-	-	-	n.a.
B. Unlikely to pay loans:	**8.977**	**4.249**	**4.728**	**n.a.**
a) Concerned by concession in compliance with the GLs	2.993	804	2.189	n.a.
b) Concerned by other concessions	5.984	3.445	2.539	n.a.
c) New loans	-	-	-	n.a.
C. Non-performing past due loans:	**1.710**	**326**	**1.384**	**n.a.**
a) Concerned by concession in compliance with the GLs	833	179	654	n.a.
b) Concerned by other concessions	877	147	730	n.a.
c) New loans	-	-	-	n.a.
D. Other performing past-due loans:	**17.726**	**571**	**17.155**	**n.a.**
a) Concerned by concession in compliance with the GLs	15.343	442	14.901	n.a.
b) Concerned by other concessions	1.924	128	1.796	n.a.
c) New loans	459	1	458	n.a.
E. Other performing loans:	**730.926**	**8.975**	**721.951**	**n.a.**
a) Concerned by concession in compliance with the GLs	516.737	8.655	508.082	n.a.
b) Concerned by other concessions	1.889	73	1.816	n.a.
c) New loans	212.300	247	212.053	n.a.
Total (A+B+C+D+E)	**759.730**	**14.277**	**745.453**	**n.a.**

(1) The information relative to the comparative data at 31 December 2019 and to the partial write-offs at 31 December 2020 is not given, in compliance with the provisions of the Bank of Italy Communication of 21 December 2020 called "Supplements to the provisions of Circular no. 262 The banking balance: schemes and rules for completion concerning the impacts of COVID-19 and the measures implemented to support the economy and amendments to the IAS/IFRS"

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	**252.732**	**281.221**	**102.798**
- of which: transferred and not derecognised	-	3.394	4.880
B. Increases	**1.432.512**	**586.283**	**278.287**
B.1 income from performing exposures	1.333	71.126	240.778
B.2 income from purchased or originated impaired financial assets	-	57	450
B.3 transfers from other non-performing exposure categories	35.450	19.463	163
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	1.395.729	495.637	36.896
C. Decreases	**1.511.416**	**627.243**	**346.502**
C.1 outflows to performing exposures	-	-	-
C.2 write-offs	22.418	19.518	248.888
C.3 collections	25.257	58	-
C.4 proceeds from sales	17.068	90.706	2.490
C.5 losses on sale	63.440	43.476	-
C.6 transfers to other non-performing loan categories	368.858	8.752	-
C.7 contractual modifications without derecognition	374	33.122	21.579
C.8 other decreases	1.014.001	431.611	73.545
D. Closing gross exposure	**173.828**	**240.261**	**34.583**
- of which: transferred and not derecognised	2	3.886	1.782

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	**50.861**	**30.263**
- of which: transferred and not derecognised	1.036	3.798
B. Increases	**397.797**	**52.337**
B.1 inflows from non-forborne performing exposures	885	11.740
B.2 inflows from forborne performing exposures	2.587	x
B.3 inflows from non-performing forborne exposure	x	1.909
B.4 inflows from non-forborne non-performing exposures	23.314	61
B.5 other increases	371.011	38.627
C. Decreases	**413.153**	**47.964**
C.1 outflows to non-forborne performing exposures	x	16.091
C.2 outflows to forborne performing exposures	1.909	x
C.3 outflows to non-performing forborne exposures	x	2.587
C.4 write-offs	5.994	-
C.5 collections	11.082	994
C.6 proceeds from sales	61.421	-
C.7 losses on sale	43.861	-
C.8 other decreases	288.886	28.292
D. Closing gross exposure	**35.505**	**34.636**
- of which: transferred and not derecognised	640	3.876

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	**166.556**	**10.273**	**119.675**	**6.238**	**6.184**	**464**
- of which: transferred and not derecognised	-	-	1.680	154	-	-
B. Increases	**51.815**	**1.285**	**64.027**	**4.743**	**4.167**	**228**
B.1 impairment losses from purchased or originated impaired financial assets	-	x	-	x	-	x
B.2. other impairment losses	36.179	412	62.337	4.625	3.724	228
B.3 losses on sale	9.688	812	-	-	-	-
B.4 transfers from other non-performing exposure categories	5.948	61	1.690	118	327	-
B.5 contractual modifications without derecognition	-	-	-	-	-	-
B.6 other increases	-	-	-	-	116	-
C. Decreases	**101.076**	**8.022**	**78.778**	**1.427**	**7.817**	**189**
C.1 impairment reversals from appreciation	12.948	-	23.677	-	6.250	-
C.2 impairment reversals from collection	13.368	3.269	32.669	1.283	59	-
C.3 gains on disposal	124	-	-	-	-	-
C.4 write-offs	74.636	4.753	17.006	-	-	-
C.5 transfers to other non-performing loan categories	-	-	5.426	144	1.508	189
C.6 contractual modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Closing balance of total impairment losses/reversals of impairment losses	**117.295**	**3.536**	**104.924**	**9.554**	**2.534**	**503**
- of which: transferred and not derecognised	**-**	**-**	1.876	151	261	29

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:	**784**	**781**	**-**	**-**	**-**	781	-	-	-	-	-	-	-	-	**-**	**781**
1.1 totally guaranteed	784	781	-	-	-	781	-	-	-	-	-	-	-	-	-	781
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured "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 Finance Leases	Securities	Other collateral guarantees	CNL	Central counterparties	Banks	Other financial companies	Other entities	Public Administrations	Banks	Other financial companies	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	**2.723.730**	**2.580.060**	**409.064**	-	**7.954**	**1.370.901**	-	-	-	-	-	**332.534**	-	**28.673**	**192.410**	**2.341.536**
1.1 totally guaranteed	1.947.926	1.841.068	292.530	-	2.631	**1.290.078**	-	-	-	-	-	61.568	-	23.751	170.510	1.841.068
- of which non-performing	165.319	82.233	52.420	-	-	**12.035**	-	-	-	-	-	346	-	37	17.395	82.233
1.2 partially guaranteed	775.804	738.992	116.534	-	5.323	**80.823**	-	-	-	-	-	270.966	-	4.922	21.900	500.468
- of which non-performing	55.784	27.929	10.763	-	-	**180**	-	-	-	-	-	4.788	-	146	2.352	18.229
2. Guaranteed off-balance-sheet credit exposures:	**46.519**	**46.104**	**1.057**	-	**297**	**7.352**	-	-	-	-	-	-	-	**50**	**19.496**	**28.252**
2.1 totally guaranteed	20.481	20.308		-	297	**546**	-	-	-	-	-	-	-	50	19.416	20.309
- of which non-performing	963	883		-	-	-	-	-	-	-	-	-	-	-	883	883
2.2 partially guaranteed	26.038	25.796	1.057	-	-	**6.806**	-	-	-	-	-	-	-	-	80	7.943
- of which non-performing	2.594	2.443		-	-	-	-	-	-	-	-	-	-	-	-	-

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	3.484	8.291	3	106	-	-	49.128	100.467	3.918	8.431
- of which forborne exposures	-	-	-	-	-	-	559	3.120	340	416
A.2 Unlikely to pay	806	131	1.543	2.121	-	-	120.877	94.906	12.111	7.766
- of which forborne exposures	-	-	-	5	-	-	11.843	6.768	6.573	2.781
A.3 Non-performing past due exposures	9.932	144	22	4	-	-	17.752	1.606	4.343	780
- of which forborne exposures	-	-	-	-	-	-	771	70	1.786	433
A.4 Performing exposures	2.439.378	1.297	1.405.182	3.335	303	6	4.059.459	51.517	462.997	6.855
- of which forborne exposures	1.220	25	4.543	-	-	-	14.684	235	13.195	734
Total (A)	**2.453.600**	**9.863**	**1.406.750**	**5.566**	**303**	**6**	**4.247.216**	**248.496**	**483.369**	**23.832**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	42.973	7.335	12.771	-
B.2 Performing exposures	-	-	441.869	843	-	-	561.054	2.265	19.208	15
Total (B)	**-**	**-**	**441.869**	**843**	**-**	**-**	**604.027**	**9.600**	**31.979**	**15**
Total (A+B) 31.12.2020	**2.453.600**	**9.863**	**1.848.619**	**6.409**	**303**	**6**	**4.851.243**	**258.096**	**515.348**	**23.847**
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**

B.1 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	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet exposures										
A.1 Bad loans	56.516	117.221	17	73	-	-	-	1	-	-
A.2 Unlikely to pay	134.616	103.222	721	1.702	-	-	-	-	-	-
A.3 Non-performing past due exposures	31.563	2.506	486	28	-	-	-	-	-	-
A.4 Performing exposures	7.950.301	53.240	295.789	8.404	81.964	1.171	36.255	176	2.707	13
Total (A)	**8.172.996**	**276.189**	**297.013**	**10.207**	**81.964**	**1.171**	**36.255**	**177**	**2.707**	**13**
B. Off-balance sheet										
B.1 Non-performing exposures	53.924	7.335	1.820	-	-	-	-	-	-	-
B.2 Performing exposures	927.189	2.932	92.865	191	-	-	1.661	-	416	-
Total (B)	**981.113**	**10.267**	**94.685**	**191**	**-**		**1.661**	**-**	**416**	**-**
Total (A+B) 31.12.2020	**9.154.109**	**286.456**	**391.698**	**10.398**	**81.964**	**1.171**	**37.916**	**177**	**3.123**	**13**
Total (A+B) 31.12.2019	**8.587.955**	**327.376**	**304.645**	**3.424**	**108.400**	**682**	**43.192**	**192**	**634**	**3**

B.1 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/reversal	Net exposure	Overall impairment losses/reversal	Net exposure	Overall impairment losses/reversal	Net exposure	Overall impairment losses/reversal	Net exposure	Overall impairment losses/reversal
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	1.120.017	764	10.899	24	9.465	35	-	-	-	-
Total (A)	**1.120.017**	**764**	**10.899**	**24**	**9.465**	**35**	**-**	**-**	**-**	**-**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	95.077	-	1.206	-	11.225	-	-	-	-	-
Total (B)	**95.077**	**-**	**1.206**	**-**	**11.225**	**-**				
Total (A+B) 31.12.2020	**1.215.094**	**764**	**12.105**	**24**	**20.690**	**35**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2019	**498.519**	**244**	**10.364**	**36**	**21.524**	**38**	**-**	**-**	**-**	**-**

B.4 Major exposures

		31.12.2020	31.12.2019
a)	Carrying amount	5.608.966	4.123.055
b)	Weighted amount	360.250	394.861
c)	Number	4	3

The overall weighted amount of major exposures at 31 December 2020 consisted of 213 million Euro in tax assets and 147 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 2020 the exposures to sovereign debt entirely consisted of Italian government bonds; their carrying amount totalled 1.808 million Euro, net of the negative 2,7 million Euro valuation reserve.

These securities, with a nominal amount of approximately 1.783 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 2020 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 2020 totalled 646 million, including 96 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.

Purchases are carried out in accordance with credit risk policies and procedures, and specifically the "Securitisation management policy in the role of promoter or investor", as well as 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 in the role of promoter or investor" 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 portion was first sold to a third-party bank for a total residual value of 98,9 million Euro. The difference between the value of the receivables portfolios and the senior notes issued represents the credit granted to the notes' bearers, which consists in a deferred purchase price.

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 2020, the interest expense on the senior notes recognised in profit or loss amounted to 7,0 million Euro.

Third-party securitisation transactions

At 31 December 2020, the Bank held 118,4 million Euro in notes deriving from third-party securitisation transactions: specifically, it held 117,5 million Euro worth of senior notes and 0,1 million Euro worth of mezzanine and junior notes termed "single tranche" for 0,8 million Euro. The portfolio value rose significantly on the figure of 62,9 million Euro at 31 December 2019, mainly due to the new subscriptions of securities made by the Bank in 2020, as detailed in the next paragraph.

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 mortgage loan 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 Bank 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 Bank participates in this transaction only as underwriter, subscribing for 5,6 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 2020 the carrying amount of the portion subscribed for was 35,7 million Euro (54,2 million Euro at 31 December 2019);
- "Auxilio" securitisation: this is an investment made in October 2020 for an opening nominal amount of 1,9 million Euro relative to the purchase by Banca Ifis of a portion of senior notes, with legal maturity in September 2035, issued by the securitisation SPV Auxilio SPV S.r.l., with underlying credits deriving from loans backed by the Central Guarantee Fund. The transaction is characterised by a ramp-up period during which the issuer can purchase additional loans against the proceeds deriving from the payment of further tranches of the security subscription price; as a result of the payments made between the purchase date and the end of the year, the nominal amount of the senior tranche held is 4,5 million Euro. No capital redemptions occurred during the months between the investment date and end 2020, and at 31 December 2020, the carrying amount of the portion subscribed for was 4,5 million Euro;
- "Dyret II" securitisation: in November 2020, Banca Ifis purchased a senior tranche of securities issued by the securitisation SPV Dyret SPV S.r.l. and with loans deriving from salary-backed or pension-backed loans or payment delegations as collateral, for a nominal amount of 14,9 million Euro at the purchase date. The securities envisage the periodic redemption of the principal against the flows deriving from the securitised portfolio and have legal maturity at December 2035. At 31 December 2020, the residual nominal amount is 14,4 million Euro due to the redemptions applied between the security purchase date and the year end, while the carrying amount of the tranches subscribed is 14,3 million Euro;
- "Futura 2019" securitisation: In 2020, Banca Ifis subscribed, for a nominal amount of 2,7 million Euro, senior securities maturing in July 2044, issued by the SPV Futura 2019 S.r.l. There were no redemptions

on said securities after their subscription, and at 31 December 2020 they had a net carrying amount of 2,7 million Euro;

- “BCC NPLs 2020” securitisation: this transaction was carried out in November 2020 by Iccrea Banca on an underlying of Npls for a total of 2,4 billion Euro, divided up over more than 9.600 debtors and 17.000 positions. This transaction, carried out through the SPV BCC NPLs 2020 S.r.l., is backed by the government GACS guarantee scheme and regarded the issue of senior, mezzanine and junior securities with maturity at January 2045. Banca Ifis was involved in connection with the subscription of a portion of securities for each tranche, for a total nominal amount of 55,5 million Euro. In December, no redemptions were applied on these securities and the carrying amount at 31 December 2020 of the securities subscribed is 54,7 million Euro for the senior tranches (measured at amortised cost), while the value attributed to the mezzanine and junior portions (measured at fair value through profit or loss) is effectively null;
- “Bluwater” securitisation: this is a transaction implemented in December 2020 with Banco BPM as originator and Pillarstone Italy SPV S.r.l. as SPV and that consisted of the issue of a single tranche of securities (referred to as “single tranche”) maturing in October 2030. Banca Ifis subscribed a portion of said securities for 3,7 million in nominal amount, which at 31 December 2020 has a carrying amount of 0,8 million Euro (securities measured at fair value through profit or loss).
- 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/ reversals	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals
A. Fully derecognised	**54.721**	**356**	**2**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**88.527**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- receivables due from customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals
Secured and unsecured loans	57.174	108	89	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**57.174**	**108**	**89**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C.3 Special purpose vehicle for the securitisation

Securitisation name / Special purpose vehicle name	Registered office	Consolidation	Assets			Liabilities		
			Receivables	Debt securities	Other	Senior	Mezzanine	Junior
Ifis ABCP Programme S.r.l.	Conegliano (Province of Treviso)	100%	1.265.046	-	84.467	968.994	-	-

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	35.077	-	35.077	-	35.093	-	35.093
2. Equity securities	-	-		x	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost							
1. Debt securities	-	-	-	-	-	-	-
2. Loans	769.607	769.607	-	3.532	884.885	884.885	-
Total 31.12.2020	**804.684**	**769.607**	**35.077**	**3.532**	**919.978**	**884.885**	**35.093**
Total 31.12.2019	**983.146**	**832.843**	**150.303**	**-**	**363.159**	**212.879**	**150.280**

Financial assets sold and fully derecognised

In October 2020, the Banca Ifis Board of Directors resolved to take part in a multioriginator securitisation of a portfolio of bad loans with the submission of an application to the Ministry for the Economy and Finance to be admitted to the government guarantee scheme for liabilities issued (the “GACS”) in accordance with Italian Decree Law no. 18 of 14 February 2016, converted with Italian Law no. 49 of 08 April 2016, implemented by Decree of the Ministry for the Economy and Finance of 03 August 2016, with Decree of the Ministry for the Economy and Finance of 21 November 2017 and with Decree of the Ministry for the Economy and Finance of 10 October 2018, as subsequently amended by Italian Law no. 41 of 20 May 2019, converting into law, with amendments, Italian Decree-Law no. 22 of 25 March 2019.

The transaction, which involved a large scope of banks, envisaged the transfer, in accordance with Italian Law no. 130 of 30 April 1999, of unsecured and mortgage loan portfolios, mainly backed by first ranking mortgages, deriving from the loans classified as non-performing for a total credit claim of approximately 2,3 billion Euro, in the favour of a securitisation SPV established specifically to this end and called "BCC NPLs 2020 S.r.l." as well as the simultaneous conferral of a management mandate (servicing) by the latter to a third party independent servicer with respect to the originating banks. The SPV acquired the portfolio on 18 November 2020, financing the purchase by issuing asset-backed securities, in accordance with the combined provisions of Articles 1 and 5 of Italian Law no. 130, for a total nominal amount of approximately 585 million Euro, structured into the following classes:

- 520 million Euro in Senior Notes maturing in January 2045, with rating Baa2 and BBB respectively assigned by Moody's Italia Srl and Scope Rating AG;
- 41 million Euro in Mezzanine Notes maturing in January 2045, with rating Caa2 and CC respectively assigned by Moody's Italia Srl and Scope Rating AG;
- 24 million Euro in Junior Notes maturing in January 2045, unrated.

In order to fulfil the obligation to maintain the net economic interest of 5% in the transaction, as per Article 6 of (EU) Regulation no. 2017/2402 of the European Parliament and Council of 12 December 2017, the adhering banks, including Banca Ifis, have subscribed - and undertaken to maintain such for the entire duration of the transaction - a share of at least 5% of the nominal amount of each tranche of Notes issued in the context of the Transaction (the "vertical segment" procedure). The remaining share of Mezzanine and Junior Notes was instead subscribed by a third party independent investor.

The transaction has been structured in such a way as to have suitable characteristics to allow the Senior Notes to benefit from said GACS, given the expected deconsolidation by the originating banks of the receivables concerned by the transaction, in compliance with international accounting standards IAS/IFRS. In the case in point, paragraph 3.2.12 of IFRS 9 states that "When derecognising the financial asset as a whole, the difference between:

- the carrying amount (measured at the date of derecognition)
- the price received (including any new assets obtained less any new liability accepted), must be noted under profit (loss) for the year".

Consequently, upon conclusion of the transaction, Banca Ifis:

- has eliminated from the assets on the balance sheet the receivables transferred in the financial position in progress at the time the settlement as made listing the mezzanine and junior tranches on the market;
- recorded on the income statement, under "Profit (loss) from sale or buyback of financial assets measured at amortised cost" the total capital loss/gain determined as the difference between the aggregated gross value at the date of transfer of the loans, less the cumulative impairment losses and including any collections made from said loans and pertaining to the SPV at the date of sale (60,3 million Euro) and the price received (57,0 million Euro); a difference that is expressed as a total capital loss of 3,3 million Euro;
- noted on the balance sheet the Senior, Mezzanine and Junior notes subscribed at the related fair value for a total amount of 55,2 million Euro (for more details on the units subscribed by Banca Ifis, refer to the information given in section "Securitisation transactions" of this Part E).

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 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	-	**89.660**	**125.072**	**8.560**	**72.602**	**9.290**	-	-
3.1 With underlying security	-	232	-	82	-	-	-	-
- Options	-	232	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	232	-	-	-	-	-	-
- Other	-	-	-	82	-	-	-	-
+ long positions	-	-	-	82	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	89.428	125.072	8.478	72.602	9.290	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	89.428	125.072	8.478	72.602	9.290	-	-
+ long positions	-	44.714	62.536	4.239	36.301	4.645	-	-
+ short positions	-	44.714	62.536	4.239	36.301	4.645	-	-

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 to 10 years	over 10 years	Indefinite life
1. On-balance-sheet assets	**1.842.744**	**3.650.811**	**1.321.784**	**256.980**	**2.067.176**	**304.666**	**61.028**	**-**
1.1 Debt securities	345	221.484	653.693	13.533	871.605	225.508	58.559	-
- with early redemption option	345	21.503	4.358	13.533	30.632	2.029	5.700	-
- other	-	199.981	649.335	-	840.973	223.479	52.859	-
1.2 Loans to banks	100.497	750.323	93	188	175.549	-	-	-
1.3 Loans to customers	1.741.902	2.679.004	667.998	243.259	1.020.022	79.158	2.469	-
- current a/c	78.956	-	18.897	-	4.448	-	-	-
- other loans	1.662.946	2.679.004	649.101	243.259	1.015.574	79.158	2.469	-
- with early redemption option	246.284	1.236.010	453.816	97.351	623.299	75.033	2.069	-
- other	1.416.662	1.442.994	195.285	145.908	392.275	4.125	400	-
2. On-balance-sheet liabilities	**1.228.030**	**2.358.567**	**291.723**	**597.535**	**4.370.841**	**418.810**	**327**	**-**
2.1 Due to customers	1.137.115	2.323.437	277.989	591.936	1.660.006	5.262	327	-
- current a/c	449.438	95.280	22.204	42.273	102.143	-	-	-
- other payables	687.677	2.228.182	255.785	549.663	1.557.863	5.262	327	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	687.677	2.228.182	255.785	549.663	1.557.863	5.262	327	-
2.2 Due to banks	28.081	35.093	13.693	5.556	2.075.766	11.458	-	-
- current a/c	25.195	-	-	-	-	-	-	-
- other payables	2.886	35.093	13.693	5.556	2.075.766	11.458	-	-
2.3 Debt securities	62.834	12	41	43	635.069	402.090	-	-
- with early redemption option	-	-	-	-	-	402.090	-	-
- other	62.834	12	41	43	635.069			
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	**258.163**	**21.382**	**265**	**1.000**	**35.212**	**20.192**	**-**	**-**
+ long positions	168.107	-	-	-	-	-	-	-
+ short positions	90.056	21.382	265	1.000	35.212	20.192	-	-

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 to 10 years	over 10 years	Indefinite life
1. On-balance-sheet assets	**40.767**	**180.661**	**3.798**	**289**	**610**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	18.027	38.971	-	-	-	-	-	-
1.3 Loans to customers	22.740	141.690	3.798	289	610	-	-	-
- current a/c	16.982	-	-	-	-	-	-	-
- other loans	5.758	141.690	3.798	289	610	-	-	-
- with early redemption option	10	18.343	1.044	138	328	-	-	-
- other	5.748	123.347	2.754	151	282	-	-	-
2. On-balance-sheet liabilities	**8.298**	**239.479**	-	41	-	-	-	-
2.1 Due to customers	8.298	12.239	-	-	-	-	-	-
- current a/c	8.298	-	-	-	-	-	-	-
- other payables	-	12.239	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	12.239	-	-	-	-	-	-
2.2 Due to banks	-	227.240	-	41	-	-	-	-
- current a/c	-	-	-	-	-	-	-	-
- other payables	-	227.240	-	41	-	-	-	-
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	**420**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	210	-	-	-	-	-	-	-
+ short positions	210	-	-	-	-	-	-	-

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	**209.249**	**1.398**	**-**	**-**	**-**	**37.659**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	22.926	-	-	-	-	324
A.3 Loans to banks	44.225	422	-	-	-	12.352
A.4 Loans to customers	142.098	976	-	-	-	24.983
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**(211.253)**	**(1.340)**	**-**	**-**	**-**	**(35.224)**
C.1 Payables due to banks	(190.773)	(1.336)	-	-	-	(35.171)
C.2 Payables due to customers	(20.480)	(4)	-	-	-	(53)
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	-	-	-	-	-	-
Total assets	**209.249**	**1.398**	**-**	**-**	**-**	**37.659**
Total liabilities	**(211.253)**	**(1.340)**	**-**	**-**	**-**	**(35.224)**
Imbalance (+/-)	**(2.004)**	**58**	**-**	**-**	**-**	**2.435**

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	31.12.2020				31.12.2019			
	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	**-**	**-**	**152.435**	**-**	**-**	**-**	**256.641**	**-**
a) Options	-	-	-	-	-	-	75.464	-
b) Swaps	-	-	152.435	-	-	-	181.177	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and share indexes	**-**	**-**	**20.230**	**-**	**-**	**-**	**66.431**	**-**
a) Options	-	-	20.230	-	-	-	66.431	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**79.509**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	79.509	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**172.665**	**-**	**-**	**-**	**402.581**	**-**

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Underlying assets/Types of derivatives	31.12.2020				31.12.2019			
	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	-	-	1.056	-	-	-	3.197	-
b) Interest rate swaps	-	-	18.194	-	-	-	20.667	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	449	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**19.250**	**-**	**-**	**-**	**24.313**	**-**
2. Negative fair value			-					
a) Options	-	-	-	-	-	-	474	-
b) Interest rate swaps	-	-	18.551	-	-	-	21.277	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	93	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**18.551**	**-**	**-**	**-**	**21.844**	**-**

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	101.614	-	50.821
- positive fair value	X	11.374	-	6.820
- negative fair value	X	18.551	-	-
2) Equity securities and share indexes				
- notional amount	X	20.230	-	-
- positive fair value	X	1.056	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
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 securities 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	70.543	72.602	9.289	152.434
A.2 Financial derivatives on equity securities and share indexes	15.956	4.275	-	20.231
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2020	**86.499**	**76.877**	**9.289**	**172.665**
Total 31.12.2019	**195.580**	**186.923**	**20.078**	**402.581**

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 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 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	**836.980**	**46.761**	**196.639**	**327.915**	**1.200.397**	**871.649**	**721.479**	**3.838.706**	**1.023.170**	**714.975**
A.1 Government bonds	376	-	380	-	1.029	190.910	6.581	1.122.500	470.000	-
A.2 Other debt securities	537	-	-	110	218	4.620	4.675	99.146	139.103	-
A.3 UCITS units	51.715	-	-	-	-	-	-	-	-	-
A.4 Loans	784.352	46.761	196.259	327.805	1.199.150	676.119	710.223	2.617.060	414.067	714.975
- banks	100.907	9.500	20.030	3.881	25.915	99	198	175.409	-	690.570
- customers	683.445	37.261	176.229	323.924	1.173.235	676.020	710.025	2.441.651	414.067	24.405
B. On-balance-sheet liabilities	**1.163.999**	**27.141**	**60.659**	**115.825**	**1.313.218**	**294.205**	**1.508.522**	**4.365.821**	**423.132**	**-**
B.1 Deposits and current accounts	1.156.684	26.879	60.496	115.792	1.235.779	279.126	597.961	1.653.513	-	-
- banks	26.615	-	-	-	-	-	-	-	-	-
- customers	1.130.069	26.879	60.496	115.792	1.235.779	279.126	597.961	1.653.513	-	-
B.2 Debt securities	184	-	-	4	41.990	13.694	18.043	628.545	400.000	-
B.3 Other liabilities	7.131	262	163	29	35.449	1.385	892.518	2.083.763	23.132	-
C. Off-balance-sheet transactions	**145.785**	**-**	**9.800**	**186**	**54.087**	**3.853**	**14.082**	**89.899**	**56.622**	**-**
C.1 Financial derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	82	-	-	-
- short positions	-	-	-	-	232	-	-	-	-	-
C.2 Financial derivatives without exchange of underlying assets										
- long positions	19.236	-	-	-	-	-	-	-	-	-
- short positions	18.551	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable loan commitments										
- long positions	17.942	-	6.600	186	35.673	3.588	13.000	54.687	36.430	-
- short positions	90.056	-	3.200	-	18.182	265	1.000	35.212	20.192	-
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 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 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	**29.590**	**7**	**30**	**1.378**	**4.296**	**1.817**	**152**	**307**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	29.590	7	30	1.378	4.296	1.817	152	307	-	-
- banks	12.398								-	-
- customers	17.192	7	30	1.378	4.296	1.817	152	307	-	-
B. On-balance-sheet liabilities	**53**	**618**	**27.862**	**6.709**	-	-	-	-	-	-
B.1 Deposits and current accounts	53	618	27.862	6.709	-	-	-	-	-	-
- banks	-	618	27.862	6.709	-	-	-	-	-	-
- customers	53	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of underlying assets	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable loan commitments	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
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, Banca Ifis, through the merged company, the former 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 will 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, the former 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. The vehicle also issued junior securities purchased by the former Ifis Leasing S.p.A. (now merged into Banca Ifis S.p.A.), which has not been assigned a rating, for a value of 138 million Euro. In addition, the latter received a specific servicing mandate to collect and manage the receivables.

During 2017, following the transaction restructuring, a revolving system was launched involving monthly assignments of new credit to the SPV, until July 2021. At the same time, the maximum nominal amount of the senior and junior notes was increased respectively to 609,5 and 169,7 million Euro. In the same period, Banca Ifis S.p.A. acquired all the senior notes issued by the vehicle. Following the May 2018 merger of the former Ifis Leasing S.p.A., Banca Ifis also became the subscriber of the junior notes.

At 31 December 2020 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 2020 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.

On 16 December 2020, given the continued COVID-19 pandemic, the Bank of Italy - in line with the ECB - chose to maintain an extremely prudent approach, so as to safeguard the banks' capacity to absorb losses and grant loans to support the real economy, recommending that until 30 September 2021, the less significant Italian banks abstain from recognising or paying dividends or limit the relevant amount to the lesser of 15% of accumulated profits for 2019-20 or 20 basis points of the CET1 coefficient.

In compliance and within the limits of the above-specified Bank of Italy recommendation, Banca Ifis will propose to the shareholders' meeting the distribution of a 2020 dividend of 25.126.044 Euro, corresponding to 0,47 Euro per share, consequently deducted from own funds at 31 December 2020. As regards the dividends resolved and not distributed in respect of 2019, the Bank will continue to maintain them as a reduction of the Bank's equity and to book them amongst other liabilities, at least until 30 September 2021, as envisaged by the Bank of Italy Recommendation of 16 December 2020.

Transactions on treasury shares

At 31 December 2019, Banca Ifis held 359.144 treasury shares recognised at a market value of 3,0 million Euro and a nominal amount of 359.144 Euro.

During the year, Banca Ifis, as variable pay for the 2016 financial results, awarded the Top Management 7.717 treasury shares at an average price of 35,03 Euro, for a total of 270 thousand Euro and a nominal amount of 7.717 Euro, making profits of 206 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the premium reserve.

The remaining balance at the end of the year was 351.427 treasury shares with a market value of 2,9 million Euro and a nominal amount of 351.427 Euro.

B. Quantitative information

B.1 Company's equity: breakdown

Equity items	31.12.2020	31.12.2019
1. Share capital	53.811	53.811
2. Share premiums	102.491	102.285
3. Reserves	1.134.006	1.169.123
- profits	1.131.737	1.166.854
a) legal reserve	10.762	10.762
b) statutory reserve	467.090	498.732
c) treasury shares	2.948	3.012
d) other	650.937	654.348
- other	2.269	2.269
4. Equity instruments		
5. (Treasury shares)	(2.948)	(3.012)
6. Valuation reserves:	(10.934)	2.691
- Equity securities measured at fair value through other comprehensive income	(12.524)	3.153
- 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	1.791	(416)
- 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	(201)	(46)
- Share of valuation reserves of equity accounted investments	-	-
- Specific revaluation laws	-	-
7. Profit (loss) for the year	59.504	27.346
Total	**1.335.930**	**1.352.244**

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts	31.12.2020		31.12.2019	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1.791	-	1.067	(1.483)
2. Equity securities	-	12.524	4.087	(934)
3. Loans	-	-	-	-
Total	**1.791**	**12.524**	**5.154**	**(2.417)**

B.3 Valuations reserves for financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equity securities	Loans
1. Opening balance (31/12/2019)	**(416)**	**3.153**	**-**
2. Increases	**14.753**	**6.281**	**-**
2.1 Fair value gains	5.104	671	-
2.2 Credit risk losses	195	X	-
2.3 Reclassification to profit or loss of negative reserves from sale	9.159	X	-
2.4 Transfers to other components of equity (equity securities)	-	3.922	-
2.5 Other changes	295	1.688	-
3. Decreases	**(12.546)**	**(21.958)**	**-**
3.1 Fair value losses	(7.761)	(21.491)	-
3.2 Reversals of credit risk losses	(803)	-	-
3.3 Reclassification to profit or loss of positive reserves from sale	(2.496)	X	-
3.4 Transfers to other components of equity (equity securities)	-	(267)	-
3.5 Other changes	(1.486)	(200)	-
4. Closing balance	**1.791**	**(12.524)**	**-**

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 31.12.2020	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	102.491	A, B, C (1)	102.491	-	-
Reserves:	1.134.006		477.852	-	-
- Statutory reserve	10.762	B	10.762	-	-
- Extraordinary reserve	467.090	A, B, C	467.090	-	-
- Reserves from the application of international accounting standards	321	(2)	-	-	-
- Reserve for own shares	2.948		-	-	-
- Other reserves	652.885	A, B, C (3)	-	-	-
Valuation reserves:	(10.934)		-	-	-
- Financial assets measured at fair value through other comprehensive income	(10.733)	(4)	-	-	-
- Actuarial gains (losses) related to defined benefit plans	(201)		-	-	-
Treasury shares (-)	(2.948)		-	-	-
Profit for the year	59.504	(5)	-	-	-
Total	**1.335.930**		**580.343**	**-**	**-**

(*) 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 2,5 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.

(5) In compliance and within the limits of the above-specified Bank of Italy recommendation, Banca Ifis will propose to the shareholders' meeting the distribution of a 2020 dividend of 25.126.044 Euro, corresponding to 0,47 Euro per share, consequently deducted from own funds at 31 December 2020. As regards the dividends resolved and not distributed in respect of 2019, the Bank will continue to maintain them as a reduction of the Bank's equity and to book them amongst other liabilities, at least until 30 September 2021, as envisaged by the Bank of Italy Recommendation of 16 December 2020.

B.4 Valuation reserves for defined benefit plans: annual changes

The Valuation reserve relative to defined benefits plans had a negative balance at 31 December 2020 of 201 thousand Euro, pertaining to the Bank. The increase in the item as compared with the close 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.

	31.12.2020	31.12.2019
A. Common Equity Tier 1(1) (CET1) before application of prudential filters	**1.310.804**	**1.293.447**
- of which CET1 instruments subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	(941)	(1.323)
C. CET1 gross of items to be deducted and the effects of the transitional regime (A+/-B)	1.309.863	1.292.124
D. Items to be deducted from CET1	64.655	117.805
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions	24.692	2.141
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**1.269.900**	**1.176.460**
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)	**1.669.900**	**1.576.460**

Categories/Amounts	Non-weighted amounts		Weighted amounts / requirements	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
A. RISK ASSETS				
A.1 Credit risk and counterparty risk	11.913.984	10.677.969	6.170.527	6.681.910
1. Standardised approach	11.837.671	11.837.671	11.837.671	11.837.671
2. Approach based on internal ratings			-	-
2.1 Basic indicator approach			-	-
2.2 Advanced measurement approach			-	-
3. Securitisation programmes	76.313	6.093	65.364	6.104
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit risk and counterparty risk			498.871	534.553
B.2 Credit and counterparty valuation adjustment risk			351	816
B.3 Regulatory risk			-	-
B.4 Market risks			5.228	4.342
1. Standard method			5.228	4.342
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			52.315	59.984
1. Basic indicator approach			52.315	59.984
2. Standardised approach			-	-
3. Advanced measurement approach			-	-
B.6 Other calculation factors			-	-
B.7 Total prudential requirements			556.765	599.695
C. RISK ASSETS AND CAPITAL REQUIREMENT RATIOS				
C.1 Risk-weighted assets			6.959.557	7.496.182
C.2 Common Equity Tier 1 capital / Risk-weighted assets (CET1 Capital ratio)			18,25%	15,69%
C.2 Tier 1 Capital / Risk-weighted assets (Tier 1 capital ratio)			18,25%	15,69%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			23,99%	21,03%

4.7 Part G - Business combinations

Section 1 - Transactions carried out during the year

1.1 Business combinations

On 27 November 2020, Banca Ifis finalised the acquisition of control over Farbanca S.p.A., an operator specialising in pharmacy lending. The transaction concerned 70,77% of Farbanca's capital, for an equivalent value of 32,52 million Euro. A price adjustment mechanism was applied (i.e. price adjusted on the basis of the greater stock of Npe of Farbanca at 31 July 2020 versus the stock at 31 December 2019), which, however, led to no change in the price of the transaction in question.

Company Name	Transaction date	(1)	(2)	(3)	(4)
Farbanca S.p.A.	27 November 2020	32.520	70,77%	14.470	4.518

Key:
(1) = Cost of the transaction
(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 2020, 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 and subsequently amended, as well as the prudential Supervisory provisions for banks in Circular no. 285 of 17 December 2013 of the Bank of Italy, part three, chapter 11 (on "Risk activities and conflicts of interest towards related parties"), any transactions with related parties and relevant parties are 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.

During 2020, no significant transactions with related parties were undertaken outside the scope of the consolidated financial statements.

At 31 December 2020, the Banca Ifis Group 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., Cap.Ital.Fin. S.p.A., Ifis Npl Servicing S.p.A. (formerly Fbs S.p.A.), Ifis Real Estate S.p.A. (formerly Fbs Real Estate S.p.A.) and Gemini S.p.A., the newly-established Ifis Finance IFN S.A. 99,99% owned, the subsidiary held at 70% Credifarma S.p.A. and the newly-acquired Farbanca S.p.A., held 70,77%.

In 2020, in addition to the acquisition of 70,77% of Farbanca's shares, the residual 0,72% was also acquired of the capital of Ifis Real Estate S.p.A. (formerly Fbs Real Estate S.p.A.), the companies Gemini S.p.A. and Ifis Finance IFN S.A. were established and ownership of the company Elipso Finance S.r.l., held jointly at 50% each, was sold.

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 office at 31 December 2020

Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments
7.709	-	56	199	138

The above information includes fees paid to Directors (4,0 million Euro, gross amount) and Statutory Auditors (349 thousand Euro, gross amount).

On 11 February 2021, the CEO in office resigned early, ahead of the natural expiry of his mandate (approval of the 2021 financial statements) and, consequently, will cease office upon conclusion of the Shareholders' Meeting to be held this coming April to resolve on the 2020 financial statements.

The Chief Executive Officer has waived the entire amount of variable remuneration due him for FY 2020, as part of the agreement relative to the cessation of his contracts. This agreement, which is in line with the Bank's approved 2020 Remuneration Policy, establishes that the CEO will be paid his remuneration for the office until the date on which he effectively leaves office, as well as the deferred components of the bonus already accrued and recognised for FY 2019. At the date on which he leaves office, the CEO will receive severance indemnity equal to the fixed and variable remuneration envisaged for the residual term of the three-year mandate originally conferred upon him (12 months of recurring remuneration), to be paid in accordance with the terms and conditions of the 2020 Remuneration Policy (and, therefore, 50% in financial instruments, with a deferral period, of a portion of 40% of the indemnity, of 3 years, without prejudice, in any case, to the application of the malus and clawback clauses). The agreement also establishes that Mr Colombini shall continue to hold certain positions in the Group until the date on which the financial statements at 31 December 2021 are approved, each time receiving the relevant salary. No non-competition obligations are envisaged.

2. Information on related-party transactions

Here below are the assets, liabilities, guarantees and commitments outstanding at 31 December 2020, 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	-	-	-	1.437	**1.437**	0,2%
Receivables due from banks measured at amortised cost	-	195.168	-	-	**195.168**	17,1%
Receivables due from customers measured at amortised cost	-	1.111.138	639	21.290	**1.133.067**	14,5%
Other assets	80.148	13.570	-	-	**93.718**	30,5%
Total assets	**80.148**	**1.319.876**	**639**	**22.727**	**1.423.390**	**12,6%**
Payables due to banks measured at amortised cost	-	60.067	132	6.702	**66.901**	2,8%
Payables due to customers measured at amortised cost	-	52.481	-	-	**52.481**	0,9%
Other liabilities	-	467	-	(6.129)	**(5.662)**	1,7%
Total liabilities	**-**	**113.015**	**132**	**573**	**113.720**	**1,0%**
Commitments and guarantees granted	-	-	423	.	**423**	n.a.

Items	Parent company	Subsidiaries	Key management personnel	Other related parties	Total	As a % of the item
Interest receivable	-	17.712	-	945	**18.657**	6,2%
Interest expense	-	8	(2)	(1)	**5**	0,0%
Commission income	-	6	-	-	**6**	0,0%
Commission expense	-	(571)	-	-	**(571)**	7,4%
Administrative expenses	-	376	-	-	**376**	(0,2%)
Other operating income and expenses	-	13.640	-	-	**13.640**	46,4%

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 2020, Banca Ifis recognised net receivables due from the parent company amounting to 80,1 million Euro.

Transactions with **subsidiaries** mainly relate to:

- 1.111,1 million Euro in loans Banca Ifis granted to its subsidiaries;
- 17,7 million Euro in interest on loans and current accounts;
- 13,6 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 2020, there was also a transaction in which Banca Ifis owns an equity interest of more than 20% and recognised as financial assets measured at fair value through other comprehensive income, amounting to 1,0 million Euro. This transaction is related to 12,8 million Euro worth of loans.

4.9 Part I - Share-based payments

Qualitative information

1. Description of share-based payment agreements

Access to the variable part for all personnel is subject to compliance with the thresholds envisaged by the following indicators recorded at year end:

- Ratio of the final Return On Risk-Adjusted Capital (RORAC) with the provisional one approved by the Board of Directors (RORAC*), no less than 80%;
- meeting the minimum Liquidity Coverage Ratio (LCR) requirement applicable from time to time to the Group;
- meeting the minimum Net Stable Funding Ratio (NSFR) requirement applicable from time to time to the Group;
- 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);
- gross Npe ratio and net Npe ratio below the thresholds of attention set internally.

Failure to achieve more than one of the above parameters in two different areas, with the exception of capital solvency (i.e. consolidated ratio of total own funds) and failure to respect the regulatory minimums, which must be respected at all times, will prevent payment of the variable component.

Without prejudice to the opening of gates to access payment of the variable remuneration described above, the CEO, the General Manager and additional key personnel if variable remuneration exceeds 70.000 Euro, have the possibility of accruing not only a fixed recurring annual emolument and additional benefits (in line with existing corporate policies and practices), but also an annual variable emolument with a target of up to 60% of the gross annual remuneration, subject to verification by the Board of Directors of achievement by the RORAC/RORAC* indicator of a value falling between 80% and 100%. In this case, the variable emolument accrued will be equal to between 60% and 100% of the target emolument, according to the ratio calculated previously.

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 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.

Variable pay is paid 50% in cash and 50% in the form of shares in the Bank. This applies to both upfront and deferred variable pay.

Starting FY 2020, the number of shares to be awarded is calculated by relying on the average share price for the three months 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; the number of shares to be attributed will be in any case calculated as described above.

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 2020, there are 48 passive lease contracts for buildings and 10 for car parking spaces, the related right of use booked at 31 December 2020 is 9,7 million Euro, whilst the corresponding lease liabilities come to 10,0 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 252 cars at 31 December 2020, which are mainly long-term hires of structure cars and fringe benefits for employees; at 31 December 2020, 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 2020 come to 15,1 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)	31.12.2020	31.12.2019
a) Land	-	-
b) Buildings	2.111	1.611
c) Furniture	-	-
d) Electronic equipment	308	188
e) Other	886	910
Total	**3.305**	**2.709**

Section 2 - Lessor

Qualitative information

The Bank also operates on the market with 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	31.12.2020	31.12.2019
	Payments to be received for leasing	Payments to be received for leasing
Up to 1 year	419.847	473.792
Over 1 to 2 years	354.218	366.839
Over 2 to 3 years	282.181	278.767
Over 3 to 4 years	196.623	175.002
Over 4 to 5 years	91.229	73.783
Over 5 years	11.241	9.618
Total payments to be received for leasing	**1.355.339**	**1.377.801**
RECONCILIATION WITH LOANS		
Financial gains not accrued (-)	(104.983)	(105.909)
Residual value not guaranteed (-)	-	-
Financing for leasing	**1.250.356**	**1.271.892**

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 20,0 million Euro at 31 December 2020 (26,4 million Euro in 2019).

Venice - Mestre, 11 March 2021

For the Board of Directors

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.	261.628
		Subsidiaries	353.897
Certification services	EY S.p.A	Banca Ifis S.p.A.	236.730
		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.	105.000
		Subsidiaries	-
Total			**957.255**

5.2 Declaration of the Corporate Accounting Reporting Officer

Certification of the Annual Financial Statements at 31 December 2019 pursuant to Article 154-bis, paragraph 5, of Italian Legislative Decree no. 58 of 24 February 1998 and Art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

1. The undersigned Luciano Colombini, Chief Executive Officer, and Mariacristina Taormina, Corporate Accounting Reporting Officer of Banca Ifis S.p.A., taking into account the provisions of Art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, hereby certify:

i. the adequacy in relation to the characteristics of the business;

ii. the effective implementation of the administrative and accounting procedures

for the preparation of the Consolidated financial statements, over the course of the period from 1 January 2020 to 31 December 2020.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated financial statements 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 Consolidated financial statements:

a) have been prepared in accordance with the Accounting Standards applied recognized by the European Union pursuant to (EC) Regulation no. 1606/2002 of the European Parliament and the Council of 19 July 2002;

b) correspond to the accounting books and records;

c) provide a true and fair representation of the equity, economic and financial situation of the issuer and the whole of the companies included in the scope of consolidation.

3.2 the management report contains a reliable analysis of the business outlook and management result, the financial position of the issuer and group of companies included in the scope of consolidation and a description of the main risks and uncertainties they are exposed to.

Venice, 11 March 2021

CEO	Corporate Accounting Reporting Officer
________________	________________
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

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REPORT of the BOARD OF STATUTORY AUDITORS
to the FINANCIAL STATEMENTS as of 31 December 2020

(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 2020.

Introduction

The activity carried out by the Board during the year was affected by the pandemic which made it necessary, for most of the year, to resort to the use of remote connection systems for the organisation of meetings. The tasks and functions assigned by the reference legislation to the Supervisory Body have always been carried out in compliance with the legal and corporate provisions issued to control the health emergency.

1. Activity of the Board of Statutory Auditors

During financial year 2020, 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 26 meetings, of which 5 were held jointly with the Risk Management and Internal Control Committee and 1 held jointly with the Boards of Statutory Auditors of the subsidiaries.
The Board also took part in all the 18 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 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.

2. Significant events and operations

2.1 Events and operations 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.

Referring to what is described in the Management Report on significant events that occurred during the year, it is therefore considered appropriate to mention, among others, the following.

On 19 March 2020, this Board of Statutory Auditors received the resignation of the director Alessandro Csillaghy effective as of 31 March 2020. The Board decided not to proceed with the co-opting of a new director considering the compliance with the statutory provisions.

In November 2020 Banca Ifis finalised the acquisition of control of Farbanca S.p.A.
Under the deal, Banca Ifis acquired 70.77% of Farbanca for 32.52 million euros.

In addition, the companies Gemini S.p.A. and Ifis Finance IFN S.A - Romania were set up during the year.

2.2 Events and operations after the end of the financial year

The Bank completed the corporate and organisational restructuring of the NPL hub.
On 1 January 2021, as illustrated in more detail in the Management Report, the following operations were completed:

- the company Ifis Npl S.p.A. was renamed Ifis Npl Investing S.p.A
- the company Ifis Npl Servicing S.p.A. was merged by incorporation into Ifis Npl Investing S.p.A.

- Gemini S.p.A. was renamed Ifis Npl Servicing S.p.A.
- Ifis NPL Investing conferred the business unit relating to management and recovery activities to Ifis NPL Servicing

The NPL hub is made up of:

- Ifis NPL Investing Spa (100% owned by Banca Ifis Spa),
- Ifis NPL Servicing (100% owned by Ifis NPL Investing Spa)
- Ifis Real Estate Spa (100% owned by Ifis NPL Servicing Spa).

Director Divo Gronchi resigned on 14 January 2021 and the Board of Directors, during the meeting held on 11 February 2021, with the favourable opinion of the Appointments Committee and the Board of Statutory Auditors, co-opted Frederik Geertman.

On 11 February 2021 Luciano Colombini, CEO and director, announced his resignation from both offices with effect from the date of the Shareholders' Meeting on the approval of the financial statements for the year 2020. On the same date, the Bank signed an agreement with Luciano Colombini relating to the conditions for his departure, with the favourable opinion of the Remuneration Committee.
Also during the meeting of 11 February 2021, the Board of Directors approved the Management Agreement for the new CEO with the favourable opinion of the Remuneration Committee.

The Board verified the correctness of the process and criteria adopted by the Bank, including consistency with the relevant legislation, thus issuing its favourable opinions to the Board of Directors.

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 2020 that were contrary to the interests of the company.

In the year 2020, 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 26 June 2020, 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.

The Board carefully followed the organisational structure of the control functions, aimed at managing risks in the context of the changes concerning the banking group, for which it was decided to perform centralisation, for the entire banking group, of the second and third level control functions at the parent company.

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.

The Board monitored the initiatives underway to improve the processes for monitoring and controlling risks.

As regards the risks associated with liquidity (including mismatching and funding gaps), it took note of the progress of the ALM project and its expected completion in 2021.

Also, related to developments in implementing the group's IRB system, for management purposes, the Board of statutory Auditors took note of its conclusions and recalled the need for it to be implemented in full for the various credit processing stages, and took the opportunity as a reminder to strengthen the pricing policies.

The Board took note of the implementation of the new risk-based methodologies for the planning and execution of Internal Audit activities that will be fully implemented in the year 2021.

Over the course of 2020, the Board of Statutory Auditors supervised the suitability and effects of the entire ICAAP and ILAAP 2020 processes on the requirements set out by regulations, underscoring the usefulness of appropriate data aggregation, integration, and validation processes to maintain the aforementioned documents. In consideration of the economic context, the Bank suspended the industrial plan approved by the Board on 13 January 2020 and, on 26 June 2020, the Board of Directors approved the new forecasts for 2020 and the projections for 2021 and 2022 for internal drafting of the ICAAP-ILAAP.

Action plans were provided with reference to the activities and to areas for improvement 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 evolution of the Bank and the group – the Board of Statutory Auditors believes that, while there are certain areas for further improvement, 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 2020 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.

The Board of Statutory Auditors also examined declarations, issued on 11 March 2021 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 30 March 2021, 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 2020 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 2020. 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. Finally, the 2020 NFD took into consideration the information in the Warning Notice no. 1/21 of 16

February 2021 issued by Consob relating to the impact of the pandemic on non-financial issues.

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 30 March 2021 - 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 30 March 2021 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 06 August 2020, the report on the limited audit of the abbreviated six-month consolidated financial statements with no exceptions being highlighted;
- issued, on 30 March 2021 - 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 2020, 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 2020 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 2020.

Still on 30 March 2021, 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 22 April 2021.

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 2020 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 30 March 2021.

The Board of Statutory Auditors reports that over the course of 2020, 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 tasks:

- Profit verification 31/12/2020 BANCA Ifis individual and consolidated for €42,000
- Comfort Letter on EMTN Program renewal for 2020 for €45,500
- Comfort Letter on the 2020 bond issue for € 35,000
- Agreed Upon procedures on the Servicer Reports of Indigo Lease for €25,000
- Agreed Upon procedures on the Ifis ABCP Program vehicle servicer for €25,500
- Limited revision of the NFD for €28,000
- Agreed Upon procedures on GACS for €35,000
- 2020 Risk Gaap Assessment proposal for €105,000

In summary, the appointments conferred on the auditing company concerned:
- certification services for €236,000
- other services for €105,000

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

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. During the year, 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

As illustrated in more detail in the document "Report on the remuneration policy and remuneration paid", the Board has made updates and changes in relation also to the provisions of the revised Article 123-ter of the Consolidated Law on Finance.
The Board monitored the updates and deemed it useful to recall the following changes, among others, covered in detail in the aforementioned document:
a) the identification of "exceptional circumstances" enabling derogation to the Remuneration Policy approved by shareholders
b) the introduction of the additional cost/income indicator for the purpose of determining the variable remuneration of the CEO and GM
c) with regard to the Golden Parachutes system, the maximum amount resulting from application was indicated specifically in addition to the limit fixed in terms of fixed remuneration years

During the session of 24 March 2021 of the Risk Management and Internal Control Committee, the Board of Statutory Auditors furthermore acknowledged, thus agreeing with its comments, the audits carried out by the Internal Audit function and presented in its document on "Compliance of remuneration policies with the internal policies and regulatory framework"; audits which led to a satisfactory outcome.

By taking part in the Remuneration Committee meetings, the Board of Statutory Auditors acknowledged allocation of the variable remuneration for 2020 - of which a part in treasury shares of the Bank - to the General Manager and key personnel in general, in accordance with the policies approved by the Shareholders' Meeting of 23 April 2020 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 the CEO, the managers of the Audit Functions and of the Manager Responsible and the communication of remuneration policies for the 2021 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 2020, 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 recalls the information stated by the Board of Directors in its Directors’ Report and Explanatory Notes, accompanying the 2020 financial statements.

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.

****

Due to the ongoing Covid-19 pandemic, the Bank of Italy deemed it appropriate to issue, on 16 December 2020, specific information on the possible determination and payment of dividends.

The Board, in accordance with and within the limits set out in the recommendation of the Bank of Italy of 16 December 2020 and subsequent discussions with it, proposed to the shareholders' meeting to pay a 2020 dividend equal to 25,126,044 euros, corresponding to 0.47 euro per share, consequently deducted from its own funds at 31 December 2020.

With regard to the dividends approved and not distributed as of 2019, the Bank will continue to keep them as a decrease in the Bank's Net Equity and to account for them under Other Liabilities at least until 30 September 2021, as required by the Bank of Italy Recommendation of 16 December 2020.

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 2020, accompanied by the Management Report and Explanatory Note, as presented by the Board of Directors, and therefore has no objections to the approval of the financial statements, and invites the Shareholders’ Meeting to take into due consideration the recommendation of the Bank of Italy, for the purposes of the proposed allocation of the operating profit or to distribution of dividends.

Venice-Mestre, 31 March 2021.

for the Board of Statutory Auditors.
The Chairman

Giacomo Bugna

5.4 Independent auditors' report on the Separate Financial Statements

Banca IFIS S.p.A.

Financial statements as at December 31, 2020

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

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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, 2020, 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, 2020, 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 Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 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 7,838 million, net of analytical and collective impairment provisions for a total of Euro 288 million, and represent 69,3% of total assets at December 31, 2020. The process of classifying and valuing loans to customers in the various risk categories and the calculation of loan impairments 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. Further, such estimation processes have been revised in order to reflect the context of the current uncertainty regarding macroeconomic development framework resulting from the spread of the Covid-19 pandemic, as well as government initiatives to support the economy amongst which, in particular, payment moratoria and new or renegotiated loans with public state guarantees. In this context, it is of particular importance: • 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); • 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	Our audit procedures in response to the key aspect, considering the revisions made to the estimation processes regarding collective impairment provisions to reflect the heightened uncertainty deriving from the spread of the Covid-19 pandemic, 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. Finally, we examined the adequacy of the disclosures provided in the notes to the financial statements.

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.

Valuation of equity investments	
Equity investments in subsidiaries at December 31, 2020 amount to € 638 million and represent 5.65% of total assets at December 31, 2020. 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, they are subject to impairment testing. The processes and methods for assessing and determining the recoverable amount of each equity investment are based at times on complex assumptions which, by their nature involve resorting to the use of management's judgment, in particular forecasting future profitability. In this context, for the purpose of estimating future cash flows, Company management used the data contained in the 2021 Budget and the inertial prospects relative to the period 2022 to 2023. 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 2021 Budget and the inertial prospects relative to the period 2022 to 2023, 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 amount, 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. Finally, we examined the adequacy of the disclosures 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, 2020, 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, 2020 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, 2020 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 30, 2021

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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