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Banca Ifis
1983 | 2023

Consolidated Half-Year Financial Report at 30 June 2023

Summary

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Corporate Bodies

Consolidated Half-Year Financial Report

at 30 June 2023

Board of Directors in office at approval of the Consolidated Half-Year Financial Report

Chairman	Ernesto Fürstenberg Fassio
Honorary Chairman and Director	Sebastien Egon Fürstenberg
Vice Chair	Simona Arduini
Chief Executive Officer	Frederik Herman Geertman [1]
Directors	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	PricewaterhouseCoopers S.p.A.
Manager Charged with preparing the Company's financial reports	Massimo Luigi Zanaboni

Parent company name - Banca Ifis S.p.A.
Fully paid-up share capital: 53.811.095 Euro
Name of reporting party - Banca Ifis S.p.A.
Ultimate Parent company name - La Scogliera S.A.
Reason for change of name - none
Reporting office - Venice
Legal form - S.p.A.
Country of registration - Italy
Main place of business - Mestre Venice
Legal and administrative headquarters - Via Terraglio, 63 30174 Mestre Venice
Nature of reporting activity - Credit activity
ABI 3205.2
Tax Code and Venice Companies Register Number - 02505630109
VAT number - 04570150278
Enrolment in the Register of Banks No - 5508
Website - www.bancaifis.it

FCI
Facilitating Open Account - Receivables Finance

Member of FCI

Interim Directors' report on the Group

Consolidated Half-Year Financial Report at 30 June 2023

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General aspects

In order to provide a more immediate understanding of the results, a condensed reclassified consolidated income statement is provided. For the sake of consistent comparison, the income statement figures for previous periods are normally restated, where necessary and significant, also to take account of any changes in the scope of consolidation.

Analytical details of the restatements and reclassifications made with respect to the financial statements envisaged by Bank of Italy Circular 262 are provided in separate tables published among the annexes (see the section “Annexes” of this Consolidated Half-Year Financial Report at 30 June 2023), 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 credit risk losses/reversals of the Npl Segment are reclassified to interest receivable and similar income (and therefore to “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 allocations to provisions for risks and charges are excluded from the calculation of “Operating costs”;
- the following is included under the single item “Net credit risk losses/reversals”:
  - net credit risk losses/reversals relating to financial assets measured at amortised cost (with the exception of those relating to the Npl Segment mentioned above) and to financial assets measured at fair value through other comprehensive income;
  - net allocations to provisions for risks and charges for credit risk relating to commitments and guarantees granted;
  - profits (losses) from the sale/repurchase of loans at amortised cost other than those of the Npl Segment.

The balance sheet components were aggregated without reclassification.

Results and Strategy

Comment by the CEO

The results obtained by the Bank in the first half of 2023 confirm the soundness of a business model that, despite a challenging macroeconomic context, has demonstrated its ability to combine financial sustainability with attention to all stakeholders. During the period, all the main indicators recorded strong growth, leading us to revise our profit estimates for 2023 upwards to 160 million Euro from the 150 million Euro estimated in February 2023, which already exceeded the target of 137 million Euro set forth in the 2022-2024 Business Plan. This result has been achieved thanks also to the positive revenue growth in Commercial & Corporate Banking Segment, supported by the positive correlation with the rise in interest rates, the dynamism of the commercial network and the acceleration of the digitalisation process that has made available new platforms and tools to improve efficiency both in commercial business and in Npls where, during the period, cash recoveries on purchased portfolios amounted to 195 million Euro, up 7% compared to the first half of 2022. We have already started the funding plan to repay the 2 billion Euro TLTRO, potentially even before the maturity date of September 2024, with the remarketing the senior notes of the leasing securitisation for approximately 400 million Euro and ramping up the Npl securitisation for a further 400 million Euro. In addition to these transactions, there is the approximately 700 million Euro of the proprietary portfolio maturing naturally by September 2024. Repurchase and reverse repurchase transactions on the proprietary portfolio, the increase of retail funding with a multi-channel strategy and senior bond issues are also planned for the coming quarters. Finally, in the first half of 2023, the bank's prudent lending policy led us to increase the reserves set aside for potential macroeconomic risks by 14 million Euro to a total of 65 million Euro.

New Dividend Policy

The Board of Directors of Banca Ifis that approves the results for the first half of 2023 will also approve Banca Ifis's new shareholder remuneration policy. The Dividend Policy provides for a progressive mechanism with an increase in the payout ratio when the threshold of earnings needed to meet the Bank's capital requirements (retained earnings) is exceeded, in accordance with the reference macroeconomic and regulatory context and the progress of the Business Plan in force over time. The Board may propose to the Shareholders' Meeting to distribute a portion of the Bank's net profit for the year up to 50% of the consolidated net profit attributable to Banca Ifis up to the materiality threshold identified when defining the annual budget and 100% of the consolidated net profit attributable to Banca Ifis in excess of the Materiality Threshold. The Materiality Threshold, for 2023, is set at 100 million Euro. This is without prejudice, in any case, to the Board's full discretion in defining, on a case-by-case basis, the dividend distribution proposal to be submitted to the Shareholders' Meeting, in accordance with Article 28 CRR.

TCFD Report

The Board of Directors of Banca Ifis that approves the results for the first half of 2023 will also approve the first edition of the TCFD Report, the report presenting useful information for investors and stakeholders to correctly assess Banca Ifis's climate-related risks and opportunities. The document, drawn up on a voluntary basis and aligned with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), created on the initiative of the Financial Stability Board, further expands the Group's ESG reporting, representing, among other projects, the strategy to reduce emissions financed on the credit portfolio that the Bank has defined by joining, first in Italy, the Net-Zero Banking Alliance (NZBA), the initiative promoted by the United Nations to accelerate the sustainable transition of the international banking sector.

Main trends of the period

Net banking income totals 348,5 million Euro, up 7,6% from 324,0 million Euro at 30 June 2022. Contributing to this result is the growth of the Factoring Area, with 86,4 million Euro and an increase of 9,5%, thanks to the increase in net interest income and net commissions, the growth of the Leasing Area (30,5 million Euro, an improvement of 1,6 million Euro compared to the same figure of 30 June 2022) and the better performance of the Corporate Banking & Lending Area (57,9 million Euro, +68,7% compared to the figure of 30 June 2022).

The Npl Segment's net banking income totals 136,5 million Euro, up 1,5 million Euro on the same period last year, mainly due to higher interest income (related to the increase in the average value of the underlying loans) and the good performance of legal collection mainly attributable to the higher number of foreclosures and repossessions produced. These changes were offset by lower out-of-court collections.

Net banking income for the Governance & Services and Non-Core Segment amounts to 37,1 million Euro, down 9,6 million Euro compared to the first half of 2022, this decrease being driven by a decrease in net interest income of 5,3 million Euro compared to the first half of 2022, mainly due to the negative impact of the increase in the cost of funding and the other components of net banking income, which also decreased by 5,2 million Euro, as a result of lower gains on the sale of financial assets and negative fair value changes on trading derivatives.

Net credit risk losses of 16,3 million Euro are down 17,3 million Euro compared to the first half of 2022. The reduction is mainly linked to higher write-backs recorded on impaired positions that had previously been written down.

Operating costs total 195,8 million Euro, showing an increase on 30 June 2022 (+5,5%).

The cost/income ratio stands at 56,2%, an improvement of 1,1% compared to the same period last year.

Below are details of the item's main components:

- Personnel expenses, amounting to 80,4 million Euro, are up by 9,3%, a figure attributable to an increase in the number of employees at the reporting date, higher variable remuneration and the estimated costs connected with the renewal of the collective agreement for bank employees;
- Other administrative expenses as at 30 June 2023 amount to 119,2 million Euro, an increase of 4,0% compared to June 2022, mainly due to expenses for the purchase of goods and services, which rose by 14,0%.

Net allocations to provisions for risks and charges as at 30 June 2023 amount to 526 thousand Euro. The item in the first half of 2022 had benefited from releases amounting to 5,6 million Euro as a result of GACS credit assignment transactions.

The net profit attributable to the Parent company amounts to 91,0 million Euro, up 25,5% on the same period of 2022.

Below are the main dynamics recorded in the individual Segments that go towards forming the financial results at 30 June 2023.

Net profit of the Commercial & Corporate Banking Segment comes to 49,4 million Euro, 25,1 million Euro higher (+102,9%) than at 30 June 2022. As shown in more detail below, this result was driven by the growth in net interest income of 16,1 million Euro (+16,1%) and net commissions (+7,3 million Euro, or +17,6%) and other components of net banking income of 9,3 million Euro, as well as by lower net adjustments of 8,4 million Euro (-29,7%).

Net banking income derives from the combined effect of the various Areas of the Segment, as described below:

- the contribution of the Factoring Area amounts to 86,4 million Euro, an increase of 9,5% compared to the same period of last year. This result is due to the greater contribution both of net interest income (up by 3,5 million Euro) and net commission income (up by 4,6 million Euro), as a consequence of the increase in the returns on the receivables under management;
- Net banking income from the Leasing Area amounts to 30,5 million Euro, an improvement of 1,6 million Euro compared with the figure at 30 June 2022. This increase is due to the higher contribution of net interest income of 2,4 million Euro, which was partially offset by the lower commission margin of 0,9 million Euro;
- net banking income of the Corporate Banking & Lending Area comes to 57,9 million Euro at 30 June 2023, up 23,6 million Euro on 30 June 2022 (+68,7%). The positive change is a result of the combined effect of the following factors:
    - growth of 10,1 million Euro in net interest income (+37,0%), thanks in particular to the positive contribution of the Lending unit, as a result of contributions of 5,0 million Euro from the pharmaceutical business, 2,4 million Euro from the unit assisting SMEs, 2,3 million Euro from the Corporate Banking division (and in particular from the Structured Finance business unit) and, finally, 0,4 million Euro from the salary-backed loans/pension-backed loans segment managed through the subsidiary Cap.Ital.Fin;
    - increased net commissions by 3,6 million Euro (+65,9%), mainly resulting from the Corporate Banking division (specifically the Structured Finance unit);
    - a 9,9 million Euro increase in other net banking income components attributable to the Corporate Banking unit due to the higher contribution generated by the items measured at fair value, including UCITS funds and minority interests.

Net credit risk losses of the Segment amount to 19,8 million Euro, down 8,4 million Euro compared to the same period of the previous year. This change is mainly attributable to the Factoring Area, both because the figure for the first half of 2022 was affected by adjustments on commercial positions with higher vintage, especially related to positions with the NHS, and because in the first half of 2023 there were higher write-backs from collections on impaired positions previously written down.

The increase in operating costs of 4,5 million Euro of the Commercial & Corporate Banking Segment compared to 30 June 2022 is essentially due to the rise in personnel expenses due to both the increase in headcount and higher variable remuneration and additional allocations in view of the renewal of the National Collective Bargaining Agreement (NCBA).

Period profit of the Npl Segment is 30,5 million Euro. The Segment's net banking income amounts to 136,5 million Euro and is essentially in line with the figure for the same period of the previous year, as the growth in interest income linked to the increase in average loans and the better performance of legal inflows were substantially offset by the lower contribution of out-of-court management and lower profits from the sale of Npl portfolios.

Operating costs increase by 4,8 million Euro compared to the first half of 2022 to 91,6 million Euro as at 30 June 2023. This increase is due to higher personnel expenses of 2,0 million Euro for both increased staffing (including the efforts of the Parent company Banca Ifis) and expected increases in the NCBA (already factored in June 2023), while the remaining increase of 2,8 Euro million relates to higher recovery costs.

Collections of the Npl Segment in the first half of 2023 come to 195,0 million Euro, including the instalments collected during the period from realignment plans, from garnishment orders and transactions carried out and rise by 7,0% on the collections of 182,2 million Euro made in the first half of 2022.

The profit of the Governance & Services and Non-Core Segment at 30 June 2023 amounts to 12,1 million Euro, a decrease on the 30 June 2022 figure of 15,9 million Euro. Net banking income amounts to 37,1 million Euro, down 9,6 million Euro compared to the first half of 2022, due to a decrease in net interest income of 5,3 million Euro compared to the first half of 2022, mainly due to an increase in the cost of funding, and other components of net banking income, which also decreased by 5,2 million Euro, as a result of lower gains on the sale of financial assets and negative fair value changes on trading derivatives.

Segment operating costs come to 22,5 million Euro, up 1,0 million Euro on 30 June 2022. This change is linked to the increased activities in the area of Communication, Marketing, Public Affairs & Sustainability during the first half of 2023, the year of Banca Ifis' 40th anniversary. Net allocations to provisions for risks and charges amount to 0,2 million Euro, an increase of 3,9 million Euro compared to the figure as at 30 June 2022, mainly because the comparative figure included reversals on GACS at the end of the guarantee period.

Total receivables due from customers measured at amortised cost amount to 10.114,4 million Euro, a reduction on 31 December 2022 (10.186,9 million Euro). The item includes debt securities in the amount of 2,1 billion Euro (an increase on the figure for year-end 2022 of 1,9 billion Euro, +6,3%), of which 1,7 billion Euro related to government bonds. The Commercial & Corporate Banking Segment records a slight slowdown (-2,0%) concentrated in the Factoring Area (-7,2%), which suffers seasonality, against the substantial stability of the Leasing Area and Corporate Banking & Lending Area. The Governance & Services and Non-Core Segment increases by 102,5 million Euro (mainly as a result of the increase in the debt securities portfolio in the first half of 2023), while loans in the Npl Segment decrease slightly compared to 31 December 2022 (-2,9%).

During the first half of 2023, 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 liquidity at 30 June 2023 (in reserves and free assets that can be financed in the ECB) such as to enable it to easily respect the LCR limits (with index more than of 1.000%).

Total funding amounts to 11,1 billion Euro at 30 June 2023 and is in line with the figure at 31 December 2022; it is represented for 49,0% by payables due to customers (45,8% at 31 December 2022), for 27,6% by payables due to banks (30,7% at 31 December 2022), and for 23,4% by debt securities issued (no change to incidence compared with 31 December 2022).

The Group's funding structure is as follows:

- 49,0% customers;
- 18,4% TLTROs;
- 13,1% Asset Backed Securities (ABS);
- 10,3% debt securities;

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- 9,2% other.

Payables due to banks come to 3,1 billion Euro, down 10,0% compared to the figure for end December 2022 mainly due to the onset maturity of short-term payables due to central banks (LTRO). As at 30 June 2023, the balance of payables due to banks is mainly represented by TLTRO transactions in the amount of about 2,0 billion Euro and repo transactions in the amount of 0,8 billion Euro.

Payables due to customers at 30 June 2023 total 5,5 billion Euro, up 7,0% compared to 31 December 2022. The growth is driven by both retail funding, which amounts to 4,3 Euro billion as at the end of June 2023 (+2,8%), and the repurchase agreement (repo) component, which grows by 255,5 million Euro compared to 31 December 2022.

Debt securities issued amount to 2,6 billion Euro at 30 June 2023 and consist of:

- securities issued by the SPV ABCP Programme for 1,1 billion Euro relating to the senior tranche;
- securities issued by the Emma SPV for 0,4 billion Euro relating to the senior tranche;
- bonds issued by Banca Ifis amounting to 1,1 billion Euro, of which 0,4 billion Euro related to subordinated loans. Compared to 31 December 2022, the following changes have occurred:
    - 300 million Euro related to a 4-year senior bond issued in January 2023;
    - 45 million Euro related to the second tranche issued in March 2023 and related to a senior bond with a duration of four years and a total nominal amount of 110 million Euro;
    - redemption of 300 million Euro of the senior bond issued in 2018 and maturing in April 2023.

At 30 June 2023, Consolidated Equity totals 1.675,0 million Euro (1.597,8 million Euro at 31 December 2022). The main changes can be traced back to:

- the positive change relative to the period result pertaining to the Parent company of 91,0 million Euro;
- the negative change due to the payment of the balance on the 2022 dividend in the amount of 21,0 million Euro;
- the net positive change of 4,9 million Euro in the comprehensive income component of the valuation reserve, mainly due to changes in the fair value of financial instruments with an impact on comprehensive income and exchange rate differences;
- the positive change in Equity attributable to non-controlling interests for 1,0 million Euro, for the part share of the period results accrued by the subsidiary Banca Credifarma;
- other increases of 1,3 million Euro related to the Group's share-based remuneration programmes of the Parent company Banca Ifis.

At 30 June 2023, the equity ratios[1] for the Banca Ifis Group amount to a CET1 Ratio of 15,01%, a Tier 1 Ratio of 15,02% and a Total Capital Ratio of 18,04%.

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, adopted the following capital requirements for the Banca Ifis Group, including a 2,5% capital conservation buffer:

- CET1 Ratio of 7,90%, with a required minimum of 5,40%;

(1) CET1, Tier 1 and Total Capital at 30 June 2023 do not include the profits generated by the Banking Group in the first six months of 2023.

- 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%.

At 30 June 2023, the Banca Ifis Group easily meets the above prudential requirements.

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Highlights

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2023	31.12.2022	ABSOLUTE	%
Cash and cash equivalents	681.428	603.134	78.294	13,0%
Financial assets measured at fair value through profit or loss	193.137	222.088	(28.951)	(13,0)%
Financial assets measured at fair value through other comprehensive income	773.675	697.611	76.064	10,9%
Receivables due from banks measured at amortised cost	630.277	565.762	64.515	11,4%
Receivables due from customers measured at amortised cost	10.114.445	10.186.932	(72.487)	(0,7)%
Total assets	**13.352.096**	**13.262.377**	**89.719**	**0,7%**
Payables due to banks	3.079.322	3.422.160	(342.838)	(10,0)%
Payables due to customers	5.460.902	5.103.343	357.559	7,0%
Debt securities issued	2.601.658	2.605.195	(3.537)	(0,1)%
Consolidated equity	**1.674.988**	**1.597.781**	**77.207**	**4,8%**

RECLASSIFIED CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	H1		CHANGE	
	2023	2022	ABSOLUTE	%
Net banking income	**348.506**	**323.954**	**24.552**	**7,6%**
Net credit risk losses/reversals	(16.338)	(33.674)	17.336	(51,5)%
Net profit (loss) from financial activities	**332.168**	**290.280**	**41.888**	**14,4%**
Operating costs	**(195.780)**	**(185.510)**	**(10.270)**	**5,5%**
Net allocations to provisions for risks and charges	(526)	3.061	(3.587)	(117,2)%
Value adjustments of goodwill	-	(762)	762	(100,0)%
Gain on disposals of investments	-	135	(135)	(100,0)%
Income taxes for the period relating to continuing operations	(43.856)	(34.423)	(9.433)	27,4%
Profit for the period	**92.006**	**72.781**	**19.225**	**26,4%**
(Profit) loss for the period attributable to non-controlling interests	(970)	(266)	(704)	264,7%
Profit for the period attributable to the Parent company	**91.036**	**72.515**	**18.521**	**25,5%**

RECLASSIFIED CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	Q2		CHANGE	
	2023	2022	ABSOLUTE	%
Net banking income	**172.681**	**160.630**	**12.051**	**7,5%**
Net credit risk losses/reversals	(6.367)	(16.666)	10.299	(61,8)%
Net profit (loss) from financial activities	**166.314**	**143.964**	**22.350**	**15,5%**
Operating costs	**(104.690)**	**(97.687)**	**(7.003)**	**7,2%**
Net allocations to provisions for risks and charges	5.842	9.483	(3.641)	(38,4)%
Value adjustments of goodwill	-	(762)	762	(100,0)%
Gain on disposals of investments	-	135	(135)	(100,0)%
Income taxes for the period relating to continuing operations	(21.778)	(17.703)	(4.075)	23,0%
Profit for the period	**45.688**	**37.430**	**8.258**	**22,1%**
(Profit) loss for the period attributable to non-controlling interests	(566)	137	(703)	n.s.
Profit for the period attributable to the Parent company	**45.122**	**37.567**	**7.555**	**20,1%**

RECLASSIFIED CONSOLIDATED COMPREHENSIVE INCOME (in thousands of Euro)	30.06.2023	30.06.2022
Profit (loss) for the period	**92.006**	**72.781**
Other comprehensive income, net of taxes, not to be reclassified to profit or loss	(3.565)	1.481
Other comprehensive income, net of taxes, to be reclassified to profit or loss	8.444	(24.173)
Consolidated comprehensive income	**96.885**	**50.089**
Consolidated comprehensive income attributable to non-controlling interests	(970)	(262)
Consolidated comprehensive income attributable to the Parent company	**95.915**	**49.827**

GROUP EQUITY KPIs	30.06.2023	31.12.2022
CET1 Ratio(1)	15,01%	15,01%
Total Capital Ratio(1)	18,04%	18,82%
Number of company shares (in thousands)	53.811	53.811
Number of shares outstanding at period end(2) (in thousands)	52.468	53.433
Price/book value per share	0,46	0,44

(1) CET1 and Total Capital at 30 June 2023 do not include the profits generated by the Banking Group in the first six months of 2023.
(2) Outstanding shares are net of treasury shares held in the portfolio.

GROUP ECONOMIC KPIs	30.06.2023	30.06.2022
Earnings per share (EPS)	1,74	1,38
Cost/Income ratio	56,2%	57,3%

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Results by operating 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 30.06.2023	84.809	*1.049*	-	*83.760*	32.769	50.296	**167.874**
Amounts at 31.12.2022	*75.412*	*2.071*	-	*73.341*	*42.489*	*77.319*	***195.220***
% Change	*12,5%*	*(49,3)%*	-	*14,2%*	*(22,9)%*	*(35,0)%*	***(14,0)%***
Financial assets measured at fair value through other comprehensive income							
Amounts at 30.06.2023	1.639	-	-	*1.639*	-	772.036	**773.675**
Amounts at 31.12.2022	*1.695*	-	-	*1.695*	-	*695.916*	***697.611***
% Change	*(3,3)%*	-	-	*(3,3)%*	-	*10,9%*	***10,9%***
Receivables due from customers(1)							
Amounts at 30.06.2023	6.383.517	*2.557.997*	*1.498.735*	*2.326.784*	1.476.332	2.254.596	**10.114.445**
Amounts at 31.12.2022	*6.514.989*	*2.755.592*	*1.472.177*	*2.287.221*	*1.519.864*	*2.152.078*	***10.186.932***
% Change	*(2,0)%*	*(7,2)%*	*1,8%*	*1,7%*	*(2,9)%*	*4,8%*	***(0,7)%***

(1) In the Governance & Services and Non-Core Segment, at 30 June 2023, there were government securities amounting to 1.678,4 million Euro (1.541,5 million Euro at 31 December 2022).

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 30.06.2023	174.878	*86.406*	*30.539*	*57.933*	136.532	37.096	**348.506**
Amounts at 30.06.2022	*142.225*	*78.914*	*28.975*	*34.336*	*134.993*	*46.736*	***323.954***
% Change	*23,0%*	*9,5%*	*5,4%*	*68,7%*	*1,1%*	*(20,6)%*	***7,6%***
Net profit (loss) from financial activities							
Amounts at 30.06.2023	155.086	*84.907*	*28.897*	*41.282*	136.532	40.550	**332.168**
Amounts at 30.06.2022	*114.079*	*68.555*	*29.446*	*16.078*	*134.993*	*41.208*	***290.280***
% Change	*35,9%*	*23,9%*	*(1,9)%*	*156,8%*	*1,1%*	*(1,6)%*	***14,4%***
Profit (loss) for the period							
Amounts at 30.06.2023	49.440	*25.517*	*8.296*	*15.627*	30.473	12.093	**92.006**
Amounts at 30.06.2022	*24.364*	*16.519*	*10.855*	*(3.010)*	*32.512*	*15.905*	***72.781***
% Change	*102,9%*	*54,5%*	*(23,6)%*	*n.s.*	*(6,3)%*	*(24,0)%*	***26,4%***

RECLASSIFIED 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 2023	87.031	*43.649*	*15.249*	*28.133*	67.061	18.589	**172.681**
Second quarter 2022	*68.387*	*39.052*	*13.780*	*15.555*	*65.182*	*27.061*	***160.630***
% Change	*27,3%*	*11,8%*	*10,7%*	*80,9%*	*2,9%*	*(31,3)%*	***7,5%***
Net profit (loss) from financial activities							
Second quarter 2023	79.335	*44.652*	*14.623*	*20.060*	67.061	19.918	**166.314**
Second quarter 2022	*54.715*	*38.013*	*14.914*	*1.788*	*65.182*	*24.067*	***143.964***
% Change	*45,0%*	*17,5%*	*(2,0)%*	*n.s.*	*2,9%*	*(17,2)%*	***15,5%***
Profit (loss) for the period							
Second quarter 2023	25.770	*14.471*	*3.733*	*7.566*	11.380	8.538	**45.688**
Second quarter 2022	*10.169*	*10.053*	*5.626*	*(5.510)*	*13.101*	*14.160*	***37.430***
% Change	*153,4%*	*43,9%*	*(33,6)%*	*n.s.*	*(13,1)%*	*(39,7)%*	***22,1%***

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*		
Credit cost[2]						
Amounts at 30.06.2023	0,62%	*0,12%*	*0,22%*	*1,45%*	-	(1,21)%
Amounts at 31.12.2022	*0,76%*	*0,56%*	*0,20%*	*1,35%*	-	*1,25%*
% Change	*(0,14)%*	*(0,44)%*	*0,02%*	*0,10%*	-	*(2,46)%*
Net bad loans/Receivables due from customers						
Amounts at 30.06.2023	0,4%	*0,5%*	*0,1%*	*0,4%*	73,7%	0,3%
Amounts at 31.12.2022	*0,4%*	*0,5%*	*0,0%*	*0,5%*	*73,4%*	*0,3%*
% Change	*(0,0)%*	*(0,0)%*	*0,1%*	*(0,1)%*	*0,3%*	*(0,0)%*
Coverage ratio on gross bad loans						
Amounts at 30.06.2023	75,1%	*80,7%*	*92,7%*	*40,2%*	-	51,8%
Amounts at 31.12.2022	*72,0%*	*77,9%*	*94,6%*	*32,8%*	-	*47,5%*
% Change	*3,1%*	*2,8%*	*(1,9)%*	*7,4%*	-	*4,3%*
Net impaired assets/ Net receivables due from customers						
Amounts at 30.06.2023	3,6%	*6,4%*	*0,8%*	*2,4%*	98,3%	1,7%
Amounts at 31.12.2022	*3,9%*	*6,6%*	*1,0%*	*2,4%*	*97,9%*	*1,6%*
% Change	*(0,3)%*	*(0,2)%*	*(0,2)%*	*(0,0)%*	*0,4%*	*0,1%*
Gross impaired assets/ Gross receivables due from customers						
Amounts at 30.06.2023	5,6%	*9,6%*	*2,2%*	*3,3%*	98,3%	2,4%
Amounts at 31.12.2022	*5,7%*	*9,5%*	*2,3%*	*3,2%*	*97,9%*	*2,5%*
% Change	*(0,1)%*	*0,1%*	*(0,1)%*	*0,1%*	*0,4%*	*(0,1)%*
RWAs[3]						
Amounts at 30.06.2023	5.456.109	2.468.591	1.306.004	1.681.514	1.728.652	1.765.598
Amounts at 31.12.2022	*5.571.253*	*2.625.900*	*1.329.890*	*1.615.463*	*1.794.321*	*1.753.938*
% Change	*(2,1)%*	*(6,0)%*	*(1,8)%*	*4,1%*	*(3,7)%*	*0,7%*

(1) In the Governance & Services and Non-Core Segment, at 30 June 2023, there were government securities amounting to 1.678,4 million Euro (1.541,5 million Euro at 31 December 2022), which for the purpose of calculating the credit cost, were not considered.
(2) This indicator is calculated comparing the "annualised" 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.

Quarterly Evolution

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2023		YEAR 2022			
	Q2	Q1	Q4	Q3	Q2	Q1
Net banking income	**172.681**	**175.825**	**191.855**	**164.738**	**160.630**	**163.324**
Net credit risk losses/reversals	(6.367)	(9.971)	(28.641)	(15.200)	(16.666)	(17.008)
Net profit (loss) from financial activities	**166.314**	**165.854**	**163.214**	**149.538**	**143.964**	**146.316**
Personnel expenses	(40.737)	(39.708)	(39.590)	(37.646)	(37.033)	(36.565)
Other administrative expenses	(65.427)	(53.822)	(70.896)	(56.878)	(61.079)	(53.568)
Net impairment losses/reversals on property, plant and equipment and intangible assets	(4.350)	(4.202)	(4.595)	(4.095)	(4.145)	(4.080)
Other operating income/expenses	5.824	6.642	3.241	5.591	4.570	6.390
Operating costs	**(104.690)**	**(91.090)**	**(111.840)**	**(93.028)**	**(97.687)**	**(87.823)**
Net allocations to provisions for risks and charges	5.842	(6.368)	4.115	(7.576)	9.483	(6.422)
Value adjustments of goodwill	-	-	-	-	(762)	-
Gains (Losses) on disposal of investments	-	-	-	169	135	-
Pre-tax profit from continuing operations	**67.466**	**68.396**	**55.489**	**49.103**	**55.133**	**52.071**
Income taxes for the period relating to continuing operations	(21.778)	(22.078)	(19.719)	(15.767)	(17.703)	(16.720)
Profit for the period	**45.688**	**46.318**	**35.770**	**33.336**	**37.430**	**35.351**
(Profit) loss for the period attributable to non-controlling interests	(566)	(404)	(227)	(308)	137	(403)
Profit for the period attributable to the Parent company	**45.122**	**45.914**	**35.543**	**33.028**	**37.567**	**34.948**

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.

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 Consolidated Half-Year Financial Report at 30 June 2023.

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.

Reclassified cost/income ratio (in thousands of Euro)	30.06.2023	30.06.2022
A. Reclassified operating costs	195.780	185.510
B. Reclassified net banking income	348.506	323.954
Reclassified cost/income ratio (A/B)	**56,2%**	**57,3%**

Price/book value per share	30.06.2023	31.12.2022
A. Share price at period-end	14,66	13,31
B. Equity attributable to the Parent company per share	31,67	30,24
Price/book value per share (A/B) euro	**0,46**	**0,44**

Contribution of operating Segments to Group results

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:

- Commercial & Corporate Banking Segment, that 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.

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 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, a division dedicated to supporting companies and private equity funds in structuring financing, both bilateral and pooled;
  - Equity Investments, a unit dedicated to investments in non-financial companies and in units of intermediaries;
  - Lending, a unit dedicated to the Group's medium/long-term operations, focussed on supporting the business 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 2023.

HALF-YEAR INCOME STATEMENT DATA RECLASSIFIED (in thousands of Euro)	H1		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**115.640**	**99.567**	**16.073**	**16,1%**
Net commission income	**48.731**	**41.450**	**7.281**	**17,6%**
Other components of net banking income	10.507	1.208	9.299	n.s.
Net banking income	**174.878**	**142.225**	**32.653**	**23,0%**
Net credit risk losses/reversals	(19.792)	(28.146)	8.354	(29,7)%
Net profit (loss) from financial activities	**155.086**	**114.079**	**41.007**	**35,9%**
Operating costs	**(81.702)**	**(77.249)**	**(4.453)**	**5,8%**
Net allocations to provisions for risks and charges	(377)	(415)	38	(9,2)%
Value adjustments of goodwill	-	(762)	762	(100,0)%
Gain on disposals of investments	-	236	(236)	(100,0)%
Pre-tax profit from continuing operations	**73.007**	**35.889**	**37.118**	**103,4%**
Income taxes for the period relating to continuing operations	(23.567)	(11.525)	(12.042)	104,5%
Profit for the period	**49.440**	**24.364**	**25.076**	**102,9%**

QUARTERLY INCOME STATEMENT DATA RECLASSIFIED (in thousands of Euro)	Q2		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**58.685**	**47.575**	**11.110**	**23,4%**
Net commission income	**25.237**	**21.083**	**4.154**	**19,7%**
Other components of net banking income	3.109	(271)	3.380	n.s.
Net banking income	**87.031**	**68.387**	**18.644**	**27,3%**
Net credit risk losses/reversals	(7.696)	(13.672)	5.976	(43,7)%
Net profit (loss) from financial activities	**79.335**	**54.715**	**24.620**	**45,0%**
Operating costs	**(41.156)**	**(38.964)**	**(2.192)**	**5,6%**
Net allocations to provisions for risks and charges	(124)	(246)	122	(49,5)%
Value adjustments of goodwill	-	(762)	762	(100,0)%
Gain on disposals of investments	-	236	(236)	(100,0)%
Pre-tax profit from continuing operations	**38.055**	**14.979**	**23.076**	**154,1%**
Income taxes for the period relating to continuing operations	(12.285)	(4.810)	(7.475)	155,4%
Profit for the period	**25.770**	**10.169**	**15.601**	**153,4%**

Net profit of the Commercial & Corporate Banking Segment comes to 49,4 million Euro, 25,1 million Euro higher than at 30 June 2022. As shown in more detail below, this result was driven by the growth in net interest income of 16,1 million Euro (+16,1%) and net commissions (+7,3 million Euro, or +17,6%) and other components of net banking income of 9,3 million Euro, as well as by lower net adjustments of 8,4 million Euro (-29,7%).

The increase in operating costs of 4,5 million Euro compared to 30 June 2022 is essentially due to the rise in personnel expenses due to both the increase in headcount and higher variable remuneration and additional allocations in view of the renewal of the National Collective Bargaining Agreement (NCBA).

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

The following table details the gross and net amounts as well as the relevant coverage ratios of receivables due from customers by credit quality.

COMMERCIAL & CORPORATE BANKING (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 30.06.2023						
Nominal amount	94.832	144.953	130.897	**370.682**	6.253.030	**6.623.712**
Losses	(71.231)	(61.689)	(6.164)	**(139.084)**	(101.111)	**(240.196)**
Carrying amount	23.601	83.264	124.733	**231.598**	6.151.919	**6.383.517**
Coverage ratio	*75,1%*	*42,6%*	*4,7%*	***37,5%***	*1,6%*	***3,6%***
Gross ratio	*1,4%*	*2,2%*	*2,0%*	***5,6%***	*94,4%*	***100,0%***
Net ratio	*0,4%*	*1,3%*	*2,0%*	***3,6%***	*96,4%*	***100,0%***
POSITION AT 31.12.2022						
Nominal amount	89.947	141.717	150.450	**382.113**	6.351.591	**6.733.704**
Losses	(64.774)	(56.027)	(10.289)	**(131.089)**	(87.625)	**(218.715)**
Carrying amount	25.173	85.690	140.161	**251.024**	6.263.965	**6.514.989**
Coverage ratio	*72,0%*	*39,5%*	*6,8%*	***34,3%***	*1,4%*	***3,2%***
Gross ratio	*1,3%*	*2,1%*	*2,2%*	***5,7%***	*94,3%*	***100,0%***
Net ratio	*0,4%*	*1,3%*	*2,2%*	***3,9%***	*96,1%*	***100,0%***

Net non-performing exposures in the Commercial & Corporate Banking Segment stand at 231,6 million Euro at 30 June 2023, down 19,4 million Euro on the figure at 31 December 2022 (251,0 million Euro). The decrease is mainly due to a reduction in past due exposures of 15,4 million Euro.

The coverage ratio of the non-performing portfolio goes from 34,3% at 31 December 2022 to 37,5% at 30 June 2023. This change is attributable to an increase in the coverage ratio of unlikely to pay and bad loans, offset partly by a reduction in the coverage ratio on past due exposures.

Finally, the Commercial & Corporate Banking Segment includes loans belonging to the "POCI" category, mainly referring to assets stemming from the business combination: the net value of these assets is 10,9 million Euro at 30 June 2023, as compared with the 14,0 million Euro recorded at 31 December 2022, of which 6,2 million Euro non-performing (8,6 million Euro at 31 December 2022).

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	
	30.06.2023	31.12.2022	ABSOLUTE	%
Credit cost[(1)]	0,62%	0,76%	n.a.	(0,14)%
Net impaired assets/ Net receivables due from customers	3,6%	3,9%	n.a.	(0,2)%
Gross impaired assets/ Gross receivables due from customers	5,6%	5,7%	n.a.	(0,1)%
Total RWAs [(2)]	5.456.109	5.571.253	(115.144)	(2,1)%

(1) This indicator is calculated comparing the "annualised" 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 RECLASSIFIED (in thousands of Euro)	H1		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**53.226**	**49.723**	**3.503**	**7,0%**
Net commission income	**34.202**	**29.589**	**4.613**	**15,6%**
Other components of net banking income	(1.022)	(398)	(624)	156,8%
Net banking income	**86.406**	**78.914**	**7.492**	**9,5%**
Net credit risk losses/reversals	(1.499)	(10.359)	8.860	(85,5)%
Net profit (loss) from financial activities	**84.907**	**68.555**	**16.352**	**23,9%**
Operating costs	**(47.626)**	**(42.317)**	**(5.309)**	**12,5%**
Net allocations to provisions for risks and charges	399	(1.144)	1.543	(134,9)%
Value adjustments of goodwill	-	(762)	762	(100,0)%
Pre-tax profit from continuing operations	**37.680**	**24.332**	**13.348**	**54,9%**
Income taxes for the period relating to continuing operations	(12.163)	(7.813)	(4.350)	55,7%
Profit for the period	**25.517**	**16.519**	**8.998**	**54,5%**

QUARTERLY INCOME STATEMENT DATA RECLASSIFIED (in thousands of Euro)	Q2		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**26.695**	**24.378**	**2.317**	**9,5%**
Net commission income	**17.314**	**14.978**	**2.336**	**15,6%**
Other components of net banking income	(360)	(304)	(56)	18,4%
Net banking income	**43.649**	**39.052**	**4.597**	**11,8%**
Net credit risk losses/reversals	1.003	(1.039)	2.042	(196,5)%
Net profit (loss) from financial activities	**44.652**	**38.013**	**6.639**	**17,5%**
Operating costs	**(23.652)**	**(20.965)**	**(2.687)**	**12,8%**
Net allocations to provisions for risks and charges	369	(1.479)	1.848	(124,9)%
Value adjustments of goodwill	-	(762)	762	(100,0)%
Pre-tax profit from continuing operations	**21.369**	**14.807**	**6.562**	**44,3%**
Income taxes for the period relating to continuing operations	(6.898)	(4.754)	(2.144)	45,1%
Profit for the period	**14.471**	**10.053**	**4.418**	**43,9%**

During the first half of 2023, the contribution made by the Factoring Area towards net banking income booked by the Commercial & Corporate Banking Segment comes to 86,4 million Euro, up 9,5% on the same period of last year. This result is due to the greater contribution both of net interest income (up by 3,5 million Euro) and net commission income (up by 4,6 million Euro), as a consequence of the increase in the returns on the receivables under management. Turnover for the first half of 2023 amounts to 6,5 billion Euro, an increase of 60 million Euro compared to the same period of the previous year, while the total amount of receivables shows a decrease of approximately 70 million Euro compared to the same period of the previous year (the figure as at 30 June 2023 was 3,7 billion Euro).

In the first half of 2023, net credit risk losses amount to 1,5 million Euro, a decrease of 8,9 million Euro compared to the same period of the previous year, which was impacted by adjustments made on trade exposures with higher vintage, mainly connected with positions in respect of the NHS. In addition, in the first half of 2023, higher write-backs were recorded on impaired positions that had previously been written down.

Therefore, net profit from financial activities amount to 84,9 million Euro (+23,9% on the same period of last year).

The increase in operating costs of 5,3 million Euro compared to the first half of 2022 is substantially due to higher personnel expenses of 2,5 million Euro due to an overall increase in remuneration and Group headcount and, for the remainder, to higher administrative expenses associated mainly to the seasonality of advertising expenses, greater legal expenses and ICT projects.

As regards the main equity aspects, at 30 June 2023, total net commitments for the Area amount to 2.558,0 million Euro, down 7,2% on the figure at 31 December 2022, impacted by the seasonal nature of the business.

The following table shows the gross and net amounts as well as the relevant coverage ratios of receivables due from customers by credit quality.

FACTORING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 30.06.2023						
Nominal amount	65.829	82.043	109.075	**256.948**	2.418.117	**2.675.065**
Losses	(53.145)	(38.246)	(2.164)	**(93.555)**	(23.512)	**(117.067)**
Carrying amount	12.684	43.797	106.912	**163.393**	2.394.605	**2.557.997**
Coverage ratio	*80,7%*	*46,6%*	*2,0%*	***36,4%***	*1,0%*	***4,4%***
POSITION AT 31.12.2022						
Nominal amount	64.829	79.592	127.151	**271.573**	2.597.733	**2.869.306**
Losses	(50.482)	(34.524)	(5.473)	**(90.480)**	(23.234)	**(113.713)**
Carrying amount	14.348	45.068	121.678	**181.094**	2.574.499	**2.755.592**
Coverage ratio	*77,9%*	*43,4%*	*4,3%*	***33,3%***	*0,9%*	***4,0%***

As at 30 June 2023, there is a decrease in net impaired loans of 17,7 million Euro, mainly due to the decrease in past-due exposures of 14,8 million Euro. In overall terms, the coverage of impaired exposures increases by 3,1% as a result of provisions made on unlikely to pay and non-performing positions.

KPI	AMOUNTS		CHANGE	
	30.06.2023	31.12.2022	ABSOLUTE	%
Credit cost(1)	0,12%	0,56%	n.a.	(0,44)%
Net impaired assets/ Net receivables due from customers	6,4%	6,6%	n.a.	(0,2)%
Gross impaired assets/ Gross receivables due from customers	9,6%	9,5%	n.a.	0,1%
Total RWAs(2)	2.468.591	2.625.900	(157.309)	(6,0)%

(1) This indicator is calculated comparing the "annualised" 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.

The indicator "Net impaired assets/Net receivables due from customers" goes from 6,6% to 6,4% as the positive effects of the decrease in impaired exposures more than offset the reduction in performing exposures during the reporting period.

It should be noted that net impaired exposures include a total of 92,3 million Euro in respect of the NHS (112,3 million Euro as at 31 December 2022).

Leasing Area

HALF-YEAR INCOME STATEMENT DATA RECLASSIFIED (in thousands of Euro)	H1		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**24.956**	**22.508**	**2.448**	**10,9%**
Net commission income	**5.583**	**6.467**	**(884)**	**(13,7)%**
Net banking income	**30.539**	**28.975**	**1.564**	**5,4%**
Net credit risk losses/reversals	(1.642)	471	(2.113)	(448,6)%
Net profit (loss) from financial activities	**28.897**	**29.446**	**(549)**	**(1,9)%**
Operating costs	**(16.090)**	**(14.508)**	**(1.582)**	**10,9%**
Net allocations to provisions for risks and charges	(557)	1.052	(1.609)	(152,9)%
Pre-tax profit from continuing operations	**12.250**	**15.990**	**(3.740)**	**(23,4)%**
Income taxes for the period relating to continuing operations	(3.954)	(5.135)	1.181	(23,0)%
Profit for the period	**8.296**	**10.855**	**(2.559)**	**(23,6)%**

QUARTERLY INCOME STATEMENT DATA RECLASSIFIED (in thousands of Euro)	Q2		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**12.448**	**10.215**	**2.232**	**21,9%**
Net commission income	**2.801**	**3.565**	**(764)**	**(21,4)%**
Net banking income	**15.249**	**13.780**	**1.469**	**10,7%**
Net credit risk losses/reversals	(626)	1.134	(1.760)	(155,2)%
Net profit (loss) from financial activities	**14.623**	**14.914**	**(291)**	**(2,0)%**
Operating costs	**(8.554)**	**(7.678)**	**(876)**	**11,4%**
Net allocations to provisions for risks and charges	(557)	1.052	(1.609)	(152,9)%
Pre-tax profit from continuing operations	**5.512**	**8.288**	**(2.776)**	**(33,5)%**
Income taxes for the period relating to continuing operations	(1.779)	(2.662)	883	(33,2)%
Profit for the period	**3.733**	**5.626**	**(1.893)**	**(33,6)%**

Net banking income from the Leasing Area amounts to 30,5 million Euro, an improvement of 1,6 million Euro compared with the figure at 30 June 2022. This increase is due to the higher contribution of net interest income of 2,4 million Euro, which was partially offset by the lower commission margin of 0,9 million Euro.

Net credit risk losses amount to 1,6 million Euro, a decline of 2,1 million Euro compared to the same period of the previous year. It is recalled that the credit cost in the first half of 2022 had factored recoveries on performing exposures as a result of a better portfolio composition and 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 slowing of economic growth.

Operating costs of the Leasing Area amount to 16,1 million Euro, an increase of 1,6 million Euro compared to the figure as at 30 June 2022, in this case too, mainly related to higher personnel expenses.

At 30 June 2023, the Area's total net loans amount to 1.498,7 million Euro, up 26,6 million Euro compared to 31 December 2022.

The coverage ratio of impaired loans increases by 4,5% from 59,7% to 64,2%. This increase is driven by the increase in the incidence on the total impaired portfolio of positions classified as probable default and non-performing. In fact, the first half of 2023 saw an improvement in the portfolio's performance, resulting in higher performing returns of past-due exposures and reduced new classifications as non-performing past due exposures compared to previous periods.

The following table shows the gross and net amounts as well as the relevant coverage ratios of receivables due from customers by credit quality.

LEASING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 30.06.2023						
Nominal amount	12.232	13.074	8.763	**34.069**	1.503.354	**1.537.423**
Losses	(11.343)	(8.012)	(2.533)	**(21.888)**	(16.800)	**(38.688)**
Carrying amount	889	5.063	6.229	**12.181**	1.486.554	**1.498.735**
Coverage ratio	*92,7%*	*61,3%*	*28,9%*	***64,2%***	*1,1%*	***2,5%***
POSITION AT 31.12.2022						
Nominal amount	9.784	13.542	11.652	**34.977**	1.475.310	**1.510.287**
Losses	(9.258)	(8.084)	(3.523)	**(20.865)**	(17.246)	**(38.111)**
Carrying amount	526	5.457	8.129	**14.112**	1.458.065	**1.472.177**
Coverage ratio	*94,6%*	*59,7%*	*30,2%*	***59,7%***	*1,2%*	***2,5%***

KPI	AMOUNTS		CHANGE	
	30.06.2023	31.12.2022	ABSOLUTE	%
Credit cost (1)	0,22%	0,20%	n.a.	0,02%
Net impaired assets/ Net receivables due from customers	0,8%	1,0%	n.a.	(0,2)%
Net impaired assets/ Net receivables due from customers	2,2%	2,3%	n.a.	(0,1)%
Total RWAs (2)	1.306.004	1.329.890	(23.886)	(1,8)%

(1) This indicator is calculated comparing the "annualised" 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.

Corporate Banking & Lending Area

HALF-YEAR INCOME STATEMENT DATA RECLASSIFIED (in thousands of Euro)	H1		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**37.458**	**27.336**	**10.122**	**37,0%**
Net commission income	**8.946**	**5.394**	**3.552**	**65,9%**
Other components of net banking income	11.529	1.606	9.923	n.s.
Net banking income	**57.933**	**34.336**	**23.597**	**68,7%**
Net credit risk losses/reversals	(16.651)	(18.258)	1.607	(8,8)%
Net profit (loss) from financial activities	**41.282**	**16.078**	**25.204**	**156,8%**
Operating costs	**(17.986)**	**(20.424)**	**2.438**	**(11,9)%**
Net allocations to provisions for risks and charges	(219)	(323)	104	(32,2)%
Gains (Losses) on disposal of investments	-	236	(236)	(100,0)%
Pre-tax profit from continuing operations	**23.077**	**(4.433)**	**27.510**	**n.s.**
Income taxes for the period relating to continuing operations	(7.450)	1.423	(8.873)	n.s.
Profit for the period	**15.627**	**(3.010)**	**18.637**	**n.s.**

QUARTERLY INCOME STATEMENT DATA RECLASSIFIED (in thousands of Euro)	Q2		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**19.542**	**12.982**	**6.560**	**50,5%**
Net commission income	**5.122**	**2.540**	**2.582**	**101,7%**
Other components of net banking income	3.469	33	3.436	n.s.
Net banking income	**28.133**	**15.555**	**12.578**	**80,9%**
Net credit risk losses/reversals	(8.073)	(13.767)	5.694	(41,4)%
Net profit (loss) from financial activities	**20.060**	**1.788**	**18.272**	**n.s.**
Operating costs	**(8.950)**	**(10.321)**	**1.371**	**(13,3)%**
Net allocations to provisions for risks and charges	64	181	(117)	(64,6)%
Gains (Losses) on disposal of investments	-	236	(236)	(100,0)%
Pre-tax profit from continuing operations	**11.174**	**(8.116)**	**19.290**	**(237,7)%**
Income taxes for the period relating to continuing operations	(3.608)	2.606	(6.214)	(238,4)%
Profit for the period	**7.566**	**(5.510)**	**13.076**	**(237,3)%**

Net banking income of the Corporate Banking & Lending Area comes to 57,9 million Euro at 30 June 2023, up 23,6 million Euro on 30 June 2022 (+68,7%). The positive change is a result of the combined effect of the following factors:

- growth of 10,1 million Euro in net interest income (+37,0%), thanks in particular to the positive contribution of the Lending unit, as a result of contributions of 5,0 million Euro from the pharmaceutical unit, 2,4 million Euro from the division assisting SMEs, 2,3 million Euro from the Corporate Banking unit (and in particular from the Structured Finance business unit) and, finally, 0,4 million Euro from the salary-backed loans/pension-backed loans segment managed through the subsidiary Cap.Ital.Fin.;
- increased net commissions by 3,6 million Euro (+65,9%), mainly resulting from the activities of the Corporate Banking segment (specifically the Structured Finance unit);

- 9,9 million Euro increase in the other components of net banking income attributable to the Corporate Banking segment as a result of the higher contribution generated by items measured at fair value, including UCITS funds (on which higher valuation gains were recorded during the period) and minority interests (for which there was an increase in net realised gains on disposals in the first half of 2023 compared to the figure as at 30 June 2022).

Net credit risk losses amount to 16,7 million Euro, down 1,6 million Euro compared to the same period of the previous year. While the Area's loan adjustments remained substantially stable, the first half of 2023 benefited from higher write-backs mainly related to previously impaired positions pertaining to the subsidiary Banca Credifarma.

The decrease in operating costs of the Corporate Banking & Lending Area of 2,4 million Euro compared to the first half of 2022 is mainly attributable to lower project and integration consulting in ICT related to the merger of Banca Credifarma in April 2022. This decrease was, however, partially offset by higher personnel expenses compared to the same period last year.

At 30 June 2023, the Area's total net receivables due from customers amounts to 2.326,8 million Euro, up 39,6 million Euro on 31 December 2022.

The following table shows the gross and net amounts as well as the relevant coverage ratios of receivables due from customers by credit quality.

CORPORATE BANKING & LENDING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 30.06.2023						
Nominal amount	16.771	49.835	13.059	**79.666**	2.331.559	**2.411.224**
Losses	(6.744)	(15.431)	(1.467)	**(23.642)**	(60.798)	**(84.440)**
Carrying amount	10.027	34.405	11.592	**56.024**	2.270.760	**2.326.784**
Coverage ratio	*40,2%*	*31,0%*	*11,2%*	***29,7%***	*2,6%*	***3,5%***
POSITION AT 31.12.2022						
Nominal amount	15.333	48.583	11.647	**75.563**	2.278.548	**2.354.111**
Losses	(5.034)	(13.419)	(1.292)	**(19.745)**	(47.146)	**(66.891)**
Carrying amount	10.299	35.164	10.355	**55.818**	2.231.402	**2.287.221**
Coverage ratio	*32,8%*	*27,6%*	*11,1%*	***26,1%***	*2,1%*	***2,8%***

The amount of net impaired exposures at 30 June 2023, 56,0 million Euro, shows an increase of 0,2 million Euro on the value at year-end 2022.

KPI	AMOUNTS		CHANGE	
	30.06.2023	31.12.2022	ABSOLUTE	%
Credit cost [1]	1,45%	1,35%	n.a.	0,09%
Net impaired assets/ Net receivables due from customers	2,4%	2,4%	n.a.	(0,0)%
Net impaired assets/ Net receivables due from customers	3,3%	3,2%	n.a.	0,1%
Total RWAs [2]	1.681.514	1.615.463	66.051	4,1%

(1) This indicator is calculated comparing the "annualised" 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.

Npl Segment

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

The table below shows the loans portfolio of the Npl Segment, by method of transformation and accounting criterion; the "interest on income statement" 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 is included from the amortised cost for 84,7 million Euro and other components of the net interest income from cash flow changes for 57,5 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	1.148.571	91.520	8,0%	-	181.368	Acquisition cost
Non-judicial	13.509.856	460.206	3,4%	52.910	781.263	
of which: Collective (curves)	*13.034.749*	*221.547*	*1,7%*	*(517)*	*378.147*	*Cost = NPV of flows from model*
of which: Plans	*475.107*	*238.659*	*50,2%*	*53.427*	*403.116*	*Cost = NPV of flows from model*
Judicial	7.338.064	913.345	12,4%	89.169	1.857.199	
of which: Other positions undergoing judicial processing	*1.608.822*	*194.285*	*12,1%*	*-*	*415.366*	*Acquisition cost*
of which: Writs, Property Attachments, Garnishment Orders	*1.910.191*	*570.116*	*29,8%*	*76.450*	*1.257.059*	*Cost = NPV of flows from model*
of which: Secured and Corporate	*3.819.051*	*148.944*	*3,9%*	*12.719*	*184.774*	*Cost = NPV of flows from model*
Total	**21.996.491**	**1.465.070**	**6,7%**	**142.079**	**2.819.830**	

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 (91,5 million Euro at 30 June 2023, compared to 113,7 million Euro at 31 December 2022) with no contribution to profit or loss. As a rule, 6-12 months later, the positions are directed towards the most appropriate form of management, depending on their characteristics;

- non-judicial operations, which deal with practices that can be handled through collection by settlement. Practices awaiting information about the most appropriate collection instrument are classified into a basin called “mass management” and at 30 June 2023 come to 221,5 million Euro as compared with 237,7 million Euro at 31 December 2022 (down 6,8%). Practices on which a realignment plan has been agreed and formalised record an increase (2,7%), coming in at 238,7 million Euro at 30 June 2023 (232,3 million Euro at 31 December 2022);
- 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 194,3 million Euro at 30 June 2023 (207,8 million Euro at 31 December 2022); practices in phases of writ, attachment order and garnishment order are allocated to a specific basin, which records an increase of 3,1%, coming in at 571,1 million Euro as compared with the 553,2 million Euro recorded in December 2022. The judicial management basin include all “Secured and Corporate” positions of corporate banking origin or real estate, equal to 148,9 million Euro at 30 June 2023, down on the figure at 31 December 2022 (160,5 million Euro).

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 RECLASSIFIED (in thousands of Euro)	H1		CHANGE	
	2023	2022	ABSOLUTE	%
Interest income from amortised cost	84.678	78.219	6.459	8,3%
Interest income notes and other minority components	1.970	1.472	498	33,8%
Other components of net interest income from change in cash flow	57.400	66.278	(8.878)	(13,4)%
Interest expense	(12.096)	(13.601)	1.505	(11,1)%
Net interest income	**131.952**	**132.368**	**(416)**	**(0,3)%**
Net commission income	**1.759**	**1.844**	**(85)**	**(4,6)%**
Other components of net banking income	(412)	(1.195)	783	(65,5)%
Gains (Losses) on the disposal of financial assets	3.233	1.976	1.257	63,6%
Net banking income	**136.532**	**134.993**	**1.539**	**1,1%**
Operating costs	**(91.551)**	**(86.779)**	**(4.772)**	**5,5%**
Net allocations to provisions for risks and charges	17	(222)	239	(107,7)%
Gains (losses) on disposal of investments	-	(101)	101	(100,0)%
Pre-tax profit from continuing operations	**44.998**	**47.891**	**(2.893)**	**(6,0)%**
Income taxes for the period relating to continuing operations	(14.525)	(15.379)	854	(5,6)%
Profit for the period	**30.473**	**32.512**	**(2.039)**	**(6,3)%**

QUARTERLY INCOME STATEMENT DATA RECLASSIFIED (in thousands of Euro)	Q2		CHANGE	
	2023	2022	ABSOLUTE	%
Interest income from amortised cost	42.091	39.239	2.852	7,3%
Interest income notes and other minority components	981	180	801	445,0%
Other components of net interest income from change in cash flow	27.044	32.157	(5.113)	(15,9)%
Interest expense	(6.108)	(6.847)	739	(10,8)%
Net interest income	**64.008**	**64.728**	**(720)**	**(1,1)%**
Net commission income	**957**	**842**	**115**	**13,7%**
Other components of net banking income	(591)	(389)	(202)	51,9%
Gains (Losses) on the disposal of financial assets	2.687	1	2.686	n.s.
Net banking income	**67.061**	**65.182**	**1.879**	**2,9%**
Operating costs	**(50.316)**	**(45.773)**	**(4.543)**	**9,9%**
Net allocations to provisions for risks and charges	60	(10)	70	n.s.
Gains (losses) on disposal of investments	-	(101)	101	(100,0)%
Pre-tax profit from continuing operations	**16.805**	**19.298**	**(2.493)**	**(12,9)%**
Income taxes for the period relating to continuing operations	(5.425)	(6.197)	772	(12,5)%
Profit for the period	**11.380**	**13.101**	**(1.721)**	**(13,1)%**

"Interest income from amortised cost", referring to the interest accruing at the original effective rate, increases from 78,2 million Euro to 84,7 million Euro at 30 June 2023, due to an increase in the average value of underlying assets.

The item "Other components of net interest income from change in cash flow", which goes from 66,3 million Euro in the first half of 2022 to 57,4 million Euro at 30 June 2023, reflects the change in cash flows forecast according to the collections made in respect of forecasts. This item includes:

- out-of-court settlements totalling 21,6 million Euro, to which recovery plans contributed 37.8 million Euro, partly offset by the negative effect of curve models totalling 16.1 million Euro;
- legal expenses of 35.8 million Euro, following the contribution of actions for injunction, attachment and garnishment orders.

Good performance and growth continues in legal collection, which is mainly attributable to the higher number of injunctions and foreclosures produced. This growth was offset by the performance of out-of-court deposits, which showed a reduction in the margin contribution compared to the same period of the previous year, mainly due to the reduction in the collection of payment agreements (plans). The dynamics of legal and amicable collection lead to an increase in the stock of so-called "paying" receivables, bringing collections to 195,0 million Euro, up 7,0% from the 182,2 million Euro realised in the first half of 2022.

Net commission, of 1,8 million Euro at 30 June 2023 are substantially in line with the previous reference period.

During the first half of 2023, disposals of Npl portfolios were realised, in line with the Group's policy, from which net gains on disposal amount to 3,2 million Euro, up on the 2,0 million Euro recorded during the first six months of 2022.

In view of the above, the Npl Segment's net banking income comes to a total of 136,5 million Euro, up 1,5 million Euro on the same period of the previous year.

Operating costs of 91,6 million Euro at 30 June 2023 are up 4,8 million Euro on the first half of 2022. This increase is due to higher personnel expenses of 2,0 million Euro for both increased staffing (including the efforts of the Parent company Banca Ifis) and expected increases in the NCBA (already factored in June 2023), while the remaining increase of 2,8 Euro million relates to higher recovery costs.

As a consequence of the foregoing, period profit of the Npl Segment is 30,5 million Euro.

Below is the breakdown of net loans by credit quality.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2023	31.12.2022	ABSOLUTE	%
Net bad loans	1.088.511	1.115.926	(27.415)	(2,5)%
Net unlikely to pay	358.251	367.886	(9.635)	(2,6)%
Net non-performing past due exposures	4.146	4.343	(197)	(4,5)%
Total net non-performing exposures to customers (stage 3)	**1.450.908**	**1.488.155**	**(37.247)**	**(2,5)%**
Net performing exposures (stages 1 and 2)	25.424	31.709	(6.285)	(19,8)%
- of which: Owned receivables	*14.162*	*16.871*	*(2.709)*	*(16,1)%*
- of which: Debt securities	*9.973*	*13.686*	*(3.713)*	*(27,1)%*
- of which: Receivables related to servicer activities	*1.289*	*1.152*	*137*	*11,9%*
Total on-balance-sheet receivables due from customers	**1.476.332**	**1.519.864**	**(43.532)**	**(2,9)%**
- of which: owned receivables measured at amortised cost	***1.465.070***	***1.505.026***	***(39.956)***	***(2,7)%***

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 measured at amortised cost are excluded from this classification.

KPI	AMOUNTS		CHANGE	
	30.06.2023	31.12.2022	ABSOLUTE	%
Nominal amount of receivables managed	21.996.491	23.064.676	(1.068.185)	(4,6)%
Total RWAs [1]	1.728.652	1.794.321	(65.669)	(3,7)%

(1) Risk Weighted Assets; the amount only relates to the credit risk.

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

PERFORMANCE OF THE PROPRIETARY PORTFOLIO OF THE NPL SEGMENT	30.06.2023	31.12.2022
Opening loan portfolio	**1.505.026**	**1.477.681**
Purchases (+)	15.304	148.942
Sales (-)	(5.558)	(22.105)
Gains on sales (+/-)	3.233	10.699
Interest income from amortised cost (+)	84.678	161.507
Other components of interest from change in cash flow (+)	57.400	133.413
Adjustments to receivables (+/-)	-	(21.697)
Collections (-)	(195.013)	(383.414)
Closing loan portfolio	**1.465.070**	**1.505.026**

Total purchases in the first half of 2023 come to 15,3 million Euro, down on the 66,2 million Euro of the first six months of 2022. During the first half of 2023, sales of Npls were completed for a total price of 5,6 million Euro, which generated profits of 3,2 million Euro.

The item "Collections", equal to 195,0 million Euro at 30 June 2023, includes the instalments collected during the period from re-entry plans, from garnishment orders and transactions carried out, and rises by 7,0% on the collections of 182,2 million Euro made in the first half of 2022.

At 30 June 2023, the portfolio managed by the Npl Segment includes 2.123.217 positions, for a nominal amount of 22,0 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 Strategic Planning, Finance, Operations, Human Resources, Communication, Marketing, Public Affairs & Sustainability functions, 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 RECLASSIFIED (in thousands of Euro)	H1		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**27.094**	**32.416**	**(5.322)**	**(16,4)%**
Net commission income	**(193)**	**(1.082)**	**889**	**(82,2)%**
Other components of net banking income	10.195	15.402	(5.207)	(33,8)%
Net banking income	**37.096**	**46.736**	**(9.640)**	**(20,6)%**
Net credit risk losses/reversals	3.454	(5.528)	8.982	(162,5)%
Net profit (loss) from financial activities	**40.550**	**41.208**	**(658)**	**(1,6)%**
Operating costs	**(22.527)**	**(21.482)**	**(1.045)**	**4,9%**
Net allocations to provisions for risks and charges	(166)	3.698	(3.864)	(104,5)%
Pre-tax profit from continuing operations	**17.857**	**23.424**	**(5.567)**	**(23,8)%**
Income taxes for the period relating to continuing operations	(5.764)	(7.519)	1.755	(23,3)%
Profit (loss) for the period	**12.093**	**15.905**	**(3.812)**	**(24,0)%**

QUARTERLY INCOME STATEMENT DATA RECLASSIFIED (in thousands of Euro)	Q2		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	**12.554**	**20.979**	**(8.425)**	**(40,2)%**
Net commission income	**776**	**(438)**	**1.214**	**(277,2)%**
Other components of net banking income	5.259	6.520	(1.261)	(19,3)%
Net banking income	**18.589**	**27.061**	**(8.472)**	**(31,3)%**
Net credit risk losses/reversals	1.329	(2.994)	4.323	(144,4)%
Net profit (loss) from financial activities	**19.918**	**24.067**	**(4.149)**	**(17,2)%**
Operating costs	**(13.218)**	**(12.950)**	**(268)**	**2,1%**
Net allocations to provisions for risks and charges	5.906	9.739	(3.833)	(39,4)%
Pre-tax profit from continuing operations	**12.606**	**20.856**	**(8.250)**	**(39,6)%**
Income taxes for the period relating to continuing operations	(4.068)	(6.696)	2.628	(39,2)%
Profit (loss) for the period	**8.538**	**14.160**	**(5.622)**	**(39,7)%**

The Segment's net banking income amounts to 37,1 million Euro, down 9,6 million Euro compared to the first half of 2022 and is determined in particular by the following factors:

- net interest income has decreased by 5,3 million Euro on the first half of 2022. The negative change stems mainly from the increase in the cost of funding, which contributes to the 4,9 million Euro reduction in the treasury margin;
- the other components of net banking income decreased by 5,2 million Euro as a result of lower gains on the sale of financial assets and negative fair value changes on trading derivatives.

In terms of funding, "Rendimax Deposit Account" continues to constitute the Group's main source of finance, with a comprehensive cost of 33.4 million Euro, higher than the same period of last year (8,5 million Euro) due to the increase in average rates despite the reduction in average assets under management (3.885 million Euro at 30 June 2023 as compared with 4.139 million Euro at 30 June 2022). Overall, retail on-demand and term deposits record an average rate of 1,73%, compared to 1,22% at 30 June 2022. As at 30 June 2023, the carrying amount of the bonds issued by Banca Ifis amounts to 1.147 million Euro, an increase of 100,7 million Euro due to two new issues compared to the situation as at 30 June 2022 and the simultaneous maturity in April 2023 of the senior bond issued in 2018. The two new issues are a senior bond with a duration of four years and a nominal amount of 110 million Euro and a senior bond with a duration of four years and a nominal amount of 300 million Euro (for more details on the latter, see "Significant events occurred in the period"). In economic terms, interest expense accrued on all issues rose by 15,2 million Euro compared with the first half of 2022, coming in at a total of 30,5 million Euro at 30 June 2023.

Funding through securitisation, amounting to 1.455 million Euro at 30 June 2023, is essentially in line with the figure at 30 June 2022 (1.464 million Euro). Accrued interest expense went from 3,4 million Euro at 30 June 2022 to approximately 27 million Euro at 30 June 2023 due to the clear increase of the market curves to which they are index-linked.

Also worth mentioning is the access to funding through TLTRO operations with a nominal amount of 2,0 billion Euro; interest expense accrued at 30 June 2023 amounts to 28,2 million Euro.

The credit cost improves by 9,0 million Euro. The figure as at 30 June 2023 stands at net reversals of 3,5 million Euro, benefiting from write-backs on positions that had previously been fully written down, and is in contrast to net adjustments of 5,5 million Euro in June 2022, which were affected by provisions on a singularly significant position.

Operating costs come to 22,5 million Euro, up 1,0 million Euro on 30 June 2022. This change is linked to the increased activities in the area of Communication, Marketing, Public Affairs & Sustainability during the first half of 2023, the year of Banca Ifis' 40th anniversary.

Net allocations to provisions for risks and charges amount to 0,2 million Euro, an increase of 3,9 million Euro compared to the figure as at 30 June 2022, mainly because the comparative figure included reversals on GACS at the end of the guarantee period.

As regards equity figures, at 30 June 2023, total net receivables for the Segment amount to 2.254,6 million Euro, up 4,8% on the figure at 31 December 2022 (2.152,1 million Euro). The increase of 102,5 million Euro is due for 126 million Euro to the securities segments of Proprietary Finance and Securitisation & Structured Solutions, whose greater contribution more than offset the natural run-off of the Non-Core portfolio for 23 million Euro.

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: 13,2 million Euro at 30 June 2023, up 2,1 million Euro on the figure recorded at 31 December 2022;
- net performing exposures: 22,6 million Euro at 30 June 2023, up 1,5 million Euro on the figure recorded at 31 December 2022.

The following table shows the gross and net amounts as well as the relevant coverage ratios of receivables due from customers by credit quality.

GOVERNANCE & SERVICES AND NON-CORE SEGMENT (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS (1)
POSITION AT 30.06.2023						
Nominal amount	12.308	34.611	7.972	**54.891**	2.221.790	**2.276.682**
Losses	(6.373)	(7.852)	(2.823)	**(17.049)**	(5.037)	**(22.085)**
Carrying amount	5.935	26.759	5.149	**37.843**	2.216.753	**2.254.596**
Coverage ratio	*51,8%*	*22,7%*	*35,4%*	***31,1%***	*0,2%*	***1,0%***
POSITION AT 31.12.2022						
Nominal amount	12.708	37.550	4.182	**54.441**	2.123.966	**2.178.407**
Losses	(6.040)	(13.237)	(1.081)	**(20.358)**	(5.971)	**(26.329)**
Carrying amount	6.668	24.313	3.102	**34.083**	2.117.996	**2.152.078**
Coverage ratio	*47,5%*	*35,3%*	*25,8%*	***37,4%***	*0,3%*	***1,2%***

(1) In the Governance & Services and Non-Core Segment, at 30 June 2023, there were government securities amounting to 1.678,4 million Euro (1.541,5 million Euro at 31 December 2022).

The coverage of non-performing exposures in the Segment is affected by receivables belonging to the POCI category, whose gross values already take into account the estimate of expected losses. The coverage of the portfolio as a whole at 30 June 2023 is down from the figure at 31 December 2022, mainly related to the Non-Core Area portfolio.

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Banca Ifis shares

The share price

The ordinary shares of Banca Ifis S.p.A. are listed on the STAR segment, and the Bank is listed on the Ftse Italia Mid Cap index. The following table shows the share prices at the end of the period.

Official share price	30.06.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Share price at period-end	14,66	13,31	17,07	9,18	14,00

Price/book value

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

Price/book value	30.06.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Share price at period-end	14,66	13,31	17,07	9,18	14,00
Equity attributable to the Parent company per share	31,67	30,24	29,85	28,50	28,69
Price/book value	**0,46**	**0,44**	**0,57**	**0,32**	**0,49**

Outstanding shares	30.06.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Number of shares outstanding at period-end (in thousands) (1)	52.468	52.433	53.472	53.460	53.452

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

Earnings per share (EPS)

Here below is the earnings per share (EPS), namely 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 and diluted earnings per share	30.06.2023	30.06.2022
Net profit for the period attributable to the Parent company (in thousands of Euro)	91.036	72.515
Average number of outstanding shares (1)	52.456.037	52.685.625
Average number of shares outstanding for diluted earnings per share purposes	52.456.037	52.685.625
Earnings per share (EPS)	**1,74**	**1,38**
Diluted earnings per share (EPS)	**1,74**	**1,38**

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

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.

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Internal dealing rules

Banca Ifis regulations on internal dealing are aligned with the relevant EU legislation (EU Regulation no. 596/2014, the Market Abuse Regulation) and aims to ensure the utmost transparency in the Bank's disclosures to the market.

On the other hand, the "Policy on transactions carried out by Relevant Persons and Closely Related People in shares, debt securities and related financial instruments issued by Banca Ifis" (the Internal Dealing Policy) governs:

- the requirements related to identifying the Relevant Persons and the so-called "closely related people";
- the management of information relating to transactions exceeding the minimum amount threshold on units, credit securities or related instruments issued by Banca Ifis, carried out, directly or indirectly, by a Relevant Person or by a Closely Related Person and subject to notification obligations;
- 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.

The relevant persons are:

- the members of the Board of Directors;
- the members of the Board of Auditors;
- Managers regarded as "key managers", i.e:
  - any person holding an interest, calculated pursuant to Article 118 of the Issuers' Regulation, equal to at least 10% of the share capital of Banca Ifis, represented by shares with voting rights as well as another individual who controls the Bank;
  - additional persons identified as such, even for limited periods of time, by specific resolution of the Board of Directors of Banca Ifis.

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

Rules for the handling of inside information

Internal procedures for handling inside information and the list of individuals who have access to inside information are aligned with the 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, the Group has adopted the "Group policy for the handling of inside information" in order to:

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

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

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.

Issue of the 300 million Euro bond maturing in 4 years

On 12 January 2023, Banca Ifis successfully completed the placement of a Senior Preferred bond issue under its EMTN programme amounting to 300 million Euro. The transaction was intended for institutional investors. Specifically, the issue has a maturity of four years, with a settlement date scheduled for 19 January 2023. The reoffer price is 99,569, for a return at maturity of 6,25% and a coupon that is payable annually in the amount of 6,125%. The bond was listed on Euronext Dublin and has an expected rating of BB+ by Fitch and Baa3 by Moody's. The placement of this bond is part of the EMTN funding programme envisaged in the Group's 2022-2024 Business Plan, which estimates 2,5 billion Euro of new placements.

The Shareholders' Meeting approved the Annual Report 2022, the distribution of a dividend of 0,40 Euro per share as balance for the financial year and the appointment of Sebastien Egon Fürstenberg as Honorary Chairman

The Shareholders' Meeting of Banca Ifis, which met on 20 April 2023 in single call, chaired by Ernesto Fürstenberg Fassio 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:

- in the ordinary session:
  - Banca Ifis 2022 Annual Report;
  - the distribution to shareholders of a dividend of 0,40 Euro, as balance for FY 2022, gross of any withholding taxes, per share, with ex-dividend date (coupon no. 27) on 22 May 2023, record date on 23 May 2023 and payment on 24 May 2023;
  - Section I of the document "Report on Remuneration Policy and Remuneration 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 2022;
  - the amendment to certain provisions of the "2021-2023 LTI Plan";
  - the appointment of Founder Sebastien Egon Fürstenberg as Honorary Chairman of Banca Ifis for an indefinite term.
- in an extraordinary session, amendments to Articles 2, 4, 6, 8, 12, 14 and 20 of the Banca Ifis Articles of Association.

Npl industrial partnership signed with the Mediobanca Group

On 22 June 2023, Banca Ifis and the Mediobanca Group announced that they had signed a long-term partnership for the management of impaired loans (Npls). According to the agreement, Banca Ifis will take over Revalea S.p.A., a company created in 2022 from the spin-off of Npls from the acquisition of non-performing loan portfolios, from Mediobanca for a consideration of 100 million Euro.

The partnership has a strong industrial value as it consolidates Banca Ifis's position as a key player in the market for impaired loans in the small tickets unsecured segment. The two institutions also simultaneously signed a multi-year servicing agreement that envisages MBCredit Solutions (a Mediobanca Group company specialised in credit management) continuing to support Banca Ifis in the management and collection of non-performing and impaired loans by making its professional and industrial expertise available to the partner, in addition to a forward flow agreement on the Npls deriving from Compass' consumer credit.

Revalea S.p.A.'s portfolio of impaired loans, with a nominal value of 6,8 billion Euro and a net book value of 256 million Euro, is characterised by unsecured loans, 89% of which come from the banking sector and 64% of which are Retail loans and the remainder Corporate loans. When the deal is finalised, the 22-man strong team of professionals from Revalea will strengthen the Banca Ifis team.

The closing of the transaction, which is subject only to obtaining the relevant regulatory approvals, is expected by the fourth quarter of 2023. The transaction will reduce Banca Ifis's CET1 by approximately 40 bps.

Significant subsequent events

The Board of Directors of Banca Ifis appoints Simona Arduini as Vice Chair

The Board of Directors of Banca Ifis S.p.A. met on 13 July 2023 and unanimously approved the appointment of Professor Simona Arduini as Vice Chair. Simona Arduini will support the Bank, amongst other matters, in the pursuit of projects in the area of sustainability in all its forms. Prof. Arduini will retain her role as Chair of the Audit and Risk Committee until her term expires and will also join the Sustainability Committee. It has also been confirmed that Prof. Arduini meets the independence requirements.

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.

Information on the Russia-Ukraine conflict

This section aims to provide a specific disclosure on the impacts generated by Russia's invasion of Ukraine.

At the level of the Banca Ifis Group, a series of in-depth studies have been conducted in order to assess the exposures (direct and indirect) to counterparties resident in Russia, Belarus and Ukraine, and 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 Group.

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 high inflation context (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 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.

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Business outlook

The US and European economies have proven resilient to rising interest rates, reducing the risks associated with a severe recession. Inflation, while remaining at high levels, has started a downward trend, commodity and energy prices have fallen significantly in recent months, and consumer spending and excess demand in the labour market are declining.

Moreover, the war in Ukraine has not caused any further shocks to the world economy, remaining confined to Russia and Ukraine without involving other European countries, and the crisis of the US mid-sized banks and Credit Suisse was reabsorbed within a few weeks.

The reasons for the resilience of the US and European economies seem to lie in the combination of expansionary fiscal policies, high available liquidity in the financial markets, the absence of geopolitical shocks, the consumer savings glut experienced during the Covid-19 period and strong labour demand.

The central Banks' monetary policies must now identify how far to continue raising interest rates to avoid triggering an excessive contraction of domestic demand. Indeed, the aim seems to be to reduce the speed of interest rate hikes and expansive fiscal policies by generating the likely slowdown in the economy and inflation that will allow interest rates to fall in the medium term.

In the first quarter of 2023, the Italian economy grew by 0,6% in cyclical terms and 1,9% in trend terms after the setback at the end of 2022. The recovery is due to domestic demand with positive contributions from private consumption at 0,3% and from public consumption and investment, both at 0,2%. For 2023, the Italian Ministry of Economy and Finance (MEF) forecasts GDP growth of 1,0% and a deficit of approximately 4,5% of GDP. Fiscal policy is therefore also expected to be expansionary in 2023.

In this macroeconomic context, the results of the major European banks benefited, on the revenue side, from higher interest rates and, on the provisioning side, from a limited deterioration in asset quality. The capital and liquidity position of the European banking sector has, on the whole, demonstrated good solidity.

In the first half of 2023, the Group reported a profit attributable to the Parent company of 91,0 million Euro, confirming its strong economic, equity and financial profile. Analyses conducted to date on the Group have shown no signs of deterioration in asset quality, on which a prudent policy in terms of provisions has been applied in any case, and on the recovery of Npl portfolios. However, the Group carefully monitors market risks that may impact the business, with particular attention to the evolution of the macroeconomic environment and the average cost of funding. These considerations, assuming no geopolitical or macroeconomic shocks and/or significant regulatory changes, lead to the expectation of a full-year 2023 result in growth compared to both the expectations stated when presenting the 2022 results and those included in the 2022-2024 Business Plan.

Other information

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

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

Report on Corporate Governance and Shareholding Structure

It should be noted that no changes occurred in the first half of 2023 with reference to the Report on Corporate Governance and Shareholding Structure, for which reference should be made to the last one prepared in accordance with the third paragraph of Article 123-bis of Italian Legislative Decree no. 58 of 24 February 1998 ("TUF"), namely those prepared for FY 2022 in the form of a separate report from the Directors' Report on the Group, approved by the Board of Directors on 9 March 2023 and published together with the Consolidated Financial Statements as at 31 December 2022. This document is also made available in the "Corporate Governance" Section, subsection "Reports and Documents", section "Corporate Governance Organisation and Structures" on the corporate website www.bancaifis.it.

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

Remuneration policies

The "Corporate governance" section, subsection "Remuneration" of the corporate website www.bancaifis.it includes the "2022 Report on Remuneration Policy and Remuneration Paid", drafted pursuant to Article 123 ter of the TUF, where the remuneration policy valid for the year 2022 for the Banca Ifis Group is illustrated, which is substantially in line with the previous versions, except for the regulatory changes provided for in particular by the Supervisory Provisions implementing the CRDV (Directive 2019/878/EU).

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.

Parent company management and coordination

Pursuant to Articles 2497 to 2497 sexies of the Italian Civil Code, it should be noted that the ultimate 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.

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 ultimate 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 2023 are transferred to the consolidating company La Scogliera.

The receivable from the tax consolidating company La Scogliera, recorded under “Other assets”, amounts to 13,1 million Euro, while the related payable, recorded under “Other liabilities” in this Consolidated Half-Year Financial Report, amounts to 14,2 million Euro at 30 June 2023, of which 12,8 million Euro accrued to the subsidiary Ifis Npl Investing. The net debt to the tax consolidating company La Scogliera amounts therefore to 1,2 million Euro.

Transactions on treasury shares

At 31 December 2022, Banca Ifis held 1.377.981 treasury shares recognised at a market value of 22,1 million Euro and a nominal amount of 1.377.981 Euro.

During the year, Banca Ifis, as variable pay, awarded the Top Management 34.963 treasury shares at an average price of 9,39 Euro, for a total of 341 thousand Euro and a nominal amount of 34.963 Euro, making profits of 54 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 1.343.018 treasury shares, with an equivalent value of 21,8 million Euro and a nominal amount of 1.343.018 Euro.

Related-party transactions

In compliance with the provisions of Consob Resolution no. 17221 of 12 March 2010 and subsequently amended, as well as the prudential Supervisory provisions for banks in Circular no. 285 of 17 December 2013 of the Bank of Italy, part three, chapter 11 (on “Risk activities and conflicts of interest towards related parties”), any transactions with related parties and relevant parties are 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 the first half of 2023, 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 “Related-party transactions” in the Notes.

Atypical or unusual transactions

During the first half of 2023, the Banca Ifis Group did not carry out atypical or unusual transactions as defined by Consob Communication no. 6064293 of 28 July 2006.

The Bank's offices

The Company has its registered office in Venice-Mestre, as well as offices of the Presidency in Rome and operational offices in Milan. There are no branch offices.

Human resources

As at 30 June 2023, the Banca Ifis Group had 1.906 employees (1.874 as at 31 December 2022). Below is a breakdown of the workforce by classification level.

GROUP EMPLOYEES BY CLASSIFICATION LEVEL	30.06.2023		31.12.2022		CHANGES	
	Number	%	Number	%	Number	%
Senior managers	95	5,0%	95	5,1%	-	0,0%
Middle managers	590	31,0%	567	30,3%	23	4,1%
Clerical staff	1.221	64,1%	1.212	64,7%	9	0,7%
Total Group employees	**1.906**	**100,0%**	**1.874**	**100,0%**	**32**	**1,7%**

Research and development activities

Due to its activity, the Group did not implement any research and development programmes during the period.

Risks

For information on the Banca Ifis Group's main risks, please refer to the specific section "Information on risks and related hedging policies" in the Notes to the Financial Statements.

Venice - Mestre, 3 August 2023

For the Board of Directors

The CEO

Frederik Herman Geertman

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Banca Ifis
1983 | 2023

Condensed consolidated half-year financial statements

Consolidated Half-Year Financial Report

at 30 June 2023

Consolidated Statement of Financial Position

	ASSETS (in thousands of Euro)	30.06.2023	31.12.2022
10.	Cash and cash equivalents	681.428	603.134
20.	Financial assets measured at fair value through profit or loss	193.137	222.088
	a) financial assets held for trading	*25.263*	*26.868*
	c) other financial assets mandatorily measured at fair value	*167.874*	*195.220*
30.	Financial assets measured at fair value through other comprehensive income	773.675	697.611
40.	Financial assets measured at amortised cost	10.744.722	10.752.694
	a) receivables due from banks	*630.277*	*565.762*
	b) receivables due from customers	*10.114.445*	*10.186.932*
50.	Hedging derivatives	323	-
90.	Property, plant and equipment	128.356	126.341
100.	Intangible assets	68.618	64.264
	of which:		
	- goodwill	*38.020*	*38.020*
110.	Tax assets:	292.251	325.181
	a) current	*51.549*	*60.924*
	b) prepaid	*240.702*	*264.257*
120.	Non-current assets and disposal groups	813	-
130.	Other assets	468.773	471.064
	Total assets	**13.352.096**	**13.262.377**

LIABILITIES AND EQUITY (in thousands of Euro)		30.06.2023	31.12.2022
10.	Financial liabilities measured at amortised cost	11.141.882	11.130.698
	a) payables due to banks	*3.079.322*	*3.422.160*
	b) payables due to customers	*5.460.902*	*5.103.343*
	c) debt securities issued	*2.601.658*	*2.605.195*
20.	Financial liabilities held for trading	25.954	25.982
40.	Hedging derivatives	12	-
60.	Tax liabilities:	42.584	52.298
	a) current	*12.517*	*21.961*
	b) deferred	*30.067*	*30.337*
80.	Other liabilities	406.913	391.697
90.	Post-employment benefits	7.565	7.696
100.	Provisions for risks and charges:	52.198	56.225
	a) commitments and guarantees granted	*7.114*	*9.364*
	c) other provisions for risks and charges	*45.084*	*46.861*
120.	Valuation reserves	(52.760)	(59.722)
150.	Reserves	1.507.208	1.440.944
155.	Interim dividends (-)	-	(52.433)
160.	Share premiums	84.108	83.767
170.	Share capital	53.811	53.811
180.	Treasury shares (-)	(21.817)	(22.104)
190.	Equity attributable to non-controlling interests (+/-)	13.402	12.432
200.	Profit (loss) for the period (+/-)	91.036	141.086
	Total liabilities and equity	**13.352.096**	**13.262.377**

Consolidated Income Statement

	ITEMS (in thousands of Euro)	30.06.2023	30.06.2022
10.	Interest receivable and similar income	359.987	248.318
	of which: interest income calculated using the effective interest method	*351.561*	*245.512*
20.	Interest due and similar expenses	(142.696)	(50.210)
30.	**Net interest income**	**217.291**	**198.108**
40.	Commission income	56.737	48.273
50.	Commission expense	(6.440)	(6.061)
60.	**Net commission income**	**50.297**	**42.212**
70.	Dividends and similar income	8.795	8.052
80.	Net profit (loss) from trading	(3.377)	2.494
90.	Net result from hedging	(251)	-
100.	Profit (loss) from sale or buyback of:	7.045	6.550
	a) financial assets measured at amortised cost	*5.178*	*6.771*
	b) financial assets measured at fair value through other comprehensive income	*836*	*(156)*
	c) financial liabilities	*1.031*	*(65)*
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	11.311	295
	b) other financial assets mandatorily measured at fair value	*11.311*	*295*
120.	**Net banking income**	**291.111**	**257.711**
130.	Net credit risk losses/reversals on:	38.974	32.210
	a) financial assets measured at amortised cost	*38.995*	*32.610*
	b) financial assets measured at fair value through other comprehensive income	*(21)*	*(400)*
150.	**Net profit (loss) from financial activities**	**330.085**	**289.921**
190.	Administrative expenses:	(199.694)	(188.245)
	a) personnel expenses	*(80.445)*	*(73.598)*
	b) other administrative expenses	*(119.249)*	*(114.647)*
200.	Net allocations to provisions for risks and charges	1.557	3.420
	a) commitments and guarantees granted	*2.083*	*(1.259)*
	b) other net allocations	*(526)*	*4.679*
210.	Net impairment losses/reversals on property, plant and equipment	(4.642)	(4.343)
220.	Net impairment losses/reversals on intangible assets	(3.910)	(3.882)
230.	Other operating income/expenses	12.466	10.960
240.	**Operating costs**	**(194.223)**	**(182.090)**
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**	**135.862**	**107.204**
300.	Income taxes for the period relating to continuing operations	(43.856)	(34.423)
330.	**Profit (loss) for the period**	**92.006**	**72.781**
340.	Profit (loss) for the period attributable to non-controlling interests	(970)	(266)
350.	**Profit (loss) for the period attributable to the Parent company**	**91.036**	**72.515**

Earnings per share and diluted earnings per share	30.06.2023	30.06.2022
Earnings per share (EPS)	1,74	1,38
Diluted earnings per share (EPS)	1,74	1,38

Consolidated Statement of Comprehensive Income

	ITEMS (in thousands of Euro)	30.06.2023	30.06.2022
10.	**Profit (Loss) for the period**	**92.006**	**72.781**
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**(3.565)**	**1.481**
20.	Equity securities measured at fair value through other comprehensive income	(3.535)	625
70.	Defined benefit plans	(30)	856
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	**8.444**	**(24.173)**
120.	Exchange differences	2.102	(763)
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	6.342	(23.410)
200.	**Total other comprehensive income, net of taxes**	**4.879**	**(22.692)**
210.	**Total comprehensive income (Item 10 + 200)**	**96.885**	**50.089**
220.	Consolidated comprehensive income attributable to non-controlling interests	(970)	(262)
230.	**Consolidated comprehensive income attributable to the Parent company**	**95.915**	**49.827**

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Statement of Changes in Consolidated Equity at 30 June 2023

(in thousands of Euro)	Balance at 31.12.2022	Change in opening balances	Balance at 01.01.2023	Allocation of profit from previous year		Changes in the period										Consolidated equity at 30.06.2023	Group equity at 30.06.2023	Equity attributable to non-controlling interests at 30.06.2023
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions								Comprehensive income for the period			
							Issue of new shares	Buyback of treasury shares	Interim dividends	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	X
a) ordinary shares	59.587	X	59.587	-	X	X	-	-	X	X	X	X	X	-	X	59.587	53.811	5.776
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	X	-	X	-	-	-
Share premiums	85.387	X	85.387	-	X	341	-	X	X	X	X	X	X	-	X	85.728	84.108	1.620
Reserves:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
a) retained earnings	1.431.977	-	1.431.977	68.469	X	(1.945)	-	-	X	-	X	X	X	-	X	1.498.501	1.494.521	3.980
b) other	13.184	-	13.184	-	X	-	-	X	X	-	X	-	541	-	X	13.725	12.688	1.037
Valuation reserves	(59.704)	-	(59.704)	X	X	2.083	X	X	X	X	X	X	X	-	4.879	(52.742)	(52.760)	18
Equity instruments	-	X	-	X	X	X	X	X	X	X	-	X	X	-	X	-	-	-
Interim dividends	(52.433)	X	(52.433)	X	52.433	X	X	X	-	X	X	X	X	X	X	-	-	-
Treasury shares	(22.104)	X	(22.104)	X	X	X	-	287	X	X	X	X	X	X	X	(21.817)	(21.817)	-
Profit (loss) for the period	141.887	-	141.887	(68.469)	(73.418)	X	X	X	X	X	X	X	X	X	92.006	92.006	91.036	970
Consolidated equity	**1.597.781**	**-**	**1.597.781**	**-**	**(20.985)**	**479**	**-**	**287**	**-**	**-**	**-**	**-**	**541**	**-**	**96.885**	**1.674.988**	**X**	**X**
Group equity	**1.585.349**	**-**	**1.585.349**	**-**	**(20.985)**	**479**	**-**	**287**	**-**	**-**	**-**	**-**	**541**	**-**	**95.915**	**1.661.586**	**1.661.586**	**X**
Equity attributable to non-controlling interests	**12.432**	**-**	**12.432**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**970**	**13.402**	**X**	**13.402**

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	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**

Consolidated Cash Flow Statement

ITEMS (in thousands of Euro)	30.06.2023	30.06.2022
A. OPERATING ACTIVITIES		
1. Operations	**93.716**	**74.626**
- profit (loss) for the period (+/-)	90.066	72.781
- profit/loss on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	(7.934)	(2.789)
- gains/losses on hedging (-/+)	251	-
- net credit risk losses/reversals (+/-)	(38.974)	(32.210)
- net impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	8.552	8.225
- net allocations to provisions for risks and charges and other expenses/income (+/-)	(3.114)	(6.840)
- unpaid taxes, duties and tax credits (+/-)	43.856	34.423
- other adjustments (+/-)	1.013	1.037
2. Cash flows generated/absorbed by financial assets	**5.163**	**313.761**
- financial assets held for trading	(2.168)	(2.777)
- other assets mandatorily measured at fair value	38.657	4.925
- financial assets measured at fair value through other comprehensive income	(69.123)	(2.737)
- financial assets measured at amortised cost	46.457	332.272
- other assets	(8.660)	(17.922)
3. Cash flows generated/absorbed by financial liabilities	**14.937**	**(369.300)**
- financial liabilities measured at amortised cost	10.138	(396.653)
- financial liabilities held for trading	368	(763)
- other liabilities	4.431	28.116
Net cash flows generated/absorbed by operating activities A (+/-)	**113.816**	**19.088**
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	**(14.688)**	**(7.502)**
- purchases of property, plant and equipment	(6.424)	(5.137)
- purchases of intangible assets	(8.264)	(2.365)
Net cash flows generated/absorbed by investing activities B (+/-)	**(14.688)**	**(7.440)**
C. FINANCING ACTIVITIES		
- issues/buyback of treasury shares	-	(19.300)
- distribution of dividends and other	(20.834)	(49.734)
- sale/purchase of minority control	-	(12.922)
Net cash flows generated/absorbed by financing activities C (+/-)	**(20.834)**	**(81.956)**
NET CASH GENERATED/USED DURING THE PERIOD D=A+/-B+/-C	**78.294**	**(70.308)**

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Reconciliation of consolidated cash flow statement

ITEMS (in thousands of Euro)	30.06.2023	30.06.2022
OPENING CASH AND CASH EQUIVALENTS E	603.134	355.381
TOTAL NET CASH GENERATED/USED DURING THE PERIOD D	78.294	(70.308)
CASH AND CASH EQUIVALENTS: EFFECT OF CHANGES IN EXCHANGE RATES F	-	-
CLOSING CASH AND CASH EQUIVALENTS G=E+/-D+/-F	681.428	285.073

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Notes

Consolidated Half-Year Financial Report

at 30 June 2023

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Accounting policies

Statement of compliance with IFRS

These Condensed consolidated half-year financial statements of the Banca Ifis Group at 30 June 2023 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 Union in accordance with the provisions in article 6 of European 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 Group's Interim Directors' Report on the Group and Notes provide the information required by international accounting standards and laws, as well as other information that is not mandatory but deemed equally necessary to give a true and fair view of the Group's position, with specific reference to ESMA publications and applicable Consob warnings. In particular, reference was made to the Consob release of 18 March 2022, which draws the attention of supervised issuers to the impact of the war in Ukraine on inside information and financial reporting, and to Consob's Attention Note 3/22 of 19 May 2022, which incorporates the content of ESMA's Public Statement of 13 May 2022 concerning the effects of Russia's invasion of Ukraine on half-yearly financial statements prepared in accordance with IAS 34.

The Condensed consolidated half-year financial statements included in the consolidated half-year financial report are audited only to a limited extent by PricewaterhouseCoopers S.p.A.

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);
- specific 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.

For the preparation of these Condensed consolidated half-year financial statements, reference was made to the format set out by Bank of Italy's Circular no. 262 of 22 December 2005, 8th update of 17 November 2022.

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 Condensed consolidated half-year financial statements at 30 June 2023 have remained substantively unchanged from those adopted for the preparation of the 2022 financial statements of the Banca Ifis Group, with the exception of the criteria for accounting for hedge accounting implemented by the Banca Ifis Group for the first time in the first half of 2023, illustrated in the following paragraph "Hedging transactions".

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 the first half of 2023, but have not impacted the Condensed consolidated half-year financial statements of the Group. Please refer to section "Other Aspects" for a complete presentation.

Hedge accounting

Classification criteria

With reference to hedging, the Banca Ifis Group has chosen to adopt the provisions of IFRS 9 for first-time application and not to avail itself of the option, provided by the same standard, to apply the hedge accounting rules dictated by IAS 39, in the version endorsed by the European Commission (the "carved out" version), with the exception of the specific cases provided for in IFRS 9 (par. 6.1.3) and not governed by the same standard.

Risk hedging transactions are intended to neutralise, from an accounting point of view, potential recognisable losses on a particular financial instrument or group of financial instruments, attributable to a particular risk, by means of recognisable gains on a different financial instrument or group of financial instruments should that particular risk actually arise.

Only instruments involving a counterparty outside the Group can be designated as hedging instruments.

The only type of hedge used by the Group as at 30 June 2023 is the specific fair value hedge ("micro" fair value hedge), which is intended to hedge the exposure to changes in the fair value of a balance sheet asset or liability attributable to a particular risk and, in particular, from changes in interest rates.

A derivative instrument may be considered to be a hedging instrument if there is formalised documentation of the unique relationship to the hedged item and if it is effective at the time the hedge commences and, prospectively, over the life of the hedge.

At the start of the hedging relationship there must be a formal designation and documentation of the hedging relationship, the company's risk management objectives, and the hedging strategy. This documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how to assess the effectiveness of the hedging instrument in offsetting the exposure to changes in the fair value of the hedged item.

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Recognition criteria

Derivative hedging instruments are recognised at fair value, on the date the relevant contracts are entered into, and are classified as assets under item "50. Hedging derivatives" or on the liabilities side of the balance sheet under item "40. Hedging derivatives" depending on whether the value is positive or negative.

Measurement criteria

After initial recognition, hedging derivatives continue to be measured at fair value. Specifically, in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is recognised through the recognition in the income statement of changes in value, referring both to the hedged item (as regards changes produced by the underlying risk factor) and to the hedging instrument. Any difference, representing the partial ineffectiveness of the hedge, consequently constitutes the net economic effect.

The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged instrument are offset by those of the hedging instrument. Therefore, effectiveness is appreciated by comparing the above-mentioned variations, taking into account the intent pursued at the time the hedge was implemented. Effectiveness occurs when changes in the fair value of the hedging financial instrument almost entirely neutralise changes in the hedged instrument for the hedged risk element.

Effectiveness is assessed at each balance sheet or interim reporting date using prospective tests, which justify the application of hedge accounting by demonstrating the expected effectiveness based on limits defined internally by the Group.

If the tests do not confirm the effectiveness of the hedge, hedge accounting is discontinued, the hedging derivative contract is reclassified as a trading instrument and the hedged financial instrument regains the valuation criterion corresponding to its balance sheet classification. If the hedged asset or liability is measured at amortised cost, the higher or lower value resulting from the measurement of the hedged asset or liability at fair value due to the hedge becoming ineffective is recognised in the income statement using the effective interest rate method.

In addition, the accounting for outstanding fair value hedges ceases prospectively in the following cases:

- the hedging instrument matures, is terminated or exercised;
- the hedged item is sold, expires or is refunded
- the decision is made to revoke the designation.

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.

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 deriving from the current macroeconomic context, also in consideration of the current situation relating to the 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 2023 are prepared in accordance with this assumption. For more details on the analyses conducted with reference to the Russia-Ukraine conflict, please refer to the specific section of the Group's Interim Report on Operations entitled "Information on the Russia-Ukraine conflict".

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.

Consolidation scope and methods

The Consolidated Half-Year Financial Report of the Banca Ifis Group has been drawn up on the basis of the accounts at 30 June 2023 prepared by the directors of the companies included in the consolidation scope on the basis of homogeneous accounting standards.

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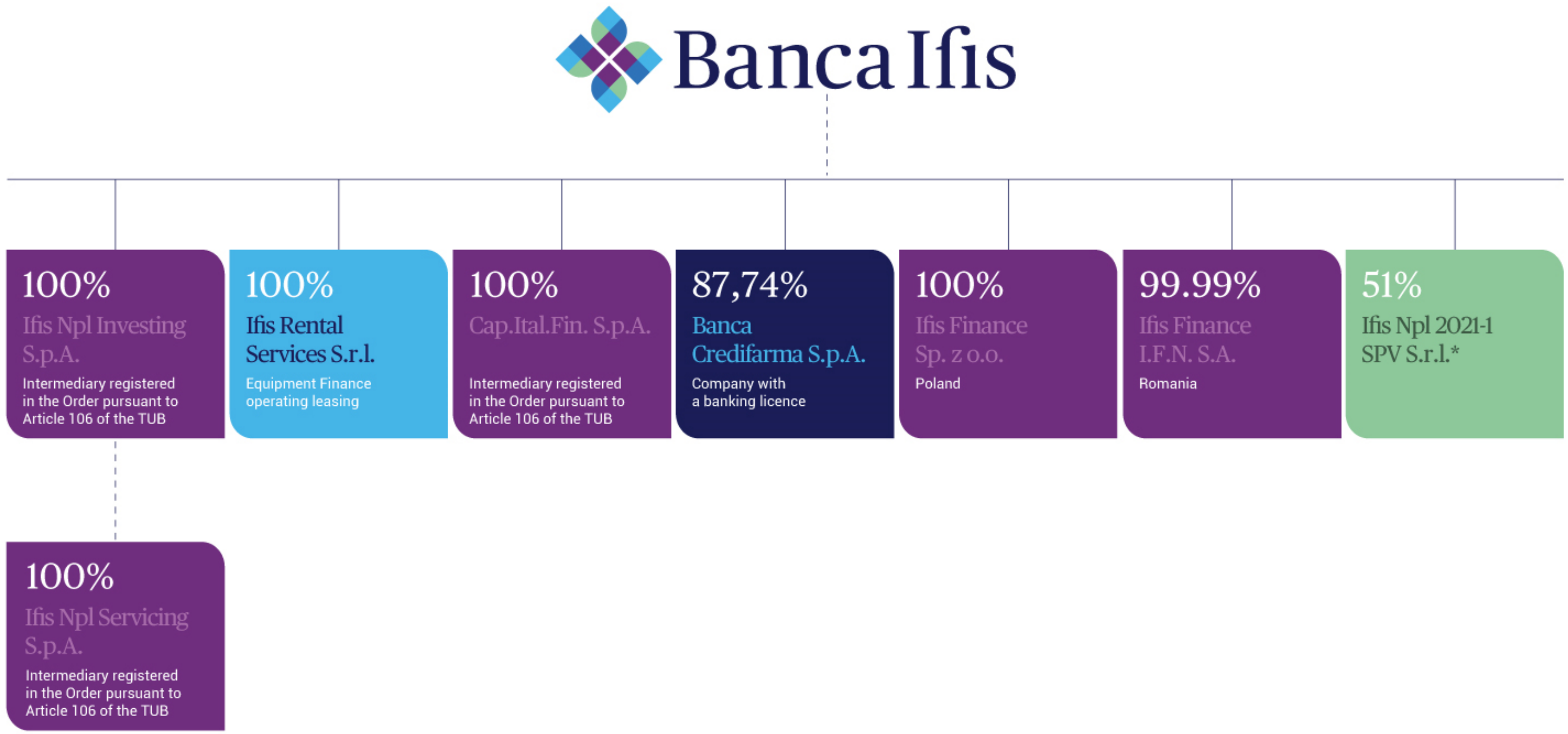

- COMPANY WITH BANKING LICENCE
- FINANCIAL COMPANY
- COMPANY NOT BELONGING TO THE BANKING GROUP
- SECURITIZATION VEHICLE

*SPV set up in accordance with Law no. 130 of 1999 for the purposes of securing a loan

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

With regard to controlled companies, classed as such on the basis of that explained below and included in the scope of consolidation as at 30 June 2023, there were no changes compared to the situation at the end of 2022.

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. 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.

Equity investments in exclusively controlled companies

COMPANY NAME	HEAD OFFICE	REGISTE-RED OFFICE	TYPE (1)	INVESTMENT		VOTING RIGHTS % (2)
				PARTICIPATING PARTICIPANT	SHARE %	
Ifis Finance Sp. z o.o.	Warsaw	Warsaw	1	Banca Ifis S.p.A.	100%	100%
Ifis Rental Services S.r.l.	Milan	Milan	1	Banca Ifis S.p.A.	100%	100%
Ifis Npl Investing S.p.A.	Florence, Milan and Mestre (Province of Venice)	Mestre (Province of Venice)	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 (Province of Venice)	Mestre (Province of Venice)	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.	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%

Key
(1) Type of relationship:
1 = majority of voting rights in the Annual Shareholders' Meeting
2 = dominant influence in the Annual Shareholders' Meeting
3 = agreements with other shareholders
4 = other forms of control
5 = joint management pursuant to Article 26, paragraph 1, Italian Legislative Decree no. 87/92
6 = joint management pursuant to Article 26, paragraph 2, Italian Legislative Decree no. 87/92
(2) Voting rights in the Annual Shareholders' Meeting, distinguishing between effective and potential voting rights

Significant judgements and assumptions in determining the scope of consolidation

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

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

- power over the investee;
- exposure to variable returns;

- and the ability to affect the amount of its returns.

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

Control of structured entities, i.e. entities for which voting rights are not considered relevant to establish control, is deemed to exist where the Group has contractual rights to manage the relevant assets of the entity and is exposed to the variable returns of those assets.

On this basis, the structured entities that required consolidation for the purposes of the condensed consolidated half-year financial statements as at 30 June 2023 are represented by certain vehicle companies of securitisation transactions originated by Group companies. For such vehicles, the elements considered relevant to the identification of control and the resulting consolidation are the purpose of such companies, their exposure to the results of the operation, their ability to structure operations and direct relevant activities and make critical decisions by means of servicing agreements as well as their ability to arrange for their liquidation.

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 (in this regard, see the image at the start of the section entitled "Scope and methods of consolidation", where such SPVs are not included).

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 considered as "equity transactions" in accordance with paragraph 23 of IFRS 10 and are therefore recognised directly 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 recognised on the basis of the accounting rules prescribed by the applicable standard (e.g. IAS 28, in the case of residual significant influence, or IFRS 9).

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 reference 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 goodwill of 38,0 million Euro recognised under "intangible assets" for the consolidation of the former Fbs Group, which was acquired during 2019.

At 31 December 2022, this goodwill was subjected to the annual impairment test, from which no need for impairment emerged. For more details, we would refer you to the more extensive information given in "Part B - Information on the Consolidated Statement of Financial Position, Assets", "Section 10 - Intangible assets - Item 100", paragraph "10.3 Other information" of the Consolidated Financial Statements as at 31 December 2022.

With reference to the valuation as at 30 June 2023 concerning the presence of any trigger events, which would call for impairment testing, the analysis did not reveal any such trigger events.

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) for the period from continuing operations	Profit (loss) from current operations after tax	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.	757.039	27.975	703.147	432	587.630	109.308	13.745	16.141	(6.199)	11.837	7.908	-	7.908	-	7.908

Subsequent events

No events occurred between the end of the reporting period and the preparation of these Condensed consolidated half-year financial statements such as to impact the equity and economic position at 30 June 2023.

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 “Significant subsequent events” of the Interim Directors' report on the Group.

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 great uncertainty surrounding the international macroeconomic context.

Specifically, it made estimates concerning the carrying amounts of some items recognised in the Consolidated Half-Year Financial Report at 30 June 2023, as per the international accounting standards. These processes were carried out on a going concern basis and support the carrying values as at 30 June 2023.

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 linked to the National Health System (NHS), and specifically the interest on arrears considered recoverable;
- measurement of the Expected Credit Loss for receivables other than the Npl Segment and for debt securities;
- provisions for risks and charges;
- estimated impairment of goodwill and other intangible assets;
- deferred tax assets (DTAs).

For the types of assets listed above, the principal issues regarding risks and uncertainties associated with estimates are discussed in the following paragraphs.

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 - Main items of the financial statements" of the Consolidated financial statements at 31 December 2022.

Npl Segment exposures

Concerning specifically the measurement of the receivables in the Npl Segment, the Risk Management, when assessing the Group'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.

With reference to the legal positions in Legal Factory, starting from FY 2022, the regulatory change referred to in Article 21-bis of Law no. 142 of 21 September 2022, which regulates the limit of attachability of amounts received by way of pensions, was implemented in the "LF Pre Garnishment Order model" and in the "Garnishment Order model". The new regulations came into force on 22 September 2022 and indicate that, for amounts received by way of pensions only, the limit of forfeitability increases from approximately 702 Euro to 1.000 Euro. This regulatory change impacted on the attachable amount of positions only where the only source of income attachable by third-party garnishment is a pension; there was no impact for positions relating to persons attachable on the basis of sums received by way of salary.

Reference should be made to the details given in Part E - "Information on risks and related hedging policies" of the Consolidated financial statements at 31 December 2022.

Receivables linked to the National Health System (NHS) and specifically the interest on arrears considered recoverable

With reference to receivables acquired from the National Health Service (NHS), the Group uses a proprietary cash flow estimation model that includes the estimate of interest on arrears deemed recoverable, based on the Group's historical evidence and differentiated according to the type of recovery action taken (settlement or judicial). 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 and for debt securities

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 slow to economic growth.

In particular, during 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, some prudential adjustments were introduced to take into account the current macroeconomic environment, which continues to be characterised by significant uncertainty. Risks to growth relate in particular to the evolution of the conflict in Ukraine and core inflation, which remains high and could prolong the ongoing monetary tightening in the major advanced economies. Prudential adjustments to cover this uncertainty viewed as a whole, were therefore re-evaluated during FY 2022 and in the first half of 2023.

With regard to Forward Looking information, the macroeconomic scenarios incorporated in the risk parameter estimates factor in the EBA projections published at the time of the stress test exercise scheduled for 2023. These scenarios ensure a good coverage of the information reflecting the above-mentioned aspects in a prudent manner.

Finally, 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, also in the Commercial & Corporate Banking Segment.

Reference should be made to the information given in paragraph “A.2 - Main items of the financial statements” of the Consolidated financial statements at 31 December 2022.

Provisions for risks and charges

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

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

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

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

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

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

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

Estimated impairment of goodwill and other intangible assets

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

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

In particular, the fair values are determined on the basis of the methodology considered to be most appropriate for each class of asset and liability acquired (for example, for the loan portfolio, the discounted cash flow - DCF - 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. IAS 36 also requires, moreover, at each balance sheet date, including, therefore, the interim closures, 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. 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).

On the other hand, with reference to the valuation as at 30 June 2023 concerning the presence of any trigger events, which would call for impairment testing, the analysis did not reveal any such trigger events.

We would refer you to the more detailed information given in "Part B - Information on the Consolidated Statement of Financial Position, Assets", "Section 10 - Intangible assets - Item 100", paragraph "10.3 Other information" of the Consolidated financial statements at 31 December 2022.

Deferred tax assets (DTAs)

In accordance with IAS 12, referred to in the "Group Impairment Policy", a deferred tax asset for unused tax losses and tax credits carried forward should be recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses and tax credits can be utilised. Specifically, also for the assessment of the recoverability of DTAs, the Group must assess, from time to time in relation to negative trends in the income statement:

- whether it has sufficient taxable temporary differences, with respect to the same tax jurisdiction and the same taxpayer, that will result in taxable amounts against which unused tax losses or tax credits can be utilised before they expire;
- whether it is likely to have taxable income before the expiry of unused tax losses or tax credits;
- whether the unused tax losses result from identifiable causes that are unlikely to recur; and
- whether the Group has tax planning whereby taxable income will be available in the period in which unused tax losses or tax credits can be utilised.

With reference to the recoverability of deferred tax assets recognised as at 30 June 2023 other than those transformable pursuant to Law 2014/2011, based on future taxable income inferable from the Group's 2022-2024 Business Plan to be deemed confirmed in light of the results as at 30 June 2023, no elements have emerged that could lead to deeming the DTAs in question, amounting to a total of 39,8 million Euro as at 30 June 2023, to be non-recoverable. Accordingly, the assessment of the recoverability of the aforementioned DTAs, albeit over a medium- to long-term time horizon, made when preparing the Financial Statements for the year ended 31 December 2022, is confirmed. Specifically, out of the overall total of 240,7 million Euro, the 156,5 million Euro portion attributable to Law 214/2011 (equal to 65% of the total DTA) will be reversed by 2026 due to express regulatory provision. The portion referring to prior tax losses and ACE surpluses, totalling 39,8 million Euro (or 16,5% of the total DTA) will be fully recovered from 2027 to 2032 (of which approximately 30 million Euro by 2028). The remaining 44,4 million Euro refers mainly to financial assets measured at fair value with an impact on other comprehensive income (FVOCI) and is therefore related to the performance of the related reserve. The uncertainty is also confirmed regarding the recoverability of the DTAs relating to the subsidiary Cap.Ital.Fin. realised mainly before the entry into the tax consolidation, which therefore, out of prudence, have not been recorded for a total of 2,4 million Euro.

Coming into effect of new accounting standards

Standards issued, effective and applicable to these Condensed consolidated half-year financial statements

The Condensed consolidated half-year financial statements at 30 June 2023 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 "Statement of compliance with international accounting standards".

The accounting standards used in preparing these Condensed consolidated half-year financial statements at 30 June 2023 , 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 2022, to which reference should be made, with the exception of the application of IFRS 9 in the area of hedge accounting (implemented for the Banca Ifis Group for the first time in the first half of 2023), for which reference should be made to the paragraph "Hedging transactions" reported in the section "Basis of preparation" above.

The Group has also adopted for the first time some accounting standards and amendments effective for years beginning on or after 1 January 2023. Below are the new accounting standards and the amendments to existing accounting standards endorsed by the EU, which have not materially affected the equity and economic position reported in the Group's Condensed consolidated half-year financial statements at 30 June 2023:

- "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";
- "Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies";
- "Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates";
- "IFRS 17 Insurance Contracts, including Amendments to IFRS 17".

With specific reference to IFRS 17, it should be noted that this standard is not applicable to the Banca Ifis Group's perimeter as the Group does not hold insurance contracts.

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

Standards issued but not yet approved and 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 expect any significant impact deriving from the adoption of the following interpretations and amendments of existing international accounting standards to be material:

- "Amendments to IFRS 16 Lease Liability in a Sale and Leaseback" (from 1 January 2024);
- "Amendments to IAS 1 Non-current Liabilities with Covenants" (from 1 January 2024).

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 2023 was submitted to the approval of the Parent company's Board of Directors on 3 August 2023.

Disclosure of transfers of financial assets between portfolios

No transfers of financial assets between portfolios were made in the first half of 2023.

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 (see IFRS 13, paragraph 93, letter a). The fair value measurement is categorised in its entirety in the same Level of the fair value hierarchy as the lowest Level input.

The choice among the valuation techniques is not optional, 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, entities may make valuation adjustments but always 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 (r_f) for similar maturities, the Cost of Funding (COF), the counterparty's credit risk, and the capital absorption cost.

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

With specific reference to the valuation of UCITS units, the approach used on the basis of the methods presented above for the valuation is the Net Asset Value (NAV) determined by the Management Company. At each reporting date, it is checked whether, in determining the NAV, the fund's assets have been measured at fair value. A discount is applied to the NAV determined in this way using a structured rate as described above.

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

The increase in interest rates, which occurred during the period, had a significant impact on the fair value of derivatives. However, with reference to the measurement of counterparty risk (Credit Value Adjustment and Debit Value Adjustment), as of 30 June 2023, the impact on the balance sheet values of derivatives with mark-to-market, both positive and negative, is substantially nil as almost all derivative financial instruments are securitised through Credit Support Agreements (CSA). The balance as at 30 June 2023 of derivatives, for which there is no counterparty risk mitigation (CSA) element, was not significant and amounted to 161 thousand Euro.

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 impaired, other than those of the Npl Segment, the ones with a residual life less than one year, and unsecured loans are excluded from the measurement, as, for these, the Group believes that their amortised cost can be used as an approximation of fair value.

For impaired loans (non-performing loans, probable defaults, past due), the fair value is conventionally assumed to be equal to the net carrying amount and is shown in Level 3. In this regard, it should be noted that, in the recent past, significant transactions of assignments of impaired loans have been observed on the Italian market, with prices that have discounted the specific characteristics of the portfolios sold and the different yields demanded by the buyers. The fair value determined on the basis of the aforementioned transactions would therefore be characterised by a high dispersion of values, such that the identification of a reference value would not be objective.

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 above-specified DCF Model, i.e. the discounting of expected future cash flows at a risk-free rate (r_f) 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 specified DCF Model is used to calculate fair value. In this case, the expected net cash flows are discounted at a market rate. 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, consisting of tax credits requested for rebate and entered under “financial assets measured at amortised cost” referring to the Factoring Area, the Group 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.

With regard to debt security exposures measured at Level 3 fair value, amounting to approximately 49,9 million Euro at 30 June 2023, the effects of potential changes in the parameters used are deemed not significant.

For equity securities and units of UCITSs, it is generally not possible to perform any quantitative sensitivity analysis of fair value to changes in unobservable inputs, as either the fair value is derived from third-party sources, or it is the result of a model whose inputs are specific to the entity being valued (e.g. company assets) and for which the information necessary for a sensitivity analysis is not available.

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, the entity shall use valuation techniques incorporating unobservable inputs.

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)	30.06.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	7.113	25.262	160.762	32.399	25.598	164.091
a) financial assets held for trading	*1*	*25.262*	*-*	*1.270*	*25.598*	*-*
b) financial assets designated at fair value	*-*	*-*	*-*	*-*	*-*	*-*
c) other financial assets mandatorily measured at fair value	*7.112*	*-*	*160.762*	*31.129*	*-*	*164.091*
2. Financial assets measured at fair value through other comprehensive income	705.662	-	68.013	631.016	-	66.595
3. Hedging derivatives	-	323	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**712.775**	**25.585**	**228.775**	**663.415**	**25.598**	**230.686**
1. Financial liabilities held for trading	-	25.954	-	-	25.982	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	12	-	-	-	-
Total	**-**	**25.966**	**-**	**-**	**25.982**	**-**

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 2023, the impact of applying the Credit Value Adjustment to the book values of derivatives with a positive mark-to-market is essentially nil; as for the instruments with a negative mark-to-market, there is no impact resulting from the application of the Debit Value Adjustment to the book values of the derivatives.

With regard to hedging derivatives, all instruments are securitised through CSAs.

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)	30.06.2023				31.12.2022			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	10.744.722	2.354.202	-	8.344.458	10.752.694	2.121.051	-	8.610.143
2. Property, plant and equipment held for investment purpose	423	-	-	423	423	-	-	423
3. Non-current assets and disposal groups	813	-	-	813	-	-	-	-
Total	**10.745.958**	**2.354.202**	**-**	**8.345.694**	**10.753.117**	**2.121.051**	**-**	**8.610.566**
1. Financial liabilities measured at amortised cost	11.141.882	997.331	109.120	10.416.399	11.130.698	1.002.626	64.192	10.410.567
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**11.141.882**	**997.331**	**109.120**	**10.416.399**	**11.130.698**	**1.002.626**	**64.192**	**10.410.567**

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.

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 2023, there were no transactions attributable to this case.

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Group financials and income results

Statement of financial positions items

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2023	31.12.2022	ABSOLUTE	%
Cash and cash equivalents	681.428	603.134	78.294	13,0%
Financial assets mandatorily measured at fair value through profit or loss	167.874	195.220	(27.346)	(14,0)%
Financial assets measured at fair value through other comprehensive income	773.675	697.611	76.064	10,9%
Receivables due from banks measured at amortised cost	630.277	565.762	64.515	11,4%
Receivables due from customers measured at amortised cost	10.114.445	10.186.932	(72.487)	(0,7)%
Property, plant and equipment and intangible assets	196.974	190.605	6.369	3,3%
Tax assets	292.251	325.181	(32.930)	(10,1)%
Other assets	495.172	497.932	(2.760)	(0,6)%
Total assets	**13.352.096**	**13.262.377**	**89.719**	**0,7%**
Payables due to banks	3.079.322	3.422.160	(342.838)	(10,0)%
Payables due to customers	5.460.902	5.103.343	357.559	7,0%
Debt securities issued	2.601.658	2.605.195	(3.537)	(0,1)%
Tax liabilities	42.584	52.298	(9.714)	(18,6)%
Provisions for risks and charges	52.198	56.225	(4.027)	(7,2)%
Other liabilities	440.444	425.375	15.069	3,5%
Consolidated equity	1.674.988	1.597.781	77.207	4,8%
Total liabilities and equity	**13.352.096**	**13.262.377**	**89.719**	**0,7%**

Cash and cash equivalents

Cash and cash equivalents include bank current accounts on demand and as at 30 June 2023 amount to 681,4 million Euro, up from 603,1 million Euro at the end of 2022 mainly due to the growth in overnight deposits held by the Parent company Banca Ifis.

Financial assets mandatorily measured at fair value through profit or loss

Financial assets mandatorily measured at fair value through profit or loss total 167,9 million Euro at 30 June 2023. This item consists of loans and debt securities that did not pass the SPPI test, equity securities from minority shares and UCITS 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	
	30.06.2023	31.12.2022	ABSOLUTE	%
Debt securities	39.808	72.844	(33.036)	(45,4)%
Equity securities	42.252	34.979	7.273	20,8%
UCITS units	68.598	70.209	(1.611)	(2,3)%
Loans	17.217	17.188	29	0,2%
Total	**167.874**	**195.220**	**(27.346)**	**(14,0)%**

In detail, the reduction of 14,0% compared to 31 December 2022 can be broken down as follows:

- The decrease in debt securities of 33,0 million Euro is mainly related to the normal amortisation of securities and receipts for disposals in the period:
- the 7,3 million Euro increase in equity securities is mainly due to the subscription of new securities (4,6 million Euro) and fair value changes in the period (2,7 million Euro);
- Substantial stability in the first half of 2023 of the balance of UCITS units and loans.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income amount to 773,7 million Euro at 30 June 2023, up 10,9% from December 2022. They include debt securities characterised by a Held to Collect & Sell (HTC&S) 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	
	30.06.2023	31.12.2022	ABSOLUTE	%
Debt securities	654.500	589.638	64.862	11,0%
of which government securities	*470.552*	*400.266*	*70.287*	*17,6%*
Equity securities	119.175	107.973	11.202	10,4%
Total	**773.675**	**697.611**	**76.064**	**10,9%**

The growth in debt securities owned is due to the combined effect of new subscriptions with both bank issuers (+46,9 million Euro) and non-financial issuers (+80,7 million Euro, of which +73,9 million Euro in government bonds), and the positive write-back in the first six months of 2023 following the changed market scenario (+9,4 million Euro, mainly concentrated on the government bonds portfolio). This change more than offset the decrease related to normal collections and disposals. The related associated net negative fair value reserve amounts to 29,5 million Euro at 30 June 2023, of which 26,2 million Euro associated with Government securities.

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

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Issuer/Maturity	1 year	2 years	3 years	5 years	Over 5 years	Total
Government securities	237.134	-	30.744	39.525	163.149	**470.552**
% of total	*36,2%*	*0,0%*	*4,7%*	*6,0%*	*24,9%*	***71,9%***
Banks	6.570	18.150	21.273	41.551	20.388	**107.932**
% of total	*1,0%*	*2,8%*	*3,3%*	*6,3%*	*3,1%*	***16,5%***
Other issuers	5.230	16.222	29.014	25.550	-	**76.016**
% of total	*0,8%*	*2,5%*	*4,4%*	*3,9%*	*0,0%*	***11,6%***
Total	**248.934**	**34.372**	**81.031**	**106.626**	**183.537**	**654.500**
% of total	***38,0%***	***5,3%***	***12,4%***	***16,3%***	***28,0%***	***100,0%***

This item also includes equity securities attributable to non-controlling interests, which amount to 119,2 million Euro at the end of June 2023, up 10,4% compared to 31 December 2022, mainly due to investments made in the first half of 2023 (+29,9 million Euro, of which 21,6 million Euro on foreign equity investments), the impact of which more than offset that of the disposals realised in the period (-15,8 million Euro). The net fair value reserve associated with this portfolio at 30 June 2023 shows a negative value of 16,6 million Euro, slightly worse than the negative figure posted at the end of 2022 of 14,8 million Euro.

Receivables due from banks measured at amortised cost

Total receivables due from banks measured at amortised cost amount to 630,3 million Euro at 30 June 2023, up on the figure booked at 31 December 2022 (565,8 million Euro).

In addition to loans to central banks, which constitute the funding maintained in order to ensure the orderly conduct of business, the item includes:

- repurchase agreements (repos) with banking counterparties, which are new for the first half of 2023 and show a balance of 22,8 million Euro;
- bank issuer debt securities to which a “Held to Collect (HTC)” business model is associated and which have passed the SPPI Test: these securities at 30 June 2023 have a carrying amount of 570,2 million Euro, an increase compared to the value of 526,2 million Euro at the end of 2022, mainly as a result of new investments made during the period on Italian (+29,8 million Euro) and foreign (+14,8 million Euro) bank bonds.

Receivables due from customers measured at amortised cost

Total receivables due from customers measured at amortised cost amount to 10.114,4 million Euro, a reduction on 31 December 2022 (10.186,9 million Euro). The item includes debt securities in the amount of 2,1 billion Euro (an increase on the figure for year-end 2022 of 1,9 billion Euro, +6,3%), of which 1,7 billion Euro related to government bonds. The Commercial & Corporate Banking Segment records a slight slowdown (-2,0%) concentrated in the Factoring Area (-7,2%), which suffers seasonality, against the substantial stability of the Leasing Area and Corporate Banking & Lending Area. The Governance & Services and Non-Core Segment increases by 102,5 million Euro (mainly as a result of the aforementioned increase in the debt securities portfolio in the first half of 2023), while loans in the Npl Segment decrease slightly compared to 31 December 2022 (-2,9%).

RECEIVABLES DUE FROM CUSTOMERS BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2023	31.12.2022	ABSOLUTE	%
Commercial & Corporate Banking Segment	6.383.517	6.514.989	(131.473)	(2,0)%
- of which non-performing	*231.598*	*251.024*	*(19.426)*	*(7,7)%*
Factoring Area	2.557.997	2.755.592	(197.595)	(7,2)%
- of which non-performing	*163.393*	*181.094*	*(17.701)*	*(9,8)%*
Leasing Area	1.498.735	1.472.177	26.558	1,8%
- of which non-performing	*12.181*	*14.112*	*(1.931)*	*(13,7)%*
Corporate Banking & Lending Area	2.326.784	2.287.221	39.563	1,7%
- of which non-performing	*56.024*	*55.818*	*206*	*0,4%*
Npl Segment	1.476.332	1.519.864	(43.532)	(2,9)%
- of which non-performing	*1.450.908*	*1.488.155*	*(37.247)*	*(2,5)%*
Governance & Services and Non-Core Segment(1)	2.254.596	2.152.078	102.518	4,8%
- of which non-performing	*37.843*	*34.083*	*3.760*	*11,0%*
Total receivables due from customers	**10.114.445**	**10.186.932**	**(72.487)**	**(0,7)%**
- of which non-performing	***1.720.349***	***1.773.261***	***(52.912)***	***(3,0)%***

(1) In the Governance & Services and Non-Core Segment, at 30 June 2023, there are government securities amounting to 1.678,4 million Euro (1.541,5 million Euro at 31 December 2022).

Total net non-performing exposures, which are significantly affected by the receivables of the Npl Segment, amount to 1.720,3 million Euro at 30 June 2023, compared to 1.773,3 million Euro at 31 December 2022 (-3,0%).

Net of this item relative to the Npl Segment, net non-performing loans come to 269,4 million Euro, a reduction on the 285,1 million Euro recorded at 31 December 2022, mainly due to the contribution made by the Factoring Area.

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 measured at amortised cost.

KPI	AMOUNTS		CHANGE
	30.06.2023	31.12.2022	%
Net Npe ratio	3,87%	3,99%	(0,12)%
Gross Npe ratio	5,89%	5,91%	(0,02)%

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

Intangible assets and property, plant and equipment

Intangible assets come to 68,6 million Euro, up 6,8% from 64,3 million Euro at 31 December 2022.

This item refers to software in the amount of 30,6 million Euro (up from the balance of 26,2 million Euro at 31 December 2022 as a result of investments made during the period) and 38,0 million Euro in goodwill following the acquisition of the former Fbs Group. As regards the Group's assessments on the impairment testing of such goodwill, please note that the results of this test performed at 31 December 2022 have supported the likelihood of recovery. For more details, we would refer you to the more extensive information given in "Part B - Information on the Consolidated Statement of Financial Position, Assets", "Section 10 - Intangible assets - Item 100", paragraph "10.3 Other information" of the Consolidated financial statements at 31 December 2022.

On the other hand, with reference to the valuation as at 30 June 2023 concerning the presence of any trigger events, which would call for impairment testing, the analysis did not reveal any such trigger events.

Property, plant and equipment comes to 128,4 million Euro, as compared with the 126,3 million Euro booked at 31 December 2022, up 1,6%.

At the end of June 2023, the properties recognised under property, plant and equipment included the important historical building "Villa Marocco", located in Mestre – Venice and housing Banca Ifis's registered office. Since Villa Marocco is a luxury property, it is not depreciated, but it is tested for impairment at least annually. To this end, they are appraised by experts specialising in luxury properties. During the period, there were no indications requiring to test the assets for impairment.

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.

Tax assets total 292,3 million Euro, down 32,9 million Euro on 31 December 2022, when they were 325,2 million Euro.

Current tax assets amount to 51,5 million Euro, down 9,4 million Euro from the figure at 31 December 2022 due to the settlement of taxes for the previous year.

Deferred tax assets amount to 240,7 million Euro compared to the figure of 264,3 million Euro at 31 December 2022 and consist mainly of 156,5 million Euro of assets recognised for impairment losses on receivables due from customers, potentially convertible into tax credits in accordance with Italian Law no. 214/2011 (balance reducing as a result of the releases envisaged for 2023), 39,8 million Euro of assets recognised for prior tax losses and ACE benefit (39,5 million Euro at 31 December 2022) and 44,4 million Euro (52,5 million Euro at 31 December 2022) in tax misalignments mainly relating to financial assets measured at fair value through other comprehensive income (FVOCI).

With reference to the recoverability of deferred tax assets recognised as at 30 June 2023 other than those transformable pursuant to Law 2014/2011, based on future taxable income inferable from the Group's 2022-2024 Business Plan to be deemed confirmed in light of the results as at 30 June 2023, no elements have emerged that could lead to deeming the DTAs in question, amounting to a total of 39,8 million Euro as at 30 June 2023, to be non-recoverable. Accordingly, the assessment of the recoverability of the aforementioned DTAs, albeit over a medium- to long-term time horizon, made when preparing the Financial Statements for the year ended 31 December 2022, is confirmed. Specifically, out of the overall total of 240,7 million Euro, the 156,5 million Euro portion attributable to Law 214/2011 (equal to 65% of the total DTA) will be reversed by 2026 due to express regulatory provision. The portion referring to prior tax losses and ACE surpluses, totalling 39,8 million Euro (or 16,5% of the total DTA) will be fully recovered from 2027 to 2032 (of which approximately 30 million Euro by 2028). The remaining 44,4 million Euro refers mainly to financial assets measured at fair value with an impact on other comprehensive income (FVOCI) and is therefore related to the performance of the related reserve. The uncertainty is also confirmed regarding the recoverability of the DTAs relating to the subsidiary Cap.Ital.Fin. realised mainly before the entry into the tax consolidation, which therefore, out of prudence, have not been recorded for a total of 2,4 million Euro.

Tax liabilities amount to 42,6 million Euro and are made up as follows:

- current tax liabilities of 12,5 million Euro (22,0 million Euro as at 31 December 2022) representing the tax burden accrued during the half-year;

- deferred tax liabilities, amounting to 30,1 million Euro, in line with the previous year's balance, mainly include 26,0 million Euro on receivables recognised for interest on arrears that will be taxed upon collection, 0,3 million Euro on property revaluations and 2,8 million Euro on misalignments of trade receivables.

Tax assets are included in the calculation of "capital requirements for credit risk" in accordance with (EU) Regulation no. 575/2013 (CRR) as subsequently updated, 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 2023:

- the "deferred tax assets that rely on future profitability and do not arise from temporary differences" are subject to deduction from CET1; at 30 June 2023, the deduction is 39,8 million Euro. It should also be noted that the amount of DTA deducted from CET1, as provided for by Art. 38 par. 5 pursuant to CRR, is offset for an amount of 10 million Euro by the corresponding deferred tax liabilities. This deduction will be gradually absorbed by the future use 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 2023, these assets amount to 38 million Euro. The amount weighted according to a factor of 250%, as provided for in Art. 38 para. 5 ex CRR, is already shown net of the offsetting with the corresponding deferred tax liabilities in the amount of 20 million Euro;
- the "deferred tax assets pursuant to Italian Law no. 214/2011", concerning credit risk losses that can be converted into tax credits, receive a 100% risk weight; at 30 June 2023, the corresponding weight totals 156,5 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 2023 and deducted from equity at 100% result in an essentially zero impact in terms of CET1.

Other assets and liabilities

Other assets, of 495,2 million Euro as compared to a balance of 497,9 million Euro at 31 December 2022, mainly include:

- financial assets held for trading in the amount of 25,3 million Euro (down slightly from the figure of 26,9 million Euro as at 31 December 2022), entirely referring to transactions in derivatives (the value of which tended to be in line with 31 December 2022) substantially hedged by mirror positions recorded under financial liabilities held for trading. The figure at 31 December 2022 for this item included 1,3 million Euro of debt and equity securities belonging to the Group's trading portfolio, which were entirely sold in the first half of 2023;
- derivative hedging assets as part of the micro fair value hedging strategy on the interest rate risk associated with government bonds held by the Group, which show a positive fair value of 0,3 million Euro at 30 June 2023, compared to a zero balance at 31 December 2022 as this strategy was activated during the first half of 2023,
- non-current assets and groups of assets held for sale, the balance of which amounts to 0,8 million Euro at 30 June 2023 and refers to a building in Rome owned by the subsidiary Banca Credifarma that was

earmarked for sale (this item had a nil balance at 31 December 2022, as it was earmarked for sale in the first half of 2023);

- other assets for 468,8 million Euro (471,1 million Euro at 31 December 2022), of which 219,3 million Euro relate to tax credits for superbonuses and other construction tax bonuses (with a nominal amount of 248,7 million Euro) and 13,1 million Euro in receivables due from the La Scogliera tax consolidation (5,6 million Euro at 31 December 2022). It should be noted that the balance as at 31 December 2022 relating to the receivable from the tax consolidating company La Scogliera was entirely collected during the first half of 2023, and therefore the balance due from the tax consolidating company as at 30 June 2023 refers exclusively to advances paid in respect of 2023.

Other liabilities come to 440,4 million Euro as compared with 425,4 million Euro at 31 December 2022, and mainly consist of:

- trading derivatives for 26,0 million Euro, mainly referring to transactions hedged by opposite positions entered amongst financial assets held for trading;
- 7,6 million Euro liabilities for post-employment benefits (essentially in line with 31 December 2022);
- 406,9 million Euro for other liabilities (391,7 million Euro at 31 December 2022), largely referred to amounts due to customers that have not yet been credited, to operating payables for 105,3 million Euro and to payables due to the tax consolidating company La Scogliera for 14,2 million Euro (33,7 million Euro at 31 December 2022). In particular, it should be noted that the debt exposure as at 31 December 2022 towards La Scogliera, was entirely paid off during the first half of 2023 and, therefore, the balance towards the tax consolidating company as at 30 June 2023 refers exclusively to tax items pertaining to the half-year.

Funding

FUNDING (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2023	31.12.2022	ABSOLUTE	%
Payables due to banks	**3.079.322**	**3.422.160**	**(342.838)**	**(10,0)%**
- Payables due to Central banks	2.051.331	2.423.647	(372.316)	(15,4)%
of which: TLTRO	*2.051.331*	*2.023.162*	*28.169*	*1,4%*
of which: LTRO	-	*400.485*	*(400.485)*	*(100,0)%*
- Repurchase agreements	795.547	731.791	63.756	8,7%
- Other payables	232.444	266.722	(34.278)	(12,9)%
Payables due to customers	**5.460.902**	**5.103.343**	**357.559**	**7,0%**
- Repurchase agreements	305.549	50.003	255.546	n.s.
- Retail	4.278.024	4.159.855	118.169	2,8%
- Other term deposits	118.712	116.339	2.373	2,0%
- Lease payables	22.211	21.733	478	2,2%
- Other payables	736.406	755.413	(19.007)	(2,5)%
Debt securities issued	**2.601.658**	**2.605.195**	**(3.537)**	**(0,1)%**
Total funding	**11.141.882**	**11.130.698**	**11.184**	**0,1%**

Total funding amounts to 11,1 billion Euro at 30 June 2023 and is in line with the figure at 31 December 2022; it is represented for 49,0% by payables due to customers (45,8% at 31 December 2022), for 27,6% by payables due to banks (30,7% at 31 December 2022), and for 23,4% by debt securities issued (no change on 31 December 2022).

Payables due to banks come to 3,1 billion Euro, down 10,0% compared to the figure for end December 2022 mainly due to the onset maturity of short-term payables due to central banks (LTRO). As at 30 June 2023, the balance of payables due to banks was mainly represented by TLTRO transactions in the amount of about 2,0 billion Euro and repo transactions in the amount of 0,8 billion Euro. For the purposes of accounting for interest on TLTRO loans, actual data recorded up to the reference date are used.

Payables due to customers at 30 June 2023 total 5,5 billion Euro, up 7,0% compared to 31 December 2022. The growth is driven by both retail funding, which amounts to 4,3 billion Euro as at the end of June 2023 (+2,8%), and the repurchase agreement (repo) component, which grows by 255,5 million Euro compared to 31 December 2022.

Debt securities issued amount to 2,6 billion Euro at 30 June 2023 and consist of:

- securities issued by the SPV ABCP Programme for 1,1 billion Euro relating to the senior tranche;
- securities issued by the Emma SPV for 0,4 billion Euro relating to the senior tranche;
- bonds issued by Banca Ifis amounting to 1,1 billion Euro, of which 0,4 billion Euro related to subordinated loans. Compared to 31 December 2022, the following changes have occurred:
  - 300 million Euro related to the 4-year senior bond issued in January 2023 (for more details on the latter, please refer to the section “Significant events occurred in the period”);
  - 45 million Euro related to the second tranche issued in March 2023 and related to a senior bond with a duration of 4 years and a total nominal amount of 110 million Euro;
  - redemption of 300 million Euro of the senior bond issued in 2018 and maturing in April 2023.

Below is a representation of the Banca Ifis Group's retail funding:

RETAIL FUNDING (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2023	31.12.2022	ABSOLUTE	%
Short-term funding (within 18 months)	3.155.205	2.976.991	178.214	6,0%
of which: DEREGULATED	*557.157*	*728.224*	*(171.067)*	*(23,5)%*
of which: LIKE/ONE	*517.561*	*747.970*	*(230.409)*	*(30,8)%*
of which: RESTRICTED	*1.907.932*	*1.437.863*	*470.069*	*32,7%*
of which: GERMAN DEPOSIT	*172.555*	*62.934*	*109.621*	*174,2%*
Long-term funding (beyond 18 months)	1.122.819	1.182.864	(60.045)	(5,1)%
Total retail funding	**4.278.024**	**4.159.855**	**118.169**	**2,8%**

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2023	31.12.2022	ABSOLUTE	%
Provisions for credit risk related to commitments and financial guarantees granted	7.114	9.364	(2.250)	(24,0)%
Legal and tax disputes	35.562	37.543	(1.981)	(5,3)%
Personnel expenses	3.013	2.800	213	7,6%
Other provisions	6.509	6.518	(9)	(0,1)%
Total provisions for risks and charges	**52.198**	**56.225**	**(4.027)**	**(7,2)%**

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Below is the breakdown of the provision for risks and charges at the end of the first half of 2023 by type of dispute compared with the amounts for the prior year end.

Provisions for credit risk related to commitments and financial guarantees granted

At 30 June 2023, this item amounts to 7,1 million Euro, reflecting the impairment losses on irrevocable commitments to disburse funds and financial guarantees granted by the Group.

Legal and tax disputes

At 30 June 2023, provisions have been made for 35,6 million Euro for legal and tax disputes. This amount mainly breaks down as follows:

- 8,9 million Euro (the plaintiffs seek 16,0 million Euro in damages) for 18 disputes deriving from the business unit acquired from the former Aigis Banca and mainly the Corporate Banking & Lending Area of the Commercial and Corporate Banking Segment. Two disputes were closed during the period, and the associated provision for risks and charges as at 31 December 2022 amounts to 75 thousand Euro;
- 18,2 million Euro for 25 disputes concerning the Factoring Area (the plaintiffs seek 39,9 million Euro in damages), mainly connected with the request for the repetition of amounts collected or payments under guarantee in relation to factoring positions without recourse. Compared to 31 December 2022, only one new case was received with a corresponding provision of 5 thousand Euro, while six cases were closed with a total provision of 135 thousand Euro;
- 3,2 million Euro (the plaintiffs seek 50,0 million Euro in damages) for 5 disputes concerning the Corporate Banking & Lending Area and deriving from the former Interbanca. This provision is unchanged from 31 December 2022;
- 1,4 million Euro (the plaintiffs seek 1,6 million Euro in damages) for 20 disputes concerning the Leasing Area and tax receivables. During the first six months of 2023, three cases were closed, the provision for risks and charges for which amounts to 211 thousand Euro as at 31 December 2022, while no new disputes were received during the period;
- 2,7 million Euro (the plaintiffs seek 7,2 million Euro in damages) for 56 disputes of Ifis Npl Investing. In the first six months of 2023, 25 disputes were closed for a provision of 204 thousand Euro and 14 new cases were received, for which the provision made in the first half of 2023 was 85 thousand Euro;
- 451 thousand Euro relating to various disputes concerning Banca Credifarma (the plaintiffs seek 4,4 million Euro). No new litigations were notified to the company in the first six months of 2023, while two cases were settled during the period, the provision for which amounts to 22 thousand Euro as at 31 December 2022;
- 647 thousand Euro (the plaintiffs seek 3,4 million Euro) for disputes with customers and agents relating to Cap.Ital.Fin. Compared to the end of the previous year, 3 cases were closed (to which a provision of 47 thousand Euro corresponded) and 2 new ones were opened, for which the related provision for risks and charges set aside as at 30 June 2023 amounts to 6 thousand Euro;
- 30 thousand Euro (the plaintiffs seek the same amount in damages) for disputes concerning the investee Ifis Rental Services.

Personnel expenses

At 30 June 2023, provisions are entered for staff for 3,0 million Euro (2,8 million Euro at 31 December 2022) of which 2,1 million Euro relating to the Solidarity Fund established in 2020.

Other provisions for risks and charges

At 30 June 2023, "Other provisions" are in place for 6,5 million Euro, in line with the figure recorded at 31 December 2022. The item mainly consists of 3,6 million Euro for Supplementary Customer Indemnity in connection with the Leasing Area's operations, 1,5 million Euro for the provision for risks linked to the assignment of receivables under the scope of GACS and 0,8 million Euro for the provision for complaints.

Contingent liabilities

The most significant potential liabilities existing as at 30 June 2023, for which a negative outcome is held to be merely "possible" are detailed below by way of information only. The amount sought in association with these contingent liabilities totals 480,6 million Euro as at 30 June 2023.

During the fourth quarter of 2022, Banca Ifis was sued by the bodies of two bankruptcy proceedings, which requested that it be ordered to pay 389,3 million Euro in one case and 47,7 million Euro in the other, as compensation for damages for the unlawful forbearance in its capacity as lender, albeit marginal, of the companies now in proceedings. The first claim was made jointly and severally with 23 other institutions, while the second claim was made jointly and severally with 8 other institutions. The Group, supported by its legal advisers, evaluated the risk of defeat as "possible" and, therefore, it did not allocate funds to the provisions for risks and charges.

Tax dispute

Regarding all the tax disputes specified below, 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.

Dispute concerning the assumed "permanent establishment" in Italy of the Polish company Ifis Finance Sp. z o.o.

Following a tax audit for the years 2013/2017, Notices of Assessment were served for the years 2013/2016 in which the "concealed permanent establishment" of Ifis Finance Sp. z o.o., the subsidiary based in Poland, was contested.

The Financial Police Force hypothesised that the office in Poland was used in the Group's strategies more as a branch/office for the promotion and sale of services offered, de facto, by the Parent company Banca Ifis rather than constituting an independent and autonomous legal entity in the exercise of its activity.

2013-2014-2015:

- On 12 November 2020, the Venice Provincial Tax Commission fully upheld the appeal filed by Banca Ifis (ruling no. 266/2021) against the notices of IRES, IRES surcharge and IRAP tax assessment for the years 2013/2014/2015 issued by the Italian Revenue Agency. 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);
- On 2 December 2021, the Bank filed its rebuttal arguments in defence of its positions as confirmed by the Provincial Tax Commission;
- With judgement no. 201/2023, filed on 27 February 2023, the Veneto Court of Tax Appeals of second instance rejected the appeal of the Revenue Agency, thus confirming the first instance sentence (favourable to the Bank) and awarded 5 thousand Euro in expenses ex lege in favour of the Bank. At present, the Revenue Agency has not yet appealed in Cassation.

2016:

- In June 2022, the Notices of Assessment for 2016 were also served, containing the same objections and arguments as in the previous years, with the addition of the disputes of costs recorded in 2016 that were deemed to be outside the accrual period;
- The Notice of Assessment for 2016 was challenged within the time limits provided for by the legislation, and at the same time one third of the taxes were paid pending judgement. The setting of the hearing date at the Tax Court of First Instance is pending.

Consolidated equity

Consolidated equity at 30 June 2023 totals 1.675,0 million Euro, up 4,8% on the 1.597,8 million Euro booked at end 2022. The main changes in consolidated shareholders' equity are summarised in the following tables.

CONSOLIDATED EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS		CHANGE	
	30.06.2023	31.12.2022	ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	84.108	83.767	341	0,4%
Valuation reserves:	(52.760)	(59.722)	6.962	(11,7)%
- Securities	*(46.077)*	*(50.634)*	*4.557*	*(9,0)%*
- Post-employment benefits	*351*	*381*	*(30)*	*(7,9)%*
- Exchange differences	*(7.034)*	*(9.469)*	*2.435*	*(25,7)%*
Reserves	1.507.208	1.440.944	66.264	4,6%
Interim dividends (-)	-	(52.433)	52.433	(100,0)%
Treasury shares (-)	(21.817)	(22.104)	287	(1,3)%
Equity attributable to non-controlling interests	13.402	12.432	970	7,8%
Profit for the period attributable to the Parent company	91.036	141.086	(50.050)	(35,5)%
Consolidated equity	**1.674.988**	**1.597.781**	**77.207**	**4,8%**

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CONSOLIDATED EQUITY: CHANGES	(in thousands of Euro)
Consolidated equity at 31.12.2022	**1.597.781**
Increases:	**98.222**
Net profit attributable to the Parent company	91.036
Sale/assignment of treasury shares	287
Change in valuation reserve:	4.909
- Securities (net of realisations)	*2.474*
- Exchange differences	*2.435*
Stock options	541
Equity attributable to non-controlling interests	970
Other changes	479
Decreases:	**21.015**
Dividends distributed	20.985
Change in valuation reserve for post-employment benefits	30
Consolidated equity at 30.06.2023	**1.674.988**

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS	
	30.06.2023[1]	31.12.2022
Common Equity Tier 1 (CET1) capital	1.501.605	1.520.570
Tier 1 capital	1.502.575	1.521.490
Total Own Funds	**1.804.800**	**1.906.288**
Total RWAs	**10.004.645**	**10.128.064**
CET1 Ratio	15,01%	15,01%
Tier 1 Ratio	15,02%	15,02%
Total Capital Ratio	**18,04%**	**18,82%**

(1) CET1, Tier 1 and Total Capital at 30 June 2023 do not include the profits generated by the Banking Group in the first six months of 2023.

Consolidated own funds, risk-weighted assets and prudential ratios at 30 June 2023 were calculated based on the regulatory changes introduced by Directive no. 2019/878/EU (CRD V) and Regulation (EU) no. 876/2019 (CRR2), which amended the regulatory principles set out in Directive no. 2013/36/EU (CRD IV) and Regulation (EU) no. 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 2023, in continuity with what has been done since 30 June 2020, the Banca Ifis Group has applied the temporary support provisions still in force at this reporting date, as set out in EU Regulation no. 873/2020 (the “quick-fix”).

New developments during the half-year included the conclusion of the transitional period introduced by Regulation (EU) 873/2020 for the application of the Covid-19 pandemic support provisions for the application of the prudential filter for unrealised gains and losses in debt instruments issued by central governments classified in the FVOCI category.

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 arrangements for the entire period.

The inclusion in CET1 takes place as for last year, 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

As at 30 June 2023, taking into account the transitional treatment adopted to mitigate the impacts of IFRS 9 on CET1, Own funds amount to 1.804,8 million Euro, recording a negative change of 101,5 million Euro compared to 31 December 2022. This change is mainly attributable to the following components:

- the end of the transitional period for the application of the FVOCI prudential filter (Article 468 CRR), which led to a negative change in CET1 of 13 million Euro;
- the reduction of the transitional filter introduced to mitigate the impact of the introduction of IFRS 9 (Art. 473 bis CRR) in the amount of 7,3 million Euro;
- the reduced eligibility for class 2 Capital of the subordinated loan with a maturity of less than 5 years due to the joint effect of the application of the amortisation under Article 64 of the CRR and the deduction of the repurchase obligation authorised by the Bank of Italy, which has entailed a total reduction of 82,6 million Euro;
- the reduction of intangible assets in the form of software deducted as a result of the prudential treatment introduced by Regulation EU 2176/2020. The positive change amounts to 2,3 million Euro;
- greater deduction resulting from the deduction from CET1 of credits in the Calendar Provisioning perimeter, amounting to 11,1 million Euro;
- the lesser deduction of other income statement items attributable to the valuation reserve for equities measured at fair value through other comprehensive income (FVOCI) of a positive change of 7 million Euro.

The negative change in Own funds due to the above-mentioned phenomena was essentially offset by a reduction in the RWA component. As at 30 June 2023, the CET1 Ratio stands at 15,01%, in line with 31 December 2022, while the Total Capital Ratio stands at 18,04%, down 78 basis points.

At 30 June 2023, not considering the filter related to the IFRS 9 transitional regime, fully loaded Own funds amount to 1.780,5 million Euro and consequently the RWAs, when fully applied, come to 10.001,2 million Euro.

OWN FUNDS AND CAPITAL ADEQUACY RATIOS WITHOUT IFRS 9 TRANSITIONAL ARRANGEMENTS (in thousands of Euro)	AMOUNTS	
	30.06.2023(1)	31.12.2022
Common Equity Tier 1 (CET1) capital	1.477.298	1.475.910
Tier 1 capital	1.478.268	1.476.830
Total Own Funds	**1.780.493**	**1.861.628**
Total RWAs	**10.001.189**	**10.115.502**
CET1 Ratio	14,77%	14,59%
Tier 1 Ratio	14,78%	14,60%
Total Capital Ratio	**17,80%**	**18,40%**

(1) CET1, Tier 1 and Total Capital at 30 June 2023 do not include the profits generated by the Banking Group in the first six months of 2023.

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	**5.456.109**	***2.468.591***	***1.306.004***	***1.681.514***	**1.728.652**	**1.765.598**	**8.950.359**
RWA for market risk	X	*X*	*X*	*X*	X	X	52.917
RWA for operational risk (basic indicator approach)	X	*X*	*X*	*X*	X	X	915.942
RWA for credit valuation adjustment risk	X	*X*	*X*	*X*	X	X	85.427
Total RWAs	X	*X*	*X*	*X*	X	X	**10.004.645**

As at 30 June 2023, taking into account the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets (RWAs) amount to 10.004,6 million Euro, a decrease of 123,4 million Euro compared to December 2022. Specifically, please note:

- a reduction in credit risk of 169 million Euro mainly attributable to the following changes:
  - a reduction of 210 million Euro recorded on the Corporate portfolio related to a decrease in loans on the Factoring Area;
  - an increase of 50 million Euro related to an increase in repo investments with banking counterparties, partially offset by a reduction in RWA on other regulatory asset classes;
- an increase of 32 million Euro in market risk mainly attributable to the following components:
  - an increase in the total net foreign exchange position, which exceeds the threshold of 2% of total Own Funds (Art. 351 CRR) and led to the calculation of the requirement. The increase amounts to 37 million Euro compared to December 2022;
  - a reduction in market risk on debt and equity securities totalling 5 million Euro;
- an increase in CVA (Credit Value Adjustment) of 13 million Euro, due to the increase in investments in derivatives recorded in the first half of 2023, also as a result of the activation of banking book micro fair value hedge transactions on government securities in the banking book (HTC).

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, adopted the following capital requirements for the Banca Ifis Group, 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 (summarised in the table below) 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 T1 ratio of 9,75% and a target component of 0,75%;
- Total Capital Ratio of 12,90%, consisting of an OCR TC 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 2023, the Banca Ifis Group met the above prudential requirements.

In the second quarter of 2022, the Bank of Italy notified the Parent company Banca Ifis and its subsidiary Banca Credifarma of the conclusion of the process to determine the minimum requirement for eligible capital and liabilities (MREL). The minimum requirements are as follows:

MREL requirement	
Banca Ifis	Banca Credifarma
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 2023, following the monitoring process, both indicators were met above the predefined limit.

Disclosure regarding sovereign debt

Consob Communication no. DEM/11070007 of 5 August 2011, drawing on ESMA document no. 2011/266, regulated 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.

In accordance with the requirements of the aforementioned Consob Communication, it should be noted that at 30 June 2023 the carrying amount of sovereign debt exposures is 2.184 million Euro, net of the negative valuation reserve of 25,8 million Euro. The exposures consist to a considerable extent of securities issued by the Italian Republic.

These securities, with a nominal amount of 2.197 million Euro have a weighted residual average life of 38 months.

The fair values used to measure the exposures to sovereign debt securities at 30 June 2023 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 2023 amount to 346 million Euro, of which 83 million Euro related to tax credits.

Group liquidity position and coefficients

During the first half of 2023, 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 liquidity at 30 June 2023 (in reserves and free assets that can be financed in the ECB) such as to enable it to easily respect the LCR limits (with index more than of 1.000%).

Income statements items

Formation of net banking income

Net banking income totals 291,1 million Euro, up 13,0% from 257,7 million Euro at 30 June 2022.

The main components of net interest and other banking income and their changes compared to the same period of the previous year are presented below.

NET BANKING INCOME (in thousands of Euro)	H1		CHANGE	
	2023	2022	ABSOLUTE	%
Net interest income	217.291	198.108	19.183	9,7%
Net commission income	50.297	42.212	8.085	19,2%
Other components of net banking income	23.523	17.391	6.132	35,3%
Net banking income	**291.111**	**257.711**	**33.400**	**13,0%**

Net interest income increases by 9,7%, going from 198,1 million Euro at 30 June 2022 to 217,3 million Euro at 30 June 2023. The main growth factor is the 16,1 million Euro increase in the Commercial & Corporate Banking Area's net interest income compared to the corresponding period of the previous year, which benefited from the positive trend in interest rates.

Net commissions amount to 50,3 million Euro, an increase of 19,2% compared to the figure at 30 June 2022: this trend is mainly attributable to the higher contribution of commission income, linked to the increase in yields on loans of the Factoring Area compared to 30 June 2022, against a stable incidence of commission expenses. In particular:

- Commission income, totalling 56,7 million Euro, up 17,5% on 30 June 2022, primarily refers to factoring commissions on the turnover generated by individual customers (with or without recourse, in a flat or monthly scheme), arrangement fees for structured finance transactions, leases, third-party servicing, as well as from other fees usually charged to customers for services.
- Commission expense, totalling 6,4 million Euro, essentially in line with the figure of the corresponding period of 2022, largely refers to fees paid to banks and financial intermediaries such as management fees, fees paid to third parties for the distribution of leasing products, as well as brokerage operations carried out by approved banks and other credit brokers.

The other components of net banking income are 23,5 million Euro at 30 June 2023, up by 6,1 million Euro compared with the first half of 2022, and broke down as follows:

- 8,8 million Euro for dividends generated by shares held in the Group-owned portfolio (8,1 million Euro in the first six months of 2022);
- 3,4 million Euro as a net loss from trading, a deterioration from the positive result of 2,5 million Euro in the first six months of 2022 mainly generated by trading activities in the Proprietary Finance unit;
- 0,3 million Euro for the net negative result of hedging activities, which started in the first half of 2023 to hedge the interest rate risk associated with the portfolio of government bonds at amortised cost held by the Group;
- 7,0 million Euro for net gains from the sale or buy-back of financial assets and liabilities (net profits of 6,6 million Euro at 30 June 2022), mainly comprising 3,2 million Euro from the sale of loans in the Npl Segment, as well as 2,8 million Euro related to securities transactions in the proprietary portfolio;
- 11,3 million Euro from the net positive result of other financial assets and liabilities at fair value through profit or loss (showing significant growth on the 0,3 million Euro at 30 June 2022, which suffered the changed macroeconomic context of the first half of 2022 in terms of market rates), primarily represented by the net positive change in the fair value of UCITS fund units for 7,7 million Euro and gains on disposals during the first half of 2023 of equity securities for 2,7 million Euro.

Formation of net profit (loss) from financial activities

The Group's net profit from financial activities totals 330,1 million Euro, compared to 289,9 million Euro at 30 June 2022 (+13,9%).

FORMATION OF NET PROFIT FROM FINANCIAL ACTIVITIES (in thousands of Euro)	H1		CHANGE	
	2023	2022	ABSOLUTE	%
Net banking income	**291.111**	**257.711**	**33.400**	**13,0%**
Net credit risk losses/reversals on:	38.974	32.210	6.764	21,0%
a) financial assets measured at amortised cost	*38.995*	*32.610*	*6.385*	*19,6%*
b) financial assets measured at fair value through other comprehensive income	*(21)*	*(400)*	*379*	*(94,8)%*
Net profit (loss) from financial activities	**330.085**	**289.921**	**40.164**	**13,9%**

Net credit risk write-backs total 39,0 million Euro at 30 June 2023, improving by 6,8 million Euro on the 32,2 million Euro at 30 June 2022. 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. These valuation effects related to the Npl Segment amount to net write-backs of 57,4 million Euro as at 30 June 2023, compared to net write-backs of 66,3 million Euro as at 30 June 2022, and related to the change in expected cash flows as a function of realised collections compared to forecasts.

Without considering the contribution of the Npl Segment, net credit risk losses amount to 18,4 million Euro, an improvement of 15,6 million Euro compared to the first half of 2022, mainly due to higher write-backs on impaired positions previously written down.

Further details of the different trends connected with the reclassified cost of loans are given in the section "Contribution of Segments to Group results" of the Interim Directors' Report on the Group.

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)	H1		CHANGE	
	2023	2022	ABSOLUTE	%
Net profit (loss) from financial activities	**330.085**	**289.921**	**40.164**	**13,9%**
Operating costs	**(194.223)**	**(182.090)**	**(12.133)**	**6,7%**
Value adjustments of goodwill	-	(762)	762	(100,0)%
Gains (losses) on disposal of investments	-	135	(135)	(100,0)%
Pre-tax profit from continuing operations	**135.862**	**107.204**	**28.658**	**26,7%**
Income taxes for the period relating to continuing operations	(43.856)	(34.423)	(9.433)	27,4%
Profit (loss) for the period	**92.006**	**72.781**	**19.225**	**26,4%**
(Profit) loss for the period attributable to non-controlling interests	(970)	(266)	(704)	264,7%
Profit (loss) for the period attributable to the Parent company	**91.036**	**72.515**	**18.521**	**25,5%**

Operating costs total 194,2 million Euro, showing an increase on 30 June 2022 (+6,7%).

OPERATING COSTS (in thousands of Euro)	H1		CHANGE	
	2023	2022	ABSOLUTE	%
Administrative expenses:	199.694	188.245	11.449	6,1%
a) personnel expenses	*80.445*	*73.598*	*6.847*	*9,3%*
b) other administrative expenses	*119.249*	*114.647*	*4.602*	*4,0%*
Net allocations to provisions for risks and charges	(1.557)	(3.420)	1.863	(54,5)%
Net impairment losses/reversals on property, plant and equipment and intangible assets	8.552	8.225	327	4,0%
Other operating income/expenses	(12.466)	(10.960)	(1.506)	13,7%
Operating costs	**194.223**	**182.090**	**12.133**	**6,7%**

Personnel expenses, at 80,4 million Euro, increase by 9,3%, attributable both to an increase in the number of employees at the reporting date and to higher variable remuneration. The number of Group employees at 30 June 2023 is 1.906 as compared with 1.837 resources at 30 June 2022.

Other administrative expenses at 30 June 2023 are 119,2 million Euro, up 4,6 million Euro on 30 June 2022; The change in this item is due to the contrasting effect in some items, summarised below:

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	H1		CHANGE	
	2023	2022	ABSOLUTE	%
Expenses for professional services	**55.906**	**57.842**	**(1.936)**	**(3,3)%**
Legal and consulting services	43.593	40.157	3.436	8,6%
Fees to auditing firms	439	665	(226)	(34,0)%
Outsourced services	11.874	17.020	(5.146)	(30,2)%
Direct and indirect taxes	**22.077**	**20.606**	**1.471**	**7,1%**
Expenses for purchasing goods and other services	**41.266**	**36.199**	**5.067**	**14,0%**
Software assistance and hire	10.142	8.944	1.198	13,4%
Advertising and inserts	5.857	3.997	1.860	46,5%
Customer information	5.326	3.790	1.536	40,5%
Single Resolution Fund	4.090	4.621	(531)	(11,5)%
Property expenses	3.440	3.827	(387)	(10,1)%
Postage and archiving of documents	1.962	2.861	(899)	(31,4)%
Securitisation costs	1.879	2.269	(390)	(17,2)%
Telephone and data transmission expenses	1.770	1.786	(16)	(0,9)%
Car fleet management and maintenance	1.657	1.223	434	35,5%
Business travel and transfers	1.514	599	915	152,8%
Other sundry expenses	3.629	2.283	1.346	59,0%
Total other administrative expenses	**119.249**	**114.647**	**4.602**	**4,0%**

The sub-item “Legal and consulting services” comes to 43,6 million Euro during the first half of 2023, up 8,6% on the figure recorded for the same period of last year. The change in the item is mainly attributable to the cost of judicial recovery activities for impaired loans, which amounts to 30,4 million Euro as at 30 June 2023, the growth of which compared to the balance of 21,7 million Euro in the same period of the previous year more than offset the absence of certain costs associated with the implementation of the Banca Ifis Group's strategic projects closed in 2022, as well as the costs associated with the integration of the subsidiaries Farbanca and Credifarma.

“Outsourced services”, amounting to 11,9 million Euro at 30 June 2023, record a slight decrease (-30,2%) on the figure of the same period of the previous year, and mainly refer to the lesser non-judicial collections made.

“Direct and indirect taxes” come to 22,1 million Euro as compared with 20,6 million Euro at 30 June 2022, rising by 7,1%. The item mainly consists of the registration tax incurred for the judicial recovery of impaired loans for an amount of 15,3 million Euro at 30 June 2023 compared with the figure for the same period of last year, which was 13,7 million Euro and also includes costs for stamp duty for 6,1 million Euro, the recharging of which to customers is included in the item “Other operating income”.

“Expenses for purchasing goods and other services” amount to 41,3 million Euro, up 14,0% from the 36,2 million Euro at 30 June 2022. The top factors that mainly influence the result are:

- software support and rental, which increase by 13,4% compared to the first six months of 2022, almost entirely attributable to higher support services for the Group's software, which increase from 3,0 million Euro at 30 June 2022 to 4,3 million Euro at 30 June 2023;
- advertising expenses increase from 4,0 million Euro to 5,9 million Euro in June 2023, following the setting of new advertising campaigns in the first six months of 2023 (the year in which the 40th anniversary of Banca Ifis' foundation falls) compared to the first half of 2022;

- customer information expenses, amounting to 5,3 million Euro, increase by 40,5% mainly due to the cyclical nature of the expenses related to the processing of portfolios under the Group's management and the type of acquisitions of non-performing portfolios performed at the end of the previous year.

The Single Resolution Fund contribution made in the first half of 2023 amounts to a total of 4,1 million Euro, of which 3,9 million Euro (4,5 million Euro as at 30 June 2022) related to the Parent company Banca Ifis and the remainder to the subsidiary Banca Credifarma.

Net allocations to provisions for risks and charges at 30 June 2023 amount to 1,6 million Euro, down 1,9 million Euro compared to 30 June 2022 (-54,5%), mainly due to the net positive effect on commitments and guarantees given of 3,3 million Euro.

Net adjustments and reversals of property, plant and equipment and intangible assets at 30 June 2023 amount to 4,6 million Euro and 3,9 million Euro, respectively, essentially stable and in line with the figures for the same period of the previous year.

Other net operating income, amounting to 12,5 million Euro at 30 June 2023, records net positive growth of 1,5 million Euro on the figure for the equivalent period last year.

As a result of the dynamics outlined above, operating costs in June 2023 amount to 194,2 million Euro, up from the balance of 182,1 million Euro in June 2022.

It should also be noted that the comparative figures for the first half of 2022 included:

- 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";
- 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" for 0,1 million Euro.

Pre-tax profit from continuing operations amounts to 135,9 million Euro, up 26,7% compared to 30 June 2022.

Income tax at 30 June 2023 comes to 43,9 million Euro and the tax rate is 32,28%, essentially in line with the 32,11% of the same period of last year.

The net profit attributable to the Parent company amounts to 91,0 million Euro, up 25,5% on the same period of 2022.

Information on Risks and Risk Management Policies

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 Pillar 2 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 Pillar 1 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 2022 and in compliance with the obligations in the Pillar 3 provisions, Banca Ifis published, along with the 2022 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 2023.

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 Group 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 on 9 March 2023, jointly with the 2022 consolidated financial statements, and published on the website www.bancaifis.it 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 the Human Resources function, 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.

Management of risks linked to climate change

Climate change-related risks are among the thematic areas of particular relevance indicated by ESMA in its public statement of 28 October 2022 entitled "European common enforcement priorities for 2022 annual financial reports".

In this respect, the Banca Ifis Group has, over the years and in line with the requirements of Art. 3 of Italian Legislative Decree 254/2016, activated processes and defined specific responsibilities to identify and manage the main risks relating to climate change and other ESG topics.
With specific reference to climate and environmental risks, the analysis of supervisory expectations gave rise to a project to integrate environmental factors into corporate strategies, governance and control systems, the risk management framework and disclosure.
The multi-year plan to align with supervisory expectations on climate-related and environmental risks, put into place by Banca Ifis and delivered to the Bank of Italy at the beginning of 2023, is divided into project streams involving several areas.
The activities already carried out by Banca Ifis include a materiality assessment used to identify climate risk factors and the causal mechanisms whereby these factors are transferred to traditional risks (transmission channels).
With regard to risk factors, physical risks and transition risks are recognised. In particular, with regard to physical risks, chronic or acute adverse weather events were analysed, and among these, those relevant to the context in which Banca Ifis operates were identified. These effects were analysed on the basis of various elements such as, for example, the georeferencing of the portfolio, the company's operations and, more generally, the main assets considered important for business continuity. With regard to transition risks, the identified drivers are grouped into three categories: technological innovation, changing regulation and consumer preferences.
The table below describes the main categories and respective risk drivers associated with physical and transitional climate risks and their time frame.

Risk type	Risk drivers		Time frame
Transition risks	Regulatory	Global policy (e.g. Paris Agreement) can limit activities and segments with a high level of emissions and environmental risk. As an example, the regulation on Energy Performance Certificates may impact the value of portfolio properties	Medium-term
	Technological	The transition to low-impact technologies requires a higher cost for companies to retrofit plants and production facilities, potentially impacting the business model and the ability to generate revenues and profits	Medium-term
	Market	A shift in consumer preferences towards more climate-friendly consumption potentially impacts all mayor sectors associated with high energy consumption and/or high levels of pollution	Medium-term
Physical risks	Acute	Heat waves, fires, floods, droughts, landslides, earthquakes	Short-term
	Chronic	Extreme temperatures, soil erosion, water stress, sea level rise	Medium-term/Long-term

The findings of the materiality assessment exercise indicate an overall moderate exposure to climate and environmental risks.
In line with project activities and supervisory expectations related to climate risks, it is planned to integrate the above considerations, which are still at the study and analysis stage, related to quantifying the impacts of climate risks (transition and physical risks) into the credit risk assessment process.

Risks of accounting consolidation

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	Other performing exposures	Total
1. Financial assets measured at amortised cost	1.118.046	468.274	134.028	208.948	8.815.426	**10.744.722**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	654.500	**654.500**
3. Financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	4.933	8.572	-	-	43.520	**57.025**
5. Financial assets under disposal	-	-	-	-	-	**-**
Total 30.06.2023	**1.122.979**	**476.846**	**134.028**	**208.948**	**9.513.446**	**11.456.247**
Total 31.12.2022	**1.152.704**	**486.402**	**147.606**	**225.047**	**9.420.605**	**11.432.364**

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 UCITS 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 (1)	Gross exposure	Overall impairment losses/reversals	Net exposure	
1. Financial assets measured at amortised cost	1.876.482	156.133	1.720.349	3.494	9.132.306	107.933	9.024.373	**10.744.722**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	655.604	1.104	654.500	**654.500**
3. Financial assets designated at fair value	-	-	-	-	X	X	-	**-**
4. Other financial assets mandatorily measured at fair value	13.505	-	13.505	-	X	X	43.520	**57.025**
5. Financial assets under disposal	-	-	-	-	-	-	-	**-**
Total 30.06.2023	**1.889.987**	**156.133**	**1.733.854**	**3.494**	**9.787.910**	**109.037**	**9.722.393**	**11.456.247**
Total 31.12.2022	**1.938.159**	**151.448**	**1.786.711**	**3.730**	**9.665.624**	**96.553**	**9.645.653**	**11.432.364**

(1) Amount to be reported for disclosure 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 UCITS units.

Portfolio/Quality	Low credit quality assets		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	25.263
2. Hedging derivatives	-	-	323
Total 30.06.2023	**-**	**-**	**25.586**
Total 31.12.2022	**9**	**4**	**26.271**

Equity securities are not included in this table.

Disclosure on structured entities (other than securitisation vehicles)

There were no unconsolidated structured entities at 30 June 2023.

Risks of prudential consolidation

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 enterprises (SMEs). 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 2022-2024 Business Plan and the related implementing initiatives. Operations related to the pharmaceutical sector are carried out by the subsidiary Banca Credifarma, 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 SMEs. As part of its operations, the factoring division 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 division are usually corporations;
- investments in non-financial companies and in units of intermediaries;
- medium/long-term loans to 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 division targets mainly small economic operators as well as 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 (Npls) 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;
- 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.;

- short- and medium-term lending to pharmacies by the subsidiary Banca Credifarma, including through the disposal of receivables due from Italy's National Health Service as well as public- and private-sector healthcare providers;
- 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 (ABS) 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 (appraisal, lending, monitoring and management, and interventions on troubled loans).

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 Large Risks & Monitoring organisational unit, 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 Department 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 (COO):

- Commercial & Corporate Banking Underwriting dedicated, both with reference to the initial granting of credit and renewal and review activities, to assessing the creditworthiness of the counterparties as well as the risk inherent in the transactions and approving credit facilities in compliance with the powers assigned to it by the Board of Directors and formalised in the Group's System of Delegated Authorities for the assumption of credit risk;
- Commercial Banking, dedicated to the promotion of financing services to domestic and foreign companies and to the care of the correct relationship with the counterparties developed directly or indirectly, as well as the debtors (domestic or foreign) acquired as part of the operations carried out;
- Corporate & Investment Banking, dedicated to structured finance transactions or investments in performing non-financial companies and intermediaries;

- Pharmacies, an organisational unit that directly manages existing portfolio relationships with domestic pharmacy counterparties in close cooperation with the organisational units of the subsidiary Banca Credifarma;
- Insurance, dedicated to the insurance products offered to its customers;
- Leasing and Rental, dedicated to offering and managing leasing and renting products;
- Marketing & Business Strategy, supporting the business units reporting to the Co-General Manager Chief Commercial Officer;
- Tax Credit, dedicated to the purchase of tax credits from companies in insolvency proceedings, in voluntary liquidation and from performing companies.

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 (Npls), 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, payment delegation 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. In addition, a specific organisational unit within the Parent company performs monitoring activities at the Group level to identify counterparties with performance issues, so as to anticipate problems and 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 Group 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 subsidiaries Ifis Npl Investing and Ifis Npl Servicing, 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 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 (Npl) portfolios, mainly represented by processing codes, statute-barred loans or loans owned by deceased debtors, 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 2022 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.

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: the set of credit positions for which the debtor has signed a settlement plan supported by the issue of bills of exchange. It should be noted that the volume of bills of exchange (internal collection) in the portfolio has been steadily decreasing, since, as a strategic choice, amicable plans with this payment method are no longer collected. Any new collection is therefore exclusively the result of purchased paying practices;
- demonstrations of will: these are 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 in 2022 and the first half of 2023, 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) practices 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.

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

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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.

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 (RAF) 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 (Italian companies), 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. This threshold is assigned on the basis of the origination rating (where available) of each relationship and is represented by the number of rating downgrade notches by which the credit risk of the relationship is to be considered significantly impaired. Therefore, if the rating at the reference date exceeds the threshold, i.e. the origination rating plus the number of notches associated with it, the report is allocated to Stage 2;
- 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 significantly 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 (PD), 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); in other words, the Group estimates 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, the Group 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.

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);
- 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 based on public information provided by the ratings agency Moody's or 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.

The development of multi-period logics on risk parameters, already present for PD, was introduced in 2023 also for LGD (limited to performing loans) for greater adherence to the standard IFRS 9, with non-significant impacts considering the portfolio's characteristics (i.e. short maturities); CCFs, on the other hand, 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 (mainly PD and migrations between statuses for credit risk) on the basis of a joint forecast of the evolution of the economic and financial indicators (macroeconomic scenario).

The satellite models, re-estimated during the second half of 2022, 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 (target variable) i.e. the credit rating of counterparties (which represents the respectively probability of default as a summary of the PD factor), which in its aggregate form at an institute level is represented by a careful calibration of the deterioration rates recorded by the Bank of Italy.

Exploiting the relationship identified between target variable and macroeconomic factors, it is therefore possible to obtain forecast values of deterioration rates by applying future projections of explanatory variables retrieved from institutional sources, such as EBA, Bank of Italy, ECB and other bodies in charge of sector studies, depending on the availability of the sources and the greater relevance of some sources over others (i.e. whenever EBA scenarios become available for the Stress Test exercise, these are preferred to other sources for completeness and importance). In compliance with IFRS 9, the Risk Management function employs macroeconomic scenarios describing three contexts characterised by increasing levels of forecast severity and criticality: an "upside" scenario, a "baseline" scenario and an "adverse" scenario. These scenarios produce three different satellite model forecasts, making weighting necessary: for the current year, it was decided to limit the weight of the upside scenario and to balance the weights of the baseline and adverse scenarios in view of the uncertainty of the macroeconomic environment due to the continuation of the Russian-Ukrainian conflict, the general rise in inflation driven by energy prices and the difficulties in supplying raw materials, and finally the more restrictive conditions for access to credit.

The Risk Management function has therefore included the forecasts defined by its satellite models in the structures at the end of the PD lifetime, exploiting the Merton framework. Indeed, the migration matrices between credit states of each perimeter were defined and, through the application of the macroeconomic shifts output by the satellite models, the stressed projections of the matrices were obtained, allowing the derivation of scaling factors calculated on the stressed default rates to be applied to the PD curves as per the defined methodology.

The satellite models developed for PD were also applied in a mirror-image manner to the Danger Rate, i.e. the migration between credit states, used in LGD, which in its point-in-time & forward-looking configuration gives a multi-period structure to 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.

Measurement of expected losses (ECL)

With reference to the Forward Looking Information feeding into the IFRS 9 provisioning process, using the recently updated satellite models, the Risk Management function updated the macroeconomic scenarios during 2022, retrieving them from the EBA's February 2023 publication of macroeconomic projections for the stress test exercise. These scenarios ensure a good coverage of information and factor in the highly uncertain macroeconomic environment due to the recessionary effects of the Russian-Ukrainian conflict, the general inflationary dynamics driven by energy prices and the difficulty of supplying raw materials, and tighter monetary and credit conditions. The Risk Management function, out of prudence, decided not to make a further update of the scenarios to June 2023, as recent publications by the Bank of Italy take into account the recovery of GDP in the first half of 2023, an attenuation of the negative consequences of the Russian-Ukrainian conflict, the beneficial measures of the “Jobs Decree” and above all the “Next Generation EU” programme, which should counteract the drop in private investment due to the tightening of interest rates, and finally a slight but positive impact on inflation, which has been revised downwards compared to January 2023 due to the faster than previously assumed fall in energy costs. Nonetheless, as these scenarios are characterised by high uncertainty with downward risks to growth also due to the connection to global economic activity, the evolution of which is currently difficult to forecast, the Risk Management function preferred to maintain the more conservative scenarios published by the EBA at the start of 2023. A macroeconomic slowdown in 2023, the impact of the inflationary wave and the increase in debt burdens from higher monetary policy rates could, in fact, lead to worsening credit deterioration and decay rates.

As regards the probability of occurrence of the scenarios, the baseline scenario is characterised by a 50% probability of occurrence, the adverse scenario by a 45% probability and the ameliorative scenario by a 5% probability in order to reflect the uncertain macroeconomic context. The 100% “upside” weighting would lead to an impact on provisions of approximately -4%, while the 100% “adverse” weighting would lead to an impact on provisions of approximately +5% (in a range of 1,5 to 2 million Euro).

Moreover, as a result of the uncertain macroeconomic context described above and in order to intercept the effects on the economic and financial systems, the Group has introduced corrective factors in the form of management overlays in order to adequately estimate the aspects of uncertainty, relative to the valuation of performing loans, that would otherwise not be adequately captured by the risk measurement models in use.

Specifically, management overlays related to the effects of increased vulnerability related to exposures to counterparties in particular sectors (transport, agriculture, manufacturing and energy trading), and to structured finance exposures. With specific reference to the latter, additional risk elements were also taken into account, which can be traced both to the degree of concentration and to the specific repayment and refinancing modalities of these exposures.

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:

- collateral encumbering 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) acts as 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 Group'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 Group 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 Group 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 implemented 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 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 Group 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 Department and carried out under the scope of the Single File Review (SFR).

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 company 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 Bank of Italy in March 2023:

- "gross Npe ratio", consisting of the ratio of "gross non-performing exposures" to "total receivables due from customers";
- "net Npe ratio", 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 2023, excluding the positions stemming from the acquisition and management of non-performing exposures of third party originators managed by the subsidiaries Ifis Npl Investing and Ifis Npl Servicing, as well as the portfolios of retail loans, also in consideration of the economic impacts deriving from 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 forbearance 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 performing positions that in any case present significant problems are handled directly by specific organisational units established at each company of the 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 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 Group 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 Group's corporate credit monitoring and recovery policies.

Purchased or originated credit impaired (POCI) financial assets

"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.

Depending on the business model under which the asset is managed, POCI may be classified as "financial assets measured at fair value through comprehensive income" (in the case of the "HTC&S - Held to Collect & Sell" model) or as "financial assets measured at amortised cost" (in the case of the "HTC - Held to Collect" model). 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 lifetime").

The Group 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.

POCIs are conventionally presented at initial registration in Stage 3.

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

Such assets are never classified in Stage 1 because the expected credit loss must always be calculated considering a time horizon equal to the residual maturity (in other words, a "lifetime" horizon must always be maintained and not a 12-month horizon, as is the case for Stage 1 positions).

"Acquired impaired assets" include loans acquired by the subsidiaries Ifis Npl Investing and Ifis Npl Servicing at values significantly lower than their nominal amount, as well as impaired 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 Credifarma, Cap.Ital.Fin. and Farbanca 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 impaired credit quality at the time of the relative acquisition, as required by IFRS 9.

The outstanding nominal amount of Ifis Npl Investing's proprietary portfolio is 21.996 million Euro. At the time of purchase, the nominal amount of these receivables was approximately 23.240 million Euro, and they were acquired for 1.310 million Euro, i.e. an average price equal to 5,64% of the historical nominal amount. In the first half of 2023, 120 million Euro were acquired for 15,4 million Euro, i.e. an average price equal to 12,9%. The POCI outstanding portfolio has a weighted average ageing of 58 months compared to their original 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 2023 of the positions in out-of-court management comes to 457 million Euro, whilst the carrying amount of the positions under legal management[2] comes to 926 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 2023, Ifis Npl Investing completed 3 sales of portfolios to leading players whose business is purchasing Npls. Overall, receivables were sold with an amount of 713 million Euro, for an overall consideration of 5,6 million Euro.

Financial assets subject to business renegotiations and forborne exposures

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 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

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

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	1.198.563	X	X	98.329	1.100.234	75.585	X	X	74.863	722	1.122.978	3.455
- of which forborne exposures	*178.385*	*X*	*X*	*6.154*	*172.231*	*5.527*	*X*	*X*	*5.527*	-	*172.858*	-
b) Unlikely to pay	545.403	X	X	167.734	377.669	68.651	X	X	67.161	1.490	476.752	188
- of which forborne exposures	*105.337*	*X*	*X*	*22.380*	*82.957*	*10.906*	*X*	*X*	*10.906*	-	*94.431*	-
c) Non-performing past due exposures	141.554	X	X	136.855	4.699	7.808	X	X	7.676	132	133.746	-
- of which forborne exposures	*3.703*	*X*	*X*	*3.025*	*678*	*700*	*X*	*X*	*700*	-	*3.003*	-
d) Performing past due exposures	252.439	77.700	159.501	X	15.238	4.671	1.318	3.353	X	-	247.768	180
- of which forborne exposures	*3.276*	-	*2.623*	*X*	*653*	*75*	-	*75*	*X*	-	*3.201*	-
e) Other performing exposures	8.650.465	8.320.632	303.639	X	26.194	101.273	90.985	10.288	X	-	8.549.192	40.077
- of which forborne exposures	*76.633*	-	*74.972*	*X*	*1.661*	*4.421*	-	*4.421*	*X*	-	*72.212*	-
Total (A)	**10.788.424**	**8.398.332**	**463.140**	**402.918**	**1.524.034**	**257.988**	**92.303**	**13.641**	**149.700**	**2.344**	**10.530.436**	**43.900**
B. Off-balance-sheet credit exposures												
a) Non-performing	82.795	X	X	82.795	-	2.375	X	X	2.375	-	80.420	-
b) Performing	1.778.700	1.749.849	28.851	X	-	4.741	4.362	379	X	-	1.773.959	-
Total (B)	1.861.495	1.749.849	28.851	82.795	-	7.116	4.362	379	2.375	-	1.854.379	-
Total (A+B)	**12.649.919**	**10.148.181**	**491.991**	**485.713**	**1.524.034**	**265.104**	**96.665**	**14.020**	**152.075**	**2.344**	**12.384.815**	**43.900**

** 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 at fair value, mandatorily measured at fair value, under disposal).

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

Exposures/ Counterparties	General governments		Financial companies		*Financial companies (of which: insurance companies)*		Non-financial corporations		Households	
	Gross net	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	*Gross net*	*Overall impairment losses/reversals*	Gross net	Overall impairment losses/reversals	Gross net	Overall impairment losses/reversals
A. On-balance-sheet credit exposures										
A.1 Bad loans	7	(321)	1.246	(53)	-	-	143.477	(70.225)	978.248	(4.986)
- of which forborne exposures	-	-	*60*	-	-	-	*8.612*	*(4.928)*	*164.186*	*(599)*
A.2 Unlikely to pay	8.925	(3.118)	10.019	(912)	-	-	106.198	(56.823)	351.610	(7.798)
- of which forborne exposures	-	-	*58*	*(119)*	-	-	*14.182*	*(8.783)*	*80.191*	*(2.004)*
A.3 Non-performing past due exposures	96.903	(962)	-	-	-	-	25.608	(3.531)	11.235	(3.315)
- of which forborne exposures	*51*	-	-	-	-	-	*1.183*	*(241)*	*1.769*	*(459)*
A.4 Performing exposures	2.424.763	(1.934)	513.602	(10.860)	*771*	*(1)*	5.147.315	(86.612)	711.280	(6.538)
- of which forborne exposures	-	-	*36*	-	-	-	*65.700*	*(4.183)*	*9.677*	*(313)*
Total (A)	**2.530.598**	**(6.335)**	**524.867**	**(11.825)**	***771***	***(1)***	**5.422.598**	**(217.191)**	**2.052.373**	**(22.637)**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	2.801	(200)	-	-	74.117	(2.162)	3.502	(13)
B.2 Performing exposures	-	-	471.888	(2.386)	-	-	1.098.770	(2.334)	203.301	(21)
Total (B)	**-**	**-**	**474.689**	**(2.586)**	**-**	**-**	**1.172.887**	**(4.496)**	**206.803**	**(34)**
Total at 30.06.2023 (A+B)	**2.530.598**	**(6.335)**	**999.556**	**(14.411)**	***771***	***(1)***	**6.595.485**	**(221.687)**	**2.259.176**	**(22.671)**
Total at 31.12.2022 (A+B)	**2.382.599**	**(6.390)**	**2.035.480**	**(12.614)**	***1.295***	**-**	**5.562.595**	**(201.867)**	**539.254**	**(18.132)**

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

Exposures/ Counterparties	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	1.122.578	(75.530)	383	(54)	9	-	-	(1)	8	-
A.2 Unlikely to pay	472.493	(68.530)	4.250	(121)	5	-	-	-	4	-
A.3 Non-performing past due exposures	132.003	(7.595)	1.649	(202)	93	(11)	1	-	-	-
A.4 Performing exposures	8.238.060	(101.142)	539.928	(4.547)	11.815	(134)	3.678	(57)	3.479	(64)
Total (A)	**9.965.134**	**(252.797)**	**546.210**	**(4.924)**	**11.922**	**(145)**	**3.679**	**(58)**	**3.491**	**(64)**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	75.180	(2.375)	5.240	-	-	-	-	-	-	-
B.2 Performing exposures	1.666.071	(4.375)	107.669	(366)	-	-	194	-	25	-
Total (B)	**1.741.251**	**(6.750)**	**112.909**	**(366)**	**-**	**-**	**194**	**-**	**25**	**-**
Total at 30.06.2023 (A+B)	**11.706.385**	**(259.547)**	**659.119**	**(5.290)**	**11.922**	**(145)**	**3.873**	**(58)**	**3.516**	**(64)**
Total at 31.12.2022 (A+B)	**9.896.687**	**(233.689)**	**571.684**	**(4.725)**	**31.253**	**(307)**	**19.687**	**(277)**	**617**	**(5)**

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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.

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

In 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 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. In 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 vehicle Ifis ABCP Programme S.r.l. was consolidated because, following an analysis of the requirements set forth in IFRS 10, it was found to be subject to the control of Banca Ifis (for further details, see the section on “Scope and methods of consolidation” of these Notes).

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

- the securitised receivables purchased outright were recognised under “receivables due from customers”, subitem “factoring”;
- the funds raised from the issue of senior notes subscribed for by third parties were recognised under “debt securities issued” of the balance sheet liabilities;
- the interest on the receivables was recognised under the same item of the income statement “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 transaction 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 53,0 million Euro and 90,1 million Euro respectively, were fully subscribed the former Farbanca (now Banca Credifarma).

In June 2023, a sale of performing loans to the vehicle Emma for 44,7 million Euro was realised. Following this transaction, the mezzanine and junior classes (fully subscribed by Banca Credifarma) have a book value of 53,0 million Euro and 82,9 million Euro, respectively.

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 2023, the Banca Ifis Group held 195,1 million Euro in notes deriving from third-party securitisation transactions: specifically, it held 29,5 million Euro worth of single-tranche notes, senior notes for 136,9 million Euro and 28,7 million Euro worth of mezzanine and junior notes. There were no new third-party securitisation transactions in the first half of 2023.

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 2023, there were no transactions involving the sale of loans to securitisation vehicles against which the Bank and Group companies subscribed to the related securities.

Market risks

Interest rate risk and price risk – supervisory trading book

General aspects

In the first half of 2023, 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.

Consistent with the conservative "stance" outlined in the above-mentioned documents, including during the first half of 2023 the overall investment strategy focused on risk containment, implemented mainly by seeking out securities characterised by high liquidity and a strategy of steady returns over the medium term.

The component relating to the "trading book" from which the market risk in question originates was marginal with respect to the total investments in the banking book both in absolute terms of the risk values recorded and with respect to the established limits. 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, 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 Group assumes a position opposite to the one sold to corporate clients with independent market counterparties.

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 this risk.

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 (Value at Risk) 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.

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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 approach used to calculate the VaR is historical simulation. With this approach, the portfolio is re-valued, applying all variations to the risk factors recorded 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 VaRs, which represent VaR calculated in a particularly turbulent historical period, which in the specific case corresponds to the Italian debt crisis of 2011-2012 and the 2020 Covid-19 pandemic, 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

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

The assumption of a significant interest rate risk is in principle unrelated to the management of the Group. 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 (referred to as TLTRO) at a variable rate.

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 and Ifis Npl Servicing, 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 2023, the comprehensive bond portfolio mainly comprises government securities for a percentage of 69%; the comprehensive average modified duration is 3.2 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.

Starting from the first half of 2023, the Banca Ifis Group hedges the interest rate risk. In particular, the Group adopts a "fair value hedge" strategy, in which the hedging instruments are IRS plain vanilla derivative contracts and the "hedged items" are certain government bonds (in this case Italian BTPs) measured at amortised cost.

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

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 cash management performance, 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 UCITS. 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 into the share capital totalling 14,7 million Romanian Leu and at the time of the payments of 9,6 million Romanian Leu and of 24,7 million Romanian Leu as a capital increase respectively during the second half of 2022 and the first half of 2023.

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 3,0 million 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 484 thousand Euro at 30 June 2023.

Currency risk hedging

Considering the size of this investment and the foregoing on the management method, the Bank did not deem it necessary to hedge the ensuing currency risk.

Derivative instruments and hedging policies

Hedges

Fair value hedging

The Banca Ifis Group's hedges are designed to reduce the Group's overall exposure to interest rate risk caused by movements in the interest rate curve. Specifically, the hedging strategy is that of a "package" of specific hedges on fixed-rate securities in the Group's Proprietary Portfolio with which a "HTC" (Held to Collect) business model is associated. These are government bonds issued by the Italian government (BTPs) that pass the "SPPI test" prescribed by IFRS 9, and are therefore classified in the balance sheet item "Financial assets measured at amortised cost - receivables dur from customers".

In hedge accounting, the Group applies standard IFRS 9 and currently only adopts specific hedges (micro fair value hedges) and not general hedges (macro fair value hedges).

Within the micro fair value hedge, debt securities on the asset side are hedged.

The main types of derivatives used are plain interest rate swaps (IRS), which are not listed on regulated markets but are traded on over-the-counter (OTC) circuits.

Hedging instruments

The main causes of ineffectiveness of the model adopted by the Group for verifying the effectiveness of hedges are attributable to the following phenomena:

- mismatch between the notional amount of the derivative and the underlying hedged item recognised at the time of initial designation or generated thereafter, such as in the case of any partial disposals of the hedged securities;
- application of different curves on the hedging derivative and the hedged item for the purpose of performing the effectiveness test on fair value hedges. Derivatives are discounted to Overnight curves, while hedged items are discounted to the indexation curve of the hedging instrument;
- inclusion in the effectiveness test of the value of the variable leg of the hedging derivative, assuming a fair value hedge.

The ineffectiveness of the hedge is promptly detected for the purposes:

- determining the effect on the income statement;
- assessing whether or not hedge accounting rules can continue to be applied.

The Group does not use dynamic hedges, as defined in IFRS 7, paragraph 23C.

Items hedged

The main types of items hedged are currently debt securities on the asset side. They are hedged in micro fair value hedge relationships, using interest rate swaps (IRS) as hedging instruments.

The interest rate risk is generally hedged for all or most of the term of the bond.

To verify the effectiveness of the hedge, the Group uses a prospective effectiveness test measured through the ratio of the delta fair value of each hedging instrument and the related hedged item based on sensitivity analysis of 100 bps on interest rates. The verification of hedging effectiveness through the prospectus described above is performed prior to the designation of the hedging relationship, as an ex-ante estimate, and is subsequently monitored on an ongoing basis and reported periodically to senior management.

Derivative instruments held for trading

Financial derivatives

Please see the paragraph above on “Market risks”.

Liquidity risk

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 the first half of 2023, the Group’s funding mix remained stable; at 30 June 2023, 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; security portfolio management, mainly comprising eligible and readily liquid Italian government securities is also important.

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As for the Group's operations concerning the Npl Segment and the division 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 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 Banca Ifis Board of Directors.

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

Securitisation transactions

As for the securitisations outstanding at 30 June 2023 and their purpose, see the comments in the previous paragraph on “Credit risk”.

Self-securitisation transactions

The Banca Ifis Group has arranged two securitisation transactions for which it holds all the securities issued by the vehicles. The main elements of these are presented below.

Indigo Lease

In 2016, the Banca Ifis Group, through the originator company, the former Ifis Leasing S.p.A. (incorporated into Banca Ifis since May 2018) 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 using funds raised from the issue of senior notes for an amount of 366 million Euro. These received an AA3 (sf) rating from Moody's and an AA (sf) rating from DBRS, and their redemption is connected to the collections realised on the receivables portfolio. In addition, the vehicle issued 138 million Euro in junior notes that were acquired by the former Ifis Leasing and did not receive a rating. 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, Banca Ifis acquired all the senior notes issued by the vehicle. Following the May 2018 merger of the former Ifis Leasing, 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 2023 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 accounting transfer ("derecognition" in accordance with IFRS 9) of all the risks and rewards relating to the transferred assets (receivables).

It should also be noted that, as of 20 July 2023, the securities issued by Indigo Lease have been delisted from the Luxembourg Stock Exchange and have therefore been withdrawn from trading.

Ifis Npl 2021-1 Spv

In March 2021, Banca Ifis realised for financing purposes, through its subsidiary Ifis Npl Investing, 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 2023 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 accounting transfer ("derecognition" in accordance with IFRS 9) of all the risks and rewards relating to the receivables being sold to the vehicle company.

Operational risks

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 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 the proper management of operational risk are represented:

- by the Loss Data Collection activity, i.e. the structured collection and census of losses deriving from operational risk events, which is consolidated thanks also to the constant activity by the Risk Management function to disseminate among the corporate structures a culture oriented towards the awareness and proactive management of operational risks;
- by the prospective self-assessment of risk exposure through the execution of periodic Risk Self-Assessment and Model Risk Self-Assessment campaigns, aimed at obtaining an overall view of risks in terms of frequency and/or potential financial impact and the related organisational safeguards.

With specific reference to the monitoring of the evolution of ICT and Security risk and the assessment of the effectiveness of ICT resource protection measures, the Banca Ifis Group, in compliance with the regulatory requirement[3] has opted for a shared responsibility model, assigning tasks to the Risk Management and Compliance corporate control functions, in relation to the roles, responsibilities and competences of each of the two functions. In particular, the Risk Management function conducts ICT and security risk analysis processes in accordance with the organisational and methodological framework approved by the Board of Directors in order, for example, to verify compliance with the ICT and security risk propensity level, the related risk objectives that the Group intends to achieve, and the resulting operational limits. If the level of ICT and security risk exceeds the defined threshold value, in order to bring it back within the acceptable risk threshold, measures are identified to deal with it, which flow into the “Treatment Plan” that identifies responsibilities for implementing individual corrective actions.

The results of the above-mentioned analyses are reported in the “Summary Report on the ICT and Security Risk Situation” subject to annual approval by the CEO in his capacity as the body with management functions.

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(3) On 2 November 2022, the Bank of Italy issued the 40th update of the "Supervisory Provisions for Banks", amending Chapter 4 "The Information System" and Chapter 5 "Business Continuity" of Part One, Title IV, to implement the "Guidelines on Information Technology (ICT) Risk Management and Security" (EBA/GL/2019/04) issued by the EBA. On this occasion, some work was also carried out to reconcile and update the internal references in Section I of Chapter 3 "The Internal Controls System".

In addition, according to its operational risk management framework (including the ICT and Security risk), the Group defines a set of 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 through synthetic risk measures 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 (RAF), the preparation of the Recovery Plan and ICAAP reporting, Risk Management function 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 supervising the risks connected with the supply contracts with third parties and 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.

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 conducting a forward-looking Reputational Risk Self-Assessment, and defining 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.

Risks of the other entities

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.

Segment reporting

Below is the information on operating Segments as at 30 June 2023 required by paragraph 16A of IAS 34.

To allow a more immediate reading of the results, reclassified economic data is prepared within this section. For the sake of consistent comparison, the income statement figures for previous periods are normally restated, where necessary and significant, also to take account of any changes in the scope of consolidation.

Analytical details of the restatements and reclassifications made with respect to the financial statements envisaged by Bank of Italy Circular 262 are provided in separate tables published among the annexes (see the section "Annexes" of this Consolidated Half-Year Financial Report at 30 June 2023), 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 credit risk losses/reversals of the Npl Segment are reclassified to interest receivable and similar income (and therefore to "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 allocations to provisions for risks and charges are excluded from the calculation of "Operating costs";
- the following is included under the single item "Net credit risk losses/reversals":
  - net credit risk losses/reversals relating to financial assets measured at amortised cost (with the exception of those relating to the Npl Segment mentioned above) and to financial assets measured at fair value through other comprehensive income;
  - net allocations to provisions for risks and charges for credit risk relating to commitments and guarantees granted;
  - profits (losses) from the sale/repurchase of loans at amortised cost other than those of the Npl Segment.

The balance sheet components were aggregated without reclassification.

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

- Commercial & Corporate Banking Segment, that 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.

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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.

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 30.06.2023	84.809	*1.049*	-	*83.760*	32.769	50.296	**167.874**
Amounts at 31.12.2022	*75.412*	*2.071*	-	*73.341*	*42.489*	*77.319*	***195.220***
% Change	*12,5%*	*(49,3)%*	-	*14,2%*	*(22,9)%*	*(35,0)%*	***(14,0)%***
Financial assets measured at fair value through other comprehensive income							
Amounts at 30.06.2023	1.639	-	-	*1.639*	-	772.036	**773.675**
Amounts at 31.12.2022	*1.695*	-	-	*1.695*	-	*695.916*	***697.611***
% Change	*(3,3)%*	-	-	*(3,3)%*	-	*10,9%*	***10,9%***
Receivables due from customers(1)							
Amounts at 30.06.2023	6.383.517	*2.557.997*	*1.498.735*	*2.326.784*	1.476.332	2.254.596	**10.114.445**
Amounts at 31.12.2022	*6.514.989*	*2.755.592*	*1.472.177*	*2.287.221*	*1.519.864*	*2.152.078*	***10.186.932***
% Change	*(2,0)%*	*(7,2)%*	*1,8%*	*1,7%*	*(2,9)%*	*4,8%*	***(0,7)%***

(1) In the Governance & Services and Non-Core Segment, at 30 June 2023, there were government securities amounting to 1.678,4 million Euro (1.541,5 million Euro at 31 December 2022).

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 30.06.2023	174.878	*86.406*	*30.539*	*57.933*	136.532	37.096	**348.506**
Amounts at 30.06.2022	*142.225*	*78.914*	*28.975*	*34.336*	*134.993*	*46.736*	***323.954***
% Change	*23,0%*	*9,5%*	*5,4%*	*68,7%*	*1,1%*	*(20,6)%*	***7,6%***
Net profit (loss) from financial activities							
Amounts at 30.06.2023	155.086	*84.907*	*28.897*	*41.282*	136.532	40.550	**332.168**
Amounts at 30.06.2022	*114.079*	*68.555*	*29.446*	*16.078*	*134.993*	*41.208*	***290.280***
% Change	*35,9%*	*23,9%*	*(1,9)%*	*156,8%*	*1,1%*	*(1,6)%*	***14,4%***
Profit (loss) for the period							
Amounts at 30.06.2023	49.440	*25.517*	*8.296*	*15.627*	30.473	12.093	**92.006**
Amounts at 30.06.2022	*24.364*	*16.519*	*10.855*	*(3.010)*	*32.512*	*15.905*	***72.781***
% Change	*102,9%*	*54,5%*	*(23,6)%*	*n.s.*	*(6,3)%*	*(24,0)%*	***26,4%***

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

During the first half of 2023, no significant related-party transactions were undertaken.

At 30 June 2023, the Banca Ifis Group was owned by La Scogliera S.A. and consists 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. controlled 99,99%, the 87,74% owned subsidiary Banca Credifarma S.p.A. and the vehicle Ifis Npl 2021-1 SPV S.r.l., in which the Group holds the majority of the shares.

The types of related parties, as defined by IAS 24, that are relevant for the Banca Ifis Group include:

- the ultimate Parent company La Scogliera S.A.;
- key management personnel of the Parent company Banca Ifis;
- close relatives of key management personnel of the Parent company Banca Ifis 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.

Information on the remuneration of key management personnel

The definition of key management personnel, as per IAS 24, includes all those persons having authority and responsibility for planning, directing and controlling the activities of 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 as subsequently updated, key management personnel also include the members of the Board of Statutory Auditors.

Key management personnel in office at 30 June 2023

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)	2.276	-	85	-	235	167
Other managers (2)	3.451	-	138	161	262	273
Total at 30.06.2023	**5.727**	**-**	**223**	**161**	**497**	**440**

(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 (2,6 million Euro, gross amount) and Statutory Auditors (184 thousand Euro, gross amount).

Information on related-party transactions

Here below are the assets, liabilities, guarantees and commitments outstanding at 30 June 2023, broken down by type of related party pursuant to IAS 24.

Related party transactions: balance sheet and off-balance sheet items

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	-	-	14.386	**14.386**	7,4%
Financial assets measured at fair value through other comprehensive income	-	-	2.847	**2.847**	0,4%
Receivables due from customers measured at amortised cost	-	1.446	17.124	**18.570**	0,2%
Other assets	13.073	-	-	**13.073**	2,8%
Total assets	**13.073**	**1.446**	**34.358**	**48.877**	**0,4%**
Payables due to customers measured at amortised cost	-	681	669	**1.350**	0,0%
Other liabilities	14.233	-	-	**14.233**	3,5%
Provisions for risks and charges	-	-	200	**200**	0,4%
Valuation reserves	-	-	(6.817)	**(6.817)**	12,9%
Total liabilities	**14.233**	**681**	**(5.949)**	**8.695**	**0,1%**
Commitments and guarantees (off-balance sheet)	**-**	**125**	**3.995**	**4.119**	**n.a.**

Related party transactions: income statement items

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	-	9	413	**422**	0,1%
Interest due and similar expenses	-	(3)	(1)	**(4)**	0,0%
Commission income	-	-	23	**23**	0,0%
Administrative expenses	(51)	(10)	-	**(61)**	0,0%

The transactions with the ultimate 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. With reference to “Other assets”, as at 30 June 2023 Banca Ifis recorded a receivable from the Parent company of 1,9 million Euro, Cap.Ital.Fin. a receivable of 0,7 million Euro, while Ifis Npl Investing and Ifis Npl Servicing recorded a receivable of 9,7 million Euro and 0,8 million Euro, respectively, for advances paid for 2023. With regard to “Other liabilities”, as at 30 June 2023, Ifis Rental Services recorded a liability of 0,4 million Euro, Ifis Npl Investing a liability of 12,8 million Euro and Ifis Npl Servicing a liability of 1,1 million Euro representing the tax liability for the first half of 2023.

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.

Share-based payments

Description of share-based payment agreements

Access to the variable portion for all personnel is subject to compliance with the conditions for access (so-called "gate") provided for by the following indicators measured at year-end:

- Ratio of the final Return On Risk-Adjusted Capital (RORAC) with the Group provisional one approved by the Board of Directors (RORAC*), no less than 80%;
- meeting the minimum Liquidity Coverage Ratio (LCR) requirement applicable from time to time to the Group;
- meeting the minimum Net Stable Funding Ratio (NSFR) requirement applicable from time to time to the Group;
- consolidated Total Capital Ratio exceeding the Overall Capital Requirement announced by the Supervisory Body as part of the "Capital Decisions" following the periodic Supervisory Review and Evaluation Process (SREP).

Failure to meet one of these conditions will result in variable pay not being awarded.

Without prejudice to the opening of the gates to the payment of variable remuneration described above, the variable remuneration of the Chief Executive Officer of the Parent company is linked to the achievement of specific qualitative and quantitative performance targets.

In particular, the Chief Executive Officer is the beneficiary:

- of a Short-Term Incentive ("STI") System;
- of a "2021-2023 Long Term Incentive Plan" (the "LTI Plan").

With reference to the Short-term Incentive (STI) System, the objectives assigned to the CEO represent a combination of quantitative and qualitative criteria, referring to the Group's results, as well as qualitative aspects relating to strategic action.

The performance scorecard includes the declination of the following KPIs:

- Economic-financial KPIs with a weight of 65%, structured over three specific drivers (profitability, credit cost and efficiency), consistent with the Group's 2022 objectives;
- KPI of strategy and sustainability with a weight of 35%, which aim to assess the achievement of strategic directives, as well as the achievement of corporate objectives in the ESG area.

The short-term variable remuneration cap payable to the CEO is set at 60% of fixed remuneration; variable remuneration will accrue on the basis of the degree of achievement of objectives, with variable remuneration being paid on a linear progression between 60% and 100%.

This variable component is paid in the amount of 40% with a non-deferred payment (up front) and in the amount of 60% with a deferred payment over a period of five years (starting from the year following the year in which the upfront portion accrues), in accordance with the provisions of the relevant supervisory regulations for variable remuneration of particularly high amounts.

The deferred portion of variable remuneration (amounting to 60%) shall be paid as follows:

- 55% (i.e. 33% of the total variable remuneration) in Banca Ifis shares, which may be exercised at the end of the further retention period of 1 year;

- 45% (i.e. 27% of the total variable remuneration) in cash, subject to annual revaluation at the legal rate in force over time.

The portion of variable remuneration up front (40%) and is paid as follows:

- 50% (i.e. 20% of the total variable remuneration) in Banca Ifis shares, which may be exercised at the end of the further retention period of 1 year;
- 50% (i.e. 20% of total variable remuneration) paid in cash.

As far as the Co-General Managers are concerned, the targets assigned with reference to the Short-Term Incentive System (STI) represent a combination of quantitative and qualitative criteria, referring to the Group's results, as well as to qualitative aspects related to the achievement of strategic directives.

The performance scorecard includes the declination of the following KPIs:

- Economic-financial KPIs with a weight of 65%, structured over three specific drivers (profitability, credit cost and efficiency), consistent with the Group's objectives;
- KPI of strategy and sustainability with a weight of 35%, which aim to assess the achievement of strategic directives, as well as corporate objectives in the ESG area.

Variable remuneration will accrue on the basis of the degree of achievement of objectives, with variable remuneration being paid on a linear progression between 60% and 100%.

This variable component is paid in the amount of 60% with a non-deferred payment (up front) and in the amount of 40% with a deferred payment over a period of four years (starting from the year following the year in which the upfront portion accrues) in accordance with the relevant supervisory provisions for variable remuneration exceeding the materiality threshold but not of a particularly high amount.

The deferred portion of variable remuneration (amounting to 40%) shall be paid as follows:

- 50% (i.e. 20% of the total variable remuneration) in Banca Ifis shares, which may be exercised at the end of the further retention period of 1 year;
- 50% (i.e. 20% of total variable remuneration) paid in cash.

The portion of variable remuneration up front (60%) and is paid as follows:

- 50% (i.e. 30% of the total variable remuneration) in Banca Ifis shares, which may be exercised at the end of the further retention period of 1 year;
- 50% (i.e. 30% of total variable remuneration) paid in cash.

It is understood that the allocation of Banca Ifis shares will affect, in addition to the Chief Executive Officer and the Co-General Managers, the employees identified as most relevant pursuant to Circular no. 285/2013 and Delegated Regulation no. 923/2021 where the variable component of remuneration is above 50 thousand Euro or represent more than a third of the annual total remuneration.

For the purpose of assigning variable remuneration in financial instruments, or in Banca Ifis shares, the Bank calculates the fair value of the share - at the time of the assignment - based on the average stock market price with reference to the month prior to the date of approval of the Banca Ifis Financial Statements by the Shareholders' Meeting (or, in the case of assignment of variable remuneration for any reason subsequent to the Shareholders' Meeting, from the date of the event, this being understood to mean any dates of signing of agreements or in the absence thereof, the dates of approval by the competent bodies of the related awards). The number of shares is determined by rounding to the nearest integer.

Variable pay is subject to malus/clawback mechanisms that may cause the amount to be as low as zero if certain conditions are met.

Other information

If a result is achieved that equals or exceeds 100% of the annual targets assigned, the variable component of Senior Management will be considered as accrued in the amount of 100% of its value; the number of shares to be attributed will be in any case calculated as described above.

Long Term Incentive (LTI) Plan 2021-2023 for the Chief Executive Officer, Co-General Managers and other Group employees

The Chief Executive Officer of Banca Ifis is also the recipient of a Long Term Incentive (LTI) Plan 2021-2023, approved by the Board of Directors on 24 June 2021 and by the Shareholders' Meeting of the Parent company on 28 July 2021. The Plan provides for the assignment to the CEO, free of charge, of a certain number of options that will give the right to purchase, at a unit exercise price (the "strike price") equal to 12,92 Euro, a corresponding number of Banca Ifis shares.

The Plan has a duration of three years (2021, 2022 and 2023) and the options will become exercisable after the aforementioned three-year vesting period and an additional year of retention, subject to the circumstance that the relationship between the Bank and the CEO is still in place, and that pre-determined quantitative and qualitative, financial and non-financial targets, linked to the Bank's long-term strategies, have been achieved.

The Plan grants the CEO of the Parent company the right to receive up to a maximum of 696.000 options at the end of the vesting period and on achievement of the objectives of the Plan.

Subsequently, as envisaged in the Plan approved by the Shareholders' Meeting of 28 July 2021, and in execution of the mandate granted to the Board of Directors on that occasion, on 9 June 2022, the latter resolved to include 13 "additional beneficiaries" in the Plan, assigning them the same objectives already envisaged for the Chief Executive Officer and illustrated in the 2022 Remuneration Policy. These additions to the Plan were then approved by the Shareholders' Meeting of Banca Ifis on 28 July 2022.

Also for these additional beneficiaries, represented by high-level managers of the Group (including 12 key managers and Co-General Managers), the Plan provides for the assignment of a certain number of options that will entitle them to purchase, free of charge and always at a strike price per share of 12,92 Euro, a corresponding number of Banca Ifis shares. The right to receive the options will accrue at the end of the vesting period (which for the additional beneficiaries will be two years, 2022-2023) and upon achievement of the targets set out in the Plan, up to a maximum of 320.000 options in total that can be granted to the 13 additional beneficiaries.

A further addition to this Plan, proposed by the Board of Directors and approved by the Shareholders' Meeting held on 20 April 2023 (see also the section "Significant events occurred in the period" of the Group's Interim Report on Operations), concerned operational aspects of the Plan's mechanics (which otherwise remains unchanged in all its essential and structural elements, as already approved at the aforementioned Shareholders' Meetings). In particular, the integration consisted in recognising the possibility for beneficiaries, at the opening of each option exercise window, to postpone the exercise of all or part of any options that may have vested and may already be exercised in that window in the subsequent "exercise windows" provided for by the Plan.

In addition, during the first half of 2023, the resignation of an executive with strategic responsibility included in the Plan took place, with the consequent loss of his status as a beneficiary of the Plan.

As a result of the aforementioned innovations made in 2022 and the first half of 2023, as at 30 June 2023, the Plan's beneficiaries total 13, of which 12 were key managers (including the Chief Executive Officer), and the maximum amount of options that can be granted is 996.000 (696.000 to the Chief Executive Officer and 300.000 to the other beneficiaries).

At an accounting level, this stock option plan has been accounted for in accordance with the provisions of IFRS 2 for equity settled transactions. In view of the difficulty of reliably assessing the fair value of the services received as consideration for stock options, reference is made to the initial fair value of the latter.

The fair value of the payments settled by the issuance of these options for the services covered by the LTI Plan is recognised as an expense in the income statement under “Administrative Expenses: a) Personnel Expenses” as an offsetting entry to “Reserves” in Equity on an accrual basis in proportion to the vesting period over which the service is provided. For the first half of 2023, the corresponding cost recognised in the Income Statement amounts to 541 thousand Euro, while the corresponding equity reserve (which also includes the portion of cost accrued in FYs 2021 and 2022) totals 1,5 million Euro.

Venice - Mestre, 3 August 2023

For the Board of Directors

The CEO

Frederik Herman Geertman

Certification by the Manager Charged with preparing the Company's financial reports

Certification of the consolidated half year simplified financial statements at June 30th, 2023 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 Herman Geertman – CEO and Massimo Luigi Zanaboni – 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, 2023 to June 30th, 2023.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated half year simplified financial statements at June 30th, 2023 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, 2023:

   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 - Mestre, 3 August 2023

CEO	Manager Charged with preparing the Company's financial reports
Frederik Herman Geertman	Massimo Luigi Zanaboni

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Report of the Independent Auditors limited to the Condensed consolidated half-year financial statements

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Review report on condensed consolidated half year financial statements

To the shareholders of
Banca IFIS SpA

Foreword

We have reviewed the condensed consolidated half year financial statements of Banca IFIS SpA and its subsidiaries (the Banca IFIS Group) as of 30 June 2023, comprising the consolidated statement of financial position, the consolidated income statement, the consolidate statement of comprehensive income, the statement of changes in consolidated equity, the consolidated statement cashflows and related explanatory notes. The directors of Banca IFIS SpA are responsible for the preparation of the condensed consolidated half year financial statements in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated half year financial statements based on our review.

Scope of Review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution n° 10867 of 31 July 1997. A review of condensed consolidated half year financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope 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 condensed consolidated half year financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half year financial statements of Banca IFIS Group as of 30 June 2023 are not prepared, in all material respects, in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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Other Matters

The consolidated financial statements as of and for the year ended 31 December 2022 and the condensed consolidated half year financial statements for the period ended 30 June 2022 were audited and reviewed, respectively, by other auditors, who on 29 March 2023 expressed an unmodified opinion on the consolidated financial statements and, on 4 August 2022 expressed an unmodified conclusion on the condensed consolidatd half year financial statements.

Milan, 3 August 2023

PricewaterhouseCoopers SpA

Signed by

Pierfrancesco Anglani
(Partner)

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Banca Ifis 1983 | 2023

Annexes

Consolidated Half-Year Financial Report at 30 June 2023

Reconciliation between reclassified consolidated financial statements and consolidated financial statements

RECONCILIATION BETWEEN ASSETS ITEMS AND RECLASSIFIED ASSETS ITEMS (in thousands of Euro)			30.06.2023	31.12.2022
Cash and cash equivalents			**681.428**	**603.134**
+	*10.*	*Cash and cash equivalents*	*681.428*	*603.134*
Financial assets held for trading			**25.263**	**26.868**
+	*20.a*	*Financial assets measured at fair value through profit or loss: a) financial assets held for trading*	*25.263*	*26.868*
Financial assets mandatorily measured at fair value through profit or loss			**167.874**	**195.220**
+	*20.c*	*Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value*	*167.874*	*195.220*
Financial assets measured at fair value through other comprehensive income			**773.675**	**697.611**
+	*30.*	*Financial assets measured at fair value through other comprehensive income*	*773.675*	*697.611*
Receivables due from banks measured at amortised cost			**630.277**	**565.762**
+	*40.a*	*Financial assets measured at amortised cost: a) receivables due from banks*	*630.277*	*565.762*
Receivables due from customers measured at amortised cost			**10.114.445**	**10.186.932**
+	*40.b*	*Financial assets measured at amortised cost: b) receivables due from customers*	*10.114.445*	*10.186.932*
Hedging derivatives			**323**	**-**
+	*50.*	*Hedging derivatives*	*323*	*-*
Property, plant and equipment			**128.356**	**126.341**
+	*90.*	*Property, plant and equipment*	*128.356*	*126.341*
Intangible assets			**68.618**	**64.264**
+	*100.*	*Intangible assets*	*68.618*	*64.264*
of which: - goodwill			***38.020***	***38.020***
Tax assets			**292.251**	**325.181**
a) current			**51.549**	**60.924**
+	*110.a*	*Tax assets: a) current*	*51.549*	*60.924*
b) prepaid			**240.702**	**264.257**
+	*110.b*	*Tax assets: b) prepaid*	*240.702*	*264.257*
Non-current assets and disposal groups			**813**	**-**
+	*120.*	*Non-current assets and disposal groups*	*813*	*-*
Other assets			**468.773**	**471.064**
+	*130.*	*Other assets*	*468.773*	*471.064*
Total assets			**13.352.096**	**13.262.377**

RECONCILIATION BETWEEN ASSETS AND LIABILITIES ITEMS AND RECLASSIFIED ASSETS AND LIABILITIES ITEMS (in thousands of Euro)			30.06.2023	31.12.2022
Payables due to banks			**3.079.322**	**3.422.160**
+	*10.a*	*Financial liabilities measured at amortised cost: a) payables due to banks*	*3.079.322*	*3.422.160*
Payables due to customers			**5.460.902**	**5.103.343**
+	*10.b*	*Financial liabilities measured at amortised cost: b) payables due from customers*	*5.460.902*	*5.103.343*
Debt securities issued			**2.601.658**	**2.605.195**
+	*10.c*	*Financial liabilities measured at amortised cost: c) securities issued*	*2.601.658*	*2.605.195*
Financial liabilities held for trading			**25.954**	**25.982**
+	*20.*	*Financial liabilities held for trading*	*25.954*	*25.982*
Hedging derivatives			**12**	**-**
+	*40.*	*Hedging derivatives*	*12*	*-*
Tax liabilities			**42.584**	**52.298**
a) current			**12.517**	**21.961**
+	*60.a*	*Tax liabilities: a) current*	*12.517*	*21.961*
b) deferred			**30.067**	**30.337**
+	*60.b*	*Tax liabilities: b) deferred*	*30.067*	*30.337*
Other liabilities			**406.913**	**391.697**
+	*80.*	*Other liabilities*	*406.913*	*391.697*
Post-employment benefits			**7.565**	**7.696**
+	*90.*	*Post-employment benefits*	*7.565*	*7.696*
Provisions for risks and charges			**52.198**	**56.225**
+	*100.a*	*Provisions for risks and charges: a) commitments and guarantees granted*	*7.114*	*9.364*
+	*100.c*	*Provisions for risks and charges: c) other provisions for risks and charges*	*45.084*	*46.861*
Valuation reserves			**(52.760)**	**(59.722)**
+	*120.*	*Valuation reserves*	*(52.760)*	*(59.722)*
Reserves			**1.507.208**	**1.440.944**
+	*150.*	*Reserves*	*1.507.208*	*1.440.944*
Interim dividends (-)			**-**	**(52.433)**
+	*155.*	*Interim dividends (-)*	*-*	*(52.433)*
Share premiums			**84.108**	**83.767**
+	*160.*	*Share premiums*	*84.108*	*83.767*
Share capital			**53.811**	**53.811**
+	*170.*	*Share capital*	*53.811*	*53.811*
Treasury shares (-)			**(21.817)**	**(22.104)**
+	*180.*	*Treasury shares (-)*	*(21.817)*	*(22.104)*
Equity attributable to non-controlling interests (+/-)			**13.402**	**12.432**
+	*190.*	*Equity attributable to non-controlling interests (+/-)*	*13.402*	*12.432*
Profit (loss) for the period			**91.036**	**141.086**
+	*200.*	*Profit (loss) for the period (+/-)*	*91.036*	*141.086*

Total liabilities and equity	**13.352.096**	**13.262.377**

		RECONCILIATION BETWEEN THE CONSOLIDATED INCOME STATEMENT AND THE RECLASSIFIED CONSOLIDATED INCOME STATEMENT (in thousands of Euro)	**30.06.2023**	**30.06.2022**
Net interest income			**274.686**	**264.351**
+	*30.*	*Net interest income*	*217.291*	*198.108*
+	*130.a (Partial)*	*Net credit risk losses/reversals of the Npl Segment to the extent representative of business operations*	*57.395*	*66.243*
Net commission income			**50.297**	**42.212**
+	*60.*	*Net commission income*	*50.297*	*42.212*
Other components of net banking income			**23.523**	**17.391**
+	*70.*	*Dividends and similar income*	*8.795*	*8.052*
+	*80.*	*Net profit (loss) from trading*	*(3.377)*	*2.494*
+	*90.*	*Net result from hedging*	*(251)*	*-*
+	*100.a*	*Gains (losses) on sale/buyback of: a) financial assets measured at amortised cost*	*5.178*	*6.771*
+	*100.b*	*Gains (losses) on sale/buyback of: b) financial assets measured at fair value through other comprehensive income*	*836*	*(156)*
+	*100.c*	*Gains (losses) on sale/buyback of: c) financial liabilities*	*1.031*	*(65)*
+	*110.b*	*Net result of other financial assets and liabilities measured at fair value through profit or loss: b) other financial assets mandatorily measured at fair value*	*11.311*	*295*
Net banking income			**348.506**	**323.954**
Net credit risk losses/reversals			**(16.338)**	**(33.674)**
+	*130.a*	*Net credit risk losses/reversals related to: a) financial assets measured at amortised cost*	*38.995*	*32.610*
-	*130.a (Partial)*	*Net credit risk losses/reversals of the Npl Segment to the extent representative of business operations*	*(57.395)*	*(66.243)*
+	*130.b*	*Net credit risk losses/reversals related to: b) financial assets measured at fair value through other comprehensive income*	*(21)*	*(400)*
+	*200.a (partial)*	*Net allocations for credit risk related to commitments and guarantees granted*	*2.083*	*359*
Net profit (loss) from financial activities			**332.168**	**290.280**
Administrative expenses			**(199.694)**	**(188.245)**
+	*190.a*	*a) personnel expenses*	*(80.445)*	*(73.598)*
+	*190.b*	*b) other administrative expenses*	*(119.249)*	*(114.647)*
Net impairment losses/reversals on property, plant and equipment and intangible assets			**(8.552)**	**(8.225)**
+	*210.*	*Net impairment losses/reversals on property, plant and equipment*	*(4.642)*	*(4.343)*
+	*220.*	*Net impairment losses/reversals on intangible assets*	*(3.910)*	*(3.882)*
Other operating income/expenses			**12.466**	**10.960**
+	*230.*	*Other operating income/expenses*	*12.466*	*10.960*

RECONCILIATION BETWEEN THE CONSOLIDATED INCOME STATEMENT AND THE RECLASSIFIED CONSOLIDATED INCOME STATEMENT (in thousands of Euro)		30.06.2023	30.06.2022
Operating costs		**(195.780)**	**(185.510)**
+ 240.	*Operating costs*	*(194.223)*	*(182.090)*
- 200.	*Net allocations to provisions for risks and charges*	*(1.557)*	*(3.420)*
Net allocations to provisions for risks and charges		**(526)**	**3.061**
+ 200.a	*Net allocations to provisions for risks and charges: a) commitments and guarantees granted*	*2.083*	*(1.259)*
- 200.a (partial)	*Net allocations for credit risk related to commitments and guarantees granted*	*(2.083)*	*(359)*
+ 200.b	*Net allocations to provisions for risks and charges: b) other net allocations*	*(526)*	*4.679*
Value adjustments of goodwill		**-**	**(762)**
+ 270.	*Value adjustments of goodwill*	*-*	*(762)*
Gains (Losses) on disposal of investments		**-**	**135**
+ 280.	*Gains (Losses) on disposal of investments*	*-*	*135*
Pre-tax profit (loss) for the period from continuing operations		**135.862**	**107.204**
Income taxes for the period relating to continuing operations		**(43.856)**	**(34.423)**
+ 300.	*Income taxes for the period relating to continuing operations*	*(43.856)*	*(34.423)*
Profit (loss) for the period		**92.006**	**72.781**
(Profit) loss for the period attributable to non-controlling interests		**(970)**	**(266)**
+ 340.	*(Profit) loss for the period attributable to non-controlling interests*	*(970)*	*(266)*
Profit (loss) for the period attributable to the Parent company		**91.036**	**72.515**

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