Banca Ifis

Consolidated Interim Report

30 September 2020

www.bancaifis.it

Banca Ifis

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Banca Ifis

1. Corporate Bodies

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
Bank Licence (ABI) No. 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

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Banca Ifis

2. Interim Directors' report on the Group

2.1 Results and strategy

2.1.1 Comment by the CEO

The results of the first nine months of 2020 have confirmed the Bank's resilience even at times of great difficulty, as is that of the Covid-19 pandemic and shown the solidity of its business model, which is well positioned in profitable market niches. Despite an unprecedented macroeconomic context and a situation of general mistrust and uncertainty, Banca Ifis closed the first nine months of 2020 posting profit of 52,3 million Euro and reaching the guidance defined for the current year. All quarters were profitable, despite adjustments and impairment applied reasonably as a result of Covid-19 in the amount of approximately 47,9 million Euro during the first nine months of the year.

Since the start of the year, Banca Ifis has strengthened its consolidated CET1 by 73 basis points, coming in at 11,69%, calculated excluding the 2019 dividend, whose payment has been suspended in compliance with the Bank of Italy recommendations and prudently also excluding profit for the first nine months of 2020. The organic generation of capital will enable the complete absorption of the Farbanca acquisition. Quality of assets is also confirmed as holding out, which to date have shown few signs of deterioration on the loans portfolio and in any case mainly relative to positions that were already experiencing critical issues. On this front, in covering the segments potentially worst impacted by the pandemic, in the third quarter of 2020, prudent provisions were made for approximately 11 million Euro on the estimate of potential negative effects expected and mainly connected with the moratoriums. Additionally, during these months, although maintaining close attention to cost control, investments have been confirmed to speed up the digitisation of the business and the organisational processes, which remain a priority target".

"The Corporate & Commercial Banking loans portfolio is well diversified by segment, customers and geography. In the last few months, we have adhered to the moratoriums and developed new platforms and products, also assisting businesses not included in the scope with longer repayment plans or by deferring instalments. Our commitment aims to support all businesses with a long-term growth perspective.

On the Npl market, we have confirmed our leadership in unsecured small ticket assets, with the award of large and small deals that in the first 10 months of the year led us to acquire 1,7 billion Euro in non-performing loans in nominal amount and which will contribute towards the Group's profitability for the forthcoming years. At present, we are taking part in other sales processes for a total of approximately 2,4 billion Euro in Npls. During the first nine months of the year, amidst a very difficult market context, cash recoveries are in line with 2019, an activity that also performed well in October".

"Our retail funding is solid and customers confirm their loyalty. The type of deposit changes, depending on the investment needs and liquidity requirements and records a preference for long-term deposits, at 5 years, which have shown an annual increase of 40% thanks to more attractive returns than those offered by other forms of savings. Excellent results, of approximately 50 million Euro, were also seen in funding on the German market, thanks to the partnership announced in July with Raisin".

In a scenario that is as yet uncertain, where a great deal will depend on the duration and impact of this second wave of the pandemic, Banca Ifis is continuing to operate efficiently, looking positively towards the future and is prepared, including in equity terms, to face the forthcoming quarters, which are likely to still be unstable. When the macroeconomic context has stabilised, we will unveil the new Business Plan to the market, which is aimed at ensuring the Group's sustainable growth

2.1.2 Uncertainties connected with the Covid-19

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

The results for the first nine months of 2020 include the impacts of Covid-19 as reasonably foreseeable at 30 September 2020. The adverse effects of Covid-19 may, however, persist beyond the first three quarters of 2020, extending into the following months, although the timing and amount of such effects currently cannot be foreseen.

On 1st April last, 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 and follow the guidance provided, and therefore to propose that the payment 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.

On 06 August 2020, the BoD acknowledged the issue of the subsequent Bank of Italy provision of 28 July 2020, with which the supervisory authorities recommended that all banks abstain until 1 January 2021 from paying dividends relative to FYs 2019 and 2020, clarifying that the limit refers to cash payments that effectively reduce the level and quality of the CET1.

The dividends resolved and not distributed applicable to 2019 were therefore used to reduce the Group's equity and booked amongst other liabilities.

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

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, 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 Segment, now called **Governance & Non-Core Services**, 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;
- **Npl** Segment, dedicated to non-recourse acquisition and managing distressed retail loans. The Segment's results from 07 January 2019 also include the contribution of the business headed by the former Fbs Group, which is mainly specialised in servicing and the management of non-performing secured loans;
- **Governance & Non-Core Services** Segment, which provides the segments operating in the Group's core businesses with the financial resources and services necessary to perform their respective activities. The Segment includes treasury and proprietary securities desk activities, the disbursement of salary- or pension-

backed loans and some portfolios of personal loans, as well as some corporate loans portfolio assigned for run-off insofar as held to be non-strategic to the Group's growth.

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

Moreover, considering the foregoing, the Segment information 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]

Net banking income totalled 321,7 million Euro, down 17,8% from 391,2 million Euro in the prior-year period.

The Covid-19 health emergency has caused a general reduction in margins in all segments, in particular in those where operations are connected with the operation of the legal system since, as a result of the court closures during the lockdown period, with activities first frozen and then slowed, there have been difficulties in proceeding to collect on debt. In addition to this, there was a physiologically lesser contribution towards the release of PPA, the effects of which in the first nine months of 2020, equal to 27,5 million Euro, as compared with 47,1 million Euro in the same period of last year. The difference is also highlighted by the early repayments that took place in 2019.

The net banking income of the Commercial & Corporate Banking Segment amounted to 159,5 million Euro, down 12,1% on 30 September 2019. The Factoring Area (-12,7%), Leasing Area (-8,7%) and Corporate Banking & Lending Area are down, recording a reduction of 15,4%, mainly due to the lesser contribution of the "reversal PPA"[2] as compared with the same period of 2019.

Considered overall, and also including provisions made for credit risk on guarantees and commitments in the amount of 7,2 million Euro, net credit risk losses, at 30 September 2020, come to 55,0 million Euro, up on the 48,8 million Euro at 30 September 2019. Against the lesser provisions made in the Factoring Area, which had been negatively impacted during the first nine months of 2019 by adjustments on certain individually significant counterparties, there is a juxtaposed increase in the Leasing Area, mainly due to the prudent valuation of segments most exposed to deterioration following the pandemic and certain write-down of exposure both to cash and unsecured loans, mainly deriving from the former subsidiary Interbanca.

Operating costs totalled 229,4 million Euro (213,2 million Euro at 30 September 2019). This item is down 4,1% on the same period of last year, if we exclude: 11,5 million Euro in net operating income deriving from a non-recurring component recorded during the first nine months of last year, 6,9 million Euro in provisions made for solidarity in 2020 and 7,2 million Euro in greater provisions made in 2020 for the credit risk on commitments and guarantees.

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 detail, personnel expenses, of 89,3 million Euro, drop by 6,7% (95,7 million Euro at 30 September 2019), as a result of a prudent incentive policy and greater control over current expenses in light of the present context. The number of Group employees at 30 September 2020 was 1.736 as compared with 1.759 resources at 30 September 2019.

Other administrative expenses (123,0 million Euro), net of expenses relative to the closure of certain tax disputes relating to the former subsidiary Interbanca for 30,9 million Euro, offset by other income for 42,4 million Euro, are down 3,3% on 30 September 2019. The change is mainly due to lesser expenses for indirect taxes and duties (driven by the Npl Segment), partially offset by greater costs for professional services and expenses for the purchase of goods and other services.

Pre-tax profit from continuing operations amounted to 68,6 million Euro (-46,6% compared to 30 September 2019). A result on which, despite the positive effect deriving from the sale of the Milan property for 24,2 million Euro, the effect of the adjustments and impairment reasonably considered as linked to the Covid-19 had a negative impact for approximately 47 million Euro, provisions for commitments and guarantees for 7,2 million Euro and a provision of 6,9 million Euro was made for solidarity for voluntary redundancies.

At 30 September 2020, the Group's net profit came to 52,3 million Euro as compared with the 84,0 million Euro at 30 September 2019.

Below are the main dynamics recorded in the individual Segments that go towards forming the economic-equity results at 30 September 2020.

Net profit of the Commercial & Corporate Banking Segment comes to 34,4 million Euro, down 24,0% as compared with the first nine months of last year. This change is due to the reduction of net banking income for 21,9 million Euro, partially offset by lesser value adjustments to credit risk for 2,0 million Euro. Operating costs dropped by a total of 5,3 million Euro on the figure recorded for the first nine months of 2019.

- The contribution made by the Factoring Area towards net banking income booked by the Commercial & Corporate Banking Segment came to 107,6 million Euro during the first nine months of the year, down 12,7% on the same period of last year. This result is impacted by the lower contribution both of net interest income (down by 5,8 million Euro) and net commission income (down by 9,9 million Euro). During the third quarter of the current year, net banking income decreased by 7,1 million Euro (net interest income down by 3,4 million Euro and net commission income down by 3,7 million Euro). This change is due to the reduction in assets under management both in terms of turnover (down 619 million Euro in the third quarter of 2020 on the same period of last year) and in terms of outstanding loans, which were 3,1 billion Euro and down 0,4 billion Euro.
- Net banking income for the Leasing Area is 36,5 million Euro, -8,7% on the figure at 30 September 2019; this change is due to the combined effect of lesser interest income, following an increase in the mix of volumes of the financial leasing component with smaller margins, lesser collection commissions due to the moratorium and lesser repayments as a result of the lesser volumes disbursed during the period.
- Net banking income of the Corporate Banking & Lending Area, of 15,4 million Euro at 30 September 2020, shows a decline of 2,8 million Euro on the same period of last year, suffering a reduction in interest income and commission linked to the structured finance business, only partially offset by the contribution on the margin of greater medium/long-term disbursements to SMEs.

Period profit for the Npl Segment is approximately 12,8 million Euro, down 65,2%, mainly due to the negative effects deriving from the Covid-19 pandemic economic-health crisis.

Net banking income of the Segment[3] comes to 116,7 million Euro as compared with 164,2 million Euro at 30 September 2019 and is characterised by the following entries:

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

- "interest income from amortised cost", referring to the interest accruing at the original effective interest rate, was up 8,4% from 95,7 million Euro to 103,8 million Euro at 30 September 2020, largely thanks to the increase in receivables measured at amortised cost, the greater contribution by which is related for 51,8 million Euro to writs, attachments of property, and garnishment orders, and for 19,9 million Euro to settlement plans;
- by contrast, the reduction of "Other components of net interest income from change in cash flow" includes the economic effect deriving from the change in cash flows expected as a result of the greater or lesser collections made or expected in respect of the previous forecasts. This component goes from 74,2 million Euro in the first nine months of 2019 to 27,8 million Euro at 30 September 2020, down 62,5%. A contribution of approximately 29,7 million Euro is made to the current year result by writs, attachments and garnishment orders, whilst the amicable management weighs for -0,6 million Euro and the secured and corporate basin for approximately -2,0 million Euro. In all, during the period, the item was heavily impacted by the court closures in March, April and May, resulting in a reduction, as compared with the same period of last year, in obtaining writs, attachment orders and garnishment orders;
- net commission income is equally split between the increase in commission payable on collections and payments and the reduction in commission income deriving from servicing activities on third party portfolios.

Operating costs decline by 10,9%, going from 112,3 million Euro in the first nine months of 2019 to 100,0 million Euro at 30 September 2020. The change is mainly due to the variable costs connected with debt collection and, in particular, those relating to legal collection impacted by the court closures due to the Covid-19 emergency.

Net profit of the Governance & Non-Core Services Segment is 5,3 million Euro, up on the 2,1 million Euro of the first nine months of last year; it includes the capital gain, net of the related costs of sale, of 24,2 million Euro deriving from the sale of the property in Corso Venezia, Milan, partially offset by the greater costs relating to the provision made for solidarity for 6,9 million Euro and the greater provisions of 4,3 million Euro made for credit risks connected with commitments and guarantees.

The net banking income of the Segment came to 45,4 million Euro, substantively in line with the 30 September 2019.

Operating costs come to 45,0 million Euro, up 33,7 million Euro on the first nine months of last year. In 2019, the item benefited from the net effect of 11,5 million connected with the definition of tax litigation of the former Interbanca. Indeed, other administrative expenses at 30 September 2019 included 30,9 million Euro in expenses relating to the settlement of certain tax disputes regarding the former subsidiary Interbanca, the economic impact of which is fully offset in the item "other net operating income" for 42,4 million Euro (including the related tax effect) against the activation of outstanding guarantees..

Total receivables due from customers measured at amortised cost amounted to 7.957,4 million Euro, up by 4,0% on 31 December 2019. More specifically, as compared with 31 December 2019, the Commercial & Corporate Banking Segment has dropped by 7,7% while the Npl Segment and the Governance & Non-Core Services Segment have respectively grown by 3,5% and 71,5%.

During the first nine months 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 reference period.

At 30 September 2020, total funding came to 9.152,9 million Euro, +8,1% on the end of FY 2019; the funding structure was as follows:

- 53,7% Customers
- 12,1% Debt securities
- 9,7% ABS
- 21,8% TLTRO
- 2,7% Other

At 30 September 2020, payables due to customers totalled 4.915,6 million Euro (-7,0% compared to 31 December 2019). This was essentially because of the mentioned decline in retail funding from 4.791,0 million Euro at 31 December 2019 to 4.416,7 million Euro at 30 September 2020.

Payables due to banks amounted to 2.245,8 million Euro, up 134,1% compared to 31 December 2019. This increase is substantively due to the June 2020 subscription of a TLTRO III tranche worth a nominal 1.900 million Euro maturing in June 2023 and the simultaneous early repayment of the TLTRO II tranche subscribed in 2017 for a nominal 700 million Euro. This subscription is in addition to the tranche with a nominal value of 100 million subscribed in December 2019 and to time deposits with other banks for 248,5 million Euro.

Debt securities issued amounted to 1.991,5 million Euro. The item included 887,9 million Euro (-22,8% compared to 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 line item also comprised 625,6 million Euro (including interest) in senior bonds issued by Banca Ifis, as well as the 415,6 million Euro (including interest) Tier 2 bond. The rest of debt securities issued at 30 September 2020 included 61,4 million Euro in a bond loan issued at the time by the merged entity Interbanca.

At 30 September 2020, the Group's consolidated equity totalled 1.512,3 million Euro, as compared with 1.539,0 million Euro at 31 December 2019.

With prudential consolidation within La Scogliera, capital ratios at 30 September 2020 amounted to a CET1 ratio of 11,69%[4] (compared with 10,96% at 31 December 2019), a TIER1 ratio of 12,27%[4] (11,56% at 31 December 2019) and a Total Capital ratio of 15,45%[4] (compared with 14,58% at 31 December 2019).

4 Common Equity Tier 1, Tier 1 Capital, and Total Own Funds at 30 September 2020 do not include the profits generated by the Banking Group in the first 9 months of 2020.

At 30 September 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 15,64%[4] (compared with 14,28% at 31 December 2019), a TIER1 ratio of 15,64%[4] (14,28% at 31 December 2019) and a Total Capital ratio of 20,38%[4] (compared with 18,64% at 31 December 2019).

In addition, please note that the Bank of Italy has idemanded the Banca Ifis Group to meet 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 30 September 2020, the Banca Ifis Group fully met the above prudential requirements.

2.2 Highlights

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Financial assets measured at fair value through other comprehensive income	1.162.008	1.173.808	(11.800)	(1,0)%
Receivables due from banks measured at amortised cost	1.016.707	626.890	389.817	62,2%
Receivables due from customers measured at amortised cost	7.957.357	7.651.226	306.131	4,0%
Total assets	11.198.636	10.526.024	672.612	6,4%
Payables due to banks measured at amortised cost	2.245.825	959.477	1.286.348	134,1%
Payables due to customers measured at amortised cost	4.915.588	5.286.239	(370.651)	(7,0)%
Debt securities issued	1.991.481	2.217.529	(226.048)	(10,2)%
Equity	1.512.276	1.538.953	(26.677)	(1,7)%

RECLASSIFIED CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2020	2019	ABSOLUTE	%
Net banking income	**321.703**	**391.243**	**(69.540)**	**(17,8)%**
Net credit risk losses/reversals	(47.856)	(49.014)	1.158	(2,4)%
Net profit (loss) from financial activities	**273.847**	**342.229**	**(68.382)**	**(20,0)%**
Operating costs	**(229.403)**	**(213.240)**	**(16.163)**	**7,6%**
Gains (Losses) on disposal of investments	24.161	(408)	24.569	n.s.
Pre-tax profit from continuing operations	**68.605**	**128.581**	**(59.976)**	**(46,6)%**
Net profit for the period attributable to the Parent company	**52.346**	**83.996**	**(31.650)**	**(37,7)%**

QUARTERLY RECLASSIFIED CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	3RD QUARTER		CHANGE	
	2020	2019	ABSOLUTE	%
Net banking income	**108.912**	**112.046**	**(3.134)**	**(2,8)%**
Net credit risk losses/reversals	(14.516)	(13.968)	(548)	3,9%
Net profit (loss) from financial activities	**94.396**	**98.078**	**(3.682)**	**(3,8)%**
Operating costs	(73.945)	(73.990)	45	(0,1)%
Pre-tax profit from continuing operations	20.451	24.088	(3.637)	(15,1)%
Net profit for the period attributable to the Parent company	**15.590**	**15.730**	**(140)**	**(0,9)%**

CONSOLIDATED COMPREHENSIVE INCOME (in thousands of Euro)	30.09.2020	30.09.2019
Profit (Loss) for the period	**52.462**	**84.053**
Other comprehensive income, net of taxes, not to be reclassified to profit or loss	(19.394)	(892)
Other comprehensive income, net of taxes, to be reclassified to profit or loss	(1.246)	15.114
Comprehensive Income	**31.822**	**98.275**
Total consolidated comprehensive income attributable to non-controlling interests	113	61
Total consolidated comprehensive income attributable to the Parent company	**31.709**	**98.214**

GROUP KPIs	30.09.2020	31.12.2019	30.09.2019
Ratio - Total Own Funds (1)	15,45%	14,58%	14,84%
Common Equity Tier 1 Ratio (1)	11,69%	10,96%	11,10%
Number of company shares (in thousands)	53.811	53.811	53.811
Number of shares outstanding at period end(2) (in thousands)	53.460	53.452	53.452
Book value per share	28,29	28,79	28,09
EPS	0,98	2,30	1,57

(1) Common Equity Tier 1 Capital, and total Own Funds at 30 September 2020 do not include the profits generated by the Banking Group in the first nine months of 2020.
(2) Outstanding shares are net of treasury shares held in the portfolio.

2.3 Results by business segments

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

SEGMENT KPIs (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & NON-CORE SERVICES SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Other financial assets mandatorily measured at fair value through profit or loss							
Amounts at 30.09.2020	47.516	-	-	47.516	8.934	47.037	103.487
Amounts at 31.12.2019	*39.764*	-	-	*39.764*	*10.193*	*62.828*	*112.785*
% Change	*19,5%*	-	-	*19,5%*	*(12,4)%*	*(25,1)%*	*(8,2)%*
Financial assets measured at fair value through other comprehensive income							
Amounts at 30.09.2020	2.809	-	-	2.809	-	1.159.199	1.162.008
Amounts at 31.12.2019	*6.733*	-	-	*6.733*	-	*1.167.075*	*1.173.808*
% Change	*(58,3)%*	-	-	*(58,3)%*	-	*(0,7)%*	*(1,0)%*
Receivables due from customers(1)							
Amounts at 30.09.2020	5.009.783	2.628.811	1.393.776	987.196	1.325.382	1.622.192	7.957.357
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	*(7,7)%*	*(18,6)%*	*(3,8)%*	*32,1%*	*3,5%*	*71,5%*	*4,0%*

(1) In the Governance & Non-Core Services Segment, at 30 September 2020, there were government securities amounting to 968,5 million Euro (213,0 million Euro at 31 December 2019).

RECLASSIFIED HALF-YEAR INCOME STATEMENT DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & NON-CORE SERVICES SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Net banking income							
Amounts at 30.09.2020	159.543	107.636	36.460	15.447	116.724	45.436	321.703
Amounts at 30.09.2019	*181.482*	*123.297*	*39.923*	*18.262*	*164.246*	*45.515*	*391.243*
% Change	*(12,1)%*	*(12,7)%*	*(8,7)%*	*(15,4)%*	*(28,9)%*	*(0,2)%*	*(17,8)%*
Net profit (loss) from financial activities							
Amounts at 30.09.2020	129.334	100.400	20.788	8.146	116.724	27.789	273.847
Amounts at 30.09.2019	*149.265*	*100.156*	*31.595*	*17.514*	*164.246*	*28.718*	*342.229*
% Change	*(13,4)%*	*0,2%*	*(34,2)%*	*(53,5)%*	*(28,9)%*	*(3,2)%*	*(20,0)%*
Profit for the period							
Amounts at 30.09.2020	34.358	31.616	1.701	1.041	12.785	5.319	52.462
Amounts at 30.09.2019	*45.211*	*23.330*	*12.299*	*9.582*	*36.741*	*2.101*	*84.053*
% Change	*(24,0)%*	*35,5%*	*(86,2)%*	*(89,1)%*	*(65,2)%*	*153,2%*	*(37,6)%*

RECLASSIFIED QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & NON-CORE SERVICES SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Net banking income							
Third quarter 2020	53.468	35.119	11.651	6.698	43.707	11.737	108.912
Third quarter 2019	*61.986*	*42.243*	*12.707*	*7.036*	*38.794*	*11.266*	*112.046*
% Change	*(13,7)%*	*(16,9)%*	*(8,3)%*	*(4,8)%*	*12,7%*	*4,2%*	*(2,8)%*
Net profit (loss) from financial activities							
Third quarter 2020	43.219	33.820	4.738	4.661	43.707	7.470	94.396
Third quarter 2019	*53.728*	*38.323*	*9.072*	*6.333*	*38.794*	*5.556*	*98.078*
% Change	*(19,6)%*	*(11,8)%*	*(47,8)%*	*(26,4)%*	*12,7%*	*34,4%*	*(3,8)%*
Profit for the period							
Third quarter 2020	12.265	11.466	(903)	1.702	7.137	(3.762)	15.640
Third quarter 2019	*18.032*	*11.450*	*3.090*	*3.492*	*(327)*	*(1.960)*	*15.745*
% Change	*(32,0)%*	*0,1%*	*(129,2)%*	*(51,3)%*	*n.s.*	*91,9%*	*(0,7)%*

SEGMENT KPIs (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & NON-CORE SERVICES SEGMENT[1]
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA		
Cost of credit quality						
Amounts at 30.09.2020	0,77%	0,33%	1,49%	1,11%	n.a.	6,20%
Amounts at 31.12.2019	*0,95%*	*1,11%*	*0,72%*	*0,74%*	*n.a.*	*8,47%*
% Change	*(0,18)%*	*(0,78)%*	*0,77%*	*0,37%*	*n.a.*	*(2,27)%*
Net bad loans/Receivables due from customers						
Amounts at 30.09.2020	0,8%	1,5%	0,1%	0,0%	76,1%	2,8%
Amounts at 31.12.2019	*0,8%*	*1,2%*	*0,2%*	*0,1%*	*75,3%*	*4,4%*
% Change	*0,0%*	*0,3%*	*(0,1)%*	*(0,1)%*	*0,8%*	*(1,6)%*
Coverage ratio on gross bad loans						
Amounts at 30.09.2020	79,7%	79,1%	86,1%	87,4%	0,0%	19,0%
Amounts at 31.12.2019	*79,6%*	*79,8%*	*81,0%*	*51,5%*	*0,0%*	*15,0%*
% Change	*0,1%*	*(0,7)%*	*5,1%*	*35,9%*	*0,0%*	*4,0%*
Net non-performing exposures/Net receivables due from customers						
Amounts at 30.09.2020	3,8%	6,1%	1,1%	1,6%	99,1%	5,5%
Amounts at 31.12.2019	*4,2%*	*6,1%*	*1,2%*	*1,6%*	*99,3%*	*11,3%*
% Change	*(0,4)%*	*(0,0)%*	*(0,1)%*	*(0,0)%*	*(0,2)%*	*(5,7)%*
Gross non-performing exposures/Gross receivables due from customers						
Amounts at 30.09.2020	8,6%	13,3%	3,4%	2,6%	99,1%	8,7%
Amounts at 31.12.2019	*8,5%*	*12,1%*	*3,2%*	*2,2%*	*99,3%*	*15,4%*
% Change	*0,1%*	*1,2%*	*0,2%*	*0,4%*	*(0,2)%*	*(6,7)%*
RWAs[2]						
Amounts at 30.09.2020	4.441.029	2.242.575	1.291.993	906.460	2.101.763	996.168
Amounts at 31.12.2019	*5.222.610*	*2.945.792*	*1.398.434*	*878.384*	*2.039.840*	*958.110*
% Change	*(15,0)%*	*(23,9)%*	*(7,6)%*	*3,2%*	*3,0%*	*4,0%*

(1) In the Governance & Non-Core Services Segment, at 30 September 2020, there were government securities amounting to 968,5 million Euro (213,0 million Euro at 31 December 2019). In calculating the cost of the credit quality of the Governance & Non-Core Services Segment, Government Securities were not considered.
(2) Risk Weighted Assets; the amount only relates to the credit risk.

2.4 Reclassified quarterly evolution

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2020			YEAR 2019			
	30.09	30.06	31.03	31.12	30.09	30.06	31.03
ASSETS							
Other financial assets mandatorily measured at fair value through profit or loss	103.487	102.347	103.743	112.785	147.935	182.094	174.508
Financial assets measured at fair value through other comprehensive income	1.162.008	1.146.701	1.215.355	1.173.808	996.048	693.533	432.901
Receivables due from banks measured at amortised cost	1.016.707	1.007.613	628.756	626.890	1.041.312	726.052	996.333
Receivables due from customers measured at amortised cost	7.957.357	8.034.032	7.600.742	7.651.226	7.118.150	7.343.892	7.322.130
Property, plant and equipment	110.366	108.976	109.632	106.301	128.827	128.809	145.869
Intangible assets	60.800	60.632	61.893	60.919	64.026	65.282	65.855
Tax assets	377.122	385.780	389.964	391.185	388.624	390.503	396.280
Other assets	410.789	406.240	382.531	402.910	364.209	357.877	329.756
Total assets	**11.198.636**	**11.252.321**	**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)	YEAR 2020			YEAR 2019			
	30.09	30.06	31.03	31.12	30.09	30.06	31.03
LIABILITIES AND EQUITY							
Payables due to banks measured at amortised cost	2.245.825	2.270.742	1.014.365	959.477	913.855	781.199	844.790
Payables due to customers measured at amortised cost	4.915.588	4.863.949	4.894.280	5.286.239	5.257.047	5.069.334	5.021.481
Debt securities issued	1.991.481	2.036.348	2.559.834	2.217.529	2.061.600	2.102.076	1.955.400
Tax liabilities	42.054	47.367	68.066	69.018	70.806	65.913	63.066
Other liabilities	491.412	536.967	413.641	454.808	444.379	397.263	489.594
Group equity:	1.512.276	1.496.948	1.542.430	1.538.953	1.501.444	1.472.257	1.489.301
- Share capital, share premiums and reserves	*1.459.930*	*1.460.192*	*1.516.004*	*1.415.856*	*1.417.448*	*1.403.991*	*1.459.381*
- Net profit attributable to the Parent company	*52.346*	*36.756*	*26.426*	*123.097*	*83.996*	*68.266*	*29.920*
Total liabilities and equity	**11.198.636**	**11.252.321**	**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)	YEAR 2020			YEAR 2019			
	3rd Q	2nd Q	1st Q	4th Q	3rd Q	2nd Q	1st Q
Net interest income	**91.122**	**78.263**	**91.416**	**134.230**	**91.081**	**118.293**	**115.264**
Net commission income	**15.688**	**18.710**	**21.097**	**25.349**	**22.190**	**22.711**	**23.828**
Other components of net banking income	2.102	9.866	(6.561)	7.511	(1.225)	8.084	(8.983)
Net banking income	**108.912**	**106.839**	**105.952**	**167.090**	**112.046**	**149.088**	**130.109**
Net credit risk losses/reversals	(14.516)	(14.828)	(18.512)	(38.169)	(13.968)	(21.958)	(13.088)
Net profit (loss) from financial activities	**94.396**	**92.011**	**87.440**	**128.921**	**98.078**	**127.130**	**117.021**
Personnel expenses	(28.630)	(28.651)	(32.029)	(34.262)	(31.534)	(32.716)	(31.447)
Other administrative expenses	(40.923)	(41.545)	(40.520)	(56.183)	(43.740)	(71.034)	(43.321)
Net allocations to provisions for risks and charges	(4.619)	(11.412)	(4.889)	(351)	(5.653)	(3.860)	(2.512)
Net impairment losses/reversals on property, plant and equipment and intangible assets	(4.490)	(4.558)	(4.039)	(3.046)	(4.517)	(4.214)	(4.062)
Other operating income/expenses	4.717	4.207	7.978	12.161	11.454	46.938	6.978
Operating costs	**(73.945)**	**(81.959)**	**(73.499)**	**(81.681)**	**(73.990)**	**(64.886)**	**(74.364)**
Gains (Losses) on disposal of investments	-	-	24.161	-	-	(408)	-
Pre-tax profit from continuing operations	**20.451**	**10.052**	**38.102**	**47.240**	**24.088**	**61.836**	**42.657**
Income taxes for the period relating to continuing operations	(4.811)	328	(11.660)	(8.105)	(8.343)	(23.469)	(12.716)
Profit for the period	**15.640**	**10.380**	**26.442**	**39.135**	**15.745**	**38.367**	**29.941**
Profit (Loss) for the period attributable to non-controlling interests	50	50	16	34	15	21	21
Profit for the period attributable to the Parent company	**15.590**	**10.330**	**26.426**	**39.101**	**15.730**	**38.346**	**29.920**

2.5 Group historical data

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

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

HISTORICAL DATA (1) (in thousands of Euro)	30.09.2020	30.09.2019	30.09.2018	30.09.2017	30.09.2016
Financial assets measured at fair value through other comprehensive income (IFRS 9)	1.162.008	996.048	428.253	475.528	-
Available for sale financial assets (IAS 39)	-	-	-	-	1.026.744
Receivables due from customers measured at amortised cost	7.957.357	7.118.150	6.919.486	5.922.069	3.303.322
Payables due to banks measured at amortised cost	2.245.825	913.855	837.565	965.194	56.788
Payables due to customers measured at amortised cost	4.915.588	5.257.047	4.985.206	5.337.597	4.138.865
Debt securities issued	1.991.481	2.061.600	2.094.785	1.223.979	-
Equity	1.512.276	1.501.444	1.397.430	1.338.733	586.648
Net banking income	321.703	391.243	403.550	375.308	237.689
Net profit (loss) from financial activities	273.847	342.229	334.635	386.277	218.197
Profit (loss) for the period attributable to the Parent company	52.346	83.996	88.994	149.123	66.269
Cost/Income ratio	71,3%	54,3%	51,8%	50,1%	49,9%
Ratio - Total Own Funds (2)	15,45%	14,84%	14,70%	16,49%	14,50%
Common Equity Tier 1 Ratio (2)	11,69%	11,10%	10,70%	15,65%	13,50%

(1) For comparison purposes, the data for 2017, 2018 and 2019 has been restated to ensure accounting consistency with the amounts at 30 September 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.
(2) Common Equity Tier 1 and total Own Funds at 30 September 2020 do not include the profits generated by the Banking Group in the first nine months of 2020.

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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 & Non-Core Services, 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's business, which is mainly specialised in servicing and the management of non-performing secured loans.
- **Governance & Non-Core Services** Segment, which provides the segments operating in the Group's core businesses with the financial resources and services necessary to perform their respective activities. The Segment includes treasury and proprietary securities desk activities, the disbursement of salary- or pension-backed loans and some portfolios of personal loans, as well as some corporate loans portfolio assigned for run-off insofar as held to be non-strategic to the Group's growth.

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

Moreover, considering the foregoing, the segment information 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)	FIRST NINE MONTHS		CHANGE	
	2020	2019	ABSOLUTE	%
Net interest income	**109.467**	**119.248**	**(9.781)**	**(8,2)%**
Net commission income	**51.893**	**63.966**	**(12.073)**	**(18,9)%**
Other components of net banking income	(1.817)	(1.732)	(85)	4,9%
Net banking income	**159.543**	**181.482**	**(21.939)**	**(12,1)%**
Net credit risk losses/reversals	(30.209)	(32.217)	2.008	(6,2)%
Net profit (loss) from financial activities	**129.334**	**149.265**	**(19.931)**	**(13,4)%**
Operating costs	**(84.404)**	**(89.722)**	**5.318**	**(5,9)%**
Pre-tax profit from continuing operations	**44.930**	**59.543**	**(14.613)**	**(24,5)%**
Income taxes for the period relating to continuing operations	(10.572)	(14.332)	3.760	(26,2)%
Profit (loss) for the period	**34.358**	**45.211**	**(10.853)**	**(24,0)%**

INCOME STATEMENT DATA (in thousands of Euro)	3RD QUARTER		CHANGE	
	2020	2019	ABSOLUTE	%
Net interest income	**37.189**	**41.984**	**(4.795)**	**(11,4)%**
Net commission income	**15.054**	**20.787**	**(5.733)**	**(27,6)%**
Other components of net banking income	1.225	(785)	2.010	(256,1)%
Net banking income	**53.468**	**61.986**	**(8.518)**	**(13,7)%**
Net credit risk losses/reversals	(10.249)	(8.258)	(1.991)	24,1%
Net profit (loss) from financial activities	**43.219**	**53.728**	**(10.508)**	**(19,6)%**
Operating costs	**(27.177)**	**(29.408)**	**2.231**	**(7,6)%**
Pre-tax profit from continuing operations	**16.042**	**24.320**	**(8.278)**	**(34,0)%**
Income taxes for the period relating to continuing operations	(3.777)	(6.288)	2.511	(39,9)%
Profit (loss) for the period	**12.265**	**18.032**	**(5.766)**	**(32,0)%**

Net profit of the Commercial & Corporate Banking Segment comes to 34,4 million Euro, down 24,0% as compared with the previous period of last year. This negative change is due to the reduction of net banking income for 21,9 million Euro, partially offset by lesser value adjustments to credit risk for 2,0 million Euro. Overall, operating costs decreased by 5,3 million Euro compared with the same period of last year, with different trends in the various business areas, as discussed in greater detail below.

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

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

COMMERCIAL & CORPORATE BANKING (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 30.09.2020						
Nominal amount	205.428	186.794	65.402	**457.624**	4.856.054	**5.313.678**
Impairment losses	(163.632)	(96.814)	(6.539)	**(266.985)**	(36.910)	**(303.895)**
Carrying amount	41.796	89.980	58.863	**190.639**	4.819.144	**5.009.783**
Coverage ratio	*79,7%*	*51,8%*	*10,0%*	***58,3%***	*0,8%*	***5,7%***
Gross ratio	*3,9%*	*3,5%*	*1,2%*	***8,6%***	*91,4%*	***100,0%***
Net ratio	*0,8%*	*1,8%*	*1,2%*	***3,8%***	*96,2%*	***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 190,6 million Euro at 30 September 2020, down 35,8 million Euro on the figure at 31 December 2019 (226,4 million Euro): the ratio of net bad loans to total receivables (0,8%) remains stable, as does the value of bad loans, unlikely to pay instead rose by 1,4 million Euro (+1,6% on the same period of last year) and, finally, past due exposures dropped by 37,1 million (-38,7%) as a result of the combined effect of collections and restructuring of past due positions.

The coverage ratio of non-performing exposures went from 53,1% at 31 December 2019 to 58,3% at 30 September 2020, mainly due to the increased coverage of unlikely to pay and the reduction in the value of gross past due exposures.

Finally, the Commercial & Corporate Banking Segment includes loans belonging to the "POCI" category, mainly referring to impaired assets stemming from the business combination: the net value of these assets, which are all classified as impaired (stage 3), is 0,8 million Euro at 30 September 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.

KPI	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Cost of credit quality	0,77%	0,95%	n.a.	(0,18)%
Net NPE ratio	3,8%	4,2%	n.a.	(0,4)%
Gross NPE ratio	8,6%	8,5%	n.a.	0,1%
Total RWAs	4.441.029	5.222.609	(781.581)	(15,0)%

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)	FIRST NINE MONTHS		CHANGE	
	2020	2019	ABSOLUTE	%
Net interest income	**66.734**	**72.543**	**(5.809)**	**(8,0)%**
Net commission income	**40.821**	**50.754**	**(9.933)**	**(19,6)%**
Net banking income	**107.636**	**123.297**	**(15.661)**	**(12,7)%**
Net credit risk losses/reversals	(7.236)	(23.141)	15.905	(68,7)%
Net profit (loss) from financial activities	**100.400**	**100.156**	**244**	**0,2%**
Operating costs	**(59.055)**	**(67.139)**	**8.084**	**(12,0)%**
Pre-tax profit from continuing operations	**41.345**	**33.017**	**8.327**	**25,2%**
Income taxes for the period relating to continuing operations	(9.729)	(9.687)	(42)	0,4%
Profit (loss) for the period	**31.616**	**23.330**	**8.287**	**35,5%**

INCOME STATEMENT DATA (in thousands of Euro)	3RD QUARTER		CHANGE	
	2020	2019	ABSOLUTE	%
Net interest income	**22.460**	**25.930**	**(3.470)**	**(13,4)%**
Net commission income	**12.578**	**16.313**	**(3.735)**	**(22,9)%**
Net banking income	**35.119**	**42.243**	**(7.124)**	**(16,9)%**
Net credit risk losses/reversals	(1.299)	(3.920)	2.621	(66,9)%
Net profit (loss) from financial activities	**33.820**	**38.323**	**(4.503)**	**(11,8)%**
Operating costs	**(18.823)**	**(22.023)**	**3.200**	**(14,5)%**
Pre-tax profit from continuing operations	**14.997**	**16.300**	**(1.303)**	**(8,0)%**
Income taxes for the period relating to continuing operations	(3.531)	(4.850)	1.319	(27,2)%
Profit (loss) for the period	**11.466**	**11.450**	**16**	**0,1%**

The contribution made by the Factoring Area towards net banking income booked by the Commercial & Corporate Banking Segment came to 107,6 million Euro during the first nine months of the year, down 12,7% on the same period of last year. This result was due to the lower contribution both of net interest income (down by 5,8 million Euro) and net commission income (down by 9,9 million Euro). During the third quarter of the current year, the net interest margin decreased by 7,1 million Euro (net interest income down by 3,4 million Euro and net commission income down by 3,7 million Euro).

The negative change in net interest income and net commission income was due to a decrease in assets under management: turnover in the third quarter of 2020 amounted to 2,7 billion Euro, down by 619 million Euro compared to the same period of the previous year, while outstanding loans amounted to 3,1 billion Euro, down by 0,4 billion Euro. These reductions are mainly, in managerial terms, related to the second quarter that was impacted by the general lock-down.

Net credit risk losses amounted to 7,2 million Euro compared to 23,1 million Euro in the first nine months of 2019; the reduction in the cost of credit is attributable both to the absence of individually significant adjustments made during FY 2019 in the constructor and retail segment. Additionally, the interventions envisaged with the Fondo Salva Opere (Save the Works Fund), which can cover, insofar as funds allow, 70% of receivables outstanding and due to subcontractors by clients involved in bankruptcy procedures, have helped limit the cost of credit.

Profit from financial activities therefore came to 100,4 million Euro, substantively in line with the result of the first 9 months of last year (100,2 million Euro).

Operating costs decreased by 8,1 million Euro compared to the first nine months of the previous year. This decrease is mainly due to lower personnel expenses for 4,6 million Euro related to lower provisions for variables, lesser costs relating to the activation of smart working and lesser mobility imposed by the health emergency, and for lower provisions for risks and charges for 3,5 million Euro, also connected with the operation of payments under guarantee.

At 30 September 2020, the Area's total net loans amounted to 2,6 billion Euro, down 18,6% compared to 31 December 2019. As indicated above, this change is mainly related to the negative economic situation that began early March, as a result of Covid-19.

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

FACTORING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 30.09.2020						
Nominal amount	188.357	138.111	55.663	**382.131**	2.480.671	**2.862.802**
Impairment losses	(148.905)	(71.750)	(2.249)	**(222.904)**	(11.087)	**(233.991)**
Carrying amount	39.452	66.361	53.414	**159.227**	2.469.584	**2.628.811**
Coverage ratio	*79,1%*	*52,0%*	*4,0%*	***58,3%***	*0,4%*	***8,2%***
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	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Cost of credit quality	0,33%	1,11%	n.a.	(0,78)%
Net NPE ratio	6,1%	6,1%	n.a.	(0,0)%
Gross NPE ratio	13,3%	12,1%	n.a.	1,2%
Total RWAs	2.242.575	2.945.792	(703.217)	(23,9)%

Leasing Area

INCOME STATEMENT DATA (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2020	2019	ABSOLUTE	%
Net interest income	**28.320**	**31.067**	**(2.747)**	**(8,8)%**
Net commission income	**8.140**	**8.856**	**(716)**	**(8,1)%**
Net banking income	**36.460**	**39.923**	**(3.463)**	**(8,7)%**
Net credit risk losses/reversals	(15.673)	(8.328)	(7.345)	88,2%
Net profit (loss) from financial activities	**20.787**	**31.595**	**(10.808)**	**(34,2)%**
Operating costs	**(18.562)**	**(18.630)**	**68**	**(0,4)%**
Pre-tax profit from continuing operations	**2.225**	**12.965**	**(10.740)**	**(82,8)%**
Income taxes for the period relating to continuing operations	(524)	(666)	142	(21,4)%
Profit (loss) for the period	**1.701**	**12.299**	**(10.598)**	**(86,2)%**
INCOME STATEMENT DATA (in thousands of Euro)	**3RD QUARTER**		**CHANGE**	
	2020	**2019**	**ABSOLUTE**	**%**
Net interest income	**9.458**	**10.275**	**(817)**	**(7,9)%**
Net commission income	**2.193**	**2.432**	**(239)**	**(9,8)%**
Net banking income	**11.651**	**12.707**	**(1.056)**	**(8,3)%**
Net credit risk losses/reversals	(6.913)	(3.635)	(3.278)	90,2%

Net profit (loss) from financial activities	**4.738**	**9.072**	**(4.334)**	**(47,8)%**
Operating costs	**(5.918)**	**(6.045)**	**127**	**(2,1)%**
Pre-tax profit from continuing operations	**(1.180)**	**3.027**	**(4.207)**	**(139,0)%**
Income taxes for the period relating to continuing operations	277	63	214	341,2%
Profit (loss) for the period	**(903)**	**3.090**	**(3.993)**	**(129,2)%**

Net banking income from Leasing amounted to 36,5 million Euro, down 8,7% on 30 September 2019.

These lesser margins were driven for 1,4 million Euro, lesser interest income, following the increase in the mix of volumes of the financial leasing component with lower margins: and for 0,7 million Euro due to lesser commissions, of which 0,4 million Euro for lesser commissions collected as a result of the moratorium and 0,3 million Euro for lesser reimbursements due to the lesser volumes disbursed during the period.

Net credit risk losses amounted to 15,7 million Euro, up 7,3 million Euro compared to the first nine months of 2019. The item is impacted by both the migration of performing counterparties to more penalising risk statuses (unlikely to pay and bad loans first and foremost) and the increase during the third quarter of collective adjustments relative to moratoriums of the transportation segment, in order to reflect the misalignment generated between the loan amortisation plan (frozen for the moratorium period granted) and the relative value of the assets given as guarantee (used and, therefore, subject to wear and tear for the same duration). More specifically, this has led to an increase in coverage of the related receivables, going from 0,7% to 3,4% and the comprehensive amount of performing exposures from 0,5% to 1,1%.

The operating costs of the Leasing Area are substantially in line with the first nine months of 2019. Stability of costs with respect to the previous year is due to the offsetting of the lesser personnel expenses for approximately 2,0 million Euro (connected with lesser variables allocated during the period) offset by the lesser income from customers for accessory services to financial leasing, connected with the current context.

At 30 September 2020, total net loans in the Area amounted to 1.394 million Euro compared to 1.448 million Euro at 31 December 2019, with a negative change of 3,8%. The reduction is mainly due to the lesser volumes supplied during the first nine months of 2020, down 36% on the same period of last year.

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

LEASING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 30.09.2020						
Nominal amount	14.880	25.055	9.539	**49.474**	1.394.184	**1.443.658**
Impairment losses	(12.811)	(16.902)	(4.281)	**(33.994)**	(15.888)	**(49.882)**
Carrying amount	2.069	8.153	5.258	**15.480**	1.378.296	**1.393.776**
Coverage ratio	*86,1%*	*67,5%*	*44,9%*	***68,7%***	*1,1%*	***3,5%***
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	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Cost of credit quality	1,49%	0,72%	n.a.	0,77%
Net NPE ratio	1,1%	1,2%	n.a.	(0,1)%
Gross NPE ratio	3,4%	3,2%	n.a.	0,2%
Total RWAs	1.291.993	1.398.434	(106.441)	(7,6)%

Corporate Banking & Lending Area

INCOME STATEMENT DATA (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2020	2019	ABSOLUTE	%
Net interest income	**14.413**	**15.638**	**(1.225)**	**(7,8)%**
Net commission income	**2.932**	**4.356**	**(1.424)**	**(32,7)%**
Other components of net banking income	(1.898)	(1.732)	(166)	9,6%
Net banking income	**15.447**	**18.262**	**(2.815)**	**(15,4)%**
Net credit risk losses/reversals	(7.300)	(748)	(6.552)	875,3%
Net profit (loss) from financial activities	**8.147**	**17.514**	**(9.367)**	**(53,5)%**
Operating costs	**(6.787)**	**(3.953)**	**(2.834)**	**71,7%**
Pre-tax profit from continuing operations	**1.360**	**13.561**	**(12.201)**	**(90,0)%**
Income taxes for the period relating to continuing operations	(319)	(3.979)	3.660	(92,0)%
Profit (loss) for the period	**1.041**	**9.582**	**(8.541)**	**(89,1)%**

INCOME STATEMENT DATA (in thousands of Euro)	3RD QUARTER		CHANGE	
	2020	2019	ABSOLUTE	%
Net interest income	**5.271**	**5.779**	**(508)**	**(8,8)%**
Net commission income	**283**	**2.042**	**(1.759)**	**(86,1)%**
Other components of net banking income	1.144	(785)	1.929	(245,7)%
Net banking income	**6.698**	**7.036**	**(338)**	**(4,8)%**
Net credit risk losses/reversals	(2.037)	(703)	(1.334)	189,8%
Net profit (loss) from financial activities	**4.661**	**6.333**	**(1.672)**	**(26,4)%**
Operating costs	**(2.436)**	**(1.340)**	**(1.096)**	**81,8%**
Pre-tax profit from continuing operations	**2.225**	**4.993**	**(2.768)**	**(55,4)%**
Income taxes for the period relating to continuing operations	(523)	(1.501)	978	(65,2)%
Profit (loss) for the period	**1.702**	**3.492**	**(1.790)**	**(51,3)%**

Net banking income of the Corporate Banking & Lending Area, of 15,4 million Euro at 30 September 2020, shows a decline of 2,8 million Euro on the same period of last year.

The negative change to the interest margin is a result of the combined effect of the following factors:

- the reduction in the contribution made by PPA for 1,2 million Euro (for which the total residual amount of the "PPA reversal" of the Business Area is 4,2 million Euro at 30 September 2020);
- growth of 1,8 million Euro in the interest margin of the medium/long-term loans to SMEs (loans to customers +89,9%).
- lesser interest income from Structured Finance transactions (0,6 million);
- greater funding costs due to an increase in the figurative interest recognised to the Governance & Non-Core Services Segment (1,2 million Euro);

Net commission income is down by 1,4 million Euro in connection with the postponement of certain disbursements of structured finance (-1,8 million) in the fourth quarter of 2020 and the increase in commissions on loans to SMEs (+0,4 million).

Net credit risk losses amounted to 7,3 million Euro, up 6,6 million Euro compared to the same period of the previous year. The increase is due for 5,5 million Euro to Structured Finance, mainly for the deterioration of a specific transaction, provisioned during the first half of the year, and 1,1 million to loans to SMEs, both for the volume effect and to take into account the potential distortion in the deterioration of the portfolios that benefited from the moratorium as a measure in support of the economic crisis sparked by the pandemic.

The increase in the operating costs of the Corporate Banking & Lending Area for 2,8 million Euro in respect of the first nine months of the previous year is mainly due to the greater personnel costs in support of the growth expected for Area commitments.

At 30 September 2020, total net receivables due from customers in the Area amounted to 987,2 million Euro compared to 747,5 million Euro at 31 December 2019, with a positive change of 32,1%. Growth is driven by new disbursements Lending for 204 million Euro and Corporate Banking for 128 million Euro.

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

CORPORATE BANKING & LENDING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 30.09.2020						
Nominal amount	2.191	23.628	200	**26.019**	981.199	**1.007.218**
Impairment losses	(1.916)	(8.162)	(9)	**(10.087)**	(9.935)	**(20.022)**
Carrying amount	275	15.466	191	**15.932**	971.264	**987.196**
Coverage ratio	*87,4%*	*34,5%*	*4,5%*	***38,8%***	*1,0%*	***2,0%***
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	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Cost of credit quality	1,11%	0,74%	n.a.	0,37%
Net NPE ratio	1,6%	1,6%	n.a.	(0,0)%
Gross NPE ratio	2,6%	2,2%	n.a.	0,4%
Total RWAs	906.460	878.384	28.076	3,2%

NPL SEGMENT

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

The table below shows the loans portfolio of the Npl Segment, by method of transformation and accounting criterion; the "impact through profit or loss" refers to the components of the net banking income deriving from the booking at amortised cost of the related loans portfolio; in particular, interest income from amortised cost is included for 103,8 million Euro and other components of the net interest income from cash flow changes for 27,8 million Euro, as reported in the summary table of "Economic data" below in this paragraph.

Npl Segment Portfolio (in thousands of Euro)	Outstanding nominal amount	Carrying amount	Carr. amount / Out. nom. amnt	Interest on income statement	ERC	Main method of accounting
Cost	1.885.453	104.164	5,5%	-	215.159	Acquisition cost
Non-judicial	10.579.463	353.423	3,3%	37.538	620.276	
of which: Collective (curves)	*10.181.846*	*184.855*	*1,8%*	*(12.072)*	*297.978*	*Cost = NPV of flows from model*
of which: Plans	*397.617*	*168.568*	*42,4%*	*49.610*	*322.298*	*Cost = NPV of flows from model*
Judicial	6.428.250	866.655	13,5%	94.117	1.727.160	
of which: Other positions undergoing judicial processing	*2.518.153*	*292.418*	*11,6%*	*-*	*600.386*	*Acquisition cost*
of which: Writs, Property Attachments, Garnishment Orders	*1.319.877*	*412.159*	*31,2%*	*81.502*	*917.274*	*Cost = NPV of flows from model*
of which: Secured and Corporate	*2.590.220*	*162.078*	*6,3%*	*12.615*	*209.500*	*Cost = NPV of flows from model*
Total	**18.893.166**	**1.324.242**	**7,0%**	**131.655**	**2.562.595**	

The business can be divided up into three macro categories:

- Post-acquisition management, when all information retrieval operations take place to help decide the most appropriate conversion method, the receivable is classified in a so-called "staging" area and recognised at cost (104 million Euro at 30 September 2020, compared to 109 million Euro at 31 December 2019) with no contribution to profit or loss. As a rule, 6-12 months later, the positions are directed towards the most appropriate form of management, depending on their characteristics.
- Out-of-court management, which deals with practices that can be handled through collection by settlement. Practices awaiting information about the most appropriate collection instrument are classified into a basin called “mass management” and at 30 September 2020 come to 184,9 million Euro as compared with 189,9 million Euro at 31 December 2019 (down 4,6%). By contrast, practices on which a realignment plan has been agreed and formalised, record a slight increase (1,4%), coming in at 168,6 million Euro at 30 September 2020 (166,2 million Euro at 31 December 2019).
- Legal management, which covers all practices in the various stages of legal processing, ranging from obtaining a court order to a garnishment order. Practices awaiting the most appropriate legal action are included in the category of “Other positions undergoing judicial processing” and come to 292,4 million Euro at 30 September 2020 (274,1 million Euro at 31 December 2019); practices in phases of writ, attachment order and garnishment order are allocated to a specific basin, which records an increase of 6,5%, coming in at 412,2 million Euro as compared with the 387,1 million Euro recorded in December 2019. The judicial management basin include all “Secured and Corporate” positions of corporate banking origin or real estate, equal to 162,1 million Euro at 30 September 2020, as compared with 151,8 million Euro at 31 December 2019.

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)	FIRST NINE MONTHS		CHANGE	
	2020	2019	ABSOLUTE	%
Interest income from amortised cost	103.766	95.727	8.039	8,4%
Interest income notes and other minority components	923	940	(17)	(1,8)%
Other components of net interest income from change in cash flow	27.811	74.213	(46.402)	(62,5)%
Funding costs	(21.234)	(18.006)	(3.228)	17,9%
Net interest income	**111.266**	**152.874**	**(41.608)**	**(27,2)%**
Net commission income	**3.026**	**3.993**	**(967)**	**(24,2)%**
Other components of net banking income	(263)	(526)	263	(50,1)%
Gain on sale of receivables	2.694	7.905	(5.211)	(65,9)%
Net banking income	**116.724**	**164.246**	**(47.522)**	**(28,9)%**
Net profit (loss) from financial activities	**116.724**	**164.246**	**(47.522)**	**(28,9)%**
Operating costs	**(100.005)**	**(112.251)**	**12.246**	**(10,9)%**
Pre-tax profit from continuing operations	**16.719**	**51.995**	**(35.276)**	**(67,8)%**
Income taxes for the period relating to continuing operations	(3.934)	(15.254)	11.320	(74,2)%
Profit (loss) for the period	**12.785**	**36.741**	**(23.956)**	**(65,2)%**

INCOME STATEMENT DATA (in thousands of Euro)	3RD QUARTER		CHANGE	
	2020	2019	ABSOLUTE	%
Interest income from amortised cost	34.894	32.727	2.167	6,6%
Interest income notes and other minority components	459	467	(9)	(1,8)%
Other components of net interest income from change in cash flow	13.251	11.550	1.701	14,7%
Funding costs	(7.492)	(6.853)	(639)	9,3%
Net interest income	**41.112**	**37.893**	**3.218**	**8,5%**
Net commission income	**548**	**1.196**	**(649)**	**(54,2)%**
Other components of net banking income	577	(299)	876	(293,2)%
Gain on sale of receivables	1.469	4	1.466	n.s.
Net banking income	**43.707**	**38.795**	**4.913**	**12,7%**
Net profit (loss) from financial activities	**43.707**	**38.795**	**4.913**	**12,7%**
Operating costs	**(34.373)**	**(38.957)**	**4.584**	**(11,8)%**
Pre-tax profit from continuing operations	**9.334**	**(162)**	**9.496**	**n.s.**
Income taxes for the period relating to continuing operations	(2.197)	(164)	(2.032)	n.s.
Profit (loss) for the period	**7.137**	**(327)**	**7.464**	**n.s.**

"Interest income from amortised cost", referring to the interest accruing at the original effective interest rate, was up 8,4% from 95,7 million Euro to 103,8 million Euro at 30 September 2020, largely thanks to the increase in receivables measured at amortised cost, the greater contribution by which is related for 51,8 million Euro to writs, attachments of property, and garnishment orders, and for 19,9 million Euro to settlement plans.

The item "Other components of net interest income from change in cash flow" 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 74,2 million Euro to 27,8 million Euro at 30 September 2020, a decrease of 62,5%; this item includes the contribution of writs, attachments and garnishment orders for approximately 29,7 million Euro juxtaposed against non-judicial operations for -0,6 million Euro and secured and corporate for approximately -2,0 million Euro. The item was heavily impacted by the court closures in March, April and May; thereby resulting in a reduction, as compared with the same period of last year, in obtaining writs, attachment orders and garnishment orders.

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

The reduction in net commission income is equally split between the increase in commission payable on collections and payments and the reduction in commission income deriving from servicing activities on third party portfolios.

The net profit from financial activities of the Npl Segment therefore amounted to 116,7 million Euro (164,2 million Euro at 30 September 2019, down 28,9%). 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 between March and June and which resulted in the lock-down imposed by a series of Prime Ministerial Decrees. 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.

Operating costs decline by 10,9%, going from 112,3 million Euro in the first nine months of 2019 to 100,0 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 impacted by the court closures due to the Covid-19 emergency.

Period profits are therefore down 65,2% or 24,0 million Euro. This performance is mainly, as specified previously, due to the economic-healthcare crisis brought about by Covid-19.

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

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Net bad loans	1.008.144	964.611	43.533	4,5%
Net unlikely to pay	305.172	306.688	(1.516)	(0,5)%
Net non-performing past due exposures	44	29	15	51,7%
Total net non-performing exposures to customers (stage 3)	**1.313.360**	**1.271.328**	**42.032**	**3,3%**
Net performing exposures (stages 1 and 2)	12.022	9.004	3.018	33,5%
Total on-balance-sheet receivables due from customers (1)	**1.325.382**	**1.280.332**	**45.050**	**3,5%**

(1) Total on-balance-sheet receivables due from customers for intercompany invoices between the subsidiaries Ifis Npl S.p.A., Ifis Npl Servicing S.p.A. and Ifis Real Estate S.p.A. for 1,1 million Euro and 2,1 million Euro respectively at 30 September 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	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Nominal amount of receivables managed	18.893.166	17.840.822	1.052.344	5,9%
Total RWAs	2.101.763	2.039.840	61.923	3,0%

Total Estimated Remaining Collections (ERC) amounted to approximately 2,6 billion Euro.

NPL SEGMENT NON-PERFORMING LOAN PORTFOLIO PERFORMANCE	30.09.2020	31.12.2019
Opening loan portfolio	**1.278.220**	**1.092.799**
Business combinations	-	23.952
Purchases	100.340	182.297
Sales	(5.542)	(26.677)
Gains on sales	2.694	15.738
Interest income from amortised cost	103.764	128.442
Other components of interest from change in cash flow	27.891	119.862
Collections	(183.125)	(258.193)
Closing loan portfolio	**1.324.242**	**1.278.220**

Total purchases in 2020 came to 100,3 million Euro, slightly up on the 97,9 million Euro of the same reference period of the previous year (and 182,3 million Euro per year). In the first nine months of 2020, sales transactions were completed for a total of about 5,5 million Euro, which generated profits of about 2,7 million Euro.

The item "Collections" equal to 183,1 million includes the instalments collected during the period from re-entry plans, from garnishment orders and transactions carried out is in line with the collections of 182,5 5 million Euro of the same period of the previous year.

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 down from 2019, reaching 223,0 million Euro at 30 September 2020 compared to 231,7 million Euro at 30 September 2019.

At the end of the period, the portfolio managed by the Npl Segment included 1.873.578 positions, for a nominal amount of approximately 18,9 billion Euro.

GOVERNANCE & NON-CORE SERVICES 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)	FIRST NINE MONTHS		CHANGE	
	2020	2019	ABSOLUTE	%
Net interest income	**40.068**	**52.516**	**(12.448)**	**(23,7)%**
Net commission income	**576**	**770**	**(194)**	**(25,2)%**
Other components of net banking income	4.792	(7.771)	12.563	(161,7)%
Net banking income	**45.436**	**45.515**	**(79)**	**(0,2)%**
Net credit risk losses/reversals	(17.647)	(16.797)	(850)	5,1%
Net profit (loss) from financial activities	**27.789**	**28.718**	**(929)**	**(3,2)%**
Operating costs	**(44.994)**	**(11.267)**	**(33.727)**	**299,3%**
Gain on disposal of investments	24.161	(408)	24.569	n.s.
Pre-tax profit from continuing operations	**6.956**	**17.043**	**(10.087)**	**(59,2)%**
Income taxes for the period relating to continuing operations	(1.637)	(14.942)	13.305	(89,0)%
Profit (loss) for the period	**5.319**	**2.101**	**3.218**	**153,2%**

INCOME STATEMENT DATA (in thousands of Euro)	3RD QUARTER		CHANGE	
	2020	2019	ABSOLUTE	%
Net interest income	**12.821**	**11.204**	**1.617**	**14,4%**
Net commission income	**86**	**207**	**(121)**	**(58,5)%**
Other components of net banking income	(1.170)	(145)	(1.025)	n.s.
Net banking income	**11.737**	**11.266**	**471**	**4,2%**
Net credit risk losses/reversals	(4.267)	(5.710)	1.443	(25,3)%
Net profit (loss) from financial activities	**7.470**	**5.556**	**1.914**	**34,4%**
Operating costs	**(12.395)**	**(5.625)**	**(6.770)**	**120,3%**
Pre-tax profit from continuing operations	**(4.925)**	**(69)**	**(4.856)**	**n.s.**
Income taxes for the period relating to continuing operations	1.163	(1.891)	3.054	(161,5)%
Profit (loss) for the period	**(3.762)**	**(1.960)**	**(1.802)**	**91,9%**

The net banking income of the Segment came to 45,4 million Euro, substantively in line with that of last year. In particular:

- Net interest income and net commission income down by a total of 12,6 million Euro on the same period of the previous year. More specifically, interest income suffered the progressive reduction of the contribution made by "PPA reversal" (down approximately -19 million Euro), partially offset by the contribution from the portfolio of government securities by approximately 3,7 million Euro. In particular, as regards the contribution made by the "PPA reversal", the physiological reduction was hastened by both significant early repayments during the first half of 2019 and the sale of certain Workout & Recovery positions during the fourth quarter of 2019. The total residual amount of the PPA reversal for the Governance & Non-Core Services Segment was 100,2 million Euro at 30 September 2020.
- The net banking income grew by 12,6 million Euro. This overall effect is due to 7,4 million Euro in profits on repurchase of financial liabilities, 2,7 million Euro in lower exchange losses, 3,8 million Euro in revenues from trading portfolio management, of which 2,7 million Euro from dividend receipts and 1,1 million Euro from derivative trading, only partially offset by a worsening in the NAV valuation of certain UCITS funds for 1,3 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 45 million Euro, lower than the same period of last year (51 million Euro). This performance is linked to the reduction in the average assets under management (4.419 million Euro, -5,4%), which suffered the reduction in the average rates offered, manoeuvred in particular on maturities of less than a year. At 30 September 2020, the comprehensive value of the amortised cost of bond issues came to 1,103 million Euro. It should be noted that during the first quarter, shortly before the outbreak of the health emergency, a further senior preferred bond was placed for a notional amount of 400 million Euro in addition to the four instruments already present in the Bank's liabilities at the end of 2019. The second quarter also saw the maturity of the senior bond issued in 2017 and redeemed in May. In economic terms, interest expense accrued on all issues grew by 4,1 million Euro, coming in at a total of 26,9 million Euro.

Please also note the June 2020 subscription of a TLTRO III tranche worth a nominal 1,9 billion Euro, maturing in June 2023.

As regards the cost of credit, a small increase is seen to net adjustments, which come to 17,6 million Euro, as compared with 16,8 million Euro at 30 September 2019.

Operating costs come to 45,0 million Euro, up 33,7 million Euro on the first nine months of 2019. In 2019, they benefited from the net effect of 11,5 million Euro related to the settlement of tax disputes. Indeed, other administrative expenses at 30 September 2019 included 30,9 million Euro in expenses relating to the settlement of certain tax disputes regarding the former subsidiary Interbanca, the economic impact of which is fully offset in the item "other net operating income" for 42,4 million Euro (including the related tax effect) against the activation of outstanding guarantees. Net of this component, the increase in costs is approximately 22,2 million Euro and is mainly due to:

- a provision made for risks and charges for a total of 6,9 million Euro linked to provisions related to the procedure for recourse to the extraordinary benefits of the Solidarity Fund for the purpose of activating redundancies for early retirement, on an exclusively voluntary basis for those who already, in 2020, qualify for the Fund and who will qualify for the A.G.O. pension by 31 December 2024.
- higher provisions of 4,3 million Euro for credit risk associated with signature loans and guarantees issued;
- costs connected with non-recurring activities, incurred for projects linked to Group reorganisation and rebranding initiatives, as well as interventions to integrate the Group information systems.

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 for 24,2 million Euro. 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 30 September 2020, total net receivables for the Segment amounted to 1.622,9 million Euro, up 71,5% on the figure at 31 December 2019 (945,6 million Euro). The increase of approximately 804,6 million Euro is substantially related to the Proprietary Finance business, which operates mainly through the purchase of government securities. At the same time, run-off portfolios in the sector decreased by about 95 million Euro.

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

- Net non-performing loans: 58,4 million Euro at 30 September 2020 as compared with 71,8 million Euro at 31 December 2019;
- Net performing exposures: 17,2 million Euro at 30 September 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 & NON-CORE SERVICES SEGMENT (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING (STAGES 1 AND 2)	TOTAL LOANS(1)
POSITION AT 30.09.2020						
Nominal amount	55.252	88.249	3.649	**147.150**	1.540.276	**1.687.426**
Impairment losses	(10.489)	(45.750)	(964)	**(57.203)**	(8.031)	**(65.234)**
Carrying amount	44.763	42.499	2.685	**89.947**	1.532.245	**1.622.192**
Coverage ratio	*19,0%*	*51,8%*	*26,4%*	***38,9%***	*0,5%*	***3,9%***
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%***

(1) In the Governance & Non-Core Services Segment, at 30 September 2020, there were government securities amounting to 968,5 million Euro (213,0 million Euro at 31 December 2019).

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. Please also note that the performing exposures portfolio has almost halved its coverage as a result of the increase recorded in government securities during the period, going from 213,0 million Euro in December 2019 to 968,5 million Euro in September 2020. Without considering government securities, coverage of performing loans would be 1,3% at 30 September 2020.

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4. Reclassified Financial Statements

4.1 Reclassified Consolidated Statement of Financial Position

ASSETS (in thousands of Euro)	30.09.2020	31.12.2019
Cash and cash equivalents	58	56
Financial assets held for trading through profit or loss	24.163	24.313
Financial assets mandatorily measured at fair value through profit or loss	103.487	112.785
Financial assets measured at fair value through other comprehensive income	1.162.008	1.173.808
Receivables due from banks measured at amortised cost	1.016.707	626.890
Receivables due from customers measured at amortised cost	7.957.357	7.651.226
Equity investments	4	6
Property, plant and equipment	110.366	106.301
Intangible assets	60.800	60.919
of which:		
- goodwill	*39.501*	*39.542*
Tax assets:	377.122	391.185
a) current	45.454	56.869
b) deferred	331.668	334.316
Non-current assets and disposal groups	-	25.560
Other assets	386.564	352.975
Total assets	**11.198.636**	**10.526.024**

LIABILITIES AND EQUITY (in thousands of Euro)	30.09.2020	31.12.2019
Payables due to banks measured at amortised cost	2.245.825	959.477
Payables due to customers measured at amortised cost	4.915.588	5.286.239
Debt securities issued measured at amortised cost	1.991.481	2.217.529
Financial liabilities held for trading	22.824	21.844
Tax liabilities:	42.054	69.018
a) current	7.082	28.248
b) deferred	34.972	40.770
Other liabilities	407.479	390.022
Post-employment benefits	10.179	9.977
Provisions for risks and charges	50.930	32.965
Valuation reserves	(19.587)	(3.037)
Reserves	1.320.483	1.260.238
Share premiums	102.491	102.285
Share capital	53.811	53.811
Treasury shares	(2.948)	(3.012)
Equity attributable to non-controlling interests	5.680	5.571
Profit for the period	52.346	123.097
Total liabilities and equity	**11.198.636**	**10.526.024**

4.2 Reclassified Consolidated Income Statement

ITEMS (in thousands of Euro)	30.09.2020	30.09.2019
Net interest income	**260.801**	**324.638**
Net commission income	**55.495**	**68.729**
Other components of net banking income	5.407	(2.124)
Net banking income	**321.703**	**391.243**
Net credit risk losses/reversals on:	(47.856)	(49.014)
Net profit (loss) from financial activities	**273.847**	**342.229**
Administrative expenses:	(212.298)	(253.792)
a) personnel expenses	(89.310)	(95.697)
b) other administrative expenses	(122.988)	(158.095)
Net allocations to provisions for risks and charges	(20.920)	(12.025)
Net impairment losses/reversals on property, plant and equipment and intangible assets	(13.087)	(12.793)
Other operating income/expenses	16.902	65.370
Operating costs	**(229.403)**	**(213.240)**
Gains (Losses) on disposal of investments	24.161	(408)
Pre-tax profit from continuing operations	**68.605**	**128.581**
Income taxes for the period relating to continuing operations	(16.143)	(44.528)
Profit for the period	**52.462**	**84.053**
Profit for the period attributable to non-controlling interests	116	57
Profit for the period attributable to the Parent company	**52.346**	**83.996**

4.3 Reclassified Consolidated Statement of Comprehensive Income

ITEMS (in thousands of Euro)	30.09.2020	30.09.2019
Profit for the period	**52.462**	**84.053**
Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**(19.394)**	**(892)**
Equity securities measured at fair value through other comprehensive income	(19.191)	(270)
Defined benefit plans	(203)	(622)
Other comprehensive income, net of taxes, to be reclassified to profit or loss	**(1.246)**	**15.114**
Exchange differences	(2.406)	(643)
Financial assets (other than equity securities) measured at fair value through other comprehensive income	1.160	15.757
Total other comprehensive income, net of taxes	**(20.640)**	**14.222**
Total comprehensive income (Item 10 + 170)	**31.822**	**98.275**
Total consolidated comprehensive income attributable to non-controlling interests	113	61
Total consolidated comprehensive income attributable to the Parent company	**31.709**	**98.214**

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5. Notes

5.1 Accounting policies

5.1.1 Statement of compliance with international accounting standards

This Consolidated Interim Report at 30 September 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 30 September 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 30 September 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.

Information on the business as a going concern

The Bank of Italy, Consob and Isvap, with document no. 2 issued on 6 February 2009 ("Disclosure in financial reports on the going concern assumption, financial risks, asset impairment tests and uncertainties in the use of estimates"), together with the subsequent document no. 4 of 4 March 2010, require directors to assess with particular accuracy the existence of the company as a going concern, as per IAS 1.

Unlike in the past, present conditions on financial markets and in the real economy, together with the negative short/medium-term forecasts, require particularly accurate assessments of the going concern assumption, as records of the company's profitability and easy access to financial resources may no longer be sufficient in the current context.

In this regard, having examined the risks and uncertainties connected to the present macro-economic context, and considering the financial and economic forecasts drawn up by the parent company for 2020, and also taking into account the potential impacts connected with the Covid-19 pandemic, the Banca Ifis Group can indeed be considered as a going concern, in that it can be reasonably expected to continue operating in the foreseeable future.

Therefore, the Interim Consolidated Report on Operations at 30 September 2020 has been prepared in accordance with this fact.

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

5.1.2 Scope and methods of consolidation

The Consolidated Interim Report of the Banca Ifis Group has been drawn up on the basis of the accounts at 30 September 2020 prepared by the directors of the companies included in the consolidation scope.

At 30 September 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 newly-established Ifis Finance IFN S.A. 99,99% owned and the subsidiary held at 70% Credifarma S.p.A.
During the first nine months 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.), the companies Gemini S.p.A. and Ifis Finance IFN S.A. were established and the company Elipso Finance S.r.l., held jointly at 50% each, was sold.

All the companies were consolidated using the line-by-line method except for Elipso Finance S.r.l., which, for as long as joint control was maintained, was consolidated using the equity method.

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

Business combinations must be recognised by applying the standard 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 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 amount 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, 781 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 (VE)	Mestre (VE)	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 (VE)	Mestre (VE)	1	Ifis Npl S.p.A.	100%	100%
Ifis Finance IFN S.A.	Bucharest	Bucharest	1	Banca Ifis S.p.A.	99,99%	99,99%
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 year are included in the Consolidated Financial Statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

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

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

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

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

The assessment carried out led the Bank to include the subsidiaries 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 effects of the Covid-19.

Specifically, it made estimates concerning the carrying amounts of some items in the Consolidated Interim Report at 30 September 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. Also in consideration of the upsurge of the Covid-19 pandemic in October 2020 in Italy and in the rest of Europe and the related legislative provisions adopted and being adopted by the various national governments, it is not possible to exclude that additional impacts in the forthcoming months, whose timing and amount cannot presently be forecast, may impact the hypotheses and assumptions underlying the estimation processes with respect to those considered in the estimates prepared to draft the interim report on operations at 30 September 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 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. For qualitative and quantitative information on the method to determine the fair value of instruments measured in the financial statements at fair value, reference should be made to the contents of the valuation criteria described in paragraph A.2 - Part relating to the main items of the consolidated financial statements at 31 December 2019.

Npl Segment exposures

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

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

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

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

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

Reference should be made to the section on Information on risks and related hedging policies in this document, with specific reference to the subsidiary Ifis Npl S.p.A.

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:

- the determination of parameters for a significant increase in credit risk, based essentially on models for the measurement of the probability of default (PD) at the origination of the 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 section 4.2.1, paragraph "Information about goodwill" of the Condensed consolidated half-year financial statements and 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

5.2.1 Statement of financial position items

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Other financial assets mandatorily measured at fair value through profit or loss	103.487	112.785	(9.298)	(8,2)%
Financial assets measured at fair value through other comprehensive income	1.162.008	1.173.808	(11.800)	(1,0)%
Receivables due from banks measured at amortised cost	1.016.707	626.890	389.817	62,2%
Receivables due from customers measured at amortised cost	7.957.357	7.651.226	306.131	4,0%
Property, plant and equipment and intangible assets	171.166	167.220	3.946	2,4%
Tax assets	377.122	391.185	(14.063)	(3,6)%
Other assets	410.789	402.910	7.879	2,0%
Total assets	**11.198.636**	**10.526.024**	**672.612**	**6,4%**
Payables due to banks measured at amortised cost	2.245.825	959.477	1.286.348	134,1%
Payables due to customers measured at amortised cost	4.915.588	5.286.239	(370.651)	(7,0)%
Debt securities issued	1.991.481	2.217.529	(226.048)	(10,2)%
Tax liabilities	42.054	69.018	(26.964)	(39,1)%
Provisions for risks and charges	50.930	32.965	17.965	54,5%
Other liabilities	440.482	421.843	18.639	4,4%
Group equity	1.512.276	1.538.953	(26.677)	(1,7)%
Total liabilities and equity	**11.198.636**	**10.526.024**	**672.612**	**6,4%**

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, as required by IFRS 9.

The item records a decrease of 9,3 million Euro (-8,2%) on December 2019, driven on the one hand by a decrease in the fair value of the UCITS units (for -12,7 million Euro) impacted for 5,8 million Euro by changes in the main listed indexes used in the instrument measurement models following the Covid-19 economic-health crisis, and for 6,9 million Euro mainly for changes in net asset value; on the other by repayments of loans at fair value for approximately 6,8 million Euro. These effects more than offset the subscription of equity securities measured at fair value for 10,7 million Euro.

Below is the breakdown of this line item.

FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Debt securities	2.216	2.715	(499)	(18,4)%
Equity securities	10.700	-	10.700	n.a.
UCITS units	75.064	87.763	(12.699)	(14,5)%
Loans	15.507	22.307	(6.800)	(30,5)%
Total	**103.487**	**112.785**	**(9.298)**	**(8,2)%**

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income total 1.162,0 million Euro at 30 September 2020, recording a slight decrease on December 2019 (-1,0%). The item includes debt securities that have passed the SPPI test and equity securities (shares) for which the Group has exercised the OCI Option envisaged by IFRS 9.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Debt securities	1.112.866	1.124.635	(11.769)	(1,0)%
Equity securities	49.142	49.173	(31)	(0,1)%
Total	**1.162.008**	**1.173.808**	**(11.800)**	**(1,0)%**

The debt securities held in the portfolio at 30 September 2020 total 1.112,9 million Euro, down 1,0% with respect to the balance at 31 December 2019.

In particular, the line item included 1.094,3 million government bonds equal to 9,8% as a proportion of total assets and 72,4% as a proportion of the Group's Equity. The related net positive fair value reserve comes to 1,0 million as compared with a net negative reserve of 0,4 million Euro at 31 December 2019.

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

Issuer/Maturity	1 year	2 years	3 years	5 years	Over 5 years	Total
Government bonds	477.912	409.684	-	152.730	53.978	1.094.304
% of total	*42,9%*	*36,8%*	-	*13,7%*	*4,9%*	*98,3%*
Banks	-	-	-	6.301	-	6.301
% of total	-	-	-	*0,6%*	-	*0,6%*
Other issuers	-	-	-	8.241	4.020	12.261
% of total	-	-	-	*0,8%*	*0,4%*	*1,1%*
Total	**477.912**	**409.684**	**-**	**167.272**	**57.998**	**1.112.866**
% of total	***42,9%***	***36,8%***	**-**	***15,1%***	***5,2%***	***100,0%***

This line item includes also equity securities relating to non-controlling interests, amounting to 49,1 million Euro (in line with the figure recorded at 31 December 2019). The net negative fair value reserve for these securities comes to 11,9 million Euro, as compared with a net positive fair value reserve of 3,2 million Euro.

Receivables due from banks measured at amortised cost

Total receivables due from banks measured at amortised cost at 30 September 2020 amounted to 1.016,7 million Euro, compared to 626,9 million Euro at 31 December 2019. This item mainly refers to Receivables due from central banks (625,4 million Euro at 30 September 2020 compared to 373,7 million Euro at 31 December 2019), which constitute the supplies maintained in order to ensure the orderly performance of management activities.

Receivables due from customers measured at amortised cost

Total receivables due from customers measured at amortised cost amounted to 7.957,4 million Euro, up 4,0% on 31 December 2019 (7.651,2 million Euro). Growth is seen during the half-year in the Npl Segment (+3,5%) the Corporate Banking & Lending business Area (+32,1%) and the Governance & Non-Core Services Segment (+71,5% mainly as a result of the purchase of government securities); by contrast, a decrease is seen in the Factoring (-18,6%) and Leasing (-3,8%) business Areas that account for most of the customers worse struck by the economic-health crisis following the pandemic.

RECEIVABLES DUE FROM CUSTOMERS BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Commercial & Corporate Banking Segment	5.009.783	5.425.270	(415.487)	(7,7)%
- of which non-performing	*190.639*	*226.401*	*(35.762)*	(15,8)%
Factoring Area	2.628.811	3.229.347	(600.536)	(18,6)%
- of which non-performing	*159.227*	*196.146*	*(36.919)*	(18,8)%
Leasing Area	1.393.776	1.448.463	(54.687)	(3,8)%
- of which non-performing	*15.480*	*17.935*	*(2.455)*	(13,7)%
Corporate Banking & Lending Area	987.196	747.460	239.736	32,1%
- of which non-performing	*15.932*	*12.320*	*3.612*	29,3%
Npl Segment	1.325.382	1.280.332	45.050	3,5%
- of which non-performing	*1.313.360*	*1.271.328*	*42.032*	3,3%
Governance & Non-Core Services Segment(1)	1.622.192	945.624	676.568	71,5%
- of which non-performing	*89.947*	*106.617*	*(16.670)*	(15,6)%
Total receivables due from customers	**7.957.357**	**7.651.226**	**306.131**	**4,0%**
- of which non-performing	***1.593.946***	***1.604.346***	***(10.400)***	***(0,6)%***

(1) In the Governance & Non-Core Services Segment, at 30 September 2020, there were government securities amounting to 968,5 million Euro (213,0 million Euro at 31 December 2019).

Total net non-performing exposures, which are significantly affected by the receivables of the Npl Segment, amounted to 1.593,9 million Euro at 30 September 2020, compared to 1.604,3 million Euro at 31 December 2019 (-0,6%).

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

Intangible assets and property, plant and equipment

Intangible assets came to 60,8 million Euro, in line with those at 31 December 2019 of 60,9 million Euro (-0,2%).

The item also included 21,3 million Euro worth of software, 0,8 million Euro in goodwill arising from the consolidation of the investment in Ifis Finance Sp.Z o.o., and 0,7 million Euro in the estimated goodwill arising from the acquisition of the subsidiary Cap.Ital.Fin. S.p.A and 38,0 million Euro from the goodwill determined as a consequence of the acquisition of the subsidiary Ifis Npl Servicing S.p.A. (formerly Fbs S.p.A.).

Although considering the worsening of the Covid-19 epidemic in October, which increased the uncertainty connected with the extraordinary nature of the event, to date, the validity is confirmed of the action taken by the Group; it is believed that, also in view of the countercyclical nature of some of the Group's businesses and in particular of the Npl Segment to which the Group's most significant goodwill is allocated, the current health emergency will not have a significant impact on the consolidated results expected in the long term. As regards the Group's assessments regarding the impairment testing of such goodwill, we would refer you to the more detailed information given in section 4.2.1, paragraph "Information about goodwill" of the Condensed consolidated half-year financial statements and 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.

Property, plant and equipment comes to 110,4 million Euro, as compared with the 106,3 million Euro booked at 31 December 2019, up 3,8%.

At the end of the September 2020, the properties recognised under property, plant and equipment included the important historical building "Villa Marocco", located in Mestre – Venice and housing Banca Ifis's registered office.

Since Villa Marocco is a luxury property, it is not depreciated, but it is tested for impairment at least annually. To this end, they are appraised by experts specialising in luxury properties. During the 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 377,1 million Euro, slightly down on the figure at 31 December 2019 (-3,6%).

Current tax assets amounted to 45,5 million Euro compared with 56,9 million Euro at 31 December 2019. Deferred tax assets amounted to 331,7 million Euro, compared with 334,3 million Euro at 31 December 2019, of which 66,7 million Euro for previous tax losses and ACE benefits (81,2 million Euro at 31 December 2019).

Tax liabilities totalled 42,1 million Euro, down 39,1% from 31 December 2019.

Current tax liabilities, amounting to 7,1 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 3,0 million Euro on misalignments of trade receivables.

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

Here below is the breakdown of the different treatments by type and the relevant impact on CET1 and risk-weighted assets at 30 September 2020:

- the "deferred tax assets that rely on future profitability and do not arise from temporary differences" are deducted from CET1; at 30 September 2020, the 100% deduction amounted to 77,7 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 30 September 2020, these assets, including those pertaining to the Holding Company of the Banking Group, amounted to 46,4 million Euro and are offset by 31,9 million Euro from the corresponding deferred tax liabilities;
- the "deferred tax assets pursuant to Italian Law no. 214/2011", concerning impairment losses on receivables that can be converted into tax credits, receive a 100% risk weight; at 30 September 2020, the corresponding weight totalled 218,5 million Euro;
- "current tax assets" receive a 0% weight as they are exposures to the Central Government.

Overall, the Tax Assets recognised at 30 September 2020 and 100% deducted from Own Funds resulted in an expense amounting to 0,91% 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, amounting to 410,8 million Euro, compared to 402,9 million Euro at 31 December 2019 included 24,2 million Euro in financial assets held for trading (substantively in line with the balance at 31 December 2019), and 386,6 million Euro in other assets (353,0 million Euro at 31 December 2019). The total balance at 31 December 2019 also included assets held for disposal for 25,6 million Euro, which were sold in the first half of 2020.

Other assets included 81,2 million Euro in receivables due from the parent company La Scogliera S.p.A., of which 25,9 million Euro as a result of the tax consolidation regime and 55,3 million in tax credits claimed by the latter for excess tax payments from prior years; 10,8 million Euro in net receivables due from tax authorities for payments on account (stamp duty); and 45,1 million Euro in VAT credits claimed (in particular from the Leasing Area). Finally, the item included 30,9 million Euro in deferred costs associated with the NPL Segment's positions undergoing judicial operations until said positions initiate valuation at amortised cost (26,2 million Euro at 31 December 2019) and 76,7 million Euro connected with supplier advances, almost entirely relating to the Leasing Area operations.

Other liabilities amounted to 440,5 million Euro compared to 421,8 million Euro at 31 December 2019 and included 22,8 million Euro in derivatives held for trading (21,8 million Euro at 31 December 2019), 10,2 million Euro in liabilities for post-employment benefits (9,9 million Euro at 31 December 2019), and 407,5 million Euro in other liabilities (390,0 million Euro at 31 December 2019). The latter largely referred to amounts due to customers that have not yet been credited as well as a 13,2 million Euro payable to the parent company La Scogliera deriving from the tax consolidation regime.

Funding

FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Payables due to banks	**2.245.825**	**959.477**	**1.286.348**	**134,1%**
- Eurosystem	*1.997.278*	*792.168*	*1.205.110*	*152,1%*
- Other payables	*248.547*	*167.309*	*81.238*	*48,6%*
Payables due to customers	**4.915.588**	**5.286.239**	**(370.651)**	**(7,0)%**
- Repurchase agreements	*-*	*150.280*	*(150.280)*	*(100,0)%*
- Retail funding	*4.416.766*	*4.790.954*	*(374.188)*	*(7,8)%*
- Other term deposits	*111.999*	*72.475*	*39.524*	*54,5%*
- Lease payables	*15.869*	*15.909*	*(40)*	*(0,3)%*

FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Payables due to banks	**2.245.825**	**959.477**	**1.286.348**	**134,1%**
- Other payables	*370.954*	*256.621*	*114.333*	*44,6%*
Debt securities issued	**1.991.481**	**2.217.529**	**(226.048)**	**(10,2)%**
Total funding	**9.152.894**	**8.463.245**	**689.649**	**8,1%**

Total funding, which amounted to 9.152,9 million Euro at 30 September 2020 (+8,1% compared to 31 December 2019), is represented for 53,7% by Payables due to customers (compared to 62,5% at 31 December 2019), for 24,5% by Payables due to banks (compared to 11,3% at 31 December 2019), and for 21,8% by Debt securities issued (26,2% at 31 December 2019).

Payables due to customers at 30 September 2020 totalled 4.915,6 million Euro (-7,0% compared to 31 December 2019). This was essentially because of the mentioned decline in retail funding from 4.791,0 million Euro at 31 December 2019 to 4.416,7 million Euro at 30 September 2020. Below are details of Retail funding.

RETAIL FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Short-term funding (within 18 months)	**3.270.623**	**3.762.031**	**(491.408)**	**(13,1)%**
of which: DEREGULATED	*764.055*	*798.019*	*(33.964)*	*(4,3)%*
of which: LIKE/ONE	*1.163.661*	*1.361.563*	*(197.902)*	*(14,5)%*
of which: TIME DEPOSITS	*1.322.730*	*1.602.449*	*(279.719)*	*(17,5)%*
of which: GERMAN DEPOSITS	*20.177*	*-*	*20.177*	*n.a.*
Long-term funding (beyond 18 months)	1.146.143	1.028.923	117.220	11,4%
Total funding	**4.416.766**	**4.790.954**	**(374.188)**	**(7,8)%**

Payables due to banks amounted to 2.245,8 million Euro, up 134,1% compared to 31 December 2019. This increase is substantively due to the June 2020 subscription of a TLTRO III tranche worth a nominal 1.900 million Euro maturing in June 2023 and the simultaneous early repayment of the TLTRO II tranche subscribed in 2017 for a nominal 700 million Euro. This subscription is in addition to the tranche with a nominal value of 100 million subscribed in December 2019 and to time deposits with other banks for 248,5 million Euro.

Debt securities issued amounted to 1.991,5 million Euro. The item included 887,9 million Euro (-22,8% compared to 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 line item also comprised 625,6 million Euro (including interest) in senior bonds issued by Banca Ifis, as well as the 415,6 million Euro (including interest) Tier 2 bond. The rest of debt securities issued at 30 September 2020 included 61,4 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)	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Provisions for credit risk related to commitments and financial guarantees granted	11.063	3.952	7.111	179,9%
Legal and tax disputes	22.027	22.894	(867)	(3,8)%
Personnel expenses	7.258	614	6.644	n.s.
Other provisions	10.582	5.505	5.077	92,2%
Total provisions for risks and charges	**50.930**	**32.965**	**17.965**	**54,5%**

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

Provisions for credit risk related to commitments and financial guarantees granted

At 30 September 2020, the balance was 11,1 million Euro and reflected the impairment losses on commitments and financial guarantees granted by the Group, mainly for the deterioration of an individually significant position.

Legal and tax disputes

At 30 September 2020, the Bank had set aside 22,0 million Euro in provisions. This amount breaks down as follows:

- 11,1 million Euro for 30 disputes concerning the Factoring Area (the plaintiffs seek 28,8 million Euro in damages), these disputes are mainly connected with the request for the repetition of amounts collected or payments under guarantee in relation to factoring positions without recourse;
- 6,3 million Euro (the plaintiffs seek 67,0 million Euro in damages) for 24 disputes concerning the Corporate Banking & Lending Areas and linked for 6,0 million Euro to positions deriving from the former Interbanca;
- 1,2 million Euro (the plaintiffs seek 1,2 million Euro in damages) for 29 disputes concerning the Leasing Area;
- 1,2 million Euro (the plaintiffs seek 3,7 million Euro in damages) for 35 disputes concerning receivables of the subsidiary Ifis Npl;
- 862 thousand Euro for various disputes concerning Credifarma;
- 899 thousand Euro (the plaintiffs seek the same amount in damages) for disputes concerning the investee Ifis Rental;
- 392 thousand Euro (the plaintiffs seek 4,0 million Euro) for 29 disputes with customers and agents relating to Cap. Ital. Fin.;
- 81 thousand Euro for 4 disputes concerning Ifis Npl Servicing S.p.A. (formerly Fbs S.p.A.), for which the plaintiffs seek a total of 352 thousand Euro in damages.

Personnel expenses

At 30 September 2020, provisions are entered for personnel for 7,3 million Euro (0,6 million Euro at 31 December 2019). In order to implement the cost rationalisation programme envisaged in the 2020-2022 Business Plan unveiled on 14 January 2020, the Group has activated the procedure relative to the use of the extraordinary provisions of the Solidarity Fund in order to activate incentives to take early redundancy, on a purely voluntary basis for those who, already in 2020, meet the requirements to access the Fund and will accrue the requirements to access the A.G.O. pension treatment by 31 December 2024. The provision made to the Solidarity fund at 30 September 2020 is 6,9 million Euro. At 30 September 2020, 30 requests were made for adhesion by an equal number of employees meeting said requirements and will cease employment to access the extraordinary provisions of the Solidarity Fund in the period 01 October 2020 - 31 December 2020.

Other provisions for risks and charges

At 30 September 2020, there were “Other provisions” of 10,6 million Euro (5,5 million Euro at 31 December 2019) consisting mainly of 5,0 million Euro for supplementary indemnities for customers connected with the operations of the Leasing Area, substantively in line with 31 December 2019, 4,6 million Euro for the contribution made to the Fondo Interbancario di Tutela dei Depositi and 0,2 million Euro for the provision for complaints. The rise of 5,1 million Euro in “Other provisions” as compared with the balance at 31 December 2019, is mainly due to the period provisioning of the contribution to the Fondo Interbancario di Tutela dei Depositi.

Contingent liabilities

Here below are the most significant contingent liabilities outstanding at 30 September 2020. Based on the opinion of the legal advisers assisting the subsidiaries, they are considered possible, and therefore they are only disclosed.

Tax dispute

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

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

Dispute concerning the Notice of Settlement of 3% registration tax. Companies involved: Banca Ifis as the acquiring company of Interbanca S.p.A. and Ifis Rental 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 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.

Consolidated equity

At 30 September 2020, consolidated Equity totalled 1.512,3 million Euro, as compared with the 1.539,0 million Euro at 31 December 2019 (-1,7%).

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

EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2020	31.12.2019	ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	102.491	102.285	206	0,2%
Valuation reserves:	(19.587)	(3.037)	(16.550)	n.s.
- Securities	*(11.204)*	*2.737*	*(13.941)*	*n.s.*
- Post-employment benefits	*(327)*	*(124)*	*(203)*	*163,7%*
- Exchange differences	*(8.056)*	*(5.650)*	*(2.406)*	*42,6%*
Reserves	1.320.483	1.260.238	60.245	4,8%
Treasury shares	(2.948)	(3.012)	64	(2,1)%
Equity attributable to non-controlling interests	5.680	5.571	119	2,0%
Net profit attributable to the Parent company	52.346	123.097	(70.751)	(57,5)%
Group equity	**1.512.276**	**1.538.953**	**(26.677)**	**(1,7)%**

EQUITY: CHANGES	(in thousands of Euro)
Equity at 31.12.2019	**1.538.953**
Increases:	**52.725**
Profit for the period attributable to the Parent company	52.346
Other changes	270
Equity attributable to non-controlling interests	109
Decreases:	**79.402**
Dividends resolved and suspended	58.806
Change in valuation reserve:	16.550
- Securities	*13.941*
- Post-employment benefits	*203*
- Exchange differences	*2.406*
Other changes	4.046
Equity at 30.09.2020	**1.512.276**

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.

Last 1 April, 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, 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 July, the European Central Bank and the Bank of Italy have extended to 1 January 2021 the provisions of the 27 March 2020 Recommendation not to pay dividends for the years 2019 and 2020 (including distributions of reserves) and not to make any irrevocable commitment to pay dividends for the same years and not to repurchase shares to remunerate shareholders.

The dividends resolved and not distributed applicable to 2019 were therefore used to reduce the Group's equity and booked amongst other liabilities.

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS AT	
	30.09.2020	31.12.2019
Common Equity Tier 1 Capital (CET1)	992.755	1.008.865
Tier 1 Capital (T1)	1.042.070	1.064.524
Total Own Funds	**1.311.531**	**1.342.069**
Total RWAs	**8.489.946**	**9.206.155**
Common Equity Tier 1 Ratio	11,69%	10,96%
Tier 1 Capital Ratio	12,27%	11,56%
Ratio - Total Own Funds	**15,45%**	**14,58%**

Common Equity Tier 1, Tier 1 Capital, and Total Own Funds at 30 September 2020 do not include the profits generated by the Banking Group in the first 9 months of 2020.

Consolidated own funds, risk-weighted assets and prudential ratios at 30 September 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 286. Specifically, Article 19 of the CRR requires to include the unconsolidated Holding of the Banking Group in prudential consolidation.

As already described in the paragraph above on "*Consolidated equity*", Banca Ifis has decided not to include the profit generated by the Banking Group during the first 9 months of 2020 in the common equity tier 1, in tier 1 capital and in the total own funds at 30 September 2020.

Moreover, Regulation EU 873/2020, relative to the transitional provisions aimed at attenuating the impact of the introduction of IFRS 9 on Own funds - defines for entities the possibility of including in their common equity tier 1 a portion of the accruals gained for expected credit losses, in application of IFRS 9, through different operating methods of the transitional period of reference (1 January 2018/31 December 2019 and 1 January 2020/31 December 2024).

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

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

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

At 30 September 2020, the adoption of IFRS 9 caused the expected credit loss provisions to rise by 9,0 million Euro, net of the tax effect.

Therefore, in accordance with the transitional arrangements 4,1 million Euro were included in the Common Equity Tier 1 (CET1) capital attributable to the Group.

Pursuant to the temporary treatments aimed at mitigating the impact of the introduction of IFRS 9 on Own Funds, during the transitional period the Banca Ifis Banking Group 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)	AMOUNTS AT	
	30.09.2020	31.12.2019
Common Equity Tier 1 Capital (CET1)	986.047	1.007.416
Tier 1 Capital (T1)	1.035.362	1.063.075
Total Own Funds	**1.304.823**	**1.340.620**
Total RWAs	**8.484.595**	**9.204.243**
Common Equity Tier 1 Ratio	11,62%	10,95%
Tier 1 Capital Ratio	12,20%	11,55%
Ratio - Total Own Funds	**15,38%**	**14,57%**

Common Equity Tier 1, Tier 1 Capital, and Total Own Funds at 30 September 2020 do not include the profits generated by the Banking Group in the first 9 months of 2020.

FINANCIAL LEVERAGE COEFFICIENT WITH/WITHOUT TRANSITIONAL ARRANGEMENTS (as %)	AMOUNTS AT	
	30.09.2020	31.12.2019
Coefficiente Leva finanziaria con applicazione disposizioni transitorie IFRS9	8,93%	9,73%
Coefficiente Leva finanziaria senza applicazione disposizioni transitorie IFRS9	8,88%	9,72%
Coefficiente Leva finanziaria con applicazione disposizioni transitorie Reg. 2020/873 (1)	9,44%	n.a.
Coefficiente Leva finanziaria senza applicazione disposizioni transitorie Reg. 2020/873 (1)	9,38%	n.a.

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

Other legislative news introduced by EU Regulation no. 873/2020 with a potential impact on CET1 regard:

- Temporary treatment of profits and losses not realised due to changes in the fair value of debt instruments issued by the central, regional and local administrations: please note that the Group has, at present, decided not to petition the Bank of Italy as required by the relevant regulation;
- The exemption from the deduction from CET1 of intangible assets in the form of software measured prudently: please note that in defining its Own Funds at 30 September 2020, the Group did not, prudently, apply said deduction. The Group is, however, currently conducting an in-depth analysis to define the types and amount referring to this exemption.

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

- the more favourable treatment (from 75% to 35%) to be applied to the calculation of the credit risk in relation to the loans granted by entities to pensioners and workers;

- the more favourable treatment of the Support factor to be applied to the calculation of the credit risk in relation to SMEs:
  - 76,19% for exposure of up to 2,5 million Euro, with respect to the previous threshold set at 1,5 million Euro;
  - introduction of the support factor of 85% for exposure in excess of 2,5 million Euro.

The 30,5 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 61,3 million Euro according to the decline in risk-weighted 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 77,7 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 8,4 million Euro for the portion pertaining to the Group;
- the remainder referred to the positive change in reserves, including the changes in equity generated by the Companies not included in the Banking Group's scope and attributable to the Group.

The lesser absorption of capital deriving from the decline in risk-weighted assets, due partly to the decline in risk assets and partly to the benefit deriving from the new legislation mentioned above, in relation to the reduction of Own funds, means that at 30 September 2020, the Total capital ratio comes to 15,45%, up on the results achieved at 31 December 2019, of 14,58%; this trend is also seen for the CET1 ratio, now equal to 11,69% as compared with 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 & NON-CORE SERVICES SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Total RWA per Segment	**4.441.029**	**2.242.575**	**1.291.993**	**906.460**	**2.101.763**	**996.168**	**7.538.960**
Market risk	X	X	X	X	X	X	54.804
Operational risk (basic indicator approach)	X	X	X	X	X	X	889.317
Credit valuation adjustment risk	X	X	X	X	X	X	6.865
Total RWAs	**X**	**X**	**X**	**X**	**X**	**X**	**8.489.946**

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 30 September 2020, the Banca Ifis Group met the above prudential requirements.

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

OWN FUNDS AND CAPITAL ADEQUACY RATIOS: BANCA IFIS BANKING GROUP SCOPE (in thousands of Euro)	AMOUNTS AT	
	30.09.2020	31.12.2019
Common Equity Tier 1 Capital (CET1)	1.323.807	1.312.821
Tier 1 Capital (T1)	1.323.807	1.312.821
Total Own Funds	**1.724.189**	**1.713.198**
Total RWAs	**8.462.054**	**9.190.900**
Common Equity Tier 1 Ratio	15,64%	14,28%
Tier 1 Capital Ratio	15,64%	14,28%
Ratio - Total Own Funds	**20,38%**	**18,64%**

Common Equity Tier 1, Tier 1 Capital, and Total Own Funds at 30 September 2020 do not include the profits generated by the Banking Group in the first 9 months of 2020.

Disclosure regarding Sovereign Debt

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

Pursuant to said communication, please note that at 30 September 2020 the exposures to sovereign debt entirely consisted of Italian government bonds; their carrying amount totalled 2.067 million Euro, net of the negative 1,8 million Euro valuation reserve.

These securities, with a nominal amount of approximately 2.035 million Euro have a weighted residual average life of approximately 32 months.

The fair values used to measure the exposures to sovereign debt securities at 30 September 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 30 September 2020 totalled 672 million Euro, including 99 million Euro relating to tax receivables.

4.2.2 Income statements items

Formation of net banking income

Net banking income totalled 321,7 million Euro, down 17,8% from 391,2 million Euro in the prior-year period.

The Covid-19 health emergency resulted in a reduction in margins in all segments and in particular in those where operations are linked to the legal system. The activities, whose operations are connected with the courts, were first blocked during lock-down and then slowed severely; generating major difficulties in proceeding with the legal collection of the amounts owed to it. In addition to this, there was a physiologically lesser contribution towards the release of PPA, the effects of which in the first nine months of 2020, equal to 27,5 million Euro, as compared with 47,1 million Euro in the same period of last year; this lesser contribution is also highlighted by the early repayments that took place in 2019.

NET BANKING INCOME (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2020	2019	ABSOLUTE	%
Net interest income	260.801	324.638	(63.837)	(19,7)%
Net commission income	55.495	68.729	(13.234)	(19,3)%
Other components of net banking income	5.407	(2.124)	7.531	(354,6)%
Net banking income	**321.703**	**391.243**	**(69.540)**	**(17,8)%**

Net interest income dropped by 19,7%, going from 324,6 million Euro at 30 September 2019 to 260,8 million Euro at 30 September 2020, in line with that described above with reference to net banking income.

Net commission income comes to 55,5 million Euro, down 19,3% on the figure booked at 30 September 2019: this performance was driven by the effects of the health emergency nationwide, on the economic fabric, causing a reduction in commission revenues both during new disbursements, for the lesser volumes intermediated and during the collection phase, following the effects of the moratoriums.

Commission income, totalling 61,2 million Euro, down 20,7% on September 2019, primarily refers to factoring commissions on the turnover generated by individual customers (with or without recourse, in a flat or monthly scheme), arrangement fees for structured finance transactions, leases, third-party servicing, as well as from other fees usually charged to customers for services.

Commission expense, totalling 5,7 million Euro compared to 8,4 million Euro in the corresponding period of 2019, 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:

- 2,9 million Euro for dividends generated by shares held in the Group-owned portfolio;
- 1,5 million Euro the negative result of trading (loss of 3,1 million Euro during the first nine months of 2019)
- 13,5 million Euro for gains from the sale or buy-back of financial assets and liabilities (8,0 million at 30 September 2019);
- 9,4 million Euro in the negative net result of other financial assets and liabilities measured at fair value through profit or loss (7,5 million negative at 30 September 2019) that includes the negative change in the fair value of UCITS units for 11,0 million Euro, the positive change in the fair value of loans for 1,1 million Euro and the positive change in the fair value of other financial assets for 0,5 million Euro.

Formation of net profit (loss) from financial activities

The Group's net profit from financial activities totalled 273,8 million Euro, compared to 342,2 million Euro at 30 September 2019 (-20,0%).

FORMATION OF NET PROFIT (LOSS) FROM FINANCIAL ACTIVITIES (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2020	2019	ABSOLUTE	%
Net banking income	321.703	391.243	(69.540)	(17,8)%
Net credit risk losses/reversals	(47.856)	(49.014)	1.158	(2,4)%
Net profit (loss) from financial activities	**273.847**	**342.229**	**(68.382)**	**(20,0)%**

Net credit risk losses totalled 47,9 million Euro at 30 September 2020, compared to net losses of 49,0 million Euro at 30 September 2019 (-2,4%). Against lesser provisions made to the Factoring Area, which in 2019 had been negatively impacted by adjustments to certain individually significant counterparties in the constructors and retail segment, there is a juxtaposing increase in the Leasing Area, connected both to the shift of performing counterparties towards more penalising risk statuses and the review in the third quarter of provisions made for leasing in the transportation segment, concerned by moratorium, so as to reflect the misalignment thus generated between the loan amortisation plan (frozen for the moratorium) and the value of the asset (therefore used and concerned by wear and tear for the same duration).

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

FORMATION OF NET PROFIT (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2020	2019	ABSOLUTE	%
Net profit (loss) from financial activities	**273.847**	**342.229**	**(68.382)**	**(20,0)%**
Operating costs	**(229.403)**	**(213.240)**	**(16.163)**	**7,6%**
Gains (Losses) on disposal of investments	24.161	(408)	24.569	n.s.
Pre-tax profit (loss) from continuing operations	**68.605**	**128.581**	**(59.976)**	**(46,6)%**
Income taxes for the period relating to continuing operations	(16.143)	(44.528)	28.385	(63,7)%
Profit (Loss) for the period	**52.462**	**84.053**	**(31.591)**	**(37,6)%**
Profit (Loss) for the period attributable to non-controlling interests	116	57	59	103,5%
Profit (loss) for the period attributable to the Parent company	**52.346**	**83.996**	**(31.650)**	**(37,7)%**

Operating costs totalled 229,4 million Euro (213,2 million Euro at 30 September 2019, +7,6%).

OPERATING COSTS (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2020	2019	ABSOLUTE	%
Administrative expenses:	212.298	253.792	(41.494)	(16,3)%
a) personnel expenses	89.310	95.697	(6.387)	(6,7)%
b) other administrative expenses	122.988	158.095	(35.107)	(22,2)%
Net allocations to provisions for risks and charges	20.920	12.025	8.895	74,0%
Net impairment losses/reversals on property, plant and equipment and intangible assets	13.087	12.793	294	2,3%
Other operating income/expenses	(16.902)	(65.370)	48.468	(74,1)%
Operating costs	**229.403**	**213.240**	**16.163**	**7,6%**

Personnel expenses, of 89,3 million Euro, drop by 6,7% (95,7 million Euro at 30 September 2019), mainly as a result of the lesser provisions made for variable remuneration. The number of Group employees at 30 September 2020 was 1.736 as compared with 1.759 resources at 30 September last year.

Other administrative expenses at 30 September 2019 included 30,9 million Euro in expenses relating to the settlement of certain tax disputes regarding the former Interbanca, the economic impact of which is fully offset in the item "other net operating income" for 42,4 million Euro (including the related tax effect) against the activation of outstanding guarantees.

Net of this effect, the other administrative expenses at 30 September 2020, which come to 123,0 million Euro drop by 3,3% on 30 September 2019. The change is mainly driven by lesser expenses for indirect taxes and duties (driven by the NPL Segment), only partially offset by greater costs for professional services and expenses for the purchase of goods and other services.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2020	2019	ABSOLUTE	%
Expenses for professional services	**51.815**	**50.165**	**1.650**	**3,3%**
Legal and consulting services	36.837	35.502	1.335	3,8%
Auditing	578	591	(14)	(2,2)%
Outsourced services	14.400	14.072	328	2,3%
Direct and indirect taxes	**23.416**	**62.610**	**(39.194)**	**(62,6)%**
Expenses for purchasing goods and other services	**47.757**	**45.319**	**2.438**	**5,4%**
Customer information	11.428	12.682	(1.254)	(9,9)%
Software assistance and hire	11.107	11.053	54	0,5%
Advertising and inserts	5.711	2.015	3.696	183,4%
Property expenses	4.094	4.449	(355)	(8,0)%
Postage and archiving of documents	3.777	4.424	(647)	(14,6)%
FITD and Resolution fund	3.071	2.636	435	16,5%
Telephone and data transmission expenses	2.592	2.302	290	12,6%
Car fleet management and maintenance	1.546	1.852	(306)	(16,5)%
Securitisation costs	1.504	990	514	51,9%
Business trips and transfers	977	1.884	(907)	(48,1)%
Other sundry expenses	1.950	1.032	918	89,0%
Total other administrative expenses	**122.988**	**158.095**	**(35.107)**	**(22,2)%**

The sub-item “Legal and consulting services” comes to 36,8 million during the first nine months of 2020, up 3,8% on the 35,5 million in the equivalent period of 2019. The increase in this item is due to consulting services connected with initiatives included in the business plan presented in January 2020, such as Group reorganisation and rebranding activities, as well as integration interventions on the Group's information systems. The cost of the amicable collection of receivables belonging to the Npl Segment, which at 30 September 2020 amounted to 14,1 million Euro, down on the 16,9 million Euro at September 2019, in line with the period of court closure as described previously.

"Outsourced services", amounting to 14,4 million Euro in September 2020, records a slight increase (2,3%) on the 14,1 million Euro of the same period of the previous year, mainly refers to the non-judicial collections made in the Npl Segment.

Net of the charges relating to the settlement of tax disputes in 2019, which amounted to 30,9 million Euro, the item "Indirect taxes and duties", amounting to 23,4 million Euro compared to 31,7 million Euro at 30 September 2019, is down by 26,2%. The item mainly consists of the registration tax incurred for the judicial recovery of receivables belonging to the Npl Segment, amounting to 14,1 million Euro at 30 September 2020, shows a decrease of 34,4% due to the closure of the courts first and the slowing thereafter, as a result of the Covid-19 health emergency (21,4 million Euro at 30 September 2019). It also includes stamp duty of 8,4 million Euro, the charge-back of which to customers is included in the item "Other operating income".

“Expenses for purchasing goods and other services” amounted to 47,8 million Euro, up 5,4% from 45,3 million Euro in September 2019. The change in this item is due to the contrasting effect in some of the most significant items, in particular:

- Expenses for customer information, which come to 11,4 million Euro, down 9,9% as a result of the slow-down to actual during the lock-down period. These expenses are connected with the measurement of assets as a guarantee of the portfolios under management, focussed in particular on the Npl Segment, which, as mentioned, suffered the limits set as a result of the Covid-19 health emergency;
- Expenses relating to the properties and motor vehicle management, which drop by a total of 0,4 million Euro, also due to smart working implemented with the start of the Covid-19 health emergency;
- Advertising expenses record a significant increase, going from 2,0 million Euro to 5,7 million in September 2020, pursuing the rebranding that had begun in June 2020.
- Costs for the postage and archiving of documents go from 4,4 million Euro to 3,8 million Euro, -14,6%. The item, which is closely linked to the initial processing of the portfolios acquired in the Npl Segment, was impacted by the economic lock-down that followed the Covid-19;
- Trips and transfers came to 977 thousand Euro, recording a decline of 48,1%, due to the limits to travel imposed by the Covid-19 health emergency.

Net period provisions made for risks and charges amounted to 20,9 million Euro (compared with 12,0 million Euro at 30 September 2019) and mainly, for 6,9 million Euro, refer to the Solidarity Fund, for 4,6 million Euro to Italy's Interbank Deposit Protection Fund, for 1,3 million Euro to the Corporate Banking & Lending Area and for 0,3 million Euro to the Fund for Supplementary Customer Indemnity. Finally, provisions are made for 7,2 million Euro for commitments to disburse funds and guarantees.

Net of the indemnity related to the settlement of the tax dispute in 2019, amounting to 42,4 million Euro, other net operating income, amounting to 16,9 million Euro, decreased by 26,4% compared to the same period of the previous year. This item referred mainly to revenue from the recovery of expenses charged to third parties. The relevant cost item is included in other administrative expenses, namely under legal expenses and indirect taxes, as well as recoveries of expenses associated with leasing operations.

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

Pre-tax profit from continuing operations amounted to 68,6 million Euro (-46,6% compared to 30 September 2019).

Income taxes amounted to 16,1 million Euro (-63,7% compared to September 2019). The tax rate in September 2020 was 23,53%, compared with 34,63% in the same period of the previous year. The reduction is essentially due to the lesser pre-tax profit than the same period of last year, on which, therefore, the main tax benefits (ACE and super-amortisation) have a greater impact.

Excluding 116 thousand Euro in profit attributable to non-controlling interests, the net profit attributable to the Parent company amounted to 52,3 million Euro (-37,7% compared to the prior-year period).

4.2.3 Quantification of the impact of Covid-19 on the income statement

This paragraph is intended to provide, as also suggested by Consob Note of attention no. 8/20: "Covid-19 - Financial Disclosure Note", a single note of the effects of Covid-19 on the income statement for the period.

The results for the first nine months of 2020 were affected by Covid-19, although the first two months of the year were in line with the targets set in the Business Plan. Starting March, the spread of the pandemic has led to the closure of many economic activities and has severely limited the possibility of movement of the population, a situation that lasted until mid-May.

During the period of health emergency for the Npl Segment, recovery activities through telephone collection have been strengthened as door to door activities of the agent network have been temporarily suspended. The restrictions imposed following the spread of Covid-19 have led, since March, to the closure of most production activities, including the closure of the courts, effectively preventing legal activities aimed at obtaining precepts, foreclosures and garnishment orders; in perspective, the short closure times of the courts are expected to have an impact mainly on longer payment times rather than lower payments.

In order to incorporate this effect of the generic extension of collection times into the cash flow forecasts, various changes were made to recalibrate the figures, estimating, in connection with amicable management (positions measured using a statistical model where there is no form of funding), a limited reduction in forecast collections for 2020 and 2021, consistently with the general scenario macroeconomic projections used by the Group for its medium-term forecasts. With reference to judicial management, the interventions concerned instead only 2020, with a lengthening of the collection times due to the closure of the courts.

Consistently with legal management, due to the court closures, similar measures to lengthen collection times to a limited extent, have been taken to the models that deal with secured Npl positions for the suspension of the attachment of properties received as collateral and for positions for which bankruptcy proceedings are in progress.

In all, these interventions entailed lower contributions to the interest margin deriving from changes in cash flow for an amount that can be quantified as approximately 11,4 million Euro, connected with both the change in collection time (see court closure) and the postponement of the process for transforming positions from purely amicable (measurement in curves) to amicable with plans or court proceedings with seizures and garnishment orders.

The results of the Commercial & Corporate Banking Segment also contracted, especially in the second quarter and in the Factoring and Leasing business areas, where there was a decrease in volumes brokered in conjunction with the economic downturn that began at the beginning of March, as a result of Covid-19.

As regards credit risk management, the Italian Government has introduced measures aimed at providing financial support to businesses and households, through moratoriums and strengthening the public credit guarantee system, in order to alleviate the liquidity tensions caused by the emergency and encourage new credit. These measures also mitigate any impact on the credit quality of banks. The Group has therefore taken steps to revise the estimate of expected losses and the valuation of the Group's portfolios, both in terms of collective reserves and specific reserves, in particular in respect of the portfolios concerned by moratoriums. Consequently, during the third quarter of 2020, collective adjustments were made relative to moratoriums of the transportation segment, in order to reflect the misalignment generated between the loan amortisation plan (frozen for the moratorium period granted) and the relative value of the assets given as guarantee (used and, therefore, subject to wear and tear for the same duration). This review worsened the performing exposures amounts by 8,3 million Euro. Additionally, the stage 1 and stage 2 provisions have been integrated to reflect the potential worsening on exposures due from certain segments considered to be significantly impacted by Covid-19 (i.e. tourism, people transport, catering and automotive). This adjustment was for approximately 2,9 million Euro.

In 2019, the Banca Ifis Group had developed satellite models with the aim of inserting forward looking information in the risk parameters, as regulated by the IFRS 9 accounting framework. These models link historical deterioration rates to the behaviour of macroeconomic variables and are fed by scenarios (baseline, adverse and upside). In normal conditions, the macroeconomic projections to be considered in the various scenarios are found in the biennial EBA publications during the stress test exercise for significant banks. Following the evolution of the economic crisis linked to the spread of Covid-19, it was considered appropriate to update the macroeconomic scenarios also in view of the recommendations issued by the supervisory authorities. The information used by Banca Ifis to update the forward looking impacts in the estimates of risk parameters comes from several institutions, including the Bank of Italy and the ECB (and Deutsche Bundesbank for the outlook on Germany and the BUND long-term interest rate). The choice was therefore made to update the probability of occurrence of the scenarios by leaving to the baseline scenario the higher probability of occurrence (70%), reserving for the adverse scenario a probability of 25%, much higher than that associated with the improvement scenario (5%) due to the high uncertainty and considering the possible new wave of infection in the autumn.

Finally, it is noted that as in the first nine months of 2020, analytical impairment has been booked, calculated on a single significant position in the retail segment, which, already restructured, has further deteriorated following the closure of the commercial business as a result of the Covid-19 pandemic. The total period provisions on these positions comes to 14,5 million Euro for receivables and 2,4 million Euro for unsecured and secured exposures.

These effects, together with the analytical recovery assessments of individual receivables, are reflected in the cost of credit at 30 September 2020, which amounted to 47,9 million Euro, and in the estimated provision for credit risks related to commitments and guarantees which amounted to 7,2 million Euro.

Again with reference to the result of financial operations, the valuation of level 3 financial instruments has also been penalised on the income statement as a result of how the impacts of Covid-19 have been reflected in the market parameters (rates curves, spreads, indexes, etc.) used.

As far as the Group's operating costs are concerned, just as the slowdown in court activity has limited debt collection and therefore caused a reduction in the Group's margins, it has also led to a reduction in legal recovery costs and registration taxes, as well as in costs connected with facilities as a result of the activation of smart working and the lesser mobility imposed by health emergency.

5.3 Significant events that occurred in the period

The Banca Ifis Group transparently and promptly discloses information to the market, constantly publishing information on significant events through press releases. Please visit the Investor Relations and Media Press sections of the institutional website www.bancaifis.it to view all press releases.

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

5.3.1 2020-2022 Three-Year Business Plan unveiled

The Board of Directors of Banca Ifis approved the 2020-2022 Business Plan on 13 January 2020. The Plan was presented to the financial community on 14 January.

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.

5.3.4 Acquisition of 70,77% of the capital of Farbanca S.p.A.

On 10 April 2020, Banca Ifis submitted a binding offer for the purchase of 70,77% of the share capital of Farbanca S.p.A. (company held by Banca Popolare di Vicenza), of which the remaining 29,23% is held by 450 small shareholders, mainly pharmacists. On 1 June 2020, Banca Ifis declared that it had successfully completed the competitive procedure for the purchase of 70,77% of the capital of Farbanca. The price to be paid at closing for 70,77% of the share capital is 32,5 million Euro, potentially reduced following the contractual price adjustment. Closing is subject to the issue of the necessary legal authorisations by the competent authorities. At the signing of the contract, a confirmation deposit will be paid of 15% of the price.

5.4 Significant subsequent events

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, 5 November 2020

For the Board of Directors

The C.E.O.

Luciano Colombini

5.5 Declaration of the Corporate Accounting Reporting Officer

5.5.1 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 30 September 2020 corresponds to the related books and accounting records.

Venice - Mestre, 5 November 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