Consolidated Half-Year Financial Report at 30 June 2022

Banca Ifis

Consolidated Half-Year Financial Report at 30 June 2022

Summary

1.

Corporate Bodies

Board of Directors in office at approval of this document

Chairman	Sebastien Egon Fürstenberg
Deputy Chairman	Ernesto Fürstenberg Fassio
Chief Executive Officer	Frederik Herman Geertman (1)
Directors	Simona Arduini Monica Billio Beatrice Colleoni Roberto Diacetti Roberta Gobbi Luca Lo Giudice Antonella Malinconico Giovanni Meruzzi Paola Paoloni Monica Regazzi

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

Co-General Managers	Fabio Lanza Raffaele Zingone
Board of Statutory Auditors	
Chairman	Andrea Balelli
Standing Auditors	Annunziata Melaccio Franco Olivetti
Alternate Auditors	Marinella Monterumisi Emanuela Rollino
Independent Auditors	EY S.p.A.
Manager Charged with preparing the Company's financial reports	Mariacristina Taormina

Banca Ifis

Parent company name - Banca Ifis S.p.A.
Fully paid-up share capital: 53.811.095 Euro
Legal and administrative headquarters - Via Terraglio, 63 30174 Mestre Venice
ABI 03205
Tax Code and Venice Companies Register Number - 02505630109
VAT number - 04570150278
Enrolment in the Register of Banks No - 5508
Website: www.bancaifis.it

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2.

Interim Directors' Report on the Group

2.1 General aspects

The Consolidated Half-Year Financial Report at 30 June 2022 consists of the Group's Interim Directors' Report on the Group and the Condensed Consolidated Half-Year Financial Statements, including the Consolidated Financial Statements Schedules and related Notes.

To allow a more immediate reading of the results, a condensed reclassified consolidated income statement is prepared within the Interim Directors' Report on the Group. For the sake of consistent comparison, the income statement figures for previous periods are normally restated, where necessary and material, also to take account of any changes in the scope of consolidation.

Analytical details of the restatements and reclassifications made with respect to the consolidated financial statements compliant with Bank of Italy Circular 262 are provided in separate tables published among the annexes (see section "5. Annexes" of this document), also in compliance with the requirements of Consob Communication no. 6064293 of 28 July 2006.

Reclassifications and aggregations of the consolidated income statement concern the following:

- net impairment losses/reversals of the Npl Segment are reclassified to Interest receivable and similar income (and therefore to the "Net interest income") to the extent to which they represent the operations of this business and are an integral part of the return on the investment;
- net provisions for risks and charges are excluded from the calculation of "Operating costs";
- the following is included under the single item "Net write-offs/write-backs for credit risk":
    - net adjustments/reversals for credit risk relating to financial assets valued at amortised cost (with the exception of those relating to the Npl Segment mentioned above) and to financial assets valued at fair value through other comprehensive income;
    - net provisions for risks and charges for credit risk relating to commitments and guarantees issued;
    - profits (losses) from the sale/repurchase of loans at amortised cost other than those of the Npl Segment.

2.2 Results and strategy

2.2.1 Comment by the CEO

The results for the first half of 2022 reveal net profit of 72,5 million Euro, up 50% on the same period of 2021, mainly driven by the +12% increase in revenues. This trend reflects the resilience of our business model, which allows us to operate by taking advantage of our high specialisation, investment in process innovation and sustainable credit management in markets where our Bank has a strong competitive advantage.

The strong half-year results and the conservative approach to risk-taking we have adopted in recent years will allow us to best cope with the possible adverse macroeconomic scenario in the coming quarters, while continuing to play our role in supporting the real economy.

Revenues of the Commercial & Corporate Banking Segment increases by 1,6% compared to the same half of last year. In the first half of 2022, Factoring and Leasing volumes, which are closely linked to invoice amounts and the price of the underlying assets, showed a favourable dynamic, directly reflecting the increase in inflation. The dynamism of the Bank's commercial network was evidenced by growth rates above those of its reference markets[1]: in the first half of 2022, Factoring turnover grew by 18,2% (compared to +16,6% for the market) and Leasing disbursements by +24,4% (compared to 9,4% for the market).

In the Npl Segment, cash recoveries on purchased portfolios amounted to 182 million Euro (+7% compared to 170 million Euro in H1 2021), confirming the quality of the portfolio and the increased efficiency of debt collection activities. The quality of the portfolio is a consequence of the prudential approach applied in the purchase of Npl portfolios, which took into account the potential effects of the pandemic (purchases made in 2020-2021) and higher levels of inflation and geopolitical instability (purchases made during the first six months of 2022).

In the first half-year, provisions for credit risks amounted to 34 million Euro. Significant reserves set aside for Covid in previous years, which had not been used, are reclassified to cope with possible macroeconomic risks. The Bank also made additional provisions of 3 million Euro against positions in the commercial portfolio with high vintage.

The exit phase from the business support measures made available by the Government confirmed the quality of the Bank's credit portfolio. Of the receivables that had requested moratorium at 30 June 2022, only 4%, amounting to 23 million Euro, have at least three instalments outstanding, of which 16 million Euro are 80% backed by the Government and 6 million Euro are lease receivables whose underlying asset has a high residual value.

The full application of the regulation on the New Definition of Default to receivables from the National Health System, carried out in order to eliminate any regulatory uncertainty, led to the reclassification into past due of about 145 million Euro nominal. This portfolio is characterised by limited credit risk, mainly in the 'non-performing past due exposures' category, with marginal impact on the Bank's profit and loss account and capital requirements and is set to decrease further in 2022.

[1] Source: Assifact and Assilea.

CET1 as at 30 June 2022 is 14,92%. CET1 would stand at 15,91% including the positive effects arising firstly from the application of EU Delegated Regulation 954/2022 (published in the Official Journal on 21 June 2022 and effective from July 2022 and allowing a reduction in the risk-weighting on loans acquired from the Npl business) and secondly from the sale of loans to the NHS, carried out by the Bank in June 2022. The completion of the recognition of Significant Risk Transfer of this disposal is expected by September 2022. The good level of capitalisation guarantees the stability and growth of Banca Ifis, in line with the 2022-2024 Business Plan, which focuses on the development of the core business and aims to make the bank increasingly digital, efficient and oriented towards sustainable growth.

2.2.2 Highlights - reclassified data

Net banking income totalled 324 million Euro, up 11,6% from 290,4 million Euro at 30 June 2021. Contributing to this result is the growth of the Factoring Area, with 78,9 million Euro and an increase of 14%, thanks to the increase in net interest income and net commissions as a result of the performance of managed receivables, and the good performance of the Leasing Area (29 million Euro, in line with 30 June 2021). At 34,3 million Euro, the Corporate Banking & Lending Area decreases by 18,4% compared to the figure of 30 June 2021. The figure for the previous half-year had benefited from the contribution of approximately 5 million Euro from the revaluation of the investment in a minority shareholding.

Net banking income of the Npl Segment amounts to 135,0 million Euro, up 9,5% compared to June 2021, mainly due to the good performance of legal and extrajudicial inflows, which grow 10,3% overall. In particular, out-of-court management contributes 25,3 million Euro and legal management contributes 41,2 million Euro thanks to the contribution of actions for injunction, attachment and garnishment orders.

Finally, the activity on the proprietary portfolio contributes 6,5 million Euro to the growth in net banking income, of which 2,4 million Euro comes from higher dividends on securities in the portfolio, 2,4 million Euro from trading activities, and 1,7 million Euro from gains on disposals. Similarly, the portfolio of financial instruments of the Non-Core Area also makes a positive contribution to net banking income, with a growth of 2,1 million Euro.

Operating costs total 185,5 million Euro, showing a 7,5% increase on the 172,5 million Euro at 30 June 2021. The cost/income ratio is 57,3% compared to 59,4% in June 2021.

Below are details of the item’s main components:

- personnel expenses amounts to 73,6 million Euro. The increase of 8,7% is attributable to variable remuneration growth expenses that had been reduced in 2021 due to the Covid-19 pandemic and to the full half-year contribution in terms of resources, linked to the acquisition of the former Aigis Banca at the end of May 2021;
- other administrative expenses as at 30 June 2022 amounts to 114,6 million Euro, up 2,8% compared to the corresponding period of 2021, mainly due to higher costs related to the Group’s strategic projects;
- other net operating income amounts to 11 million Euro, down 30,7% compared to June 2021. The change is mainly due to the inclusion in the figures for the first half of 2021 of 3,4 million Euro of positive difference, which arose from the process of allocating the purchase price of the former Aigis Banca business unit.

Reclassified net credit risk losses/reversalsinclude provisions for credit risk on guarantees issued and gains/losses on the sale of loans. At 30 June 2022, they amounted to 33,7 million Euro compared to 43,5 million Euro in the equivalent period of 2021, the figure for which included adjustments of 8,8 million Euro on the Npl Segment, made following a detailed analysis - still in progress at the time - carried out also in response to the Covid-19 pandemic, in terms of longer collection times on positions characterised mainly by higher vintage.

At 30 June 2022, net allocations to provisions for risks and charges amounted to a positive 3,1 million Euro, an improvement on the negative balance of 2,4 million Euro at 30 June 2021. The figure is mainly due to the 5,7 million Euro recovery recorded in the first half of 2022 on the risk provisions related to the GACS credit assignment transactions.

At 30 June 2022, the net profit attributable to the Parent company amounted to 72,5 million Euro, up 24,2 million Euro (+50,0%) on the same period of 2021.

The net profit of the Commercial & Corporate Banking Segment amounted to 24,4 million Euro, down by 5,6 million Euro (-18,7%) compared to 30 June 2021. This result was driven by the growth in net interest income of 9 million Euro (+9,9%) and net commissions (+0,8 million Euro, or +2,1%), offset by the reduction in other components of net banking income of 7,6 million Euro (-86,2%) and higher net adjustments of 6,2 million Euro.

Net interest and other banking income derives from the combined effect of the various areas of the business, as described below:

- the contribution of the Factoring Area amounted to 78,9 million Euro in the first half of 2022, an increase of 14,0% compared to 30 June 2021. This result was due to the greater contribution both of net interest income (up by 8,2 million Euro) and net commission income (up by 2,3 million Euro), which benefited from the positive trend of receivables under management;
- the Leasing Area's net banking income amounted to 29 million Euro, essentially in line with the 30 June 2021 figure, with an improvement in net commissions;
- net banking income of the Corporate Banking & Lending Area came to 34,3 million Euro at 30 June 2022, down 7,7 million Euro on 30 June 2021 (-18,4%). The negative change was caused by the combined effect of the 1 million Euro increase in net interest income (driven by the increase in average loans in the Lending segment, which more than offset the decrease in the Corporate Banking segment in relation to a different timing of disbursements), a 1,9 million Euro decrease in net commissions (mainly arising from Corporate Banking), and the 6,8 million Euro decrease in other components of net banking income attributable to the Corporate Banking Area. The figure for the first half of 2021 had also benefited from the contribution of approximately 5 million Euro from the revaluation of the investment in a minority shareholding.

Net impairment losses on receivables amounted to 28,1 million Euro, up 6,2 million Euro compared to 30 June 2021. This change resulted mainly from provisions made in the first half of 2022 on individual impaired positions belonging to the SME segment that are most affected by the current macroeconomic environment.

The increase in operating costs of 4,5 million Euro was mainly due to higher personnel expenses. This was due both to higher variable remuneration, which had been reduced in 2021 for the Covid-19 pandemic, and to the contribution over the half-year period in terms of resources, linked to the former Aigis Banca acquisition, which took place at the end of May 2021.

Period profit of the Npl Segment is 32,5 million Euro, up 49,7% on 30 June 2021. The net banking income of the Segment amounted to 135,0 million Euro (+9,5%) as compared with 123,2 million Euro at 30 June 2021. The increase was due both to the increase in average loans, which generated interest income of 78,2 million Euro, and to the improvement in expected cash flows based on realised receipts, which in turn generated a contribution of 66,3 million Euro to net banking income. The positive effect on net interest income was 11,7 million Euro as at 30 June 2022 (132,4 million Euro) compared to 120,7 million Euro as at 30 June 2021.

Collections of the Npl Segment in H1 2022 came to 182,2 million Euro, including the instalments collected during the half-year from re-entry plans, from garnishment orders and transactions carried out and rise by 7,2% on the collections of 170 million Euro made in the first half of 2021.

Profit for the Governance & Services and Non-Core Segment at 30 June 2022 was 15,9 million Euro compared to a loss of 2,5 million Euro at 30 June 2021. The Segment's net interest and other banking income amounts to 46,7 million Euro, up 19,5 million Euro on the same period of the previous year and is due to growth of 28,6 million Euro in the Governance & Services Area, offset by a lower contribution of 9,1 million Euro from the run-off activities of the Non-Core Area.

As regards the cost of credit, there is a decrease in net adjustments to 5,5 million Euro compared with 12,8 million Euro at 30 June 2021, which was influenced by provisions on some singularly significant positions.

Operating costs come to 21,5 million Euro, up 3,9 million Euro on 30 June 2021. This increase is primarily due to ICT activities and higher legal and consulting expenses in the Governance & Services Area.

Total receivables due from customers measured at amortised cost amounted to 9.869,2 million Euro, a reduction on 31 December 2021 (10.331,8 million Euro). The figure includes debt securities for 1,7 billion Euro (2 billion Euro at 31 December 2021). The Commercial & Corporate Banking Segment recorded a contraction (-2,3%) concentrated in the Factoring Area (-6,9%, a change influenced by the typical seasonality of the business and a revision of the strategic approach to non-recourse purchases of receivables from the NHS), against the substantial stability of the Leasing and Corporate Banking & Lending Areas. The Governance & Services and Non-Core Segment dropped by 315,1 million Euro, primarily due to period changes in the debt securities portfolio to customers at amortised cost. The related decreases due to the sale and redemption at maturity of certain government bonds more than offset the new investments for the period. Npl Segment loans are essentially stable compared to 31 December 2021.

During the first six months of 2022, 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 one billion Euro at 30 June 2022 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 1.000% and 100% respectively).

At 30 June 2022, total funding came to 10.396,3 million Euro, -3,6% on the end of FY 2021; the funding structure was as follows:

- 51,7% customers;
- 10,1% debt securities;
- 14,1% Asset Backed Securities (ABS);
- 19,4% TLTROs;
- 4,7% other.

Payables due to customers amounted to 5.376,4 million Euro as at 30 June 2022, down 5,4% compared to the figure as at 31 December 2021, due to a careful policy of rationalising the most expensive and volatile forms of financing. Amounts due to banks amounted to 2.509,3 million Euro, down 3,4% compared to the figure for December 2021 due to less recourse to short-term payables both to Central Banks and via repurchase agreements. The item follows the trend in lending.

Securities in issue remained stable, amounting to 2.510,5 million Euro as at 30 June 2022, in line with the figure as at 31 December 2021.

At 30 June 2022, the Group's consolidated shareholders' equity stood at 1.592,4 million Euro, down from the 1.623,9 million Euro recorded at the end of 2021. The main changes in consolidated equity are:

- the positive change relative to the period result pertaining to the Parent company of 72,5 million Euro;
- the net negative change for 13,1 million Euro following the corporate reorganisation brought about as a result of the merger by incorporation of the former Credifarma into Farbanca (now renamed Banca Credifarma), at the end of which Banca Ifis's controlling interest increased to 87,74% (while at the beginning of 2022 Banca Ifis held 70% of the former Credifarma and 71,06% of Farbanca);
- the negative change of 19,3 million Euro connected with the repurchase of treasury shares to service the LTI plan;
- the net negative change of 22,7 million Euro in the valuation reserve due to actuarial gains, exchange rate adjustments and changes in the fair value of financial instruments with an impact on comprehensive income;
- the negative change related to profit distribution of 49,8 million Euro.

At 30 June 2022, the ratios for the Banca Ifis Group amounted to a CET1 ratio of 14,92%[2] (compared with 15,44% at 31 December 2021), a Tier 1 ratio of 14,93%[2] (15,45% at 31 December 2021) and a Total Capital Ratio of 19,00%[2] (compared with 19,63% at 31 December 2021).

Please note that on 19 May 2022, 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 to adopt the following consolidated capital requirements in 2022, including a 2,5% capital conservation buffer:

- CET1 Ratio of 7,90%, with a required minimum of 5,40%;
- Tier 1 Ratio of 9,75%, with a required minimum of 7,25%;
- Total Capital Ratio of 12,15%, with a required minimum of 9,65%.

In order to ensure a level of capital that can absorb any losses arising from stress scenarios, as referred to in Article 104 ter of EU Directive 36/2013, the Bank of Italy has set the following capital levels for the Banca Ifis Group, to which the specific countercyclical coefficient is added:

[2] CET1, Tier 1 and Total Capital at 30 June 2022 do not include the profits generated by the Banking Group in the first six months of 2022.

- CET1 Ratio of 8,65%, consisting of an OCR CET1 Ratio of 7,90% and a target component (Pillar 2 Guidance) of 0,75%;
- Tier 1 Ratio of 10,50%, consisting of an OCR Tier 1 Ratio of 9,75% and a target component of 0,75%;
- Total Capital Ratio of 12,90%, consisting of an OCR Total Capital Ratio of 12,15% and a target component of 0,75%.

At 30 June 2022, the Banca Ifis Group easily met the above prudential requirements.

2.3 Highlights

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2022	31.12.2021	ABSOLUTE	%
Cash and cash equivalents	285.073	355.381	(70.308)	(19,8)%
Financial assets measured at fair value through profit or loss	164.728	153.138	11.590	7,6%
Financial assets measured at fair value through other comprehensive income	592.967	614.013	(21.046)	(3,4)%
Receivables due from banks measured at amortised cost	687.914	524.991	162.923	31,0%
Receivables due from customers measured at amortised cost	9.869.219	10.331.804	(462.585)	(4,5)%
Total assets	12.587.565	12.977.891	(390.326)	(3,0)%
Payables due to banks	2.509.307	2.597.965	(88.658)	(3,4)%
Payables due to customers	5.376.426	5.683.745	(307.319)	(5,4)%
Debt securities issued	2.510.538	2.504.878	5.660	0,2%
Consolidated Equity	1.592.417	1.623.888	(31.471)	(1,9)%

RECLASSIFIED HALF-YEAR CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	1ST HALF		CHANGE	
	2022	2021	ABSOLUTE	%
Net banking income	**323.954**	**290.376**	**33.578**	**11,6%**
Net credit risk losses/reversals	(33.674)	(43.544)	9.870	(22,7)%
Net profit (loss) from financial activities	**290.280**	**246.832**	**43.448**	**17,6%**
Operating costs	**(185.510)**	**(172.540)**	**(12.970)**	**7,5%**
Net allocations to provisions for risks and charges	3.061	(2.427)	5.488	n.s.
Value adjustments of goodwill	(762)	-	(762)	n.a.
Gain on disposals of investments	135	-	135	n.a.
Income taxes for the period relating to continuing operations	(34.423)	(22.702)	(11.721)	51,6%
Profit for the period	**72.781**	**49.163**	**23.618**	**48,0%**
Profit for the period attributable to non-controlling interests	266	832	(566)	(68,0)%
Profit for the period attributable to the Parent company	**72.515**	**48.331**	**24.184**	**50,0%**

RECLASSIFIED QUARTERLY CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	Q2		CHANGE	
	2022	2021	ABSOLUTE	%
Net banking income	**160.630**	**152.654**	**7.976**	**5,2%**
Net credit risk losses/reversals	(16.666)	(25.123)	8.457	(33,7)%
Net profit (loss) from financial activities	**143.964**	**127.531**	**16.433**	**12,9%**
Operating costs	**(97.687)**	**(88.693)**	**(8.994)**	**10,1%**
Net allocations to provisions for risks and charges	9.483	2.668	6.815	n.s.
Value adjustments of goodwill	(762)	-	(762)	n.a.
Gain on disposals of investments	135	-	135	n.a.
Income taxes for the period relating to continuing operations	(17.703)	(13.112)	(4.591)	35,0%
Profit for the period	**37.430**	**28.394**	**9.036**	**31,8%**
Profit for the period attributable to non-controlling interests	(137)	184	(321)	(174,5)%
Profit for the period attributable to the Parent company	**37.567**	**28.210**	**9.357**	**33,2%**

RECLASSIFIED CONSOLIDATED COMPREHENSIVE INCOME (in thousands of Euro)	30.06.2022	30.06.2021
Profit (loss) for the period	**72.781**	**49.163**
Other comprehensive income, net of taxes, not to be reclassified to profit or loss	1.481	2.007
Other comprehensive income, net of taxes, to be reclassified to profit or loss	(24.173)	(2.147)
Consolidated comprehensive income	**50.089**	**49.023**
Total consolidated comprehensive income attributable to minorities	262	835
Total consolidated comprehensive income attributable to the Parent company	**49.827**	**48.188**

GROUP EQUITY KPIs	30.06.2022	31.12.2021
CET1 Ratio(1)	14,92%	15,44%
Total Capital Ratio(1)	19,00%	19,63%
Number of company shares (in thousands)	53.811	53.811
Number of shares outstanding at period end(2) (in thousands)	52.433	53.472
Price/book value per share	0,45	0,57

(1) CET1 and Total Capital at 30 June 2022 do not include the profits generated by the Banking Group in the first six months of 2022.
(2) Outstanding shares are net of treasury shares held in the portfolio.

GROUP ECONOMIC KPIs	30.06.2022	30.06.2021
Earnings per share (EPS)	1,38	0,90
Reclassified cost/income ratio	57,3%	59,4%

2.4 Results by business Segments

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE 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 30.06.2022	65.506	*2.169*	-	*63.337*	18.569	55.955	**140.030**
Amounts at 31.12.2021	*66.564*	-	-	*66.564*	*21.021*	*57.075*	***144.660***
% Change	*(1,6)%*	*n.a.*	*n.a.*	*(4,8)%*	*(11,7)%*	*(2,0)%*	***(3,2)%***
Financial assets measured at fair value through other comprehensive income							
Amounts at 30.06.2022	1.771	-	-	*1.771*	-	591.196	**592.967**
Amounts at 31.12.2021	*1.696*	-	-	*1.696*	-	*612.317*	***614.013***
% Change	*4,4%*	*n.a.*	*n.a.*	*4,4%*	*n.a.*	*(3,4)%*	***(3,4)%***
Receivables due from customers(1)							
Amounts at 30.06.2022	6.409.384	*2.737.976*	*1.389.919*	*2.281.489*	1.528.128	1.931.707	**9.869.219**
Amounts at 31.12.2021	*6.561.414*	*2.940.072*	*1.390.223*	*2.231.118*	*1.523.628*	*2.246.763*	***10.331.804***
% Change	*(2,3)%*	*(6,9)%*	*(0,0)%*	*2,3%*	*0,3%*	*(14,0)%*	***(4,5)%***

(1) In the Governance & Services and Non-Core Segment, at 30 June 2022, there were government securities amounting to 1.351,5 million Euro (1.648,6 million Euro at 31 December 2021).

RECLASSIFIED HALF-YEAR INCOME STATEMENT DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE 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 30.06.2022	142.225	*78.914*	*28.975*	*34.336*	134.993	46.736	**323.954**
Amounts at 30.06.2021	*139.948*	*69.196*	*28.670*	*42.082*	*123.228*	*27.200*	***290.376***
% Change	*1,6%*	*14,0%*	*1,1%*	*(18,4)%*	*9,5%*	*71,8%*	***11,6%***
Profit (loss) for the period							
Amounts at 30.06.2022	24.364	*16.519*	*10.855*	*(3.010)*	32.512	15.905	**72.781**
Amounts at 30.06.2021	*29.984*	*14.602*	*6.580*	*8.802*	*21.721*	*(2.542)*	***49.163***
% Change	*(18,7)%*	*13,1%*	*65,0%*	*(134,2)%*	*49,7%*	*n.s.*	***48,0%***

RECLASSIFIED QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE 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							
Second quarter 2022	68.387	*39.052*	*13.780*	*15.555*	65.182	27.061	**160.630**
Second quarter 2021	*74.751*	*35.176*	*15.050*	*24.525*	*64.962*	*12.941*	***152.654***
% Change	*(8,5)%*	*11,0%*	*(8,4)%*	*(36,6)%*	*0,3%*	*109,1%*	***5,2%***
Profit (loss) for the period							
Second quarter 2022	10.169	*10.053*	*5.626*	*(5.510)*	13.101	14.160	**37.430**
Second quarter 2021	*15.371*	*3.397*	*4.815*	*7.159*	*10.245*	*2.778*	***28.394***
% Change	*(33,8)%*	*195,9%*	*16,8%*	*(177,0)%*	*27,9%*	*n.s.*	***31,8%***

SEGMENT KPIs (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE 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 30.06.2022	0,88%	*0,75%*	*(0,07)%*	*1,62%*	-	1,91%
Amounts at 31.12.2021	*0,73%*	*0,69%*	*0,51%*	*0,94%*	-	*2,28%*
% Change	*0,15%*	*0,06%*	*(0,58)%*	*0,68%*	*n.a.*	*(0,37)%*
Net bad loans/Loans to customers						
Amounts at 30.06.2022	0,4%	*0,7%*	-	*0,4%*	73,6%	0,4%
Amounts at 31.12.2021	*0,5%*	*0,8%*	-	*0,3%*	*72,7%*	*0,5%*
% Change	*(0,1)%*	*(0,1)%*	*n.a.*	*0,1%*	*0,9%*	*(0,1)%*
Coverage ratio on gross bad loans						
Amounts at 30.06.2022	76,1%	*79,1%*	*95,5%*	*44,8%*	-	48,4%
Amounts at 31.12.2021	*73,2%*	*75,2%*	*96,5%*	*34,6%*	-	*38,0%*
% Change	*2,9%*	*3,9%*	*(1,0)%*	*10,2%*	*n.a.*	*10,4%*
RWAs(3)						
Amounts at 30.06.2022	5.377.219	*2.645.368*	*1.213.571*	*1.518.280*	2.344.343	1.090.824
Amounts at 31.12.2021	*5.233.458*	*2.500.835*	*1.265.979*	*1.466.644*	*2.339.110*	*1.065.692*
% Change	*2,7%*	*5,8%*	*(4,1)%*	*3,5%*	*0,2%*	*2,4%*

(1) In the Governance & Services and Non-Core Segment, at 30 June 2022, there were government securities amounting to 1.351,5 million Euro (1.648,6 million Euro at 31 December 2021), 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 year over the annual average loans to customers (calculated quarterly).
(3) Risk Weighted Assets; the amount only relates to the credit risk.

2.5 Reclassified quarterly evolution

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2022		YEAR 2021			
	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	**133.282**	**131.069**	**125.358**	**129.580**	**117.206**	**115.827**
Net commission income	**21.487**	**20.725**	**20.422**	**22.009**	**22.084**	**18.767**
Other components of net banking income	5.861	11.530	8.234	3.959	13.364	3.128
Net banking income	**160.630**	**163.324**	**154.014**	**155.548**	**152.654**	**137.722**
Net credit risk losses/reversals	(16.666)	(17.008)	(16.868)	(16.799)	(25.123)	(18.421)
Net profit (loss) from financial activities	**143.964**	**146.316**	**137.146**	**138.749**	**127.531**	**119.301**
Personnel expenses	(37.033)	(36.565)	(38.070)	(35.986)	(33.946)	(33.779)
Other administrative expenses	(61.079)	(53.568)	(70.152)	(50.179)	(59.039)	(52.455)
Net impairment losses/reversals on property, plant and equipment and intangible assets	(4.145)	(4.080)	(4.464)	(5.124)	(4.732)	(4.413)
Other operating income/expenses	4.570	6.390	6.089	5.609	9.024	6.800
Operating costs	**(97.687)**	**(87.823)**	**(106.597)**	**(85.680)**	**(88.693)**	**(83.847)**
Net allocations to provisions for risks and charges	9.483	(6.422)	106	(5.715)	2.668	(5.095)
Value adjustments of goodwill	(762)	-	-	-	-	-
Gains on disposals of investments	135	-	-	-	-	-
Pre-tax profit from continuing operations	**55.133**	**52.071**	**30.655**	**47.354**	**41.506**	**30.359**
Income taxes for the period relating to continuing operations	(17.703)	(16.720)	(9.909)	(14.960)	(13.112)	(9.590)
Profit for the period	**37.430**	**35.351**	**20.746**	**32.394**	**28.394**	**20.769**
Profit (Loss) for the period attributable to non-controlling interests	(137)	403	353	536	184	648
Profit for the period attributable to the Parent company	**37.567**	**34.948**	**20.393**	**31.858**	**28.210**	**20.121**

2.6 Reclassified Group historical data

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

HISTORICAL DATA (in thousands of Euro)	30.06.2022	30.06.2021	30.06.2020	30.06.2019	30.06.2018
Financial assets measured at fair value through other comprehensive income	592.967	799.051	1.146.701	693.533	433.827
Receivables due from customers measured at amortised cost	9.869.219	9.875.482	8.034.032	7.343.892	6.710.457
Payables due to banks	2.509.307	2.728.071	2.270.742	781.199	882.324
Payables due to customers	5.376.426	5.884.418	4.863.949	5.069.334	4.840.864
Debt securities issued	2.510.538	2.387.735	2.036.348	2.102.076	2.095.844
Consolidated Equity	1.592.417	1.574.026	1.496.948	1.472.257	1.373.083
Net banking income	323.954	290.376	212.791	279.197	276.159
Profit for the period attributable to the Parent company	72.515	48.331	36.756	68.266	66.209

2.7 APM - Alternative Performance Measures

The Banca Ifis Group has defined a number of indicators, listed in the tables of the Group's KPIs, that provide Alternative Performance Measures (APM) to help investors identify significant operational trends and financial ratios. In identifying these APMs, the specific indications were taken into account on how to represent the APMs in light of the impacts of the COVID-19 pandemic, published by ESMA on 17 April 2020 (document called "ESMA32-51-370 Questions and answers – ESMA Guidelines on Alternative Performance Measures").

For the interim financial statements, some indicators presented in the Annual report are not considered representative.

For a proper understanding of these APMs, please consider the following:

- these measures are based exclusively on the Group's historical data and are not indicative of the Group's future performance;
- APMs are non-IFRS measures and, although they are derived from the Group's consolidated financial statements, they are not audited;
- APMs are not intended as a substitute for IFRS measures;
- said APMs shall be considered in conjunction with the Group's financial information derived from its condensed consolidated half-year financial statements;
- since these are non-IFRS measures, the definitions of the measures used by the Group may differ from, and therefore not be comparable to, those used by other companies/groups;
- the APMs used by the Group are consistent across all reporting periods for which the Group has disclosed financial information in this document.

In accordance with the guidelines issued by ESMA (ESMA/2015/1415), below is a detailed explanation of how these measures were calculated in order to facilitate their understanding.

Cost/Income ratio (in thousands of Euro)	30.06.2022	30.06.2021
A. Reclassified operating costs	185.510	172.540
B. Reclassified net banking income	323.954	290.376
Cost/Income ratio (A/B)	**57,3%**	**59,4%**

Price/book value per share	30.06.2022	31.12.2021
A. Share price at period-end	13,51	17,07
B. Equity attributable to the Parent company per share	30,14	29,85
Price/book value per share (A/B) euro	**0,45**	**0,57**

2.8 Regulatory changes and impacts

As of 1 January 2022, the regulatory intervention with the greatest impact in the financial and banking sector relates to the various regulatory updates on the Covid-19 pandemic:

- Ministry of Health Circular of 4 February 2022, which, by updating the regulations on the quarantine regime introduced by Decree-Law no. 229 of 30 December 2021 and implemented by the Ministry of Health Explanatory Circular of 30 December 2021, remodelled the re-entry times in correlation with the vaccination status of the person concerned;
- Decree-Law no. 1 of 7 January 2022, which provided for the extension of the 'strengthened' green pass in the workplace for those aged over 50 as of 15 February 2022 and provided for access as of 1 February 2022 to certain services, including banking and financial services, exclusively to persons in possession of at least the 'basic' green pass;
- amendment of Legislative Decree no. 81/2008, which strengthened the obligations of 'supervisors' (facility managers) with regard to surveillance and reporting;
- Decree Law no. 24 of 24 March 2022, by which, as a consequence of the cessation of the state of emergency and in parallel with the elimination of the coloured risk zones and precautionary quarantines for close contacts, the following prescriptions were laid down:
    - obligation until 30 April 2022 of the 'basic' Green Pass for all workers, regardless of age, for access to workplaces (abolition of the 'strengthened' Green Pass for those aged over 50);
    - elimination from 1 April 2022 of the 'basic' green pass for customers to access banking, financial and commercial services;
    - use of respiratory protective equipment in workplaces until 30 April 2022;
    - the legal obligation for workers to show their Green Pass for access to workplaces and related controls will cease as of 1 May 2022, with the simultaneous suspension of incoming body temperature measurement and the consequent deactivation, where present, of thermoscanner devices and QR code readers;
    - confirmation also after 1 May 2022 of the ban on entering company premises in the presence of fever (temperature over 37,5°) or other symptoms attributable to Covid-19;
    - Order of the Ministry of Health of 28 April 2022 on the use of safety devices, effective until the date of entry into force of the law converting the aforementioned Decree Law no. 24/2022 and in any case no later than 15 June 2022, which limited the obligation to use protective equipment in enclosed spaces to specific and limited cases;
    - meeting between the Government and the Social Partners on 4 May 2022, which confirmed until June 2022 for the private sector the full application of the Protocol signed on 6 April 2021 on measures to limit the spread of the Covid-19 pandemic in the workplace, which provides for the mandatory use of safety devices where there is sharing of workplaces both outdoors and indoors.

2.9 Contribution of operating Segments to Group results

2.9.1 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 balance 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:

- The **Commercial & Corporate Banking Segment** represents the Group's commercial offer dedicated to businesses and also includes personal loans with the assignment of one-fifth of salary or pension. The Segment consists of the Factoring, Leasing and Corporate Banking & Lending Business Areas;
- **Npl Segment**, dedicated to non-recourse factoring and managing distressed loans, servicing and managing non-performing, secured loans;
- **Governance & Services and Non-Core 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, 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.

Finally, as of 1 January 2022, in line with what is represented in the 2022-2024 Business Plan, the income contribution of the personal loans with assignment of one fifth of salary or pension, carried out by the subsidiary Cap.Ital.Fin. S.p.A., is included in the Commercial & Corporate Banking Segment.

All information provided below, including comparative data, takes this reallocation into account.

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**: Business area that aggregates multiple units: Structured Finance, the segment that supports companies and private equity funds in arranging bilateral or syndicated loans; 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 and the disbursement of consumer credit in the form of salary- or pension-backed loans.

Below are the Segment results at 30 June 2022.

HALF-YEAR INCOME STATEMENT DATA (in thousands of Euro)	1ST HALF		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**99.567**	**90.569**	**8.998**	**9,9%**
Net commission income	**41.450**	**40.603**	**847**	**2,1%**
Other components of net banking income	1.208	8.776	(7.568)	(86,2)%
Net banking income	**142.225**	**139.948**	**2.277**	**1,6%**
Net credit risk losses/reversals	(28.146)	(21.952)	(6.194)	28,2%
Net profit (loss) from financial activities	**114.079**	**117.996**	**(3.917)**	**(3,3)%**
Operating costs	**(77.249)**	**(72.766)**	**(4.483)**	**6,2%**
Net allocations to provisions for risks and charges	(415)	(1.402)	987	(70,4)%
Value adjustments of goodwill	(762)	-	(762)	n.a.
Gain on disposals of investments	236	-	236	n.a.
Pre-tax profit from continuing operations	**35.889**	**43.828**	**(7.939)**	**(18,1)%**
Income taxes for the period relating to continuing operations	(11.525)	(13.844)	2.319	(16,8)%
Profit for the period	**24.364**	**29.984**	**(5.620)**	**(18,7)%**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	Q2		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**47.575**	**46.630**	**945**	**2,0%**
Net commission income	**21.083**	**21.472**	**(389)**	**(1,8)%**
Other components of net banking income	(271)	6.649	(6.920)	(104,1)%
Net banking income	**68.387**	**74.751**	**(6.364)**	**(8,5)%**
Net credit risk losses/reversals	(13.672)	(14.515)	843	(5,8)%
Net profit (loss) from financial activities	**54.715**	**60.236**	**(5.521)**	**(9,2)%**
Operating costs	**(38.964)**	**(37.117)**	**(1.847)**	**5,0%**
Net allocations to provisions for risks and charges	(246)	(652)	406	(62,3)%
Value adjustments of goodwill	(762)	-	(762)	n.a.
Gain on disposals of investments	236	-	236	n.a.
Pre-tax profit from continuing operations	**14.979**	**22.467**	**(7.488)**	**(33,3)%**
Income taxes for the period relating to continuing operations	(4.810)	(7.096)	2.286	(32,2)%
Profit for the period	**10.169**	**15.371**	**(5.202)**	**(33,8)%**

Net profit of the Commercial & Corporate Banking Segment comes to 24,4 million Euro, down 5,6 million Euro on the results of the first half of last year (-18,7%). As explained in more detail below, this result was driven by the growth in net interest income of 9,0 million Euro (+9,9%) and net commissions (+0,8 million Euro, or +2,1%), offset by the reduction in other components of net interest and other banking income of 7,6 million Euro (-86,2% on H1 2021, where the figure had in any case been positively impacted by the write-back for around 5 million Euro of an individually significant investment) and higher net adjustments of 6,2 million Euro.

The 4,5 million Euro increase in operating expenses was mainly due to the increase in personnel expenses following an overall increase in remuneration, which was attributable to both the contribution in terms of resources in the first half of the year, linked to the acquisition of the former Aigis Banca business unit at the end of May 2021, and to higher variable remuneration, which had been reduced in 2021 due to the Covid-19 pandemic context .

It should be noted that during the first half of 2022, the goodwill of 0,8 million Euro allocated to the Polish subsidiary Ifis Finance Sp z o.o. was fully written down.

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 30.06.2022						
Nominal amount	114.622	175.933	171.637	**462.192**	6.194.112	**6.656.304**
Impairment losses	(87.280)	(72.166)	(11.484)	**(170.930)**	(75.990)	**(246.920)**
Carrying amount	27.342	103.767	160.153	**291.262**	6.118.122	**6.409.384**
Coverage ratio	*76,1%*	*41,0%*	*6,7%*	***37,0%***	*1,2%*	***3,7%***
Gross ratio	*1,7%*	*2,6%*	*2,6%*	***6,9%***	*93,1%*	***100,0%***
Net ratio	*0,4%*	*1,6%*	*2,5%*	***4,5%***	*95,5%*	***100,0%***
POSITION AT 31.12.2021						
Nominal amount	117.457	162.087	121.843	**401.387**	6.397.688	**6.799.075**
Impairment losses	(85.935)	(70.449)	(7.082)	**(163.466)**	(74.195)	**(237.661)**
Carrying amount	31.522	91.638	114.761	**237.921**	6.323.493	**6.561.414**
Coverage ratio	*73,2%*	*43,5%*	*5,8%*	***40,7%***	*1,2%*	***3,5%***
Gross ratio	*1,7%*	*2,4%*	*1,8%*	***5,9%***	*94,1%*	***100,0%***
Net ratio	*0,5%*	*1,4%*	*1,7%*	***3,6%***	*96,4%*	***100,0%***

Net non-performing exposures in the Commercial & Corporate Banking Segment stood at 291,3 million Euro at 30 June 2022, up 53,3 million Euro on the figure at 31 December 2021 (237,9 million Euro). While non-performing loans remained substantially stable, there was an increase in other types of impaired exposures, mainly related to the application of the criteria for calculating past due loans also to exposures to the NHS, resulting in the classification under impaired loans of net exposures totalling 138,9 million Euro (63,4 million Euro as at 31 December 2021). Refer to the more detailed comments in the section “Impacts of the New DoD” contained in section “4.3.3 Prudential consolidation risks” of this document.

The change in the coverage ratio of non-performing exposures, which went from 40,7% at 31 December 2021 to 37,0% at 30 June 2022, was mainly due to the relative increase in the net value of past-due exposures characterised by a more limited coverage ratio.

Finally, the Commercial & Corporate Banking Segment includes loans belonging to the “POCI” category, referring to assets stemming from the business combination: the net value of these assets is 15,9 million Euro at 30 June 2022, as compared with the 22,7 million Euro recorded at 31 December 2021, of which 6,9 million Euro non-performing (13,8 million Euro at 31 December 2021).

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

KPI	AMOUNTS		CHANGE	
	30.06.2022	31.12.2021	ABSOLUTE	%
Cost of credit quality(1)	0,88%	0,73%	n.a.	0,15%
Net Npe ratio	4,5%	3,6%	n.a.	0,9%
Gross Npe ratio	6,9%	5,9%	n.a.	1,0%
RWA (2)	5.377.219	5.233.458	143.761	2,7%

(1) This indicator is calculated comparing the value of net credit risk losses/reversals at the end of the year over the annual average loans to customers (calculated quarterly).
(2) Risk Weighted Assets; the amount only relates to the credit risk.

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

HALF-YEAR INCOME STATEMENT DATA (in thousands of Euro)	1ST HALF		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**49.723**	**41.559**	**8.164**	**19,6%**
Net commission income	**29.589**	**27.254**	**2.335**	**8,6%**
Other components of net banking income	(398)	383	(781)	n.s.
Net banking income	**78.914**	**69.196**	**9.718**	**14,0%**
Net credit risk losses/reversals	(10.359)	(8.728)	(1.631)	18,7%
Net profit (loss) from financial activities	**68.555**	**60.468**	**8.087**	**13,4%**
Operating costs	**(42.317)**	**(37.857)**	**(4.460)**	**11,8%**
Net allocations to provisions for risks and charges	(1.144)	(1.444)	300	(20,8)%
Value adjustments of goodwill	(762)	-	(762)	n.a.
Pre-tax profit from continuing operations	**24.332**	**21.167**	**3.165**	**15,0%**
Income taxes for the period relating to continuing operations	(7.813)	(6.565)	(1.248)	19,0%
Profit for the period	**16.519**	**14.602**	**1.917**	**13,1%**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	Q2		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**24.378**	**21.121**	**3.257**	**15,4%**
Net commission income	**14.978**	**13.807**	**1.171**	**8,5%**
Other components of net banking income	(304)	248	(552)	n.s.
Net banking income	**39.052**	**35.176**	**3.876**	**11,0%**
Net credit risk losses/reversals	(1.039)	(10.931)	9.892	(90,5)%
Net profit (loss) from financial activities	**38.013**	**24.245**	**13.768**	**56,8%**
Operating costs	**(20.965)**	**(18.708)**	**(2.257)**	**12,1%**
Net allocations to provisions for risks and charges	(1.479)	(750)	(729)	97,2%
Value adjustments of goodwill	(762)	-	(762)	n.a.
Pre-tax profit from continuing operations	**14.807**	**4.787**	**10.020**	**n.s.**
Income taxes for the period relating to continuing operations	(4.754)	(1.390)	(3.364)	n.s
Profit for the period	**10.053**	**3.397**	**6.656**	**195,9%**

The contribution made by the Factoring Area towards net banking income booked by the Commercial & Corporate Banking Segment came to 78,9 million Euro in H1 2022, up 14,0% on the same period of last year. This result was due to the greater contribution both of net interest income (up by 8,2 million Euro) and net commission income (up by 2,3 million Euro). The positive change in net interest income and net commission income was due to the trend of loans managed: turnover in the first half of 2022 amounted to 6,5 billion Euro, up by 988 million Euro compared to the same period of the previous year, while total loans amounted to 3,8 billion Euro, up on the 3,4 billion Euro recorded in June 2021.

In the first half of 2022, net value adjustments for credit risk amounted to 10,4 million Euro, an increase of 1,6 million Euro compared to the same period of the previous year and attributable to additional write-downs on trade exposures with higher vintage. This increase was only partially offset by a revision of the lump-sum write-downs on performing loans following the revision of the prudential adjustments applied to the models to take into account the evolution of the pandemic environment and the new potential impacts on the economic environment arising from the conflict between Russia and Ukraine, the inflationary scenario and related threats to growth. The change with respect to the same period of last year is also accentuated by the fact that the first half of 2021 was positively impacted by the update of the valuation models.

The increase in operating costs of 4,5 million Euro was mainly due to higher personnel expenses due to an overall increase in remuneration. This was due both to the contribution over the half-year period in terms of resources, linked to the acquisition of the former Aigis Banca business unit at the end of May 2021, and to higher variable remuneration, which had been reduced in 2021 due to the Covid-19 pandemic context.

We also note the previously mentioned full write-down of goodwill of 0,8 million Euro allocated to the Polish subsidiary Ifis Finance Sp z o.o.

With regard to the main balance sheet aspects, as at 30 June 2022 total net loans of the Area amounted to 2,7 billion Euro, a decrease of 6,9% compared to the figure as at 31 December 2021, influenced by the seasonality of the business and a revision of the Area's strategic approach, and in particular of the DPA product towards the NHS, which led to a decrease in loans of approximately 184 million Euro.

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 30.06.2022						
Nominal amount	86.959	90.283	152.225	**329.467**	2.547.737	**2.877.204**
Impairment losses	(68.756)	(43.140)	(6.928)	**(118.824)**	(20.404)	**(139.228)**
Carrying amount	18.203	47.143	145.297	**210.643**	2.527.333	**2.737.976**
Coverage ratio	*79,1%*	*47,8%*	*4,6%*	***36,1%***	*0,8%*	***4,8%***
POSITION AT 31.12.2021						
Nominal amount	96.272	87.222	104.804	**288.298**	2.794.814	**3.083.113**
Impairment losses	(72.370)	(46.158)	(2.274)	**(120.802)**	(22.238)	**(143.041)**
Carrying amount	23.901	41.064	102.530	**167.496**	2.772.576	**2.940.072**
Coverage ratio	*75,2%*	*52,9%*	*2,2%*	***41,9%***	*0,8%*	***4,6%***

As illustrated above, net impaired loans increased by 43,1 million Euro during the period, mainly due to the increase in past due exposures, only partially offset by the return to performing status of exposures related to ordinary customers.

Leasing Area

HALF-YEAR INCOME STATEMENT DATA (in thousands of Euro)	1ST HALF		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**22.508**	**22.640**	**(132)**	**(0,6)%**
Net commission income	**6.467**	**6.030**	**437**	**7,2%**
Net banking income	**28.975**	**28.670**	**305**	**1,1%**
Net credit risk losses/reversals	471	(4.420)	4.891	(110,6)%
Net profit (loss) from financial activities	**29.446**	**24.250**	**5.196**	**21,4%**
Operating costs	**(14.508)**	**(15.068)**	**560**	**(3,7)%**
Net allocations to provisions for risks and charges	1.052	436	616	141,3%
Pre-tax profit from continuing operations	**15.990**	**9.618**	**6.372**	**66,3%**
Income taxes for the period relating to continuing operations	(5.135)	(3.038)	(2.097)	69,0%
Profit for the period	**10.855**	**6.580**	**4.275**	**65,0%**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	Q2		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**10.215**	**11.613**	**(1.398)**	**(12,0)%**
Net commission income	**3.565**	**3.437**	**128**	**3,7%**
Net banking income	**13.780**	**15.050**	**(1.270)**	**(8,4)%**
Net credit risk losses/reversals	1.134	(644)	1.778	n.s.
Net profit (loss) from financial activities	**14.914**	**14.406**	**508**	**3,5%**
Operating costs	**(7.678)**	**(7.845)**	**167**	**(2,1)%**
Net allocations to provisions for risks and charges	1.052	477	575	120,5%
Pre-tax profit from continuing operations	**8.288**	**7.038**	**1.250**	**17,8%**
Income taxes for the period relating to continuing operations	(2.662)	(2.223)	(439)	19,7%
Profit for the period	**5.626**	**4.815**	**811**	**16,8%**

The Leasing Area's net interest and other banking income amounted to 29,4 million Euro, essentially in line with the 30 June 2021 figure, with an improvement in net commissions.

Net write-backs on loans amounted to 0,5 million Euro, with a positive effect of 4,9 million Euro compared to the same period of the previous year. The figure for the first half of 2021 was influenced by the introduction of counterparty rating models to determine the significant increase in credit risk, which had increased the incidence of Stage 2 loans. Moreover, during the first half of 2022, there was a reduction in lump-sum write-downs on performing exposures as a result of, on the one hand, an improvement in the composition of the portfolio, and on the other, a review of the prudential adjustments applied to the models to take into account the evolution of the pandemic environment and the new potential impacts on the economic environment arising from the conflict between Russia and Ukraine, the inflationary scenario and the related threats to growth.

Operating costs of the Leasing Area have improved 0,6 million Euro on the figure of H1 2021 mainly due to the improvement in accessory revenues to the core business of car leasing.

As shown in the table below, at 30 June 2022, the Area's total net loans amounted to 1.390,0 million Euro, essentially in line with 31 December 2021. Similarly, there are no significant changes in gross, net and relative percentages of coverage by risk status.

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 30.06.2022						
Nominal amount	12.084	15.022	13.081	**40.187**	1.390.705	**1.430.892**
Impairment losses	(11.545)	(9.555)	(3.683)	**(24.783)**	(16.190)	**(40.973)**
Carrying amount	539	5.467	9.398	**15.404**	1.374.515	**1.389.919**
Coverage ratio	*95,5%*	*63,6%*	*28,2%*	***61,7%***	*1,2%*	***2,9%***
POSITION AT 31.12.2021						
Nominal amount	10.071	16.181	13.832	**40.084**	1.392.815	**1.432.899**
Impairment losses	(9.719)	(9.550)	(4.070)	**(23.339)**	(19.336)	**(42.675)**
Carrying amount	352	6.631	9.763	**16.745**	1.373.478	**1.390.223**
Coverage ratio	*96,5%*	*59,0%*	*29,4%*	***58,2%***	*1,4%*	***3,0%***

Corporate Banking & Lending Area

HALF-YEAR INCOME STATEMENT DATA (in thousands of Euro)	1ST HALF		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**27.336**	**26.370**	**966**	**3,7%**
Net commission income	**5.394**	**7.319**	**(1.925)**	**(26,3)%**
Other components of net banking income	1.606	8.393	(6.787)	(80,9)%
Net banking income	**34.336**	**42.082**	**(7.746)**	**(18,4)%**
Net credit risk losses/reversals	(18.258)	(8.804)	(9.454)	107,4%
Net profit (loss) from financial activities	**16.078**	**33.278**	**(17.200)**	**(51,7)%**
Operating costs	**(20.424)**	**(19.841)**	**(583)**	**2,9%**
Net allocations to provisions for risks and charges	(323)	(394)	71	(18,0)%
Gains (Losses) on disposal of investments	236	-	236	n.a.
Pre-tax profit from continuing operations	**(4.433)**	**13.043**	**(17.476)**	**(134,0)%**
Income taxes for the period relating to continuing operations	1.423	(4.241)	5.664	(133,6)%
Profit (loss) for the period	**(3.010)**	**8.802**	**(11.812)**	**(134,2)%**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	Q2		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**12.982**	**13.896**	**(914)**	**(6,6)%**
Net commission income	**2.540**	**4.228**	**(1.688)**	**(39,9)%**
Other components of net banking income	33	6.401	(6.368)	(99,5)%
Net banking income	**15.555**	**24.525**	**(8.970)**	**(36,6)%**
Net credit risk losses/reversals	(13.767)	(2.940)	(10.827)	n.s.
Net profit (loss) from financial activities	**1.788**	**21.585**	**(19.797)**	**(91,7)%**
Operating costs	**(10.321)**	**(10.564)**	**243**	**(2,3)%**
Net allocations to provisions for risks and charges	181	(379)	560	(147,8)%
Gains (Losses) on disposal of investments	236	-	236	n.a.
Pre-tax profit (loss) for the period from continuing operations	**(8.116)**	**10.642**	**(18.758)**	**(176,3)%**
Income taxes for the period relating to continuing operations	2.606	(3.483)	6.089	(174,8)%
Profit (loss) for the period	**(5.510)**	**7.159**	**(12.669)**	**(177,0)%**

Net banking income of the Corporate Banking & Lending Area came to 34,3 million Euro at 30 June 2022, down 7,7 million Euro on 30 June 2021 (-18,4%). The negative change is a result of the combined effect of the following factors:

- 1,0 million Euro growth in net interest income, driven by the increase in average loans in the Lending segment, which more than offset the reduction in the Corporate Banking segment in connection with a different timing of disbursements;
- lower net fees and commissions of 1,9 million Euro, mainly from Corporate Banking, in connection with the previously mentioned timing of disbursements (approximately -36 million Euro compared to the same period in 2021);
- a 6,8 million Euro decrease in other net banking income components attributable to the Corporate Banking Area. The figure for the first half of 2021 had benefited from the contribution of approximately 5 million Euro from the revaluation of the investment in a minority shareholding.

Net credit risk losses amounted to 18,3 million Euro, up 9,5 million Euro compared to the same period of the previous year and mainly due to the Lending segment. These adjustments were the effect for 4,6 million Euro of the revision of the lump-sum write-downs on performing exposures following consideration of the prudential adjustments applied to the models to take into account the evolution of the pandemic environment and the new potential impacts on the macroeconomic scenario arising from the conflict between Russia and Ukraine, the inflationary scenario and related threats to growth. In addition, provisions have been made on individual impaired positions belonging to the SME segment that are most affected by the current macroeconomic environment.

The increase in operating expenses of the Corporate Banking & Lending Area of 0,6 million Euro compared to the first half of 2021 was mainly attributable to both the aforementioned increase in resources in place at the reporting date and to higher variable remuneration, which had been contained in the previous year by the effects of the Covid-19 pandemic, as well as for the share of consulting costs on strategic Group activities and pertaining to the Area.

At 30 June 2022, the Area's total net receivables due from customers amounted to 2.281,5 million Euro, essentially in line with 31 December 2021.

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 30.06.2022						
Nominal amount	15.579	70.628	6.331	**92.538**	2.255.670	**2.348.208**
Impairment losses	(6.979)	(19.471)	(873)	**(27.323)**	(39.396)	**(66.719)**
Carrying amount	8.600	51.157	5.458	**65.215**	2.216.274	**2.281.489**
Coverage ratio	*44,8%*	*27,6%*	*13,8%*	***29,5%***	*1,7%*	***2,8%***
POSITION AT 31.12.2021						
Nominal amount	11.114	58.684	3.207	**73.005**	2.210.059	**2.283.063**
Impairment losses	(3.846)	(14.740)	(739)	**(19.325)**	(32.620)	**(51.945)**
Carrying amount	7.268	43.943	2.468	**53.680**	2.177.439	**2.231.118**
Coverage ratio	*34,6%*	*25,1%*	*23,0%*	***26,5%***	*1,5%*	***2,3%***

The 11,5 million Euro increase in net non-performing exposures on 31 December 2021 is mainly due to lending activities and in particular to probable defaults. In particular, the increase in non-performing past-due exposures is concentrated on positions with public guarantees, thus affecting the reduction of the related coverage ratio.

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 proprietary 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 78,2 million Euro and other components of the net interest income from cash flow changes for 66,3 million Euro, as reported in the summary table of "Economic data" below in this paragraph.

PROPRIETARY PORTFOLIO OF THE NPL SEGMENT (in thousands of Euro)	OUTSTANDING NOMINAL AMOUNT	CARRYING AMOUNT	CARRYING AMNT / RES. NOM. AMNT	INTEREST ON INCOME STATEMENT	ERC	MAIN METHOD OF ACCOUNTING
Cost	4.193.496	159.003	3,8%	-	278.893	Acquisition cost
Non-judicial	11.379.080	437.871	3,8%	54.023	736.112	
of which: Collective (curves)	*10.896.020*	*207.827*	*1,9%*	*(140)*	*332.584*	*Cost = NPV of flows from model*
of which: Plans	*483.060*	*230.044*	*47,6%*	*54.163*	*403.528*	*Cost = NPV of flows from model*
Judicial	7.322.763	908.397	12,4%	90.474	1.888.810	
of which: Other positions undergoing judicial processing	*1.715.366*	*234.715*	*13,7%*	*-*	*480.954*	*Acquisition cost*
of which: Writs, Property Attachments, Garnishment Orders	*1.644.495*	*520.053*	*31,6%*	*81.141*	*1.213.475*	*Cost = NPV of flows from model*
of which: Secured and Corporate	*3.962.902*	*153.629*	*3,9%*	*9.333*	*194.381*	*Cost = NPV of flows from model*
Total	**22.895.339**	**1.505.271**	**6,6%**	**144.497**	**2.903.815**	

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 (159,0 million Euro at 30 June 2022, compared to 135,8 million Euro at 31 December 2021) with no contribution to profit or loss in terms of margin. 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 30 June 2022 come to 207,8 million Euro as compared with 201,6 million Euro at 31 December 2021 (up 3,1%). Practices on which a realignment plan has been agreed and formalised, record an increase (3,0%), coming in at 230,0 million Euro at 30 June 2022 (223,3 million Euro at 31 December 2021);
- 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 234,7 million Euro at 30 June 2022 (270,8 million Euro at 31 December 2021); practices in phases of writ, attachment order and garnishment order are allocated to a specific basin, which records an increase of 7,9%, coming in at 520,1 million Euro as compared with the 481,9 million Euro recorded in December 2021. The judicial management basin include all “Secured and Corporate” positions of corporate banking origin or real estate, equal to 153,6 million Euro at 30 June 2022, as compared with 164,3 million Euro at 31 December 2021.

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.

HALF-YEAR INCOME STATEMENT DATA (in thousands of Euro)	1ST HALF		CHANGE	
	2022	2021	ABSOLUTE	%
Interest income from amortised cost	78.219	73.294	4.925	6,7%
Interest income notes and other minority components	1.472	525	947	180,4%
Other components of net interest income from change in cash flow	66.278	60.070	6.208	10,3%
Funding costs	(13.601)	(13.178)	(423)	3,2%
Net interest income	**132.368**	**120.711**	**11.657**	**9,7%**
Net commission income	**1.844**	**1.084**	**760**	**70,1%**
Other components of net banking income	(1.195)	(247)	(948)	383,8%
Gains (Losses) on the disposal of financial assets	1.976	1.680	296	17,6%
Net banking income	**134.993**	**123.228**	**11.765**	**9,5%**
Net credit risk losses/reversals	-	(8.835)	8.835	(100,0)%
Net profit (loss) from financial activities	**134.993**	**114.393**	**20.600**	**18,0%**
Operating costs	**(86.779)**	**(82.215)**	**(4.564)**	**5,6%**
Net allocations to provisions for risks and charges	(222)	(426)	204	(47,9)%
Gains (Losses) on disposal of investments	(101)	-	(101)	n.a.
Pre-tax profit from continuing operations	**47.891**	**31.752**	**16.139**	**50,8%**
Income taxes for the period relating to continuing operations	(15.379)	(10.031)	(5.348)	53,3%
Profit for the period	**32.512**	**21.721**	**10.791**	**49,7%**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	Q2		CHANGE	
	2022	2021	ABSOLUTE	%
Interest income from amortised cost	39.239	37.104	2.135	5,8%
Interest income notes and other minority components	180	36	144	n.s.
Other components of net interest income from change in cash flow	32.157	32.525	(368)	(1,1)%
Funding costs	(6.847)	(6.598)	(249)	3,8%
Net interest income	**64.728**	**63.067**	**1.661**	**2,6%**
Net commission income	**842**	**1.007**	**(165)**	**(16,4)%**
Other components of net banking income	(389)	128	(517)	n.s.
Gains (Losses) on the disposal of financial assets	1	760	(759)	(99,9)%
Net banking income	**65.182**	**64.962**	**220**	**0,3%**
Net credit risk losses/reversals	-	(8.835)	8.835	(100,0)%
Net profit (loss) from financial activities	**65.182**	**56.127**	**9.055**	**16,1%**
Operating costs	**(45.773)**	**(40.936)**	**(4.837)**	**11,8%**
Net allocations to provisions for risks and charges	(10)	(215)	205	(95,3)%
Gains (Losses) on disposal of investments	(101)	-	(101)	n.a.
Pre-tax profit from continuing operations	**19.298**	**14.976**	**4.322**	**28,9%**
Income taxes for the period relating to continuing operations	(6.197)	(4.731)	(1.466)	31,0%
Profit for the period	**13.101**	**10.245**	**2.856**	**27,9%**

"Interest income from amortised cost", referring to the interest accruing at the original effective rate, went from 73,3 million Euro to 78,2 million Euro at 30 June 2022, due to an increase in the volume of underlying assets.

The item "Other components of net interest income from change in cash flow", which goes from 60,1 million Euro in H1 2021 to 66,3 million Euro at 30 June 2022, reflects the change in cash flows forecast according to the collections made in respect of forecasts. This item includes:

- out-of-court settlements totalling 25,3 million Euro, to which recovery plans contributed 38,6 million Euro, partly offset by the negative effect of curve models totalling 13,3 million Euro;
- legal expenses of 41,2 million Euro, due to the contribution of actions for injunction, attachment and garnishment orders.

The growth is supported by the good performance of legal collection, which is mainly attributable to the higher number of injunctions and foreclosures produced. Out-of-court collection also contributed to the result, confirming what was achieved in the same period of the previous year, through an improvement in the payment agreements signed (plans), the positive effect of which was mitigated by a worsening valuation of the curved files (massive valuation). In this regard, collections went from 170,0 million Euro in the first half of 2021 to 182,2 million Euro in the first half of 2022 (+7,2%).

The increase in the cost of funding is due to higher imputed interest expense attributed by the Governance & Services and Non-Core Segment following the increase in average lending compared to the same period last year.

The increase in net commission is almost entirely due to the reduction in commission expense paid for collection and payment services.

In view of the above, the Npl Segment's net interest and other banking income came to a total of 135,0 million Euro, up 9,5% on the same period of the previous year.

Operating costs of 86,8 million Euro showed an increase of 5,6% on H1 2021. Without taking into account expenses strictly related to business dynamics (first and foremost Npl legal expenses), the most significant change is related to the growth in the share of consulting costs on the Group's strategic activities and pertaining to the Segment.

It is recalled that the item "Net adjustments/reversals for credit risk" included, in H1 2021, a write-down of receivables for 8,8 million Euro, applied following a detailed analysis, still in progress at the time and thereafter concluded at end 2021, carried out also in response to the Covid-19 pandemic, in terms of greater collection times, mainly on higher vintage positions.

As a consequence of the foregoing, period profit of the Npl Segment is 32,5 million Euro, up 49,7% on the same period of last year.

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

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2022	31.12.2021	ABSOLUTE	%
Net bad loans	1.124.269	1.106.996	17.273	1,6%
Net unlikely to pay	346.562	343.143	3.419	1,0%
Net non-performing past due exposures	4.409	4.025	384	9,5%
Total net non-performing exposures to customers (stage 3)	**1.475.240**	**1.454.164**	**21.076**	**1,4%**
Total net performing exposures (stages 1 and 2)	52.888	69.464	(16.576)	(23,9)%
- of which: proprietary loans	*30.031*	*23.517*	*6.514*	*27,7%*
- of which: debt securities	*21.755*	*44.563*	*(22.808)*	*(51,2)%*
- of which: receivables related to servicer activities	*1.102*	*1.384*	*(282)*	*(20,4)%*
Total on-balance-sheet receivables due from customers	**1.528.128**	**1.523.628**	**4.500**	**0,3%**
- of which: owned receivables measured at amortised cost	***1.505.271***	***1.477.681***	***27.590***	***1,9%***

The period reduction of 22,8 million Euro in debt securities of the Npl Segment refers to the collections received as partial repayment of principal and liquidation of interest, in compliance with the repayment plans, on the senior tranches connected with the third-party securitisation transactions, all of which had Npl loans as underlying assets (for more details on these transactions, see the paragraph “Securitisation transactions” within section “4.3.3 Prudential consolidation risks”).

Almost all the receivables measured at amortised cost in the Npl Segment 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. Receivables related to servicer activities on behalf of third parties and debt securities are excluded from this classification.

KPI	AMOUNTS		CHANGE	
	30.06.2022	31.12.2021	ABSOLUTE	%
Nominal amount of receivables managed	22.895.339	21.830.994	1.064.345	4,9%
RWA [(1)]	2.344.343	2.339.110	5.233	0,2%

(1) Risk Weighted Assets; the amount only relates to the credit risk. It does not include the positive effects of the application of EU Delegated Regulation 954/2022 published in the Official Journal on 21 June 2022 and effective from July 2022, which allows a reduction in the risk-weighting on loans acquired from the Npl business.

Total Estimated Remaining Collections (ERC) amounted to 2,9 billion Euro.

PERFORMANCE OF THE PROPRIETARY PORTFOLIO OF THE NPL SEGMENT	30.06.2022	31.12.2021
Opening loan portfolio	**1.477.681**	**1.403.711**
Purchases	66.217	177.306
Sales	(2.860)	(18.440)
Gains on sales	1.976	6.461
Interest income from amortised cost	78.219	150.368
Other components of interest from change in cash flow	66.278	122.502
Net credit risk losses/reversals	-	(17.997)
Collections	(182.240)	(346.230)
Closing loan portfolio	**1.505.271**	**1.477.681**

Total purchases in H1 2022 came to 66,2 million Euro, up on the 15,7 million Euro of the first half of the previous year. During the first six months of 2022, sales were completed for a total price of approximately 2,9 million Euro, which generated profits of 2,0 million Euro.

The item "Collections" equal to 182,2 million Euro includes the instalments collected during the half-year from re-entry plans, from garnishment orders and transactions carried out rises by 7,2% on the collections of 170,0 million Euro made in the first half of 2021.

At the end of the period, the portfolio managed by the Npl Segment included 2.186.991 positions, for a nominal amount of approximately 22,9 billion Euro.

GOVERNANCE & SERVICES AND NON-CORE 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. This Segment also includes Proprietary Finance activities (proprietary securities desk) and Securitisation & Structured Solution activities (investment in Asset Backed Securities, instrumental to the realisation of securitisation transactions). The Segment also includes run-off portfolios originated from the former Interbanca as well as other personal loan portfolios.

HALF-YEAR INCOME STATEMENT DATA (in thousands of Euro)	1ST HALF		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**32.416**	**21.753**	**10.663**	**49,0%**
Net commission income	**(1.082)**	**(836)**	**(246)**	**29,4%**
Other components of net banking income	15.402	6.283	9.119	145,1%
Net banking income	**46.736**	**27.200**	**19.536**	**71,8%**
Net credit risk losses/reversals	(5.528)	(12.757)	7.229	(56,7)%
Net profit (loss) from financial activities	**41.208**	**14.443**	**26.765**	**185,3%**
Operating costs	**(21.482)**	**(17.559)**	**(3.923)**	**22,3%**
Net allocations to provisions for risks and charges	3.698	(599)	4.297	n.s.
Pre-tax profit (loss) for the period from continuing operations	**23.424**	**(3.715)**	**27.139**	n.s.
Income taxes for the period relating to continuing operations	(7.519)	1.173	(8.692)	n.s.
Profit (loss) for the period	**15.905**	**(2.542)**	**18.447**	n.s.

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	Q2		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**20.979**	**7.509**	**13.470**	**179,4%**
Net commission income	**(438)**	**(395)**	**(43)**	**10,9%**
Other components of net banking income	6.520	5.827	693	11,9%
Net banking income	**27.061**	**12.941**	**14.120**	**109,1%**
Net credit risk losses/reversals	(2.994)	(1.773)	(1.221)	68,9%
Net profit (loss) from financial activities	**24.067**	**11.168**	**12.899**	**115,5%**
Operating costs	**(12.950)**	**(10.640)**	**(2.310)**	**21,7%**
Net allocations to provisions for risks and charges	9.739	3.535	6.204	175,5%
Pre-tax profit from continuing operations	**20.856**	**4.063**	**16.793**	**n.s.**
Income taxes for the period relating to continuing operations	(6.696)	(1.285)	(5.411)	n.s.
Profit for the period	**14.160**	**2.778**	**11.382**	**n.s.**

The Segment's net interest and other banking income amounts to 46,7 million Euro, up 19,5 million Euro on the same period of the previous year and is due to growth of 28,6 million Euro in the Governance & Services Area, offset by a lower contribution of 9,1 million Euro from the run-off activities of the Non-Core Area. In particular:

- net interest income has increased by 10,7 million Euro on the first half of 2021. The increase is substantially due for 14,4 million Euro to the Treasury Funding segment, for 6,7 million Euro to the Capital Markets segment, only partially offset by a negative effect of 11,1 million Euro related to both the reversal of the Non-Core Area's run-off portfolio (for 1,7 million Euro) and to the physiological lower contribution of the PPA (for 9,4 million Euro);
- other components of net banking income grew by 9,1 million Euro. This overall effect depends predominantly on:
  - by the higher contribution of the proprietary portfolio business in the amount of 6,5 million Euro, of which 2,4 million Euro from higher dividends, 2,4 million Euro from trading activities, and 1,7 million Euro from gains on disposals;
  - the greater contribution of the Non-Core Area for 2,1 million Euro is mainly due to the fair value measurement of CIU funds.

In terms of funding, "Rendimax Deposit Account" continues to constitute the Group's main source of finance, with a comprehensive cost of 25,5 million Euro, lower than the same period of last year (29,9 million Euro) due to the decrease in average assets under management and average rates falling below the first half of 2021 (1,22% at 30 June 2022, compared to 1,39% at 30 June 2021). At 30 June 2022, the carrying amount the bonds issued by Banca Ifis was 1.046,3 million Euro, essentially in line with the figure at 31 December 2021. In economic terms, interest expense accrued on all issues dropped by 0,4 million Euro, coming in at a total of 15,3 million Euro.

Funding through securitisation, amounting to 1.464,1 million Euro as at 30 June 2022, also tended to be in line with the figure as at 31 December 2021. By contrast, accrued interest expense decreased from 5,5 million Euro at 30 June 2021 to 3,4 million Euro at 30 June 2022 due to the restructuring of transactions that occurred during H2 2021.

Also worth mentioning is the access to funding through TLTRO operations with a nominal amount of 2,0 billion Euro; interest accrued as at 30 June 2022 amounted to 12,7 million Euro.

As regards the cost of credit, there is a decrease in net adjustments to 5,5 million Euro compared with 12,8 million Euro in the same period of the previous year, which was influenced by provisions on two singularly significant positions.

Operating costs come to 21,5 million Euro, up 3,9 million Euro on 30 June 2021. This increase is primarily due to ICT activities and higher legal and consulting expenses in the Governance & Services Area.

Net allocations to provisions for risks and charges amounted to a positive 3,7 million Euro at 30 June 2022, an improvement of 4,3 million Euro compared to the same period last year. This result is mainly due to two effects: the release of the provision related to guarantees granted against a GACS sale of loans for 5,7 million Euro, only partially offset by higher provisions for systemic resolution funds.

At 30 June 2022, total net receivables for the Segment amounted to 1.931,7 million Euro, down 14,0% on the figure at 31 December 2021. The decrease of 315,1 million Euro is mainly related to the maturity of a government bond that was repaid in April 2022 and was not replaced.

It should be noted that within the Governance & Services and Non-Core 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: 12,7 million Euro at 30 June 2022, down on the 18,2 million Euro of 31 December 2021;
- net performing exposures: 20,2 million Euro at 30 June 2022, in line with 31 December 2021.

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 & SERVICES AND NON-CORE 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 30.06.2022						
Nominal amount	15.092	48.192	4.623	**67.907**	1.898.370	**1.966.277**
Impairment losses	(7.305)	(20.467)	(1.248)	**(29.020)**	(5.550)	**(34.570)**
Carrying amount	7.787	27.725	3.375	**38.887**	1.892.820	**1.931.707**
Coverage ratio	*48,4%*	*42,5%*	*27,0%*	***42,7%***	*0,3%*	***1,8%***
POSITION AT 31.12.2021						
Nominal amount	18.432	49.812	6.436	**74.679**	2.207.314	**2.281.993**
Impairment losses	(6.996)	(21.196)	(1.681)	**(29.872)**	(5.359)	**(35.231)**
Carrying amount	11.436	28.616	4.755	**44.807**	2.201.955	**2.246.762**
Coverage ratio	*38,0%*	*42,6%*	*26,1%*	***40,0%***	*0,2%*	***1,5%***

(1) In the Governance & Services and Non-Core Segment, at 30 June 2022, there were government securities amounting to 1.351,5 million Euro (1.648,6 million Euro at 31 December 2021).

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 portfolio as a whole as at 30 June 2022 was up from the figure as at 31 December 2021, mainly related to the Non-Core Area portfolio.

2.10 Banca Ifis shares

2.10.1 Listing

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

OFFICIAL SHARE PRICE	30.06.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Share price at period-end	13,51	17,07	9,18	14,00	15,44

2.10.2 Price/book value

Below is the ratio of the share price at period-end and equity pertaining to the Parent company per share outstanding.

Price/book value	30.06.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Share price at period-end	13,51	17,07	9,18	14,00	15,44
Equity attributable to the Parent company per share	30,14	29,85	28,50	28,69	27,20
Price/book value	**0,45**	**0,57**	**0,32**	**0,49**	**0,57**

Outstanding shares	30.06.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Number of shares outstanding at period-end (in thousands) (1)	52.433	53.472	53.460	53.452	53.441

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

2.10.3 Earning per share

Here below is the ratio of the consolidated profit for the period to the weighted average of the ordinary shares outstanding at period-end, net of treasury shares in portfolio.

Earnings per share (EPS) and diluted earnings per share	30.06.2022	30.06.2021
Net profit for the period attributable to the Parent company (in thousands of Euro)	72.515	48.331
Average number of outstanding shares	52.685.625	53.468.051
Average number of diluted shares	52.685.625	53.468.051
Consolidated earnings per share for the period (Units of Euro)	**1,38**	**0,90**
Consolidated diluted earnings per share for the period (Units of Euro)	**1,38**	**0,90**

2.10.4 Corporate governance rules

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

2.10.5 Internal dealing rules

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

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

Specifically, the procedure governs:

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

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

2.10.6 Rules for the handling of inside information

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

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

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

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

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

2.11 Significant events 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 Media section 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.

2.11.1 Banca Ifis approves the Liquidity Funding Plan 2022

On 17 January 2022, the Board of Directors of Banca Ifis has approved the Liquidity Funding Plan 2022 for the evolution of the Bank's liquidity funding sources, with a view to sound and prudent management and in compliance with rules of prudence. The aim is to optimise the cost of funding, ensuring appropriate diversification and balance between sources in a sustainable composition and adequate to the risk tolerance thresholds. The Liquidity Funding Plan 2022 confirms the centrality and significant contribution of the Bank's direct retail funding through deposit and current account products and provides, with similar importance and relevance during the year, the increase of the stock of wholesale bonds issued by Banca Ifis with a market oriented target of 1,5 billion Euro at the end of 2022 (of which 400 million Euro of Tier 2 and 1,1 billion Euro of Senior Preferred) compared to the current value of 1,1 billion Euro.

2.11.2 Assignment by Moody's of the Baa3 rating with stable outlook

On 9 February 2022, Moody's assigned Banca Ifis a rating of Baa3 (investment grade) with a stable outlook due to the Bank's profitability and solid capital and liquidity position. The original text of the press release issued by Moody's is available on the rating agency's website (www.moodys.com).

2.11.3 Banca Ifis D.O.E.S.: 2022-2024 Business Plan approved

On 10 February 2022, the Board of Directors of Banca Ifis approved the 2022-2024 Business Plan, based on which Banca Ifis will continue to focus on the business segments with the highest opportunity for growth and profitability to strengthen market leadership: Commercial and corporate banking for SMEs and Npls. In 2024, 164 million Euro of net profit (161 million Euro in profit pertaining to the Parent Company) and an ROE of 9% are expected; in the three-year period 2022-2024, a cumulative net profit in excess of 400 million Euro is expected. The Bank aims to create shareholder value with a dividend payout of approximately a cumulative 200 million Euro over the period 2022-2024, making for a payout ratio of around 50%. CET1 is expected to be 15,1% as of 2024 and will conservatively be above 14% throughout the plan period. In order to support a profitable growth, the Bank has defined an Industrial Plan based on four pillars, summarised in the acronym D.O.E.S, which leverage on Digitisation, Openness (i.e. the Bank-as-a-platform model), Efficiency and Sustainability. The Plan period envisages 200 new hires, of whom 150 young adults, and a training and reskilling program to strengthen and expand on employees' distinctive skills.

2.11.4 Merger by incorporation of Credifarma into Farbanca completed

On 11 April 2022 the merger by incorporation of Credifarma S.p.A. into Farbanca S.p.A., for which authorisation had been received from the Bank of Italy on 21 February 2022, was completed. Thanks to this operation, Banca Credifarma is born: the first specialised pole leader in financial services to pharmacies. The integration represents the completion of the project started with the acquisition of Farbanca in November 2020 and the starting point of a new reality equipped with the best skills in the provision of specialised credit to pharmacies thanks to the development of integrated digital services in a single large operator. The transaction is part of the initiatives of the 2022-2024 Business Plan aimed at further simplifying and specialising the organisational structure of the Banca Ifis Group. Post-integration synergies and cross selling with all the Group's financial products will allow Banca Credifarma to further develop its commercial presence in the reference segment. The extension of the investments in digital technology presented in the Business Plan will also speed up process innovation and the extension of the range of services offered, also thanks to new partnerships and consulting solutions complementary to the satisfaction of the needs of the pharmacy business.

2.11.5 Conclusion of the share buyback programme in support of the "LTI 2021-2023 Plan"

On 22 April 2022, the program for the purchase of Banca Ifis ordinary shares to service the "LTI 2021-2023 Plan", which had been initiated on 15 March 2022 and subject to authorisation by the Shareholders' Meeting for a number of ordinary shares not exceeding 1.044.000 and for a maximum total value not exceeding 20,9 million Euro (the "Buy-Back Programme"), was concluded. In execution of the Buy-Back Programme, Banca Ifis purchased a total of 1.044.000 shares (corresponding to the maximum number of treasury shares subject to the said authorisation) - equal to 1,940% of the share capital, for a total value of 19.281.157,88 Euro. Following the purchases made until 22 April 2022, considering the treasury shares already in portfolio, as of the closing date of the Buy-Back Programme, the Bank holds 1.383.139 treasury shares equal to 2,570% of the share capital.

2.11.6 The Shareholders' Meeting has approved the 2021 financial statements and a dividend of 0,95 Euro per share

The ordinary Shareholders' Meeting of Banca Ifis, which met on 28 April 2022 in single call, chaired by Sebastien Egon Fürstenberg in accordance with the applicable provisions, and hence in the manner set out in Art. 106 of Decree-Law no. 18 of 17 March 2020, approved:

- Banca Ifis 2021 Annual Report;
- the distribution to shareholders of a dividend of 0,95 Euro, equal to double the coupon distributed in FY 2020 gross of any withholding taxes, per share, with ex-dividend date (coupon no. 25) on 23 May 2022, record date on 24 May 2022 and payment from 25 May 2022;
- the increase in the number of directors from 12 to 13, appointing as members of the Board of Directors for the three-year period 2022-2024 Simona Arduini, Antonella Malinconico, Beatrice Colleoni, Monica Billio, Sebastien Egon Fürstenberg, Ernesto Fürstenberg Fassio, Frederik Herman Geertman, Monica Regazzi, Paola Paoloni, Giovanni Meruzzi, Luca Lo Giudice and Roberta Gobbi and Roberto Diacetti. The members of the Board of Statutory Auditors were also appointed in the persons of: Andrea Balelli (Chairman), Franco Olivetti (Standing Auditor), Annunziata Melaccio (Standing Auditor), Marinella Monterumisi (Alternate Auditor) and Emanuela Rollino (Alternate Auditor);

- Section I of the document "Report on Remuneration Policy and compensation paid" prepared in accordance with Art. 123-ter of Legislative Decree no. 58/1998. The Shareholders' Meeting also resolved in favour of Section II of the aforementioned document relating to the implementation of remuneration policies during FY 2021;
- the remuneration plan based on the assignment of Banca Ifis shares for certain corporate figures described in the information document drawn up pursuant to Art. 114-bis of Italian Legislative Decree no. 58/1998 and related implementing rules (Art. 84-bis of Consob Regulation no. 11971/1999);
- the assignment to PriceWaterhouseCoopers S.p.A. of the tasks related to the statutory audit of the accounts of Banca Ifis S.p.A. for the nine-year period 2023-2031.

2.11.7 Sale of Ifis Real Estate S.p.A.

On 11 May 2022, Ifis Npl Servicing S.p.A.'s 100% stake in Ifis Real Estate S.p.A. was sold in its entirety to Resolute Asset Management Italy S.r.l. and, on the same date, Ifis Real Estate S.p.A. changed its name to Rebuild S.p.A, leaving the perimeter of the Banca Ifis Group's investee companies.

2.11.8 Conclusion of the Supervisory Review and Evaluation Process (SREP) by the Bank of Italy

On 23 May 2022, the Bank of Italy received notification of the conclusion of the periodic prudential review process ("SREP decision") conducted on the Banca Ifis Group. The Bank of Italy has identified the following capital requirements (equal to the sum of the Overall Capital Requirement and Pillar 2 Guidance) for 2022 on a consolidated basis:

- CET1 ratio: 8,65%;
- Tier 1 ratio: 10,50%;
- Total capital ratio: 12,90%.

The above capital requirements include the Target component of the Pillar 2 Guidance of 0,75%.

2.12 Significant subsequent events

No significant events occurred between the end of the reporting period and the approval of the Consolidated Half-Year Financial Report by the Board of Directors on 4 August 2022.

2.13 Information on Covid-19

The Bank of Italy Communication of 30 June 2020 called the "Guidelines of the European Banking Authority on reporting and public disclosure requirements for exposures subject to measures applied in the light of the Covid-19 crisis" implements the EBA Guidelines on reporting and public disclosure requirements for exposures subject to measures applied in the light of the Covid-19 crisis (EBA/GL/2020/07). The continued application of these guidelines to this document was confirmed by the Statement of the European Banking Authority (EBA) of 17 January 2022 entitled "EBA confirms the continued application of COVID-19 related reporting and disclosure requirements until further notice". In application of these provisions, information is therefore provided on:

- "GL-compliant loans", i.e. financial assets subject to a moratorium that fall within the scope of the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis" published by the EBA (EBA/GL/2020/02) as amended and supplemented;
- "Loans subject to outstanding moratorium measures that are no longer GL compliant and not assessed as subject to lending", i.e. loans subject to outstanding moratorium measures that were assessed as EBA/GL/2020/02 compliant at the date the measure was granted and were no longer compliant at the reporting date of this document, which were not classified as "exposures subject to lending" (as defined by current supervisory reporting) following the assessment carried out when the event giving rise to the EBA/GL/2020/02 non-compliance occurred.
- "Loans subject to other granting measures", i.e. those that are subject to COVID-19 support measures that meet the conditions for "exposure subject to granting" as defined by current supervisory reporting and that are not included in the "Loans subject to granting that are GL compliant" category as of the date on which the measure is granted or as of the date on which they are no longer EBA/GL/2020/02 compliant.
- "New loans", the category of which includes, *inter alia*, financial assets recognised as a result of granting measures that involved a refinancing with derecognition of the original asset and the recognition of a new loan, or a restructuring of several debts with the recognition of a new loan in the balance sheet.

Loans measured at amortised cost concerned by COVID-19 support measures: gross value and overall impairment losses/reversals

The table below gives details of the gross value and overall impairment losses/reversals broken down by risk stages for loans concerned by "moratoriums" or other COVID-19 concessions, or which constitute new liquidity granted by means of public guarantee mechanisms.

	Gross amount					Overall impairment losses/reversals				Overall partial write-offs
	Stage 1	*of which: Instruments with low credit risk*	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	
1. Loans concerned by concessions in compliance with the GLs	376	-	-	-	-	(6)	-	-	-	-
2. Loans subject to outstanding moratorium measures no longer in compliance with the GLs and not assessed as subject of concession	274	-	-	-	-	(2)	-	-	-	-
3. Loans concerned by other concessions	-	-	-	-	-	-	-	-	-	-
4. New loans	451.014	-	26.966	10.994	5.495	(3.143)	(332)	(1.604)	-	-
Total 30.06.2022	**451.664**	**-**	**26.966**	**10.994**	**5.495**	**(3.151)**	**(332)**	**(1.604)**	**-**	**-**
Total 31.12.2021	**604.756**	**-**	**41.363**	**5.776**	**10.447**	**(1.780)**	**(631)**	**(1.286)**	**-**	**-**

2.14 Information on the Russia-Ukraine conflict

This paragraph is intended to provide, as suggested by the Public Statement issued by ESMA on 13 May 2022 entitled "Implications of Russia's invasion of Ukraine on half-yearly financial reports", a specific disclosure on the impacts generated by Russia's invasion of Ukraine.

As already highlighted in the survey sent out by the Bank of Italy at the end of March 2022 and having as its object an initial assessment of the impacts that unfavourable scenarios linked to the crisis situation generated by the conflict has on the bank, at the level of the Banca Ifis Group a series of in-depth studies were conducted in order to assess the exposures (direct and indirect) to counterparties resident in Russia, Belarus and Ukraine, as well as to estimate the related impacts and risk containment measures.

Furthermore, the Risk Management function, in addition to the risk factors usually considered, deemed it reasonable to include the current geopolitical tense situation as an additional risk factor.

In particular, this situation has been considered within the institutional documentation (RAF, Recovery Plan and ICAAP/ILAAP Report) from a twofold point of view: on the one hand as a worsening of severities and inclusion of new stress assumptions in the stress test framework, and on the other hand as an extra capital requirement against the Strategic and Sovereign Risks assumed by the Bank.

More specifically, from the point of view of the assumptions directly considered in the stress tests, the following were considered:

- an increase in the conversion to impaired of factoring customers exposed to Ukraine and Russia;
- the use of further worsened transition matrices for factoring customers in the stress test pro Recovery Plan.

On the assumptions that have an impact on the levels of internal capital allocated to individual risks, it should be noted that:

- a further worsened interest rate scenario was used as a consequence of a hypothetical continuation of the current high inflation environment (resulting from the commodity shortage caused by the conflict), which led to a higher estimate of internal capital for sovereign risk;
- additional internal capital was allocated to cover strategic risk, assuming an uncertain economic environment resulting from the current geopolitical situation.

The analyses conducted so far have revealed a limited number of counterparties present in the countries affected by the current conflict to which modest direct credit exposures correspond. Similarly, no particular critical issues have been noted with regard to the trade receivables portfolio.

For more detailed information on the impact generated by the Russia-Ukraine conflict on the various types of risk inherent in the Banca Ifis Group (credit risk, interest rate risk, price risk, exchange rate risk, liquidity risk and operational risk), please refer to the specific sections prepared in the Notes to the Financial Statements under section "4.3.3 Consolidated prudential risks".

2.15 Outlook

The global scenario is still characterised by risk factors such as the persistence of inflation at levels not seen in the last 20 years, more restrictive monetary policies, the energy crisis and geopolitical tensions, especially with reference to the recent military tension in the Ukraine.

In June 2022, inflation stood at 8,6% in Europe and 8,5% in Italy. In Italy, price growth was driven by growth in gas and electricity (+28,0% compared to June 2021), transport (+13,6% compared to June 2021) and the food component (+9,2% compared to June 2021).

In order to reduce inflation, the European Central Bank (ECB) raised interest rates by 0,50 % in July 2022. The European Central Bank's increase follows the restrictive monetary policies already undertaken by other western central banks: +1,50% basis points from the Federal Reserve since March (+0,75% in July alone) and +1,25% from the Bank of England. However, monetary policy is not particularly effective against energy and commodity price shocks, and it cannot be ruled out that inflation will be more persistent than expected, forcing central banks to intervene more aggressively and prolonged, with restrictive effects on the economy.

The restrictive monetary policy could lead not only to falling inflation, but also to an economic slowdown and a possible recession. The European Central Bank reduced its economic growth estimates for 2022 to 2,8% (from 3,7%) and for 2023 to 2,1% (from 2,8%) in June 2022. The main European and Italian industrial indicators show signs of a slowdown with a marked decrease in confidence in the services and manufacturing sectors, but without providing a clear indication as to whether the current economic slowdown will flow into a recession.

In this context, the military conflict between Russia and Ukraine, which began on 24 February 2022, may have negative impacts that are difficult to estimate at this time. The duration of the conflict, the sanctions imposed on Russia, the impact on the cost of raw materials as well as the slowdown the supply of energy sources, could generate a further increase in inflation and an economic slowdown, especially in Europe.

It should be pointed out that government tax policies remain expansionary even though most of the exceptional interventions will be eliminated. Italy is among the major beneficiaries of the NRRP (the "Italian National Recovery and Resilience Plan"), the special European fund aimed at encouraging economic recovery, which represents an opportunity to boost productivity and growth in Italy in a greener and more inclusive direction.

In this context, the Banca Ifis Group will pay the utmost attention to the evolution of the macroeconomic scenario and the possible repercussions on its operations, in relation to which it is currently not possible to make any forecasts.

The resilience of the business model and the Group's conservative approach to risk assessment in recent years will, however, allow us to better cope with possible geopolitical and macroeconomic instability in the coming quarters.

From a strategic point of view, the Group is continuing the management initiatives presented in the 2022-2024 Business Plan, which include focusing on the core business and the digitisation process.

CET1 at 14,92% is among the best in the market and far above the SREP requirement of 8,65% and ensures the stability and growth of the Group's core business.

In the Npl Segment, the Group applied conservative assumptions when purchasing Npl portfolios to reflect the effects of the Covid-19 pandemic (purchases made in 2020-2021) and higher levels of inflation and geopolitical instability (purchases made in 2022).

With regard to the trade receivables portfolio, the significant reserves set aside for Covid-19 in previous years were revised for the sectors most exposed to macroeconomic instability.

The analyses conducted so far have revealed a limited number of counterparties present in the countries affected by the current conflict to which modest direct credit exposures correspond. Similarly, no particular critical issues have been noted with regard to the trade receivables portfolio.

Monitoring of the portfolio by size, risk and sector continues in order to identify any changes to those economic sectors that are more sensitive, directly or indirectly, to the current crisis and related trade sanctions.

2.16 Other information

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

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

2.16.2 Privacy Measures

The Banca Ifis Group has consolidated a project to comply with (EU) Regulation no. 2016/679 in order to incorporate the relevant regulatory provisions into its internal privacy management model, planning a series of both technological and organisational steps that will concern all the Group's companies.

2.16.3 Parent company management and coordination

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

It should be noted that the transfer of the parent company La Scogliera's registered office to the Canton of Vaud (Lausanne - CH) took effect on 27 December 2021.

2.16.4 National consolidated tax regime

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

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

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

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

Under this tax regime, the taxable profits and tax losses reported by each entity for the first half of 2022 are transferred to the consolidating company La Scogliera S.A.

The net debt to the tax consolidating company La Scogliera S.A., recorded under "Other liabilities" in this "Consolidated Half-Year Financial Report" as at 30 June 2022, amounted to 18,9 million Euro, of which 17,7 million Euro accrued to the subsidiary Ifis Npl Investing.

2.16 5 Transactions on treasury shares

At 31 December 2021, Banca Ifis held 339.139 treasury shares recognised at a market value of 2,8 million Euro and a nominal amount of 339.139 Euro.

During the first half of 2022, Banca Ifis implemented the "Buy-Back Programme" aimed at the purchase of 1.044.000 ordinary shares to service the "LTI 2021-2023 Plan", equal to 1,940% of the share capital, for a total equivalent value of 19,3 million Euro. Following the purchases made and considering the treasury shares already in portfolio, as of the closing date of the Buy-Back Programme, the Bank holds 1.383.139 treasury shares equal to 2,570% of the share capital.

During the year, Banca Ifis, as variable pay, awarded the Top Management 5.158 treasury shares at an average price of 18,35 Euro, for a total of 95 thousand Euro and a nominal amount of 5.158 Euro, making profits of 43 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the premium reserve.

Considering the above operations, the stock at the end of the period was 1.377.981 treasury shares, with an equivalent value of 22,1 million Euro and a nominal amount of 1.377.981 Euro.

2.16.6 Related-party transactions

In compliance with the provisions of Consob Resolution no. 17221 of 12 March 2010 and subsequently amended, as well as the prudential Supervisory provisions for banks in Circular no. 285 of 17 December 2013 of the Bank of Italy, part three, chapter 11 (on "Risk activities and conflicts of interest towards related parties"), any transactions with related parties and relevant parties are carried out pursuant to the procedure approved by the Board of Directors called the "Group Policy covering transactions with related parties, associates and corporate representatives pursuant to Art. 136 of the Consolidated Law on Banking", last updated in February 2022.

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

During H1 2022, no significant transactions with related parties were undertaken outside the scope of the Condensed consolidated half-year financial statements.

For information on individual related-party transactions, please refer to paragraph "4.5 Related-party transactions" in the Notes.

2.16.7 Atypical or unusual transactions

During the first half of 2022, the Banca Ifis Group did not carry out atypical or unusual transactions as defined by Consob Communication no. 6064293 of 28 July 2006.

Venice - Mestre, 4 August 2022

For the Board of Directors

The CEO

Frederik Herman Geertman

3.

Condensed consolidated half-year financial statements

Consolidated Financial Statements

3.1 Consolidated Statement of Financial Position

ASSETS (in thousands of Euro)		30.06.2022	31.12.2021
10.	Cash and cash equivalents	285.073	355.381
20.	Financial assets measured at fair value through profit or loss	164.728	153.138
	a) financial assets held for trading	24.698	8.478
	c) other financial assets mandatorily measured at fair value	140.030	144.660
30.	Financial assets measured at fair value through other comprehensive income	592.967	614.013
40.	Financial assets measured at amortised cost	10.557.133	10.856.795
	a) receivables due from banks	687.914	524.991
	b) receivables due from customers	9.869.219	10.331.804
90.	Property, plant and equipment	127.374	120.256
100.	Intangible assets	60.090	61.607
	of which:		
	- goodwill	*38.020*	*38.794*
110.	Tax assets:	330.150	329.674
	a) current	37.975	45.548
	b) deferred	292.175	284.126
130.	Other assets	470.050	487.027
	Total assets	**12.587.565**	**12.977.891**

	LIABILITIES AND EQUITY (in thousands of Euro)	30.06.2022	31.12.2021
10.	Financial liabilities measured at amortised cost	10.396.271	10.786.588
	a) payables due to banks	2.509.307	2.597.965
	b) payables due to customers	5.376.426	5.683.745
	c) debt securities issued	2.510.538	2.504.878
20.	Financial liabilities held for trading	16.178	5.992
60.	Tax liabilities:	44.442	49.154
	a) current	10.891	16.699
	b) deferred	33.551	32.455
80.	Other liabilities	469.959	436.107
90.	Post-employment benefits	8.041	9.337
100.	Provisions for risks and charges:	60.257	66.825
	a) commitments and guarantees granted	11.606	11.938
	c) other provisions for risks and charges	48.651	54.887
120.	Valuation reserves	(48.818)	(25.435)
150.	Reserves	1.442.929	1.367.019
160.	Share premiums	82.187	102.972
170.	Share capital	53.811	53.811
180.	Treasury shares (-)	(22.104)	(2.847)
190.	Equity attributable to non-controlling interests (+/-)	11.897	27.786
200.	Profit (loss) for the period (+/-)	72.515	100.582
	Total liabilities and equity	**12.587.565**	**12.977.891**

3.2 Consolidated Income Statement

	ITEMS (in thousands of Euro)	30.06.2022	30.06.2021
10.	Interest receivable and similar income	248.318	228.486
	of which: interest income calculated using the effective interest method	*245.512*	*227.565*
20.	Interest due and similar expenses	(50.210)	(55.523)
30.	**Net interest income**	**198.108**	**172.963**
40.	Commission income	48.273	47.596
50.	Commission expense	(6.061)	(6.745)
60.	**Net commission income**	**42.212**	**40.851**
70.	Dividends and similar income	8.052	6.130
80.	Net profit (loss) from trading	2.494	(1.478)
100.	Profit (loss) from sale or buyback of:	6.550	6.881
	a) financial assets measured at amortised cost	6.771	3.934
	b) financial assets at fair value through comprehensive income	(156)	2.939
	c) financial liabilities	(65)	8
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	295	7.208
	b) other financial assets mandatorily measured at fair value	295	7.208
120.	**Net banking income**	**257.711**	**232.555**
130.	Net credit risk losses/reversals on:	32.210	17.469
	a) financial assets measured at amortised cost	32.610	17.483
	b) financial assets at fair value through comprehensive income	(400)	(14)
150.	**Net profit (loss) from financial activities**	**289.921**	**250.024**
190.	Administrative expenses:	(188.245)	(179.219)
	a) personnel expenses	(73.598)	(67.725)
	b) other administrative expenses	(114.647)	(111.494)
200.	Net allocations to provisions for risks and charges	3.420	(5.619)
	a) commitments and guarantees granted	(1.259)	(3.192)
	b) other net allocations	4.679	(2.427)
210.	Net impairment losses/reversals on property, plant and equipment	(4.343)	(4.576)
220.	Net impairment losses/reversals on intangible assets	(3.882)	(4.569)
230.	Other operating income/expenses	10.960	15.824
240.	**Operating costs**	**(182.090)**	**(178.159)**
270.	Value adjustments of goodwill	(762)	-
280.	Gains (losses) on disposal of investments	135	-
290.	**Pre-tax profit (loss) for the period from continuing operations**	**107.204**	**71.865**
300.	Income taxes for the period relating to continuing operations	(34.423)	(22.702)
330.	**Profit (loss) for the period**	**72.781**	**49.163**
340.	Profit (loss) for the period attributable to non-controlling interests	266	832
350.	**Profit (loss) for the period attributable to the Parent company**	**72.515**	**48.331**

3.3 Consolidated Statement of Comprehensive Income

	ITEMS (in thousands of Euro)	30.06.2022	30.06.2021
10.	**Profit (Loss) for the period**	**72.781**	**49.163**
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**1.481**	**2.007**
20.	Equity securities measured at fair value through other comprehensive income	625	1.841
70.	Defined benefit plans	856	166
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	**(24.173)**	**(2.147)**
110.	Exchange differences	(763)	285
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(23.410)	(2.432)
170.	**Total other comprehensive income, net of taxes**	**(22.692)**	**(140)**
180.	**Total comprehensive income (Item 10 + 170)**	**50.089**	**49.023**
190.	Total consolidated comprehensive income attributable to non-controlling interests	262	835
200.	**Total consolidated comprehensive income attributable to the Parent company**	**49.827**	**48.188**

3.4 Statement of Changes in Consolidated Equity at 30 June 2022

(in thousands of Euro)	Balance at 31.12.2021	Change in opening balances	Balance at 01.01.2022	Allocation of profit from previous year		Changes in the period										Consolidated equity at 30.06.2022	Group equity at 30.06.2022	Equity attributable to non-controlling interests at 30.06.2022
							Equity transactions											
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Buyback of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock Options	Changes in equity interests	Comprehensive income for the period			
Share capital:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) ordinary shares	68.460	X	68.460	-	X	X	-	-	X	X	X	X	(8.873)	X	**59.587**	**53.811**	**5.776**
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	-	X	**-**	**-**	**-**
Share premiums	106.797	X	106.797	-	X	(20.785)	-	X	X	X	X	X	(2.205)	X	**83.807**	**82.187**	**1.620**
Reserves:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) retained earnings	1.368.773	-	1.368.773	52.492	X	23.727	-	-	-	X	X	X	(12.084)	X	**1.432.908**	**1.429.727**	**3.181**
b) other	5.784	-	5.784	-	X	(1.618)	-	X	-	X	-	230	9.843	X	**14.239**	**13.202**	**1.037**
Valuation reserves:	(25.382)	-	(25.382)	X	X	(691)	X	X	X	X	X	X	(36)	(22.692)	**(48.801)**	**(48.818)**	**17**
Equity instruments	-	X	-	X	X	X	X	X	X	-	X	X	-	X	**-**	**-**	**-**
Treasury shares	(2.847)	X	(2.847)	X	X	X	-	(19.257)	X	X	X	X	X	X	**(22.104)**	**(22.104)**	**-**
Profit (loss) for the period	102.303	-	102.303	(52.492)	(49.811)	X	X	X	X	X	X	X	X	72.781	**72.781**	**72.515**	**266**
Consolidated Equity	**1.623.888**	**-**	**1.623.888**	**-**	**(49.811)**	**633**	**-**	**(19.257)**	**-**	**-**	**-**	**230**	**(13.355)**	**50.089**	**1.592.417**	**X**	**X**
Group equity	**1.596.102**	**-**	**1.596.102**	**-**	**(49.811)**	**633**	**-**	**(19.257)**	**-**	**-**	**-**	**230**	**2.796**	**49.827**	**1.580.520**	**1.580.520**	**X**
Equity attributable to non-controlling interests	**27.786**	**-**	**27.786**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(16.151)**	**262**	**11.897**	**X**	**11.897**

3.5 Statement of Changes in Consolidated Equity at 30 June 2021

(in thousands of Euro)	Balance at 31.12.2020	Change in opening balances	Balance at 01.01.2021	Allocation of profit from previous year		Changes in the period									Consolidated equity at 30.06.2021	Group equity at 30.06.2021	Equity attributable to non-controlling interests at 30.06.2021
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions							Comprehensive income for the period			
							Issue of new shares	Buyback of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock Options	Changes in equity interests				
Share capital:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) ordinary shares	68.562	X	68.562	-	X	X	-	-	X	X	X	X	-	X	**68.562**	**53.811**	**14.751**
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	-	X	**-**	**-**	**-**
Share premiums	106.354	X	106.354	-	X	481	-	X	X	X	X	X	-	X	**106.835**	**102.972**	**3.863**
Reserves:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) retained earnings	1.322.742	-	1.322.742	44.010	X	2.155	-	-	-	X	X	X	-	X	**1.368.907**	**1.361.305**	**7.602**
b) other	5.392	-	5.392	-	X	189	-	X	-	X	-	-	-	X	**5.581**	**5.581**	**-**
Valuation reserves:	(19.282)	-	(19.282)	X	X	(2.753)	X	X	X	X	X	X	-	(140)	**(22.175)**	**(22.233)**	**58**
Equity instruments	-	X	-	X	X	X	X	X	X	-	X	X	-	X	**-**	**-**	**-**
Treasury shares	(2.948)	X	(2.948)	X	X	X	-	101	X	X	X	X	X	X	**(2.847)**	**(2.847)**	**-**
Profit (loss) for the period	69.142	-	69.142	(44.010)	(25.132)	X	X	X	X	X	X	X	X	49.163	**49.163**	**48.331**	**832**
Consolidated Equity	**1.549.962**	**-**	**1.549.962**	**-**	**(25.132)**	**72**	**-**	**101**	**-**	**-**	**-**	**-**	**-**	**49.023**	**1.574.026**	**X**	**X**
Group equity	**1.523.692**	**-**	**1.523.692**	**-**	**(25.132)**	**72**	**-**	**101**	**-**	**-**	**-**	**-**	**-**	**48.188**	**1.546.920**	**1.546.920**	**X**
Equity attributable to non-controlling interests	**26.270**	**-**	**26.270**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**835**	**27.106**	**X**	**27.106**

3.6 Consolidated Statement of Cash Flows

ITEMS (in thousands of Euro)	30.06.2022	30.06.2021
A. OPERATING ACTIVITIES		
1. Operations	**74.626**	**64.337**
- profit (loss) for the period (+/-)	72.781	49.163
- profit/loss on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	(2.789)	(5.730)
- net credit risk losses/reversals (+/-)	(32.210)	(17.469)
- net impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	8.225	9.145
- net allocations to provisions for risks and charges and other expenses/income (+/-)	(6.840)	11.238
- unpaid taxes, duties and tax credits (+/-)	34.423	22.702
- other adjustments (+/-)	1.037	(4.712)
2. Cash flows generated/absorbed by financial assets	**313.761**	**(818.024)**
- financial assets held for trading	(2.777)	12.733
- other assets mandatorily measured at fair value	4.925	(9.124)
- financial assets measured at fair value through other comprehensive income	(2.737)	121.687
- financial assets measured at amortised cost	332.272	(950.539)
- other assets	(17.922)	7.219
3. Cash flows generated/absorbed by financial liabilities	**(369.300)**	**769.053**
- financial liabilities measured at amortised cost	(396.653)	676.584
- financial liabilities held for trading	(763)	(13.511)
- other liabilities	28.116	105.980
Net cash flows generated/absorbed by operating activities A (+/-)	**19.088**	**15.366**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**62**	**-**
- sale of property, plant and equipment	12	-
- sales of subsidiaries and business units	50	-
2. Cash flows absorbed by	**(7.502)**	**35.679**
- purchases of property, plant and equipment	(5.137)	(6.333)
- purchases of intangible assets	(2.365)	(4.723)
- purchases of subsidiaries and business units	-	46.735
Net cash flows generated/absorbed by investing activities B (+/-)	**(7.440)**	**35.679**
C. FINANCING ACTIVITIES		
- issues/buyback of treasury shares	(19.300)	-
- distribution of dividends and other	(49.734)	(24.926)
- sale/purchase of minority control	(12.922)	-
Net cash flows generated/absorbed by financing activities C (+/-)	**(81.956)**	**(24.926)**
NET CASH GENERATED/USED DURING THE PERIOD D=A+/-B+/-C	**(70.308)**	**26.119**

3.6.1 Reconciliation of Consolidated Statement of Cash Flows

ITEMS (in thousands of Euro)	30.06.2022	30.06.2021
OPENING CASH AND CASH EQUIVALENTS E	355.381	291.602
TOTAL NET CASH GENERATED/USED DURING THE PERIOD D	(70.308)	26.119
CASH AND CASH EQUIVALENTS: EFFECT OF CHANGES IN EXCHANGE RATES F	-	-
CLOSING CASH AND CASH EQUIVALENTS G=E+/-D+/-F	285.073	317.721

4.

Notes

4.1 Accounting policies

4.1.1 Statement of compliance with international accounting standards

These Condensed Consolidated Half-Year Financial Statements of the Banca Ifis Group at 30 June 2022 have been drawn up in accordance with IAS 34 (Interim financial statements), with the recording and measurement criteria of the 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.

In particular, the contents of these Condensed Consolidated Half-Year Financial Statements comply with IAS 34 (Interim Financial Reporting); in addition, based on paragraph 10 of the aforementioned standard, the Group has taken advantage of the option to prepare the consolidated half-year financial statements in condensed form.

The Condensed Consolidated Half-Year Financial Statements included in the consolidated half-year financial report are audited only to a limited extent by EY S.p.A.

4.1.2 Basis of preparation

The Condensed Consolidated Half-Year Financial Statements consist of:

- the consolidated financial statements (statement of financial position and income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows);
- Notes;

in addition, they contain the Interim Directors' Report on the Group.

The Condensed Consolidated Half-Year Financial Statements have been drawn up according to the provisions of art. 154-ter of Italian Legislative Decree no. 58 of 24 February 1998 and in application of the general principles of IAS 1, also referring to IASB's Framework for the preparation and presentation of financial statements, with particular attention to the fundamental principles of substance over legal form, the concepts of relevance and materiality of information, and the accruals and going concern accounting concepts.

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

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

The recognition, measurement and derecognition criteria for assets and liabilities, and the procedures for recognising revenues and costs, adopted in the Consolidated half-year financial statements at 30 June 2022 have remained substantially unchanged from those adopted for the preparation of the 2021 financial statements of the Banca Ifis Group. The Group has not exercised the option to apply early any standards, interpretations or amendments issued but not yet effective. Several amendments and interpretations are applicable for the first time in H1 2022, but do not impact the Condensed consolidated half-year financial statements of the Group. Please refer to section "4.1.5 Other aspects" for a complete presentation.

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 conditions of the financial markets, also in consideration of the current situation connected with COVID-19 pandemic and the more extensive macroeconomic implications connected with the military conflict involving Russia and the Ukraine, 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 Condensed consolidated half-year financial statements at 30 June 2022 are prepared in accordance with this fact.

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

4.1.3 Scope and methods of consolidation

The Consolidated Half-Year Financial Report of the Banca Ifis Group has been drawn up on the basis of the accounts at 30 June 2022 prepared by the directors of the companies included in the consolidation scope. The table shows the companies belonging to the Banca Ifis Group.

Equity investments in exclusively controlled companies

COMPANY NAME	HEAD OFFICE	REGISTERED OFFICE	TYPE (1)	INVESTMENT		VOTING RIGHTS % (2)
				PARTICIPATING COMPANY	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.	Florence, Milan and Mestre (VE)	Mestre (VE)	1	Banca Ifis 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.	Mestre (VE)	Mestre (VE)	1	Ifis Npl Investing S.p.A.	100%	100%
Ifis Finance I.F.N. S.A.	Bucharest	Bucharest	1	Banca Ifis S.p.A.	99,99%	99,99%
Banca Credifarma S.p.A. (3)	Rome	Rome	1	Banca Ifis S.p.A.	87,74%	87,74%
Ifis Npl 2021-1 SPV S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	1	Banca Ifis S.p.A.	51%	51%
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%
Emma S.P.V. S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	4	Other	0%	0%
Urano Spv S.r.l.	Milan	Milan	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
(3) Company resulting from the merger of the subsidiary Credifarma S.p.A. into the company, also a subsidiary, Farbanca S.p.A.

With regard to the companies included in the scope of consolidation as at 30 June 2022, the following changes were recorded in the list of companies in the table above compared to the situation as at 31 December 2021:

- Following the merger by incorporation of Credifarma into Farbanca, which took place on 11 April 2022, these two companies were replaced by Banca Credifarma, the new company name of the merging company post-merger (for more details on the transaction in question, please refer to section "2.11 Significant events occurred in the period" of this document);
- Ifis Real Estate is no longer present, whose 100% stake held by Ifis Npl Servicing was fully sold to Resolute Asset Management Italy S.r.l. on 11 May 2022 with the consequent loss of control, for a price of 50 thousand Euro and transferring losses for 101 thousand Euro entered under "profit (loss) from sale of investments" (again, see section "2.11 Significant events occurred in the period" for more information).

All the companies were consolidated using the line-by-line method.

The financial statements of the Polish subsidiary Ifis Finance Sp. z o.o. and of the Romanian subsidiary Ifis Finance I.F.N. S.A., both expressed in foreign currencies are translated into Euro by applying the period-end exchange rate 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 measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure 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 form Fbs Group, acquired in 2019 and 762 thousand Euro at period end exchange rates for the subsidiary Ifis Finance Sp. z.o.o., acquired in 2006. As of 31 December 2021, these goodwill was subjected to the annual impairment test, from which no need for impairment emerged. For more details in this respect, 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 2021.

The goodwill in question was also subject to an impairment test as at 30 June 2022, as at that date the presence of loss indicators was identified (the "Trigger Events") which, on the basis of IAS 36, require such a test to be performed. The outcome of this test was positive for the goodwill associated with the former Fbs Group while, with reference to the goodwill relating to the Polish company Ifis Finance Sp. z o.o., the analyses conducted determined the need to proceed, on a prudential basis, with its full write-down. Therefore, impairment of 0,8 million Euro was recognised at 30 June 2022 and allocated to the item "Value adjustments of goodwill" in the Income Statement. For more details, please refer to the section "Information about goodwill" in section "4.2.1 Statement of financial position items".

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 statements 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 controlled by means of holding the majority of voting rights (companies with relationship type "1" in the table above), 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, with the exception of the vehicle Ifis Npl 2021-1 SPV S.r.l. for which the Group holds the majority of the shares, are not companies legally belonging to the Banca Ifis Group.

Equity investments in exclusively controlled companies with significant minority interests

Minority interests, availability of minority votes and dividends distributed to minorities

Company Name	Minority interests %	Availability of minority votes %(1)	Dividends distributed to minorities
Banca Credifarma S.p.A.	12,26%	12,26%	-

(1) Availability of voting rights in the Annual Shareholders' Meeting

Equity investments with significant minority interests: accounting information

Company Name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Equity	Net interest income	Net banking income	Operating costs	Pre-tax profit (loss) from continuing operations	Profit (loss) from continuing operations, net of taxes	Profit (loss) of disposal groups, net of taxes	Profit (loss) for the period (1)	Other comprehensive income, net of taxes (2)	Comprehensive Income (3) = (1) + (2)
Banca Credifarma S.p.A.	771.126	31.512	719.537	1.868	595.720	97.036	9.813	12.316	(7.998)	3.242	2.173	-	2.173	(36)	2.137

4.1.4 Subsequent events

No significant events occurred between the end of the reporting period and the preparation of these Condensed Consolidated Half-Year Financial Statements other than those already considered in preparing them.

For information on such events occurred after the closure of the reference period and up until the date of preparation of the Condensed consolidated half-year financial statements, refer to the section “2.12 Significant subsequent events” of the Interim Directors’ Report on the Group.

4.1.5 Other aspects

Risks and uncertainties related to estimates

Using accounting standards often requires management to make estimates and assumptions that affect the carrying amounts of assets and liabilities in the accounts 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 Half-Year Financial 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 and the military conflict between Russia and the Ukraine, as explained previously.

Specifically, it made estimates concerning the carrying amounts of some items recognised in the Consolidated Half-Year Financial Report at 30 June 2022, as per the international 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 30 June 2022.

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

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

- fair value of receivables and financial instruments not quoted in active markets;
- receivables 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 (TFR);
- goodwill, other intangible assets and gain on bargain purchase.

For the types of assets listed above (with the exception of provisions for risks and charges and employee severance indemnities), the principal issues regarding risks and uncertainties associated with estimates are discussed in the following paragraphs. As instead regards the situations relative to provisions for risks and charges and post-employment benefits, 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 2021.

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 2021.

Npl Segment exposures

Concerning specifically the measurement of the receivables in the Npl Segment, the Risk Management, 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 addition to the above, judicial operations involve also collection efforts, i.e. foreclosure proceedings, which consist of several stages and apply to portfolios originated in corporate, banking, or real estate segments where cash flows are measured by means of the manager's analytical forecasts.

In order to take into account the current context, still marked by the pandemic, and incorporate the effects linked to the temporary difficulties with production activities, corrections were made to the forecasting models that entailed, with reference to amicable management, a limited decline in collections expected for subsequent financial years, in line with the general macroeconomic forecasts.

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 reporting date;
- the measurement of certain elements necessary for the determination of estimated future cash flows arising from non-performing loans: the expected debt collection times, the presumed realisable value of any guarantees, the costs that it is deemed will be incurred to recover the credit exposure and lastly the likelihood of sale for positions for which there is a disposal plan.

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

The health emergency at the beginning of March 2020 and the outbreak of war in Ukraine at the end of February 2022 generated a slowdown in global economic growth that prompted institutions to consider a significant increase in credit risk. This has led the Group to make prudent corrections in respect of relations with counterparties belonging to certain economic segments considered to be at higher risk of impact from COVID-19 and the risk deriving from the Russia-Ukraine conflict, the inflation scenario and the related threats to growth.

In particular, during the first half of 2022, the prudential adjustments applied to define the additional provisions previously accounted for as a result of the pandemic context were revised, also in light of the fact that the deterioration of the portfolio was, on the whole, less pronounced than assumed. At the same time, certain prudential adjustments were introduced to take into account the macroeconomic implications of the Russia-Ukraine conflict (countries to which, among others, the Group has marginal exposures), the inflation scenario and the related threats to growth. Any identified surpluses related to Covid-19 risk provisions were not released and were therefore reclassified to cover the risk arising from the ongoing conflict.

With regard to Forward Looking information, the same scenarios were used as at 31 December 2021, which are considered prudent as they factor in the negative effects of the pandemic crisis on the economy. It was decided not to update the macroeconomic scenarios, which influence the estimates of the risk parameters, as the changing context related to the developments in the Russian-Ukrainian conflict and the evolution of the sanctions packages towards Russia confer considerable uncertainty and therefore low reliability on the scenarios.

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.

Goodwill, other intangible assets and gain on bargain purchase.

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 is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure 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).

As of 31 December 2021, these goodwill was subjected to the annual impairment test, from which no need for impairment emerged. For more details in this respect, 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 2021.

The goodwill in question was also subject to an impairment test as at 30 June 2022, as at that date the presence of loss indicators was identified (the "Trigger Events") which, on the basis of IAS 36, require such a test to be performed. The outcome of this test was positive for the goodwill associated with the former Fbs Group while, with reference to the goodwill relating to the Polish company Ifis Finance Sp. z o.o., the analyses conducted determined the need to proceed, on a prudential basis, with its full write-down. Therefore, impairment of 0,8 million Euro was recognised at 30 June 2022 and allocated to the item "Value adjustments of goodwill" in the Income Statement. For more details, please refer to the section "Information about goodwill" in section "4.2.1 Statement of financial position items".

Coming into effect of new accounting standards

Standards issued, effective and applicable to these financial statements

The Condensed Consolidated Half-Year Financial Statements at 30 June 2022 have been drawn up in accordance with IAS 34 (Interim financial statements) and in compliance with the recording and measurement criteria of the IASs/IFRSs in force at the reporting date. See the paragraph "4.1.1 Statement of compliance with international accounting standards".

The accounting standards used in preparing these Condensed Consolidated Half-Year Financial Statements at 30 June 2022, as far as the classification, recognition, measurement, and derecognition of financial assets and liabilities as well as the methods for recognising revenues and costs are concerned, are substantively unchanged compared to the ones used in preparing the Consolidated Financial Statements at 31 December 2021.

The Group has also adopted for the first time some accounting standards and amendments effective for years beginning on or after 1 January 2022. Below are the new accounting standards and the amendments to existing accounting standards endorsed by the EU, which have not materially affected the amounts reported in the Group's Condensed Consolidated Half-Year Financial Statements at 30 June 2022:

- "Amendments to IFRS 3 Business Combinations";
- "Amendments to IAS 16 Property, Plant and Equipment";
- "Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets";
- "Annual Improvements to IFRS Standards 2018-2020".

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

Amendments to the accounting standards issued but not yet effective

The following are the new international accounting standards or amendments to them, not yet endorsed by the European Commission, which are mandatory from a date that falls after the reference date of these Condensed consolidated half-year financial statements. The Group does not consider the impact of the adoption of the following interpretations and amendments of existing international accounting standards to be material:

- "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (from 1 January 2023);
- "Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies" (from 1 January 2023);
- "Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (from 1 January 2023);
- "IFRS 17 Insurance Contracts, including Amendments to IFRS 17" (from 1 January 2023).

Deadlines for the approval and publication of the Consolidated half-year financial report

Pursuant to Article 154-ter of Italian Legislative Decree no. 59/98 (Consolidated Law on Finance), the Company must publish the Consolidated Half-Year Financial Report, including the Condensed Consolidated Half-Year Financial Statements, the Interim Directors' Report on the Group, and the declaration as per article 154-bis, paragraph 5, as soon as possible, and in any case within three months of the end of the first half of the year. Banca Ifis's Consolidated Half-Year Financial Report at 30 June 2022 was submitted to the approval of the Parent company's Board of Directors on 4 August 2022.

4.1.6 Main items of the financial statements

The accounting standards used in preparing these Condensed consolidated half-year financial statements, as far as the classification, recognition, measurement, and derecognition of financial assets and liabilities as well as the methods for recognising revenue and costs are concerned, substantively unchanged compared to the ones used in preparing the 2021 Financial Statements of the Banca Ifis Group, to which reference is made for a complete description.

4.1.7 Disclosure on transfers between portfolios of financial assets

No transfers of financial assets between portfolios were made in the first half of 2022.

4.1.8 Fair value disclosure

Qualitative disclosure

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

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

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

- Level 1: the instrument's fair value is measured based on (unadjusted) quoted prices in active markets.
- Level 2: the instrument's fair value is measured based on valuation models using inputs observable in active markets, such as:
  - quoted prices for similar assets or liabilities;
  - quoted prices for identical or similar assets or liabilities in non-active markets;
  - observable inputs such as interest rates or yield curves, implied volatility, default rates and illiquidity factors;
  - inputs that are not observable but supported and confirmed by market data.
- Level 3: the instrument's fair value is measured based on valuation models using mainly inputs that are unobservable in active markets.

Each financial asset or liability of the Group is categorised in one of the above levels, and the relevant measurements may be recurring or non-recurring. The fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input.

The choice among the valuation techniques is not optional, insofar as there is a hierarchical order, in which the highest priority goes to (unadjusted) quoted prices available in active markets for identical assets or liabilities (Level 1 data) and the lowest priority to unobservable inputs (Level 3 data).

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

Fair value levels 2 and 3: valuation techniques and inputs used

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

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

In the absence of observable prices in an active market for the financial asset or liability to be measured, the fair value of the financial instruments is measured using the so-called comparable approach (Level 2), requiring valuation models based on market inputs. In this case, the valuation is not based on the quoted prices of the financial instrument being measured (identical asset), but on prices, credit spreads or other factors derived from the official quoted prices of instruments that are substantially similar in terms of risk factors and duration/return, using a given calculation method (pricing model).

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

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

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

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

As for the measurement of financial assets and liabilities measured at fair value on a recurring basis, the Group applies the Discounted Cash Flow (DCF) Model to receivables mandatorily measured at fair value, discounting the expected cash flows from each loan at a market rate determined by taking into account the risk free rate for similar maturities, the cost of funding, the counterparty's credit risk, and the capital absorption cost.

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

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

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

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

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

As for the receivables portfolio of the Npl Segment, which purchases and manages non-performing receivables mainly due from individuals, the DCF Model, whose net forecast cash flows are discounted at a market rate, is used to calculate fair value. The market rate is calculated without considering a credit spread, since the credit risk of the individual counterparties is already incorporated in the statistical model used to estimate future cash flows with regard to collective management (non-judicial operations). The model projects the relevant cash flows based on historical evidence concerning the recovery of positions in the Group's portfolio. As for individual management (judicial operations), the projections of future cash flows are based on an internal algorithm or defined by the manager according to how the underlying receivable is being processed.

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

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

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

Measurement processes and sensitivity

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

Fair value hierarchy

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

- For debt securities and financing:
  - the transfer from Level 3 to Level 2 takes place when the inputs to the valuation technique used are observable at the measurement date;
  - the transfer from Level 3 to Level 1 is allowed when it is confirmed that there is an active market for the instrument at the measurement date;
  - finally, they are transferred from Level 2 to Level 3 when some inputs relevant in measuring fair value are not directly observable at the measurement date.
- For equity instruments, the level transfer takes place when:
  - observable inputs became available during the period (e.g. prices for identical assets and liabilities defined in comparable transactions between independent and knowledgeable parties). In this case, they are reclassified from Level 3 to Level 2;
  - inputs directly or indirectly observable used in measuring them are no longer available or current (e.g. no recent comparable transactions or no longer applicable multiples). In this case, valuation techniques using unobservable inputs are used, and therefore a reclassification from Level 1 or Level 2 to Level 3 is performed.

Quantitative information

Fair value hierarchy

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

Financial assets/liabilities measured at fair value (in thousands of Euro)	30.06.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	4.991	19.707	140.030	1.474	7.004	144.660
a) financial assets held for trading	*4.991*	*19.707*	-	*1.474*	*7.004*	-
b) financial assets measured at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	*140.030*	-	-	*144.660*
2. Financial assets measured at fair value through other comprehensive income	525.718	-	67.249	575.409	-	38.604
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**530.709**	**19.707**	**207.279**	**576.883**	**7.004**	**183.264**
1. Financial liabilities held for trading	-	16.178	-	-	5.992	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**16.178**	**-**	**-**	**5.992**	**-**

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

At 30 June 2022, the impact of applying the Credit Value Adjustment to the book values of the trading derivatives with a positive mark-to-market amounted to 53 thousand Euro; as for the instruments with a negative mark-to-market, there was no impact resulting from the application of the Debit Value Adjustment to the book values of the derivatives.

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

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis (in thousands of Euro)	30.06.2022				31.12.2021			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortised cost	10.557.133	1.570.082	-	9.119.280	10.856.795	2.232.706	-	8.740.920
2. Property, plant and equipment held for investment purpose	485	-	-	485	485	-	-	485
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	**10.557.618**	**1.570.082**	**-**	**9.119.765**	**10.857.280**	**2.232.706**	**-**	**8.741.405**
1. Financial liabilities measured at amortised cost	10.396.271	1.009.757	-	9.713.431	10.786.588	1.059.227	-	10.171.747
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**10.396.271**	**1.009.757**	**-**	**9.713.431**	**10.786.588**	**1.059.227**	**-**	**10.171.747**

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

4.1.9 Disclosure on day one profit/loss

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

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

In other words, the general assumption under IFRS 9, whereby fair value is equal to the consideration given or received, may be overcome only if there is objective evidence that the consideration given or received is not representative of the actual market value of the financial instrument being traded. Such evidence must be derived only from objective and non-refutable parameters, thus eliminating any hypothesis of discretion on the part of the evaluator. The difference between the fair value and the negotiated price, only when the above conditions are met, is representative of the day one profit and is immediately recognised in the income statement. As part of the Group's activities in the first half of 2022, there were no transactions attributable to this case.

4.2 Group financials and income results

4.2.1 Statement of financial position items

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2022	31.12.2021	ABSOLUTE	%
Cash and cash equivalents	285.073	355.381	(70.308)	(19,8)%
Financial assets mandatorily measured at fair value through profit or loss	140.030	144.660	(4.630)	(3,2)%
Financial assets measured at fair value through other comprehensive income	592.967	614.013	(21.046)	(3,4)%
Receivables due from banks measured at amortised cost	687.914	524.991	162.923	31,0%
Receivables due from customers measured at amortised cost	9.869.219	10.331.804	(462.585)	(4,5)%
Property, plant and equipment and intangible assets	187.464	181.863	5.601	3,1%
Tax assets	330.150	329.674	476	0,1%
Other assets	494.748	495.505	(757)	(0,2)%
Total assets	**12.587.565**	**12.977.891**	**(390.326)**	**(3,0)%**
Payables due to banks	2.509.307	2.597.965	(88.658)	(3,4)%
Payables due to customers	5.376.426	5.683.745	(307.319)	(5,4)%
Debt securities issued	2.510.538	2.504.878	5.660	0,2%
Tax liabilities	44.442	49.154	(4.712)	(9,6)%
Provisions for risks and charges	60.257	66.825	(6.568)	(9,8)%
Other liabilities	494.178	451.436	42.742	9,5%
Consolidated Equity	1.592.417	1.623.888	(31.471)	(1,9)%
Total liabilities and equity	**12.587.565**	**12.977.891**	**(390.326)**	**(3,0)%**

Cash and cash equivalents

The item cash and cash equivalents includes bank current accounts on demand, in compliance with the requirements for balance sheet items set out in the 7th update of October 2021 of Bank of Italy Circular no. 262/2005, and as of 30 June 2022 amounts to 285,1 million Euro.

Financial assets mandatorily measured at fair value through profit or loss

Other financial assets mandatorily measured at fair value through profit or loss total 140,0 million Euro at 30 June 2022. This item consists of loans and debt securities that did not pass the SPPI test, equity securities from minority shares and CIU units. Without taking into account the proceeds for the period, the 3,2% decrease compared to 31 December 2021 is mainly due to the closing of loans at fair value in the period totalling 5,8 million Euro, the effect of which was partially offset by new transactions in the period (mainly on equity securities and CIU units).

Below is the breakdown of this line item.

FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2022	31.12.2021	ABSOLUTE	%
Debt securities	14.103	15.889	(1.786)	(11,2)%
Equity securities	28.830	26.490	2.340	8,8%
CIU units	79.658	79.052	606	0,8%
Loans	17.439	23.229	(5.790)	(24,9)%
Total	**140.030**	**144.660**	**(4.630)**	**(3,2)%**

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income amounted to 593,0 million Euro at 30 June 2022, down 3,4% from December 2021. They include debt securities characterised by a Held to Collect & Sell (HTC&S) type business model, 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		CHANGE	
	30.06.2022	31.12.2021	ABSOLUTE	%
Debt securities	484.875	515.277	(30.402)	(5,9)%
Equity securities	108.092	98.736	9.356	9,5%
Total	**592.967**	**614.013**	**(21.046)**	**(3,4)%**

Debt securities held in the portfolio at 30 June 2022 amounted to 484,9 million Euro, down 5,9% compared to the balance at 31 December 2021, mainly for of the decision to reduce the exposure in financial instruments exposed to market fluctuations in favour of securities, mainly government, recorded in a “Held to Collect” (HTC) portfolio in view of the growing interest rates curve, which has also been impacted by the recent interventions of the European Central Bank. The net fair value reserve associated with debt securities is negative by 27,1 million Euro, of which 23,0 million Euro associated with government securities.

A breakdown by maturity of debt securities measured to fair value through comprehensive income is provided below.

Issuer/Maturity	1 year	2 years	3 years	5 years	Over 5 years	Total
Government bonds	13.515	164.178	-	30.400	196.693	**404.786**
% of total	*2,8%*	*33,9%*	-	*6,3%*	*40,6%*	***83,5%***
Banks	-	4.597	8.409	2.232	-	**15.238**
% of total	-	*0,9%*	*1,7%*	*0,5%*	-	***3,1%***
Other issuers	302	1.742	13.213	35.998	13.596	**64.851**
% of total	*0,1%*	*0,4%*	*2,7%*	*7,4%*	*2,8%*	***13,4%***
Total	**13.817**	**170.517**	**21.622**	**68.630**	**210.289**	**484.875**
% of total	***2,8%***	***35,2%***	***4,5%***	***14,2%***	***43,4%***	***100,0%***

This item includes also equity securities relating to minority interests, amounting to 108,1 million Euro, up 9,5% compared to 31 December 2021, mainly due to investments made in the first half of 2022, in order to establish a portfolio that guarantees stable dividends. The net fair value reserve associated with this portfolio at 30 June 2022 had a negative value of 12,6 million Euro.

Receivables due from banks measured at amortised cost

Total receivables due from banks measured at amortised cost amounted to 687,9 million Euro at 30 June 2022, up on the figure booked at 31 December 2021 (525,0 million Euro). This item mainly refers to Receivables due from central banks (499,7 million Euro at 30 June 2022 compared to 351,2 million Euro at 31 December 2021), which constitute the supplies maintained in order to ensure the orderly performance of management activities.

In an overall view, cash and cash equivalents and loans to banks increased by 10,5% in the first half of 2022, mainly due to the increase in the Group's liquid funds held at central banks (+148,5 million Euro) and the increase in bank debt securities held in the Held to Collect portfolio during the period (+28,8 million Euro), mainly as a result of new investments made during the half-year.

Receivables due from customers measured at amortised cost

Total receivables due from customers measured at amortised cost amounted to 9.869,2 million Euro, a reduction on 31 December 2021 (10.331,8 million Euro). The item includes debt securities for 1,7 billion Euro (2,0 billion at 31 December 2021). The Commercial & Corporate Banking Segment recorded a slowdown (-2,3%) concentrated in the Factoring Area (-6,9%), against the substantial stability of the Leasing and Corporate Banking Areas. The decrease in the Factoring Area is in fact related both to the seasonality of the business and to the revision of the strategic approach of the Area, and in particular of the ATD product to the NHS. The Governance & Services and Non-Core Segment decreased by 315,1 million Euro, mainly due to the movement in the period of the customer debt securities portfolio at amortised cost, following the sale and redemption due to reaching maturity of certain government bonds, the decrease in which was not entirely offset by new investments. Npl Segment loans are essentially stable compared to 31 December 2021.

RECEIVABLES DUE FROM CUSTOMERS BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2022	31.12.2021	ABSOLUTE	%
Commercial & Corporate Banking Segment	6.409.384	6.561.414	(152.030)	(2,3)%
- of which non-performing	*291.262*	*237.921*	*53.341*	*22,4%*
Factoring Area	2.737.976	2.940.072	(202.096)	(6,9)%
- of which non-performing	*210.643*	*167.496*	*43.147*	*25,8%*
Leasing Area	1.389.919	1.390.223	(304)	(0,0)%
- of which non-performing	*15.404*	*16.745*	*(1.341)*	*(8,0)%*
Corporate Banking & Lending Area	2.281.489	2.231.118	50.371	2,3%
- of which non-performing	*65.215*	*53.680*	*11.535*	*21,5%*
Npl Segment	1.528.128	1.523.628	4.500	0,3%
- of which non-performing	*1.475.240*	*1.454.164*	*21.076*	*1,4%*
Governance & Services and Non-Core Segment(1)	1.931.707	2.246.762	(315.055)	(14,0)%
- of which non-performing	*38.887*	*44.807*	*(5.920)*	*(13,2)%*
Total receivables due from customers	**9.869.219**	**10.331.804**	**(462.585)**	**(4,5)%**
- of which non-performing	***1.805.389***	***1.736.892***	***68.497***	***3,9%***

(1) In the Governance & Services and Non-Core Segment, at 30 June 2022, there were government securities amounting to 1.351,5 million Euro (1.648,6 million Euro at 31 December 2021)

Total net non-performing exposures, which are significantly affected by the receivables of the Npl Segment, amounted to 1.805,4 million Euro at 30 June 2022, compared to 1.736,9 million Euro at 31 December 2021 (+3,9%).

Net of these receivables, non-performing loans come to 330,1 million Euro, as compared with the 282,7 million Euro recorded at 31 December 2021.

The Banca Ifis Group's gross and net Npe ratios for its receivables due from customers are shown below. These ratios are calculated excluding Npl Segment loans and government bonds at amortised cost. As previously mentioned, the growth of these ratios in the half-year was closely linked to the classification as non-performing past due exposures of exposures to the NHS for a nominal amount of 144,6 million Euro (138,9 million Euro net exposure).

KPI	AMOUNTS		CHANGE
	30.06.2022	31.12.2021	%
Net Npe ratio	4,71%	3,93%	0,78%
Gross Npe ratio	7,27%	6,37%	0,90%

For a detailed analysis of receivables due from customers, please see the section "2.9 Contribution of operating segments to Group results" of the Group's Half-Year Financial Report.

Intangible assets and property, plant and equipment

Intangible assets came to 60,1 million Euro, basically in line with those at 31 December 2021.

The item refers to software (22,1 million Euro) and goodwill (38,0 million Euro) arising from the acquisition of the former Fbs Group. With regard to the Group's assessment of the impairment test of such goodwill, please refer to the following section "Information about goodwill".

Tangible assets amounted to 127,4 million Euro, compared to 120,3 million Euro as of 31 December 2021, up 5,9% mainly due to the signing in the first half of 2022 of new lease agreements relating to real estate for the Group's various offices (which fall within the scope of application of IFRS 16 and therefore result in the recognition of an asset in the balance sheet) .

At the end of June 2022, 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.

Information about goodwill

The application of accounting standard IFRS 3 in booking acquisitions may entail the entry of new intangible assets and the recording of goodwill.

In the case of the Banca Ifis Group, the acquisitions made in previous years (of Ifis Finance Sp. z o.o. and the former Fbs Group) led to the recognition of goodwill totalling 38,8 million Euro.

The prospectus below summarises the goodwill values entered into the Consolidated Half-Year Financial Report at 30 June 2022 with the related dynamics during the period, divided up by cash generating unit (CGU), which represent the aggregations of assets at which level any impairment testing must be performed on goodwill, to verify the recoverable value.

In line with the Group Policy, the CGUs have been identified with the operating segments as defined in the information accompanying the consolidated financial statements (Commercial & Corporate Banking Segment and Npl Segment). Considering that the goodwill connected with the purchase of the equity investment in Ifis Finance Sp. z o.o. is significant in regard to the whole of the Commercial & Corporate Banking Segment, the choice has been made to perform impairment testing with a level of detail on the individual company rather than the Segment to which they belong at a comprehensive level.

These CGUs are the same as those adopted for the impairment test of the Group's goodwill at 31 December 2021.

GOODWILL: PERIOD CHANGES (in thousands of Euro)	Goodwill at 31.12.2021	Exchange rates update	Write-downs	Goodwill at 30.06.2022
Goodwill for the former Fbs Group ("Npl Segment" CGU)	38.020	-	-	38.020
Goodwill Ifis Finance Sp. z o.o. ("Commercial & Corporate Banking Segment" CGU)	774	(12)	(762)	-
Total goodwill	**38.794**	**(12)**	**(762)**	**38.020**

Impairment testing of the CGUs and goodwill

In the current market context, significantly influenced by the macroeconomic shocks connected with the prolongation of the Covid-19 pandemic and military tension between Russia and Ukraine, even the value of intangible assets such as goodwill are particularly sensitive.

IAS 36 requires that, at least once a year, goodwill and other intangible assets with an indefinite useful life be subjected to an impairment test in order to ascertain the recoverability of their carrying amount. The same standard (in paragraphs 12, 13 and 14) requires, moreover, at each balance sheet date, including, therefore, the interim financial statements, an analysis aimed at identifying the presence of any loss indicators (termed "Trigger Events") when the impairment test of the goodwill/intangible assets subject to analysis is carried out. Trigger Events can be external or internal. IAS 36 provides some examples of external or internal indicators that may require impairment testing.

Below are the external indicators:

- Stock market price trend;
- Significant changes (with negative effect) in the technological, market, economic or regulatory environment;
- Discount rate performance;
- Carrying amount of the company's net assets higher than the market capitalisation.

Internal indicators are represented by:

- Evident obsolescence or deterioration of the asset;
- Significant changes that have occurred or are likely to occur, such as divestment/renovation plans, plans to dispose of the asset before the previously scheduled date;
- Economic performance of the activity (actual results compared with budget/forecast and provisional data).

Structuring these indicators in the current context characterised by the macroeconomic shocks related to the combination of the medium- to long-term effects of the Covid-19 pandemic and the impacts of the military tension between Russia and Ukraine and the consequent interventions by the Italian and European regulatory authorities, it is noted that, with particular reference to the indicators of an external nature:

- Stock market price trend: the Banca Ifis share price in the first half of 2022 and, in particular, since February 2022 (following the Russian invasion of Ukraine) fell significantly due to the current international (and European in particular) macroeconomic context, as did almost all Italian banks;
- Significant changes (with a negative effect) in the technological, market, economic or regulatory environment: the rise of infection at the end of 2021 had reawakened consumer caution, worsening confidence and penalising spending on services in particular. To this contingency linked to the Covid-19 pandemic, which in any case seems to be in the process of being reabsorbed at least in its most

serious aspects, in H1 2022, risks were added linked to the increase in energy and raw material prices, to bottlenecks in global supply chains and geopolitical tensions, first and foremost the conflict between Russia and the Ukraine. This highly inflationary scenario also prompted the European Central Bank (ECB), for the first time in more than a decade, to announce in July 2022 that it would raise interest rates by 50 basis points with the intention, if necessary, of raising them again in September. However, the impact of these negative macroeconomic shocks on the Group's business cannot be accurately determined to date, also in view of the countercyclical nature of the Group's debt purchasing and debt servicing activities;

- Trend in the discount rate: the figures for the gross yield on the Italian ten-year BTP and the gross yield on the Polish ten-year government bond, used as the basis for determining the discount rate for the Npl Segment CGU and the Ifis Finance Sp. z o.o. CGU, respectively, increased significantly in the first half of 2022, mainly as a result of geopolitical tensions with Russia and related interventions by various regulatory authorities, such as the aforementioned increase in interest rates by the ECB, which, although partially offset by the new Transmission Protection Instrument (TPI), or "anti-spread shield", increased the country risk of states with high public debt;
- The book value of the company's net assets is higher than the stock market capitalisation: this element is in continuity with 31 December 2021 when the Bank's stock market capitalisation was lower than its booked equity.

The analysis at 30 June 2022 was combined with a sensitivity analysis in order to assess the impacts deriving from the significant changes in discounting rates and a possible deterioration in the profitability of the CGUs to which goodwill has been allocated in 2022 and any subsequent years.

In this market context, it seems appropriate to take extreme caution, at least in the immediate future, in changing the assessment scenarios, in the light of the extreme uncertainty both about the long-time developments of the Covid-19 epidemic and the military tension between Russia and Ukraine, as well as the extent and effects of government measures to support the economy. Moreover, it is deemed appropriate to use caution when using estimates based on assumptions and assumptions at this highly uncertain stage and to consider, as soon as possible, any long-term effects, which, as mentioned above, represent the time reference underlying the impairment test logic.

For the purposes of the Consolidated Half-Yearly Financial Report at 30 June 2022, the general trends of a scenario for the context following the macroeconomic shocks in place have been outlined, although subject to unforeseeable developments in view of the significant profiles of uncertainty that characterise the extraordinary nature of the event.

The determination of the recoverable amount is hinged on the discounting forecast cash flow as resulting from the Group's 2022-2024 Business Plan.

Criteria for estimating the Value in Use of the CGUs

The Value in Use (or "VIU") is the current value of estimated future cash flows deriving from the continuous use of the asset and its disposal at the end of its useful life.

Cash flows comprise cash flows from the business in its current condition and cash flows deriving from budget forecasts, short-term forecasts and terminal value, adjusted for the company's specific risks.

More specifically, IAS 36 requires cash flow forecasts based on reasonable, sustainable assumptions that are specific for CGUs, which reflect the value of the CGU in its current condition and represent the best estimate management can make in regard to all existing economic circumstances during the rest of the useful life of the CGU.

For the purpose of impairment testing, reference is made to the value in use estimated according to the valuation approach that can be identified with the method known in doctrine as “discounted cash flow - DCF”. The method estimates the value in use of an asset by discounting the forecast cash flows, determined according to economic-financial forecasts prepared by the management in respect of the asset valued.

In the case of banks and financial institutions in general, the available cash flow is understood as the distributable cash flow, taking into account the equity restrictions imposed by the Supervisory Authorities or held to be appropriate to monitor the risk typical of the asset analysed. As concerns the determination of the value in use of the CGU in question, the choice was made to apply the Excess Capital variant of the Dividend Discount Model (“DDM”) valuation method. The method in question is one of the methods based on prospective cash flow, in this case represented by future dividends, recognised by most doctrine and standard practice, above all with reference to the companies or business units subject to compliance with the minimum regulatory capital requirements.

This method makes it possible to consider the current equity of the companies/business units valued, with respect to the supervisory requirements and their income prospects reflected in the forecasts.

The flow of the last year of the analytical forecast is forecast perpetually through an appropriate long-term growth rate (“g”), in order to estimate the terminal value.

Future cash flows must be discounted at a rate that reflects the current valuations of the time value of money and specific risks of the business. More specifically, the discounting rates to be used must incorporate current market values with reference to the risk-free component and risk premium correlated with the share component observed over a sufficiently extensive time frame to reflect market conditions and different economic cycles, and using an appropriate beta coefficient in consideration of the risk levels of the respective operating areas.

Cash flow forecasts

Forecast cash flow is understood as the distributable cash flow, taking into account the equity restrictions imposed by the Supervisory Authorities or held to be appropriate to monitor the risk typical of the asset analysed.

Therefore, future cash flows can be identified as the flows that may potentially be distributed after having satisfied the minimum allocated capital restrictions. In forecasting available cash flows, consideration was given to maintaining a CET1 level in line with current supervisory regulations. The consolidated SREP limit was considered as higher thresholds are imposed internally in compliance with a control framework, where alert and warning thresholds are provided. The consolidated limit is respected as required by the Supervisory Body. Implicitly, this limit sets limits that exceed the regulatory minimums for the subsidiaries. The internal audits, with higher thresholds in RAF, prudently avoid any overrun.

Determination of the recoverable amount is hinged on the discounting of forecast cash flow and relates to the 2022-2024 period for the CGUs in question (Npl Segment, Ifis Finance Sp. z o.o.) included in the 2022-2024 “D.O.E.S.” Business Plan approved by the Parent company’s Board of Directors on 10 February 2022.

Under the scope of the financial matrix measurement criteria, as is that used to estimate the Value in Use, the value of a business at the end of the analytical flow forecasting period (the “Terminal Value”) is generally determined by capitalising infinitely at an appropriate "g" rate, the cash flow that can be achieved when "fully up and running".

Flow discounting rates

The Value in Use is estimated by discounting cash flows at a rate that considers the current market rates referring to both the time value component and the country risk component, as well as specific risks of the assets considered.

The discounting rate has been determined using the "Capital Asset Pricing Model" (CAPM). On the basis of this model, the discounting rate is determined as the sum of the returns on risk-free investments and a risk premium, in turn dependent on the specific risk level of the asset (thereby meaning both the risk level of the operating segment and the geographic risk level represented by the "country risk").

If we take a more detailed look at the various components that go towards determining the discounting rate, we note that:

- with reference to the risk free component and the risk premium, considering the aforementioned long-term perspective that must guide the impairment test, it was decided to use:
  - as risk free rate for the CGU Npl Segment, the updated spot gross return value of the Italian ten-year BTP, while for the CGU Ifis Finance, the updated spot gross return figure of the Polish ten-year government bond;
  - as risk premium, the average market return, determined on the basis of the long-term spread in the return of equities and bonds, relative to the Italian and Polish markets;
- the beta coefficient, which measures the specific risk level of the individual company or operating segment, has been determined as follows:
  - for the CGU Npl Segment, the average was used, recorded over a 2-year discovery period and on a weekly basis, of the betas relative to a sample of comparable listed companies;
  - for the CGU Ifis Finance Sp. z o.o., the beta of Banca Ifis was adopted, determined on the basis of 2-year weekly observations.

Results of the impairment testing

The results of the impairment testing led to the emergence of a positive margin with respect to the carrying amount for the Npl Segment CGU, which makes it possible to state that the update of the macroeconomic scenario following the shocks currently in progress is not to be considered as an impairment indicator for the purposes of the goodwill of the former Fbs Group allocated for 38,0 million Euro to the Npl Segment CGU.

With reference to the CGU to which the goodwill relating to the Polish company Ifis Finance Sp. z o.o. is allocated, the analyses conducted determined the need to proceed, on a prudential basis, with the full write-down of the goodwill recorded. Therefore, impairment of 0,8 million Euro was recognised at 30 June 2022 and allocated to the item "Value adjustments of goodwill" in the Income Statement.

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.

Tax assets come to 330,2 million Euro, essentially in line with the figure at 31 December 2021.

Current tax assets amounted to 38,0 million Euro, slightly down on the figure at 31 December 2021 (-16,6%).

Prepaid tax assets come to 292,2 million Euro as compared with 284,1 million Euro at 31 December 2021 and mainly comprise 205,3 million Euro in assets entered for impairment of loans, potentially able to be transformed into tax credits, and 39,5 million Euro assets entered on previous tax losses and the ACE benefit (39,4 million Euro at 31 December 2021).

Tax liabilities totalled 44,4 million Euro, down 9,6% from 31 December 2021, when they were 49,2 million Euro.

Current tax liabilities, amounting to 10,9 million Euro, represent the tax liability for the period, significantly lower than the liabilities of 16,7 million Euro as of 31 December 2021, which were fully settled in the first half of 2022.

Deferred tax liabilities, totalling 33,6 million Euro, are down by 1,1 million Euro on the balance of the end of the previous year and largely included 28,8 million Euro in receivables for interest on arrears that will be taxed upon receipt, 0,3 million Euro in the revaluation of property, and 2,8 million Euro in other mismatches of trade receivables and 0,4 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 (RWAs) at 30 June 2022:

- “deferred tax assets that are based on future profitability and do not derive from temporary differences” are deducted from CET1; as at 30 June 2022, the 100% deduction amounted to 39,5 million Euro; it should also be noted that the amount of DTAs deducted from CET1, as required by Article 38, par. 5 pursuant to the CRR, is offset for an amount of 12,7 million Euro by the corresponding deferred tax liabilities; this deduction will be progressively absorbed by the future utilisation of these 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 30 June 2022, these assets amounted to 41,9 million Euro; the amount weighted according to a factor of 250%, as envisaged by Art. 38, par. 5 pursuant to the CRR, is already shown net of the offsetting with the corresponding deferred tax liabilities in the amount of 20,8 million Euro;
- 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 30 June 2022, the corresponding weight totalled 205,3 million Euro;
- “current tax assets” receive a 0% weight as they are exposures to the Central Government.

Overall, the tax assets recognised as at 30 June 2022 and deducted from equity at 100% result in an essentially zero burden in terms of CET1.

Other assets and liabilities

Other assets, of 494,7 million Euro as compared to a balance of 495,5 million Euro at 31 December 2021, mainly include:

- financial assets held for trading amounting to 24,7 million Euro (up on the figure of 8,5 million Euro at 31 December 2021), referring for 19,7 million Euro to derivative transactions (up 12,7 million Euro on 31 December 2021 mainly due to write-backs recorded during the period on derivatives connected with the securitisation of Npl Segment loans) mainly hedged by specular positions recorded under financial liabilities held for trading and 5,0 million Euro from securities included in the Group's trading portfolio (up on the balance of 1,5 million Euro at 31 December 2021 mainly due to the investments made during the period on equity securities in the banking segment);

- other assets for 470,1 million Euro (487,0 million Euro at 31 December 2021, -3,5%), of which 261,8 million Euro relate to tax credits for superbonuses and other construction tax bonuses (with a nominal amount of 301,1 million Euro). It should be noted that the balance as of 31 December 2021 included a receivable from the tax consolidating company La Scogliera in the amount of 22,9 million Euro, fully collected in the first half of 2022.

Other liabilities come to 494,2 million Euro as compared with 451,4 million Euro at 31 December 2021, and consist of:

- trading derivatives for 16,2 million Euro, mainly referring to transactions hedged by specular positions entered amongst financial assets held for trading;
- employee severance indemnity liability of 8,0 million Euro, down from the 9,3 million Euro figure at 31 December 2021, mainly due to the significant change in the assumptions underlying the actuarial calculations with reference to the inflation rate and discount rates (which were affected by the change in the macroeconomic scenario during the half-year period);
- 470,0 million Euro for other liabilities (436,1 million Euro at 31 December 2021, +7,8%), largely referred to amounts due to customers that have not yet been credited, to operating payables for 95,4 million Euro and to payables due to the parent company La Scogliera S.A. for 19,9 million Euro. In particular, it should be noted that the debt exposure as of 31 December 2021 towards La Scogliera, amounting to 26,1 million Euro, was entirely paid off during the first half of 2022 and, therefore, the balances towards the tax consolidating company as of 30 June 2022 refer exclusively to tax items pertaining to the half-year.

Funding

FUNDING (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2022	31.12.2021	ABSOLUTE	%
Payables due to banks	**2.509.307**	**2.597.965**	**(88.658)**	**(3,4)%**
- Payables due to Central banks	2.165.581	2.236.942	(71.361)	(3,2)%
of which: TLTRO	*2.021.170*	*2.033.870*	*(12.700)*	*(0,6)%*
of which: Other deposits	*144.411*	*203.073*	*(58.662)*	*(28,9)%*
- Repurchase agreements	184.082	217.512	(33.430)	(15,4)%
- Other payables	159.644	143.511	16.133	11,2%
Payables due to customers	**5.376.426**	**5.683.745**	**(307.319)**	**(5,4)%**
- Retail	4.386.877	4.517.172	(130.295)	(2,9)%
- Other term deposits	211.194	239.986	(28.792)	(12,0)%
- Lease payables	21.223	16.127	5.096	31,6%
- Other payables	757.132	910.460	(153.328)	(16,8)%
Debt securities issued	**2.510.538**	**2.504.878**	**5.660**	**0,2%**
Total funding	**10.396.271**	**10.786.588**	**(390.317)**	**(3,6)%**

Total funding at 30 June 2022 was 10.396,3 million Euro (-3,6% compared to 31 December 2021) and is represented for 51,7% by Payables due to customers (compared to 52,7% at 31 December 2021), for 24,1% by

Payables due to banks (in line with 31 December 2021), and for 24,1% by Debt securities issued (23,2% at 31 December 2021).

Amounts due to customers were 5.376,4 million Euro as at 30 June 2022, down by 5,4% compared to 31 December 2021, also as a result of the optimisation of deposits undertaken in the retail sector against the seasonal decrease in average loans.

RETAIL FUNDING (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2022	31.12.2021	ABSOLUTE	%
Short-term funding (within 18 months)	3.056.482	3.114.532	(58.050)	(1,9)%
of which: DEREGULATED	*801.876*	*785.004*	*16.872*	*2,1%*
of which: LIKE/ONE	*1.011.385*	*1.033.539*	*(22.154)*	*(2,1)%*
of which: RESTRICTED	*1.174.985*	*1.217.976*	*(42.991)*	*(3,5)%*
of which: GERMAN DEPOSIT	*68.236*	*78.013*	*(9.777)*	*(12,5)%*
Long-term funding (beyond 18 months)	1.330.395	1.402.640	(72.245)	(5,2)%
Total funding	**4.386.877**	**4.517.172**	**(130.295)**	**(2,9)%**

Payables to banks amounted to 2.509,3 million Euro at 30 June 2022, down 3,4% compared to the December 2021 figure due to a lower use of short-term debt both to Central Banks and through repurchase agreements, as a result of the seasonality of the factoring business which is lower in terms of volumes disbursed in the first half of 2022 compared to the end of last year.

Securities in issue amounted to 2.510,5 million Euro at 30 June 2022, in line with the figure at 31 December 2021.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2022	31.12.2021	ABSOLUTE	%
Provisions for credit risk related to commitments and financial guarantees granted	9.988	11.938	(1.950)	(16,3)%
Legal disputes	38.504	36.832	1.672	4,5%
Personnel expenses	3.488	4.319	(831)	(19,2)%
Other provisions	8.277	13.736	(5.459)	(39,7)%
Total provisions for risks and charges	**60.257**	**66.825**	**(6.568)**	**(9,8)%**

Below is the breakdown of the provision for risks and charges at the end of the first half of 2022 by type of dispute compared with the amounts for the prior year end.

Provisions for credit risk related to commitments and financial guarantees granted

As of 30 June 2022 the balance of 10,0 million Euro reflects the impairment of financial commitments and guarantees issued by the Group and is down on the value at the end of the previous year (amounting to 11,9 million Euro) following the enforcement of certain underlying guarantees during the period.

Legal and tax disputes

At 30 June 2022, provisions had been made for 38,5 million Euro for legal and tax disputes. This amount breaks down as follows:

- 11,3 million Euro (the plaintiffs seek 16,9 million Euro in damages) for 20 disputes deriving from the business unit acquired from the former Aigis Banca and the Corporate Banking & Lending Area of the Commercial and Corporate Banking Segment;

- 12,8 million Euro for 27 disputes concerning the Factoring Area (the plaintiffs seek 33,0 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;
- 8,1 million Euro (the plaintiffs seek 62,6 million Euro in damages) for 10 disputes concerning the Corporate Banking & Lending Area e deriving from the former Interbanca;
- 2,5 million Euro (the plaintiffs seek 3,0 million Euro in damages) for 26 disputes concerning the Leasing Area;
- 2,2 million Euro (the plaintiffs seek 7,5 million Euro in damages) for 69 disputes concerning receivables of Ifis Npl Investing;
- 895 thousand Euro relating to various disputes concerning Banca Credifarma (formerly Farbanca), the plaintiffs seek 4,6 million Euro in damages);
- 651 thousand Euro (the plaintiffs seek 3,8 million Euro) for disputes with customers and agents relating to Cap.Ital.Fin.;
- 38 thousand Euro (the plaintiffs seek the same amount in damages) for disputes concerning the investee Ifis Rental Services.

Personnel expenses

At 30 June 2022, provisions are entered for staff for 3,5 million Euro (4,3 million Euro at 31 December 2021) to be attributed for 3,2 million Euro to the Solidarity Fund established in 2020.

Other provisions for risks and charges

At 30 June 2022 “Other provisions” were in place for 8,3 million Euro, down on the 13,7 million Euro recorded at 31 December 2021, mainly due to the 5,7 million Euro reversal recorded in the first half of 2022 on the provision for risks related to the GACS credit sale transactions, the balance of which was reduced to 2,1 million Euro as of 30 June 2022 following contractual expiry of the warranty period. In addition to the aforementioned provision, the item is mainly made up of 3,6 million Euro for Supplementary Agents Indemnity in connection with the operations of the Leasing Area and 0,5 million Euro for the provision for complaints.

Contingent liabilities

In addition to the foregoing, here below are the most significant contingent liabilities outstanding at 30 June 2022. Based on the opinion of the legal advisers assisting the subsidiaries, they are considered possible, and therefore they are only disclosed.

Tax dispute

Regarding all the tax disputes reported below, the Banca Ifis Group, supported by its tax advisers, evaluated the risk of defeat possible, but not probable and therefore, it did not allocate funds to the provision for risks and charges.

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 243 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 and 2016 (this latter notified on 16 June 2022). 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 1.442 thousand Euro in additional taxes and administrative penalties amounting to 100%. In holding the Financial Administration's claim to be unfounded, the Group filed an appeal against the Verification Notice pursuant to the law with the competent Tax Commissions, paying 1/3 of the tax as provisional enrolment on the tax register. The hearing for 2013/2015 was discussed in November 2020 at the second section of the Provincial Tax Commission of Venice, whose sentence no. 266/2021 filed on 19 March 2021 fully accepted the Bank's appeal and offset the 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".

On 14 October 2021, the Revenue Agency was notified of the filing of the appeal with the Veneto Regional Tax Commission (CTR). In short, the Agency contested the judgement of the Provincial Tax Commission from both a substantive and a formal point of view, and therefore requested its annulment on the basis of the same logical and evidential path adopted during the inspection and assessment phase to highlight the existence of the hidden permanent establishment. Within the terms of the law, the Bank has prepared its rebuttal arguments in defence of its positions as confirmed by the Provincial Tax Commission.

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 did not allocate funds to the provision for risks and charges.

Reimbursements

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

Consolidated Equity

Consolidated equity at 30 June 2022 totalled 1.592,4 million Euro, down 1,9% on the 1.623,9 million Euro booked at end 2021. The main changes in consolidated shareholders' equity are summarised in the following tables.

CONSOLIDATED EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2022	31.12.2021	ABSOLUTE	%
Share capital	53.811	53.811	-	-
Share premiums	82.187	102.972	(20.785)	(20,2)%
Valuation reserves:	(48.818)	(25.435)	(23.383)	91,9%
- Securities	*(39.709)*	*(16.233)*	*(23.476)*	*144,6%*
- Post-employment benefits	*183*	*(673)*	*856*	*(127,2)%*
- Exchange differences	*(9.292)*	*(8.529)*	*(763)*	*8,9%*
Reserves	1.442.929	1.367.019	75.910	5,6%
Treasury shares	(22.104)	(2.847)	(19.257)	676,4%
Equity attributable to non-controlling interests	11.897	27.786	(15.889)	(57,2)%
Profit for the period attributable to the Parent company	72.515	100.582	(28.067)	(27,9)%
Consolidated Equity	**1.592.417**	**1.623.888**	**(31.471)**	**(1,9)%**

CONSOLIDATED EQUITY: CHANGES	(in thousands of Euro)
Consolidated equity at 31.12.2021	**1.623.888**
Increases:	**77.078**
Profit for the period attributable to the Parent company	72.515
Sale/assignment of treasury shares	43
Change in valuation reserve:	856
- Post-employment benefits	*856*
Stock Options	230
Changes in equity interests	2.796
Other changes	638
Decreases:	**108.548**
Dividends distributed	49.811
Buyback of treasury shares	19.300
Change in valuation reserve:	23.548
- Securities (net of realisations)	*22.785*
- Exchange differences	*763*
Equity attributable to non-controlling interests	15.889
Consolidated equity at 30.06.2022	**1.592.417**

With reference to the purchase of treasury shares carried out during the period for 19,3 million Euro, this is part of the "Buy-Back Programme" in support of the "LTI 2021-2023 Plan" (for further details see the section "2.11 Significant events occurred in the period").

The lines "Changes in equity interests" and "Equity attributable to non-controlling interests" refer to the effects generated by the reorganisation of the ownership structures of the subsidiary Banca Credifarma resulting from the merger by incorporation of the former Credifarma in Farbanca, at the end of which Banca Ifis's controlling interest increased to 87,74% (while at the beginning of 2022 Banca Ifis held 70% of the former Credifarma and

71,06% of Farbanca). For more details on the merger in question, see section “2.11 Significant events occurred in the period”.

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS	
	30.06.2022	31.12.2021
Common Equity Tier 1 Capital (CET1)	1.471.026	1.486.880
Tier 1 capital	1.471.954	1.488.624
Total Own Funds	**1.873.192**	**1.891.346**
Total RWAs	**9.857.713**	**9.633.003**
CET1 ratio	14,92%	15,44%
Tier 1 Ratio	14,93%	15,45%
Total Capital Ratio	**19,00%**	**19,63%**

CET1, Tier 1 and Total Capital at 30 June 2022 do not include the profits generated by the Banking Group in the first six months of 2022.

Consolidated own funds, risk-weighted assets and prudential ratios at 30 June 2022 were calculated based on the regulatory changes introduced by Directive 2019/878/EU (CRD V) and Regulation (EU) 876/2019 (CRR2), which amended the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR), as subsequently amended, which were transposed in the Bank of Italy’s Circulars no. 285 and no. 286.

For the purposes of calculating capital requirements at 30 June 2022, in continuity with what has been done since 30 June 2020, the Banca Ifis Group has applied the temporary support provisions set out in EU Regulation no. 873/2020 (the “quick-fix”).

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 CET1 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

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 30 June 2022, taking into account the transitional treatment adopted to mitigate the impacts of IFRS 9 on CET1 and the prudential filter for unrealised gains and losses on financial assets at fair value, Equity amounted to 1.873,2 million Euro.

Consolidated equity includes:

- IFRS 9 transitional adjustments, pursuant to Article 473 bis of the CRR, which amount to 25 million Euro;
- the positive prudential filter relating to unrealised gains and losses measured at fair value starting from 31 December 2019, amounts to 9,2 million Euro;
- the exemption to the deduction of intangible assets attributable to software from the elements of CET1 for the portion of prudential amortisation calculated over three years in excess of the book amortisation; at 30 June 2022, the portion not deducted amounted to 14,6 million Euro;
- the negative impact of the application of Calendar Provisioning is 4 million Euro.

The 18,2 million Euro decrease in Own Funds compared to 31 December 2021 was largely attributable to the following components:

- the net positive effect of 1,5 million Euro following the merger by incorporation of the subsidiary Credifarma into Farbanca and the increase in the relative shareholding to 87,74%;
- a 7 million Euro decrease in intangible assets deducted from CET1, of which 6,4 million Euro was due to the increase in the portion of intangible assets attributable to software exempt from CET1 deduction;
- the higher 100% deduction from CET1 of “deferred tax assets that rely on future profitability and do not arise from temporary differences” totalling 26,8 million Euro - compared to 25,3 million Euro deducted at 31 December 2021; in this regard, please note that this deduction will be further absorbed by the future use of such deferred tax assets;
- the greater deduction of other income statement items attributable to the valuation reserve for equities designated at fair value with an impact on comprehensive income of 23 million Euro;
- an increase in the shortfall of impaired exposures of 2 million Euro.

The change in own funds due to the above-described phenomena has meant that at 30 June 2022, the Total capital ratio is 19,00%, up from the results achieved at 31 December 2021 of 19,63%; this trend was also reported for the CET1 ratio, 14,92% at end March 2022, compared to the figure at 31 December 2021, of 15,44%.

At 30 June 2022, not considering the filter related to the IFRS 9 transitional regime nor taking into account the prudential filter for exposures to central governments classified in the FVOCI category, Fully Loaded Own Funds amounted to 1.839,2 million Euro and consequently the RWA when fully applied, come to 9.847,5 million Euro.

OWN FUNDS AND CAPITAL ADEQUACY RATIOS WITHOUT IFRS 9 TRANSITIONAL ARRANGEMENTS (in thousands of Euro)	AMOUNTS	
	30.06.2022	31.12.2021
Common Equity Tier 1 Capital (CET1)	1.437.068	1.452.393
Tier 1 capital	1.437.997	1.454.137
Total Own Funds	**1.839.235**	**1.856.859**
Total RWAs	**9.847.454**	**9.615.465**
CET1 ratio	14,59%	15,10%
Tier 1 Ratio	14,60%	15,12%
Total Capital Ratio	**18,68%**	**19,31%**

CET1, Tier 1, and Total Capital at 30 June 2022 do not include the profits generated by the Banking Group in the first six months of 2022.

At 30 June 2022, taking into account the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets (RWAs) amounted to 9.857,7 million Euro, arising from credit and counterparty risk of 8.812,4 million Euro, operational risk of 878,0 million Euro, market risk of 93,8 million Euro and credit valuation adjustment risk of 73,6 million Euro.

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

RISK-WEIGHTED ASSETS: BREAKDOWN (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	*of which: FACTORING AREA*	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
RWA for credit risk	**5.377.219**	***2.645.368***	***1.213.571***	***1.518.280***	**2.344.343**	**1.090.824**	**8.812.386**
RWA for market risk	X	*X*	*X*	*X*	X	X	93.772
RWA for operational risk	X	*X*	*X*	*X*	X	X	877.996
RWA for credit valuation adjustment risk	X	*X*	*X*	*X*	X	X	73.559
Total RWAs	**X**	***X***	***X***	***X***	**X**	**X**	**9.857.713**

For the purposes of calculating risk-weighted assets, a transaction involved the sale of a portfolio of receivables previously acquired without recourse by the Bank as part of factoring transactions with customers, for which accounting derecognition took place as at 30 June 2022. The transaction meets the criteria set forth in Article 244 of Regulation (EU) No. 575/2013 for the recognition of significant credit risk transfer ("SRT-significant risk transfer"). Pending the conclusion of the authorisation procedure by the Bank of Italy for the SRT, pursuant to Part Two, Chapter 6, Section V of Bank of Italy Circular No. 285, the underlying exposures were weighted.

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, on 19 May 2022 notified the Banca Ifis Group to adopt the following consolidated capital requirements in 2022, including a 2,5% capital conservation buffer:

- CET1 Ratio of 7,90%, with a required minimum of 5,40%;
- Tier 1 Ratio of 9,75%, with a required minimum of 7,25%;
- Total Capital Ratio of 12,15%, with a required minimum of 9,65%.

In order to ensure a level of capital that can absorb any losses arising from stress scenarios, as referred to in Article 104 ter of EU Directive 36/2013, the Bank of Italy has set the following capital levels for the Banca Ifis Group, to which the specific countercyclical coefficient is added:

- CET1 Ratio of 8,65%, consisting of an OCR CET1 Ratio of 7,90% and a target component (Pillar 2 Guidance) of 0,75%;
- Tier 1 Ratio of 10,50%, consisting of an OCR Tier 1 Ratio of 9,75% and a target component of 0,75%;
- Total Capital Ratio of 12,90%, consisting of an OCR Total Capital Ratio of 12,15% and a target component of 0,75%.

Overall Capital Requirement (OCR)						Pillar 2 Guidance	Total
	Art. 92 CRR	SREP	TSCR	RCC(1)	OCR Ratio	P2G	OCR and P2G
CET1	4,50%	0,90%	5,40%	2,50%	7,90%	0,75%	**8,65%**
Tier 1	6,00%	1,25%	7,25%	2,50%	9,75%	0,75%	**10,50%**
Total Capital	8,00%	1,65%	9,65%	2,50%	12,15%	0,75%	**12,90%**

(1) RCC: capital conservation buffer.

At 30 June 2022, the Banca Ifis Group met the above prudential requirements.

In the third quarter of 2021, the Bank of Italy notified the Parent company Banca Ifis and its subsidiary Farbanca (now renamed Banca Credifarma) of the conclusion of the process to determine the minimum requirement for eligible capital and liabilities (MREL). The minimum requirements to be met at 1 January 2022 are as follows:

MREL REQUIREMENT	
BANCA IFIS	BANCA CREDIFARMA (FORMERLY FARBANCA)
9,65% of the Total Risk Exposure Amount	8% of the Total Risk Exposure Amount
3% of Leverage Ratio Exposure	3% of Leverage Ratio Exposure

At 30 June 2022, following the monitoring process, both indicators were met above the predefined limit.

It should be noted that the transfer of the registered office of the parent company La Scogliera to the Canton of Vaud (Lausanne - CH) with effect from 27 December 2021 allowed for the elimination of La Scogliera from the Group's regulatory consolidation as at 31 December 2021 and consequently also from the consolidation as at 30 June 2022.

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 30 June 2022 the exposures to sovereign debt entirely consisted of Italian government bonds; their carrying amount totalled 1.793 million Euro, net of the negative 23 million Euro valuation reserve.

These securities, with a nominal amount of approximately 1.803 million Euro have a weighted residual average life of approximately 57 months.

The fair values used to measure the exposures to sovereign debt securities at 30 June 2022 are considered to be Level 1.

Pursuant to the Consob Communication, besides the exposure to sovereign debt, it is also necessary to consider receivables disbursed to and due from the Italian National Administration. These exposures at 30 June 2022 amounted to 529 million Euro, of which 147 million Euro related to tax credits.

4.2.2 Income statements items

Formation of net banking income

Net banking income totalled 257,7 million Euro, up 10,8% from 232,6 million Euro at 30 June 2021.

The change and main components of net interest and other banking income are shown below.

NET BANKING INCOME (in thousands of Euro)	1ST HALF		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	198.108	172.963	25.145	14,5%
Net commission income	42.212	40.851	1.361	3,3%
Other components of net banking income	17.391	18.741	(1.350)	(7,2)%
Net banking income	**257.711**	**232.555**	**25.156**	**10,8%**

Net interest income increased by 14,5%, going from 173,0 million Euro at 30 June 2021 to 198,1 million Euro at 30 June 2022. The main growth factors can be summarised as follows:

- the increase of 4,9 million Euro in the Npl Segment's net interest income compared to the same period of the previous year, following growth of average commitments managed;
- the increase in net interest income for a total of 8,2 million Euro from which the Factoring Area benefited, following an increase in average underlying loans;
- higher contribution of 6,5 million Euro to net interest income from the Proprietary Finance business compared to the first half of 2021, mainly due to the "Inflation Linked" component of the securities in the portfolio;
- the increased savings of 14,4 million Euro from the Treasury Funding segment, mainly due to the benefit from TLTRO interest income related to the additional special period (7,5 million Euro), savings realised on customer debt (4,3 million Euro mainly due to the reduction in the average rate of retail funding) and savings on securitisations as a result of rate renegotiations.

The positive effects mentioned above more than offset the lower contribution of the PPA, the effect of which in the half-year amounted to 6,6 million Euro, down sharply compared to the balance of 16,1 million Euro in the first half of 2021, mainly as a result of the closure of numerous loan positions during 2021, as well as the physiological reduction of revenues connected with the run-off portfolios.

Net commissions amounted to 42,2 million Euro, up 3,3% compared to the figure as at 30 June 2021: this performance was driven both by a lower incidence of commission expenses, as a result of the reduction in commissions paid for collection and payment services in the Npl Segment compared to the first half of 2021 and by the improvement in the contribution made by commission income, which benefited from the growth trend in loans managed in the Factoring Area.

Commission income comes to 48,3 million Euro, basically in line with those at 30 June 2021.

Commission expense, totalling 6,1 million Euro compared to 6,7 million Euro in the corresponding period of 2021, 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 interest and other banking income, down by 1,4 million Euro compared with the first half of 2021, break down as follows:

- 8,1 million Euro for dividends generated by shares held in the Group-owned portfolio (6,1 million Euro in the first six months of 2021);
- 2,5 million Euro for the net positive result of trading, mainly generated by trading of the Proprietary Finance segment (net loss of 1,5 million Euro during H1 2021);
- 6,6 million Euro in net gains from the sale or repurchase of financial assets and liabilities, substantially in line with the figure as at 30 June 2021, comprising 4,6 million Euro related to transactions on securities in the proprietary portfolio, as well as 2,0 million Euro from the sale of loans in the Npl Segment;
- 0,3 million Euro from the net positive result of other financial assets and liabilities measured at fair value through profit or loss (reducing significantly on the figure of 7,2 million Euro at 30 June 2021, both due to the changed macroeconomic context of the first half of 2022 in terms of market rates and insofar as the figure for the first six months of 2021 had benefited from the contribution for approximately 5 million Euro from the write-back of the investment in a minority investment), primarily represented by the net positive change in the fair value of CIU fund units for 0,7 million Euro.

Formation of net profit (loss) from financial activities

The Group's net profit from financial activities totalled 289,9 million Euro, compared to 250,0 million Euro at 30 June 2021 (+16,0%).

FORMATION OF NET PROFIT (LOSS) FROM FINANCIAL ACTIVITIES (in thousands of Euro)	1ST HALF		CHANGE	
	2022	2021	ABSOLUTE	%
Net banking income	**257.711**	**232.555**	**25.156**	**10,8%**
Net credit risk losses/reversals	32.210	17.469	14.741	84,4%
Net profit (loss) from financial activities	**289.921**	**250.024**	**39.897**	**16,0%**

Net write-backs for credit risk amounted to 32,2 million Euro as at 30 June 2022, an improvement of 14,7 million Euro compared to the figure of 17,5 million Euro as at 30 June 2021, which included adjustments of 8,8 million Euro on the Npl Segment recorded following a detailed analysis, at the time of the report, thereafter concluded at end 2021, also carried out in response to the Covid-19 pandemic, in terms of longer collection times mainly on positions characterised by higher vintage. This item includes the impact of the changes in estimated cash flows from the Npl Segment's receivables, which, pursuant to IFRS 9, are included within POCI ("Purchased or originated credit-impaired") loans. Further details of the different trends connected with the cost of reclassified loans are given in the section "2.9 Contribution of Segments to Group results".

Formation of net profit for the period

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

FORMATION OF NET PROFIT (in thousands of Euro)	1ST HALF		CHANGE	
	2022	2021	ABSOLUTE	%
Net profit (loss) from financial activities	**289.921**	**250.024**	**39.897**	**16,0%**
Operating costs	**(182.090)**	**(178.159)**	**(3.931)**	**2,2%**
Value adjustments of goodwill	(762)	-	(762)	n.a.
Gains (Losses) on disposal of investments	135	-	135	n.a.
Pre-tax profit from continuing operations	**107.204**	**71.865**	**35.339**	**49,2%**
Income taxes for the period relating to continuing operations	(34.423)	(22.702)	(11.721)	51,6%
Profit for the period	**72.781**	**49.163**	**23.618**	**48,0%**
Profit for the period attributable to non-controlling interests	266	832	(566)	(68,0)%
Profit for the period attributable to the Parent company	**72.515**	**48.331**	**24.184**	**50,0%**

Operating costs totalled 182,1 million Euro, showing an increase on 30 June 2021 (+2,2%).

OPERATING COSTS (in thousands of Euro)	1ST HALF		CHANGE	
	2022	2021	ABSOLUTE	%
Administrative expenses:	188.245	179.219	9.026	5,0%
a) personnel expenses	*73.598*	*67.725*	*5.873*	*8,7%*
b) other administrative expenses	*114.647*	*111.494*	*3.153*	*2,8%*
Net allocations to provisions for risks and charges	(3.420)	5.619	(9.039)	(160,9)%
Net impairment losses/reversals on property, plant and equipment and intangible assets	8.225	9.145	(920)	(10,1)%
Other operating income/expenses	(10.960)	(15.824)	4.864	(30,7)%
Operating costs	**182.090**	**178.159**	**3.931**	**2,2%**

Personnel expenses at 30 June 2022 amounted to 73,6 million Euro. The increase compared to the figure as at 30 June 2021 is attributable both to the contribution over the half-year period in terms of resources, linked to the acquisition of the former Aigis Banca business unit at the end of May 2021, and to higher variable remuneration, which had been reduced in 2021 due to the Covid-19 pandemic context.

Other administrative expenses, at 30 June 2022, which come to 114,6 million Euro rise by 2,8% on 30 June 2021. The increase is mainly attributable to consultancy costs, mainly related to the Group's various strategic projects.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	1ST HALF		CHANGE	
	2022	2021	ABSOLUTE	%
Expenses for professional services	**57.842**	**54.516**	**3.326**	**6,1%**
Legal and consulting services	40.157	36.729	3.428	9,3%
Fees to auditing firms	665	467	198	42,4%
Outsourced services	17.020	17.320	(300)	(1,7)%
Direct and indirect taxes	**20.606**	**19.850**	**756**	**3,8%**
Expenses for purchasing goods and other services	**36.199**	**37.128**	**(929)**	**(2,5)%**
Software assistance and hire	8.944	8.400	544	6,5%
FITD and Single Resolution Fund	4.621	4.407	214	4,9%
Advertising and inserts	3.997	3.291	706	21,5%
Property expenses	3.827	3.099	728	23,5%
Customer information	3.790	8.227	(4.437)	(53,9)%
Postage and archiving of documents	2.861	1.967	894	45,4%
Securitisation costs	2.269	1.999	270	13,5%
Telephone and data transmission expenses	1.786	2.120	(334)	(15,8)%
Car fleet management and maintenance	1.223	1.064	159	14,9%
Business trips and transfers	599	536	63	11,8%
Other sundry expenses	2.283	2.018	265	13,1%
Total other administrative expenses	**114.647**	**111.494**	**3.153**	**2,8%**

The sub-item “Legal and consulting services” comes to 40,2 million Euro during H1 2022, up 9,3% on the figure recorded for the same period of last year. The increase in the item is mainly attributable, as previously mentioned, to the costs associated with the continued implementation of the Banca Ifis Group's strategic projects within the scope of the 2022-2024 Business Plan, such as the merger of Credifarma into Farbanca (for more details on this latter transaction, completed in April 2022, please refer to section “2.11 Significant events occurred in the period”).

“Direct and indirect taxes” came to 20,6 million Euro as compared with 19,9 million Euro at 30 June 2021, rising by 3,8%. The item mainly consists of the registration tax incurred for the judicial recovery of receivables belonging to the Npl Segment for an amount of 13,2 million Euro as at 30 June 2022 up on the figure for the same period of last year (+11,9%), and also includes costs for stamp duty for 6,3 million Euro, the recharging of which to customers is included in the item “Other operating income”.

“Expenses for purchasing goods and other services” amounted to 36,2 million Euro, down 2,5% from the 37,1 million Euro at 30 June 2021. 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 8,4 million Euro at 30 June 2021 to 8,9 million Euro at 30 June 2022 (+6,5%) mainly following the projects for the digitisation and technological innovation of the Banca Ifis Group;
- contribution to the FITD and Single Resolution FITD Fund that at 30 June 2022 amounted to 4,6 million Euro, compared to 4,4 million Euro at 30 June 2021;

- customer information expenses, amounting to 3,8 million Euro, decreased by 53,9% mainly due to the cyclical nature of the expenses related to the processing of portfolios within the Npl Segment and the type of acquisitions of non-performing portfolios;
- document shipping and archiving expenses, which are up 45,4% compared to June 2021 due to the start of archiving activities for the Npl portfolio acquired from Cerberus at the end of November 2021;
- securitisation costs go from 2,0 million Euro for H1 2021 to 2,3 million Euro at end June 2022 (+13,5%), following the greater transactions performed in H1 2022 than in the first six months of FY 2021.

Net provisions for risks and charges showed a positive balance of 3,4 million Euro, an improvement compared to the negative balance of 5,6 million Euro at 30 June 2021, mainly due to the 5,7 million Euro reversal recorded in the first half of 2022 on the provisions for risks related to the GACS credit sale transaction.

Other net operating income amounted to 11,0 million Euro as at 30 June 2022, a decrease compared to the figure of 15,8 million Euro for the same period of the previous year, which included the positive difference of 3,4 million Euro that emerged when allocating the purchase price of the former Aigis Banca business unit. 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.

The following are also pointed out:

- the complete write-down of 762 thousand Euro of the goodwill allocated to the Polish subsidiary Ifis Finance Sp z o.o., recorded in the item "adjustments to goodwill" (for more details see the paragraph "Information about Goodwill" in section "4.2.1 Statement of financial position items");
- the net effects of the sale of the subsidiary Ifis Real Estate and the reorganisation of the ownership structure of Banca Credifarma, which impacted the item "gains (losses) on disposal of investments".

Pre-tax profit from continuing operations amounted to 107,2 million Euro, up 49,2% compared to 30 June 2021.

Income tax at 30 June 2022 comes to 34,4 million Euro and the tax rate is 32,11%, essentially in line with the 31,59% of the same period of last year.

The profit attributable to the Parent company amounted to 72,5 million Euro, up 24,2 million Euro on the same period of 2021.

4.3 Information on Risks and Risk Management Policies

4.3.1 Risk governance organisation

The prudential supervisory provisions for banks continue to strengthen the system of rules and incentives that allow to measure more accurately potential risks connected to banking and financial operations as well as maintain internal capital levels more suited to the effective level of risk exposure of each intermediary.

Concerning risk governance, the Group regularly reviews the strategic guidelines set out in the so-called Risk Appetite Framework. Meanwhile, the second pillar of the provisions includes the ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) processes, pursuant to which the Group autonomously assesses, respectively, its own current and expected capital adequacy in relation to both so-called first-pillar risks (credit risk, counterparty risk, market risk and operational risk) and other risks (banking book interest rate risk, concentration risk, etc.), and its adequacy as far as the governance and management of liquidity risk and funding is concerned.

With reference to 31 December 2021 and in compliance with the obligations in the Pillar 3 provisions, Banca Ifis published, along with the 2021 consolidated financial statements, information on its capital adequacy, its exposure to risks, and the general characteristics of the systems it has put in place to identify, measure and manage these risks. The document was published on the website www.bancaifis.it in the Investor Relations section and remains valid at the date of approval of this Consolidated Half-Year Financial Report as at 30 June 2022.

With reference to the above and pursuant to Circular no. 285 of 17 December 2013 as amended - Supervisory Provisions for banks - the Banca Ifis Group has set up an Internal Control System that aims to guarantee a reliable and sustainable generation of value in a context of sensible risk control and taking, so as to protect the Group's capital adequacy as well as its financial position and performance.

The Banca Ifis Group's internal control system consists of a series of rules, functions, structures, resources, processes, and procedures aimed at ensuring the following goals are achieved consistently with the principle of sound and prudent management:

- executing business strategies and policies;
- containing risk within the limits set out in the Group's Risk Appetite Framework ("RAF");
- safeguarding the value of assets and protecting the Bank from losses;
- maintaining effective and efficient business processes;
- ensuring the reliability and security of corporate information and IT procedures;
- preventing the risk that the Group might become involved, including involuntarily, in unlawful activities (and specifically those associated with money laundering, usury, and terrorist financing);
- ensuring operations comply with the law and supervisory regulations as well as internal policies, rules and procedures.

Audits involve all personnel to varying degrees and constitute an integral part of day-to-day operations. They can be classified according to the relevant organisational structures. Some types of audits are highlighted below:

- line audits aim to ensure operations are carried out correctly. These audits are carried out by the operational structures themselves, incorporated in procedures, or performed as part of back office operations. The operational structures are primarily responsible for the risk management process: as part of their day-to-day operations, they shall identify, measure or assess, monitor, mitigate, and report the risks arising from ordinary operations in accordance with the risk management process; they shall comply with the operational limits assigned to them in accordance with the risk objectives and the procedures that form part of the risk management process;

- risk and compliance controls ("second line of defence") are intended to ensure the risk management process is correctly implemented in accordance with the operational limits assigned to the various functions, and that business operations comply with regulations - including corporate governance rules;
- internal auditing ("third line of defence") is aimed at identifying breaches of procedures and regulations as well as regularly assessing the comprehensiveness, adequacy, functionality (in terms of both efficiency and effectiveness), and reliability of the internal control and IT systems on a regular basis based on the nature and extent of the risks.

The role of the different players involved in the Internal Control System (the Board of Directors, the Control and Risks Committee, the Director in charge of the Internal Control and Risk Management System, the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001, Internal Audit Function, Risk Management Function, Compliance Function, Anti-Money Laundering Function) in addition to the Manager Charged with preparing the Company's financial reports according to the connotation of banking reality with listed shares, are described in detail in the "Report on corporate governance and ownership structures" prepared in accordance with the third paragraph of Article 123 bis of Italian Legislative Decree no. 58 of 24 February 1998 (TUF), as amended, the latest edition of which was approved by the Banca Ifis Board of Directors jointly with the 2021 consolidated financial statements and published on www.bancaifis.it's website in the Corporate Governance section.

Risk culture

The Parent company facilitates the development and dissemination at all levels of an integrated risk culture in relation to the various types of risk and extended to the entire Group. Specifically, working together with the different corporate functions and Human Resources, it has developed and implemented training programmes to raise awareness about risk prevention and management responsibilities among employees.

In this context, the Parent company's control functions (Risk Management, Compliance and Anti-Money Laundering) are active parties in the training processes as far as they are concerned. A culture of widespread responsibility is promoted, with capillary staff training, aimed both at acquiring knowledge of the risk management framework (approaches, methodologies, operational applications, rules and limits, controls), and at internalising the Group's value profiles (code of ethics, behaviour, rules of conduct and relations).

This Part of the Notes to the financial statements provides information on the following risk profiles, the relevant management and hedging policies implemented by the Group, and trading in derivative financial instruments:

- credit risk;
- market risks:
    - interest rate risk;
    - price risk;
    - currency risk,
- liquidity risk;
- operational risks.

4.3.2 Accounting consolidation risks

Quantitative information

The gross exposures reported in the following tables account for the positive impact of the breakdown of the difference between the fair value as measured in the business combination and the carrying amount of the receivables recognised by the subsidiaries over time.

Credit quality

Distribution of financial assets by portfolio and credit quality (carrying amounts)

Portfolio/Quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Performing exposures	Total
1. Financial assets measured at amortised cost	1.159.398	478.054	167.937	265.381	8.486.363	**10.557.133**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	484.875	**484.875**
3. Financial assets measured at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	4.938	8.551	-	-	18.053	**31.542**
5. Financial assets under disposal	-	-	-	-	-	**-**
Total 30.06.2022	**1.164.336**	**486.605**	**167.937**	**265.381**	**8.989.291**	**11.073.550**
Total 31.12.2021	**1.154.895**	**473.153**	**123.541**	**342.157**	**9.317.445**	**11.411.191**

Excluded from this table are on-demand receivables from banks (which are classified under the item "Cash and cash equivalents", in accordance with Bank of Italy instructions), equity securities and CIU units.

Distribution of financial assets by portfolio and credit quality (gross and net amounts)

Portfolio/Quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Overall impairment losses/reversals	Net exposure	Overall partial write-offs*	Gross exposure	Overall impairment losses/reversals	Net exposure	
1. Financial assets measured at amortised cost	2.005.339	199.950	1.805.389	9.566	8.834.433	82.689	8.751.744	**10.557.133**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	485.525	650	484.875	**484.875**
3. Financial assets measured at fair value	-	-	-	-	X	X	-	**-**
4. Other financial assets mandatorily measured at fair value	13.489	-	13.489	-	X	X	18.053	**31.542**
5. Financial assets under disposal	-	-	-	-	-	-	-	**-**
Total 30.06.2022	**2.018.828**	**199.950**	**1.818.878**	**9.566**	**9.319.958**	**83.339**	**9.254.672**	**11.073.550**
Total 31.12.2021	**2.029.338**	**277.749**	**1.751.589**	**22.792**	**9.716.371**	**81.189**	**9.659.602**	**11.411.191**

** Value to be disclosed for information purposes*

Excluded from this table are on-demand receivables from banks (which are classified under the item "Cash and cash equivalents", in accordance with Bank of Italy instructions), equity securities and CIU units.

Portfolio/Quality	Low credit quality assets		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	50	15	20.384
2. Hedging derivatives	-	-	-
Total 30.06.2022	**50**	**15**	**20.384**
Total 31.12.2021	**127**	**27**	**7.690**

Equity securities are not included in this table.

Unconsolidated structured entities

Qualitative information

There were no unconsolidated structured entities at 30 June 2022.

4.3.3 Prudential consolidation risks

Credit risk

Qualitative information

General aspects

In accordance with the guidelines approved by the Parent company's Governing Body and the changes in the supervisory regulatory framework, the Group seeks to strengthen its competitive position in the market offered to small and medium businesses. The aim is to increase its market share in the following segments: trade receivables—including for entities with specialist needs such as pharmacies—leasing, tax receivables, and distressed loans, providing high-quality and highly customisable financial services while keeping credit risk under control and profitability in line with the level of quality offered. The Private segment is also a complementary reference market for the Banking Group's credit business, in respect of the strategic guidelines defined over time by the Business Plan and the related implementing initiatives. Operations related to the pharmaceutical sector are carried out by the subsidiary Banca Credifarma (formerly Farbanca), a banking operator specialising in granting advances, medium- to long-term loans and financial services to pharmacies.

The banking Group currently operates in the following fields:

- the factoring business is characterised by the direct assumption of risks related to granting advances and loans, as well as guarantees, if any, on trade receivables of mainly small- and medium-sized enterprises. As part of its operations, the factoring segment purchases receivables due from public health service and local authorities outright;
- corporate lending and structured finance operations, which focus on offering medium and long-term financing and secured and unsecured products to support companies operating in Italy in their organic or inorganic growth through extraordinary operations to reposition or expand their business, establish alliances or pursue integrations, promote restructuring processes, or introduce new investors and partners into the company. The clients of this segment are usually corporations;
- investments in non-financial companies and in units of intermediaries;
- medium/long-term loans to small and medium-sized enterprises (SMEs) operating in the main production sectors, covered by the public guarantee, conceived by the Ministry of Economic Development (MED) of the Central Guarantee Fund and extended in use following the Covid-19 emergency;
- the leasing segment targets mainly small economic operators as well as small- and medium-sized businesses (SMEs). In general, finance leases help independent contractors and businesses finance company cars and commercial vehicles as well as facilitate equipment investments for businesses and resellers. Meanwhile, long-term leases mainly focus on equipment finance - specifically on office and IT products and, to a lesser extent, industrial and healthcare equipment;
- the acquisition of non-performing loans by the subsidiary Ifis Npl Investing S.p.A., mainly from retail customers;
- servicing (master and special services), management of Npl portfolios with collection both judicial and non-judicial, consultancy in due diligence activities and authorised investors in Npl transactions, managed by the company Ifis Npl Servicing S.p.A.;
- the granting of loans to retail customers, including through the definition and refinancing of transferred non-performing loans, to be settled through salary- or pension-backed loan schemes, managed by the subsidiary Cap.Ital.Fin. S.p.A.;

- the activity of granting short- and medium-term loans to pharmacies, managed by the subsidiary Banca Credifarma S.p.A. (formerly Farbanca S.p.A.), including through the mobilisation of receivables due from the National Health Service and public and private entities that provide healthcare services;
- management of the proprietary portfolio, carried out mainly via financial investments in bonds, mostly government bonds, and listed equities;
- securitisation activities, which are aimed at segment operators, in particular originators and investors, by offering finance through investments in asset-backed securities and other exposures to securitisation schemes, and by taking on the roles of arranger and sponsor in the context of such transactions with a view to cross-selling. Investments are mainly concentrated in senior and mezzanine tranches with underlying performing assets and with a favourable trade-off in terms of expected profitability compared to risk weighting.

Given the particular business of the Group's companies, credit risk is the most important element to consider as far as the general risks assumed by the Group are concerned. Maintaining an effective credit risk management is a strategic objective for the Banca Ifis Group, pursued by adopting integrated tools and processes that ensure proper credit risk management at all stages (preparation, lending, monitoring and management, and interventions on troubled loans).

Impacts deriving from the Covid-19 pandemic

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

More specifically, for the Npl Segment, during the period of health emergency, recovery activities through telephone collection have been strengthened as door to door activities of the agent network have been temporarily suspended. Restrictions imposed as a result of the spread of Covid-19 have been partially overcome in 2021, with a substantial return of court activity to pre-pandemic levels.

In order to 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 the following years, in line with the general macroeconomic forecasts used for the medium-term estimates.

As regards loans to private customers in the form of salary- and pension-backed loans granted through the subsidiary Cap.Ital.Fin. S.p.A., the Group suffered the effect of the closure and block to production of numerous companies that, in many cases, applied for the social shock absorber of derogation temporary lay-off fund; this led to the disbursement of salaries directly by INPS, resulting in delays in the disbursement of funds and, consequently, in the receipt of payments. The Group chose to selectively freeze instalments of the amortisation plan for the entire duration of the contribution mechanism. At June 2022, there are no longer any positions affected by this suspension, and the overall economic and financial effects produced during the period of suspension are to be considered immaterial.

Impacts resulting from the 'New DoD'

The new rules on the 'Classification in Default of Counterparties' (the "New DoD - Definition of Default") entered into force on 1 January 2021. In this context, only for the specific sector of NHS bodies, the counting of the days of backlog had been substantially suspended as a result of the emergency legislative interventions related to the Covid-19 pandemic and, in particular, following the introduction of art. 117, paragraph 4, of Italian

Decree Law no. 34 of 19 May 2020. This ruling in fact envisaged the suspension of executions and the ineffectiveness of attachment orders against NHS bodies (the so-called block on executions) until 31 December 2020, subsequently extended until 31 December 2021 by virtue of art. 3, paragraph 8, of Italian Decree Law no. 183 of 31 December 2020.

The purpose of the debt enforcement freeze was to allow NHS bodies not to pay their debts (albeit temporarily) in order to realise higher public interests related also to the health emergency: consequently, the counting of days in arrears under Article 178 CRR in relation to the exposures of the local health authorities (ASL) to the Group was suspended.

Therefore, the new methods of handling past due receivables, with reference to the specific and unique case of trade receivables from NHS entities acquired by the Group on a non-recourse basis, would have been applied from 1 January 2022.

It was on 8 December 2021 that the Constitutional Court instead issued judgement no. 236/2021, which declared the extension of the block on executions provided for by art. 3, paragraph 8, of the above-mentioned Decree Law no. 183/2021 to be constitutionally illegitimate.

In light of the above, during the preparation and closing of the Financial Statements as at 31 December 2021, taking into account the “late” issuance of the Judgement and the absence of established market practices or indications from authorities or trade associations on the effects of Constitutional Court Sentence 236/2021 on the date from which to start counting days in arrears of exposures to NHS bodies an analysis process has been launched to identify an approach, based on responsibility and reasonableness, to represent the factual reality of the reference contexts and provide a correct accounting representation, also in terms of credit risk and the classification of exposures to NHS entities.

In this context, the substantive approach in the classification and consequent valuation of the related exposures illustrated in the Consolidated Financial Statements as at 31 December 2021 was adopted.

During the first half of 2022, the activities of in-depth study and analysis of the aforementioned issues were completed and, as of 30 June 2022, in place of the aforementioned approach, the criterion of merely counting days in arrears provided for by the New DoD for the purpose of identifying exposures in default was also applied to exposures to NHS entities, even though there were no specific counterparty credit risks.

At the same time, a project was launched to strategically reorganise the Pharma business, considering both the new regulatory framework and the changed market context.

This broader project includes, *inter alia*:

- the adoption of new procedures for the selection of receivables from NHS entities to be acquired by the Group;
- the implementation of tools to make the monitoring and management of any payment delays by assigned debtors even more efficient and timely and maximise collections; and
- the sale without recourse to a leading market operator, through an SPV identified by the latter for a subsequent securitisation, of a portfolio with a nominal value of 36,7 million Euro and comprising:
    - trade receivables from NHS bodies (mostly ASLs, ASPs, etc.), including the related accrued and accruing arrears, partly subject to legal actions for their recovery; and
    - trade receivables from local entities (municipalities) for which a financial distress procedure is underway pursuant to Title VIII, Part II, Article 244 et seq. of the Financial and Accounting

Regulations of Legislative Decree No. 267/2000 (Consolidated Law on Local Entities - "TUEL"), to date classified as non-performing and partly subject to legal proceedings for their recovery.

The transaction, which was fully effective as of 30 June 2022 and saw the full payment of the transfer price, does not provide for any further involvement of the Group, in particular neither as underwriter of notes nor as possible servicer of the future securitisation.

In view of the above, gross exposures totalling 144,6 million Euro as at 30 June 2022 were classified as impaired loans, in particular almost entirely non-performing past due exposures.

Impacts of the Russia-Ukraine conflict

In the area of credit risk, the Group considered the effects of the crisis generated by the conflict in Ukraine in the measurement of expected losses on loans (ECLs) classified as performing (stage 1 and stage 2) already in the Consolidated Interim Report at 31 March 2022, applying corrective factors to adjust for the impacts of this crisis on the ECLs of specific economic sectors considered to be most exposed. The perimeter considered relates to operations of the Factoring, Non-Core, Corporate Banking and Leasing Segments belonging to those sectors that are most affected by changes in raw material and energy product prices, which have risen further since the war, and which are reflected in the operating costs of companies, particularly those operating in sectors with higher energy consumption, such as the metal industry.

The exposure to companies that are based in or have business operations in the countries affected by the war - Russia, Belarus and Ukraine - is small; therefore, the impact in terms of ECL is minimal. However, the Banca Ifis Group will continue to monitor on an ongoing basis and report monthly on counterparties exposed to these risks and assess the prudential measures to be taken for their adequate credit risk management.

In addition, during the first half of 2022, the prudential adjustments applied to define the additional provisions previously accounted for as a result of the pandemic context were revised, also in light of the fact that the deterioration of the portfolio was, on the whole, less pronounced than assumed. At the same time, certain prudential adjustments were introduced to take into account the macroeconomic implications of the Russia-Ukraine conflict, the inflation scenario and the related threats to growth. Any identified surpluses related to Covid-19 risk provisions were not released and were therefore reclassified to cover the risk arising from the ongoing conflict.

In the area of Npl Segment risks, it was verified that there is no direct impact at present on the proprietary portfolio of the Group.

Credit risk management policies

As part of its lending operations, the Banca Ifis Group is exposed to the risk that an unexpected change in the creditworthiness of a counterparty may cause an unforeseen change in the relevant credit exposure, requiring to write off all or part of the receivables. This risk is always inherent in conventional lending operations, regardless of the form of financing.

The main reasons for non-compliance are the lack of the borrower's independent capacity to service and repay the debt (due to lack of liquidity, insolvency, etc.) and the occurrence of circumstances that affect the borrower's economic and financial conditions, such as the "country risk".

Organisational aspects

The standards and guidelines that the Banca Ifis Group intends to give in respect of the concession of credit are set out in the "Group Credit Policy" applied and given out, insofar as competent, to all the organisational units of the Bank and Group companies involved in the assumption and management of credit.

Inside, we find:

- the roles and responsibilities of the corporate bodies and organisational structures involved in the loan process;
- the definition of the credit strategies and rules with reference to segments of customers, counterparties and types of comparable transactions, the limits of reliance assigned to non-banking counterparties, the limits to exposure assigned to the various types of economic businesses, the identification of the Most Significant Transactions (MSTs) for the preventive verification that they are indeed consistent with the risk limits and objectives defined in the Group Risk Appetite Framework (RAF), the limits to the risk assigned to transactions with related parties and/or company representatives, pursuant to Art. 136 of the Consolidated Law on Banking. The monitoring, review and update of the credit rules and strategies involve:
  - the Parent company's Monitoring and Major Risks Department, in coordinating the process of formulating proposed reviews and updates to the credit policies to be submitted for the approval of the Parent company's Board of Directors;
  - the Parent company's Risk Management function in monitoring the results achieved by the Group in terms of volumes and overall effective positioning on the credit market in line with the defined credit strategies;
- the most qualifying elements in the credit process, with specific reference:
  - to the definition of risk categories to be assigned to customers, according to the different risk profile that can be attributed to the technical loan forms involved, closely linked to the operative processes connected with the "Group System of delegated powers" on the assumption of the credit risk;
  - to the examination of all useful information, both internal and external, functional to the determination of the customer's credit rating and future solvency of the debtor, measuring the credit risk firstly using normal sources for the repayment of exposure and, thereafter, considering the use of the accessory guarantees connected with the credit intervention;
- the monitoring and review of the model used to define credit faculties or the matrix of faculties for granting credit and the related limits;
- the structuring of the credit process, in its comprehensive cycle, into two macro processes of "investigation and disbursement of credit" and "monitoring and collection of debt".

On an operative level, the various Group companies structure the specific operating procedures for the application of credit rules into Organised Procedures or Operative Notes.

Within the Banca Ifis Group, the Corporate Bodies of Banca Ifis and the banks and other financial subsidiaries play a key role in managing and controlling credit risk, ensuring an appropriate supervision of credit risk within the scope of their responsibilities by identifying strategic guidelines as well as risk management and control policies, assessing their efficiency and effectiveness over time, and defining the duties and responsibilities of the corporate functions involved in the relevant processes.

Under the current organisational structure, specific central areas are involved in credit risk management and governance, ensuring, with the appropriate level of segregation, the performance of management operations as well as first and second line of defence controls by adopting adequate processes and IT applications.

Overall, despite some differences deriving from the various products/portfolios, the lending process follows a shared organisational approach with various operational stages and roles, responsibilities, and controls at different levels.

Specifically, Banca Ifis's organisational structure consists of the following Business Units, dedicated to different activities, centralised in the Co-General Manager Chief Commercial Officer:

- Commercial Italy, the organisational unit that provides both short- and medium/long-term financing services for Italian firms;
- Pharmacies, the organisational unit that provides financing services for Italian pharmacies that are either developed internally or referred by the sales network of the subsidiary Banca Credifarma;
- Tax Receivables, the organisational unit dedicated to purchasing tax receivables, mainly from companies in insolvency proceedings or liquidation;
- Corporate Finance, the organisational unit dedicated to structured finance transactions or investments in performing non-financial companies and intermediaries;
- Leasing and Rental, the organisational unit dedicated to offering and managing leasing and renting products;
- Insurance Development, the organisational unit dedicated to the supply of insurance products;
- Marketing and Business Strategy, organisational unit that deals with the planning and monitoring of the commercial production and development of specific commercial campaigns, identifying the relevant target, the contact channels and monitoring tools;
- Pharma, the organisational unit dedicated to purchasing and managing receivables due from local health agencies and hospitals.

Finally, at the reporting date the lending process included the credit operations of the following subsidiaries:

- Ifis Npl Investing S.p.A., company dedicated to the acquisition and transfer of non-performing loans, mainly originated by financial institutions and banks;
- Ifis Npl Servicing S.p.A., company specialising in the management of Npls and servicing and recovery activities on behalf of third parties;
- Cap.Ital.Fin. S.p.A., which provides salary- or pension-backed loans as well as salary or pension deductions and distributes financial products such as mortgages and personal loans;
- Banca Credifarma S.p.A., a banking operator mainly targeting the pharmacy and healthcare sectors and operating in the business of granting advances, medium- and long-term loans and financial services to pharmacies;
- Ifis Finance Sp. z o.o. and Ifis Finance I.F.N. S.A., factoring companies operating in Poland and Romania respectively;
- Ifis Rental Services S.r.l., an unregulated entity specialising in operating leases;

Each organisational unit develops and manages business relationships and opportunities in its respective segment by working together with the Branches located throughout Italy, in accordance with the strategic guidelines and objectives set by the Board of Directors.

As for the lending process, each business unit identifies the opportunities for new transactions in accordance with the lending policies in force and the defined risk appetite; in this context, it examines loan applications and formalises a proposal to be submitted to the competent decision-making bodies, ensuring lending policies and controls are implemented correctly and analysing the applicant's creditworthiness in accordance with existing internal regulations.

The proposals to grant lines of credit and/or purchase receivables are submitted to the competent decision-making bodies, which, based on the powers delegated to them, express their decision - which always refers to the overall exposure towards the counterparty (or any related groups).

Banca Ifis's Branches have no independent decision-making power for the purposes of assuming credit risk; Branches manage ordinary operations with customers under the constant monitoring of the central structures in accordance with the limits and procedures established by the Head Office's competent bodies.

In carrying out their operations, the subsidiaries can independently take certain decisions within the operational and organisational limits defined by the Parent company Banca Ifis.

The line of credit is then finalised: the Bank finalises the agreement, obtains guarantees, if any, and grants the credit line. Throughout these stages, the business units are aided by specific supporting units responsible for preparing the agreement in accordance with the terms of the approval as well ensuring all activities leading to the granting of the credit facility are properly carried out.

The operational management of receivables, carried out for performing customers, mainly consists in the ordinary management and monitoring conducted by dedicated structures at each of the Group's companies with the aim of constantly and pro-actively reviewing borrowers. This activity is supported by a monitoring activity carried out at Group level by a specific organisational unit set up at the Parent company, in order to identify counterparties with anomalous performance, to anticipate the occurrence of problematic cases and to provide adequate reporting to the competent corporate functions.

If the credit position is in an objective situation of distress, it is transferred to specific functions specialised in managing and recovering non-performing exposures.

The process for the acquisition of non-performing loan portfolios adopted by the structures of the Npl Segment consists of similar stages that can be summarised as follows:

- Origination: the Bank identifies the counterparties from which it plans to purchase the portfolios and assesses the economic expediency of said transactions;
- due diligence, as part of which highly-skilled analysts assess the quality of the portfolio being transferred and the relevant organisational impact. Once the due diligence is completed, the Group sets the terms and conditions for offering/acquiring the receivables portfolio and how to manage it (individual or collective method), assessing the relevant impact on operating structures;
- approval: this stage includes the preparation of the file, the decision-making process, and the implementation of the approval by the competent decision-making body;
- finalisation: the parties prepare and finalise the purchase agreement, and the relevant consideration is paid.

Purchases are made directly by originators and/or SPVs (primary market) or, in some circumstances, by operators who have purchased on the primary market and who intend to dispose of their investment for various reasons (secondary market). Receivables - deriving from traditional consumer credit operations, credit cards and special purpose loans - are mainly unsecured; there are also current account balances in the event of transfers by banks.

Right after the acquisition, pending the completion of information retrieval operations to help decide the most appropriate debt recovery method, the receivable is classified in a so-called "staging" area and measured at cost with no contribution to profit or loss.

After this phase, which normally lasts 6-12 months, the positions are directed towards the form of management most appropriate to their characteristics (non-judicial and judicial operations), which carries out an activity closely related to the transformation into paying positions and the collection of receivables.

Collection operations for receivables deriving from purchases of distressed retail loans are the responsibility of resources within the subsidiary Ifis Npl Investing S.p.A. and Ifis Npl Servicing S.p.A., as well as of a broad and proven network of debt collection companies and financial agents operating across Italy.

The non-judicial operations consist mainly in the activation of the credit through the debtor's subscription of bills of exchange or voluntary settlement plans; the judicial operations consist, instead, in the transformation through legal action aimed at obtaining from the court the garnishment order of one-fifth of the pension or salary (the existence of which is the necessary prerequisite for the start of this form of transformation) or the sale on the market of the asset to guarantee the credit (secured management). Specific information regarding these operations is provided below.

Finally, there is also an assessment of the expediency of selling non-performing loan portfolios, mainly represented by processing codes, to be submitted for approval to the competent decision-making bodies, consistently with the established profitability targets and after analysing the relevant accounting, reporting, legal, and operational impacts. To do so, it relies on the in-depth inquiries conducted by the Parent company's competent business functions within their area of expertise.

Non-judicial operations

As for the positions not eligible for judicial operations, after completing the groundwork for processing them, they are classified in a "collective" portfolio pending that the recovery process through call centres or recovery networks can culminate with a collection of settlement plans referred to above (in the form of a proposal/acceptance from customer to bank). At this stage, the positions are measured at amortised cost, calculated as the present value of expected cash flows determined on the basis of a proprietary statistical model developed by the Risk Management function on the basis of historical internal data, referred to as "curve model"; this model projects collection expectations onto clusters of homogeneous receivables based on the recovery profile historically observed (macro region, amount of credit, seniority of the file with respect to the DBT date, transferor), in addition to prudential adjustments, such as, by way of example, the cap of simulated cash flows for debtors who are older than the life expectancy present in the mortality tables provided by Istat. This method of valuing debt collection flows means that the expected collection profile is decreasing as time passes with respect to the date of purchase of the credit, until the asset value of the credit is reduced to zero when it reaches the tenth year from the date of purchase.

As already indicated in the 2021 Consolidated Financial Statements, the curve model during 2021 has been refined as the models are reviewed biennially in order to lengthen and update the time series, verify cluster tightness and statistical robustness, take into account any new management methods, and evaluate macroeconomic effects such as, at this time in history, Covid-19.

Expectations of collection also take into account the probability of obtaining a settlement plan net of the relative probability of default.

There are two types of settlement (collection) plans that can be entered into:

- bills of exchange: that is, the set of credit positions for which the debtor has signed a settlement plan supported by the issue of bills of exchange;
- Manifestations of Will (MdV): those practices for which the recovery process has led to the collection of a formalised settlement plan by the debtor.

The moment the position obtains a paying settlement plan ("active plans"), i.e. after having observed the payment of at least three times the value of the average instalment of the plan, the cash flows of the "curve model" are replaced by the cash flows of the "deterministic model", which projects the future instalments of the settlement plan agreed with the debtor net of the historically observed default rate and taking into account also in this case a cap to the simulated cash flows if the age of the debtor exceeds what is indicated in the mortality tables of Istat in relation to life expectancy.

Positions that do not obtain a paying settlement plan remain valued by means of the "curve model"; this means that as time passes, the probability of collection is reduced also by means of the plan and consequently the expected cash flows are reduced down until zeroing.

As already started in 2021, again during the first half of 2022, management took part in a new closure method, known as "balance and write-off of positions", in order to anticipate recovery while granting a reduction in the amount due (write-off) to the debtor. This method of collection does not replace the methods described above, but involves certain campaigns on specific positions identified by management.

Judicial operations

Positions that meet the requirements (presence of a job or a pension) for judicial processing are initiated in the relevant operations. This also includes (minority) dossiers that are processed in a logic of real estate attachment of property.

Judicial processing, understood as real estate enforcement action against third parties, is characterised by several legal steps aimed at obtaining an enforcement title, which as a whole usually last 18-24 months (the durations and the relative volatility depend on the court in which the case is handled) and are thus as follows:

- obtaining a court order,
- writ,
- attachment of property and
- garnishment order.

These positions are measured at amortised cost, calculated as the present value of expected cash flows determined on the basis of two proprietary models developed by the Risk Management function on the basis of historical internal data, referred to as "pre-garnishment order Legal Factory model" and "garnishment model".

The pre-garnishment order model during 2021 has been recalibrated because, just as was the case for the curve models, the models are reviewed biennially in order to lengthen the time series, verify cluster tightness and statistical robustness, take into account any new management methods, and evaluate macroeconomic effects such as, at this time in history, Covid-19.

In addition to the above, judicial operations involve also collection efforts, i.e. foreclosure proceedings, which consist of several stages and apply to portfolios originated in corporate, banking, or real estate segments.

Management, measurement and control systems

Credit risk is constantly monitored by means of procedures and instruments that can rapidly identify particular anomalies.

Over time, the Banca Ifis Group has implemented instruments and procedures allowing to specifically evaluate and monitor risks for each type of customer and product.

If the applicant passes the evaluation process and is granted a credit facility, the Group starts monitoring the credit risk on an ongoing basis, ensuring repayments are made on time and the relationship remains regular, reviewing the information that the Italian banking system reports to the Central Credit Register or select databases as well as the reputational profile, and examining the underlying causes for each one of these aspects.

Concerning portfolio monitoring operations, as previously mentioned, receivables due from customers are monitored by specific units within the mentioned business units that are responsible for constantly and proactively reviewing borrowers (first line of defence); a specific organisational unit conducts additional monitoring at a centralised level, using mainly performance analysis models - including models developed by the Parent's Risk Management function - to identify any potential issues through specific early warning indicators.

Credit risk exposures to companies are assigned a rating based on models developed in-house. These models were brought into production early 2021 and are differentiated by segment to ensure that appropriate models are applied on homogeneous population from the point of view of characteristics and risk level. There are therefore models for corporations, differentiated by two size clusters, and a model for partnerships and sole proprietorships. The rating models are composed of different modules that investigate different areas of information depending on the type of counterparty and are integrated with qualitative information of different nature. The extension of the use of the models to all operations with companies of the Parent company has allowed, by increasing the coverage of the models, the achievement of homogeneity objectives in terms of risk measurement along the credit process. The provisioning process saw the expansion of the population to which it is possible to apply the stage allocation criterion for a significant increase in credit risk, by comparing the rating at the time of granting and the current rating, with a view to compliance with the requirements of accounting standard IFRS 9.

Risk Management plays a crucial role as part of the second line of defence in measuring and monitoring operations.

Concerning credit risks, the Risk Management function:

- oversees, monitors and assesses credit risks, carrying out audits and analysis in accordance with the relevant guidelines; specifically, it:
  - assesses credit quality, ensuring compliance with credit guidelines and strategies by continuously monitoring credit risk indicators;
  - constantly monitors exposure to credit risk and compliance with the operating limits assigned to the operating structures in relation to the assumption of credit risk;
  - verifies, by means of second-level controls, the correct implementation of performance monitoring on individual exposures, in particular on impaired exposures, and assesses the consistency of classifications and the adequacy of provisions;
  - monitors exposure to concentration risk and the performance of exposures classified as Large Exposures;
- performs quantitative analyses to support the business units in using risk measures;
- oversees the supervision of the value of collateral as well as personal and financial guarantees.

Within the individual Group companies, special attention is paid to the monitoring of credit risk. During 2021, on the subsidiaries Cap.Ital.Fin, Credifarma and Farbanca (the latter two from April 2022 then merged by incorporation into the renamed Banca Credifarma):

- the attention and critical threshold of managerial indicators were estimated and, on a monthly basis, any overshooting of such monitored;
- quarterly stress testing was carried out with a view to determining the effects on internal capital of the credit risk and reserves (both generic and specific) of worsening, determined in a judgemental manner, of the probability of default;
- monthly (starting in May 2021 for Farbanca) verification and proper credit monitoring activities were carried out.

The Banca Ifis Group pays particular attention to the concentration of credit risk with reference to all the Group's companies, both at an individual and consolidated level. Banca Ifis's Board of Directors has mandated the Top Management to take action to contain major risks. In line with the Board of Directors' instructions, all positions at risk which significantly expose the Group are systematically monitored.

Concerning the credit risk associated with bond and equity investments, the Group constantly monitors their credit quality, and Parent company Banca Ifis's Board of Directors and Top Management receive regular reports on this matter.

In the context of Basel 3 principles for calculating capital requirements against first-pillar credit risks, Banca Ifis chose to adopt the Standardised Approach. To calculate capital requirements for single-name concentration risk, which falls under second-pillar risks, the Group adopts the Granularity Adjustment method as per Annex B, Title III of Circular no. 285 of 17 December 2013, with a capital add-on calculated using the ABI method to measure geo-segmental concentration risk.

In order to assess its vulnerabilities in terms of capital and liquidity management, the Parent company Banca Ifis has developed quantitative and qualitative techniques with which it assesses its exposure to exceptional but plausible events. These analyses, known as stress tests, measure the impact in terms of risk deriving from a combination of changes in economic-financial variables under adverse scenarios on the Bank and its subsidiaries. These analyses significantly concern credit risk.

Stress analyses make it possible to verify the Group's resilience, simulating and estimating the impacts of adverse situations, and provide important indications regarding its exposure to risks and instruments, the adequacy of the related mitigation and control systems and its ability to cope with unexpected losses, also from a prospective and planning perspective.

For regulatory purposes, the Parent company Banca Ifis conducts stress tests when defining the Risk Appetite Framework and preparing the Recovery Plan as well as the ICAAP and ILAAP report at least on an annual basis, as required by applicable prudential supervisory regulations. In this context, it assesses, among other things, the sustainability of lending strategies under adverse market conditions.

Measurement of expected credit losses

According to IFRS 9, all financial assets not measured at fair value through profit or loss, represented by debt securities and loans, and off-balance sheet exposures (commitments and guarantees granted) must be subject to the impairment model based on expected losses (ECL - Expected Credit Losses).

The most significant aspects that characterise this approach, concern:

- the classification of loans into three different levels (or "Stages") to which different methods correspond for calculating the losses to be recorded; Stage 1 includes performing positions that have not undergone a significant increase in credit risk otherwise placed in Stage 2; Stage 3 includes all positions classified as non-performing, bad loans, unlikely-to-pay, non-performing past due in accordance with the criteria and rules specifically adopted by the Group;
- the calculation of the expected loss calculated at 12 months for Stage 1 or for the entire useful life of the credit (lifetime) for Stages 2 and 3;
- the requirement to use a Point-in-Time, rather than a Through-the-Cycle, approach for regulatory purposes;
- forecast information regarding the future dynamics of macroeconomic factors (forward looking) considered to have the potential to influence the debtor's situation.

In this context, the Group has adopted a method for determining the "significant" increase in credit risk with respect to the initial recognition date, which involves classifying the instruments in Stages 1 and 2, combining statistical (quantitative) and performance (qualitative) elements, as part of the estimate of impairment of performing loans.

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

- The only quantitative transfer criterion is the Significant Deterioration for which, to identify the "significant increase in credit risk" on exposures within rated portfolios, the Group used an approach backed by quantitative analyses, under which the exposure is allocated to Stage 2 if the change in the one-year PD between the origination and the measurement date exceeds a given threshold.
- Qualitative transfer criteria:
  - "Rebuttable presumption – 30 days past due": the Standard establishes that, regardless of how the entity assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The entity can rebut this presumption if it has reasonable and supportable information that demonstrates that the credit risk has not increased significant since initial recognition even though the contractual payments are more than 30 days past due. However, the Ifis Group has not pursued this option;
  - Forbearance: according to this criterion, a financial instrument is allocated to Stage 2 when the Group classifies the exposure as forborne;
  - Watchlist: this requires identifying qualitative deterioration criteria defined by the Group as part of the process for defining especially risky positions during credit monitoring.

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

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

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

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

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

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

Concerning the exposures to Banks, Central Governments, and Public-sector Entities (low default portfolios), the Group used default rates associated with migration matrices provided by public information of Moody's ratings or other external providers.

On some subsidiaries, even though the collective write-downs are determined using a lump sum approach, and therefore according to the level of risk calculated (PD, LGD and EAD), on the basis of internal evidence, the analytical write-downs may use different calculation methods (by way of example, adopting a judgemental approach rather than a lump sum approach), on the basis of the legal experience accrued on forecast cash flow on default positions. The Risk Management function periodically compares the balance of the provisions for impairment with the estimated losses expected, obtained using the risk levels forecast on the basis of internal evidence, which can be traced to the same impaired positions.

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

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

A multi-period approach to risk parameters has been developed exclusively for the PD; the other credit risk parameters (LGD and CCF) are applied on a constant basis until maturity. LGD has been estimated on the basis of proprietary historical data with the exception of the counterparties Banks, Central Governments, and Public-sector Entities (excluding municipalities), for which, in the absence of objective historical data, a sector LGD has been estimated.

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

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

The Risk Management Department has included the forecasts defined by its satellite models in the structures at the end of the PD lifetime. For the purpose of applying macroeconomic shifts, the migration matrices have been defined between the different credit statuses of each perimeter and the scaling factors derived, to be applied to the curves as per the defined method. Starting out, therefore, from an initial transition matrix, the approach used allows for a stressed matrix to be obtained.

The satellite models developed for the PD have also been applied to the danger rate, used in LGD.

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

Valuation of the significant increase in the credit risk (SICR)

As a result of the international situation, affected by the Russia-Ukraine conflict, the impacts of Covid-19 and the problems in the procurement of raw materials and supply chain blocks, the Group has introduced corrective factors aiming to adjust for the impacts of this crisis on such transactions with counterparties belonging to particular sectors (transport, agriculture, manufacturing and energy trading) that could be involved in a significant increase in credit risk.

Measurement of expected losses

With reference to the Forward Looking Information feeding into the IFRS 9 provisioning process, using the satellite models reported above, the Risk Management function did not update the macroeconomic scenarios; the scenarios in use at 31 December 2021 were confirmed, which were already considered significantly adverse with reference to the trend of the main indicators as they factor in the negative effects of the pandemic crisis on the economy.

The choice was made to maintain the probability of occurrence of the scenarios by leaving to the baseline scenario the higher probability of occurrence (70%), reserving for the adverse scenario a probability of 25%, higher than that associated with the improvement scenario (5%) due to the high uncertainty and considering the prolongation of the conflict in Europe and sanction measures in respect of Russia that are evolving constantly.

Credit risk mitigation techniques

Credit risk mitigation techniques include instruments that contribute to reducing the loss that the Group would incur in the event of counterparty default; specifically, they refer to guarantees received from customers, both collateral and personal, and to any contracts that may lead to a reduction in credit risk.

In general, as part of the process of granting and managing credit, for certain types of lines, the release by customers of suitable guarantees to reduce their risk is encouraged. They can be represented by collaterals on assets, such as pledges on financial assets, mortgages on real estate (residential/non-residential) and/or personal guarantees (typically sureties) on a third party where the person (natural or legal) is the guarantor of the customer's debt position in the event of insolvency.

In particular:

- as part of factoring operations, when the type and/or quality of factored receivables do not fully satisfy requirements or, more generally, the invoice seller is not sufficiently creditworthy, the bank's established practice is to hedge the credit risk assumed by the Group by obtaining additional surety bonds from the shareholders or directors of the invoice seller. As for the account debtors in factoring relationships, wherever the Bank believes that the elements available to assess the account debtor do not allow to properly measure/assume the related credit risk, or the proposed amount of risk exceeds the limits identified during the debtor's assessment, the Bank adequately hedges the risk of default of the account debtor. Guarantees issued by correspondent factors and/or insurance policies underwritten with specialised operators are the main hedge against non-domestic account debtors in non-recourse operations;
- in loans to businesses, where possible, suitable guarantees are acquired from the Central Guarantee Fund or other companies coming under the public scope, such as SACE S.p.A.;
- in regard to Structured Finance, collateral is acquired according to the counterparty's standing as well as the term and type of the facility. Said collateral includes mortgage guarantees, liens on plant and equipment, pledges, surety bonds, credit insurance, and collateral deposits;
- as for finance leases, the credit risk is mitigated by the leased asset. The lessor maintains the ownership until the purchase option is exercised, ensuring a higher recovery rate in the event the client defaults;
- as for operations concerning distressed loans and purchases of tax receivables arising from insolvency proceedings, as well as the relevant business model, generally no action is taken to hedge credit risks;
- salary-backed loans have low risk, considering the particular characteristics of this product: it requires having insurance against the customer's risk of death and/or loss of employment as well as imposing a lien on the Post-employment benefits (TFR) earned by the customer as additional collateral for the loan.
- lending to pharmacies involves an advance as well as a transfer or debt collection mandate, with the possibility of deducting subsequent advances from existing credit facilities.

In line with that established by the Liquidity Decree (Italian Decree Law no. 23 of 8 April 2020), the Group has benefited from the guarantees offered by the state Guarantee Fund for the type of customer and loans envisaged by the Decree, with cover that can reach 100%. This guarantee enables a reduction in the RWAs relative to the credit risk, proportionally to the share of exposure covered by the Fund.

The acquired Npl portfolios include positions secured by mortgages on properties with a lower level of risk than the total portfolio acquired.

When calculating the overall credit limit for an individual customer and/or legal and economic group, the Bank considers specific criteria when weighing the different categories of risks and guarantees. Specifically, when measuring collateral, it applies prudential "spreads" differentiated by type of guarantee.

The Group continuously verifies the quality and adequacy of the guarantees acquired on the loan portfolio, with second level monitoring carried out by the Parent company's Risk Management function and carried out under the scope of the Single File Review.

Non-performing credit exposures

Management strategies and policies

The Group adopts a business model that has peculiar features compared to most other Italian banking institutions, which largely operate as general banks.

This peculiarity of the business is reflected in the processes and management structures, generating flows and stock dynamics that are reflected in assets and related indicators.

Nonetheless, the Parent believes that adopting "systemic" operational and structural ratios, and maintaining its indicators at the highest level of excellence, is a mark of quality and a value to be pursued as a specific goal in order to strengthen its corporate structure as well as improve its internal processes.

Among these, the quality of assets is a top priority that must be expressed both in the ability to provide credit, minimizing the risks of deterioration of exposures, and in the ability to manage non-performing exposures, optimising recovery performance in terms of amount and timing of recovery.

In this sense, the Group's action is oriented in two directions:

- constant efforts to improve not only the processes for selecting and granting loans, but also the processes for managing performing loans, referring, where appropriate, to the commercial and/or selection policies of individual transactions, in order to contain the generation of non-performing loans in the best possible way;
- the definition of quantitative objectives (such as maximum limits) in terms of non-performing exposures as well as pre-established actions to be implemented according to appropriate application criteria and priorities, in order to ensure compliance with the established limits over time.

In managing these aspects, the Group must, however, necessarily take into account the different segments of business and related types of credit, classifying solutions and actions consistent with the specificities of the individual segments, in order to ensure the best result in terms of value protection and speed of solution.

In view of the above, the Group has maintained the following two indicators as performance indicators and explicit objectives to be pursued with careful and proactive management when updating its annual operating plan for the management of short and medium/long-term Npls, presented to the Supervisory Authority in March 2022:

- "gross Npe ratio", consisting of the ratio of "gross non-performing exposures" to "total receivables due from customers";
- "net Npe", consisting of the ratio of "non-performing exposures net of related adjustments" to "total receivables due from customers".

With reference to receivables due from customers for cash in place at 30 June 2022, excluding the positions stemming from the acquisition and management of non-performing exposures of third party originators managed by the subsidiaries Ifis Npl Investing S.p.A. and Ifis Npl Servicing S.p.A., as well as the portfolios of retail loans, also in consideration of the economic impacts deriving from the COVID-19 emergency situation and the Russia-Ukraine conflict, the levels of NPE ratio are in line with respect to the objectives set when defining the projections of the 2022-2024 Business Plan. Regardless of the current outlook, the pursuit of the objective of a general limitation in the stock of non-performing loans remains and is expected to take place through a differentiated strategy in relation to the specificity of the individual portfolios concerned (taking into account the type of counterparty and the specificity of the individual products). In general, the action that will be taken is essentially based on the following goals, which it has been pursuing for some time now:

- containment of the default rate in order to reduce the inflow of non-performing positions by extending and strengthening the monitoring of lending aimed at anticipating, and possibly preventing, deterioration of positions;
- improvement of the "performing" rates of return through a more significant use of granting measures in relation to counterparties that show signs of financial difficulty;
- leveraging the expertise within the Banca Ifis Group and the virtuous collection processes currently in place to maximise collection rates;
- reducing the stock of non-performing loans by considering selective sales of individual significant positions as well as applying existing write-off policies.

The positions that have deteriorated or present significant problems are handled directly by specific organisational units established at each company of the Banking Group, which:

- assess the counterparty's willingness and ability to repay the debt in order to establish the most appropriate recovery strategy;
- manage judicial and non-judicial proceedings concerning debt collection operations;
- define potential modifications to the administrative status as well as the quantification of "doubtful individual outcomes" for the positions assigned to it, submitting them to the competent decision maker;
- monitor the amount of exposures classified as bad loans and the relevant debt collection operations.

Write off

As specified by IFRS 9, write-off is an event that results in derecognition when there is no longer a reasonable expectation that the financial asset will be recovered. It may occur before the lawsuit for recovery of the financial asset has concluded and does not necessarily imply a waiver of the legal right of the Group to collect the debt.

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

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

The derecognition of bad debts is a good management practice. It allows structures to concentrate on receivables that are still recoverable, guarantees an adequate representation of the ratio between anomalous receivables and total receivables and ensures a correct representation of balance sheet assets.

At an organisational level, the operating methods used by the various Group structures to eliminate credit exposures and to report to Top Management are described in detail in the company's credit monitoring and recovery policies.

Purchased or originated credit impaired financial assets

Organisational aspects

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

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

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

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

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

If, as a result of an improvement in the counterparty's credit standing, the assets become "performing", they are allocated to Stage 2.

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

"Acquired impaired assets" include loans acquired by the subsidiaries Ifis Npl Investing S.p.A. and Ifis Npl Servicing S.p.A. acquired at values significantly lower than their nominal amount, as well as non-performing assets resulting from the various IFRS 3 business combinations carried out by the Banca Ifis Group (such as those relating to the former GE Capital Interbanca Group, the former Fbs Group, the companies ex Credifarma S.p.A., Cap.Ital.Fin. S.p.A. and ex Farbanca S.p.A. as well as the former Aigis Banca business). These non-performing assets are included within the POCI perimeter on the basis of the existence, for each individual relationship, of non-performing credit quality at the time of the relative acquisition, as required by IFRS 9.

Quantitative information

The outstanding nominal amount of Ifis Npl Investing S.p.A.'s proprietary portfolio was approximately 22.895 million Euro. At the time of purchase, the nominal amount of these receivables was approximately 23.922 million Euro, and they were acquired for approximately 1.325 million Euro, i.e. an average price equal to approximately 5,54% of the historical nominal amount. In the first half of 2022, approximately 1.441 million Euro were acquired for approximately 66,5 million Euro, i.e. an average price equal to 4,62%. The overall portfolio of non-performing exposures purchased and not yet collected has an overall weighted average life of around 44 months compared to their acquisition date.

As regards the individual phases of processing of Npl receivables, as described in paragraph "Organisational aspects" above in relation to credit risk, the carrying amount at 30 June 2022 of the positions in out-of-court management comes to 449 million Euro, whilst the carrying amount of the positions under legal management[3] comes to 919 million Euro.

Finally, Ifis Npl Investing seizes market opportunities in accordance with its business model by selling portfolios of positions yet to be processed to third parties. Overall, during the first half of 2022, Ifis Npl Investing completed a sale of portfolios to leading players whose business is purchasing Npls. Overall, receivables were sold with an amount of 40,7 million Euro, for an overall consideration of 2,8 million Euro.

Financial assets subject to business renegotiations and forborne exposures

For information about the effects deriving from the measures implemented in support of the economy by the Italian government and adopted by the Group, please refer to the paragraphs above.

Throughout the life of the financial assets, and specifically of receivables, the parties to the agreement subsequently agree to modify the original contractual terms. When, during the life of an instrument, the contractual terms are modified, the Group shall assess whether the original asset must continue to be recognised (so-called "modification without derecognition") or, conversely, the original instrument must be derecognised and a new financial instrument recognised in its place.

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

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

- the purposes for which the modifications were made: for instance, renegotiations for business reasons and forbearance measures due to the counterparty's financial difficulties:
  - the former, intended to "retain" the customer, involve a borrower that is not in financial distress. This case includes all renegotiations aimed at adjusting the cost of debt to market conditions. These transactions result in changes to the original contractual terms, usually at the request of the borrower, that concern aspects associated with the cost of debt, giving rise to an economic benefit for the borrower. Generally, the Group believes that, whenever it enters into a renegotiation in order to avoid losing the client, this renegotiation shall be considered as substantial, since, in its absence, the customer could obtain financing from another intermediary and the Group would see estimated future revenue decline;
  - the latter, offered for "credit risk reasons" (forbearance measures), are part of the Group's attempt to maximise the recovery of the cash flows of the original receivable. Following the modifications, usually the underlying risks and rewards have not been substantially

3 Legal management including garnishment actions with third parties, corporate positions, MIPOs and bankruptcy procedure.

transferred: therefore, the accounting presentation that provides the most relevant information to users of the financial statements (expect for the following discussion about objective factors) is the one made through “modification accounting” - whereby the difference between the carrying amount and the present value of modified cash flows discounted at the original interest rate is recognised through profit or loss - rather than derecognition;

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

Prudential consolidation - On- and off-balance-sheet exposures to customers: gross and net amounts

Types of exposures/Amounts	Gross exposure					Overall impairment losses/reversals and overall allocations					Net exposure	Overall partial write-offs*
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
A. On-balance-sheet credit exposures												
a) Bad loans	1.257.118	X	-	122.907	1.134.211	92.783	X	-	92.783	-	1.164.335	8.913
- of which forborne exposures	*169.248*	*X*	-	*169.042*	*206*	*3.434*	*X*	-	*3.434*	-	*165.814*	-
b) Unlikely to pay	576.884	X	-	221.582	355.302	90.338	X	-	90.338	-	486.546	63
- of which forborne exposures	*134.873*	*X*	-	*129.110*	*5.763*	*22.004*	*X*	-	*22.004*	-	*112.869*	-
c) Non-performing past due exposures	178.779	X	-	173.427	5.352	11.311	X	-	11.311	-	167.468	-
- of which forborne exposures	*5.472*	*X*	-	*5.316*	*156*	*1.160*	*X*	-	*1.160*	-	*4.312*	-
d) Performing past due exposures	492.780	-	463.593	X	29.187	10.983	-	10.983	X	-	481.797	177
- of which forborne exposures	*4.866*	-	*4.730*	*X*	*136*	*180*	-	*180*	*X*	-	*4.686*	-
e) Other performing exposures	7.971.605	7.687.654	241.757	X	42.194	70.507	70.507	-	X	-	7.901.098	47.206
- of which forborne exposures	*81.711*	*4.657*	*74.779*	*X*	*2.275*	*2.763*	*2.763*	-	*X*	-	*78.948*	-
Total (A)	**10.477.166**	**7.687.654**	**705.350**	**517.916**	**1.566.246**	**275.922**	**70.507**	**10.983**	**194.432**	**-**	**10.201.244**	**56.359**
B. Off-balance-sheet credit exposures												
a) Non-performing	87.074	X	-	87.074	-	5.680	X	-	5.680	-	81.394	-
b) Performing	1.603.149	1.558.587	44.013	X	549	5.721	5.721	-	X	-	1.597.428	-
Total (B)	**1.690.223**	**1.558.587**	**44.013**	**87.074**	**549**	**11.401**	**5.721**	**-**	**5.680**	**-**	**1.678.822**	**-**
Total (A+B)	**12.167.389**	**9.246.241**	**749.363**	**604.990**	**1.566.795**	**287.323**	**76.228**	**10.983**	**200.112**	**-**	**11.880.066**	**56.359**

** Value to be disclosed for information purposes*

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

Concentration and distribution of credit exposures

Prudential Consolidation - Distribution of on- and off-balance-sheet exposures to customers by segment

Exposures/ Counterparts	Public Administrations		Financial companies		*Financial companies (of which: insurance companies)*		Non-financial companies		Households	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	*Net exposure*	*Overall impairment losses/reversals*	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet credit exposures										
A.1 Bad loans	358	905	1.293	148	-	-	161.085	83.980	1.001.599	7.750
- of which forborne exposures	-	-	*34*	-	-	-	*7.870*	*2.843*	*157.910*	*591*
A.2 Unlikely to pay	11.974	25	7.729	533	-	-	124.895	80.872	341.948	8.908
- of which forborne exposures	-	-	*36*	*123*	-	-	*34.418*	*19.377*	*78.415*	*2.504*
A.3 Non-performing past due exposures	136.120	5.713	291	45	-	-	19.571	3.171	11.486	2.382
- of which forborne exposures	-	-	-	-	-	-	*2.169*	*553*	*2.143*	*607*
A.4 Performing exposures	2.173.578	1.509	484.259	7.473	902	1	5.015.546	65.390	709.512	7.118
- of which forborne exposures	*397*	*1*	*76*	*1*	-	-	*69.220*	*2.318*	*13.941*	*623*
Total (A)	**2.322.030**	**8.152**	**493.572**	**8.199**	**902**	**1**	**5.321.097**	**233.413**	**2.064.545**	**26.158**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	5	-	2.916	229	-	-	76.883	4.841	1.590	610
B.2 Performing exposures	-	-	331.548	2.252	-	-	1.017.561	3.454	248.319	15
Total (B)	**5**	**-**	**334.464**	**2.481**	**-**	**-**	**1.094.444**	**8.295**	**249.909**	**625**
Total at 30.06.2022 (A+B)	**2.322.035**	**8.152**	**828.036**	**10.680**	**902**	**1**	**6.415.541**	**241.708**	**2.314.454**	**26.783**
Total at 31.12.2021 (A+B)	**2.836.388**	**11.530**	**573.846**	**6.162**	***294***	***3***	**6.529.110**	**233.290**	**2.349.994**	**27.350**

Prudential Consolidation - Geographical distribution of on- and off-balance-sheet exposures to customers

Exposures/ Counterparts	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet credit exposures										
A.1 Bad loans	1.163.915	91.401	397	1.381	14	-	-	1	9	-
A.2 Unlikely to pay	486.029	89.895	508	443	5	-	-	-	4	-
A.3 Non-performing past due exposures	165.650	11.091	1.308	158	-	-	510	62	-	-
A.4 Performing exposures	7.817.251	76.807	448.568	3.504	98.806	933	14.092	232	4.178	14
Total (A)	**9.632.845**	**269.194**	**450.781**	**5.486**	**98.825**	**933**	**14.602**	**295**	**4.191**	**14**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	79.524	5.680	1.870	-	-	-	-	-	-	-
B.2 Performing exposures	1.486.421	5.477	109.583	244	-	-	1.098	-	326	-
Total (B)	**1.565.945**	**11.157**	**111.453**	**244**	**-**	**-**	**1.098**	**-**	**326**	**-**
Total at 30.06.2022 (A+B)	**11.198.790**	**280.352**	**562.234**	**5.730**	**98.825**	**933**	**15.700**	**295**	**4.517**	**14**
Total at 31.12.2021 (A+B)	**11.720.680**	**265.199**	**432.801**	**12.066**	**80.231**	**923**	**50.390**	**134**	**5.236**	**10**

Securitisation transactions

This section does not include securitisation transactions in which the originator is a bank belonging to the same prudential group and the total liabilities issued (e.g. ABS securities, loans during the warehousing phase, etc.) by the vehicle companies are subscribed at the time of issue by one or more companies belonging to the same prudential group. In other words, self-securitisations fully subscribed by companies belonging to the Banca Ifis Group's prudential consolidation, such as those of the vehicles Indigo Lease S.r.l. and Ifis Npl 2021-1 SPV S.r.l., are discussed in a later section to which reference should be made.

Qualitative information

Objectives, strategies and processes

The Group has exposures to securitisations originated by third parties, acquired for investment purposes with the aim of generating a profit margin and achieving an appreciable medium/long-term return on capital.

These transactions may be originated by the Group's Business Units, based on the characteristics of the underlying portfolio - performing or non-performing - or as part of liquidity investments.

The acquisition activities are carried out in accordance with the policies and procedures relating to credit risk, and in particular with the policies in force for the securitisation transactions and investment policies applicable to the Proprietary Finance portfolio and in compliance with the propensity to risk established within the Risk Appetite Framework (RAF). The Group invests in securitisations of which it is able to value, on the basis of its experience, the relevant underlying assets.

In particular, after identifying the investment opportunity, the unit that proposes the transaction conducts a due diligence review to estimate future cash flows and determine whether the price is fair, coordinating the organisational units concerned from time to time and formalising the relevant findings to be submitted to the competent decision-making body.

Subsequent to the purchase, the investment is constantly monitored based on the performance indicators of the underlying exposures and whether cash flows are in line with the estimates made at the time of the acquisition.

Hedging policies adopted to mitigate the relevant risks

The Banca Ifis Group has prepared a "Group Policy for the Management of Securitisation Transactions in the Role of Originator/Promoter/Investor", with which it regulates the process of managing securitisation transactions in the event that it intervenes in the role of "originator" (i.e. a party that participated in the original contract that created the obligations that originated the securitised exposures or that acquired the exposures of a third party and subsequently proceeds to their securitisation) of "investor" (i.e. a person underwriting the securities) or "sponsor" (i.e. a person structuring the transaction as defined in Art. 2 of EU Regulation 2017/2402). For each potential case, the policy sets out the responsibilities of the organisational units and corporate bodies, with reference to both the due diligence process and the ongoing monitoring of the transaction.

This section describes the Banca Ifis Group's exposures towards securitisation transactions in which it is involved as originator, sponsor, or investor.

Ifis ABCP Programme securitisation

On 7 October 2016, Banca Ifis launched a three-year revolving securitisation of trade receivables due from account debtors. After Banca Ifis (originator) initially reassigned the receivables for 1.254,3 million Euro, in the second quarter of 2018, the vehicle named Ifis ABCP Programme S.r.l. issued 850 million Euro, increased to 1.000 million Euro, worth of senior notes subscribed for by the investment vehicles owned by the banks that co-arranged the transaction, simultaneously with the two-year extension of the revolving period. An additional tranche of senior notes, with a maximum nominal amount of 150 million Euro, initially issued for 19,2 million Euro, and that was subsequently adjusted based on the composition of the assigned portfolio, was subscribed for by Banca Ifis. At 31 December 2018, the amount subscribed for by the Bank had reached the maximum limit of 150 million Euro. During the first half of 2019, this portion was first partially repaid by the vehicle, then sold to a third-party bank for a total residual value of 98,9 million Euro. The difference between the value of the receivables portfolios and the senior notes issued represents the credit granted to the notes' bearers, which consists in a deferred purchase price.

Banca Ifis acts as direct servicer, performing the following tasks:

- following collection operations and monitoring cash flows on a daily basis;
- reconciling the closing balance at every cut-off date;
- verifying, completing and submitting the service report with the information on the securitised portfolio requested by the vehicle and the banks at every cut-off date.

As part of the securitisation programme, the Bank sends the amount it collects to the vehicle on a daily basis, while the new portfolio is assigned approximately six times each month; this ensures a short time lapse between the outflows from the Bank and the inflows associated with the payment of the new assignments.

Only part of the securitised receivables due from account debtors are recognised as assets, especially for the portion that the Bank has purchased outright, resulting in the transfer of all risks and rewards to the buyer.

In compliance with IAS/IFRS accounting standards, currently the securitisation process does not involve the substantial transfer of all risks and rewards, as it does not meet derecognition requirements. In addition, the Ifis SPV ABCP Programme S.r.l. was consolidated in order to provide a comprehensive view of the transaction.

The maximum theoretical loss for Banca Ifis is represented by the losses that could potentially arise within the portfolio of assigned receivables, and the impact would be the same as if the securitisation programme did not exist; therefore, the securitisation has been accounted for as follows:

- the securitised receivables purchased outright were recognised under "receivables due from customers", sub-item "factoring";
- the funds raised from the issue of senior notes subscribed for by third parties were recognised under "debt securities issued";
- the interest on the receivables was recognised under "interest receivable and similar income";
- the interest on the notes was recognised under "interest due and similar expenses", sub-item "debt securities issued";
- the arrangement fees were fully recognised in profit or loss in the year in which the programme was launched.

Emma securitisation

The securitisation transaction called Emma, prepared by the former Farbanca (now renamed Banca Credifarma following the merger by incorporation of the former Credifarma in April 2022), became part of the Banca Ifis Group as a result of the acquisition of control of this company during 2020.

In March 2018, the former Farbanca autonomously completed this securitisation for a total nominal amount of approximately 460 million Euro. The loan portfolio transferred regarded performing exposures relative to secured credit, mortgage and unsecured loans, characterised by average seasoning of 7 years. The transaction, structured by Banca IMI (Intesa Sanpaolo Group) was completed with the acquisition of loans by the SPV pursuant to Italian Law no. 130/1999, Emma S.P.V. S.r.l. The securities were issued in three classes: a senior class for an amount of 322 million Euro, fully subscribed by institutional investors through private placement; a mezzanine class of 46 million Euro and a junior class of 96 million Euro, both subscribed fully by the former Farbanca.

This operation was restructured during June 2021. The restructuring, which provided for a size increase in the transaction up to a total of 540 million Euro, was carried out with the involvement of the Parent company Banca Ifis and Intesa Sanpaolo as co-arrangers. Following this restructuring, the securities were issued in three classes: the senior class, with a nominal amount of 397,5 million Euro, was fully subscribed by Intesa Sanpaolo while the mezzanine and junior classes, amounting to 53 million Euro and 90,1 million Euro respectively, were fully subscribed the former Farbanca (now Banca Credifarma).

The above securitisation transaction does not meet the requirements for derecognition in accordance with IFRS 9, not configuring a substantial transfer of all risks and related benefits. Therefore, the assets transferred and not cancelled with reference to the loans concerned by said securitisation, not meeting the requirements envisaged for derecognition, were "restored" to the consolidated accounts of the Banca Ifis Group.

Third-party securitisations

At 30 June 2022, the Banca Ifis Group held 209,0 million Euro in notes deriving from third-party securitisation transactions: specifically, it held 11,1 million Euro worth of single-tranche notes, senior notes for 172,2 million Euro and 25,7 million Euro worth of mezzanine and junior notes.

Here below are the main characteristics of the third party securitisation transactions outstanding at the reporting date:

- "Elite Basket Bond (EBB)" securitisation: the special purpose vehicle EBB S.r.l. issued Asset Backed Securities (ABS) at a price equal to the nominal amount, amounting to 122 million Euro, in a single tranche with maturity in December 2027 and a Basket of minibonds issued by 11 Italian listed companies as the underlying asset. These notes are unsecured senior bonds but carry a Credit Enhancement equal to 15% of the transaction's overall amount (24 million Euro), to be used in the event the issuers default on interest and/or principal payments on the minibonds. The Parent company participates in this transaction only as underwriter, subscribing for 4,4 million Euro worth of notes of the above tranche;
- "FINO 1" securitisation: this is an investment as a senior Noteholder in a securitisation transaction whose tranches issued are supported by a state guarantee "GACS" (Guarantee on the securitisation of bad loans) and with underlying bad loans with an original total nominal amount of about 5,4 billion Euro. The tranche originally subscribed for 92,5 million Euro by Banca Ifis (out of a total nominal amount of 650 million Euro) is the Senior Note Class A, with maturity in October 2045. Net of the redemptions occurred during the period, at 30 June 2022 the carrying amount of the portion subscribed for was 10,2 million Euro (20,2 million Euro at 31 December 2021);
- "Elipso Finance" securitisation: this is an investment as mezzanine noteholder in a securitisation and with underlying non-performing positions worth a total original nominal amount of approximately 2,6 billion Euro. The only tranche currently held by the subsidiary Ifis Npl Investing S.p.A. is the Class B Mezzanine Note, with a maturity date of January 2025 and a residual nominal value/principal amount outstanding equal to 19,5 million Euro (no amortisation at 30 June 2022). As at 30 June 2022, the

subscribed tranche had a carrying amount of 2,2 million Euro (2,3 million Euro at the end of the previous year);

- “Auxilio” securitisation: this is an investment made in October 2020 for an initial nominal amount of 1,9 million Euro, relating to the purchase by Banca Ifis of a portion of senior securities with a “partly paid” structure for a pro-rata Bank notional value of 10 million Euro, with legal maturity in September 2035, issued by the securitisation vehicle Auxilio SPV S.r.l., with underlying receivables deriving from loans assisted by the guarantee of the Central Guarantee Fund. The transaction is characterised by a ramp-up period during which the issuer can purchase additional loans against the proceeds deriving from the payment of further tranches of the security subscription price; as a result of the payments made between the purchase date and 30 June 2022, the residual nominal amount of the senior tranche held is 8,6 million Euro;
- “Dyret II” securitisation: the involvement of the Banca Ifis Group is limited to the purchase during November 2020 by the Parent company of senior tranches of securities with a partly paid structure and ramp-up period concluded at the date of said acquisition, issued by the securitisation SPV Dyret SPV S.r.l. and with loans deriving from salary-backed or pension-backed loans or payment delegations as collateral, for a nominal residual per-unit Bank amount of 14,9 million Euro at the purchase date. The securities envisage the periodic redemption of the principal against the flows deriving from the securitised portfolio and have legal maturity at December 2035. During 2021, the Group further invested in this transaction by also subscribing to an upper mezzanine tranche (class B1). As at 30 June 2022 the book value of the senior tranches subscribed is equal to 8,4 million Euro, down compared to the figure of 10,6 million Euro as of 31 December 2021 due to the redemptions occurred during the period while the mezzanine tranches show a net carrying amount of 9,5 million Euro;
- “Futura 2019” securitisation: In February 2020, Banca Ifis subscribed, for a nominal amount of 2,7 million Euro, senior securities maturing in July 2044, issued by the SPV Futura 2019 S.r.l. As at 30 June 2022, these securities had a net carrying amount of 1,9 million Euro (2,1 million Euro at the end of 2021);
- “BCC NPLs 2020” securitisation: this transaction was carried out in November 2020 by Iccrea Banca on an underlying of NPLs for a total of 2,4 billion Euro, divided up over more than 9.600 debtors and 17.000 positions. This transaction, carried out through the SPV BCC NPLs 2020 S.r.l., is backed by the government GACS guarantee scheme and regarded the issue of senior, mezzanine and junior securities with maturity at January 2045. The Parent company Banca Ifis was involved in connection with the subscription of a portion of securities for each tranche, for a total nominal amount of 55,5 million Euro. The carrying amount at 30 June 2022 of the tranches subscribed is 48,1 million Euro for the senior (measured at amortised cost), while the value attributed to the mezzanine and junior portions (measured at fair value through profit or loss) is effectively null;
- “Bluwater” securitisation: this is a transaction implemented in December 2020 with Banco BPM as originator and Pillarstone Italy SPV S.r.l. as SPV and that consisted of the issue of a single tranche of securities (referred to as “single tranche”) maturing in October 2030. Banca Ifis subscribed a portion of said securities for 3,7 million Euro in nominal amount, which at 30 June 2022 has a carrying amount of 0,4 million Euro (securities measured at fair value through profit or loss);
- “Gaia Spv” securitisation, “Sparta” and “Volterra” portfolios: these are two transactions for the purchase of portfolios of non-performing loans carried out at the end of 2020 and finalised with the issue of securities in the first half of 2021 by the vehicle company Gaia Spv S.r.l., in which Banca Ifis participated as subscriber of a portion of the mono-tranche securities issued, with a total carrying amount of 10,6 million Euro at 30 June 2022;

- "Galadriel" securitisation, through the vehicle Galadriel SPE S.r.l.: a transaction with underlying loans guaranteed by the Central Guarantee Fund set up at Mediocredito Centrale pursuant to Law 662 of 23 December 1996, in which the Parent Bank participated in 2021 by investing in "partly paid" securities with a notional value pro-rata to the 20 million Euro for Class A securities, around 5 million Euro for Class B1 securities and around 9 million Euro in Class B2 securities. During the first half of 2022, the Bank took action by subscribing to additional tranches of each of the above tranches. At 30 June 2022, the securities have a net carrying amount of 19,7 million Euro, 4,9 million Euro and 3,7 million Euro respectively; it should also be noted that as part of this transaction, Banca Ifis acted as co-arranger with Intesa Sanpaolo S.p.A.;
- "Valsabbina" securitisation, launched in November 2020 by Banca Valsabbina and with underlying loans guaranteed by the Central Guarantee Fund set up at Mediocredito Centrale pursuant to Italian Law no. 662 of 23 December 1996, which Banca Ifis joined in 2021 as subscriber of mezzanine securities characterised by a carrying amount at the end of June 2022 of 4,5 million Euro;
- "Maior", "Brisca" and "Aqui" securitisations, all having as underlying Npl loans and realised through the vehicle Miami Spv, for which, in 2021, the Banca Ifis Group participated in the subscription of senior securities, which, following the collections made in H1 2022, by way of partial repayment of the capital and liquidation of interest for a total of 22,8 million Euro, had a total carrying amount of 21,8 million Euro as at 30 June 2022;
- "Iron" securitisation, as part of which the Parent company subscribed senior and junior tranches issued by the vehicle Spv Project 1906 S.r.l. in 2021. which at 30 June 2022 have a net carrying amount of 6,9 million Euro and 0,6 million Euro, respectively;
- "Lanterna" securitisation, carried out by the special purpose vehicle Lanterna Finance S.r.l. in June 2021 via the issue of senior securities for 320 million Euro and junior securities for 62,7 million Euro, having as their underlying loans assisted by a 100% guarantee from the Central Guarantee Fund (FCG) set up at Mediocredito Centrale (MCC) pursuant to Law 662 of 23 December 1996, as amended by the provisions introduced by the Decree Law of 8 April 2020 (the "Liquidity Decree"), converted by Law no. 40 of 5 June 2020. The Banca Ifis Group took part in this transaction by subscribing to a portion of the senior tranches, which as at 30 June 2022 had a net carrying amount of 9,7 million Euro;
- "BCC NPLs 2021" securitisation: this is a similar transaction to the above-mentioned "BCC NPLs 2020", and was carried out in November 2021 by Iccrea Banca on an underlying NPL, selling a credit claim of 1,3 billion Euro originating from around 7 thousand debtors. This transaction, carried out through the SPV BCC NPLs 2021 S.r.l., is backed by the government GACS guarantee scheme and regarded the issue of senior, mezzanine and junior securities with maturity at April 2046. Banca Ifis took part through the sale of a portfolio of its own exposures and the subscription of a portion of securities for each tranche, which as of 30 June 2022 showed a net carrying amount of 7,8 million Euro for the senior tranches (valued at amortised cost) and essentially zero for the mezzanine and junior tranches (valued at fair value through profit or loss). For further details on this transaction and the related accounting treatment, reference should be made to the specific paragraph "C. Financial assets sold and fully derecognised" in section "D. Disposal transactions" of this Part E of the Consolidated financial statements at 31 December 2021 of the Banca Ifis Group;
- "Trinacria" securitisation: this is a transaction carried out by Banca Ifis during the second quarter of 2022 and related to the subscription of senior securities issued by the vehicle Trinacria Spv S.r.l., which as at 30 June 2022 had a book value of 5,0 million Euro;

- "Vega" securitisation, as part of which the Parent company subscribed senior tranches issued by the vehicle Spv Project 2104 S.r.l. in H2 2022, which at 30 June 2022 have a net carrying amount of 19,7 million Euro;
- "Urano" securitisation, which entered the Banca Ifis Group perimeter as a result of the acquisition in the first half of 2021 of the business unit of the former Aigis Banca and characterised by the full subscription by the former Aigis Banca of the single-tranche securities issued and having as underlying loans of a third party bank. The receivables underlying this securitisation were recognised as assets in the Condensed consolidated half-year financial statements as at 30 June 2022.

Disclosure on structured entities (other than securitisation vehicles)

There were no unconsolidated structured entities at 30 June 2022.

Disposals

Financial assets sold and not fully derecognised

Financial assets sold but not derecognised refer to securitised receivables.

Financial assets sold and fully derecognised

During the first half of 2022, the main disposal of financial assets took place in June and concerned a portfolio of credit exposures for a credit claim including arrears amounting to 36,7 million Euro, which were transferred to a securitisation vehicle external to the Banca Ifis Group. This sale took place without recourse, was fully effective and saw the full payment of the sale price and does not provide for any further involvement of the Group, in particular neither as underwriter of notes nor as possible servicer of the future securitisation. Therefore, as at 30 June 2022, the accounting derecognition was applied in compliance with IFRS 9 and, therefore, the credit exposures subject to this disposal are not included in the balance sheet assets of the Banca Ifis Group. From the point of view of prudential supervisory regulations, the transaction qualifies as a securitisation transaction under Article 244 ex CRR; therefore, in July, the formal procedure with the Bank of Italy was initiated to obtain recognition of significant risk transfer ("SRT"). Consequently, for the sole purpose of calculating risk-weighted assets (RWAs) as at 30 June 2022, the aforementioned exposures were included within the scope of the Banca Ifis Group's assets.

Market risks

Interest rate risk and price risk – supervisory trading book

Qualitative information

General aspects

In H1 2022, the investment strategy continued, as regulated in the "Banca Ifis Proprietary Portfolio Management Policy" and in the "Policy for Managing Securitisation & Structured Solutions investment operations" is structured to coincide with the risk appetite formulated by the Board of Directors under the scope of the Risk Appetite Framework (RAF) and laid out in the "Group Market Risk Management Policy", as well as with the system of objectives and limits.

Within this process, the comprehensive investment strategy continued to centralise a conservative "stance", mainly comprising a low-risk, highly liquid portfolio and a strategy that would offer constant returns in the medium-term.

Accordingly, the assets making up said portfolio are mainly measured at amortised cost or through the FVOCI method; they come under the scope of the banking book and do not, therefore, constitute any market risk.

Under this scope, the component relating to the “trading book”, from whence stems the market risk in question, is marginal, both in terms of absolute risk values recorded and with respect to the limits established. The trading book mainly comprises options and futures deriving from hedging transactions and ancillary enhancements to the investment strategy in assets that are part of the “banking book” and “discretionary trading” portfolio and “arbitrage” portfolio, characterised by short-term speculation and marginal exposure.

The trading book also contains residual transactions from the Corporate Banking operations, as part of which clients were offered derivative contracts hedging the financial risks they assumed. In order to remove market risk, all outstanding transactions are hedged with “back to back” trades, in which the Bank assumes a position opposite to the one sold to corporate clients with independent market counterparties.

Impacts deriving from the Covid-19 pandemic

The effects of the Covid-19 pandemic relative to the market risk concerning the items that are part of the trading book, were characterised by limited impacts, in line with the margins and dimension of that portfolio with respect to the total portfolio owned by the Group, as ruled internally by the Risk Appetite Framework (RAF).

The operations in question revealed an accurate, stringent control of risk operatively laid out both through a careful use of derivatives for hedging (economic, not accounting) and the economic enhancement of the banking book and a marginal allocation of liquidity relative to the trading book and established in terms of potential investment.

In line with the management strategy mentioned, despite the exceptional nature of the pandemic, during H1 2022, no violations were seen to the risk thresholds assigned internally.

Impacts of the Russia-Ukraine conflict

In the area of interest rate risk and price risk, it should be noted that the proprietary investment activity consists mainly of Italian government bonds. In detail, with regard to the Group’s overall portfolio, there is no direct impact related to government, financial and corporate bonds and equity securities attributable to Russia, Belarus and Ukraine. There is, however, the concrete impossibility of trading in instruments of countries/issuers that can be traced back to the conflict territories, given the ban on access to the markets on which these instruments/issuers are traded.

Management procedures and measurement methods concerning interest rate risk and price risk

The guidelines on the assumption and monitoring of market risk are laid out on a Group level in the “Group Market Risk Management Policy”, which also indicates, for the purpose of a more rigorous and detailed representation of the process activities, the metrics used for the measuring and monitoring of the risk in question.

In particular, the measurement and assessment of market risks is based on the various characteristics (in terms of time frame, investment instruments, etc.) of the investment strategies used in the documents “Banca Ifis Proprietary Portfolio Management Policy” and “Policy for Managing Securitisation & Structured Solutions investment operations”, which defines and details the strategies to be pursued in terms of portfolio structure, operative instruments and assets.

Under this scope, the monitoring of the consistency of the Group’s portfolio risk profiles in respect of the risk/return objectives is based on a system of limits (both strategic and operational), which envisages the combined use of various different indicators. More specifically, the following are defined:

- Maximum Acceptable Loss;
- Maximum negative gross financial impact;
- VaR limit;
- Limits of sensitivity and Greeks;
- Any limits to the type of financial instruments admitted;
- Any composition limits.

Respect for the limits assigned to each portfolio is checked daily.

The summary management indicator used to assess exposure to the risks in question is the Value at Risk (VaR), which is a statistical measure that allows the loss that may be suffered following adverse changes to risk factors, to be estimated.

The VaR is measured using a confidence interval of 99% and a holding period of 1 day; it expresses the "threshold" of daily losses that, on the basis of probabilistic hypotheses may only be surpassed in 1% of cases. The methodology used to calculate VaR is that of historical simulation, whereby the portfolio is revalued by applying all changes in risk factors recorded in the previous year (256 observations). The values thus obtained are compared with the current portfolio value, determining the relevant series of hypothetical gains or losses. The VaR is the average of the second and third worst results.

The VaR is also divided, for monitoring purposes, amongst the risk factors referring to the portfolio.

In addition to the risk indications deriving from the VaR, the Expected Shortfall (ES), which expresses the daily loss that exceeds the VaR figure, and the Stressed VaR, which represents a VaR calculated in a particularly turbulent historical period, which in the specific case corresponds to the Italian debt crisis of 2011-2012, are also used for monitoring purposes.

The forecasting capacity of the risk measurement model used, is verified through a daily backtesting analysis in which the VaR for the positions in the portfolio at t-1 is compared with the profit and loss generated by such positions at t.

Interest rate risk and price risk – banking book

Qualitative information

General aspects, management procedures and measurement methods concerning the interest rate risk and the price risk

As a general principle, the Group does not assume significant interest rate risks. In terms of breakdown of the balance sheet with reference to the types of risk in question, in respect of the liabilities, the main funding source is still the on-line savings accounts and the Rendimax current account, structured into the technical forms of fixed-rate customer deposit accounts for the restricted component and the non index-linked variable rate that can be unilaterally revised by the Group in respect of the rules and contracts, for the technical forms of unrestricted demand and on-call current accounts. The other main components of funding concern fixed-rate bond funding, variable-rate self-securitisation operations and loans with the Eurosystem (TLTRO).

As for the assets, loans to customers still largely have floating rates as far as both trade receivables and corporate financing are concerned.

As for the operations concerning distressed retail loans carried out by the subsidiaries Ifis Npl Investing S.p.A. and Ifis Npl Servicing S.p.A., the first is characterised by a business model focused on acquiring receivables at prices lower than their nominal amount, there is a potential interest rate risk associated with the uncertainty about when the receivables will be collected.

At 30 June 2022, the comprehensive bond portfolio mainly comprises government securities for a percentage of approximately 83%; the comprehensive average modified duration is approximately 3 years.

The corporate department appointed to guarantee the rate risk management is the Capital Markets function, which, in line with the risk appetite established, defines what action is necessary to pursue this. The Risk Management function is responsible for proposing the risk appetite, identifying the most appropriate risk indicators and monitoring the relevant performance of the assets and liabilities in connection with the pre-set limits. Top Management makes annual proposals to the Parent company Banca Ifis Board as to the policies on lending, funding and the management of interest rate risk, as well as suggesting appropriate actions by which to ensure that operations are carried out consistently with the risk policies approved by the Group.

The Risk Management function periodically reports to the Bank's Board of Directors on the interest rate risk position by means of a specific monthly report prepared for the Bank's management.

The interest rate risk falls under the category of second-pillar risks. The guidelines on the assumption and monitoring of market risk are laid out on a Group level in the "Group Banking Book Interest Rate Risk Management Policy", which also indicates, for the purpose of a more rigorous and detailed representation of the process activities, the metrics used for the measuring and monitoring of the risk in question. Monitoring is performed at the consolidated level.

Considering the extent of the risk assumed, the Banca Ifis Group does not hedge interest rate risk.

The classification of the bonds held as "Financial assets measured at fair value through other comprehensive income" introduces the risk that the Group's reserves may fluctuate as a result of the change in their fair value. There is also a residual portion in equity securities, which belong to the major European indexes and are highly liquid, including "Financial assets measured at fair value through other comprehensive income". A part share of these assets are economically hedged through derivatives that are part of the trading book, not represented in the accounts through hedge accounting.

From a managerial viewpoint, the above assets are specifically monitored as regulated in the "Group Market Risk Management Policy".

Currency risk

Qualitative information

General aspects, management procedures and measurement methods of the currency risk

The assumption of currency risk, intended as an operating element that could potentially improve treasury performance, represents an operation that is not part of the Group's policies. The Banca Ifis Group's foreign currency operations largely involve collections and payments associated with factoring operations and in hedging assets in foreign currencies, like units of CIUs. In this sense, the assets in question are generally hedged with deposits and/or loans from other banks in the same currency, thus eliminating for the most part the risk of losses associated with exchange rate fluctuations. In some cases, synthetic instruments are used as hedging instruments.

A residual currency risk arises as a natural consequence of the mismatch between the clients' borrowings and the Capital Markets function's funding operations in foreign currency. Such mismatches are mainly a result of the difficulty in correctly anticipating financial trends connected with factoring operations, with particular reference to cash flows from account debtors vis-à-vis the maturities of loans granted to customers, as well as the effect of interest on them.

However, the Capital Markets function strives to minimise such mismatches every day, constantly realigning the size and timing of foreign currency positions.

Currency risk related to the Bank's business is assumed and managed according to the risk policies and limits set by the Parent company's Board of Directors, with precise delegations of power limiting the autonomy of those authorised to operate, as well as especially strict limits on the daily net currency position.

The business functions responsible for ensuring the currency risk is managed correctly are: the Capital Markets function, which, amongst other duties, directly manages the Bank's funding operations and currency position; the Risk Management function, responsible for selecting the most appropriate risk indicators and monitoring them with reference to pre-set limits; and the Top Management, which every year, based on the Capital Markets function's proposals, shall consider these suggestions and make proposals to the Bank's Board of Directors regarding policies on funding and the management of currency risk, as well as suggest appropriate actions during the year in order to ensure that operations are conducted consistently with the risk policies approved by the Group.

As regards the subsidiaries Ifis Finance Sp. z o.o. and Ifis Finance I.F.N. S.A., which operate on the Polish and Romanian markets, respectively, exposures in Polish zloty and leu from factoring activities are financed by funding in the same currency.

With the acquisition of the Polish subsidiary, Banca Ifis has assumed the currency risk represented by the initial investment in Ifis Finance Sp. z o.o.'s share capital for an amount of 21,2 million Zloty and the subsequent share capital increase for an amount of 66 million Zloty.

As instead for the Rumanian subsidiary Ifis Finance I.F.N. S.A., Banca Ifis assumed the exchange rate risk on its own at the time of its incorporation through the initial payment in the share capital for a total of 14,7 million Romanian Leu.

Furthermore, Banca Ifis owns a 4,68% interest in India Factoring and Finance Solutions Private Limited, worth 20 million Indian rupees and with a market value of 3.044 thousand Euro at the historical exchange rate. In 2015 the Bank tested said interest for impairment, recognising a 2,4 million Euro charge in profit or loss. Starting from 2016, the fair value was adjusted through equity, bringing the value of the equity interest to 324 thousand Euro at 30 June 2022.

Currency risk hedging

Considering the size of this investment, the Bank did not deem it necessary to hedge the ensuing currency risk.

Impacts of the Russia-Ukraine conflict

On the other hand, as regards exchange rate risk, there is no exposure in the currencies concerned; any changes in the respective rate curves therefore do not generate direct impacts.

Derivative instruments and hedging policies

Derivative instruments held for trading

Financial derivatives

Please see the paragraph above on “Market risks”.

Liquidity risk

Qualitative information

General aspects, management procedures and measurement methods of the liquidity risk

The liquidity risk refers to the possibility that the Group fails to service its debt obligations due to the inability to raise funds or sell enough assets on the market to address liquidity needs. The liquidity risk also refers to the inability to secure new adequate financial resources, in terms of amount and cost, to meet its operating needs and opportunities, hence forcing the Group to either slow down or stop its operations, or incur excessive funding costs in order to service its obligations, significantly affecting its profitability.

During H1 2022, the Group's funding mix remained stable; at 30 June 2022, the main funding sources were equity, on-line funding (Rendimax product) - consisting of on-demand and term deposits - medium/long-term bonds issued as part of the EMTN programme, funding from the Eurosystem (TLTRO), medium/long-term securitisation transactions and funding from corporate customers.

The Group's operations consist in factoring operations, which focus mainly on trade receivables and receivables due from Italy's public administration maturing within the year, and medium/long-term receivables deriving mainly from leasing, corporate banking, structured finance, and work-out and recovery operations; trading and security portfolio management are also important.

As for the Group's operations concerning the Npl Segment and the segment relative to purchases of tax receivables arising from insolvency proceedings, the characteristics of the business model imply a high level of variability concerning both the amount collected and the date of actual collection. 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.

The amount of high-quality liquidity reserves (mainly consisting of the balance of the management account with the Bank of Italy and the free portion of eligible securities) makes it possible to meet regulatory requirements (with respect to the limits of LCR and NSFR) and internal requirements relating to prudent management of liquidity risk.

The Group is constantly striving to improve the state of its financial resources, in terms of both size and cost, so as to have available liquidity reserves adequate for current and future business volumes.

The corporate functions of the Parent company responsible for ensuring the correct application of the liquidity policy are the Capital Markets function, which is responsible for the direct management of liquidity, the Risk Management function, which is responsible for proposing the risk appetite, identifying the most appropriate risk indicators and monitoring their performance in relation to the set limits and supporting the activities of Top Management. The latter has the task, with the support of the Capital Markets function, of proposing funding and liquidity risk management policies to the Board of Directors on an annual basis and suggesting during the course of the year any appropriate measures to ensure that activities are carried out in full compliance with approved risk policies.

As part of the continuous process to update procedures and policies concerning liquidity risk, and taking into account the changes in the relevant prudential regulations, the Parent company uses an internal liquidity risk governance, monitoring, and management framework at the Group level.

In compliance with supervisory provisions, the Group also has a Contingency Funding Plan aimed at protecting it from losses or threats arising from a potential liquidity crisis and guaranteeing business continuity even in the midst of a serious emergency arising from its own internal organisation and/or the market situation.

The liquidity risk position is periodically reported by the Risk Management function to the Bank's Board of Directors.

With reference to the Polish and Rumanian subsidiaries, treasury operations are coordinated by the Parent company.

Impacts deriving from the Covid-19 pandemic

In the period of greatest market turbulence, following the Covid-19 pandemic, the available, readily usable liquidity reserves remained plentiful in respect of the Group's obligations, constantly noting, for the regulatory indicators LCR and NSFR, values significantly higher than the thresholds required. Also in terms of survival period, which considers the onset of a severe combined stress scenario, values were recorded that are in line with the defined risk appetite.

During the first half of 2022, there were no stress situations attributable to the pandemic factor.

Impacts of the Russia-Ukraine conflict

In recent months, geopolitical tensions have further exacerbated an already existing inflationary pressure at the end of 2021. This situation led to an increase in interest rates, which had both direct and indirect impacts on the Group's liquidity profile. From the point of view of direct impact, there is a decrease in the attractiveness of the on-line collection product (Rendimax) for investors, while on the other hand there is a reduction in the value of bonds in the portfolio, which is reflected negatively on the available cash reserves.

The Risk Management function, in this regard, monitors on a daily basis both the current and prospective size of liquidity reserves, as well as the trend in customer deposits, for which additional *ad hoc* monitoring was activated in the first half of 2022.

Self-securitisation transactions

Indigo Lease

In December 2016, the Banca Ifis Group, through the merged company, the former Ifis Leasing S.p.A. (originator) finalised a securitisation that involved selling a portfolio of performing loans totalling 489 million Euro to the special purpose vehicle Indigo Lease S.r.l.

The transaction was rated by Moody's and DBRS. The same agencies will carry out annual monitoring throughout the transaction.

The initial purchase price of the assigned receivables portfolio, equal to 489 million Euro, was paid by the vehicle to the merged entity, the former Ifis Leasing S.p.A. using funds raised from the issue of senior notes for an amount of 366 million Euro. These received an AA3 (sf) rating from Moody's and an AA (sf) rating from DBRS, and their redemption is connected to the collections realised on the receivables portfolio. The vehicle also issued junior securities purchased by the former Ifis Leasing S.p.A. (now merged into Banca Ifis S.p.A.), which has not been assigned a rating, for a value of 138 million Euro. In addition, the latter received a specific servicing mandate to collect and manage the receivables.

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

A second restructuring took place in June 2021, with confirmation of the nominal amount of the securities and simultaneous extension of the revolving period until July 2023.

At 30 June 2022 the Banca Ifis Group had subscribed for all the notes issued by the vehicle.

It should be noted that, pursuant to the terms and conditions of the operation, there is no substantial transfer of all the risks and rewards relating to the transferred assets (receivables).

Ifis Npl 2021-1 Spv

In March 2021, Banca Ifis realised for financing purposes, through its subsidiary Ifis Npl Investing, it had implemented the very first securitisation in Italy of a non-performing portfolio mainly comprising unsecured 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) 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. These tranches were initially fully subscribed by Ifis Npl Investing, and subsequently the senior tranches (net of the 5% retained by Ifis Npl Investing as originator pursuant to the retention rule) were sold to Banca Ifis.

At 30 June 2022 the Banca Ifis Group had therefore subscribed all the notes issued by the vehicle. It should be noted that the senior tranches held by Banca Ifis were used for long term repo transactions with leading banking counterparties.

On the basis of the contractual terms underlying the securitisation in question, there is no substantial transfer of all the risks and rewards relating to the receivables being sold to the vehicle company.

Securitisation transactions

As for the securitisations outstanding at 30 June 2022 and their purpose, see the comments in the section on credit risks.

Operational risks

Qualitative information

General aspects, management procedures and measurement methods of the operational risk

Operational risk is the risk of losses arising from inadequate or dysfunctional processes, human resources, internal systems or external events. This definition does not include strategic risk and reputational risk, but it does include legal risk (i.e. the risk of losses deriving from failure to comply with laws or regulations, contractual or extra-contractual liability, or other disputes), IT risk, risk of non-compliance, fraud risk, risk of money laundering and terrorist financing, and the risk of financial misstatement.

The main sources of operational risk are operational errors, inefficient or inadequate operational processes and controls, internal and external frauds, the outsourcing of business functions, the quality of physical and logical security, inadequate or unavailable hardware or software systems, the growing reliance on automation, staff below strength relative to the size of the business, and inadequate human resources management and training policies.

The Banca Ifis Group has adopted for a while now - consistently with the relevant regulatory provisions and industry best practices - an operational risk management framework. This consists in a set of rules, procedures, resources (human, technological and organisational), and periodic level two controls aiming to identify, assess, monitor, prevent or mitigate all existing or potential operational risks in the various organisational units, as well as to communicate them to the competent levels. The key processes for properly managing operational risks are the Loss Data Collection and Risk Self-Assessment.

The Loss Data Collection process has now been consolidated, also thanks to Risk Management's constant efforts to disseminate a culture of pro-actively managing operational risks among the various structures, and therefore to raise awareness about the Loss Data Collection process.

In the second quarter of 2022, the Group launched the periodic Risk Self-Assessment campaign on operational risk, which included 100% of the scope at the end of 2021. Following this campaign, the main operational issues were identified and specific mitigation measures to bolster operational risk controls were subsequently defined and launched.

The same period also saw conclusion of the Model Risk Self-Assessment campaign, carried out considering the organisational units as Model Owners present at the Parent company and the subsidiaries Ifis Npl Investing and Cap.Ital.Fin. Following the campaign, the models most exposed to the risk were identified and reported to the Validation function in order to define the suitable mitigating actions.

In addition, according to its operational risk management framework, the Group defines a set of risk measures that can promptly identify the presence of vulnerabilities in the exposure of the Bank and its subsidiaries to operational risks. These measures are continuously monitored and disclosed in periodic reports that are shared with the competent structures and bodies: events such as the breach of certain thresholds or the emergence of anomalies trigger specific escalation processes aimed at defining and implementing appropriate mitigation actions. In addition, as part of the definition of the Risk Appetite Framework, the preparation of the Recovery Plan and ICAAP reporting, Risk Management performs analyses by which it assesses its exposure to exceptional but plausible operational risk events. These analyses, referred to as stress analyses, contribute to verifying the resilience of the Group by simulating the impacts of adverse situations in terms of riskiness under the assumption of adverse scenarios.

In order to prevent and manage operational risk, the Parent company's Risk Management function, in collaboration with the other corporate functions, is involved in assessing the risks connected with the outsourcing of simple, essential or important operational functions and in assessing the risks associated with the introduction of new products and services and the preliminary assessment of the operative impact of the massive changes to the product contractual and economic conditions. Lastly, in the context of monitoring the development of IT risk and the effectiveness of measures to protect ICT resources, it supervises and implements the Group's IT Risk Assessment process, coordinates the planning and carries out the monitoring activities of the IT services provided by ICT third parties.

Concerning the companies of the Banca Ifis Group, please note that the management of operational risks is guaranteed by the strong involvement of the Parent company, which makes decisions in terms of strategies, also in respect of risk management.

To calculate capital requirements against operational risks, the Group adopted the Basic Indicator Approach.

Alongside operational risk, reputational risk is also managed.

Reputational risk represents the current or prospective risk of a decrease in profits or capital deriving from a negative perception of the Group's image by customers, counterparties, shareholders, investors or the Supervisory Authorities.

Reputational risk is considered a second-level risk, as it is generated by the manifestation of other types of risk, such as the risk of non-compliance, strategic risk and in particular operational risks.

As in the case of operational risk, the Parent's Risk Management function is responsible for managing reputational risk: it defines the Group's overall framework - in accordance with the relevant regulations as well as industry best practices - for the management of reputational risk, with the goal of identifying, assessing, and monitoring the reputational risks that the Group's Companies or organisational units assume or may assume. The framework involves collecting reputational risk events as they occur, conducting a forward-looking Reputational Risk Self-Assessment, and monitoring a set of risk measures over time. The principles and guidelines that the Banca Ifis Group intends to adopt in the area of operational and reputational risk management are expressed in the "Group Policy for Operational and Reputational Risk Management" applied and disseminated, to the extent of its competence, to all organisational units of the Bank and Group companies.

Impacts deriving from the Covid-19 pandemic

With reference to the impacts of the Covid-19 emergency, in 2020, the operational and reputational risk management strategies changed, both following specific requests in this respect by the regulator and in order to recalibrate the internal control system in order to make the monitoring activities more in line with the altered procedures for carrying out certain types of business following the restrictions imposed.

Following the easing of restrictive measures and the subsequent resumption of business activities on an ordinary operating scale, the strategies for managing operational and reputational risks were also gradually readjusted.

In particular, the methods of carrying out Risk Management activities relating to monitoring and reporting in the various areas (e.g., disputes, NPLs, etc.), as well as the key risk indicators, which had been reshuffled with a view to making controls more consistent with the various operating conditions and business needs, were restored to regular levels and have not undergone any further changes.

Impacts of the Russia-Ukraine conflict

In the area of operational risk, the Risk Management function considered the effects of the crisis generated by the conflict in Ukraine in the process of massively managing the economic conditions of the Group's products on a unilateral basis, and, in this case, in relation to the economic conditions of certain factoring and current account relationships. In this context, it was pointed out that the implementation of the manoeuvre pursuant to Articles 118 and 126-sexies of the Consolidated Banking Act could represent a further economic burden for companies that find themselves operating in a difficult and uncertain international socio-political context that has already led to an increase in the prices of raw materials, especially energy. The Risk Management function, in order to monitor this risk and promptly report any critical issues, will continue to carry out the usual periodic checks such as, for example, monitoring the turnover of factoring customers as well as the trend in the number of any disputes and any negative comments on the internet.

Risks of the other entities

Qualitative information

There were no additional material risks for the other entities included in the scope of consolidation that are not part of the Banking Group other than those reported in the section dedicated to the Banking Group.

4.4 Business Combinations

This section provides the information on business combinations required by IFRS 3 in paragraphs 59, letter a), 60 and 63. Moreover, in application of the Bank of Italy provisions set forth in Circular 262/2005 and subsequent updates, this section also conventionally includes business combination transactions between entities subject to common control (referred to as 'business combination between entities under common control').

4.4.1 Transactions carried out during the period

As detailed in section “2.11 Significant events occurred in the period”, on 21 February 2022 the Bank of Italy authorised the application submitted by the Parent company Banca Ifis for the merger by incorporation of Credifarma S.p.A. into Farbanca S.p.A., which was then finalised on 11 April 2022. Following the transaction, the merging entity was renamed Banca Credifarma S.p.A., representing the leading specialised centre for financial services to pharmacies.

This merger by incorporation, which is part of the actions envisaged within the scope of the Banca Ifis Group's 2022-2024 Business Plan aimed at further simplifying and specialising the Group's organisational structure, involved two companies already under the control of the Parent company Banca Ifis. Therefore, the business combination in question falls within the definition of 'business combination between entities under common control' and therefore, although excluded from the scope of application of IFRS 3, it is still required to be disclosed by the Bank of Italy.

The pre-merger economic values of the companies involved were determined using the Dividend Discount Model (DDM), following which an exchange ratio of 36,8 Euro (given by the ratio of the estimated price per share for Credifarma to the estimated price per share for Farbanca) was determined. On the basis of this exchange, the merging company Farbanca issued 1.180.654 new shares at a nominal amount of 10 Euro per share, which were assigned to Credifarma's shareholders in line with the interests existing at the merger date (i.e. 70% Banca Ifis and 30% third-party shareholders). At the end of this allocation, the total number of shares of the post-merger entity is 4.711.469, of which 3.325.315 shares are attributable to Banca Ifis corresponding to a 70,6% interest. In accounting terms, the share capital of the new entity was 47,1 million Euro (no. of shares multiplied by a unit nominal amount of 10 Euro) and the merger resulted in an exchange surplus of 9,0 million Euro. In application of the requirements of Article 2504-bis of the Italian Civil Code, this surplus, since it was not due to “forecasts of unfavourable economic results”, was recorded in a special reserve in Banca Credifarma's shareholders' equity.

For the sake of completeness, it should be noted that, as reported in paragraph “4.1.3 Scope and methods of consolidation”, as at 30 June 2022, Banca Ifis' stake in Banca Credifarma was 87,74%. The difference between this percentage and the aforementioned percentage of 70,6% existing on 11 April 2022 (the date of completion of the merger) arises from the ownership reorganisation transactions carried out after the merger, with particular reference to the process connected with the exercise of the right of withdrawal by Farbanca's shareholders and the consequent exercise by Banca Ifis of its right of option first and of pre-emption right subsequently on the unexercised rights.

4.4.2 Transactions carried out after the end of the period

The Banca Ifis Group did not carry out any business combination between the end of the period and the date of preparation of this Consolidated Half-Year Financial Report.

4.4.3 Retrospective adjustments

In the first half of 2022, the Group did not make any retrospective adjustment to business combinations carried out in previous periods.

4.5 Related-party transactions

In compliance with the provisions of Consob resolution no. 17221 of 12 March 2010 (as subsequently amended by means of Resolution no. 17389 of 23 June 2010) and the provisions of Bank of Italy Circular 263/2006 (Title V, Chapter 5), the "Group Policy covering transactions with related parties, associates and corporate representatives pursuant to Art. 136 of the Consolidated Law on Banking" was prepared. The latest version was approved by the Board of Directors in February 2022. This document is publicly available on Banca Ifis's website, www.bancaifis.it, in the "Corporate Governance" Section.

During the first half of 2022, no significant related-party transactions were undertaken.

At 30 June 2022, the Banca Ifis Group was owned by La Scogliera S.A. and consisted of the Parent company Banca Ifis S.p.A., the wholly-owned subsidiaries Ifis Finance Sp. z o.o., Ifis Rental Services S.r.l., Ifis Npl Investing S.p.A., Ifis Npl Servicing S.p.A. and Cap.Ital.Fin. S.p.A., of Ifis Finance I.F.N. S.A. 99,99% owned, of the 87,74% owned subsidiary Banca Credifarma S.p.A. (generated by the merger in April 2022 of Farbanca and Credifarma, as specified in the previous section "4.4 Business Combinations" and section "2.11 Significant events occurred in the period") and the vehicle Ifis Npl 2021-1 SPV S.r.l., in which the Group holds the majority of the shares.

The types of significant related parties for the Banca Ifis Group, as defined by IAS 24, include:

- the parent company La Scogliera S.A.;
- key management personnel;
- close relatives of key management personnel and the companies controlled by (or associated to) them or their close relatives.

Here below is the information on the remuneration of key management personnel as well as transactions undertaken with the different types of related parties.

The definition of key management personnel, as per IAS 24, includes all those persons having authority and responsibility for planning, directing and controlling the activities of the Parent company Banca Ifis, directly or indirectly, including the Bank's Directors (whether executive or otherwise).

In compliance with the provisions of the Bank of Italy's Circular no. 262 of 22 December 2005 (7th update of October 2021), key management personnel also include the members of the Board of Statutory Auditors.

Key management personnel in office at 30 June 2022

Figures in thousands of Euro	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	
					Stock options	Other share-based payments
Administrative and auditing bodies [1]	1.868	-	85	-	230	167
Other managers [2]	4.780	-	235	161	-	588
Total as at 30.06.2022	**6.648**	**-**	**320**	**161**	**230**	**755**

(1) These refer to positions on the Board of Directors (or similar bodies) of the Parent company Banca Ifis.
(2) They refer to 16 managers with the position of Co-General Manager or other Key Manager of the Parent company Banca Ifis.

The above information includes fees paid to Directors (2,3 million Euro, gross amount) and Statutory Auditors (98 thousand Euro, gross amount).

Items (figures in thousands of Euro)	Parent company	Key management personnel	Other related parties	Total	As a % of the item
Financial assets measured at fair value through profit or loss	-	-	11.109	**11.109**	6,7%
Financial assets measured at fair value through other comprehensive income	-	-	2.847	**2.847**	0,5%
Receivables due from customers measured at amortised cost	-	529	20.491	**21.021**	0,2%
Other assets	970	-	-	**970**	0,2%
Total assets	**970**	**529**	**34.448**	**35.947**	**0,3%**
Payables due to customers measured at amortised cost	-	658	437	**1.095**	0,0%
Other liabilities	19.888	-	-	**19.888**	4,2%
Provisions for risks and charges	-	-	229	**229**	0,4%
Valuation reserves	-	-	(6.817)	**(6.817)**	14,0%
Total liabilities	**19.888**	**658**	**(6.151)**	**14.394**	**0,1%**
Commitments and guarantees	-	634	8.136	**8.770**	n.a.

Items (figures in thousands of Euro)	Parent company	Key management personnel	Other related parties	Total	As a % of the item
Interest receivable and similar income	-	1	85	**86**	0,0%
Interest due and similar expenses	-	-	(82)	**(82)**	(0,2)%
Commission income	-	-	4	**4**	0,0%
Administrative expenses	(20)	-	-	**(20)**	0,0%

The transactions with the parent company La Scogliera S.A. concern the application of Group taxation (tax consolidation) in accordance with Arts. 117 et seq. of Italian Presidential Decree no. 917/86. Relations between the parent company and subsidiaries included in the tax consolidation are regulated by private agreements signed between the parties. All adhering entities have an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera S.A., the consolidating company. Under this tax regime, the taxable income and tax losses are transferred to the consolidating company La Scogliera S.A., which is responsible for calculating the overall Group income. At 30 June 2022, Banca Ifis recorded a receivable from the parent company of 0,4 million Euro, Cap.Ital.Fin. a receivable of 0,6 million Euro, while Ifis Npl Investing recorded a payable of 17,7 million Euro, Ifis Npl Servicing a payable of 1,3 million Euro and Ifis Rental Services a payable of 0,8 million Euro. Overall, the net debt to the consolidating company La Scogliera S.A. amounts to 18,9 million Euro.

Transactions with key management personnel relate almost entirely to mortgages, Rendimax savings and current accounts.

Provisions for risks and charges relate to lump-sum write-downs on commitments and guarantees issued in favour of related parties.

Transactions with other related parties that are part of Banca Ifis's ordinary business are conducted at arm's length.

Venice - Mestre, 4 August 2022

For the Board of Directors

The CEO

Frederik Herman Geertman

4.6 Certification of the Manager Charged with preparing the Company's financial reports

Certification of the consolidated half year simplified financial statements at June 30th, 2022 pursuant to the provisions of art. 154-bis, paragraph 5, of the legislative decree 58 of February 24, 1998 and art. 81 ter of Consob Regulation no. 11971 of 14 May 1999 as amended

1. We, the undersigned, Frederik Geertman – CEO and Mariacristina Taormina – in her capacity as Manager charged with preparing the financial reports of Banca Ifis S.p.A., having also taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree no.58 dated 24 February 1998, hereby certify:

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

   ii. the effective implementation

   of the administrative and accounting procedures for the preparation of Banca Ifis's consolidated half year simplified financial statements, over the course of the period from January 1st, 2022 to June 30th, 2022.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated half year simplified financial statements at June 30th, 2022 has been assessed through a process established by Banca Ifis S.p.A. on the basis of the guidelines set out in the *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission* (CoSO), an internationally accepted reference framework.

3. The undersigned further confirm that:

   3.1 The consolidated half year simplified financial statements as at June 30th, 2022:

   a) are prepared in compliance with International Accounting Standards, endorsed by the European Commission as for European regulation no. 1606/2002 of the European Parliament and Council of July 19th, 2002;

   b) correspond to the related books and accounting records;

   c) provide a true and correct representation of the financial position of the issuer and the group of companies included in the scope of consolidation.

   3.2 The Group consolidated interim management report includes a reliable analysis of the significant events that took place in the first six months of the financial year and their impact on the half year simplified financial statement, together with a description of the main risks and uncertainties for the remaining six months of the financial year.

   The Group consolidated interim management report also includes a reliable analysis of the disclosure on significant related party transactions.

Venice, August 4th, 2022

CEO	Manager Charged with preparing the Company's financial reports
Frederik Herman Geertman	*Mariacristina Taormina*

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

4.7 Report of the Independent Auditors limited to the Condensed Consolidated Half-Year Financial Statements

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Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

To the Shareholders of
Banca IFIS S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet as of June 30, 2022, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and cash flows for the period then ended and the related explanatory notes of Banca IFIS S.p.A. and its subsidiaries (the "Banca IFIS Group"). The Directors of Banca IFIS S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Banca IFIS Group as of June 30, 2022 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Verona, August 4, 2022

EY S.p.A.
Signed by: Giuseppe Miele, Auditor

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

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5.

Annexes

5.1 Reconciliation between reclassified consolidated financial statements and consolidated financial statements

RECONCILIATION BETWEEN ASSETS ITEMS AND RECLASSIFIED ASSETS ITEMS (in thousands of euros)		30.06.2022	31.12.2021
Cash and cash equivalents		285.073	355.381
+ 10.	*Cash and cash equivalents*	*285.073*	*355.381*
Financial assets held for trading		24.698	8.478
+ 20.a	*Financial assets measured at fair value through profit or loss: a) financial assets held for trading*	*24.698*	*8.478*
Financial assets mandatorily measured at fair value through profit or loss		140.030	144.660
+ 20.c	*Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value*	*140.030*	*144.660*
Financial assets measured at fair value through other comprehensive income		592.967	614.013
+ 30.	*Financial assets measured at fair value through other comprehensive income*	*592.967*	*614.013*
Receivables due from banks measured at amortised cost		687.914	524.991
+ 40.a	*Financial assets measured at amortised cost: a) receivables due from banks*	*687.914*	*524.991*
Receivables due from customers measured at amortised cost		9.869.219	10.331.804
+ 40.b	*Financial assets measured at amortised cost: b) receivables due from customers*	*9.869.219*	*10.331.804*
Property, plant and equipment		127.374	120.256
+ 90.	*Property, plant and equipment*	*127.374*	*120.256*
Intangible assets		60.090	61.607
+ 100.	*Intangible assets*	*60.090*	*61.607*
of which: - goodwill		*38.020*	*38.794*
Tax assets		330.150	329.674
a) current		37.975	45.548
+ 110.a	*Tax assets: a) current*	*37.975*	*45.548*
b) deferred		292.175	284.126
+ 110.b	*Tax assets: b) prepaid*	*292.175*	*284.126*
Other assets		470.050	487.027
+ 130.	*Other assets*	*470.050*	*487.027*
Total assets		**12.587.565**	**12.977.891**

RECONCILIATION BETWEEN ASSETS AND LIABILITIES ITEMS AND RECLASSIFIED ASSETS AND LIABILITIES ITEMS (in thousands of euros)			30.06.2022	31.12.2021
Payables due to banks			2.509.307	2.597.965
+	*10.a*	*Financial liabilities measured at amortised cost: a) payables due from banks*	*2.509.307*	*2.597.965*
Payables due to customers			5.376.426	5.683.745
+	*10.b*	*Financial liabilities measured at amortised cost: b) payables due from customers*	*5.376.426*	*5.683.745*
Debt securities issued			2.510.538	2.504.878
+	*10.c*	*Financial liabilities measured at amortised cost: c) issued securities*	*2.510.538*	*2.504.878*
Financial liabilities held for trading			16.178	5.992
+	*20.*	*Financial liabilities held for trading*	*16.178*	*5.992*
Tax liabilities			44.442	49.154
a) current			10.891	16.699
+	*60.a*	*Tax liabilities: a) current*	*10.891*	*16.699*
b) deferred			33.551	32.455
+	*60.b*	*Deferred tax: b) liabilities*	*33.551*	*32.455*
Other liabilities			469.959	436.107
+	*80.*	*Other liabilities*	*469.959*	*436.107*
Post-employment benefits			8.041	9.337
+	*90.*	*Post-employment benefits*	*8.041*	*9.337*
Provisions for risks and charges			60.257	66.825
+	*100.a*	*Provisions for risks and charges: a) commitments and guarantees granted*	*11.606*	*11.938*
+	*100.c*	*Provisions for risks and charges: c) other provisions for risks and charges*	*48.651*	*54.887*
Valuation reserves			(48.818)	(25.435)
+	*120.*	*Valuation reserves*	*(48.818)*	*(25.435)*
Reserves			1.442.929	1.367.019
+	*150.*	*Reserves*	*1.442.929*	*1.367.019*
Share premiums			82.187	102.972
+	*160.*	*Share premiums*	*82.187*	*102.972*
Share capital			53.811	53.811
+	*170.*	*Share capital*	*53.811*	*53.811*
Treasury shares (-)			(22.104)	(2.847)
+	*180.*	*Treasury shares (-)*	*(22.104)*	*(2.847)*
Equity attributable to non-controlling interests (+/-)			11.897	27.786
+	*190.*	*Equity attributable to non-controlling interests (+/-)*	*11.897*	*27.786*
Profit (loss) for the period (+/-)			72.515	100.582
Total liabilities and equity			**12.587.565**	**12.977.891**

RECONCILIATION BETWEEN THE CONSOLIDATED INCOME STATEMENT AND THE RECLASSIFIED CONSOLIDATED INCOME STATEMENT (in thousands of euros)			30.06.2022	30.06.2021
Net interest income			**264.351**	**233.033**
+	*30.*	*Net interest income*	*198.108*	*172.963*
+	*130.a (Partial)*	*Net impairments/reversals of impairments of the Npl Segment to the extent representative of business operations*	*66.243*	*60.070*
Net commission income			**42.212**	**40.851**
+	*60.*	*Net commission income*	*42.212*	*40.851*
Other components of net banking income			**17.391**	**16.492**
+	*70.*	*Dividends and similar income*	*8.052*	*6.130*
+	*80.*	*Net profit (loss) from trading*	*2.494*	*(1.478)*
+	*100.a*	*Gains (losses) on sale/buyback of: a) financial assets measured at amortised cost*	*6.771*	*3.934*
-	*100.a (partial)*	*Profits (losses) from the sale/repurchase of loans at amortised cost other than those of the Npl Segment*	*-*	*(2.249)*
+	*100.b*	*Gains (losses) on sale/buyback of: b) financial assets measured at fair value through other comprehensive income*	*(156)*	*2.939*
+	*100.c*	*Gains (losses) on sale/buyback of: c) financial liabilities*	*(65)*	*8*
+	*110.b*	*Net result in other financial assets and liabilities measured at fair value through profit or loss: b) other financial assets mandatorily measured at fair value*	*295*	*7.208*
Net banking income			**323.954**	**290.376**
Net credit risk losses/reversals			**(33.674)**	**(43.544)**
+	*130.a*	*Net impairments/reversals of impairment for credit risk related to: a) financial assets measured at amortised cost*	*32.610*	*17.483*
-	*130.a (Partial)*	*Net impairments/reversals of impairments of the Npl Segment to the extent representative of business operations*	*(66.243)*	*(60.070)*
+	*130.b*	*Net impairments/reversals of impairment for credit risk related to: b) financial assets measured at fair value through other comprehensive income*	*(400)*	*(14)*
+	*100.a (partial)*	*Profits (losses) from the sale/repurchase of loans at amortised cost other than those of the Npl Segment*	*-*	*2.249*
+	*200.a (partial)*	*Net allocations for credit risk related to commitments and guarantees granted*	*359*	*(3.192)*
Net profit (loss) from financial activities			**290.280**	**246.832**
Administrative expenses			**(188.245)**	**(179.219)**
+	*190.a*	*a) personnel expenses*	*(73.598)*	*(67.725)*
+	*190.b*	*b) other administrative expenses*	*(114.647)*	*(111.494)*
Net impairment losses/reversals on property, plant and equipment and intangible assets			**(8.225)**	**(9.145)**
+	*210.*	*Net impairment losses/reversals on property, plant and equipment*	*(4.343)*	*(4.576)*
+	*220.*	*Net impairment losses/reversals on intangible assets*	*(3.882)*	*(4.569)*
Other operating income/expenses			**10.960**	**15.824**
+	*230.*	*Other operating income/expenses*	*10.960*	*15.824*

RECONCILIATION BETWEEN THE CONSOLIDATED INCOME STATEMENT AND THE RECLASSIFIED CONSOLIDATED INCOME STATEMENT (in thousands of euros)			30.06.2022	30.06.2021
Operating costs			**(185.510)**	**(172.540)**
+	*240.*	*Operating costs*	*(182.090)*	*(178.159)*
-	*200.*	*Net allocations to provisions for risks and charges*	*(3.420)*	*5.619*
Net allocations to provisions for risks and charges			**3.061**	**(2.427)**
+	*200.a*	*Net allocations to provisions for risks and charges: a) commitments and guarantees granted*	*(1.259)*	*(3.192)*
-	*200.a (partial)*	*Net allocations for credit risk related to commitments and guarantees granted*	*(359)*	*3.192*
+	*200.b*	*Net allocations to provisions for risks and charges: b) other net allocations*	*4.679*	*(2.427)*
Value adjustments of goodwill			**(762)**	**-**
+	*270.*	*Value adjustments of goodwill*	*(762)*	*-*
Gain on disposals of investments			**135**	**-**
+	*280.*	*Gains (Losses) on disposal of investments*	*135*	*-*
Pre-tax profit from continuing operations			**107.204**	**71.865**
Income taxes for the period relating to continuing operations			**(34.423)**	**(22.702)**
+	*300.*	*Income taxes for the period relating to continuing operations*	*(34.423)*	*(22.702)*
Profit for the period			**72.781**	**49.163**
Profit for the period attributable to non-controlling interests			**266**	**832**
+	*340.*	*Profit (Loss) for the period attributable to non-controlling interests*	*266*	*832*
Profit for the period attributable to the Parent company			**72.515**	**48.331**

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