Banca Ifis

Consolidated Half-Year Financial Report at 30 June 2021

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Corporate Bodies

Board of Directors in office at approval of the consolidated half-year financial report

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

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

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

Fully paid-up share capital: 53.811.095 Euro
ABI 3205.2
Tax Code and
Venice Companies Register Number: 02505630109
VAT no.: 04570150278
Enrolment in the Register of Banks no.: 5508
Registered and administrative office
Via Terraglio, 63 – 30174 Mestre – Venice
Website: www.bancaifis.it

Member of FCI

2.

Interim Directors' report on the Group

2.1 Results and strategy

2.1.1 Comment by the CEO

The results of the first half of the year confirm the solidity of our business model, which was able to immediately take advantage of the improvements in the macroeconomic context. Revenues grew double-digit, reaching 292,6 million Euro and, net of PPA (277 million Euro), reaching an all-time high, confirming the Bank's ability to generate sustainable revenues in the long term. The Parent Company's net profit increased by 31,5% to 48,3 million Euro, compared with 36,8 million Euro in the same period last year.

Positive signs, linked to the recovery, also come from the monitoring of loans in moratorium where 70% of our customers have resumed regular payments. The remaining receivables in arrears, amounting to 221 million Euro, consist mainly of lease receivables, underlying vehicles and capital goods, and loans mainly government-backed.

From a strategic point of view, the programme of digitisation and omnichannel business services continues. After the July opening of "Ifis4business" to some large factoring customers, in the coming months we will extend access to the platform to all our factoring customers and, by the first half of 2022, to all the products in our portfolio. This will allow us to reach customers in an omnichannel fashion, further enriching the customer experience, as well as offering new opportunities in terms of marketing.

During the first six months of the year, cash recoveries on Npl portfolios acquired reached an all time high and amounted to 170 million Euro, +45,4% compared to 116,9 million Euro in the first half of 2020. Recoveries benefited from precise managerial actions aimed at increasing the productivity of our servicing and reducing the recovery times for positions characterised by greater uncertainty.

In the second quarter of 2021, in a sign of further caution regarding the long-term impacts of Covid-19, we initiated a review of our Npl and commercial portfolio, primarily on positions with high vintage. The analysis, which is still in progress, has led to prudent provisions of 9 million Euro on the Npl portfolio and 5 million Euro on the commercial portfolio, already included in the second quarter results. The Bank's portfolio review will be completed in the second half of 2021.

With respect to the outlook for the current year, I am firmly convinced of the Bank's ability to generate sustainable and recurring profits: for 2021 we estimate net interest and other banking income in the range of 540 to 560 million Euro and operating profit in the range of 80 to 90 million Euro, assuming a gradually improving macroeconomic environment, no shocks from new lockdowns in the US, Europe or Italy and continued support from governments and central banks for the economic recovery.

2.1.2 Highlights - reclassified data[1]

Net banking income totalled 292,6 million Euro, up 37,5% from 212,8 million Euro in the prior-year period. This increase is mainly linked to the following factors: for 50,2 million Euro to the better performance of the Npl Segment and for 33,4 million Euro to the Commercial & Corporate Banking Segment. The latter concentrated its growth mainly in the Corporate Banking & Lending Business Area, which increased its net banking income by 29,7 million Euro to 41,6 million Euro, partly due to the inclusion of Farbanca in the scope (which contributed 8,6

1 In the following statements, net impairment losses/reversals on receivables of the Npl Segment were reclassified to interest receivable and similar income to the extent to which they represent the operations of this business and are an integral part of the return on the investment.
For that reason, too, outside of the peculiar operativity, the effects of an analysis performed also in response to the Covid-19 pandemic were classified to impairment losses.

million Euro), the growth in loans to SMEs (up approximately 6,5 million Euro) and the improved results of Equity Investments (up 11,4 million Euro).

The other components of net banking income, which amounted to 18,7 million Euro (compared to 3,3 million at 30 June 2020), consist of the overall good performance of the proprietary portfolio in terms of dividends received (6,1 million Euro), income from the disposal of financial assets (6,9 million Euro) and valuations (7,2 million Euro).

At 30 June 2021, net credit risk gains totalled 42,6 million Euro, compared to net losses of 33,3 million Euro at 30 June 2020. More specifically, in the first half of the year, net provisions on receivables in the Factoring area amounted to 6,2 million Euro, those in the Leasing area to 4,3 million Euro, and the Corporate Banking & Lending area to 9 million Euro. The Governance & Services and Non-Core Segment contributed net adjustments of 14,4 million Euro. Finally, in the Npl Segment, the item "Net adjustments/reversals for credit risk" refers to impairment of receivables following a detailed analysis, still in progress, carried out also in response to the Covid-19 pandemic, in terms of greater collection times, mainly on higher vintage positions.

Operating costs come to 178,2 million Euro, up 14,6% on 30 June 2020, due to higher variable costs linked to the legal business of the Npl Segment, the entrance of Farbanca into the scope and ICT projects.

Below are the item's main components.

- Personnel expenses rose by 11,6% to 67,7 million Euro (60,7 million Euro for the period ended 30 June 2020). The increase as compared with H1 2020, is mainly due to the entrance of Farbanca and the BU of the former Aigis Banca into the Banca Ifis Group, for approximately 2,1 million Euro and greater provisions made for variable remuneration of around 4 million Euro. The number of Group employees at 30 June 2021 was 1.844 as compared with 1.745 resources at 30 June 2020, mainly due to the entrances connected with Farbanca and Aigis.
- Other administrative expenses, at 30 June 2021, which come to 111,5 million Euro rise by 35,9% on 30 June 2020. The increase is linked to higher variable costs for professional services and expenses for the purchase of goods and services mainly related both to the resumption of credit recovery activities in the Npl Segment and to the change in the scope of consolidation with the inclusion of Farbanca and the BU acquired from the former Aigis Banca and the related integration costs.
- Net allocations to provisions for risks and charges amounted to 5,6 million Euro, a decrease of 65,5% on the 16,3 million Euro at 30 June 2020. The change is due to lower provisions for credit risks on commitments and guarantees of 3,8 million Euro. This item at 30 June 2020 included provisions of 6,9 million Euro relating to the Solidarity Fund for personnel.
- Other net operating income amounted to 15,8 million Euro, up 29,9% on the 12,2 million Euro recorded for the same period of the previous year. The change is mainly linked to the positive difference that emerged during the provisional allocation of the purchase price of the former Aigis Banca business unit, amounting to 3,4 million Euro.

At 30 June 2021, net profit of the Parent Company amounted to 48,3 million Euro, up 31,5% on the 36,8 million Euro of the same period of the previous year, which benefited from an extraordinary capital gain of 24,2 million Euro from this and the related tax effect due to the sale of the Milan property in Corso Venezia.

The Group's net profit at 30 June 2021, including the profit pertaining to minorities of 832 thousand Euro, is up 33,5% and comes to 49,2 million Euro.

Below are the main dynamics recorded in the individual Segments that go towards forming the economic-equity results at 30 June 2021.

Period net profit of the Commercial & Corporate Banking Segment comes to 31,5 million Euro, up 42,4% on 30 June 2020. This change is due to the growth of net banking income for 33,4 million Euro, while value adjustments for the credit risk come to 19,4 million Euro, in line with the first half of 2020. Operating costs rose by 16,9 million Euro on the figure recorded for H1 2020.

- The contribution made by the Factoring Area towards net banking income booked by the Commercial & Corporate Banking Segment came to 69,2 million Euro in H1 2021, in line with the same period of 2020.
- Net banking income of the Leasing Area is 28,7 million Euro, up 3,9 million Euro (+15,6%) on 30 June 2020; this result is mainly due to lesser interest expense following a review of internal transfer rates.
- Net banking income of the Corporate Banking & Lending Area, which came to 41,6 million Euro at 30 June 2021, rose by 29,7 million Euro on 30 June 2020, with an increase in the interest margin of 14,8 million Euro, in the commission component for 3,5 million Euro and in other components of net banking income for 11,4 million Euro.

Net period profit of the Npl Segment1 is approximately 21,7 million Euro, a significant rise on the 5,6 million Euro booked for the same period of last year thanks to the recovery of all business activities.

The net banking income of the Segment1 amounted to 123,2 million Euro (+68,8%) as compared with 73 million Euro at 30 June 2020. A positive impact comes both from the increase in the amount of loans at amortised cost that generated interest income for 73,3 million Euro (up 6,4% at 30 June 2021), and the improvement of cash flow forecasts as a result of collections made in respect of projections, with an effect of 60,1 million Euro on the interest margin in the half-year of 2021, as compared with 14,6 million Euro in the same period of 2020.

Collections made in the Npl Segment in H1 2021 came to 170,0 million Euro, up 45,4% on the 116,9 million Euro booked for H1 2020 and include the instalments collected on realignment plans, garnishment orders and transactions performed.

Operating costs go from 65,6 million Euro at 30 June 2020, to 82,6 million Euro for 30 June 2021, an increase of 25,9% mainly due to the variable costs connected with debt collection.

At 30 June 2021, the Governance & Services and Non Core Segment recorded a loss of 4,0 million Euro as compared with the profit of 9,1 million Euro of 30 June 2020, which benefited notably from the capital gain, gross of taxes, of 24,2 million Euro mainly due to the sale of the property in Corso Venezia, Milan.

Net interest and other banking income in the segment amounted to 30,0 million Euro, down by 3,7 million Euro compared to the first half of 2020; this change is mainly related to the reduction in the interest margin of the Non-Core portfolio in run-off and the consequent physiological reduction in the PPA reversal.

Operating costs come to 21,3 million Euro, down 11,3 million Euro on 30 June 2020. The change is mainly due to non-recurring effects that affected the two half-year periods under comparison. In particular, the first half of 2021 includes in other income 3,4 million Euro related to the positive difference that emerged during the provisional allocation of the purchase price of the former Aigis Banca business unit, while the first half of 2020 included 6,9 million Euro related to the provision made to the employee solidarity fund.

Total receivables due from customers measured at amortised cost amounted to 9.875,5 million Euro, up 8,1% on 31 December 2020 (9.135,4 million Euro). The item includes debt securities for 1,7 billion Euro (1,3 billion at 31 December 2020), of which government securities for 1,4 million Euro.

The Commercial & Corporate Banking Segment grew by 7,8% compared to the same period a year earlier, with a positive trend concentrated above all in the Corporate Banking & Lending business area (+26,2%), driven by the increase in loans to SMEs, to which the former Aigis Banca division contributed 278 million Euro, while the

Factoring & Leasing and Npl Segments remained largely stable. An increase is recorded of 307,9 million Euro in exposures of the Governance & Services and Non-Core Segment, mainly due to the purchase of debt securities during H1 2021.

During the first six months of 2021, the Group continued its strategy of differentiating between distribution channels, in order to ensure a better balance with respect to retail funding. The Group has surplus liquidity in respect of its needs (approximately 1,9 billion Euro at 30 June 2021 in reserves and free assets that can be financed in the ECB), thereby enabling it to easily respect limits (LCR more than 1.700%).

Total funding amounted to 11.000,2 million Euro at 30 June 2021 (+11% compared to 31 December 2020) and is represented for 53,5% by payables due to customers (compared to 55,2% at 31 December 2020), for 24,8% by payables due to banks (compared to 23,9% at 31 December 2020), and for 21,7% by debt securities issued (20,9% at 31 December 2020).

At 30 June 2021, the Group's funding structure was as follows:

- 53,5% customers;
- 9,7% debt securities;
- 12,0% ABSs;
- 19,2% TLTROs;
- 2,6% Repos;
- 3,0% other.

Amounts due to customers amounted to 5.884,4 million Euro at 30 June 2021, an increase of 7,5% compared to 31 December 2020 essentially linked to the contribution of deposits referring to the former Aigis Banca business unit for 412,6 million Euro.

Payables due to banks amounted to 2.728,1 million Euro, up 15,3% compared to 31 December 2020, mainly due to new repurchase agreements.

Securities issued amounted to 2.387,7 million Euro at 30 June 2021, up on the 2.069,1 million Euro of 31 December 2020. This increase is mainly attributable to senior notes totalling 372 million Euro relating to the Emma securitisation, an SPV that can be traced to receivables disbursed by the subsidiary Farbanca, which was restructured in June 2021, the effect of which was partially offset by the repayment in full of approximately 63 million Euro of the bonds issued by the former Interbanca, which matured in March 2021.

At 30 June 2021, the Group's consolidated equity was up 1,6%, coming in at 1.574 million Euro as compared with the 1.550,0 million Euro at 30 June 2020. The main changes concern:

- the positive change relative to the period result pertaining to the Parent company of 48,3 million Euro;
- the positive change in Equity attributable to non-controlling interests for 0,8 million Euro, for the part share of the period results accrued by the subsidiaries Farbanca and Credifarma;
- the negative change of 25,1 million Euro related to dividends distributed during the half-year;

With prudential consolidation within La Scogliera, capital ratios at 30 June 2021 amounted to a CET1 ratio of 11,44%[2] (compared with 11,29% at 31 December 2020), a TIER1 ratio of 12,06%[2] (11,86% at 31 December 2020) and a Total Capital ratio of 15,08%[2] (compared with 14,85% at 31 December 2020).

2 Common Equity Tier 1, Tier 1 Capital, and Total Own Funds at 30 June 2021 do not include the profits generated by the Banking Group in the first six months of 2021.

At 30 June 2021 the ratios for the Banca Ifis Group only, without considering the effects of consolidation within the parent company, La Scogliera, amounted to a CET1 ratio of 15,51%[3] (compared with 15,47% at 31 December 2020), a TIER1 ratio of 15,53%[3] (15,49% at 31 December 2020) and a Total Capital ratio of 19,86%[3] (compared with 19,87% at 31 December 2020).

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

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

At 30 June 2021, the Banca Ifis Group easily met the above prudential requirements.

3 Common Equity Tier 1, Tier 1 Capital, and Total Own Funds at 30 June 2021 do not include the profits generated by the Banking Group in the first six months of 2021.

2.2 Highlights

In the following statements, net impairment losses/reversals on receivables of the Npl Segment were reclassified to interest receivable and similar income to the extent to which they represent the operations of this business and are an integral part of the return on the investment.

For that reason, too, outside of the peculiar operativity, the effects of an analysis performed also in response to the Covid-19 pandemic were classified to impairment losses.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Financial assets measured at fair value through other comprehensive income	799.051	774.555	24.496	3,2%
Receivables due from banks measured at amortised cost	1.606.657	1.083.281	523.376	48,3%
Receivables due from customers measured at amortised cost	9.875.482	9.135.402	740.080	8,1%
Total assets	13.268.613	12.026.196	1.242.417	10,3%
Payables due to banks measured at amortised cost	2.728.071	2.367.082	360.989	15,3%
Payables due to customers measured at amortised cost	5.884.418	5.471.874	412.544	7,5%
Debt securities issued	2.387.735	2.069.083	318.652	15,4%
Equity	1.574.026	1.549.962	24.064	1,6%

RECLASSIFIED CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	1ST HALF		CHANGE	
	2021	2020	ABSOLUTE	%
Net banking income	**292.625**	**212.791**	**79.834**	**37,5%**
Net credit risk losses/reversals	(42.601)	(33.340)	(9.261)	27,8%
Net profit (loss) from financial activities	**250.024**	**179.451**	**70.573**	**39,3%**
Operating costs	(178.159)	(155.458)	(22.701)	14,6%
Gains (Losses) on disposal of investments	-	24.161	(24.161)	(100,0)%
Pre-tax profit from continuing operations	71.865	48.154	23.711	49,2%
Profit (loss) for the period	**49.163**	**36.822**	**12.341**	**33,5%**
Profit (Loss) for the period attributable to non-controlling interests	832	66	766	1160,6%
Profit for the period attributable to the Parent company	**48.331**	**36.756**	**11.575**	**31,5%**

RECLASSIFIED CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	2ND QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net banking income	**154.896**	**106.839**	**48.057**	**45,0%**
Net credit risk losses/reversals	(26.499)	(14.828)	(11.671)	78,7%
Net profit (loss) from financial activities	**128.397**	**92.011**	**36.386**	**39,5%**
Operating costs	(86.891)	(81.959)	(4.932)	6,0%
Pre-tax profit from continuing operations	41.506	10.052	31.454	312,9%
Profit (loss) for the period	**28.394**	**10.380**	**18.014**	**173,5%**
Profit (Loss) for the period attributable to non-controlling interests	184	50	134	268,0%
Profit for the period attributable to the Parent company	**28.210**	**10.330**	**17.880**	**173,1%**

CONSOLIDATED COMPREHENSIVE INCOME (in thousands of Euro)	30.06.2021	30.06.2020
Profit (loss) for the period	**49.163**	**36.822**
Other comprehensive income, net of taxes, not to be reclassified to profit or loss	2.007	(16.967)
Other comprehensive income, net of taxes, to be reclassified to profit or loss	(2.147)	(3.277)
Consolidated comprehensive income	**49.023**	**16.578**
Total consolidated comprehensive income attributable to minorities	835	63
Total consolidated comprehensive income attributable to the Parent company	**48.188**	**16.515**

GROUP EQUITY KPIs	30.06.2021	31.12.2020
Ratio - Total Own Funds [(1)]	15,08%	14,85%
Common Equity Tier 1 Ratio [(1)]	11,44%	11,29%
Number of company shares (in thousands)	53.811	53.811
Number of shares outstanding at period end[(2)] (in thousands)	53.472	53.460
Book value per share	29,44	28,99

(1) Common Equity Tier 1 Capital, and total Own Funds at 30 June 2021 do not include the profits generated by the Banking Group in the first half of 2021.
(2) Outstanding shares are net of treasury shares held in the portfolio.

GROUP ECONOMIC KPIs	30.06.2021	30.06.2020
Earnings per share (EPS)	0,90	0,69

2.3 Results by business segments

In the following statements, net impairment losses/reversals on receivables of the Npl Segment were reclassified to interest receivable and similar income to the extent to which they represent the operations of this business and are an integral part of the return on the investment.

For that reason, too, outside of the peculiar operativity, the effects of an analysis performed also in response to the Covid-19 pandemic were classified to impairment losses.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & NON-CORE SERVICES SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Other financial assets mandatorily measured at fair value through profit or loss							
Amounts at 30.06.2021	78.371	-	-	78.371	9.276	65.663	**153.310**
Amounts at 31.12.2020	*66.441*	-	-	*66.441*	*9.524*	*61.013*	***136.978***
% Change	*18,0%*	-	-	*18,0%*	*(2,6)%*	*7,6%*	***11,9%***
Financial assets measured at fair value through other comprehensive income							
Amounts at 30.06.2021	1.833	-	-	1.833	-	797.218	**799.051**
Amounts at 31.12.2020	*2.322*	-	-	*2.322*	-	*772.233*	***774.555***
% Change	*(21,1)%*	-	-	*(21,1)%*	-	*3,2%*	***3,2%***
Receivables due from customers(1)							
Amounts at 30.06.2021	6.459.645	2.748.756	1.410.810	2.300.079	1.370.746	2.045.091	**9.875.482**
Amounts at 31.12.2020	*5.992.591*	*2.755.488*	*1.414.055*	*1.823.048*	*1.405.603*	*1.737.208*	***9.135.402***
% Change	*7,8%*	*(0,2)%*	*(0,2)%*	*26,2%*	*(2,5)%*	*17,7%*	***8,1%***

(1) In the Governance & Non-Core Services Segment, at 30 June 2021, there were government securities amounting to 1.408,0 million Euro (1.095,3 million Euro at 31 December 2020).

INCOME STATEMENT DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & NON-CORE SERVICES SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Net banking income							
Amounts at 30.06.2021	139.432	69.201	28.669	41.562	123.226	29.967	**292.625**
Amounts at 30.06.2020	106.074	69.383	24.809	11.882	73.017	33.700	**212.791**
% Change	*31,4%*	*(0,3)%*	*15,6%*	*249,8%*	*68,8%*	*(11,1)%*	***37,5%***
Net profit (loss) from financial activities							
Amounts at 30.06.2021	120.039	63.039	24.395	32.605	114.391	15.594	**250.024**
Amounts at 30.06.2020	86.114	63.688	16.050	6.376	73.017	20.320	**179.451**
% Change	*39,4%*	*(1,0)%*	*52,0%*	*n.s.*	*56,7%*	*(23,3)%*	***39,3%***
Profit for the period							
Amounts at 30.06.2021	31.456	14.575	6.578	10.303	21.719	(4.012)	**49.163**
Amounts at 30.06.2020	22.092	20.950	2.605	(1.463)	5.649	9.081	**36.822**
% Change	*42,4%*	*(30,4)%*	*152,5%*	*n.s.*	*284,5%*	*(144,2)%*	***33,5%***

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							
2nd quarter 2021	74.497	35.176	15.050	24.271	64.962	15.437	**154.896**
2nd quarter 2020	52.310	33.012	12.976	6.322	29.783	24.746	**106.839**
% Change	*42,4%*	*6,6%*	*16,0%*	*283,9%*	*118,1%*	*(37,6)%*	***45,0%***
Net profit (loss) from financial activities							
2nd quarter 2021	60.807	24.701	14.525	21.581	56.127	11.463	**128.397**
2nd quarter 2020	43.398	31.915	8.554	2.930	29.783	18.830	**92.011**
% Change	*40,1%*	*(22,6)%*	*69,8%*	*636,3%*	*88,5%*	*(39,1)%*	***39,5%***
Profit for the period							
2nd quarter 2021	16.164	3.397	4.815	7.952	10.245	1.985	**28.394**
2nd quarter 2020	11.211	11.848	187	(824)	(1.125)	292	**10.380**
% Change	*44,2%*	*(71,3)%*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	***173,5%***

SEGMENT KPIs (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & NON-CORE SERVICES SEGMENT[1]
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA		
Cost of credit quality[2]						
Amounts at 30.06.2021	0,65%	0,47%	0,61%	0,91%	n.a.	5,77%
Amounts at 31.12.2020	*1,38%*	*1,09%*	*1,11%*	*2,43%*	*n.a.*	*4,72%*
% Change	*(0,73)%*	*(0,62)%*	*(0,50)%*	*(1,52)%*	*n.a.*	*1,05%*
Net bad loans/Receivables due from customers						
Amounts at 30.06.2021	0,6%	1,2%	0,1%	0,3%	75,3%	0,7%
Amounts at 31.12.2020	*0,7%*	*1,3%*	*0,2%*	*0,3%*	*74,1%*	*0,9%*
% Change	*(0,1)%*	*(0,1)%*	*(0,0)%*	*(0,0)%*	*1,2%*	*(0,2)%*
Coverage ratio on gross bad loans						
Amounts at 30.06.2021	75,1%	76,6%	87,1%	33,1%	-	34,9%
Amounts at 31.12.2020	*72,7%*	*73,7%*	*85,0%*	*26,9%*	*-*	*29,1%*
% Change	*2,4%*	*2,9%*	*2,1%*	*6,2%*	*-*	*5,8%*
Net non-performing exposures/Net receivables due from customers						
Amounts at 30.06.2021	2,7%	4,2%	0,9%	2,1%	98,3%	2,4%
Amounts at 31.12.2020	*2,7%*	*4,2%*	*0,8%*	*1,8%*	*98,3%*	*2,9%*
% Change	*0,0%*	*0,0%*	*0,1%*	*0,3%*	*0,0%*	*(0,5)%*
Gross non-performing exposures/Gross receivables due from customers						
Amounts at 30.06.2021	5,8%	9,4%	2,7%	3,1%	98,3%	4,0%
Amounts at 31.12.2020	5,9%	9,3%	2,9%	3,0%	*98,3%*	*4,3%*
% Change	*(0,1)%*	*0,1%*	*(0,2)%*	*0,1%*	*0,0%*	*(0,3)%*
RWAs[3]						
Amounts at 30.06.2021	5.063.242	2.274.675	1.270.912	1.517.655	2.131.840	1.111.805
Amounts at 31.12.2020	*5.144.914*	*2.361.547*	*1.309.416*	*1.473.951*	*2.211.695*	*915.705*
% Change	*(1,6)%*	*(3,7)%*	*(2,9)%*	*3,0%*	*(3,6)%*	*21,4%*

(1) In the Governance & Non-Core Services Segment, at 30 June 2021, there were government securities amounting to 1.408,0 million Euro (1.095,3 million Euro at 31 December 2020), which for the purpose of calculating the cost of credit quality, were not considered.
(2) This indicator is calculated comparing the value of net credit risk losses/reversals at the end of the year over the annual average loans to customers (calculated quarterly).
(3) Risk Weighted Assets; the amount only relates to the credit risk.

2.4 Reclassified quarterly evolution

In the following statements, net impairment losses/reversals on receivables of the Npl Segment were reclassified to interest receivable and similar income to the extent to which they represent the operations of this business and are an integral part of the return on the investment.

For that reason, too, outside of the peculiar operativity, the effects of an analysis performed also in response to the Covid-19 pandemic were classified to impairment losses.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2021		YEAR 2020			
	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	153.310	142.699	136.978	103.487	102.347	103.743
Financial assets measured at fair value through other comprehensive income	799.051	759.471	774.555	1.162.008	1.146.701	1.215.355
Receivables due from banks measured at amortised cost	1.606.657	1.080.307	1.083.281	1.016.707	1.007.613	628.756
Receivables due from customers measured at amortised cost	9.875.482	9.032.139	9.135.402	7.957.357	8.034.032	7.600.742
Property, plant and equipment	120.566	116.564	115.149	110.366	108.976	109.632
Intangible assets	61.124	61.043	60.970	60.800	60.632	61.893
Tax assets	343.010	374.264	381.431	377.122	385.780	389.964
Other assets	309.413	274.723	338.430	410.789	406.240	382.531
Total assets	**13.268.613**	**11.841.210**	**12.026.196**	**11.198.636**	**11.252.321**	**10.492.616**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2021		YEAR 2020			
	30.06	31.03	31.12	30.09	30.06	31.03
LIABILITIES AND EQUITY						
Payables due to banks measured at amortised cost	2.728.071	2.251.098	2.367.082	2.245.825	2.270.742	1.014.365
Payables due to customers measured at amortised cost	5.884.418	5.526.263	5.471.874	4.915.588	4.863.949	4.894.280
Debt securities issued	2.387.735	1.957.906	2.069.083	1.991.481	2.036.348	2.559.834
Tax liabilities	44.993	52.524	48.154	42.054	47.367	68.066
Other liabilities	649.370	481.754	520.041	491.412	536.967	413.641
Group equity:	1.574.026	1.571.665	1.549.962	1.512.276	1.496.948	1.542.430
- Share capital, share premiums and reserves	*1.525.695*	*1.551.543*	*1.481.158*	*1.459.930*	*1.460.192*	*1.516.004*
- Net profit attributable to the Parent company	*48.331*	*20.121*	*68.804*	*52.346*	*36.756*	*26.426*
Total liabilities and equity	**13.268.613**	**11.841.210**	**12.026.196**	**11.198.636**	**11.252.321**	**10.492.616**

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2021		YEAR 2020			
	2nd Q	1st Q	4th Q	3rd Q	2nd Q	1st Q
Net interest income	**117.206**	**115.827**	**120.891**	**91.122**	**78.263**	**91.416**
Net commission income	**22.084**	**18.767**	**19.392**	**15.688**	**18.710**	**21.097**
Other components of net banking income	15.606	3.135	5.814	2.102	9.866	(6.561)
Net banking income	**154.896**	**137.729**	**146.097**	**108.912**	**106.839**	**105.952**
Net credit risk losses/reversals	(26.499)	(16.102)	(43.503)	(14.516)	(14.828)	(18.512)
Net profit (loss) from financial activities	**128.397**	**121.627**	**102.594**	**94.396**	**92.011**	**87.440**
Personnel expenses	(33.946)	(33.779)	(34.059)	(28.630)	(28.651)	(32.029)
Other administrative expenses	(59.039)	(52.455)	(67.830)	(40.923)	(41.545)	(40.520)
Net allocations to provisions for risks and charges	1.802	(7.421)	(7.034)	(4.619)	(11.412)	(4.889)
Net impairment losses/reversals on property, plant and equipment and intangible assets	(4.732)	(4.413)	(4.730)	(4.490)	(4.558)	(4.039)
Other operating income/expenses	9.024	6.800	35.031	4.717	4.207	7.978
Operating costs	**(86.891)**	**(91.268)**	**(78.622)**	**(73.945)**	**(81.959)**	**(73.499)**
Value adjustments of goodwill	-	-	(700)	-	-	-
Gains (Losses) on disposal of investments	-	-	-	-	-	24.161
Pre-tax profit from continuing operations	**41.506**	**30.359**	**23.272**	**20.451**	**10.052**	**38.102**
Income taxes for the period relating to continuing operations	(13.112)	(9.590)	(6.592)	(4.811)	328	(11.660)
Profit for the period	**28.394**	**20.769**	**16.680**	**15.640**	**10.380**	**26.442**
Profit for the period attributable to non-controlling interests	184	648	222	50	50	16
Profit for the period attributable to the Parent company	**28.210**	**20.121**	**16.458**	**15.590**	**10.330**	**26.426**

2.5 Group historical data

In the following statements, net impairment losses/reversals on receivables of the Npl Segment were reclassified to interest receivable and similar income to the extent to which they represent the operations of this business and are an integral part of the return on the investment.

For that reason, too, outside of the peculiar operativity, the effects of an analysis performed also in response to the Covid-19 pandemic were classified to impairment losses.

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)	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
Financial assets measured at fair value through other comprehensive income	799.051	1.146.701	693.533	433.827	634.694
Receivables due from customers measured at amortised cost	9.875.482	8.034.032	7.343.892	6.710.457	6.047.860
Payables due to banks measured at amortised cost	2.728.071	2.270.742	781.199	882.324	967.285
Payables due to customers measured at amortised cost	5.884.418	4.863.949	5.069.334	4.840.864	5.291.594
Debt securities issued	2.387.735	2.036.348	2.102.076	2.095.844	1.352.375
Equity	1.574.026	1.496.948	1.472.257	1.373.083	1.293.061
Net banking income	292.625	212.791	279.197	278.117	253.219
Net profit (loss) from financial activities	250.024	179.451	244.151	238.081	265.328
Profit (loss) for the period attributable to the Parent company	48.331	36.756	68.266	66.209	103.657
KPIs:					
Cost/Income ratio	60,9%	73,1%	49,6%	51,8%	49,0%
Ratio - Total Own Funds (2)	15,08%	15,33%	14,51%	15,43%	15,64%
Common Equity Tier 1 Ratio (2)	11,44%	11,58%	10,81%	11,11%	14,79%

(1) For comparison purposes, the data for 2017 and 2018 has been restated to ensure accounting consistency with the amounts at 30 June 2021 in order to account for the changes introduced by IFRS 9. Restatement has not been applied to the calculation of comparative ratios which remain in line with previously published figures.
(2) Common Equity Tier 1 Capital, and total Own Funds at 30 June 2021 do not include the profits generated by the Banking Group in the first half of 2021.

2.6 APMs - Alternative Performance Measures

The Banca Ifis Group has defined a number of indicators, listed in the tables of the Group's KPIs, that provide Alternative Performance Measures (APM) to help investors identify significant operational trends and financial ratios. For the interim financial statements, some indicators presented in the Annual report are not considered representative.

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

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

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

Cost/Income ratio (in thousands of Euro)	30.06.2021	30.06.2020
A. Operating costs	178.159	155.458
B. Net banking income	292.625	212.791
Reclassified cost/income ratio (A/B)	**60,9%**	**73,1%**

Book value per share	30.06.2021	31.12.2020
A. Number of shares outstanding	53.472	53.460
B. Group equity (in thousands of Euro)	1.574.026	1.549.962
Book value per share (B/A) Euro	**29,44**	**28,99**

2.7 Impact of regulatory changes

Starting 1 January 2021 the following changes have been made, impacting banking/financial, accounting and tax regulations and, more specifically:

- New Definition of Default (the "New DoD"): following the issuance by the EBA of the "Guidelines on the application of the definition of default under Article 178 of Regulation (EU) no. 575/2013" (EBA/GL/2016/07) and of the "Regulatory Technical Standards on the materiality threshold for credit obligations in arrears" and the related Delegated Regulation (EU) no. 171/2018 of the European Commission of 19 October 2017 (EBA/RTS/2016/06), in turn transposed at national level by the Bank of Italy, new rules on the "Default Classification of Counterparties" were introduced with effect from 1 January 2021. These new rules require the application of more restrictive prudential criteria than those adopted to date by Italian intermediaries, a summary of which is provided below:

New Definition of Default: summary of main changes		
Key	**Existing rules (until 31.12.2020)**	**New rules (from 01.01.2021)**
Classification as non-performing past due exposures	A customer is classified as having non-performing past due exposures if they are in arrears for more than 90 consecutive days and the total amount of exposures past due is at least 5% of the total exposures to the customer.	The customer is classified as an having non-performing past due exposures if it simultaneously exceeds the following materiality thresholds for more than 90 consecutive days: - absolute threshold: Euro 100 for "retail" exposures; Euro 500 for other "non-retail" exposures; - relative threshold: 1% of the total amount of all exposures accrued on the contracts that the client has in place with the Bank.
Offsetting	The offsetting of past due amounts against funds on other credit facilities not used or partially used by the customer is permitted.	Offsetting is no longer permitted. Consequently, the Bank is required to classify the customer as "Defaulting" even if there is availability on other undrawn credit facilities.
Stay in Default status	Classification as a performing company occurs when the conditions for a default classification no longer exist.	The status of Default remains for at least 90 days from the moment in which the client settles the payment arrears with the Bank or remedies an overrun.
Joint obligations	There are no rules for the propagation of the status of Default in the case of joint obligations (e.g. "co-ownership").	New "propagation of Default status" rules are provided: - if a joint obligation is classified as "at Default", this classification is also extended to the relationships relating to the individual parties that are part of that obligation (insolvent); - only if all the parties involved in a joint obligation relationship are individually classified as "in default", this classification will also be extended to the joint obligation relationships linked to them.
Classification at banking group level	The classification of a customer as having non-performing past due exposures at one Group company does not imply the same automatic classification at the other Group companies.	If a counterparty is classified as "Default" by a Group company, this classification will automatically be propagated to all the other Group companies with which the counterparty has dealings.

- Resolutions of the Council of Ministers of 13 January 2021, 21 April 2021 and 23 July 2021, which extended first until 30 April 2021 and then until 31 July 2021 and ultimately until 31 December 2021 the state of emergency following the spread of the Covid-19 pandemic;

- Italian Law Decree no. 73/2021 (the "Sostegni-Bis Decree"), which contains the following measures:
  - With regard to guarantees on portfolios of new medium/long-term loans granted to companies with no more than 499 employees for the implementation of research, development and innovation projects and/or investment programmes, an increase in the investment portfolios to 500 million Euro is granted, provided that the duration is between a minimum of 6 years and a maximum of 15 years and at least 60% of the loans are for research, development and innovation projects and/or investment programmes;
  - Extension to 31 December 2021 of temporary measures to support business liquidity and extension to 10 years of the maximum duration of loans with public guarantee (Sace), compared to the previous limit of 6 years;
  - Extension until 31 December 2021 of the moratorium for SMEs, for revocable credit facilities and for loans granted against advances on loans existing on 29 February 2020 or, if higher, for both the drawn and the unused portion.

2.8 Contribution of operating segments to Group results

In the following statements, net impairment losses/reversals on receivables of the Npl Segment were reclassified to interest receivable and similar income to the extent to which they represent the operations of this business and are an integral part of the return on the investment.

For that reason, too, outside of the peculiar operativity, the effects of an analysis performed also in response to the Covid-19 pandemic were classified to impairment losses.

2.8.1 The organisational structure

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

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

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

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

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

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

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

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

COMMERCIAL & CORPORATE BANKING SEGMENT

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

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

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

In May 2021, the Group proceeded with the acquisition of the business (hereinafter also former Aigis Banca business) whose corporate finance activities were merged into the Commercial & Corporate Banking Segment and proprietary portfolio management into the Governance & Services and Non-Core Segment. For further details on this transaction, see paragraph 4.4 "Business combinations involving companies or business units".

Here below are the results of the as at 30 June 2021.

INCOME STATEMENT DATA (in thousands of Euro)	1ST HALF		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**90.058**	**72.278**	**17.780**	**24,6%**
Net commission income	**40.597**	**36.839**	**3.758**	**10,2%**
Other components of net banking income	8.777	(3.043)	11.820	(388,4)%
Net banking income	**139.432**	**106.074**	**33.358**	**31,4%**
Net credit risk losses/reversals	(19.393)	(19.960)	567	(2,8)%
Net profit (loss) from financial activities	**120.039**	**86.114**	**33.925**	**39,4%**
Operating costs	**(74.192)**	**(57.227)**	**(16.965)**	**29,6%**
Pre-tax profit from continuing operations	**45.847**	**28.887**	**16.960**	**58,7%**
Income taxes for the period relating to continuing operations	(14.391)	(6.795)	(7.596)	111,8%
Profit (loss) for the period	**31.456**	**22.092**	**9.364**	**42,4%**

INCOME STATEMENT DATA (in thousands of Euro)	2ND QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**46.379**	**36.220**	**10.159**	**28,0%**
Net commission income	**21.469**	**17.114**	**4.355**	**25,4%**
Other components of net banking income	6.649	(1.024)	7.673	n.s.
Net banking income	**74.497**	**52.310**	**22.187**	**42,4%**
Net credit risk losses/reversals	(13.690)	(8.912)	(4.778)	53,6%
Net profit (loss) from financial activities	**60.807**	**43.398**	**17.409**	**40,1%**
Operating costs	**(37.358)**	**(29.212)**	**(8.146)**	**27,9%**
Pre-tax profit from continuing operations	**23.449**	**14.186**	**9.263**	**65,3%**
Income taxes for the period relating to continuing operations	(7.285)	(2.975)	(4.310)	144,9%
Profit (loss) for the period	**16.164**	**11.211**	**4.953**	**44,2%**

Net profit of the Commercial & Corporate Banking Segment comes to 31,5 million Euro, up 42,4% on 30 June 2020. This change is due to the growth of net banking income for 33,4 million Euro, while value adjustments for the credit risk come to 19,4 million Euro, in line with the first half of last year. Overall, operating costs grew by 16,9 million Euro on H1 2020, as more extensively commented on further on in the document.

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

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

COMMERCIAL & CORPORATE BANKING (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 30.06.2021						
Nominal amount	167.744	174.601	45.898	**388.243**	6.354.346	**6.742.589**
Impairment losses	(126.002)	(80.696)	(5.339)	**(212.037)**	(70.907)	**(282.944)**
Carrying amount	41.742	93.905	40.559	**176.206**	6.283.439	**6.459.645**
Coverage ratio	*75,1%*	*46,2%*	*11,6%*	***54,6%***	*1,1%*	***4,2%***
Gross ratio	*2,5%*	*2,6%*	*0,7%*	***5,8%***	*94,2%*	***100,0%***
Net ratio	*0,6%*	*1,5%*	*0,6%*	***2,7%***	*97,3%*	***100,0%***
POSITION AT 31.12.2020						
Nominal amount	157.660	176.949	35.583	**370.192**	5.892.756	**6.262.949**
Impairment losses	(114.554)	(89.677)	(5.135)	**(209.366)**	(60.991)	**(270.358)**
Carrying amount	43.106	87.272	30.448	**160.826**	5.831.765	**5.992.591**
Coverage ratio	*72,7%*	*50,7%*	*14,4%*	***56,6%***	*1,0%*	***4,3%***
Gross ratio	*2,5%*	*2,8%*	*0,6%*	***5,9%***	*94,1%*	***100,0%***
Net ratio	*0,7%*	*1,5%*	*0,5%*	***2,7%***	*97,3%*	***100,0%***

Net non-performing exposures in the Commercial & Corporate Banking Segment stood at 176,2 million Euro at 30 June 2021, up 15,4 million Euro on the figure at 31 December 2020 (160,8 million Euro): the ratio of net bad

loans to total receivables (0,6%) drops by a tenth by virtue of the increase of coverage recorded during the half-year. Unlikely to pay instead rise by 6,6 million Euro (on the previous year end figure), just like past due exposures that come to 40,6 million Euro, up 10,1 million Euro on 31 December 2020. The coverage ratio of impaired assets was 54,6%, down 2 percentage points compared to 31 December 2020.

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 10,1 million Euro at 30 June 2021, as compared with the 7,2 million Euro recorded at 31 December 2020.

These amounts already incorporate the effects connected with the temporal reversal of the PPA and the effects of expected losses over the useful life of the asset, as required by IFRS 9, as well as the increases associated with the acquisition of the business unit of the former Aigis Banca.

KPI	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Cost of credit quality[1]	0,65%	1,38%	n.a.	(0,7)%
Net Npe ratio	2,7%	2,7%	n.a.	0,0%
Gross Npe ratio	5,8%	5,9%	n.a.	(0,1)%
Total RWAs	5.063.242	5.144.914	(81.672)	(1,6)%

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

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

Factoring Area

INCOME STATEMENT DATA (in thousands of Euro)	1ST HALF		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**41.562**	**42.316**	**(754)**	**(1,8)%**
Net commission income	**27.255**	**27.067**	**188**	**0,7%**
Other components of net banking income	384	-	384	n.a.
Net banking income	**69.201**	**69.383**	**(182)**	**(0,3)%**
Net credit risk losses/reversals	(6.162)	(5.695)	(467)	8,2%
Net profit (loss) from financial activities	**63.039**	**63.688**	**(649)**	**(1,0)%**
Operating costs	**(41.868)**	**(36.294)**	**(5.574)**	**15,4%**
Pre-tax profit from continuing operations	**21.171**	**27.394**	**(6.223)**	**(22,7)%**
Income taxes for the period relating to continuing operations	(6.596)	(6.444)	(152)	2,4%
Profit (loss) for the period	**14.575**	**20.950**	**(6.375)**	**(30,4)%**

INCOME STATEMENT DATA (in thousands of Euro)	2ND QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**21.121**	**20.725**	**396**	**1,9%**
Net commission income	**13.807**	**12.287**	**1.520**	**12,4%**
Other components of net banking income	248	-	248	n.a.
Net banking income	**35.176**	**33.012**	**2.164**	**6,6%**
Net credit risk losses/reversals	(10.475)	(1.098)	(9.377)	n.s.
Net profit (loss) from financial activities	**24.701**	**31.915**	**(7.214)**	**(22,6)%**
Operating costs	**(19.914)**	**(17.635)**	**(2.279)**	**12,9%**
Pre-tax profit from continuing operations	**4.787**	**14.279**	**(9.492)**	**(66,5)%**
Income taxes for the period relating to continuing operations	(1.390)	(2.431)	1.041	(42,8)%
Profit (loss) for the period	**3.397**	**11.848**	**(8.451)**	**(71,3)%**

The contribution made by the Factoring Area towards net banking income booked by the Commercial & Corporate Banking Segment came to 69,2 million Euro in H1 2021, substantially in line with the same period of last year. This result was due to the lower contribution of net interest income (down 0,8 million Euro, -1,8%), offset by the increase in net commissions (+0,7%) and the positive contribution of assets measured at fair value of 0,4 million Euro.

Turnover in the first half of 2021 amounted to 5,5 billion Euro, up by 192 million Euro compared to the same period of the previous year, while outstanding loans amounted to 3,4 billion Euro, substantially in line with December 2020.

In the first half of 2021, provisions for credit risk amounted to 6,2 million Euro (+0,5 million Euro compared to the same period of the previous year). The overall effect of the half year saw an increase in provisions for non-performing loans and provisions for the commercial portfolio with higher vintage, concentrated in the second quarter, which offset the reduction in provisions recorded in the first quarter of the year linked to a revision of the credit risk assessment models.

Therefore, net profit from financial activities amounted to 63,0 million Euro (-0,6 million Euro on the same period of last year).

Operating costs rose by 5,6 million Euro on 30 June 2020. This effect is the combined result of higher personnel expenses of 2,4 million Euro, mainly related to the variable remuneration allocated in the half-year taking into account that the first half of 2020 was affected by prudential policies related to the uncertainty of the pandemic and higher provisions of approximately 2,9 million Euro. In particular, the latter are mainly due to provisions related to credit risk of approximately 1,4 million Euro (commitments and guarantees given and payments under guarantee), and provisions for legal disputes of approximately 0,9 million Euro.

At 30 June 2021, the Area's total net loans amounted to 2,7 billion Euro, in line with 31 December 2020.

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

FACTORING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 30.06.2021						
Nominal amount	145.369	95.355	35.284	**276.008**	2.659.068	**2.935.076**
Impairment losses	(111.406)	(48.681)	(1.442)	**(161.529)**	(24.791)	**(186.320)**
Carrying amount	33.963	46.674	33.842	**114.479**	2.634.277	**2.748.756**
Coverage ratio	*76,6%*	*51,1%*	*4,1%*	***58,5%***	*0,9%*	***6,3%***
POSITION AT 31.12.2020						
Nominal amount	136.063	108.726	27.976	**272.765**	2.664.408	**2.937.173**
Impairment losses	(100.263)	(55.617)	(1.103)	**(156.982)**	(24.702)	**(181.685)**
Carrying amount	35.800	53.109	26.873	**115.783**	2.639.706	**2.755.488**
Coverage ratio	*73,7%*	*51,2%*	*3,9%*	***57,6%***	*0,9%*	***6,2%***

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

KPI	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Cost of credit quality[(1)]	0,47%	1,09%	n.a.	(0,6)%
Net Npe ratio	4,2%	4,2%	n.a.	0,0%
Gross Npe ratio	9,4%	9,3%	n.a.	0,1%
Total RWAs	2.274.675	2.361.547	(86.872)	(3,7)%

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

Leasing Area

INCOME STATEMENT DATA (in thousands of Euro)	1ST HALF		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**22.640**	**18.862**	**3.778**	**20,0%**
Net commission income	**6.029**	**5.947**	**82**	**1,4%**
Net banking income	**28.669**	**24.809**	**3.860**	**15,6%**
Net credit risk losses/reversals	(4.274)	(8.759)	4.485	(51,2)%
Net profit (loss) from financial activities	**24.395**	**16.050**	**8.345**	**52,0%**
Operating costs	**(14.779)**	**(12.644)**	**(2.135)**	**16,9%**
Pre-tax profit from continuing operations	**9.616**	**3.406**	**6.210**	**182,3%**
Income taxes for the period relating to continuing operations	(3.038)	(801)	(2.237)	279,3%
Profit (loss) for the period	**6.578**	**2.605**	**3.973**	**152,5%**

INCOME STATEMENT DATA (in thousands of Euro)	2ND QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**11.613**	**9.867**	**1.746**	**17,7%**
Net commission income	**3.437**	**3.109**	**328**	**10,5%**
Net banking income	**15.050**	**12.976**	**2.074**	**16,0%**
Net credit risk losses/reversals	(525)	(4.422)	3.897	(88,1)%
Net profit (loss) from financial activities	**14.525**	**8.554**	**5.971**	**69,8%**
Operating costs	**(7.487)**	**(7.655)**	**168**	**(2,2)%**
Pre-tax profit from continuing operations	**7.038**	**898**	**6.140**	**n.s.**
Income taxes for the period relating to continuing operations	(2.223)	(712)	(1.511)	212,2%
Profit (loss) for the period	**4.815**	**187**	**4.628**	**n.s.**

Net banking income of the Leasing Area is 28,7 million Euro, up 3,9 million Euro (+15,6%) on 30 June 2020; this result is due to lesser interest expense following a review of internal transfer rates.

Net credit risk losses amounted to 4,3 million Euro, down 4,5 million Euro compared to the same period of 2020. The lower provisions in the first half of 2021 were due to improved credit quality relating to the Rental segment and an extension of the credit moratorium measures for finance leases, which had the effect of keeping impaired loans at lower levels than in the corresponding half of the previous year.

The increase in operating costs in the Leasing area of approximately 2,2 million Euro is mainly due to higher ICT expenses and outsourcing costs on business processes to support the transition of information systems (0,7 million Euro), in addition to approximately 0,5 million Euro of higher amortisation due to the reduction in the useful life of the leasing applications being replaced. There is 0,5 million Euro in judicial and amicable debt collection expenses, which slowed down in 2020 due to the halt in recovery procedures related to the pandemic. The remaining increase was due to higher variable remuneration allocated in the half year - taking into account that the first half of 2020 discounted prudential policies related to the uncertainty of the pandemic.

At 30 June 2021, the Area's total net loans amounted to 1.410,8 million Euro, in line with 31 December 2020.

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

LEASING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 30.06.2021						
Nominal amount	13.314	17.422	8.005	**38.741**	1.416.885	**1.455.626**
Impairment losses	(11.599)	(11.313)	(3.478)	**(26.390)**	(18.426)	**(44.816)**
Carrying amount	1.715	6.109	4.527	**12.351**	1.398.459	**1.410.810**
Coverage ratio	*87,1%*	*64,9%*	*43,4%*	***68,1%***	*1,3%*	***3,1%***
POSITION AT 31.12.2020						
Nominal amount	14.590	19.675	7.443	**41.708**	1.418.450	**1.460.158**
Impairment losses	(12.407)	(13.909)	(4.014)	**(30.330)**	(15.773)	**(46.103)**
Carrying amount	2.183	5.766	3.429	**11.378**	1.402.677	**1.414.055**
Coverage ratio	*85,0%*	*70,7%*	*53,9%*	***72,7%***	*1,1%*	***3,2%***

KPI	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Cost of credit quality[1]	0,61%	1,11%	n.a.	(0,5)%
Net Npe ratio	0,9%	0,8%	n.a.	0,1%
Gross Npe ratio	2,7%	2,9%	n.a.	(0,2)%
Total RWAs	1.270.912	1.309.416	(38.504)	(2,9)%

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

Corporate Banking & Lending Area

INCOME STATEMENT DATA (in thousands of Euro)	1ST HALF		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**25.856**	**11.100**	**14.756**	**132,9%**
Net commission income	**7.313**	**3.825**	**3.488**	**91,2%**
Other components of net banking income	8.393	(3.043)	11.436	(375,8)%
Net banking income	**41.562**	**11.882**	**29.680**	**249,8%**
Net credit risk losses/reversals	(8.957)	(5.506)	(3.451)	62,7%
Net profit (loss) from financial activities	**32.605**	**6.376**	**26.229**	**n.s.**
Operating costs	**(17.545)**	**(8.289)**	**(9.256)**	**111,7%**
Pre-tax profit from continuing operations	**15.060**	**(1.913)**	**16.973**	**n.s.**
Income taxes for the period relating to continuing operations	(4.757)	450	(5.207)	n.s.
Profit (loss) for the period	**10.303**	**(1.463)**	**11.766**	**n.s.**

INCOME STATEMENT DATA (in thousands of Euro)	2ND QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**13.645**	**5.628**	**8.017**	**142,4%**
Net commission income	**4.225**	**1.718**	**2.507**	**145,9%**
Other components of net banking income	6.401	(1.024)	7.425	n.s.
Net banking income	**24.271**	**6.322**	**17.949**	**283,9%**
Net credit risk losses/reversals	(2.690)	(3.392)	702	(20,7)%
Net profit (loss) from financial activities	**21.581**	**2.930**	**18.651**	**n.s.**
Operating costs	**(9.957)**	**(3.922)**	**(6.035)**	**153,9%**
Pre-tax profit from continuing operations	**11.624**	**(992)**	**12.616**	**n.s.**
Income taxes for the period relating to continuing operations	(3.672)	168	(3.840)	n.s.
Profit (loss) for the period	**7.952**	**(824)**	**8.776**	**n.s.**

Net banking income of the Corporate Banking & Lending Area, which came to 41,6 million Euro at 30 June 2021, rose by 29,7 million Euro on 30 June 2020, with an increase in the interest margin of 14,8 million Euro, in the

commission component for 3,5 million Euro and in other components of net banking income for 11,4 million Euro.

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

- growth of 12,5 million Euro in the interest margin of the Lending area dedicated to financing SMEs. This result was due both to the growth in volumes compared with the same period last year and to the contribution of Farbanca, of 6,0 million Euro, and of the business acquired from the former Aigis Banca, of 1,3 million Euro;
- lesser funding costs due to the reduction in the figurative interest charged back during the first six months of 2021 for 2,0 million Euro.

The contribution from the PPA was basically stable compared to the same period of the previous year at approximately 0,8 million Euro.

Net commission income is up 3,5 million Euro thanks to the combined effect of an increase in disbursements of the Structured Finance segment for 2,2 million Euro and there is an increase in commission associated with the Farbanca business for 1,4 million Euro.

The other components of net banking income increased by 11,4 million Euro, mainly due to the improved performance/disposal of both Non-controlling interests for 6,5 million Euro and UCITS funds, which resulted in a positive change in fair value of 4,1 million Euro. Finally, the positive impact on the dividend component amounted to 0,4 million Euro.

Net credit risk losses amounted to 9,0 million Euro, up 3,5 million Euro compared to the same period of the previous year. This change is attributable to:

- for 1,4 million Euro the Structured Finance segment and attributable to the provisions made to take into account both the macroeconomic context resulting from the pandemic and the potential future effects connected with the cessation of the credit support measures;
- 1,6 million Euro for organisational units not present in 2020 (Farbanca and former Aigis Banca);
- 0,5 million Euro to the remaining SME financing segment.

The increase in operating costs of the Corporate Banking & Lending Area for approximately 9,3 million Euro on the first half of 2020 is mainly due to the change in the consolidation scope deriving from the entry of Farbanca into the scope of the Banca Ifis Group starting December 2020 and the purchases BU of the former Aigis Banca since end May 2021. The overall impact of this change is approximately 6,3 million Euro, including direct integration costs. The redistribution of the assets of the central services following their entry into the Group resulted in higher costs of approximately 2,0 million Euro.

At 30 June 2021, total net receivables due from customers in the Area comes to 2.300,1 million Euro, with a positive change of 477,0 million Euro (+26,2%) on the 1.823,0 million Euro of 31 December 2020. Growth is driven by the increase in loans to SMEs for 398 million Euro (of which 278 million ex Aigis Banca) and the Structured Finance segment for 47 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 30.06.2021						
Nominal amount	9.061	61.824	2.609	**73.494**	2.278.393	**2.351.887**
Impairment losses	(2.997)	(20.702)	(419)	**(24.118)**	(27.690)	**(51.808)**
Carrying amount	6.064	41.122	2.190	**49.376**	2.250.703	**2.300.079**
Coverage ratio	*33,1%*	*33,5%*	*16,1%*	***32,8%***	*1,2%*	***2,2%***
POSITION AT 31.12.2020						
Nominal amount	7.007	48.549	164	**55.719**	1.809.898	**1.865.618**
Impairment losses	(1.885)	(20.151)	(18)	**(22.053)**	(20.516)	**(42.570)**
Carrying amount	5.122	28.398	146	**33.666**	1.789.382	**1.823.048**
Coverage ratio	*26,9%*	*41,5%*	*10,7%*	***39,6%***	*1,1%*	***2,3%***

The 15,7 million Euro increase in net non-performing exposures on 31 December 2020 is mainly due to the inclusion in the category of unlikely to pay of an individually significant position relative to the Structured Finance segment.

KPI	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Cost of credit quality[1]	0,91%	2,43%	n.a.	(1,5)%
Net Npe ratio	2,1%	1,8%	n.a.	0,3%
Gross Npe ratio	3,1%	3,0%	n.a.	0,1%
Total RWAs	1.517.655	1.473.951	43.704	3,0%

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

NPL SEGMENT

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

The table below shows the loans portfolio of the Npl Segment, by method of transformation and accounting criterion; the "impact through profit or loss" refers to the components of the net banking income deriving from the booking at amortised cost of the related loans portfolio; in particular, interest income from amortised cost is included for 73,3 million Euro and other components of the net interest income from cash flow changes for 60,1 million Euro, as reported in the summary table of "Economic data" below in this paragraph.

NPL SEGMENT PORTFOLIO (in thousands of Euro)	OUTSTANDING NOMINAL AMOUNT	CARRYING AMOUNT	CARRYING AMNT / RES. NOM. AMNT	INTEREST ON INCOME STATEMENT	ERC	MAIN METHOD OF ACCOUNTING
Cost	106.928	14.915	13,9%	-	31.934	Acquisition cost
Non-judicial	11.279.913	392.645	3,5%	51.075	675.809	
of which: Collective (curves)	*10.846.045*	*198.073*	*1,8%*	*4.472*	*318.772*	*Cost = NPV of flows from model*
of which: Plans	*433.868*	*194.572*	*44,8%*	*46.603*	*357.037*	*Cost = NPV of flows from model*
Judicial	7.895.510	961.443	12,2%	82.276	1.956.229	
of which: Other positions undergoing judicial processing	*3.643.706*	*330.143*	*9,1%*	*-*	*602.559*	*Acquisition cost*
of which: Writs, Property Attachments, Garnishment Orders	*1.436.087*	*466.141*	*32,5%*	*69.899*	*1.135.041*	*Cost = NPV of flows from model*
of which: Secured and Corporate	*2.815.717*	*165.159*	*5,9%*	*12.377*	*218.629*	*Cost = NPV of flows from model*
Total	**19.282.351**	**1.369.003**	**7,1%**	**133.351**	**2.663.972**	

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 (14,9 million Euro at 30 June 2021, compared to 170,4 million Euro at 31 December 2020, due to the progressive unwinding of the 2020 portfolios which has significantly ireduced the exposures valued at cost at June 2021) with no contribution to profit or loss. As a rule, 6-12 months later, the positions are directed towards the most appropriate form of management, depending on their characteristics;
- non-judicial operations, which deal with practices that can be handled through collection by settlement. Practices awaiting information about the most appropriate collection instrument are classified into a basin called “mass management” and at 30 June 2021 come to 198,1 million Euro as compared with 173,8 million Euro at 31 December 2020 (up 14%). Practices on which a realignment plan has been agreed and formalised, record an increase (17,9%), coming in at 194,6 million Euro at 30 June 2021 (164,9 million Euro at 31 December 2020);
- legal management, which covers all practices in the various stages of legal processing, ranging from obtaining a court order to a garnishment order. Practices awaiting the most appropriate legal action are included in the category of “Other positions undergoing judicial processing” and come to 330,1 million Euro at 30 June 2021 (296,3 million Euro at 31 December 2020); practices in phases of writ, attachment order and garnishment order are allocated to a specific basin, which records an increase of 5,9%, coming in at 466,2 million Euro as compared with the 440,2 million Euro recorded in December 2020. The judicial management basin include all “Secured and Corporate” positions of corporate banking origin or real estate, equal to 165,2 million Euro at 30 June 2021, as compared with 158,0 million Euro at 31 December 2020.

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

INCOME STATEMENT DATA (in thousands of Euro)	1ST HALF		CHANGE	
	2021	2020	ABSOLUTE	%
Interest income from amortised cost	73.294	68.873	4.421	6,4%
Interest income notes and other minority components	537	464	73	15,7%
Other components of net interest income from change in cash flow	60.057	14.559	45.498	312,5%
Funding costs	(13.178)	(13.742)	564	(4,1)%
Net interest income	**120.710**	**70.154**	**50.556**	**72,1%**
Net commission income	**1.084**	**2.478**	**(1.394)**	**(56,3)%**
Other components of net banking income	(247)	(840)	593	(70,6)%
Gain on sale of receivables	1.679	1.225	454	37,1%
Net banking income	**123.226**	**73.017**	**50.209**	**68,8%**
Net credit risk losses/reversals	(8.835)	-	(8.835)	n.a.
Net profit (loss) from financial activities	**114.391**	**73.017**	**41.374**	**56,7%**
Operating costs	**(82.641)**	**(65.631)**	**(17.010)**	**25,9%**
Pre-tax profit from continuing operations	**31.750**	**7.386**	**24.364**	**329,9%**
Income taxes for the period relating to continuing operations	(10.031)	(1.737)	(8.294)	n.s.
Profit (loss) for the period	**21.719**	**5.649**	**16.070**	**284,5%**

INCOME STATEMENT DATA (in thousands of Euro)	2ND QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Interest income from amortised cost	37.104	34.379	2.725	7,9%
Interest income notes and other minority components	36	27	9	33,3%
Other components of net interest income from change in cash flow	32.525	(533)	33.058	n.s.
Funding costs	(6.598)	(6.568)	(30)	0,5%
Net interest income	**63.067**	**27.305**	**35.762**	**131,0%**
Net commission income	**1.007**	**1.189**	**(182)**	**(15,3)%**
Other components of net banking income	128	64	64	100,0%
Gain on sale of receivables	760	1.225	(465)	(38,0)%
Net banking income	**64.962**	**29.783**	**35.179**	**118,1%**
Net credit risk losses/reversals	(8.835)	-	(8.835)	n.a.
Net profit (loss) from financial activities	**56.127**	**29.783**	**26.344**	**88,5%**
Operating costs	**(41.151)**	**(32.157)**	**(8.994)**	**28,0%**
Pre-tax profit from continuing operations	**14.976**	**(2.374)**	**17.350**	**n.s.**
Income taxes for the period relating to continuing operations	(4.731)	1.249	(5.980)	n.s.
Profit (loss) for the period	**10.245**	**(1.125)**	**11.370**	**n.s.**

The net profit from financial activities of the Npl Segment therefore amounted to 114,4 million Euro (73.0 million Euro at 30 June 2020, up 56,7%). The significant increase in this result as compared with the same period of last

year is due to the changed economic-health situation that struck the country last year and the effects of which have today been very much attenuated. In actual fact, in March 2020, widespread court closure was ordered by the government, which resulted in a halt to legal collections and, consequently, a paralysis of the production of legal deeds to recover equity from third parties.

More specifically, "Interest income from amortised cost", referring to the interest accruing at the original effective interest rate, rose 6,4% from 68,9 million Euro to 73,3 million Euro at 30 June 2021, largely thanks to the increase in receivables at amortised cost.

The item "Other components of net interest income from changes in cash flow" increased from 14,6 million Euro in the first half of 2020 to 60,1 million Euro at 30 June 2021 due to the changed pandemic environment that had negatively affected the first half of 2020. This item is made up of: non-judicial operations for 25,3 million Euro, comprising 33,3 million Euro referring to repayment plans and negative changes and 8,0 million Euro referring to curves; legal operations for 34,8 million Euro, where the contribution made by writs, attachments and garnishment orders is approximately 32,1 million Euro, while that of the secured and corporate basin is approximately a loss of 2,7 million Euro.

The cost of inflows was substantially in line with the same period of the previous year.

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

The item "Net adjustments/reversals for credit risk" refers to the impairment of receivables following a detailed analysis, still in progress, carried out also in response to the Covid-19 pandemic, in terms of greater collection times mainly on higher vintage positions.

In line with debt collection activities, operating costs rise by 25,9% (approximately +17,0 million Euro), going from 65,6 million Euro at 30 June 2020, to 82,6 million Euro at 30 June 2021. This increase is essentially due to the variable costs linked to debt collection.

Period profit of the Npl Segment is approximately 21,7 million Euro, up 284% on the same period of last year thanks to the recovery of all business activities.

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

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Net bad loans	1.032.490	1.041.196	(8.706)	(0,8)%
Net unlikely to pay	312.245	339.799	(27.554)	(8,1)%
Net non-performing past due exposures	3.172	90	3.082	n.s.
Total net non-performing exposures to customers (stage 3)	**1.347.907**	**1.381.085**	**(33.178)**	**(2,4)%**
Net performing exposures (stages 1 and 2)	22.839	24.518	(1.679)	(6,8)%
Total on-balance-sheet receivables due from customers (1)	**1.370.746**	**1.405.603**	**(34.857)**	**(2,5)%**

(1) Total on-balance-sheet receivables due from customers include loans connected with the servicing activity for 1,7 million Euro and 1,9 million Euro respectively at 30 June 2021 and 31 December 2020.

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

KPI	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Nominal amount of receivables managed	19.282.351	19.787.379	(505.028)	(2,6)%
Total RWAs	2.131.840	2.211.695	(79.855)	(3,6)%

Total Estimated Remaining Collections (ERC) amounted to approximately 2,7 billion Euro.

NPL SEGMENT NON-PERFORMING LOAN PORTFOLIO PERFORMANCE	30.06.2021	31.12.2020
Opening loan portfolio	**1.403.711**	**1.278.220**
Purchases	15.685	224.291
Sales	(6.544)	(26.095)
Gains on sales	1.678	5.000
Interest income from amortised cost	73.294	139.114
Other components of interest from change in cash flow	60.057	42.538
Adjustments to receivables	(8.835)	-
Collections	(170.043)	(259.357)
Closing loan portfolio	**1.369.003**	**1.403.711**

Total purchases in H1 2021 came to 15,7 million Euro, down on the 60,7 million Euro of the first half of the previous year. During the first six months of 2021, sales were completed for a total price of approximately 6,5 million Euro, which generated profits of about 1,7 million Euro.

The item "Collections" equal to 170,0 includes the instalments collected during the quarter from re-entry plans, from garnishment orders and transactions carried out rises by 45,4% on the collections of 116,9 million Euro made in the first half of 2020, which were impacted by the effects of the then current economic and health situation.

Similarly, funding from settlement plans (equal to the nominal amount of all the instalments under the plans entered into with the debtors in the period) was up, reaching 219,9 million Euro at 30 June 2021 compared to 134,9 million Euro at 30 June 2020.

At the end of the period, the portfolio managed by the Npl Segment included 1.942.015 positions, for a nominal amount of approximately 19,3 billion Euro.

GOVERNANCE & NON-CORE SERVICES SEGMENT

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

INCOME STATEMENT DATA (in thousands of Euro)	1ST HALF		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**22.265**	**27.247**	**(4.982)**	**(18,3)%**
Net commission income	**(830)**	**490**	**(1.320)**	**(269,4)%**
Other components of net banking income	8.532	5.963	2.569	43,1%
Net banking income	**29.967**	**33.700**	**(3.733)**	**(11,1)%**
Net credit risk losses/reversals	(14.373)	(13.380)	(993)	7,4%
Net profit (loss) from financial activities	**15.594**	**20.320**	**(4.726)**	**(23,3)%**
Operating costs	**(21.326)**	**(32.600)**	**11.274**	**(34,6)%**
Gains (Losses) on disposal of investments	-	24.161	(24.161)	(100,0)%
Pre-tax profit from continuing operations	**(5.732)**	**11.881**	**(17.613)**	**(148,2)%**
Income taxes for the period relating to continuing operations	1.720	(2.800)	4.520	(161,4)%
Profit (loss) for the period	**(4.012)**	**9.081**	**(13.093)**	**(144,2)%**

INCOME STATEMENT DATA (in thousands of Euro)	2ND QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**7.760**	**14.738**	**(6.978)**	**(47,3)%**
Net commission income	**(392)**	**407**	**(799)**	**(196,3)%**
Other components of net banking income	8.069	9.601	(1.532)	(16,0)%
Net banking income	**15.437**	**24.746**	**(9.309)**	**(37,6)%**
Net credit risk losses/reversals	(3.974)	(5.916)	1.942	(32,8)%
Net profit (loss) from financial activities	**11.463**	**18.830**	**(7.367)**	**(39,1)%**
Operating costs	**(8.382)**	**(20.590)**	**12.208**	**(59,3)%**
Pre-tax profit from continuing operations	**3.081**	**(1.760)**	**4.841**	**(275,1)%**
Income taxes for the period relating to continuing operations	(1.096)	2.053	(3.149)	(153,4)%
Profit (loss) for the period	**1.985**	**292**	**1.693**	**n.s.**

The segment's net banking income amounted to 30,0 million Euro, down 3,7 million Euro compared to the same period of the previous year: in particular, the Segment saw a decrease in the margin of the Governance & Services Area of 4,5 million Euro, slightly offset by an increase in the Non-Core Area of 0,8 million Euro. This variation can be broken down as follows:

- the interest margin has decreased overall by 5,0 million Euro on the first half of 2020. This change is attributable for 4,8 million Euro to the reduction in net interest income on the non core portfolio in run-off and the consequent physiological reduction in the PPA reversal. The net interest income of the Governance & Services area was substantially in line, with the contribution of the Proprietary Finance segment of 4,8 million Euro being substantially offset by the reduction in the Treasury segment's net interest income of approximately 5,0 million Euro due to lower notional interest income of approximately 10 million Euro and the concomitant lower cost of funding of approximately 5 million Euro;
- net commission is down 1,3 million Euro mainly due to costs relating to the self-securitisation transaction performed by the Banca Ifis Group during the first half of 2021 regarding Npl Segment loans;

- other components of net banking income grew by 2,6 million Euro. This effect is the combined result of growth in the Non-Core Area for 5,9 million Euro and in the Proprietary Finance segment for 4,3 million Euro, which more than offset the lower gains from bond repurchases issued for about 7.0 million Euro and the negative effect on exchange rates for 0,7 million Euro. In particular, growth in the Non-Core Area was driven by the positive result associated with the sale of two operations in the Workout & Recovery segment and by lower write-downs of the portfolio at fair value compared with the first half of last year; the positive result in the Proprietary Finance segment, on the other hand, was associated with higher dividends received from the Group's securities portfolio.

In terms of funding, Rendimax continues to constitute the Group's main source of finance, with a comprehensive cost of approximately 29,3 million Euro, slightly lower than the same period of last year (30,0 million Euro) due to the decrease in average assets under management (4.353 million Euro at 30 June 2021 as compared with 4.461 million Euro at 30 June 2020, -2,4%) despite the average rates being in line with the first half of 2020. At 30 June 2021, the carrying amount of bonds was 1.064,6 million Euro, down slightly from the figure at 31 December 2020. In the first quarter of 2021, a bond issued by the merged company Interbanca, which had reached maturity, was repaid in full for approximately 63 million Euro. In economic terms, interest expense accrued on all issues dropped by 2,8 million Euro, coming in at a total of 15,7 million Euro (as compared with 18,5 million in H1 2020).

Funding raised through the issue of securities from securitised loans amounted to 1.323 million Euro at 30 June 2021, up by 390 million Euro compared to issues in the same period of 2020, when the figure stood at 933 million Euro. The increase derives mainly from the restructuring of a securitisation arranged by the subsidiary Farbanca, which involved the issue of new securities to arrive at a total of 372 million Euro of senior notes in issue.

Access is also noted to funding through TLTRO transactions for a book value of 2,1 billion Euro.

As regards the cost of credit, an increase is seen to net adjustments, which come to 14,4 million Euro, as compared with 13,4 million Euro at 30 June 2020. This change is attributable to the Non-Core Commercial Lending segment.

Operating costs come to 21,3 million Euro, down 11,3 million Euro on 30 June 2020. The change is mainly due to non-recurring effects that affected the two half-year periods under comparison. In particular, the first half of 2021 includes in other income 3,4 million Euro related to the positive difference that emerged during the provisional allocation of the purchase price of the former Aigis Banca business unit, while the first half of 2020 included 6,9 million Euro related to the employee solidarity fund.

At 30 June 2021, total net receivables for the Segment amounted to 2.045,1 million Euro, up 17,7% on the figure at 31 December 2020 (1.737,2 million Euro). The increase of approximately 307,9 million Euro is substantially related to the Proprietary Finance segment business, which operates mainly through the purchase of government securities. At the same time, run-off portfolios in the sector decreased by about 98,0 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: 19,2 million Euro at 30 June 2021, down on the 25,1 million Euro of 31 December 2020;
- net performing exposures: 14,7 million Euro at 30 June 2021, declining compared to the 17,2 million Euro at 31 December 2020.

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

GOVERNANCE & NON-CORE SERVICES SEGMENT (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING (STAGES 1 AND 2)	TOTAL LOANS (1)
POSITION AT 30.06.2021						
Nominal amount	22.230	54.557	6.765	**83.552**	2.002.567	**2.086.119**
Impairment losses	(7.768)	(24.312)	(2.318)	**(34.398)**	(6.630)	**(41.028)**
Carrying amount	14.462	30.245	4.447	**49.154**	1.995.937	**2.045.091**
Coverage ratio	*34,9%*	*44,6%*	*34,3%*	***41,2%***	*0,3%*	***2,0%***
POSITION AT 31.12.2020						
Nominal amount	22.090	51.180	3.479	**76.749**	1.695.232	**1.771.981**
Impairment losses	(6.424)	(19.612)	(769)	**(26.805)**	(7.968)	**(34.773)**
Carrying amount	15.666	31.568	2.710	**49.944**	1.687.264	**1.737.208**
Coverage ratio	*29,1%*	*38,3%*	*22,1%*	***34,9%***	*0,5%*	***2,0%***

(1) In the Governance & Non-Core Services Segment, at 30 June 2021, there were government securities amounting to 1.408,0 million Euro (1.095,3 million Euro at 31 December 2020).

The coverage of non-performing exposures in the Segment is affected by receivables belonging to the so-called "POCI" category, whose gross values already take into account the estimate of expected losses. The coverage of the performing portfolio at 30 June 2021 has reduced by approximately 0,2% as compared with 31 December 2020.

2.9 Banca Ifis shares

2.9.1. The share price

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

OFFICIAL SHARE PRICE	30.06.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Share price at period-end	13,40	9,18	14,00	15,44	40,77

2.9.2. Price/book value

Below is the ratio of the share price at period-end to consolidated equity per share outstanding.

Price/book value	30.06.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Share price at period-end	13,40	9,18	14,00	15,44	40,77
Consolidated Equity per share	29,44	28,99	28,79	27,30	25,62
Price/book value	**0,46**	**0,32**	**0,49**	**0,57**	**1,59**

Outstanding shares	30.06.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Number of shares outstanding at period-end (in thousands) (1)	53.472	53.460	53.452	53.441	53.433

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

2.9.3 Earning per share

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

Earnings per share (EPS) and diluted earnings per share	30.06.2021	30.06.2020
Net profit for the period attributable to the Parent company (in thousands of Euro)	48.331	36.756
Average number of outstanding shares	53.468.051	53.457.850
Average number of diluted shares	53.468.051	53.457.850
Consolidated earnings per share for the period (Units of Euro)	**0,90**	**0,69**
Consolidated diluted earnings per share for the period (Units of Euro)	**0,90**	**0,69**

2.9.4 Corporate governance rules

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

2.9.5 Internal dealing rules

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

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

Specifically, this Policy governs:

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

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

2.9.6 Rules for the handling of inside information

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

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

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

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

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

2.10 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.

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

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

2.10.2 Resignation of Director Divo Gronchi

On 14 January 2021, the Independent Director Divo Gronchi tendered his resignation, with immediate effect, from the position of Director and, consequently, member of the Company's Appointments Committee and Supervisory Body. Having acknowledged the resignation tendered by Mr Gronchi, the Board of Directors resolved to replenish the Appointments Committee members, choosing Monica Billio as new member. The Board has also resolved to replenish the members of the Bank's Supervisory Body, appointing Beatrice Colleoni as new member.

2.10.3 Agreement for the termination of contracts with Luciano Colombini

On 11 February 2021, Chief Executive Officer Luciano Colombini tendered his resignation, as already announced in December 2020, from the role of Chief Executive Officer and the position of director on the board of Banca Ifis, to embark on new professional challenges. Mr Colombini ceased office upon conclusion of the Shareholders' Meeting held on 22 April 2021.

On 11 February 2021, the Bank's Board of Directors therefore approved, with the opinion in favour given by the Remuneration Committee and the Board of Auditors, an agreement for the termination of contracts with Luciano Colombini. This agreement, which is in line with the Bank's approved Remuneration Policy, establishes that Mr Colombini will be paid his remuneration for the office of Chief Executive Officer until the date on which he effectively leaves office, as well as the deferred components of the bonus already accrued and recognised for FY 2019, which will be paid in accordance with the terms and conditions of the Remuneration Policy. In addition, at the date on which he leaves office, Mr Colombini will receive severance indemnity equal to the fixed and variable remuneration envisaged for the residual term of the three-year mandate originally conferred upon him (12 months of recurring remuneration), to be paid in accordance with the terms and conditions of the Remuneration Policy (and, therefore, 50% in financial instruments, with a deferral period, of a portion of 40% of the indemnity, of 3 years, without prejudice, in any case, to the application of the *malus* and clawback clauses). No non-competition obligations are envisaged.

2.10.4 Banca Ifis has developed the first securitisation in Italy of NPLs backed by assignment orders

On 22 March 2021, Banca Ifis declared that for the purpose of a loan, through the subsidiary Ifis Npl Investing, it had implemented the very first securitisation in Italy of a non-performing portfolio mainly comprising unsecured loans backed by assignment orders. The transaction is an innovative solution for this type of non-performing exposure, where the debt collection procedure through compulsory enforcement (attachment of one fifth of the salary) and is at an advanced stage. The transaction aimed to collect funding for Ifis Npl Investing of up to 350 million Euro in liquidity on the institutional market, without deconsolidating the underlying credits. The loan portfolios concerned by the transaction (a portfolio of secured loans and an unsecured portfolio backed by assignment orders) owned by the subsidiary Ifis Npl Investing, was transferred to a newly-established SPV called Ifis Npl 2021-1 SPV S.r.l., which issued senior, mezzanine and junior notes.

2.10.5 The Shareholders' Meeting has approved the 2020 financial statements. Geertman CEO

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

2.10.6 Banca Ifis intervenes to guarantee depositors of Aigis Banca with the purchase of an operative BU of the company

On 23 May 2021, Banca Ifis shared the terms and conditions of the intervention aimed at guaranteeing depositors of Aigis Banca, assigned under receivership by the Ministry for the Economy and Finance, with the Fondo Interbancario di Tutela dei Depositi (Interbanking Deposit Protection Fund). The Bank of Italy, which appointed the Liquidators of Aigis Banca, has approved the sale of its assets, liabilities and contracts to Banca Ifis. The price paid by Banca Ifis, symbolically, of one Euro, together with the intervention of the Fondo Interbancario di Tutela dei Depositi for a total of 48,8 million Euro and the terms of the contract guarantee no material impacts on the equity ratios (CET1), asset quality ratios and income statement of the Group.

2.10.7 Communication of La Scogliera S.p.A. on the transfer of the Holding company's office to the canton of Vaud (Lausanne)

On 18 June 2021, Banca Ifis took note of what was communicated by La Scogliera S.p.A. (the Bank's majority shareholder with 50,5% of the capital) regarding the approval by the Shareholders' Meeting of said majority shareholder of the transfer of the holding company's office to the canton of Vaud (Lausanne). The transfer by La Scogliera S.p.A. is subject to satisfaction of the conditions precedent established by the Shareholders' Meeting, including that relating to obtaining an opinion from the Revenue Agency on the tax consequences of the transfer, as well as the successful completion, expected by the end of the year, of the envisaged regulatory procedures. As far as the Bank (which maintains its presence in Italy) is concerned, the transfer could also have the effect of optimising its capital requirements.

2.11 Significant subsequent events

2.11.1 The Extraordinary Shareholders' Meeting approves the amendments to the Articles of Association designating two Joint General Managers

The extraordinary shareholders' meeting of Banca Ifis held on 28 July 2021, in a single call, chaired by Ernesto Fürstenberg Fassio, approved the amendments to Articles 10, 11, 13, 15, 17, 18, 20, 21 and 22 of the Articles of Association in view of the new organisational structure, which will introduce the figures of two Joint General Managers. By provision no. 1091263 of 20 July 2021, the Bank of Italy ascertained that said amendments are not in conflict with the criterion of health, prudent management. At the end of the authorization process, the two Joint General Managers will be Fabio Lanza and Raffaele Zingone. The Ordinary Shareholders' Meeting of Banca Ifis then approved all other items on the agenda.

No significant events occurred between the end of the reporting period and the approval of the Consolidated Half-Year Financial Report at 30 June 2021 by the Board of Directors.

2.12 Information on Covid-19

2.12.1 Public information

In line with the Bank of Italy Communication of 30 June 2020 - "Guidelines of the European Banking Authority on reporting and public disclosure requirements for exposures subject to measures applied in the light of the Covid-19 crisis", which implements the European Banking Authority (EBA) Guidelines on reporting and public disclosure requirements for exposures subject to measures applied in the light of the Covid-19 crisis (EBA/GL/2020/07), information is provided on:

- funding subject to 'moratoriums' falling within the scope of the EBA Guidelines on legislative and non-legislative moratoriums on loan payments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);
- the funding subject to concession measures (so-called forbearance measures) applied as a result of the Covid-19 crisis;
- new funding guaranteed by the State or other public body.

The Banca IFIS Group is actively supporting its customers during this health emergency, to combat the effects on its business.

In this context, it offers various financial support measures, depending on the characteristics of the customer and their needs, on the basis of the following catalogue:

- legislative type moratoriums (the "Cura Italia" Decree), aimed at offering financial support to micro, small and medium enterprises (SMEs) through the suspension of loan payments until 30/09/2020. The measure is intended for subjects who are not classified as non-performing at the time of the request;
- other non-legislative moratoriums defined under the scope of trade agreements (2019 Credit Agreement - Recovering Enterprises 2.0) intended for micro, small and medium enterprises (SMEs) and larger enterprises than SMEs. The duration of the moratoriums is assessed on a case-by-case basis, according to the specific customers' needs, up to a maximum of 24 months (or 100% of the residual term in the case of mortgages, or 270 days in the case of short-term loans), with the corresponding postponement of the repayment plan for the duration of the suspension. As regards credit quality, the moratorium is intended for subjects that do not, at 31 January 2020, have exposures classified as non-performing in accordance with supervisory rules and, in any case, not classified as non-performing as at the date on which the application is submitted;
- concession of new liquidity or additional liquidity (the "Liquidity" Decree) through access to the guarantee of the Guarantee Fund (Italian Law no. 662/96), the application of which has been extended to support micro, small and medium enterprises and enterprises with no more than 499 employees (mid caps) registered with Companies House belonging to the different production segments and based throughout national territory.

The catalogue of measures available for customers is supplemented by additional support measures defined internally and assessed on a case-by-case basis, intended for customer enterprises not coming under the scope of application of the "Cura Italia" Decree and/or the "ABI Agreement".

Information on loans and advances subject to legislative and non-legislative moratoriums

Summary of EBA compliant moratoria (legislative and non-legislative)

Figures in thousands of Euro	Number of debtors	Of which: guaranteed	Gross carrying amount											
			Total	Of which: guaranteed										
				Total	Of which: legislative moratoriums	Of which: subject to extension of moratorium	Of which: past due	Residual duration of moratoriums						
								<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 12 months <= 18 months	> 18 months
Loans and advances subject to moratorium (granted)	10.348	10.323	792.933	792.689	777.211	650.140	633.431	22.162	95.998	41.098	-	-	-
of which: to families	X	X	X	103.125	102.592	75.603	79.314	675	21.757	1.378	-	-	-
of which: secured by residential real estate as collateral	*X*	*X*	*X*	*13.810*	*13.810*	*2.551*	*4.962*	*51*	*8.797*	-	-	-	-
of which: non-financial companies	X	X	X	685.789	670.844	571.404	551.157	20.672	74.241	39.719	-	-	-
of which: to small and medium-sized enterprises	*X*	*X*	*X*	*538.351*	*530.229*	*443.859*	*420.843*	*18.230*	*61.968*	*37.310*	-	-	-
of which: secured by non-residential real estate as collateral	*X*	*X*	*X*	*74.748*	*71.298*	*25.627*	*38.251*	*105*	*34.766*	*1.626*	-	-	-

Summary of other forbearance measures related to Covid-19

Figures in thousands of Euro	Number of debtors	Gross carrying amount										
		Of which: guaranteed										
		Of which: guaranteed	Total	Total	Of which: past due	Of which: with Covid-19 extension forborne	Remaining duration of Covid-19 granted measures (grace period/moratorium on payments)					
							<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 12 months <= 18 months	> 18 months
Other loans and advances with Covid-19 subject to forbearance measures	691	691	54.225	54.225	54.225	52.479	-	-	-	-	-	-
of which: to families	X	X	X	5.949	5.949	4.203	-	-	-	-	-	-
of which: non-financial companies	X	X	X	48.251	48.251	48.251	-	-	-	-	-	-

Summary of newly disbursed loans and advances subject to public guarantee schemes in the Covid-19 crisis context

Figures in thousands of Euro	Number of debtors	Of which: with public guarantee	Gross carrying amount						Payments received from public guarantees during the period
			Total	Of which: with public guarantee	Of which: Residual duration of the public guarantee				
					<= 6 months	> 6 months <= 12 months	> 1 year <= 2 years	> 2 years <= 5 years	
New loans and advances subject to public guarantee schemes	1.674		481.687	-	-	66	1.937	120.886	-
of which: to families	X	X	9.078	-	-	-	-	450	-
of which: non-financial companies	X	X	472.464	-	-	66	1.937	120.290	-

Information on loans and advances subject to EBA legislative and non-legislative moratoriums

Figures in thousands of Euro	Gross carrying amount									Cumulative value adjustments, cumulative negative changes in fair value due to credit risk									Maximum acceptable amount of the guarantee	Gross carrying amount	Economic loss
	Tot.	Performing				Non-performing				Tot.	Performing				Non-performing				Public guarantee received in the context of the Covid-19 crisis	Collections from impaired exposures	
		Tot.	Of which: grace period of principal and interest	Of which: forborne exposures	Of which: instruments with SICR from initial recognition but not impaired (Stage 2)	Tot.	Of which: grace period of principal and interest	Of which: forborne exposures	Of which: UTP not expired or expired <= 90 days		Tot.	Of which: grace period of principal and interest	Of which: forborne exposures	Of which: instruments with SICR from initial recognition but not impaired (Stage 2)	Tot.	Of which: grace period of principal and interest	Of which: forborne exposures	Of which: UTP not expired or expired <= 90 days			
Loans and advances subject to moratorium (granted)	159.258	156.646	951	2.216	3.070	2.612	43	885	1.565	(1.199)	(808)	(3)	(75)	(98)	(391)	-	(92)	(260)	292	363	(15)
of which: to families	23.811	23.768	51	1.036	1.084	43	43	-	43	(161)	(161)	-	(46)	(48)	-	-	-	-	-	-	-
of which: secured by residential real estate as collateral	8.848	8.806	51	1.000	1.000	43	43	-	43	(79)	(79)	-	(43)	(43)	-	-	-	-	-	-	-
of which: non-financial companies	134.632	132.063	900	1.179	1.987	2.569	-	885	1.522	(1.031)	(640)	(3)	(29)	(50)	(391)	-	(92)	(260)	292	363	(15)
of which: to small and medium-sized enterprises	117.508	115.795	900	1.106	1.874	1.713	-	339	963	(844)	(546)	(3)	(27)	(45)	(298)	-	(45)	(168)	292	363	(15)
of which: secured by non-residential real estate as collateral	36.497	36.200	-	-	-	297	-	297	-	(173)	(173)	-	-	-	-	-	-	-	-	-	-

2.13 Outlook

The macroeconomic context is expected to gradually improve, thanks to the reopening of the economies of the main world countries. The main uncertainties relate to the level of interest rates and inflation and the strength of the economic recovery in the medium term. The rise in inflation and interest rates, according to central banks and many investors, should be transitory in nature and attributable to possible bottlenecks in the recovery of production of certain goods or services. However, growing global competition, innovation and low population growth should keep inflation low in the long run. In addition, the economic recovery in the medium term may prove to be less strong than expected and central banks and governments may continue to have to support global economies. In this macroeconomic environment, the ECB could preserve a substantial monetary stimulus and monetary policy transmission, with negative rates and substantial securities purchases for an extended period of time.

The Bank of Italy estimates that Italy's GDP will grow by 5,1% in 2021 and 4,4% in 2022. Thanks to the support of central banks and governments, Italian banks are experiencing lower default rates than in previous crises.

Following the Covid-19 crisis, Banca Ifis launched a series of managerial actions to be continued in the coming quarters and aimed at addressing the new competitive environment. The Bank has accelerated the digitalization process, with the aim of offering a self-service and fully digital service for all banking products by the first half of 2022 and strategic initiatives aimed at improving the efficiency of servicing the NPL business and increasing balances and write-offs for debt positions characterised by greater uncertainty and longer recovery times. In addition, the Bank intends to continue its prudential policy in terms of provisions: in the second quarter of 2021, as part of further prudence in relation to the long-term impacts of the Covid-19 crisis, a review of the NPL and commercial portfolios was launched, mainly on positions with high vintage. The analysis, which is still ongoing, will be completed in the second half of 2021.

2.14 Other information

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

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

2.14.2 Privacy Measures

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

2.14.3 Parent company management and coordination

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

2.14.4 National consolidated tax regime

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

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

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

Under this tax regime, the taxable profits and tax losses reported by each entity for FY 2021 are transferred to the consolidating company La Scogliera S.p.A.

Due mainly to the offsetting of the net result for the first half of 2021 with the previous tax losses and previous ACE surpluses, the net receivable from the parent company at 30 June 2021 decreased to 1,6 million Euro, compared to 10,8 million Euro at the end of the previous year.

2.14 5 Transactions on treasury shares

At 31 December 2020, Banca Ifis held 351.427 treasury shares recognised at a market value of 2,9 million Euro and a nominal amount of 351.427 Euro.

During H1 2021, Banca Ifis, as variable pay for the 2016 and 2017 financial results, awarded the Top Management 12.288 treasury shares at an average price of 33,98 Euro, for a total of 418 thousand Euro and a nominal amount

of 12.288 Euro, making profits of 317 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the premium reserve.

The remaining balance at the end of the period was 339.139 treasury shares with a market value of 2,8 million Euro and a nominal amount of 339.139 Euro.

2.14.6 Related-party transactions

In compliance with the provisions of Consob Resolution no. 17221 of 12 March 2010 and subsequently amended, as well as the prudential Supervisory provisions for banks in Circular no. 285 of 17 December 2013 of the Bank of Italy, part three, chapter 11 (on "Risk activities and conflicts of interest towards related parties"), any transactions with related parties and relevant parties are implemented pursuant to the procedure approved by the Board of Directors, last updated on 24 June 2021.

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

During H1 2021, no significant transactions with related parties were undertaken outside the scope of the Condensed consolidated half-year financial statements.

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

2.14.7 Atypical or unusual transactions

During the first half of 2021, the Banca Ifis Group did not carry out atypical or unusual transactions as defined by Consob Communication no. 6064293 of 28 July 2006.

2.14.8 Research and development activities

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

Venice - Mestre, 5 August 2021

For the Board of Directors

The CEO

Frederik Geertman

3.

Condensed consolidated half-year financial statements

Consolidated Financial Statements

3.1 Consolidated Statement of Financial Position

	ASSETS (in thousands of Euro)	30.06.2021	31.12.2020
10.	Cash and cash equivalents	2.641	82
20.	Financial assets measured at fair value through profit or loss	159.969	157.848
	a) financial assets held for trading	6.659	20.870
	c) other financial assets mandatorily measured at fair value	153.310	136.978
30.	Financial assets measured at fair value through other comprehensive income	799.051	774.555
40.	Financial assets measured at amortised cost	11.482.139	10.218.683
	a) receivables due from banks	1.606.657	1.083.281
	b) receivables due from customers	9.875.482	9.135.402
90.	Property, plant and equipment	120.566	115.149
100.	Intangible assets	61.124	60.970
	of which:		
	- goodwill	38.804	38.798
110.	Tax assets:	343.010	381.431
	a) current	41.709	74.255
	b) deferred	301.301	307.176
130.	Other assets	300.113	317.478
	Total assets	**13.268.613**	**12.026.196**

	LIABILITIES AND EQUITY (in thousands of Euro)	30.06.2021	31.12.2020
10.	Financial liabilities measured at amortised cost	11.000.224	9.908.039
	a) payables due to banks	2.728.071	2.367.082
	b) payables due to customers	5.884.418	5.471.874
	c) debt securities issued	2.387.735	2.069.083
20.	Financial liabilities held for trading	5.040	18.551
60.	Tax liabilities:	44.993	48.154
	a) current	8.832	12.018
	b) deferred	36.161	36.136
80.	Other liabilities	570.901	438.311
90.	Post-employment benefits	8.875	9.235
100.	Provisions for risks and charges:	64.554	53.944
	a) commitments and guarantees granted	13.027	10.988
	c) other provisions for risks and charges	51.527	42.956
120.	Valuation reserves	(22.233)	(19.337)
150.	Reserves	1.366.886	1.320.871
160.	Share premiums	102.972	102.491
170.	Share capital	53.811	53.811
180.	Treasury shares (-)	(2.847)	(2.948)
190.	Equity attributable to non-controlling interests (+/-)	27.106	26.270
200.	Profit (loss) for the period (+/-)	48.331	68.804
	Total liabilities and equity	**13.268.613**	**12.026.196**

3.2 Consolidated Income Statement

	ITEMS (in thousands of Euro)	30.06.2021	30.06.2020
10.	Interest receivable and similar income	228.486	209.523
	of which: interest income calculated using the effective interest	*227.565*	*208.948*
20.	Interest due and similar expenses	(55.523)	(54.405)
30.	**Net interest income**	**172.963**	**155.118**
40.	Commission income	47.596	43.480
50.	Commission expense	(6.745)	(3.673)
60.	**Net commission income**	**40.851**	**39.807**
70.	Dividends and similar income	6.130	2.408
80.	Net profit (loss) from trading	(1.478)	1.032
100.	Profit (loss) from sale or buyback of:	6.881	8.745
	a) financial assets measured at amortised cost	3.934	1.223
	b) financial assets at fair value through other comprehensive income	2.939	583
	c) financial liabilities	8	6.939
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	7.208	(8.880)
	b) other financial assets mandatorily measured at fair value	7.208	(8.880)
120.	**Net banking income**	**232.555**	**198.230**
130.	Net credit risk losses/reversals on:	17.469	(18.779)
	a) financial assets measured at amortised cost	17.483	(18.459)
	b) financial assets at fair value through other comprehensive income	(14)	(320)
150.	**Net profit (loss) from financial activities**	**250.024**	**179.451**
190.	Administrative expenses:	(179.219)	(142.745)
	a) personnel expenses	(67.725)	(60.680)
	b) other administrative expenses	(111.494)	(82.065)
200.	Net allocations to provisions for risks and charges	(5.619)	(16.301)
	a) commitments and guarantees granted	(3.192)	(7.025)
	b) other net allocations	(2.427)	(9.276)
210.	Net impairment losses/reversals on property, plant and equipment	(4.576)	(4.220)
220.	Net impairment losses/reversals on intangible assets	(4.569)	(4.377)
230.	Other operating income/expenses	15.824	12.185
240.	**Operating costs**	**(178.159)**	**(155.458)**
280.	Gains (Losses) on disposal of investments	-	24.161
290.	**Pre-tax profit (loss) from continuing operations**	**71.865**	**48.154**
300.	Income taxes for the period relating to continuing operations	(22.702)	(11.332)
330.	**Profit (loss) for the period**	**49.163**	**36.822**
340.	Profit (Loss) for the period attributable to non-controlling interests	832	66
350.	**Profit (loss) for the period attributable to the Parent Company**	**48.331**	**36.756**

3.3 Consolidated Statement of Comprehensive Income

	ITEMS (in thousands of Euro)	30.06.2021	30.06.2020
10.	**Profit (Loss) for the period**	**49.163**	**36.822**
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**2.007**	**(16.967)**
20.	Equity securities measured at fair value through other comprehensive income	1.841	(16.803)
70.	Defined benefit plans	166	(164)
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	**(2.147)**	**(3.277)**
110.	Exchange differences	285	(1.663)
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(2.432)	(1.614)
170.	**Total other comprehensive income, net of taxes**	**(140)**	**(20.244)**
180.	**Total comprehensive income (Item 10 + 170)**	**49.023**	**16.578**
190.	Total consolidated comprehensive income attributable to non-controlling interests	835	63
200.	**Total consolidated comprehensive income attributable to the Parent company**	**48.188**	**16.515**

3.4 Statement of Changes in Consolidated Equity at 30 June 2021

	Balance at 31.12.2020	Change in opening	Balance at 01.01.2021	Allocation of profit from previous year		Changes in the period									Equity attributable to the Parent company at 30.06.2021	Equity attributable to non-controlling interests at 30.06.2021	Consolidated equity at 30.06.2021
							Equity transactions										
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Buyback of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury	Stock Options	Changes in equity interests	Comprehensive income for the period			
Share capital:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
a) ordinary shares	53.811	X	53.811	-	X	X	-	-	X	X	X	X	-	X	53.811	24.797	78.608
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	-	X	-	-	-
Share premiums	102.491	X	102.491	-	X	481	-	X	X	X	X	X	-	X	102.972	-	102.972
Reserves:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
a) retained earnings	1.315.479	-	1.315.479	43.672	X	2.154	-	-	-	X	X	X	-	X	1.361.305	1.407	1.362.712
b) other	5.392	-	5.392	-	X	189	-	X	-	X	-	-	-	X	5.581	-	5.581
Valuation reserves	(19.337)	-	(19.337)	X	X	(2.753)	X	X	X	X	X	X	-	(143)	(22.233)	69	(22.164)
Equity instruments	-	X	-	X	X	X	X	X	X	-	X	X	-	X	-	-	-
Treasury shares	(2.948)	X	(2.948)	X	X	X	-	101	X	X	X	X	X	X	(2.847)	-	(2.847)
Profit (loss) for the period attributable to the Parent company	68.804	-	68.804	(43.672)	(25.132)	X	X	X	X	X	X	X	X	48.331	48.331	832	49.163
Equity attributable to the Parent company	**1.523.692**	**-**	**1.523.692**	**-**	**(25.132)**	**71**	**-**	**101**	**-**	**-**	**-**	**-**	**-**	**48.188**	**1.546.920**	**X**	**X**
Equity attributable to non-controlling interests	**26.270**	**-**	**26.270**	-	-	-	-	-	-	-	-	-	-	835	**X**	**27.106**	**X**
Consolidated Equity	**1.549.962**	**-**	**1.549.962**	**-**	**(25.132)**	**71**	**-**	**101**	**-**	**-**	**-**	**-**	**-**	**49.023**	**X**	**X**	**1.574.026**

3.5 Statement of Changes in Consolidated Equity at 30 June 2020

	Balance at 31.12.2019	Change in opening	Balance at 01.01.2020	Allocation of profit from previous year		Changes in the period									Equity attributable to the Parent company at 30.06.2020	Equity attributable to non-controlling interests at 30.06.2020	Consolidated equity at 30.06.2020
							Equity transactions										
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Buyback of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury	Stock Options	Changes in equity interests	Comprehensive income for the period			
Share capital:																	
a) ordinary shares	53.811	X	53.811	-	X	X	-	-	X	X	X	X	-	X	**53.811**	4.430	**58.241**
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	-	X	**-**	-	**-**
Share premiums	102.285	X	102.285	-	X	206	-	X	X	X	X	X	-	X	**102.491**	-	**102.491**
Reserves:																	
a) retained earnings	1.254.846	-	1.254.846	95.751	X	(34.628)	-	-	-	X	X	X	-	X	**1.315.969**	1.069	**1.317.038**
b) other	5.392	-	5.392	-	X	-	-	X	-	X	-	-	-	X	**5.392**	-	**5.392**
Valuation reserves	(3.037)	-	(3.037)	X	X	3.125	X	X	X	X	X	X	-	(20.241)	**(20.153)**	65	**(20.088)**
Equity instruments	-	X	-	X	X	X	X	X	X	-	X	X	-	X	**-**	-	**-**
Treasury shares	(3.012)	X	(3.012)	X	X	X	-	64	X	X	X	X	X	X	**(2.948)**	-	**(2.948)**
Profit (loss) for the period attributable to the Parent company	123.097	-	123.097	(95.751)	(27.346)	X	X	X	X	X	X	X	X	36.756	**36.756**	66	**36.822**
Equity attributable to the Parent company	**1.533.382**	**-**	**1.533.382**	**-**	**(27.346)**	**(31.297)**	**-**	**64**	**-**	**-**	**-**	**-**	**-**	**16.515**	**1.491.318**	X	**X**
Equity attributable to non-controlling interests	5.571	-	5.571	-	-	-	-	-	-	-	-	-	(4)	**63**	**X**	**5.630**	**X**
Consolidated Equity	**1.538.953**	**-**	**1.538.953**	**-**	**(27.346)**	**(31.297)**	**-**	**64**	**-**	**-**	**-**	**-**	**(4)**	**16.578**	**X**	X	**1.496.948**

3.6 Consolidated Statement of Cash Flows

ITEMS (in thousands of Euro)	30.06.2021	30.06.2020
A. OPERATING ACTIVITIES		
1. Operations	**64.337**	**96.774**
- profit (loss) for the period (+/-)	48.331	36.756
- profit/loss on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	(5.730)	7.848
- net credit risk losses/reversals (+/-)	(17.469)	18.779
- net impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	9.145	8.597
- net allocations to provisions for risks and charges and other expenses/income (+/-)	11.238	16.301
- unpaid taxes, duties and tax credits (+/-)	22.702	11.332
- other adjustments (+/-)	(3.880)	(2.839)
2. Cash flows generated/absorbed by financial assets	**(841.259)**	**(811.251)**
- financial assets held for trading	12.733	1.045
- other assets mandatorily measured at fair value	(9.124)	1.558
- financial assets measured at fair value through other comprehensive income	121.687	9.671
- financial assets measured at amortised cost	(974.099)	(781.988)
- other assets	7.544	(41.537)
3. Cash flows generated/absorbed by financial liabilities	**769.053**	**699.897**
- financial liabilities measured at amortised cost	676.584	707.783
- financial liabilities held for trading	(13.511)	286
- other liabilities	105.980	(8.172)
Net cash flows generated/absorbed by operating activities A (+/-)	**(7.869)**	**(14.580)**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**-**	**50.500**
- sale of property, plant and equipment	-	50.500
2. Cash flows absorbed by	**35.679**	**(35.918)**
- purchases of equity investments	-	(4)
- purchases of property, plant and equipment	(6.333)	(31.824)
- purchases of intangible assets	(4.723)	(4.090)
- purchases of subsidiaries and business units	46.735	-
Net cash flows generated/absorbed by investing activities B (+/-)	**35.679**	**14.582**
C. FINANCING ACTIVITIES		
- issues/buyback of equity instruments	(326)	-
- distribution of dividends and other	(24.926)	-
Net cash flows generated/absorbed by financing activities C (+/-)	**(25.251)**	**-**
NET CASH GENERATED/USED DURING THE PERIOD D=A+/-B+/-C	**2.559**	**2**

3.6.1 Reconciliation of Consolidated Statement of Cash Flows

ITEMS (in thousands of Euro)	30.06.2021	30.06.2020
OPENING CASH AND CASH EQUIVALENTS E	82	56
TOTAL NET CASH GENERATED/USED DURING THE PERIOD D	2.559	2
CASH AND CASH EQUIVALENTS: EFFECT OF CHANGES IN EXCHANGE RATES F	-	-
CLOSING CASH AND CASH EQUIVALENTS G=E+/-D+/-F	2.641	58

4.

Notes

4.1 Accounting policies

4.1.1 Statement of compliance with international accounting standards

These Condensed Consolidated Half-Year Financial Statements of the Banca Ifis Group at 30 June 2021 have been drawn up in accordance with IAS 34 (Interim financial statements), with the recording and measurement criteria of the IASs/IFRSs in force at said date issued by the International Accounting Standards Board (IASB), together with the relevant interpretations (IFRICs and SICs). These standards were endorsed by the European Commission in accordance with the provisions in article 6 of European Union Regulation no. 1606/2002. This regulation was implemented in Italy with Italian Legislative Decree no. 38 of 28 February 2005.

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

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

4.1.2 Basis of preparation

The Condensed Consolidated Half-Year Financial Statements consist of:

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

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

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

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

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

The recognition, measurement and derecognition criteria for assets and liabilities, and the procedures for recognising revenues and costs, adopted in the Consolidated half-year financial statements at 30 June 2021 have remained substantially unchanged from those adopted for the preparation of the 2020 financial statements of the Banca Ifis Group. The Group has not exercised the option to apply early any standards, interpretations or amendments issued but not yet effective. Several amendments and interpretations are applicable for the first time in 2021, but do not impact the Condensed consolidated half-year financial statements of the Group. Please refer to note 4.1.5 for a full explanation.

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, still marked by the pandemic.

In this regard, having examined the risks and uncertainties connected to the present macro-economic context, also in consideration of the worsening of the Covid-19 pandemic, the Banca Ifis Group can indeed be considered as a going concern, in that it can be reasonably expected to continue operating in the foreseeable future. Therefore, the Consolidated half-year financial statements at 30 June 2021 have 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.

4.1.3 Scope and methods of consolidation

The consolidated Half-Year Financial Report of the Banca Ifis Group has been drawn up on the basis of the accounts at 30 June 2021 prepared by the directors of the companies included in the consolidation scope.

At 30 June 2021, the Group consisted of the parent company, Banca Ifis S.p.A., the full subsidiaries Ifis Finance Sp. z o.o., Ifis Rental Services S.r.l., Ifis Npl Investing S.p.A. (formerly Ifis Npl S.p.A.), Cap.Ital.Fin. S.p.A., Ifis Npl Servicing S.p.A. (formerly Gemini S.p.A.) and Ifis Real Estate S.p.A., Ifis Finance I.F.N. S.A. controlled 99,99%, the 70% subsidiary Credifarma S.p.A, Farbanca S.p.A., acquired at the end of 2020 and controlled 70,77% and the vehicle Ifis Npl 2021-1 SPV S.r.l., of which the majority of the shares were acquired at the end of June 2021.

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

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

As these are transactions "under common control", there have been no changes in the scope of consolidation or impact on the Group's condensed consolidated half-year financial statements at 30 June 2021.

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

The financial statements of the Polish subsidiary Ifis Finance Sp. z o.o. and of the Romanian subsidiary Ifis Finance I.F.N. S.A., both expressed in foreign currencies are translated into Euro by applying the period-end

exchange rate to assets and liabilities. As for the income statement, the items are translated using the average exchange rate, which is considered as a valid approximation of the spot exchange rate. Exchange differences arising from the application of different exchange rates for the statement of financial position and the income statement, as well as the exchange differences from the translation of each investee company's equity, are recognised under capital reserves.

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

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

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

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

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

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

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

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

The consolidation process of the subsidiaries resulted in the following goodwill being recognised under the item intangible assets: 38,0 million Euro for the consolidation of the form Fbs Group, 784 thousand Euro at period end exchange rates for the Polish subsidiary Ifis Finance Sp. z.o.o.

During the first half of 2021, Banca Ifis acquired the business unit of the former Aigis Banca, the process of allocating the cost of the acquisition, which is currently underway, provisionally identified a negative difference between the cost of the combination and the fair value of the assets acquired, liabilities assumed and identifiable

contingent liabilities. This difference, which came to 3,4 million Euro, has been entered in these Condensed consolidated half-year financial statements of the Banca Ifis Group under "Other operating income". For further details on this transaction, see paragraph 4.4 "Business combinations involving companies or business units".

Equity investments in exclusively controlled companies

COMPANY NAME	HEAD OFFICE	REGISTERED OFFICE	TYPE (1)	INVESTMENT		VOTING RIGHTS % (2)
				COMPANY PARTICIPANT	SHARE %	
Ifis Finance Sp. z o.o.	Warsaw	Warsaw	1	Banca Ifis S.p.A.	100%	100%
Ifis Rental Services S.r.l.	Milan	Milan	1	Banca Ifis S.p.A.	100%	100%
Ifis Npl Investing S.p.A. (formerly Ifis Npl S.p.A.)	Florence, Milan and Mestre (VE)	Mestre (VE)	1	Banca Ifis S.p.A.	100%	100%
Ifis Real Estate S.p.A.	Milan	Milan	1	Ifis Npl Servicing S.p.A. (formerly Gemini S.p.A.)	100%	100%
Cap. Ital. Fin. S.p.A.	Naples	Naples	1	Banca Ifis S.p.A.	100%	100%
Ifis Npl Servicing S.p.A. (formerly Gemini S.p.A.)	Mestre (VE)	Mestre (VE)	1	Ifis Npl Investing S.p.A. (formerly Ifis Npl S.p.A.)	100%	100%
Ifis Finance I.F.N. S.A.	Bucharest	Bucharest	1	Banca Ifis S.p.A.	99,99%	99,99%
Farbanca S.p.A.	Bologna	Bologna	1	Banca Ifis S.p.A.	70,77%	70,77%
Credifarma S.p.A.	Rome	Rome	1	Banca Ifis S.p.A.	70%	70%
Ifis Npl 2021-1 SPV S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	1	Banca Ifis S.p.A.	51%	51%
Indigo Lease S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	4	Other	0%	0%
Ifis ABCP Programme S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	4	Other	0%	0%
Emma S.P.V. S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	4	Other	0%	0%
Urano Spv S.r.l.	Milan	Milan	4	Other	0%	0%

Key

(1) Type of relationship:

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

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

Significant judgements and assumptions in determining the scope of consolidation

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

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

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

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

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

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

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

The assessment carried out led the Bank to include the subsidiaries listed in the previous paragraph, as well as the SPVs (Special Purpose Vehicles) set up for securitisation purposes, for which control is considered to exist in accordance with IFRS 10; in the scope of consolidation at the reporting date. These SPVs, with the exception of the vehicle Ifis Npl 2021-1 SPV S.r.l. for which the Group holds the majority of the shares at 30 June 2021, are not companies legally belonging to the Banca Ifis Group.

Equity investments in exclusively controlled companies with significant minority interests Minority interests, availability of minority votes and dividends distributed to minorities

Company Name	Minority interests %	Availability of minority votes %(1)	Dividends distributed to minorities
Credifarma S.p.A.	30,00%	30,00%	-
Farbanca S.p.A.	22,23%	22,23%	-

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

Equity investments with significant minority interests: accounting information

Company Name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Equity	Net interest income	Net banking income	Operating costs	Pre-tax profit (loss) from continuing operations	Profit (loss) from continuing operations, net of taxes	Profit (loss) of disposal groups, net of taxes	Profit (loss) for the period (1)	Other comprehensive income, net of taxes (2)	Comprehensive income (3) = (1) + (2)
Credifarma S.p.A.	131.486	4	124.330	1.551	107.198	19.720	2.259	3.513	(2.888)	538	389	-	389	4	393
Farbanca S.p.A.	728.071	8	718.363	1.000	616.643	72.493	7.234	8.617	(3.470)	3.725	2.447	-	2.447	6	2.452

4.1.4 Subsequent events

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

For information on such events, please refer to the Interim Directors' report on the Group.

4.1.5 Other aspects

Risks and uncertainties related to estimates

Using accounting standards often requires management to make estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities. In making the assumptions underlying the estimates, management considers all available information at the reporting date of this Consolidated Half-Year Financial Report, as well as any other factor deemed reasonable for this purpose, also as a consequence of the current situation connected with the Covid-19 pandemic.

Specifically, it made estimates concerning the carrying amounts of some items recognised in the Consolidated Interim Report at 30 June 2021, as per the relevant accounting standards. These estimates are largely based on the expected future recoverability of the amounts recognised and were made on a going concern basis. Such estimates support the carrying amounts reported at 30 June 2021.

Furthermore, the estimates and assumptions used in the preparation of this Report are affected by the reasonably foreseeable impacts of the Covid-19. 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 Consolidated Half-Year Financial Report at 30 June 2021, thereby requiring changes to be made to the values of the assets and liabilities booked, which cannot currently be estimated or foreseen.

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

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

Fair value of receivables and financial instruments not quoted in active markets

In the presence of receivables and financial instruments not quoted in active markets or illiquid and complex instruments, it is necessary to activate adequate valuation processes characterised with certain judgement on the choice of valuation models and related input parameters, which may sometimes not be observable in the market. There is a degree of subjectivity involved in assessing whether certain inputs are observable and categorising them within the fair value hierarchy accordingly. For qualitative and quantitative information on the method to determine the fair value of instruments measured at fair value, reference should be made to paragraph A.2 - Part relating to the main items of the consolidated financial statements at 31 December 2020.

Npl Segment exposures

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

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

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

Other files under judicial processing remain recorded at acquisition cost until the requirements for application of the above model are met or, in the residual case of positions that obtained an unopposed decree from the debtor prior to 1 January 2018, until the garnishment order is obtained.

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

In order to take into account the current context, still marked by the pandemic, and incorporate the effects linked to the temporary closure of production activities, already in the 2020 financial statements, corrections were made to the forecasting models that entailed, with reference to amicable management, a limited decline in collections expected for FYs 2021 and 2022, in line with the general macroeconomic forecasts.

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

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

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

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

The allocation of receivables and debt securities classified as Financial assets measured at amortised cost and Financial assets measured at fair value through other comprehensive income in the three credit risk stages set

forth in IFRS 9 and the calculation of the relative expected losses requires a detailed estimation process that regards primarily:

- defining the parameters for a significant increase in credit risk, which are based both on models for measuring the Probabilities of Default (PD) at the origination of financial assets and at the period end date and on other backstop criteria, such as the concession of forbearance measures or the presence of items more than 30 days past-due;
- the measurement of certain elements necessary for the determination of estimated future cash flows arising from non-performing loans: the expected debt collection times, the presumed realisable value of any guarantees, the costs that it is deemed will be incurred to recover the credit exposure and lastly the likelihood of sale for positions for which there is a disposal plan.

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

As regards the assessment of the significant increase in the credit risk, the measures implemented to support the economy that impacted it include the concession of moratoriums, which must be mentioned. With the suspension of payments of amortisation plans, the verification of past-due by more than 30 days in order to allocate to Stage 2, also ceases. This has led the Group, already in the 2020 financial statements, to make prudent corrections in respect of relations with counterparties involved by these moratoriums, or which belong to certain economic segments considered to be at higher risk of impact from Covid-19, so as to incorporate the increase in the expected risk.

Similarly, the forward-looking information has seen an update to the macroeconomic scenarios following the evolution of the economic crisis linked to the spread of Covid-19, also in view of the recommendations given by the Supervisory Authorities.

Finally, in line with what has been done for the secured portfolio of the Npl Segment, the collection times for receivables and portfolios of receivables secured by real estate for which bankruptcy proceedings are in progress have been reviewed to reflect the aforementioned suspension of real estate execution, including in the Commercial & Corporate Banking Segment.

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

Goodwill and other intangible assets

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

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

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

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

Thereafter, in accordance with IAS 36, goodwill must be impairment tested annually, to check that the value can be recovered. The recoverable value is the greater of Value in Use and fair value, net of the costs of sale.

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

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

With regard to the difference recognised in the income statement relating to the provisionally determined fair value and the consideration paid for the acquisition of the business unit of the former Aigis Banca, please refer to the more detailed comments in paragraph 4.4 "Business combinations" of this document.

For the other cases listed, reference should be made to the valuation criteria described in paragraph "A.2 - Part relating to the main items of the Consolidated financial statements" at 31 December 2020.

Coming into effect of new accounting standards

Standards issued, effective and applicable to these financial statements

The Condensed Consolidated Half-Year Financial Statements at 30 June 2021 have been drawn up in accordance with IAS 34 (Interim financial statements) and in compliance with the recording and measurement criteria of the IASs/IFRSs in force at the reporting date. See the paragraph "Statement of compliance with international accounting standards".

The accounting standards used in preparing these Condensed Consolidated Half-Year Financial Statements at 30 June 2021 , as far as the classification, recognition, measurement, and derecognition of financial assets and liabilities as well as the methods for recognising revenues and costs are concerned, are substantively unchanged compared to the ones used in preparing the Consolidated Financial Statements at 31 December 2020.

The Group has also adopted for the first time some accounting standards and amendments effective for years beginning on or after 1 January 2021. Below are the new accounting standards and the amendments to existing accounting standards endorsed by the EU, which have not materially affected the amounts reported in the Group's Condensed Consolidated Half-Year Financial Statements at 30 June 2021:

- "Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2";
- "Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 19".

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

Amendments to the accounting standards issued but not yet effective

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

- "Amendments to:
  - IFRS 3 Business Combinations;
  - IAS 16 Property, Plant and Equipment;
  - IAS 37 Provisions, Contingent Liabilities and Contingent Assets
  - Annual Improvements 2018-2020" (all from 1 January 2022);
- "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (from 1 January 2023);
- "Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies" (from 1 January 2023);
- "Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (from 1 January 2023);
- "IFRS 17 Insurance Contracts, including Amendments to IFRS 17 (from 1 January 2023)

Deadlines for the approval and publication of the Consolidated Half-Year Financial Report

Pursuant to Article 154-ter of Italian Legislative Decree no. 59/98 (Consolidated Law on Finance), the Company must publish the Consolidated Half-Year Financial Report, including the Condensed Consolidated Half-Year Financial Statements, the interim directors' report, and the declaration as per article 154-bis, paragraph 5, as soon as possible, and in any case within three months of the end of the first half of the year. Banca Ifis's Consolidated Half-Year Financial Report at 30 June 2021 was submitted to the approval of the Parent company's Board of Directors on 5 August 2021.

4.1.6 Main items of the financial statements

The accounting standards used in preparing these Condensed consolidated half-year financial statements, as far as the classification, recognition, measurement, and derecognition of financial assets and liabilities as well as the methods for recognising revenue and costs are concerned, substantively unchanged compared to the ones used in preparing the 2020 Financial Statements of the Banca Ifis Group, to which reference is made for a complete description.

4.1.7 Disclosure on transfers between portfolios of financial assets

No transfers of financial assets between portfolios were made in the first half of 2021.

4.1.8 Fair value disclosure

Qualitative disclosure

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

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

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

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

Each financial asset or liability of the Group is categorised in one of the above levels, and the relevant measurements may be recurring or non-recurring (see IFRS 13, paragraph 93, letter a). The fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input.

The choice among the valuation techniques is not optional, since these shall be applied in a hierarchical order: indeed, the fair value hierarchy gives the highest priority to (unadjusted) quoted prices available in active markets for identical assets or liabilities (Level 1 data) and the lowest priority to unobservable inputs (Level 3 data).

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

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

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

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

In the absence of observable prices in an active market for the financial asset or liability to be measured, the fair value of the financial instruments is measured using the so-called comparable approach (Level 2), requiring valuation models based on market inputs.

In this case, the valuation is not based on the quoted prices of the financial instrument being measured (identical asset), but on prices, credit spreads or other factors derived from the official quoted prices of instruments that are substantially similar in terms of risk factors and duration/return, using a given calculation method (pricing model).

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

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

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

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

With regard to the valuation of financial assets and liabilities measured at fair value on a recurring basis, the method used by the Group for receivables mandatorily measured at fair value is the Discounted Cash Flow Model, which discounts the expected cash flows of each loan at a market rate that takes into account elements such as the risk-free rate for equal maturities, the funding cost, the lifetime credit risk of the counterparty and the cost of capital absorption.

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

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

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

With regard to the measurement of financial assets and liabilities measured at fair value on a non-recurring basis, the reference loan portfolio consists of cash exposures classified as performing with a residual life of more than one year (medium/long-term). Therefore, all exposures classified as non-performing, the ones with a residual life less than one year, and unsecured loans are excluded from the valuation, as it is believed that their amortised cost can be used as an approximation of fair value.

For the purposes of measuring performing loans at fair value, given the absence of prices directly observable on active and liquid markets, entities shall use valuation techniques based on a theoretical model meeting the requirements of IAS/IFRS standards (Level 3). The approach used to determine the fair value of receivables is

the Discounted Cash Flow Model, i.e. the discounting of expected future cash flows at a risk-free rate for the same maturity, increased by a spread representative of the counterparty's risk of default plus a liquidity premium.

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

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

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

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

Measurement processes and sensitivity

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

Fair value hierarchy

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

Debt securities and loans are transferred from level 3 to level 2 when the inputs to the valuation technique used are observable at the measurement date. The transfer from level 3 to level 1 is allowed when it is confirmed that there is an active market for the instrument at the measurement date. Finally, they are transferred from level 2 to level 3 when some inputs relevant in measuring fair value are not directly observable at the measurement date.

Equity securities classified as assets measured at fair value through other comprehensive income are transferred between levels when:

- observable inputs became available during the period (e.g. prices for identical assets and liabilities defined in comparable transactions between independent and knowledgeable parties). In this case, they are reclassified from level 3 to level 2;

- inputs directly or indirectly observable used in measuring them are no longer available or current (e.g. no recent comparable transactions or no longer applicable multiples). In this case, the entity shall use valuation techniques incorporating unobservable inputs.

Quantitative information

Fair value hierarchy

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

Financial assets/liabilities measured at fair value (in thousands of Euro)	30.06.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	2.099	4.560	153.310	11.623	19.250	126.975
a) financial assets held for trading	*2.099*	*4.560*	*-*	*1.620*	*19.250*	*-*
b) financial assets measured at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	*-*	*-*	*153.310*	*10.003*	*-*	*126.975*
2. Financial assets measured at fair value through other comprehensive income	760.306	-	38.745	749.322	-	25.233
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**762.405**	**4.560**	**192.055**	**760.945**	**19.250**	**152.208**
1. Financial liabilities held for trading	-	5.040	-	-	18.551	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**5.040**	**-**	**-**	**18.551**	**-**

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

At 30 June 2021, the impact of applying the Credit Value Adjustment to the book values of the derivatives with a positive mark-to-market amounted to 220 thousand Euro (related to derivatives held for trading); as for the instruments with a negative mark-to-market, there was no impact resulting from the application of the Debit Value Adjustment to the book values of the derivatives.

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

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis (in thousands of Euro)	30.06.2021				31.12.2020			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	11.482.139	2.050.030	-	9.666.464	10.218.683	1.239.323	-	9.037.067
2. Property, plant and equipment held for investment purpose	873	-	-	873	565	-	-	565
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	**11.483.012**	**2.050.030**	**-**	**9.667.337**	**10.219.248**	**1.239.323**	**-**	**9.037.632**
1. Financial liabilities measured at amortised cost	11.000.224	1.069.380	-	9.338.051	9.908.039	768.887	-	9.108.401
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**11.000.224**	**1.069.380**	**-**	**9.338.051**	**9.908.039**	**768.887**	**-**	**9.108.401**

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

4.1.9 Disclosure on day one profit/loss

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

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

In other words, the general assumption under IFRS 9, whereby fair value is equal to the consideration given or received, may be overcome only if there is objective evidence that the consideration given or received is not representative of the actual market value of the financial instrument being traded. Such evidence must be derived only from objective and non-refutable parameters, thus eliminating any hypothesis of discretion on the part of the evaluator. The difference between the fair value and the negotiated price, only when the above conditions are met, is representative of the day one profit and is immediately recognised in the income statement.

As part of the Group's activities in the first half of 2021, there were no transactions attributable to this case.

4.2 Group financials and income results

4.2.1 Statement of financial position items

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Financial assets mandatorily measured at fair value through profit or loss	153.310	136.978	16.332	11,9%
Financial assets measured at fair value through other comprehensive income	799.051	774.555	24.496	3,2%
Receivables due from banks measured at amortised cost	1.606.657	1.083.281	523.376	48,3%
Receivables due from customers measured at amortised cost	9.875.482	9.135.402	740.080	8,1%
Property, plant and equipment and intangible assets	181.690	176.119	5.571	3,2%
Tax assets	343.010	381.431	(38.421)	(10,1)%
Other assets	309.413	338.430	(29.017)	(8,6)%
Total assets	**13.268.613**	**12.026.196**	**1.242.417**	**10,3%**
Payables due to banks measured at amortised cost	2.728.071	2.367.082	360.989	15,3%
Payables due to customers measured at amortised cost	5.884.418	5.471.874	412.544	7,5%
Debt securities issued	2.387.735	2.069.083	318.652	15,4%
Tax liabilities	44.993	48.154	(3.161)	(6,6)%
Provisions for risks and charges	64.554	53.944	10.610	19,7%
Other liabilities	584.816	466.097	118.719	25,5%
Group equity	1.574.026	1.549.962	24.064	1,6%
Total liabilities and equity	**13.268.613**	**12.026.196**	**1.242.417**	**10,3%**

Other financial assets mandatorily measured at fair value through profit or loss

Other financial assets mandatorily measured at fair value through profit or loss total 153,3 million Euro at 30 June 2021. This item consists of loans and debt securities that did not pass the SPPI test, equity securities from minority shares and UCITS units. Without taking into account the collections for the period, the 11,9% growth compared to 31 December 2020 is mainly due, in addition to the valuation effects of the period, of approximately 5,0 million Euro, to two new loans at fair value totalling 11,4 million Euro and the subscription during the half-year of securities related to third-party securitisations totalling 12,8 million Euro, the effect of which was partially offset by the closure during the period of a UCITS fund and the extinguishment of credit exposures measured at fair value which at 31 December 2020 were valued at 10,0 million Euro and 4,7 million Euro respectively.

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	
	30.06.2021	31.12.2020	ABSOLUTE	%
Debt securities	16.165	3.532	12.633	357,7%
Equity securities	23.479	20.683	2.796	13,5%
UCITS units	75.851	81.479	(5.628)	(6,9)%
Loans	37.815	31.284	6.531	20,9%
Total	**153.310**	**136.978**	**16.332**	**11,9%**

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income amounted to 799,1 million Euro at 30 June 2021, up 3,2% from December 2020. They include debt securities that have passed the SPPI test and equity securities for which the Group has exercised the OCI Option envisaged by IFRS 9.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Debt securities	725.756	721.216	4.540	0,6%
Equity securities	73.295	53.339	19.956	37,4%
Total	**799.051**	**774.555**	**24.496**	**3,2%**

Debt securities held in the portfolio at 30 June 2021 come to 725,8 million Euro, substantially in line with 31 December 2020. In the first half of the year, new acquisitions of debt securities included securities recognised following the acquisition of the business unit of the former Aigis Banca for an amount of 149,1 million Euro. The net fair value reserve comes to a negative 0,6 million Euro, showing a clear decline on the positive balance of 1,8 million Euro at 31 December 2020, precisely following the sales made in the first six months of 2021.

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

Issuer/Maturity	1 year	2 years	3 years	5 years	Over 5 years	Total
Government bonds	317.010	186.998	37.420	78.641	51.522	671.591
% of total	*43,7%*	*25,8%*	*5,2%*	*10,8%*	*7,1%*	*92,5%*
Banks	-	3.029	-	12.223	3.330	18.582
% of total	*-*	*0,4%*	*-*	*1,7%*	*0,5%*	*2,6%*
Other issuers	3.007	-	-	21.977	10.599	35.583
% of total	*0,4%*	*-*	*-*	*3,0%*	*1,5%*	*4,9%*
Total	**320.017**	**190.027**	**37.420**	**112.841**	**65.451**	**725.756**
% of total	***44,1%***	***26,2%***	***5,2%***	***15,5%***	***9,0%***	***100,0%***

This item includes equity securities relating to minority interests, amounting to 73,3 million Euro, up 37,4% compared to 31 December 2020, mainly due to investments made in the first half of 2021 and relative to the Proprietary Finance portfolio.

Receivables due from banks measured at amortised cost

Total receivables due from banks measured at amortised cost amounted to 1.606,7 million Euro at 30 June 2021, up 48,3% on the figure booked at 31 December 2020 (1.083,3 million Euro). This item mainly refers to Receivables due from central banks (1.110,8 million Euro at 30 June 2021 compared to 693,8 million Euro at 31 December 2020), which constitute the supplies maintained in order to ensure the orderly performance of management activities. Net of the contribution of loans to central banks, the increase in the balance of the item recorded in the first half of 2021 was also due to new investments in bank securities measured at amortised cost, the balance of which rose from 56,7 million Euro at 31 December 2020 to 127,4 million Euro at 30 June 2021.

Receivables due from customers measured at amortised cost

Total receivables due from customers measured at amortised cost amounted to 9.875,5 million Euro, up 8,1% on 31 December 2020 (9.135,4 million Euro). The item includes debt securities for 1,7 billion Euro (1,3 billion at 31 December 2020), of which government securities for 1,4 million Euro.

The contribution of the Commercial & Corporate Banking Segment is up on the same period of last year (+7,8%). This growth is concentrated in the Corporate Banking & Lending business area (+26,2%), while the Factoring and Leasing areas and the Npl Segment remained substantially stable during the period, while there was an increase of 307,9 million Euro in exposures in the Governance & Services and Non-Core Segments, mainly due to the effect of purchases of debt securities during the first half of 2021.

RECEIVABLES DUE FROM CUSTOMERS BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Commercial & Corporate Banking Segment	6.459.645	5.992.591	467.054	7,8%
- of which non-performing	*176.206*	*160.826*	*15.380*	*9,6%*
Factoring Area	2.748.756	2.755.488	(6.732)	(0,2)%
- of which non-performing	*114.479*	*115.783*	*(1.304)*	*(1,1)%*
Leasing Area	1.410.810	1.414.055	(3.245)	(0,2)%
- of which non-performing	*12.351*	*11.377*	*974*	*8,6%*
Corporate Banking & Lending Area	2.300.079	1.823.048	477.031	26,2%
- of which non-performing	*49.376*	*33.666*	*15.710*	*46,7%*
Npl Segment	1.370.746	1.405.603	(34.857)	(2,5)%
- of which non-performing	*1.347.907*	*1.381.085*	*(33.178)*	*(2,4)%*
Governance & Non-Core Services Segment	2.045.091	1.737.208	307.883	17,7%
- of which non-performing	*49.154*	*49.944*	*(790)*	*(1,6)%*
Total receivables due from customers	**9.875.482**	**9.135.402**	**740.080**	**8,1%**
- of which non-performing	***1.573.267***	***1.591.855***	***(18.588)***	***(1,2)%***

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

Intangible assets and property, plant and equipment

Intangible assets came to 61,1 million Euro, basically in line with those at 31 December 2020 (+0,3%).

The item refers to software for 22,3 million Euro and goodwill for about 38,8 million Euro, of which 38,0 million Euro deriving from the acquisition of the former Fbs Group and 0,8 million Euro deriving from the acquisition of the Polish subsidiary Ifis Finance Sp. z o.o.

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

Property, plant and equipment comes to 120,6 million Euro, as compared with the 115,1 million Euro booked at 31 December 2020, up 4,7%.

At the end of June 2021, the properties recognised under property, plant and equipment included the important historical building "Villa Marocco", located in Mestre – Venice and housing Banca Ifis's registered office. Since Villa Marocco is a luxury property, it is not depreciated, but it is tested for impairment at least annually. To this end, they are appraised by experts specialising in luxury properties. During the period, there were no indications requiring to test the assets for impairment.

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.

Tax assets amounted to 343,0 million Euro, slightly down on the figure at 31 December 2020 of 381,4 million Euro (-10,1%).

Current tax assets amounted to 41,7 million Euro compared with 74,3 million Euro at 31 December 2020 (-43,8%). Prepaid tax assets come to 301,3 million Euro as compared with 307,2 million Euro at 31 December 2020 and mainly comprise 219,4 million Euro (in line with the balance at 31 December 2020) assets entered for impairment of loans, potentially able to be transformed into tax credits and 50,3 million Euro assets entered on previous tax losses and the ACE benefit (51,1 million Euro at 31 December 2020). At present, no risks are seen on the potential failure to recover prepaid tax in the medium/long-term.

Tax liabilities totalled 45,0 million Euro, down 6,6% from 31 December 2020, equal to 48,2 million Euro.

Current tax liabilities, amounting to 8,8 million Euro, represent the tax burden for the period.

Deferred tax liabilities, totalling 36,1 million Euro, are essentially in line with 31 December 2020 and largely included 31,4 million Euro in receivables for interest on arrears that will be taxed upon receipt, 0,5 million Euro in the revaluation of property, and 2,9 million Euro in other mismatches of trade receivables and 0,8 million Euro relative to financial assets measured at fair value through other comprehensive income (FVOCI).

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

Here below is the breakdown of the different treatments by type and the relevant impact on CET1 and risk-weighted assets at 30 June 2021:

- the "deferred tax assets that rely on future profitability and do not arise from temporary differences" are deducted from CET1; at 30 June 2021, the 100% deduction amounted to 41,7 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 June 2021, these assets, including those pertaining to the Holding Company of the Banking Group, amounted to 31,6 million Euro and are offset by 24,2 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 June 2021, the corresponding weight totalled 219,4 million Euro;
- "current tax assets" receive a 0% weight as they are exposures to the Central Government.

Overall, the Tax Assets recognised at 30 June 2021 and 100% deducted from Own Funds resulted in an expense amounting to 0,45% as a proportion of CET1, which will decline in the future as said assets are utilised against taxable income.

Other assets and liabilities

Other assets, of 309,4 million Euro as compared to a balance of 338,4 million Euro at 31 December 2020, mainly include:

- financial assets held for trading for 6,7 million Euro (down 68,1% on the figure of 20,9 million Euro of 31 December 2020), referring 4,6 million Euro to derivative transactions (which decrease significantly on the figure of 19,3 million at end 2020, for the unwinding during the half-year of numerous positions in derivatives), mainly hedged by opposite positions entered amongst the financial liabilities held for trading and 2,1 million Euro in securities included in the Group's trading book (up 29,6% on the balance of 1,6 million Euro at 31 December 2020, mainly following new investments during the half-year);
- other assets for 300,1 million Euro (317,5 million Euro at 31 December 2020, -5,5%), of which 30,7 million Euro refer to the receivable due from the parent company La Scogliera S.p.A. by virtue of the tax consolidation agreements (83,3 million Euro at 31 December 2020). The reduction in the balance of the item during the first half of 2021 for a total of 17,4 million Euro mainly derives from the February 2021 collection of the credit of 14,1 million Euro in regard to the General Electric Group and relative to the tax effect on the indemnity already received for adhesion to the 2019 tax peace and the difference in the Group VAT balance, which went from a credit of 7,9 million Euro at 31 December 2020 to a credit of 7,7 million Euro at 30 June 2021.

Other liabilities come to 584,8 million Euro as compared with 466,1 million Euro at 31 December 2020, and consist of:

- trading derivatives for 5,0 million Euro, mainly referring to transactions hedged by opposite positions entered amongst financial assets held for trading, the balance of which has decreased significantly on the figure of 18,6 million Euro at 31 December 2020 following the above-specified unwinding of derivative positions during the first six months of 2021;
- 8,9 million Euro liabilities for post-employment benefits (9,2 million Euro at 31 December 2020);
- 570,9 million Euro for other liabilities (438,3 million Euro at 31 December 2020, +30,3%), largely referred to amounts due to customers that have not yet been credited as well as the payable of 58,8 million Euro for 2019 dividends suspended following the recommendations of the Supervisory Authorities and not

yet distributed, to operating payables for approximately 72,6 million Euro and to payables due to the parent company La Scogliera for 29,1 million Euro.

Funding

FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Payables due to banks	**2.728.071**	**2.367.082**	**360.989**	**15,3%**
- Payables due to Central banks	2.199.921	2.116.961	82.960	3,9%
of which: TLTRO	*2.115.774*	*1.994.722*	*121.052*	*6,1%*
of which: Other deposits	*84.147*	*122.239*	*(38.092)*	*(31,2)%*
- Repurchase agreements	283.086	-	283.086	n.a.
- Other payables	245.064	250.121	(5.057)	(2,0)%
Payables due to customers	**5.884.418**	**5.471.874**	**412.544**	**7,5%**
- Retail	4.496.963	4.459.954	37.009	0,8%
- Other term deposits	617.957	280.484	337.473	120,3%
- Lease payables	19.851	16.891	2.960	17,5%
- Other payables	749.647	714.545	35.102	4,9%
Debt securities issued	**2.387.735**	**2.069.083**	**318.652**	**15,4%**
Total funding	**11.000.224**	**9.908.039**	**1.092.185**	**11,0%**

Total funding amounted to 11.000,2 million Euro at 30 June 2021 (+11,0% compared to 31 December 2020) and is represented for 53,5% by payables due to customers (compared to 55,2% at 31 December 2020), for 24,8% by payables due to banks (compared to 23,9% at 31 December 2020), and for 21,7% by debt securities issued (20,9% at 31 December 2020).

Amounts due to customers amounted to 5.884,4 million Euro at 30 June 2021, an increase of 7,5% compared to 31 December 2020 essentially linked to the contribution of deposits referring to the former Aigis Banca business unit for 412,6 million Euro.

RETAIL FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Short-term funding (within 18 months)	**3.121.696**	3.196.110	**(74.414)**	**(2,3)%**
of which: DEREGULATED	*750.806*	*723.240*	*27.566*	*3,8%*
of which: LIKE/ONE	*1.099.713*	*1.084.400*	*15.313*	*1,4%*
of which: CONSTRAINTS	*1.176.924*	*1.316.288*	*(139.364)*	*(10,6)%*
of which: GERMAN DEPOSIT	*94.253*	*72.182*	*22.071*	*30,6%*
Long-term funding (beyond 18 months)	1.375.267	1.263.844	111.423	8,8%
Total funding	**4.496.963**	**4.459.954**	**37.009**	**0,8%**

Payables due to banks amounted to 2.728,1 million Euro, up 15,3% compared to 31 December 2020, mainly due to new repurchase agreements.

Securities issued amounted to 2.387,7 million Euro at 30 June 2021, up on the 2.069,1 million Euro of 31 December 2020. This increase is mainly attributable to senior notes totalling 372 million Euro relating to the Emma securitisation, which was restructured in June 2021, the effect of which was partially offset by the

repayment in full of approximately 63 million Euro of the bonds issued by the former Interbanca, which matured in March 2021.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Provisions for credit risk related to commitments and financial guarantees granted	13.027	10.988	2.039	18,6%
Legal and tax disputes	32.852	21.016	11.836	56,3%
Personnel expenses	5.456	7.148	(1.692)	(23,7)%
Other provisions	13.219	14.792	(1.573)	(10,6)%
Total provisions for risks and charges	**64.554**	**53.944**	**10.610**	**19,7%**

Below is the breakdown of the provision for risks and charges at the end of the first half of 2021 by type of dispute compared with the amounts for the prior year.

Provisions for credit risk related to commitments and financial guarantees granted

At 30 June 2021, the balance of 13,0 million Euro, an increase on the figure at the previous year (11,0 million Euro), reflects the write-down of the financial guarantees and commitments given by the Group.

Legal and tax disputes

At 30 June 2021, provisions are entered for legal and tax disputes for a total of 32,9 million Euro (21,0 million Euro at 31 December 2020). This amount breaks down as follows:

- 11,2 million Euro for 28 disputes concerning the Trade Receivables Area (the plaintiffs seek 33,5 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;
- 6,4 million Euro (the plaintiffs seek 63,9 million Euro in damages) for 11 disputes concerning the Corporate Banking & Commercial Lending Area deriving from the former Interbanca;
- 0,9 million Euro (the plaintiffs seek 3,0 million Euro in damages) for 46 disputes concerning the Leasing Area;
- 11,0 million Euro relating to disputes concerning the former Aigis Banca business acquired in the first half of 2021 with a petition corresponding to 16,9 million Euro;
- 1,8 million Euro (the plaintiffs seek 4,7 million Euro in damages) for 65 disputes concerning receivables of the subsidiary Ifis Npl Investing;
- 1,0 million Euro for various disputes concerning Credifarma (the plaintiffs seek 1,4 million Euro in damages);
- 371 thousand Euro (the plaintiffs seek 4,0 million Euro) for 31 disputes with customers and agents relating to Cap. Ital. Fin.;
- 129 thousand Euro for 5 disputes relating to Farbanca (the plaintiffs seek 2,8 million Euro in damages);
- 38 thousand Euro (the plaintiffs seek the same amount in damages) for disputes concerning the investee Ifis Rental Services.

Personnel expenses

At 30 June 2021, provisions are entered for personnel for 5,5 million Euro (7,1 million Euro at 31 December 2020), to be attributed for 5,2 million Euro to the Solidarity Fund established in 2020 to implement the cost rationalisation programme envisaged in the 2020-2022 Business Plan.

Other provisions for risks and charges

At 30 June 2021, "Other provisions" were in place for 13,2 million Euro, down 10,6% on the 14,8 million Euro recorded at 31 December 2020. The item mainly comprised 7,1 million Euro for probable contractual indemnities for loan transfers, 4,6 million Euro for supplementary indemnities for customers connected with the operations of the Leasing Area and 0,8 million Euro for the provision for complaints.

Contingent liabilities

Here below are the most significant contingent liabilities outstanding at 30 June 2021. Based on the opinion of the legal advisers assisting the subsidiaries, they are considered possible, and therefore they are only disclosed.

Tax dispute

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

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

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

Following the investigation carried out by the Guardia di Finanza [Financial Police Force] in regard to Direct Tax, VAT and other tax for the tax years 2016 and 2017 and 2013/2015 limited to transactions implemented with the Polish subsidiary Ifis Finance Sp. z o.o., Verification Notices were served in regard to the years 2013/2015. The Guardia di Finanza claims that it has found evidence to suggest that in the foreign country (Poland), a "permanent establishment" of Banca Ifis has been set up and not an autonomous legal subject with capacity of self-determination. In other words, by refusing to acknowledge the autonomous legal organisation of the Company with simultaneous tax residence of such in Poland, the costs and revenues of the Polish office would constitute positive or negative items producing income taxable in Italy (net of the tax credit for tax ultimately paid abroad). Overall, the Agency assessed 756 thousand Euro in additional taxes and administrative penalties amounting to 100%. The hearing, which was attended by Dario Stevanato, was discussed at the second chambers of the Provincial Tax Commission of Venice on 12 November 2020. Judgement no. 266/2021 discussed on 12/11/2020 and deposited on 19/03/2021 fully upheld the Bank's appeal and compensated costs. The Commission in fact declared that it was a "legitimate right of the Italian parent company, seeking to expand its banking and factoring services business in Poland, to determine the operative strategy of the parent company established to this end".

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

Reimbursements

In line with market practice, under the purchase agreement for the former GE Capital Interbanca Group, the seller made a series of representations and warranties related to Interbanca and other Investees. In addition, the

agreement includes a series of special reimbursements paid by the seller related to the main legal and tax disputes involving the former GE Capital Interbanca Group companies.

Consolidated equity

At 30 June 2021, Group consolidated Equity totalled 1.574,0 million Euro (1.550,0 million Euro at 31 December 2020). The main changes in consolidated equity are:

- the positive change relative to the period result pertaining to the Parent company of 48,3 million Euro;
- the positive change in Equity attributable to non-controlling interests for 0,8 million Euro, for the part share of the period results accrued by the subsidiaries Farbanca and Credifarma;
- the negative change of 25,1 million Euro related to dividends distributed during the year;
- the positive change of 0,2 million Euro of the valuation reserve connected with net actuarial gains on severance indemnity accrued during the period;
- the positive change of 0,3 million Euro in the exchange differences valuation reserve;
- the net negative change of 0,6 million Euro in the valuation reserve for securities recognised in the first half of 2021, due to the fair value adjustment of the financial instruments in the "Financial assets at fair value with impact on comprehensive income" portfolio (net of the gains realised on the sale of equity securities in this portfolio, represented in the accounts by a transfer from valuation reserves to reserves of profits).

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

EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2021	31.12.2020	ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	102.972	102.491	481	0,5%
Valuation reserves:	(22.233)	(19.337)	(2.896)	15,0%
- Securities	*(14.080)*	*(10.733)*	*(3.347)*	*31,2%*
- Post-employment benefits	*(263)*	*(429)*	*166*	*(38,7)%*
- Exchange differences	*(7.890)*	*(8.175)*	*285*	*(3,5)%*
Reserves	1.366.886	1.320.871	46.015	3,5%
Treasury shares	(2.847)	(2.948)	101	(3,4)%
Equity attributable to non-controlling interests	27.106	26.270	836	3,2%
Profit for the period attributable to the Parent company	48.331	68.804	(20.473)	(29,8)%
Group equity	**1.574.026**	**1.549.962**	**24.064**	**1,6%**

EQUITY: CHANGES	(in thousands of Euro)
Equity at 31.12.2020	**1.549.962**
Increases:	**49.787**
Profit for the period attributable to the Parent company	48.331
Change in valuation reserve:	451
- Post-employment benefits	*166*
- Exchange differences	*285*
Other changes	169
Equity attributable to non-controlling interests	836
Decreases:	**25.723**
Dividends distributed	25.132
Change in valuation reserve:	591
- Securities (net of realisations)	*591*
Equity at 30.06.2021	**1.574.026**

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS AT	
	30.06.2021	31.12.2020
Common Equity Tier 1 Capital (CET1)	1.066.061	1.038.715
Tier 1 Capital (T1)	1.124.166	1.091.858
Total Own Funds	**1.405.366**	**1.366.421**
Total RWAs	**9.319.520**	**9.203.971**
Common Equity Tier 1 Ratio	11,44%	11,29%
Tier 1 Capital Ratio	12,06%	11,86%
Ratio – Total Own Funds	**15,08%**	**14,85%**

Common Equity Tier 1, Tier 1 Capital, and Total Own Funds at 30 June 2021 do not include the profits generated by the Banking Group in the first six months of 2021.

Consolidated Own funds, risk-weighted assets and prudential ratios at 30 June 2021 were calculated based on the regulatory changes introduced by Directive 2019/878/EU (CRD V) and Regulation (EU) 876/2019 (CRR2), which amended the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR), as subsequently amended, which were transposed in the Bank of Italy's Circulars no. 285 and no. 286. The consolidated capital requirements, in compliance with the provisions of Article 19 of the CRR, are calculated by including in the prudential consolidation the Banking Group's Holding Company, which is not consolidated in the book equity.

With reference to the communication received by La Scogliera S.p.A. at June 2021 regarding the possible transfer of the holding company's office to the canton of Vaud (Lausanne), please note that, if this transfer would happen, it would lead to positive impacts on the Group's capital adequacy ratios compared to the current situation. This transfer would lead to the deconsolidation of the Banca Ifis Banking Group's holding company; consequently minority interests should be able to be fully included in consolidated Own Funds which, currently, as established by the CRR, are included only to an extent sufficient to enable the satisfaction of the minimun

capital requirements. For further details on this transfer, see paragraph 2.10 "Significant events that occured in the period".

For the purposes of calculating capital requirements at 30 June 2021, in continuity with what has been done since 30 June 2020, the Group has applied the temporary support provisions set out in Regulation (EU) no. 873/2020 (the "quick-fix").

EU Regulation no. 873/2020, relative to the transitional provisions aimed at attenuating the impact of the introduction of IFRS 9 on Own funds - defines for entities the possibility of including in their common equity tier 1 a portion of the accruals gained for expected credit losses, through different operating methods of the transitional period of reference (1 January 2018 - 31 December 2019 and 1 January 2020 - 31 December 2024).

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

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

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

At 30 June 2021, the adoption of IFRS 9 caused the expected credit loss provisions to rise by 25,1 million Euro, net of the tax effect.

Therefore, in accordance with the two transitional arrangements 12,7 million Euro were included in the Common Equity Tier 1 (CET1) capital attributable to the Group.

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

Said portion is being included in CET1 gradually and by applying the following factors.

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

At 30 June 2021, the positive OCI reserve on debt instruments issued by the central, regional and local administrations, net of the tax effect, come to 1 million Euro.

Therefore, in accordance with the transitional arrangements, a positive 0,5 million Euro was sterilised by the Common Equity Tier 1 (CET1) capital attributable to the Group.

Pursuant to the temporary treatments aimed at mitigating the impact of the introduction of IFRS 9 and OCI reserves on government securities on Own Funds, during the transitional period the Banca Ifis Banking Group must disclose the Own Funds and the relevant capital ratios and financial leverage it would report without

applying the transitional arrangements. The application of the transitional system has an impact on total own funds of 24 bps.

OWN FUNDS AND CAPITAL ADEQUACY RATIOS WITHOUT IFRS 9 TRANSITIONAL ARRANGEMENTS (in thousands of Euro)	AMOUNTS AT	
	30.06.2021	31.12.2020
Common Equity Tier 1 Capital (CET1)	1.041.481	1.014.822
Tier 1 Capital (T1)	1.099.587	1.067.964
Total Own Funds	**1.380.787**	**1.342.527**
Total RWAs	**9.306.822**	**9.189.077**
Common Equity Tier 1 Ratio	11,19%	11,04%
Tier 1 Capital Ratio	11,81%	11,62%
Ratio – Total Own Funds	**14,84%**	**14,61%**

Common Equity Tier 1, Tier 1 Capital, and Total Own Funds do not include the profits generated by the Banking Group at 30 June 2021.

FINANCIAL LEVERAGE COEFFICIENT WITH/WITHOUT TRANSITIONAL ARRANGEMENTS IFRS 9/Reg. no. 876/2019 (%)	AMOUNTS AT	
	30.06.2021	31.12.2020
Financial leverage coefficient without application of transitional arrangements	8,57%	8,59%
Financial leverage coefficient with application of transitional arrangements	8,73%	9,23%

With reference to the main changes in the new regulatory framework applicable from 30 June 2021, the main impacts for the Banca Ifis Banking Group are explained below.

With reference to the leverage ratio, starting from June 2021, Regulation (EU) no. 876/2019 introduced the minimum requirement of 3%, with the provision of proportional recalibration to compensate for the exclusion of certain exposures to Central Banks (Art. 429 bis CRR2).

For the purposes of credit risk and the calculation of capital absorption, the entry into force of CRR2 introduced important changes regarding the treatment for credit risk purposes of exposures in the form of units or shares in collective investment undertakings (CIUs). In particular, Article 132 CRR, as amended by Regulation (EU) no. 876/2019, provides for the application of methodologies for calculating capital requirements based on the granularity of information available to the Institution regarding the composition of the UCITS in its portfolio at the reference date. The availability of such information has allowed the application of the Look Through Approach methodology (or LTA), as required by Art. 132 bis, par.2 of the CRR2, allowing a reduction of 30 million Euro in RWA on a portfolio of 106 million Euro.

Among the new features introduced by Regulation (EU) no. 876/2019, the new methodologies provided for the calculation of the exposure value for financial derivative positions subject to counterparty risk are worthy of mention. In particular, compliance with the thresholds provided for by Art. 273 bis, paragraph 2 of CRR2 allowed the use of the simplified original exposure method and given the immateriality of derivative positions, the impact is not significant.

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

In defining own funds at 30 June 2021, Banca Ifis took this opportunity and the amount of the portion not deducted at 30 June 2021 is 4,9 million Euro.

Among the changes that occurred in the second quarter of 2021 that contributed to a reduction in capital absorption, it is worth noting that the guarantee granted by the Italian State (GACS securitisations) on the senior securities relating to a multi-originator securitisation of bad loans was obtained. The reduction in RWAs amounted to 57 million Euro.

On 23 May 2021, Banca Ifis, in agreement with the Interbank Deposit Protection Fund (FITD), completed the purchase of a business unit from the former Aigis Banca (for further details, refer to section "4.4 Business combinations" of this document) . In particular, the acquisition concerned loans to small and medium-sized businesses for medium/long-term loans secured by Medio Credito Centrale and factoring, which represent approximately 4.2% of assets and contribute marginally (1%) to consolidated RWA figures.

The 39 million Euro increase in Own Funds compared to 31 December 2020 was largely attributable to the following components:

- the lower 100% deduction from CET1 of "deferred tax assets that rely on future profitability and do not arise from temporary differences" totalling 41,7 million Euro - compared to 56,2 million Euro deducted at 31 December 2020; in this regard, please note that this deduction will be further absorbed by the future use of such deferred tax assets;
- the reduction of profit reserves for 2,9 million Euro;
- the lesser deduction of the negative components relative to investments in software, deriving from the application of prudent amortisation instead of accounting amortisation, as permitted by Regulation (EU) no. 2176/2020, where the Banca Ifis Group has decided to apply this method;
- the greater deduction of other income statement items attributable to the valuation reserve for equities designated at fair value with an impact on comprehensive income of 1,5 million Euro;
- the increase in the portion that can be booked of the minority interests (Art. 84 CRR) for an amount of 28,5 million Euro according to the rise in risk-weighted assets and the correlated reduction in surplus capital;
- an increase in Risk Weighted Assets of 386,6 million Euro, mainly due to the growth in loans in the Factoring Area for corporate customers, repurchase agreement transactions with institutional customers and the acquisition of the business unit from the former Aigis Banca as described above.

The increase in own funds due to the above-described phenomena has meant that at 30 June 2021, the Total capital ratio is 15,08%, up from the results achieved at 31 December 2020 of 14,85%; this trend was also reported for the CET1 ratio now 11,44%, compared to the previous figure of 11,29%.

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

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & NON-CORE SERVICES SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Total RWA per Segment	**5.063.242**	**2.274.675**	**1.270.912**	**1.517.655**	**2.131.840**	**1.111.805**	**8.306.888**
Market risk	X	X	X	X	X	X	99.493
Operational risk (basic indicator approach)	X	X	X	X	X	X	869.698
Credit valuation adjustment risk	X	X	X	X	X	X	43.441
Total RWAs	**X**	**X**	**X**	**X**	**X**	**X**	**9.319.520**

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

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

At 30 June 2021, the Banca Ifis Group met the above prudential requirements.

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

OWN FUNDS AND CAPITAL ADEQUACY RATIOS: BANCA IFIS BANKING GROUP SCOPE (in thousands of Euro)	AMOUNTS AT	
	30.06.2021	31.12.2020
Common Equity Tier 1 Capital (CET1)	1.441.751	1.422.796
Tier 1 Capital (T1)	1.443.521	1.424.610
Total Own Funds	**1.846.327**	**1.827.409**
Total RWAs	**9.294.588**	**9.194.733**
Common Equity Tier 1 Ratio	15,51%	15,47%
Tier 1 Capital Ratio	15,53%	15,49%
Ratio – Total Own Funds	**19,86%**	**19,87%**

Common Equity Tier 1, Tier 1 Capital, and Total Own Funds at 30 June 2021 do not include the profits generated by the Banking Group in the first six months of 2021.

Disclosure regarding Sovereign Debt

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

Pursuant to said communication, please note that at 30 June 2021 the exposures to sovereign debt entirely consisted of Italian government bonds; their carrying amount totalled 1.973 million Euro, net of the positive 1 million Euro valuation reserve.

These securities, with a nominal amount of approximately 1.936 million Euro have a weighted residual average life of approximately 47 months.

The fair values used to measure the exposures to sovereign debt securities at 30 June 2021 are considered to be Level 1.

Pursuant to the Consob Communication, besides the exposure to sovereign debt, it is also necessary to consider receivables due from the Italian National Administration, which at 30 June 2021 totalled 711 million Euro, including 113 million Euro relating to tax receivables.

4.2.2 Income statements items

Formation of net banking income

Net banking income totalled 232,6 million Euro, up 17,3% from 198,2 million Euro at 30 June 2020. This increase of 34,3 million Euro is mainly linked to the following factors:

- effect of the improved general economic environment from which the Group's operating segments benefited;
- contribution of 8,6 million Euro from Farbanca S.p.A. and approximately 1,3 million Euro from the former Aigis Banca business unit (not part of the Banca Ifis Group in the first half of 2020);
- a higher contribution from the other components of net interest and other banking income of 15,4 million Euro, as detailed below.

NET BANKING INCOME (in thousands of Euro)	1ST HALF		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	172.963	155.118	17.845	11,5%
Net commission income	40.851	39.807	1.044	2,6%
Other components of net banking income	18.741	3.305	15.436	n.s.
Net banking income	**232.555**	**198.230**	**34.325**	**17,3%**

Net interest income increased by 11,5%, from 155,1 million Euro at 30 June 2020 to 173,0 million Euro at 30 June 2021, both as a result of higher underlying volumes compared to the situation in the first half of 2020, which had been strongly affected by the limitations related to the Covid-19 pandemic, and due to the contributions of Farbanca S.p.A and the former Aigis Banca unit as commented in more detail in section "2.8 Contribution of Segments to Group results – reclassified data".

Net commission comes to 40,9 million Euro, essentially in line with the figure at 30 June 2020: this trend was driven both by a greater contribution made by commission income, connected mainly with the Structured Finance segment, which more than offset the greater incidence of the commission expense following the Npl acquisitions made during H1 2021.

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

- 7,2 million Euro in the positive net result of other financial assets and liabilities measured at fair value through profit or loss (up 16,1 million Euro on the negative result of 8,9 million Euro at 30 June 2020) that includes the net negative change in the fair value of capital instruments and units of UCITS for 6,8 million Euro, the positive change in the fair value of loans for 0,6 million Euro, the positive change in fair value of securitisation held by the subsidiary Ifis Npl Investing (formerly Ifis Npl) for 0,2 million Euro;
- 6,9 million Euro for net gains from the sale or buy-back of financial assets and liabilities (net profit of 8,7 million Euro at 30 June 2020);

- 6,1 million Euro for dividends generated by shares held in the Group-owned portfolio (2,4 million in the first six months of 2020);
- -1,5 million Euro the net negative result of trading (net gain of 1,0 million Euro during H1 2020).

Formation of net profit (loss) from financial activities

The Group's net profit from financial activities totalled 250,0 million Euro, compared to 179,5 million Euro at 30 June 2020 (+39,3%).

FORMATION OF NET PROFIT (LOSS) FROM FINANCIAL ACTIVITIES (in thousands of Euro)	1ST HALF		CHANGE	
	2021	2020	ABSOLUTE	%
Net banking income	**232.555**	**198.230**	**34.325**	**17,3%**
Net credit risk losses/reversals	17.469	(18.779)	36.248	n.s.
Net profit (loss) from financial activities	**250.024**	**179.451**	**70.573**	**39,3%**

Net credit risk gains totalled 17,5 million Euro at 30 June 2021, compared to net losses of 18,8 million Euro at 30 June 2020. This item includes the impact of the changes in estimated cash flows from the Npl Segment's receivables, which, pursuant to IFRS 9, are included within POCI (Purchased or originated credit-impaired) loans. Further details of the changes in net impairment losses and reversals of impairment losses due to credit risk are given in detail in the section "2.8 Contribution of Segments to Group results – reclassified data".

Formation of net profit for the period

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

FORMATION OF NET PROFIT (in thousands of Euro)	1ST HALF		CHANGE	
	2021	2020	ABSOLUTE	%
Net profit (loss) from financial activities	**250.024**	**179.451**	**70.573**	**39,3%**
Operating costs	**(178.159)**	**(155.458)**	**(22.701)**	**14,6%**
Gains (Losses) on disposal of investments	-	24.161	(24.161)	(100,0)%
Pre-tax profit (loss) from continuing operations	**71.865**	**48.154**	**23.711**	**49,2%**
Income taxes for the period relating to continuing operations	(22.702)	(11.332)	(11.370)	100,3%
Profit (loss) for the period	**49.163**	**36.822**	**12.341**	**33,5%**
Profit (Loss) for the period attributable to non-controlling interests	832	66	766	n.s.
Profit (loss) for the period attributable to the Parent company	**48.331**	**36.756**	**11.575**	**31,5%**

Operating costs totalled 178,2 million Euro, showing an increase on 30 June 2020 (+14,6%).

OPERATING COSTS (in thousands of Euro)	1ST HALF		CHANGE	
	2021	2020	ABSOLUTE	%
Administrative expenses:	179.219	142.745	36.474	25,6%
a) personnel expenses	67.725	60.680	7.045	11,6%
b) other administrative expenses	111.494	82.065	29.429	35,9%
Net allocations to provisions for risks and charges	5.619	16.301	(10.682)	(65,5)%
Net impairment losses/reversals on property, plant and equipment and intangible assets	9.145	8.597	548	6,4%
Other operating income/expenses	(15.824)	(12.185)	(3.639)	29,9%
Operating costs	**178.159**	**155.458**	**22.701**	**14,6%**

Personnel expenses rose by 11,6% to 67,7 million Euro (60,7 million Euro for the period ended 30 June 2020). The increase in this item as compared with H1 2020, is mainly due to the entry of Farbanca and the BU of the former Aigis Banca into the Banca Ifis Group, for approximately 2,1 million Euro and greater provisions made for variable remuneration of around 4,0 million Euro. The number of Group employees at 30 June 2021 was 1.844 as compared with 1.745 resources at 30 June 2020, mainly due to the entrances connected with Farbanca and Aigis.

Other administrative expenses, at 30 June 2021, which come to 111,5 million Euro rise by 35,9% on 30 June 2020. The increase is attributable to higher costs for professional services and expenses for the purchase of goods and other services mainly related both to the resumption of credit recovery activities in the Npl Segment and to the previously mentioned change in the scope of consolidation for Farbanca and for the business acquired from the former Aigis Banca and the related integration costs.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	1ST HALF		CHANGE	
	2021	2020	ABSOLUTE	%
Expenses for professional services	**54.516**	**34.832**	**19.684**	**56,5%**
Legal and consulting services	36.729	24.777	11.952	48,2%
Auditing	467	425	42	9,9%
Outsourced services	17.320	9.630	7.690	79,9%
Direct and indirect taxes	**19.850**	**15.743**	**4.107**	**26,1%**
Expenses for purchasing goods and other services	**37.128**	**31.490**	**5.638**	**17,9%**
Software assistance and hire	8.400	7.106	1.294	18,2%
Customer information	8.227	7.897	330	4,2%
FITD and Resolution fund	4.407	3.062	1.345	43,9%
Advertising and inserts	3.291	2.397	894	37,3%
Property expenses	3.099	2.822	277	9,8%
Telephone and data transmission expenses	2.120	1.754	366	20,9%
Securitisation costs	1.999	917	1.082	118,0%
Postage and archiving of documents	1.967	2.279	(311)	(13,7)%
Car fleet management and maintenance	1.064	1.008	56	5,6%
Business trips and transfers	536	873	(337)	(38,6)%
Other sundry expenses	2.017	1.375	642	46,7%
Total other administrative expenses	**111.494**	**82.065**	**29.429**	**35,9%**

The sub-item "Legal and consulting services" comes to 36,7 million Euro during H1 2021, up 48,2% on the 24,8 million Euro of the same period of last year. The increase in the item is mainly linked to the resumption of the legal collection of receivables from the Npl Segment, which at 30 June 2021, came to 17,0 million Euro, as compared with 7,7 million Euro for the same period last year following the recovery of the activities connected with the courts. It is also impacted by the continuation of the reorganisation of the Group's corporate structures, including on a technological level and the entrance of Farbanca into the Group (1,3 million Euro).

The sub-item "Outsourcing services" of 17,3 million Euro at 30 June 2021, rises significantly (79,9%) on the figure of 9,6 million Euro of the same period of last year and mainly relates to the amicable collection of the Npl Segment, which in H1 2020 had been put on hold following the generalised lock-down imposed by the national authorities, with a consequent general slowing to the credit business and, consequently, the volumes under management, with the court closure and consequent impediment to taking the legal action to collection on debts of the Npl Segment.

"Direct and indirect taxes" came to 19,9 million Euro as compared with 15,7 million Euro at 30 June 2020, rising by 26,1%. The item mainly consists of the registration tax incurred for the judicial recovery of receivables belonging to the Npl Segment, amounting to 11,8 million Euro at 30 June 2021, shows an increase on 30 June 2020 due to the resumption of court operations following the previously-mentioned closures of 2020 (9,3 million Euro at 30 June 2020). The item also includes costs for stamp duty of 6,1 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 37,1 million Euro, up 17,9% from the 31,5 million Euro at 30 June 2020. The change in this item is due to the contrasting effect in some of the most significant items, in particular:

- software assistance and hire that goes from a balance of 7,1 million Euro at 30 June 2020 to 8,4 million Euro at 30 June 2021 (+18,2%) mainly following the projects for the digitisation and technological innovation of the Banca Ifis Group;
- expenses for customer information, which come to 8,2 million Euro, up 4,2% as a result of the slow-down to activities in the first half of 2020, during the lock-down period. These expenses are connected with the measurement of assets as a guarantee of the portfolios under management, focussed in particular on the Npl Segment, which, as mentioned, suffered the limits set as a result of the Covid-19 health emergency;
- contribution to the FITD and Resolution fund that at 30 June 2021 amounted to 4,4 million Euro, up 43,9% compared to 3,1 million Euro at 30 June 2020;
- advertising expenses go from 2,4 million Euro to 3,3 million in June 2021, following the continuation of rebranding activities that had begun in the second half of 2020;
- securitisation costs go from 0,9 million Euro to 2,0 million Euro (+118,0%) following the greater transactions performed in H1 2021 than in the first six months of FY 2020;
- trips and transfers came to 0,5 million Euro, recording a decline of 38,6%, due to the restrictions to travel imposed starting Q2 2020.

Net allocations to provisions for risks and charges amounted to 5,6 million Euro, a decrease of 65,5% on the 16,3 million Euro at 30 June 2020. The change is due to lower provisions for credit risks on commitments and guarantees of 3,8 million Euro; in addition, this item at 30 June 2020 included provisions of 6,9 million Euro relating to the Solidarity Fund for personnel.

Other net operating income amounted to 15,8 million Euro, up 29,9% compared to the same period of the previous year. The item referred mainly to revenue from the recovery of expenses charged to third parties. The relevant cost component is included in other administrative expenses, namely under legal expenses and indirect taxes, as well as recoveries of expenses associated with leasing operations. The change is mainly due to the positive difference that emerged during the provisional allocation of the purchase price of the former Aigis Banca business unit, amounting to 3,4 million Euro.

Pre-tax profit from continuing operations amounted to 71,9 million Euro, up 49,2% compared to 30 June 2020.

Income taxes amounted to 22,7 million Euro; the tax rate at 30 June 2021 is 31,59%. The increase was due to higher pre-tax profits compared to the first half of 2020.

The Group's net period profit amounted to 49,2 million Euro, up 33,5% on the same period of 2020. Net of period profit pertaining to minorities of 832 thousand, the profit attributable to the Parent company amounted to 48,3 million Euro, up 11,6 million Euro (+31,5%) on the same period of 2020.

4.3 Information on Risks and Risk Management Policies

Risk governance organisation

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

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

This process accompanied the preparation and sending to the Supervisory Body in May 2021 of the Annual ICAAP and ILAAP Report with reference to the position at 31 December 2020 and the forecasts envisaged for 2021, including the estimated impact of the current health emergency.

Again with reference to 31 December 2020 and in compliance with the obligations in the Pillar 3 provisions, Banca Ifis published, along with the 2020 consolidated financial statements, information on its capital adequacy, its exposure to risks, and the general characteristics of the systems it has put in place to identify, measure and manage these risks. This document has been published on the website www.bancaifis.it in the Investor Relations section.

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

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

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

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

- line audits aim to ensure operations are carried out correctly. These audits are carried out by the operational structures themselves, incorporated in procedures, or performed as part of back office

operations. The operational structures are primarily responsible for the risk management process: as part of their day-to-day operations, they shall identify, measure or assess, monitor, mitigate, and report the risks arising from ordinary operations in accordance with the risk management process; they shall comply with the operational limits assigned to them in accordance with the risk objectives and the procedures that form part of the risk management process;

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

The role of the different players involved in the Internal Control System (the Board of Directors, the Control and Risks Committee, the Director in charge of the Internal Control and Risk Management System, the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001, Internal Audit Function, Risk Management Function, Compliance Function, Anti-Money Laundering Function) in addition to the Corporate Accounting Reporting Officer according to the connotation of banking reality with listed shares, are described in detail in the Report on corporate governance and ownership structures prepared in accordance with the third paragraph of Article 123 bis of Italian Legislative Decree no. 58 of 24 February 1998 (TUF), as amended, the latest edition of which was approved by the Board of Directors jointly with the 2020 consolidated financial statements and published on the Bank's website in the Corporate Governance section.

Risk culture

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

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

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

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

Risks of accounting consolidation

Quantitative information

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

Credit quality

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

Portfolio/Quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Performing exposures	Total
1. Financial assets measured at amortised cost	1.088.694	436.395	48.178	585.274	9.323.598	11.482.139
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	707.175	707.175
3. Financial assets measured at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	53.980	53.980
5. Financial assets under disposal	-	-	-	-	-	-
Total 30.06.2021	**1.088.694**	**436.395**	**48.178**	**585.274**	**10.084.753**	**12.243.294**
Total 31.12.2020	**1.103.776**	**479.235**	**33.249**	**313.374**	**9.045.081**	**10.974.715**

Equity securities and UCITS units are not included in this table.

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

Portfolio/Quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Overall impairment losses/reversals	Net exposure	Overall partial write-offs	Gross exposure	Overall impairment losses/reversa	Net exposure	
1. Financial assets measured at amortised cost	1.819.703	246.436	1.573.267	50.539	9.986.862	77.990	9.908.872	11.482.139
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	707.175	-	707.175	707.175
3. Financial assets measured at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	53.980	53.980
5. Financial assets under disposal	-	-	-	-	-	-	-	-
Total 30.06.2021	**1.819.703**	**246.436**	**1.573.267**	**50.539**	**10.694.037**	**77.990**	**10.670.027**	**12.243.294**
Total 31.12.2020	**1.852.431**	**236.173**	**1.616.258**	**40.555**	**9.418.602**	**70.557**	**9.358.457**	**10.974.715**

Equity securities and UCITS units are not included in this table.

Portfolio/Quality	Low credit quality assets		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	209	30	4.530
2. Hedging derivatives	-	-	-
Total 30.06.2021	**209**	**30**	**4.530**
Total 31.12.2020	**312**	**32**	**19.217**

Unconsolidated structured entities

Qualitative information

There were no unconsolidated structured entities at 30 June 2021.

Risks of prudential consolidation

Credit risk

Qualitative information

General aspects

In accordance with the guidelines approved by the Parent company's Governing Body and the changes in the supervisory regulatory framework, the Group seeks to strengthen its competitive position in the market offered to small and medium businesses. The aim is to increase its market share in the following segments: trade receivables—including for entities with specialist needs such as pharmacies—leasing, tax receivables, and distressed loans, providing high-quality and highly customisable financial services while keeping credit risk

under control and profitability in line with the level of quality offered. The Private segment is also a complementary reference market for the Banking Group's credit business, in respect of the strategic guidelines defined over time by the Business Plan and the related implementing initiatives. The operations referred to the pharmaceutical sector are carried out by the subsidiaries Farbanca, a banking operator specialised in medium-long term loans to pharmacies, and Credifarma, an intermediary specialised in the granting of advances, medium and long term loans, instrumental leasing and financial services to pharmacies; the Group has thus strengthened its role in support of the pharmaceutical sector, accelerating, thanks to the best skills, the development of increasingly specialised, customised and digital services, for the first time integrated in a single large operator.

In May 2021, the Parent Company acquired an operating arm of the former Aigis Banca, which has been placed in compulsory liquidation by the Ministry of Economy and Finance. The perimeter acquired by Banca Ifis included, on the assets side, in addition to its own bond portfolio (mainly government bonds), loans to small and medium-sized businesses mainly consisting of medium/long-term loans backed by guarantees from Mediocredito Centrale (MCC) and factoring loans, while on the liabilities side, the acquisition mainly involved deposits, including those of retail customers; in addition, the personnel working in the Milan, Rome and Bari offices were transferred.

The banking group currently operates in the following fields:

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

- short- and medium-term lending to pharmacies by the subsidiary Credifarma S.p.A. and Farbanca S.p.A., including through the disposal of receivables due from Italy's National Health Service as well as public- and private-sector healthcare providers.

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

During 2020, in order to incorporate the impacts of the health emergency caused by the Covid-19 pandemic into the accounting valuation models used for NPLs, analyses were performed and new prudent logics implemented, as well as the institutional measures introduced to temporarily support the national economy, still valid for 2021.

The Italian Government, in order to continue to support SMEs from a financial point of view by alleviating the liquidity tensions caused by the Covid-19 emergency, has issued the Italian Decree Law 25 May 2021 no. 73 (the "Sostegni-Bis Decree") which contains the following measures:

- with regard to guarantees on portfolios of new medium/long-term loans intended for companies with no more than 499 employees for the implementation of research, development and innovation projects and/or investment programmes, an increase in the investment portfolios to 500 million Euro is granted, provided that the duration is between a minimum of 6 years and a maximum of 15 years and at least 60% of the loans are for research, development and innovation projects and/or investment programmes;
- extension to 31 December 2021 of temporary measures to support business liquidity and extension to 10 years of the maximum duration of loans with public guarantee (Sace), compared to the previous limit of 6 years;
- extension to 31 December 2021 of the moratorium for SMEs, for revocable credit facilities and for loans granted against advances on loans existing on 29 February 2020 or, if higher, for both the drawn and the unused portion.

These measures also mitigate any negative impact on the credit quality of banks.

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

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

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

As regards loans to private customers in the form of salary- and pension-backed loans granted through the subsidiary Cap.Ital.Fin. S.p.A., the Group suffered the effect of the closure and block to production of numerous

companies that, in many cases, applied for the social shock absorber of derogation temporary lay-off fund; this led to the disbursement of salaries directly by INPS, resulting in delays in the disbursement of funds and, consequently, in the receipt of payments.

The Group chose to selectively freeze instalments of the amortisation plan for the entire duration of the contribution mechanism. At June 2021, the number of positions affected by this suspension has been reduced to 9: the overall economic and financial effects are therefore to be considered insignificant.

In the Corporate area, following the Covid-19 emergency, the Banca Ifis Group has taken various actions to best address the emergency in line with the new regulations. More specifically, it has adhered to the Cura Italia Decree, to the ABI credit agreement and the Liquidity Decree, with the consequent concession of moratoriums and the disbursement of new loans backed by the Central Fund.

In 2020, the Banca Ifis Group, in line with the Cura Italia Decree, implemented the following supporting measures for micro, small and medium enterprises based in Italy, which were classified as performing and had a lack of liquidity due to the Covid-19 epidemic:

- limitation to the revocation of overdrafts until 30 June 2021;
- extension to 30 June 2021 of non-instalment loans with earlier contractual due date.
- suspension until 30 June 2021 and breaking down into instalments of mortgages and lease charges.

At 30 June 2021, the positions subject to the moratorium were individually reviewed and, where the conditions were met, classified as forborne.

With reference to Credifarma, at 30 June 2021 there are 16 counterparties that have benefited from the extension of the suspension of the capital share pursuant to the "Cura Italia" decree. The total value of the suspended instalments amounts to approximately one million Euro, of which 975 thousand Euro as capital. The amount relating to the interest on the instalments suspended until the last renewal of the moratorium (approximately 46 thousand Euro) will be recovered from the final closure of the measure in question. The overall economic effects of the moratorium are not material.

With reference to Farbanca, at 30 June 2021 there are 126 counterparties that have benefited from the extension of the suspension of the capital share pursuant to the "Cura Italia" decree, for an equivalent value of approximately 3 million Euro. The amount of interest relating to the suspended instalments has already been queued and is therefore no longer suspended.

With reference to the entry into force of the new rules on the "Classification in Default of Counterparties" with effect from 1 January 2021 (the "New DoD - Definition of Default"), it is believed that it has not had a significant impact in terms of deterioration of the quality of the Banca Ifis Group's credit assets. For more details on the "New DoD", refer to section "2.7 Impacts of Regulatory Changes" of this document.

Credit risk management policies

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

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

Organisational aspects

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

Inside, we find:

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

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

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

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

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

Specifically, Banca Ifis's organisational structure consists of the following Business Units, dedicated to different activities, centralised in the Affairs Department:

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

Within the Affairs Management Area, there is a specific organisational unit dedicated to the acquisition and management of credit in respect of local health authorities and hospitals, called Pharma Management.

In addition, under the Problem Loans Management, the Special Situations Service intervenes in the loan process; this is the organisational unit responsible for identifying and assessing new opportunities for lending to Italian companies that, despite reporting positive operating profits, have gone through or are recovering from financial distress.

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

- Ifis Npl Investing S.p.A. , company dedicated to the acquisition and transfer of non-performing loans, mainly originated by financial institutions and banks;
- Ifis Npl Servicing S.p.A. , company specialising in the management of Npls and servicing and recovery activities on behalf of third parties;
- Ifis Real Estate S.p.A., company dedicated to the real estate business at the service of the subsidiaries Ifis Investing S.p.A. and Ifis Npl Servicing S.p.A.;
- Cap.Ital.Fin. S.p.A., which provides salary- or pension-backed loans as well as salary or pension deductions and distributes financial products such as mortgages and personal loans;

- Credifarma S.p.A., the reference for pharmacies when it comes to advances, medium- and long-term loans, equipment leases, and financial services;
- Ifis Finance Sp. z o.o. and Ifis Finance I.F.N. S.A., factoring companies operating in Poland and Romania respectively;
- Ifis Rental Services S.r.l., an unregulated entity specialising in operating leases;
- Farbanca S.p.A., banking operator mainly targeting the world of pharmacies and health.

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

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

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

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

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

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

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

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

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

- origination: the Bank identifies the counterparties from which it plans to purchase the portfolios and assesses the economic expediency of said transactions;
- due diligence, as part of which highly-skilled analysts assess the quality of the portfolio being transferred and the relevant organisational impact. Once the due diligence is completed, the Group sets the terms

and conditions for offering/acquiring the receivables portfolio and how to manage it (individual or collective method), assessing the relevant impact on operating structures;

- approval: this stage includes the preparation of the file, the decision-making process, and the implementation of the approval by the competent decision-making body;
- finalisation: the parties prepare and finalise the purchase agreement, and the relevant consideration is paid.

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

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

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

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

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

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

Non-judicial operations

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

mortality tables provided by Istat. This method of valuing debt collection flows means that the expected collection profile is decreasing as time passes with respect to the date of purchase of the credit, until the asset value of the credit is reduced to zero when it reaches the tenth year from the date of purchase.

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

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

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

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

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

These models are regularly updated ("recalibrated") by the Risk Management function to account for changes in collections as well as the characteristics of the acquired portfolios.

Judicial operations

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

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

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

These positions are measured at amortised cost, calculated as the present value of expected cash flows determined on the basis of two proprietary models developed by the Risk Management function on the basis of historical internal data, referred to as "pre-garnishment order Legal Factory model". During the fourth quarter of 2020, as part of the pre-garnishment order Legal Factory model and the Garnishment order model, the form was implemented by which to calculate future cash flows on creditors aged over 67 years old; this form has been developed in order to consider the possibility that the subject, once retired, should receive a pension that can be used and which, for the purpose of the new legal procedure, will make it possible to seek a new garnishment order.

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

Management, measurement and control systems

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

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

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

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

Credit risk exposures to companies are assigned a rating based on models developed in-house. These models were brought into production early 2021 and are differentiated by segment to ensure that appropriate models are applied on homogeneous population from the point of view of characteristics and risk level. There are therefore models for corporations (Corporate models), differentiated by two size clusters, and a model for partnerships and sole proprietorships (Small Business models).

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

Concerning credit risks, the Risk Management function:

- oversees, monitors and assesses credit risks, carrying out audits and analysis in accordance with the relevant guidelines; specifically, it: i) assesses credit quality, ensuring compliance with lending strategies and guidelines by monitoring credit risk indicators on an ongoing basis; ii) constantly monitors the exposure to credit risk as well as compliance with the operational limits assigned to the different structures with reference to the assumption of credit risk; iii) ensures, through second line of defence controls, that the performance of individual exposures, and specifically non-performing ones, is properly monitored, and assesses the consistency of the classifications as well as the level of provisions; iv) monitors the exposure to concentration risk as well as the performance of Major Exposures;
- performs quantitative analyses to support the business units in using risk measures;
- oversees the supervision of the value of collateral as well as personal and financial guarantees.

Within the individual Group companies, special attention is paid to the monitoring of credit risk. During the first half of 2021, on the subsidiaries Credifarma, Cap.Ital.Fin and Farbanca:

- the attention and critical threshold of managerial indicators were estimated and, on a monthly basis, any overshooting of such monitored;

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

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

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

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

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

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

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

Measurement of expected credit losses

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

The most significant aspects that characterise this approach, concern:

- the classification of loans into three different levels (or "Stages") to which different methods correspond for calculating the losses to be recorded; Stage 1 includes performing positions that have not undergone a significant increase in credit risk otherwise placed in Stage 2; Stage 3 includes all positions classified as non-performing, bad loans, unlikely-to-pay, non-performing past due in accordance with the criteria and rules specifically adopted by the Group;

- the calculation of the expected loss calculated at 12 months for Stage 1 or for the entire useful life of the credit (lifetime) for Stages 2 and 3;
- the requirement to use a Point-in-Time, rather than a Through-the-Cycle, approach for regulatory purposes;
- forecast information regarding the future dynamics of macroeconomic factors (forward looking) considered to have the potential to influence the debtor's situation.

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

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

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

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

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

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

- expected losses at 12 months for positions that have not suffered a significant deterioration in creditworthiness (Stage 1); i.e. an estimate of the non-payments resulting from possible default events in the following 12 months, weighted by the probability that such events will occur;

- expected "Lifetime" losses for positions that have suffered a significant deterioration in creditworthiness (Stage 2); in this case, it estimates the cash shortfalls resulting from default events that are possible over the expected life of the financial instrument, weighted by the probability of that default occurring and discounted at the measurement date (ECL).

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

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

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

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

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

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

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

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

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

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

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

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

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

Of the various measures in support of the economy that impact the valuation of the significant increase in credit risk, we should certainly mention the concession of moratoriums. With the suspension of payments of amortisation plans, the verification of past-due by more than 30 days in order to allocate to Stage 2, also ceases. This led the Group to introduce a collective prudent correction for relations with counterparties operating in certain segments considered as being at high risk of impact by Covid-19 (transport, tourism, catering, automotive). This prudent measure has been adopted in order to incorporate the increase in risk expected in those economic segments most impacted by the current pandemic crisis and consequent economic crisis.

Additional lump sum corrective measures have also been implemented for exposures relative to certain types of medium/long-term loans, to date which are regular, but which are expected to be at higher risk in respecting the amortisation plan envisaged following the economic impacts expected post Covid-19.

Measurement of expected losses

With reference to the forward-looking information offering the inputs to the IFRS 9 provisioning process, through the use of the satellite models reported previously, the Risk Management Department has updated the macro economic scenarios following the evolution of the economic crisis linked to the spread of the Covid-19, also in consideration of the recommendations given 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.

The choice was also 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%, higher than that associated with the improvement scenario (5%) due to the high uncertainty and considering the continued limitations to movement and economic businesses.

During the third quarter of 2020, an additional correction was made in calculating the expected losses deriving from lease operations on positions concerned by moratorium. The assets concerned by these transactions are motor vehicles, commercial and industrial vehicles characterised by a deterioration of the asset typically in line with the financial plan. The concession of the moratorium introduces a misalignment of more than 12 months between the two curves, thereby reducing the degree of coverage of collateral to the lease credit and introducing a higher risk of LGD in the event of customer default. The correction made aims to adjust the calculation of expected loss to both the impacts described above and the increase in the default risk expected on the same counterparties.

Credit risk mitigation techniques

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

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

In particular:

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

- lending to pharmacies involves an advance as well as a transfer or debt collection mandate, with the possibility of deducting subsequent advances from existing credit facilities.

In line with that established by the Liquidity Decree (Italian Decree Law no. 23 of 08 April 2020), the Group has benefited from the guarantees offered by the state Guarantee Fund for the type of customer and loans envisaged by the Decree, with cover that can reach 100%. This guarantee enables a reduction in the RWAs relative to the credit risk, proportionally to the share of exposure covered by the Fund.

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

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

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

Non-performing credit exposures

Management strategies and policies

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

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

Nevertheless, the Parent company believes that the reference to "system" management and structural ratios and the maintenance of its indicators at levels of excellence represents an element of quality and value to be pursued as a specific objective, both for the strengthening of company structures and for the improvement of internal processes.

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

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

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

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

In view of the above, the Group has maintained the following two indicators as performance indicators and explicit objectives to be pursued with careful and proactive management when updating its annual operating

plan for the management of short and medium/long-term Npls, presented to the Supervisory Authority in March 2021:

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

With reference to cash receivables due from customers outstanding at 30 June 2021, excluding positions arising from the purchase and management of impaired loans from third-party originators managed by the subsidiaries Ifis Npl Investing S.p.A. and Ifis Npl Servicing S.p.A. and retail loan portfolios, also in consideration of the impact that the Covid-19 emergency is having on the economy, the NPE ratio levels are in line with the objectives set when the projections contained in the 2021 Operating Budget were defined. Regardless of the current outlook, the pursuit of the objective of a general limitation in the stock of non-performing loans remains and is expected to take place through a differentiated strategy in relation to the specificity of the individual portfolios concerned (taking into account the type of counterparty and the specificity of the individual products). In general, the action that will be taken is essentially based on the following goals, which it has been pursuing for some time now:

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

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

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

Write off

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

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

As for total or partial derecognition without a forfeiture of the right to collect the receivable, to avoid continuing to recognise receivables that, even though they are still managed by debt collection structures, are highly unlikely

to be recovered, at least every half-year, the Bank identifies the exposures to be derecognised that have all specific characteristics defined for each product.

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

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

In the first half of 2021, the Bank derecognised 25,8 million Euro (nominal amount) worth of exposures entirely written off without forfeiting the right to collect the receivable.

Purchased or originated credit impaired financial assets

Organisational aspects

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

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

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

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

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

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

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

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

Quantitative information

To date, the outstanding nominal amount of Ifis Npl Investing S.p.A.'s proprietary portfolio was approximately 19.282 million Euro. At the time of purchase, the nominal amount of these receivables was approximately 20.092

million Euro, and they were acquired for approximately 1.173 million Euro, i.e. an average price equal to approximately 5,84% of the historical book value. In the first half of 2021, approximately 115 million Euro were acquired for approximately 15,9 million Euro, i.e. an average price equal to 13,79%. The overall portfolio of non-performing exposures purchased and not yet collected has an overall weighted average life of around 43 months compared to their acquisition date.

As regards the individual phases of processing of Npl receivables, as described in paragraph "Organisational aspects" above in relation to credit risk, the carrying amount at 30 June 2021 of the positions in out-of-court management comes to 445 million Euro, whilst the carrying amount of the positions under legal management[4] comes to 912 million Euro.

Finally, Ifis Npl Investing S.p.A. seizes market opportunities in accordance with its business model by selling portfolios of positions yet to be processed to third parties. Overall, during the first half of 2021, Ifis Npl Investing S.p.A. completed 5 sales of portfolios to leading players whose business is purchasing Npls. Overall, receivables were sold with an amount of approximately 90 million Euro, consisting of approximately 6 thousand positions, for an overall consideration of about 6,5 million Euro.

Financial assets subject to business renegotiations and forborne exposures

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

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

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

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

- the purposes for which the modifications were made: for instance, renegotiations for business reasons and forbearance measures due to the counterparty's financial difficulties:
  - the former, intended to "retain" the customer, involve a borrower that is not in financial distress. This case includes all renegotiations aimed at adjusting the cost of debt to market conditions. These transactions result in changes to the original contractual terms, usually at the request of the borrower, that concern aspects associated with the cost of debt, giving rise to an economic benefit for the borrower. Generally, the Bank believes that, whenever it enters into a renegotiation in order to avoid losing the client, this renegotiation shall be considered as substantial, since, in

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

its absence, the customer could obtain financing from another intermediary and the bank would see estimated future revenue decline;

- the latter, offered for "credit risk reasons" (forbearance measures), are part of the Bank's attempt to maximise the recovery of the cash flows of the original receivable. Following the modifications, usually the underlying risks and rewards have not been substantially transferred: therefore, the accounting presentation that provides the most relevant information to users of the financial statements (expect for the following discussion about objective factors) is the one made through "modification accounting" - whereby the difference between the carrying amount and the present value of modified cash flows discounted at the original interest rate is recognised through profit or loss - rather than derecognition;

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

Prudential consolidation - Distribution of financial assets by past due buckets

Portfolios/risk stages	Stage 1			Stage 2			Stage 3		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	120.004	1.430	7.646	13.227	39.597	231.597	3.695	4.794	1.443.261
2. Financial assets measured at fair value through other comprehensive income	2.499	-	-	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-	-	-	-
Total 30.06.2021	**122.503**	**1.430**	**7.646**	**13.227**	**39.597**	**231.597**	**3.695**	**4.794**	**1.443.261**
Total 31.12.2020	**134.906**	**1.730**	**12.009**	**2.865**	**42.376**	**239.638**	**3.366**	**3.672**	**1.494.493**

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

Portfolios/risk stages	Gross exposure		Overall impairment losses/reversals and overall allocations	Net exposure	Overall partial write-offs
	Non-performing	Performing			
A. On-balance-sheet credit exposures					
a) Bad loans	1.220.121	X	131.429	1.088.692	7.132
- of which forborne exposures	*142.985*	*X*	*4.095*	*138.890*	-
b) Unlikely to pay	538.983	X	102.604	436.379	-
- of which forborne exposures	*118.429*	*X*	*18.433*	*99.995*	-
c) Non-performing past due exposures	53.318	X	5.539	47.779	32
- of which forborne exposures	*3.818*	*X*	*1.098*	*2.720*	-
d) Performing past due exposures	X	581.762	14.173	567.589	10
- of which forborne exposures	*X*	*6.459*	*260*	*6.199*	-
e) Other performing exposures	X	8.378.245	62.395	8.315.850	41.023
- of which forborne exposures	*X*	*82.938*	*4.453*	*78.485*	-
Total (A)	**1.812.422**	**8.960.007**	**316.140**	**10.456.289**	**48.196**
B. Off-balance-sheet credit exposures					
a) Non-performing	98.603	X	6.740	91.863	-
b) Performing	X	1.431.938	6.287	1.425.651	-
Total (B)	**98.603**	**1.431.938**	**13.027**	**1.517.514**	**-**
Total (A+B)	**1.911.025**	**10.391.945**	**329.167**	**11.973.803**	**48.196**

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

Concentration and distribution of credit exposures

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

Exposures/ Counterparts	Public Administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet credit exposures										
A.1 Bad loans	3.601	8.570	1.237	97	-	-	168.001	113.804	915.853	8.958
- of which forborne exposures	-	-	*24*	-	-	-	*4.948*	*3.554*	*133.918*	*541*
A.2 Unlikely to pay	826	111	15.082	2.913	-	-	115.681	92.150	304.790	7.430
- of which forborne exposures	-	-	*16*	-	-	-	*30.191*	*15.177*	*69.788*	*3.256*
A.3 Non-performing past due exposures	16.739	88	20	1	-	-	19.515	2.392	11.505	3.058
- of which forborne exposures	-	-	-	-	-	-	*486*	*64*	*2.234*	*1.034*
A.4 Performing exposures	2.663.045	6.507	278.542	2.263	-	-	5.223.542	58.646	718.310	9.152
- of which forborne exposures	*841*	*5*	*38*	*1*	-	-	*65.178*	*3.723*	*18.627*	*984*
Total (A)	**2.684.211**	**15.276**	**294.881**	**5.274**	**-**	**-**	**5.526.739**	**266.992**	**1.950.458**	**28.598**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	7.188	258	-	-	68.864	6.424	15.811	58
B.2 Performing exposures	-	-	127.855	754	-	-	1.008.209	5.480	289.587	53
Total (B)	-	-	135.043	1.012	-	-	1.077.073	11.904	305.398	111
Total at 30.06.2021 (A+B)	**2.684.211**	**15.276**	**429.924**	**6.286**	**-**	**-**	**6.603.812**	**278.896**	**2.255.856**	**28.709**
Total at 31.12.2020 (A+B)	**2.454.167**	**10.000**	**468.545**	**6.454**	**326**	**9**	**5.224.287**	**261.398**	**2.286.612**	**27.284**

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

Exposures/Counterparties	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet credit exposures										
A.1 Bad loans	1.088.223	130.831	451	597	12	-	1	1	5	-
A.2 Unlikely to pay	435.681	101.350	691	1.254	3	-	-	-	4	-
A.3 Non-performing past due exposures	43.463	5.188	4.302	350	14	1	-	-	-	-
A.4 Performing exposures	8.386.250	67.562	391.680	8.182	78.027	794	22.252	21	5.230	9
Total (A)	**9.953.617**	**304.931**	**397.124**	**10.383**	**78.056**	**795**	**22.253**	**22**	**5.239**	**9**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	91.634	6.740	229	-	-	-	-	-	-	-
B.2 Performing exposures	1.268.163	6.087	156.559	200	-	-	568	-	361	-
Total (B)	**1.359.797**	**12.827**	**156.788**	**200**	**-**	**-**	**568**	**-**	**361**	**-**
Total at 30.06.2021 (A+B)	**11.313.414**	**317.758**	**553.912**	**10.583**	**78.056**	**795**	**22.821**	**22**	**5.600**	**9**
Total at 31.12.2020 (A+B)	**9.980.528**	**293.297**	**330.051**	**10.478**	**81.980**	**1.171**	**37.917**	**177**	**3.135**	**13**

Securitisation transactions

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

Qualitative information

Objectives, strategies and processes

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

These transactions may originate from the various Business Units of the Group, in relation to the characteristics of the underlying portfolio, both performing and non-performing, or as part of the investment of liquidity.

The acquisition activities are carried out in accordance with the policies and procedures relating to credit risk, and in particular with the policies in force for the securitisation transactions and investment policies applicable to the Proprietary Finance portfolio and in compliance with the propensity to risk established within the Risk

Appetite Framework. The Group invests in securitisations of which it is able to value, on the basis of its experience, the relevant underlying assets.

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

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

Hedging policies adopted to mitigate the relevant risks

The Group has a "Securitisation management policy in the role of sponsor or investor" that governs the management of securitisation transactions in which it is involved as "investor" (i.e. the buyer of the notes) or "sponsor" (i.e. the party that establishes the transaction, as defined by Art. 2 of Regulation (EU) 2017/2402). For each potential case, the policy sets out the responsibilities of the organisational units and bodies with reference to both the due diligence process and the ongoing monitoring of the transaction.

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

Ifis ABCP Programme securitisation

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

Banca Ifis acts as servicer, performing the following tasks:

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

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

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

In compliance with IAS/IFRS accounting standards, currently the securitisation process does not involve the substantial transfer of all risks and rewards, as it does not meet derecognition requirements. In addition, the vehicles were consolidated in order to provide a comprehensive view of the transaction.

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

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

At 30 June 2021, the interest expense on the senior notes recognised in profit or loss amounted to 3,3 million Euro.

Emma securitisation transaction

At 30 June 2021, there was a securitisation transaction in place called Emma, prepared by Farbanca and which came under the scope of the Banca Ifis Group by virtue of the acquisition of 70,77% of said company in 2020. The other securitisation managed by Farbanca, named Ambra and having a multi-originator nature with the involvement of two other companies belonging to the former Banca Popolare di Vicenza Group, was closed during the first half of 2021.

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

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

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

Third-party securitisation transactions

At 30 June 2021, the Group held 153,3 million Euro in notes deriving from third-party securitisation transactions: specifically, it held 13,6 million Euro worth of single-tranche notes, senior notes for 116,3 million Euro and 4,1 million Euro worth of mezzanine and junior notes.

Specifically, there are 12 separate third-party securitisation transactions outstanding at the reporting date, the main features of which are described below:

- "Elite Basket Bond (EBB)" securitisation: the special purpose vehicle EBB S.r.l. issued Asset Backed Securities (ABS) at a price equal to the nominal amount, amounting to 122 million Euro, in a single tranche with maturity in December 2027 and a Basket of minibonds issued by 11 Italian listed companies as the underlying asset. These notes are unsecured senior bonds but carry a Credit Enhancement equal to 15% of the transaction's overall amount (24 million Euro), to be used in the event the issuers default on interest and/or principal payments on the minibonds. The Parent company participates in this transaction only as underwriter, subscribing for 5,2 million Euro worth of notes of the above tranche;
- "FINO 1" securitisation: this is an investment as a senior Noteholder in a securitisation transaction whose tranches issued are supported by a state guarantee "GACS" (Guarantee on the securitisation of bad loans) and with underlying bad loans with an original total nominal amount of about 5,4 billion Euro. The tranche originally subscribed for 92,5 million Euro by Banca Ifis (out of a total nominal amount of 650 million Euro) is the Senior Note Class A, with maturity in October 2045. Net of the redemptions occurred during the period, at 30 June 2021 the carrying amount of the portion subscribed for was 26,5 million Euro (35,7 million Euro at 31 December 2020);
- "Elipso Finance" securitisation: this is an investment as mezzanine noteholder in a securitisation and with underlying non-performing positions worth a total original nominal amount of approximately 2,6 billion Euro. The only tranche currently held by the subsidiary Ifis Npl Investing S.p.A. is the Class B Mezzanine Note, with a maturity date of January 2025 and a residual nominal value/principal amount outstanding equal to 19,5 million Euro (no amortisation at 30 June 2021). No capital redemptions occurred during the period and at 30 June 2021 the carrying amount of the portion subscribed for was 2,5 million Euro;
- "Auxilio" securitisation: this is an investment made in October 2020 for an initial nominal amount of 1,9 million Euro, relating to the purchase by Banca Ifis of a portion of senior securities with a "partly paid" structure for a pro-rata Bank notional value of 10 million Euro, with legal maturity in September 2035, issued by the securitisation vehicle Auxilio SPV S.r.l., with underlying receivables deriving from loans assisted by the guarantee of the Central Guarantee Fund. The transaction is characterised by a ramp-up period during which the issuer can purchase additional loans against the proceeds deriving from the payment of further tranches of the security subscription price; as a result of the payments made between the purchase date and 30 June 2021, the residual nominal amount of the senior tranche held is 9,99 million Euro. No capital redemptions occurred during the months between the investment date and end H1 2021, and at 30 June 2021, the carrying amount of the portion subscribed was in line with a residual nominal amount;
- •"Dyret II" securitisation: the involvement of the Banca Ifis Group is limited to the purchase during November 2020 by the Parent company of senior tranches of securities with a partly paid structure and ramp-up period concluded at the date of said acquisition, issued by the securitisation SPV Dyret SPV S.r.l. and with loans deriving from salary-backed or pension-backed loans or payment delegations as collateral, for a nominal residual per-unit Bank amount of 14,9 million Euro at the purchase date. The securities envisage the periodic redemption of the principal against the flows deriving from the

securitised portfolio and have legal maturity at December 2035. At 30 June 2021, the residual nominal amount is 12,6 million Euro due to the redemptions applied between the security purchase date and the period end, while the carrying amount of the tranches subscribed is 12,5 million Euro;

- "Futura 2019" securitisation: In February 2020, Banca Ifis subscribed, for a nominal amount of 2,7 million Euro, senior securities maturing in July 2044, issued by the SPV Futura 2019 S.r.l. There were no redemptions on said securities after their subscription, and at 30 June 2021 they had a net carrying amount of 2,3 million Euro;
- "BCC NPLs 2020" securitisation: this transaction was carried out in November 2020 by Iccrea Banca on an underlying of Npls for a total of 2,4 billion Euro, divided up over more than 9.600 debtors and 17.000 positions. This transaction, carried out through the SPV BCC NPLs 2020 S.r.l., is backed by the government GACS guarantee scheme and regarded the issue of senior, mezzanine and junior securities with maturity at January 2045. The Parent company Banca Ifis was involved in connection with the subscription of a portion of securities for each tranche, for a total nominal amount of 55,5 million Euro. From the subscription to the close of H1 2021, no redemptions were applied on these securities and the carrying amount at 30 June 2021 of the securities subscribed is 55,1 million Euro for the senior tranches (measured at amortised cost), while the value attributed to the mezzanine and junior portions (measured at fair value through profit or loss) is effectively null;
- "Bluwater" securitisation: this is a transaction implemented in December 2020 with Banco BPM as originator and Pillarstone Italy SPV S.r.l. as SPV and that consisted of the issue of a single tranche of securities (referred to as "single tranche") maturing in October 2030. Banca Ifis subscribed a portion of said securities for 3,7 million in nominal amount, which at 30 June 2021 has a carrying amount of 0,8 million Euro (securities measured at fair value through profit or loss);
- "Gaia Spv" securitisation, "Sparta" and "Volterra" portfolios: these are two transactions for the purchase of portfolios of non-performing loans carried out at the end of 2020 and finalised with the issue of securities in the first half of 2021 by the vehicle company Gaia Spv S.r.l., in which Banca Ifis participated as subscriber of a portion of the mono-tranche securities issued, with a total carrying amount of 12,8 million Euro at 30 June 2021;
- "Galadriel" securitisation, through the vehicle Galadriel SPE S.r.l.: a transaction with underlying loans guaranteed by the Central Guarantee Fund set up at Mediocredito Centrale pursuant to Law 662 of 23 December 1996, in which the Parent Bank participated in the first half of 2021 by investing in "partly paid" securities with a notional value pro-rata to the Bank of 20 million Euro for Class A securities, around 5 million Euro for Class B1 securities and around 9 million Euro in Class B2 securities. At 30 June 2021, the securities have a residual nominal amount of 4,8 million Euro, 50 thousand Euro and 10 thousand Euro respectively; it should also be noted that as part of this transaction, Banca Ifis acted as co-arranger with Intesa Sanpaolo S.p.A.;
- "Valsabbina" securitisation, launched in November 2020 by Banca Valsabbina and with underlying loans guaranteed by the Central Guarantee Fund set up at Mediocredito Centrale pursuant to Italian Law no. 662 of 23 December 1996, which Banca Ifis joined in the first half of 2021 as subscriber of mezzanine securities characterised by a carrying amount at the end of June 2021 of 1,4 million Euro;
- "Urano" securitisation, which entered the Banca Ifis Group perimeter as a result of the acquisition in the first half of 2021 of the business unit of the former Aigis Banca and characterised by the full subscription by the former Aigis Banca of the single-tranche securities issued and having as underlying loans of a third party bank. As a result of this underwriting integration of the securities, the Urano vehicle falls within the scope of consolidation of the Banca Ifis Group pursuant to IFRS 10 (for more details, please refer to paragraph 4.1.3 "Scope and methods of consolidation"), and therefore the loans underlying this

securitisation have been recognised as assets in the condensed consolidated half-year financial statements at 30 June 2021.

Disclosure on structured entities (other than securitisation vehicles)

There were no unconsolidated structured entities at 30 June 2021.

Disposals

Financial assets sold and not fully derecognised

Financial assets sold but not derecognised refer to securitised receivables.

Financial assets sold and fully derecognised

During the first half of 2021, there were no assignments of receivables to mutual funds with allocation of the relative shares.

Market risks

Interest rate risk and price risk – supervisory trading book

Qualitative information

Impacts deriving from the Covid-19 pandemic

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

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

In line with the management strategy mentioned, despite the exceptional nature of the pandemic, during H1 2021, no violations were seen to the risk thresholds assigned internally.

General aspects

In H1 2021, the investment strategy continued, as regulated in the "Banca Ifis Proprietary Portfolio Management Policy" is structured to coincide with the risk appetite formulated by the Board of Directors under the scope of the Risk Appetite Framework and laid out in the "Group Market Risk Management Policy", as well as with the system of objectives and limits.

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

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

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

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

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

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

More specifically, the measurement and assessment of market risks is based on the various characteristics (in terms of time frame, investment instruments, etc.) of the investment strategies used in the Banca Ifis Proprietary Portfolio. This is consistent with the "Banca Ifis Proprietary Portfolio Management Policy", which defines and details the strategies to be pursued in terms of portfolio structure, operative instruments and assets.

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

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

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

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

The VaR is measured using a confidence interval of 99% and a holding period of 1 day; it expresses the "threshold" of daily losses that, on the basis of probabilistic hypotheses may only be surpassed in 1% of cases. The method used to calculate the VaR is historical simulation. With this approach, the portfolio is re-valued, applying all variations to the risk factors recorded the previous year (256 observations). The values thus obtained are compared with the current portfolio value, determining the relevant series of hypothetical gains or losses. The VaR corresponds to the ninety-ninth worst result of those obtained.

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

To supplement the risk indications deriving from the VaR, managerially, for monitoring purposes, the Expected Shortfall (ES) is also used, which expresses the daily loss that exceeds the VaR data.

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

Interest rate risk and price risk – banking book

Qualitative information

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

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

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

As part of the operations in non-performing loans carried out by the subsidiaries Ifis Npl Investing S.p.A. (formerly Ifis Npl S.p.A.) and Ifis Npl Servicing S.p.A. (formerly Gemini S.p.A.), for which the business model focuses on acquiring receivables at prices lower than their nominal amount, there is a potential interest rate risk associated with the uncertainty about when the receivables will be collected.

At 30 June 2021, the comprehensive bond portfolio mainly comprises government securities for a percentage of approximately 87%; the comprehensive average modified duration is approximately 2,8 years.

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

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

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

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

The classification of the bonds held as Financial assets measured at fair value through other comprehensive income introduces the risk that the Group's reserves may fluctuate as a result of the change in their fair value. There is also a residual portion in equity securities, which belong to the major European indexes and are highly liquid, including Financial assets measured at fair value through other comprehensive income. A part share of these assets are economically hedged through derivatives that are part of the trading book.

From a managerial viewpoint, the above assets, relating to the management of the Group's Proprietary Portfolio, are specifically monitored as regulated in the "Group Market Risk Management Policy".

Currency risk

Qualitative information

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

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

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

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

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

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

Transactions on the Polish market, through the subsidiary Ifis Finance Sp. z o.o. and Ifis Finance I.F.N. S.A., are no exception to the above approach: assets denominated in Zloty and in Leu are financed through funding in the same currency.

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

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

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

2016, the fair value was adjusted through equity, bringing the value of the equity interest to 324 thousand Euro at 30 June 2021.

Currency risk hedging

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

Derivative instruments and hedging policies

Derivative instruments held for trading

Financial derivatives

Please see the paragraph on Market risks.

Liquidity risk

Qualitative information

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

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

During the first half of 2021, in line with the strategy defined in the funding plan, the Group increased the securitised funding component, both placed directly with institutional investors and used indirectly as collateral in medium-term repo transactions with institutional investors. The other main forms of funding (funding from customers, Eurosystem, bond issues) remained substantially stable.

At 30 June 2021, the main funding sources were equity, on-line retail funding - consisting of on-demand and term deposits - medium/long-term bonds issued as part of the EMTN programme, funding from the Eurosystem (TLTRO) and medium/long-term securitisation transactions from the Abaco channel at the Bank of Italy.

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

As for the Group's operations concerning the Npl Segment and the segment relative to purchases of tax receivables arising from insolvency proceedings, the characteristics of the business model imply a high level of variability concerning both the amount collected and the date of actual collection. Therefore, the timely and careful management of cash flows is particularly important. To ensure expected cash flows are correctly assessed, also with a view to correctly pricing the transactions undertaken, the Group carefully monitors the trend in collections compared to expected flows.

The amount of high-quality liquidity reserves (mainly held by the Group in its account with the Bank of Italy and government bonds forming part of the intra-day reserve) makes it possible to meet regulatory requirements (with respect to the limits of LCR and NSFR) and internal requirements relating to prudent management of liquidity risk.

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

The Parent's business functions responsible for ensuring that liquidity policies are properly implemented are the Capital Markets Central Department, which deals with the direct management of liquidity; the Risk Management function, responsible for proposing the risk appetite, selecting the most appropriate risk indicators and monitoring them with reference to pre-set limits, as well as supporting Top Management; and the Top Management, which every year, aided by the Capital Markets Central Management, shall make proposals to the Board of Directors regarding policies on funding and the management of liquidity risk, as well as suggest appropriate actions during the year in order to ensure that operations are conducted consistently with the risk policies approved.

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

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

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

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

Impacts deriving from the Covid-19 pandemic

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

With regard to the evolution of funding volumes attributable to the effects of the pandemic during the first half of 2021, available liquidity remained at levels significantly above regulatory and internal limits and significantly higher than at the end of 2020.

In line with the strategy described in terms of management and risk appetite, despite the exceptional nature of the pandemic, during H1 2021, no violations were seen to the risk thresholds assigned internally.

Self-securitisation transactions

Indigo Lease

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

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

The initial purchase price of the assigned receivables portfolio, equal to 489 million Euro, was paid by the vehicle to the merged entity, the former Ifis Leasing S.p.A. using funds raised from the issue of senior notes for an amount of 366 million Euro. These received an AA3 (sf) rating from Moody's and an AA (sf) rating from DBRS, and their redemption is connected to the collections realised on the receivables portfolio. The vehicle also issued

junior securities purchased by the former Ifis Leasing S.p.A. (now merged into Banca Ifis S.p.A.), which has not been assigned a rating, for a value of 138 million Euro. In addition, the latter received a specific servicing mandate to collect and manage the receivables.

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

At 30 June 2021 the Banca Ifis Group had therefore subscribed for all the notes issued by the vehicle.

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

Ifis Npl 2021-1 Spv

In March 2021, Banca Ifis realised for financing purposes, through its subsidiary Ifis Npl Investing S.p.A. (formerly Ifis Npl S.p.A.), it had implemented the very first securitisation in Italy of a non-performing portfolio mainly comprising unsecured loans backed by assignment orders. The transaction is an innovative solution for this type of non-performing exposure, where the debt collection procedure through compulsory enforcement (attachment of one fifth of the salary) and is at an advanced stage. The transaction aimed to collect funding for Ifis Npl Investing S.p.A. of up to 350 million Euro in liquidity on the institutional market, without deconsolidating the underlying credits. The loan portfolios concerned by the transaction (a portfolio of secured loans and an unsecured portfolio backed by assignment orders) owned by the subsidiary Ifis Npl Investing, was transferred to a newly-established SPV called Ifis Npl 2021-1 Spv S.r.l., which issued senior, mezzanine and junior notes. These tranches were initially fully subscribed by Ifis Npl Investing, and subsequently the senior tranches (net of the 5% retained by Ifis Npl Investing as originator pursuant to the retention rule) were sold to Banca Ifis.

At 30 June 2021 the Banca Ifis Group had therefore subscribed all the notes issued by the vehicle. It should be noted that the senior tranches held by Banca Ifis were used for long term repo transactions with leading banking counterparties.

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

Securitisation transactions

As for the securitisations outstanding at 30 June 2021 and their purpose, see the comments in the section on credit risks.

Operational risks

Qualitative information

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

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

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

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

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

In the first quarter of 2021, the periodic Risk Self Assessment campaign launched in the final quarter of 2020 was completed, which included the scope at the end of the year, with the exception of the companies Farbanca S.p.A., Ifis Finance I.F.N. S.A. and Ifis Real Estate S.p.A., which will be included from next year. Following this campaign, the main operational issues were identified and specific mitigation measures to bolster operational risk controls were subsequently defined and launched.

The same period also saw conclusion of the Model Risk Self Assessment campaign, carried out considering the organisational units as Model Owners present at the Parent company and the subsidiaries Ifis Npl Investing S.p.A. and Cap.Ital.Fin. S.p.A. insofar as the responsibility for the development and maintenance of the models is attributed to the Parent company Risk Management. Following the campaign, the models most exposed to the risk were identified and reported to the Validation department in order to define the suitable mitigating actions.

In addition, according to its operational risk management framework, the Group defines a set of risk measures that can promptly identify the presence of vulnerabilities in the exposure of the Bank and its subsidiaries to operational risks. These measures are continuously monitored and disclosed in periodic reports that are shared with the competent structures and bodies: events such as the breach of certain thresholds or the emergence of anomalies trigger specific escalation processes aimed at defining and implementing appropriate mitigation actions.

In order to prevent and manage operational risk, the Parent company's Risk Management department, in collaboration with the other corporate functions, is involved in assessing the outsourcing of operational functions and in assessing the risks associated with the introduction of new products and services. Finally, it helps monitor IT risk as well as the effectiveness of the measures intended to protect ICT resources.

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

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

Alongside operational risk, reputational risk is also managed.

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

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

As in the case of operational risk, reputational risk management is ensured by the Parent company's Risk Management, which defines the Group's overall framework - in line with specific regulatory requirements and segment best practices - for managing reputational risk aimed at identifying, assessing and monitoring reputational risks assumed or to be assumed by the various Group companies and organisational units. The framework involves collecting reputational risk events as they occur, conducting a forward-looking Reputational Risk Self-Assessment, and monitoring a set of risk measures over time.

Impacts deriving from the Covid-19 pandemic

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

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

In particular, the methods of carrying out risk management activities relating to monitoring and reporting in the various areas (e.g., disputes, NPLs, etc.), as well as the key risk indicators, which had been reshuffled with a view to making controls more consistent with the various operating conditions and business needs, were restored to regular levels.

Risks of the other entities

Qualitative information

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

4.4 Business Combinations

Transactions carried out during the period

Within the framework of an intervention shared with the Interbank Deposit Protection Fund and aimed at guaranteeing the depositors of Aigis Banca, placed in compulsory administrative liquidation by the Ministry of Economy and Finance, the Bank of Italy, which appointed the Liquidator Commissioner of Aigis Banca, approved the transfer of its assets, liabilities and legal relationships to Banca Ifis. On 23 May 2021, the Liquidator of Aigis Banca stipulated the final deed of sale with Banca Ifis. The perimeter acquired by Banca Ifis included, on the assets side, in addition to its own bond portfolio (mainly government bonds), loans to small and medium-sized businesses mainly consisting of medium/long-term loans backed by guarantees from Mediocredito Centrale (MCC) and factoring loans. On the liabilities side, the acquisition mainly involved deposits, including those of retail customers; in addition, the personnel working in the Milan, Rome and Bari offices were transferred. Excluded are: securities related to Greensill Bank AG, in a state of insolvency, tax assets, the subordinate debenture loan issued by Aigis Banca and some contracts considered not functional to the transaction. The price paid by Banca Ifis, as a token, is one Euro.

Under IFRS 3, at the date of the business combination, the entity must identify the cost of the business combination and allocate it to the acquiree's identifiable assets, liabilities, and contingent liabilities at the acquisition date and measured at their fair values at the same date. The same standard also establishes that the allocation of the cost of the specified business combination must be definitively quantified within 12 months of the acquisition date.

In compliance with the foregoing, the Banca Ifis Group has launched the related allocation process and in line with the above IFRS, it should be noted that, at the reference date of these condensed consolidated half-year financial statements, the Purchase Price Allocation (hereinafter also referred to as PPA) process is to be considered provisional with reference to both the scope of the aggregation and with reference to the valuation of the assets acquired and liabilities assumed. In fact, the branch of business in question could still be subject to adjustment on the basis of contractual provisions.

Given that the price allocation process is currently still in progress, the definition of the final fair value of the assets and liabilities subject to acquisition could differ from that preliminarily identified at the date of this document.

At present, the main differences provisionally identified between carrying amounts and the related fair value are mainly attributable to:

- loans to customers, for which the expected cash flows have been provisionally reviewed in terms of credit risk, also taking into account the guarantees received, including through the FITD intervention;
- debt securities with regard to the difference between the fair value of listed instruments and their carrying amount at amortised cost;
- intangible assets, in view of their possible use;
- to the provisions for risks and charges, relating to increased provisions for litigation for which it is considered probable that the Group could incur a net outlay.

Below are the carrying amounts and fair values of the assets and liabilities acquired, as provisionally defined.

Description (in thousands of Euro)	Assets and liabilities acquired at 23.05.2021	Assets and liabilities acquired at fair value(*)	Provisional fair value adjustment
Cash and cash equivalents(*)	46.735	46.735	-
Financial assets measured at fair value through profit or loss	2.506	2.506	-
Debt securities at amortised cost	156.630	155.688	(942)
Loans to banks and customers	376.557	372.365	(4.192)
Property, plant and equipment	2.018	2.018	-
Intangible assets	491	-	(491)
Other assets	8.711	8.711	-
Assets acquired	**593.648**	**588.023**	**(5.625)**
Financial liabilities at amortised cost	(564.463)	(564.463)	-
Other liabilities	(9.271)	(9.271)	-
Post-employment benefits	(203)	(203)	-
Provisions for risks and charges	(1.365)	(10.728)	(9.363)
Liabilities assumed	**(575.302)**	**(584.665)**	**(9.363)**
Net assets (A)	**18.346**	**3.358**	**(14.988)**
Price of the acquisition, disbursed using liquid funds (B)	**X**	**-**	**X**
Negative value difference (gain on bargain purchase) from the acquisition (C = B - A)	**X**	**(3.358)**	**X**

(*) This item includes the payment of 38,6 million Euro made by the Interbank Deposit Protection Fund in support of the branch of the former Aigis Banca.

Analysis of acquisition cash flow (in thousands of Euro)	
Price of the acquisition, disbursed using liquid funds	-
Costs of the purchase (included in cash flows from operations)	-
Net funds acquired with the subsidiary (included in cash flows of investments)	46.735
Net cash flow from acquisition (*)	**46.735**

(*) This item includes the payment of 38,6 million Euro made by the Interbank Deposit Protection Fund (FITD) as part of the operation to support the branch of the former Aigis Banca.

The purchase price allocation process described previously and currently in progress, revealed a provisional negative difference between the aggregation price and the fair value of the identifiable assets acquired, liabilities assumed and contingent liabilities. This difference, which came to 3,4 million Euro, has been entered in these Condensed consolidated half-year financial statements of the Banca Ifis Group under “Other operating income”.

Transactions carried out after the end of the period

The Banca Ifis Group did not carry out any business combination between the end of the period and the date of preparation of this Consolidated Half-Year Financial Report.

Retrospective adjustments

In the first half of 2021, the Group did not make any retrospective adjustment to business combinations carried out in previous periods.

4.5 Related-party transactions

In compliance with the provisions of Consob resolution no. 17221 of 12 March 2010 (as subsequently amended by means of Resolution no. 17389 of 23 June 2010) and the provisions of Circular 263/2006 (Title V, Chapter 5) of the Bank of Italy, the related party transaction procedure was prepared. The latest version was approved by the Board of Directors on 24 June 2021. This document is publicly available on Banca Ifis's website, www.bancaifis.it, in the "Corporate Governance" Section.

During the first half of 2021, no significant related-party transactions were undertaken.

At 30 June 2021, the Banca Ifis Group was owned by La Scogliera S.p.A. and consisted of the Parent company Banca Ifis S.p.A., the wholly-owned subsidiaries Ifis Finance Sp. z o.o., Ifis Rental Services S.r.l., Ifis Npl Investing S.p.A. (formerly Ifis Npl S.p.A.), Cap.Ital.Fin. S.p.A., Ifis Npl Servicing S.p.A. (formerly Gemini S.p.A.) and Ifis Real Estate S.p.A., Ifis Finance I.F.N. S.A. controlled 99,99%, the 70% subsidiary Credifarma S.p.A., Farbanca S.p.A., acquired at the end of 2020 and controlled 70,77% and the vehicle Ifis Npl 2021-1 SPV S.r.l., of which the majority of the shares were acquired at the end of June 2021.

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

- the parent company;
- key management personnel;
- close relatives of key management personnel and the companies controlled by (or associated to) them or their close relatives.

Here below is the information on the remuneration of key management personnel as well as transactions undertaken with the different types of related parties.

Information on the remuneration of key management personnel

The definition of key management personnel, as per IAS 24, includes all those persons having authority and responsibility for planning, directing and controlling the activities of Banca Ifis, directly or indirectly, including the Bank's directors (whether executive or otherwise).

In compliance with the provisions of the Bank of Italy's Circular no. 262 of 22 December 2005 (6th update of 30 November 2018), key management personnel also include the members of the Board of Statutory Auditors.

Key management personnel

Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments
4.622	-	270	110	35

The above information includes fees paid to Directors (2,0 million Euro, gross amount) and Statutory Auditors (178 thousand Euro, gross amount).

Items	Parent company	Key management personnel	Other related parties	Total	As a % of the item
Financial assets measured at fair value through profit or loss	-	-	1.109	**1.109**	0,7%
Financial assets measured at fair value through other comprehensive income	-	-	347	**347**	0,0%
Receivables due from customers measured at amortised cost	-	12.273	7.889	**20.162**	0,2%
Other assets	30.717	-	-	**30.717**	10,2%
Total assets	**30.717**	**12.273**	**9.345**	**52.335**	**0,4%**
Payables due to customers measured at amortised cost		120	7.479	**7.599**	0,1%
Other liabilities	29.137	-	-	**29.137**	5,1%
Reserves	-	-	(7.220)	**(7.220)**	(0,5)%
Total liabilities	**29.137**	**121**	**259**	**29.516**	**0,2%**

Items	Parent company	Key management personnel	Other related parties	Total	As a % of the item
Interest receivable and similar income	-	-	172	**172**	0,1%
Interest due and similar expenses	-	1	-	**1**	(0,0)%
Commission income	-	-	19	**19**	0,0%

It should be noted that work is underway on the renovation of certain buildings of Banca Ifis by a company controlled by a party related to the Parent Bank, the costs of which are capitalised as assets under construction and amount to 4,8 million Euro at 30 June 2021.

The transactions with the parent company concern the application of Group taxation (tax consolidation) in accordance with Arts. 117 et seq. of Italian Presidential Decree no. 917/86. Relations between these companies are regulated by private agreements signed between the parties. All adhering entities have an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera S.p.A., the consolidating company. Under this tax regime, the taxable income and tax losses are transferred to the consolidating company La Scogliera S.p.A., which is responsible for calculating the overall Group income. Following the exercise of the option at 30 June 2021, Banca Ifis S.p.A. recorded a net receivable from the parent company of 27,1 million Euro, Ifis Rental Services of 2,5 million Euro and Cap.Ital.Fin. of 1,1 million Euro, while Ifis Npl recorded a net payable of 28,0 million Euro and Ifis Npl Servicing a net payable of 1,2 million Euro.

Transactions with key management personnel relate almost entirely to Rendimax savings and current accounts as well as mortgages.

Transactions with other related parties that are part of Banca Ifis's ordinary business are conducted at arm's length.

Venice - Mestre, 5 August 2021

For the Board of Directors

The CEO

Frederik Geertman

4.6 Declaration of the Corporate Accounting Reporting Officer

Certification of the consolidated half year simplified financial statements at June 30th, 2021 pursuant to the provisions of art. 154-bis, paragraph 5, of the legislative decree 58 of February 24, 1998 and art. 81 ter of Consob Regulation no. 11971 of 14 May 1999 as amended

1. We, the undersigned, Frederik Geertman – CEO and Mariacristina Taormina – in her capacity as Manager charged with preparing the financial reports of Banca Ifis S.p.A., having also taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree no.58 dated 24 February 1998, hereby certify:
   i. the adequacy in relation to the characteristics of the Company;
   ii. the effective implementation

   of the administrative and accounting procedures for the preparation of Banca Ifis's consolidated half year simplified financial statements, over the course of the period from January 1st, 2021 to June 30th, 2021.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated half year simplified financial statements at June 30th, 2021 has been assessed through a process established by Banca Ifis S.p.A. on the basis of the guidelines set out in the *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission* (CoSO), an internationally accepted reference framework.

3. The undersigned further confirm that:

   3.1 the consolidated half year simplified financial statements as at June 30th, 2021:
   a) are prepared in compliance with International Accounting Standards, endorsed by the European Commission as for European regulation no. 1606/2002 of the European Parliament and Council of July 19th, 2002;
   b) correspond to the related books and accounting records;
   c) provide a true and correct representation of the financial position of the issuer and the group of companies included in the scope of consolidation.

   3.2 The Group consolidated interim management report includes a reliable analysis of the significant events that took place in the first six months of the financial year and their impact on the half year simplified financial statement, together with a description of the main risks and uncertainties for the remaining six months of the financial year.

   The Group consolidated interim management report also includes a reliable analysis of the disclosure on significant related party transactions.

Venice, August 5th, 2021

CEO	Manager charged with preparing the Company's financial reports
Frederik Geertman	Mariacristina Taormina

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

4.7 Report of the Independent Auditors limited to the Condensed Consolidated Half-Year Financial Statements

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Building a better working world

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

To the Shareholders of
Banca IFIS S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet as of June 30, 2021, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and cash flows for the period then ended and the related explanatory notes of Banca IFIS S.p.A. and its subsidiaries (the "Banca IFIS Group"). The Directors of Banca IFIS S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Banca IFIS Group as of June 30, 2021 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Verona, August 5, 2021

EY S.p.A.
Signed by: Giuseppe Miele, Auditor

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

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