Consolidated interim report at 31st March 2021

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1.

Corporate Bodies

Board of Directors in office at approval of the Consolidated Interim Report

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

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

General Manager	Alberto Staccione
Board of Statutory Auditors	
Chairman	Giacomo Bugna
Standing Auditors	Marinella Monterumisi Franco Olivetti
Alternate Auditors	Alessandro Carducci Artenisio Giuseppina Manzo
Independent Auditors	EY S.p.A.
Corporate Accounting Reporting Officer	Mariacristina Taormina

Banca Ifis

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.

Report on Operations of the Group

2.1 Results and strategy

2.1.1 Comment by the CEO

Banca Ifis is a unique, extremely resilient organisation that can well oversee specific businesses that call for a distinctive skill set.

The results of the first quarter, which closes with net period profit of 20,1 million Euro consequently confirm the validity of a model based on quality and specialisation that today boasts good industrial performance. The commercial business has shown very dynamic performance and greater disbursements, particularly in loans backed by Mediocredito Centrale, reporting revenues of 65 million Euro, up 21% on the first quarter of 2020. We are speeding up the digitisation of processes with a view to increasing efficiency, speed and an omni-channel approach, already obtaining concrete commercial contributions. In the first quarter of 2021, one fifth of our new customers were acquired digitally. The aim is to incorporate technology into our processes and offer customers a "business-measure" experience. The new platforms will allow for not only the marketing of the Bank's products but also, indeed above all, the automated management of back-office in order to focus people and skills on the activities with higher added value.

The performance of the Npl business, of 58,3 million Euro, +35% on the first quarter of 2020, benefits from a normalisation of the court's work and a better management of the voluntary recovery plans, with an increase in "balances paid off" on the most uncertain realignment plans, on the basis of the analysis of each individual position. In the Npl business, the strategy aims to optimise servicing in terms of costs and recovery time: in these first three months of the year, we have achieved an all-time high in cash collection on portfolios acquired, which comes to 81 million Euro, up 24% on Q1 2020.

The cost of credit was 16 million Euro and includes 8 million Euro in additional provisions made on performing exposures under the scope of the additional prudence applied in respect of the Covid-19 scenario. We have devoted particularly close attention to monitoring loans in moratorium with a segment analysis and for the main positions. The initial feedback is positive: to date, one third of our customers have chosen to resume making payments of their instalments that had benefited from moratorium early, thanks to the progressive improvement of the macroeconomic context. The CET1 has reached 11,77%, calculated excluding the quarter profit. The allocation of capital will depend on the profitability of the individual business units and projects, in any case maintaining a differentiation between the commercial business and Npl business, which has confirmed its value even amidst the Covid-19 crisis.

2.1.2 Highlights - reclassified data[1]

Net banking income totalled 137,7 million Euro, up 30% from 106 million Euro at 31 March 2020. This increase of 31,8 million Euro is mainly linked to the following two factors:

- effect of the better general economic context on the Npl Segment, in particular court activities and, consequently, lawsuits to collect debt that resulted in growth of net banking income of around 15,0 million Euro;
- contribution of the Commercial & Corporate Banking Segment, with growth of approximately 11,2 million Euro, mainly due to the Corporate Banking & Lending Business Area following:

1 Net credit risk losses of the Npl Segment were entirely reclassified to Interest receivable and similar income to present more fairly this particular business, as they represent an integral part of the overall return on the investment.

- the contribution for 4,8 million Euro of Farbanca S.p.A. (a company that was not yet part of the Banca Ifis Group in Q1 2020);
- the net profit of assets measured at fair value for 2,0 million Euro, up 4,0 million Euro on the loss recorded during the first three months of 2020, due to the unique macroeconomic context and the instability of the main listed indices used in the valuation models;

- the positive contribution of the Governance & Services and Non Core Segment, up approximately 5,6 million Euro, due to the greater contribution made both by the PPA for approximately 2,8 million Euro, for certain early repayments made at the start of 2021 and other positive components of net banking income connected with investments in financial assets

At 31 March 2021, net credit risk losses came to 16,1 million Euro, as compared with the 18,5 million Euro booked at 31 March 2020 (-13,0%). In particular, during the first quarter of 2021, the Factoring Area records net write-backs for 4,3 million Euro due to the reduction in non-performing exposures, in particular in segments considered as more at risk in connection with the economic effects of the pandemic and a review of the credit risk measurement models. This positive contribution is juxtaposed against the Leasing Area, whose net value adjustments on receivables come to 3,7 million Euro (4,3 million Euro at 31 March 2020) and the Corporate Banking & Lending Area, with net adjustments 6,3 million Euro, up 4,2 million Euro on the same period of last year, due to additional provisions made for reasons of prudence in connection with the Covid-19 scenario. Finally, the Governance & Services and Non-Core Segment contributes with net adjustments for 10,4 million Euro, up on the 7,5 million Euro at 31 March 2020, mainly due to the write-down of a significant position in the run-off portfolio.

Operating costs totalled 91,3 million Euro, showing an increase of 24,2% on 31 March 2020 (+24,2%). The trend is linked to the increase in payroll costs, mainly due to the entrance of Farbanca into the scope, to higher legal costs and costs for the collection of NPLs, new ICT projects, greater investments made in marketing and advertising, in addition to net period provisions made for risks and charges and to the Single Resolution Fund (SRF).

Below are details of the item’s main components.

- Personnel expenses rose by 5,5% to 33,8 million Euro (32,0 million Euro for the period ended 31 March 2020). The slight increase in this item as compared with Q1 2020, is mainly due to the entrance of Farbanca S.p.A. into the Banca Ifis Group, for approximately 0,8 million Euro and greater variable provisions made for around 1,0 million Euro. The number of Group employees at 31 March 2021 was 1.765 as compared with 1.750 resources at 31 March 2020.
- Other administrative expenses at 31 March 2021 come to 52,5 million Euro and increase by 29,5% on 31 March 2020, mainly due to the higher legal costs and costs for collecting on NPLs (+5,5 million Euro as compared with the first quarter of 2020, which had been impacted by the court closures), entrance of Farbanca into the consolidation scope (+1,2 million Euro), higher costs linked to ICT projects (+2,2 million Euro as compared with the first quarter of 2020), professional services (+0,6 million Euro on 31 March 2020) and investments in marketing and advertising (+0,7 million Euro on the same period of 2020).
- Net allocations to provisions for risks and charges amounted to 7,4 million Euro, an increase on the 4,9 million Euro at 31 March 2020. Net period provisions refer 4,0 million Euro to the Single Resolution Fund (SRF). Provisions are also made for 2,5 million Euro for commitments to disburse funds and guarantees.
- Other net operating income of 6,8 million Euro is down by 14,8% on the same period of last year, which had been positively impacted by indemnities against guarantees received on the sales of Npl portfolios.

At 31 March 2021, net profit pertaining to the Parent Company came to 20,1 million Euro, up 10 million Euro on the to the same period of 2020 (excluding the extraordinary capital gain of 24,2 million Euro from this and the related tax effect due to the sale of the Milan property in Corso Venezia).

Below are the main dynamics recorded in the individual Segments that go towards forming the economic-equity results at 31 March 2021.

Net profit from the Commercial & Corporate Banking Segment rose by 40,5% on 31 March the previous year and came to 15,3 million Euro. This change is due to the growth of net banking income for 11,2 million Euro, and by greater credit risk losses for 5,3 million Euro as compared with the first quarter of last year. Operating costs rose by a total of 8,8 million Euro on the figure recorded for Q1 2020.

- The contribution made by the Factoring Area towards net banking income booked by the Commercial & Corporate Banking Segment came to 34,0 million Euro in the period, down 6,5% on the same period of last year. This result was due to the lower contribution both of net interest income (down by 1,2 million Euro, -5,3%) and net commission income (down by 1,3 million Euro, -9,0%). During the period, the net banking income is less by 2,4 million Euro on the same quarter of 2020.
- Net banking income from the Leasing Area amounted to 13,6 million Euro, +15% on 31 March 2020. The higher margin is due for 1,9 million Euro to lesser interest expense. This positive effect on the interest margin is partially offset by the reduction in the commission margin for 0,2 million Euro.
- Net banking income of the Corporate Banking & Lending Area came to 17,3 million Euro, up 11,7 million Euro on 31 March 2020. In detail, the increase is the result of the sum of 6,7 million Euro in interest margin, one million Euro in commission and 4 million Euro in other items making up net banking income.

Period profit of the Npl Segment1 is approximately 11,5 million Euro, up 69,5% on the same period of 2020 thanks to the recovery of all business activities.

The net banking income of the Segment1 amounted to 58,3 million Euro (+34,8%) as compared with 43,2 million Euro at 31 March 2020. The increase is due to both the increase in the amount of loans at amortised cost that generated interest income for 36,2 million Euro (up 4,9% at 31 March 2021), and the improvement of cash flow forecasts as a result of collections made in respect of projections, with an effect of 27,5 million Euro on the interest margin in Q1 2021 (+82,5%).

Collections made in the Npl Segment in Q1 2021 came to 80,9 million Euro, +24% on the 65,2 million Euro booked for Q 2020 and include the instalments collected on realignment plans, garnishment orders and transactions performed.

Operating costs go from 33,5 million Euro in the first quarter of 2020 to 41,5 million Euro for 31 March 2021, an increase of 23,9% mainly due to the variable costs connected with debt collection.

At 31 March 2021, the Governance & Services and Non Core Segment recorded a loss of 6,0 million Euro as compared with the profit of 8,8 million Euro of 31 March 2020, which benefited notably from the capital gain, net of the related costs of sale, of 24,2 million Euro of the sale of the property in Corso Venezia, Milan.

The Segment's net banking income comes to 14,5 million Euro, up 5,6 million Euro on the same period of last year and with an increase seen both in the Non Core Area for 4,7 million Euro and in the Governance & Services Area for 0,9 million Euro.

Operating costs come to 12,9 million Euro, up 0,9 million Euro on 31 March 2020. The increase is almost exclusively the result of the higher cost for the contribution to the Single Resolution Fund (SRF): approximately 1,0 million Euro more than the allocation made during the same period of last year.

Total receivables due from customers measured at amortised cost amounted to 9.032,1 million Euro, down 1,1% on 31 December 2020 (9.135,4 million Euro). The item includes debt securities for 1,4 billion Euro (1,3 billion at 31 December 2020). The Commercial & Corporate Banking Segment is down on the same period of last year (-2,7%). This reduction is concentrated above all on the Factoring Area (-8,8%) and was only partially offset by the growth of the Corporate Banking & Lending Area (+5,0%, equal to growth of approximately 92 million Euro); leasing is also slightly down, -0,6%. Receivables of the Npl Segment are down 0,5%, whilst an increase is recorded of 63,5 million Euro in exposures of the Governance & Services and Non-Core Segment, mainly due to the purchase of debt securities.

Total net non-performing exposures, which are significantly affected by the receivables of the Npl Segment, amounted to 1.598,0 million Euro at 31 March 2021, compared to 1.591,9 million Euro at 31 December 2020 (+0,4%).

Net of the Npl Segment portfolio, non-performing loans come to 222,1 million Euro, up on the 210,8 million Euro recorded at 31 December 2020.

During the first three months of 2021, the Group continued its strategy of differentiating between distribution channels, in order to ensure a better balance with respect to retail funding. The Group has surplus liquidity in respect of its needs (approximately 1,2 billion Euro at 31 March 2021 in reserves and free assets that can be financed in the ECB), thereby enabling it to easily respect the LCR and NSFR limits (with indexes more than of 1.400% and 100% respectively).

At 31 March 2021, total funding came to 9.735,3 million Euro, -1,7% on the end of FY 2020; the funding structure was as follows:

- 56,8% customers;
- 10,9% debt securities;
- 9,2% ABSs;
- 20,5% TLTROs;
- 2,7% other.

Payables due to customers at 31 March 2021 totalled 5.526,3 million Euro: +1% on 31 December 2020, recording substantial stability of retail funding (mainly Rendimax and Contomax), which comes to 4.489,2 million Euro at end March 2021 (+0,7%).

Payables due to banks amounted to 2.251,1 million Euro, down 4,9% compared to 31 December 2020.

Securities issued at 31 March 2021 came to 1.957,9 million Euro, down on the 2.069,1 million Euro at end 2020. During the first quarter of 2021, upon reaching the due date, the debenture loan that had, at the time, been issued by the incorporated Interbanca, and which at 31 December 2020 had a residual balance of 62,7 million Euro, was repaid in full.

At 31 March 2021, the Group's consolidated equity was up 1,4%, coming in at 1.571,7 million Euro as compared with the 1.550,0 million Euro at end 2020, mainly due to the period result pertaining to the Parent Company for 20,1 million Euro and the net positive change of 0,9 million Euro in the valuation reserve on securities in the first quarter of 2021.

With prudential consolidation within La Scogliera, capital ratios at 31 March 2021 amounted to a CET1 ratio of 11,77%4 (compared with 11,29% at 31 December 2020), a TIER1 ratio of 12,38%4 (11,86% at 31 December 2020) and a Total Capital ratio of 15,47%4 (compared with 14,85% at 31 December 2020).

At 31 March 2021 the ratios for the Banca Ifis Group only, without considering the effects of consolidation within the parent company, La Scogliera, amounted to a CET1 ratio of 15,97%[4] (compared with 15,47% at 31 December 2020), a TIER1 ratio of 15,99%[4] (15,49% at 31 December 2020) and a Total Capital ratio of 20,51%[4] (compared with 19,87% at 31 December 2020).

In addition, please note that the Bank of Italy has asked the Banca Ifis Group to satisfy the following consolidated capital requirements in 2021, in continuity with 2020, including a 2,5% capital conservation buffer:

- Common Equity Tier 1 (CET1) capital ratio of 8,12%, with a required minimum of 5,62%;
- Tier 1 capital ratio of 10,0%, with a required minimum of 7,5%;
- Total Capital Ratio of 12,5%, with a required minimum of 10,0%.

At 31 March 2021, the Banca Ifis Group easily met the above prudential requirements.

2.2 Highlights

In the following statements, net impairment losses/reversals on receivables of the Npl Segment were entirely reclassified to Interest receivable and similar income to present more fairly this particular business and because they represent an integral part of the return on the investment.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Financial assets measured at fair value through other comprehensive income	759.471	774.555	(15.084)	(1,9)%
Receivables due from banks measured at amortised cost	1.080.307	1.083.281	(2.974)	(0,3)%
Receivables due from customers measured at amortised cost	9.032.139	9.135.402	(103.263)	(1,1)%
Total assets	11.841.210	12.026.196	(184.986)	(1,5)%
Payables due to banks measured at amortised cost	2.251.098	2.367.082	(115.984)	(4,9)%
Payables due to customers measured at amortised cost	5.526.263	5.471.874	54.389	1,0%
Debt securities issued	1.957.906	2.069.083	(111.177)	(5,4)%
Equity	1.571.665	1.549.962	21.703	1,4%

RECLASSIFIED CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	1ST QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net banking income	**137.729**	**105.952**	**31.777**	**30,0%**
Net credit risk losses/reversals	(16.102)	(18.512)	2.410	(13,0)%
Net profit (loss) from financial activities	**121.627**	**87.440**	**34.187**	**39,1%**
Operating costs	(91.268)	(73.499)	(17.769)	24,2%
Gains (Losses) on disposal of investments	-	24.161	(24.161)	(100,0)%
Pre-tax profit from continuing operations	30.359	38.102	(7.743)	(20,3)%
Profit for the period attributable to the Parent company	**20.121**	**26.426**	**(6.305)**	**(23,9)%**

CONSOLIDATED COMPREHENSIVE INCOME (in thousands of Euro)	31.03.2021	31.03.2020
Profit (loss) for the period	**20.769**	**26.442**
Other comprehensive income, net of taxes, not to be reclassified to profit or loss	3.751	(13.453)
Other comprehensive income, net of taxes, to be reclassified to profit or loss	(2.974)	(9.594)
Consolidated comprehensive income	**21.546**	**3.395**
Total consolidated comprehensive income attributable to minorities	646	16
Total consolidated comprehensive income attributable to the Parent company	**20.900**	**3.379**

GROUP KPIs	31.03.2021	31.12.2020
Ratio - Total Own Funds (1)	15,47%	14,85%
Common Equity Tier 1 Ratio (1)	11,77%	11,29%
Number of company shares (in thousands)	53.811	53.811
Number of shares outstanding at period end (2) (in thousands)	53.460	53.460
Book value per share	29,40	28,99
EPS	0,38	1,29

(1) Common Equity Tier 1 Capital, and total Own Funds at 31 March 2021 do not include the profits generated by the Banking Group in the first quarter of 2021.
(2) Outstanding shares are net of treasury shares held in the portfolio.

2.3 Results by business segments

In the following statements, net impairment losses/reversals on receivables of the Npl Segment were entirely reclassified to Interest receivable and similar income to present more fairly this particular business and because they represent an integral part of the return on the investment.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & NON-CORE SERVICES SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Other financial assets mandatorily measured at fair value through profit or loss							
Amounts at 31.03.2021	72.558	-	-	72.558	9.147	60.994	**142.699**
Amounts at 31.12.2020	*66.441*	-	-	*66.441*	*9.524*	*61.013*	***136.978***
% Change	*9,2%*	-	-	*9,2%*	*(4,0)%*	*(0,0)%*	***4,2%***
Financial assets measured at fair value through other comprehensive income							
Amounts at 31.03.2021	2.244	-	-	2.244	-	757.227	**759.471**
Amounts at 31.12.2020	*2.322*	-	-	*2.322*	-	*772.233*	***774.555***
% Change	*(3,4)%*	-	-	*(3,4)%*	-	*(1,9)%*	***(1,9)%***
Receivables due from customers[1]							
Amounts at 31.03.2021	5.833.206	2.513.086	1.405.902	1.914.217	1.398.220	1.800.713	**9.032.139**
Amounts at 31.12.2020	*5.992.591*	*2.755.488*	*1.414.055*	*1.823.048*	*1.405.603*	*1.737.208*	***9.135.402***
% Change	*(2,7)%*	*(8,8)%*	*(0,6)%*	*5,0%*	*(0,5)%*	*3,7%*	***(1,1)%***

(1) In the Governance & Non-Core Services Segment, at 31 March 2021, there were government securities amounting to 1.181,6 million Euro (1.095,3 million Euro at 31 December 2020).

INCOME STATEMENT DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & NON-CORE SERVICES SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Net banking income							
Amounts at 31.03.2021	64.932	34.020	13.621	17.291	58.267	14.530	**137.729**
Amounts at 31.03.2020	*53.765*	*36.372*	*11.833*	*5.560*	*43.235*	*8.952*	***105.952***
% Change	*20,8%*	*(6,5)%*	*15,1%*	*211,0%*	*34,8%*	*62,3%*	***30,0%***
Net profit (loss) from financial activities							
Amounts at 31.03.2021	59.229	38.334	9.872	11.023	58.267	4.131	**121.627**
Amounts at 31.03.2020	*42.717*	*31.775*	*7.496*	*3.446*	*43.235*	*1.488*	***87.440***
% Change	*38,7%*	*20,6%*	*31,7%*	*219,9%*	*34,8%*	*177,6%*	***39,1%***
Profit for the period							
Amounts at 31.03.2021	15.290	11.175	1.765	2.350	11.477	(5.998)	**20.769**
Amounts at 31.03.2020	*10.882*	*9.101*	*2.419*	*(638)*	*6.773*	*8.787*	***26.442***
% Change	*40,5%*	*22,8%*	*(27,0)%*	*n.s.*	*69,5%*	*(168,3)%*	***(21,5)%***

SEGMENT KPIs (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & NON-CORE SERVICES SEGMENT(1)
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA		
Cost of credit quality(2)						
Amounts at 31.03.2021	0,39%	(0,66)%	1,06%	1,36%	n.a.	7,46%
Amounts at 31.12.2020	*1,38%*	*1,09%*	*1,11%*	*2,43%*	*n.a.*	*4,72%*
% Change	*(0,99)%*	*(1,74)%*	*(0,05)%*	*(1,07)%*	*n.a.*	*2,74%*
Net bad loans/Receivables due from customers						
Amounts at 31.03.2021	0,7%	1,5%	0,1%	0,2%	74,3%	0,8%
Amounts at 31.12.2020	*0,7%*	*1,3%*	*0,2%*	*0,3%*	*74,1%*	*0,9%*
% Change	*0,0%*	*0,2%*	*(0,1)%*	*(0,1)%*	*0,2%*	*(0,1)%*
Coverage ratio on gross bad loans						
Amounts at 31.03.2021	74,3%	74,7%	86,9%	43,5%	-	48,9%
Amounts at 31.12.2020	*72,7%*	*73,7%*	*85,0%*	*26,9%*	-	*29,1%*
% Change	*1,6%*	*1,0%*	*1,9%*	*16,6%*	-	*19,8%*
Net non-performing exposures/Net receivables due from customers						
Amounts at 31.03.2021	2,8%	4,4%	0,8%	2,3%	98,4%	3,1%
Amounts at 31.12.2020	*2,7%*	*4,2%*	*0,8%*	*1,8%*	*98,3%*	*2,9%*
% Change	*0,1%*	*0,2%*	*0,0%*	*0,5%*	*0,1%*	*0,2%*
Gross non-performing exposures/Gross receivables due from customers						
Amounts at 31.03.2021	6,2%	10,0%	2,7%	3,4%	98,4%	5,1%
Amounts at 31.12.2020	*5,9%*	*9,3%*	*2,9%*	*3,0%*	*98,3%*	*4,3%*
% Change	*0,3%*	*0,7%*	*(0,2)%*	*0,4%*	*0,1%*	*0,8%*
RWAs(3)						
Amounts at 31.03.2021	4.839.245	2.155.017	1.280.300	1.403.928	2.189.265	925.870
Amounts at 31.12.2020	*5.144.914*	*2.361.547*	*1.309.416*	*1.473.951*	*2.211.695*	*915.705*
% Change	*(5,9)%*	*(8,7)%*	*(2,2)%*	*(4,8)%*	*(1,0)%*	*1,1%*

(1) In the Governance & Non-Core Services Segment, at 31 March 2021, there were government securities amounting to 1.181,6 million Euro (1.095,3 million Euro at 31 December 2020), which for the purpose of calculating the cost of credit quality, were not considered.
(2) This indicator is calculated comparing the value of net credit risk losses/reversals at the end of the period over the annual average loans to customers (calculated quarterly).
(3) Risk Weighted Assets; the amount only relates to the credit risk.

2.4 Reclassified quarterly evolution

In the following statements, net impairment losses/reversals on receivables of the Npl Segment were entirely reclassified to Interest receivable and similar income to present more fairly this particular business and because they represent an integral part of the return on the investment.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2021	YEAR 2020			
	31.03	31.12	30.09	30.06	31.03
ASSETS					
Other financial assets mandatorily measured at fair value through profit or loss	142.699	136.978	103.487	102.347	103.743
Financial assets measured at fair value through other comprehensive income	759.471	774.555	1.162.008	1.146.701	1.215.355
Receivables due from banks measured at amortised cost	1.080.307	1.083.281	1.016.707	1.007.613	628.756
Receivables due from customers measured at amortised cost	9.032.139	9.135.402	7.957.357	8.034.032	7.600.742
Property, plant and equipment	116.564	115.149	110.366	108.976	109.632
Intangible assets	61.043	60.970	60.800	60.632	61.893
Tax assets	374.264	381.431	377.122	385.780	389.964
Other assets	274.723	338.430	410.789	406.240	382.531
Total assets	**11.841.210**	**12.026.196**	**11.198.636**	**11.252.321**	**10.492.616**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2021	YEAR 2020			
	31.03	31.12	30.09	30.06	31.03
LIABILITIES AND EQUITY					
Payables due to banks measured at amortised cost	2.251.098	2.367.082	2.245.825	2.270.742	1.014.365
Payables due to customers measured at amortised cost	5.526.263	5.471.874	4.915.588	4.863.949	4.894.280
Debt securities issued	1.957.906	2.069.083	1.991.481	2.036.348	2.559.834
Tax liabilities	52.524	48.154	42.054	47.367	68.066
Other liabilities	481.754	520.041	491.412	536.967	413.641
Group equity:	1.571.665	1.549.962	1.512.276	1.496.948	1.542.430
- Share capital, share premiums and reserves	*1.551.543*	*1.481.158*	*1.459.930*	*1.460.192*	*1.516.004*
- Net profit attributable to the Parent company	*20.121*	*68.804*	*52.346*	*36.756*	*26.426*
Total liabilities and equity	**11.841.210**	**12.026.196**	**11.198.636**	**11.252.321**	**10.492.616**

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2021	YEAR 2020			
	1st Q	4th Q	3rd Q	2nd Q	1st Q
Net interest income	**115.827**	**120.891**	**91.122**	**78.263**	**91.416**
Net commission income	**18.767**	**19.392**	**15.688**	**18.710**	**21.097**
Other components of net banking income	3.135	5.814	2.102	9.866	(6.561)
Net banking income	**137.729**	**146.097**	**108.912**	**106.839**	**105.952**
Net credit risk losses/reversals	(16.102)	(43.503)	(14.516)	(14.828)	(18.512)
Net profit (loss) from financial activities	**121.627**	**102.594**	**94.396**	**92.011**	**87.440**
Personnel expenses	(33.779)	(34.059)	(28.630)	(28.651)	(32.029)
Other administrative expenses	(52.455)	(67.830)	(40.923)	(41.545)	(40.520)
Net allocations to provisions for risks and charges	(7.421)	(7.034)	(4.619)	(11.412)	(4.889)
Net impairment losses/reversals on property, plant and equipment and intangible assets	(4.413)	(4.730)	(4.490)	(4.558)	(4.039)
Other operating income/expenses	6.800	35.031	4.717	4.207	7.978
Operating costs	**(91.268)**	**(78.622)**	**(73.945)**	**(81.959)**	**(73.499)**
Value adjustments of goodwill	-	(700)	-	-	-
Gains (Losses) on disposal of investments	-	-	-	-	24.161
Pre-tax profit from continuing operations	**30.359**	**23.272**	**20.451**	**10.052**	**38.102**
Income taxes for the period relating to continuing operations	(9.590)	(6.592)	(4.811)	328	(11.660)
Profit for the period	**20.769**	**16.680**	**15.640**	**10.380**	**26.442**
Profit for the period attributable to non-controlling interests	648	222	50	50	16
Profit for the period attributable to the Parent company	**20.121**	**16.458**	**15.590**	**10.330**	**26.426**

2.5 Group historical data

In the following statements, net impairment losses/reversals on receivables of the Npl Segment were entirely reclassified to Interest receivable and similar income to present more fairly this particular business and because they represent an integral part of the return on the investment.

The following table shows the main indicators and performances recorded by the Group in the comparable periods of the last 5 years.

HISTORICAL DATA [1] (in thousands of Euro)	31.03.2021	31.03.2020	31.03.2019	31.03.2018	31.03.2017
Financial assets measured at fair value through other comprehensive income	759.471	1.215.355	432.901	453.847	631.568
Receivables due from customers measured at amortised cost	9.032.139	7.600.742	7.322.130	6.457.208	5.803.700
Payables due to banks measured at amortised cost	2.251.098	1.014.365	844.790	820.190	1.028.971
Payables due to customers measured at amortised cost	5.526.263	4.894.280	5.021.481	5.022.110	5.055.558
Debt securities issued	1.957.906	2.559.834	1.955.400	1.774.973	1.122.879
Equity	1.571.665	1.542.430	1.489.301	1.412.989	1.253.638
Net banking income	137.729	105.952	130.109	139.378	103.543
Net profit (loss) from financial activities	121.627	87.440	117.021	128.421	101.375
Profit (loss) for the period attributable to the Parent company	20.121	26.426	29.920	37.854	32.687
KPIs:					
Cost/Income ratio	66,3%	69,4%	57,2%	52,7%	53,7%
Ratio - Total Own Funds [2]	15,47%	14,80%	14,02%	15,35%	14,90%
Common Equity Tier 1 Ratio [2]	11,77%	11,12%	10,29%	11,10%	14,02%

(1) For comparison purposes, the data for 2017 and 2018 has been restated to ensure accounting consistency with the amounts at 31 March 2021 in order to account for the changes introduced by IFRS 9. Restatement has not been applied to the calculation of comparative ratios which remain in line with previously published figures.
(2) Common Equity Tier 1 and total Own Funds at 31 March 2021 do not include the profits generated by the Banking Group in the first three months of 2021.

3.

Contribution of operating segments to Group results

In the following statements, net impairment losses/reversals on receivables of the Npl Segment were entirely reclassified to Interest receivable and similar income to present more fairly this particular business and because they represent an integral part of the return on the investment.

3.1 The organisational structure

In accordance with standard IFRS 8, a company must provide information that allows users of the financial statements to assess the nature and effects on such of the business it pursues and the economic contexts in which it operates. The contribution therefore needs to be highlighted as made by the various operating segments to forming the Group's economic result.

Identification of the Operating Segments is consistent with the methods adopted by the Management to take operative decisions and is based on internal reporting, used in order to allocate the resources to the various segments and analyse the relevant performance.

In line with the structure used by Management to analyse the Group's results, the information by segment is broken down as follows:

- **Commercial & Corporate Banking Segment**, represents the commercial offer of the Group dedicated to companies and consists of the Business Factoring, Leasing and Corporate Banking & Lending;
- **Npl Segment**, dedicated to non-recourse factoring and managing distressed loans, servicing and managing non-performing, secured loans;
- **Governance & Non-Core Services Segment**, which provides the segments operating in the Group's core businesses with the financial resources and services necessary to perform their respective activities. The Segment includes treasury and proprietary securities desk activities, the disbursement of salary- or pension-backed loans and some portfolios of personal loans, as well as some corporate loans portfolio assigned for run-off insofar as held to be non-strategic to the Group's growth.

The Segments of the economic-equity numericals are attributed on the basis of homogeneous allocation criteria in order to take into account both the specificity of the various segments and the need to guarantee effective monitoring of business performance over time.

Moreover, considering the foregoing, the Segment information in relation to the items of the income statement shows the results at the level of the net profit.

To this end, the operating costs needed to be attributed to the reference Segments and this was done as follows:

- for direct costs, allocation was as per the use of the cost centre by reference segment;
- for indirect costs, which by nature are attributable to a specific Segment insofar as incurred to guarantee normal operation and the correct function of the entire structure ("central services"), direction to the individual Segments was assured using different allocation instruments for the different cost categories, also based on internal surveys.

COMMERCIAL & CORPORATE BANKING SEGMENT

The Commercial & Corporate Banking Segment includes the following business areas:

- **Factoring**: Area dedicated to supporting the trade credit of SMEs operating on the domestic market, which develop towards export, or which from export, turn to Italian customers; it also includes an organisational unit dedicated to supporting trade credit of suppliers of the local health authorities and a business unit specialised in the acquisition of tax receivables: transferred from bankruptcy proceedings, which operates under the Fast Finance brand. This unit acquires tax receivables, accrued and accruing, already requested for reimbursement, or future, arising from proceedings or in previous years;
- **Leasing**: Area that provides finance and operating leases - but not real estate leases, as the Group does not offer them - to small economic operators and SMEs;
- **Corporate Banking & Lending**: A business area that aggregates multiple units: Structured Finance, the segment that supports companies and private equity funds in arranging bilateral or syndicated loans; the Special Situations segment, which supports the financial recovery of businesses that managed to overcome financial distress; the Equity Investment area, dedicated to investing in non-financial companies and intermediaries; and the Lending segment, dedicated to the Group's medium/long-term operations, oriented to supporting the company's operating cycle through services ranging from funding optimisation to working capital financing and the support for productive investments.

Farbanca S.p.A., acquired on 27 November 2020 by the Banca Ifis Group, contributes towards the profitability generated by the Corporate Banking & Lending Area. Starting January 2021, in order to foster the centralised management of the pharmacy support business, the income contribution made by the other subsidiary Credifarma, previously included in the Factoring Area, has also been allocated to this same area; all the information supplied below, including the comparative data, take this reallocation into account.

INCOME STATEMENT DATA (in thousands of Euro)	1ST QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**43.677**	**36.059**	**7.618**	**21,1%**
Net commission income	**19.128**	**19.725**	**(597)**	**(3,0)%**
Other components of net banking income	2.127	(2.019)	4.146	(205,3)%
Net banking income	**64.932**	**53.765**	**11.167**	**20,8%**
Net credit risk losses/reversals	(5.703)	(11.048)	5.345	(48,4)%
Net profit (loss) from financial activities	**59.229**	**42.717**	**16.512**	**38,7%**
Operating costs	**(36.834)**	**(28.015)**	**(8.819)**	**31,5%**
Pre-tax profit from continuing operations	**22.395**	**14.702**	**7.693**	**52,3%**
Income taxes for the period relating to continuing operations	(7.105)	(3.820)	(3.285)	86,0%
Profit (loss) for the period	**15.290**	**10.882**	**4.408**	**40,5%**

Net profit of the Commercial & Corporate Banking Segment comes to 15,3 million Euro, up 40,5% on 31 March 2020. This change is due to the growth of net banking income for 11,2 million Euro, and by greater credit risk losses for 5,3 million Euro as compared with the first quarter of last year. Overall, operating costs grew by 8,8 million Euro on Q1 2020, as more extensively commented on further on in the document.

Similarly, the operating performance of the business areas making up the Segment is described and analysed further on.

The following table provides a detail of the gross and net amounts as well as the relevant coverage ratios for each supervisory risk category of receivables due from customers.

COMMERCIAL & CORPORATE BANKING (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 31.03.2021						
Nominal amount	166.220	169.814	39.660	**375.693**	5.730.554	**6.106.247**
Impairment losses	(123.548)	(81.622)	(4.456)	**(209.625)**	(63.416)	**(273.041)**
Carrying amount	42.672	88.192	35.204	**166.068**	5.667.138	**5.833.206**
Coverage ratio	*74,3%*	*48,1%*	*11,2%*	***55,8%***	*1,1%*	***4,5%***
Gross ratio	*2,7%*	*2,8%*	*0,6%*	***6,2%***	*93,8%*	***100,0%***
Net ratio	*0,7%*	*1,5%*	*0,6%*	***2,8%***	*97,2%*	***100,0%***
POSITION AT 31.12.2020						
Nominal amount	157.660	176.949	35.583	**370.192**	5.892.756	**6.262.949**
Impairment losses	(114.554)	(89.677)	(5.135)	**(209.366)**	(60.991)	**(270.358)**
Carrying amount	43.106	87.272	30.448	**160.826**	5.831.765	**5.992.591**
Coverage ratio	*72,7%*	*50,7%*	*14,4%*	***56,6%***	*1,0%*	***4,3%***
Gross ratio	*2,5%*	*2,8%*	*0,6%*	***5,9%***	*94,1%*	***100,0%***
Net ratio	*0,7%*	*1,5%*	*0,5%*	***2,7%***	*97,3%*	***100,0%***

Net non-performing exposures in the Commercial & Corporate Banking Segment stood at 166,1 million Euro at 31 March 2021, up 5,2 million Euro on the figure at 31 December 2020 (160,8 million Euro): the ratio of net bad loans to total receivables (0,7%) remains unchanged in connection with the decrease of total loans for 159,4 million Euro and substantially stable non-performing loans. Unlikely to pay instead rise by 0,9 million Euro (+1,1% on the previous year end figure), just like past due exposures that come to 35,2 million Euro, up 4,8 million Euro on 31 December 2020 (30,4 million Euro, +15,6%).

The coverage ratio of non-performing exposures went from 56,6% at 31 December 2020 to 55,8% at 31 March 2021.

Finally, the Commercial & Corporate Banking Segment includes loans belonging to the "POCI" category, mainly referring to impaired assets stemming from the business combination: the net value of these assets, which are all classified as impaired (stage 3), is 4,9 million Euro at 31 March 2021, as compared with the 7,2 million Euro recorded at 31 December 2020.

These amounts already incorporate the effects connected with the temporal dismantling of the PPA and the effects of expected losses over the useful life of the asset, as required by IFRS 9.

KPI	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Cost of credit quality[(1)]	0,39%	1,38%	n.a.	(0,99)%
Net Npe ratio	2,8%	2,7%	n.a.	0,1%
Gross Npe ratio	6,2%	5,9%	n.a.	0,3%
Total RWAs	4.839.245	5.144.914	(305.669)	(5,9)%

(1) This indicator is calculated comparing the value of net credit risk losses/reversals at the end of the period over the annual average loans to customers (calculated quarterly).

To ensure a better understanding of the results for the period, below we comment on the contribution of the individual business areas to the Commercial & Corporate Banking Segment.

Factoring Area

INCOME STATEMENT DATA (in thousands of Euro)	1ST QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**20.438**	**21.592**	**(1.154)**	**(5,3)%**
Net commission income	**13.447**	**14.780**	**(1.333)**	**(9,0)%**
Other components of net banking income	135	-	135	n.a.
Net banking income	**34.020**	**36.372**	**(2.352)**	**(6,5)%**
Net credit risk losses/reversals	4.314	(4.597)	8.911	(193,8)%
Net profit (loss) from financial activities	**38.334**	**31.775**	**6.559**	**20,6%**
Operating costs	**(21.954)**	**(18.660)**	**(3.294)**	**17,7%**
Pre-tax profit from continuing operations	**16.380**	**13.115**	**3.265**	**24,9%**
Income taxes for the period relating to continuing operations	(5.205)	(4.014)	(1.191)	29,7%
Profit (loss) for the period	**11.175**	**9.101**	**2.074**	**22,8%**

The contribution made by the Factoring Area towards net banking income booked by the Commercial & Corporate Banking Segment came to 34,0 million Euro in Q1 2021, down 6,5% on the same period of last year. This result was due to the lower contribution both of net interest income (down by 1,2 million Euro, -5,3%) and net commission income (down by 1,3 million Euro, -9,0%). During the period, the net banking income is less by 2,4 million Euro on the same quarter of 2020.

The negative change in net interest income and net commission income was due to a decrease in assets under management: turnover in the first quarter of 2021 amounted to 2,5 billion Euro, down by 383 million Euro compared to the same period of the previous year, while outstanding loans amounted to 3,0 billion Euro, down by 0,3 billion Euro on December 2020. These reductions are mainly, in managerial terms, related to the economic context generated by the Covid-19 pandemic.

During the first quarter of 2021, net credit risk reversals are recorded for the amount of 4,3 million Euro. This performance is due to the reduction in non-performing exposures and in particular in segments considered most at risk in connection with the economic effects of the pandemic and a review of the credit risk assessment models.

Therefore, net profit from financial activities amounted to 38,3 million Euro, up 6,6 million Euro (+20,6%) on the same period of last year.

Operating costs rose by 3,3 million Euro on 31 March 2020. This effect is the combined result of greater provisions made for approximately 1,7 million Euro for credit risks, other provisions for risks on lawsuits for 0,7 million Euro and higher payroll costs for approximately 0,8 million Euro, to a large extent connected with variable remuneration allocated during the quarter - taking into account the fact that the first quarter of 2020 suffered prudent policies connected with the uncertainty of the pandemic.

At 31 March 2021, the Area's total net loans amounted to 2,5 billion Euro, down 8,8% compared to 31 December 2020.

The following table shows the gross and net amounts as well as the relevant coverage ratios for each supervisory risk category of receivables due from customers.

FACTORING AREA (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 31.03.2021						
Nominal amount	144.687	91.986	32.024	**268.697**	2.420.825	**2.689.522**
Impairment losses	(108.092)	(48.179)	(1.279)	**(157.550)**	(18.886)	**(176.436)**
Carrying amount	36.595	43.807	30.745	**111.147**	2.401.939	**2.513.086**
Coverage ratio	*74,7%*	*52,4%*	*4,0%*	***58,6%***	*0,8%*	***6,6%***
POSITION AT 31.12.2020						
Nominal amount	136.063	108.726	27.976	**272.765**	2.664.408	**2.937.173**
Impairment losses	(100.263)	(55.617)	(1.103)	**(156.982)**	(24.702)	**(181.685)**
Carrying amount	35.800	53.109	26.873	**115.783**	2.639.706	**2.755.488**
Coverage ratio	*73,7%*	*51,2%*	*3,9%*	***57,6%***	*0,9%*	***6,2%***

The reduction in net unlikely to pay positions as compared with 31 December 2020 is mainly tied to the transfer to non-performing of a position that was individually significant.

KPI	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Cost of credit quality[(1)]	(0,66)%	1,09%	n.a.	(1,75)%
Net Npe ratio	4,4%	4,2%	n.a.	0,2%
Gross Npe ratio	10,0%	9,3%	n.a.	0,7%
Total RWAs	2.155.017	2.361.547	(206.530)	(8,7)%

(1) This indicator is calculated comparing the value of net credit risk losses/reversals at the end of the period over the annual average loans to customers (calculated quarterly).

Leasing Area

INCOME STATEMENT DATA (in thousands of Euro)	1ST QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**11.028**	**8.995**	**2.033**	**22,6%**
Net commission income	**2.593**	**2.838**	**(245)**	**(8,6)%**
Net banking income	**13.621**	**11.833**	**1.788**	**15,1%**
Net credit risk losses/reversals	(3.749)	(4.337)	588	(13,6)%
Net profit (loss) from financial activities	**9.872**	**7.496**	**2.376**	**31,7%**
Operating costs	**(7.292)**	**(4.988)**	**(2.304)**	**46,2%**
Pre-tax profit from continuing operations	**2.580**	**2.508**	**72**	**2,9%**
Income taxes for the period relating to continuing operations	(815)	(89)	(726)	n.s.
Profit (loss) for the period	**1.765**	**2.419**	**(654)**	**(27,0)%**

Net banking income of the Leasing Area is 13,6 million Euro, +15,1% on the figure of 31 March 2020; this higher margin is due for 1,9 million Euro to lesser interest expense following a review of internal transfer rates. This positive effect on the interest margin is partially offset by the reduction in the commission margin for 0,2 million Euro.

Net credit risk losses amounted to 3,7 million Euro, down 0,6 million Euro compared to the same period of 2020. This change, in the presence of a slight reduction in commitments, is also due to a lesser incidence of gross non-performing exposures on the total and the introduction of counterparty ratings models due to the determination of the significant increase in credit risk (which determines the switch from Stage 1 to Stage 2). In respect of this introduction, the incidence of Stage 2 loans on all performing exposures went from 1,73% at 31 December 2020 to 7,28% at 31 March 2021, with an impact of 2,7 million Euro in terms of greater lump sum rectifications.

The increase in operating costs of the Leasing Area for approximately 2,3 million Euro is mainly due to lesser income from customers for accessory services in the amount of around 1,0 million Euro, which suffered in the current outlook, which only partially impacted Q1 2020. In addition to this, there were greater ICT expenses for the project to renew the lease platform and greater amortisation/depreciation connected with the redefinition of the useful life of the systems being replaced.

At 31 March 2021, the Area's total net loans came to 1.405,9 million Euro, recording a negative change of 0,6% on the 1.414,1 million Euro of 31 December 2020. The reduction is due to the greater extinguishing of volumes disbursed in the first quarter of 2021 for a total of 49 million Euro.

The following table shows the gross and net amounts as well as the relevant coverage ratios of receivables due from customers for each supervisory risk category.

LEASING AREA (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 31.03.2021						
Nominal amount	14.013	18.290	7.132	**39.435**	1.412.962	**1.452.397**
Impairment losses	(12.182)	(12.501)	(3.064)	**(27.748)**	(18.747)	**(46.494)**
Carrying amount	1.831	5.789	4.068	**11.687**	1.394.215	**1.405.903**
Coverage ratio	*86,9%*	*68,3%*	*43,0%*	***70,4%***	*1,3%*	***3,2%***
POSITION AT 31.12.2020						
Nominal amount	14.590	19.675	7.443	**41.708**	1.418.450	**1.460.158**
Impairment losses	(12.407)	(13.909)	(4.014)	**(30.330)**	(15.773)	**(46.103)**
Carrying amount	2.183	5.766	3.429	**11.378**	1.402.677	**1.414.055**
Coverage ratio	*85,0%*	*70,7%*	*53,9%*	***72,7%***	*1,1%*	***3,2%***

KPI	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Cost of credit quality(1)	1,06%	1,11%	n.a.	(0,05)%
Net Npe ratio	0,8%	0,8%	n.a.	-
Gross Npe ratio	2,7%	2,9%	n.a.	(0,2)%
Total RWAs	1.280.300	1.309.416	(29.116)	(2,2)%

(1) This indicator is calculated comparing the value of net credit risk losses/reversals at the end of the period over the annual average loans to customers (calculated quarterly).

Corporate Banking & Lending Area

INCOME STATEMENT DATA (in thousands of Euro)	1ST QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**12.211**	**5.472**	**6.739**	**123,2%**
Net commission income	**3.088**	**2.107**	**981**	**46,6%**
Other components of net banking income	1.992	(2.019)	4.011	(198,7)%
Net banking income	**17.291**	**5.560**	**11.731**	**211,0%**
Net credit risk losses/reversals	(6.268)	(2.114)	(4.154)	196,5%
Net profit (loss) from financial activities	**11.023**	**3.446**	**7.577**	**219,9%**
Operating costs	**(7.588)**	**(4.367)**	**(3.221)**	**73,8%**
Pre-tax profit from continuing operations	**3.435**	**(921)**	**4.356**	**n.s.**
Income taxes for the period relating to continuing operations	(1.085)	283	(1.368)	n.s.
Profit (loss) for the period	**2.350**	**(638)**	**2.988**	**n.s.**

Net banking income of the Corporate Banking & Lending Area, which came to 17,3 million Euro at 31 March 2021, rose by 11,7 million Euro on 31 March 2020, with an increase in the interest margin of 6,7 million Euro, in the commission component for 1,0 million Euro and in other components of net banking income for 4,0 million Euro.

The positive change to the net interest income is a result of the combined effect of the following factors:

- growth of 5,9 million Euro in the net interest income for loans to SMEs in the medium/long-term, to which Farbanca contributes for 3,1 million Euro. Receivables due from customers in Q1 2021 are up by 11,0%;
- the contribution made by the PPA for the Area, of 3,3 million Euro at 31 March 2021, substantively stable on the same period of last year;
- lesser funding costs due to the reduction in the figurative interest recognised to the Structured Finance segment during the first three months of 2021 for 0,7 million Euro;
- higher interest income on the first quarter of 2020 for 0,2 million Euro, due to higher average commitments of the Corporate Banking.

Net commission income is up 1,0 million Euro thanks to the combined effect of an increase in disbursements of the Structured Finance segment, to which greater net commission is paid for 0,4 million Euro and there is an increase in commission associated with loans to SMEs for 0,6 million Euro, which can be traced to the Farbanca business.

The other components of net banking income are up by 4,0 million Euro, mainly in connection with the better performance of the UCITS funds in which the Group has invested, which have resulted in a positive change in fair value of 3,6 million Euro, as well as a positive effect deriving from the fair value measurement of receivables in the Special Situations segment for 0,3 million Euro.

Net credit risk losses amounted to 6,3 million Euro, up 4,2 million Euro compared to the same period of the previous year. The increase is due to the additional provisions recorded in the Structured Finance segment to take into account both the macroeconomic context resulting from the pandemic and the potential future effects connected with the cessation of the credit support measures. These additional provisions on performing exposures resulted in an increase in the hedges of the related credits, which went from 2,4% at 31 December 2020 to 3,2% at 31 March 2021, whilst on a comprehensive business area level, these hedges, as compared with the 31 December 2020 figure of 1,1%, came to 1,4%.

The increase in operating costs of the Corporate Banking & Lending Area for approximately 3,2 million Euro on the first quarter of 2020 is mainly due to the entry of Farbanca into the scope of the Banca Ifis Group starting December 2020. The impact of the latter is approximately 3,1 million Euro, including direct costs of integration and the redistribution of the costs of central services with the company's entrance to the Group.

At 31 March 2021, total net receivables due from customers in the Area comes to 1.914,2 million Euro, with a positive change of 91,2 million Euro (+5,0%) on the 1.823,0 million Euro of 31 December 2020. Growth is driven by the increase in loans to SMEs for 57,3 million Euro and the Structured Finance segment for 33,9 million Euro.

The following table shows the gross and net amounts as well as the relevant coverage ratios of receivables due from customers for each supervisory risk category.

CORPORATE BANKING & LENDING AREA (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 31.03.2021						
Nominal amount	7.520	59.537	504	**67.561**	1.896.767	**1.964.328**
Impairment losses	(3.273)	(20.942)	(113)	**(24.327)**	(25.783)	**(50.111)**
Carrying amount	4.247	38.595	391	**43.234**	1.870.984	**1.914.217**
Coverage ratio	*43,5%*	*35,2%*	*22,4%*	***36,0%***	*1,4%*	***2,6%***
POSITION AT 31.12.2020						
Nominal amount	7.007	48.549	164	**55.719**	1.809.898	**1.865.618**
Impairment losses	(1.885)	(20.151)	(18)	**(22.053)**	(20.516)	**(42.570)**
Carrying amount	5.122	28.398	146	**33.666**	1.789.382	**1.823.048**
Coverage ratio	*26,9%*	*41,5%*	*10,7%*	***39,6%***	*1,1%*	***2,3%***

The 9,6 million Euro increase in net non-performing exposures on 31 December 2020 is mainly due to the inclusion in the category of unlikely to pay of an individually significant position.

KPI	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Cost of credit quality(1)	1,36%	2,43%	n.a.	(1,07)%
Net Npe ratio	2,3%	1,8%	n.a.	0,5%
Gross Npe ratio	3,4%	3,0%	n.a.	0,4%
Total RWAs	1.403.928	1.473.951	(70.023)	(4,8)%

(1) This indicator is calculated comparing the value of net credit risk losses/reversals at the end of the period over the annual average loans to customers (calculated quarterly).

NPL SEGMENT

This is the Banca Ifis Group's Segment dedicated to non-recourse acquisition and managing secured and unsecured distressed retail loans, as well as third party portfolio management. The business is closely associated with converting non-performing loans into performing assets and collecting them.

The table below shows the loans portfolio of the Npl Segment, by method of transformation and accounting criterion; the "impact through profit or loss" refers to the components of the net banking income deriving from the booking at amortised cost of the related loans portfolio; in particular, interest income from amortised cost is included for 36,2 million Euro and other components of the net interest income from cash flow changes for 27,5 million Euro, as reported in the summary table of "Economic data" below in this paragraph.

NPL SEGMENT PORTFOLIO (in thousands of Euro)	OUTSTANDING NOMINAL AMOUNT	CARRYING AMOUNT	CARRYING AMNT / RES. NOM. AMNT	INTEREST ON INCOME STATEMENT	ERC	MAIN METHOD OF ACCOUNTING
Cost	1.147.441	112.350	9,8%	-	230.407	Acquisition cost
Non-judicial	10.986.675	368.225	3,4%	22.095	640.960	
of which: Collective (curves)	*10.577.653*	*188.377*	*1,8%*	*(1.785)*	*306.699*	*Cost = NPV of flows from model*
of which: Plans	*409.022*	*179.848*	*44,0%*	*23.880*	*334.261*	*Cost = NPV of flows from model*
Judicial	7.546.162	915.681	12,1%	41.645	1.922.638	
of which: Other positions undergoing judicial processing	*3.243.490*	*299.650*	*9,2%*	-	*587.582*	*Acquisition cost*
of which: Writs, Property Attachments, Garnishment Orders	*1.387.875*	*453.616*	*32,7%*	*36.178*	*1.115.474*	*Cost = NPV of flows from model*
of which: Secured and Corporate	*2.914.797*	*162.415*	*5,6%*	*5.467*	*219.582*	*Cost = NPV of flows from model*
Total	**19.680.278**	**1.396.256**	**7,1%**	**63.740**	**2.794.005**	

The business can be divided up into three macro categories:

- post-acquisition management, when all information retrieval operations take place to help decide the most appropriate conversion method, the receivable is classified in a so-called "staging" area and recognised at cost (112,4 million Euro at 31 March 2021, compared to 170,4 million Euro at 31 December 2020) with no contribution to profit or loss. As a rule, 6-12 months later, the positions are directed towards the most appropriate form of management, depending on their characteristics;
- non-judicial operations, which deal with practices that can be handled through collection by settlement. Practices awaiting information about the most appropriate collection instrument are classified into a basin called “mass management” and at 31 March 2021 come to 188,4 million Euro as compared with 173,8 million Euro at 31 December 2020 (up 8,4%). Practices on which a realignment plan has been agreed and formalised, record an increase (9%), coming in at 179,8 million Euro at 31 March 2021 (164,9 million Euro at 31 December 2020);
- legal management, which covers all practices in the various stages of legal processing, ranging from obtaining a court order to a garnishment order. Practices awaiting the most appropriate legal action are included in the category of “Other positions undergoing judicial processing” and come to 299,7 million Euro at 31 March 2021 (296,3 million Euro at 31 December 2020); practices in phases of writ, attachment order and garnishment order are allocated to a specific basin, which records an increase of 3,0%, coming in at 453,6 million Euro as compared with the 440,2 million Euro recorded in December 2020. The judicial management basin include all “Secured and Corporate” positions of corporate banking origin or real estate, equal to 162,4 million Euro at 31 March 2021, as compared with 158,0 million Euro at 31 December 2020.

Finally, the Group occasionally seizes market opportunities in accordance with its business model by selling portfolios of positions yet to be processed to third parties.

INCOME STATEMENT DATA (in thousands of Euro)	1ST QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Interest income from amortised cost	36.191	34.493	1.698	4,9%
Interest income notes and other minority components	490	437	53	12,1%
Other components of net interest income from change in cash flow	27.544	15.091	12.453	82,5%
Funding costs	(6.580)	(7.174)	594	(8,3)%
Net interest income	**57.645**	**42.847**	**14.798**	**34,5%**
Net commission income	**77**	**1.290**	**(1.213)**	**(94,0)%**
Other components of net banking income	(375)	(904)	529	(58,5)%
Gain on sale of receivables	920	-	920	n.a.
Net banking income	**58.267**	**43.233**	**15.034**	**34,8%**
Net profit (loss) from financial activities	**58.267**	**43.233**	**15.034**	**34,8%**
Operating costs	**(41.490)**	**(33.475)**	**(8.015)**	**23,9%**
Pre-tax profit from continuing operations	**16.777**	**9.758**	**7.019**	**71,9%**
Income taxes for the period relating to continuing operations	(5.300)	(2.987)	(2.313)	77,4%
Profit (loss) for the period	**11.477**	**6.771**	**4.706**	**69,5%**

“Interest income from amortised cost”, referring to the interest accruing at the original effective interest rate, rose 4,9% from 34,5 million Euro to 36,2 million Euro at 31 March 2021, largely thanks to the increase in receivables at amortised cost.

The item “Other components of net interest income from change in cash flow”, which goes from 15,1 million Euro in Q1 2020 to 27,5 million Euro at 31 March 2021, up 82,5%, including the economic effect deriving from the change in cash flows forecast according to the greater or lesser collections made in respect of the previous forecasts. This item is made up of: non-judicial operations for 9,4 million Euro, comprising 17,3 million Euro referring to repayment plans and -7,9 million Euro referring to curves; legal operations for 18,1 million Euro, where the contribution made by writs, attachments and garnishment orders is approximately 17,4 million Euro, while that of the secured and corporate basin is approximately 0,7 million Euro.

The reduction in the funding costs is due to lower interest expense attributed by the Governance & Non-Core Services Segment, as a result of the reduction in the internal transfer rate according to the total cost of funding.

The reduction in net commission income is due to both the increase in commission payable on collections and payments and the reduction in commission income deriving from servicing activities on third party portfolios.

The net profit from financial activities of the Npl Segment therefore amounted to 58,3 million Euro (43,2 million Euro at 31 March 2020, up 34,8%). The significant increase in this result as compared with the same period of last year is almost entirely due to the changed economic-health situation that struck the country last year and the effects of which have today been very much attenuated. In actual fact, in March 2020, widespread court closure was ordered by the government, which resulted in a halt to legal collections and, consequently, a paralysis of the production of legal deeds to recover equity from third parties.

Operating costs rise by 23,9%, going from 33,5 million Euro at 31 March 2020, to 41,5 million Euro at 31 March 2021. This increase is mainly due to the variable costs linked to debt collection.

Period profit of the Npl Segment is approximately 11,5 million Euro, up 69,5% on the same period of last year thanks to the recovery of all business activities.

Below is the breakdown of net loans by supervisory risk category.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Net bad loans	1.038.777	1.041.196	(2.419)	(0,2)%
Net unlikely to pay	333.727	339.799	(6.072)	(1,8)%
Net non-performing past due exposures	3.319	90	3.229	n.s.
Total net non-performing exposures to customers (stage 3)	**1.375.823**	**1.381.085**	**(5.262)**	**(0,4)%**
Net performing exposures (stages 1 and 2)	22.397	24.518	(2.121)	(8,7)%
Total on-balance-sheet receivables due from customers [1]	**1.398.220**	**1.405.603**	**(7.383)**	**(0,5)%**

(1) Total on-balance-sheet receivables due from customers include loans connected with the servicing activity for 2,0 million Euro and 1,9 million Euro respectively at 31 March 2021 and 31 December 2020.

The Npl Segment's receivables qualify as POCI - Purchased or originated credit-impaired -, the category introduced by the accounting standard IFRS 9. These are loans that were non-performing at the date they were acquired or originated.

KPI	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Nominal amount of receivables managed	19.680.278	19.787.379	(107.101)	(0,5)%
Total RWAs	2.189.265	2.211.695	(22.430)	(1,0)%

Total Estimated Remaining Collections (ERC) amounted to approximately 2,8 billion Euro.

NPL SEGMENT NON-PERFORMING LOAN PORTFOLIO PERFORMANCE	31.03.2021	31.12.2020
Opening loan portfolio	**1.403.711**	**1.278.220**
Purchases	13.546	224.291
Sales	(4.725)	(26.095)
Gains on sales	919	5.000
Interest income from amortised cost	36.191	139.114
Other components of interest from change in cash flow	27.550	42.538
Collections	(80.936)	(259.357)
Closing loan portfolio	**1.396.256**	**1.403.711**

Total purchases in Q1 2021 came to 13,5 million Euro, up on the 6,3 million Euro of the first quarter of the previous year. During the first three months of 2021, sales were completed for a total price of approximately 4,7 million Euro, which generated profits of about 0,9 million Euro.

The item "Collections" equal to 80,9 includes the instalments collected during the quarter from re-entry plans, from garnishment orders and transactions carried out rises by 24% on the collections of 65,2 million Euro made in the first quarter 2020.

Funding from settlement plans (equal to the nominal amount of all the instalments under the plans entered into with the debtors in the period) was up, reaching 111 million Euro at 31 March 2021 compared to 81,8 million Euro at 31 March 2020.

At the end of the period, the portfolio managed by the Npl Segment included 1.967.034 positions, for a nominal amount of approximately 19,7 billion Euro.

GOVERNANCE & NON-CORE SERVICES SEGMENT

The segment comprises, among other things, the resources required for the performance of the services of the Planning and Management Control, Finance, Operations, Marketing Communication and External Relations and HR, as well as the structures responsible for raising, managing and allocating financial resources to the operating segments. The Segment in question also includes the Proprietary Finance business (proprietary securities desk) and the sub-fund Cap.Ital.Fin. S.p.A., a company operative in salary- or pension-backed loans. The Segment also includes run-off portfolios originated from the former Interbanca as well as other personal loan portfolios.

INCOME STATEMENT DATA (in thousands of Euro)	1ST QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**14.505**	**12.510**	**1.995**	**15,9%**
Net commission	**(438)**	**82**	**(520)**	**n.s.**
Other components of net banking income	463	(3.638)	4.101	(112,7)%
Net banking income	**14.530**	**8.954**	**5.576**	**62,3%**
Net credit risk losses/reversals	(10.399)	(7.464)	(2.935)	39,3%
Net profit (loss) from financial activities	**4.131**	**1.490**	**2.641**	**177,2%**
Operating costs	**(12.944)**	**(12.009)**	**(935)**	**7,8%**
Gains (Losses) on disposal of investments	-	24.161	(24.161)	(100,0)%
Pre-tax profit from continuing operations	**(8.813)**	**13.642**	**(22.455)**	**(164,6)%**
Income taxes for the period relating to continuing operations	2.815	(4.853)	7.668	(158,0)%
Profit (loss) for the period	**(5.998)**	**8.789**	**(14.787)**	**(168,2)%**

The Segment’s net banking income comes to 14,5 million Euro, up 5,6 million Euro on the same period of last year and with growth seen both in the Non Core Area for 4,7 million Euro and in the Governance & Services Area for 0,9 million Euro. In particular:

- the interest margin has increased overall by 2,0 million Euro on the first quarter of 2020. More specifically, interest income has speeded up for 2,9 million Euro in PPA following the early repayment of certain positions included in the non-core loans portfolio and the positive contribution made by the Governance & Services Area for 2,2 million Euro, mainly driven by the Proprietary Finance business. These positive effects have been partially offset by the lesser interest income following the dismantling of a portfolio in run-off of the Non-Core Area (-3,1 million Euro). The total residual amount of the PPA reversal for the Governance & Non-Core Services Segment was 43,6 million Euro at 31 March 2021;
- net commission is down 0,5 million Euro mainly due to costs relating to the self-securitisation transaction performed by the Banca Ifis Group during the first quarter of 2021 regarding Npl Segment loans;

- other components of net banking income grew by 4,1 million Euro. This comprehensive effect depends mainly on the lesser write-downs of fair value positions of the Non-Core Area for 3,2 million Euro and the greater contribution made by the Proprietary Finance segment for 2,3 million Euro, partially offset by the negative effect of the net result of trading for a total of 1,3 million Euro, mainly due to the loss connected with the early closure of a Non-Core Area derivative and a lesser positive effect on exchanges of the Polish subsidiary Ifis Finance Sp. z o.o.

In terms of funding, Rendimax and Contomax continue to constitute the Group's main source of finance, with a comprehensive cost of approximately 14,9 million Euro, slightly lower than the same period of last year (15,5 million Euro) due to the decrease in average assets under management (4.351 million Euro at 31 March 2021 as compared with 4.565 million Euro at 31 December 2020, -4,7%) despite the average rates being in line with the first quarter of 2020. At 31 March 2021, the carrying amount of securities in issue came to 1.957,9 million Euro, down 111,2 million Euro on the figure of 31 December 2020, mainly following the full repayment during Q1 2021 of approximately 63 million Euro for a debenture loan issued by the incorporated Interbanca, which has reached its natural expiry. In economic terms, interest expense accrued on all issues dropped by 1,1 million Euro, coming in at a total of 7,9 million Euro.

Access is also noted to funding through TLTRO transactions for a nominal amount of 2,0 billion Euro.

As regards the cost of credit, an increase is seen to net adjustments, which come to 10,4 million Euro, as compared with 7,5 million Euro at 31 March 2020. This change is due to the Non-Core Area and partly to an individually significant position.

Operating costs come to 12,9 million Euro, up 0,9 million Euro on 31 March 2020. The increase is almost exclusively the result of the higher cost for the contribution to the Single Resolution Fund (SRF), up by around 1,0 million Euro on the allocation made during the same period of last year. In both quarters, this allocation was initially noted on the provisions for risks and thereafter paid to the competent authority during the second quarter.

At 31 March 2020, gains on disposal of investments include the effects of the sale of the Milan property in Corso Venezia, net of the related costs of sale.

At 31 March 2021, total net receivables for the Segment amounted to 1.800,7 million Euro, up 3,7% on the figure at 31 December 2020 (1.737,2 million Euro). The increase of approximately 63,5 million Euro is substantially related to the Proprietary Finance segment business, which operates mainly through the purchase of government securities. At the same time, run-off portfolios in the sector decreased by about 43,9 million Euro.

It should be noted that within the Governance & Non-Core Services Segment, there are receivables belonging to the POCI category, mainly referring to non-performing exposures resulting from the business combination with the former GE Capital Interbanca Group:

- net non-performing loans: 20,9 million Euro at 31 March 2021, down on the 25,1 million Euro of 31 December 2020;
- net performing exposures: 13,6 million Euro at 31 March 2021, a reduction on the 17,2 million Euro at 31 December 2020.

The following table shows the gross and net amounts as well as the relevant coverage ratios of receivables due from customers for each supervisory risk category.

GOVERNANCE & NON-CORE SERVICES SEGMENT (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING (STAGES 1 AND 2)	TOTAL LOANS(1)
POSITION AT 31.03.2021						
Nominal amount	29.148	58.564	7.078	**94.790**	1.750.815	**1.845.606**
Impairment losses	(14.264)	(21.921)	(2.527)	**(38.711)**	(6.181)	**(44.892)**
Carrying amount	14.884	36.643	4.551	**56.079**	1.744.635	**1.800.713**
Coverage ratio	*48,9%*	*37,4%*	*35,7%*	***40,8%***	*0,4%*	***2,4%***
POSITION AT 31.12.2020						
Nominal amount	22.090	51.180	3.479	**76.749**	1.695.232	**1.771.981**
Impairment losses	(6.424)	(19.612)	(769)	**(26.805)**	(7.968)	**(34.773)**
Carrying amount	15.666	31.568	2.710	**49.944**	1.687.264	**1.737.208**
Coverage ratio	*29,1%*	*38,3%*	*22,1%*	***34,9%***	*0,5%*	***2,0%***

(1) In the Governance & Non-Core Services Segment, at 31 March 2021, there were government securities amounting to 1.181,6 million Euro (1.095,3 million Euro at 31 December 2020).

The coverage of non-performing exposures in the Segment is affected by receivables belonging to the so-called "POCI" category, whose gross values already take into account the estimate of expected losses. The coverage of the performing portfolio at 31 March 2021 is substantively in line with the figure at 31 December 2020.

4.
Reclassified financial statements

In the following statements, net impairment losses/reversals on receivables of the Npl Segment were entirely reclassified to Interest receivable and similar income to present more fairly this particular business and because they represent an integral part of the return on the investment.

4.1 Reclassified Consolidated Balance Sheet

ASSETS (in thousands of Euro)	31.03.2021	31.12.2020
Cash and cash equivalents	88	82
Financial assets held for trading through profit or loss	6.053	20.870
Financial assets mandatorily measured at fair value through profit or loss	142.699	136.978
Financial assets measured at fair value through other comprehensive income	759.471	774.555
Receivables due from banks measured at amortised cost	1.080.307	1.083.281
Receivables due from customers measured at amortised cost	9.032.139	9.135.402
Property, plant and equipment	116.564	115.149
Intangible assets	61.043	60.970
of which:		
- goodwill	*38.787*	*38.798*
Tax assets:	374.264	381.431
a) current	65.742	74.255
b) deferred	308.522	307.176
Other assets	268.582	317.478
Total assets	**11.841.210**	**12.026.196**

LIABILITIES AND EQUITY (in thousands of Euro)	31.03.2021	31.12.2020
Payables due to banks measured at amortised cost	2.251.098	2.367.082
Payables due to customers measured at amortised cost	5.526.263	5.471.874
Debt securities issued measured at amortised cost	1.957.906	2.069.083
Financial liabilities held for trading	8.158	18.551
Tax liabilities:	52.524	48.154
a) current	15.619	12.018
b) deferred	36.905	36.136
Other liabilities	406.769	438.311
Post-employment benefits	8.747	9.235
Provisions for risks and charges	58.080	53.944
Valuation reserves	(19.065)	(19.337)
Reserves	1.390.274	1.320.871
Share premiums	102.555	102.491
Share capital	53.811	53.811
Treasury shares (-)	(2.948)	(2.948)
Equity attributable to non-controlling interests	26.916	26.270
Profit for the period	20.121	68.804
Total liabilities and equity	**11.841.210**	**12.026.196**

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4.2 Reclassified Consolidated Income Statement

ITEMS (in thousands of Euro)	31.03.2021	31.03.2020
Net interest income	**115.827**	**91.416**
Net commission income	**18.767**	**21.097**
Other components of net banking income	3.135	(6.561)
Net banking income	**137.729**	**105.952**
Net credit risk losses/reversals	(16.102)	(18.512)
Net profit (loss) from financial activities	**121.627**	**87.440**
Administrative expenses:	(86.234)	(72.549)
a) personnel expenses	(33.779)	(32.029)
b) other administrative expenses	(52.455)	(40.520)
Net allocations to provisions for risks and charges	(7.421)	(4.889)
Net impairment losses/reversals on property, plant and equipment and intangible assets	(4.413)	(4.039)
Other operating income/expenses	6.800	7.978
Operating costs	**(91.268)**	**(73.499)**
Gains (losses) on disposal of investments	-	24.161
Pre-tax profit from continuing operations	**30.359**	**38.102**
Income taxes for the period relating to continuing operations	(9.590)	(11.660)
Profit for the period	**20.769**	**26.442**
Profit for the period attributable to non-controlling interests	648	16
Profit for the period attributable to the Parent company	**20.121**	**26.426**

4.3 Reclassified Consolidated Statement of Comprehensive Income

ITEMS (in thousands of Euro)	31.03.2021	31.03.2020
Profit for the period	**20.769**	**26.442**
Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**3.751**	**(13.453)**
Equity securities measured at fair value through other comprehensive income	3.574	(13.555)
Defined benefit plans	177	102
Other comprehensive income, net of taxes, to be reclassified to profit or loss	**(2.974)**	**(9.594)**
Exchange differences	(765)	(2.424)
Financial assets (other than equity securities) measured at fair value through other comprehensive income	(2.209)	(7.170)
Total other comprehensive income, net of taxes	**777**	**(23.047)**
Total comprehensive income (Item 10 + 170)	**21.546**	**3.395**
Total consolidated comprehensive income attributable to non-controlling interests	646	16
Total consolidated comprehensive income attributable to the Parent company	**20.900**	**3.379**

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5.

Notes

5.1 Accounting policies

5.1.1 – Statement of compliance with international accounting standards

This Consolidated Interim Report at 31 March 2021 of the Banca Ifis Group was prepared in accordance with Borsa Italiana's Rules for companies listed on the STAR segment (article 2.2.3 paragraph 3), which require publishing an interim report within 45 days of the end of each quarter, and considering Borsa Italiana's notice no. 7587 of 21 April 2016. Therefore, in accordance with said notice, concerning the contents of the Consolidated Interim Report, the Group made reference to the pre-existing paragraph 5 of article 154-ter of Italian Legislative Decree no. 58, dated 24 February 1998.

The Consolidated Interim Report at 31 March 2021 does not include all the information required for the preparation of the annual consolidated financial statements in accordance with IFRS accounting standards. For this reason, it is necessary to read the Consolidated Interim Report together with the consolidated financial statements at 31 December 2020. The preparation criteria, the valuation and consolidation criteria and the accounting standards adopted in the preparation of this Consolidated Interim Report comply with the accounting standards adopted in the preparation of the Consolidated Financial Statements at 31 December 2020, with the exception of the adoption of the new or amended accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as set out below.

IFRS refers to international accounting standards IASs/IFRSs 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.

The currency of account is the Euro and, if not indicated otherwise, amounts are expressed in thousands of Euro.

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 criteria for recognising, measuring and derecognising assets and liabilities and the methods for recognising revenue and costs adopted in preparing the Consolidated Interim Report at 31 March 2021 are unchanged from those used to prepare the Consolidated Financial Statements at 31 December 2020, to which reference should be made for further details.

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-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, also in consideration of the worsening of the Covid-19 pandemic, the Banca Ifis Group can indeed be considered as a going concern, in that it can be reasonably expected to continue operating in the foreseeable future. Therefore, the Consolidated Interim Report at 31 March 2021 is 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 Group has consistently achieved, to the quality of its loans, and to its current access to financial resources.

5.1.2 - Scope and methods of consolidation

The Consolidated Interim Report of the Banca Ifis Group has been drawn up on the basis of the accounts at 31 March 2021 prepared by the directors of the companies included in the consolidation scope.

At 31 March 2021, the Group consisted of the parent company, Banca Ifis S.p.A., the full subsidiaries Ifis Finance Sp. z o.o., Ifis Rental Services S.r.l., Ifis Npl Investing S.p.A. (formerly Ifis Npl S.p.A.), Cap.Ital.Fin. S.p.A., Ifis Npl Servicing S.p.A. (formerly Gemini S.p.A.) and Ifis Real Estate S.p.A., Ifis Finance IFN S.A. controlled 99,99%, the subsidiary controlled 70% Credifarma S.p.A. and Farbanca S.p.A., acquired late 2020 and controlled 70,77%.

To this end, it is noted that on 1 January 2021, a corporate reorganisation was completed in the Npl Segment, aiming to guarantee the separation and independence of the acquisition of credits and debt collection through three companies: Ifis Npl Investing, Ifis Npl Servicing and Ifis Real Estate (for more details, see the specific paragraph in the "Significant events that occurred in the period" section). As regards the companies involved and their business names, please note that as compared with the situation at 31 December 2020:

- on 1 January 2021, Ifis Npl S.p.A. was renamed Ifis Npl Investing S.p.A.;
- Ifis Npl Servicing S.p.A. (formerly Fbs S.p.A.) was merged by incorporation into Ifis Npl Investing with effect from 1 January 2021;
- Gemini S.p.A. was renamed Ifis Npl Servicing S.p.A. starting 1 January 2021.

All the companies included in the consolidation area were consolidated using the line-by-line method.

The accounts of the Polish subsidiary Ifis Finance Sp. z o.o. and the Rumanian subsidiary Ifis Finance IFN S.A., both expressed in foreign currencies are translated into Euro by applying the rate of exchange at the end of the period to assets and liabilities. As for the income statement, the items are translated using the average exchange rate, which is considered as a valid approximation of the spot exchange rate. Exchange differences arising from the application of different exchange rates for the statement of financial position and the income statement, as well as the exchange differences from the translation of each investee company's equity, are recognised under capital reserves.

Assets and liabilities, off-balance-sheet transactions, income and expenses, as well as the profits and losses arising from relations between the consolidated companies are all eliminated.

Business combinations must be recognised by applying the principles established by IFRS 3; purchases of equity investments in which control is obtained and counting as business combinations must be recognised by applying the acquisition method, which requires:

- identification of the acquirer;
- determination of the acquisition date;

- recognition and measurement of the identifiable assets acquired, the liabilities assumed and any minority interest in the acquiree;
- recognition and measurement of goodwill or a gain from a bargain purchase.

The cost of an acquisition is determined as the sum of the amount transferred, measured at fair value at the acquisition date and the amount of the minority interest in the acquiree. For each business combination, the Group decides whether to measure any minority interest in the acquiree at fair value or in proportion to the minority share of the acquiree's net identifiable assets. Acquisition costs are expensed in the period of competence and classified as administrative expenses.

Any contingent amount is recognised at the fair value at the acquisition date.

Goodwill is initially stated at cost represented by the excess of the total amount paid and the amount recognised for minority interests in respect of the net identifiable assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total amount paid, the Group again verifies whether it correctly identified all the assets acquired and all the liabilities assumed and revises the procedures used to determine the amounts to be recognised at the acquisition date. If the new valuation still shows a fair value of the net assets acquired higher than the amount, the difference (profit) is recognised in the income statement.

After its initial recognition, goodwill is measured at cost net of accumulated impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If goodwill has been allocated to a CGU and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss of the disposal. The goodwill associated with the disposed operation is determined on the basis of the relative values of the disposed operation and the portion of the CGU is retained.

The consolidation process of the subsidiaries resulted in the following goodwill being recognised under the item intangible assets: 38,0 million Euro for the consolidation of the former Fbs Group, 767 thousand Euro at period end exchange rates for the Polish subsidiary Ifis Finance Sp. z.o.o.

1. Equity investments in exclusively controlled companies

COMPANY NAME	HEAD OFFICE	REGISTERED OFFICE	TYPE (1)	INVESTMENT		VOTING RIGHTS % (2)
				COMPANY PARTICIPANT	SHARE %	
Ifis Finance Sp. z o.o.	Warsaw	Warsaw	1	Banca Ifis S.p.A.	100%	100%
Ifis Rental Services S.r.l.	Milan	Milan	1	Banca Ifis S.p.A.	100%	100%
Ifis Npl Investing S.p.A. (formerly Ifis Npl S.p.A.)	Florence, Milan and Mestre (VE)	Mestre (VE)	1	Banca Ifis S.p.A.	100%	100%
Ifis Real Estate S.p.A.	Milan	Milan	1	Ifis Npl Servicing S.p.A. (formerly Gemini S.p.A.)	100%	100%
Cap. Ital. Fin. S.p.A.	Naples	Naples	1	Banca Ifis S.p.A.	100%	100%
Ifis Npl Servicing S.p.A. (formerly Gemini S.p.A.)	Mestre (VE)	Mestre (VE)	1	Ifis Npl Investing S.p.A. (formerly Ifis Npl S.p.A.)	100%	100%
Ifis Finance IFN S.A.	Bucharest	Bucharest	1	Banca Ifis S.p.A.	99,99%	99,99%
Farbanca S.p.A.	Bologna	Bologna	1	Banca Ifis S.p.A.	70,77%	70,77%
Credifarma S.p.A.	Rome	Rome	1	Banca Ifis S.p.A.	70%	70%
Ifis Npl 2021-1 SPV S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	4	Banca Ifis S.p.A.	10%	10%
Indigo Lease S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	4	Other	0%	0%
Ifis ABCP Programme S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	4	Other	0%	0%

Key

(1) Type of relationship:

1 = majority of voting rights in the Annual Shareholders' Meeting
2 = dominant influence in the Annual Shareholders' Meeting
3 = agreements with other shareholders
4 = other forms of control
5 = joint management pursuant to Article 26, paragraph 1, Italian Legislative Decree no. 87/92
6 = joint management pursuant to Article 26, paragraph 2, Italian Legislative Decree no. 87/92

(2) Voting rights in the Annual Shareholders' Meeting, distinguishing between effective and potential voting rights

Significant judgements and assumptions in determining the scope of consolidation

In order to determine the scope of consolidation, Banca Ifis assessed whether it meets the requirements of IFRS 10 for controlling investees or other entities with which it has any sort of contractual arrangements.

An entity controls another entity when the former has all the following:

- power over the investee;
- exposure to variable returns;
- and the ability to affect the amount of its returns.

Generally, there is a presumption that a majority of voting rights gives control over the investee. The Group reconsiders whether or not it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the three elements relevant to the definition of control. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the period of competence are included in the Consolidated Interim Report from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

The profit (loss) for the period and each of the other components of the Statement of Comprehensive Income are attributed to the shareholders of the parent company and minority interests, even if this implies that the minority interests have a negative balance. When necessary, appropriate adjustments are made to the financial statements of the subsidiaries, in order to ensure compliance with the Group's accounting standards. All assets and liabilities, equity, revenues, costs and inter-group financial flows relating to transactions between Group entities are derecognised completely during the consolidation phase.

Changes in the investment in a subsidiary that do not involve the loss of control are recognised in equity.

If the Group loses control of a subsidiary, it must derecognise the related assets (including goodwill), liabilities, minority interests and other components of equity, while any profit or loss is recognised in the Income Statement. Any retained interest must be measured at fair value.

The assessment carried out led the Bank to include the subsidiaries listed in the previous paragraph, as well as the SPVs (Special Purpose Vehicles) set up for securitisation purposes, for which control is considered to exist in accordance with IFRS 10; in the scope of consolidation at the reporting date. These SPVs are not formally part of the Banca Ifis Group.

5.1.3 - 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 of this consolidated interim report, as well as any other factor deemed reasonable for this purpose, also as a consequence of the current situation connected with the Covid-19 pandemic.

Specifically, it made estimates concerning the carrying amounts of some items recognised in the Consolidated Interim Report at 31 March 2021, 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 March 2021.

Furthermore, the estimates and assumptions used in the preparation of this report are affected by the reasonably foreseeable impacts of the Covid-19. Also in consideration of the upsurge of the Covid-19 pandemic in October 2020 in Italy and in the rest of Europe and the related legislative provisions adopted and being adopted by the various national governments, it is not possible to exclude that additional impacts in the forthcoming months, whose timing and amount cannot presently be forecast, may impact the hypotheses and assumptions underlying the estimation processes with respect to those considered in the estimates prepared to draft the interim report at 31 March 2021, thereby requiring changes to be made to the values of the assets and liabilities booked, which cannot currently be estimated or foreseen.

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 of the Npl Segment;

- receivables managed by the Pharma BU, and specifically the interest on arrears considered recoverable;
- measurement of the Expected Credit Loss for receivables other than the Npl Segment;
- 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 consolidated financial statements at 31 December 2020.

Npl Segment exposures

Concerning specifically the measurement of the receivables in the Npl Segment, the Risk Management Department, when assessing the Bank's capital adequacy (ICAAP), regularly assesses the so-called model risk, since the characteristics of the business model imply a high level of variability concerning both the amount collected and the date of actual collection.

In particular, for receivables undergoing non-judicial operations, the proprietary model estimates cash flows by projecting the breakdown of the nominal amount of the receivable over time based on the historical recovery profile for similar clusters. In addition, for the positions with settlement plan funding characteristics, a deterministic model based on the measurement of the future instalments of the plan, net of the historical default rate is used. Therefore, the timely and careful management of cash flows is particularly important. To ensure expected cash flows are correctly assessed, also with a view to correctly pricing the transactions undertaken, the Group carefully monitors the trend in collections compared to expected flows.

For receivables undergoing judicial operations, i.e. for positions for which the presence of a job or a pension has been verified, a model has been developed for estimating cash flows prior to obtaining the Garnishment Order (ODA). In particular, cash flows are estimated for all those positions that have obtained a decree not opposed by the debtor from 1 January 2018.

The other positions undergoing judicial operations continue to be recognised at cost until said requirements are met or a garnishment order is issued.

Upon garnishment order, future cash flows are analytically determined on the basis of the objective elements known for each individual position; in this case, therefore, the estimates applied relate mainly to the identification of the duration of the payment plan.

In order to take into account the current context and incorporate the effects linked to the temporary closure of production activities, corrections were made to the forecasting models that entailed, with reference to amicable management, a limited decline in collections expected for FYs 2021 and 2022, in line with the general macroeconomic forecasts.

Consistently with the legislation released, certain corrections have been made to the models that cover both the secured Npl positions, as a result of the extension of collection times due to the suspension in proceeding with the attachment of properties received as collateral and for positions for which bankruptcy proceedings are in progress.

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

As for the receivables of the Pharma BU, the Group 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 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 for receivables other than the Npl Segment

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 period end 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.

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 economic 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.

Finally, in line with what has been done for the secured portfolio of the Npl Segment, 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 real estate execution, including in the Commercial & Corporate Banking Segment.

Reference should be made to the information given in paragraph "A.2 - Part relating to the main items" of the Consolidated financial statements at 31 December 2020.

Goodwill and other intangible assets.

Business combinations must be booked as per the standards established by IFRS 3, using the acquisition method. Goodwill is initially stated at cost represented by the excess of the total amount paid and the amount recognised for minority interests in respect of the net identifiable assets acquired and the liabilities assumed by the Group.

As regards the purchase price allocation ("PPA") of the aggregation to assets, liabilities and potential liabilities of the subject acquired, as can be identified at the purchase date and measured at their respective fair values, a preventive mapping has been carried out of all the assets and liabilities for which it was considered likely to encounter significant differences in value between the fair value and the respective carrying amount.

In particular, the fair values are determined on the basis of the methodology considered to be most appropriate for each class of asset and liability acquired (for example, for the loan portfolio, the discounted cash flow method).

If the fair value of the net assets acquired exceeds the total amount paid, the Group again verifies whether it correctly identified all the assets acquired and all the liabilities assumed and revises the procedures used to determine the amounts to be recognised at the acquisition date. If the new valuation still shows a fair value of the net assets acquired higher than the amount, the difference (profit) is recognised in the income statement as "gain on bargain purchase".

Thereafter, 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, the Banca Ifis Group estimates both future cash flows in the explicit forecasting period and flows used to determine the terminal value. In a similar fashion, the Group also estimates the discounting rate of future cash flows previously estimated. The discounting rate has been determined by the Group using the "Capital Asset Pricing Model" (CAPM).

We would refer you to the more detailed information given in Part B - Information on the Consolidated Statement of Financial Position, Section "10 - Intangible assets - Item 100", Paragraph "10.3 Other information" of the Consolidated Financial Statements at 31 December 2020.

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.

5.2 Group financials and income results

In the following statements, net impairment losses/reversals on receivables of the Npl Segment were entirely reclassified to Interest receivable and similar income to present more fairly this particular business and because they represent an integral part of the return on the investment.

5.2.1 Reclassified Statement of financial positions items

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Financial assets mandatorily measured at fair value through profit or loss	142.699	136.978	5.721	4,2%
Financial assets measured at fair value through other comprehensive income	759.471	774.555	(15.084)	(1,9)%
Receivables due from banks measured at amortised cost	1.080.307	1.083.281	(2.974)	(0,3)%
Receivables due from customers measured at amortised cost	9.032.139	9.135.402	(103.263)	(1,1)%
Property, plant and equipment and intangible assets	177.607	176.119	1.488	0,8%
Tax assets	374.264	381.431	(7.167)	(1,9)%
Other assets	274.723	338.430	(63.707)	(18,8)%
Total assets	**11.841.210**	**12.026.196**	**(184.986)**	**(1,5)%**
Payables due to banks measured at amortised cost	2.251.098	2.367.082	(115.984)	(4,9)%
Payables due to customers measured at amortised cost	5.526.263	5.471.874	54.389	1,0%
Debt securities issued	1.957.906	2.069.083	(111.177)	(5,4)%
Tax liabilities	52.524	48.154	4.370	9,1%
Provisions for risks and charges	58.080	53.944	4.136	7,7%
Other liabilities	423.674	466.097	(42.423)	(9,1)%
Group equity	1.571.665	1.549.962	21.703	1,4%
Total liabilities and equity	**11.841.210**	**12.026.196**	**(184.986)**	**(1,5)%**

Financial assets mandatorily measured at fair value through profit or loss

Other financial assets mandatorily measured at fair value through profit or loss total 142,7 million Euro at 31 March 2021. This item consists of loans and debt securities that did not pass the SPPI test, equity securities from minority shares and UCITS units. Without considering period collections, the growth of 4,2% on 31 December 2020 is mainly due to a new loan at fair value for 4,8 million Euro and the write-back of units held in UCITS funds for approximately 1,8 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	
	31.03.2021	31.12.2020	ABSOLUTE	%
Debt securities	3.248	3.532	(284)	(8,0)%
Equity securities	20.672	20.683	(11)	(0,1)%
UCITS units	83.305	81.479	1.826	2,2%
Loans	35.474	31.284	4.190	13,4%
Total	**142.699**	**136.978**	**5.721**	**4,2%**

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income amounted to 759,5 million Euro at 31 March 2021, down 1,9% from December 2020. They include debt securities that have passed the SPPI test and equity securities for which the Group has exercised the OCI Option envisaged by IFRS 9.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Debt securities	671.582	721.216	(49.634)	(6,9)%
Equity securities	87.889	53.339	34.550	64,8%
Total	**759.471**	**774.555**	**(15.084)**	**(1,9)%**

Debt securities held in the portfolio at 31 March 2021 total 671,6 million Euro, down 6,9% with respect to the balance at 31 December 2020 mainly as a result of the (partial or total) sales made during the quarter, which more than offset the new debt security acquisitions. The related net fair value reserve comes to a negative 0,4 million Euro, showing a clear decline on the positive balance of 1,8 million Euro at 31 December 2020, precisely following the sales made in the first three months of 2021.

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	252.282	378.263	-	-	8.043	638.588
% of total	*37,6%*	*56,3%*	-	-	*1,2%*	*95,1%*
Banks	-	-	2.635	7.374	-	10.009
% of total	-	-	*0,4%*	*1,1%*	-	*1,5%*
Other issuers	-	-	-	15.238	7.747	22.985
% of total	-	-	-	*2,3%*	*1,2%*	*3,4%*
Total	**252.282**	**378.263**	**2.635**	**22.612**	**15.790**	**671.582**
% of total	***37,6%***	***56,3%***	***0,4%***	***3,4%***	***2,4%***	***100,0%***

This item includes also equity securities relating to minority interests, amounting to 87,9 million Euro, up 64,8% compared to 31 December 2020, mainly due to investments made in the first quarter of 2021.

Receivables due from banks measured at amortised cost

Total receivables due from banks measured at amortised cost amounted to 1.080,3 million Euro at 31 March 2021, showing a balance that is basically in line with the figure booked at 31 December 2020 (1.083,3 million Euro). This item mainly refers to receivables due from central banks (713,2 million Euro at 31 March 2021 compared to 693,8 million Euro at 31 December 2020), 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 9.032,1 million Euro, down 1,1% on 31 December 2020 (9.135,4 million Euro). The item includes debt securities for 1,4 billion Euro (1,3 billion at 31 December 2020). The Commercial & Corporate Banking Segment is down on the same period of last year (-2,7%). This reduction is concentrated above all on the Factoring Business Area (-8,8%) and was only partially offset by the growth of the Corporate Banking & Lending Area (+5,0%, equal to growth of 91,2 million Euro); the Leasing Area is also slightly down, -0,6%. Receivables of the Npl Segment are down 0,5%, whilst an increase is recorded of 63,5 million Euro in exposures of the Governance & Services and Non-Core Segment, mainly due to the purchase of debt securities.

RECEIVABLES DUE FROM CUSTOMERS BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Commercial & Corporate Banking Segment	5.833.206	5.992.591	(159.385)	(2,7)%
- of which non-performing	*166.068*	*160.826*	*5.242*	*3,3%*
Factoring Area	2.513.086	2.755.488	(242.402)	(8,8)%
- of which non-performing	*111.147*	*115.783*	*(4.636)*	*(4,0)%*
Leasing Area	1.405.902	1.414.055	(8.153)	(0,6)%
- of which non-performing	*11.688*	*11.377*	*311*	*2,7%*
Corporate Banking & Lending Area	1.914.217	1.823.048	91.169	5,0%
- of which non-performing	*43.233*	*33.666*	*9.567*	*28,4%*
Npl Segment	1.398.220	1.405.603	(7.383)	(0,5)%
- of which non-performing	*1.375.823*	*1.381.085*	*(5.262)*	*(0,4)%*
Governance & Non-Core Services Segment	1.800.713	1.737.208	63.505	3,7%
- of which non-performing	*56.079*	*49.944*	*6.135*	*12,3%*
Total receivables due from customers	**9.032.139**	**9.135.402**	**(103.263)**	**(1,1)%**
- of which non-performing	***1.597.970***	***1.591.855***	***6.115***	***0,4%***

Total net non-performing exposures, which are significantly affected by the receivables of the Npl Segment, amounted to 1.598,0 million Euro at 31 March 2021, compared to 1.591,9 million Euro at 31 December 2020 (+0,4%).

Net of these receivables, non-performing loans come to 222,1 million Euro, as compared with the 210,8 million Euro recorded at 31 December 2020.

For a detailed analysis of receivables due from customers, please see the section "Contribution of operating segments to Group results".

Intangible assets and property, plant and equipment

Intangible assets came to 61,0 million Euro, basically in line with those at 31 December 2020 (+0,1%).

The line item included 22,2 million Euro worth of software, 0,8 million Euro in goodwill arising from the consolidation of the investment in the Polish subsidiary Ifis Finance Sp. z o.o., and 38,0 million Euro for goodwill, consequent to the acquisition of the former Fbs Group.

As regards the Group's assessments on the impairment testing of such goodwill, please note that the results of this test performed at 31 December 2020 have supported the likelihood of recovery of both portions of goodwill booked. To date, the validity is confirmed of the action taken by the Group; it is believed that, also in view of the countercyclical nature of some of the Group's businesses and in particular of the Npl Segment to which the Group's most significant goodwill is allocated, the current health emergency will not have a significant impact on the consolidated results expected in the long term. For more details, we would refer you to the more extensive information given in "Part B - Information on the Consolidated Statement of Financial Position", Section 10 – "Intangible assets - Item 100", Paragraph "10.3 Other information" of the Consolidated Financial Statements at 31 December 2020.

Property, plant and equipment comes to 116,6 million Euro, as compared with the 115,1 million Euro booked at 31 December 2020, up 1,2%.

At the end of March 2021, 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 period, there were no indications requiring to test the assets for impairment.

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.

Tax assets amounted to 374,3 million Euro, slightly down on the figure at 31 December 2020 of 381,4 million Euro (-1,9%).

Current tax assets amounted to 65,7 million Euro compared with 74,3 million Euro at 31 December 2020 (-11,5%). Prepaid tax assets come to 308,5 million Euro as compared with 307,2 million Euro at 31 December 2020 and mainly comprise 219,4 million Euro (in line with the balance at 31 December 2020) assets entered for impairment of loans, potentially able to be transformed into tax credits and 50,9 million Euro assets entered on previous tax losses and the ACE benefit (51,1 million Euro at 31 December 2020).

Tax liabilities totalled 52,5 million Euro, up 9,1% from 31 December 2020, equal to 48,2 million Euro.

Current tax liabilities, of 15,6 million Euro, consist of the payable relative to last year for 12,0 million Euro, which will be paid by 30 June 2021, and the period tax burden of 3,6 million Euro.

Deferred tax liabilities, totalling 36,9 million Euro, are essentially in line with 31 December 2020 and 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 1,8 million Euro relative to financial assets measured at fair value through other comprehensive income (FVOCI).

Tax assets are included in the calculation of "capital requirements for credit risk" in accordance with (EU) Regulation no. 575/2013 (CRR) as subsequently amended, which was transposed in the Bank of Italy's Circulars no. 285 and no. 286.

Here below is the breakdown of the different treatments by type and the relevant impact on CET1 and risk-weighted assets at 31 March 2021:

- the "deferred tax assets that rely on future profitability and do not arise from temporary differences" are deducted from CET1; at 31 March 2021, the 100% deduction amounted to 48,8 million Euro, including the Holding of the Banking Group: in this regard, please note that this deduction will be gradually absorbed by the future use of such deferred tax assets;
- the "deferred tax assets that rely on future profitability and arise from temporary differences" are not deducted from CET1 and receive instead a 250% risk weight: at 31 March 2021, these assets, including those pertaining to the Holding Company of the Banking Group, amounted to 38,2 million Euro and are offset by 30,7 million Euro from the corresponding deferred tax liabilities;
- the "deferred tax assets pursuant to Italian Law no. 214/2011", concerning impairment losses on receivables that can be converted into tax credits, receive a 100% risk weight; at 31 March 2021, the corresponding weight totalled 219,4 million Euro;
- "current tax assets" receive a 0% weight as they are exposures to the Central Government.

Overall, the Tax Assets recognised at 31 March 2021 and 100% deducted from Own Funds resulted in an expense amounting to 0,55% as a proportion of CET1, which will decline in the future as said assets are utilised against taxable income.

Other assets and liabilities

Other assets, of 274,7 million Euro as compared to a balance of 338,4 million Euro at 31 December 2020, mainly include:

- financial assets held for trading for 6,1 million Euro (down 71,0% on the figure of 20,9 million Euro of 31 December 2020), referring 4,7 million Euro to derivative transactions (which decrease significantly on the figure of 19,3 million at end 2020, for the dismantling during the quarter of numerous positions in derivatives), mainly hedged by opposite positions entered amongst the financial liabilities held for trading and 1,4 million Euro in securities included in the Group's trading book (down 15,4% on the balance of 1,6 million Euro at 31 December 2020);
- other assets for 268,6 million Euro (317,5 million Euro at 31 December 2020, -15,4%), of which 83,5 million Euro refer to the receivable due from the parent company La Scogliera S.p.A. by virtue of the tax consolidation agreements (83,3 million Euro at 31 December 2020). The reduction in the balance of the item during the first quarter of 2021 for a total of 48,9 million Euro mainly derives from the February 2021 collection of the credit of 14,1 million Euro in regard to the General Electric Group and relative to the tax effect on the indemnity already received for adhesion to the 2019 tax peace and the difference in the Group VAT balance, which went from a credit of 7,9 million Euro at 31 December 2020 to a debt at 31 March 2021 (and, therefore, stated amongst "other liabilities") in the amount of 2,9 million Euro;

Other liabilities come to 423,7 million Euro as compared with 466,1 million Euro at 31 December 2020, and consist of:

- trading derivatives for 8,2 million Euro, mainly referring to transactions hedged by opposite positions entered amongst financial assets held for trading, the balance of which has decreased significantly on the figure of 18,6 million Euro at 31 December 2020 following the above-specified dismantling of derivative positions during the first three months of 2021;
- 8,7 million Euro liabilities for post-employment benefits (9,2 million Euro at 31 December 2020);

- 406,8 million Euro for other liabilities (438,3 million Euro at 31 December 2020, -7,2%), largely referred to amounts due to customers that have not yet been credited as well as the payable of 58,8 million Euro for 2019 dividends suspended following the recommendations of the Supervisory Authorities and not yet distributed, to operating payables for approximately 65,2 million Euro and to payables due to the parent company La Scogliera for 23,5 million Euro. The reduction in the balance of other liabilities during the first quarter of 2021 is mainly due to the reduction in operating payables, which came to 98,3 million Euro at 31 December 2020, above all due to the seasonality of the Leasing Area volumes.

Funding

FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Payables due to banks	**2.251.098**	**2.367.082**	**(115.984)**	**(4,9)%**
- Payables due to Central banks	2.077.510	2.116.961	(39.451)	(1,9)%
of which: TLTRO	*1.992.222*	*1.994.722*	*(2.500)*	*(0,1)%*
of which: Other deposits	*85.288*	*122.239*	*(36.951)*	*(30,2)%*
- Other payables	*173.588*	*250.121*	*(76.533)*	*(30,6)%*
Payables due to customers	**5.526.263**	**5.471.874**	**54.389**	**1,0%**
- Retail	4.489.210	4.459.954	29.256	0,7%
- Other term deposits	301.272	280.484	20.788	7,4%
- Lease payables	17.603	16.891	712	4,2%
- Other payables	718.178	714.545	3.633	0,5%
Debt securities issued	**1.957.906**	**2.069.083**	**(111.177)**	**(5,4)%**
Total funding	**9.735.267**	**9.908.039**	**(172.772)**	**(1,7)%**

Total funding amounted to 9.735,3 million Euro at 31 March 2021 (-1,7% compared to 31 December 2020) and is represented for 56,8% by Payables due to customers (compared to 55,2% at 31 December 2020), for 23,1% by Payables due to banks (compared to 23,9% at 31 December 2020), and for 20,1% by Debt securities issued (20,9% at 31 December 2020).

Payables due to customers at 31 March 2021 totalled 5.526,3 million Euro: +1,0% on 31 December 2020 where, in respect of a substantial stability of retail funding (mainly Rendimax and Contomax), which comes to 4.489,2 million Euro at end March 2021 (+0,7%), growth is recorded of 20,8 million Euro (+7,4%) in the other term deposits.

RETAIL FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Short-term funding (within 18 months)	3.149.593	3.196.110	(46.517)	(1,5)%
of which: DEREGULATED	*726.202*	*723.240*	*2.962*	*0,4%*
of which: LIKE/ONE	*1.102.984*	*1.084.400*	*18.584*	*1,7%*
of which: CONSTRAINTS	*1.240.532*	*1.316.288*	*(75.756)*	*(5,8)%*
of which: GERMAN DEPOSIT	*79.875*	*72.182*	*7.693*	*10,7%*
Long-term funding (beyond 18 months)	1.339.617	1.263.844	75.773	6,0%
Total funding	**4.489.210**	**4.459.954**	**29.256**	**0,7%**

Payables due to banks amounted to 2.251,1 million Euro, down 4,9% compared to 31 December 2020.

Securities issued amounted to 1.957,9 million Euro at 31 March 2021, down on the 2.069,1 million Euro of 31 December 2020. During the first quarter of 2021, upon reaching the due date, the debenture loan that had, at the time, been issued by the incorporated Interbanca, and which at 31 December 2020 had a residual balance of 62,7 million Euro, was repaid in full.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Provisions for credit risk related to commitments and financial guarantees granted	12.295	10.988	1.307	11,89%
Single Resolution Fund	3.990	-	3.990	n.a.
Legal and tax disputes	20.292	21.016	(724)	(3,4)%
Personnel expenses	6.152	7.148	(996)	(13,9)%
Other provisions	15.351	14.792	559	3,8%
Total provisions for risks and charges	**58.080**	**53.944**	**4.136**	**7,7%**

Below is the breakdown of the provision for risks and charges at the end of the first quarter of 2021 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 March 2021, the balance of 12,3 million Euro, an increase on the figure at the previous year (11,0 million Euro), reflects the write-down of the financial guarantees and commitments given by the Group.

Legal and tax disputes

At 31 March 2021, provisions had been made for 20,3 million Euro for legal and tax disputes. This amount breaks down as follows:

- 10,1 million Euro for 29 disputes concerning the Factoring Area (the plaintiffs seek 30,7 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;
- 6,0 million Euro (the plaintiffs seek 63,9 million Euro in damages) for 11 disputes concerning the Corporate Banking & Lending Area deriving from the former Interbanca;
- 1,0 million Euro (the plaintiffs seek 3,1 million Euro in damages) for 51 disputes concerning the Leasing Area and trade receivables;
- 1,5 million Euro (the plaintiffs seek 4,5 million Euro in damages) for 71 disputes concerning receivables of the subsidiary Ifis Npl Investing;
- 1,0 million Euro for various disputes concerning Credifarma;
- 400 thousand Euro (the plaintiffs seek 4,0 million Euro) for 31 disputes with customers and agents relating to Cap. Ital. Fin.;
- 149 thousand Euro for various disputes concerning Farbanca;
- 38 thousand Euro (the plaintiffs seek the same amount in damages) for disputes concerning the investee Ifis Rental Services.

Personnel expenses

At 31 March 2021, provisions are entered for personnel for 6,2 million Euro (7,1 million Euro at 31 December 2020), to be attributed for 5,8 million Euro to the Solidarity Fund established in 2020 to implement the cost rationalisation programme envisaged in the 2020-2022 Business Plan.

Other provisions for risks and charges

At 31 March 2021, "Other provisions" were in place for 15,4 million Euro, up 3,8% on the 14,8 million Euro recorded at 31 December 2020. The item mainly comprised 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 Area and 0,7 million Euro for the provision for complaints.

Contingent liabilities

Here below are the most significant contingent liabilities outstanding at 31 March 2021. 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 Ifis Finance Sp. z o.o.

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. z o.o., 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). Overall, the Agency assessed 756 thousand Euro in additional taxes and administrative penalties amounting to 100%. The hearing, which was attended by Dario Stevanato, was discussed at the second chambers of the Provincial Tax Commission of Venice on 12 November 2020. Judgement no. 266/2021 discussed on 12/11/2020 and deposited on 19/03/2021 fully upheld the Bank's appeal and compensated costs. The Commission in fact declared that it was a "legitimate right of the Italian parent company, seeking to expand its banking and factoring services business in Poland, to determine the operative strategy of the parent company established to this end".

Regarding all the above tax disputes, the Group, supported by its tax advisers, evaluated the risk of defeat possible, but not probable and therefore, it chose to 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.

Consolidated equity

Group consolidated equity at 31 March 2021 totalled 1.571,7 million Euro, up 1,4% on the 1.550,0 million Euro booked at end 2020. The main changes in consolidated equity are:

- the positive change relative to the period result pertaining to the Parent company of 20,1 million Euro;
- the net positive change of 0,9 million Euro in the valuation reserve for Q1 2021 was attributable to the fair value adjustment of the financial instruments classified as Financial assets measured at fair value through other comprehensive income;
- the positive change in Equity attributable to non-controlling interests for 0,6 million Euro, for the part share of the period results accrued by the subsidiaries Farbanca and Credifarma;
- the positive change of 0,2 million Euro of the valuation reserve connected with net actuarial gains on severance indemnity accrued during the period;
- other positive net changes for 0,7 million Euro, mainly linked to gains realised through the sale of capital securities in the portfolio of Financial instruments measured at fair value through other comprehensive income;
- the negative change of 0,8 million Euro in the exchange differences valuation reserve.

The breakdown of the item and the change compared to the end of the previous year are summarised in the tables below.

EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2021	31.12.2020	ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	102.555	102.491	64	0,1%
Valuation reserves:	(19.065)	(19.337)	272	(1,4)%
- Securities	*(9.873)*	*(10.733)*	*860*	*(8,0)%*
- Post-employment benefits	*(252)*	*(429)*	*177*	*(41,3)%*
- Exchange differences	*(8.940)*	*(8.175)*	*(765)*	*9,4%*
Reserves	1.390.274	1.320.871	69.403	5,3%
Treasury shares	(2.948)	(2.948)	-	0,0%
Equity attributable to non-controlling interests	26.916	26.270	646	2,5%
Profit for the period attributable to the Parent company	20.121	68.804	(48.683)	(70,8)%
Group equity	**1.571.665**	**1.549.962**	**21.703**	**1,4%**

EQUITY: CHANGES	(in thousands of Euro)
Equity at 31.12.2020	**1.549.962**
Increases:	**22.532**
Profit for the period attributable to the Parent company	20.121
Change in valuation reserve:	1.037
- Securities	*860*
- Post-employment benefits	*177*
Other changes	727
Equity attributable to non-controlling interests	646
Decreases:	**829**
Change in valuation reserve:	765
- Exchange differences	*765*
Other changes	64
Equity at 31.03.2021	**1.571.665**

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS AT	
	31.03.2021	31.12.2020
Common Equity Tier 1 Capital (CET1)	1.051.021	1.038.715
Tier 1 Capital (T1)	1.105.665	1.091.858
Total Own Funds	**1.382.291**	**1.366.421**
Total RWAs	**8.932.891**	**9.203.971**
Common Equity Tier 1 Ratio	11,77%	11,29%
Tier 1 Capital Ratio	12,38%	11,86%
Ratio – Total Own Funds	**15,47%**	**14,85%**

Common Equity Tier 1, Tier 1 Capital, and Total Own Funds at 31 March 2021 do not include the profits generated by the Banking Group in the first three months of 2021.

Consolidated own funds, risk-weighted assets and prudential ratios at 31 March 2021 were calculated based on the regulatory principles set out in Directive no. 2013/36/EU (CRD IV) and (EU) Regulation no. 575/2013 (CRR), as subsequently amended, which were transposed in the Bank of Italy's Circulars no. 285 and 286. Specifically, Article 19 of the CRR requires to include the unconsolidated Holding of the Banking Group in prudential consolidation.

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.

Said portion will be included in CET1 gradually and by applying the following factors:

TEMPORARY TREATMENT IFRS 9 2018-2019	TEMPORARY TREATMENT IFRS 9 2020-2024
0,70 from 1 January 2020 to 31 December 2020	1,00 from 1 January 2020 to 31 December 2020
0,50 from 1 January 2021 to 31 December 2021	1,00 from 1 January 2021 to 31 December 2021
0,25 from 1 January 2022 to 31 December 2022	0,75 from 1 January 2022 to 31 December 2022
0,00 from 1 January 2023 to 31 December 2023	0,50 from 1 January 2023 to 31 December 2023
0,00 from 1 January 2024 to 31 December 2024	0,25 from 1 January 2024 to 31 December 2024

At 31 March 2021, the adoption of IFRS 9 caused the expected credit loss provisions to rise by 18,1 million Euro, net of the tax effect.

Therefore, in accordance with the two transitional arrangements 9,2 million Euro were included in the Common Equity Tier 1 (CET1) capital attributable to the Group.

Again with reference to the new provisions introduced by EU Regulation no. 873/2020 with a potential impact on CET1, please note the temporary treatment of unrealised profit and losses due to changes in the fair value of debt instruments issued by the central, regional and local administrations; Banca Ifis has informed the Bank of Italy of its decision to apply the new transitional provisions starting 31 December 2020.

Said portion will be included in CET1 gradually and by applying the following factors.

TEMPORARY TREATMENT FOR OCI RESERVE
1,00 from 1 January 2020 to 31 December 2020
0,70 from 1 January 2021 to 31 December 2021
0,40 from 1 January 2022 to 31 December 2022

At 31 March 2021, the negative OCI reserve on debt instruments issued by the central, regional and local administrations, net of the tax effect, come to 0,6 million Euro.

Therefore, in accordance with the transitional arrangements, a negative 0,3 million Euro was sterilised by the Common Equity Tier 1 (CET1) capital attributable to the Group.

Pursuant to the temporary treatments aimed at mitigating the impact of the introduction of IFRS 9 and OCI reserves on government securities on Own Funds, during the transitional period the Banca Ifis Banking Group must disclose the Own Funds and the relevant capital ratios and financial leverage it would report without applying the transitional arrangements. The application of the transitional system has an impact on total own funds of 19 bps.

OWN FUNDS AND CAPITAL ADEQUACY RATIOS WITHOUT IFRS 9 TRANSITIONAL ARRANGEMENTS (in thousands of Euro)	AMOUNTS AT	
	31.03.2021	31.12.2020
Common Equity Tier 1 Capital (CET1)	1.032.524	1.014.822
Tier 1 Capital (T1)	1.087.168	1.067.964
Total Own Funds	**1.363.794**	**1.342.527**
Total RWAs	**8.923.675**	**9.189.077**
Common Equity Tier 1 Ratio	11,57%	11,04%
Tier 1 Capital Ratio	12,18%	11,62%
Ratio – Total Own Funds	**15,28%**	**14,61%**

Common Equity Tier 1, Tier 1 Capital, and Total Own Funds at 31 March 2021 do not include the profits generated by the Banking Group in the first three months of 2021.

FINANCIAL LEVERAGE COEFFICIENT WITH/WITHOUT TRANSITIONAL ARRANGEMENTS IFRS 9/Reg. no. 873/2020 (1) (%)	AMOUNTS AT	
	31.03.2021	31.12.2020
Financial leverage coefficient without application of transitional arrangements	8,80%	8,59%
Financial leverage coefficient with application of transitional arrangements	9,46%	9,23%

(1) Until 27 June 2021, temporary exclusion of some exposures to central banks from the measure of comprehensive exposure in light of the Covid-19 pandemic.

The new provisions introduced by EU Regulation no. 873/2020 with a potential impact on CET1 include the faculty not to partially deduct from the CET1 the intangible assets ascribed to software, applying prudent amortisation calculated over three years.

In defining own funds at 31 March 2021, Banca Ifis took this opportunity and the amount of the portion not deducted at 31 March 2021 is 3,4 million Euro.

Some legislative news introduced by EU Regulation no. 873/2020 was instead brought forward by a year with respect to the date of application defined by EU Regulation no. 876/2019, in order to encourage entities to grant credit to production and consumer segments, which are those worst struck by the Covid-19 pandemic; these news regard:

- the more favourable treatment (from 75% to 35%) to be applied to the calculation of the credit risk in relation to the loans granted by entities to pensioners and workers;
- the more favourable treatment of the Support factor to be applied to the calculation of the credit risk in relation to SMEs:
    - 76,19% for exposure of up to 2,5 million Euro, with respect to the previous threshold set at 1,5 million Euro;
    - introduction of the support factor of 85% for exposure in excess of 2,5 million Euro.

The 16 million Euro increase in Own Funds compared to 31 December 2020 was largely attributable to the following components:

- the lower 100% deduction from CET1 of "deferred tax assets that rely on future profitability and do not arise from temporary differences" totalling 48,8 million Euro - compared to 56,2 million Euro deducted at 31 December 2020; in this regard, please note that this deduction will be further absorbed by the future use of such deferred tax assets;

- the remainder referred to the positive change in reserves, including the changes in equity generated by the Companies not included in the Banking Group's scope and attributable to the Group;
- the lesser deduction of the negative components relative to investments in software, deriving from the application of prudent amortisation instead of accounting amortisation, as permitted by EU Regulation no. 2176/2020, where the Banca Ifis Group has decided to apply this method;
- the increase in the portion that can be booked of the minority interests (Art. 84 CRR) for an amount of 10,9 million Euro according to the decline in risk-weighted assets and the correlated surplus capital;
- the reduction in risk weighted assets for an amount of 271 million Euro, mainly due to the reduction in loans in the Factoring Area and to a lesser extent the use, starting 31 March 2021, of external ratings for corporate exposures in excess of 500 thousand Euro.

The increase in own funds due to the above-described phenomena has meant that at 31 March 2021, the Total capital ratio is 15,47%, up from the results achieved at 31 December 2020 of 14,85%; this trend was also reported for the CET1 ratio now 11,77%, compared to the previous figure of 11,29%.

Here below is the breakdown by Segment of risk-weighted assets (RWA).

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & NON-CORE SERVICES SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Total RWA per Segment	**4.839.245**	**2.155.017**	**1.280.300**	**1.403.928**	**2.189.265**	**925.870**	**7.954.380**
Market risk	X	X	X	X	X	X	65.730
Operational risk (basic indicator approach)	X	X	X	X	X	X	869.698
Credit valuation adjustment risk	X	X	X	X	X	X	43.083
Total RWAs	**X**	**X**	**X**	**X**	**X**	**X**	**8.932.891**

When comparing the results, please note that the Bank of Italy, following the Supervisory Review and Evaluation Process (SREP) to review the capitalisation targets of the system's largest intermediaries, notified the Banca Ifis Group that it needed to meet the following consolidated capital requirements in 2021, just like in 2020, including a 2,5% capital conservation buffer:

- Common Equity Tier 1 (CET1) capital ratio of 8,12%, with a required minimum of 5,62%;
- Tier 1 Capital Ratio of 10,0%, with a required minimum of 7,5%;
- Total Capital Ratio of 12,5%, with a required minimum of 10,0%.

At 31 March 2021, the Banca Ifis Group met the above prudential requirements.

As previously mentioned, Article 19 of the CRR requires to include the Holding of the Banking Group not consolidated in the booked equity, in prudential consolidation. The capital adequacy ratios of the Banca Ifis Group alone, presented exclusively for information purposes, would be as showed in the following table.

OWN FUNDS AND CAPITAL ADEQUACY RATIOS: BANCA IFIS BANKING GROUP SCOPE (in thousands of Euro)	AMOUNTS AT	
	31.03.2021	31.12.2020
Common Equity Tier 1 Capital (CET1)	1.425.407	1.422.796
Tier 1 Capital (T1)	1.427.184	1.424.610
Total Own Funds	**1.829.995**	**1.827.409**
Total RWAs	**8.923.965**	**9.194.733**
Common Equity Tier 1 Ratio	15,97%	15,47%
Tier 1 Capital Ratio	15,99%	15,49%
Ratio – Total Own Funds	**20,51%**	**19,87%**

Common Equity Tier 1, Tier 1 Capital, and Total Own Funds at 31 March 2021 do not include the profits generated by the Banking Group in the first three months of 2021.

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 March 2021 the exposures to sovereign debt entirely consisted of Italian government bonds; their carrying amount totalled 1.826 million Euro, net of the negative 0,6 million Euro valuation reserve.

These securities, with a nominal amount of approximately 1.788 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 March 2021 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 March 2021 totalled 616 million Euro, including 94 million Euro relating to tax receivables.

5.2.2 Income statements items

Formation of net banking income

Net banking income totalled 137,7 million Euro, up 30,0% from 106,0 million Euro at 31 March 2020. This increase of 31,8 million Euro is mainly linked to the following two factors:

- impact on the Npl Segment of the improvement of the general economic context and the progressive normalisation of court proceedings and legal action for debt collection;
- contribution made by Farbanca (a company not yet part of the Banca Ifis Group in the first quarter of 2020) for 4,8 million Euro;
- greater contribution of the release of the PPA, the effects of which during the first three months of 2021 came to 11,9 million Euro, up on the 9,1 million Euro of the first quarter of 2020 thanks to the positive effect of certain early repayments made at the start of 2021;
- the positive contribution made by trading and the purchase/sale of financial assets for 2,0 million Euro, up on the 1,4 million of the first quarter of 2020;
- the net result of assets valued at fair value through profit or loss for 0,7 million Euro, showing significant improvement on the negative effect of 8,3 million Euro during the first three months of 2020, which had

suffered the instability of the main listed indices used in the instrument valuation models, due to the unique macro economic context.

NET BANKING INCOME (in thousands of Euro)	1ST QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	115.827	91.416	24.411	26,7%
Net commission income	18.767	21.097	(2.330)	(11,0)%
Other components of net banking income	3.135	(6.561)	9.696	(147,8)%
Net banking income	**137.729**	**105.952**	**31.777**	**30,0%**

The interest margin rises by 26,7%, going from 91,4 million Euro at 31 March 2020 to 115,8 million Euro at 31 March 2021, mainly following the greater underlying volumes with respect to the situation of the first quarter of 2020, which had very much suffered the limitations connected with the Covid-19 pandemic.

Net commission comes to 18,8 million Euro, down 11,0% on the figure at 31 March 2020: this trend was driven both by a lesser contribution made by commission income, in turn mainly connected with lesser turnover recorded in the Factoring Area with respect to 31 March 2020, and a greater incidence of commission expense following the Npl acquisitions made during Q1 2021.

Commission income, totalling 22,4 million Euro, down 5,8% on 31 March 2020, primarily refers to 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 3,6 million Euro compared to 2,7 million Euro in the corresponding period of 2020, largely referred to fees paid to banks and financial intermediaries such as management fees, fees paid to third parties for the distribution of leasing products, as well as brokerage operations carried out by approved banks and other credit brokers.

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

- 0,4 million Euro for dividends generated by shares held in the Group-owned portfolio (0,3 million in the first three months of 2020);
- -0,8 million Euro the net negative result of trading (net gain of 2,3 million Euro during Q1 2020);
- 2,8 million Euro for net gains from the sale or buy-back of financial assets and liabilities (net losses of 0,9 million Euro at 31 March 2020);
- 0,7 million Euro in the negative net result of other financial assets and liabilities measured at fair value through profit or loss (-8,3 million Euro at 31 March 2020) that includes the net negative change in the fair value of units of UCITSs for -0,8 million Euro, the positive change in the fair value of loans for 0,5 million Euro, the negative change in fair value of securitisation held by the subsidiary Ifis Npl Investing (formerly Ifis Npl) for 0,4 million Euro.

Formation of net profit (loss) from financial activities

The Group's net profit from financial activities totalled 121,6 million Euro, compared to 87,4 million Euro at 31 March 2020 (+39,1%).

FORMATION OF NET PROFIT (LOSS) FROM FINANCIAL ACTIVITIES (in thousands of Euro)	1ST QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net banking income	**137.729**	**105.952**	**31.777**	**30,0%**
Net credit risk losses/reversals	(16.102)	(18.512)	2.410	(13,0)%
Net profit (loss) from financial activities	**121.627**	**87.440**	**34.187**	**39,1%**

Net credit risk losses totalled 16,1 million Euro at 31 March 2021, compared to net losses of 18,5 million Euro at 31 March 2020 (an improvement of 13,0%). As better detailed in the section on "Contribution of operating segments to Group results", during the first quarter of 2021, the Factoring Area records net write-backs for 4,3 million Euro, due to the reduction in non-performing exposures, in particular in segments considered as more at risk in connection with the economic effects of the pandemic, and a review of the credit risk measurement models. This positive contribution is juxtaposed against the Leasing Area, whose net value adjustments on receivables come to 3,7 million Euro (4,3 million Euro at 31 March 2020) and the Corporate Banking & Lending Area, with net adjustments of 6,3 million Euro, up 4,2 million Euro on the same period of last year, due to additional provisions made to take the potential additional future effects into account, connected with the cessation of credit support measures. Finally, the Governance & Services and Non-Core Segment contributes with net adjustments for 10,4 million Euro, up on the 7,5 million Euro at 31 March 2020, mainly due to the write-down of an individually significant position in the run-off portfolio.

Formation of net profit for the period is summarised in the table below:

FORMATION OF NET PROFIT (in thousands of Euro)	1ST QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net profit (loss) from financial activities	**121.627**	**87.440**	**34.187**	**39,1%**
Operating costs	**(91.268)**	**(73.499)**	**(17.769)**	**24,2%**
Gains (Losses) on disposal of investments	-	24.161	(24.161)	(100,0)%
Pre-tax profit (loss) from continuing operations	**30.359**	**38.102**	**(7.743)**	**(20,3)%**
Income taxes for the period relating to continuing operations	(9.590)	(11.660)	2.070	(17,8)%
Profit (Loss) for the period attributable to non-controlling interests	648	16	632	n.s.
Profit (loss) for the period attributable to the Parent company	**20.121**	**26.426**	**(6.305)**	**(23,9)%**

Operating costs totalled 91,3 million Euro, showing an increase on 31 March 2020 (+24,2%).

OPERATING COSTS (in thousands of Euro)	1ST QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Administrative expenses:	86.234	72.549	13.685	18,9%
a) personnel expenses	33.779	32.029	1.750	5,5%
b) other administrative expenses	52.455	40.520	11.935	29,5%
Net allocations to provisions for risks and charges	7.421	4.889	2.532	51,8%
Net impairment losses/reversals on property, plant and equipment and intangible assets	4.413	4.039	374	9,3%
Other operating income/expenses	(6.800)	(7.978)	1.178	(14,8)%
Operating costs	**91.268**	**73.499**	**17.769**	**24,2%**

Personnel expenses rose slightly by 5,5% to 33,8 million Euro (32,0 million Euro for the period ended 31 March 2020). The increase in this item as compared with Q1 2020, is mainly due to the entrance of Farbanca into the Banca Ifis Group, for approximately 0,8 million Euro and greater variable provisions made for around 1,0 million Euro. The number of Group employees at 31 March 2021 was 1.765 as compared with 1.750 resources at 31 March 2020.

Other administrative expenses, at 31 March 2021, which come to 52,5 million Euro rise by 29,5% on 31 March 2020. The increase is mainly due to higher costs for professional services and marketing and advertising expenses.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	1ST QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Expenses for professional services	**26.325**	**17.869**	**8.456**	**47,3%**
Legal and consulting services	16.543	12.267	4.276	34,9%
Auditing	341	293	48	16,4%
Outsourced services	9.441	5.309	4.132	77,8%
Direct and indirect taxes	**9.433**	**8.670**	**763**	**8,8%**
Expenses for purchasing goods and other services	**16.697**	**13.981**	**2.716**	**19,4%**
Software assistance and hire	4.223	3.305	918	27,8%
Customer information	3.985	3.670	315	8,6%
Advertising and inserts	1.844	738	1.106	149,9%
Property expenses	1.672	1.418	254	17,9%
Telephone and data transmission expenses	1.191	827	364	44,0%
Postage and archiving of documents	1.015	1.318	(303)	(23,0)%
Securitisation costs	629	438	191	43,6%
Car fleet management and maintenance	582	601	(19)	(3,2)%
Business trips and transfers	326	547	(221)	(40,4)%
FITD and Resolution fund	70	11	59	n.s.
Other sundry expenses	1.160	1.108	52	4,7%
Total other administrative expenses	**52.455**	**40.520**	**11.935**	**29,5%**

The sub-item “Legal and consulting services” comes to 16,5 million Euro during Q1 2021, up 34,9% on the 12,3 million Euro of the same period of last year. The increase in the item is mainly due to the continuation of the reorganisation of the Group’s corporate structures, including on a technological level and the entrance of Farbanca into the Group (0,6 million Euro). The item also includes the cost of the legal collection of receivables from the Npl Segment, which at 31 March 2021, came to 7,3 million Euro, as compared with 6,0 million Euro for the same period last year.

The sub-item “Outsourcing services” of 9,4 million Euro at 31 March 2021, rises significantly (77,8%) on the figure of 5,3 million Euro of the same period of last year and mainly relates to the amicable collection of the Npl Segment, which in Q1 2020 had been put on hold following the generalised lock-down imposed by the national authorities, with a consequent general slowing to the credit business and, consequently, the volumes under management, with the court closure and consequent impediment to taking the legal action to collection on debts of the Npl Segment.

“Direct and indirect taxes” came to 9,4 million Euro as compared with 8,7 million Euro at 31 March 2020, rising by 8,8%. The item mainly consists of the registration tax incurred for the judicial recovery of receivables belonging to the Npl Segment, amounting to 6,1 million Euro at 31 March 2021, shows an increase on 31 March 2020 due to the resumption, during the first quarter of 2021, of court operations following the previously-mentioned closures of March 2020 (5,5 million Euro at 31 March 2020). The item also includes costs for stamp duty of 2,7 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 16,7 million Euro, up 19,4% from the 14,0 million Euro at 31 March 2020. The change in this item is due to the contrasting effect in some of the most significant items, in particular:

- software assistance and hire that goes from a balance of 3,3 million Euro at 31 March 2020 to 4,2 million Euro at 31 March 2021 (+27,8%) mainly following the projects for the digitisation and technological innovation of the Banca Ifis Group;
- expenses for customer information, which come to 4,0 million Euro, up 8,6% as a result of the slow-down to activities in the first quarter of 2020, during the lock-down period. These expenses are connected with the measurement of assets as a guarantee of the portfolios under management, focussed in particular on the Npl Segment, which, as mentioned, suffered the limits set as a result of the Covid-19 health emergency;
- advertising expenses go from 0,7 million Euro to 1,8 million in March 2021, following rebranding activities that had begun in the second half of 2020;
- securitisation costs go from 0,4 million Euro to 0,6 million Euro (+43,6%) following the greater transactions performed in Q1 2021 than in the first three months of FY 2020, which instead suffered the above-specified limitations due to the Covid-19 pandemic;
- trips and transfers came to 0,3 million Euro, recording a decline of 40,4%, due to the restrictions to travel imposed in March 2020.

Net allocations to provisions for risks and charges amounted to 7,4 million Euro compared with 4,9 million Euro at 31 March 2020. Net period provisions refer mainly for 4,0 million Euro to the Single Resolution Fund, for 0,8 million Euro to other disputes and these are juxtaposed by uses for 0,9 million Euro in relation to the Solidarity Fund. Provisions are also made for 2,5 million Euro for commitments to disburse funds and guarantees.

Other net operating income of 6,8 million Euro is down by 14,8% on the same period of last year, which had been positively impacted by indemnities against guarantees received on the sales of Npl portfolios. The item referred mainly to revenue from the recovery of expenses charged to third parties. The relevant cost component is included in other administrative expenses, namely under legal expenses and indirect taxes, as well as recoveries of expenses associated with leasing operations.

Pre-tax profit from continuing operations comes to 30,4 million Euro, down 20,3% on the figure at 31 March 2020, which had been positively impacted by the capital gain of 24,2 million Euro tied to the sale of the Milan property in Corso Venezia.

Income tax comes to 9,6 million Euro; the tax rate at 31 March 2021 is 31,59% and is in line with the 30,60% of the same period of last year.

Net profit attributable to the Parent company comes to 20,1 million Euro, up 10,0 million Euro on the same period of 2020, without considering the effect net of the tax of the previously-mentioned extraordinary capital gain of 24,2 million Euro.

5.3 Significant events that occurred in the period

The Banca Ifis Group transparently and promptly discloses information to the market, constantly publishing information on significant events through press releases. Please visit the 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 in the period.

5.3.1 Corporate reorganisation of the Group's business in the Npl Segment

On 1 January 2021, the Npl Segment underwent a corporate reorganisation with the creation of a vertical chain aiming to guarantee the separation and independence of loan acquisitions and collections. The Group's business in the Non-Performing Loans has therefore been reorganised into three separate companies: Ifis Npl Investing, Ifis Npl Servicing and Ifis Real Estate. The first acquires the portfolios, the second deals with management and collection and Ifis Real Estate deals with the real estate business, servicing the other two companies.

5.3.2 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.

5.3.3 Agreement for the cessation of contracts with Luciano Colombini

On 11 February 2021, Chief Executive Officer Luciano Colombini tendered his resignation, as already announced in December 2020, 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 ceased office upon conclusion of the Shareholders' Meeting held on 22 April 2021.

On 11 February 2021, the Bank's Board of Directors therefore approved, with the opinion in favour given by the Remuneration Committee and the Board of Auditors, an agreement for the cessation of contracts with Luciano Colombini. This agreement, which is in line with the Bank's approved Remuneration Policy, establishes that Mr Colombini will be paid his remuneration for the office of Chief Executive Officer 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, which will be paid in accordance with the terms and conditions of the Remuneration Policy. In addition, at the date on which he leaves office, Mr Colombini 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 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). No non-competition obligations are envisaged.

5.3.4 Banca Ifis developped the first securitisation in Italy of NPLs backed by assignment orders

On 22 March 2021, Banca Ifis declared that for the purpose of a loan, through the subsidiary Ifis Npl Investing, it had implemented the very first securitisation in Italy of a non-performing portfolio mainly comprising unsecured

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loans backed by assignment orders. The transaction is an innovative solution for this type of non-performing exposure, where the debt collection procedure through compulsory enforcement (attachment of one fifth of the salary) and is at an advanced stage. The transaction aimed to collect funding for Ifis Npl Investing of up to 350 million Euro in liquidity on the institutional market, without deconsolidating the underlying credits. The loan portfolios concerned by the transaction (a portfolio of secured loans and an unsecured portfolio backed by assignment orders) owned by the subsidiary Ifis Npl Investing, was transferred to a newly-established SPV called IFIS NPL 2021-1 SPV S.r.l., which issued senior, mezzanine and junior notes.

5.4 Significant subsequent events

5.4.1 The Shareholders' Meeting approved the 2020 financial statements. Geertman C.E.O.

The Shareholders' Meeting of Banca Ifis, which met on 22 April 2021 chaired by Sebastien Egon Fürstenberg, approved the 2020 annual financial statements and the distribution of a unitary gross dividend of 0,47 Euro per share, deducted from own funds at 31 December 2020. The amount will be payable starting 26 May 2021 with record date on 25 May 2021 and ex-dividend date (no. 23) of 24 May 2021. The Shareholders' Meeting confirmed Frederik Geertman as CEO, previously coopted as director on 11 February 2021, and approved the proposal made by the majority shareholder La Scogliera S.p.A. to appoint Monica Regazzi as new independent director, to replace the resigning director Luciano Colombini. The Board of Directors, which met at the end of the Shareholders' Meeting, therefore appointed Frederik Geertman as Chief Executive Officer of Banca Ifis, granting him the relevant powers.

5.4.2 Verified the independence requirements of the director Monica Regazzi

On 13 May 2021, during the meeting the Board verified the independence requirements, according to the criteria set out in Legislative Decree no. 58/1998 and in the Corporate Governance Code, of the director Monica Regazzi.

No other significant events occurred between period end and the approval of the Consolidated Interim Report by the Board of Directors.

Venice - Mestre, 13 May 2021

For the Board of Directors

The C.E.O.

Frederik Geertman

5.5 Declaration by the Manager charged with preparing the Company's financial reports

The undersigned Mariacristina Taormina, Manager charged with preparing the financial reports of Banca Ifis S.p.A., pursuant to the provisions of Art. 154 bis, paragraph 2 of Italian Legislative Decree no.58 dated 24 February 1998, declares that the financial information included into the Consolidated Interim Report as at 31 March 2021 corresponds to the related books and accounting records.

Venice - Mestre, 13 May 2021

Manager charged with preparing
the Company's financial reports

Mariacristina Taormina

This report has been translated into the English language solely for the convenience of international readers.

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