BANCA IFIS

Consolidated interim report at 31st March 2020

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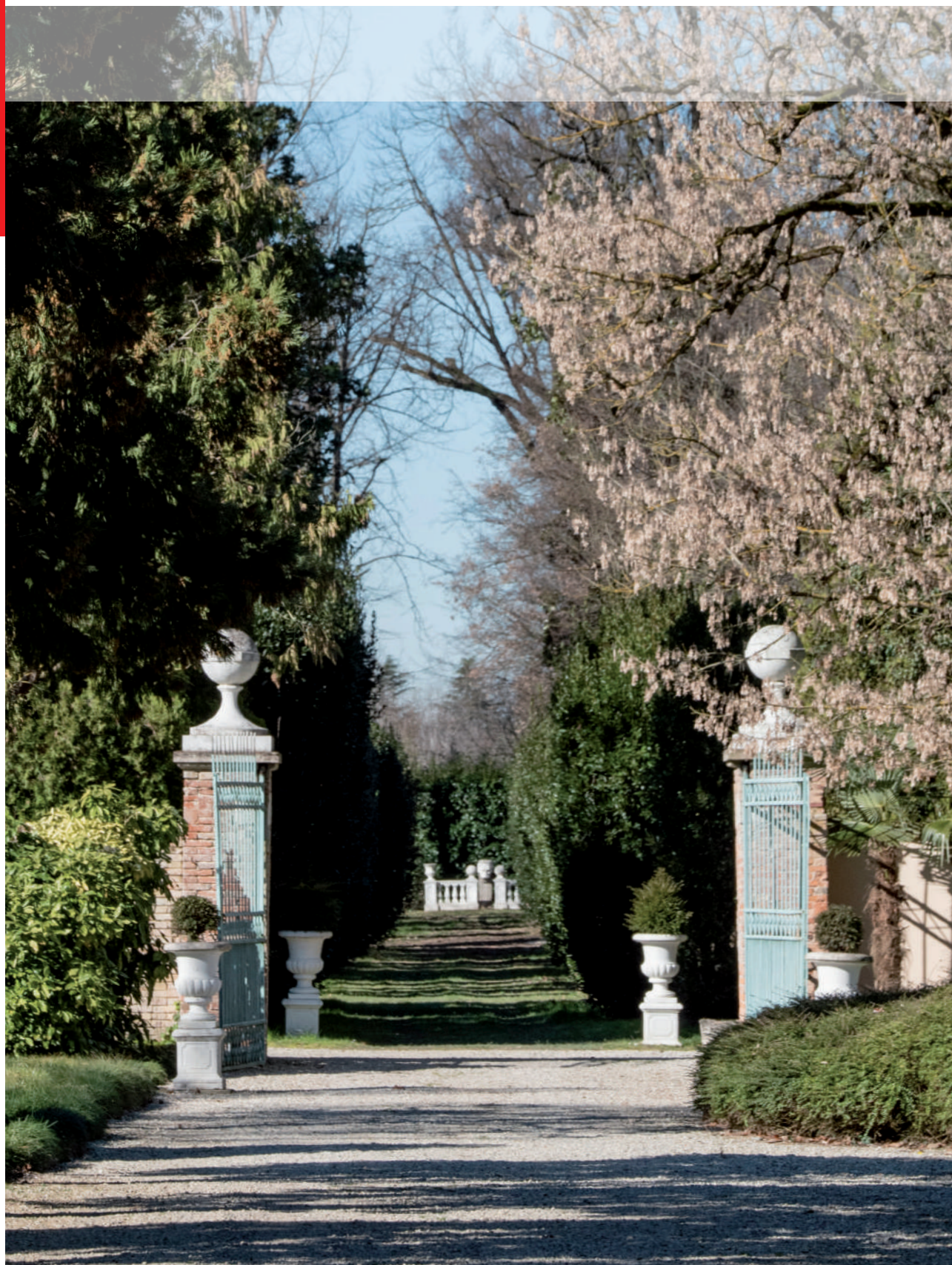
2020

Banca Ifis S.p.A - Sede legale in Via Terraglio 63
30174 Venezia - Mestre - Numero di iscrizione al Registro delle imprese di Venezia e codice fiscale 02505630109
Partita IVA 04570150278- Numero REA: VE – 0247118
Capitale Sociale Euro 53.811.095 i.v. - Iscritta all'Albo delle banche al n. 5508 Capogruppo del Gruppo bancario Banca Ifis S.p.A. iscritto all'albo dei Gruppi bancari - Società aderente al Fondo Nazionale di Garanzia e al Fondo Interbancario di Tutela dei Depositi, all'Associazione Italiana per il Factoring e al Factors Chain International.

Contents

1.

Corporate bodies



Board of Directors

Chairman	Sebastien Egon Fürstenberg
Deputy Chairman	Ernesto Fürstenberg Fassio
CEO	Luciano Colombini [1]
Directors	Simona Arduini
	Monica Billio
	Beatrice Colleoni
	Roberto Diacetti
	Divo Gronchi
	Luca Lo Giudice
	Antonella Malinconico
	Riccardo Preve
	Daniele Umberto Santosuosso

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

General Manager	Alberto Staccione

Board of Statutory Auditors

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

Independent Auditors	EY S.p.A.
Corporate Accounting Reporting Officer	Mariacristina Taormina

BANCA IFIS

Fully paid-up share capital: 53.811.095 Euro

ABI 3205.2

Tax Code and Venice Companies Register Number: 02505630109

VAT No.: 04570150278

Enrolment in the Register of Banks No.: 5508

Registered and administrative office

Via Terraglio, 63 – 30174 Mestre – Venice

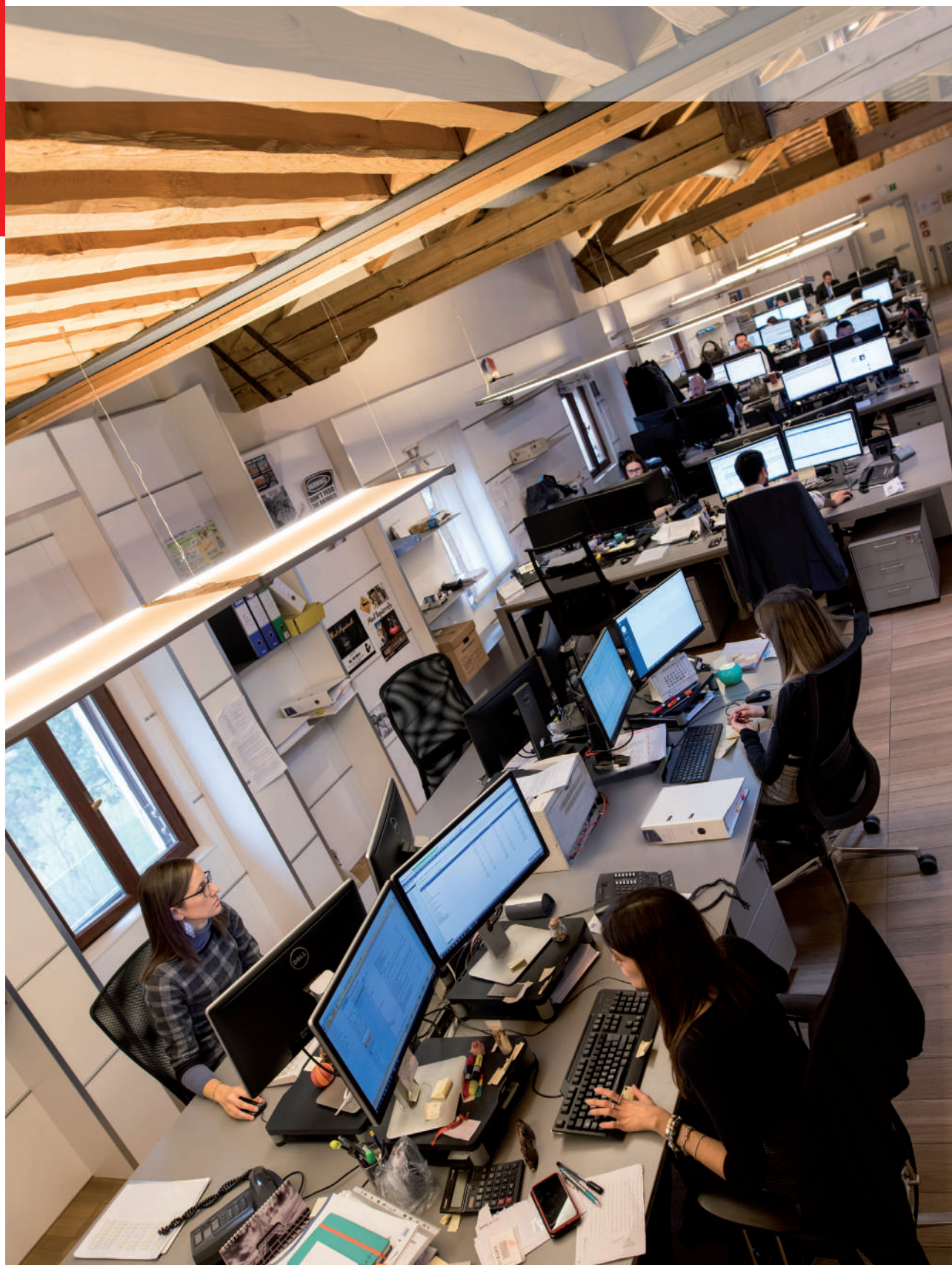
Website: www.bancaifis.it

FCI

Member of Factors Chain International

2.

Interim directors' report on the Group



2.1 Results and Strategy

2.1.1 Comment by the CEO

We are facing a complex time, an unforeseen global crisis, to which we have responded swiftly and efficiently. Banca Ifis promptly implemented incisive measures to protect the health and safety of its employees and customers, while also ensuring full operations: in around ten days, 93% of our people began to work remotely, and the Company continued its business in accordance with all regulations.

The financial impacts of the Covid-19 pandemic are clearly characterised by a high level of uncertainty, but the Group's financial performance and financial position are solid and enable the Bank to face the current financial crisis with confidence: at 31 March we had increased our CET1 ratio to 11,12% (+0,16% on 31 December 2019) and available liquidity amounted to approximately 1,4 billion Euro.

The results for the first quarter were affected by Covid-19, although the first two months of the year were in line with the targets set in the Business Plan. Several transactions were completed during the period, such as the closing of the sale of the property on Corso Venezia in Milan, which generated a capital gain of 24 million Euro, and the successful placement of a senior bond of 400 million Euro as part of the strategy of diversifying funding sources. The corporate and organisational restructuring of the NPL business and the work to build an IT platform in support of small and medium enterprises were launched on schedule.

In March, when the spread of the pandemic resulted in the closure of many businesses and severely limited the movement of individuals, we used every means at our disposal to rise to this challenge and manage the new situation as well as possible. We stepped up our digital transformation processes and in just a few weeks made a great technological leap forwards, testing out new working methods that allowed us to achieve important objectives, confirming the agility and dynamism of the Bank's model.

We contacted over 5.000 customers and acquired approximately 300 of them, developing new products and services like loans for industrial conversions or expansion of production lines in response to the emergency. In addition, some sectors particularly affected by Covid-19 began to be closely monitored and covered. In just a few weeks we prepared a digital platform to streamline the process of granting new loans guaranteed by the government under the “Cure Italy” Decree.

We continued to invest in the non-performing loans market, taking an active part in unsecured NPL sales processes, and we enhanced our telephone recovery activity following the temporary suspension of operations by the agents network. In the future, we are confident that our ten years of experience in the sector will allow us to continue to make sound purchases. In addition, we foresee that the impact of the court closures will be temporary and will primarily be tied to longer payment times rather than to reduced payments. Banca Ifis offers its debtors sustainable long-term repayment plans with an average time to recovery of the portfolio of five to seven years.

In view of the exceptional nature of this situation, and given the uncertain course of the emergency and its impact in the coming months, on 1 April the Bank's Board of Directors decided, in accordance with the prudence principle, to take the responsible course of action of following the supervisory authority's recommendation and thus to propose that the distribution of the 2019 dividend be postponed until at least 1 October 2020, and thus to proceed with payment of the dividend after that date, provided that no regulations or recommendations from the supervisory authorities to the contrary are issued before that date. Banca Ifis has also decided to suspend the financial performance and position targets set in the 2020-2022 Business Plan, which will be revised and updated as soon as the macroeconomic situation stabilises.

The Board of Directors, supervisory bodies and the Company's management continue constantly to monitor the course of the emergency caused by the spread of Covid-19 and to take the decisions and measures necessary to respond to it.

2.1.2 Uncertainties connected with the Covid-19

The financial impacts of the Covid-19 pandemic on the various Group companies are currently characterised by severe uncertainty. The Group's financial performance and financial position are solid and enable the Bank to face the current financial crisis.

The results for the first quarter of 2020 include the impacts of Covid-19 as reasonably foreseeable at 31 March 2020. The adverse effects of Covid-19 may persist beyond the first quarter of 2020, extending into the following quarters, although the timing and amount of such effects currently cannot be foreseen.

In accordance with the Bank of Italy's recommendation of 27 March 2020 on dividend policy during the Covid-19 pandemic, the Board of Directors of Banca Ifis decided to act responsibly by following the guidance provided by the Supervisory Authorities, and therefore propose that the distribution of dividends for the 2019 financial year be postponed until at least 1 October 2020 and, therefore, to proceed to the payment after this date if no regulatory provisions or recommendations from the Supervisory Authorities will be issued against this.

Barring further deterioration of the scenario, which in view of its exceptional nature and uncertainty cannot be excluded, the Group's solid financial position and ability to reorganise, as also shown during the Covid-19 emergency, will nonetheless allow Banca Ifis to continue, as in the past, to provide sustainable remuneration to its shareholders.

The Board of Directors, supervisory bodies and the Company's management continue constantly to monitor the course of the emergency caused by the spread of Covid-19 and to take the decisions and measures necessary to respond to it.

2.1.3 Redefinition of operating Segments

In order to fully implement the Group's business model, as envisaged by the 2020-2022 Industrial Plan, changes have been made to the operating Segments as they were previously structured: the Enterprises Segment, now renamed Commercial & Corporate Banking groups together the commercial activities intended for enterprises and excludes the portfolios of loans disbursed by Interbanca before the acquisition and set to run-off (previously aggregated into the Enterprises Segment); the NPL Segment has been kept in line with the past, while the last Segment, now called Governance & Services and Non-Core, has been integrated into the non-core section, which includes the portfolios excluded from Commercial & Corporate Banking.

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

- Commercial & Corporate Banking Segment, represents the commercial offer of the Group dedicated to companies and consists of the Business Factoring, Leasing and Corporate Banking & Lending Areas.
- NPL Segment, dedicated to non-recourse acquisition and managing distressed retail loans. The Segment's results from 7 January 2019 also include the contribution of the former Fbs Group, which is mainly specialised in servicing and the management of 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, the disbursement of salary- or pension-backed loans and some portfolios of personal loans, as well as some corporate loans portfolio assigned for run-off insofar as held to be non-strategic to the Group's growth.

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

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

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

- for direct costs, allocation was as per the use of the cost centre by reference Segment;

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

The comparative information in this document has been restated in line with the new Segment reporting.

2.1.4 Highlights - reclassified data[1]

Consolidated **net banking income**[1] amounted to 106 million Euro, down by 18,6% on the same period of 2019, almost exclusively as a result of the economic and health emergency that swept through Italy in March, resulting in the lockdown. The closure of all production activities and, specifically, the courts, effectively prevented any legal action from being taken to obtain writs, attachments of property and garnishment orders, typically more profitable for the industry as a whole. All this mainly affected the net banking income of the NPL Segment, which totalled 43,2 million Euro, compared with 61,8 million Euro in the first quarter of 2019 (-30,0%).

The net banking income of the Commercial & Corporate Banking Segment amounted to 53,8 million Euro, down 8,0% on 31 March 2019. The decline in the Factoring Area was moderate (-3,4%) compared to that in the Leasing Area (-11,1%) and the Corporate Banking & Lending Area, which recorded a decrease of 32,0%, mainly due to the lesser contribution of the "PPA reversal"[2] compared with the same period in 2019.

During the quarter **net credit risk losses**[1] totalled 18,5 million Euro, compared to 13,1 million Euro during the period ended 31 March 2019. These impairment losses mainly refer to the greater provisions in the Governance & Services and Non-Core Segment, in which individual impairment losses were calculated on a single significant position, relating to a customer operating in the retail sector, which further deteriorated due to the shutdown of commercial businesses as a result of Covid-19.

Operating costs declined by 1,2% to 73,5 million Euro in the first quarter of 2020 (74,4 million Euro in the period ended 31 March 2019). The effect of the decrease in revenues due to Covid-19 affected the cost-income ratio (the ratio of operating costs to net banking income), which stood at 69,4% compared with 57,2% at 31 March 2019.

Personnel expenses amounted to 32,0 million Euro and were essentially in line with the same period in the previous year (31,4 million Euro for the period ended 31 March 2019).

Other administrative expenses declined by 6,5% to 40,5 million Euro, compared with 43,3 million Euro for the period ended 31 March 2019, due to the reduction in the costs of purchasing goods and services and direct and indirect taxes, which more than offset the increase in the costs of professional services.

Other net operating income totalled 8,0 million Euro (7,0 million Euro for the period ended 31 March 2019) and referred mainly to revenue from the recovery of expenses charged to third parties. The relevant cost item is included in other administrative expenses, namely under legal expenses and indirect taxes, as well as recoveries of expenses associated with leasing operations, in line with the same period in the previous year.

Pre-tax profit from continuing operations amounted to 38,1 million Euro (-10,7% compared to 31 March 2019). Despite the positive effect of the sale of the Milan property of 24,2 million Euro, this result was adversely affected by the situation relating to the Covid-19 pandemic, including: the 9,4 million Euro of impacts on the operations of the NPL Segment of the court closures, in addition to 6,9 million Euro of impairment losses on UCI provisions primarily related to the non-performing loans of the former Interbanca and 7,6 million Euro of provisions for credit and endorsement risk on a single individually significant position.

The Group **net profit** for the period ended 31 March 2020 totalled 26,4 million Euro, compared with 29,9 million Euro for the period ended 31 March 2019, a decrease of 11,7%.

Highlights of the contributions of the various segments to the operating and financial results for the period ended 31 March 2020 are provided below:

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

2 The term "PPA reversal" refers to the reversal over time of the difference between the fair value as measured in the business combination and the carrying amount of the receivables of the former GE Capital Interbanca Group, acquired on 30 November 2016.

In the **Commercial & Corporate Banking Segment**, the net profit for the period, which accounted for 41,2% of the total, amounted to 10,9 million Euro, compared with 16,5 million Euro for the period ended 31 March 2019 (-33,9%). Despite the increase in the net profit of the Factoring Area to 8,5 million Euro, the result was affected by the decline in net profit in both the Leasing Area and the Corporate Banking & Lending Area.

- In particular, the net banking income of the **Factoring Area** decreased by 3,4% on the same period in the previous year. This result was driven by the positive contribution of net interest income, up by 0,8 million Euro, offset by a decline in net commission income (2,1 million Euro), affected by the decline in volumes managed due to the adverse scenario arising from Covid-19, as well as by competitive pressure on the economic conditions applied to customers.
  Net credit risk losses decreased to 4,8 million Euro (compared with 6,9 million Euro in the first quarter of 2019), owing to the greater reversals, mainly due to collections on previously impaired or written off positions.
  Operating expenses were essentially in line with the corresponding period of the previous year. The combined effect of these factors enabled a net profit for the period of 8,5 million Euro, down slightly, by 7,3%, on the period ended 31 March 2019.
  The Area's total loans to customers amounted to 2.973,9 million Euro (-7,9% on the end of 2019).
- In the first quarter of 2020, the **Leasing Area** presented net banking income of 11,8 million Euro, down by 11,1% on the period ended 31 March 2019, due to the greater cost attributable to a decrease in net commission income of approximately 0,5 million Euro.
  Net impairment losses on receivables amounted to 4,3 million Euro, up 2,8 million Euro compared to the first quarter of 2019. This increase was tied to the migration of previously performing positions to more uncertain risk statuses.
  Operating expenses decreased by 10,4%, after reflecting non-recurring costs such as uncapitalised software development and consultancy and non-routine maintenance on the Mondovì office in 2019.
  The net profit for the period thus totalled 2,4 million Euro, compared with 5,5 million Euro in the first three months of 2019.
  Receivables due from customers amounted to 1.403,5 million Euro (-3,1% on 31 December 2019), due to the decline in volumes disbursed during the quarter (down by 37% on the same period in the previous year).
- The net banking income of the **Corporate Banking & Lending Area** decreased by 32,0% on the period ended 31 March 2019, mainly due to the decrease in the fair value of the UCI funds in portfolio. This effect is due to the worsening of risk factors (liquidity and credit) during the quarter, negatively impacted by the instability of markets in the current context.
  Net impairment losses on receivables amounted to 1,9 million Euro, up 1,6 million Euro compared to the corresponding period of 2019, due above all to the increase in loans. Operating expenses also increased by approximately 0,9 million Euro, driven by personnel costs in support of the growth planned for the Area's loans.
  In view of the foregoing, the net loss for the period was 71 thousand Euro, compared with a net profit of 3,0 million Euro during the period ended 31 March 2019.
  At 31 March 2020 total receivables due from customers amounted to 879,1 million Euro, up by 17,6% on the previous year: both loans relating to structured finance and new lending to SMEs increased, in line with the development strategy.

The net banking income of the **NPL Segment**[3] amounted to 43,2 million Euro, (-30,0%) compared with 61,8 million Euro for the period ended 31 March 2019, and may be broken down as follows.

"Interest income from amortised cost", referring to the interest accruing at the original effective interest rate, was up 12,4% from 30,7 million Euro to 34,5 million Euro, largely thanks to the increase in receivables measured at amortised cost, the greater

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

contribution by which is related for 17,2 million Euro to writs, attachments of property, and garnishment orders, and for 6,7 million Euro to settlement plans.

By contrast, there was a decline in "Other components of net interest income", which includes the effect on the income statement of changes in expected cash flows as a function of the greater or lesser collections reported or expected compared with previous forecasts, which were down from 34,8 million Euro to 15,1 million Euro. The item was affected by the closure of the courts in March, which significantly reduced the writs, attachments of property, and garnishment orders obtained compared with the same period in the previous year. In the first quarter of 2019 the income statement also included the non-recurring positive effects of the initial consolidation of the former Fbs Group.

Net commission income is essentially in line with the same quarter of the previous year and is almost entirely attributable to the contribution made by commission income from servicing on third party portfolios.

Operating costs decreased by 15,7% to 33,5 million Euro from 39,7 million Euro in the first quarter of 2019. The reduction is mainly due to the variable costs connected with debt collection and, in particular, those relating to legal collection. As for revenues, the court closure due to the Covid-19 emergency resulted in the halt of a series of costly lawsuits used by the Segment to increase its chance of collection.

The net profit for the period of 6,8 million Euro was down by approximately 8,7 million Euro, mainly due, as specified above, to external negative factors affecting the entire national economy.

The net banking income of **the Governance & Services and Non-Core Segment** was 9,0 million Euro, down by approximately 0,9 million Euro on the period ended 31 March 2019. The change was tied to a decrease in net interest income, primarily due to the gradual reduction in the contribution of the "PPA reversal", only partially offset by the lower impairment losses on assets at fair value and a positive effect attributable to trading activity.

In terms of the cost of credit, net adjustments increased to 7,5 million Euro from 4,4 million Euro in the first quarter of 2019. The main contribution to the adjustments is attributable to the analytical impairment calculated on a single relevant position allocated to the run-off portfolio of the former Interbanca, already restructured in the past. Operating costs also increased, driven by greater provisions for risks and charges.

The result for the segment also includes the capital gain, net of the related selling costs, of 24 million Euro on the sale of the property located on Corso Venezia in Milan. The sale of this property, already classified as a non-current asset held for sale with a value of 25,6 million Euro at 31 December 2019, following the signing of a binding offer for the sale of the property, was closed and the full consideration collected in March 2020.

The net profit for the period totalled 8,8 million Euro, compared to a net loss of 2,0 million Euro for the period ended 31 March 2019.

At 31 March 2020, total net receivables for the Segment amounted to 1.073,4 million Euro, up 13,5% on the figure at 31 December 2019 (945,6 million Euro). The increase is substantively linked to the Proprietary Finance business (approximately 160 million Euro), which, mainly through the purchase of government securities, more than offset the physiological reduction of run-off portfolios.

Total **receivables due from customers measured at amortised cost** amounted to 7.600,7 million Euro, essentially in line with 31 December 2019 (-0,7%). The Commercial & Corporate Banking Segment was down by -3,1% on the figure at 31 December 2019, the NPL Segment was in line with the figure at 31 December 2019 (-0,7%) and, finally, the Governance & Services and Non-Core Segment was up (+13,5% on the figure at 31 December 2019).

The **Commercial & Corporate Banking Segment's net non-performing exposures** totalled 252,1 million Euro at 31 March 2020, up 25,7 million Euro from 31 December 2019 (226,4 million Euro), and may be broken down as follows:

- Net bad loans stood at 42,9 million Euro and were essentially stable, with the ratio of bad loans to total loans also holding stable (0,8%).
- The balance of net unlikely to pay positions was 87,1 million Euro, down by 1,6% from 88,6 million Euro at 31 December 2019, despite the increase in the average coverage ratio.
- Net non-performing past due exposures amounted to 122,1 million Euro compared to 95,0 million Euro at 31 December 2019 (+27,1%) with a coverage ratio of 7,6% compared to 8,4% at 31 December 2019; the increase in non-performing

past due exposures is mainly attributable to the Factoring Area. The gross and net ratio at 31 March 2020 were up on the end of 2019 at 2,4% and 2,3%, respectively.

Overall, the gross NPE ratio of the Commercial & Corporate Banking Segment was up on 31 December 2019 at 9,3%, whereas the net NPE ratio was 4,8% (4,2% at 31 December 2019).

During the first quarter of 2020, the Group continued its strategy of consolidating wholesale funding in order to ensure a better balance with respect to retail funding. In line with this strategy, no transactions were undertaken on the debt market with institutional investors during the period. At 31 March 2020 total funding was 8.468,5 million Euro, in line with the figure at the end of 2019, and the funding structure was as follows:

- 57,8% customers;
- 17,4% debt securities;
- 12,8% ABSs;
- 9,3% TLTROs;
- 2,7% other.

Payables due to customers at 31 March 2020 amounted to 4.894,3 million Euro (-7,4% compared to 31 December 2019), due to the decrease in retail funding (Rendimax and Contomax) from 4.790,9 million Euro at 31 December 2019 to 4.528,6 million Euro at 31 March 2020.

Payables due to banks amounted to 1.014,4 million Euro (+5,7% compared to 31 December 2019). This item mainly refers to the TLTRO tranche totalling 791,5 million Euro subscribed respectively in 2017 and at end 2019, deposits with other banks of 166,7 million Euro and 56,2 million Euro related to other accounts and loans.

Securities issued amounted to 2.559,8 million Euro, including 1.085,4 million Euro (1.150 million Euro at 31 December 2019) in securities issued by the special purpose vehicles as part of the securitisation of trade receivables launched at the end of 2016. The item also comprised 1.006,9 million Euro (including interest) in senior bonds issued by Banca Ifis, as well as the 406,3 million Euro (including interest) Tier 2 bond. The rest of debt securities issued at 31 March 2020 included 60,7 million Euro in a bond loan issued at the time by the merged entity Interbanca.

The Group's consolidated equity was strengthened to 1.542,4 million Euro at 31 March 2020, compared with 1.539,0 million Euro at 31 December 2019.

At 31 March 2020 the ratios for the Banca Ifis Group only, without considering the effects of consolidation within the parent company, La Scogliera, amounted to a CET1 ratio of 14,59% (compared with 14,28% at 31 December 2019[4]), a TIER1 ratio of 14,59% (14,28% at 31 December 2019[4]) and a Total Capital ratio of 19,07% (compared with 18,64% at 31 December 2019[4]).

With prudential consolidation within La Scogliera, capital ratios at 31 March 2020 amounted to a CET1 ratio of 11,12% (compared with 10,96% at 31 December 2019[4]), a TIER1 ratio of 11,72% (11,56% at 31 December 2019[4]) and a Total Capital ratio of 14,80% (compared with 14,58% at 31 December 2019[4]).

Common Equity Tier 1, Tier 1 Capital, and total Own Funds included the profits generated by the Banking Group at 31 March 2020, inasmuch as they have not been certified by the auditor. However, these items do include the profits generated by the Banking Group during the year ended 31 December 2019, net of the dividend approved and suspended.

In addition, please note that the Bank of Italy has instructed the Banca Ifis Group to adopt the following consolidated capital requirements in 2020, in continuity with 2019, including a 2,5% capital conservation buffer:

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

At 31 March 2020, the Banca Ifis Group met the above prudential requirements.

4 Common Equity Tier 1, Tier 1 Capital, and total Own Funds included the profits generated by the Banking Group at 31 December 2019 net of the approved and suspended dividend.

2.2 Highlights

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2020	31.12.2019	ABSOLUTE	%
Financial assets measured at fair value through other comprehensive income	1.215.355	1.173.808	41.547	3,5%
Receivables due from banks measured at amortised cost	628.756	626.890	1.866	0,3%
Receivables due from customers measured at amortised cost	7.600.742	7.651.226	(50.484)	(0,7)%
Total assets	10.492.616	10.526.024	(33.408)	(0,3)%
Payables due to banks measured at amortised cost	1.014.365	959.477	54.888	5,7%
Payables due to customers measured at amortised cost	4.894.280	5.286.239	(391.959)	(7,4)%
Debt securities issued	2.559.834	2.217.529	342.305	15,4%
Equity	1.542.430	1.538.953	3.477	0,2%

QUARTERLY CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	1ST QUARTER		CHANGE	
	2020	2019	ABSOLUTE	%
Net banking income	105.952	130.109	(24.157)	(18,6)%
Net credit risk losses/reversals	(18.512)	(13.088)	(5.424)	41,4%
Net profit (loss) from financial activities	87.440	117.021	(29.581)	(25,3)%
Operating costs	(73.499)	(74.364)	865	(1,2)%
Gains (Losses) on disposal of investments	24.161	-	24.161	n.s.
Pre-tax profit from continuing operations	38.102	42.657	(4.555)	(10,7)%
Profit (loss) for the period attributable to the Parent company	26.426	29.920	(3.494)	(11,7)%

QUARTERLY RECLASSIFIED CONSOLIDATED COMPREHENSIVE INCOME (in thousands of Euro)	1ST QUARTER	
	2020	2019
Profit (Loss) for the period	26.442	29.941
Other comprehensive income, net of taxes, not to be reclassified to profit or loss	(13.453)	54
Other comprehensive income, net of taxes, to be reclassified to profit or loss	(9.594)	187
Comprehensive Income	3.395	30.182
Total consolidated comprehensive income attributable to non-controlling interests	16	21
Total consolidated comprehensive income attributable to the Parent company	3.379	30.161

GROUP KPIs	31.03.2020	31.12.2019
Ratio - Total Own Funds	14,80%	14,58%
Ratio - Common Equity Tier 1	11,12%	10,96%
Number of company shares (in thousands)	53.811	53.811
Number of shares outstanding at period end (1) (in thousands)	53.452	53.452
Book value per share	28,86	28,79
EPS	0,49	2,30

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

2.3 Results by business Segments

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

SEGMENT KPI (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			
Financial assets held for trading through profit or loss							
Amounts at 31.03.2020	-	-	-	-	-	31.162	31.162
Amounts at 31.12.2019	-	-	-	-	-	*24.313*	*24.313*
% Change	-	-	-	-	-	*28,2%*	*28,2%*
Other financial assets mandatorily measured at fair value through profit or loss							
Amounts at 31.03.2020	37.990	-	-	37.990	9.286	56.467	103.743
Amounts at 31.12.2019	*39.767*	-	-	*39.767*	*10.190*	*62.828*	*112.785*
% Change	*(4,5)%*	-	-	*(4,5)%*	*(8,9)%*	*(10,1)%*	*(8,0)%*
Financial assets measured at fair value through other comprehensive income							
Amounts at 31.03.2020	4.229	-	-	4.229	-	1.211.126	1.215.355
Amounts at 31.12.2019	*6.733*	-	-	*6.733*	-	*1.167.075*	*1.173.808*
% Change	*(37,2)%*	-	-	*(37,2)%*	-	*3,8%*	*3,5%*
Receivables due from banks							
Amounts at 31.03.2020	-	-	-	-	-	628.756	628.756
Amounts at 31.12.2019	-	-	-	-	-	*626.890*	*626.890*
% Change	-	-	-	-	-	*0,3%*	*0,3%*
Receivables due from customers							
Amounts at 31.03.2020	5.256.477	2.973.885	1.403.522	879.070	1.270.883	1.073.382	7.600.742
Amounts at 31.12.2019	*5.425.270*	*3.229.347*	*1.448.463*	*747.460*	*1.280.332*	*945.624*	*7.651.226*
% Change	*(3,1)%*	*(7,9)%*	*(3,1)%*	*17,6%*	*(0,7)%*	*13,5%*	*(0,7)%*
Payables due to banks							
Amounts at 31.03.2020	-	-	-	-	-	1.014.365	1.014.365
Amounts at 31.12.2019	-	-	-	-	-	*959.477*	*959.477*
% Change	-	-	-	-	-	*5,7%*	*5,7%*
Payables due to customers							
Amounts at 31.03.2020	-	-	-	-	-	4.894.280	4.894.280
Amounts at 31.12.2019	-	-	-	-	-	*5.286.239*	*5.286.239*
% Change	-	-	-	-	-	*(7,4)%*	*(7,4)%*
Debt securities issued							
Amounts at 31.03.2020	-	-	-	-	-	2.559.834	2.559.834
Amounts at 31.12.2019	-	-	-	-	-	*2.217.529*	*2.217.529*
% Change	-	-	-	-	-	*15,4%*	*15,4%*

RECLASSIFIED QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Net banking income							
Amounts at 31.03.2020	53.765	37.969	11.833	3.963	43.235	8.952	**105.952**
Amounts at 31.03.2019	*58.454*	*39.315*	*13.309*	*5.830*	*61.797*	*9.858*	***130.109***
% Change	*(8,0)%*	*(3,4)%*	*(11,1)%*	*(32,0)%*	*(30,0)%*	*(9,2)%*	***(18,6)%***
Net profit (loss) from financial activities							
Amounts at 31.03.2020	42.717	33.167	7.496	2.054	43.235	1.488	**87.440**
Amounts at 31.03.2019	*49.810*	*32.449*	*11.800*	*5.561*	*61.797*	*5.414*	***117.021***
% Change	*(14,2)%*	*2,2%*	*(36,5)%*	*(63,1)%*	*(30,0)%*	*(72,5)%*	***(25,3)%***
Profit for the period							
Amounts at 31.03.2020	10.882	8.534	2.419	(71)	6.773	8.787	**26.442**
Amounts at 31.03.2019	*16.465*	*7.953*	*5.512*	*3.000*	*15.514*	*(2.038)*	***29.941***
% Change	*(33,9)%*	*7,3%*	*(56,1)%*	*(102,4)%*	*(56,3)%*	*n.s.*	***(11,7)%***

SEGMENT KPI (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA		
Cost of credit quality						
Amounts at 31.03.2020	0,83%	0,62%	1,22%	0,97%	n.a.	4,29%
Amounts at 31.12.2019	*0,95%*	*1,11%*	*0,72%*	*0,74%*	*n.a.*	*6,62%*
Change	*(0,12)%*	*(0,49)%*	*0,50%*	*0,23%*	*n.a.*	*(2,33)%*
Net bad loans/Receivables due from customers						
Amounts at 31.03.2020	0,82%	1,32%	0,19%	0,10%	75,13%	4,01%
Amounts at 31.12.2019	*0,77%*	*1,19%*	*0,18%*	*0,12%*	*75,34%*	*4,36%*
Change	*0,05%*	*0,13%*	*0,01%*	*(0,02)%*	*(0,21)%*	*(0,35)%*
Coverage ratio on gross bad loans						
Amounts at 31.03.2020	79,69%	79,83%	81,12%	54,97%	0,00%	15,99%
Amounts at 31.12.2019	*79,62%*	*79,79%*	*81,02%*	*51,47%*	*0,00%*	*14,99%*
Change	*0,07%*	*0,04%*	*0,10%*	*3,50%*	*0,00%*	*1,00%*
Net non-performing exposures/Net receivables due from customers						
Amounts at 31.03.2020	4,80%	7,31%	1,70%	1,25%	99,14%	9,85%
Amounts at 31.12.2019	*4,17%*	*6,07%*	*1,24%*	*1,65%*	*99,30%*	*11,27%*
Change	*0,63%*	*1,24%*	*0,46%*	*(0,40)%*	*(0,16)%*	*(1,42)%*
Gross non-performing exposures/Gross receivables due from customers						
Amounts at 31.03.2020	9,34%	13,92%	3,93%	1,62%	99,14%	13,99%
Amounts at 31.12.2019	*8,46%*	*12,08%*	*3,21%*	*2,20%*	*99,30%*	*15,42%*
Change	*0,88%*	*1,84%*	*0,72%*	*(0,58)%*	*(0,16)%*	*(1,43)%*
RWA(1)						
Amounts at 31.03.2020	4.968.942	2.637.722	1.318.175	1.013.045	1.999.933	990.887
Amounts at 31.12.2019	*5.222.609*	*2.945.792*	*1.398.434*	*878.384*	*2.039.840*	*958.110*
Change	*(4,9)%*	*(10,5)%*	*(5,7)%*	*15,3%*	*(2,0)%*	*3,4%*

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

2.4 Reclassified quarterly evolution

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	FY 2020	YEAR 2019			
	31.03	31.12	30.09	30.06	31.03
ASSETS					
Other financial assets mandatorily measured at fair value through profit or loss	103.743	112.785	147.935	182.094	174.508
Financial assets measured at fair value through other comprehensive income	1.215.355	1.173.808	996.048	693.533	432.901
Receivables due from banks measured at amortised cost	628.756	626.890	1.041.312	726.052	996.333
Receivables due from customers measured at amortised cost	7.600.742	7.651.226	7.118.150	7.343.892	7.322.130
Property, plant and equipment	109.632	106.301	128.827	128.809	145.869
Intangible assets	61.893	60.919	64.026	65.282	65.855
Tax assets	389.964	391.185	388.624	390.503	396.280
Other assets	382.531	402.910	364.209	357.877	329.756
Total assets	10.492.616	10.526.024	10.249.131	9.888.042	9.863.632

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	FY 2020	YEAR 2019			
	31.03	31.12	30.09	30.06	31.03
LIABILITIES AND EQUITY					
Payables due to banks measured at amortised cost	1.014.365	959.477	913.855	781.199	844.790
Payables due to customers measured at amortised cost	4.894.280	5.286.239	5.257.047	5.069.334	5.021.481
Debt securities issued	2.559.834	2.217.529	2.061.600	2.102.076	1.955.400
Tax liabilities	68.066	69.018	70.806	65.913	63.066
Other liabilities	413.641	454.808	444.379	397.263	489.594
Equity:	1.542.430	1.538.953	1.501.444	1.472.257	1.489.301
- Share capital, share premiums and reserves	1.516.004	1.415.856	1.417.448	1.403.991	1.459.381
- Net profit attributable to the Parent company	26.426	123.097	83.996	68.266	29.920
Total liabilities and equity	10.492.616	10.526.024	10.249.131	9.888.042	9.863.632

CONSOLIDATED INCOME STATEMENT: RECLASSIFIED QUARTERLY EVOLUTION (in thousands of Euro)	FY 2020	YEAR 2019			
	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net interest income	91.416	134.230	91.081	118.293	115.264
Net commission income	21.097	25.349	22.190	22.711	23.828
Other components of net banking income	(6.561)	7.511	(1.225)	8.084	(8.983)
Net banking income	105.952	167.090	112.046	149.088	130.109
Net credit risk losses/reversals	(18.512)	(38.169)	(13.968)	(21.958)	(13.088)
Net profit (loss) from financial activities	87.440	128.921	98.078	127.130	117.021
Personnel expenses	(32.029)	(34.262)	(31.534)	(32.716)	(31.447)
Other administrative expenses	(40.520)	(56.183)	(43.740)	(71.034)	(43.321)
Net allocations to provisions for risks and charges	(4.889)	(351)	(5.653)	(3.860)	(2.512)
Net impairment losses/reversals on property, plant and equipment and intangible assets	(4.039)	(3.046)	(4.517)	(4.214)	(4.062)
Other operating income/expenses	7.978	12.161	11.454	46.938	6.978
Operating costs	(73.499)	(81.681)	(73.990)	(64.886)	(74.364)
Gains (Losses) on disposal of investments	24.161	-	-	(408)	-
Pre-tax profit (loss) from continuing operations	38.102	47.240	24.088	61.836	42.657
Income taxes for the period relating to current operations	(11.660)	(8.105)	(8.343)	(23.469)	(12.716)
Profit (loss) for the period	26.442	39.135	15.745	38.367	29.941
Profit (Loss) for the period attributable to non-controlling interests	16	34	15	21	21
Profit (loss) for the period attributable to the Parent company	26.426	39.101	15.730	38.346	29.920

2.5 Group historical data

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

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

HISTORICAL DATA (1) (in thousands of Euro)	31.03.2020	31.03.2019	31.03.2018	31.03.2017	31.03.2016
Financial assets measured at fair value through other comprehensive income (IFRS 9)	1.215.355	432.901	453.847	631.568	n.a.
Available for sale financial assets (IAS 39)	n.a.	n.a.	n.a.	n.a.	1.066.413
Receivables due from customers measured at amortised cost	7.600.742	7.322.130	6.457.208	5.803.700	3.307.793
Payables due to banks measured at amortised cost	1.014.365	844.790	820.190	1.028.971	182.568
Payables due to customers measured at amortised cost	4.894.280	5.021.481	5.022.110	5.055.558	3.722.501
Debt securities issued	2.559.834	1.955.400	1.774.973	1.122.879	-
Equity	1.542.430	1.489.301	1.412.989	1.253.638	550.243
Net banking income	105.952	130.109	139.378	103.543	76.604
Net profit (loss) from financial activities	87.440	117.021	128.421	101.375	68.339
Profit (loss) for the period attributable to the Parent company	26.426	29.920	37.854	32.687	22.045
KPI:					
Cost/Income ratio	69,4%	57,2%	52,7%	53,7%	46,7%
Ratio - Total Own Funds	14,80%	14,02%	15,35%	14,90%	14,67%
Ratio - Common Equity Tier 1	11,12%	10,29%	11,10%	14,02%	13,63%

(1) For comparison purposes, the data for 2017 and 2018 has been restated to ensure accounting consistency with the amounts at 31 March 2020, in order to account for the changes introduced by IFRS 9; the data for prior periods are those originally published. Restatement has not been applied to the calculation of comparative ratios which remain in line with previously published figures.

3.

Contribution of operating segments to Group results

Reclassified data: net impairment losses/reversals on receivables of the NPL Segment were entirely reclassified to Interest receivable and similar income to present more fairly this particular business and because they represent an integral part of the return on the investment.

3.1 The organisational structure

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

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

In order to fully implement the Group's business model, as envisaged by the 2020-2022 Industrial Plan, changes have been made to the operating Segments as they were previously structured: the Enterprises Segment, now renamed **Commercial & Corporate Banking** groups together the commercial activities intended for enterprises and excludes the portfolios of loans disbursed by Interbanca before the acquisition and set to run-off (previously aggregated into the Enterprises Segment); the NPL Segment has been kept in line with the past, while the last Segment, now called **Governance & Services and Non-Core**, has been integrated into the non-core section, which includes the portfolios excluded from Commercial & Corporate Banking.

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

- **Commercial & Corporate Banking** Segment, represents the commercial offer of the Group dedicated to companies and consists of the Business Factoring, Leasing and Corporate Banking & Lending Areas.
- **NPL** Segment, dedicated to non-recourse acquisition and managing distressed retail loans. The Segment's results from 7 January 2019 also include the contribution of the Fbs Group, which is mainly specialised in servicing and the management of 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, the disbursement of salary- or pension-backed loans and some portfolios of personal loans, as well as some corporate loans portfolio assigned for run-off insofar as held to be non-strategic to the Group's growth.

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

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

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

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

The comparative information in this document has been restated in line with the new Segment reporting.

COMMERCIAL & CORPORATE BANKING SEGMENT

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

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

INCOME STATEMENT DATA (in thousands of Euro)	31.03.2020	31.03.2019	CHANGE	
			ABSOLUTE	%
Net interest income	36.059	36.751	(692)	(1,9)%
Net commission income	19.725	22.053	(2.328)	(10,6)%
Other components of net banking income	(2.019)	(350)	(1.669)	476,9%
Net banking income	**53.765**	**58.454**	**(4.689)**	**(8,0)%**
Net credit risk losses/reversals	(11.048)	(8.644)	(2.404)	27,8%
Net profit (loss) from financial activities	**42.717**	**49.810**	**(7.093)**	**(14,2)%**
Operating costs	**(28.015)**	**(27.971)**	**(44)**	**0,2%**
Pre-tax profit from continuing operations	**14.702**	**21.839**	**(7.137)**	**(32,7)%**
Income taxes for the period relating to continuing operations	(3.820)	(5.374)	1.554	(28,9)%
Profit (loss) for the period	**10.882**	**16.465**	**(5.583)**	**(33,9)%**

Net profit of the Commercial & Corporate Banking Segment comes to 10,9 million Euro, down 33,9% (-5,6 million) as compared with the first quarter of last year. This negative change is due to the reduction of net receipts from banking for 4,7 million (-8,0%), the increase in value adjustments for credit risk for 2,4 million Euro (+27,8%). Operating costs are in line with those of the first quarter last year, even if with different dynamics between the different business areas.

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

The Commercial & Corporate Banking Segment includes loans belonging to the "POCI" category, mainly referring to impaired assets stemming from the business combination with the former GE Capital Interbanca Group: the net value of these assets, which are all classified as impaired (stage 3), is 0,9 million Euro at 31 March 2020, as compared with the 1,2 million Euro recorded at 31 December 2019.

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

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

COMMERCIAL & CORPORATE BANKING (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.03.2020						
Nominal amount	211.108	175.543	132.090	**518.741**	5.034.038	**5.552.779**
Impairment losses	(168.234)	(88.406)	(10.028)	**(266.668)**	(29.634)	**(296.302)**
Carrying amount	42.873	87.137	122.063	**252.073**	5.004.404	**5.256.477**
Coverage ratio	*79,7%*	*50,4%*	*7,6%*	***51,4%***	*0,6%*	***5,3%***
Gross ratio	*3,8%*	*3,2%*	*2,4%*	***9,3%***	*90,7%*	***100,0%***
Net ratio	*0,8%*	*1,7%*	*2,3%*	***4,8%***	*95,2%*	***100,0%***
POSITION AT 31.12.2019						
Nominal amount	205.115	173.116	104.862	**483.093**	5.228.197	**5.711.290**
Impairment losses	(163.304)	(84.536)	(8.852)	**(256.692)**	(29.328)	**(286.020)**
Carrying amount	41.811	88.580	96.010	**226.401**	5.198.869	**5.425.270**
Coverage ratio	*79,6%*	*48,8%*	*8,4%*	***53,1%***	*0,6%*	***5,0%***
Gross ratio	*3,6%*	*3,0%*	*1,8%*	***8,5%***	*91,5%*	***100,0%***
Net ratio	*0,8%*	*1,6%*	*1,8%*	***4,2%***	*95,8%*	***100,0%***

Net non-performing exposures in the Commercial & Corporate Banking Segment stood at 252,1 million Euro at 31 March 2020, up by 25,7 million Euro compared to the value at 31 December 2019 (226,4 million Euro): bad loans were basically stable, in the meantime the ratio of net bad loans to total loans remained stable (0,8%), unlikely to pay fell by 1,4 million Euro (-1,6%) also as a result of the increase in average coverage and, lastly, past due exposures increased by 26,1 million Euro (+27,1%).

The coverage ratio of impaired assets goes from 53,1% at 31 December 2019 to 51,4% at 31 March 2020 following the increase of the weighting relative to past due exposures out of total non-performing exposures, with particular reference to the Factoring Business Area.

KPI	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Cost of credit quality	0,83%	0,95%	n.a.	(0,12)%
Net NPE ratio	4,80%	4,17%	n.a.	0,63%
Gross NPE ratio	9,34%	8,46%	n.a.	0,88%
Total RWAs	4.968.942	5.222.609	(253.667)	(4,9)%

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

Factoring Area

INCOME STATEMENT DATA (in thousands of Euro)	31.03.2020	31.03.2019	CHANGE	
			ABSOLUTE	%
Net interest income	22.597	21.826	771	3,5%
Net commission income	15.372	17.489	(2.117)	(12,1)%
Net banking income	**37.969**	**39.315**	**(1.346)**	**(3,4)%**
Net credit risk losses/reversals	(4.802)	(6.866)	2.064	(30,1)%
Net profit (loss) from financial activities	**33.167**	**32.449**	**718**	**2,2%**
Operating costs	**(20.871)**	**(21.119)**	**248**	**(1,2)%**
Pre-tax profit from continuing operations	**12.296**	**11.330**	**966**	**8,5%**
Income taxes for the period relating to continuing operations	(3.762)	(3.377)	(385)	11,4%
Profit (loss) for the period	**8.533**	**7.953**	**580**	**7,3%**

The contribution made by the Factoring Area towards net receipts from banking booked by the Commercial & Corporate Banking Segment came to 38,0 million Euro during the quarter, down 3,4% on the same period of last year. This result is the consequence of the positive contribution made by net interest income, up 0,8 million Euro, juxtaposed by a reduction in net commission income by 2,1 million Euro.

The positive change to net interest income is caused by a reduction in figurative interest expense recognised to the Governance & Services and Non-Core Segment, by way of remuneration of the cost of funding, compared with an average return on commitments, by way of interest income, in line with that recorded during the first quarter of 2019.

The negative change to net commission income was instead impacted by a reduction in assets under management (turnover booked as 3,2 billion Euro in 2020, down 273 million Euro and an outstanding figure of 3,5 billion Euro, down 291 million Euro), in line with the negative outlook that arose starting early March, as a consequence of the Covid-19, as well as the competitive pressure on the economic conditions applied to customers.

Net credit risk losses came to 4,8 million Euro (6,9 million Euro in 2019, -30,1%); the reduction in the cost of credit is due to the greater write-backs, mainly brought about by collections made on positions that had previously been impaired or written off.

Therefore, net profit from financial activities amounted to 33,2 million Euro, up 0,7 million Euro (+2,2%).

Operating costs are substantially in line with those of the same period of last year.

At 31 March 2020, the Area's total net loans amounted to 3,0 billion Euro, down 7,9% compared to 31 December 2019. As indicated previously, this change is mainly connected with the negative outlook seen from early March as a consequence of Covid-19, which entailed the closure of a great many economic activities and the consequent reduction of purchases and operations at the end of the quarter.

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

FACTORING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.03.2020						
Nominal amount	195.167	137.730	114.640	447.537	2.767.671	3.215.208
Impairment losses	(155.798)	(70.307)	(4.179)	(230.284)	(11.038)	(241.323)
Carrying amount	39.369	67.423	110.462	217.253	2.756.632	2.973.885
Coverage ratio	*79,8%*	*51,0%*	*3,6%*	*51,5%*	*0,4%*	*7,5%*
POSITION AT 31.12.2019						
Nominal amount	189.854	138.209	90.490	418.553	3.045.611	3.464.164
Impairment losses	(151.481)	(67.861)	(3.065)	(222.407)	(12.410)	(234.817)
Carrying amount	38.373	70.348	87.425	196.146	3.033.201	3.229.347
Coverage ratio	*79,8%*	*49,1%*	*3,4%*	*53,1%*	*0,4%*	*6,8%*

KPI	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Cost of credit quality	0,62%	1,11%	n.a.	(0,49)%
Net NPE ratio	7,31%	6,07%	n.a.	1,24%
Gross NPE ratio	13,92%	12,08%	n.a.	1,84%
Total RWAs	2.637.722	2.945.792	(308.070)	(10,5)%

Leasing Area

INCOME STATEMENT DATA (in thousands of Euro)	31.03.2020	31.03.2019	CHANGE	
			ABSOLUTE	%
Net interest income	8.995	10.000	(1.005)	(10,0)%
Net commission income	2.838	3.309	(471)	(14,2)%
Net banking income	11.833	13.309	(1.476)	(11,1)%
Net credit risk losses/reversals	(4.337)	(1.509)	(2.828)	187,4%
Net profit (loss) from financial activities	7.496	11.800	(4.304)	(36,5)%
Operating costs	(4.988)	(5.566)	578	(10,4)%
Pre-tax profit from continuing operations	2.508	6.234	(3.726)	(59,8)%
Income taxes for the period relating to continuing operations	(89)	(722)	633	(87,7)%
Profit (loss) for the period	2.419	5.512	(3.093)	(56,1)%

Net receipts from banking for Leasing come to 11,8 million Euro, down 11,1% on 31 March 2019; this negative change is due to the higher cost of funding of approximately 1,0 million Euro, due to an increase in figurative interest recognised to the Governance & Services and Non-Core Segment and lesser commission income of around 0,5 million Euro.

Net impairment losses on receivables amounted to 4,3 million Euro, up 2,8 million Euro compared to the first quarter of 2019.

The increase in the first quarter of 2020 is due to the migration of performing counterparties towards more penalising risk statuses, juxtaposed with a first quarter of 2019 that had instead benefited from lesser provisions made with respect to the 2019 average.

The reduction in operating costs of the Leasing Area is mainly due to the decrease in ICT and property maintenance costs. During the first quarter of 2019, these cost items had suffered the impact of certain non-recurring expenses such as software consultancy and developments that cannot be capitalised and extraordinary maintenance work on the Mondovì site.

At 31 March 2020, total net loans in the Area amounted to 1.404 million Euro compared to 1.448 million Euro at 31 December 2019, with a negative change of 3,1%. The reduction is mainly due to the lesser volumes supplied during the first quarter of 2020, down 37% on the same period of last year. More specifically, the quarter is penalised by the reduction in volumes in the car leasing product, which suffers the Segment crisis connected with the Covid-19 pandemic.

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

LEASING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.03.2020						
Nominal amount	14.049	25.732	16.965	56.746	1.387.265	1.444.011
Impairment losses	(11.396)	(15.660)	(5.826)	(32.882)	(7.607)	(40.489)
Carrying amount	2.653	10.072	11.139	23.864	1.379.658	1.403.522
Coverage ratio	*81,1%*	*60,9%*	*34,3%*	*57,9%*	*0,5%*	*2,8%*
POSITION AT 31.12.2019						
Nominal amount	13.429	21.949	12.383	47.761	1.438.367	1.486.128
Impairment losses	(10.880)	(13.858)	(5.088)	(29.826)	(7.839)	(37.665)
Carrying amount	2.549	8.091	7.295	17.935	1.430.528	1.448.463
Coverage ratio	*81,0%*	*63,1%*	*41,1%*	*62,4%*	*0,5%*	*2,5%*

KPI	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Cost of credit quality	1,22%	0,72%	n.a.	0,50%
Net NPE ratio	1,70%	1,24%	n.a.	0,46%
Gross NPE ratio	3,93%	3,21%	n.a.	0,72%
Total RWAs	1.318.175	1.398.434	(80.259)	(5,7)%

Corporate Banking & Lending Area

INCOME STATEMENT DATA (in thousands of Euro)	31.03.2020	31.03.2019	CHANGE	
			ABSOLUTE	%
Net interest income	4.467	4.925	(458)	(9,3)%
Net commission income	1.515	1.255	260	20,7%
Other components of net banking income	(2.019)	(350)	(1.669)	n.s.
Net banking income	3.963	5.830	(1.867)	(32,0)%
Net credit risk losses/reversals	(1.909)	(269)	(1.640)	n.s.
Net profit (loss) from financial activities	2.054	5.561	(3.507)	(63,1)%
Operating costs	(2.156)	(1.286)	(870)	67,7%
Pre-tax profit from continuing operations	(102)	4.275	(4.377)	(102,4)%
Income taxes for the period relating to continuing operations	31	(1.275)	1.306	(102,5)%
Profit (loss) for the period	(71)	3.001	(3.072)	(102,4)%

Net receipts from banking of the Corporate Banking & Lending Area, of 4,0 million Euro at 31 March 2020, shows a decline of 1,9 million Euro on the same period of last year (-32,0%). The negative change mainly refers to the "other components of net banking income" and is due to the reduction in the fair value of the units of UCITSs held in the portfolio, which accounted for approximately 1,6 million Euro. This effect is due to the worsening of risk factors (liquidity and credit) during the quarter, negatively impacted by the instability of markets in the current context.

As regards the interest margin, the negative change is mainly due to the higher costs of funding of the Structured Finance business, up 0,8 million Euro and to the physiological reduction of the PPA contribution for 0,2 million Euro (for which the total residual amount of "PPA reversal" of the Business Area is 5,1 million Euro at 31 March 2020), only partially offset by the growth in interest income and connected with the lending business, up 0,5 million Euro.

Commission has instead risen slightly, both in regard to Structured Finance and SME lending transactions.

Net impairment losses on receivables amounted to 1,9 million Euro, up 1,6 million Euro compared to the same period of the previous year. The increase is due 1,0 million Euro to Structured Finance transactions, following the increase in volumes and the review of the credit rating of certain counterparties, which entailed a move from stage 1 to stage 2 during the quarter, and for 0,6 million Euro to greater lump sum provisions made on loans to SMEs, following portfolio growth.

The increase in the operating costs of the Corporate Banking & Lending Area for 0,9 million Euro is mainly due to the greater personnel costs in support of the growth expected for Area commitments.

At 31 March 2020, total net receivables due from customers in the Area amounted to 879,1 million Euro compared to 747,5 million Euro at 31 December 2019, with a positive change of 17,6%. Indeed, commitments connected with structured finance have increased by 66,5 million Euro thanks to the completion of several transactions that had begun prior to the outbreak of the Covid-19 pandemic, as well as new disbursements for approximately 63,1 million Euro to SMEs, in line with the product development strategy.

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

CORPORATE BANKING & LENDING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.03.2020						
Nominal amount	1.892	12.081	485	14.458	879.102	893.560
Impairment losses	(1.040)	(2.439)	(23)	(3.502)	(10.988)	(14.490)
Carrying amount	852	9.642	462	10.956	868.114	879.070
Coverage ratio	*55,0%*	*20,2%*	*4,7%*	***24,2%***	*1,2%*	***1,6%***
POSITION AT 31.12.2019						
Nominal amount	1.832	12.958	1.989	16.779	744.219	760.998
Impairment losses	(943)	(2.817)	(699)	(4.459)	(9.079)	(13.538)
Carrying amount	889	10.141	1.290	12.320	735.140	747.460
Coverage ratio	*51,5%*	*21,7%*	*35,1%*	***26,6%***	*1,2%*	***1,8%***

KPI	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Cost of credit quality	0,97%	0,74%	n.a.	0,23%
Net NPE ratio	1,25%	1,65%	n.a.	(0,40)%
Gross NPE ratio	1,62%	2,20%	n.a.	(0,58)%
Total RWAs	1.013.045	878.384	134.661	15,3%

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, by nature, closely associated with converting non-performing exposures into performing assets and collecting them.

The Group manages the portfolio of acquired receivables using two different methods: non-judicial and judicial operations. Under these two methods, the Group pursues multiple activities and goals.

The table below shows the loans portfolio of the NPL Segment, by method of transformation and accounting criterion; the "impact through profit or loss" refers to the components of the net banking income deriving from the booking at amortised cost of the related loans portfolio; in particular, interest income is included from the amortised cost for 34,5 million Euro and other components of the interest margin from cash flow changes for 15,1 million Euro, as reported in the summary table of "Economic data" below in this paragraph.

NPL Segment Portfolio (in thousands of Euro)	Outstanding nominal amount	Carrying amounts	Carr. amount / Out. nom. amnt	Interest on income statement	ERC	Main methods of accounting
Cost	1.439.908	65.011	4,5%	-	135.909	Acquisition cost
Non-judicial	10.619.437	363.979	3,4%	17.048	636.484	
of which: Collective (curves)	*10.206.100*	*192.861*	*1,9%*	*(4.104)*	*310.961*	*Cost = NPV of flows from model*
of which: Plans	*413.337*	*171.118*	*41,4%*	*21.152*	*325.523*	*Cost = NPV of flows from model*
Judicial	5.719.613	839.899	14,7%	32.537	1.717.127	
of which: Other positions undergoing judicial processing	*2.533.351*	*298.484*	*11,8%*	*-*	*608.356*	*Acquisition cost*
of which: Writs, Property Attachments, Garnishment Orders	*1.210.896*	*389.724*	*32,2%*	*26.175*	*904.586*	*Cost = NPV of flows from model*
of which: Secured and Corporate	*1.975.366*	*151.691*	*7,7%*	*6.362*	*204.185*	*Cost = NPV of flows from model*
Total	17.778.958	1.268.889	7,1%	49.585	2.489.520	

Post-acquisition management

Right after the acquisition, pending the completion of information retrieval operations to help decide the most appropriate conversion method, the receivable is classified in a so-called "staging" area and recognised at cost (65 million Euro at 31 March 2020, compared to 109 million Euro at 31 December 2019) with no contribution to profit or loss.

After this phase, which usually lasts between 6 and 12 months, the Segment decides the most appropriate method for managing the receivables; non-judicial operations mainly consist in activating receivables by finalising bills of exchange and settlement plans with the debtor, whereas judicial operations consist mostly in converting them through legal actions to secure a court order for the garnishment of one fifth of pension benefits or wages - whose existence is the precondition for starting this kind of conversion.

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 the collection of the mentioned settlement plans.

In this phase, the positions are measured at amortised cost (192,9 million Euro at 31 March 2020, compared to 189,9 million Euro at 31 December 2019), calculated as the net present value of expected cash flows based on a proprietary statistical model built using internal historical data series. This model calculates conversion estimates for clusters of similar receivables and is regularly updated to account for changes in receipts as well as the characteristics of the acquired portfolios.

When finalising a settlement plan or bill of exchange, if an amount equal to at least 3 times the average instalment has been paid since the collection date, the positions included in this portfolio are reclassified to the item "Plans"; these are measured at amortised cost (171,1 million Euro at 31 March 2020, compared to 166,2 million Euro at 31 December 2019), calculated as the net present value of expected cash flows based on the settlement plans, net of the historical default rate.

Judicial operations

The positions that meet requirements for judicial processing are sent for the relative management; in particular, judicial processing, understood as a garnishment action, requires a number of legal phases intended to obtain an enforcement order, which overall typically last 18-24 months and include: obtaining the injunction, obtaining the writ, attachment of property and lastly the garnishment order issued by the court.

In summary, judicial processing involves a first stage, during which everything necessary is done to obtain a payment order and the positions continue to be measured at purchase cost. In the table above, these processes are included in “Other positions undergoing judicial processing”, which come to 298,5 million Euro at 31 March 2020, as compared with 274,1 million Euro at 31 December 2019.

In the following stages, when the writ and the order of attachment are served on the third party (employer) and the debtor and the garnishment order is obtained, the positions are measured at amortised cost, calculated as the net present value of the future cash inflows, taking into consideration both the average timing observed for each processing phase (writ, attachment of property), as well as the likelihood of success of the various phases (from writ to attachment of property, from attachment of property to garnishment order) and the average timing observed between obtaining a garnishment order and the registration of the first collection. When the garnishment order is obtained, the positions are measured at amortised cost, calculated as the net present value of the expected cash flows from the individual position, considering the debtor's age and the risk of loss of employment. The total amount of all positions in the writ, attachment of property and garnishment order phase was 389,7 million Euro at 31 March 2020, compared to 387,1 million Euro at the end of 2019.

Finally, the "Secured and Corporate" category, amounting to 151,7 million Euro at 31 March 2020 compared to 151,8 million Euro at 31 December 2019, includes portfolios originating in corporate banking or real estate sectors, valued on a case-by-case basis or using a model for estimating expected cash flows for positions guaranteed by properties on which a mortgage is present.

Throughout the various stages, the positions may be written off as part of a settlement agreement (or, to a lesser extent, conversion plans in the case of judicial operations) or reclassified to the collective portfolio if the debtors default on their payments under the agreed plans or garnishment orders.

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

INCOME STATEMENT DATA (in thousands of Euro)	31.03.2020	31.03.2019	CHANGE	
			ABSOLUTE	%
Interest income from amortised cost	34.493	30.682	3.811	12,4%
Interest income notes and other minority components	437	-	437	n.s.
Other components of net interest income from change in cash flow	15.092	34.820	(19.728)	(56,7)%
Funding costs	(7.174)	(5.181)	(1.993)	38,5%
Net interest income	**42.849**	**60.320**	**(17.471)**	**(29,0)%**
Net commission income	1.290	1.381	(91)	(6,6)%
Other components of net banking income	(904)	96	(1.000)	n.s.
Net banking income	**43.235**	**61.797**	**(18.562)**	**(30,0)%**
Net profit (loss) from financial activities	**43.235**	**61.797**	**(18.562)**	**(30,0)%**
Operating costs	**(33.475)**	**(39.694)**	**6.219**	**(15,7)%**
Pre-tax profit from continuing operations	**9.760**	**22.103**	**(12.343)**	**(55,8)%**
Income taxes for the period relating to continuing operations	(2.987)	(6.589)	3.602	(54,7)%
Profit (loss) for the period	**6.773**	**15.514**	**(8.741)**	**(56,3)%**

"Interest income from amortised cost", referring to the interest accruing at the original effective interest rate, was up 12,4% from 30,7 million Euro to 34,5 million Euro, largely thanks to the increase in receivables measured at amortised cost, the greater contribution by which is related for 17,2 million Euro to writs, attachments of property, and garnishment orders, and for 6,7 million Euro to settlement plans.

The item "Other components of net interest income from cash flow changes" includes the economic effect of the change in expected cash flows as a result of higher or lower collections realised or expected compared to previous forecasts and went from 34,8 million Euro to 15,1 million Euro, a decrease of 56,7%; this item includes the contribution of non-judicial operations for approximately 3,7 million Euro and the contribution of writs, attachments of property and garnishment orders for approximately 9 million Euro and secured and corporate for approximately 2,4 million Euro. The reduction in this item suffers the March closure of the courts, which significantly reduced the obtaining of writs, attachments of property and garnishment orders in comparison with the previous year; additionally, the income statement for the first quarter of 2019 also included the non-recurring positive effects linked to the first consolidation of the Fbs Group.

The increase in the funding costs is due to higher interest expense attributed by the Governance & Services and Non-Core Segment, both as a result of higher volumes traded and the increase in the internal transfer rate according to the total cost of funding.

Net commission income is basically in line with the same quarter of the previous year and is almost entirely due to the contribution made by commission income from servicing on third party portfolios.

The net profit from financial activities of the NPL Segment therefore amounted to 43,2 million Euro (61,8 million Euro at 31 March 2019, -30%). The significant reduction of this result as compared with the same period of last year is almost entirely due to the economic-medical emergency that struck the country in March and which resulted in the lock-down imposed by a series of Prime Ministerial Decrees. The closure of all production activities and, specifically, courts, effectively prevented any legal action from being taken to obtain writs, attachments of property and garnishment orders for amounts that are typically more profitable for the Segment as a whole.

Operating costs decline by 15,7%, going from 39,7 million Euro in the first quarter of 2019 to 33,5 million Euro in 2020. The reduction is mainly due to the variable costs connected with debt collection and, in particular, those relating to legal collection. In the same way as for revenues, it is recalled that the court closure due to the Covid-19 emergency resulted in the halt of a series of onerous lawsuits used by the Segment to increase its chance of collection.

Period profit is down by more than 56% or approximately 8,7 million Euro in absolute value, the determinant factors of which are mainly due, as specified previously, to external negative factors that have struck the whole of the national economic system.

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

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Net bad loans	954.776	964.611	(9.835)	(1,0)%
Net unlikely to pay	305.138	306.688	(1.550)	(0,5)%
Net non-performing past due exposures	32	29	3	10,3%
Total net non-performing exposures to customers (stage 3)	**1.259.946**	**1.271.328**	**(11.382)**	**(0,9)%**
Net performing exposures (stages 1 and 2)	10.937	9.004	1.933	21,5%
Total on-balance-sheet receivables due from customers (1)	**1.270.883**	**1.280.332**	**(9.449)**	**(0,7)%**

(1) Total on-balance-sheet receivables due from customers include receivables for invoices to be issued arising from the servicing activities of the subsidiary Ifis NPL Servicing S.p.A. (formerly Fbs S.p.A.) for 1.994 thousand Euro and for 2.112 thousand Euro, respectively at 31 March 2020 and at 31 December 2019.

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

KPI	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	17.778.958	17.840.822	(61.864)	(0,3%)
Total RWAs	1.999.933	2.039.840	(39.907)	(2,0)%

Total Estimated Remaining Collections (ERC) amounted to approximately 2,5 billion Euro.

NPL SEGMENT LOAN PORTFOLIO PERFORMANCE	31.03.2020	31.12.2019
Opening loan portfolio	**1.278.220**	**1.092.799**
Business combinations	-	23.952
Purchases	6.313	182.297
Sales	-	(26.677)
Gains on sales	-	15.738
Interest income from amortised cost	34.493	128.442
Other components of interest from change in cash flow	15.092	119.862
Collections	(65.230)	(258.193)
Closing loan portfolio	**1.268.889**	**1.278.220**

Total purchases in 2020 came to 6,3 million Euro, slightly down on the 9,4 million Euro of the same reference quarter of the previous year. During the first quarter of 2020, no receivables were sold.

The item "Collections" includes the instalments collected during the period from settlement plans, garnishment orders and transactions carried out.

Funding from settlement plans (equal to the nominal amount of all the instalments under the plans entered into with the debtors in the period) was up from 2019, reaching 81,8 million Euro at 31 March 2020 compared to 75,5 million Euro at 31 March 2019.

At the end of the period, the portfolio managed by the NPL Segment included 1.758.397 positions, for a nominal amount of approximately 17,8 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 Audit, Administration-Accounting, Financial, Planning, Organisation, ICT, Marketing and Communication, and HR functions, as well as the structures responsible for raising, managing and allocating financial resources to the operating Segments. It also includes the Proprietary Finance business (proprietary desk securities) and the economic results of the subsidiary Cap.Ital.Fin. S.p.A., a company operative in salary- or pension-backed loans. The Segment also includes run-off portfolios originated from the former Interbanca as well as other personal loan portfolios.

INCOME STATEMENT DATA (in thousands of Euro)	31.03.2020	31.03.2019	CHANGE	
			ABSOLUTE	%
Net interest income	12.508	18.193	(5.685)	(31,2)%
Net commission income	82	394	(312)	(79,1)%
Other components of net banking income	(3.638)	(8.729)	5.091	(58,3)%
Net banking income	**8.953**	**9.858**	**(905)**	**(9,2)%**
Net credit risk losses/reversals	(7.464)	(4.444)	(3.020)	68,0%
Net profit (loss) from financial activities	**1.488**	**5.414**	**(3.926)**	**(72,5)%**
Operating costs	**(12.009)**	**(6.700)**	**(5.309)**	**79,2%**
Gain on disposal of investments	24.161	-	24.161	n.s.
Pre-tax profit from continuing operations	**13.640**	**(1.286)**	**14.926**	**n.s.**
Income taxes for the period relating to continuing operations	(4.853)	(753)	(4.100)	n.s.
Profit (loss) for the period	**8.787**	**(2.039)**	**10.826**	**n.s.**

The Segment's net banking income totalled 9,0 million Euro, down approximately 0,9 million Euro on 31 March 2019. The negative change can be broken down according to two main guidelines:

- net interest income down 5,7 million Euro on the same period of the previous year. This item suffers the progressive reduction of the contribution made by "PPA reversal" (down 7,3 million Euro), partially offset by an increase in interest income from the portfolio of government securities by approximately 0,2 million and the increase in net interest income on run-off retail portfolios (up 1,2 million Euro). In particular, as regards the contribution made by the "PPA reversal", the physiological reduction was hastened by the sale of certain Workout & Recovery positions during the fourth quarter of 2019. The total residual amount of the PPA reversal for the Governance & Services and Non-Core Segment was 118,2 million Euro at 31 March 2020.
- The net banking income grew by 5,1 million Euro. This comprehensive effect is mainly due to lesser impairment of assets at fair value, which make a positive contribution for 1,9 million Euro, to lesser exchange losses for approximately 1,8 million Euro and a positive effect due to trading in derivatives for approximately 0,7 million Euro.

In terms of funding, Rendimax and Contomax continue to constitute the Group's main source of finance, with a comprehensive cost of approximately 16 million Euro, slightly higher than the same period of last year (15,5 million Euro) following the increase in average assets under management (4.565 million Euro, +0,7%) and despite a reduction in the average rates offered (-3,7%), manoeuvred in particular on maturities of less than a year. At 31 March 2020, the comprehensive value of the amortised cost of bond issues came to 1,474 million Euro. During the first quarter, just before the medical emergency struck, an additional preferred senior bond was placed for a notional 400 million Euro, which adds to the four instruments already present in the Group's liabilities at end 2019 (a senior unsecured bond with a nominal amount of 300 million Euro and a maturity of May 2020, a subordinated Tier 2 bond with a nominal amount of 400 million Euro and a final maturity of October 2027, callable in October 2022, a senior preferred unsecured bond with a nominal amount of 300 million Euro, and the debenture loan coming from the acquisition of the former Interbanca for a nominal 42,0 million Euro). In economic terms, interest expense accrued on all issues grew by 1,8 million Euro, coming in at a total of 9 million Euro.

As regards the cost of credit, an increase is seen to net adjustments, which come to 7,5 million Euro, as compared with 4,4 million Euro for the first quarter 2019. The main contribution to the increase in adjustments is due to the analytical impairment calculated on a single significant position and operating in the retail segment, which, already restructured, has further worsened following the closure of commercial activities as a consequence of the Covid-19 pandemic. Please also note the increase in value adjustments made to the portfolio of government securities, which suffer the increase in coverage following the expansion of the credit spreads.

The increase in operating costs for 5,3 million Euro is mainly due to:

- provisions made for risks and charges, in the amount of approximately 2,4 million Euro, referring to greater provisions made on unsecured loans for 1,4 million and greater provisions made for contributions to the single resolution fund for 1,0 million Euro;
- costs connected with non-recurring activities such as those incurred for projects linked to rebranding initiatives and costs connected with bond issues for approximately 2,0 million Euro;
- the deconsolidation of the subsidiary Two Solar Park 2008 following its sale at the end of the second quarter of 2019. This company, operating in the renewable energy segment, contributed towards the reduction of net operating costs in the amount of 0,5 million Euro at 31 March 2019.

Gains on disposal of investments include the effects of the sale of the Milan property in Corso Venezia, net of the related costs of sale. The sale of this property, already classified as non-current assets under disposal for 25,6 million Euro at 31 December 2019 following the stipulation of a binding offer for its sale, was completed late March 2020, with the collection of the full price.

At 31 March 2020, total net receivables for the Segment amounted to 1.073,4 million Euro, up 13,5% on the figure at 31 December 2019 (945,6 million Euro). The increase is substantively linked to the Proprietary Finance business (approximately 160 million Euro), which, mainly through the purchase of government securities, more than offset the physiological reduction of run-off portfolios for the Segment (approximately 30 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: 67,7 million Euro at 31 March 2020 as compared with 71,8 million Euro at 31 December 2019;
- Net performing loans: 13,3 million Euro at 31 March 2020 as compared with 12,7 million Euro at 31 December 2019.

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

GOVERNANCE & SERVICES AND NON-CORE SEGMENT (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.03.2020						
Nominal amount	51.235	104.441	2.931	158.606	975.054	1.133.660
Impairment losses	(8.194)	(43.957)	(695)	(52.847)	(7.432)	(60.278)
Carrying amount	43.041	60.483	2.235	105.759	967.622	1.073.382
Coverage ratio	*16,0%*	*42,1%*	*23,7%*	***33,3%***	*0,8%*	***5,3%***
POSITION AT 31.12.2019						
Nominal amount	48.514	102.875	2.977	154.366	846.711	1.001.077
Impairment losses	(7.274)	(39.724)	(751)	(47.749)	(7.704)	(55.453)
Carrying amount	41.240	63.151	2.226	106.617	839.007	945.624
Coverage ratio	*15,0%*	*38,6%*	*25,2%*	***30,9%***	*0,9%*	***5,5%***

The coverage of non-performing exposures in the Segment is affected by receivables belonging to the so-called "POCI" category, whose gross values already take into account the estimate of expected losses.

KPI	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Cost of credit quality	4,29%	6,62%	n.a.	(2,33)%
Net NPE ratio	9,85%	11,27%	n.a.	(1,42)%
Gross NPE ratio	13,99%	15,42%	n.a.	(1,43)%
Total RWAs	990.887	958.110	32.777	3,4%

4.

Reclassified Financial Statements

Net credit risk losses of the NPL were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.

4.1 Reclassified Consolidated Balance Sheet

ASSETS (in thousands of Euro)	31.03.2020	31.12.2019
Cash and cash equivalents	60	56
Financial assets held for trading through profit or loss	31.162	24.313
Financial assets mandatorily measured at fair value through profit or loss	103.743	112.785
Financial assets measured at fair value through other comprehensive income	1.215.355	1.173.808
Receivables due from banks measured at amortised cost	628.756	626.890
Receivables due from customers measured at amortised cost	7.600.742	7.651.226
Equity investments	6	6
Property, plant and equipment	109.632	106.301
Intangible assets	61.893	60.919
of which:		
- goodwill	*39.500*	*39.542*
Tax assets:	389.964	391.185
a) current	56.185	56.869
b) deferred	333.779	334.316
Non-current assets and disposal groups	-	25.560
Other assets	351.303	352.975
Total assets	**10.492.616**	**10.526.024**

LIABILITIES AND EQUITY (in thousands of Euro)	31.03.2020	31.12.2019
Payables due to banks	1.014.365	959.477
Payables due to customers	4.894.280	5.286.239
Debt securities issued	2.559.834	2.217.529
Financial liabilities held for trading	27.128	21.844
Tax liabilities:	68.066	69.018
a) current	33.023	28.248
b) deferred	35.043	40.770
Other liabilities	340.134	390.022
Post-employment benefits	9.708	9.977
Provisions for risks and charges	36.671	32.965
Valuation reserves	(24.339)	(3.037)
Reserves	1.381.676	1.260.238
Share premiums	102.285	102.285
Share capital	53.811	53.811
Treasury shares (-)	(3.012)	(3.012)
Equity attributable to non-controlling interests (+/-)	5.583	5.571
Profit (loss) for the period (+/-)	26.426	123.097
Total liabilities and equity	**10.492.616**	**10.526.024**

4.2 Reclassified Consolidated Income Statement

ITEMS (in thousands of Euro)	31.03.2020	31.03.2019
Net interest income	**91.416**	**115.264**
Net commission income	**21.097**	**23.828**
Other components of net banking income	(6.561)	(8.983)
Net banking income	**105.952**	**130.109**
Net credit risk losses/reversals	(18.512)	(13.088)
Net profit (loss) from financial activities	**87.440**	**117.021**
Administrative expenses:	(72.549)	(74.768)
a) personnel expenses	(32.029)	(31.447)
b) other administrative expenses	(40.520)	(43.321)
Net allocations to provisions for risks and charges	(4.889)	(2.512)
Net impairment losses/reversals on property, plant and equipment and intangible assets	(4.039)	(4.062)
Other operating income/expenses	7.978	6.978
Operating costs	**(73.499)**	**(74.364)**
Gains (Losses) on disposal of investments	24.161	-
Pre-tax profit (loss) from continuing operations	**38.102**	**42.657**
Income taxes for the period relating to continuing operations	(11.660)	(12.716)
Profit (loss) for the period	**26.442**	**29.941**
Profit (Loss) for the period attributable to non-controlling interests	16	21
Profit (loss) for the period attributable to the Parent company	**26.426**	**29.920**

4.3 Reclassified Consolidated Statement of Comprehensive Income

ITEMS (in thousands of Euro)	31.03.2020	31.03.2019
Profit (loss) for the period	**26.442**	**29.941**
Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**(13.453)**	**54**
Equity securities measured at fair value through other comprehensive income	(13.555)	339
Defined benefit plans	102	(285)
Other comprehensive income, net of taxes, to be reclassified to profit or loss	**(9.594)**	**187**
Exchange differences	(2.424)	5
Financial assets (other than equity securities) measured at fair value through other comprehensive income	(7.170)	182
Total other comprehensive income, net of taxes	**(23.047)**	**241**
Total comprehensive income (Item 10 + 170)	**3.395**	**30.182**
Total consolidated comprehensive income attributable to non-controlling interests	16	21
Total consolidated comprehensive income attributable to the Parent company	**3.379**	**30.161**

5.

Notes

5.1 Accounting policies

5.1.1 – Statement of compliance with international accounting standards

This Consolidated Interim Report at 31 March 2020 of the Banca Ifis Group was prepared in accordance with Borsa Italiana's Rules for companies listed on the STAR segment (article 2.2.3 paragraph 3), which require publishing an interim report within 45 days of the end of each quarter, and considering Borsa Italiana's notice no. 7587 of 21 April 2016. Therefore, in accordance with said notice, concerning the contents of the Consolidated Interim Report, the Group made reference to the pre-existing paragraph 5 of article 154-ter of Italian Legislative Decree no. 58, dated 24 February 1998.

The Consolidated Interim Report at 31 March 2020 does not include all the information required for the preparation of the annual Consolidated Financial Statements in accordance with IFRS accounting standards. For this reason, it is necessary to read the Consolidated Interim Report together with the Consolidated Financial Statements at 31 December 2019. The preparation criteria, the valuation and consolidation criteria and the accounting standards adopted in the preparation of this Consolidated Interim Report comply with the accounting standards adopted in the preparation of the Consolidated Financial Statements at 31 December 2019, with the exception of the adoption of the new or amended accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as set out below.

IFRS refer to international accounting standards IASs/IFRSs in force at said date issued by the International Accounting Standards Board (IASB), together with the relevant interpretations (IFRICs and SICs). These standards were endorsed by the European Commission in accordance with the provisions in article 6 of European Union Regulation no. 1606/2002. This regulation was implemented in Italy with Italian Legislative Decree no. 38 of 28 February 2005.

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

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

The criteria for, recognising, measuring and derecognising assets and liabilities and the methods for recognising revenue and costs adopted in preparing the Consolidated Interim Report at 31 March 2020 are unchanged from those used to prepare the Consolidated Financial Statements at 31 December 2019, to which reference should be made for further details.

5.1.2 - Scope and methods of consolidation

The Consolidated Interim Report has been drawn up on the basis of the accounts at 31 March 2020 prepared by the directors of the companies included in the consolidation scope.

At 31 March 2020, the Group was composed of the parent company, Banca Ifis S.p.A., the wholly-owned subsidiaries Ifis Finance Sp. Z o. o., Ifis Rental Services S.r.l., Ifis NPL S.p.A., Cap. Ital. Fin. S.p.A., Ifis NPL Servicing S.p.A. (formerly Fbs S.p.A.), Ifis Real Estate S.p.A. (formerly Fbs Real Estate S.p.A.) and Gemini S.p.A., the subsidiary held 70% Credifarma S.p.A. and the subsidiary Elipso Finance S.r.l., held jointly 50%. During the first quarter of 2020, the remaining 0,72% was acquired of the capital of Ifis Real Estate S.p.A. (formerly Fbs Real Estate S.p.A.) and the company Gemini S.p.A. acquired, as part of the more extensive reorganisation of the NPL Segment.

All companies have been consolidated using the line-by-line method, with the exception of the joint venture Elipso Finance S.r.l., which is consolidated using the equity method.

The financial statements of the subsidiary Ifis Finance Sp. Z o.o. expressed in foreign currencies are translated into Euro by applying the period-end exchange rate to assets and liabilities. As for the income statement, the items are translated using the average exchange rate, which is considered as a valid approximation of the spot exchange rate. Exchange differences arising from the application of different exchange rates for the statement of financial position and the income statement, as well as the exchange differences from the translation of the 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.

Starting with the financial statements for periods beginning after 1 July 2009, business combinations must be recognised by applying the principles established by IFRS 3; purchases of equity investments in which control is obtained and counting as "business combinations" must be recognised by applying the acquisition method, which requires:

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

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

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

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

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

If goodwill has been allocated to a cash-generating unit 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 cash-generating unit retained.

The consolidation process of the subsidiaries resulted in the following goodwill being recognised under the item intangible assets: 38,0 million Euro for the consolidation of the form Fbs Group, 780 thousand Euro at period end exchange rates for the subsidiary Ifis Finance Sp. Z o.o. and 700 thousand Euro for the subsidiary Cap. Ital. Fin S.p.A.

Equity investments in exclusively controlled companies

Company Name	Head office	Registered office	Type (1)	Investment		Voting rights % (2)
				Held by	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 S.p.A.	Florence, Milan and Mestre (Province of Venice)	Mestre (Province of Venice)	1	Banca Ifis S.p.A.	100%	100%
Ifis NPL Servicing S.p.A. (formerly Fbs S.p.A.)	Milan	Milan	1	Banca Ifis S.p.A.	100%	100%
Ifis Real Estate S.p.A. (formerly Fbs Real Estate S.p.A.)	Milan	Milan	1	Ifis NPL Servicing S.p.A. (formerly Fbs S.p.A.)	100%	100%
Cap. Ital. Fin. S.p.A.	Naples	Naples	1	Banca Ifis S.p.A.	100%	100%
Gemini S.p.A.	Mestre (Province of Venice)	Mestre (Province of Venice)	1	Ifis NPL S.p.A.	100%	100%
Credifarma S.p.A.	Rome	Rome	1	Banca Ifis S.p.A.	70%	70%
Ifis ABCP Programme S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	4	Other	0%	0%
Indigo Lease 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 are included in the Consolidated Interim Report on Operations from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

The profit (loss) for the period and each of the other components of the Statement of Comprehensive Income are attributed to the shareholders of the parent company and minority interests, even if this implies that the minority interests have a negative balance. When necessary, appropriate adjustments are made to the Financial Statements of the subsidiaries, in order to ensure

compliance with the Group's accounting standards. All assets and liabilities, equity, revenues, costs and inter-group financial flows relating to transactions between Group entities are derecognised completely during the consolidation phase.

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

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

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

5.1.3 - Risks and uncertainties related to estimates

Using accounting standards often requires management to make estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities. In making the assumptions underlying the estimates, management considers all available information at the reporting date as well as any other factor deemed reasonable for this purpose, including any potential effects of the Covid-19.

Specifically, it made estimates concerning the carrying amounts of some items recognised in the Consolidated Interim Report at 31 March 2020, as per the relevant accounting standards. These estimates are largely based on the expected future recoverability of the amounts recognised and were made on a going concern basis.

Furthermore, the estimates and assumptions used in the preparation of this report are affected by the reasonably foreseeable impacts of the Covid-19. At present, the dimensions and impacts of the current pandemic are not yet clear as neither are the hypotheses potentially able to be pursued for the resumption of production and commercial activities. Consequently, it is not possible to exclude that additional negative impacts in the forthcoming quarters, whose timing and amount cannot presently be forecast, may impact the hypotheses and assumptions underlying the estimation processes with respect to those considered in the estimates prepared to draft the Consolidated Interim Report at 31 March 2020, thereby requiring changes to be made to the values of the assets and liabilities booked, which cannot currently be estimated or foreseen.

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

- fair value of receivables and financial instruments not quoted in active markets;
- receivables of the NPL Segment;
- receivables managed by the Pharma BU, and specifically the interest on arrears considered recoverable;
- measurement of the Expected Credit Loss for receivables other than the NPL Segment;
- provisions for risks and charges;
- post-employment benefits;
- goodwill and other intangible assets.

Fair value of financial instruments not quoted in active markets

In the presence of financial instruments not quoted in active markets or illiquid and complex instruments, it is necessary to activate adequate valuation processes characterised with certain judgement on the choice of valuation models and related input parameters, which may sometimes not be observable in the market. There is a degree of subjectivity involved in assessing whether certain inputs are observable and categorising them within the fair value hierarchy accordingly.

NPL Segment exposures

Concerning specifically the measurement of the NPL Segment's exposures, Risk Management, when assessing the Group's capital adequacy, regularly assesses the so-called model risk by carrying out specific analyses, 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.

Reference should be made to Part E - Information on risks and related hedging policies with specific reference to the subsidiary Ifis NPL S.p.A. of the Consolidated Financial Statements at 31 December 2019.

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

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

Measurement of the Expected Credit Loss for receivables other than the NPL Segment

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

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

"Expected Credit Losses" (ECLs) are calculated based on whether the financial instrument's credit risk has significantly increased since initial recognition. Reference should be made to the information given in paragraph A.2 - Part relating to the main items of the Consolidated Financial Statements at 31 December 2019.

Goodwill and other intangible assets.

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

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

We would refer you to the more detailed information given in Part B - Information on the Consolidated Statement of Financial Position, Section 10 - Intangible assets - Item 100, Paragraph 10.3 Other information of the Consolidated Financial Statements at 31 December 2019.

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

5.2 Group financials and income results

Net credit risk losses of the NPL Segment were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.

5.2.1 Reclassified Statement of financial positions items

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2020	31.12.2019	ABSOLUTE	%
Other financial assets mandatorily measured at fair value through profit or loss	103.743	112.785	(9.042)	(8,0)%
Financial assets at fair value through other comprehensive income	1.215.355	1.173.808	41.547	3,5%
Receivables due from banks measured at amortised cost	628.756	626.890	1.866	0,3%
Receivables due from customers measured at amortised cost	7.600.742	7.651.226	(50.484)	(0,7)%
Property, plant and equipment and intangible assets	171.525	167.220	4.305	2,6%
Tax assets	389.964	391.185	(1.221)	(0,3)%
Other assets	382.531	402.910	(20.379)	(5,1)%
Total assets	10.492.616	10.526.024	(33.408)	(0,3)%
Payables due to banks measured at amortised cost	1.014.365	959.477	54.888	5,7%
Payables due to customers measured at amortised cost	4.894.280	5.286.239	(391.959)	(7,4)%
Debt securities issued	2.559.834	2.217.529	342.305	15,4%
Tax liabilities	68.066	69.018	(952)	(1,4)%
Provisions for risks and charges	36.671	32.965	3.706	11,2%
Other liabilities	376.970	421.843	(44.873)	(10,6)%
Equity	1.542.430	1.538.953	3.477	0,2%
Total liabilities and equity	10.492.616	10.526.024	(33.408)	(0,3)%

Financial assets mandatorily measured at fair value through profit or loss

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

The reduction in the item, equal to 8,0% on 31 December 2019, is connected with the combined effect of the assignment of loans at fair value for 4,6 million Euro, only partially offset by net subscriptions of UCITS funds for 2,5 million Euro and the change in fair value for approximately 6,9 million Euro. This latter suffers the instability of the main listed indexes used in instrument valuation models.

Below is the breakdown of this line item.

FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (in thousands of Euro)	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Debt securities	2.397	2.713	(318)	(11,7)%
UCITS units	83.073	87.763	(4.690)	(5,3)%
Loans	18.273	22.309	(4.034)	(18,1)%
Total	103.743	112.785	(9.042)	(8,0)%

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income amounted to 1.215,4 million Euro at 31 March 2020, up 3,5% from 31 December 2019. The item includes debt securities that have passed the SPPI test and equity securities for which the Group has exercised the OCI Option.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in thousands of Euro)	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Debt securities	1.167.639	1.124.634	43.005	3,8%
Equity securities	47.716	49.174	(1.458)	(3,0)%
Total	**1.215.355**	**1.173.808**	**41.547**	**3,5%**

Debt securities held in the portfolio at 31 March 2020 come to 1.167,6 million Euro, substantially in line with the balance at 31 December 2019 (+3,8%).

Specifically, the item includes 1.147,1 million Italian government securities, whose relative net negative fair value reserve amounts to 7,0 million Euro compared to a net negative reserve of 0,4 million Euro at the end of the previous year.

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

Issuer/Maturity	1 year	2 years	3 years	5 years	over 5 years	Total
Government bonds	541.164	335.193	-	195.507	75.229	1.147.093
% of total	*46,3%*	*28,7%*	-	*16,7%*	*6,4%*	*98,2%*
Banks	-	-	-	9.560	-	9.560
% of total	-	-	-	*0,8%*	-	*0,8%*
Other issuers	-	-	-	7.837	3.149	10.986
% of total	-	-	-	*0,7%*	*0,3%*	*0,9%*
Total	**541.164**	**335.193**	**-**	**212.904**	**78.378**	**1.167.639**
% of total	***46,3%***	***28,7%***	**-**	***18,2%***	***6,7%***	***100,0%***

This item includes also equity securities relating to minority interests, amounting to 47,7 million Euro, down 3,0% compared to 31 December 2019. The negative net fair value reserve for these securities totalled 8,5 million Euro.

Receivables due from banks measured at amortised cost

Total receivables due from banks measured at amortised cost at 31 March 2020 amounted to 628,8 million Euro, compared to 626,9 million Euro at 31 December 2019. The item refers to Receivables due from central banks for 242,6 million Euro as compared with 373,7 million Euro at 31 December 2019.

Receivables due from customers measured at amortised cost

Total receivables due from customers measured at amortised cost amounted to 7.600,7 million Euro, slightly down compared to the 7.651,2 million Euro booked at 31 December 2019 (-0,7%). The growth booked for the Corporate Banking & Lending Area of 17,6% and for the Governance & Services and Non-Core Segment of 49,1% was offset by the reduction in receivables of the Factoring and Leasing Areas, down 7,9% and 3,1% respectively, which suffered the slowing to the outlook in connection with the Covid-19.

It should be noted that the item "Receivables due from customers measured at amortised cost" includes an exposure classifiable as "large exposure", which in total exceeds 10% of own funds.

RECEIVABLES DUE FROM CUSTOMERS BREAKDOWN (in thousands of Euro)	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Commercial & Corporate Banking Segment	5.256.477	5.425.270	(168.793)	(3,1)%
- of which non-performing	*252.073*	*226.401*	*25.672*	*11,3%*
Factoring Area	2.973.885	3.229.347	(255.462)	(7,9)%
- of which non-performing	*217.253*	*196.146*	*21.107*	*10,8%*
Leasing Area	1.403.522	1.448.463	(44.941)	(3,1)%
- of which non-performing	*23.864*	*17.935*	*5.929*	*33,1%*
Corporate Banking & Lending Area	879.070	747.460	131.610	17,6%
- of which non-performing	*10.956*	*12.320*	*(1.364)*	*(11,1)%*
NPL Segment	1.270.883	1.280.332	(9.449)	(0,7)%
- of which non-performing	*1.259.946*	*1.271.328*	*(11.382)*	*(0,9)%*
Governance & Services and Non-Core Segment	1.073.382	945.624	127.758	13,5%
- of which non-performing	*105.759*	*106.617*	*(858)*	*(0,8)%*
Total receivables due from customers	7.600.742	7.651.226	(50.484)	(0,7)%
- of which non-performing	*1.617.778*	*1.604.346*	*13.432*	*0,8%*

Total non-performing assets, which is impacted significantly by the receivables of the NPL Segment, come to 1.617,8 million Euro at 31 March 2020, substantially in line with 31 December 2019 (1.604,3 million Euro).

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

Intangible assets and property, plant and equipment

Intangible assets come to 61,9 million Euro as compared with 60,9 million Euro at 31 December 2019 (+1,6 %); the item also refers to software for 22,4 million Euro and goodwill for 39,5 million Euro. More specifically, the latter are connected for 38,0 million Euro to the goodwill that emerges from the consolidation of the former FBS Group, for 0,8 million Euro to the goodwill connected with Ifis Finance Sp. Z.o.o. and for 0,7 million Euro to the goodwill determined consequent to the acquisition of the subsidiary Cap. Ital. Fin. S.p.A.

Property, plant and equipment come in at 109,6 million Euro as compared with the 106,3 million Euro at 31 December 2019, up 3,1%, mainly due to the start of activities on the development of the new offices of the Mestre site.

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

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.

Tax assets amounted to 390,0 million Euro, substantially in line with the figure at 31 December 2019 (-0,3%).

Deferred tax assets amounted to 333,8 million Euro, compared with 334,3 million Euro at 31 December 2019, of which 72,9 million Euro for previous tax losses and ACE benefits (81,2 million Euro at 31 December 2019) and of which 218,4 million Euro, unchanged compared to 31 December 2019, in impairment losses on receivables that can be deducted in the following years and transformed into tax credits in accordance with Italian Law no. 214/2011.

Tax liabilities come to 68,1 million Euro, slightly down on the 69,0 million Euro at 31 December 2019 (-1,4%).

Current tax liabilities, amounting to 33,0 million Euro, represent the tax burden for the period (28,2 million Euro at 31 December 2019).

Deferred tax liabilities, amounting to 35,0 million Euro, mainly include 27,3 million Euro on receivables recognised for interest on arrears that will be taxed upon collection and 3,2 million Euro on misalignments of trade receivables. The reduction on 31 December 2019 relates to the use of deferred tax, entered for approximately 5,7 million Euro on the write-back of the Corso Venezia property sold on 30 March 2020.

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

Here below is the breakdown of the different treatments by type and the relevant impact on CET1 and risk-weighted assets at 31 March 2020:

- the "deferred tax assets that rely on future profitability and do not arise from temporary differences" are deducted from CET1; at 31 March 2020, the 100% deduction amounted to 91,6 million Euro, including the Holding of the Banking Group: in this regard, please note that this deduction will be gradually absorbed by the future use of such deferred tax assets;
- the "deferred tax assets that rely on future profitability and arise from temporary differences" are not deducted from CET1 and receive instead a 250% risk weight: at 31 March 2020, these assets, which amounted to 42,5 million Euro, were offset for 35,0 million Euro by the corresponding deferred tax liabilities;
- the "deferred tax assets pursuant to Italian Law no. 214/2011", concerning impairment losses on receivables that can be converted into tax credits, receive a 100% risk weight; at 31 March 2020, the corresponding weight totalled 218,4 million Euro;
- "current tax assets" receive a 0% weight as they are exposures to the Central Government.

Overall, the Tax Assets recognised at 31 March 2020 and 100% deducted from Own Funds resulted in an expense amounting to 1,02% as a proportion of CET1, which will decline in the future as said assets are utilised against taxable income.

Other assets and liabilities

Other assets, of 382,5 million Euro as compared to a balance of 402,9 million Euro at 31 December 2019, include:

- financial assets held for trading for 31,2 million Euro (24,3 million Euro at 31 December 2019), still mainly relating to transactions hedged by opposite positions entered amongst financial liabilities held for trading;
- other assets for 351,3 million Euro (353,0 million Euro at 31 December 2019), of which 107,2 million Euro refer to the receivable due from the parent company La Scogliera S.p.A. by virtue of the tax consolidation agreements (106,6 million Euro at 31 December 2019) and 43,0 million Euro to Group VAT credits for which reimbursement is requested (29,8 million Euro at 31 December 2019).

Non-current assets under disposal have been zeroed as compared with 31 December 2019 (25,6 million Euro) following the sale of the Milan property in Corso Venezia, completed late March 2020.

Other liabilities come to 377,0 million Euro as compared with 421,8 million Euro at 31 December 2019, and consist of:

- trading derivatives for 27,1 million Euro (21,8 million Euro at 31 December 2019), mainly referring to transactions hedged by opposite positions entered amongst financial assets held for trading;
- 9,7 million Euro liabilities for post-employment benefits (10,0 million Euro at 31 December 2019);
- 340,1 million Euro for other liabilities (390,0 at 31 December 2019), largely referred to amounts due to customers that have not yet been credited as well as a 34,0 million Euro payable to the parent company La Scogliera deriving from the tax consolidation regime.

Funding

FUNDING (in thousands of Euro)	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Payables due to banks	1.014.365	959.477	54.888	5,7%
- Eurosystem	*791.460*	*792.168*	*(708)*	*(0,1)%*
- Other payables	*222.905*	*167.309*	*55.596*	*33,2%*
Payables due to customers	4.894.280	5.286.239	(391.959)	(7,4)%
- Repurchase agreements	*-*	*150.280*	*(150.280)*	*(100,0)%*
- Rendimax and Contomax	*4.528.553*	*4.790.954*	*(262.401)*	*(5,5)%*
- Other term deposits	*79.999*	*72.475*	*7.524*	*10,4%*
- Lease payables	*16.522*	*15.909*	*613*	*3,9%*
- Other payables	*269.206*	*256.621*	*12.585*	*4,9%*
Debt securities issued	2.559.834	2.217.529	342.305	15,4%
Total funding	**8.468.479**	**8.463.245**	**5.234**	**0,1%**

Total funding at 31 March 2020 is in line with 2019's closing figure, coming in at 8.468,5 million Euro. Funding comprises 57,8% payables due to customers (62,5% at 31 December 2019), 12,0% payables due to banks (11,3% at 31 December 2019) and 30,2% securities issued (26,2% at 31 December 2019).

Payables due to customers at 31 March 2020 amounted to 4.894,3 million Euro (-7,4% compared to 31 December 2019), essentially due to the decrease in retail funding (Rendimax and Contomax), which goes from 4.790,9 at 31 December 2019 to 4.528,6 million Euro at 31 March 2020, a breakdown of which is given below.

CONTOMAX and RENDIMAX FUNDING (in thousands of Euro)	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Short-term funding (within 18 months)	3.370.144	3.762.031	(391.887)	(10,4)%
of which: DEREGULATED	*826.252*	*798.019*	*28.233*	*3,5%*
of which: LIKE/ONE	*1.329.595*	*1.361.563*	*(31.968)*	*(2,3)%*
of which: CONSTRAINTS	*1.214.297*	*1.602.449*	*(388.152)*	*(24,2)%*
Long-term funding (beyond 18 months)	1.158.409	1.028.923	129.486	12,6%
Total funding	**4.528.553**	**4.790.954**	**(262.401)**	**(5,5)%**

Payables due to banks amounted to 1.014,4 million Euro (+5,7% compared to 31 December 2019). This item mainly refers to the TLTRO tranche totalling 791,5 million Euro subscribed respectively in 2017 and at end 2019, deposits with other banks of 166,7 million Euro and 56,2 million Euro related to other accounts and loans.

Debt securities issued amounted to 2.559,8 million Euro. The item included 1.085,4 million Euro (1.150 million Euro at 31 December 2019) in securities issued by the special purpose vehicles as part of the securitisation of trade receivables launched at the end of 2016. The item also comprised 1.006,9 million Euro (including interest) in senior bonds issued by Banca Ifis, as well as the 406,3 million Euro (including interest) Tier 2 bond. The rest of debt securities issued at 31 March 2020 included 60,7 million Euro in a bond loan issued at the time by the merged entity Interbanca.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Provisions for credit risk related to commitments and financial guarantees granted	4.992	3.952	1.040	26,3%
Legal and tax disputes	22.502	22.894	(392)	(1,7)%
Other provisions	9.177	6.119	3.058	50,0%
Total provisions for risks and charges	**36.671**	**32.965**	**3.706**	**11,2%**

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

Provisions for credit risk related to commitments and financial guarantees granted

At 31 March 2020, this item amounted to 5,0 million Euro and reflected the impairment losses on commitments and financial guarantees granted by the Group.

Legal and tax disputes

At 31 March 2020, the Group had set aside 22,5 million Euro in provisions. This amount breaks down as follows:

- 11,4 million Euro for 34 disputes concerning the Factoring Area (the plaintiffs seek 29,2 million Euro in damages), these disputes are mainly connected with the request for the repetition of amounts collected or payments under guarantee in relation to factoring positions without recourse;
- 5,2 million Euro (the plaintiffs seek 66,7 million Euro in damages) for 27 disputes concerning the Corporate Banking & Lending Areas and linked for 4,9 million Euro to positions deriving from the former Interbanca;
- 2,2 million Euro (the plaintiffs seek 2,2 million Euro in damages) for 56 disputes concerning the Leasing Area;
- 1,3 million Euro (the plaintiffs seek 3,7 million Euro in damages) for 41 disputes concerning receivables of the subsidiary Ifis NPL;
- 1,0 million Euro for various disputes concerning Credifarma;
- 0,9 million Euro (the plaintiffs seek the same amount in damages) for disputes concerning the investee Ifis Rental;
- 337 thousand Euro (the plaintiffs seek 3,8 million Euro) for 29 disputes with customers and agents relating to Cap.Ital.Fin.;
- 106 thousand Euro for 8 disputes concerning Ifis NPL Servicing S.p.A. (formerly Fbs S.p.A.), for which the plaintiffs seek a total of 1,8 million Euro in damages.

Other provisions for risks and charges

At 31 March 2020, there were "Other provisions" of 9,2 million Euro (6,1 million Euro at 31 December 2019) consisting mainly of 4,7 million Euro for supplementary indemnities for customers connected with the operations of the Leasing Area, in line with 31 December 2019, 3,0 million Euro related to the estimated contribution to the Single Resolution Fund, 0,5 million Euro for staff-related charges (0,6 million Euro at 31 December 2019) and 0,2 million Euro for the provision for complaints. The rise of 3,1 million Euro in "Other provisions" as compared with the balance at 31 December 2019, is mainly due to the provisioning in the first quarter of 2020 of the contribution made to the Single Resolution Fund.

Contingent liabilities

Here below are the most significant contingent liabilities outstanding at 31 March 2020. Based on the opinion of the legal advisers assisting the subsidiaries, they are considered possible, and therefore they are only disclosed.

Tax dispute

Dispute concerning the write-off of receivables. Company involved Banca Ifis as the incorporating company of the former Ifis Leasing S.p.A. (former GE Capital Interbanca Group)

The Italian Revenue Agency has reclassified the write-off of receivables made by the Company in 2004, 2005, 2006 and 2007 and added in the years between 2005 and 2014 to losses on receivables - without any actual evidence. Overall, the Agency assessed 242,7 thousand Euro in additional taxes and administrative penalties amounting to 100%.

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

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

Dispute relative to the withholdings applied to interest expense paid in Hungary. Company involved Banca Ifis as the incorporating company of the former Interbanca S.p.A. (former GE Capital Interbanca Group)

The Italian Revenue Agency disputes the failure to apply withholdings to the interest paid to the Hungarian country for 2013. Overall, it has assessed 264,8 thousand Euro in additional taxes and administrative penalties amounting to 165%.

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

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

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

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

Overall, the Agency assessed 756 thousand Euro in additional taxes and administrative penalties amounting to 100%.

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

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

Reimbursements

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

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

Consolidated equity

Consolidated equity, which is basically in line with 31 December 2019 (1.539,0 million Euro), came to 1.542,4 million Euro at 31 March 2020.

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

EQUITY: BREAKDOWN (in thousands of Euro)	31.03.2020	31.12.2019	CHANGE	
			ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	102.285	102.285	-	0,0%
Valuation reserves:	(24.339)	(3.037)	(21.302)	n.s.
- Securities	*(16.242)*	*2.737*	*(18.980)*	*n.s.*
- Post-employment benefits	*(23)*	*(124)*	*(101)*	*(81,6)%*
- exchange differences	*(8.074)*	*(5.650)*	*(2.424)*	*42,9%*
Reserves	1.381.676	1.260.238	121.438	9,6%
Treasury shares	(3.012)	(3.012)	-	0,0%
Equity attributable to non-controlling interests	5.583	5.571	12	0,2%
Net profit attributable to the Parent company	26.426	123.097	(96.672)	(78,5)%
Group equity	1.542.430	1.538.953	3.477	0,2%

EQUITY: CHANGES	(in thousands of Euro)
Equity at 31.12.2019	1.538.953
Increases:	27.206
Profit for the period attributable to the Parent company	26.426
Change in valuation reserve:	768
- Securities	*666*
- Post-employment benefits	*102*
Equity attributable to non-controlling interests	12
Decreases:	23.729
Change in valuation reserve:	22.070
- Securities	*19.646*
- Exchange differences	*2.424*
Other changes	1.659
Equity at 31.03.2020	1.542.430

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

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	31.03.2020	31.12.2019
Common equity Tier 1 Capital (CET1)	994.910	1.008.865
Tier 1 capital (T1)	1.048.554	1.064.524
Total own funds	**1.323.900**	**1.342.069**
Total RWA	**8.947.456**	**9.206.155**
Common Equity Tier 1 Ratio	11,12%	10,96%
Tier 1 Capital Ratio	11,72%	11,56%
Ratio - Total Own Funds	**14,80%**	**14,58%**

Common Equity Tier 1, Tier 1 Capital, and total Own Funds at 31 March 2020 do not include the profits generated by the Banking Group in that same period since they have not been certified by the auditor.

Consolidated own funds, risk-weighted assets and prudential ratios at 31 March 2020 were calculated based on the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR), which were transposed in the Bank of Italy's Circulars no. 285 and no. 286. In particular, article 19 of the CRR requires to include the unconsolidated Holding of the Banking Group in prudential consolidation.

Please note that the Common Equity Tier 1, Tier 1 Capital, and total Own Funds included the profits generated by the Banking Group at 31 December 2019 net of the approved, suspended dividend. In this regard, it is reported, in fact, that in accordance with the Bank of Italy's recommendation of 27 March 2020 on dividend policy during the Covid-19 pandemic, the Board of Directors of Banca Ifis has decided to act responsibly by following the guidance provided by the Supervisory Authorities, and therefore to propose that the distribution of dividends for financial year 2019 be postponed until at least 1 October 2020.

As regards Common Equity Tier 1, Tier 1 Capital and Own Funds at 31 March 2020, they do not include the profit generated by the Banking Group during the reference period, insofar as not certified by the independent auditing firm.

Concerning the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on Own Funds - Regulation (EU) 2017/2395 amending Regulation (EU) 575/2013 (CRR) - which allow Entities to include a portion of the increased expected credit loss provisions in their Common Equity Tier 1 capital pursuant to IFRS 9 and until the end of the transitional period (1 January 2018/31 December 2022), Banca Ifis informed the Bank of Italy of its decision to apply the transitional arrangements throughout the entire period.

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

- 0,70 from 1 January 2020 to 31 December 2020;
- 0,50 from 1 January 2021 to 31 December 2021;
- 0,25 from 1 January 2022 to 31 December 2022.

At 31 March 2020, the adoption of IFRS 9 caused the expected credit loss provisions to rise by 3,5 million Euro, net of the tax effect. Therefore, in accordance with the transitional arrangements - "dynamic approach" - 1,3 million Euro were included in the Common Equity Tier 1 (CET1) capital attributable to the Group.

The 18,2 million Euro decrease in Own Funds compared to 31 December 2019 was largely attributable to:

- the lesser accounting of the minority interests (Art. 84 CRR) for an amount of 20,2 million Euro according to the decline in risk assets and the correlated surplus capital;
- the lower 100% deduction from CET1 of "deferred tax assets that rely on future profitability and do not arise from temporary differences" totalling 91,6 million Euro - compared to 103,8 million Euro deducted at 31 December 2019; in this regard, please note that this deduction will be further absorbed by the future use of such deferred tax assets;
- the negative change of the valuation reserves for 10,8 million Euro for the portion pertaining to the Group.

The lesser absorption of capital deriving from the decrease in risk-weighted assets, equal to about 259 million Euro, in respect of the reduction in Own Funds for 18,2 million Euro, caused the Total capital ratio to amount to 14,80% at 31 March 2020, up

from the results achieved at 31 December 2019 of 14,58%; this trend was also reported for the CET1 ratio now 11,12%, compared to the previous figure of 10,96%.

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

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			
Total RWA per Segment	4.968.942	2.637.722	1.318.175	1.013.045	1.999.933	990.887	7.959.762
Market risk	X	X	X	X	X	X	88.552
Operational risk (basic indicator approach)	X	X	X	X	X	X	889.317
Credit valuation adjustment risk	X	X	X	X	X	X	9.825
Total RWAs	X	X	X	X	X	X	8.947.456

When comparing the results, please note that the Bank of Italy, following the Supervisory Review and Evaluation Process (SREP) to review the capitalisation targets of the system's largest intermediaries, notified the Banca Ifis Group that it needed to meet the following consolidated capital requirements in 2020, just like in 2019, including a 2,5% capital conservation buffer:

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

At 31 March 2020, the Banca Ifis Group met the above prudential requirements.

Pursuant to the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on Own Funds, during the transitional period the Banking Group Banca Ifis must disclose the Own Funds and the relevant capital ratios it would report without applying the transitional arrangements. The moderate impact of the adoption of IFRS 9 did not give rise to material differences between the results with and without these transitional arrangements.

OWN FUNDS AND CAPITAL ADEQUACY RATIOS WITHOUT IFRS 9 TRANSITIONAL ARRANGEMENTS (in thousands of Euro)	31.03.2020	31.12.2019
Common equity Tier 1 Capital (CET1)	993.658	1.007.416
Tier 1 capital (T1)	1.047.302	1.063.075
Total own funds	1.322.647	1.340.620
Total RWA	8.945.808	9.204.243
Common Equity Tier 1 Ratio	11,11%	10,95%
Tier 1 Capital Ratio	11,71%	11,55%
Ratio - Total Own Funds	14,79%	14,57%

Common Equity Tier 1, Tier 1 Capital, and total Own Funds at 31 March 2020 do not include the profits generated by the Banking Group in that same period since they have not been certified by the auditor.

As previously mentioned, article 19 of the CRR requires to include the unconsolidated Holding of the Banking Group in prudential consolidation. The capital adequacy ratios of the Banca Ifis Group alone, presented exclusively for information purposes, would be as showed in the following table.

OWN FUNDS AND CAPITAL ADEQUACY RATIOS: BANCA IFIS BANKING GROUP SCOPE (in thousands of Euro)	31.03.2020	31.12.2019
Common equity Tier 1 Capital (CET1)	1.303.361	1.312.821
Tier 1 capital (T1)	1.303.361	1.312.821
Total own funds	1.703.825	1.713.198
Total RWA	8.933.879	9.190.900
Common Equity Tier 1 Ratio	14,59%	14,28%
Tier 1 Capital Ratio	14,59%	14,28%
Ratio - Total Own Funds	19,07%	18,64%

Common Equity Tier 1, Tier 1 Capital, and total Own Funds at 31 March 2020 do not include the profits generated by the Banking Group in that same period since they have not been certified by the auditor.

Major exposures

		31.03.2020	31.12.2019
a)	Carrying amount	2.656.446	2.565.298
b)	Weighted amount	448.512	573.734
c)	Number	4	4

The overall weighted amount of major exposures at 31 March 2020 consisted of 239 million Euro in tax assets and 210 million Euro in exposures to equity investments not included in the prudential scope of consolidation.

Disclosure regarding Sovereign Debt

On 5 August 2011, CONSOB (drawing on ESMA document no. 2011/266 of 28 July 2011) issued Communication no. DEM/11070007 on disclosures by listed companies of their exposures to sovereign debt and market performance, the management of exposures to sovereign debt, and their operating and financial impact.

Pursuant to said communication, please note that at 31 March 2020 the exposures to sovereign debt entirely consisted of Italian government bonds; their carrying amount totalled 1.521 million Euro, net of the negative 6,7 million Euro valuation reserve.

These securities, with a nominal amount of approximately 1.498 million Euro, are included within the banking book and have a weighted residual average life of approximately 37 months.

The fair values used to measure the exposures to sovereign debt securities at 31 March 2020 are considered to be Level 1.

Pursuant to the CONSOB Communication, besides the exposure to sovereign debt, it is also necessary to consider receivables due from the Italian National Administration, which at 31 March 2020 totalled 738 million Euro, including 132 million Euro relating to tax receivables.

5.2.2 Reclassified income statements items

Formation of net banking income

Net banking income totalled 106,0 million Euro, down 18,6% from the first quarter of 2019 (130,1 million Euro).

This reduction is closely linked to the restrictions imposed following the spread of the Covid-19, which caused a general slow-down to lending and, therefore, to the volumes managed. Consequently, net receipts from banking of the Factoring (-3,4%), Leasing (-11,1%) and Corporate Banking & Lending (-32,0%) business areas were down.

In a similar fashion, the restrictions imposed entailed on the one hand the closure of courts and, therefore, prevented the pursuit of lawsuits used by the Segment to increase the possibility of collecting on impaired loans of the NPL Segment, which consequently books a reduction in net receipts from banking of 30,0% as compared with the same period of 2019.

In addition to this, there is also the physiological lesser contribution of the PPA reversal (totalling 16,6 million Euro at 31 March 2019, as compared with 9,0 million Euro at 31 March 2020).

NET BANKING INCOME (in thousands of Euro)	1ST QUARTER		CHANGE	
	2020	2019	ABSOLUTE	%
Net interest income	91.416	115.264	(21.928)	(20,7)%
Net commission income	21.097	23.828	(2.731)	(11,5)%
Other components of net banking income	(6.561)	(8.983)	2.422	27,0%
Net banking income	**105.952**	**130.109**	**(24.157)**	**(18,6)%**

Net interest income went from 115,3 million Euro at 31 March 2019 to 91,4 million Euro at the end of the first quarter (-20,7%) because of the reasons previously discussed with reference to net banking income.

Net commission, which totalled 21,1 million Euro, was also down (by 11,5%) on the figure booked at 31 March 2019 following the reduction in volumes described previously.

Commission income, totalling 23,8 million Euro compared to 25,4 million Euro at 31 March 2019, came primarily from factoring commissions on the turnover generated by individual customers (with or without recourse, in a flat or monthly scheme), arrangement fees for structured finance transactions, leases, third-party servicing, as well as from other fees usually charged to customers for services.

Commission expense, totalling 2,7 million Euro compared to 1,6 million Euro in the first quarter of the previous year, largely referred to fees paid to banks and financial intermediaries such as management fees, fees paid to third parties for the distribution of leasing products, as well as brokerage operations carried out by approved banks and other credit brokers.

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

- 0,3 million Euro from dividends (not present at 31 March 2019);
- 2,3 million Euro from the positive result from trading (as compared with a negative 1,5 million Euro at 31 March 2019), mainly connected with trading of derivatives;
- 0,9 million Euro relative to exchange losses on debt securities measured at fair value through other comprehensive income (not present at 31 March 2019);
- 8,3 million Euro the net negative result of other financial assets and liabilities measured at fair value through profit or loss (negative 7,5 million Euro at 31 March 2019). This result is due to the negative change in the fair value of the financial instruments held in the portfolio, which suffered the instability of the main listed indicators used in the instrument valuation models.

Formation of net profit (loss) from financial activities

The Group's net profit from financial activities totalled 87,4 million Euro, compared to 117,0 million Euro at 31 March 2019 (-25,3%).

FORMATION OF NET PROFIT (LOSS) FROM FINANCIAL ACTIVITIES (in thousands of Euro)	1ST QUARTER		CHANGE	
	2020	2019	ABSOLUTE	%
Net banking income	105.952	130.109	(24.157)	(18,6)%
Net credit risk losses/reversals	(18.512)	(13.088)	(5.424)	41,4%
Net profit (loss) from financial activities	87.440	117.021	(29.581)	(25,3)%

Net credit risk losses totalled 18,5 million Euro (compared to 13,1 million Euro at 31 March 2019, +41,4%), partly due to a migration of non-impaired counterparties of the Leasing Area to more penalising risk statuses, which brought about an increase of approximately 2,8 million Euro in Area adjustments, and partly to the increase of 67,9% of adjustments for the Governance & Services and Non-Core Segment. This latter suffers the analytical impairment calculated on a single significant position and operating in the retail segment, which, already restructured, has further worsened following the closure of commercial activities as a consequence of the Covid-19 pandemic.

Formation of net profit for the period

FORMATION OF NET PROFIT (in thousands of Euro)	1ST QUARTER		CHANGE	
	2020	2019	ABSOLUTE	%
Net profit (loss) from financial activities	87.440	117.021	(29.581)	(25,3)%
Operating costs	(73.499)	(74.364)	865	(1,2)%
Gains (Losses) on disposal of investments	24.161	-	24.161	n.s.
Pre-tax profit (loss) from continuing operations	38.102	42.657	(4.555)	(10,7)%
Income taxes for the period relating to continuing operations	(11.660)	(12.716)	1.056	(8,3)%
Profit (Loss) for the period attributable to non-controlling interests	16	21	(5)	(22,9%)
Profit (loss) for the period attributable to the Parent company	26.426	29.920	(3.494)	(11,7)%

Operating costs totalled 73,5 million Euro (74,4 million Euro at 31 March 2019, -1,2%).

OPERATING COSTS (in thousands of Euro)	1ST QUARTER		CHANGE	
	2020	2019	ABSOLUTE	%
Administrative expenses:	72.549	74.768	(2.219)	(3,0)%
a) personnel expenses	32.029	31.447	582	1,9%
b) other administrative expenses	40.520	43.321	(2.801)	(6,5)%
Net allocations to provisions for risks and charges	4.889	2.512	2.377	94,6%
Net impairment losses/reversals on property, plant and equipment and intangible assets	4.039	4.062	(23)	(0,6)%
Other operating income/expenses	(7.978)	(6.978)	1.000	14,3%
Operating costs	73.499	74.364	(865)	(1,2)%

Personnel expenses were substantially in line with the same period of the previous year, at 31 March 2020 coming to 32,0 million Euro (31,4 million Euro at 31 March 2019).

Other administrative expenses of 40,5 million Euro as compared with the 43,3 million Euro booked at 31 March 2019, record a decrease of 6,5%, driven by the reduction of expenses for purchases of goods and services as well as direct and indirect taxes, as more extensively explained below; this more than offset the increase in costs for professional services.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	1ST QUARTER		CHANGE	
	2020	2019	ABSOLUTE	%
Expenses for professional services	17.869	16.601	1.268	7,6%
Legal and consulting services	12.267	11.378	889	7,8%
Auditing	293	274	19	6,9%
Outsourced services	5.309	4.949	360	7,3%
Direct and indirect taxes	8.670	9.804	(1.134)	(11,6)%
Expenses for purchasing goods and other services	13.981	16.916	(2.935)	(17,4)%
Customer information	3.670	5.504	(1.834)	(33,3)%
Software assistance and hire	3.305	3.116	189	6,1%
Property expenses	1.418	1.484	(66)	(4,4)%
Postage and archiving of documents	1.318	2.000	(682)	(34,1)%
Telephone and data transmission expenses	827	820	7	0,9%
Advertising and inserts	738	677	61	9,0%
Car fleet management and maintenance	601	553	48	8,7%
Business trips and transfers	547	688	(141)	(20,5)%
Securitisation costs	438	299	139	46,5%
FITD and Resolution fund	11	11	-	0,0%
Other sundry expenses	1.108	1.764	(656)	(37,2)%
Total administrative expenses	40.520	43.321	(2.801)	(6,5)%

The sub-item "Legal and consulting services" amounted to 12,3 million Euro at 31 March 2020, an increase of 7,8% compared to the 11,4 million Euro in the first quarter of 2019 and includes costs linked to recovery of judicial operations in particular for receivables belonging to the NPL Segment for 6,0 million Euro (7,1 million Euro at 31 March 2019). The change is impacted by the increase in consultancy linked to the continuation of the Group's corporate structure reorganisation, including on a technological level.

"Outsourced services", amounting to 5,3 million Euro at 31 March 2020, up 7,2% on the first quarter of 2019, mainly refers to the recovery of non-judicial operations in the NPL Segment.

“Direct and indirect taxes” came to 8,7 million Euro as compared with 9,8 million Euro at 31 March 2019. The item mainly refers to the registration tax incurred for the judicial recovery of receivables for a total of 5,5 million Euro at 31 March 2020 compared to 6,3 million Euro for the first quarter of 2019. The item also includes stamp duty of 2,7 million Euro (in line with the March 2019 figure), the charge of which to customers is included in the item Other operating income.

Expenses for the purchase of goods and services amounted to 14,0 million Euro, down 17,4% from the 17,0 million Euro in the first quarter of 2019. The change in this item is due to the contrasting effect in the change in some of the most significant items, in particular:

- expenses for customer information of 3,7 million Euro, down 33,3% on the first quarter of 2019: the reduction is mainly due to the NPL Segment and the lesser processing of portfolios acquired;
- delivery costs and document archiving, which drop by a total of 0,7 million Euro, mainly driven by the lesser business of the NPL Segment;
- travel and transfers drop by 20,5% on the first quarter of 2019, coming in at 0,5 million Euro also in connection with the limits to travel imposed by the Covid-19 medical emergency.

Net allocations to provisions for risks and charges amounted to 4,9 million Euro compared with net allocations of 2,5 million Euro at 31 March 2019. Net period allocations mainly refer for 3,0 million Euro to the estimate of the contribution to the Single Resolution Fund; for 0,6 million Euro for disputes connected with the Factoring Area and for 0,3 million Euro relative to the Leasing business area. Finally, net provisions have been made for credit risk on commitments to disburse funds for 1,0 million Euro, in connection with the previously-mentioned retail counterparty.

Other net operating income totalled 8,0 million Euro (7,0 million Euro at 31 March 2019) and referred mainly to revenue from the recovery of expenses charged to third parties. The relevant cost item is included in other administrative expenses, namely under legal expenses and indirect taxes, as well as recoveries of expenses associated with leasing operations, in line with the same period of the previous year.

Gains on disposal of investments include the effects of the sale of the Milan property in Corso Venezia, net of the related costs of sale. The sale of this property, already classified as non-current assets under disposal for 25,6 million Euro at 31 December 2019 following the stipulation of a binding offer for its sale, was completed late March 2020, with the collection of the full price.

Pre-tax profit from continuing operations amounted to 38,1 million Euro (-10,7% compared to 31 March 2019). This result includes both the positive effect of 24,2 million Euro of the sale of the property and the negative effect of the Covid-19 pandemic for 23,9 million Euro, of which 7,6 million Euro relative to greater costs for the credit and signature risk for the default of a commercial counterparty, 6,9 million Euro relative to the instability of the main listed indicators used in the financial instrument valuation models and 9,4 million Euro relative to the impact on operations of the NPL Segment of the court closures.

Income taxes amounted to 11,7 million Euro (-8,3% compared to 31 March 2019). The tax rate for the period ended 31 March 2020 was 30,60%, compared with 29,81% in the same period of the previous year.

Excluding 16 thousand Euro in profit attributable to non-controlling interests, the net profit for the period attributable to the Parent company totalled 26,4 million Euro (-11,7% from the first quarter of 2019).

5.3 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 "Institutional Investor Relations" and "Media Press" sections of the institutional website *www.bancaifis.it* to view all press releases.

Here below is a summary of the most significant events in the period.

5.3.1 - 2020-2022 Three-Year Business Plan unveiled

On 13 January 2020, the Board of Directors of Banca Ifis, chaired by the Deputy Chairman Ernesto Fürstenberg Fassio, approved the 2020-2022 Industrial Plan. The Plan, which was unveiled to the financial community on 14 January, forecasts net profit of 147 million Euro in 2022 with significant growth of the core businesses and a smaller extraordinary component.

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

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

5.3.3 - Resignation from the Board of Director Alessandro Csillaghy De Pacser

On 31 March 2020, Alessandro Csillaghy De Pacser tendered his resignation from the position of member of the Parent Company's Board of Directors, in order to devote himself fully to the international development of the Group's business and his roles at its foreign subsidiaries. At the date of his resignation, the director did not hold any shares of the Company, and his termination from the position did not entail the payment of indemnities or other benefits, in accordance with the remuneration policy adopted by the Banca Ifis Group.

5.4 Significant subsequent events

5.4.1 - Communication on the FY 2019 Dividend Distribution Policy

At its extraordinary session held on 1 April 2020, in accordance with the Bank of Italy's recommendation of 27 March 2020 on dividend policy during the Covid-19 pandemic, the Board of Directors of Banca Ifis decided to act responsibly by following the guidance provided by the Supervisory Authorities, and therefore to propose that the distribution of dividends for financial year 2019 be postponed until at least 1 October 2020, and thus to proceed with payment after that date, provided that no regulations or recommendations from supervisory authorities to the contrary are issued before that date. In accordance with applicable provisions, and without prejudice to the fundamental focus on the Group's financial solidity, Banca Ifis is confident that it will be able to distribute a dividend as soon as conditions so permit after 1 October 2020.

5.4.2 - Exclusive negotiations for 70,77% of the share capital of Farbanca S.p.A.

On 10 April 2020 Banca Ifis made a binding offer for the acquisition of 70,77% of the share capital of Farbanca S.p.A. (owned by Banca Popolare di Vicenza), the remaining 29,23% interest in which is held by 450 small shareholders, mainly pharmacists. The offer, valid for 90 days, is contingent on the necessary authorisations. On 11 May 2020 the Bank then announced that it had entered into exclusive negotiations, set to conclude on 29 May.

5.4.3 - The Shareholders' Meeting approves the 2019 financial statements

The Ordinary Shareholders' Meeting of Banca Ifis S.p.A., held on 23 April 2020, approved the financial statements relative to FY 2019 and the deferral of the distribution of the dividend of Euro 1,10 per share for FY 2019 at least until 1 October 2020, after which, if conditions allow, it will be paid; this is in line with the proposal made by the Bank's Board of Directors. The following were also approved: the Banca Ifis Group Remuneration Policy as per the "Report on the Remuneration Policy and Fees Paid" for FY 2020, the update of the shareholders' meeting regulation and the proposal made by the shareholder La Scogliera to appoint Riccardo Preve as new director, in lieu of the resigning director, Alessandro Csillaghy De Pacser.

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

Venice - Mestre, 12 May 2020

For the Board of Directors

The Chairman
Sebastien Egon Fürstenberg

The C.E.O.
Luciano Colombini

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

The undersigned Mariacristina Taormina, Manager charged with preparing the financial reports of Banca IFIS S.p.A., pursuant to the provisions of Art. 154 bis, paragraph 2 of Italian Legislative Decree no.58 dated 24 February 1998, declares that the financial information included into the Consolidated Interim Report as at 31 March 2020 corresponds to the related books and accounting records.

Venice - Mestre, 12 May 2020

Manager charged with preparing the Company's financial reports

Mariacristina Taormina

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

www.bancaifis.it