Banca Ifis

Consolidated reports 2021

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Letter from the Chairman to Shareholders

Sebastien Egon Fürstenberg
Chairman of Banca Ifis S.p.A.

Dear Shareholders,

For Banca Ifis, 2021 was a very important year, which testified to our Group's financial solidity as well as its the managerial and industrial excellence. The ability to adapt to a new scenario and the resilience shown, combined with the dedication and sense of responsibility of our employees, under the leadership of the new CEO, Frederik Geertman, are the most valuable achievement produced by 2021 for the entire Bank.

Several ESG initiatives were launched in 2021, confirming the Bank's commitment to sustainable development of our company and the territories in which we operate. The initiatives launched in the field of environmental sustainability include Banca Ifis joining the Net-Zero Banking Alliance, the United Nations initiative that aims to accelerate the sustainable transition of the banking sector.

We have always focused on people, aware of their great value. A team of qualified, dynamic professionals with an average age of under 40, 54% of whom are women (in the case of senior management, 40%): a record in the banking sector, of which we are proud and which has enabled us to obtain – for the first time in Italy – certification for gender equality from the Winning Women Institute. These are just some of the results that bear witness to Banca Ifis' ability to integrate sustainability into its business model.

Guided by the values that inspire our long-term vision, in 2021, Mr. Geertman, our senior management and all the Group's people worked enthusiastically to accelerate the Bank's growth and prepare the 2022-2024 business plan, presented last 10 February.

An ambitious plan that is based on a solid development model and that envisages significant growth for the Group over the three-year period, with the affirmation of our leadership in the Bank's core businesses. This plan also benefits from the transfer of the registered office of the parent company La Scogliera to Switzerland, motivated by personal reasons of my own. A transaction that – keeping the promise made to the market in 2019 – also optimised the Bank's capital structure from a regulatory perspective, in addition to confirming the controlling shareholder's focus on the Group's long-term sustainability and growth.

The Bank's solidity has allowed us to face and manage even emergency situations such as the Covid-19 pandemic or the war in Ukraine, which we are experiencing at this historic time, and to continue to generate value for all stakeholders.

Sebastien Egon Fürstenberg, Chairman of Banca Ifis S.p.A.

Letter from the CEO to Shareholders

Frederik Geertman
CEO of Banca Ifis S.p.A.

Dear Shareholders,

In 2021 Banca Ifis, in response to a general improvement in the macroeconomic scenario and thanks to its ability to seize the opportunities offered by the recovery, achieved significant financial results and laid a sound foundation for the implementation of its 2022-24 business plan.

Net profit of 100,6 million Euro was generated during the year, up 46.2% and above the guidance given to financial markets for 2021. Profit, net of the PPA and real estate gains, was up on 2020 and 10% higher than in 2019. An all-time record was set during the year in terms of revenues (602,5 million Euro), cash recoveries of purchased NPL portfolios (345 million Euro) and purchases of NPL portfolios (3,7 billion Euro).

The transfer of the registered office of the controlling shareholder La Scogliera to the Canton of Vaud – driven by the personal motivations of the Founder – made it possible to optimise the Group's capital structure from a regulatory point of view, with CET1 standing at 15.44% as at 31 December 2021. The transaction also confirms the focus on long-term growth of the controlling shareholder and reinforces the stability of the dividend policy.

Thanks to its profitability and solid capital and liquidity position, in February 2022 Banca Ifis obtained an issuer rating of Baa3 (investment grade) from Moody's with a stable outlook.

Through the acquisition of the operating branch of Aigis Banca – placed in compulsory administrative liquidation by Italy's Ministry of Economy and Finance in May 2021 – the Bank confirmed its role in supporting the national economy. During the year we continued to work on the integration of two companies of value, Credifarma Spa and Farbanca Spa, which will give rise to Banca Credifarma, the first Italian centre specialising in financial services for pharmacies: a particularly important sector given the current historical context.

In the NPL sector, where over 3,7 billion Euro of non-performing loans was purchased, the Bank confirmed its leadership in the small ticket unsecured segment, with a market share of 46%. Period purchases will make a solid contribution to the Bank's profitability in the coming years. In the Commercial & Corporate Banking Sector, the process of digitalisation and development of services for SMEs from an omnichannel perspective was accelerated and partnerships were signed with other institutions in order to increase the capacity to distribute products and services without increasing fixed costs. In addition, projects were launched to improve the Bank's efficiency, and a new centralised procurement function was set up to optimise purchases.

The Group's positioning and reputation also improved during the year thanks to the new projects carried out in the field of sport, culture and sustainable mobility in support of communities and society: for the first time in its history, Banca Ifis entered the rankings of The Banker's Top 500 Banking Brands, the list of the 500 largest banks in the world by brand value.

In the ESG area, in 2021 the Bank strengthened its distinctive positioning towards a more sustainable and inclusive future, with the establishment of the Sustainability Committee and concrete initiatives in the three ESG areas: environmental, joining the Net-Zero Banking Alliance; social, becoming the first bank in Italy to receive gender equality certification from the Winning Women Institute; and governance, with an "A" rating awarded by MSCI.

Finally, in 2021, a new organisational structure was set up, with the appointment of two Joint General Managers. The positive results achieved by the Bank were the result of the passion and distinctive skills of all the people working in the Group, as well as the constant, solid support of its controlling shareholder. Drawing on our enthusiasm and dedication, we plan to accelerate our journey towards sustainable growth, certain that we will achieve the goals of the new business plan.

Frederik Geertman, Chief Executive Officer of Banca Ifis S.p.A.

Contents

1.

Governance and risk management

Board of Directors in office at approval of the reports and consolidated financial statements

Chairman	Sebastien Egon Fürstenberg
Deputy Chairman	Ernesto Fürstenberg Fassio
CEO	Frederik Herman 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.

Co-General Managers	Fabio Lanza Raffaele Zingone
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.
Manager charged with preparing the company's financial reports	Mariacristina Taormina

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

Member of FCI

2.

Directors' Report on the Group

2.1 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 this reason too, apart from the specific operations, the effects of an analysis performed also in response to the Covid-19 pandemic, have been classified amongst value adjustments.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2021	31.12.2020	ABSOLUTE	%
Cash and cash equivalents	355.381	291.602	63.779	21,9%
Financial assets measured at fair value through profit or loss	153.138	157.848	(4.710)	(3,0)%
Financial assets measured at fair value through other comprehensive income	614.013	774.555	(160.542)	(20,7)%
Receivables due from banks measured at amortised cost	524.991	791.761	(266.770)	(33,7)%
Receivables due from customers measured at amortised cost	10.331.804	9.135.402	1.196.402	13,1%
Total assets	12.977.891	12.026.196	951.695	7,9%
Payables due to banks measured at amortised cost	2.597.965	2.367.082	230.883	9,8%
Payables due to customers measured at amortised cost	5.683.745	5.471.874	211.871	3,9%
Debt securities issued	2.504.878	2.069.083	435.795	21,1%
Equity	1.623.888	1.549.962	73.926	4,8%

RECLASSIFIED CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	YEAR		CHANGE	
	2021	2020	ABSOLUTE	%
Net banking income	**602.519**	**467.800**	**134.719**	**28,8%**
Net credit risk losses/reversals	(77.159)	(91.359)	14.200	(15,5)%
Net profit (loss) from financial activities	**525.360**	**376.441**	**148.919**	**39,6%**
Operating costs	(375.486)	(308.025)	(67.461)	21,9%
Value adjustments of goodwill	-	(700)	700	(100,0)%
Gains (Losses) on disposal of investments	-	24.161	(24.161)	(100,0)%
Pre-tax profit from continuing operations	149.874	91.877	57.997	63,1%
Profit for the year attributable to the Parent company	**100.582**	**68.804**	**31.778**	**46,2%**

QUARTERLY RECLASSIFIED CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	4th QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net banking income	**153.289**	**146.097**	**7.192**	**4,9%**
Net credit risk losses/reversals	(14.721)	(43.503)	28.782	(66,2)%
Net profit (loss) from financial activities	**138.568**	**102.594**	**35.974**	**35,1%**
Operating costs	(107.913)	(78.622)	(29.291)	37,3%
Value adjustments of goodwill	-	(700)	700	(100,0)%
Pre-tax profit from continuing operations	30.655	23.272	7.383	31,7%
Profit for the period attributable to the Parent company	**20.393**	**16.458**	**3.935**	**23,9%**

2.2 Group KPIs

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 this reason too, apart from the specific operations, the effects of an analysis performed also in response to the Covid-19 pandemic, have been classified amongst value adjustments.

GROUP EQUITY KPIs	2021	2020	CHANGE
CET1 ratio (1)	15,44%	11,29%	4,15%
Total Capital ratio (1)	19,63%	14,85%	4,78%
Number of company shares (in thousands)	53.811	53.811	0,0%
Number of shares outstanding at year end (2) (in thousands)	53.472	53.460	0,0%
Book value per share	30,37	28,99	4,7%
Dividend per share (3)	0,95	0,47	102,1%

(1) CET1 and Total Capital include earnings generated by the Banking Group as of 31 December 2021, net of the estimated dividend. Comparative figures refer to the scope of prudential consolidation at the reference dates. The significant increase in shareholders' equity compared to 31 December 2020 is mainly due to the transfer of the registered office of the parent company La Scogliera to the Canton of Vaud (Lausanne - CH). The effectiveness of the resolution passed by the extraordinary shareholders' meeting of the parent company to transfer the registered office, as from 27 December 2021, has in fact allowed the elimination of La Scogliera from the regulatory consolidation of the Group. The figures at 31 December 2020, restated on a like-for-like basis on a conservative basis at 31 December 2021 would be: CET1 15,47% and Total Capital 19,87%.
(2) Outstanding shares are net of treasury shares held in the portfolio.
(3) The data for FY 2021 refers to the dividend proposed by the Board of Directors of Banca Ifis.

GROUP ECONOMIC KPIs	2021	2020	CHANGE
ROE	6,5%	4,5%	2,0%
ROA	1,2%	0,8%	0,4%
Reclassified cost/income ratio (1)	62,3%	65,8%	(3,5)%
EPS	1,88	1,29	45,7%
Payout ratio	50,5%	36,5%	14,0%

(1) 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 this reason too, apart from the specific operations, the effects of an analysis performed also in response to the Covid-19 pandemic, have been classified amongst value adjustments.

2.3 Context

The year 2021 was characterised by a global economic recovery, despite the resurgence of the COVID-19 pandemic recorded since November, with Italy showing higher rates of increase in production than the major European economies (+6,5% the preliminary estimate of Italian GDP published by ISTAT on 31 January 2022).

The improvement in the scenario with respect to what was experienced in 2020 is well evidenced by the PMI (Purchasing Managers' Index), which at the end of 2021 reached a significantly higher value (62,0 points for the manufacturing indicator in December 2021 compared with 53 in December 2020) and still maintained at a level above 50 corresponding to expansionary expectations.

In this context of overall recovery, the fourth quarter of 2021, while maintaining a significant increase in trend terms, recorded an economic increase of only 0,6%, much smaller than the previous two quarters of +2,6% and +2,7% (source: ISTAT January 2022). This slowdown is the result of the significant uncertainties in the scenario that have been evident since the autumn and which have led the Bank of Italy, in its first Economic Bulletin for 2022, to reduce its GDP growth forecast from +4,0% to +3,8%. In actual fact, in Italy growth was high in the third quarter of 2021, sustained by the expansion of household consumption thanks to a dynamism of the domestic market not seen for some time, but also by the growth of exports, supported by the recovery of international tourism. The contribution of exports was such that the current account surplus remained at a high level despite the worsening of the energy balance. Subsequently, however, product development slowed down in the last quarter of 2021 in both industry and the service sector. The rise in the number of infections has, consequently, reawakened consumer caution, worsening the climate of confidence and penalising, above all, spending on services. To this contingency linked to the pandemic, which in any case seems to be in the process of being reabsorbed at least in its most serious aspects, risks have been added linked to the increase in energy and raw material prices, to bottlenecks in global supply chains and geopolitical tensions, first and foremost the conflict between Russia and the Ukraine.

As a counterbalance to these risks, however, we find the considerable support to growth that may come from the stimulus measures financed with the national budget and European funds, in particular those outlined in the National Recovery and Resilience Plan (PNRR). In the Bank of Italy's estimates, the set of measures introduced in 2021 and planned for the coming years would support economic activity by a total of around 5 percentage points in the four-year period 2021-24, just under half of which would be attributable to the PNRR interventions, assuming they are implemented effectively and without significant delays.

Finally, as explained more extensively in the paragraph on "Outlook", the macro forecasting scenario will certainly be conditioned by the foreseeable downsizing of the expansive monetary policy and, above all, by the speed with which this change of course will be implemented. At the time of writing this market environment, the major central banks are maintaining a cautious profile despite increases in inflation not seen since the early 1980s. Indeed, at the end of January the Federal Reserve kept rates unchanged at between 0 and 0,25%, but announced a gradual increase starting from March 2022 with 3 or 4 planned interventions for the year, while the European Central Bank (ECB) has not yet modified rates and has stated that it will only gradually reduce purchases while maintaining an expansive monetary policy.

Reference markets

Enterprises

After the 2020 lockdown, which saw factories closed and production halted in many sectors and all the uncertainty linked to the evolution of the pandemic, gloomy forecasts were widespread on the performance of Italian companies. On the other hand, the two-year period 2020-2021 was less negative than expected, with the exception of economic activities linked to tourism and some service sectors: the December 2021 edition of Banca Ifis' Market Watch SMEs observatory revealed that only slightly more than a third of Italian SMEs thought that the two-year period 2020-2021 would be worse than the previous one, while the same percentage thought it would be even better; the remaining 26% declared a substantial unchanged performance. This indication provided by our entrepreneurs was reflected in the Bank of Italy's Economic Bulletin 1-2022: the expansion of industrial production in the first 9 months of 2021 had a pace of around +1,0% per quarter and only weakened in the last three months. The production of Italian companies was supported by the growth of domestic consumption and the positive performance of exports, which in the first three quarters of 2021 measured an increase of +0,5%, +3,4% and +3,4%, respectively. In FY 2021, as a whole, growth of Italian exports was higher on EU markets than sales on non-EU markets, but it cannot be overlooked that exports to the latter grew by 16,3%, placing them at levels higher than in 2019, demonstrating the ability of Italian entrepreneurs to enter new markets as a solution after a period of crisis. In the last three months of 2021, exports slowed down mainly related to difficulties in sourcing raw materials and intermediate products due to blockages and slowdowns in international supply chains.

In the evaluations of companies, noted in the surveys that the Bank of Italy conducted between November and December, investment growth will continue in 2022, albeit at a reduced pace compared to 2021.

Until 2019, credit disbursed to businesses was characterised by a downward trend, which then reversed from 2020 with uninterrupted growth until June 2021 linked to the support measures introduced. The conditions at which credit was offered have been favourable thanks to the liquidity offered by the monetary policy and public guarantees. Starting July 2021, the downward trend in the stock of business loans resumed. In assessing this dynamic, one cannot fail to mention how much companies have strengthened their liquidity position: in September 2021, the stock related to the accounts of companies showed 122 billion Euro more than at the end of 2019, representing an increase of 12%.

Banks: loans to residents in Italy - non-financial companies and producer households

Despite scenario uncertainties, one in two SMEs expects the two years of 2022-2023 to be better than the previous two years while only 12% expect a worsening (Market Watch PMI December 2021, Banca Ifis). The survey confirms expectations of macroeconomic data: almost 70% of SMEs expect revenue growth on the domestic market and practically the same proportion also expect an increase in exports. An increase that, according to 20% of the companies interviewed, will be even greater than 50% for the Italian market. There are three main levers that companies believe are necessary to achieve these targets:

- 40% will work on product quality, the true distinctive element of Italian competitiveness;
- 33% believe it is necessary to expand the range of their offerings;
- another 27% intend to use price leverage.

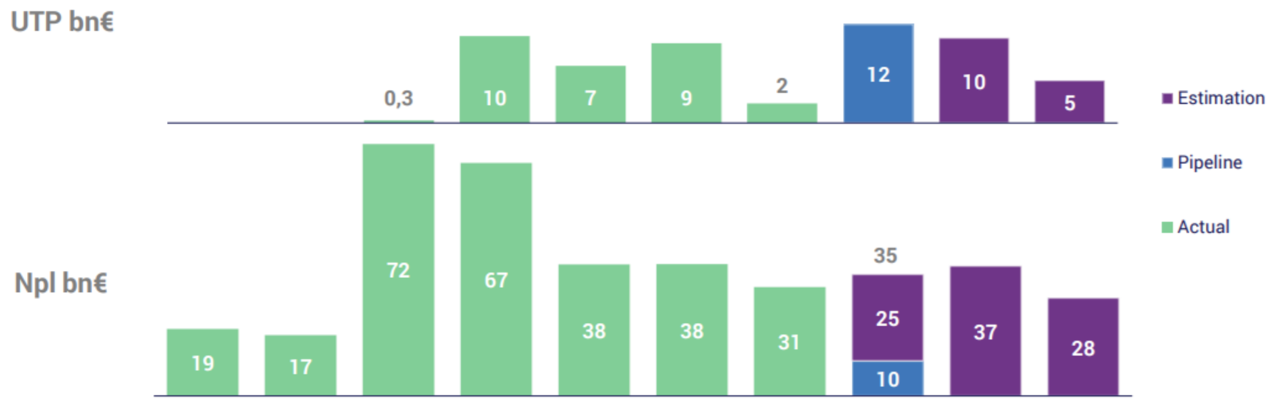
Among the risks reported by our SMEs that could threaten the recovery there is, first of all, the shortage of raw materials, reported by 70% of the sample. This is followed by rising energy costs (up 45%), commitments related to sustainability and digital transition, indicated by 23% of companies. Risks, therefore, but also stimuli that will drive innovation and investment.

Non-Performing Exposures

Faced with the expected increase in the riskiness of households and businesses, the estimates of the Banca Ifis Research Department, published in the February 2022 edition of the Npl Market Watch, project an increase in the deterioration rate on bank balance sheets, with the rate of deterioration rising from 1,0% in 2021 to 2,4% in 2022, before falling to 1,9% in 2023 and returning to pre-Covid-19 values in 2024, subject to shocks linked to economic and other risks described above. These increases in flows of new impaired goods are lower than what could be hypothesised even only six months ago thanks to a further and general improvement in the economic context, considering that in September 2021 an increase in Italian GDP of +5,1% was hypothesised. In any case, loans expected to move from performing to non-performing will remain more contained than the peaks reached in 2009 and 2012-2014.

In this context, the Npl portfolio transactions market (non-performing and unlikely to pay) remained dynamic in 2021 (with 31 billion Euro in terms of GBV in transfers of non-performing exposures, of which 32% on the secondary market and 2 billion Euro of transactions of unlikely to pay), with a strong speeding up of business in December.

Npe market trend (GBV figures in billion Euro)



	2015	2016	2017	2018	2019	2020	2021	E 2022	E 2023	E 2024
% GACS	0%	3%	44%	43%	27%	37%	36%	ND	ND	ND
% Secondary market	31%	51%	4%	2%	24%	23%	32%	33%	24%	25%

Source: Banca Ifis Market Watch Npl, February 2022 edition

The market for transactions on impaired loan portfolios has, therefore, continued to play an important systemic role in reducing the weight of non-performing loans on bank balance sheets. Indeed, the incidence of the stock of gross impaired loans on total loans (Npe ratio) is expected to return, for the first time in 2021, below the 5% target indicated by the ECB and is estimated at 4,7%

The dynamics seen during the year just ended are expected to continue into 2022-2024 too. In 2022, the volume of transfers may reach 35 billion Euro for non-performing portfolios, of which 9 billion Euro have already been announced or are in process and 12 billion Euro for unlikely to pay transactions, a value impacted by the postponement of some deals initially envisaged for 2021. A similar amount of transactions is forecast for 2023 (37 billion Euro of non-performing loans and 10 billion Euro of probable defaults), the amount of which could decrease in 2024 while remaining at significant levels (28 billion Euro of GBV for non-performing loans and 5 billion Euro for unlikely-to-pay positions).

When comparing 2021 to 2020, the volume concentration of the top 5 buyers decreased from 40% to 30% because 2020 saw the big system deals between AMCO and MPS. Among investors, only Banca Ifis continues to be in the top 5 investors with a market share of transacted business increasing from 6% in 2020 to 11% in 2021.

Looking at the Italian system as a whole (impaired in bank balance sheets and investor portfolios), it is estimated that the stock of Npes, the recovery of which will have to be managed, is 330 billion Euro in 2021 and may increase in the coming years with a projection of 402 billion Euro at the end of 2024. Figures that demonstrate the centrality of servicing impaired credit to free up value for families and businesses that can, in this way, be put back into circulation in the Italian economy.

2.4 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 this reason too, apart from the specific operations, the effects of an analysis performed also in response to the Covid-19 pandemic, have been classified amongst value adjustments.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Other financial assets mandatorily measured at fair value through profit or loss							
Amounts at 31.12.2021	66.564	-	-	66.564	21.021	57.075	144.660
Amounts at 31.12.2020	*66.441*	-	-	*66.441*	*9.524*	*61.013*	*136.978*
% Change	*0,2%*	-	-	*0,2%*	*120,7%*	*(6,5)%*	*5,6%*
Financial assets measured at fair value through other comprehensive income							
Amounts at 31.12.2021	1.691	-	-	1.691	-	612.322	614.013
Amounts at 31.12.2020	*2.322*	-	-	*2.322*	-	*772.233*	*774.555*
% Change	*(27,2)%*	-	-	*(27,2)%*	-	*(20,7)%*	*(20,7)%*
Receivables due from customers(1)							
Amounts at 31.12.2021	6.526.880	2.940.072	1.390.223	2.196.584	1.523.628	2.281.296	10.331.804
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	*8,9%*	*6,7%*	*(1,7)%*	*20,5%*	*8,4%*	*31,3%*	*13,1%*

(1) In the Governance & Services and Non-Core Segment, at 31 December 2021, there were government securities amounting to 1.648,6 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 & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Net banking income							
Amounts at 31.12.2021	283.219	144.543	55.685	82.991	257.556	61.744	602.519
Amounts at 31.12.2020	*222.680*	*142.844*	*49.155*	*30.681*	*162.942*	*82.178*	*467.800*
% Change	*27,2%*	*1,2%*	*13,3%*	*170,5%*	*58,1%*	*(24,9)%*	*28,8%*
Net profit (loss) from financial activities							
Amounts at 31.12.2021	238.224	126.670	48.747	62.807	239.560	47.576	525.360
Amounts at 31.12.2020	*150.198*	*112.731*	*33.533*	*3.934*	*162.942*	*63.301*	*376.441*
% Change	*58,6%*	*12,4%*	*45,4%*	*n.s.*	*47,0%*	*(24,8)%*	*39,6%*
Profit for the year							
Amounts at 31.12.2021	57.809	26.140	14.093	17.576	50.249	(5.755)	102.303
Amounts at 31.12.2020	*22.715*	*25.740*	*6.713*	*(9.738)*	*17.926*	*28.501*	*69.142*
% Change	*154,5%*	*1,6%*	*109,9%*	*(280,5)%*	*180,3%*	*(120,2)%*	*48,0%*

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Net banking income							
Fourth quarter 2021	70.178	35.844	12.446	21.888	73.305	9.806	153.289
Fourth quarter 2020	*63.136*	*39.936*	*12.695*	*10.505*	*46.219*	*36.742*	*146.097*
% Change	*11,2%*	*(10,2)%*	*(2,0)%*	*108,4%*	*58,6%*	*(73,3)%*	*4,9%*
Net profit (loss) from financial activities							
Fourth quarter 2021	57.172	28.074	10.636	18.462	72.283	9.113	138.568
Fourth quarter 2020	*20.863*	*17.028*	*12.746*	*(8.911)*	*46.219*	*35.512*	*102.594*
% Change	*174,0%*	*64,9%*	*(16,6)%*	*(307,2)%*	*56,4%*	*(74,3)%*	*35,1%*
Profit for the period							
Fourth quarter 2021	10.691	988	2.967	6.736	18.110	(8.055)	20.746
Fourth quarter 2020	*(11.644)*	*(6.288)*	*5.012*	*(10.368)*	*5.142*	*23.182*	*16.680*
% Change	*(191,8)%*	*(115,7)%*	*(40,8)%*	*(165,0)%*	*252,2%*	*(134,7)%*	*24,4%*

SEGMENT KPIs (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT(1)
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA		
Cost of credit(2)						
Amounts at 31.12.2021	0,73%	0,68%	0,50%	0,95%	n.a.	2,24%
Amounts at 31.12.2020	*1,38%*	*1,09%*	*1,11%*	*2,43%*	*n.a.*	*4,72%*
% Change	*(0,65)%*	*(0,41)%*	*(0,62)%*	*(1,48)%*	*n.a.*	*(2,48)%*
Net bad loans/Receivables due from customers						
Amounts at 31.12.2021	0,5%	0,8%	0,0%	0,3%	72,7%	0,6%
Amounts at 31.12.2020	*0,7%*	*1,3%*	*0,2%*	*0,3%*	*74,1%*	*0,9%*
% Change	*(0,2)%*	*(0,5)%*	*(0,2)%*	*(0,0)%*	*(1,4)%*	*(0,3)%*
Coverage ratio on gross bad loans						
Amounts at 31.12.2021	74,2%	75,2%	96,5%	40,2%	-	35,1%
Amounts at 31.12.2020	*72,7%*	*73,7%*	*85,0%*	*26,9%*	-	*29,1%*
% Change	*1,5%*	*1,5%*	*11,5%*	*13,3%*	-	*6,0%*
Net non-performing exposures/Net receivables due from customers						
Amounts at 31.12.2021	3,6%	5,7%	1,2%	2,3%	95,4%	2,1%
Amounts at 31.12.2020	*2,7%*	*4,2%*	*0,8%*	*1,8%*	*98,3%*	*2,9%*
% Change	*0,9%*	*1,5%*	*0,4%*	*0,5%*	*(2,9)%*	*(0,8)%*
Gross non-performing exposures/Gross receivables due from customers						
Amounts at 31.12.2021	5,9%	9,4%	2,8%	3,0%	95,4%	3,4%
Amounts at 31.12.2020	*5,9%*	*9,3%*	*2,9%*	*3,0%*	*98,3%*	*4,3%*
% Change	*(0,0)%*	*0,1%*	*(0,1)%*	*0,0%*	*(2,9)%*	*(0,9)%*
RWAs(3)						
Amounts at 31.12.2021	5.214.971	2.500.835	1.265.979	1.448.157	2.339.110	1.084.180
Amounts at 31.12.2020	*5.144.914*	*2.361.547*	*1.309.416*	*1.473.951*	*2.211.695*	*915.705*
% Change	*1,4%*	*5,9%*	*(3,3)%*	*(1,7)%*	*5,8%*	*18,4%*

(1) In the Governance & Services and Non-Core Segment, at 31 December 2021, there were government securities amounting to 1.648,6 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 period over the annual average loans to customers (calculated quarterly).

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

2.5 Reclassified quarterly evolution

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 this reason too, apart from the specific operations, the effects of an analysis performed also in response to the Covid-19 pandemic, have been classified amongst value adjustments.

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2021				YEAR 2020			
	4th Q	3rd Q	2nd Q	1st Q	4th Q	3rd Q	2nd Q	1st Q
Net interest income	**125.358**	**129.580**	**117.206**	**115.827**	**120.891**	**91.122**	**78.263**	**91.416**
Net commission income	**20.422**	**22.009**	**22.084**	**18.767**	**19.392**	**15.688**	**18.710**	**21.097**
Other components of net banking income	7.509	5.016	15.606	3.135	5.814	2.102	9.866	(6.561)
Net banking income	**153.289**	**156.605**	**154.896**	**137.729**	**146.097**	**108.912**	**106.839**	**105.952**
Net credit risk losses/reversals	(14.721)	(19.837)	(26.499)	(16.102)	(43.503)	(14.516)	(14.828)	(18.512)
Net profit (loss) from financial activities	**138.568**	**136.768**	**128.397**	**121.627**	**102.594**	**94.396**	**92.011**	**87.440**
Personnel expenses	(38.070)	(35.986)	(33.946)	(33.779)	(34.059)	(28.630)	(28.651)	(32.029)
Other administrative expenses	(70.152)	(50.179)	(59.039)	(52.455)	(67.830)	(40.923)	(41.545)	(40.520)
Net allocations to provisions for risks and charges	(1.316)	(3.734)	1.802	(7.421)	(7.034)	(4.619)	(11.412)	(4.889)
Net impairment losses/reversals on property, plant and equipment and intangible assets	(4.464)	(5.124)	(4.732)	(4.413)	(4.730)	(4.490)	(4.558)	(4.039)
Other operating income/expenses	6.089	5.609	9.024	6.800	35.031	4.717	4.207	7.978
Operating costs	**(107.913)**	**(89.414)**	**(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	**30.655**	**47.354**	**41.506**	**30.359**	**23.272**	**20.451**	**10.052**	**38.102**
Income taxes for the period relating to continuing operations	(9.909)	(14.960)	(13.112)	(9.590)	(6.592)	(4.811)	328	(11.660)
Profit for the period	**20.746**	**32.394**	**28.394**	**20.769**	**16.680**	**15.640**	**10.380**	**26.442**
Profit for the period attributable to non-controlling interests	353	536	184	648	222	50	50	16
Profit for the period attributable to the Parent company	**20.393**	**31.858**	**28.210**	**20.121**	**16.458**	**15.590**	**10.330**	**26.426**

2.6 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 this reason too, apart from the specific operations, the effects of an analysis performed also in response to the Covid-19 pandemic, have been classified amongst value adjustments.

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

HISTORICAL DATA (1) (in thousands of Euro)	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Financial assets measured at fair value through other comprehensive income (IFRS 9)	614.013	774.555	1.173.808	432.094	-
Available for sale financial assets (IAS 39)	-	-	-	-	456.549
Receivables due from customers measured at amortised cost	10.331.804	9.135.402	7.651.226	7.313.972	6.435.806
Payables due to banks measured at amortised cost	2.597.965	2.367.082	959.477	785.393	791.977
Payables due to customers measured at amortised cost	5.683.745	5.471.874	5.286.239	4.673.299	5.293.188
Debt securities issued	2.504.878	2.069.083	2.217.529	1.979.002	1.639.994
Equity	1.623.888	1.549.962	1.538.953	1.459.000	1.368.719
Net banking income	602.519	467.800	558.333	576.503	519.643
Net profit (loss) from financial activities	525.360	376.441	471.150	476.409	504.827
Profit (loss) for the year attributable to the Parent company	100.582	68.804	123.097	146.763	180.767
KPIs:					
ROE	6,5%	4,5%	8,2%	10,5%	13,9%
ROA	1,2%	0,8%	1,7%	2,2%	2,6%
CET1 Ratio (2)	15,44%	11,29%	10,96%	10,30%	11,66%
Total Capital Ratio (2)	19,63%	14,85%	14,58%	14,01%	16,15%
Number of shares outstanding (3) (in thousands)	53.472	53.460	53.452	53.441	53.433
Book value per share	30,37	28,99	28,79	27,30	25,62
EPS	1,88	1,29	2,30	2,75	3,38
Dividend per share (4)	0,95	0,47	1,10	1,05	1,00
Payout ratio (4)	50,5%	36,5%	47,8%	38,2%	29,6%

(1) The data for years prior to 01.01.2018 are those originally published.
(2) CET1 and Total Capital include earnings generated by the Banking Group as of 31 December 2021, net of the estimated dividend. Comparative figures refer to the scope of prudential consolidation at the various reference dates. The significant increase in shareholders' equity compared to 31 December 2020 is mainly due to the transfer of the registered office of the parent company La Scogliera to the Canton of Vaud (Lausanne - CH). The effectiveness of the resolution passed by the extraordinary shareholders' meeting of the parent company to transfer the registered office, as from 27 December 2021, has in fact allowed the elimination of La Scogliera from the regulatory consolidation of the Group. The figures at 31 December 2020, restated on a like-for-like basis on a conservative basis at 31 December 2021 would be: CET1 15,47% and Total Capital 19,87%.
(3) Outstanding shares are net of treasury shares held in the portfolio.
(4) The data for FY 2021 refers to the dividend proposed by the Board of Directors of Banca Ifis S.p.A.

2.7 APM - Alternative Performance Measures

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

For 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.

ROE - Return on equity (in thousands of Euro)	YEAR	
	2021	2020
A. Net profit attributable to the Parent company	100.582	68.804
B. Average equity attributable to the Parent company	1.557.906	1.519.113
ROE (A/B)	**6,5%**	**4,5%**

Average equity attributable to the Parent company is calculated as the average for the periods presented below:

Equity attributable to the Parent company (in thousand Euro)	31.12.2020	31.03.2021	30.06.2021	30.09.2021	31.12.2021	2021 AVERAGE
Equity attributable to the Parent company	1.523.692	1.544.748	1.546.920	1.578.066	1.596.102	**1.557.906**

Equity attributable to the Parent company (in thousand Euro)	31.12.2019	31.03.2020	30.06.2020	30.09.2020	31.12.2020	2020 AVERAGE
Equity attributable to the Parent company	1.533.382	1.536.847	1.495.049	1.506.596	1.523.692	**1.519.113**

ROA - Return on Assets (in thousands of Euro)	YEAR	
	2021	2020
A. Pre-tax profit from continuing operations	149.874	91.877
B. Total assets	12.977.891	12.026.196
ROA (A/B)	**1,2%**	**0,8%**

Reclassified cost/income ratio [1] (in thousands of Euro)	YEAR	
	2021	2020
A. Operating costs	375.486	308.025
B. Net banking income [1]	602.519	467.800
Reclassified cost/income ratio (A/B) [1]	**62,3%**	**65,8%**

(1) 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 this reason too, apart from the specific operations, the effects of an analysis performed also in response to the Covid-19 pandemic, have been classified amongst value adjustments.

Book value per share (in thousands of Euro)	YEAR	
	2021	2020
A. Number of shares outstanding [1]	53.472	53.460
B. Consolidated Equity	1.623.888	1.549.962
Book value per share (B/A) Euro	**30,37**	**28,99**

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

Payout ratio (in thousands of Euro)	YEAR	
	2021	2020
A. Net profit attributable to the Parent company	100.582	68.804
B. Parent company dividends [1]	50.798	25.132
Payout Ratio (B/A) [1]	**50,5%**	**36,5%**

(1) The data for FY 2021 refers to the dividend proposed by the Board of Directors of Banca Ifis S.p.A.

The Parent company's dividends are calculated as follows:

Parent company dividends	YEAR	
	2021	2020
A. Unitary dividend Euro [1]	0,95	0,47
B. Number of shares outstanding [2]	53.472	53.460
Parent company dividends (AxB) [1]	**50.798**	**25.126**

(1) The data for FY 2021 refers to the dividend proposed by the Board of Directors of Banca Ifis.
(2) Outstanding shares are net of treasury shares held in the portfolio.

2.8 Impact of regulatory changes

In 2021 the following main regulatory updates were made, impacting banking/financial, accounting and tax regulations:

- 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) 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 prudent 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[1] 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.

(1) The counting of days in arrears should be suspended, inter alia, in the event that the repayment of the obligation is the subject of a dispute between the debtor and the bank on the an or quantum of the payment obligation (see para. 19 of the EBA Guidelines) or legislation providing for this suspension or other legal restrictions (see para. 18 of the EBA Guidelines). With reference to exposures to public administrations, the EBA Guidelines allow the application of a term of 180 days instead of 90 days if the conditions specified therein are met.

- Judgement no. 236/2021 of the Constitutional Court which declared the constitutional illegitimacy of art. 3, paragraph 8, of Law Decree no. 183 of 2020, limited to the extension to 31 December 2021 provided by said article to the emergency regulations regarding the suspension of executions and ineffectiveness of attachment orders against, among others, the entities of the National Health Service referred to in art. 117, paragraph 4, of Decree-Law no. 34 of 19 May 2020 ("Judgement no. 236/2021");

- Resolutions of the Council of Ministers of 13 January 2021, 21 April 2021 and 23 July 2021 and Law Decree no. 221/2021, which extended first until 30 April 2021, then until 31 July 2021 and until 31 December 2021 and ultimately until 31 March 2022 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 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.

- Law no. 21 of 26 February 2021 converting Decree Law no. 183/2020 (the "Milleproroghe" Decree), which in art. 3, paragraph 11-*sexies* established the obligation, for financial reports relating to financial years beginning on or after 1 January 2021, to prepare them in XHTML format, marking certain information in the consolidated financial statements with the Inline XBRL specification. In this case:
    - this Law has taken advantage of the faculty granted by the "Transparency Directive" (EC Directive no. 109/2004, as amended by EU Directive no. 50/2013) to postpone until 2021 the obligation set forth in European Commission Delegated Regulation no. 815/2019 of 17 December 2018 ("ESEF Regulation") aimed at preparing the set of documents known as the "annual financial report" in a single electronic reporting format, for the purpose of harmonising disclosure obligations to the market of issuers with securities traded on a European regulated market. In fact, the new method of publication should have applied from annual financial reports containing financial statements for financial years beginning on or after 1 January 2020 but, in view of the difficulties that companies have experienced as a result of the Covid-19 pandemic, the Transparency Directive has been amended to give EU member states the power to postpone this obligation;
    - the rules of the ESEF Regulations apply in two stages:
        - Step 1, already applicable to financial reports for financial years beginning on or after 1 January 2021: issuers must mark all information rendered in consolidated financial statements corresponding to the mandatory elements of the basic taxonomy contained in Table 1 of Annex II8, i.e., all numerical values of a monetary nature of the consolidated financial statement schedules and a reduced set of information of a biographical nature (such as, for example: the name of the reporting entity, its registered office and address,

legal form, country of registration and principal place of business, and a description of the nature of the entity's business);

- Step 2, which will be applicable to financial reports for fiscal years commencing on or after 1 January 2022: issuers, in addition to marking all numerical values in the consolidated financial statement schedules, must mark all information (of a textual and/or numerical nature) rendered in the consolidated financial statements that corresponds to the mandatory elements of the basic taxonomy contained in Table 2 of Annex II9 (i.e., all numerical values of a monetary nature in the consolidated financial statement schedules and information contained in the notes to the financial statements that corresponds to the full version of the mandatory elements of the basic taxonomy).

2.9 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 this reason too, apart from the specific operations, the effects of an analysis performed also in response to the Covid-19 pandemic, have been classified amongst value adjustments.

2.9.1 The organisational structure

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

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

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

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

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

Moreover, considering the foregoing, the Segment information 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.

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. Reference should be made to Part G "Business combinations" of the Notes.

COMMERCIAL & CORPORATE BANKING SEGMENT

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

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

Below are the Segment results at 31 December 2021.

INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**187.866**	**153.897**	**33.969**	**22,1%**
Net commission income	**80.954**	**70.804**	**10.150**	**14,3%**
Other components of net banking income	14.399	(2.021)	16.420	(812,5)%
Net banking income	**283.219**	**222.680**	**60.539**	**27,2%**
Net credit risk losses/reversals	(44.995)	(72.482)	27.487	(37,9)%
Net profit (loss) from financial activities	**238.224**	**150.198**	**88.026**	**58,6%**
Operating costs	**(153.720)**	**(120.014)**	**(33.706)**	**28,1%**
Pre-tax profit from continuing operations	**84.504**	**30.184**	**54.320**	**180,0%**
Income taxes for the year relating to current operations	(26.695)	(7.469)	(19.226)	257,4%
Profit (loss) for the year	**57.809**	**22.715**	**35.094**	**154,5%**

INCOME STATEMENT DATA (in thousands of Euro)	4th QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**47.205**	**44.430**	**2.775**	**6,2%**
Net commission income	**19.198**	**18.910**	**288**	**1,5%**
Other components of net banking income	3.775	(204)	3.979	n.s.
Net banking income	**70.178**	**63.136**	**7.042**	**11,2%**
Net credit risk losses/reversals	(13.006)	(42.273)	29.267	(69,2)%
Net profit (loss) from financial activities	**57.172**	**20.863**	**36.309**	**174,0%**
Operating costs	**(41.543)**	**(35.610)**	**(5.933)**	**16,7%**
Pre-tax profit from continuing operations	**15.629**	**(14.747)**	**30.376**	**(206,0)%**
Income taxes for the period relating to continuing operations	(4.938)	3.103	(8.041)	(259,1)%
Profit (loss) for the period	**10.691**	**(11.644)**	**22.335**	**(191,8)%**

Net profit of the Commercial & Corporate Banking Segment comes to 57,8 million Euro, up 154,5% as compared with last year. As commented at greater length below, this change is determined by the growth in net banking income of 60,5 million Euro and a decrease in net value adjustments for credit risk of 27,5 million Euro, while operating costs increased overall by 33,7 million Euro compared to 2020.

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 31.12.2021						
Nominal amount	115.550	161.137	119.683	**396.370**	6.366.531	**6.762.901**
Impairment losses	(85.789)	(70.164)	(6.531)	**(162.484)**	(73.537)	**(236.021)**
Carrying amount	29.761	90.973	113.152	**233.886**	6.292.994	**6.526.880**
Coverage ratio	*74,2%*	*43,5%*	*5,5%*	***41,0%***	*1,2%*	***3,5%***
Gross ratio	*1,7%*	*2,4%*	*1,8%*	***5,9%***	*94,1%*	***100,0%***
Net ratio	*0,5%*	*1,4%*	*1,7%*	***3,6%***	*96,4%*	***100,0%***
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 233,9 million Euro at 31 December 2021, up 73,1 million Euro on the figure at 31 December 2020 (160,8 million Euro). This increase is mainly attributable to the classification as past due of certain positions towards the Public Administration, mainly within the Factoring Area, which more than offset the decrease in net non-performing receivables due to the sale of receivables within a broader securitisation transaction with state guarantee (“GACS”). In this regard, it should be noted that the Group, following the application of the new regulations on the “New DoD” and judgement no. 236/2021 of the Constitutional Court of 7 December 2021 (which declared unconstitutional the extension of the emergency legislation suspending the execution and inefficacy of the enforcement against, among others, National Health Service bodies), revised the criteria for transferring exposures to the NHS to past due, reclassifying 65 million Euro of such exposures as non-performing past due. For further details, reference should be made to Part E “Information on risks and related hedging policies” of the Notes. This classification has also led to a decrease in the average coverage of non-performing past due exposures in view of the lower relative risk of exposures to the public administration.

Consequently, the coverage ratio of impaired assets was 41,0%, down compared to the 56,6% booked at 31 December 2020. The increase in the Segment’s coverage of performing loans (concentrated on the Corporate Banking & Lending Area) is a direct consequence of the provisions of 12,5 million Euro made in the Corporate Banking area against the concentration risk typical of the sector, also to take account of the potential further future effects connected with the lack of extraordinary credit support measures.

KPI	AMOUNTS AT		CHANGE	
	31.12.2021	31.12.2020	ABSOLUTE	%
Cost of credit quality (1)	0,73%	1,38%	n.a.	(0,65)%
Net Npe ratio	3,6%	2,7%	n.a.	0,9%
Gross Npe ratio	5,9%	5,9%	n.a.	(0,0)%
RWA (2)	5.214.971	5.144.914	70.057	1,4%

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

To ensure a better understanding of the results for the year, 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)	YEAR		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**87.386**	**90.625**	**(3.239)**	**(3,6)%**
Net commission income	**55.869**	**52.303**	**3.566**	**6,8%**
Other components of net banking income	1.288	(84)	1.372	n.s.
Net banking income	**144.543**	**142.844**	**1.699**	**1,2%**
Net credit risk losses/reversals	(17.873)	(30.113)	12.240	(40,6)%
Net profit (loss) from financial activities	**126.670**	**112.731**	**13.939**	**12,4%**
Operating costs	**(88.459)**	**(78.527)**	**(9.932)**	**12,6%**
Pre-tax profit from continuing operations	**38.211**	**34.204**	**4.007**	**11,7%**
Income taxes for the year relating to current operations	(12.071)	(8.464)	(3.607)	42,6%
Profit (loss) for the year	**26.140**	**25.740**	**400**	**1,6%**

INCOME STATEMENT DATA (in thousands of Euro)	4th QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**21.518**	**26.814**	**(5.296)**	**(19,8)%**
Net commission income	**14.379**	**13.288**	**1.091**	**8,2%**
Other components of net banking income	(53)	(166)	113	(68,1)%
Net banking income	**35.844**	**39.936**	**(4.092)**	**(10,2)%**
Net credit risk losses/reversals	(7.770)	(22.908)	15.138	(66,1)%
Net profit (loss) from financial activities	**28.074**	**17.028**	**11.046**	**64,9%**
Operating costs	**(26.629)**	**(24.707)**	**(1.922)**	**7,8%**
Pre-tax profit from continuing operations	**1.445**	**(7.679)**	**9.124**	**(118,8)%**
Income taxes for the period relating to continuing operations	(457)	1.391	(1.848)	(132,9)%
Profit (loss) for the period	**988**	**(6.288)**	**7.276**	**(115,7)%**

The contribution made by the Factoring Area towards net banking income booked by the Commercial & Corporate Banking Segment came to 144,5 million Euro in 2021, in line with last year's figure.

Turnover in 2021 amounted to 12,0 billion Euro, up by 1,2 billion Euro compared to the previous year, while outstanding loans amounted to 4,0 billion Euro, up on the 3,3 billion Euro booked in December 2020.

Net adjustments for credit risk amounted to 17,9 million Euro, down compared to the previous year, which included additional provisions of 15,7 million Euro for exposures operating in sectors considered most exposed to the pandemic context as well as to the effects connected with the lack of protection measures implemented by the Government.

Therefore, net profit from financial activities amounted to 126,7 million Euro.

Operating costs rose by 9,9 million Euro on 31 December 2020. This effect is the combined result of higher personnel expenses of 6,4 million Euro, mainly related to allocated variable remuneration (2020 was affected by prudential policies related to the uncertainty of the pandemic) and higher other administrative expenses of 1,9 million Euro, impacted in 2021 by the marketing campaigns of the Commercial & Corporate Banking Segment and 1,9 million Euro for provisions made for risks and charges connected with the acquisition of tax credits linked to benefits for construction.

At 31 December 2021, the Area's total net loans amounted to 2,9 billion Euro, up 185 million Euro compared to 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 31.12.2021						
Nominal amount	96.272	87.222	104.804	**288.298**	2.794.814	**3.083.113**
Impairment losses	(72.370)	(46.158)	(2.274)	**(120.802)**	(22.238)	**(143.041)**
Carrying amount	23.901	41.064	102.530	**167.496**	2.772.576	**2.940.072**
Coverage ratio	*75,2%*	*52,9%*	*2,2%*	***41,9%***	*0,8%*	***4,6%***
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	35.801	53.108	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 carrying amount of impaired receivables increased by 51,7 million Euro compared to the figure at the end of 2020; this change is due to the previously mentioned classification of receivables due from the Public Administration as non-performing past due exposures, an effect that more than offset the decrease in net non-performing receivables due to a sale of receivables as part of a broader securitisation transaction with state guarantee ("GACS").

KPI	AMOUNTS AT		CHANGE	
	31.12.2021	31.12.2020	ABSOLUTE	%
Cost of credit quality(1)	0,68%	1,09%	n.a.	(0,41)%
Net Npe ratio	5,7%	4,2%	n.a.	1,5%
Gross Npe ratio	9,4%	9,3%	n.a.	0,1%
RWA (2)	2.500.835	2.361.547	139.288	5,9%

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

Leasing Area

INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**44.381**	**37.937**	**6.444**	**17,0%**
Net commission income	**11.304**	**11.218**	**86**	**0,8%**
Net banking income	**55.685**	**49.155**	**6.530**	**13,3%**
Net credit risk losses/reversals	(6.938)	(15.622)	8.684	(55,6)%
Net profit (loss) from financial activities	**48.747**	**33.533**	**15.214**	**45,4%**
Operating costs	**(28.146)**	**(24.612)**	**(3.534)**	**14,4%**
Pre-tax profit from continuing operations	**20.601**	**8.921**	**11.680**	**130,9%**
Income taxes for the year relating to current operations	(6.508)	(2.208)	(4.300)	194,7%
Profit (loss) for the year	**14.093**	**6.713**	**7.380**	**109,9%**

INCOME STATEMENT DATA (in thousands of Euro)	4th QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**10.636**	**9.617**	**1.019**	**10,6%**
Net commission income	**1.810**	**3.078**	**(1.268)**	**(41,2)%**
Net banking income	**12.446**	**12.695**	**(249)**	**(2,0)%**
Net credit risk losses/reversals	(1.810)	51	(1.861)	n.s.
Net profit (loss) from financial activities	**10.636**	**12.746**	**(2.110)**	**(16,6)%**
Operating costs	**(6.299)**	**(6.050)**	**(249)**	**4,1%**
Pre-tax profit from continuing operations	**4.337**	**6.696**	**(2.359)**	**(35,2)%**
Income taxes for the period relating to continuing operations	(1.370)	(1.684)	314	(18,6)%
Profit (loss) for the period	**2.967**	**5.012**	**(2.045)**	**(40,8)%**

Net banking income of the Leasing Area is 55,7 million Euro, up 6,5 million Euro (+13,3%) on 31 December 2020; this result is due for 7,3 million Euro to lesser interest expense following a review of internal transfer rates, partly offset for 0,8 million Euro by lesser interest income in the operating lease sector (rental).

Net impairment losses on receivables amounted to 6,9 million Euro, down 8,7 million Euro compared to 2020. The lower provisions in 2021 were due to improved credit quality relating to the operative rental segment and an extension of the credit moratorium measures for finance leases. This had the effect of keeping impaired loans at lower levels than in the previous year, particularly in the first half of 2021. It is also recalled that the 2020 figure had been impacted by the introduction of additional provisions on collective adjustments relative to moratoriums of the transportation segment, in order to reflect the misalignment generated between the loan amortisation plan (frozen for the moratorium period granted) and the relative value of the assets given as guarantee (used and, therefore, subject to wear and tear for the same duration).

The increase in operating costs in the Leasing Area of approximately 3,5 million Euro is mainly due to higher ICT expenses and outsourcing costs on business processes to support the transition of information systems, in addition to higher amortisation due to the reduction in the useful life of the leasing applications being replaced. The remaining increase was mainly due to higher variable remuneration allocated in 2021, taking into account that 2020 was impacted by a prudent incentive policy related to the uncertainty of the pandemic.

At 31 December 2021, the Area's total net loans amounted to 1.390,2 million Euro, essentially 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 31.12.2021						
Nominal amount	10.071	16.181	13.832	**40.084**	1.392.815	**1.432.899**
Impairment losses	(9.719)	(9.550)	(4.070)	**(23.339)**	(19.336)	**(42.675)**
Carrying amount	352	6.631	9.763	**16.745**	1.373.478	**1.390.223**
Coverage ratio	*96,5%*	*59,0%*	*29,4%*	***58,2%***	*1,4%*	***3,0%***
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%***

Net impaired exposures at December 2021 stood at 16,7 million Euro, an increase of 47,2% compared to December 2020, driven by non-performing past due exposures (+6,3 million Euro). Overall, the increase can be attributed to terminating the moratorium period with suspension of the total instalment, which froze the count of the days overdue on any outstanding amounts prior to the "Cura Italia" decree. The resumption of billing for the fee or interest only (for customers who had adhered to the Support Decree) resulted in the resumption of billing for the same days past due.

In terms of coverage for the past due decreases from 53,9% at the end of 2020 to 29,4% at 31 December 2021 due to a different mix between the leasing and rental sectors, characterised by different average coverage levels. While the rental sector has remained substantially unchanged, the weight of the automotive leasing sector has increased, which, due to the guarantee of a fungible asset, has a lower relative credit risk. The reduction in net non-performing loans, from 14,6 million Euro at the end of 2020 to 10,1 million Euro at 31 December 2021, was primarily attributable to the loss transfers that occurred during the year and lower new classifications recorded in 2021, particularly in the leasing sector. A similar dynamic influenced the decrease in positions of probable default.

KPI	AMOUNTS AT		CHANGE	
	31.12.2021	31.12.2020	ABSOLUTE	%
Cost of credit quality [(1)]	0,50%	1,11%	n.a.	(0,62)%
Net Npe ratio	1,2%	0,8%	n.a.	0,4%
Gross Npe ratio	2,8%	2,9%	n.a.	(0,1)%
RWA [(2)]	1.265.979	1.309.416	(43.437)	(3,3)%

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

Corporate Banking & Lending Area

INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**56.099**	**25.335**	**30.764**	**121,4%**
Net commission income	**13.781**	**7.283**	**6.498**	**89,2%**
Other components of net banking income	13.111	(1.937)	15.048	n.s.
Net banking income	**82.991**	**30.681**	**52.310**	**170,5%**
Net credit risk losses/reversals	(20.184)	(26.747)	6.563	(24,5)%
Net profit (loss) from financial activities	**62.807**	**3.934**	**58.873**	**n.s.**
Operating costs	**(37.115)**	**(16.875)**	**(20.240)**	**119,9%**
Pre-tax profit from continuing operations	**25.692**	**(12.941)**	**38.633**	**(298,5)%**
Income taxes for the year relating to current operations	(8.116)	3.203	(11.319)	(353,4)%
Profit (loss) for the year	**17.576**	**(9.738)**	**27.314**	**(280,5)%**

INCOME STATEMENT DATA (in thousands of Euro)	4th QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**15.051**	**7.999**	**7.052**	**88,2%**
Net commission income	**3.009**	**2.544**	**465**	**18,3%**
Other components of net banking income	3.828	(38)	3.866	n.s.
Net banking income	**21.888**	**10.505**	**11.383**	**108,4%**
Net credit risk losses/reversals	(3.426)	(19.416)	15.990	(82,4)%
Net profit (loss) from financial activities	**18.462**	**(8.911)**	**27.373**	**(307,2)%**
Operating costs	**(8.615)**	**(4.853)**	**(3.762)**	**77,5%**
Pre-tax profit from continuing operations	**9.847**	**(13.764)**	**23.611**	**(171,5)%**
Income taxes for the period relating to continuing operations	(3.111)	3.396	(6.507)	(191,6)%
Profit (loss) for the period	**6.736**	**(10.368)**	**17.104**	**(165,0)%**

Net banking income of the Corporate Banking & Lending Area, which came to 83,0 million Euro at 31 December 2021, rose by 52,3 million Euro on the previous year, with an increase in the interest margin of 30,8 million Euro, in the commission component for 6,5 million Euro and in other components of net banking income for 15,0 million Euro.

In particular, the positive change in net interest income is due to the growth of 24,8 million Euro in the Lending sector dedicated to financing SMEs. This result is due both to the growth in volumes compared to the previous year, and to the contribution of Farbanca, amounting to 10,9 million Euro (while in 2020 the contribution was essentially nil, as it only related to the month of December), and of the branch acquired from the former Aigis Banca. The Corporate Lending sector also made a positive contribution to the result with 5,1 million Euro of higher net interest income.

The contribution in 2021 from the PPA was 2,8 million Euro, an increase of 1,0 million Euro compared to the previous year. This change is linked to the early repayment of a significant transaction in the Structured Finance sector.

Net commission income is up 6,5 million Euro, thanks to the combined effect of an increase in disbursements and to the asset the Structured Finance sector, which impacts for 4,4 million Euro, and there is an increase in commission associated with the Farbanca business for 2,1 million Euro.

The other components of net banking income increased by 15,0 million Euro, mainly due to the improved performance (in terms of income from valuation and transfer) of both non-controlling interests, amounting to 6,5 million Euro and UCIT funds, which resulted in a positive change in fair value of 7,7 million Euro. Finally, the positive impact on the dividend component amounts to 0,3 million Euro and the impact on receivables measured at fair value with an impact on the income statement amounts to 0,5 million Euro.

Net credit risk losses amounted to 20,2 million Euro, down 6,6 million Euro compared to the previous year, as follows:

- 12,5 million Euro the Structured Finance sector and attributable to the provisions made to take into account both the macroeconomic context resulting from the pandemic and to mitigate the typical risk of portfolio concentration;
- 2,6 million Euro relating to Farbanca, whose contribution in 2020 was essentially nil (as it refers only to the month of December 2020);
- 5,1 million Euro to the growth of retail exposures in the SME financing sector.

The increase in operating costs of the Corporate Banking & Lending Area for approximately 20 million Euro on FY 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 14,6 million Euro, including direct integration costs. The redistribution of the assets of the central services following their entry into the Group also resulted in higher costs of 2,9 million Euro.

At 31 December 2021, total net receivables due from customers in the Area comes to 2.196,6 million Euro, with a positive change of 373,5 million Euro (+20,5%) on the 1.823,0 million Euro of 31 December 2020. Growth is driven by the increase in loans to SMEs for 351,3 million Euro (of which approximately 220 million Euro from the former Aigis Banca division) and the Corporate Banking sector for 22,2 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 31.12.2021						
Nominal amount	9.207	57.734	1.047	**67.988**	2.178.902	**2.246.889**
Impairment losses	(3.700)	(14.455)	(188)	**(18.343)**	(31.962)	**(50.305)**
Carrying amount	5.507	43.278	859	**49.645**	2.146.940	**2.196.584**
Coverage ratio	*40,2%*	*25,0%*	*17,9%*	***27,0%***	*1,5%*	***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 16,0 million Euro increase (+47,5%) 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 division. The division related to SME financing increased non-performing loans by 6,4 million Euro.

The average coverage of probable defaults decreased from 41,5% to 25,0%, primarily due to the restructuring of another individually significant position through partial conversion into equity instruments.

The increase in coverage at 31 December 2021 on performing loans was determined by the assessments carried out on risks related to concentration levels.

KPI	AMOUNTS AT		CHANGE	
	31.12.2021	31.12.2020	ABSOLUTE	%
Cost of credit quality (1)	0,95%	2,43%	n.a.	(1,48)%
Net Npe ratio	2,3%	1,8%	n.a.	0,5%
Gross Npe ratio	3,0%	3,0%	n.a.	0,0%
RWA (2)	1.448.157	1.473.951	(25.794)	(1,7)%

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

NPL SEGMENT

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

The table below shows the loans portfolio of the Npl Segment, by method of transformation and accounting criterion; the "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 150,4 million Euro and other components of the net interest income from cash flow changes for 122,5 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	3.409.309	135.821	4,0%	-	298.801	Acquisition cost
Non-judicial	10.803.892	424.884	3,9%	119.608	733.319	
of which: Collective (curves)	*10.321.164*	*201.624*	*2,0%*	*7.890*	*333.191*	*Cost = NPV of flows from model*
of which: Plans	*482.728*	*223.260*	*46,2%*	*111.718*	*400.128*	*Cost = NPV of flows from model*
Judicial	7.617.793	916.976	12,0%	153.262	1.961.161	
of which: Other positions undergoing judicial processing	*2.009.769*	*270.796*	*13,5%*	*-*	*606.508*	*Acquisition cost*
of which: Writs, Property Attachments, Garnishment Orders	*1.528.290*	*481.867*	*31,5%*	*132.110*	*1.140.030*	*Cost = NPV of flows from model*
of which: Secured and Corporate	*4.079.734*	*164.313*	*4,0%*	*21.152*	*214.623*	*Cost = NPV of flows from model*
Total	**21.830.994**	**1.477.681**	**6,8%**	**272.870**	**2.993.281**	

As shown in the table, the Npl Segment sector portfolio can be divided into three macro-categories:

- Cost: 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 (135,8 million Euro at 31 December 2021, compared to 170,4 million Euro at 31 December 2020, mainly following the progressive release of the portfolios acquired in 2020, which reduced the positions measured at cost at end December 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: 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 on 31 December 2021 come to 201,6 million Euro, up 16% compared with 173,8 million Euro at 31 December 2020. Practices on which a realignment plan has been agreed and formalised record an increase (35,3%), coming in at 223,3 million Euro on 31 December 2021 (165,0 million Euro at 31 December 2020);
- Judicial: 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 270,8 million Euro at 31 December 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 9,5%, coming in at 481,9 million Euro as compared with the 440,2 million Euro recorded in December 2020. The judicial management basin includes all "Secured and Corporate" positions of corporate banking origin or real estate, equal to 164,3 million Euro on 31 December 2021, as compared with 158,0 million Euro on 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)	YEAR		CHANGE	
	2021	2020	ABSOLUTE	%
Interest income from amortised cost	150.368	139.115	11.253	8,1%
Interest income notes and other minority components	1.814	925	889	96,1%
Other components of net interest income from change in cash flow	122.097	42.487	79.610	187,4%
Funding costs	(26.674)	(29.208)	2.534	(8,7)%
Net interest income	**247.605**	**153.319**	**94.286**	**61,5%**
Net commission income	**3.357**	**4.320**	**(963)**	**(22,3)%**
Other components of net banking income	136	303	(167)	(55,1)%
Gain on sale of receivables	6.459	5.000	1.459	29,2%
Net banking income	**257.556**	**162.942**	**94.614**	**58,1%**
Net credit risk losses/reversals	(17.996)	-	(17.996)	n.a.
Net profit (loss) from financial activities	**239.560**	**162.942**	**76.618**	**47,0%**
Operating costs	**(166.107)**	**(139.122)**	**(26.985)**	**19,4%**
Pre-tax profit from continuing operations	**73.453**	**23.820**	**49.633**	**208,4%**
Income taxes for the year relating to current operations	(23.204)	(5.894)	(17.310)	293,7%
Profit (loss) for the year	**50.249**	**17.926**	**32.323**	**180,3%**

INCOME STATEMENT DATA (in thousands of Euro)	4th QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Interest income from amortised cost	38.802	35.348	3.454	9,8%
Interest income notes and other minority components	603	2	601	n.s.
Other components of net interest income from change in cash flow	34.437	14.677	19.760	134,6%
Funding costs	(6.865)	(7.974)	1.109	(13,9)%
Net interest income	**66.977**	**42.053**	**24.924**	**59,3%**
Net commission income	**1.664**	**1.294**	**370**	**28,6%**
Other components of net banking income	472	566	(94)	(16,6)%
Gain on sale of receivables	4.192	2.306	1.886	81,8%
Net banking income	**73.305**	**46.219**	**27.086**	**58,6%**
Net credit risk losses/reversals	(1.022)	-	(1.022)	n.a.
Net profit (loss) from financial activities	**72.283**	**46.219**	**26.064**	**56,4%**
Operating costs	**(45.811)**	**(39.117)**	**(6.694)**	**17,1%**
Pre-tax profit from continuing operations	**26.472**	**7.102**	**19.370**	**272,7%**
Income taxes for the period relating to continuing operations	(8.362)	(1.960)	(6.402)	326,6%
Profit (loss) for the period	**18.110**	**5.142**	**12.968**	**252,2%**

The net profit from financial activities of the Npl Segment therefore amounted to 239,6 million Euro (162,9 million Euro at 31 December 2020, up 47,0%). The significant increase in this result as compared with 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 8,1% from 139,1 million Euro to 150,4 million Euro at 31 December 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 42,5 million Euro in 2020 to 122,5 million Euro at 31 December 2021, precisely due to the changed pandemic context. This item includes:

- out-of-court settlements of 65,6 million Euro, consisting of 83,4 million Euro in connection with recovery plans, and negative changes of 17,8 million Euro in connection with the valuation of statistical curves;
- legal expenses of 56,9 million Euro, almost entirely due to the contribution of actions for injunction, attachment and garnishment orders.

The cost of funding decreased compared to the same period of the previous year due to a reduction in the internal transfer rate.

The reduction in net commission income on the 2020 figure 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 write-down of receivables following a detailed analysis, 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 19,4% on the 2020 figure, going from 139,1 million Euro at 31 December 2020, to 166,1 million Euro at 31 December 2021. This increase is essentially due to the variable costs linked to debt collection.

Consequently, period profit of the Npl Segment is 50,2 million Euro, up 180,3% on 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	
	31.12.2021	31.12.2020	ABSOLUTE	%
Net bad loans	1.106.996	1.041.196	65.800	6,32%
Net unlikely to pay	343.143	339.799	3.344	0,98%
Net non-performing past due exposures	4.025	90	3.935	n.s.
Total net non-performing exposures to customers (stage 3)	**1.454.164**	**1.381.085**	**73.079**	**5,29%**
Net performing exposures (stages 1 and 2)	69.864	24.518	45.346	184,95%
Total on-balance-sheet receivables due from customers [(1)]	**1.524.028**	**1.405.603**	**118.425**	**8,43%**

(1) Total on-balance-sheet receivables due from customers include loans connected with the servicing activity for 1,4 million Euro and 1,9 million Euro respectively at 31 December 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	
	31.12.2021	31.12.2020	ABSOLUTE	%
Nominal amount of receivables managed	21.830.994	19.787.379	2.043.615	10,33%
RWA [(1)]	2.339.110	2.211.695	127.415	5,8%

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

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

NPL SEGMENT NON-PERFORMING LOAN PORTFOLIO PERFORMANCE	31.12.2021	31.12.2020
Opening loan portfolio	**1.403.711**	**1.278.220**
Purchases	177.306	224.291
Sales	(18.440)	(26.095)
Gains on sales	6.461	5.000
Interest income from amortised cost	150.368	139.114
Other components of interest from change in cash flow	122.502	42.538
Adjustments to receivables	(17.997)	-
Collections	(346.230)	(259.357)
Closing loan portfolio	**1.477.681**	**1.403.711**

The total paid for purchases in 2021 amounted to 177,3 million Euro, down from 224,3 million Euro in the previous year, essentially due to more purchases made in the secondary market. In 2021, sales were completed for a total price of approximately 18,4 million Euro, which generated profits of about 6,5 million Euro.

The item "Collections", equal to 346,2 million Euro at 31 December 2021, includes the instalments collected during the year from repayment plans, from garnishment orders and transactions carried out rises by 33,5% on the collections of 259,4 million Euro made in 2020.

Similarly, funding from settlement plans (equal to the nominal amount of all the instalments under the plans entered into with the debtors in the year) was up, reaching 427,9 million Euro at 31 December 2021 compared to 316,9 million Euro at 31 December 2020.

At 31 December 2021, the portfolio managed by the Npl Segment included 2.100.273 positions, for a nominal amount of 21,8 billion Euro.

GOVERNANCE & SERVICES AND NON-CORE SEGMENT

The Segment comprises, among other things, the resources required for the performance of the services of the 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)	YEAR		CHANGE	
	2021	2020	ASSOLUTA	%
Net interest income	**52.500**	**74.476**	**(21.976)**	**(29,5)%**
Net commission income	**(1.029)**	**(237)**	**(792)**	**334,2%**
Other components of net banking income	10.273	7.939	2.334	29,4%
Net banking income	**61.744**	**82.178**	**(20.434)**	**(24,9)%**
Net credit risk losses/reversals	(14.168)	(18.877)	4.709	(24,9)%
Net profit (loss) from financial activities	**47.576**	**63.301**	**(15.725)**	**(24,8)%**
Operating costs	**(55.659)**	**(48.889)**	**(6.770)**	**13,8%**
Value adjustments of goodwill	-	(700)	700	(100,0)%
Gain on disposal of investments	-	24.161	(24.161)	(100,0)%
Pre-tax profit from continuing operations	**(8.083)**	**37.873**	**(45.956)**	**(121,3)%**
Income taxes for the year relating to current operations	2.328	(9.372)	11.700	(124,8)%
Profit (loss) for the year	(5.755)	28.501	(34.256)	(120,2)%

INCOME STATEMENT DATA (in thousands of Euro)	4th QUARTER		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	**11.175**	**34.408**	**(23.233)**	**(67,5)%**
Net commission income	**(440)**	**(812)**	**372**	**(45,8)%**
Other components of net banking income	(930)	3.146	(4.076)	(129,6)%
Net banking income	**9.805**	**36.742**	**(26.937)**	**(73,3)%**
Net credit risk losses/reversals	(693)	(1.230)	537	(43,7)%
Net profit (loss) from financial activities	**9.112**	**35.512**	**(26.400)**	**(74,3)%**
Operating costs	**(20.560)**	**(3.895)**	**(16.665)**	**n.s.**
Value adjustments of goodwill	0	(700)	700	(100,0)%
Pre-tax profit from continuing operations	**(11.448)**	**30.917**	**(42.365)**	**(137,0)%**
Income taxes for the period relating to continuing operations	3.391	(7.735)	11.126	(143,8)%
Profit (loss) for the period	(8.057)	23.182	(31.239)	(134,8)%

The Segment's net banking income amounted to 61,7 million Euro, down 20,4 million Euro compared to last year: in particular, the Segment saw an increase in the margin of the Governance & Services Area of 9,2 million Euro, easily offset by the reduction in the contribution made by the Non-Core Area of 29,6 million Euro. This variation can be broken down as follows:

- the interest margin has decreased overall by 22,0 million Euro as compared with 31 December 2020. This negative change is mainly due to the reduction in the interest margin of the Non-Core portfolio in run-off and the consequent physiological reduction of the PPA reversal, which, moreover, in 2020 had benefited from the acceleration of release consequent to the significant sales of receivables under

GACS. The total effect of this reduction, equal to approximately 35 million Euro, is only partially offset by the contribution of the Proprietary Finance division (10,0 million Euro) and the contribution of the Treasury division (2,0 million Euro);

- net commission is down 0,8 million Euro mainly due to costs relating to the self-securitisation transaction performed by the Banca Ifis Group in 2021 regarding Npl Segment loans (1,7 million Euro);
- other components of net banking income grew by 2,3 million Euro. This positive change is mainly due to the Proprietary Finance business for 5,7 million Euro, thanks to higher dividends received from the Group's securities portfolio and better results on trading and hedging, and to the higher positive contribution of the Non-Core portfolio for 4,4 million Euro related to the sale of two operations of the Workout & Recovery division and lower write-downs of the portfolio at fair value compared to the previous year. These positive effects were partially offset by the impact of 7,4 million Euro in terms of lower gains from the repurchase of bonds issued in 2020 by the Treasury area, and the negative difference of 0,4 million Euro in terms of the exchange rate effect comparing the two periods.

In terms of funding, Rendimax continues to constitute the Group's main source of finance, with a comprehensive cost of approximately 56,0 million Euro, lower than last year (60,1 million Euro) due to the decrease in average assets under management (4.293 million Euro at 31 December 2021 as compared with 4.400 million Euro at 31 December 2020, -2,4%) and average rates falling below FY 2020 (1,30% versus 1,36%). As of 31 December 2021 the carrying amount of bonds amounts to 1.056,7 million Euro, following the full repayment of 62,6 million Euro of a bond issued by the incorporated company Interbanca, which has reached its natural maturity. In economic terms, interest expense accrued on all issues dropped by 3,8 million Euro, coming in at a total of 31,4 million Euro (as compared with 35,2 million Euro in 2020).

Funding raised through securitisations amounted to 1.448 million Euro at 31 December 2021, up by 329 million Euro compared to 31 December 2020, when the figure stood at 1.119 million Euro. The increase derives mainly from the 2021 restructuring of a securitisation arranged by the subsidiary Farbanca, with the issue of new securities for a total of 390,2 million Euro of senior notes in issue.

Access is also noted to funding through TLTRO transactions for a carrying amount of 2.033,9 million Euro.

As regards the cost of credit, a decrease is seen to net adjustments, which come to 14,2 million Euro, as compared with 18,9 million Euro at 31 December 2020. This change is mainly attributable to the Non-Core Area due to the natural depletion of the run-off portfolio.

Operating costs come to 55,7 million Euro, up 6,8 million Euro on 31 December 2020. The change is mainly due to non-recurring effects that affected the two periods under comparison. In particular, FY 2021 includes 11,5 million Euro in one-off costs linked to the transfer of the registered office of the parent company La Scogliera, only partly offset by other income of 2,9 million Euro connected with the bargain on the purchase of the former Aigis Banca business unit, by contrast FY 2020 included other operating income for 16,8 million Euro relating to the bargain on Farbanca, offset by 11,3 million Euro in provisions for credit risks on commitments and guarantees given and for probable contractual indemnities and 6,9 million Euro relative to the provision made to the employee solidarity fund.

At 31 December 2021, total net receivables for the Segment amounted to 2.281,3 million Euro, up 31,3% on the figure at 31 December 2020 (1.737,2 million Euro). The increase of approximately 544,1 million Euro is substantially linked to the purchase of government securities by Proprietary Finance. At the same time, run-off loan portfolios in the Segment decreased by about 149,2 million Euro.

The Segment's net impaired receivables decreased by 2,2%, to 48,8 million Euro, while performing receivables increased by 32,3% due to the above-mentioned activities of the Proprietary Finance business in the area of government securities. Government securities included in the Segment amount to 1.648,6 million Euro (1.095,3 million Euro at 31 December 2020). The increased weight of government bonds has also led to a reduction in relative coverage. Therefore, without considering government securities, coverage of performing loans would be 1,0% at end 2021, substantively in line with the corresponding figure of 2020.

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

- net non-performing loans: 19,9 million Euro at 31 December 2021, down on the 25,1 million Euro of 31 December 2020;
- net performing exposures: 18,5 million Euro at 31 December 2021, up compared to the 17,2 million Euro at 31 December 2020.

Impaired loan coverage, impacted by these POCIs, the gross value of which is already impacted by the forecast losses, increased from 34,9% at 31 December 2020 to 38,7% at the end of 2021.

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

GOVERNANCE & SERVICES AND NON-CORE SEGMENT (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING (STAGES 1 AND 2)	TOTAL LOANS (1)
POSITION AT 31.12.2021						
Nominal amount	20.339	50.762	8.596	**79.696**	2.238.471	**2.318.167**
Impairment losses	(7.142)	(21.481)	(2.232)	**(30.854)**	(6.017)	**(36.871)**
Carrying amount	13.197	29.281	6.364	**48.842**	2.232.454	**2.281.296**
Coverage ratio	*35,1%*	*42,3%*	*26,0%*	***38,7%***	*0,3%*	***1,6%***
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 & Services and Non-Core Segment, at 31 December 2021, there were government securities amounting to 1.648,8 million Euro (1.095,3 million Euro at 31 December 2020).

The decrease in net non-performing loans is mainly due to a sale of loans within a broader securitisation transaction with state guarantee ("GACS").

2.10 Group financial and income 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 this reason too, apart from the specific operations, the effects of an analysis performed also in response to the Covid-19 pandemic, have been classified amongst value adjustments.

2.10.1 Statement of financial position items

RECLASSIFIED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2021	31.12.2020	ABSOLUTE	%
Cash and cash equivalents	355.381	291.602	63.779	21,9%
Financial assets mandatorily measured at fair value through profit or loss	144.660	136.978	7.682	5,6%
Financial assets measured at fair value through other comprehensive income	614.013	774.555	(160.542)	(20,7)%
Receivables due from banks measured at amortised cost	524.991	791.761	(266.770)	(33,7)%
Receivables due from customers measured at amortised cost	10.331.804	9.135.402	1.196.402	13,1%
Property, plant and equipment and intangible assets	181.863	176.119	5.744	3,3%
Tax assets	329.674	381.431	(51.757)	(13,6)%
Other assets	495.505	338.348	157.157	46,4%
Total assets	**12.977.891**	**12.026.196**	**951.695**	**7,9%**
Payables due to banks measured at amortised cost	2.597.965	2.367.082	230.883	9,8%
Payables due to customers measured at amortised cost	5.683.745	5.471.874	211.871	3,9%
Debt securities issued	2.504.878	2.069.083	435.795	21,1%
Tax liabilities	49.154	48.154	1.000	2,1%
Provisions for risks and charges	66.825	53.944	12.881	23,9%
Other liabilities	451.436	466.097	(14.661)	(3,1)%
Group equity	1.623.888	1.549.962	73.926	4,8%
Total liabilities and equity	**12.977.891**	**12.026.196**	**951.695**	**7,9%**

Cash and cash equivalents

As of 31 December 2021 this item amounts to 355,4 million Euro, and includes, in compliance with the requirements for balance sheet items set out in the 7th October 2021 update of Bank of Italy Circular no. 262/2005, on demand receivables due from banks, which were previously reported under financial assets measured at amortised cost (355,3 million Euro). Solely for the purpose of enabling a like-for-like comparison to be made, the figures for the previous year have been restated on a conventional basis on the basis of these new provisions, and therefore the related sight receivables due from banks have been transferred from the item "Due from banks valued at amortised cost" to the item "Cash and cash equivalents" (291,5 million Euro).

Financial assets mandatorily measured at fair value through profit or loss

FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2021	31.12.2020	ABSOLUTE	%
Debt securities	15.889	3.532	12.357	349,9%
Equity securities	26.490	20.683	5.807	28,1%
UCITS units	79.052	81.479	(2.427)	(3,0)%
Loans	23.229	31.284	(8.055)	(25,7)%
Total	**144.660**	**136.978**	**7.682**	**5,6%**

Financial assets mandatorily measured at fair value through profit or loss total 144,7 million Euro at 31 December 2021. This item consists of loans and debt securities that did not pass the SPPI test, equity securities from minority shares and UCITS units.

The increases in debt securities relate to new subscriptions in securities of NPL loan securitisations for 12,4 million Euro.

The growing performance of equities is consistent with the Equity Investment team's expansive strategy, which resulted in net new investments of approximately 2,3 million Euro during the year, and saw net revaluations of 3,5 million Euro in equities held.

In the area of UCITS, non-strategic securities of the Proprietary Finance function were divested for approximately 10 million Euro, and this effect was offset by the enhancement of the existing portfolio and new equity investments.

In the case of loans measured at fair value, the trend is related to a significant early repayment.

Financial assets measured at fair value through other comprehensive income

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2021	31.12.2020	ABSOLUTE	%
Debt securities	515.277	721.216	(205.939)	(28,6)%
Equity securities	98.736	53.339	45.397	85,1%
Total	**614.013**	**774.555**	**(160.542)**	**(20,7)%**

Financial assets measured at fair value through other comprehensive income totalled 614,0 million Euro at 31 December 2021, down 20,7% from December 2020, and included the debt securities that passed the SPPI test as well as equity securities for which the Group elected the so-called OCI option pursuant to IFRS 9.

The debt securities held in the portfolio at 31 December 2021 total 515,3 million Euro, down 28,6% with respect to the balance at 31 December 2020. Government securities held in the portfolio as of 31 December 2021 amount to 469,6 million Euro. The net negative fair value reserve for these debt securities comes to a total of 3,7 million Euro, down on the positive balance of 1,8 million Euro at 31 December 2020.

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	276.234	-	-	29.197	164.216	469.647
% of total	53,6%	-	-	5,7%	31,9%	91,1%
Banks	-	2.079	6.252	255	-	8.586
% of total	-	0,4%	1,2%	0,0%	-	1,7%
Other issuers	-	-	-	20.845	16.199	37.044
% of total	-	-	-	4,0%	3,1%	7,2%
Total	**276.234**	**2.079**	**6.252**	**50.297**	**180.415**	**515.277**
% of total	**53,6%**	**0,4%**	**1,2%**	**9,8%**	**35,0%**	**100,0%**

Equity securities measured at fair value with an impact on comprehensive income amount to 98,7 million Euro at 31 December 2021, up 85,1% on 31 December 2020, and are mainly attributable to shares in the Bank of Italy (30,0 million Euro), interests in leading companies in the banking and insurance sector (24,0 million Euro), the energy sector (21,5 million Euro) and telecommunications (8,5 million Euro). The increase of 45,4 million Euro is consistent with the strategy of creating a proprietary portfolio that guarantees stable dividends. The associated net fair value reserve shows a negative balance of 12,5 million Euro at the end of 2021, which is substantially in line with the figure at 31 December 2020.

Receivables due from banks measured at amortised cost

Total receivables due from banks measured at amortised cost amounted to 525,0 million Euro at 31 December 2021.

As of 31 December 2021, the item consists of receivables from central banks in the amount of 351,1 million Euro (693,8 million Euro as of 31 December 2020), which constitute the funding maintained in order to ensure the orderly performance of management activities. The remaining balance relates to bank debt securities measured at amortised cost of 140,4 million Euro, a significant increase compared to the balance of 56,7 million Euro at 31 December 2020, and various loans falling due for 33,4 million Euro (41,2 million Euro at the end of 2020).

In an overall view, cash and cash equivalents and loans to banks recorded a decrease in 2021, which, especially in the last quarter, was driven by the distribution of 2019 dividends, the decrease in Rendimax deposits (155 million Euro), the run-off of non-resident deposits (25 million Euro), as well as new purchases of Npl portfolios and an increase in the turnover of the Factoring Area.

Receivables due from customers measured at amortised cost

RECEIVABLES DUE FROM CUSTOMERS BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2021	31.12.2020	ABSOLUTE	%
Commercial & Corporate Banking Segment	6.526.880	5.992.591	534.288	8,9%
- of which non-performing	*233.886*	*160.826*	*73.060*	*45,4%*
Factoring Area	2.940.072	2.755.488	184.584	6,7%
- of which non-performing	*167.496*	*115.783*	*51.714*	*44,7%*
Leasing Area	1.390.223	1.414.055	(23.832)	(1,7)%
- of which non-performing	*16.745*	*11.377*	*5.368*	*47,2%*
Corporate Banking & Lending Area	2.196.584	1.823.048	373.536	20,5%
- of which non-performing	*49.645*	*33.666*	*15.979*	*47,5%*
Npl Segment	1.523.628	1.405.603	118.025	8,4%
- of which non-performing	*1.454.164*	*1.381.085*	*73.079*	*5,3%*
Governance & Services and Non-Core Segment(1)	2.281.296	1.737.208	544.088	31,3%
- of which non-performing	*48.842*	*49.944*	*(1.102)*	*(2,2)%*
Total receivables due from customers	**10.331.804**	**9.135.402**	**1.196.402**	**13,1%**
- of which non-performing	***1.736.892***	***1.591.855***	***145.037***	***9,1%***

(1) In the Governance & Services and Non-Core Segment, at 31 December 2021, there were government securities amounting to 1.648,6 million Euro (1.095,3 million Euro at 31 December 2020).

Total receivables due from customers measured at amortised cost amounted to 10.331,8 million Euro, +13,1% on 31 December 2020 (9.135,4 million Euro). The item includes debt securities for 2,0 billion Euro (1,3 billion at 31 December 2020), of which government securities for 1,6 billion Euro. The growth of the Commercial & Corporate Banking Segment (+8,9%) is concentrated in the Corporate Banking & Lending Business Area (+20,5%), followed by the Factoring Area (+6,7%), and the Npl Segment (+8,4%), while the Leasing Area is slightly bucking the trend with a reduction of 1,7%. The Governance & Services and Non-Core Segment increased by 544,1 million Euro, primarily due to the effect of debt securities purchases during 2021.

Total net non-performing exposures, which are significantly affected by the receivables of the Npl Segment, amounted to 1.736,9 million Euro at 31 December 2021, compared to 1.591,9 million Euro at 31 December 2020 (+9,1%), mainly following the greater contribution made by the Npl Segment.

Net of these receivables, impaired receivables amounted to 282,7 million Euro, up from the balance of 210,8 million Euro at 31 December 2020 mainly due to the increase in non-performing exposures in the Factoring Area due to the classification of receivables due from the Public Administration as non-performing past due exposures.

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 61,6 million Euro, basically in line with those at 31 December 2020 of 61,0 million Euro (+1,1%).

The line item included 22,8 million Euro worth of software, 0,8 million Euro in goodwill arising from the consolidation of the investment in Ifis Finance Sp. z o.o., and 38,0 million Euro for goodwill, consequent to the acquisition of the former Fbs Group.

As regards the Group's assessments on the impairment testing of such goodwill, please note that the results of this test have supported the likelihood of recovery of both portions of goodwill booked. For more details, we would refer you to the more detailed information given in Part B - Consolidated Statement of Financial Position, Section 10 - Intangible assets - Item 100, Paragraph 10.3 Other information of these Consolidated Financial Statements.

Property, plant and equipment amounted to 120,3 million Euro, compared with 115,1 million Euro at 31 December 2020, up 4,4% mainly due to the renovation of the building in Via Borghetto in Milan.

At the end of December 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 year, 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 329,7 million Euro, down on the figure at 31 December 2020 (-13,6%).

Current tax assets amounted to 45,5 million Euro compared with 74,3 million Euro at 31 December 2020. The decrease is driven by the use of existing receivables for offsetting purposes, including 21 million Euro deriving from the conversion of former "Cura Italia" DTAs.

Prepaid tax assets come to 284,1 million Euro as compared with 307,2 million Euro at 31 December 2020 and mainly comprise 205,4 million Euro (down on the balance at 31 December 2020) assets entered for impairment of loans, potentially able to be transformed into tax credits and 39,4 million Euro assets entered on previous tax losses and the ACE benefit (51,1 million Euro at 31 December 2020).

Tax liabilities totalled 49,2 million Euro, up 2,1% from 31 December 2020, equal to 48,1 million Euro.

Current tax liabilities, amounting to 16,7 million Euro, represent the tax burden for the year (+38,9% on the 12,0 million Euro at 31 December 2020).

Deferred tax liabilities, totalling 32,5 million Euro, are down by 3,7 million Euro on the balance of the previous year and largely included 28,8 million Euro in receivables for interest on arrears that will be taxed upon receipt, 0,3 million Euro in the revaluation of property, and 2,8 million Euro in other mismatches of trade receivables and 0,4 million Euro relative to financial assets measured at fair value through other comprehensive income (FVOCI).

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

Here below is the breakdown of the different treatments by type and the relevant impact on CET1 and risk-weighted assets at 31 December 2021:

- the "deferred tax assets that rely on future profitability and do not arise from temporary differences" are deducted from CET1; at 31 December 2021, the 100% deduction amounted to 39,4 million Euro, offset for 14 million Euro by the corresponding deferred tax liabilities and including the Holding of the Banking Group: in this regard, please note that this deduction will be gradually absorbed by the future use of such deferred tax assets;

- the "deferred tax assets that rely on future profitability and arise from temporary differences" are not deducted from CET1 and receive instead a 250% risk weight: at 31 December 2021, these assets, including those pertaining to the Holding Company of the Banking Group, amounted to 33,7 million Euro and are offset by 18,4 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 31 December 2021, the corresponding weight totalled 205,3 million Euro;
- "current tax assets" receive a 0% weight as they are exposures to the Central Government.

Overall, the Tax Assets recognised at 31 December 2021 and 100% deducted from Own Funds resulted in an expense amounting to 0,27% 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 495,5 million Euro as compared to a balance of 338,3 million Euro at 31 December 2020, include:

- Financial assets held for trading for 8,5 million Euro (down 59,4% on the figure of 20,9 million Euro of 31 December 2020), referring 7,0 million Euro to derivative transactions (which decrease significantly on the figure of 19,3 million Euro at end 2020, for the unwinding during the period of numerous positions in derivatives following the closure of the underlying credit positions), offset by mirrored positions, similarly reducing, entered amongst the financial liabilities held for trading and 1,5 million Euro in securities included in the Group's trading book;
- Other assets for 487,0 million Euro (317,5 million Euro at 31 December 2020), of which 22,9 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 increase in the item is driven by the purchase of tax credits for superbonus and other building tax bonuses for 295,7 million Euro (corresponding to a nominal amount of 340,9 million Euro), only partially offset by the collections of the IRES tax credit for 55,2 million Euro previously transferred to La Scogliera and the credit of 14,1 million Euro due from the General Electric Group and relating to the indemnity due to the effect of adhesion to the 2019 tax peace, as well as lower advances to suppliers for 26,9 million Euro.

Other liabilities come to 451,4 million Euro as compared with 466,1 million Euro at 31 December 2020, and consist of:

- trading derivatives for 6,0 million Euro, mainly referring to transactions mirrored to positions entered amongst financial assets held for trading, which has decreased significantly on the figure of 18,6 million Euro at 31 December 2020, as described previously;
- 9,3 million Euro liabilities for post-employment benefits (9,2 million Euro at 31 December 2020);
- 436,1 million Euro for other liabilities (438,3 million Euro at 31 December 2020), largely referred to amounts due to customers that have not yet been credited (20,6 million Euro), as well as a 26,1 million Euro payable to the parent company La Scogliera and operating payables for approximately 93,8 million Euro. Operating payables include the liability connected with the estimate of costs associated with the transfer of the registered office of the parent company La Scogliera to Switzerland for 11,5 million Euro (for further details, please see section "2.13 Significant events occurred during the year").

Funding

FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2021	31.12.2020	ABSOLUTE	%
Payables due to banks	**2.597.965**	**2.367.082**	**230.883**	**9,8%**
- Payables due to Central banks	2.236.942	2.116.961	119.981	5,7%
of which: TLTRO	2.033.870	1.994.722	39.148	2,0%
of which: Other deposits	203.073	122.239	80.834	66,1%
- Repurchase agreements	217.512	-	217.512	n.a.
- Other payables	143.511	250.121	(106.610)	(42,6)%
Payables due to customers	**5.683.745**	**5.471.874**	**211.871**	**3,9%**
- Repurchase agreements	-	-	-	n.a.
- Retail	4.517.172	4.459.954	57.218	1,3%
- Other term deposits	239.986	280.484	(40.498)	(14,4)%
- Lease payables	16.127	16.891	(764)	(4,5)%
- Other payables	910.460	714.545	195.915	27,4%
Debt securities issued	**2.504.878**	**2.069.083**	**435.795**	**21,1%**
Total funding	**10.786.588**	**9.908.039**	**878.549**	**8,9%**

Total funding as of 31 December 2021 was 10.786,6 million Euro, up 8,9% from 31 December 2020. Amounts due to customers continue to represent the majority of funding at 52,7% (55,2% as of 31 December 2020), followed by amounts due to banks at 24,1% (23,9% as of 31 December 2020), and securities issued at 23,2% (20,9% as of 31 December 2020).

Payables due to customers at 31 December 2021 totalled 5.683,7 million Euro. The increase is mainly driven by growth in current accounts on demand, also thanks to the contribution of the business unit deriving from the former Aigis Banca, offset by a contraction in time deposits.

RETAIL FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2021	31.12.2020	ABSOLUTE	%
Short-term funding (within 18 months)	3.114.532	3.196.110	(81.578)	(2,6)%
of which: DEREGULATED	785.004	723.240	61.764	8,5%
of which: LIKE/ONE	1.033.539	1.084.400	(50.861)	(4,7)%
of which: RESTRICTED	1.217.976	1.316.288	(98.312)	(7,5)%
of which: GERMAN DEPOSIT	78.013	72.182	5.831	8,1%
Long-term funding (beyond 18 months)	1.402.640	1.263.844	138.796	11,0%
Total funding	**4.517.172**	**4.459.954**	**57.218**	**1,3%**

Payables due to banks amounted to 2.598,0 million Euro, up 9,8% compared to 31 December 2020, mainly due to new repurchase agreements (+ 217,5 million Euro) with the securitisation notes issued by the subsidiary Ifis Npl Investing as underlying assets.

Securities issued amounted to 2.504,9 million Euro at 31 December 2021, up on the 2.069,1 million Euro of 31 December 2020. The increase is substantially due to the restructuring of the Emma securitisation for 390 million

Euro and the increase in securities issued by the special purpose vehicle Ifis Abcp Programme S.r.l. for 88,7 million Euro with a view to optimising the Group's funding, the positive effects of which were partially offset by the full repayment for 62,7 million Euro of the bonds issued by the former Interbanca, which matured in March 2021. The line item also comprised 654,4 million Euro (including interest) in senior bonds issued by Banca Ifis, as well as the 402,3 million Euro (including interest) Tier 2 bond.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2021	31.12.2020	ABSOLUTE	%
Provisions for credit risk related to commitments and financial guarantees granted	11.938	10.988	950	8,6%
Legal and tax disputes	36.832	21.016	15.816	75,3%
Personnel expenses	4.319	7.148	(2.829)	(39,6)%
Other provisions	13.736	14.792	(1.056)	(7,1)%
Total provisions for risks and charges	**66.825**	**53.944**	**12.881**	**23,9%**

As of 31 December 2021, total provisions for risks and charges amounted to 66,8 million Euro, up 12,9 million Euro on the previous year. The positive change in the balance sheet is primarily due to the contribution deriving from the acquisition of the business unit of the former Aigis Banca for 11,4 million Euro (directly recorded as greater liabilities, of which 1,2 million Euro already included in the book value of the business unit acquired and 10,2 million Euro as a greater liability recorded at the time of the PPA). For more details, refer to Part G "Business combinations" of the Notes.

Below is the breakdown of the provision for risks and charges at the end 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 31 December 2021, the balance of 11,9 million Euro, an increase of 8,6% on the figure at the previous year (11,0 million Euro), reflects the write-down of the financial guarantees and irrevocable commitments to disburse funds given by the Group.

Legal and tax disputes

At 31 December 2021, provisions had been made for 36,8 million Euro for legal and tax disputes. This amount mainly breaks down as follows:

- 11,5 million Euro relating to the contribution of the business unit of the former Aigis Banca, acquired in May 2021 and directly recorded as a greater liability, of which 1,2 million Euro was already included in the book value of the business unit acquired and 10,2 million Euro as a greater liability recorded at the time of the PPA;
- 11,5 million Euro for 27 disputes concerning the Trade Receivables Area (the plaintiffs seek 31,7 million Euro in damages); these disputes are mainly connected with the request for the repetition of amounts collected or payments under guarantee in relation to factoring positions without recourse;
- 8,3 million Euro (the plaintiffs seek 62,6 million Euro in damages) for 10 disputes concerning the Corporate Banking & Lending Area deriving from the former Interbanca;
- 2,3 million Euro (the plaintiffs seek 2,6 million Euro in damages) for 26 disputes concerning the Leasing Area;

- 1,9 million Euro (the plaintiffs seek 5,0 million Euro in damages) for 62 disputes concerning receivables of the subsidiary Ifis Npl Investing;
- 0,7 million Euro for various disputes concerning Credifarma (the plaintiffs seek 1,5 million Euro in damages);
- 433 thousand Euro (the plaintiffs seek 3,9 million Euro) for disputes with customers and agents relating to Cap. Ital. Fin.;
- 138 thousand Euro for various disputes concerning Farbanca;
- 38 thousand Euro (the plaintiffs seek the same amount in damages) for disputes concerning the investee Ifis Rental Services.

Personnel expenses

At 31 December 2021, provisions are entered for staff for 4,3 million Euro (7,1 million Euro at 31 December 2020), of which 4,0 million Euro connected with the Employee Solidarity Fund established in 2020 to implement the cost rationalisation programme envisaged by the Group.

Other provisions for risks and charges

At 31 December 2021, “Other provisions” were in place for 13,7 million Euro, down 7,1% on the 14,8 million Euro recorded at 31 December 2020. The item mainly comprised 7,8 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 0,7 million Euro for the provision for complaints.

Consolidated equity

At 31 December 2021 Group consolidated Equity totalled 1.623,9 million Euro, an increase on the figure of 1.550,0 million Euro at 31 December 2020. The main changes in consolidated shareholders’ equity are summarised in the following tables.

EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2021	31.12.2020	ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	102.972	102.491	481	0,5%
Valuation reserves:	(25.435)	(19.337)	(6.098)	31,5%
- Securities	*(16.233)*	*(10.733)*	*(5.500)*	*51,2%*
- Post-employment benefits	*(673)*	*(429)*	*(244)*	*56,9%*
- Exchange differences	*(8.529)*	*(8.175)*	*(354)*	*4,3%*
Reserves	1.367.019	1.320.871	46.148	3,5%
Treasury shares	(2.847)	(2.948)	101	(3,4)%
Equity attributable to non-controlling interests	27.786	26.270	1.516	5,8%
Net profit attributable to the Parent company	100.582	68.804	31.778	46,2%
Consolidated equity	**1.623.888**	**1.549.962**	**73.926**	**4,8%**

EQUITY: CHANGES	(in thousands of Euro)
Consolidated equity at 31.12.2020	**1.549.962**
Increases:	103.566
Profit for the year attributable to the Parent company	100.582
Stock options	194
Changes in equity interests	71
Equity attributable to non-controlling interests	1.516
Other changes	1.202
Decreases:	29.640
Dividends distributed	25.132
Change in valuation reserve:	4.508
- Securities (net of realisations)	3.910
- Post-employment benefits	244
- Exchange differences	354
Consolidated equity at 31.12.2021	**1.623.888**

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

The item “Other changes” in the above table mainly includes changes in reserves connected with the Bank’s share-based remuneration mechanisms for senior management, other than stock options, explained separately.

Own funds and capital adequacy ratios

The Board of Directors of the Holding Company of the “La Scogliera” Banking Group, which met in an extraordinary meeting on 27 December 2021, having acknowledged the fulfilment of the conditions precedent attached to the resolution of the extraordinary meeting on 18 June 2021, resolved to approve the transfer of the registered office outside the European Union (Switzerland with Lausanne office) and the related change of name to La Scogliera SA with the secondary office remaining in Italy.

On the basis of the changes made at corporate level recorded early 2022, the consolidated capital requirements were calculated without the inclusion of La Scogliera Holding.

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS AT	
	31.12.2021	31.12.2020
Common Equity Tier 1 Capital (CET1)	1.486.880	1.038.715
Tier 1 Capital (TIER1)	1.488.624	1.091.858
Total Own Funds	**1.891.346**	**1.366.421**
Total RWAs	**9.633.003**	**9.203.971**
CET1 ratio	15,44%	11,29%
TIER1 ratio	15,45%	11,86%
Total Capital Ratio	**19,63%**	**14,85%**

The CET1, TIER1 and Total Capital include earnings generated by the Banking Group as of 31 December 2021, net of the estimated dividend.

Comparative figures refer to the scope of prudential consolidation at 31 December 2020. The same figures, restated on a like-for-like basis on a conservative basis at 31 December 2021 would be: CET1 15,47%, TIER1 15,49% and Total Capital 19,87%.

Consolidated own funds, risk-weighted assets and prudential ratios at 31 December 2021 were calculated based on the regulatory changes introduced by Directive no. 2019/878/EU (CRD V) and Regulation (EU) no. 876/2019 (CRR2), which amended the regulatory principles set out in Directive no. 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), as subsequently amended, which were transposed in the Bank of Italy's Circulars no. 285 and no. 286.

For the purposes of calculating capital requirements at 31 December 2021, in continuity with what has been done since 30 June 2020, the Group has applied the temporary support provisions set out in EU Regulation no. 873/2020 (the "quick-fix").

EU Regulation no. 873/2020, relative to the transitional provisions aimed at attenuating the impact of the introduction of IFRS 9 on Own funds - defines for entities the possibility of including in their 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).

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

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

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

Again with reference to the new provisions introduced by EU Regulation 873/2020 with a potential impact on CET1, please note the temporary treatment of unrealised profit and losses due to changes in the fair value of debt instruments issued by the central, regional and local administrations; Banca Ifis has informed the Bank of Italy of its decision to apply the new transitional provisions starting 31 December 2020.

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

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

At 31 December 2021, taking into account the transitional treatment adopted to mitigate the impacts of IFRS 9 on CET 1 and the prudential filter for unrealised gains and losses on financial assets at fair value, Equity amounted to 1.891 million Euro.

The positive effect of the deconsolidation of the parent company La Scogliera resulted in an increase in Equity of 461 million Euro and a minimal impact on RWA of 9 million Euro.

Consolidated equity includes:

- IFRS 9 transitional adjustments, pursuant to Article 473 bis of the CRR, which amount to 31,9 million Euro;
- the positive prudential filter relating to unrealised gains and losses measured at fair value from 31 December 2019, amounts to 2,5 million Euro;
- the exemption to the deduction of intangible assets attributable to software from the elements of CET1 for the portion of prudential amortisation calculated over three years in excess of the book amortisation; at 31 December 2021, the portion not deducted amounted to 8,2 million Euro;
- the negative impact of the application of Calendar Provisioning is 2 million Euro.

The 524,9 million Euro increase in Own Funds compared to 31 December 2020 was largely attributable to the following components:

- the positive effect of the deconsolidation of the parent company, La Scogliera, amounting to 461 million Euro;
- 41,8 million Euro arising from the inclusion of the profit for the year, net of the estimated dividends;
- the increase of profit reserves for 10,5 million Euro;
- the lower 100% deduction from CET1 of “deferred tax assets that rely on future profitability and do not arise from temporary differences” totalling 25,3 million Euro - compared to 63,5 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 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 6 million Euro;
- the deduction of the maximum ceiling of treasury shares that may be purchased to support the LTI plan, amounting to 20,9 million Euro.

The change in own funds due to the above-described phenomena has meant that at 31 December 2021, the Total capital ratio is 19,63%, up from the results achieved at 31 December 2020 of 14,85%; this trend was also reported for the CET1 ratio now 15,44%, compared to the figure at 31 December 2020, of 11,29%.

At 31 December 2021, not considering the filter related to the IFRS 9 transitional regime nor taking into account the prudential filter for exposures to central governments classified in the FVOCI category, Fully Loaded Own Funds amounted to 1.856,9 million Euro and consequently the RWA when fully applied, come to 9.615,5 million Euro.

OWN FUNDS AND CAPITAL ADEQUACY RATIOS WITHOUT IFRS 9 TRANSITIONAL ARRANGEMENTS (in thousands of Euro)	AMOUNTS AT	
	31.12.2021	31.12.2020
Common Equity Tier 1 Capital (CET1)	1.452.393	1.014.822
Tier 1 Capital (TIER1)	1.454.137	1.067.964
Total Own Funds	**1.856.859**	**1.342.527**
Total RWAs	**9.615.465**	**9.189.077**
CET1 ratio	15,10%	11,04%
TIER1 ratio	15,12%	11,62%
Total Capital Ratio	**19,31%**	**14,61%**

Common Equity Tier 1, Tier 1 Capital, and total Own Funds included the profits generated by the Banking Group at 31 December 2021 net of the estimated dividend.

At 31 December, taking into account the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets amounted to 9.633 million Euro, arising from credit and counterparty risk of 8.638 million Euro, operational risk of 878 million Euro, market risk of 82 million Euro and credit valuation adjustment risk of 35 million Euro.

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

RWA: BREAKDOWN (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
RWAs for credit risk	**5.214.971**	***2.500.835***	***1.265.979***	***1.448.157***	**2.339.110**	**1.084.180**	**8.638.260**
RWAs for market risk	X	*X*	*X*	*X*	X	X	81.587
RWAs for operational risk (basic indicator approach)	X	*X*	*X*	*X*	X	X	877.884
RWAs for credit valuation adjustment risk	X	*X*	*X*	*X*	X	X	35.273
Total RWAs	**X**	***X***	***X***	***X***	**X**	**X**	**9.633.003**

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, including a 2,5% capital conservation buffer:

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

At 31 December 2021, the Banca Ifis Group met the above prudential requirements.

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

MREL REQUIREMENT	
BANCA IFIS	FARBANCA
10% of the Total Risk Exposure Amount	8% of the Total Risk Exposure Amount
3% of Leverage Ratio Exposure	3% of Leverage Ratio Exposure

At 31 December 2021, following the monitoring process, both indicators were met above the predefined limit.

2.10.2 Income statements items

Formation of net banking income

NET BANKING INCOME (in thousands of Euro)	YEAR		CHANGE	
	2021	2020	ABSOLUTE	%
Net interest income	487.971	381.692	106.279	27,8%
Net commission income	83.282	74.887	8.395	11,2%
Other components of net banking income	31.266	11.221	20.045	178,6%
Net banking income	**602.519**	**467.800**	**134.719**	**28,8%**

Net banking income totalled 602,5 million Euro, up 28,8% from 467,8 million Euro at 31 December 2020.

The trend is influenced by the economic recovery, recorded during 2021, related to the improvement of the pandemic trend. In particular, the Npl Segment increased by 94,6 million Euro and the Commercial and Corporate Banking Segment by 60,5 million Euro. The latter sees its growth concentrated mainly in the Lending division, also thanks to the contribution of Farbanca for 14,9 million Euro (which joined the Group in December 2020) and that of the branch acquired in May 2021 relating to the former Aigis Banca unit for 4,0 million Euro.

Net interest income increased by 27,8%, from 381,7 million Euro at 31 December 2020 to 488,0 million Euro at 31 December 2021, both as a result of higher underlying volumes compared to the situation in 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 "2.9 Contribution of operating Segments to Group results".

Net commissions amounted to 83,3 million Euro, up compared to the figure at the end of 2020, which stood at 74,9 million Euro (+11,2%): this performance was driven by a greater contribution from commission income, mainly connected for 4,0 million Euro to the activities of lead arranger of the Structured Finance division and the greater contribution of Farbanca (which in 2020 influenced only the month of December) for 2,6 million Euro.

The other components of net interest and other banking income, amounting to 31,2 million Euro as of 31 December 2021 and up by 20,0 million Euro compared to 31 December 2020, are mainly attributable to:

- 11,0 million Euro the net positive result of other financial assets and liabilities measured at fair value through profit or loss (up 20,8 million Euro on the negative 9,7 million Euro in December 2020). This amount breaks down as follows:
  - 5,0 million Euro on UCIT fund units, primarily due to revaluations linked to the improved performance of the underlying assets;

  - 4,5 million Euro in equity securities, including 1,5 million Euro in realised gains on the sale of an individually significant security and the remaining 3,0 million Euro primarily from the revaluation of an equity security;
  - 0,7 million Euro on debt securities, related to revaluations carried out in 2021 mainly on third-party securitisation tranches
  - 0,8 million Euro on loans measured at fair value;
- 7,5 million Euro for dividends generated by shares held in the Group-owned portfolio (3,0 million Euro in 2020);
- 13,9 million Euro in net income from the sale or repurchase of financial assets and liabilities (net income of 21,4 million Euro as of 31 December 2020) linked to both the sale of NPL processing tails and operations on the Group's proprietary portfolio;
- -1,2 million Euro due to the negative net result from trading activities, an improvement on the negative balance of 3,5 million Euro registered in 2020.

Formation of net profit (loss) from financial activities

FORMATION OF NET PROFIT (LOSS) FROM FINANCIAL ACTIVITIES (in thousands of Euro)	YEAR		CHANGE	
	2021	2020	ABSOLUTE	%
Net banking income	**602.519**	**467.800**	**134.719**	**28,8%**
Net credit risk losses/reversals	(77.159)	(91.359)	14.200	(15,5)%
Net profit (loss) from financial activities	**525.360**	**376.441**	**148.919**	**39,6%**

The Group's net profit from financial activities totalled 525,4 million Euro, showing clear improvement on the 376,4 million Euro at 31 December 2020 (+39,6%).

Net credit risk losses totalled 77,2 million Euro at 31 December 2021, an improvement of 14,2 million Euro on the net adjustments of 91,4 million Euro at end 2020. The figure for 2021 includes adjustments of 18,0 million Euro relative to the Npl Segment, following a detailed analysis, carried out also in response to the Covid-19 pandemic, in terms of greater collection times, mainly on higher vintage positions. The item also includes:

- additional provisions of 12,5 million Euro in the Corporate Banking Area against the concentration risk typical of the sector, also to take account of potential further future effects connected with the lack of credit support measures.
- 12,0 million Euro linked to a revision of the assessment of the recoverability of the exposures on the commercial portfolio with higher vintage.

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

FORMATION OF NET PROFIT (in thousands of Euro)	YEAR		CHANGE	
	2021	2020	ABSOLUTE	%
Net profit (loss) from financial activities	**525.360**	**376.441**	**148.919**	**39,6%**
Operating costs	**(375.486)**	**(308.025)**	**(67.461)**	**21,9%**
Value adjustments of goodwill	-	(700)	700	(100,0)%
Gains (Losses) on disposal of investments	-	24.161	(24.161)	(100,0)%
Pre-tax profit (loss) from continuing operations	**149.874**	**91.877**	**57.997**	**63,1%**
Income taxes for the year relating to current operations	(47.571)	(22.735)	(24.836)	109,2%
Profit (loss) for the year attributable to non-controlling interests	1.721	338	1.383	409,2%
Profit (Loss) for the year attributable to the Parent company	**100.582**	**68.804**	**31.778**	**46,2%**

Operating costs totalled 375,5 million Euro, showing an increase on 31 December 2020 (+21,9%). The reclassified cost/income ratio at 31 December 2021 was, by contrast, 62,3%, compared to 65,8% in the prior year.

OPERATING COSTS (in thousands of Euro)	YEAR		CHANGE	
	2021	2020	ABSOLUTE	%
Administrative expenses:	(373.606)	(314.187)	(59.419)	18,9%
a) personnel expenses	*(141.781)*	*(123.369)*	*(18.412)*	*14,9%*
b) other administrative expenses	*(231.825)*	*(190.818)*	*(41.007)*	*21,5%*
Net allocations to provisions for risks and charges	(10.669)	(27.954)	17.285	(61,8)%
Net impairment losses/reversals on property, plant and equipment and intangible assets	(18.733)	(17.817)	(916)	5,1%
Other operating income/expenses	27.522	51.933	(24.411)	(47,0)%
Operating costs	**(375.486)**	**(308.025)**	**(67.461)**	**21,9%**

Personnel expenses rose by 14,9% to 141,8 million Euro (123,4 million Euro for the year ended 31 December 2020). This growth is due to higher allocations for variable remuneration of approximately 7,5 million Euro compared to 2020 - a year that was affected by prudential policies related to the uncertainty of the pandemic - and to the entry into the Banca Ifis Group of Farbanca and the former Aigis Banca business unit for 5,2 million Euro. The number of Group employees at 31 December 2021 was 1.849 as compared with 1.758 staff at 31 December 2020, of whom 45 coming from the acquisition of the former Aigis Banca business unit.

Other administrative expenses amounted to 231,8 million Euro as of 31 December 2021, up 21,5% from the balance of 190,8 million Euro in the previous year. 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 change in the scope of consolidation with the full inclusion of Farbanca and the BU acquired from the former Aigis Banca and the related integration costs as well as one-off costs connected with the transfer of the registered office of the parent company La Scogliera.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	YEAR		CHANGE	
	2021	2020	ABSOLUTE	%
Expenses for professional services	**(121.507)**	**(79.780)**	**(41.727)**	**52,3%**
Legal and consulting services	(87.639)	(58.216)	(29.423)	50,5%
Auditing	(894)	(902)	8	(0,9)%
Outsourced services	(32.974)	(20.662)	(12.312)	59,6%
Direct and indirect taxes	**(39.481)**	**(37.056)**	**(2.425)**	**6,5%**
Expenses for purchasing goods and other services	**(70.837)**	**(73.982)**	**3.145**	**(4,3)%**
Software assistance and hire	(16.198)	(15.978)	(220)	1,4%
Customer information	(14.749)	(17.400)	2.651	(15,2)%
FITD and Resolution fund	(11.115)	(8.040)	(3.075)	38,2%
Advertising and inserts	(7.011)	(9.121)	2.110	(23,1)%
Property expenses	(5.127)	(5.761)	634	(11,0)%
Securitisation costs	(3.844)	(2.151)	(1.693)	78,7%
Postage and archiving of documents	(3.709)	(5.432)	1.724	(31,7)%
Telephone and data transmission expenses	(3.306)	(3.805)	499	(13,1)%
Car fleet management and maintenance	(1.984)	(2.103)	119	(5,6)%
Business trips and transfers	(491)	(1.194)	703	(58,9)%
Other sundry expenses	(3.303)	(2.996)	(307)	10,2%
Total other administrative expenses	**(231.825)**	**(190.818)**	**(41.006)**	**21,5%**

The sub-item “Legal and consulting services” comes to 87,6 million Euro at end 2021, up 50,5% on the 58,2 million Euro of December 2020. The item includes 11,5 million Euro relating to the costs for the transfer of the registered office of the parent company to Switzerland, as well as the effect of the reorganisation activities of the Group structures (8,4 million Euro), the full entry into the Group of Farbanca (+3,9 million Euro) and the resumption of the judicial recovery activities of the receivables belonging to the Npl Segment, which at 31 December 2021 amounted to 33,9 million Euro (compared to 26,8 million Euro at the end of 2020), following the unblocking of the activities connected with the courts.

The sub-item “Outsourced services”, amounting to 33,0 million Euro as at December 2021, recorded an increase of approximately 12,4 million Euro mainly due to the out-of-court recovery activities of the Npl Segment (amounting to 30,1 million Euro, compared to 18,7 million Euro in 2020). The resumption of out-of-court recovery activities in the Npl Segment, drove the sub-item’s performance in 2021 together with new projects on Ifis Npl Investing and integration activities in some perimeters of the Group.

The sub-item “Indirect taxes and duties” mainly comprises the registration tax incurred for the judicial recovery activity of the Npl Segment for 25,2 million Euro at the end of December 2021. The item also includes stamp duty on deposit accounts of 12,7 million Euro, the charge-back of which to customers is included in the item “Other operating income”.

“Expenses for the purchase of goods and services” totalled 70,8 million Euro as of 31 December 2021, down 4,3% from the 2020 balance, and are affected by the opposing effect of several significant items, and in particular:

- Customer information expenses of 14,7 million Euro at the end of 2021 compared to 17,4 million Euro in 2020 (-15,2%) related to the cyclical nature of Npl portfolio purchases;
- Contribution to the Single Resolution Fund, which increased to 11,1 million Euro, compared to 8,0 million Euro in 2020 as a result of the increased volumes of protected deposits in the banking sector;
- Advertising and publicity expenses of 7,0 million Euro, down 23,1% on 2020, which was impacted by the Group's rebranding initiative;
- Securitisation costs go from 2,2 million Euro to 3,8 million Euro. The increase in these costs is due to the new self-securitisation of receivables in the Npl Segment, as well as the restructuring of the Emma securitisation arranged by Farbanca;
- Document postage and archiving expenses, which are down 31,7% compared to 2020 as a result of the cyclical nature of Npl portfolio purchases;
- Travel and transfers, which amounted to 0,5 million Euro at the end of 2021 and recorded a decrease of 58,9%, due to the changed working methods imposed with the start of the health emergency linked to the Covid-19 pandemic.

Net allocations to provisions for risks and charges amounted to 10,7 million Euro, a decrease of 17,3 million Euro compared to the 2020 balance. It should be borne in mind that this income statement item is not impacted by the changes in provisions for risks and charges relating to the acquisition of the former Aigis division, as these have been directly accounted for as greater liabilities recorded at the time of the PPA. Net provisions recognised in FY 2021 primarily relate to:

- provisions made for 2,6 million Euro for commitments to disburse funds and guarantees;
- releases amounting to 0,3 million Euro relating to the Supplementary Customer Indemnity Fund;
- net provisions of 0,7 million Euro for guarantees linked to the sale of receivables under the GACS scheme.
- other net provisions of 8,0 million Euro, of which 7,5 million Euro mainly relating to disputes payable by Banca Ifis and 0,5 million Euro relating to disputes of the subsidiary Ifis Npl Investing.

Other net operating income amount to 27,5 million Euro at end 2021, down 47,0% compared to 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 reduction on 2020 is due both to lower gain on bargain purchase for approximately 13,9 million Euro realised on business combinations (in 2020, this was 16,8 million Euro related to the acquisition of Farbanca, against 2,9 million Euro related to the May 2021 acquisition of the former Aigis Banca business unit), and to the fact that in 2020 the Npl Segment had benefited from 14,1 million Euro received as indemnities on portfolios acquired in previous years.

Pre-tax profit from continuing operations amounted to 149,9 million Euro at end 2021 (+63,1% compared to 31 December 2020).

Income tax at 31 December 2021 amounted to 47,6 million Euro. The 2021 tax rate is 31,74%, up from 24,75% in 2020, substantially due to the lower relative impact of tax benefits as pre-tax income increases.

Excluding 1,7 million Euro in profit attributable to non-controlling interests, the net profit for the year attributable to the Parent company totalled 100,6 million Euro (+46,2% from the prior year).

Below is the table reconciling equity and the net result of the Parent company with the corresponding consolidated data of the Parent company:

RECONCILIATION OF EQUITY AND THE NET RESULT OF THE PARENT COMPANY WITH THE CONSOLIDATED DATA ATTRIBUTABLE TO THE PARENT COMPANY (in thousand Euro)	31.12.2021	
	EQUITY	OF WHICH: PROFIT (LOSS) FOR THE YEAR
Parent company balance	**1.364.562**	**22.570**
Difference compared to the carrying amounts of the companies consolidated:	232.052	115.334
Ifis Finance Sp z o.o.	*11.244*	*1.641*
Ifis Finance I.F.N. S.A.	*(46)*	*182*
Ifis Rental Services S.r.l.	*53.868*	*11.660*
Cap.Ital.Fin. S.p.A.	-	*(2.321)*
Credifarma S.p.A.	*5.781*	*2.219*
Farbanca S.p.A.	*20.231*	*4.462*
Ifis Npl Investing S.p.A.	*135.389*	*120.480*
Ifis Npl Servicing S.p.A.	*5.585*	*(22.494)*
Ifis Real Estate S.p.A.	-	*(495)*
Elimination of intra-group dividends	-	(41.736)
Other consolidation entries	(512)	4.414
Consolidated balances attributable to the Parent company	**1.596.102**	**100.582**

2.11 Main risks and uncertainties

Taking into account the business carried out and the results achieved, the Group's financial position is proportionate to its needs. Indeed, the Group's financial policy is aimed at favouring funding stability and diversification rather than the immediate operating needs. The main risks and uncertainties deriving from the present conditions of financial markets, including following the current situation linked to the COVID-19 pandemic and to the military conflict between Russia and Ukraine, do not represent a particular problem for the Group's financial balance and, in any case, they are not likely to threaten business continuity.

Reference should be made to Part A of the Notes to the Consolidated Financial Statements for further information on the risks, uncertainties and impacts of the COVID-19 epidemic and to the information given in Part E of this same document about Banca Ifis Group's risks, typical of the banking sector, and to section "Outlook" in the Directors' Report on the Group.

2.12 Banca Ifis shares

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 year. As from 18 June 2012, Banca Ifis joined the FTSE Italia Mid Cap index.

Official share price	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Share price at year-end	17,07	9,18	14,00	15,44	40,77

Price/book value

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

Price/book value	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Share price at year-end	17,07	9,18	14,00	15,44	40,77
Consolidated Equity per share	30,37	28,99	28,79	27,30	25,62
Price/book value	**0,56**	**0,32**	**0,49**	**0,57**	**1,59**

Outstanding shares	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Number of shares outstanding at year 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.

Earnings per share and Price/Earnings

Here below is the ratio of the consolidated net profit for the year to the weighted average of the ordinary shares outstanding at year-end, net of treasury shares in portfolio, as well as the ratio of the year-end price to consolidated earnings per share.

Earnings per share (EPS) & Price/Earnings (P/E)	31.12.2021	31.12.2020
Net profit for the year attributable to the Parent company (in thousands of Euro)	100.582	68.804
Earnings per share (EPS)	**1,88**	**1,29**
Price/Earnings (P/E) Ratio	**9,07**	**7,13**

Earnings per share and diluted earnings per share	31.12.2021	31.12.2020
Net profit for the year attributable to the Parent company (in thousands of Euro)	100.582	68.804
Average number of outstanding shares (1)	53.468.051	53.457.850
Average number of diluted shares	-	-
Earnings per share (EPS)	**1,88**	**1,29**
Diluted earnings per share (EPS)	**1,88**	**1,29**

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

Payout ratio

For 2021, the Banca Ifis Board of Directors proposed to the Shareholders' Meeting to distribute a dividend of 0,95 Euro per share.

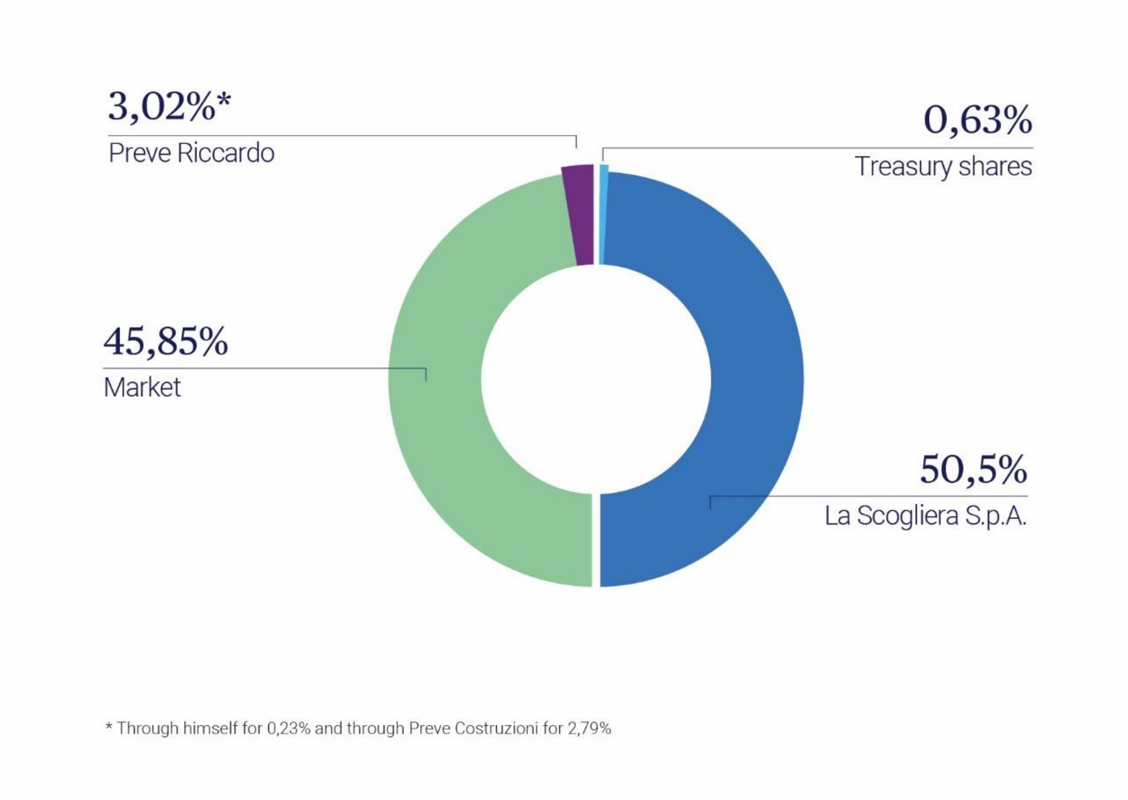
Payout ratio (in thousands of Euro)	2021	2020	2019	2018	2017
Net profit attributable to the Parent company	100.582	68.804	123.097	146.763	180.767
Parent company dividends (1)	50.798	25.132	58.797	56.125	53.433
Payout ratio (1)	**50,5%**	**36,5%**	**47,8%**	**38,2%**	**29,6%**

(1) The 2021 data refers to the dividend proposed by the Board of Directors of Banca Ifis S.p.A.

Shareholders

The share capital of the Parent company at 31 December 2021 amounted to 53.811.095 Euro and is broken down into 53.811.095 shares for a nominal amount of 1 Euro each.

Below are Banca Ifis's shareholders that, either directly or indirectly, own equity instruments with voting rights representing over 3% of Banca Ifis's share capital:



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.

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 Closely Related People in shares or other debt instruments issued by Banca Ifis as well as financial instruments linked to them. This is to ensure the utmost transparency in the Bank's disclosures to the market.

Specifically, 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.

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.

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

2.13 Significant events during the year

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.

Below is a summary of the most significant events that occurred during the year.

2.13.1 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.

2.13.2 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.

2.13.3 Agreement for the termination of contracts with Luciano Colombini

On 11 February 2021, 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.

2.13.4 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) 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.

2.13.5 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: payment date 26 May 2021, record date 25 May 2021 and ex-dividend date (no. 23) 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.

2.13.6 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 the former 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 the former 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.

2.13.7 The Extraordinary Shareholders' Meeting approves the amendments to the Articles of Association designating two Co-General Managers

The Extraordinary Shareholders' Meeting of Banca Ifis held on 28 July, 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 introduces the figures of two Co-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 authorisation process, Fabio Lanza and Raffaele Zingone were appointed as Co-General Managers. As a result of the reorganisation, Alberto Staccione, who no longer holds the position of General Manager, will work within the company as Chief Lending

Officer. In line with the remuneration policy adopted by the Banca Ifis Group, termination of the office of General Manager does not entail the payment of indemnities or other benefits.

2.13.8 Distribution of the 2019 dividend of Euro 1,10 per share

On 14 October 2021, Banca Ifis started implementing the shareholders' resolution of 23 April 2020 on the distribution of a gross unit dividend for FY 2019 of 1,10 Euro per share. The amount was payable starting 20 October 2021 with record date on 19 October 2021 and ex-dividend date (no. 24) of 18 October 2021. Payment was made through the authorised financial intermediaries with which the shares are registered on the Monte Titoli System.

2.13.9 Record acquisition closed: 2,8 billion Euro of NPLs acquired from Cerberus

On 2 November, Banca Ifis completed the largest NPL acquisition ever in the Bank's history, reaching the estimated Npl portfolio purchase target for 2021 of around 3 billion Euro ahead of schedule. The Bank has signed an agreement with a company of the Cerberus Capital Management L.P. Group ("Cerberus") for the acquisition of a portfolio of bad loans worth a nominal amount of 2,8 billion Euro. The stock comprises 300.000 unsecured loans originated by Italian banks and financial institutions. The receivables, due from retail customers, mainly derive from consumer loan contracts (personal loans, special-purpose loans and car loans). In terms of portfolio size, the transaction represents the most significant direct sale of NPLs in 2021 in Italy, both in the primary and secondary markets.

2.13.10 The Shareholders' Meeting has unanimously approved the proposal to alter the ratio of variable to fixed components of the Chief Executive Officer's Remuneration

On 21 December 2021, the Ordinary Shareholders' Meeting of Banca Ifis, which met in a single call, chaired by Ernesto Fürstenberg Fassio, unanimously approved the proposal to change to 1,5:1 the ratio between the variable and fixed components of the CEO's remuneration. The approved increase, which has no impact on the Bank's capital strength and compliance with related capital requirements, will apply from FY 2022 and will be implemented as part of the Bank's remuneration policy to be submitted to the Shareholders' Meeting for approval of the financial statements as at and for the year ending 31 December 2021.

2.13.11 Favourable opinion for the transfer of the registered office of La Scogliera S.p.A. to the Canton of Vaud (Lausanne - CH)

On 27 December 2021, Banca Ifis acknowledged the declarations made by the controlling shareholder La Scogliera S.p.A., holding 50,5% of the share capital, regarding the effectiveness on that date, following the waiver of certain suspensory conditions, of the resolution to transfer the registered office of La Scogliera to the Canton of Vaud (Lausanne - CH), approved by the Shareholders' Meeting of the controlling shareholder last June. The transfer is expected to be completed by the end of January 2022. Banca Ifis keeps its presence in Italy unchanged.

2.14 Significant subsequent events

2.14.1 Banca Ifis approves the Liquidity Funding Plan 2022

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

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

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

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

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

2.14.4 Merger by incorporation of Credifarma into Farbanca authorised

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

2.15 Outlook

The recovery of the world economy is expected to continue in 2022, albeit with less dynamism and higher inflation than in 2021. The global scenario is still characterised by risk factors such as the persistence of obstacles to the smooth functioning of global value chains, the effects of the normalisation of economic policies, the energy crisis and geopolitical tensions, especially with reference to the recent military tension in the Ukraine.

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

As far as the Group is concerned, the analyses conducted to date have revealed a limited number of counterparties present in the countries affected by the current conflict, corresponding to modest direct credit exposures. Similarly, the Group maintains relations with a small number of companies that have subsidiaries resident in the countries concerned. Moreover, these analyses, which are still in progress, have not yet revealed any active counterparties or exposures to companies directly affected by the sanctions introduced at international level.

Analysis of the portfolio by size, risk and sector is underway in order to identify those economic sectors which, on the basis of experience, geography of trade flows and/or company structure, are more sensitive, directly or indirectly, to the current crisis and related trade sanctions, including on the basis of developments in the situation. The outcome of these analyses will allow for the prioritisation of targeted analyses for subsequent credit and regulatory review.

Any decisions taken at an EU and international level will also be carefully monitored and any possible repercussions on the Group’s operations assessed, although it is currently not possible to make any forecasts. Finally, the operations of subsidiaries in areas adjacent to the conflict area will continue to be carefully monitored in relation to the evolution of the political context.

In this context, in any case, in Italy the economic recovery is expected to continue in 2022, albeit at a slower pace. Prometeia estimates Italian GDP growth at 4,0% after 6,3% in 2021, thanks to the recovery of household spending with the end of lockdowns and the resilience of investments in capital goods and construction, supported by tax incentives.

However, rising energy prices and supply bottlenecks, with reduced availability of many semi-finished products, have increased production costs. ISTAT estimates indicate inflation of 4,8% in January 2022, three quarters of which is determined by electricity and gas, whose prices have almost doubled (+93% compared with January 2021).

In this context, central banks have announced tighter monetary policies with interest rate increases expected as early as 2022. However, monetary policy is not particularly effective against supply-reducing shocks. Therefore, it cannot be ruled out that inflation will be more persistent and that central banks will have to intervene more aggressively, with restrictive effects on the economy. However, the possible economic slowdown due to the crisis in Ukraine could lead central banks to implement less restrictive monetary policies.

In January 2022, as a result of rising inflation and manufacturing bottlenecks, the business confidence index slowed sharply with a marked decline in confidence in the services and manufacturing segments. At an aggregate level, all components showed deterioration, particularly expectations for economic growth. The number of firms reporting barriers to production also increased between October and December 2021.

It should be pointed out that tax policies remain expansionary even though most of the exceptional interventions will be eliminated. The Italian government has given priority to supporting growth, postponing the consolidation of accounts until after 2024. In addition, Italy is among the major beneficiaries of the PNRR (the “Italian National Recovery and Resilience Plan”), the special European fund aimed at encouraging economic recovery, which represents an opportunity to boost productivity and growth in Italy in a greener and more inclusive direction.

In this context, Banca Ifis is committed to the implementation of the 2022-2024 Business Plan presented in February 2022 and focused on four pillars, summarised in the acronym D.O.E.S, which leverage on Digitisation, Openness (i.e. the Bank-as-a-platform model), Efficiency and Sustainability. Banca Ifis will continue to focus on business segments with the highest opportunity for growth and profitability to strengthen market leadership: Commercial and corporate banking for SMEs and Npls.

2.16 Other information

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

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

2.16.2 Report on Corporate Governance and Shareholding Structure

Pursuant to Article 123 bis, paragraph three, of Italian Legislative Decree no. 58 of 24 February 1998, a separate report has been prepared from this Group Report on Operations, which was approved by the Board of Directors and published together with the draft consolidated financial statements. This document is also made available on Banca Ifis's website, www.bancaifis.com, in the "Corporate Governance" Section.

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

Together with this Report, the "2021 Report on Remuneration" prepared pursuant to Article 123-ter of the Consolidated Law on Finance, was also made available.

2.16.3 Non-Financial Statement

Pursuant to Article 5, paragraph three of Italian Legislative Decree no. 254 of 30 December 2016, the consolidated Non-Financial Statement (NFS) represents a report separate from this document, which is approved by the Board of Directors and published together with the draft consolidated financial statements at 31 December 2021. This document is also made available on the website, www.bancaifis.com, in the "About us - Sustainability" Section.

The disclosures on policies concerning the diversity of administration, management and control bodies in terms of age, gender, and education and professional background, as well as the description of the goals, implementation and results of said policies, as per Article 123-bis, paragraph two, letter d-bis) of the Consolidated Law on Finance are included in the "Report on Corporate Governance and Shareholding Structure".

2.16.4 Privacy Measures

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

2.16.5 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.

2.16.6 National consolidated tax regime

For the tax period closed at 31 December 2021, the companies Banca Ifis S.p.A., Ifis Npl Investing S.p.A., Ifis Rental Services S.r.l., Cap.Ital.Fin. S.p.A., Ifis Npl Servicing S.p.a. and Ifis Real Estate S.p.A., together with the parent company, La Scogliera S.p.a., opted for the application of tax consolidation in accordance with Arts. 117 et seq. of Italian Presidential Decree no. 917/86.

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

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

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

Under this tax regime, the taxable profits and tax losses reported by each entity for the fiscal year 2021 were transferred to the consolidating company La Scogliera.

The credit due to the tax consolidating company, La Scogliera, entered under "Other assets" on these Financial Statements, at 31 December 2021 came to 22,9 million Euro, of which 20,6 million Euro accrued at the Parent company Banca Ifis, while the debt, accrued mainly by Ifis Npl Investing and entered amongst "Other liabilities", comes to 26,1 million Euro. The net payable in regard to the consolidating company La Scogliera is therefore 3,2 million Euro.

2.16 7 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 the year, Banca Ifis, as variable pay for the 2016 and 2017 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 year was 339.139 treasury shares with a market value of 2,8 million Euro and a nominal amount of 339.139 Euro.

2.16.8 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 approved 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 2021, no significant transactions with related parties were undertaken outside the scope of the consolidated financial statements.

For information on individual related-party transactions, please refer to Part H of the Notes to the Consolidated Financial Statements.

2.16.9 Atypical or unusual transactions

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

2.16.10 Research and development activities

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

Venice - Mestre, 10 March 2022

For the Board of Directors

The CEO

Frederik Herman Geertman

3.

Consolidated Financial Statements

3.1 Consolidated Statement of Financial Position

	ASSETS (in thousands of Euro)	31.12.2021	31.12.2020
10.	Cash and cash equivalents	355.381	291.602
20.	Financial assets measured at fair value through profit or loss	153.138	157.848
	a) financial assets held for trading	8.478	20.870
	c) other financial assets mandatorily measured at fair value	144.660	136.978
30.	Financial assets measured at fair value through other comprehensive income	614.013	774.555
40.	Financial assets measured at amortised cost	10.856.795	9.927.163
	a) receivables due from banks	524.991	791.761
	b) receivables due from customers	10.331.804	9.135.402
90.	Property, plant and equipment	120.256	115.149
100.	Intangible assets	61.607	60.970
	of which:		
	- goodwill	*38.794*	*38.798*
110.	Tax assets:	329.674	381.431
	a) current	45.548	74.255
	b) deferred	284.126	307.176
130.	Other assets	487.027	317.478
	Total assets	**12.977.891**	**12.026.196**

	LIABILITIES AND EQUITY (in thousands of Euro)	31.12.2021	31.12.2020
10.	Financial liabilities measured at amortised cost	10.786.588	9.908.039
	a) payables due to banks	2.597.965	2.367.082
	b) payables due to customers	5.683.745	5.471.874
	c) debt securities issued	2.504.878	2.069.083
20.	Financial liabilities held for trading	5.992	18.551
60.	Tax liabilities:	49.154	48.154
	a) current	16.699	12.018
	b) deferred	32.455	36.136
80.	Other liabilities	436.107	438.311
90.	Post-employment benefits	9.337	9.235
100.	Provisions for risks and charges:	66.825	53.944
	a) commitments and guarantees granted	11.938	10.988
	c) other provisions for risks and charges	54.887	42.956
120.	Valuation reserves	(25.435)	(19.337)
150.	Reserves	1.367.019	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 (+/-)	27.786	26.270
200.	Profit (loss) for the year (+/-)	100.582	68.804
	Total liabilities and equity	**12.977.891**	**12.026.196**

3.2 Consolidated Income Statement

ITEMS (in thousands of Euro)		31.12.2021	31.12.2020
10.	Interest receivable and similar income	479.620	446.935
	of which: interest income calculated using the effective interest method	*463.546*	*444.816*
20.	Interest due and similar expenses	(114.146)	(107.707)
30.	**Net interest income**	**365.474**	**339.228**
40.	Commission income	98.555	84.234
50.	Commission expense	(15.273)	(9.347)
60.	**Net commission income**	**83.282**	**74.887**
70.	Dividends and similar income	7.498	3.025
80.	Net profit (loss) from trading	(1.221)	(3.490)
100.	Profit (loss) from sale or buyback of:	13.942	21.414
	a) financial assets measured at amortised cost	9.096	7.301
	b) financial assets at fair value through other comprehensive income	4.938	6.663
	c) financial liabilities	(92)	7.450
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	11.047	(9.728)
	b) other financial assets mandatorily measured at fair value	11.047	(9.728)
120.	**Net banking income**	**480.022**	**425.336**
130.	Net credit risk losses/reversals on:	45.338	(48.895)
	a) financial assets measured at amortised cost	45.370	(49.503)
	b) financial assets at fair value through other comprehensive income	(32)	608
150.	**Net profit (loss) from financial activities**	**525.360**	**376.441**
190.	Administrative expenses:	(373.606)	(314.187)
	a) personnel expenses	(141.781)	(123.369)
	b) other administrative expenses	(231.825)	(190.818)
200.	Net allocations to provisions for risks and charges	(10.669)	(27.954)
	a) commitments and guarantees granted	(2.633)	(8.759)
	b) other net allocations	(8.036)	(19.195)
210.	Net impairment losses/reversals on property, plant and equipment	(10.288)	(9.026)
220.	Net impairment losses/reversals on intangible assets	(8.445)	(8.791)
230.	Other operating income/expenses	27.522	51.933
240.	**Operating costs**	**(375.486)**	**(308.025)**
270.	Value adjustments of goodwill	-	(700)
280.	Gains (Losses) on disposal of investments	-	24.161
290.	**Pre-tax profit (loss) from continuing operations**	**149.874**	**91.877**
300.	Income taxes for the year relating to current operations	(47.571)	(22.735)
330.	**Profit (loss) for the year**	**102.303**	**69.142**
340.	Profit (loss) for the year attributable to non-controlling interests	1.721	338
350.	**Profit (loss) for the year attributable to the Parent company**	**100.582**	**68.804**

3.3 Consolidated Statement of Comprehensive Income

ITEMS (in thousands of Euro)		31.12.2021	31.12.2020
10.	**Profit (Loss) for the year**	**102.303**	**69.142**
	Other comprehensive income not to be reclassified to profit or loss	**1.370**	**(19.637)**
20.	Equity securities measured at fair value through other comprehensive income	1.614	(19.332)
30.	Financial liabilities measured at fair value through profit or loss (changes in own credit risk)	-	-
40.	Hedging of equity securities measured at fair value through other comprehensive income	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(244)	(305)
80.	Non-current assets and disposal groups	-	-
90.	Share of valuation reserves of equity accounted investments	-	-
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	**(5.878)**	**(318)**
100.	Foreign investment hedges	-	-
110.	Exchange differences	(354)	(2.525)
120.	Cash flow hedges	-	-
130.	Hedging instruments (non-designated items)	-	-
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(5.524)	2.207
150.	Non-current assets and disposal groups	-	-
160.	Share of valuation reserves of equity accounted investments	-	-
170.	**Total other comprehensive income, net of taxes**	**(4.508)**	**(19.955)**
180.	**Total comprehensive income (Item 10 + 170)**	**97.795**	**49.187**
190.	Total consolidated comprehensive income attributable to non-controlling interests	1.719	336
200.	**Total consolidated comprehensive income attributable to the Parent company**	**96.076**	**48.851**

3.4 Statement of Changes in Consolidated Equity at 31 December 2021

(in thousands of Euro)	Balance at 31.12.2020	Change in opening balances	Balance at 01.01.2021	Allocation of profit from previous year		Changes during the year									Consolidated equity at 31.12.2021	Equity attributable to the Group at 31.12.2021	Equity attributable to non-controlling interests at 31.12.2021
							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 year			
Share capital:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) ordinary shares	68.562	X	68.562	-	X	X	-	-	X	X	X	X	(102)	X	**68.460**	**53.811**	**14.649**
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	-	X	**-**	**-**	**-**
Share premiums	106.354	X	106.354	-	X	481	-	X	X	X	X	X	(38)	X	**106.797**	**102.972**	**3.825**
Reserves:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) retained earnings	1.322.742	-	1.322.742	44.010	X	2.013	-	-	-	X	X	X	8	X	**1.368.773**	**1.361.235**	**7.538**
b) other	5.392	-	5.392	-	X	198	-	X	-	X	-	194	-	X	**5.784**	**5.784**	**-**
Valuation reserves	(19.282)	-	(19.282)	X	X	(1.592)	X	X	X	X	X	X	-	(4.508)	**(25.382)**	**(25.435)**	**53**
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 year	69.142	-	69.142	(44.010)	(25.132)	X	X	X	X	X	X	X	X	102.303	**102.303**	**100.582**	**1.721**
Consolidated Equity	**1.549.962**	**-**	**1.549.962**	**-**	**(25.132)**	**1.100**	**-**	**101**	**-**	**-**	**-**	**194**	**(132)**	**97.795**	**1.623.888**	**X**	**X**
Equity attributable to the Group	**1.523.692**	**-**	**1.523.692**	**-**	**(25.132)**	**1.100**	**-**	**101**	**-**	**-**	**-**	**194**	**71**	**96.076**	**1.596.102**	**1.596.102**	**X**
Equity attributable to non-controlling interests	**26.270**	**-**	**26.270**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(203)**	**1.719**	**27.786**	**X**	**27.786**

3.5 Statement of Changes in Consolidated Equity at 31 December 2020

(in thousands of Euro)	Balance at 31.12.2019	Change in opening balances	Balance at 01.01.2020	Allocation of profit from previous year		Changes during the year									Consolidated equity at 31.12.2020	Equity attributable to the Group at 31.12.2020	Equity attributable to non-controlling interests at 31.12.2020
							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 shares	Stock Options	Changes in equity interests	Comprehensive income for the year			
Share capital:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) ordinary shares	58.241	X	58.241	-	X	X	-	-	X	X	X	X	10.321	X	**68.562**	**53.811**	**14.751**
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	3.863	X	**106.354**	**102.491**	**3.863**
Reserves:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) retained earnings	1.255.827	-	1.255.827	95.842	X	(35.118)	-	-	-	X	X	X	6.191	X	**1.322.742**	**1.315.479**	**7.263**
b) other	5.392	-	5.392	-	X	-	-	X	-	X	-	-	-	X	**5.392**	**5.392**	**-**
Valuation reserves	(2.968)	-	(2.968)	X	X	3.653	X	X	X	X	X	X	(12)	(19.955)	**(19.282)**	**(19.337)**	**55**
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 year	123.188	-	123.188	(95.842)	(27.346)	X	X	X	X	X	X	X	X	69.142	**69.142**	**68.804**	**338**
Consolidated Equity	**1.538.953**	**-**	**1.538.953**	**-**	**(27.346)**	**(31.259)**	**-**	**64**	**-**	**-**	**-**	**-**	**20.363**	**49.187**	**1.549.962**	**X**	**X**
Equity attributable to the Group	**1.533.382**	**-**	**1.533.382**	**-**	**(27.346)**	**(31.259)**	**-**	**64**	**-**	**-**	**-**	**-**	**-**	**48.851**	**1.523.692**	**1.523.692**	**X**
Equity attributable to non-controlling interests	**5.571**	**-**	**5.571**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20.363**	**336**	**26.270**	**X**	**26.270**

3.6 Consolidated Statement of Cash Flows

CONSOLIDATED CASH FLOW STATEMENT Indirect method (in thousands of Euro)	Amount	
	31.12.2021	31.12.2020
A. OPERATING ACTIVITIES		
1. Operations	**231.100**	**180.282**
- profit (loss) for the year (+/-)	102.303	69.142
- profit/loss on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	(9.826)	13.218
- net credit risk losses/reversals (+/-)	(45.338)	48.895
- net impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	18.733	18.517
- net allocations to provisions for risks and charges and other expenses/income (+/-)	21.338	27.954
- unpaid taxes, duties and tax credits (+/-)	47.571	22.735
- other adjustments (+/-)	96.319	(20.179)
2. Cash flows generated/absorbed by financial assets	**(426.220)**	**(749.804)**
- financial assets held for trading	11.171	(47)
- other assets mandatorily measured at fair value	5.871	(33.900)
- financial assets measured at fair value through other comprehensive income	310.100	383.561
- financial assets measured at amortised cost	(597.068)	(1.129.927)
- other assets	(156.294)	30.509
3. Cash flows generated/absorbed by financial liabilities	**268.542**	**774.826**
- financial liabilities measured at amortised cost	312.260	856.839
- financial liabilities held for trading	(12.559)	(3.293)
- other liabilities	(31.159)	(78.720)
Net cash flows generated/absorbed by operating activities (+/-)	**73.422**	**205.304**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**-**	**50.506**
- sale of equity investments	-	6
- sales of property, plant and equipment	-	50.500
2. Cash flows absorbed by	**73.536**	**(40.190)**
- purchases of property, plant and equipment	(11.551)	(37.472)
- purchases of intangible assets	(9.082)	(9.542)
- purchases of subsidiaries and business units	94.169	6.824
Net cash flows generated/absorbed by investing activities (+/-)	**73.536**	**10.316**
C. FINANCING ACTIVITIES		
- distribution of dividends and other (*)	(83.047)	-
- sale/purchase of minority control	(132)	(5)
Net cash flows generated/absorbed by financing activities (+/-)	**(83.179)**	**(5)**
NET CASH GENERATED/USED DURING THE YEAR	**63.779**	**215.615**
RECONCILIATION		
OPENING CASH AND CASH EQUIVALENTS	**291.602**	**75.987**
TOTAL NET CASH GENERATED/USED DURING THE YEAR	**63.779**	**215.615**
CLOSING CASH AND CASH EQUIVALENTS	**355.381**	**291.602**

(*) The 2021 balance represents the cash outflow for dividend payments in the year, and includes both the payment of dividends on 2020 earnings and the payment of dividends on 2019 earnings, the distribution of which had been suspended in the previous year following Bank of Italy recommendations.

4.

Notes to the Consolidated Financial Statements

4.1 Part A - Accounting policies

A.1 - General part

Section 1 – Statement of compliance with international accounting standards

The Consolidated Financial Statements at 31 December 2021 have been drawn up in accordance with the IAS/IFRS standards 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.

Concerning the interpretation and implementation of international accounting standards, the Banca Ifis Group referred to the "Framework for the Preparation and Presentation and Financial Statements", even though it has not been endorsed by the European Commission, as well as the Implementation Guidance, Basis for Conclusions, and any other documents prepared by the IASB or the IFRIC complementing the accounting standards issued.

The accounting standards adopted in preparing these financial statements are those in force at 31 December 2021 (including SIC and IFRIC interpretations).

The Bank also considered the communications from Supervisory Authorities (Bank of Italy, Consob, and ESMA), which provide recommendations on the disclosures to include in the financial statements concerning the most material aspects or the accounting treatment of specific transactions.

These Consolidated Financial Statements are subject to certification by the delegated corporate bodies and the Corporate Accounting Reporting Officer, as per Article 154 bis paragraph 5 of Italian Legislative Decree no. 58 of 24 February 1998.

The Consolidated Financial Statements are audited by EY S.p.A..

Section 2 – Basis of preparation

The Consolidated 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 to the Consolidated Financial Statements;

in addition, they contain the Directors' Report.

The Consolidated Financial Statements have been drawn up according to the general principles of IAS 1, referring also to IASB's "Framework for the preparation and presentation of financial statements", with particular attention to the fundamental principles of substance over legal form, the concepts of relevance and materiality of information, and the accruals and going concern accounting concepts.

For the preparation of these Consolidated Financial Statements, reference was made to the format set out by Bank of Italy's Circular no. 262 of 22 December 2005, 7th update of 29 October 2021, as supplemented by the Bank of Italy in its "Communication of 21 December 2021 - Update of the supplements to the provisions of Circular no. 262 "The banking balance: schemes and rules for completion" concerning the impacts of COVID-19 and the measures implemented to support the economy". Solely for the purposes of a uniform comparison, the figures for the previous year have been restated on a conventional basis on the basis of the new provisions set out in the 7th update of Circular no. 262/2005.

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 Notes to the Financial Statements do not show the items and tables required by Bank of Italy Circular no. 262/2005 as well as by the supplement “Communication of 21 December 2021 - Update of the supplements to the provisions of Circular no. 262 The banking balance: schemes and rules for completion concerning the impacts of COVID-19 and the measures implemented to support the economy” relating to items that are not applicable for the Banca Ifis Group.

The recognition, measurement and derecognition criteria for assets and liabilities, and the procedures for recognising revenues and costs, adopted in the Consolidated Financial Statements at 31 December 2021 have remained substantially unchanged from those adopted for the preparation of the 2020 financial statements of the Banca Ifis Group.

Information on the business as a going concern

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

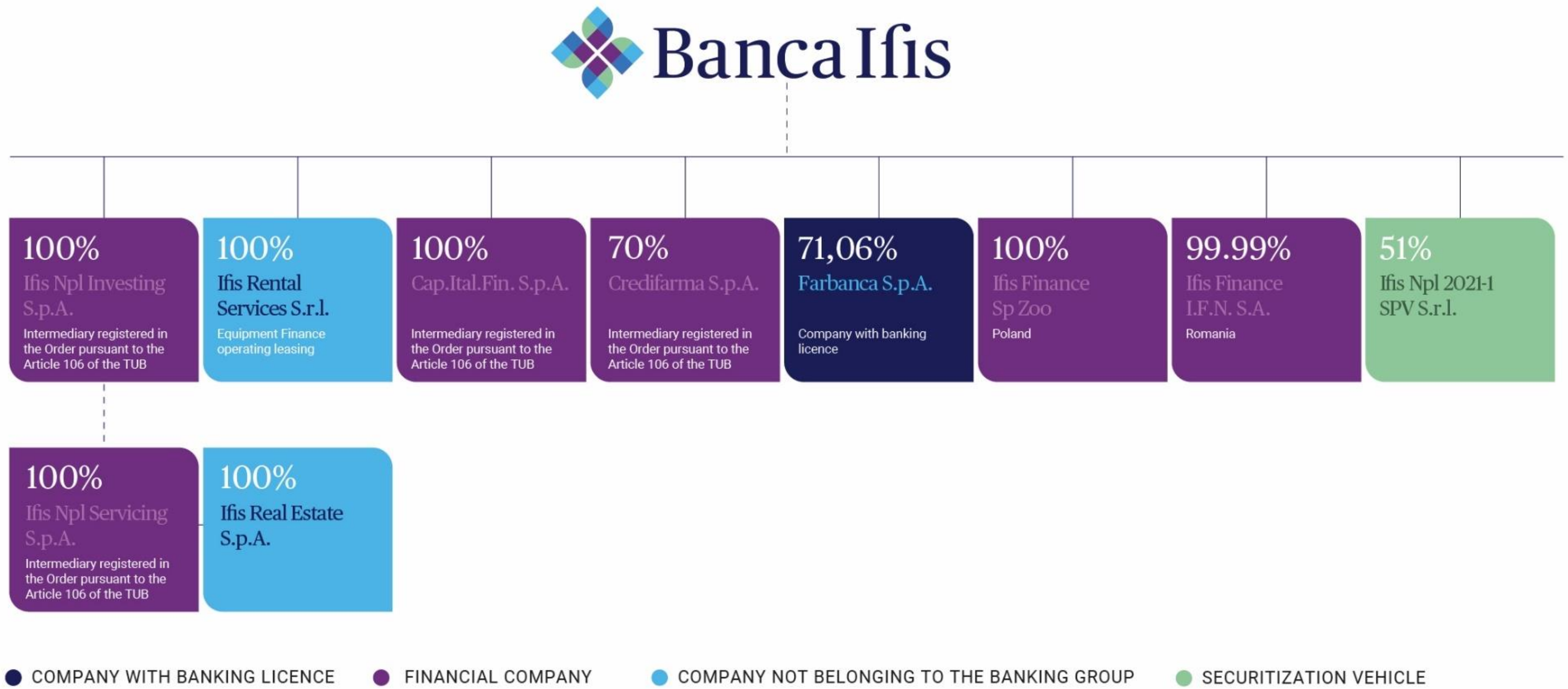
Unlike in the past, present conditions on financial markets and in the real economy, together with the negative short-term forecasts, require particularly accurate assessments of the going concern assumption, as records of the Group’s profitability and easy access to financial resources may no longer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

In this regard, having examined the risks and uncertainties connected to the present macro-economic context, also in consideration of the current pandemic situation, 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 financial statements at 31 December 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.

Section 3 - Consolidation scope and method

The Consolidated Financial Statements of the Banca Ifis Group have been drawn up on the basis of the accounts at 31 December 2021 prepared by the directors of the companies included in the consolidation scope.


Banca Ifis
100%
Ifis Npl Investing S.p.A.
Intermediary registered in the Order pursuant to the Article 106 of the TUB
100%
Ifis Rental Services S.r.l.
Equipment Finance operating leasing
100%
Cap.Ital.Fin. S.p.A.
Intermediary registered in the Order pursuant to the Article 106 of the TUB
70%
Credifarma S.p.A.
Intermediary registered in the Order pursuant to the Article 106 of the TUB
71,06%
Farbanca S.p.A.
Company with banking licence
100%
Ifis Finance Sp Zoo
Poland
99.99%
Ifis Finance I.F.N. S.A.
Romania
51%
Ifis Npl 2021-1 SPV S.r.l.
100%
Ifis Npl Servicing S.p.A.
Intermediary registered in the Order pursuant to the Article 106 of the TUB
100%
Ifis Real Estate S.p.A.
COMPANY WITH BANKING LICENCE
FINANCIAL COMPANY
COMPANY NOT BELONGING TO THE BANKING GROUP
SECURITIZATION VEHICLE

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 "2.13 Significant events that occurred in the year" 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 consolidated financial statements at 31 December 2021.

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

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

With reference to the inclusion in the consolidation area of companies deriving from business combinations, such operations 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 and classified as administrative expenses.

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired 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, 774 thousand Euro at year end exchange rates for the subsidiary Ifis Finance Sp. z.o.o. As of 31 December 2021, these goodwill was subjected to the annual impairment test, from which no need for impairment emerged. For more details, we would refer you to the more detailed information given in Part B - Consolidated Statement of Financial Position, Assets, Section 10 - Intangible assets - Item 100, Paragraph 10.3 Other information.

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, 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 2,9 million Euro, has been entered in these Consolidated financial statements under "Other operating income". For further details on this transaction, see Part G "Business combinations".

1. Equity investments in exclusively controlled companies

COMPANY NAME	HEAD OFFICE	REGISTERED OFFICE	TYPE (1)	INVESTMENT		VOTING RIGHTS % (2)
				PARTICIPATING COMPANY	SHARE %	
Ifis Finance Sp. z o.o.	Warsaw	Warsaw	1	Banca Ifis S.p.A.	100%	100%
Ifis Rental Services S.r.l.	Milan	Milan	1	Banca Ifis S.p.A.	100%	100%
Ifis Npl Investing S.p.A. (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.	71,06%	71,06%
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

2. Significant judgements and assumptions in determining the scope of consolidation

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

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

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

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

Profit or loss for the year and each component of other comprehensive income are attributed to the equity holders of the parent company of the Group and to the non-controlling interests, even if this results in the minority interests having a deficit 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 31 December 2021, are not companies legally belonging to the Banca Ifis Group.

3. Equity investments in exclusively controlled companies with significant minority interests

3.1 Non-controlling interests, voting rights held by non-controlling interests, and dividends distributed to non-controlling interests

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.	28,94%	28,94%	-

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

3.2 Equity investments with significant non-controlling 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 year (1)	Other comprehensive income, net of taxes (2)	Comprehensive income (3) = (1) + (2)
Credifarma S.p.A.	109.932	317	103.034	1.451	85.110	20.830	4.461	6.782	(5.055)	2.197	1.509	-	1.509	(6)	1.503
Farbanca S.p.A.	761.490	46.860	703.450	659	651.152	74.421	15.000	17.811	(8.955)	6.243	4.381	-	4.381	(1)	4.380

4 Significant restrictions

There were no significant restrictions as per paragraph 13 of IFRS 12, i.e. statutory, contractual and regulatory restrictions on its ability to access or use the assets and settle the liabilities of the Group, nor protective rights of non-controlling interests that can significantly restrict the Group's ability to access or use the assets and settle the liabilities of the Group.

5 Other information

The reporting date of the accounts prepared by the directors of the companies included in the consolidation scope was 31 December 2021.

Section 4 - Subsequent events

No significant events occurred between year-end and the preparation of these consolidated financial statements other than those already included herein.

For information on such events, please refer to the Directors' Report.

Section 5 – Other aspects

Risks, uncertainties and impacts of the COVID-19 epidemic

The upsurge of the COVID-19 pandemic in December 2021 in Italy and in the rest of Europe and the consequent legislative provisions adopted and being adopted by the various national governments, have given rise to significant uncertainty as to the economic impacts it may have on the various Group companies.

The results for 2021 include the impacts of COVID-19 as reasonably foreseeable at 31 December 2021. The adverse effects of COVID-19 may, however, persist beyond 2021, extending into the following months, although the timing and amount of such effects currently cannot be foreseen.

Already in 2020, in order to incorporate the impacts of the health emergency caused by the COVID-19 pandemic into the accounting valuation models used for non-performing loans, analyses were performed and new prudent logics implemented, as well as the institutional measures introduced to temporarily support the national economy.

As regards credit risk management, the Italian Government has introduced measures aimed at providing financial support to businesses and households, through moratoriums and strengthening the public credit guarantee system, in order to alleviate the liquidity tensions caused by the emergency and encourage new credit. These measures also mitigate any impact on the credit quality of banks. The Group has therefore taken steps to revise the estimate of expected losses and the valuation of the Group's portfolios, both in terms of collective reserves and specific reserves.

Reference should be made to the details given in Part E - Information on risks and related hedging policies.

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 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.

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.

Reference should be made to the details given in Part E - Information on risks and related hedging policies.

In addition, 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.

As described in greater detail in section 1.2 “Market risks” of Part E of this document, with reference to financial assets measured at fair value on a recurring basis, the effects of the pandemic have been characterised by limited impacts in line with the margins and dimension of the Group’s portfolio.

As far as the Group’s operating costs are concerned, just as the slowdown in court activity has limited credit recovery activity and therefore a reduction in the Group’s margins, it has also led to a reduction in legal recovery costs and registration taxes.

As regards the impacts of the COVID-19 pandemic in IFRS 16 or IAS 19, the Group believes these not to be significant given the business model and the dimension of the underlying assets and liabilities. Reference is made to section 10.3 Other information of Part B of this document with reference to the Group’s valuations of goodwill.

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

Contractual amendments deriving from COVID-19

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.

Already starting 2020, the Banca Ifis Group, in line with the Cura Italia Decree and subsequent regulatory interventions aimed at extending the duration of its provisions, such as the Sostegni-bis Decree (for more details, see section 2.8 Impact of regulatory changes), 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 31 December 2021;
- extension until 31 December 2021 of non-instalment loans with earlier contractual due date;
- suspension until 31 December 2021 and breaking down into instalments of mortgages and lease charges.

The Group also chose, for loans to private customers in the form of salary-backed loans and pension-backed loans involved by an exceptional temporary lay-off fund, to apply a selective freezing of instalments of the amortisation plan for the entire duration of the contribution mechanism. The positions involved by this queuing of instalments are marginal and with irrelevant economic and financial effects.

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 these consolidated financial statements, 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, as explained previously.

Specifically, it made estimates on the carrying amounts of some items recognised in the consolidated financial statements at 31 December 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 31 December 2021.

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

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

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

Npl Segment exposures

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

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

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

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

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

In 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.

Reference should be made to the details given in Part E - “Information on risks and related hedging policies” and to the previous paragraph entitled “Risks, uncertainties and impacts of the COVID-19 epidemic”.

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

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

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

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

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

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

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 this document and to the paragraph above entitled "Risks, uncertainties and impacts of the COVID-19 epidemic".

Goodwill, other intangible assets and gain on bargain purchase.

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

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

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

If the fair value of the net assets acquired 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 - Consolidated Statement of Financial Position, Section 10 - Intangible assets - Item 100, Paragraph 10.3 Other information.

With regard to the difference recognised in the income statement relating to the 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 Part G "Business combinations" of these Consolidated financial statements.

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 these consolidated financial statements at 31 December 2021.

Coming into effect of new accounting standards

Standards issued, effective and applicable to these financial statements

The Consolidated Financial Statements at 31 December 2021 have been drawn up in accordance with the IAS/IFRS accounting standards in force at the reporting date. See the paragraph "Statement of compliance with international accounting standards".

The accounting standards used in preparing these consolidated 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, are the same as those 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 consolidated financial statements at 31 December 2021:

- "Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2" (from 1 January 2021);
- "Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 19".

Standards issued but not yet effective

The following are the new international accounting standards or amendments to them, some of which not yet endorsed by the European Commission, which are mandatory from 1 January 2022 or later. 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).

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

Deadlines for the approval and publication of the Financial Statements

Pursuant to Article 154-ter of Italian Legislative Decree no. 59/98 (Consolidated Law on Finance), the Parent company must approve the separate financial statements and publish the Consolidated Annual Financial Report, including the draft separate financial statements, the directors' report, and the declaration as per Article 154-bis, paragraph 5, within 120 days of the end of the financial year. The Board of Directors approved the Parent company's draft separate financial statements and the consolidated financial statements on 10 March 2022; the Parent company's separate financial statements will be submitted to the Shareholders' Meeting to be held on 28 April 2022 at first call for approval.

A.2 - Main items of the financial statements

1 - Financial assets measured at fair value through profit or loss ("FVTPL")

Classification criteria

This category comprises financial assets other than Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost. Specifically, this line item includes:

- financial assets held for trading, essentially consisting of debt and equity securities as well as the positive amount of derivative contracts held for trading;
- financial assets measured at fair value, i.e. non-derivative financial assets designated as such on initial recognition if the relevant conditions are met. At initial recognition, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss if, and only if, doing so would eliminate or significantly reduce a measurement or recognition inconsistency.
- financial assets mandatorily measured at fair value, consisting of financial assets that are not eligible for the measurement at amortised cost or fair value through other comprehensive income based on the relevant business model or cash flow characteristics. Specifically, this category includes:
  - debt instruments, securities and loans without cash flows that are solely payments of principal and interest consistent with a "basic lending arrangement" (so-called "SPPI test" failed);
  - debt instruments, securities and loans held within a business model that is neither "Held to collect" (whose objective is to hold the asset to collect contractual cash flows) nor "Held to collect and sell" (whose objective is achieved by both collecting contractual cash flows and selling financial assets);
  - UCITS units;
  - equity instruments for which the Group elects not to use the option under the standard to measure them at fair value through other comprehensive income (so-called "OCI Option").

Derivative contracts include those embedded in complex financial instruments if the host contract is not a financial asset falling within the scope of IFRS 9, which are recognised separately if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid instrument they are part of is not measured at fair value with the relevant changes recognised in profit or loss.

Reclassifications to other categories of financial assets are allowed only if the entity changes its business model to manage the financial assets. In these cases, financial assets may be reclassified from the category measured at fair value through profit or loss to one of the other two categories under IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value corresponds to the fair value at the time of the reclassification, which is applied prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is calculated based on its fair value at the reclassification date, which is considered to be the date of initial recognition for the stage allocation for impairment purposes.

Recognition criteria

Financial assets are initially recognised at the date of settlement in the case of debt and equity securities, and at inception in the case of derivative contracts. At initial recognition, financial assets held for trading are measured at cost, that is the instrument's fair value, excluding the expenses and income directly attributable to the instrument, which are recognised in profit or loss.

Measurement criteria

Even after initial recognition, financial assets are measured at fair value, and the impact of the application of this method is recognised through profit or loss.

The fair value of the financial instruments included in this portfolio is calculated based on quoted prices in active markets, prices provided by market participants, or internal valuation models generally used for pricing financial instruments that take into account all relevant risk factors and are based on observable market data.

In the case of financial assets not quoted in an active market, the cost method is used as an approximation of fair value exclusively on a residual basis and in limited circumstances, that is if all the other previously mentioned measurement methods are not applicable.

Derecognition criteria

Financial assets are derecognised exclusively when all relevant risks and rewards have been substantially transferred. Should the company retain part of the relevant risks and rewards, the financial assets will continue to be recognised, even though legal ownership has been actually transferred to a third party.

Where it is not possible to ascertain the substantial transfer of the risks and rewards, financial assets are derecognised if the company no longer has control over them. Otherwise, the financial assets are recognised proportionally to the entity's continuing involvement in the asset, measured according to the exposure to changes in the transferred assets' value and cash flows.

Lastly, as for the transfer of collection rights, transferred financial assets are derecognised even if contractual rights to receive cash flows are maintained but an obligation to pay such flows to one or more entities is taken on.

2 - Financial assets measured at fair value through other comprehensive income ("FVOCI")

Classification criteria

This category comprises financial assets that meet both the following conditions:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("Held to Collect and Sell" Business Model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest consistent with a "basic lending arrangement", in which consideration for the time value of money and credit risk are typically the most significant elements of interest (so-called "SPPI test" passed).

In addition, this line item includes equity instruments not held for trading for which at initial recognition the entity used the option to measure them at fair value through other comprehensive income not to be reclassified to profit or loss (so-called “OCI Option”).

Reclassifications to other categories of financial assets are allowed only if the entity changes its business model to manage the financial assets. In these cases, financial assets may be reclassified from the category measured at fair value through other comprehensive income to one of the other two categories under IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value corresponds to the fair value at the time of the reclassification, which is applied prospectively from the reclassification date. If the asset is reclassified from the category concerned to amortised cost, the fair value of the financial asset at the reclassification date is adjusted by the accumulated gain (loss) presented in the valuation reserve. If the asset is reclassified to fair value through profit or loss, the accumulated gain (loss) previously recognised within the valuation reserve is reclassified from equity to profit or loss.

Recognition criteria

Financial assets are initially recognised at the date of settlement in the case of debt and equity securities, whereas loans are recognised at the date they were granted. These assets are initially recognised at fair value, including transaction costs directly attributable to the instruments, if any.

Measurement criteria

After initial recognition, the assets measured at fair value through other comprehensive income that are not equity securities are measured at fair value, recognising the impact of the application of amortised cost, impairment, and any exchange rate changes through profit or loss. Gains and losses resulting from changes in fair value are recognised under a dedicated equity reserve until the financial asset is transferred: then, accrued profits and losses are reclassified to profit or loss.

The equity instruments the Group elected to classify within this category are measured at fair value, and the amounts recognised through equity (Statement of comprehensive income) are not to be subsequently reclassified to profit or loss - including in the event of their disposal. The relevant dividends represent the only component of the equity securities concerned that is recognised through profit or loss.

The fair value is calculated on the basis already described for Financial assets measured at fair value through profit or loss.

In the case of Financial assets measured at fair value through other comprehensive income that are either debt securities or receivables, at each reporting date, including interim reporting dates, the Bank assesses whether a significant increase in credit risk (impairment) has occurred pursuant to IFRS 9, recognising an impairment loss to cover the expected credit losses through profit or loss.

Conversely, equity securities are not tested for impairment.

Derecognition criteria

Financial assets measured at fair value through other comprehensive income are derecognised exclusively when all relevant risks and rewards have been substantially transferred. Should the company retain part of the relevant risks and rewards, the financial assets will continue to be recognised, even though legal ownership has been actually transferred to a third party.

Where it is not possible to ascertain the substantial transfer of the risks and rewards, financial assets are derecognised if the company no longer has control over them. Otherwise, the financial assets are recognised proportionally to the entity's continuing involvement in the asset, measured according to the exposure to changes in the transferred assets' value and cash flows.

Lastly, as for the transfer of collection rights, transferred financial assets are derecognised even if contractual rights to receive cash flows are maintained but an obligation to pay such flows to one or more entities is taken on.

3 - Financial assets measured at amortised cost

Classification criteria

This category includes financial assets (specifically loans and debt securities) that meet both the following conditions:

- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows ("Held to Collect" Business Model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest consistent with a "basic lending arrangement", in which consideration for the time value of money and credit risk are typically the most significant elements of interest (so-called "SPPI test" passed).

Specifically, if the above technical requirements are met, this line item includes:

- amounts due from banks, with the exception of on demand receivables (which, in compliance with the October 2021 7th update of Bank of Italy Circular no. 262/2005, are classified under "Cash and cash equivalents");
- receivables due from customers, largely consisting of:
    - demand advances to customers as part of factoring operations vis-à-vis a receivables portfolio factored with recourse and still recognised in the seller's statement of financial position, or vis-à-vis receivables factored without recourse, providing no contractual clauses that eliminate the conditions for their recognition exist;
    - loans to customers deriving from mortgages or loans extended as part of corporate banking operations;
    - distressed retail loans acquired from banks and retail lenders;
    - tax receivables resulting from insolvency proceedings;
    - reverse repurchase agreements;
    - receivables arising from finance leases;
    - salary- or pension-backed loans.
- debt securities acquired through subscription or private placement, with fixed or determinable payments, not quoted in active markets.

Reclassifications to other categories of financial assets are allowed only if the entity changes its business model to manage the financial assets. In these cases, which are expected to be very infrequent, the financial assets may be reclassified from the category measured at amortised cost to one of the other two categories under IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value corresponds to the fair value at the time of the reclassification, which is applied prospectively from the reclassification date. Gains or losses arising from the difference between the amortised cost of the financial asset and the relevant fair value are measured through profit or loss if the asset is reclassified to Financial assets measured at fair value through profit or loss or, if it is reclassified to Financial assets measured at fair value through other comprehensive income, through equity, within the specific valuation reserve.

Recognition criteria

These financial assets are initially recognised at the date of settlement in the case of debt and equity securities, whereas loans are recognised at the date they were granted. At initial recognition, the assets are measured at fair value, including transaction income or costs directly attributable to the asset. Costs meeting these characteristics, but to be reimbursed by the debtor or falling under normal internal administrative costs, are excluded.

Repurchase agreements or reverse repurchase agreements are recognised as funding or lending transactions. Specifically, repurchase agreements are recognised as payables for the amount received, while reverse repurchase agreements are recognised as receivables for the amount paid.

Measurement criteria

After initial recognition, receivables are measured at amortised cost, which is equal to the initial amount minus/plus principal repayments, impairment losses/reversals of impairment losses, and amortisation calculated using the effective interest method. The effective interest rate is calculated as the rate at which the present value of expected cash flows for the principal and interest is equal to the amount of the loan granted, including any costs/revenues directly attributable to the financial asset. This finance-based accounting method allows to spread the economic effect of costs/revenues over the expected residual life of the receivable.

The amortised cost method usually does not apply to short-term loans, as the effect of discounting would be immaterial. These are measured instead at their acquisition cost. A similar criterion applies to loans without a definite payment date or revocable loans. Furthermore, newly acquired distressed retail loans are measured at cost until the Bank has started taking action to collect the debt, as specified later on in the part concerning non-performing exposures in the Npl Segment.

At each reporting date, including interim reporting dates, the Group estimates the impairment of these assets in accordance with the impairment rules of IFRS 9, detailed in the paragraph Other information of this section A.2.

The impairment losses found are recognised through profit or loss under “Net credit risk losses/reversals” and so are the reversals of part or all of the amounts previously written down.

Impairment losses are reversed if the quality of the exposure has improved to the point of reducing the previously recognised impairment loss.

In profit or loss, under “Interest receivable and similar income”, the Group recognises the amount represented by the gradual reversal of the discount calculated at the time the impairment loss was recognised.

In some cases, throughout the life of the financial assets concerned, 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 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 or forbearance measures due to the counterparty’s financial difficulties:
  - the former, intended to “retain” the customer, involve a borrower that is not in financial distress. This case includes all renegotiations aimed at adjusting the cost of debt to market conditions. These transactions result in changes to the original contractual terms, usually at the request of the borrower, that concern aspects associated with the cost of debt, giving rise to an economic benefit for the borrower. Generally, the Group believes that, whenever it enters into a renegotiation in order to avoid losing the client, this renegotiation shall be considered as substantial, since, in its absence, the customer could obtain financing from another intermediary and the Group would see estimated future revenue decline;
  - the latter, offered for “credit risk reasons” (forbearance measures), are part of the Group’s attempt to maximise the recovery of the cash flows of the original receivable. Following the modifications, usually the underlying risks and rewards have not been substantially transferred: therefore, the accounting presentation that provides the most relevant information to users of the financial statements (expect for the following discussion about objective factors) is the one made through “modification accounting” - whereby the difference between the carrying amount and the present value of modified cash flows discounted at the original interest rate is recognised through profit or loss - rather than derecognition;
- the existence of specific objective factors affecting the substantial modifications of the characteristics and/or contractual cash flows of the financial instrument (including, but not limited to, the modification 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.

Derecognition criteria

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 derecognitions 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 of the following characteristics:

- the receivable has been written off;
- the receivable has been classified as a bad loan for more than 5 years;
- the counterparty has filed for bankruptcy, been put into administrative liquidation, or is subject to any insolvency proceedings.

Derecognitions are directly recorded under net impairment losses on receivables to the extent of the unadjusted remaining portion, and are recognised as a reduction of the principal. Partial or complete reversals of previous impairment losses are recognised as a reduction of “net impairment losses on receivables”.

Sold or securitised financial assets are derecognised exclusively when all relevant risks and rewards have been transferred. Should the company retain part of the relevant risks and rewards, the financial assets will continue to be recognised, even though legal ownership has been actually transferred to a third party.

In such cases, a financial liability is recognised for an amount equal to the consideration received.

If some, but not all, the risks and rewards have been transferred, financial assets are derecognised only if the company no longer has control over them. Otherwise, the financial assets are recognised proportionally to the entity's continuing involvement in them.

Finally, as for the transfer of collection rights, transferred financial assets are derecognised even if contractual rights to receive cash flows are maintained but an obligation to pay such flows to one or more entities is taken on.

4 - Property, plant and equipment

Classification criteria

The item includes property, plant and equipment held for investment purpose as well as those for functional use.

All property (either fully owned or leased) held by the company for the purposes of obtaining rent and/or a capital gain fall under investment property.

All property (either fully owned or leased) held by the company for business and expected to be used for more than one fiscal year fall under property for functional use.

Property, plant and equipment for functional use include:

- land;
- buildings;
- furniture and accessories;
- electronic office machines;
- various machines and equipment;
- vehicles;
- leasehold improvements on third-party property.

Those are physical assets held for use in production, in providing goods and services or for administrative purposes, and that are expected to be used for more than one fiscal year.

This item also includes the rights of use acquired through leases and relating to the use of property, plant and equipment.

Under IFRS 16, a lease is a contract, or part of a contract, that, in exchange for a fee, transfers the right to use an asset (the underlying asset) for a period of time.

Leasehold improvements on third-party property are improvements and expenses relating to identifiable and separable asset. Normally, this kind of investment is sustained in order to make a property rented from third parties suitable for use.

Recognition criteria

Property, plant and equipment are initially recognised at cost, including all directly attributable costs connected to the acquisition or to bring the asset into use.

Subsequently incurred expenses are added to the carrying amount of the asset, or recognised as separate assets, if they are likely to yield future economic benefits exceeding those initially estimated and if the cost can be measured reliably; otherwise, they are recognised in profit or loss.

According to IFRS 16, leases are accounted for on a right of use basis, with the lessee having a financial obligation at the inception date to make payments due to the lessor to compensate for its right to use the underlying asset during the lease term.

When the asset is made available to the lessee for use (start date), the lessee recognises both the liability and the asset consisting of the right of use.

Measurement criteria

Property, plant and equipment and investment property are measured at cost, net of any depreciation or impairment losses.

Property, plant and equipment with a finite useful life are systematically depreciated on a straight-line basis over their useful life.

Property, plant and equipment with an indefinite useful life, whose residual value is equal to or higher than their carrying amount, are not depreciated.

For accounting purposes, land and buildings are treated separately, even when acquired together. Land is not depreciated, as it has an indefinite useful life. Where the value of land is included in the value of a building, the former is considered separately by applying the component approach. The separate values of the land and the building are calculated by independent experts in this field and only for entirely owned properties.

The useful life, residual amounts and depreciation methods of property, plant and equipment are reviewed at the closure of each period and, if expectations are not in line with previous estimates, the depreciation rate for the current year and subsequent ones is adjusted.

If there is objective evidence that an individual asset may be impaired, the asset's carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, intended as the present value of future cash flows expected to arise from this asset. Any impairment loss is recognised in profit or loss.

When an impairment loss is reversed, the new carrying amount cannot exceed the net carrying amount that would have been measured if no impairment loss had been recognised on the asset in previous years.

The usually estimated useful lives are the following:

- buildings: not exceeding 34 years;
- furniture: not exceeding 7 years;
- electronic systems: not exceeding 5 years;
- other: not exceeding 5 years;
- Improvements on third party property/leasehold improvements: not exceeding 5 years.

With reference to the asset consisting of the right of use, recorded pursuant to IFRS 16, it is measured using the cost model in accordance with IAS 16 Property, plant and equipment; in this case, the asset is subsequently depreciated on a straight-line basis over the term of the lease contract and subject to an impairment test if impairment indicators emerge.

Derecognition criteria

Property, plant and equipment are derecognised from the statement of financial position on disposal or when they are withdrawn from use and no future economic benefits are expected from their disposal. Any profit/loss that arises at the time the asset is derecognised (calculated as the difference between the net carrying amount of the asset and the amount received) is recognised in the Income Statement when the item is derecognised.

The right of use deriving from lease contracts is derecognised from the statement of financial position at the end of the lease.

5 - Intangible assets

Classification criteria

Intangible assets are non-monetary assets, identifiable even though they lack physical substance, that meet the requirements of identifiability, control over a resource and existence of future economic benefits. Intangible assets mainly include goodwill and software.

Recognition criteria

Intangible assets are recognised in the statement of financial position at cost, i.e. the purchase price and any direct cost incurred in preparing the asset for use.

Goodwill is represented by the positive difference between the acquisition cost and the fair value of the acquiree's assets and liabilities and when such positive difference is representative of the capacity to generate returns in the future.

Measurement criteria

Intangible assets with a finite useful life are systematically amortised according to their estimated useful life.

If there is objective evidence that a single asset may be impaired, the asset's carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, intended as the present value of future cash flows expected to arise from this asset. Any impairment loss is recognised in profit or loss.

Intangible assets with an indefinite useful life are not amortised. The carrying amount is compared with the recoverable amount at least on an annual basis. If the carrying amount is greater than the recoverable amount, a loss equal to the difference between the two amounts is recognised in profit or loss.

Should the impairment of an intangible asset (excluding goodwill) be reversed, the increased net carrying amount cannot exceed the net carrying amount that would have been measured if no impairment loss had been recognised on the asset in previous years.

Goodwill is recognised in the statement of financial position at cost, net of any accrued losses, and is not subject to amortisation. Goodwill is tested for impairment at least annually by comparing its carrying amount to its recoverable amount. To this end, goodwill must be allocated to cash-generating units (CGUs) in compliance with the maximum combination limit that cannot exceed the "operating Segment" identified for internal management purposes.

The impairment loss, if any, is calculated based on the difference between the carrying amount of the CGU plus its recoverable amount, which is the higher of the CGU's fair value less costs to sell and its value in use.

The amount of any impairment losses is recognised in profit or loss and is not derecognised in the following years should the reason for the impairment be no longer valid.

Derecognition criteria
An intangible asset is derecognised from the statement of financial position on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

6 - Current and deferred taxes
Classification criteria
Current and deferred taxes, calculated in compliance with national tax laws, are recognised in profit or loss with the exception of items directly credited or debited to equity.

Current tax liabilities are shown in the statement of financial position gross of the relevant tax advances paid for the current year.

Deferred tax assets and liabilities are recognised in the statement of financial position at pre-closing balances and without set-offs, and are included in the items “Tax assets” and “Tax liabilities”, respectively, except when there is a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which deferred tax liabilities or assets are expected to be settled or recovered.

Under the existing tax consolidation arrangements between the Group companies, the current corporate income (IRES) tax expense for the year is included in either other assets or other liabilities as receivables due from/payables due to the consolidating/parent company La Scogliera S.p.A.

Recognition and measurement criteria
Deferred tax assets and liabilities are calculated based on temporary differences—without time limits—between the value attributed to the asset or liability according to statutory criteria and the corresponding tax base, applying the tax rates expected to be applicable for the year in which the tax asset will be realised, or the tax liability will be settled, according to theoretical tax laws in force at the realisation date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- when the timing of the reversal of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that they can be recovered, based on the ability of the company concerned or the Parent company, as a result of the “tax consolidation” option, to continue to generate taxable profit, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

7 - Provisions for risks and charges

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

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

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

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

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

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

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

8 - Financial liabilities measured at amortised cost

Classification criteria

Payables due to banks and customers and debt securities issued include the various forms of interbank funding, as well as funding from customers and through outstanding bonds, net of any buybacks.

In addition, payables incurred by the lessee as part of finance lease transactions are also included.

Recognition criteria

Payables due to banks and customers and debt securities issued are initially recognised at their fair value, which is equal to the consideration received, net of transaction costs directly attributable to the financial liability.

Measurement criteria

After initial recognition at fair value, these instruments are later measured at amortised cost, using the effective interest method.

The amortised cost method does not apply to short-term liabilities, as the effect of discounting would be insignificant.

Lease payables are revalued when there is a lease modification (e.g. a change in the perimeter of the contract), which is not accounted for/considered as a separate contract.

Derecognition criteria

Financial liabilities are derecognised when they are annulled, expired or settled. The difference between the carrying amount and the acquisition cost is recognised in profit or loss.

Liabilities are derecognised also when previously issued securities are bought back, even if such instruments will be sold again in the future. Gains and losses from such derecognition are recognised in profit or loss when the buyback price is higher or lower than the carrying amount.

Subsequent sales of the company's own bonds on the market are considered as an issuance of new debt.

9 - Financial liabilities held for trading

Classification criteria

Financial liabilities held for trading refer to derivative contracts that are not hedging instruments.

Recognition criteria

At initial recognition, financial liabilities held for trading are recognised at fair value.

Measurement criteria

Even after initial recognition, financial liabilities held for trading are measured at fair value at the reporting date, and the impact of the application of this method is measured through profit or loss. The fair value is calculated based on the same criteria as those used for financial assets held for trading.

Derecognition criteria

Financial liabilities are derecognised when they are settled or when the obligation is fulfilled, cancelled or expired. The difference arising from their derecognition is recognised in profit or loss.

10 - Foreign currency transactions

Initial recognition

At initial recognition, foreign currency transactions are recognised in the money of account, applying the exchange rate at the date of the transaction.

Subsequent recognitions

At each reporting date, including interim periods, foreign currency monetary assets and liabilities are translated using the closing exchange rate.

Non-monetary assets and liabilities recognised at historical cost are translated at the historical exchange rate, while those measured at fair value are translated using the year-end rate. Any exchange differences arising from the settlement of monetary elements or their translation at exchange rates different from those used at initial recognition or in previous financial statements are recognised in profit or loss in the period in which they arise, excluding those relating to available for sale financial assets, as they are recognised in equity.

11 - Other information

Post-employment benefits

Pursuant to IAS 19 “Employee benefits” and up to 31 December 2006, the so-called “TFR” post-employment benefit for employees of the Group's Italian companies was classified as a “defined benefit plan”. It therefore had to recognise this benefit by discounting it using the projected unit credit method.

Following the coming into force of the 2007 Budget Law, which brought the reform regarding supplementary pension plans - as per Italian Legislative Decree no. 252 of 5 December 2005 - forward to 1 January 2007, the employee was given a choice as to whether to allocate the post-employment benefits earned as from 1 January 2007 to supplementary pension funds or to maintain them in the company, which would then transfer it to a dedicated fund managed by INPS (the Italian National Social Security Institute).

This reform has led to changes in the accounting of post-employment benefits as for both the benefits earned up to 31 December 2006 and those earned from 1 January 2007.

In particular:

- post-employment benefits earned as from 1 January 2007 constitute a "defined-contribution plan", regardless of whether the employee has chosen to allocate them to a supplementary pension fund or to INPS's Treasury Fund. Those benefits shall be calculated according to contributions due without applying actuarial methods;
- post-employment benefits earned up to 31 December 2006 continue to be considered as a "defined-benefit plan", and as such are calculated on an actuarial basis which, however, unlike the calculation method applied until 31 December 2006, no longer requires that the benefits be proportionally attributed to the period of service rendered. This is because the employee's service is considered entirely accrued due to the change in the accounting nature of benefits earned as from 1 January 2007.

Actuarial gains/losses shall be included immediately in the calculation of the net obligations to employees through equity, to be reported in other comprehensive income.

Share-based payments

They are payments granted to employees or similar parties as remuneration for the services received that are settled in equity instruments.

The relevant international accounting standard is IFRS 2 – Share-based payments; specifically, since the Group is to settle the obligation for the service received in equity instruments (shares "to the value of", i.e. a given amount is converted into a variable number of shares based on the fair value at grant date), those payments fall under "equity-settled share-based payments". The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The cost or revenue in the statement of profit or loss for the year represents the movement in cumulative expense recognised at the beginning and end of that year.

Treasury shares

Pursuant to regulations in force in Italy, buying back treasury shares requires a specific resolution of the shareholders' meeting and the recognition of a specific reserve in equity. Treasury shares in the portfolio are deducted from equity and measured at cost, calculated using the "Fifo" method. Differences between the purchase price and the selling price deriving from trading in these shares during the accounting period are recognised under equity reserves.

Recognition of income and costs

Income from management and guarantee services for receivables purchased through factoring activities are recognised under commission income according to their duration. Components considered in the amortised cost to calculate the effective interest rate are excluded and recognised instead under interest income.

Costs are recognised on an accrual basis. Concerning the costs of the Npl Segment, the costs incurred upfront for non-judicial debt collection operations through settlement plans, as well as legal expenses and registration fees for judicial debt collection operations, are recognised in profit or loss under “Other administrative expenses” in the period in which the positive impact of the relevant receivables deriving from the change in the underlying cash flows associated with the plans entered into or the court orders obtained is recognised in profit or loss.

Dividends

Dividends are recognised through profit or loss in the year in which the resolution concerning their distribution is passed.

Repurchase and reverse repurchase agreements

Securities received as a result of transactions that contractually require they are subsequently sold, as well as securities delivered as a result of transactions that contractually require they are subsequently repurchased, are not recognised in and/or derecognised from the financial statements.

Consequently, in cases of securities acquired under a reverse repurchase agreement, the amount paid is recognised as due from customers or banks, or as a financial asset held for trading; and in cases of securities sold under a repurchase agreement, the liability is entered under payables due to banks or customers, or under financial liabilities held for trading. Income from these commitments, made up of the coupons matured on the securities and of the difference between their spot price and their forward price, is recognised under interest income in profit or loss.

The two types of transactions are offset if, and only if, they have been carried out with the same counterparty and if such offsetting is contractually envisaged.

Amortised cost

The amortised cost of a financial asset or liability is its amount upon initial recognition, net of any principal repayments, plus or minus the overall amortisation of the difference between the initial and the maturity value calculated using the effective interest method, and deducting any impairment losses.

The effective interest rate method is a method of spreading interest income or interest expense over the duration of a financial asset or liability. The effective interest rate is the rate that precisely discounts expected future payments or cash flows over the life of the financial instrument at the net carrying amount of the financial asset or liability. It includes all the expenses and basis points paid or received between the parties to a contract that are an integral part of such rate, as well as the transaction costs and all other premiums or discounts.

Commissions considered an integral part of the effective interest rate are the initial commissions received for selling or buying a financial asset not classified as measured at fair value: for example, those received as remuneration for the assessment of the debtor’s financial situation, for the assessment and the registration of sureties and, in general, for completing the transaction.

Transaction costs, in turn, include fees and commissions paid to agents (including employees that act as sales agents), advisors, brokers and dealers, levies charged by regulatory bodies and stock exchanges, and transfer taxes and duties. Transaction costs do not include financing, internal administration or operating costs.

Amortised cost applies to financial assets measured at amortised cost and at fair value through other comprehensive income, as well as financial liabilities measured at amortised cost.

Specifically concerning financial assets that are considered to be impaired at initial recognition, be they measured at amortised cost or fair value through other comprehensive income, and classified as “Purchased or Originated Credit Impaired (POCI) Financial Assets”, at initial recognition, the Bank calculates a credit-adjusted effective interest rate for which it is necessary to incorporate the initial expected credit losses into cash flow estimates. The Bank uses said credit-adjusted effective interest rate to apply the amortised cost method and, therefore, calculate the relevant interest.

Purchased or Originated Credit Impaired (POCI) Financial Assets

“Purchased or Originated Credit Impaired (POCI) Financial Assets” means the exposures that were impaired 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 receipts at amortised cost considering also lifetime expected credit losses.

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.

A subsequent improvement in the counterparty's creditworthiness, which may be reflected in the present value of cash flows, shall cause the exposure to be classified within 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.

The Npl Segment's receivables all qualify as POCI financial assets and are recognised and assessed through the following steps:

- at the time of purchase, receivables are recognised by allocating the portfolio's purchase price among the individual receivables it consists of through the following steps:
    - recognition of the individual receivables at a value equal to the contract price, which is used for the purposes of reporting to the Central Credit Register;
    - after verifying the documentation, if provided in the contract, the Bank returns the positions lacking documentation or beyond the statute of limitations to the seller, and measures the fair value of receivables which actually exist and can be collected; finally, after sending a notice of assignment to the debtor, the Bank can start taking action to collect the receivable;
    - once the collection process begins, receivables are measured at amortised cost using the effective interest rate method;

- the effective interest rate is calculated on the basis of the price paid, the transaction costs, if any, and the estimated cash flows and collection time calculated using either proprietary models or analytical estimates made by managers;
- the effective interest rate as set out in the previous point is unchanged over time;
- at the end of each reporting period, interest income accrued on the basis of the original effective interest rate is recognised under Interest Income. Said interest is calculated as follows: Amortised Cost at the beginning of the period x IRR/365 x days in the period;
- in addition, at the end of each reporting period, the expected cash flows for each position are re-estimated;

- should events occur (higher or lower revenues realised or expected compared to forecasts and/or a change in collection times) which cause a change in the amortised cost (calculated by discounting the new cash flows at the original effective rate compared to the amortised cost in the period), this change is also recognised under Credit risk losses/reversals.

Impairment of financial instruments

Under IFRS 9, the relevant impairment provisions apply to financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income that are not equity securities, and loan commitments and guarantees granted that are not measured at fair value through profit or loss.

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

The general impairment model requires allocating the financial instruments within the scope of IFRS 9 to three Stages, which reflect the deterioration in credit quality:

- Stage 1: financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date;
- Stage 2: financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that individually do not have objective evidence of impairment;
- Stage 3: financial assets that have had a significant increase in credit risk since initial recognition with objective evidence of impairment at the reporting date. This coincides with non-performing exposures, i.e. those classified as bad loans, unlikely to pay, or non-performing past due exposures according to the rules of the Bank of Italy.

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

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

- The only quantitative transfer criterion is the Significant Deterioration for which, to identify the "significant increase in credit risk" on exposures within rated portfolios (Italian companies), an approach was used 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 the outsourcer of the computer system provides at consortium level (i.e. estimating risk parameters, calculating the Stage allocation and ECLs). Specifically, the formula used to calculate the impairment of the tranches allocated to Stage 1 and 2 is consistent with the approach to credit exposures. The Stage allocation of performing debt securities requires using an external rating of the issue or, if this is not available, the issuer; in short, the securities are allocated to the different Stages based on specific transfer criteria associated with this type of portfolio. Exposures are allocated to Stage 3 if credit risk has deteriorated to the point that the security is considered impaired, i.e. classified as non-performing, including in the case of financial instruments in default.

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

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

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.

A.3 - Disclosure of transfers of financial assets between portfolios

No financial assets were transferred between portfolios during 2021.

A.4 - 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.

A.4.1 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.

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

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

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 the Banca Ifis Group is one of the leading players in this operating Segment, which makes it a price maker in the case of sales.

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

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

A.4.2 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.

A.4.3 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

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

Financial assets/liabilities measured at fair value (in thousands of Euro)	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	1.474	7.004	144.660	11.624	19.250	126.974
a) financial assets held for trading	*1.474*	*7.004*	-	*1.620*	*19.250*	-
b) financial assets measured at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	*144.660*	*10.004*	-	*126.974*
2. Financial assets measured at fair value through other comprehensive income	575.409	-	38.604	749.322	-	25.233
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**576.883**	**7.004**	**183.264**	**760.946**	**19.250**	**152.207**
1. Financial liabilities held for trading	-	5.992	-	-	18.551	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**5.992**	**-**	**-**	**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 31 December 2021, the impact of applying the Credit Value Adjustment to the book values of the derivatives with a positive mark-to-market amounted to 0,2 million 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.

With respect to financial assets that are mandatorily measured at fair value, as of December 2020, 10,0 million Euro related to units of non-strategic UCITs in the Proprietary Finance function were classified as Level 1, which were then divested during 2021.

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets measured at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**126.975**	**-**	**-**	**126.975**	**25.233**	**-**	**-**	**-**
2. Increases	93.769	-	-	93.769	30.124	-	-	-
2.1. Purchases	45.553	-	-	45.553	30.124	-	-	-
2.2. Profit taken to:	-	-	-	-	-	-	-	-
2.2.1. Income Statement	18.719	-	-	18.719	-	-	-	-
- of which capital gains	17.216	-	-	17.216	-	-	-	-
2.2.2. Equity	-	X	X	X				
2.3. Transferred from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	29.497	-	-	29.497	-	-	-	-
3. Decreases	**76.084**	**-**	**-**	**76.084**	**16.754**	**-**	**-**	**-**
3.1. Sales	22.701	-	-	22.701	15.000	-	-	-
3.2. Reimbursements	12.314	-	-	12.314	-	-	-	-
3.3. Losses taken to:	-	-	-	-	-	-	-	-
3.3.1. Income Statement	7.968	-	-	7.968	-	-	-	-
- of which capital losses	7.968	-	-	7.968	-	-	-	-
3.3.2. Equity	-	X	X	X	1.754	-	-	-
3.4. Transferred to other levels	4.502	-	-	4.502	-	-	-	-
3.5. Other decreases	28.599	-	-	28.599	-	-	-	-
4. Closing balance	**144.660**	**-**	**-**	**144.660**	**38.603**	**-**	**-**	**-**

A.4.5.4 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)	31.12.2021				31.12.2020			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	10.856.795	2.232.706	-	8.740.920	9.927.163	1.239.323	-	8.745.547
2. Property, plant and equipment held for investment purpose	485	-	-	485	565	-	-	565
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	**10.857.280**	**2.232.706**	**-**	**8.741.405**	**9.927.728**	**1.239.323**	**-**	**8.746.112**
1. Financial liabilities measured at amortised cost	10.786.588	1.059.227	-	10.171.747	9.908.039	768.887	-	9.108.401
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**10.786.588**	**1.059.227**	**-**	**10.171.747**	**9.908.039**	**768.887**	**-**	**9.108.401**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.5 - Disclosure on day one profit/loss

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

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

In other words, the 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.

No such transactions were carried out as part of the Group's operations during 2021.

4.2 Part B - Consolidated statement of financial position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31.12.2021	31.12.2020
a) Cash	69	82
b) Current accounts and on demand deposits at Central banks	-	-
c) Current accounts and on demand deposits at banks	355.312	291.520
Total	**355.381**	**291.602**

As of 31 December 2021 this item amounts to 355,4 million Euro, and includes, in compliance with the requirements for balance sheet items set out in the 7th October 2021 update of Bank of Italy Circular no. 262/2005, on demand receivables due from banks, which were previously reported under financial assets measured at amortised cost (355,3 million Euro). Solely for the purpose of enabling a like-for-like comparison to be made, the figures for the previous year have been restated on a conventional basis on the basis of these new provisions, and therefore the related sight receivables due from banks have been transferred from the item "Due from banks valued at amortised cost" to the item "Cash and cash equivalents" (291,5 million Euro).

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by type

Items/Amounts	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	713	-	-	-	-	-
1.1 Structured	-	-	-	-	-	-
1.2 Other debt securities	713	-	-	-	-	-
2. Equity securities	761	-	-	1.620	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**1.474**	**-**	**-**	**1.620**	**-**	**-**
B. Derivatives						
1. Financial derivatives	-	7.004	-	-	19.250	-
1.1 held for trading	-	7.004	-	-	19.250	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 connected to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**7.004**	**-**	**-**	**19.250**	**-**
Total (A+B)	**1.474**	**7.004**	**-**	**1.620**	**19.250**	**-**

The financial assets held for trading outstanding at 31 December 2021 mainly referred to interest rate derivatives that the merged entity, the former Interbanca S.p.A., negotiated with its Corporate clients up to 2009 to provide them with instruments to hedge risks such as fluctuations in interest rates. In order to remove market risk, these transactions are hedged with "back to back" trades, in which Interbanca assumed a position opposite to the one sold to corporate clients with independent market counterparties. Alongside these financial assets, the trading book also includes options and futures deriving from hedges and ancillary enhancements to the Group's proprietary investment strategy.

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

Items/Amounts	31.12.2021	31.12.2020
A. Cash assets		
1. Debt securities	**713**	**-**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	712	-
d) Other financial companies	1	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity securities	**761**	**1.620**
a) Banks	506	382
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	255	1.238
d) Other issuers	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**1.474**	**1.620**
B. Derivatives		
a) Central Counterparties	-	-
b) Other	7.004	19.250
Total (B)	**7.004**	**19.250**
Total (A+B)	**8.478**	**20.870**

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

Items/Amounts	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**15.889**	**-**	**-**	**3.532**
1.1. Structured	-	-	-	-	-	-
1.2. Other debt securities	-	-	15.889	-	-	3.532
2. Equity securities	**-**	**-**	**26.490**	**-**	**-**	**20.683**
3. UCITS units	**-**	**-**	**79.052**	**10.003**	**-**	**71.476**
4. Loans	**-**	**-**	**23.229**	**-**	**-**	**31.284**
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2. Others	-	-	23.229	-	-	31.284
Total	**-**	**-**	**144.660**	**10.003**	**-**	**126.975**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Other debt securities consisted of junior, mezzanine and monotranche notes associated with securitisation transactions.

Equity securities refer to transactions of the Equity Investment Department in minority shares of industrial companies.

With regard to UCITs, it should be noted that during 2021 non-strategic securities of the Proprietary Finance function were divested for approximately 10 million Euro, which were classified as Level 1 fair value.

2.6 Financial assets mandatorily measured at fair value: breakdown by debtor/issuer

	31.12.2021	31.12.2020
1. Equity securities	**26.490**	**20.683**
of which: banks	-	-
of which: other financial companies	2.137	2.137
of which: non-financial companies	24.353	18.546
2. Debt securities	**15.889**	**3.532**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	15.889	3.532
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	**79.052**	**81.479**
4. Loans	**23.229**	**31.284**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	2.642	2.525
of which: insurance companies	-	-
e) Non-financial companies	20.587	28.639
f) Households	-	120
Total	**144.660**	**136.978**

UCIT units include 39,9 million Euro in closed-end equity funds that invest in impaired loans and 39,2 million Euro in closed-end equity funds investing in equity securities.

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

Items/Amounts	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**515.278**	**-**	**-**	**721.216**	**-**	**-**
1.1 Structured	-	-	-	-	-	-
1.2 Other debt securities	515.278	-	-	721.216	-	-
2. Equity securities	**60.132**	**-**	**38.603**	**28.106**	**-**	**25.233**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**575.410**	**-**	**38.603**	**749.322**	**-**	**25.233**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Level 1 “other debt securities” referred for 469,6 million to Italian government bonds.

Equity securities measured at fair value with an impact on comprehensive income amount to 98,7 million Euro at 31 December 2021, up 85,1% on 31 December 2020, and are mainly attributable to shares in the Bank of Italy (30,0 million Euro), interests in leading companies in the banking and insurance sector (24,0 million Euro), the energy sector (21,5 million Euro) and telecommunications (8,5 million Euro). The increase of 45,4 million Euro is consistent with the strategy of creating a proprietary portfolio that guarantees stable dividends.

Level 3 securities mainly include the specified shares of the Bank of Italy as well as minority interests deriving from the acquisition of the former Interbanca Group.

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

Items/Amounts	31.12.2021	31.12.2020
1. Debt securities	**515.278**	**721.216**
a) Central Banks	-	-
b) Public Administrations	469.647	708.641
c) Banks	8.585	-
d) Other financial companies	10.889	10.480
of which: insurance companies	-	-
e) Non-financial companies	26.157	2.095
2. Equity securities	**98.735**	**53.339**
a) Banks	40.673	18.602
b) Other issuers:	58.062	34.737
- other financial companies	10.795	5.961
of which: insurance companies	10.470	4.093
- non-financial companies	47.267	28.776
- other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**614.013**	**774.555**

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and overall impairment losses/reversals

	Gross amount					Overall impairment losses/reversals				Overall partial write-offs[1]
	Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	
Debt securities	515.529	515.529	-	-	-	(251)	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2021	**515.529**	**515.529**	**-**	**-**	**-**	**(251)**	**-**	**-**	**-**	**-**
Total 31.12.2020	**721.434**	**721.434**	**-**	**-**	**-**	**(218)**	**-**	**-**	**-**	**-**

(1) Amount to be reported for disclosure purposes.

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: breakdown of receivables due from banks by type

Type of transaction/Amounts	31.12.2021						31.12.2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
A. Receivables due from Central banks	**351.145**	**-**	**-**	**-**	**-**	**348.802**	**693.829**	**-**	**-**	**-**	**-**	**690.025**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Legal reserve	29.367	-	-	X	X	X	30.057	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	321.778	-	-	X	X	X	663.772	-	-	X	X	X
B. Receivables due from banks	**173.846**	**-**	**-**	**140.477**	**-**	**35.667**	**97.932**	**-**	**-**	**58.785**	**-**	**41.199**
1. Loans	33.415	-	-	-	-	33.415	41.199	-	-	-	-	41.199
1.1. Current accounts	-	-	-	X	X	X	511	-	-	X	X	X
1.2. Term deposits	26.665	-	-	X	X	X	37.761	-	-	X	X	X
1.3 Other loans:	6.750	-	-	X	X	X	2.927	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Financing for leasing	364	-	-	X	X	X	781	-	-	X	X	X
- Other	6.386	-	-	X	X	X	2.146	-	-	X	X	X
2. Debt securities	140.431	-	-	140.477	-	2.252	56.733	-	-	58.785	-	-
2.1 Structured	9.428	-	-	7.310	-	2.252	7.116	-	-	7.116	-	-
2.2 Other debt securities	131.003	-	-	133.167	-	-	49.617	-	-	51.669	-	-
Total	**524.991**	**-**	**-**	**140.477**	**-**	**384.469**	**791.761**	**-**	**-**	**58.785**	**-**	**731.224**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown of receivables due from customers by type

Type of transaction/Amounts	31.12.2021						31.12.2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
1. Loans	**6.541.117**	**250.697**	**1.536.960**	**-**	**-**	**5.922.874**	**6.226.620**	**177.287**	**1.465.565**	**-**	**-**	**7.811.765**
1. Current accounts	58.211	17.903	190.926	X	X	X	60.631	29.335	198.236	X	X	X
2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	1	X	X	X
3. Loans/mortgages	2.188.700	62.608	156.781	X	X	X	1.935.910	37.647	159.479	X	X	X
4. Credit cards, personal loans and salary-backed loans	30.980	2.333	674.979	X	X	X	31.588	1.526	683.260	X	X	X
5. Financing for leasing	1.205.257	16.346	516	X	X	X	1.219.185	10.417	499	X	X	X
6. Factoring	2.459.510	143.713	1.334	X	X	X	2.306.216	75.823	1.033	X	X	X
7. Other loans	598.459	7.794	512.424	X	X	X	673.090	22.539	423.057	X	X	X
2. Debt securities	**2.003.030**	**-**	**-**	**1.823.274**	**-**	**200.867**	**1.265.929**	**1**	**-**	**1.180.538**	**-**	**324.178**
2.1. Structured	8.968	-	-	8.329	-	596	795	-	-	-	-	795
2.2. Other debt securities	1.994.062	-	-	1.814.945	-	200.271	1.265.134	1	-	1.180.538	-	323.383
Total	**8.544.147**	**250.697**	**1.536.960**	**1.823.274**	**-**	**6.123.741**	**7.492.549**	**177.288**	**1.465.565**	**1.180.538**	**-**	**8.135.943**

Acquired non-performing exposures mainly refer to the distressed retail loans of the Npl Segment and the non-performing assets that arose from the business combination with the GE Capital Interbanca Group at the acquisition date.

Finally, at 31 December 2021, other debt securities include 1.648,6 million Euro in government securities acquired by Banca Ifis with a view to optimising Group liquidity. Level 3 securities mainly include investments in securitisations and minibonds.

4.3 Financial assets measured at amortised cost: breakdown of receivables due from customers by debtor/issuer

Type of transaction/Amounts	31.12.2021			31.12.2020		
	Stage 1 and 2	Stage 3	Purchased or originated impaired	Stage 1 and 2	Stage 3	Purchased or originated impaired
1. Debt securities	**2.003.030**	**-**	**-**	**1.265.929**	**1**	**-**
a) Public Administrations	1.675.663	-	-	1.099.347	-	-
b) Other financial companies	248.510	-	-	138.649	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	78.857	-	-	27.933	1	-
2. Loans to:	**6.541.117**	**250.697**	**1.536.960**	**6.226.620**	**177.287**	**1.465.565**
a) Public Administrations	614.690	77.345	625	633.162	14.335	5
b) Other financial companies	136.389	7.874	1.526	173.948	3.697	6.241
of which: insurance companies	377	-	-	315	11	-
c) Non-financial companies	5.080.049	142.237	194.066	4.718.820	140.910	212.731
d) Households	709.989	23.241	1.340.743	700.689	18.346	1.246.588
Total	**8.544.147**	**250.697**	**1.536.960**	**7.492.549**	**177.288**	**1.465.565**

4.4 Financial assets measured at amortised cost: gross amount and overall impairment losses/reversals

	Gross amount					Overall impairment losses/reversals				Overall partial write-offs[1]
	Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	
Debt securities	2.145.562	2.145.562	-	-	-	(2.101)	-	-	-	-
Loans	6.462.959	690.025	538.577	446.384	1.536.960	(60.025)	(18.184)	(193.337)	-	(56.639)
Total 31.12.2021	**8.608.521**	**2.835.587**	**538.577**	**446.384**	**1.536.960**	**(62.126)**	**(18.184)**	**(193.337)**	**-**	**(56.639)**
Total 31.12.2020	**7.888.142**	**1.929.685**	**396.168**	**177.288**	**1.465.565**	**(64.683)**	**(5.655)**	**(239.285)**	**-**	**(42.511)**

(1) Amount to be reported for disclosure purposes

4.4a Loans measured at amortised cost concerned by COVID-19 support measures: gross value and overall impairment losses/reversals

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

	Gross amount					Overall impairment losses/reversals				Overall partial write-offs
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	
1. Loans concerned by concessions in compliance with the GLs	88.389	-	1.742	254	-	(517)	(114)	-	-	-
2. Loans subject to outstanding moratorium measures no longer in compliance with GLs and not evaluated as granted	84.551	-	10.447	3.383	1.727	(518)	(211)	(951)	-	-
3. Loans concerned by other concessions	-	-	-	-	-	-	-	-	-	-
4. New loans	431.816	-	29.174	2.139	8.720	(745)	(306)	(335)	-	-
Total 31.12.2021	**604.756**	**-**	**41.363**	**5.776**	**10.447**	**(1.780)**	**(631)**	**(1.286)**	**-**	**-**
Total 31.12.2020	**831.863**	**-**	**38.795**	**3.312**	**8.634**	**(9.249)**	**(958)**	**(5.000)**	**-**	**n.a.**

Section 9 - Property, plant and equipment - Item 90

9.1 Property, plant and equipment for functional use: breakdown of assets measured at cost

Assets/Amounts	31.12.2021	31.12.2020
1. Owned	**103.487**	**97.173**
a) Land	20.297	20.297
b) Buildings	68.414	65.883
c) Furniture	3.145	1.703
d) Electronic equipment	3.656	4.085
e) Other	7.975	5.205
2. Rights of use acquired through leases	**16.284**	**17.411**
a) Land	-	-
b) Buildings	14.696	15.300
c) Furniture	-	-
d) Electronic equipment	312	506
e) Other	1.276	1.605
Total	**119.771**	**114.584**
of which: obtained by enforcing collateral	-	-

Property, plant and equipment for functional use came to 119,8 million Euro as compared with the 114,6 million Euro at 31 December 2020, slightly up mainly due to the inclusion of Farbanca S.p.A. in the Group and certain investments made in improvements in Group offices.

At the end of the year, 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, it is appraised by experts specialising in luxury properties. The impairment test did not reveal any impairment losses to be recognised in profit or loss.

9.2 Property, plant and equipment held for investment purpose: breakdown of assets measured at cost

Assets/Amounts	31.12.2021				31.12.2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned	**485**	**-**	**-**	**485**	**565**	**-**	**-**	**565**
a) Land	-	-	-	-	-	-	-	-
b) Buildings	485	-	-	485	565	-	-	565
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Land	-	-	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-	-	-
Total	**485**	**-**	**-**	**485**	**565**	**-**	**-**	**565**
of which: obtained by enforcing collateral	-	-	-	-	-	-	-	-

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

9.6 Property, plant and equipment for functional use: annual changes

	Land	Buildings	Furnishings	Electronic equipment	Other	Total 31.12.2021
A. Gross opening balance	**20.297**	**137.185**	**3.256**	**9.264**	**13.727**	**183.729**
A.1 Total net amortisation and impairment losses	-	(56.004)	(1.552)	(4.671)	(6.918)	(69.145)
A.2 Net opening balance	**20.297**	**81.181**	**1.704**	**4.593**	**6.809**	**114.584**
B. Increases	**-**	**16.496**	**3.921**	**2.059**	**4.935**	**27.411**
B.1 Purchases	-	16.061	2.188	1.698	4.220	24.167
of which from business combinations	-	*925*	*103*	*173*	*189*	*1.390*
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains taken to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	435	1.733	361	715	3.244
C. Decreases	**-**	**(14.567)**	**(2.480)**	**(2.684)**	**(2.493)**	**(22.224)**
C.1 Sales	-	(1.157)	(36)	(42)	(123)	(1.358)
C.2 Depreciation	-	(5.251)	(725)	(2.429)	(1.883)	(10.288)
C.3 Impairment losses taken to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses taken to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	(559)	-	-	-	(559)
a) Investment property	-	(559)	X	X	X	(559)
b) Non-current assets and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	(7.600)	(1.719)	(213)	(487)	(10.019)
D. Net closing balance	**20.297**	**83.110**	**3.145**	**3.968**	**9.251**	**119.771**
D.1 Total net amortisation and impairment losses	-	(61.255)	(2.277)	(7.100)	(8.801)	(79.433)
D.2 Gross closing balance	**20.297**	**144.365**	**5.422**	**11.068**	**18.052**	**199.204**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Property, plant and equipment for functional use are measured at cost and are depreciated on a straight-line basis over their useful life, with the exclusion of land with an indefinite useful life and the “Villa Marocco” property, whose residual value at the end of its useful life is expected to be higher than its book value.

Property, plant and equipment not yet brought into use at the reporting date are not depreciated.

9.7 Property, plant and equipment held for investment purpose: annual changes

	31.12.2021	
	Land	Buildings
A. Opening balance	**-**	**565**
B. Increases	**-**	**559**
B.1 Purchases	-	-
B.2 Capitalised improvement expenses	-	-
B.3 Fair value gains	-	-
B.4 Reversals of impairment losses	-	-
B.5 Exchange gains	-	-
B.6 Transfers from property for functional use	-	559
B.7 Other changes	-	-
C. Decreases	**-**	**(639)**
C.1 Sales	-	(559)
C.2 Depreciation	-	-
C.3 Fair value losses	-	(80)
C.4 Impairment losses	-	-
C.5 Exchange losses	-	-
C.6 Transfers to:	-	-
a) property for functional use	-	-
b) Non-current assets and disposal groups	-	-
C.7 Other changes	-	-
D. Closing balance	**-**	**485**
E. Measurement at fair value	**-**	**485**

Buildings held for investment purposes are measured at cost and refer to leased property. They are not depreciated as they are destined for sale.

9.9 Commitments to purchase property, plant and equipment

There were no commitments to purchase property, plant and equipment.

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by asset type

Assets/Amounts	31.12.2021		31.12.2020	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**38.794**	**X**	**38.798**
A.1.1 attributable to the Group	X	38.794	X	38.798
A.1.2 attributable to non-controlling interests	X	-	X	-
A.2 Other intangible assets	**22.813**	**-**	**22.172**	**-**
of which: software	22.813	-	22.172	-
A.2.1 Assets measured at cost:	22.813	-	22.172	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	22.813	-	22.172	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**22.813**	**38.794**	**22.172**	**38.798**

Goodwill totalled 38,8 million Euro, with 774 thousand Euro arising from the line-by-line consolidation of the Polish subsidiary Ifis Finance Sp. z o.o. and 38,0 million Euro from the former Fbs Group, acquired in 2019.

Other intangible assets at 31 December 2021 refer exclusively to software purchase and development, amortised on a straight-line basis over the estimated useful life, which is five years from deployment.

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		FIN	INDEF	FIN	INDEF	
A. Opening balance	**38.798**	**-**	**-**	**22.172**	**-**	**60.970**
A.1 Total net amortisation and impairment losses	-	-	-	-	-	-
A.2 Net opening balance	**38.798**	**-**	**-**	**22.172**	**-**	**60.970**
B. Increases	**-**	**-**	**-**	**9.276**	**-**	**9.276**
B.1 Purchases	-	-	-	9.154	-	9.154
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Reversals of impairment losses	X	-	-	-	-	-
B.4 Fair value gains	-	-	-	-	-	-
- to equity	X	-	-	-	-	-
- to profit or loss	X	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	122	-	122
C. Decreases	(4)	-	-	(8.635)	-	(8.639)
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses/reversals	-	-	-	(8.417)	-	(8.417)
- Amortisation	X	-	-	(8.417)	-	(8.417)
- Impairment losses:	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.3 Fair value losses:	-	-	-	-	-	-
- to equity	X	-	-	-	-	-
- to profit or loss	X	-	-	-	-	-
C.4 Transfer to non-current assets under disposal	-	-	-	-	-	-
C.5 Exchange losses	(4)	-	-	-	-	(4)
C.6 Other changes	-	-	-	(218)	-	(218)
D. Net closing balance	**38.794**	**-**	**-**	**22.813**	**-**	**61.607**
D.1 Total net amortisation, impairment losses and reversals of impairment losses	-	-	-	-	-	-
E. Gross closing balance	**38.794**	**-**	**-**	**22.813**	**-**	**61.607**
F. Measurement at cost	-	-	-	-	-	-

Key:
FIN: finite useful life
INDEF: indefinite useful life

Purchases refer mainly to investments for the enhancement of IT systems.

10.3 Other information

Information about goodwill

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

In the case of the Banca Ifis Group, the acquisitions made in previous years (of Ifis Finance Sp. z o. o. and the former Fbs Group) led to the recognition of goodwill totalling 38,8 million Euro as at 31 December 2020.

On the other hand, with reference to the acquisition of the business unit of the former Aigis Banca carried out in 2021, this entailed the recognition of a gain on bargain purchase in the Income Statement, thus not generating any goodwill. For more details on this transaction, see part G of these Notes.

The value of goodwill at 31 December 2021 was 38,8 million Euro, substantially unchanged from the figure at 31 December 2020. The prospectus below summarises the period dynamics, with goodwill values detailed by CGU (which represent the aggregations of assets at which level impairment testing must be performed on goodwill, to verify the recoverable value).

GOODWILL: YEAR CHANGES (in thousands of Euro)	Goodwill at 31.12.2020	Exchange rates update	Write-downs	Goodwill at 31.12.2021
Goodwill for the former Fbs Group (“Npl Segment” CGU)	38.020	-	-	38.020
Goodwill for Ifis Finance Sp. z o. o. (“Commercial & Corporate Banking Segment” CGU)	778	(4)	-	774
Total goodwill	**38.798**	**(4)**	**-**	**38.794**

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.

Finally, please note that IAS 36, in order to determine the Value in Use of the intangibles subject to impairment testing, rules that reference must be made to the cash flows relative to the intangible in its current condition (at the date of impairment testing), without drawing any distinction between the cash flows referring to the asset originally noted during application of IFRS 3 and those relative to the assets in place at the time of impairment testing; this insofar as it would be difficult, particularly in the case of extraordinary transactions between businesses or changes to the asset following significant turnover of assets, customers, contracts, etc., to distinguish between the flows referring to the original asset and others.

This concept can also be replicated for the determination, for the impairment testing of goodwill, of the Value in Use of the CGU, whose cash flows must be considered with reference to all assets and liabilities included in the CGU and not only for the assets and liabilities in regard to which goodwill was noted during application of IFRS 3.

Also, please note that the methods and assumptions underlying the goodwill impairment testing procedure and the related results defined by the management, were approved by the Board of Directors before approval of the draft 2021 financial statements.

Impairment testing of the CGUs and goodwill

The definition of Cash Generating Units (CGUs)

The estimate of the Value in Use, in order to perform impairment testing, in accordance with IAS 36 of intangible assets with undefined life (including goodwill), which do not generate cash flow except jointly with other corporate assets, requires the preliminary attribution of such intangible assets to organisational units of relatively autonomous management, able to generate flows of financial resources that are largely independent of those produced by other business areas, but inter-dependent within the organisational unit that generates them. These organisational units are called “Cash Generating Units” (or “CGUs”).

The text of IAS 36 reveals the need to correlate the level at which goodwill is tested with the level of internal reporting at which the management controls the growth and reductions of said value. In these terms, the definition of said level is closely linked to the organisational models and the attribution of the management responsibilities in order to define operative guidelines and consequent monitoring. The organisational models can be regardless (and indeed in the case of the Banca Ifis Group are regardless) of the structure of the legal entities through which operations take place and, very often, are closely linked to the definition of the business operating segments that underlie the Segment reporting envisaged by IFRS 8. These considerations with reference to the criteria employed to determine the CGUs for impairment testing the goodwill are, moreover, consistent with the definition of the recoverable value of an asset - the determination of which underlies the impairment testing - according to which the amount is relevant that the company expects to recover from said asset, considering synergies with other assets.

Therefore, consistently with the logics of price formation that gave rise to the booking of goodwill, the recoverable value for the purpose of the impairment testing of the CGU to which goodwill is allocated, must include the valuation of not only external (or universal) synergies, but also internal synergies, which the specific buyer can obtain from the integration of the assets acquired in its economic combinations, evidently according to the defined business management models.

In view of the foregoing and in line with the Group Policy, the CGUs have been identified with the operating segments as defined in the information accompanying the consolidated financial statements (Commercial & Corporate Banking Segment and Npl Segment).

Considering that the goodwill connected with the purchase of the equity investment in Ifis Finance Sp. z o.o. is significant in regard to the whole of the Commercial & Corporate Banking Segment, in practical implementation, the choice has been made to perform impairment testing at the level of the individual companies.

The carrying amount of the CGUs

The carrying amount of the CGUs must be determined consistently with the criterion whereby their recoverable value was estimated. For a bank, it is not possible to identify the flows generated by a CGU without considering the flows deriving from financial assets/liabilities, given that the latter represent its core business. In other words, the recoverable value of the CGU is impacted by said flows and, accordingly, their carrying amount must be determined consistently with the scope of estimate of the recoverable value and must, therefore, also include the financial assets/liabilities.

Taking this approach, the carrying amount of the CGU of the Banca Ifis Group can be determined in terms of contribution towards the consolidated equity, including any part pertaining to minorities. In any case, under the scope of the combinations performed by Banca Ifis, resulting in the recording of goodwill, there is no share of goodwill pertaining to minorities, because they are all transactions resulting in 100% control.

Therefore, the carrying amount of the CGUs comprising companies belonging to a single Segment has been determined through the sum of the individual equity contributions on a consolidated level.

The table below gives the carrying amounts of the CGUs and the portions of goodwill allocated to each before being subjected to annual impairment testing.

CARRYING AMOUNTS AND GOODWILL ALLOCATED (in thousands of Euro)	Amounts at 31.12.2021 (pre-impairment testing)		
	Carrying amount	of which Group share of goodwill	of which goodwill pertaining to minorities
Npl Segment	534.214	38.020	-
Ifis Finance Sp. z o. o.	37.600	774	-
Total	**571.814**	**38.794**	**-**

Criteria for estimating the Value in Use of the CGUs

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

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

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

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

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

This method makes it possible to consider the current equity of the companies/business units valued, with respect to the supervisory requirements and their income prospects reflected in the forecasts. The flow of the last year of the analytical forecast is forecast perpetually through an appropriate long-term growth rate ("g"), in order to estimate the terminal value.

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

Cash flow forecasts

Forecast cash flow is understood as the distributable cash flow, taking into account the equity restrictions imposed by the Supervisory Authorities or held to be appropriate to monitor the risk typical of the asset analysed. Therefore, future cash flows can be identified as the flows that may potentially be distributed after having satisfied the minimum allocated capital restrictions. In the forecasts of available cash flows, consideration was given to maintaining a level of CET1 in line with the supervisory provisions, of 8,12% (minimum value envisaged by the last SREP received and relative to the Banca Ifis Group). The consolidated SREP limit is considered insofar as higher thresholds are imposed internally in respect of a control context, envisaging alert and warning thresholds. The consolidated limit is respected as required by the Supervisory Body. Implicitly, this limit sets limits that exceed the regulatory minimums for the subsidiaries. The internal audits, with higher thresholds in RAF, prudently avoid any overrun.

Determination of the recoverable amount is hinged on the discounting of forecast cash flow and relates to the 2021-2024 economic and equity forecasts, consistently with the projects of the 2022-2024 Business Plan for the CGUs in question (Npl Segment, Ifis Finance Sp. z o.o.), as approved by the Parent company's Board of Directors on 13 January 2022.

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

Flow discounting rates

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

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

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

- with reference to the risk-free component and the risk premium, consideration was given to the currently, very low values with reference to the general interest rate context. Indeed, although the interest rates are not expected to rise significantly (at least in the short/medium-term), it is in any case appropriate to give some thought to assessing whether or not the current situation can reasonably be expected to last for beyond the "explicit period" of cash flow forecasting, for impairment test measurements. Indeed, it is common knowledge that a significant component of the calculation of the CGU value consists of its Terminal Value, calculated as the perpetual incoming cash flow that can be achieved when "fully up and running"; in this sense, reflections should focus on the analysis of the current macroeconomic context, to verify if the current level of interest rates may be representative of an ordinary situation and, therefore, can be incorporated into the flow discount rate implicit in the Terminal Value, in long-term calculations, as those required for an impairment testing process. On the basis of the situation described above, considering the mentioned long-term prospects that must guide the impairment testing, for the 2021 financial statements, we have chosen to use:
    - as risk free rate for the CGU Npl Segment, the spot gross return value of the Italian ten-year BTP, recorded on 31 December 2021, while for the CGU Ifis Finance Sp. Z o. o., the spot gross return figure of the Polish ten-year government bond, recorded at that same date;

  - as risk premium, the average market return, determined on the basis of the long-term spread in the return of equities and bonds, relative to the Italian and Polish markets;
- the beta coefficient, which measures the specific risk level of the individual company or operating segment, has been determined as follows:
  - for the CGU Npl Segment, the average was used, recorded over a 2-year discovery period and on a weekly basis, of the betas relative to a sample of comparable listed companies;
  - for the CGU Ifis Finance Sp. z o. o., the beta of Banca Ifis was adopted, determined on the basis of 2-year weekly observations.

Results of the impairment testing

The results of the impairment testing revealed that at 31 December 2021, the Values in Use of the CGUs Npl Segment and Finance Sp. z o.o. exceeded their respective carrying amounts. There was therefore no need to impair the impairment-tested goodwill booked.

Sensitivity analyses

As the Value in Use is determined by using estimates and assumptions that may include elements of uncertainty, as required by the IAS/IFRS standards, sensitivity analyses have been performed to verify the sensitivity of the results obtained to changes in certain underlying parameters and hypotheses.

More specifically, for CGUs with residual goodwill values, the impact was verified on the Value in Use of a change in the "g" growth rate of +/-1% and a delta of the Ke of +/-1%.

None of the CGUs tested revealed any impairment in the cases analysed.

Section 11 - Tax assets and liabilities - Item 110 of assets and Item 60 of liabilities

11.1 Deferred tax assets: breakdown

The main types of deferred tax assets are set out below.

Deferred tax assets	31.12.2021	31.12.2020
A. Gross deferred tax assets	**284.126**	**307.176**
A1. Receivables (including securitisations)	206.823	221.395
A2. Other financial instruments	2.993	714
A3. Goodwill	12.573	12.573
A4. Expenses spanning several years	-	-
A5. Property, plant and equipment	3.705	2.762
A6. Provisions for risks and charges	15.195	15.538
A7. Entertainment expenses	-	-
A8. Personnel-related expenses	135	2
A9. Tax losses	39.394	51.051
A10. Unused tax credits to be deducted	-	-
A11. Other	3.308	3.141
B. Set-off with deferred tax liabilities	**-**	**-**
C. Net deferred tax assets	**284.126**	**307.176**

Deferred tax assets amounted to 284,1 million Euro, compared with 307,2 million Euro at 31 December 2020, of which 39,4 million Euro for previous tax losses and ACE benefits (51,1 million Euro at 31 December 2020). The Group has benefited from Art. 55, Italian Decree Law no. 18/2020 (the "Cura Italia" Decree), proceeding to transfer the deferred tax assets on previous tax losses and ACE benefit into tax credits for 28,4 million Euro.

Tax losses carried forward and with ACE benefits realised by the subsidiaries Cap.Ital.Fin. and Ifis Real Estate before entering the tax consolidation scheme, totalling 2,3 million Euro, have not been recorded in the financial statements.

At present, no risks are seen on the potential failure to recover prepaid tax entered in the medium/long-term.

11.2 Deferred tax liabilities: breakdown

The main types of deferred tax liabilities are shown below.

Deferred tax liabilities	31.12.2021	31.12.2020
A. Gross deferred tax liabilities	**32.455**	**36.136**
A1. Capital gains to be spread over multiple periods	-	-
A2. Goodwill	-	-
A3. Property, plant and equipment	345	536
A4. Financial instruments	381	1.022
A5. Personnel-related expenses	12	-
A6. Other	31.717	34.578
B. Set-off with deferred tax assets	**-**	**-**
C. Net deferred tax liabilities	**32.455**	**36.136**

Deferred tax liabilities, totalling 32,5 million Euro, largely included 28,8 million Euro in receivables for interest on arrears that will be taxed upon receipt, 0,3 million Euro in the revaluation of property, and 2,8 million Euro in other mismatches of trade receivables and 0,4 million Euro relative to financial assets measured at fair value (FVOCI).

11.3 Changes in deferred tax assets (recognised through profit or loss)

	31.12.2021	31.12.2020
1. Opening balance	**306.206**	**333.041**
2. Increases	**29.377**	**21.734**
2.1 Deferred tax assets recognised in the year	28.863	19.136
a) relative to previous years	370	892
b) due to change in accounting standards	-	-
c) reversals of impairment losses	-	-
d) other	28.493	18.244
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	514	2.598
- of which from business combinations	*-*	*2.598*
3. Decreases	**54.690**	**48.569**
3.1 Deferred tax assets reversed during the year	49.624	20.108
a) reversals	38.413	17.517
b) impairment losses due to unrecoverability	2.221	51
c) change in accounting standards	-	-
d) other	8.990	2.540
3.2 Reductions in tax rates	-	-
3.3 Other decreases	5.066	28.461
a) conversion into tax credits as per Italian Law no. 214/2011	13	28.461
b) other	5.053	-
4. Closing balance	**280.893**	**306.206**

Concerning the changes in deferred tax assets (recognised through profit or losses), please note that:

- decreases included the prepaid tax transformed following the benefit granted by Art. 55 of Italian Decree Law no. 18/2020 for 4,4 million Euro;
- the deferred tax assets related to the taxable profit for the year were not included, as they were recognised under other assets and other liabilities as a receivable and payable due from and to the parent/consolidating company La Scogliera under current tax consolidation arrangements.

11.4 Changes in deferred tax assets as per Italian Law no. 214/2011

	31.12.2021	31.12.2020
1. Opening balance	**219.173**	**218.430**
2. Increases	**566**	**2.155**
3. Decreases	**14.387**	**1.412**
3.1 Reversals	14.009	1.412
3.2 Conversion in tax credits	13	-
a) deriving from losses for the year	13	-
b) deriving from tax losses	-	-
3.3 Other decreases	365	-
4. Closing balance	**205.352**	**219.173**

11.5 Changes in deferred tax assets (recognised through profit or loss)

	31.12.2021	31.12.2020
1. Opening balance	**35.111**	**39.263**
2. Increases	**2.569**	**4.943**
2.1 Deferred tax assets recognised in the year	2.384	4.943
a) relative to previous years	-	7
b) due to change in accounting standards	-	-
c) other	2.384	4.936
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	185	-
3. Decreases	**5.538**	**9.095**
3.1 Deferred tax liabilities reversed during the year	5.538	9.011
a) reversals	5.538	9.011
b) due to change in accounting standards	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	84
4. Closing balance	**32.142**	**35.111**

11.6 Changes in deferred tax assets (recognised through equity)

	31.12.2021	31.12.2020
1. Opening balance	**970**	**1.275**
2. Increases	**2.627**	**1.214**
2.1 Deferred tax assets recognised in the year	2.554	-
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	2.554	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	73	1.214
3. Decreases	**364**	**1.519**
3.1 Deferred tax assets reversed during the year	364	1.519
a) reversals	190	-
b) impairment losses due to unrecoverability	-	-
c) due to change in accounting standards	-	-
d) other	174	1.519
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**3.233**	**970**

The change was strictly related to the tax impact of the negative change in the fair value reserve for financial assets measured at fair value through other comprehensive income.

11.7 Changes in deferred tax liabilities (recognised through equity)

	31.12.2021	31.12.2020
1. Opening balance	**1.025**	**1.507**
2. Increases	**1.617**	**439**
2.1 Deferred tax assets recognised in the year	1.617	439
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	1.617	439
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	2.329	921
3.1 Deferred tax liabilities reversed during the year	2.329	921
a) reversals	2.329	-
b) due to change in accounting standards	-	-
c) other	-	921
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**313**	**1.025**

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

	31.12.2021	31.12.2020
Tax receivables	310.871	17.168
Accrued income and deferred expenses	41.199	35.022
Guarantee deposits	2.042	1.152
Debtors for invoices	32.262	57.953
Sundry receivables	53.074	165.010
Miscellaneous provisional items	14.312	19.229
Portfolio of effects subject to collection	33.267	21.944
Total	**487.027**	**317.478**

Other sundry items include 22,9 million Euro in credits due to the parent company La Scogliera under the tax consolidation agreements (83,3 million Euro at 31 December 2020). The significant decrease is mainly attributable to the IRES refund received by La Scogliera, relating to the 2016 tax period, and paid back to Banca Ifis for its share.

LIABILITIES

Section 1 - Financial liabilities measured at amortised cost - Item 10

1.1 Financial liabilities at amortised cost: breakdown of payables due to banks by type

Type of transaction/Amounts	31.12.2021				31.12.2020			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Payables due to Central banks	**2.236.942**	**X**	**X**	**X**	**2.116.961**	**X**	**X**	**X**
2. Payables due to banks	**361.024**	**X**	**X**	**X**	**250.121**	**X**	**X**	**X**
2.1 Current accounts and on demand deposits	6.228	X	X	X	4.994	X	X	X
2.2 Term deposits	42.824	X	X	X	132.304	X	X	X
2.3 Loans	311.972	X	X	X	112.421	X	X	X
2.3.1 Repurchase agreements	217.512	X	X	X	-	X	X	X
2.3.2 Other	94.460	X	X	X	112.421	X	X	X
2.4 Debt from buyback commitments on treasury equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	-	X	X	X	402	X	X	X
Total	**2.597.966**	**-**	**-**	**2.597.966**	**2.367.082**	**-**	**-**	**2.367.082**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Payables due to banks amounted to 2.598,0 million Euro, up 9,8% compared to 31 December 2020, mainly due to new repurchase agreements (+ 217,5 million Euro) with the securitisation notes issued by the subsidiary Ifis Npl Investing as underlying assets.

The fair value of payables due to banks is in line with the relevant carrying amount, considering the fact that interbank deposits are short- or very short-term.

1.2 Financial liabilities measured at amortised cost: breakdown of payables due to customers by type

Type of transaction/Amounts	31.12.2021				31.12.2020			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and on demand deposits	1.655.429	X	X	X	1.256.402	X	X	X
2. Term deposits	3.972.154	X	X	X	4.017.198	X	X	X
3. Loans	-	X	X	X	-	X	X	X
3.1 Repurchase agreements	-	X	X	X	-	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Debt from buyback commitments on treasury equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	16.127	X	X	X	16.891	X	X	X
6. Other payables	40.034	X	X	X	181.383	X	X	X
Total	**5.683.744**	**-**	**-**	**5.598.990**	**5.471.874**	**-**	**-**	**5.085.441**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Payables due to customers at 31 December 2021 totalled 5.683,7 million Euro. The increase on the balance at end 2020 is mainly driven by growth in current accounts on demand, also thanks to the contribution of the business unit deriving from the former Aigis Banca, offset by a contraction in time deposits.

1.3 Financial liabilities measured at amortised cost: breakdown of debt securities issued by type

Type of securities/Amounts	31.12.2021				31.12.2020			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	2.504.580	1.059.227	-	1.445.353	2.068.672	768.887	-	1.262.879
1.1 structured bonds	-	-	-	-	-	-	-	-
1.2 other bonds	2.504.580	1.059.227	-	1.445.353	2.068.672	768.887	-	1.262.879
2. Other securities	298	-	-	298	411	-	-	411
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	298	-	-	298	411	-	-	411
Total	**2.504.878**	**1.059.227**	**-**	**1.445.651**	**2.069.083**	**768.887**	**-**	**1.263.290**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

The bonds include, for principal and interest, the securities issued by the SPVs under the scope of securitisation transactions for a total of 1,4 billion Euro, the senior bonds issued by Banca Ifis S.p.A. for a total of 654,4 million Euro and the Tier 2 bond for 402,1 million Euro issued mid-October 2017. During 2021, the bonds issued by the merged company former Interbanca S.p.A., amounting to 62,7 million Euro as at 31 December 2020, were repaid.

1.4 Breakdown of subordinated debts/securities

The line item "Debt securities issued" included 402,1 million Euro in subordinated notes related to Euro Tier 2 bond issued in mid-October 2017 for a nominal amount of 400 million Euro.

1.6 Lease payables

	31.12.2021	31.12.2020
Lease payables	16.127	16.891

The above payable relates for 13,1 million Euro to lease contracts of properties and cars coming under the scope of application of accounting standard IFRS 16, which came into force at 1 January 2019 and as more extensively described in "Part M - Information on leasing" of this document.

It also includes 3,0 million Euro for the real estate lease the former company Toscana Finanza S.p.A. entered into in 2009 for the property located in Florence, which housed the headquarters of the Npl Segment until August 2016. The term of the lease entered into with Centro Leasing S.p.A. is 18 years (from 01.03.2009 to 01.03.2027) and provides for the payment of 216 monthly instalments of about 28 thousand Euro, including the principal, interest and an option to buy the asset at the end of the lease for 1,9 million Euro. The property currently houses the head office of Banca Ifis.

Section 2 - Financial liabilities held for trading - item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Amounts	31.12.2021					31.12.2020				
	NA	Fair value			Fair value*	NA	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Payables due to banks	-	-	-	-	-	-	-	-	-	-
2. Payables due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives	-	-	5.992	-	-	-	-	18.551	-	-
1.1 Held for trading	X	-	5.992	-	X	X	-	18.551	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 For trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**5.992**	**-**	**X**	**X**	**-**	**18.551**	**-**	**X**
Total (A+B)	**X**	**-**	**5.992**	**-**	**X**	**X**	**-**	**18.551**	**-**	**X**

Key:
NA = Nominal or notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair Value = Fair value calculated excluding changes in value due to changes in the issuer's creditworthiness compared to the date of issuance*

Concerning level 2 liabilities held for trading, see the comments in section 2 under assets.

Section 6 - Tax liabilities - Item 60

Current tax liabilities, amounting to 16,7 million Euro, represent the tax burden for the year (12,0 million Euro at 31 December 2020). Deferred tax liabilities, of 32,5 million Euro, are better described in section 11 of the assets, to which reference is made.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	31.12.2021	31.12.2020
Payables due to suppliers	93.766	98.327
Payables due to personnel	20.466	14.845
Payables due to the Tax Office and Social Security agencies	13.029	8.669
Sums available to customers	20.575	50.177
Accrued liabilities and deferred income	1.397	2.600
Other payables	238.062	203.629
Miscellaneous provisional items	48.812	60.064
Total	**436.107**	**438.311**

Other payables include 26,0 million Euro for a payable due to the parent company La Scogliera deriving from the application of the tax consolidation (17,3 million Euro at 31 December 2020).

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	31.12.2021	31.12.2020
A. Opening balance	**9.235**	**9.977**
B. Increases	**1.860**	**1.688**
B.1 Provisions for the year	174	363
B.2 Other changes	1.686	1.160
Business combinations	*203*	*165*
C. Decreases	**1.758**	**2.430**
C.1 Payments made	473	1.644
C.2 Other changes	1.285	786
D. Closing balance	**9.337**	**9.235**

The increases deriving from business combinations concern the post-employment benefit liabilities assumed by the Group as a result of the 2021 acquisition of the former Aigis Banca business unit and, in 2020, of Farbanca S.p.A.

Payments made represent the benefits paid to employees during the year.

Other decreases include the impact of the discounting of benefits earned up to 31 December 2006 and still held in the company, which, based on the changes introduced by the new IAS 19, are recognised through equity.

9.2 Other information

Under IAS/IFRS standards, a company's liabilities regarding benefits that will be paid to employees at the conclusion of the employer/employee relationship (post-employment benefits) should be recognised based on actuarial calculations of the amount that will be paid at maturity.

Specifically, these allocations must take into account the amount already earned over the period at the reporting date, projecting it into the future in order to calculate the amount that will be paid at the conclusion of the employer/employee relationship. This amount must then be discounted to take into account the time that will pass until payment.

Following the coming into force of the 2007 Budget Law, which brought the reform regarding supplementary pension plans - as per Italian Legislative Decree no. 252 of 5 December 2005 - forward to 1 January 2007, the employee was given a choice as to whether to allocate the post-employment benefits earned as from 1 January 2007 to supplementary pension funds or to maintain them in the company, which would then transfer it to a dedicated fund managed by INPS (the Italian National Social Security Institute).

This reform has led to changes in the accounting of post-employment benefits as for both the benefits earned up to 31 December 2006 and those earned from 1 January 2007.

In particular:

- post-employment benefits earned as from 1 January 2007 constitute a "defined-contribution plan", regardless of whether the employee has chosen to allocate them to a supplementary pension fund or to INPS's Treasury Fund. Those benefits shall be calculated according to contributions due without applying actuarial methods;
- post-employment benefits earned up to 31 December 2006 continue to be considered as a "defined-benefit plan", and as such are calculated on an actuarial basis which, however, unlike the calculation method applied until 31 December 2006, no longer requires that the benefits be proportionally attributed to the period of service rendered. This is because the employee's service is considered entirely accrued due to the change in the accounting nature of benefits earned as from 1 January 2007.

Section 10 - Provision for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	31.12.2021	31.12.2020
1. Provisions for credit risk related to commitments and financial guarantees granted	11.938	10.988
2. Provisions on other commitments and financial guarantees granted	-	-
3. Provisions for pensions	-	-
4. Other provisions for risks and charges	54.887	42.956
4.1 legal and tax disputes	36.832	21.016
4.2 personnel expenses	4.319	7.148
4.3 other	13.736	14.792
Total	**66.825**	**53.944**

As of 31 December 2021, total provisions for risks and charges amounted to 66,8 million Euro, up 12,9 million Euro on the previous year. The positive change in the balance sheet is primarily due to the contribution deriving from the acquisition of the business unit of the former Aigis Banca for 11,4 million Euro (directly recorded as greater liabilities, of which 1,2 million Euro already included in the book value of the business unit acquired and 10,2 million Euro as a greater liability recorded at the time of the PPA). For more details, refer to Part G "Business combinations" of the Notes.

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and financial guarantees granted	Provisions for pensions	Other provisions for risks and charges	Total 31.12.2021
A. Opening balance	**-**	**-**	**42.956**	**42.956**
B. Increases	**-**	**-**	**22.168**	**22.168**
B.1 Provisions for the year	-	-	10.482	10.482
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to changes in the discount rate	-	-	-	-
B.4 Other changes	-	-	11.686	11.686
Business combinations	-	-	*11.037*	*11.037*
C. Decreases	**-**	**-**	**10.237**	**10.237**
C.1 Used in the year	-	-	4.706	4.706
C.2 Changes due to changes in the discount rate	-	-	-	-
C.3 Other changes	-	-	5.531	5.531
D. Closing balance	**-**	**-**	**54.887**	**54.887**

The change for "Business combinations" relates to the acquisition of the business unit of the former Aigis Banca.

10.3 Provisions for credit risk related to commitments and financial guarantees granted

	Provisions for credit risk related to commitments and financial guarantees granted				
	Stage 1	Stage 2	Stage 3	Purchased and/or originated impaired	Total
Loan commitments	2.809	1.790	199	-	4.798
Guarantees granted	193	292	6.640	15	7.140
Total	**3.002**	**2.082**	**6.839**	**15**	**11.938**

At 31 December 2021, the balance of 11,9 million Euro, an increase of 8,6% 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.

10.6 Provisions for risks and charges - Other provisions

Legal and tax disputes

At 31 December 2021, provisions had been made for 36,8 million Euro for legal and tax disputes. This amount mainly breaks down as follows:

- 11,5 million Euro relating to the aforementioned contribution of the business unit of the former Aigis Banca, acquired in May 2021 and directly recorded as a greater liability, of which 1,2 million Euro was already included in the book value of the business unit acquired and 10,2 million as a greater liability recorded at the time of the PPA;
- 11,5 million Euro for 27 disputes concerning the Trade Receivables Area (the plaintiffs seek 31,7 million Euro in damages); these disputes are mainly connected with the request for the repetition of amounts collected or payments under guarantee in relation to factoring positions without recourse;
- 8,3 million Euro (the plaintiffs seek 62,6 million Euro in damages) for 10 disputes concerning the Corporate Banking & Lending Area deriving from the former Interbanca;
- 2,3 million Euro (the plaintiffs seek 2,6 million Euro in damages) for 26 disputes concerning the Leasing Area;
- 1,9 million Euro (the plaintiffs seek 5,0 million Euro in damages) for 62 disputes concerning receivables of the subsidiary Ifis Npl Investing;
- 0,7 million Euro for various disputes concerning Credifarma (the plaintiffs seek 1,5 million Euro in damages);
- 433 thousand Euro (the plaintiffs seek 3,9 million Euro) for disputes with customers and agents relating to Cap. Ital. Fin.;
- 138 thousand Euro for various disputes concerning Farbanca;
- 38 thousand Euro (the plaintiffs seek the same amount in damages) for disputes concerning the investee Ifis Rental Services.

Personnel expenses

At 31 December 2021, provisions are entered for staff for 4,3 million Euro (7,1 million Euro at 31 December 2020), of which 4,0 million Euro connected with the Solidarity Fund established in 2020 to implement the cost rationalisation programme envisaged by the Group.

Other provisions for risks and charges

At 31 December 2021, "Other provisions" were in place for 13,7 million Euro, down 7,1% on the 14,8 million Euro recorded at 31 December 2020. The item mainly comprised 7,8 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 0,7 million Euro for the provision for complaints.

Contingent liabilities

Here below are the most significant contingent liabilities outstanding at 31 December 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
Following the investigation carried out by the Guardia di Finanza [Financial Police Force] in regard to Direct Tax, VAT and other tax for the tax years 2016 and 2017 and 2013/2015 limited to transactions implemented with the Polish subsidiary Ifis Finance Sp. z o.o., Verification Notices were served in regard to the years 2013/2015. The Guardia di Finanza claims that it has found evidence to suggest that in the foreign country (Poland), a "permanent establishment" of Banca Ifis has been set up and not an autonomous legal subject with capacity of self-determination. In other words, by refusing to acknowledge the autonomous legal organisation of the Company with simultaneous tax residence of such in Poland, the costs and revenues of the Polish office would constitute positive or negative items producing income taxable in Italy (net of the tax credit for tax ultimately paid abroad). Overall, the Agency assessed 756 thousand Euro in additional taxes and administrative penalties amounting to 100%. In holding the Financial Administration's claim to be unfounded, the Group will be filing an appeal against the Verification Notice pursuant to the law with the competent Tax Commissions, paying 1/3 of the tax as provisional enrolment on the tax register. The hearing 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".

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

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

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

Section 13 - Group Equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 Share capital and treasury shares: breakdown

Item		31.12.2021	31.12.2020
170	Share capital (in thousands of Euro)	53.811	53.811
	Number of ordinary shares	53.811.095	53.811.095
	Nominal amount of ordinary shares	1 euro	1 euro
180	Treasury shares (in thousands of Euro)	(2.847)	(2.948)
	Number of treasury shares	339.139	351.427

13.2 Share capital - number of parent company shares: annual changes

Items/Types	Ordinary	Other
A. Shares held at the beginning of the year	**53.811.095**	**-**
- fully paid-up	53.811.095	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	(351.427)	-
A.2 Outstanding shares: opening balance	53.459.668	-
B. Increases	**12.288**	**-**
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	
B.3 Other changes	12.288	
C. Decreases	**-**	**-**
C.1 Annulments	-	-
C.2 Buybacks of treasury shares	-	-
C.3 Company sell-offs	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**53.471.956**	**-**
D.1 Treasury shares (+)	339.139	-
D.2 Shares held at the end of the year	53.811.095	-
- fully paid-up	53.811.095	-
- not fully paid-up	-	-

13.3 Share capital: other information

The share capital is composed of 53.811.095 ordinary shares with a nominal value of 1 Euro each, bearing no rights, liens and obligations, including those relating to dividend distribution and capital redemption.

13.4 Profit reserves: other information

Items/Components	31.12.2021	31.12.2020
Legal reserve	18.071	20.010
Extraordinary reserve	639.945	613.614
Other reserves	703.219	681.855
Total profit reserves	**1.361.235**	**1.315.479**
Other reserves, other than “profit reserves”	5.784	5.392
Total item 150 reserves	**1.367.019**	**1.320.871**

Total profit reserves include “Other reserves” for 633,4 million Euro as non-available reserve until approval of the financial statements for the year ended 31 December 2021. This amount is equal to the gain on bargain purchase from the acquisition of the former GE Capital Interbanca Group.

Pursuant to Article 1, paragraph 147 of the 2014 Stability Law (Italian Law no. 147 of 27.12.2013) and Article 1, paragraph 704 of the 2020 Budget Law (Italian Law no. 160 of 27.12.2019), the Banca Ifis Group has realigned the spread between the statutory value and tax value on certain properties. The amount corresponding to the higher values following the realignment, net of the substitute tax, generated a 15,3 million Euro untaxed reserve.

In addition, following the 2017 merger of Interbanca S.p.A. into Banca Ifis S.p.A., in accordance with Article 172 paragraph 5 of the Consolidated Law on Income Tax, the surviving entity restored the merging entity's deferred tax reserves as follows:

- 4,6 million Euro special reserve as per Article 15 paragraph 10 of Italian Law no. 516 of 07/08/1982;
- 2,3 million Euro revaluation reserve as per Italian Law no. 408/90

Finally, there were an additional 20,7 million Euro in deferred tax reserves recognised by Banca Ifis and arising from the merger of Interbanca, in accordance with the following laws: no. 576/75, no. 83/72 and no. 408/90, that had been previously recognised as share capital of the latter.

Section 14 - Equity attributable to non-controlling interests - Item 190

14.1 Breakdown of Item 210 “Equity attributable to non-controlling interests”

Company name	31.12.2021	31.12.2020
Equity investments in consolidated companies with significant minority interests	27.786	26.270
1. Credifarma S.p.A.	6.249	5.795
2. Farbanca S.p.A.	21.537	20.475
Other equity investments	-	-
Total	**27.786**	**26.270**

14.2 Equity instruments: breakdown and annual changes

There are no equity instruments.

Other information

1. Commitments and financial guarantees granted

	Nominal amount of commitments and financial guarantees granted				Total 31.12.2021	Total 31.12.2020
	Stage 1	Stage 2	Stage 3	Purchased and/or originated impaired		
1. Loan commitments	**1.147.634**	**38.847**	**16.265**	**-**	**1.202.746**	**1.089.106**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	2	-	-	-	2	-
c) Banks	8	-	-	-	8	-
d) Other financial companies	82.567	-	444	-	83.011	74.756
e) Non-financial companies	777.311	35.853	15.092	-	828.256	692.163
f) Households	287.746	2.994	729	-	291.469	322.187
2. Guarantees granted	**329.139**	**3.827**	**48.995**	**198**	**382.159**	**365.109**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	-	-	-	-	-	-
c) Banks	80.860	-	-	-	80.860	87.742
d) Other financial companies	20.913	-	1.145	-	22.058	8.713
e) Non-financial companies	220.854	3.765	47.497	-	272.116	251.219
f) Households	6.512	62	353	198	7.125	17.435

2. Other commitments and guarantees given

	Nominal amount	
	31.12.2021	31.12.2020
Other guarantees granted	**16.281**	**5.474**
of which: non-performing loans	11	11
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	16.281	5.474
f) Households	-	-
Other commitments	**363.949**	**32.348**
of which: non-performing loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	317.716	-
d) Other financial companies	46.233	32.348
e) Non-financial companies	-	-
f) Households	-	-

3. Assets used as collateral for own liabilities and commitments

Portfolios	31.12.2021	31.12.2020
1. Financial assets measured at fair value through profit or loss	712	-
2. Financial assets measured at fair value through other comprehensive income	472.465	713.017
3. Financial assets measured at amortised cost	2.008.942	1.142.749
4. Property, plant and equipment	-	-
of which: property, plant and equipment qualifying as inventories	-	-

Financial assets at fair value through other comprehensive income, just like financial assets measured at amortised cost, respectively for 469,6 million Euro and 1.648,6 million Euro, refer to government securities guaranteeing loans on the Eurosystem.

The rest of the financial assets measured at amortised cost refer to bank deposits backing derivative transactions.

5. Administration and mediation on behalf of third parties

Type of services	Amount
1. Execution of orders on behalf of clients	
a) purchases	-
1. settled	-
2. unsettled	-
b) sales	-
1. settled	-
2. unsettled	-
2. Portfolio management	
a) individual	-
b) collective	-
3. Safekeeping and administration of securities	
a) third party securities in custody: associated with depositary bank services (excluding portfolio management)	-
1. securities issued by consolidated companies	-
2. other securities	-
b) other third party securities in custody (excluding portfolio management): other	573.375
1. securities issued by consolidated companies	6.889
2. other securities	566.486
c) third party securities held with third parties	529.568
d) own securities held with third parties	4.194.244
4. Other transactions	

4.3 Part C - Consolidated income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest receivable and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31.12.2021	Total 31.12.2020
1. Financial assets measured at fair value through profit or loss:	**1.351**	**471**	**-**	**1.822**	**1.715**
1.1. Financial assets held for trading	3	-	-	3	-
1.2. Financial assets measured at fair value	-	-	-	-	-
1.3. Other financial assets mandatorily measured at fair value	1.348	471	-	1.819	1.715
2. Financial assets measured at fair value through other comprehensive income	**5.437**	**-**	**X**	**5.437**	**938**
3. Financial assets measured at amortised cost:	**29.492**	**431.147**	**-**	**460.639**	**430.782**
3.1. Receivables due from banks	1.727	12.704	X	14.431	8.101
3.2. Receivables due from customers	27.765	418.443	X	446.208	422.681
4. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
5. Other assets	**X**	**X**	**11.722**	**11.722**	**13.500**
6. Financial liabilities	**X**	**X**	**X**	**-**	**-**
Total	**36.280**	**431.618**	**11.722**	**479.620**	**446.935**
of which: interest income on impaired financial assets	*-*	*173.728*	*-*	*173.728*	*171.833*
of which: interest income on financial leases	*X*	*45.633*	*X*	*45.633*	*44.519*

As for Financial assets measured at fair value through profit or loss, the amounts refer to debt securities and loans that failed the SPPI test, whereas in the case of Financial assets measured at fair value through other comprehensive income, the reported amounts are securities, mainly government bonds, in the portfolio.

Interest income from receivables due from customers at amortised cost referring to debt securities is associated mainly with the senior tranche of a securitisation backed by the Italian government's state-guarantee scheme for NPL-backed securities (GACS) that the Group, as well as with the securities portfolio, established as a use of liquidity.

Finally, interest income on receivables due from customers at amortised cost referring to loans, related for 151,3 million Euro to Npl Segment exposures (140,1 million Euro in 2020).

1.2 Interest receivable and similar income: other information

1.2.1 Interest income on foreign currency financial assets

	31.12.2021	31.12.2020
Interest income on foreign currency financial assets	4.654	6.326

1.3 Interest due and similar expenses: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total 31.12.2021	Total 31.12.2020
1. Financial liabilities measured at amortised cost	(77.236)	(36.908)	-	(114.144)	(107.689)
1.1 Payables due to central banks	(2.901)	X	X	(2.901)	(1.459)
1.2 Payables due to banks	(1.548)	X	X	(1.548)	(1.666)
1.3 Payables due to customers	(72.787)	X	X	(72.787)	(69.355)
1.4 Debt securities issued	X	(36.908)	X	(36.908)	(35.209)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities measured at fair value	-	-	-	-	(14)
4. Other liabilities and provisions	X	X	(2)	(2)	(4)
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	-	-
Total	(77.236)	(36.908)	(2)	(114.146)	(107.707)
of which: interest expense on lease payables	*(267)*	*X*	*X*	*(267)*	*(258)*

Interest expense on payables due to customers measured at amortised cost included 63,0 million Euro at 31 December 2021 (61,4 million Euro at 31 December 2020) relating to retail funding by the Parent company, Banca Ifis, mainly through the Rendimax deposit account. In addition, the item in 2021 includes the contribution of the funding carried out through the subsidiary Farbanca for 5,1 million Euro.

1.4 Interest due and similar expenses: other information

1.4.1 Interest expense on foreign currency liabilities

	31.12.2021	31.12.2020
Interest expense on foreign currency liabilities	(656)	(1.323)

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

Type of services/Amounts	31.12.2021	31.12.2020
a) Financial instruments	**49**	**5**
1. Placement of securities	44	4
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	44	4
2. Receipt and transmission of orders and execution of orders on behalf of customers	5	1
2.1 Receipt and transmission of orders for one or more financial instruments	-	-
2.2 Execution of orders on behalf of clients	5	1
3. Other commissions related to activities linked to financial instruments	-	-
of which: trading on own account	-	-
of which: individual portfolio management	-	-
b) Corporate finance	**-**	**-**
1. Mergers and acquisitions advisory services	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
c) Investment advisory activities	**-**	**-**
d) Clearing and settlement	**-**	**-**
e) Collective portfolio management	**-**	**-**
f) Custody and administration	**-**	**-**
1. Depository bank	-	-
2. Other commissions related to custody and administration activities	-	-
g) Central administrative services for collective portfolio management	**-**	**-**
h) Fiduciary activities	**-**	**-**
i) Payment services	**8.119**	**3.980**
1. Current accounts	2.393	779
2. Credit cards	842	62
3. Debit cards and other payment cards	49	21
4. Bank transfers and other payment orders	213	340
5. Other fees related to payment services	4.622	2.778
j) Distribution of third-party services	**5.686**	**5.561**
1. Collective portfolio management	-	-
2. Insurance products	5.664	5.561
3. Other products	22	-
of which: individual portfolio management	-	-
k) Structured finance	**441**	**30**
l) Servicing for securitisation transactions	**2.814**	**4.418**
m) Loan commitments	**-**	**-**
n) Guarantees given	**1.370**	**1.788**
of which: credit derivatives	-	-
o) Loans	**76.301**	**67.020**
of which: for factoring transactions	53.824	49.802
p) Trading in currencies	**-**	**-**
q) Commodities	**-**	**-**
r) Other commission income	**3.775**	**1.432**
of which: for management of multi-lateral trading facilities	-	-
of which: for management of organised trading facilities	-	-
Total	**98.555**	**84.234**

2.2 Commission expense: breakdown

Services/Amounts	31.12.2021	31.12.2020
a) Financial instruments	**(759)**	**(174)**
of which: trading in financial instruments	(759)	(174)
of which: placement of financial instruments	-	
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and Settlement	**-**	**-**
c) Collective portfolio management	**-**	**-**
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	**(91)**	**(43)**
e) Collection and payment services	**(2.551)**	**(1.187)**
of which: credit cards, debit cards and other payment cards	-	-
f) Servicing for securitisation transactions	**(1.346)**	**(1.431)**
g) Loan commitments	**-**	**-**
h) Financial guarantees received	**(1.037)**	**(7)**
of which: credit derivatives	-	-
i) Out-of-office canvassing of financial instruments, services and	**(2.433)**	**(1.164)**
j) Trading in currencies	**-**	**-**
k) Other commissions payable	**(7.056)**	**(5.341)**
Total	**(15.273)**	**(9.347)**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	31.12.2021		31.12.2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	33	25	-	-
C. Financial assets measured at fair value through other comprehensive income	7.440	-	3.025	-
D. Equity investments	-	-	-	-
Total	**7.473**	**25**	**3.025**	**-**

Section 4 – Net profit (loss) from trading – Item 80

4.1 Net profit (loss) from trading: breakdown

Transactions/Income items	Capital gains (A)	Profit from trading (B)	Capital losses (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**1**	**1.072**	**(89)**	**(489)**	**495**
1.1 Debt securities	1	33	(9)	(324)	(299)
1.2 Equity instruments	-	1.039	(80)	(165)	794
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**7**	**-**	**-**	**7**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	7	-	-	7
Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(50)**
3. Derivatives	**49.950**	**18.348**	**(52.871)**	**(17.100)**	**(1.673)**
3.1. Financial derivatives:	49.950	18.348	(52.871)	(17.100)	(1.673)
- On debt securities and interest rates	23.870	4.696	(21.022)	(4.466)	3.078
- On equity instruments and share indexes	26.080	13.652	(31.849)	(12.634)	(4.751)
- On currencies and gold	X	X	X	X	-
- Other	-	-	-	-	-
3.2 Derivatives on loans	-	-	-	-	-
of which: natural hedges connected to the fair value option	*X*	*X*	*X*	*X*	-
Total	**49.951**	**19.427**	**(52.960)**	**(17.589)**	**(1.221)**

Section 6 - Profit (loss) from sale or buyback - Item 100

6.1 Profit (loss) from sale or buyback: breakdown

Items/Income items	31.12.2021			31.12.2020		
	Profit	Losses	Net result	Profit	Losses	Net result
Financial assets						
1. Financial assets measured at amortised cost	9.855	(759)	9.096	16.762	(9.461)	7.301
1.1 Receivables due from banks	-	-	-	-	-	-
1.2 Receivables due from customers	9.855	(759)	9.096	16.762	(9.461)	7.301
2. Financial assets measured at fair value through other comprehensive income	5.712	(774)	4.938	12.045	(5.382)	6.663
2.1 Debt securities	5.712	(774)	4.938	12.045	(5.382)	6.663
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**15.567**	**(1.533)**	**14.034**	**28.807**	**(14.843)**	**13.964**
Financial liabilities measured at amortised cost						
1. Payables due to banks	-	-	-	-	-	-
2. Payables due to customers	-	-	-	-	-	-
3. Debt securities issued	10	(102)	(92)	7.450	-	7.450
Total liabilities (B)	**10**	**(102)**	**(92)**	**7.450**	**-**	**7.450**

Section 7 - Net result of other financial assets and liabilities measured at fair value through profit or loss - Item 110

7.2 Net change in other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets mandatorily measured at fair value

Transactions/Income items	Capital gains (A)	Gains on sale (B)	Capital losses (C)	Losses on sale (D)	Net result [(A+B)-(C+D)]
1. Financial assets	**17.724**	**1.795**	**(8.472)**	**-**	**11.047**
1.1 Debt securities	1.075	-	(359)	-	716
1.2 Equity instruments	5.000	1.499	(1.956)	-	4.543
1.3 UCITS units	6.510	296	(1.841)	-	4.965
1.4 Loans	5.139	-	(4.316)	-	823
2. Financial assets: exchange differences	X	X	X	X	-
Total	**17.724**	**1.795**	**(8.472)**	**-**	**11.047**

Section 8 - Net credit risk losses/reversals - Item 130

8.1 Net credit risk losses related to financial assets measured at amortised cost: breakdown

Transactions/ Income items	Impairment losses						Reversals of impairment losses				Total 31.12.2021	Total 31.12.2020
	Stage 1	Stage 2	Stage 3		Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Receivables due from banks	**(707)**	**-**	**-**	**-**	**-**	**-**	**807**	**-**	**76**	**-**	**176**	**(181)**
- Loans	(434)	-	-	-	-	-	807	-	76	-	449	(388)
- Debt securities	(273)	-	-	-	-	-	-	-	-	-	(273)	207
B. Receivables due from customers	**(10.373)**	**(14.589)**	**(24.534)**	**(70.882)**	**(207.419)**	**(235.746)**	**13.804**	**1.633**	**35.411**	**557.889**	**45.194**	**(49.322)**
- Loans	(9.566)	(14.589)	(24.534)	(70.882)	(207.419)	(235.746)	13.804	1.633	35.411	557.889	46.001	(48.679)
- Debt securities	(807)	-	-	-	-	-	-	-	-	-	(807)	(643)
Total	**(11.080)**	**(14.589)**	**(24.534)**	**(70.882)**	**(207.419)**	**(235.746)**	**14.611**	**1.633**	**35.487**	**557.889**	**45.370**	**(49.503)**

Impairment losses/reversals on receivables due from customers measured at amortised cost related to purchased or originated credit impaired (“POCI”) loans included 104,5 million Euro (42,5 million Euro at 31 December 2020) in reversals on exposures of the Npl Segment. Specifically, this line item includes the impact of the periodic change in lifetime expected credit losses, even if those changes are favourable or lower than the ones included in the estimates of cash flows on initial recognition. The 2021 balance of that item also includes 18,0 million Euro in the write-down of receivables following a detailed analysis, carried out also in response to the Covid-19 pandemic, in terms of greater collection times, mainly on higher vintage positions. Net of this pandemic-related component, the 2021 net recoveries on the Segment's receivables would amount to 122,5 million Euro.

Net of this item, credit risk losses would total 77,2 million Euro on 31 December 2021, an improvement of 14,2 million Euro on the net adjustments of 91,4 million Euro at end 2020. In addition to the above-mentioned intervention for 18,0 million Euro on loans in the Npl Segment, the 2021 balance of the item includes:

- additional provisions of 12,5 million Euro in the Corporate Banking Area against the concentration risk typical of the sector, also to take account of potential further future effects connected with the lack of credit support measures.
- 12,0 million Euro linked to a revision of the assessment of the recoverability of the exposures on the commercial portfolio with higher vintage.

8.1a Net credit risk losses related to loans measured at amortised cost concerned by COVID-19 support measures: breakdown

The table below gives details of the write-downs/write-backs of value for loans at amortised cost, concerned by “moratoriums” or other COVID-19 concessions, or which constitute new liquidity granted by means of public guarantee mechanisms.

Transactions/ Income items	Impairment losses – Stage 1	Impairment losses – Stage 2	Impairment losses – Stage 3 – Write-offs	Impairment losses – Stage 3 – Other	Impairment losses – Impaired acquired or originated – Write-offs	Impairment losses – Impaired acquired or originated – Other	Total 31.12.2021	Total 31.12.2020
1. Loans concerned by concessions in compliance with the GLs	3	-	-	(437)	-	-	(434)	(5.809)
2. Loans subject to outstanding moratorium measures no longer in compliance with GLs and not evaluated as granted	(197)	(271)	-	(720)	-	-	(1.188)	-
3. Loans concerned by other concessions	-	3	-	-	-	-	3	(2.732)
4. New loans	(501)	(289)	-	(535)	-	-	(1.325)	(248)
Total 31.12.2021	**(695)**	**(557)**	**-**	**(1.692)**	**-**	**-**	**(2.944)**	**X**
Total 31.12.2020	**(3.083)**	**(2.467)**	**(38)**	**(3.201)**	**-**	**-**	**X**	**(8.789)**

8.2 Net credit risk losses related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/ Income items	Impairment losses						Reversals of impairment losses				Total 31.12.2021	Total 31.12.2020
	Stage 1	Stage 2	Stage 3		Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt securities	**(32)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(32)**	**608**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(32)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(32)**	**608**

Section 12 - Administrative expenses - Item 190

12.1 Personnel expenses: breakdown

Type of expense/Sectors	31.12.2021	31.12.2020
1) Employees	(135.014)	(117.859)
a) salaries and wages	(96.717)	(82.234)
b) social security contributions	(26.806)	(23.602)
c) post-employment benefits	(5.139)	(4.633)
d) pension expense	(597)	(563)
e) allocations for post-employment benefits	(174)	(363)
f) allocations to pensions and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments made to supplementary external funds:	(148)	(128)
- defined contribution plans	(148)	(108)
- defined benefit plans	-	(20)
h) costs arising from share-based payment agreements	-	-
i) other employee benefits	(5.433)	(6.336)
2) Other serving employees	(238)	(558)
3) Directors and Statutory Auditors	(6.529)	(4.952)
4) Retired personnel	-	-
Total	**(141.781)**	**(123.369)**

Personnel expenses rose by 14,9% to 141,8 million Euro (123,4 million Euro for the year ended 31 December 2020). This growth is due to higher allocations for variable remuneration of approximately 7,5 million Euro compared to 2020 - a year that was affected by prudential policies related to the uncertainty of the pandemic - and to the entry into the Banca Ifis Group of Farbanca and the former Aigis Banca business unit for 5,2 million

Euro. The number of Group employees at 31 December 2021 was 1.849 as compared with 1.758 staff at 31 December 2020, of whom 45 coming from the acquisition of the former Aigis Banca business unit.

Allocations for post-employment benefits included both contributions that employees have chosen to leave in the company and to be paid to INPS's Treasury Fund, and contributions to be paid to supplementary pension funds - as well as the interest expense on the defined benefit obligation.

12.2 Average number of employees by category

Employees:	31.12.2021	31.12.2020
Employees:	**1.803,5**	**1.755,5**
a) managers	83,5	76,0
b) middle managers	531,5	514,0
c) other employees	1.188,5	1.165,5
Other personnel	-	-

12.5 Other administrative expenses: breakdown

Type of expense/Amounts	31.12.2021	31.12.2020
Expenses for professional services	**(121.507)**	**(79.780)**
Legal and consulting services	(87.639)	(58.216)
Auditing	(894)	(902)
Outsourced services	(32.974)	(20.662)
Direct and indirect taxes	**(39.481)**	**(37.056)**
Expenses for purchasing goods and other services	**(70.837)**	**(73.982)**
Software assistance and hire	(16.198)	(15.978)
Customer information	(14.749)	(17.400)
FITD and Resolution fund	(11.115)	(8.040)
Advertising and inserts	(7.011)	(9.121)
Property expenses	(5.127)	(5.761)
Securitisation costs	(3.844)	(2.151)
Postage and archiving of documents	(3.709)	(5.432)
Telephone and data transmission expenses	(3.306)	(3.805)
Car fleet management and maintenance	(1.984)	(2.103)
Business trips and transfers	(491)	(1.194)
Other sundry expenses	(3.303)	(2.996)
Total other administrative expenses	**(231.825)**	**(190.818)**

Other administrative expenses amounted to 231,8 million Euro as of 31 December 2021, up 21,5% from the balance of 190,8 million Euro in the previous year. 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 change in the scope of consolidation with the full inclusion of Farbanca and the BU acquired from the former Aigis Banca and the related integration costs as well as one-off costs connected with the transfer of the registered office of the parent company La Scogliera.

The sub-item “Legal and consulting services” comes to 87,6 million Euro in 2021, up 50,5% on the 58,2 million Euro of 2020. The item includes 11,5 million Euro relating to the costs directly related to Banca Ifis for the transfer of the registered office of the parent company to Switzerland, as well as the effect of the reorganisation activities of the Group structures (8,4 million Euro), the full entry into the Group of Farbanca (+3,9 million Euro) and the resumption of the judicial recovery activities of the receivables belonging to the Npl Segment, which at 31 December 2021 amounted to 33,9 million Euro, compared to 26,8 million Euro at the end of 2020, following the unblocking of the activities connected with the courts.

The sub-item “Outsourced services”, amounting to 33,0 million Euro as at December 2021, recorded an increase of approximately 12,4 million Euro mainly due to the out-of-court recovery activities of the Npl Segment (amounting to 30,1 million Euro, compared to 18,7 million Euro in 2020). The resumption of out-of-court recovery activities in the Npl Segment, drove the sub-item’s performance in 2021 together with new projects on Ifis Npl Investing and integration activities in some perimeters of the Group.

The sub-item “Indirect taxes and duties” mainly comprises the registration tax incurred for the judicial recovery activity of the Npl Segment for 25,2 million Euro at the end of December 2021. The item also includes stamp duty on deposit accounts of 12,7 million Euro, the charge-back of which to customers is included in the item “Other operating income”.

“Expenses for the purchase of goods and services” totalled 70,8 million Euro as of 31 December 2021, down 4,3% from the 2020 balance, and are affected by the opposing effect of several significant items, and in particular:

- customer information expenses of 14,7 million Euro at the end of 2021 compared to 17,4 million Euro in 2020 (-15,2%) related to the cyclical nature of Npl portfolio purchases;
- contribution to the Single Resolution Fund, which increased to 11,1 million Euro, compared to 8,0 million Euro in 2020 as a result of the increased volumes of protected deposits in the banking sector;
- advertising and publicity expenses of 7,0 million Euro, down 23,1% on 2020, which was impacted by the Group’s rebranding initiative;
- securitisation costs go from 2,2 million Euro to 3,8 million Euro. The increase in these costs is due to the new self-securitisation of receivables in the Npl Segment, as well as the restructuring of the Emma securitisation arranged by Farbanca;
- document postage and archiving expenses, which are down 31,7% compared to 2020 as a result of the cyclical nature of Npl portfolio purchases;
- travel and transfers, which amounted to 0,5 million Euro at the end of 2021 and recorded a decrease of 58,9%, due to the changed working methods imposed with the start of the health emergency linked to the Covid-19 pandemic.

Below is a summary of the prices for auditing and non-auditing services for 2021.

Type of services	Service provider	Beneficiary	Fees (units of Euro)
Independent auditors' fees	EY S.p.A.	Banca Ifis S.p.A.	250.916
		Subsidiaries	437.812
Certification services	EY S.p.A.	Banca Ifis S.p.A.	318.660
		Subsidiaries	25.000
Total			**1.032.387**

Section 13 - Net allocations to provisions for risks and charges - Item 200

13.1 Net provisions for credit risk related to loan commitments and financial guarantees granted: breakdown

Net provisions for credit risk related to loan commitments and financial guarantees granted totalled 2,6 million Euro in at 31 December 2021, reflecting the estimated risk on the commitments made.

13.3. Net allocations to other provisions for risks and charges: breakdown

For more details, see Part B, Section 10 Provisions for risks and charges in these Notes to the Consolidated Financial Statements.

Section 14 - Net impairment losses/reversals on property, plant and equipment - Item 210

14.1. Net impairment losses on property, plant and equipment: breakdown

Assets/Income items	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. for functional use	(9.453)	(755)	-	(10.208)
- owned	(5.206)	(755)	-	(5.961)
- rights of use acquired through leases	(4.247)	-	-	(4.247)
2. Held for investment	-	(80)	-	(80)
- owned	-	(80)	-	(80)
- rights of use acquired through leases	-	-	-	-
3. Inventories	X	-	-	-
Total	**(9.453)**	**(835)**	**-**	**(10.288)**

Section 15 - Net impairment losses/reversals on intangible assets - Item 220

15.1 Net impairment losses on intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	*(8.445)*	-	-	*(8.445)*
A.1 Owned	(8.445)	-	-	(8.445)
- Internally generated	-	-	-	-
- Other	(8.445)	-	-	(8.445)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(8.445)**	**-**	**-**	**(8.445)**

Section 16 - Other operating income (expenses) - Item 230

16.1 Other operating expenses: breakdown

Type of expense/Amounts	31.12.2021	31.12.2020
a) Transactions with customers	(756)	(383)
b) Capital losses	(1.695)	(2.284)
c) Other expenses	(3.214)	(3.275)
Total	**(5.665)**	**(5.942)**

16.2 Other operating income: breakdown

Amounts/Income	31.12.2021	31.12.2020
a) Bargain on business combinations	2.859	16.790
a) Recovery of expenses charged to third parties	17.456	16.454
c) Rental income	89	121
d) Income from the realisation of property, plant and equipment	1.769	1.752
e) Other income	11.014	22.758
Total	**33.187**	**57.875**

Other net operating income amount to 27,5 million Euro at end 2021, down 47,0% compared to 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 reduction on 2020 is due both to lower gain on bargain purchase for approximately 13,9 million Euro realised on business combinations (in 2020, this was 16,8 million Euro related to the acquisition of Farbanca, against 2,9 million Euro related to the May 2021 acquisition of the former Aigis Banca business unit), and to the fact that in 2020 the Npl Segment had benefited from 14,1 million Euro received as indemnities on portfolios acquired in previous years.

Section 19 - Value adjustments of goodwill - Item 270

19.1 Value adjustments of goodwill: breakdown

Value adjustments of goodwill at 31 December 2021 are not measured, while they came to 700 thousand Euro at 31 December 2020 insofar as they refer to the full write-down of the goodwill deriving from the consolidation of the company Cap.Ital.Fin.

Section 20 - Profit (loss) from sale or buyback - item 280

20.1 Profit (Loss) from sale of investments: breakdown

Type of expense/Amounts	31.12.2021	31.12.2020
A. Property	-	24.161
- Gains on disposal	-	24.161
- Losses on disposal	-	-
B. Other assets	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
Net result	**-**	**24.161**

Gains on disposal of investments, not measured in 2021, were 24,2 million Euro in 2020 and include the effects of the Financial assets held for trading sale of the Milan property in Corso Venezia, net of the related costs of sale.

Section 21 - Income taxes for the year relating to current operations - Item 300

21.1 Income taxes for the year relating to current operations: breakdown

	Income items/Segments	31.12.2021	31.12.2020
1.	Current taxes (-)	(43.012)	(29.691)
2.	Changes in current taxes of previous years (+/-)	672	1.197
3.	Reductions in current taxes for the year (+)	-	-
3.bis	Reductions in current taxes for the year for tax credits as per Italian Law no. 214/2011 (+)	-	-
4.	Changes in deferred tax assets (+/-)	(8.200)	1.607
5.	Changes in deferred tax liabilities (+/-)	2.969	4.152
6.	Tax expense for the year (-) (-1+/-2+3+3 bis+/-4+/-5)	(47.571)	(22.735)

21.2 Reconciliation between theoretical tax charges and effective tax charges for the year

Items/Components	31.12.2021
Pre-tax profit (loss) for the year from continuing operations	**149.874**
Regional tax on productive activities (IRES) - theoretical tax charges (27,5%)	(41.216)
- lower tax rate impact	404
- effect of non-taxable income and other decreases - permanent	11.301
- effect of non-deductible charges and other increases - permanent	(5.935)
- non-current regional tax on productive activities (IRES)	(519)
Regional tax on productive activities (IRES) - Effective tax charges	**(35.965)**
Regional tax on productive activities (IRAP) - theoretical tax charges (5,57%)	(8.349)
- lower tax rate impact	217
- effect of income/charges that are not part of the taxable base	(4.589)
- non-current regional tax on productive activities (IRAP)	1.115
Regional tax on productive activities (IRAP) - Effective tax charges	**(11.606)**
Other taxes	**-**
Effective tax charges for the year	**(47.571)**

The tax rate for the year 2021 was 31,74%. The effective tax rate is below the theoretical tax rate of 33,07% (27,5% IRES + 5,57% IRAP) due to the following components:

- “Super depreciation” benefit: the residual off-accounts deduction of 30%-40% of the depreciation shares of “new instrumental tangible assets” acquired by Ifis Rental Services in the dry lease business equates to a reduction of the tax incidence of -1,25 percentage points;
- ACE benefit: the deduction of the “notional return of 1,30%” of the increases in Equity made in the Group companies (capital increases and/or profits assigned to reserves net of dividends distributed) in the period 2010-2021 equates to a reduction in the tax incidence of -3,47 percentage points;
- Dividends collected: taxation in the individual financial statements of Banca Ifis of the dividends collected by the subsidiary Ifis Npl Investing and then eliminated in the consolidation, equates to an increase in the tax incidence of +1,16 percentage points;
- Negative impact of non-deductible IRES/IRAP costs: the presence of non tax deductible costs equates to an increase of the tax incidence of +0,75 percentage points;
- Impairment of deferred tax assets (DTA): the impairment of the DTAs of the subsidiary Cap.Ital.Fin., posted to the item “Taxes” is equivalent to an increase in the tax rate of +1,48 percentage points.

Section 23 - Profit (loss) for the year attributable to non-controlling interests - Item 340

23.1 Detail of item 340 Profit (loss) for the year attributable to non-controlling interests

Company Name	31.12.2021	31.12.2020
Consolidated equity investments with significant minority interests	1.721	338
1. Credifarma S.p.A.	453	231
2. Farbanca S.p.A.	1.268	107
Total	**1.721**	**338**

Section 24 - Other information

24.1 Disclosure of government grants as per Article 1, paragraph 125 of Italian Law no. 124 of 4 August 2017 (the "Annual Law on the Market and Competition")

Italian Law no. 124 of 4 August 2017 (Annual Market and Competition Law), under Art. 1, paragraphs 125-129, introduced various measures aimed at increasing the transparency of contributions by administrations and public companies, including listed, in the favour of third sector subjects and businesses in general.

Specifically, with respect to the financial reporting process, the law requires all businesses to disclose subsidies, grants, paid positions, and economic benefits of any kind received from the following entities in the notes to the separate and consolidated financial statements:

- public administrations and entities with equivalent status (Article 2-bis, Italian Legislative Decree no. 33/2013);
- entities owned, either de jure or de facto, directly or indirectly, by public administrations; and
- state-owned enterprises.

Said disclosures are required if the amounts received during the reporting period exceeded 10 thousand Euro.

Consistently with the clarification issued by Italy's Council of State with opinion no. 1.149 of 1 June 2018 and the guidance provided by trade associations (Assonime), the disclosure requirements do not apply to the following:

- prices for the business provision of professional and other services and supplies or other appointments coming under the scope of the core business. Indeed, these amounts received do not come under the scope of donations/public support policies;
- tax expenditures available to all businesses that meet specific conditions, based on pre-established general requirements, which are also the subject of specific disclosures;
- extension of subsidised loans to customers, as these involve funds of third parties (e.g. interest rate subsidies from the public administration) and not funds of the bank that acts as intermediary.

In consideration of the foregoing, below are the subsidies, grants, paid positions, and economic benefits of any kind received by the Group's companies.

Grantor	Recipient Group Company	Amount of the government grant (in thousands of Euro)
National Fund for the Support of Employment (F.O.C.)	Banca Ifis S.p.A.	290
	Ifis Npl Investing S.p.A.	468
	Ifis Npl Servicing S.p.A.	339
Total		**1.097**

Grantor	Reference	Recipient Group Company	Amount of the government grant (in thousands of Euro)
INPS	L. 205/2017, L. 126/2020, L. 78/2020	Banca Ifis S.p.A.	258
	L. 205/2017, L. 126/2020, L. 78/2020	Ifis Npl Investing S.p.A.	13
	L. 205/2017, L. 126/2020, L. 78/2020	Ifis Npl Servicing S.p.A.	34
	Italian Law no. 126/2020	Cap.Ital.Fin S.p.A.	97
Total			**402**

In addition, please refer to the “Transparency” section of Italy’s National State Aid Register for a summary of the applications for Training Aid (Article 31 Regulation no. EC 651/2014) and the relevant commitment of expenditure by the granter.

Section 25 - Earnings per share

25.1 Average number of ordinary diluted shares

Earnings per share and diluted earnings per share	31.12.2021	31.12.2020
Net profit for the year attributable to the Parent company (in thousands of Euro)	100.582	68.804
Average number of outstanding shares (1)	53.468.051	53.457.850
Average number of ordinary diluted shares	53.468.051	53.457.850
Consolidated earnings per share for the year (Units of Euro)	**1,88**	**1,29**
Consolidated diluted earnings per share for the year (Units of Euro)	**1,88**	**1,29**

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

4.4 Part D - Comprehensive income

Consolidated statement of comprehensive income

	ITEMS (in thousands of Euro)	31.12.2021	31.12.2020
10.	**Profit (Loss) for the year**	**102.303**	**69.142**
	Other comprehensive income not to be reclassified to profit or loss	**1.370**	**(19.637)**
20.	Equity securities measured at fair value through other comprehensive income	3.791	(21.932)
	a) fair value gains (losses)	(220)	(17.166)
	b) transfers to other components of equity	4.011	(4.766)
70.	Defined benefit plans	(337)	(421)
100.	Income taxes related to other comprehensive income to be reclassified to profit or loss	(2.084)	2.716
	Other comprehensive income to be reclassified to profit or loss	**(5.878)**	**(318)**
120.	Exchange differences	(354)	(2.525)
	a) changes in value	(354)	(2.525)
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(8.270)	3.598
	a) fair value gains (losses)	(15.680)	(5.749)
	b) reclassification to profit or loss	7.410	9.347
	- credit risk losses	32	(608)
	- gains/losses on sale	7.378	9.955
180.	Income taxes related to other comprehensive income to be reclassified to profit or loss	2.746	(1.391)
190.	**Total other comprehensive income**	**(4.508)**	**(19.955)**
200.	**Total comprehensive income (Item 10 + 190)**	**97.795**	**49.187**
210.	Total consolidated comprehensive income attributable to non-controlling interests	1.719	336
220.	**Total consolidated comprehensive income attributable to the Parent company**	**96.076**	**48.851**

4.5 Part E - Information on risks and related hedging 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 will be approved by the Board of Directors jointly with these consolidated financial statements and subsequently 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) 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 E of the Consolidated 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.

Section 1 - Accounting consolidation risks

Quantitative information

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

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, impairment losses, trend, and economic breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

Portfolio/Quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	1.149.953	463.397	123.541	342.157	8.777.747	10.856.795
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	515.278	515.278
3. Financial assets measured at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	4.942	9.756	-	-	24.420	39.118
5. Financial assets under disposal	-	-	-	-	-	-
Total 31.12.2021	**1.154.895**	**473.153**	**123.541**	**342.157**	**9.317.445**	**11.411.191**
Total 31.12.2020	**1.103.776**	**479.235**	**33.249**	**313.374**	**9.045.081**	**10.974.715**

Demand receivables due from banks (which are classified to the item “Cash and cash equivalents” in compliance with the instructions of the Bank of Italy), equity securities and UCITs units are not included in this table.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

Portfolio/Quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Overall impairment losses/reversals	Net exposure	Overall partial write-offs (1)	Gross exposure	Overall impairment losses/reversals	Net exposure	
1. Financial assets measured at amortised cost	2.014.640	277.749	1.736.891	10.848	9.200.842	80.938	9.119.904	10.856.795
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	515.529	251	515.278	515.278
3. Financial assets measured at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	14.698	-	14.698	11.944	X	X	24.420	39.118
5. Financial assets under disposal	-	-	-	-	-	-	-	-
Total 31.12.2021	**2.029.338**	**277.749**	**1.751.589**	**22.792**	**9.716.371**	**81.189**	**9.659.602**	**11.411.191**
Total 31.12.2020	**1.852.431**	**236.173**	**1.616.258**	**40.555**	**9.128.424**	**69.215**	**9.059.209**	**10.675.467**

(1) Amount to be reported for disclosure purposes

Demand receivables due from banks (which are classified to the item "Cash and cash equivalents" in compliance with the instructions of the Bank of Italy), 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	127	27	7.690
2. Hedging derivatives	-	-	-
Total 31.12.2021	**127**	**27**	**7.690**
Total 31.12.2020	**312**	**32**	**19.217**

Equity securities are not included in this table.

B. Disclosure on structured entities (other than securitisation vehicles)

B.2 Unconsolidated structured entities

Qualitative information

There were no unconsolidated structured entities at 31 December 2021.

Section 2 - Prudential consolidation risks

1.1 Credit risk

Qualitative information

1. 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 a business unit 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. On the liabilities side, the acquisition mainly involved deposits, including those of retail customers. In addition, the relevant personnel at 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 business purchases receivables due from public health service and local authorities outright;
- corporate lending and structured finance operations, which focus on offering medium and long-term financing and secured and unsecured products to support companies operating in Italy in their organic or inorganic growth through extraordinary operations to reposition or expand their business, establish alliances or pursue integrations, promote restructuring processes, or introduce new investors and partners into the company. The clients of this business are usually corporations;
- investments in non-financial companies and in units of intermediaries;
- medium/long-term loans to small and medium-sized enterprises (SMEs) operating in the main production sectors, covered by the public guarantee, conceived by the Ministry of Economic Development (MED) of the Central Guarantee Fund and extended in use –following the Covid-19 emergency;
- the leasing division targets mainly small economic operators as well as small- and medium-sized businesses (SMEs). In general, finance leases help independent contractors and businesses and takes concrete form in the financing of company cars and commercial vehicles as well as facilitating 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 subsidiaries 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.
- management of the proprietary portfolio, carried out mainly via financial investments in bonds, mostly government bonds, and listed equities;
- securitisation activities, which are aimed at sector operators, in particular originators and investors, by offering finance through investments in asset-backed securities and other exposures to securitisation schemes, and by taking on the roles of arranger and sponsor in the context of such transactions with a view to cross-selling. Investments are mainly concentrated in senior and mezzanine tranches with underlying performing assets and with a favourable trade-off in terms of expected profitability compared to risk weighting.

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

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.

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 subsequent financial years, 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, often 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. As of December 2021, there are no longer any positions affected by this suspension, and the related overall economic and financial effects produced during the period of suspension are to be considered immaterial.

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.

Starting 2020, the Banca Ifis Group, in line with the Cura Italia Decree and subsequent amendments, 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 31 December 2021;
- extension to 31 December 2021 of non-instalment loans with earlier contractual due date.
- suspension until 31 December 2021 and breaking down into instalments of mortgages and lease charges.

With reference to Credifarma, at 31 December 2021 there are 14 counterparties (for a total exposure of 1,7 million Euro) that have benefited from the extension of the suspension of the capital share pursuant to the “Cura Italia” decree.

With reference to Farbanca, at 31 December 2021 there are 127 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 3,0 million Euro.

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”), with the exception of that set out below regarding exposures towards entities of the National Health Service (NHS) 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.

With reference to the specific sector of NHS bodies, the counting of the days of backlog in application of the New DoD was substantially suspended as a result of the emergency legislative interventions related to the Covid-19 pandemic and, in particular, following the introduction of art. 117, paragraph 4, of Decree Law no. 34 of 19 May 2020, which provided for the suspension of executions and the ineffectiveness of attachment orders against NHS bodies (the so-called block on executions) until 31 December 2020, subsequently extended until 31 December 2021 by virtue of art. 3, paragraph 8, of Decree Law no. 183 of 31 December 2020.

Indeed, in the Group’s view, the stay on execution orders:

- aimed to allow the NHS bodies not to pay their debts (albeit temporarily) for the purposes of the realization of higher public interests also linked to the health emergency; and consequently
- suspended the counting of days in arrears pursuant to art. 178 CRR in relation to the local health authorities’ exposures to the Group.

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

It was only on 8 December 2021 that the Constitutional Court issued judgement no. 236/202, which declared the extension of the block on executions provided for by art. 3, paragraph 8, of the above-mentioned Decree Law no. 183/2021 to be constitutionally illegitimate.

In this context, when completing and closing the financial statements as of 31 December 2021, taking into account the “late” issuance of the judgement, the Group launched an analysis process aimed at identifying an approach, based on responsibility and reasonableness, to represent the factual reality of the reference contexts and provide a correct representation, also in terms of credit risk and the classification of exposures to NHS bodies.

In the light, amongst other things, of the absence of established market practices or indications from authorities or trade associations regarding the effects of Constitutional Court sentence 236/202 on the date from which to start counting days overdue on exposures to NHS bodies (i.e. from 1 January 2021 or 7 December 2021, date of publication of the Ruling), the Group, therefore, has adopted a substantive approach in classifying and consequent measurement as of 31 December 2021, exposures related to trade receivables acquired without recourse and on a non-recourse basis, where the debtor is an NHS entity.

The approach adopted by the Group, subject to further refinements which may also be made as a result of any clarifications in this regard by the competent Authorities, provides that, in relation to the exposures in question to debtor counterparties in respect of which the Group has accrued direct, independent, objective, consolidated and solid evidence demonstrating constant payment, year by year of a substantial portion of the receivables acquired, regardless of the relative timing, the delay in the payment of the relative receivables by a counterparty that meets the above criteria, is objectively and clearly connected to a dispute that is relevant for the purposes of suspending the counting of days in arrears pursuant to the New DoD, even if not yet specifically formalised (the “implicit challenge”).

Based on this approach, the Group has classified approximately 65 million Euro of receivables for exposures to NHS entities as non-performing past due exposures.

2. 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".

2.1 Organisational aspects

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

Inside, we find:

- the roles and responsibilities of the corporate bodies and organisational structures involved in the loan process;
- the definition of the credit strategies and rules with reference to segments of customers, counterparties and types of comparable transactions, the limits of reliance assigned to non-banking counterparties, the limits to exposure assigned to the various types of economic businesses, the identification of the Most Significant Transactions (MSTs) for the preventive verification that they are indeed consistent with the risk limits and objectives defined in the Group Risk Appetite Framework (RAF), the limits to the risk assigned to transactions with related parties and/or company representatives, pursuant to Art. 136 of the Consolidated Law on Banking. The monitoring, review and update of the credit rules and strategies involve:
    - the Parent company's Monitoring and Major Risks Department, in coordinating the process of formulating proposed reviews and updates to the credit policies to be submitted for the approval of the Parent company's Board of Directors;
    - the Parent company's Risk Management 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.

In 2021, Banca Ifis’s organisational structure consisted of the following Business Units, dedicated to different activities, centralised in the Co-General Manager Chief Commercial Officer:

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

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

- Ifis Npl Investing S.p.A. (formerly Ifis Npl 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. (formerly Gemini 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. In addition, a specific organisational unit within the Parent company performs monitoring activities at the Group level to identify counterparties with performance issues, so as to anticipate problems and provide adequate reporting to the competent corporate functions.

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

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

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

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

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

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

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

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

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

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

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

Non-judicial operations

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

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

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

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

- bills of exchange: that is, the set of credit positions for which the debtor has signed a settlement plan supported by the issue of bills of exchange. It is specified that such plans a form of recovery now residual and rarely used in recent years;
- Manifestations of Will (MdV): those practices for which the recovery process has led to the collection of a voluntary 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.

During FY 2021, management took part in a new closure method, known as “balance and write-off of positions”, in order to anticipate recovery while granting a reduction in the amount due (write-off) to the debtor. This method of collection does not replace the methods described above, but involves certain campaigns on specific positions identified by management.

Judicial operations

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

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

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

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

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

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

2.2 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:
    - assesses credit quality, ensuring compliance with credit guidelines and strategies by continuously monitoring credit risk indicators;
    - constantly monitors exposure to credit risk and compliance with the operating limits assigned to the operating structures in relation to the assumption of credit risk;
    - verifies, by means of second-level controls, the correct implementation of performance monitoring on individual exposures, in particular on impaired exposures, and assesses the consistency of classifications and the adequacy of provisions;

  - monitors exposure to concentration risk and the performance of exposures classified as Large Exposures;
- performs quantitative analyses to support the business units in using risk measures;
- oversees the supervision of the value of collateral as well as personal and financial guarantees.

Within the individual Group companies, special attention is paid to the monitoring of credit risk. In 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.

2.3 Measurement of expected credit losses

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

The most significant aspects that characterise this approach, concern:

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

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

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

- The only quantitative transfer criterion is the Significant Deterioration for which, to identify the "significant increase in credit risk" on exposures within rated portfolios (Italian companies), the Group used an approach backed by quantitative analyses, under which the exposure is allocated to Stage 2 if the change in the one-year PD between the origination and the measurement date exceeds a given threshold.
- 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, Public-Sector Entities (low default portfolios) and foreign counterparties, the Group used default rates associated with migration matrices based on public information provided by the ratings agency Moody's or external providers.

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

As for the securities portfolio, considering the methodological complexity associated with developing a dedicated model, the Group decided to use the calculation of impairment under IFRS 9 that 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 BCE.

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.

2.4 Credit risk mitigation techniques

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

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

In particular:

- as part of factoring operations, when the type and/or quality of factored receivables do not fully satisfy requirements or, more generally, the invoice seller is not sufficiently creditworthy, the bank's established practice is to hedge the credit risk assumed by the Group by obtaining additional surety bonds from the shareholders or directors of the invoice seller. As for the account debtors in factoring relationships, wherever the Bank believes that the elements available to assess the account debtor do not allow to properly measure/assume the related credit risk, or the proposed amount of risk exceeds the limits identified during the debtor's assessment, the Bank adequately hedges the risk of default of the account debtor. Guarantees issued by correspondent factors and/or insurance policies underwritten with specialised operators are the main hedge against non-domestic account debtors in non-recourse operations;
- in loans to businesses, where possible, suitable guarantees are acquired from the Central Guarantee Fund or other companies coming under the public scope, such as SACE S.p.A.;

- in regard to Structured Finance, collateral is acquired according to the counterparty's standing as well as the term and type of the facility. Said collateral includes mortgage guarantees, liens on plant and equipment, pledges, surety bonds, credit insurance, and collateral deposits;
- as for finance leases, the credit risk is mitigated by the leased asset. The lessor maintains the ownership until the purchase option is exercised, ensuring a higher recovery rate in the event the client defaults;
- as for operations concerning distressed loans and purchases of tax receivables arising from insolvency proceedings, as well as the relevant business model, generally no action is taken to hedge credit risks;
- salary-backed loans have low risk, considering the particular characteristics of this product: it requires having insurance against the customer's risk of death and/or loss of employment as well as imposing a lien on the Post-employment benefits earned by the customer as additional collateral for the loan.
- lending to pharmacies involves an advance as well as a transfer or debt collection mandate, with the possibility of deducting subsequent advances from existing credit facilities.

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

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

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

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

3. Non-performing credit exposures

3.1 Management strategies and policies

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

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

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

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

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

- constant efforts to improve not only the processes for selecting and granting loans, but also the processes for managing performing loans, referring, where appropriate, to the commercial and/or

selection policies of individual transactions, in order to contain the generation of non-performing loans in the best possible way;
- the definition of quantitative objectives (such as maximum limits) in terms of non-performing exposures as well as pre-established actions to be implemented according to appropriate application criteria and priorities, in order to ensure compliance with the established limits over time.

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

In view of the above, the Group has maintained the following two indicators as performance indicators and explicit objectives to be pursued with careful and proactive management when updating its annual operating plan for the management of short and medium/long-term Npls, presented to the Supervisory Authority in March 2021:

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

With reference to receivables due from customers for cash in place at 31 December 2021, excluding the positions stemming from the acquisition and management of non-performing exposures of third party originators managed by the subsidiaries Ifis Npl Investing S.p.A. and Ifis Npl Servicing S.p.A., as well as the portfolios of retail loans, also in consideration of the economic impacts deriving from the COVID-19 emergency situation, the levels of Npe ratio are in line with respect to the objectives set when defining the projections of the 2022-2024 Business Plan. Regardless of the current outlook, the pursuit of the objective of a general limitation in the stock of non-performing loans remains and is expected to take place through a differentiated strategy in relation to the specificity of the individual portfolios concerned (taking into account the type of counterparty and the specificity of the individual products). In general, the action that will be taken is essentially based on the following goals, which it has been pursuing for some time now:

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

The positions that have deteriorated or present significant problems are handled directly by specific organisational units established at each company of the 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.

3.2 Write-offs

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 bank 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.

3.3 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

The outstanding nominal amount of Ifis Npl Investing S.p.A.'s proprietary portfolio was approximately 21.831 million Euro. At the time of purchase, the nominal amount of these receivables was approximately 22.743 million Euro, and they were acquired for approximately 1.281 million Euro, i.e. an average price equal to approximately 5,63% of the historical book value. During the first half of 2021 approximately 115 million Euro were purchased for a consideration of approximately 15,9 million Euro, corresponding to an average price of 13,79%, whilst during the second half of the year approximately 3.607 million Euro were purchased for a consideration of approximately 161,4 million Euro, corresponding to an average price of 4,47%. The overall portfolio of non-performing exposures purchased and not yet collected has an overall weighted average life of around 41 months compared to their acquisition date.

As regards the individual phases of processing of Npl receivables, as described in paragraph "2.1 - Organisational aspects" above in relation to credit risk, the carrying amount at 31 December 2021 of the positions in out-of-court management comes to 435 million Euro, whilst the carrying amount of the positions under legal management[1] comes to 909 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. In 2021, Ifis Npl Investing S.p.A. completed 10 sales of portfolios to leading players whose business is purchasing NPLs. Overall, receivables were sold with an outstanding nominal amount of approximately 639,8 million Euro, for an overall consideration of about 18,4 million Euro.

4. 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.

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

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

- the purposes for which the modifications were made: for instance, renegotiations for business reasons and forbearance measures due to the counterparty's financial difficulties:
  - the former, intended to “retain” the customer, involve a borrower that is not in financial distress. This case includes all renegotiations aimed at adjusting the cost of debt to market conditions. These transactions result in changes to the original contractual terms, usually at the request of the borrower, that concern aspects associated with the cost of debt, giving rise to an economic benefit for the borrower. Generally, the Group believes that, whenever it enters into a renegotiation in order to avoid losing the client, this renegotiation shall be considered as substantial, since, in its absence, the customer could obtain financing from another intermediary and the bank would see estimated future revenue decline;
  - the latter, offered for “credit risk reasons” (forbearance measures), are part of the Group's attempt to maximise the recovery of the cash flows of the original receivable. Following the modifications, usually the underlying risks and rewards have not been substantially transferred: therefore, the accounting presentation that provides the most relevant information to users of the financial statements (expect for the following discussion about objective factors) is the one made through “modification accounting” - whereby the difference between the carrying amount and the present value of modified cash flows discounted at the original interest rate is recognised through profit or loss - rather than derecognition;
- the existence of specific objective factors affecting the substantial modifications of the characteristics and/or contractual cash flows of the financial instrument (including, but not limited to, the modification 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.

Quantitative information

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, impairment losses, trend, and economic breakdown

A.1.1 Prudential consolidation - Breakdown of financial assets by past due buckets (carrying amounts)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3			Purchased or originated impaired		
	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	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	92.106	1.054	6.690	8.661	52.198	157.843	6.203	6.374	135.112	15	15	6.476
2. Financial assets measured at fair value through other comprehensive income	2.339	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2021	**94.445**	**1.054**	**6.690**	**8.661**	**52.198**	**157.843**	**6.203**	**6.374**	**135.112**	**15**	**15**	**6.476**
Total 31.12.2020	**n.d.**	**n.d.**	**n.d.**	**n.d.**	**n.d.**	**n.d.**	**n.d.**	**n.d.**	**n.d.**	**n.d.**	**n.d.**	**n.d.**

A.1.2 Prudential consolidation - Financial assets, loan commitments and financial guarantees granted: overall impairment losses/reversals and overall provisions

Reason/Risk stage	Overall impairment losses/reversals – Stage 1 assets						Stage 2 assets						Stage 3 assets						Purchased or originated impaired financial assets					Total provisions on loan commitments and financial guarantees granted				Tot.
	Due from banks and central banks on demand	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets under disposal	of which: individual impairment	of which: collective impairment	Due from banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets under disposal	of which: individual impairment	of which: collective impairment	Due from banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets under disposal	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets under disposal	of which: individual impairment	of which: collective impairment	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and fin. guarantees issued impaired acquired or originated	
Opening balance of total impairment losses/reversals of impairment losses	**936**	**63.072**	**218**	**-**	**-**	**64.226**	**-**	**5.635**	**-**	**-**	**-**	**5.635**	**-**	**225.814**	**-**	**-**	**225.814**	**-**	**-**	**-**	**-**	**-**	**-**	**3.235**	**2**	**7.685**	**48**	**306.645**
Increases from purchased or originated financial assets	6	2.287	-	-	-	2.293	-	226	-	-	-	226	-	15.331	-	-	15.331	-	X	X	X	X	X	-	-	110	-	**17.960**
Derecognitions other than write-offs	-	(1.263)	-	-	-	(1.263)	-	(164)	-	-	-	(164)	-	(48.571)	-	-	(48.571)	-	-	-	-	-	-	1	-	(623)	-	**(50.620)**
Net credit risk losses/reversals (+/-)	(445)	(7.958)	32	-	-	(8.371)	-	12.653	-	-	-	12.653	-	42.855	-	-	42.855	-	(9.253)	-	-	(9.809)	556	81	2.108	1.033	33	**41.139**
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-offs not recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(33.901)	-	-	(33.901)	-	-	-	-	-	-	-	-	-	-	**(33.901)**
Other changes	469	5.297	1	-	-	5.767	-	(413)	-	-	-	(413)	-	(14.150)	-	-	(14.150)	-	9.253	-	-	9.809	(556)	(315)	(28)	(1.366)	(66)	**(1.318)**
Closing balance of total impairment losses/reversals of impairment losses	**966**	**61.435**	**251**	**-**	**-**	**62.652**	**-**	**17.937**	**-**	**-**	**-**	**17.937**	**-**	**187.378**	**-**	**-**	**187.378**	**-**	**-**	**-**	**-**	**-**	**-**	**3.002**	**2.082**	**6.839**	**15**	**279.905**
Reversals from collections on financial assets written off	-	-	-	-	-	-	-	-	-	-	-	-	-	(13.881)	-	-	(13.881)	-	-	-	-	-	-	-	-	-	-	**(13.881)**
Write-offs recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	24.534	-	-	24.534	-	207.419	-	-	207.419	-	-	-	-	-	**231.953**

A.1.3 Prudential consolidation - Financial assets, loan commitments and financial guarantees granted: transfers between different credit risk stages (gross and nominal amounts)

Portfolios/risk stages	Gross amounts/nominal amount					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortised cost	498.563	2.723	54.275	6.929	38.687	44.984
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-
4. Loan commitments and financial guarantees granted	33.376	303	1	274	406	773
Total 31.12.2021	**531.939**	**3.026**	**54.276**	**7.203**	**39.093**	**45.757**
Total 31.12.2020	**174.358**	**161.469**	**17.252**	**46.141**	**70.714**	**29.756**

A.1.3a Loans concerned by COVID-19 support measures: transfers between different credit risk stages (gross amounts)

The table below shows the gross value of the loans concerned by moratorium or other COVID-19 concessions, or which constitute new liquid funds granted by means of public guarantee mechanisms, split by portfolio (amortised cost and fair value through other comprehensive income), when the risk bracket into which the exposures fall at year end differs from that in which they were included at the start of the year (or at the initial booking date if after the start of the year).

Portfolios/risk stages	Gross amounts/nominal amount					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
A. Loans measured at amortised cost	**27.300**	**2.218**	**1.723**	**-**	**2.244**	**219**
A.1 concerned by concessions in compliance with the GLs	1.002	521	-	-	-	-
A.2 subject to existing moratorium measures no longer compliant with GL and not assessed as subject of concession	9.861	1.697	1.265	-	1.980	134
A.3 concerned by other concessions	-	-	-	-	-	-
A.4 new funding	16.437	-	458	-	264	85
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 concerned by concessions in compliance with the GLs	-	-	-	-	-	-
B.2 subject to existing moratorium measures no longer compliant with GL and not assessed as subject of concession	-	-	-	-	-	-
B.3 concerned by other concessions	-	-	-	-	-	-
B.4 new funding	-	-	-	-	-	-
Total 31.12.2021	**27.300**	**2.218**	**1.723**	**-**	**2.244**	**219**
Total 31.12.2020	**15.455**	**10.683**	**897**	**1.348**	**1.540**	**481**

A.1.4 Prudential consolidation - On- and off-balance-sheet credit exposures to banks: gross and net amounts

Types of exposures/Amounts	Gross exposure					Overall impairment losses/reversals and overall allocations					Net exposure	Overall partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
A. On-balance-sheet credit exposures												
A.1 On demand	**350.097**	**350.097**	**-**	**-**	**-**	**966**	**966**	**-**	**-**	**-**	**349.131**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	350.097	350.097	-	X	-	966	966	-	X	-	349.131	-
A.2 Other	**534.477**	**534.477**	**-**	**-**	**-**	**356**	**356**	**-**	**-**	**-**	**534.121**	**-**
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other performing exposures	534.477	534.477	-	X	-	356	356	-	X	-	534.121	-
- of which forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
Total (A)	**884.574**	**884.574**	**-**	**-**	**-**	**1.322**	**1.322**	**-**	**-**	**-**	**883.252**	**-**
B. Off-balance-sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	450.520	450.520	-	X	-	-	-	-	X	-	450.520	-
Total (B)	**450.520**	**450.520**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**450.520**	**-**
Total (A+B)	**1.335.094**	**1.335.094**	**-**	**-**	**-**	**1.322**	**1.322**	**-**	**-**	**-**	**1.333.772**	**-**

On-demand" credit exposures include on-demand receivables from banks classified under "Cash and cash equivalents", in compliance with the provisions of the October 2021 7th update of Bank of Italy Circular no. 262/2005.

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).

A.1.5 Prudential consolidation - On- and off-balance-sheet credit exposures to customers: gross and net amounts

Types of exposures/Amounts	Gross exposure					Overall impairment losses/reversals and overall allocations					Net exposure	Overall partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
A. On-balance-sheet credit exposures												
a) Bad loans	1.245.916	X	-	123.424	1.122.492	91.021	X	-	91.021	-	1.154.895	23.505
- of which forborne exposures	*162.104*	*X*	-	*3.949*	*158.155*	*3.337*	*X*	-	*3.337*	-	*158.767*	-
b) Unlikely to pay	562.918	X	-	204.968	357.950	89.782	X	-	89.782	-	473.136	1.740
- of which forborne exposures	*140.918*	*X*	-	*63.542*	*77.376*	*22.719*	*X*	-	*22.719*	-	*118.199*	*1*
c) Non-performing past due exposures	129.734	X	-	123.982	5.752	6.575	X	-	6.575	-	123.159	-
- of which forborne exposures	*4.450*	*X*	-	*3.691*	*759*	*1.037*	*X*	-	*1.037*	-	*3.413*	-
d) Performing past due exposures	334.778	87.242	222.278	-	25.258	5.659	1.934	3.725	X	-	329.119	137
- of which forborne exposures	*4.230*	-	*2.373*	-	*1.857*	*143*	-	*143*	*X*	-	*4.087*	-
e) Other performing exposures	8.709.419	8.381.927	301.984	-	25.508	73.357	59.145	14.212	X	-	8.636.062	46.416
- of which forborne exposures	*95.232*	*135*	*92.466*	-	*2.631*	*6.077*	*5*	*6.072*	*X*	-	*89.155*	-
Total (A)	**10.982.765**	**8.469.169**	**524.262**	**452.374**	**1.536.960**	**266.394**	**61.079**	**17.937**	**187.378**	**-**	**10.716.371**	**71.798**
B. Off-balance-sheet credit exposures												
a) Non-performing	65.354	X	-	65.260	94	6.848	X	-	6.839	9	58.506	-
b) Performing	1.519.551	1.476.773	42.674	X	104	5.090	3.002	2.082	X	6	1.514.461	-
Total (B)	**1.584.905**	**1.476.773**	**42.674**	**65.260**	**198**	**11.938**	**3.002**	**2.082**	**6.839**	**15**	**1.572.967**	**-**
Total (A+B)	**12.567.670**	**9.945.942**	**566.936**	**517.634**	**1.537.158**	**278.332**	**64.081**	**20.019**	**194.217**	**15**	**12.289.338**	**71.798**

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).

A.1.5a Loans concerned by COVID-19 support measures: gross and net amounts

This table shows, with reference to the loans concerned by moratorium or other COVID-19 concessions, or which constitute new liquidity granted by means of public guarantee mechanisms, details of the gross exposure and comprehensive value adjustments, as well as a disclosure on net exposure for the various categories of impaired/non-impaired assets.

Types of exposures/Amounts	Gross exposure					Overall impairment losses/reversals and overall allocations					Net exposure	Overall partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
A. Non-performing loans:	**-**	**X**	**X**	**-**	**-**	**-**	**X**	**X**	**-**	**-**	**-**	**-**
a) Concerned by concession in compliance with the GLs	-	X	X	-	-	-	X	X	-	-	-	-
b) Subject to outstanding moratorium measures no longer in compliance with GLs and not evaluated as subject of concession	-	X	X	-	-	-	X	X	-	-	-	-
c) Concerned by other concessions	-	X	X	-	-	-	X	X	-	-	-	-
d) New loans	-	X	X	-	-	-	X	X	-	-	-	-
B. Unlikely to pay loans:	**15.597**	**X**	**X**	**5.416**	**10.181**	**(1.259)**	**X**	**X**	**(1.259)**	**-**	**14.338**	**-**
a) Concerned by concession in compliance with the GLs	254	X	X	254	-	-	X	X	-	-	254	-
b) Subject to outstanding moratorium measures no longer in compliance with GLs and not evaluated as subject of concession	5.110	X	X	3.383	1.727	(951)	X	X	(951)	-	4.159	-
c) Concerned by other concessions	-	X	X	-	-	-	X	X	-	-	-	-
d) New loans	10.233	X	X	1.779	8.453	(308)	X	X	(308)	-	9.925	-
C. Non-performing past due loans:	**626**	**X**	**X**	**360**	**266**	**(28)**	**X**	**X**	**(28)**	**-**	**598**	**-**
a) Concerned by concession in compliance with the GLs	-	X	X	-	-	-	X	X	-	-	-	-
b) Subject to outstanding moratorium measures no longer in compliance with GLs and not evaluated as subject of concession	-	X	X	-	-	-	X	X	-	-	-	-
c) Concerned by other concessions	-	X	X	-	-	-	X	X	-	-	-	-
d) New loans	626	X	X	360	266	(28)	X	X	(28)	-	598	-

D. Other performing past-due exposures:	**14.467**	**6.183**	**8.285**	**X**	**-**	**(82)**	**(33)**	**(49)**	**X**	**-**	**14.385**	-
a) Concerned by concession in compliance with the GLs	255	255	-	X	-	-	-	-	X	-	255	-
b) Subject to outstanding moratorium measures no longer in compliance with GLs and not evaluated as subject of concession	5.949	4.851	1.098	X	-	(50)	(30)	(20)	X	-	5.899	-
c) Concerned by other concessions	-	-	-	X	-	-	-	-	X	-	-	-
d) New loans	8.263	1.077	7.187	X	-	(32)	(2)	(29)	X	-	8.232	-
E. Other performing loans:	**631.654**	**598.575**	**33.080**	**X**	**-**	**(2.331)**	**(1.748)**	**(583)**	**X**	**-**	**629.323**	**-**
a) Concerned by concession in compliance with the GLs	89.877	88.135	1.742	X	-	(631)	(517)	(114)	X	-	89.246	-
b) Subject to outstanding moratorium measures no longer in compliance with GLs and not evaluated as subject of concession	89.050	79.700	9.350	X	-	(680)	(488)	(192)	X	-	88.370	-
c) Concerned by other concessions	-	-	-	X	-	-	-	-	X	-	-	-
d) New loans	452.727	430.740	21.988	X	-	(1.020)	(743)	(277)	X	-	451.708	-
Total (A+B+C+D+E)	**662.343**	**604.758**	**41.365**	**5.776**	**10.446**	**(3.700)**	**(1.780)**	**(632)**	**(1.287)**	**-**	**658.644**	**-**

A.1.7 Prudential consolidation - On-balance-sheet credit exposures to customers: trends in gross non-performing exposures

Reason/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Opening gross exposure	**1.217.316**	**564.046**	**35.449**
- of which: transferred and not derecognised	*1.519*	*4.934*	*1.782*
B. Increases	**1.021.739**	**631.874**	**312.782**
B.1 income from performing exposures	6.438	40.597	231.553
B.2 income from purchased or originated impaired financial assets	123.741	56.194	855
B.3 transfers from other non-performing exposure categories	35.523	31.444	3.453
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	856.037	503.639	76.921
- of which: business combinations	-	*1.056*	*1.492*
C. Decreases	**993.139**	**633.002**	**218.497**
C.1 outflows to performing exposures	10.685	7.100	95.907
C.2 write-offs	63.126	5.087	360
C.3 collections	264.331	163.722	3.411
C.4 proceeds from sales	37.431	21.937	199
C.5 losses on sale	60.752	360	3
C.6 transfers to other non-performing loan categories	2.945	38.434	29.041
C.7 contractual modifications without derecognition	-	-	-
C.8 other decreases	553.869	396.362	89.576
D. Closing gross exposure	**1.245.916**	**562.918**	**129.734**
- of which: transferred and not derecognised	*649*	*2.922*	*2.307*

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).

A.1.7bis Prudential consolidation - On-balance-sheet credit exposures to customers: trends in gross forborne exposures broken down by credit quality

Reason/Categories	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**209.770**	**39.630**
- of which: transferred and not derecognised	*2.214*	*3.876*
B. Increases	**421.263**	**104.595**
B.1 inflows from non-forborne performing exposures	863	78.960
B.2 inflows from forborne performing exposures	11.445	X
B.3 inflows from non-performing forborne exposure	X	3.092
B.4 inflows from non-forborne non-performing exposures	44.783	163
B.5 other increases	364.172	22.380
C. Decreases	**323.561**	**44.763**
C.1 outflows to non-forborne performing exposures	X	6.482
C.2 outflows to forborne performing exposures	3.092	X
C.3 outflows to non-performing forborne exposures	X	11.445
C.4 write-offs	1.011	-
C.5 collections	139.079	3.784
C.6 proceeds from sales	2.073	-
C.7 losses on sale	15	-
C.8 other decreases	178.291	23.052
D. Closing gross exposure	**307.472**	**99.462**
- of which: transferred and not derecognised	*1.319*	*21.778*

A.1.9 Prudential consolidation - On-balance-sheet non-performing credit exposures to customers: trends in overall impairment losses/reversals

Reason/Categories	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance of total impairment losses/reversals of impairment losses	**117.485**	**3.536**	**105.507**	**9.554**	**2.821**	**503**
- of which: transferred and not derecognised	-	-	*1.876*	*151*	*261*	*29*
B. Increases	**63.691**	**842**	**53.890**	**17.527**	**12.478**	**982**
B.1 impairment losses from purchased or originated impaired financial assets	-	X	-	X	-	X
B.2. other impairment losses	25.839	409	48.131	17.321	8.192	982
B.3 losses on sale	-	-	-	-	-	-
B.4 transfers from other non-performing exposure categories	16.587	2	2.246	194	35	-
B.5 contractual modifications without derecognition	-	-	-	-	-	-
B.6 other increases	21.265	431	3.513	12	4.251	-
C. Decreases	**90.155**	**1.041**	**69.615**	**4.362**	**8.724**	**448**
C.1 impairment reversals from appreciation	7.762	469	11.839	2.702	5.351	238
C.2 impairment reversals from collection	9.964	101	4.825	272	49	-
C.3 gains on disposal	1.064	1	1.247	-	-	-
C.4 write-offs	64.528	460	21.406	-	-	-
C.5 transfers to other non-performing loan categories	-	-	16.251	16	2.616	210
C.6 contractual modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	6.837	10	14.047	1.372	708	-
D. Closing balance of total impairment losses/reversals of impairment losses	**91.021**	**3.337**	**89.782**	**22.719**	**6.575**	**1.037**
- of which: transferred and not derecognised	*151*	-	*1.019*	*208*	*318*	*44*

A.2 Classification of exposures based on external and internal ratings

A.2.1 Prudential consolidation - Breakdown of financial assets, loan commitments and financial guarantees granted by external rating class (gross amounts)

For the purposes of calculating capital requirements against credit risk, Banca Ifis uses the external credit assessment institution (ECAI) Fitch Ratings exclusively for the positions recognised under “Exposures to Central Governments and Central Banks”. Banca Ifis also uses the ECAI Cerved rating for corporate counterparties, having certain specific characteristics of size and use, in order to calculate capital absorption for supervisory purposes. These positions are included in the “Exposure to Companies” classes.

No external ratings are used for other asset classes.

A.2.2 Prudential consolidation - Breakdown of financial assets, loan commitments and financial guarantees granted by internal rating class (gross amounts)

The Banca Ifis Group does not use internal ratings for the purposes of calculating capital absorption. The Group has implemented an internal management rating system geared towards business segments, differentiated by legal nature and size. This has been developed on proprietary databases and has the following components:

- a “financial” module, to assess the company’s operating/financial soundness;
- a “central credit register” module, presenting the evolution of counterparty risk vis-à-vis the banking industry;
- an “internal performance” module, monitoring the performance of the relationships between the counterparty and the Group;
- a “socio-demographic” module aimed at assessing the risk profile on the basis of biographical information.

A.3 Breakdown of guaranteed credit exposures by guarantee type

A.3.1 Prudential consolidation - Guaranteed on- and off-balance-sheet credit exposures to banks

	Gross exposure	Net exposure	Collateral guarantees (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
								Other derivatives								
			Property - mortgages	Property - lease financing	Securities	Other collateral guarantees	CLN	Central counterparties	Banks	Other financial companies	Other entities	Public Administrations	Banks	Other financial companies	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	**101.205**	**101.204**	**-**	**-**	**-**	**100.964**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100.964**	**201.928**
1.1 totally guaranteed	101.205	101.204	-	-	-	100.964	-	-	-	-	-	-	-	-	100.964	201.928
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed off-balance-sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Prudential consolidation - Guaranteed on- and off-balance-sheet credit exposures to customers

	Gross exposure	Net exposure	Collateral guarantees (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
								Other derivatives								
			Property - mortgages	Property - lease financing	Securities	Other collateral guarantees	CLN	Central counterparties	Banks	Other financial companies	Other entities	Public Administrations	Banks	Other financial companies	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	**3.640.758**	**3.507.558**	**618.703**	**-**	**3.059**	**1.394.643**	**-**	**-**	**-**	**-**	**-**	**772.677**	**-**	**10.604**	**465.986**	**3.265.672**
1.1 totally guaranteed	2.583.731	2.483.907	472.402	-	20	1.337.361	-	-	-	-	-	222.405	-	8.718	443.001	2.483.907
- of which non-performing	*276.773*	*207.642*	*127.890*	-	-	*26.397*	-	-	-	-	-	*5.394*	-	*102*	*47.860*	*207.643*
1.2 partially guaranteed	1.057.027	1.023.651	146.301	-	3.039	57.282	-	-	-	-	-	550.272	-	1.886	22.985	781.765
- of which non-performing	*72.047*	*53.306*	*19.943*	-	-	*85*	-	-	-	-	-	*12.840*	-	*120*	*2.134*	*35.122*
2. Guaranteed off-balance-sheet credit exposures:	**40.975**	**40.893**	**-**	**-**	**30**	**5.708**	**-**	**-**	**-**	**-**	**-**	**4.790**	**-**	**225**	**27.217**	**37.970**
2.1 totally guaranteed	32.912	32.894	-	-	30	4.930	-	-	-	-	-	803	-	200	26.929	32.892
- of which non-performing	*1.751*	*1.751*	-	-	-	-	-	-	-	-	-	-	-	-	*1.751*	*1.751*
2.2 partially guaranteed	8.063	7.999	-	-	-	778	-	-	-	-	-	3.987	-	25	288	5.078
- of which non-performing	*54*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. Concentration and distribution of credit exposures

B.1 Prudential Consolidation - Breakdown of on- and off-balance-sheet credit exposures to customers by segment

Exposures/Counterparties	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	3.382	8.793	1.419	88	-	-	160.511	75.930	989.583	6.210
- of which forborne exposures	-	-	*21*	-	-	-	*6.523*	*2.957*	*152.223*	*380*
A.2 Unlikely to pay	231	-	7.866	612	-	-	124.173	80.006	340.866	9.164
- of which forborne exposures	-	-	*39*	*123*	-	-	*40.644*	*19.702*	*77.516*	*2.894*
A.3 Non-performing past due exposures	73.972	195	64	11	-	-	37.118	3.495	12.005	2.874
- of which forborne exposures	-	-	-	-	-	-	*914*	*134*	*2.499*	*903*
A.4 Performing exposures	2.758.802	2.542	414.266	4.378	294	3	5.083.641	63.243	708.472	8.853
- of which forborne exposures	*844*	*4*	*90*	*5*	-	-	*72.899*	*5.137*	*19.409*	*1.074*
Total (A)	**2.836.387**	**11.530**	**423.615**	**5.089**	**294**	**3**	**5.405.443**	**222.674**	**2.050.926**	**27.101**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	1.361	229	-	-	55.326	6.409	1.819	210
B.2 Performing exposures	1	-	148.870	844	-	-	1.068.341	4.207	297.249	39
Total (B)	**1**	**-**	**150.231**	**1.073**	**-**	**-**	**1.123.667**	**10.616**	**299.068**	**249**
Total (A+B) 31.12.2021	**2.836.388**	**11.530**	**573.846**	**6.162**	**294**	**3**	**6.529.110**	**233.290**	**2.349.994**	**27.350**
Total (A+B) 31.12.2020	**2.454.167**	**10.000**	**468.545**	**6.454**	**326**	**9**	**5.953.581**	**261.614**	**2.311.018**	**27.284**

B.2 Prudential consolidation - Geographical breakdown of on- and off-balance-sheet credit exposures to customers

Exposures/Geographic areas	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	1.154.413	89.825	457	1.195	15	-	1	1	9	-
A.2 Unlikely to pay	472.551	89.356	576	426	5	-	-	-	4	-
A.3 Non-performing past due exposures	107.967	5.572	14.487	946	50	4	655	53	-	-
A.4 Performing exposures	8.510.316	68.812	321.115	9.195	80.161	919	48.602	80	4.987	10
Total (A)	**10.245.247**	**253.565**	**336.635**	**11.762**	**80.231**	**923**	**49.258**	**134**	**5.000**	**10**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	58.118	6.848	388	-	-	-	-	-	-	-
B.2 Performing exposures	1.417.315	4.786	95.778	304	-	-	1.132	-	236	-
Total (B)	**1.475.433**	**11.634**	**96.166**	**304**	**-**	**-**	**1.132**	**-**	**236**	**-**
Total (A+B) 31.12.2021	**11.720.680**	**265.199**	**432.801**	**12.066**	**80.231**	**923**	**50.390**	**134**	**5.236**	**10**
Total (A+B) 31.12.2020	**10.734.228**	**293.512**	**330.051**	**10.478**	**81.980**	**1.171**	**37.917**	**177**	**3.135**	**13**

B.3 Prudential consolidation - Geographical breakdown of on- and off-balance-sheet credit exposures to banks

Exposures/Geographic areas	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	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	872.005	1.310	11.247	12	-	-	-	-	-	-
Total (A)	**872.005**	**1.310**	**11.247**	**12**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	449.258	-	1.262	-	-	-	-	-	-	-
Total (B)	**449.258**	**-**	**1.262**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2021	**1.321.263**	**1.310**	**12.509**	**12**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2020	**1.131.242**	**1.234**	**16.403**	**40**	**20.690**	**35**	**-**	**-**	**-**	**-**

B.4 Major exposures

		31.12.2021	31.12.2020
a)	Carrying amount	4.575.221	3.418.576
b)	Weighted amount	799.970	425.098
c)	Number	7	4

The total amount of large exposures at weighted value as at 31 December 2021 mainly consists of 255 million Euro in tax assets, 180 million Euro in exposures to counterparties not included in the scope of prudential consolidation, 146 million Euro in exposures to banks and financial institutions mainly for repurchase agreements and 188 million Euro attributable to liquidity provided to vehicle companies for existing securitisation transactions.

Disclosure regarding Sovereign Debt

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

Pursuant to said communication, please note that at 31 December 2021 the exposures to sovereign debt entirely consisted of Italian government bonds; their carrying amount totalled 2.145 million Euro, net of the negative 3,6 million Euro valuation reserve.

These securities, with a nominal amount of approximately 2.120 million Euro have a weighted residual average life of approximately 44 months.

The fair values used to measure the exposures to sovereign debt securities at 31 December 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 disbursed to and due from the Italian National Administration. These exposures at 31 December 2021 amounted to 691 million Euro, of which 129 million Euro related to tax credits.

C. Securitisation transactions

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

Qualitative information

Objectives, strategies and processes

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

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

The acquisition activities are carried out in accordance with the policies and procedures relating to credit risk, and in particular with the policies in force for the securitisation transactions and investment policies applicable to the Proprietary Finance portfolio and in compliance with the propensity to risk established within the Risk Appetite Framework. 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 corporate 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 an initial 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. 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 31 December 2021, the interest expense on the senior notes recognised in profit or loss amounted to 5,5 million Euro.

Emma securitisation

At 31 December 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 securitisations

At 31 December 2021, the Group held 153,3 million Euro in notes deriving from third-party securitisation transactions: specifically, it held 13,0 million Euro worth of single-tranche notes, senior notes for 188,2 million Euro and 14,7 million Euro worth of mezzanine and junior notes.

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

- “Elite Basket Bond (EBB)” securitisation: the special purpose vehicle EBB S.r.l. issued Asset Backed Securities (ABS) at a price equal to the nominal amount, amounting to 122 million Euro, in a single tranche with maturity in December 2027 and a Basket of minibonds issued by 11 Italian listed companies as the underlying asset. These notes are unsecured senior bonds but carry a Credit Enhancement equal to 15% of the transaction's overall amount (24 million Euro), to be used in the event the issuers default on interest and/or principal payments on the minibonds. The Parent company participates in this transaction only as underwriter, subscribing for 4,8 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 31 December 2021 the carrying amount of the portion subscribed for was 20,2 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). As at 31 December 2021, the subscribed tranche had a carrying amount of 2,3 million Euro (2,7 million Euro at the end of the previous year);
- “Auxilio” securitisation: this is an investment made in October 2020 for an initial nominal amount of 1,9 million Euro, relating to the purchase by Banca Ifis of a portion of senior securities with a “partly paid” structure for a pro-rata Bank notional value of 10 million Euro, with legal maturity in September 2035, issued by the securitisation vehicle Auxilio SPV S.r.l., with underlying receivables deriving from loans assisted by the guarantee of the Central Guarantee Fund. The transaction is characterised by a ramp-up period during which the issuer can purchase additional loans against the proceeds deriving from the payment of further tranches of the security subscription price; as a result of the payments made between the purchase date and 31 December 2021, the residual nominal amount of the senior tranche held is 9,8 million Euro. No capital redemptions occurred during the months between the investment date and end 2021, and at 31 December 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. During 2021, the Group further invested in this transaction by also subscribing to an upper mezzanine tranche (class B1). As at 31 December 2021 the book value of the senior tranches subscribed is equal to 10,6 million Euro, down compared to the figure of 14,3 million Euro as of 31 December 2020 due to the redemptions occurred during the year, while the mezzanine tranches show a net carrying amount of 4,5 million Euro;
- “Futura 2019” securitisation: In February 2020, Banca Ifis subscribed, for a nominal amount of 2,7 million Euro, senior securities maturing in July 2044, issued by the SPV Futura 2019 S.r.l. As at 31 December 2021, these securities had a net carrying amount of 2,1 million Euro (2,7 million Euro at the end of the previous year);
- “BCC NPLs 2020” securitisation: this transaction was carried out in November 2020 by Iccrea Banca on an underlying of NPLs for a total of 2,4 billion Euro, divided up over more than 9.600 debtors and 17.000 positions. This transaction, carried out through the SPV BCC NPLs 2020 S.r.l., is backed by the government GACS guarantee scheme and regarded the issue of senior, mezzanine and junior securities with maturity at January 2045. The Parent company Banca Ifis was involved in connection with the subscription of a portion of securities for each tranche, for a total nominal amount of 55,5 million Euro. The carrying amount at 31 December 2021 of the tranches subscribed is 51,6 million Euro for the senior

(measured at amortised cost), while the value attributed to the mezzanine and junior portions (measured at fair value through profit or loss) is effectively null;

- "Bluwater" securitisation: this is a transaction implemented in December 2020 with Banco BPM as originator and Pillarstone Italy SPV S.r.l. as SPV and that consisted of the issue of a single tranche of securities (referred to as "single tranche") maturing in October 2030. Banca Ifis subscribed a portion of said securities for 3,7 million Euro in nominal amount, which at 31 December 2021 has a carrying amount of 0,9 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 12,1 million Euro at 31 December 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 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 31 December 2021, the securities have a net carrying amount of 17,7 million Euro, 3,3 million 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 2021 as subscriber of mezzanine securities characterised by a carrying amount at the end of 2021 of 4,1 million Euro;
- "Maior", "Brisca" and "Aqui" securitisations, all having as underlying NPL loans and realised through the vehicle Miami Spv, for which, in 2021, the Banca Ifis Group participated in the subscription of senior securities with a total carrying amount of 44,6 million Euro as at 31 December 2021;
- "Iron" securitisation, as part of which the Parent company subscribed senior and junior tranches issued by the vehicle Spv Project 1906 Srl in 2021, which at 31 December 2021 have a net carrying amount of 9,3 million Euro and 0,4 million Euro, respectively;
- "Lanterna" securitisation, carried out by the special purpose vehicle Lanterna Finance S.r.l. in June 2021 via the issue of senior securities for 320 million Euro and junior securities for 62,7 million Euro, having as their underlying loans assisted by a 100% guarantee from the Central Guarantee Fund (FCG) set up at Mediocredito Centrale (MCC) pursuant to Law 662 of 23 December 1996, as amended by the provisions introduced by the Decree Law of 8 April 2020 (the "Liquidity Decree"), converted by Law no. 40 of 5 June 2020. The Banca Ifis Group took part in this transaction by subscribing to a portion of the senior tranches, which as at 31 December 2021 had a net carrying amount of 9,8 million Euro;
- "BCC NPLs 2021" securitisation: this is a similar transaction to the above-mentioned "BCC NPLs 2020", and was carried out in November 2021 by Iccrea Banca on an underlying NPL, selling a credit claim of 1,3 billion Euro originating from around 7 thousand debtors. This transaction, carried out through the SPV BCC NPLs 2021 S.r.l., is backed by the government GACS guarantee scheme and regarded the issue of senior, mezzanine and junior securities with maturity at April 2046. Banca Ifis took part through the sale of a portfolio of its own exposures and the subscription of a portion of securities for each tranche, which as of 31 December 2021 showed a net carrying amount of 7,7 million Euro for the senior tranches (valued at amortised cost) and essentially zero for the mezzanine and junior tranches (valued at fair

value through profit or loss). For further details on this transaction and the related accounting treatment, reference should be made to the specific paragraph “C. Financial assets sold and fully derecognized” in section “D. Disposal transactions” of this Part E;
- “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 complete underwriting 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 Section 3 “Scope and methods of consolidation” of Part A of this document), and therefore the loans underlying this securitisation have been recognised as assets in the consolidated financial statements at 31 December 2021.

Quantitative information

C.1 Prudential consolidation - Exposures from the main “own” securitisations broken down by type of securitised asset and type of exposure

Type of securitised asset/Exposure	On-balance-sheet exposures						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals
A. Fully derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Partly derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised	**51.645**	**11**	**8**	**-**	**394.684**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Receivables due from customers	51.645	11	8	-	394.684	-	-	-	-	-	-	-	-	-	-	-	-	-

C.2 Prudential consolidation - Exposures from the main “third-party” securitisations broken down by type of securitised asset and type of exposure

Type of securitised asset/Exposure	On-balance-sheet exposures						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Carrying amount	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals	Net exposure	Impairment losses/ reversals
Loans	13.043	56	-	-	409	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities	188.209	872	14.683	130	13.045	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**201.252**	**928**	**14.683**	**130**	**13.454**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C.3 Prudential consolidation - Interests in special purpose vehicles for the securitisation

Securitisation name / Special purpose vehicle name	Registered office	Consolidation (1)	Assets (2)			Liabilities (2)		
			Receivables	Debt securities	Other	Senior	Mezzanine	Junior
Ifis Abcp Programme S.r.l.	Conegliano (Province of Treviso)	100%	1.331.940	-	114.735	1.057.568	-	-
Emma S.P.V. S.r.l.	Conegliano (Province of Treviso)	100%	293.976	-	24.377	390.176	-	-
Urano Spv S.r.l.	Milan	100%	6.746	-	209	-	-	-

(1) Consolidation method referred to the so-called "prudential" perimeter
(2) The figures shown are gross of any intercompany transactions

C.6 Prudential consolidation - Consolidated securitisation vehicles

Please refer to the disclosures in Table C.3 and, with respect to securitisation transactions carried out during 2021, to what was previously reported with respect to the restructuring of the Emma securitisation.

D. Disposals

A. Financial assets sold and not fully derecognised

Qualitative information

Financial assets sold but not derecognised refer to securitised receivables.

Quantitative information

D.1. Prudential consolidation - Financial assets sold and fully recognised and associated financial liabilities: carrying amounts

	Financial assets sold and fully recognised				Associated financial liabilities		
	Carrying amount	of which: securitised	of which: subject to repurchase agreements	of which non-performing	Carrying amount	of which: securitised	of which: subject to repurchase agreements
A. Financial assets held for trading							
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets measured at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income							
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost							
1. Debt securities	-	-	-	-	-	-	-
2. Loans	1.256.562	1.257.259	-	4.585	583.045	365.533	217.512
Total 31.12.2021	**1.256.562**	**1.257.259**	**-**	**4.585**	**583.045**	**365.533**	**217.512**
Total 31.12.2020	**1.064.930**	**1.064.929**	**-**	**-**	**1.000.210**	**1.000.210**	**-**

C. Financial assets sold and fully derecognised

In September 2021, the Banca Ifis Board of Directors resolved to take part in a multioriginator securitisation of a portfolio of bad loans with the submission of an application to the Ministry for the Economy and Finance to be admitted to the government guarantee scheme for liabilities issued (the "GACS") in accordance with Italian Decree Law no. 18 of 14 February 2016, converted with Italian Law no. 49 of 8 April 2016, implemented by Decree of the Ministry for the Economy and Finance of 3 August 2016, with Decree of the Ministry for the Economy and Finance of 21 November 2017 and with Decree of the Ministry for the Economy and Finance of 10 October 2018, with Decree of the Ministry for the Economy and Finance of 14 October 2019, with Decree of the Ministry for the

Economy and Finance of 20 May 2020 and with Decree of the Ministry for the Economy and Finance of 15 July 2021.

The transaction, which involved a large scope of banks, envisaged the transfer, in accordance with Italian Law no. 130 of 30 April 1999, of unsecured and mortgage loan portfolios, deriving from loans classified as non-performing and receivables deriving from financial lease contracts classified as non-performing for a total credit claim of approximately 1,3 billion Euro, in the favour of a securitisation SPV established specifically to this end and called “BCC NPLs 2021 S.r.l.” as well as the simultaneous conferral of a management mandate (servicing) by the latter to a third party independent servicer with respect to the originating banks. The SPV acquired the portfolio on 16 November 2021, financing the purchase by issuing asset-backed securities, in accordance with the combined provisions of Articles 1 and 5 of Italian Law no. 130, for a total nominal amount of approximately 336,5 million Euro, structured into the following classes:

- 284 million Euro in Senior Notes maturing in April 2046, with rating Baa2, BBB and BBB respectively assigned by Moody’s Italia Srl, Scope Rating GmbH and ARC Ratings S.A.;
- 39,5 million Euro in Mezzanine Notes maturing in April 2046, with rating Caa2, CCC and CCC+ respectively assigned by Moody’s Italia Srl and Scope and ARC Ratings;
- 13 million Euro in Junior Notes maturing in April 2046, unrated.

In order to fulfil the obligation to maintain the net economic interest of 5% in the transaction, as per Article 6 of (EU) Regulation no. 2017/2402 of the European Parliament and Council of 12 December 2017, as amended by Regulation (EU) 557/2021, the adhering banks, including Banca Ifis, have subscribed - and undertake to maintain such for the entire duration of the transaction - a proportional share of 100% of the Senior Notes. The remaining share of Mezzanine and Junior Notes was instead subscribed by a third party independent investor.

The transaction has been structured in such a way as to have suitable characteristics to allow the Senior Notes to benefit from said GACS, given the expected deconsolidation by the originating banks of the receivables concerned by the transaction, in compliance with international accounting standards IAS/IFRS. In the case in point, paragraph 3.2.12 of IFRS 9 states that “When derecognising the financial asset as a whole, the difference between the carrying amount (measured at the date of derecognition) and the price received (including any new assets obtained less any new liability accepted), must be noted under profit (loss) for the year”.

Consequently, upon conclusion of the transaction, Banca Ifis Group:

- has eliminated from the assets on the balance sheet the receivables transferred in the financial position in progress at the time the settlement as made listing the mezzanine and junior tranches on the market;
- recorded on the income statement, under “Profit (loss) from sale or buyback of financial assets measured at amortised cost” the total capital loss/gain determined as the difference between the aggregated gross value at the date of transfer of the loans, less the cumulative impairment losses and including any collections made from said loans and pertaining to the SPV at the date of sale (8,3 million Euro, of which collections of 112 thousand Euro) and the price received (8,0 million Euro); a difference that is expressed as a total capital loss of 246 thousand Euro;
- noted on the balance sheet the Senior, Mezzanine and Junior notes subscribed at the related fair value for a total amount of 7,9 million Euro (for more details on the units subscribed by Banca Ifis, refer to the information given in section “Securitisation transactions” of this Part E).

1.2 Market risks

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 2021, no violations were seen to the risk thresholds assigned internally.

1.2.1 Interest rate risk and price risk - supervisory trading book

Qualitative information

A. General aspects

In 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.

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

B. 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 is the average of the second and third worst results.

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

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

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

Quantitative information

1. Supervisory trading book: breakdown by residual maturity (re-pricing date) of on-balance-sheet financial assets and liabilities and financial derivatives - Currency: Euro

Type/Residual maturity	on demand	up to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	over 5 to 10 years	over 10 years	indefinite life
1. On-balance-sheet assets								
1.1 Debt securities	-	-	-	709	-	-	-	-
- with early redemption option	-	-	-	709	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance-sheet liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	4.147	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	445	-	2.028	-	-	442	-
+ short positions	-	442	-	-	-	-	445	-
3.2 Without underlying security								
- Options								
+ long positions	-	1.138	-	5.527	177	1.426	34	-
+ short positions	-	28	-	1.362	170	6.714	29	-
- Other derivatives								
+ long positions	-	-	15.518	1.678	7.293	1.263	-	-
+ short positions	-	-	15.518	1.678	7.293	1.263	-	-

3. Supervisory trading book: internal models and other methods for the sensitivity analysis

1.2.2 Interest rate risk and price risk - banking portfolio

Qualitative information

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

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

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

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

At 31 December 2021, the comprehensive bond portfolio mainly comprises government securities for a percentage of approximately 87%; the comprehensive average modified duration is approximately 2,5 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 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”.

Quantitative information

1. Banking book: breakdown by residual maturity (re-pricing date) of financial assets and liabilities - Currency: Euro

Type/Residual maturity	on demand	up to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	over 5 to 10 years	over 10 years	Indefinite life
1. On-balance-sheet assets	**3.969.502**	**3.643.891**	**1.473.814**	**376.975**	**1.445.771**	**762.735**	**93.314**	**-**
1.1 Debt securities	136	1.084.102	768.657	42.751	260.247	471.669	47.779	-
- with early redemption option	136	354.456	14.282	42.751	59.049	47.983	30.948	-
- other	-	729.646	754.375	-	201.198	423.686	16.831	-
1.2 Loans to banks	6.274	276.535	911	100.840	-	-	-	-
1.3 Loans to customers	3.963.092	2.283.254	704.246	233.384	1.185.524	291.066	45.535	-
- current a/c	111.970	3.831	13.090	5.684	99.937	25.923	6.605	-
- other loans	3.851.122	2.279.423	691.156	227.700	1.085.587	265.143	38.930	-
- with early redemption option	480.555	1.474.412	418.353	36.630	19.230	639	2.102	-
- other	3.370.567	805.011	272.803	191.070	1.066.357	264.504	36.828	-
2. On-balance-sheet liabilities	**2.234.453**	**2.097.312**	**337.835**	**512.328**	**5.255.306**	**415.909**	**367.044**	**-**
2.1 Due to customers	2.207.070	459.650	320.179	476.243	1.861.590	5.284	365.724	-
- current a/c	1.223.376	80.715	106.871	137.201	119.111	-	-	-
- other payables	983.694	378.935	213.308	339.042	1.742.479	5.284	365.724	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	983.694	378.935	213.308	339.042	1.742.479	5.284	365.724	-
2.2 Due to banks	27.237	34.265	17.627	36.073	2.739.213	8.344	1.320	-
- current a/c	26.808	-	-	-	-	-	-	-
- other payables	429	34.265	17.627	36.073	2.739.213	8.344	1.320	-
2.3 Debt securities	146	1.603.397	29	12	654.503	402.281	-	-
- with early redemption option	-	-	-	-	-	402.281	-	-
- other	146	1.603.397	29	12	654.503	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions								
+ long positions	163.139	-	-	-	-	-	-	-
+ short positions	89.616	2.888	1.781	-	31.459	37.396	-	-

1. Banking book: breakdown by residual maturity (re-pricing date) of financial assets and liabilities - Currency: Other currencies

Type/Residual maturity	on demand	up to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	over 5 to 10 years	over 10 years	Indefinite life
1. On-balance-sheet assets	**67.697**	**268.508**	**15.524**	**77**	**2.292**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	-	-	-	-	-	-	-	-
1.3 Loans to customers	67.697	268.508	15.524	77	2.292	-	-	-
- current a/c	-	-	-	-	-	-	-	-
- other loans	67.697	268.508	15.524	77	2.292	-	-	-
- with early redemption option	563	11.552	1.053	76	71	-	-	-
- other	67.134	256.956	14.471	1	2.221	-	-	-
2. On-balance-sheet liabilities	**32.434**	**401.165**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	11.854	142	-	-	-	-	-	-
- current a/c	11.845	-	-	-	-	-	-	-
- other payables	9	142	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	9	142	-	-	-	-	-	-
2.2 Due to banks	20.580	245.533	-	-	-	-	-	-
- current a/c	20.580	-	-	-	-	-	-	-
- other payables	-	245.533	-	-	-	-	-	-
2.3 Debt securities	-	155.490	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	155.490	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions								
+ long positions	604	-	-	-	-	-	-	-
+ short positions	604	-	-	-	-	-	-	-

1.2.3 Currency risk

Qualitative information

A. 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 UCITs. In this sense, the assets in question are generally hedged with deposits and/or loans from other banks in the same currency, thus eliminating for the most part the risk of losses associated with exchange rate fluctuations. In some cases, synthetic instruments are used as hedging instruments.

A residual currency risk arises as a natural consequence of the mismatch between the clients' borrowings and the Capital Markets 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 Group'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 Group'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 31 December 2021.

B. Hedging of currency risk

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

Quantitative information

1. Distribution of assets, liabilities and derivatives by currency

Items	Currencies					
	US DOLLAR	UK STERLING	JAPANESE YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
A. Financial assets	**173.156**	**908**	**-**	**-**	**-**	**64.992**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	22.951	-	-	-	-	324
A.3 Loans to banks	-	-	-	-	-	-
A.4 Loans to customers	150.205	908	-	-	-	62.228
A.5 Other financial assets	-	-	-	-	-	2.440
B. Other assets	**6.674**	**457**	**-**	**-**	**-**	**7.391**
C. Financial liabilities	**222.270**	**1.071**	**-**	**-**	**-**	**33.695**
C.1 Payables due to banks	214.570	952	-	-	-	29.657
C.2 Payables due to customers	7.700	119	-	-	-	4.038
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**2.546**
E. Financial derivatives						
- Options						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	60.294
Total assets	**179.830**	**1.365**	**-**	**-**	**-**	**72.383**
Total liabilities	**222.270**	**1.071**	**-**	**-**	**-**	**96.535**
Imbalance (+/-)	**(42.440)**	**294**	**-**	**-**	**-**	**(24.152)**

1.3 Derivative instruments and hedging policies

1.3.1 Derivative instruments held for trading

A. Financial derivatives

Please see paragraph 1.2 Market risks.

A.1 Financial derivatives held for trading: year-end notional amounts

Underlying assets/Types of derivatives	31.12.2021				31.12.2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offsetting agreements	Without offsetting agreements			With offsetting agreements	Without offsetting agreements	
1. Debt securities and interest rates	**-**	**-**	**747.364**	**-**	**-**	**-**	**152.435**	**-**
a) Options	-	-	383.988	-	-	-	-	-
b) Swaps	-	-	363.376	-	-	-	152.435	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and share indexes	**-**	**-**	**21.250**	**-**	**-**	**-**	**20.230**	**-**
a) Options	-	-	21.250	-	-	-	20.230	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**768.614**	**-**	**-**	**-**	**172.665**	**-**

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Types of derivatives	31.12.2021				31.12.2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	1.588	-	-	-	1.056	-
b) Interest rate swaps	-	-	5.416	-	-	-	18.193	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	-	7.004	-	-	-	19.249	-
2. Negative fair value								
a) Options	-	-	4.628	-	-	-	-	-
b) Interest rate swaps	-	-	1.363	-	-	-	18.551	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**5.991**	**-**	**-**	**-**	**18.551**	**-**

A.3 OTC financial derivatives held for trading: notional amounts, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other entities
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional amount	X	735.587	-	11.778
- positive fair value	X	4.522	-	1.199
- negative fair value	X	5.991	-	-
2) Equity securities and share indexes				
- notional amount	X	21.250	-	-
- positive fair value	X	1.283	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Goods				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and share indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives: notional amounts

Underlying assets/Residual life	Up to 1 year	Over 1 to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	84.280	173.285	489.800	747.365
A.2 Financial derivatives on equity securities and share indexes	21.249	-	-	21.249
A.3 Financial derivatives on exchange rates and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2021	**105.529**	**173.285**	**489.800**	**768.614**
Total 31.12.2020	**86.499**	**76.877**	**9.289**	**172.665**

1.4 Liquidity risk

Qualitative information

A. 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 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 31 December 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 corporate functions of the Parent company responsible for ensuring the correct application of the liquidity policy are the Capital Markets function, which is responsible for the direct management of liquidity, the Risk Management function, which is responsible for proposing the risk appetite, identifying the most appropriate risk indicators and monitoring their performance in relation to the set limits and supporting the activities of Top Management. The latter has the task, with the support of the Capital Markets function, of proposing funding and liquidity risk management policies to the Board of Directors on an annual basis and suggesting during the course of the year any appropriate measures to ensure that activities are carried out in full compliance with approved risk policies.

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

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

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

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

Impacts deriving from the Covid-19 pandemic

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

With regard to the evolution of funding volumes attributable to the effects of the pandemic during 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 2021, no violations were seen to the risk thresholds assigned internally.

Quantitative information

1. Breakdown by residual contractual duration of financial assets and liabilities - Currency: Euro

Items/Duration	on demand	over 1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	Over 5 years	indefinite life
On-balance-sheet assets										
A.1 Government bonds	376	-	380	-	1.230	599.655	185.030	800.500	518.000	-
A.2 Other debt securities	1.382	92	355	330	1.111	5.890	9.068	249.473	592.021	-
A.3 UCITS units	56.101	-	-	-	-	-	-	-	-	-
A.4 Loans	1.011.234	44.894	169.240	339.807	1.370.454	472.989	740.517	3.092.213	951.493	363.550
- banks	3.945	-	-	1.890	27.925	881	100.840	-	-	348.852
- customers	1.007.289	44.894	169.240	337.917	1.342.529	472.108	639.677	3.092.213	951.493	14.698
On-balance-sheet liabilities										
B.1 Deposits and current accounts	1.715.909	28.706	42.128	87.979	1.186.566	321.261	479.539	1.834.068	-	-
- banks	69.232	-	-	-	-	-	-	-	-	-
- customers	1.646.677	28.706	42.128	87.979	1.186.566	321.261	479.539	1.834.068	-	-
B.2 Debt securities	147	-	-	1	15	12.116	18.012	648.761	400.000	-
B.3 Other liabilities	246.976	253	3.119	977.024	16.084	9.816	50.397	2.725.887	433.423	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of underlying assets										
- long positions	4.187	-	-	-	445	-	2.028	-	442	-
- short positions	-	-	-	-	442	-	-	-	445	-
C.2 Financial derivatives without exchange of underlying assets										
- long positions	2.817	-	-	-	-	-	-	-	-	-
- short positions	5.992	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- long positions	70.833	1.441	-	2.172	2.094	1.978	-	44.697	39.925	-
- short positions	89.617	-	-	1.544	1.343	1.781	-	31.459	37.396	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1. Breakdown by residual contractual duration of financial assets and liabilities - Currency: Other currencies

Items/Duration	on demand	over 1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 to 3 months	over 3 to 6 months	over 6 months to 1 year	over 1 to 5 years	Over 5 years	indefinite life
On-balance-sheet assets										
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	229.511	-	-	-	-	-	-	-	-	-
A.4 Loans	322.818	108.323	40.176	427.112	50.841.676	216.993	19.783	21.177	-	-
- banks	-	-	-	-	-	-	-	-	-	-
- customers	322.818	108.323	40.176	427.112	50.841.676	216.993	19.783	21.177	-	-
On-balance-sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	82.938	236.297	126.388	11.828	47.747	-	-	-	-	-
- banks	-	236.297	126.388	11.828	47.745	-	-	-	-	-
- customers	82.938	-	-	-	2	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	69	2.030.986	-	-	-	-	-	-	-	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- long positions	42	-	-	-	-	5.828	-	-	-	-
- short positions	5.336	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of underlying assets										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

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 31 December 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) 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 31 December 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 31 December 2021 and their purpose, see the comments in the section on credit risks.

1.5 Operational risks

Qualitative information

A. General aspects, management procedures and measurement methods concerning 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 fourth quarter of 2021, the Group launched the periodic Risk Self-Assessment campaign, which included 100% of the scope at the end of the year. The aim is to identify the main operational issues and to define specific mitigation measures to bolster operational risk controls were subsequently defined and launched.

During the same period, Risk Management also launched the Model Risk Self Assessment campaign, which was carried out considering the organisational units as Model Owners present at the Parent company and the subsidiary Ifis Npl Investing S.p.A., insofar as the responsibility for the development and maintenance of the related models is attributed to the Parent company Risk Management. Following the campaign, currently being completed, the models most exposed to the risk will be 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.

Moreover, in order to prevent and manage operational risk, the Parent's Risk Management, working together with other business functions, in supervising the risks connected with the outsourcing of operational functions as well 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, also in respect of risk management.

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

Alongside operational risk, reputational risk is also managed.

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

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

As in the case of operational risk, the Parent's Risk Management is responsible for managing reputational risk: it defines the Group's overall framework - in accordance with the relevant regulations as well as industry best practices - for the management of reputational risk, with the goal of identifying, assessing, and monitoring the reputational risks that the Group's Companies or organisational units assume or may assume. The framework involves collecting reputational risk events as they occur, conducting a forward-looking Reputational Risk Self-Assessment, and monitoring a set of risk measures over time.

Impacts deriving from the Covid-19 pandemic

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

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

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

Section 4 - 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.

4.6 Part F - Consolidated equity

Section 1 - Consolidated Equity

A. Qualitative information

Managing equity concerns a set of policies and decisions necessary to establish capital levels that are consistent with the assets and risks taken by the Group. The Banca Ifis Group is subject to the capital adequacy requirements established by the so-called Basel Committee (CRR/CRD IV).

The Board of Directors constantly monitors that the Group meets the minimum supervisory requirements, and therefore the capital adequacy ratios, as well as complies with the capital limits set out in the Risk Appetite Framework (RAF).

Furthermore, also in accordance with the European Central Bank's recommendation of 28 January 2015, the Group ensures compliance with capital adequacy ratios through a pay-out policy linked to the achievement of the above minimum capital requirements, as well as the careful assessment of the potential impact of extraordinary financial operations (share capital increases, convertible loans, etc.).

The Group's capital adequacy is further assessed and monitored every time an extraordinary operation is planned. In these cases, based on available information regarding said operations, the Group estimates the impact on capital adequacy ratios as well as the RAF, and considers any measures necessary to meet the requirements.

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 the year, Banca Ifis, as variable pay for the 2016 and 2017 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 year was 339.139 treasury shares with a market value of 2,8 million Euro and a nominal amount of 339.139 Euro.

B. Quantitative information

B.1 Consolidated equity: breakdown by type of entity

Equity items	Prudential consolidation	Insurance firms	Other entities	Consolidation eliminations & adjustments	Total
1. Share capital	68.460	-	6.500	(6.500)	**68.460**
2. Share premiums	106.797	-	-	-	**106.797**
3. Reserves	1.382.509	-	160.697	(168.649)	**1.374.557**
4. Equity instruments	-	-	-	-	**-**
5. (Treasury shares)	(2.847)	-	-	-	**(2.847)**
6. Valuation reserves:	(25.357)	-	(25)	-	**(25.382)**
- Equity securities measured at fair value through other comprehensive income	(12.500)	-	-	-	**(12.500)**
- Hedging of equity securities measured at fair value through other comprehensive income	-	-	-	-	**-**
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(3.733)	-	-	-	**(3.733)**
- Property, plant and equipment	-	-	-	-	**-**
- Intangible assets	-	-	-	-	**-**
- Foreign investment hedges	-	-	-	-	**-**
- Cash flow hedges	-	-	-	-	**-**
- Hedging instruments [non-designated items]	-	-	-	-	**-**
- Exchange differences	(8.529)	-	-	-	**(8.529)**
- Non-current assets under disposal	-	-	-	-	**-**
- Financial liabilities measured at fair value through profit or loss (changes in own credit risk)	-	-	-	-	**-**
- Actuarial gains (losses) on defined benefit pension plans	(595)	-	(25)		**(620)**
- Share of valuation reserves of equity accounted investments	-	-	-	-	**-**
- Specific revaluation laws	-	-	-	-	**-**
7. Profit (loss) for the year (+/-) of the Group and non-controlling interests	94.326	-	7.977	-	**102.303**
Total	**1.623.888**	**-**	**175.149**	**(175.149)**	**1.623.888**

The above table shows the components of equity, combining those of the Group and those of third parties, broken down by type of businesses included in the scope of consolidation. More specifically, the column referring to Prudential Consolidation shows the amount resulting from the consolidation of the entities that form part of the Banking Group, excluding the effect of the prudential consolidation and including the economic effects of transactions carried out with other entities included in the scope of consolidation. The column Other entities shows the amounts resulting from the consolidation, including the economic effects of transactions carried out with entities that form part of the Banking Group. The column "Consolidation eliminations and adjustments" shows the adjustments necessary to obtain the reported amount.

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts	Prudential consolidation		Insurance companies		Other entities		Consolidation eliminations & adjustments		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	126	(3.859)	-	-	-	-	-	-	126	(3.859)
2. Equity securities	1.850	(14.350)	-	-	-	-	-	-	1.850	(14.350)
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2021	**1.976**	**(18.209)**	**-**	**-**	**-**	**-**	**-**	**-**	**1.976**	**(18.209)**
Total 31.12.2020	**2.254**	**(12.987)**	**-**	**-**	**-**	**-**	**-**	**-**	**2.254**	**(12.987)**

B.3 Valuations reserves for financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equity securities	Loans
1. Opening balance	**1.791**	**(12.524)**	**-**
2. Increases	**5.909**	**6.810**	**-**
2.1 Fair value gains	3.116	5.969	-
2.2 Credit risk losses	32	X	-
2.3 Reclassification to profit or loss of negative reserves from sale	1	X	-
2.4 Transfers to other components of equity (equity securities)	-	-	-
2.5 Other changes	2.760	841	-
3. Decreases	**11.433**	**6.786**	**-**
3.1 Fair value losses	6.480	4.599	-
3.2 Reversals of credit risk losses	-	X	-
3.3 Reclassification to profit or loss of positive reserves from sale	4.939	X	-
3.4 Transfers to other components of equity (equity securities)	-	1.590	-
3.5 Other changes	14	597	-
4. Closing balance	**(3.733)**	**(12.500)**	**-**

B.4 Valuation reserves for defined benefit plans: annual changes

Valuation reserves for defined benefit plans show a negative balance at 31 December 2020 of 609 thousand Euro, comprising a negative balance of 648 thousand Euro pertaining to the Parent and a positive balance of 39 thousand Euro pertaining to minorities. The reduction in the item as compared with the negative value of 363 thousand Euro at the end of the previous year, derives from the net actuarial losses accrued during 2021 on the Group companies' severance indemnity.

Section 2 - Own funds and prudential ratios

In application of Circular 262/2005 of the Bank of Italy and related updates, the section on own funds and capital ratios is replaced by a reference to the "Pillar 3" disclosures, which contain similar information.

That said, below are the highlights about own funds and capital ratios.

The Board of Directors of the Holding Company of the "La Scogliera" Banking Group, which met in an extraordinary meeting on 27 December 2021, having acknowledged the fulfilment of the conditions precedent attached to the resolution of the extraordinary meeting on 18 June 2021, resolved to approve the transfer of the registered office outside the European Union (Switzerland with Lausanne office) and the related change of name to La Scogliera SA with the secondary office remaining in Italy.

On the basis of the changes made at corporate level recorded early 2022, the consolidated capital requirements at 31 December 2021 were calculated without the inclusion of La Scogliera Holding.

Consolidated own funds, risk-weighted assets and prudential ratios at 31 December 2021 were calculated based on the regulatory changes introduced by Directive no. 2019/878/EU (CRD V) and Regulation (EU) no. 876/2019 (CRR2), which amended the regulatory principles set out in Directive no. 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), as subsequently amended, which were transposed in the Bank of Italy's Circulars no. 285 and no. 286.

	31.12.2021	31.12.2020
A. Common Equity Tier 1(1) (CET1) before application of prudential filters	**1.533.725**	**1.175.825**
of which CET1 instruments subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	(773)	(954)
C. CET1 gross of items to be deducted and the effects of the transitional regime (A+/-B)	1.532.952	1.174.871
D. Items to be deducted from CET1 [(1)]	80.559	156.196
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions [(1)]	34.487	20.040
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**1.486.880**	**1.038.715**
G. Additional Tier 1 Capital (AT1) gross of items to be deducted and the effects of the transitional regime	1.744	53.142
of which AT1 instruments subject to transitional provisions	-	-
H. Items to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries that are given recognition in AT1 pursuant to transitional provisions	-	-
L. Total Additional Tier 1 Capital (AT1) (G-H+/-I)	**1.744**	**53.142**
M. Tier 2 Capital (T2) gross of items to be deducted and the effects of the transitional regime	402.722	274.563
of which T2 instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	-	-
O. Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries that are given recognition in T2 pursuant to transitional provisions	-	-
P. Total Tier 2 Capital (T2) (M-N+/-O)	**402.722**	**274.563**
Q. Total own funds (F+L+P)	**1.891.346**	**1.366.421**

[(1)] *Reclassified at 31 December 2020 7,4 million Euro from item D to item E*

Categories/Amounts	Non-weighted amounts		Weighted amounts / requirements	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
A. RISK ASSETS				
A.1 Credit risk and counterparty risk	13.807.148	12.636.358	8.638.260	8.272.314
1. Standardised approach	13.688.600	12.557.383	8.555.169	8.193.252
2. Approach based on internal ratings	-	-	-	-
2.1 Basic indicator approach	-	-	-	-
2.2 Advanced measurement approach	-	-	-	-
3. Securitisation programmes	118.548	78.975	83.091	79.062
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit risk and counterparty risk			691.061	661.785
B.2 Credit and counterparty valuation adjustment risk			2.822	351
B.3 Regulatory risk			-	-
B.4 Market risks			6.527	4.606
1. Standard method			6.527	4.606
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			70.230	69.576
1. Basic indicator approach			70.230	69.576
2. Standardised approach			-	-
3. Advanced measurement approach			-	-
B.6 Other calculation factors			-	-
B.7 Total prudential requirements			770.640	736.318
C. RISK ASSETS AND CAPITAL REQUIREMENT RATIOS				
C.1 Risk-weighted assets			9.633.003	9.203.971
C.2 Common Equity Tier 1 capital / Risk-weighted assets (CET1 Capital ratio)			15,44%	11,29%
C.2 Tier 1 Capital / Risk-weighted assets (Tier 1 capital ratio)			15,45%	11,86%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			19,63%	14,85%

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 31 December 2021, the Banca Ifis Group met the above prudential requirements.

4.7 Part G - Business combinations

Section 1 - Transactions carried out during the year

1.1 Business combinations

Within the framework of an intervention shared with the Interbank Deposit Protection Fund (FITD) 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.

Declining the requirements of IFRS 3 to the transaction in question, the cost incurred for the acquisition of the former Aigis Banca branch is defined as 1 Euro, equal to the consideration paid. The contract for the sale of the business unit was signed on 23 May 2021 and is effective as of that date between the parties and vis-à-vis third parties. Consequently, a specific accounting statement was prepared as of 23 May 2021, the date designated for the purpose of recognising the business combination.

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. With reference to the acquisition of the former Aigis Banca business unit, the receivables portfolio, the securities portfolio, intangible assets and potential liabilities were analysed for PPA purposes.

In particular, the fair values identified for the performing portfolio were determined on the basis of the discounted cash flow method or by discounting the forecast cash flows from the portfolio valued. To this end, cash flows and discounting rates to be applied to such, needed to be identified on the basis of the following assumptions.

The cash flows of the performing portfolio were determined on the basis of the gross cash flows deriving from the contractual amortisation plan and discounted on the basis of an average market rate representative of the return required by a potential investor as well as the riskiness of the loan being evaluated.

As regards the non-performing portfolio, the related fair values have been identified using, depending on the type of underlying receivable, the average prices recorded on the market in sales of impaired loans or the discounted cash flow method described previously.

For the purposes of applying the above method, amounts due from customers have been segmented into homogeneous portfolios by type.

Overall, the process of valuing receivables due from customers revealed a lower portfolio value of 3.651 thousand Euro.

With regard to the securities portfolio, consisting primarily of Italian government securities, for the purposes of restating the fair value, reference was made to the market price of each security on 23 May 2021, taking into account the data obtained from the Telekurs infoprovider, resulting in a negative change in fair value of 942 thousand Euro.

As instead regards tax assets and liabilities and any intangible assets not booked by Aigis Banca and potentially able to be recorded during the business combination (e.g. trademarks, customers and contracts), the analyses carried out on such did not reveal any values that can be represented for IFRS 3 purposes. On the other hand, at the time of the PPA, the amortisation period of the software in use at Aigis was accelerated as it was no longer usable and could not be resold, and as the individual assets and liabilities were migrated to the Banca Ifis systems. The impact of this adjustment on the balance as of 23 May 2021 is 491 thousand Euro.

Finally, in line with the provisions of IFRS 3, a fair value assessment of potential liabilities, including associated legal expenses, was carried out in order to determine the value of any potential liabilities not recorded in the financial statements of the former Aigis Banca branch. This analysis was carried out through discussion with Company management and through analysis of documents made available on outstanding litigation liabilities for the branch, as well as additional analysis conducted internally regarding MCC practices. The analysis revealed the need to make the following additional provisions totalling 10.153 thousand Euro.

The table below gives the main equity details on the assets and liabilities acquired for the former Aigis Banca BU at the aggregation date.

Description (in thousands of Euro)	Assets and liabilities acquired at 23.05.2021	Assets and liabilities acquired at fair value	Fair value adjustment
Cash and cash equivalents(*)	94.169	94.169	-
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	329.123	325.472	(3.651)
Property, plant and equipment	2.018	2.018	-
Intangible assets	491	-	(491)
Other assets	9.069	9.069	-
Assets acquired	**594.006**	**588.922**	**(5.084)**
Financial liabilities at amortised cost	(564.463)	(564.463)	-
Other liabilities	(9.879)	(9.879)	-
Post-employment benefits	(203)	(203)	-
Provisions for risks and charges	(1.365)	(11.518)	(10.153)
Liabilities assumed	**(575.910)**	**(586.063)**	**(10.153)**
Net assets (A)	**18.096**	**2.859**	**(15.237)**
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**	**(2.859)**	**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)	94.169
Net cash flow from acquisition (*)	**94.169**

(*) 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, revealed a 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 2,9 million Euro, has been entered in these Consolidated financial statements of the Banca Ifis Group under “Other operating income”.

Section 2 - Transactions carried out after the end of the year

The Banca Ifis Group did not carry out any business combination between the end of the year and the date of preparation of this document.

Section 3 - Retrospective adjustments

In 2021, the Group did not make any retrospective adjustment to business combinations carried out in previous periods.

4.8 Part H - 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 2021, no significant transactions with related parties were undertaken.

At 31 December 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 71,06% 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.

1. 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 (7th update of October 2021), key management personnel also include the members of the Board of Statutory Auditors.

Key management personnel in office at 31 December 2021

Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments
10.486	-	508	212	1.136

The above information includes fees paid to Directors (4,0 million Euro, gross amount) and Statutory Auditors (352 thousand Euro, gross amount).

2. Information on related-party transactions

Here below are the assets, liabilities, guarantees and commitments outstanding at 31 December 2021, broken down by type of related party pursuant to IAS 24.

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**	0,8%
Financial assets measured at fair value through other comprehensive income	-	-	347	**347**	0,1%
Receivables due from customers measured at amortised cost	-	292	18.844	**19.136**	0,2%
Other assets	20.567	-	-	**20.567**	4,1%
Total assets	**20.567**	**292**	**20.300**	**41.159**	**0,3%**
Payables due to customers measured at amortised cost	-	126	818	**944**	0,0%
Reserves	-	-	(7.220)	**(7.220)**	(0,6)%
Total liabilities	**-**	**126**	**(6.402)**	**(6.276)**	**(0,1)%**
Commitments and guarantees granted	-	423	-	**423**	n.a.

Items	Parent company	Key management personnel	Other related parties	Total	As a % of the item
Interest receivable and similar income	-	-	361	**361**	0,1%
Interest due and similar expenses	-	(1)	(1)	**(2)**	0,0%
Commission income	-	-	22	**22**	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 at 31 December 2021 are entered as tangible assets for approximately 15,6 million Euro.

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 31 December 2021, Banca Ifis recorded a net receivable from the parent company of 20,6 million Euro, Ifis Rental Services of 1,2 million Euro and Cap.Ital.Fin. of 1,1 million Euro, while Ifis Npl Investing recorded a net payable of 23,7 million Euro and Ifis Npl Servicing a net payable of 2,4 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 contractual conditions in line with arm's length.

4.9 Part I - Share-based payments

Qualitative information

1. Description of share-based payment agreements

Access to the variable part for all personnel is subject to compliance with the thresholds envisaged by the following indicators recorded at year end:

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

Failure to achieve more than one of the above parameters in two different areas, with the exception of capital solvency (i.e. consolidated Total Capital Ratio) and failure to respect the regulatory minimums, which must be respected at all times, will prevent payment of the variable component.

Without prejudice to the opening of the gates for access to the payment of variable remuneration described above, for the Chief Executive Officer and the General Manager, the possibility of accruing, in addition to an annual recurring fixed emolument and further benefits, an annual variable component as a short-term incentive scheme, with a target of up to 60% of the gross annual fixed remuneration, has been envisaged subject to verification by the Board of Directors that the RORAC/RORAC* indicator has reached a value between 80% and 100% and that the (Cost/Income ratio*)/(Cost/Income ratio) indicator, i.e. the ratio between the forecast cost/income ratio and the actual cost/income ratio, has reached a value between 90% and 100%. The portion of the variable remuneration referring to the Cost/Income ratio indicator is however reduced to zero if this indicator exceeds the tolerance threshold envisaged by the RAF in force.

In this case, the variable emolument accrued will be equal to between 60% and 100% of the target variable component, according to the indicators calculated previously.

60% of this variable component is awarded with an upfront payment, and the remaining 40% is deferred for three years.

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

- 50% in the form of shares in the Parent to be awarded after the end of the three-year vesting period (the period after which the shares may be awarded) and that may be exercised following a retention period (during which the shares cannot be sold) of one additional year;
- the remaining 50% of deferred variable remuneration shall be paid in cash after three years and is subject to annual revaluation at the legal interest rate applicable from time to time.

The variable component paid upfront (the remaining 60%) shall be paid as follows:

- 50% in cash;

- and the remaining 50% in the form of shares in the Parent that may be exercised following a three-year retention period, in line with the strategic planning time horizon.

It is understood that the allocation of Banca Ifis shares will affect, in addition to the Chief Executive Officer and the General Manager, the employees identified as most relevant pursuant to Circular no. 285/2013 and Delegated Regulation no. 604/2014 where the variable component of remuneration is above the defined materiality threshold of 70 thousand Euro.

For FY 2021, the number of shares to be awarded is calculated by relying on the average share price for the three months before the variable pay for the year is determined - which shall occur at the date of the Meeting convened for the approval of the Financial Statements - as the fair value of the share.

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

Quantitative information

The table on annual changes is not presented here, since for the Banca Ifis Group share-based payment agreements do not fall within the category concerned by said table.

2. Other information

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

2021-2023 Long-Term Incentive Plan for the Chief Executive Officer

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

More specifically, they will become exercisable after a three-year vesting period (2021, 2022 and 2023), subject to the circumstance that, at that date, the relationship between the Bank and the Chief Executive Officer is still in place, as well as to the achievement of predetermined quantitative and qualitative, financial and non-financial targets, linked to the Bank's long-term strategies.

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

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

The fair value of the payments settled by the issuance of these options for the services covered by the LTI Plan is recognised as an expense in the income statement under "Administrative Expenses: a) Personnel Expenses" as an offsetting entry to "Reserves" in Equity on an accrual basis in proportion to the three-year vesting period over which the service is provided. As at 31 December 2021 the corresponding cost recorded in the Income Statement with a balancing entry in a specific shareholders' equity reserve amounts to 194 thousand Euro.

4.10 Part L - Segment reporting

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 this reason too, apart from the specific operations, the effects of an analysis performed also in response to the Covid-19 pandemic, have been classified amongst value adjustments.

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, which represents the commercial offer of the Group dedicated to companies and consists of the Business Factoring, Leasing and Corporate Banking & Lending Areas;
- Npl Segment, dedicated to non-recourse factoring and managing distressed loans, servicing and managing non-performing, secured loans;
- Governance & Services and Non-Core Segment, which provides the areas 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.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA			
Other financial assets mandatorily measured at fair value through profit or loss							
Amounts at 31.12.2021	66.564	-	-	66.564	21.021	57.075	144.660
Amounts at 31.12.2020	66.441	-	-	66.441	9.524	61.013	136.978
% Change	*0,2%*	-	-	*0,2%*	*120,7%*	*(6,5)%*	*5,6%*
Financial assets measured at fair value through other comprehensive income							
Amounts at 31.12.2021	1.691	-	-	1.691	-	612.322	614.013
Amounts at 31.12.2020	2.322	-	-	2.322	-	772.233	774.555
% Change	*(27,2)%*	-	-	*(27,2)%*	-	*(20,7)%*	*(20,7)%*
Receivables due from customers[1]							
Amounts at 31.12.2021	6.526.880	2.940.072	1.390.223	2.196.584	1.523.628	2.281.296	10.331.804
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	*8,9%*	*6,7%*	*(1,7)%*	*20,5%*	*8,4%*	*31,3%*	*13,1%*

(1) In the Governance & Services and Non-Core Segment, at 31 December 2021, there were government securities amounting to 1.648,6 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 & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	*of which: FACTORING AREA*	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
Net banking income							
Amounts at 31.12.2021	283.219	*144.543*	*55.685*	*82.991*	257.556	61.744	**602.519**
Amounts at 31.12.2020	222.680	*142.844*	*49.155*	*30.681*	162.942	82.178	**467.800**
% Change	*27,2%*	*1,2%*	*13,3%*	*170,5%*	*58,1%*	*(24,9)%*	***28,8%***
Net profit (loss) from financial activities							
Amounts at 31.12.2021	238.224	*126.670*	*48.747*	*62.807*	239.560	47.576	**525.360**
Amounts at 31.12.2020	150.198	*112.731*	*33.533*	*3.934*	162.942	63.301	**376.441**
% Change	*58,6%*	*12,4%*	*45,4%*	*1496,5%*	*47,0%*	*(24,8)%*	***39,6%***
Profit for the year							
Amounts at 31.12.2021	57.809	*26.140*	*14.093*	*17.576*	50.249	(5.755)	**102.303**
Amounts at 31.12.2020	22.715	*25.740*	*6.713*	*(9.738)*	17.926	28.501	**69.142**
% Change	*154,5%*	*1,6%*	*109,9%*	*(280,5)%*	*180,3%*	*(120,2)%*	***48,0%***

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	*of which: FACTORING AREA*	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
Net banking income							
Fourth quarter 2021	70.178	*35.844*	*12.446*	*21.888*	73.305	9.806	**153.289**
Fourth quarter 2020	63.136	*39.936*	*12.695*	*10.505*	46.219	36.742	**146.097**
% Change	*11,2%*	*(10,2)%*	*(2,0)%*	*108,4%*	*58,6%*	*(73,3)%*	***4,9%***
Net profit (loss) from financial activities							
Fourth quarter 2021	57.172	*28.074*	*10.636*	*18.462*	72.283	9.113	**138.568**
Fourth quarter 2020	20.863	*17.028*	*12.746*	*(8.911)*	46.219	35.512	**102.594**
% Change	*174,0%*	*64,9%*	*(16,6)%*	*(307,2)%*	*56,4%*	*(74,3)%*	***35,1%***
Profit for the period							
Fourth quarter 2021	10.691	*988*	*2.967*	*6.736*	18.110	(8.055)	**20.746**
Fourth quarter 2020	(11.644)	*(6.288)*	*5.012*	*(10.368)*	5.142	23.182	**16.680**
% Change	*(191,8)%*	*(115,7)%*	*(40,8)%*	*(165,0)%*	*252,2%*	*(134,7)%*	***24,4%***

SEGMENT KPIs (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT[1]
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	of which: FACTORING AREA	of which: LEASING AREA	of which: CORPORATE BANKING & LENDING AREA		
Cost of credit quality[2]						
Amounts at 31.12.2021	0,73%	0,68%	0,50%	0,95%	n.a.	2,24%
Amounts at 31.12.2020	1,38%	1,09%	1,11%	2,43%	n.a.	4,72%
% Change	*(0,65)%*	*(0,41)%*	*(0,62)%*	*(1,48)%*	*n.a.*	*(2,49)%*
Net bad loans/Receivables due from customers						
Amounts at 31.12.2021	0,5%	0,8%	0,0%	0,3%	72,7%	0,6%
Amounts at 31.12.2020	0,7%	1,3%	0,2%	0,3%	74,1%	0,9%
% Change	*(0,3)%*	*(0,5)%*	*(0,1)%*	*(0,0)%*	*(1,4)%*	*(0,3)%*
Coverage ratio on gross bad loans						
Amounts at 31.12.2021	74,2%	75,2%	96,5%	40,2%	-	35,1%
Amounts at 31.12.2020	72,7%	73,7%	85,0%	26,9%	-	29,1%
% Change	*1,6%*	*1,5%*	*11,5%*	*13,3%*	-	*6,0%*
Net non-performing exposures/Net receivables due from customers						
Amounts at 31.12.2021	3,6%	5,7%	1,2%	2,3%	95,4%	2,1%
Amounts at 31.12.2020	2,7%	4,2%	0,8%	1,8%	98,3%	2,9%
% Change	*0,9%*	*1,5%*	*0,4%*	*0,4%*	*(2,8)%*	*(0,7)%*
Gross non-performing exposures/Gross receivables due from customers						
Amounts at 31.12.2021	5,9%	9,4%	2,8%	3,0%	95,4%	3,4%
Amounts at 31.12.2020	5,9%	9,3%	2,9%	3,0%	98,3%	4,3%
% Change	*(0,0)%*	*0,1%*	*(0,1)%*	*0,0%*	*(2,8)%*	*(0,9)%*
RWAs[3]						
Amounts at 31.12.2021	5.214.971	2.500.835	1.265.979	1.448.157	2.339.110	1.084.180
Amounts at 31.12.2020	5.144.914	2.361.547	1.309.416	1.473.951	2.211.695	915.705
% Change	*1,4%*	*5,9%*	*(3,3)%*	*(1,8)%*	*5,8%*	*18,4%*

(1) In the Governance & Services and Non-Core Segment, at 31 December 2021, there were government securities amounting to 1.648,6 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 write-downs/write-backs for credit risk 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.

For a more detailed analysis of the results of the business Segments, please refer to the Report on Operations, section “2.9 Contribution of operating Segments to Group results”.

4.11 Part M - Leasing disclosure

Section 1 - Lessee

Qualitative information

As lessee, the Group companies stipulate lease contracts on properties mainly to be used instrumentally. They are therefore leases of properties intended to host internal offices. As the lease business is correlated to the Group's need to offshore its offices, particularly close attention is paid to identifying the most suitable properties for use, designated in line with the economic criteria established by the company.

At 31 December 2021, there are 63 passive lease contracts for buildings and 14 for car parking spaces, the related right of use booked at 31 December 2021 is 11,3 million Euro, whilst the corresponding lease liabilities come to 11,6 million Euro. The Group also has a property in Florence, financially leased as described in Part B - Information on the Consolidated Statement of Financial Position of this document.

As regards the contracts for cars, the Group has passive contracts for 274 cars at 31 December 2021, which are mainly long-term hires of structure cars and fringe benefits for employees. The related rights of use at 31 December 2021 are 1,3 million Euro while the corresponding liabilities for leasing also come to 1,3 million Euro.

The Group is not exposed to outgoing cash flows, which are not already reflected in the measurement of the leasing liabilities. In greater detail, exposure deriving from the extension options are included in lease liabilities booked, insofar as the Group considers the first renewal as certain; the other situations recalled by the standard (variable payments connected with leasing, guarantees of residual value, lease commitments that are not yet operative) are not present for the contracts stipulated as lessee.

The Group books the following costs:

- short-term leases in the event of assets such as properties and technologies (in particular, the mainframe hardware), when the related contracts have a maximum term of twelve months and have no option for extension.
- leases of assets of modest value, i.e. characterised by a new value of less than 5 thousand Euro, mainly for mobile telephony.

Quantitative information

The table below provides indication on the amortisation/depreciation cost for assets consisting of the right of use, broken down by classes of underlying asset.

AMORTISATION/DEPRECIATION COSTS FOR ASSETS COMPRISING THE RIGHT OF USE (in thousands of Euro)	31.12.2021	31.12.2020
a) Land	-	-
b) Buildings	2.795	2.445
c) Furniture	-	-
d) Electronic equipment	309	308
e) Other	1.010	941
Total	**4.113**	**3.695**

Section 2 - Lessor

Qualitative information

The Group offers fixed or variable-rate financial leasing solutions for vehicles (cars, commercial and industrial vehicles) and instrumental assets (industrial machinery, medical equipment, technological assets) to both private customers and small and medium enterprises through an internal commercial structure and a network of selected agents in financial assets throughout the whole of national territory. The leasing of instrumental assets is also distributed through relations with manufacturers, distributors and retailers. With reference to the specific financial leasing segments:

- Automotive industry: grew in all segments in 2021, returning levels to pre-pandemic. Compared to 2020, the industrial vehicle leasing segment recorded +34,7% over the previous year (for 2,4 billion Euro), passenger car leasing +2,7% (for 2,7 billion Euro) and finally commercial vehicle leasing -7,3% (for 1,1 billion Euro). In this segment, the Group has signed contracts for approximately 219 million Euro, or 92% of the amount disbursed in 2020.
- Capital goods sector: the growth of this sector in 2021 in Italy was driven by financial leasing of capital goods, where there was a 60% increase in the value of the financed assets compared to 2020, for a total of 10,2 billion Euro. The Group recorded positive signs throughout the capital goods segment: +37% in the industrial goods segment for a total of 140 million Euro and +33% in the technological goods segment for a total of approximately 18 million Euro.

As lessor, the Parent company does not stipulate lease contracts for properties for commercial use or accommodation with third parties and/or other group companies.

In referring to the greater detail given in the Report on Operations to these financial statements, section “2.9 Contribution of operating Segments to Group results”, it is there pointed out that the lease agreements stipulated with customers enable the management of risk on the underlying assets in line with the Group’s policy, as there is no provision for buy-back agreements, guarantees on residual value or variable payments. The Group therefore books the financial lease in accordance with accounting standard IFRS 16 and classifies the transactions amongst financial assets measured at amortised cost.

Quantitative information

1. Information from the statement of financial position and income statement

For information on loans connected with financial lease transactions, reference is made to the contents of Section 4, Assets, of Part B - Consolidated Statement of Financial Position of this document. As regards interest income on lease loans, reference is made to the contents of Section 1 of Part C - Consolidated Income Statement of this document; for commission, refer to Section 2 of Part C and, finally, for other operating income, refer to Section 16, against of Part C.

2. Finance leases

2.1. Classification by time frames of payments to be received and reconciliation with the leasing loans entered under assets

Time frames	31.12.2021	31.12.2020
	Payments to be received for leasing	Payments to be received for leasing
Up to 1 year	413.654	419.847
Over 1 to 2 years	347.736	354.218
Over 2 to 3 years	271.989	282.181
Over 3 to 4 years	179.624	196.623
Over 4 to 5 years	71.308	91.229
Over 5 years	7.324	11.241
Total payments to be received for leasing	**1.291.635**	**1.355.339**
RECONCILIATION WITH LOANS		
Financial gains not accrued (-)	(105.446)	(104.983)
Residual value not guaranteed (-)	-	-
Financing for leasing	**1.186.189**	**1.250.356**

The table shows the classification by time frame of payments receivable for leasing and the reconciliation of such payments and lease loans as lessor.

Venice - Mestre, 10 March 2022

For the Board of Directors

The CEO

Frederik Herman Geertman

5.

Country-by-country reporting

Country-by-country reporting

Here below, with reference to the position at 31 December 2021, is the information as per the Annex A of Part I, Title III, Chapter 2 of Bank of Italy's Circular no. 285 (the "Country-by-Country" reporting).

INFORMATION/GEOGRAPHIC AREA		ITALY	POLAND	ROMANIA	OTHER CONSOLIDATION RECORDS	GROUP
a)	Company name	Banca Ifis S.p.A. Cap. Ital. Fin. S.p.A. Credifarma S.p.A. Farbanca S.p.A. Ifis Npl Investing S.p.A. Ifis Npl Servicing S.p.A. Ifis Real Estate S.p.A. Ifis Rental Services S.r.l.	Ifis Finance Sp. z o.o.	Ifis Finance IFN S.A.	-	Banca Ifis Group
	Nature of business	Collecting savings from the public and lending. The Group specialises in the segment of trade receivables, medium/long-term corporate lending and structured finance, leasing, distressed retail loans and tax receivables.	The company provides financial support and credit management services to businesses.	The company provides financial support and credit management services to businesses.	-	Collecting savings from the public and lending. The Group specialises in the segment of trade receivables, medium/long-term corporate lending and structured finance, leasing, distressed retail loans and tax receivables.
b)	Turnover (1) (in thousands of Euro)	517.780	3.007	1.022	(41.787)	480.022
c)	Number of full-time equivalents (2)	1.819	16	14	-	1.849
d)	Pre-tax profit or loss (in thousands of Euro)	185.743	1.538	39	(37.446)	149.874
e)	Income tax (in thousands of Euro)	(47.346)	(289)	(16)	80	(47.571)
f)	Government grants received (in thousands of Euro)	402	-	-	-	402

(1) Turnover corresponds to the Net Banking Income as per item 120 "Net banking income" of the Consolidated Income Statement at 31 December 2021.

(2) The "Number of full-time equivalents" is calculated, in accordance with the relevant Provisions, as the ratio of total hours worked by all employees (including overtime) and the total contract work hours per year of a full-time employee (i.e. the total available work hours in a year excluding 20 days of annual leave).

6.

Certifications

6.1 Certification of Manager charged with preparing the Company's financial reports

Certification of the consolidated financial statements pursuant to the provisions of art. 154-bis, paragraph 5, of the legislative decree 58 of February 24, 1998 and art. 81 ter of Consob Regulation no. 11971 of 14 May 1999 as amended

1. We, the undersigned, Frederik Herman Geertman – CEO and 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 financial statements, over the course of the period from January 1st, 2021 to December 31st, 2021.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated financial statements as at December 31st, 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 financial statements as at December 31st, 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 management report contains a reliable analysis of the business outlook and management result, the financial position of the issuer and group of companies included in the scope of consolidation and a description of the main risks and uncertainties they are exposed to.

Venice, March 10th, 2022

CEO	Manager charged with preparing the Company's financial reports
Frederik Herman Geertman	Mariacristina Taormina

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

6.2. Report of the Board of Statutory Auditors

BOARD of STATUTORY AUDITORS' REPORT
to the FINANCIAL STATEMENTS as at 31 December 2021
(Translation from the original Italian text)

Dear Shareholders,

With this report - prepared in accordance with Article 153 of Italian Legislative Decree no. 58/1998 and Article 2429, paragraph 2 of the Italian Civil Code - the Board of Statutory Auditors of Banca IFIS S.p.a., hereby informs you of the supervisory and control activities carried out in the performance of their duties, during the year ended 31 December 2021.

Background

Again in FY 2021, the Board's activities were affected by the pandemic context that made it necessary, for part of the year, to use remote connection systems to organise meetings remotely. The tasks and functions attributed to the Control Body by the reference legislation have always been carried out in compliance with the legal and corporate provisions issued to govern the epidemiological emergency.

1. Activity of the Board of Statutory Auditors

During the year 2021, the Board of Statutory Auditors carried out their institutional tasks in accordance with the rules of the Italian Civil Code and with Legislative Decrees no. 385/1993 (Consolidated Banking Law), no. 58/1998 (Consolidated Law on Finance), and no. 39/2010, of the By-Laws, in addition to being in compliance with those issued by the public authorities that exercise activities of supervision and control, also taking into account the standards of conduct recommended by the National Council of Chartered Accountants in the document dated April 2018.

During the year, the Board of Statutory Auditors performed its duties, holding 27 meetings, of which 5 were held jointly with the Control and Risks Committee and 2 held jointly with the Boards of Statutory Auditors of the Subsidiaries.
The Board also attended all 19 meetings of the Board of Directors.
The Board of Statutory Auditors or individual members of the Board also attended the meetings of the Control and Risks Committee, of the Appointments Committee and of the Remuneration Committee.

The minutes of the Board of Statutory Auditors, which sometimes contain explicit recommendations to rapidly resolve difficulties that have come to light, are always sent in their entirety to the CEO and to the General Manager. The Chairman of the Risk Management and Internal Control Committee is constantly invited to attend meetings of the Board of Statutory Auditors. It is believed that such attendance will ensure an adequate flow of information between the committees within the Board of Directors.
The Head of Internal Auditing also attends the meetings of the Board of Statutory Auditors, as a permanent invitee for the continuous interaction with the corporate function of third-level control.

2. Significant events and transactions

2.1 Period events and transactions

In carrying out the activities of supervision and control, the Board of Statutory Auditors obtained periodically from the Directors, including through the participation in meetings of the Board of Directors, information on the activities carried out and on the most important economic, financial and equity operations approved and implemented by the Bank and by the subsidiaries, also pursuant to Article 150, paragraph 1 of the Consolidated Law on Finance.

Reference should be made to the information provided in the Management Report regarding significant events during the year and after year-end.

At 01 January 2021, the Bank had completed the corporate reorganisation of the NPL cluster, meaning that the NPL cluster comprises:

- IFIS NPL Investing Spa (100% owned by Banca Ifis Spa),
- IFIS NPL Servicing (100% owned by IFIS NPL Investing Spa)
- IFIS Real Estate Spa (100% owned by IFIS NPL Servicing Spa)

On 14 January 2021, the resignation of Director Divo Gronchi was received

On 11 February 2021, the Board of Directors co-opted Frederik Geertman, with the approval of the Appointments Committee and the Board of Statutory Auditors

On 11 February, Luciano Colombini, CEO and Director, tendered his resignation from both positions with effect from 22 April 2021 (Shareholders' Meeting for the approval of the financial statements for FY 2020). On the same date Luciano Colombini signed an agreement with the Bank concerning the conditions for his exit, with the favourable opinion of the Remuneration Committee and the Board of Statutory Auditors.

The Board of Directors meeting held on 22 April 2021, following the Shareholders' Meeting, appointed Frederik Geertman as Chief Executive Officer of the Banca Ifis Group.

In May 2021, the Bank acquired, in cooperation with the FITD, the business unit related to Aigis Bank in liquidation.
On 28 July 2021, the Shareholders' Meeting approved amendments to the Company's Articles of Association that resulted in the appointment of two Joint General Managers. Consequently, Raffaele Zingone was appointed as Joint General Managers in the role of Chief Commercial Officer (CCO) and Fabio Lanza as Chief Operation Officer (COO). Alberto Staccione (former General Manager) has taken on the role of Chief Lending Officer (CLO)

Finally, in December 2021, the Shareholders' Meeting held on the 21st, approved the change in the ratio between the variable and fixed remuneration of the Managing Director, bringing it to 1,5 to 1 compared to the original 1 to 1.

On 27 December 2021 the transfer of the registered office of the parent company La Scogliera to Switzerland was acknowledged, thus leading to the deconsolidation, solely for regulatory purposes, of the parent company itself.

2.2 Significant subsequent events

Significant events subsequent to the close of FY 2021 that this Board believes should be recalled include the following.

At its meeting of 09 February 2022, the Board of Directors approved the Group's Business Plan for the period 2022-2023-2024, presented to the market on 10 February 2022.

Finally, on 21 February 2022, authorisation was received from the Bank of Italy for the merger by incorporation of Credifarma SpA into Farbanca SpA.

On 10 March 2022, the Board of Directors initiated the share buyback programme for which authorisation was received from the Bank of Italy on 05 November 2021 to purchase 1.044.000 treasury shares for a maximum value of 20,9 million Euro to service the Long Term Incentive Plan approved by the Shareholders' Meeting of 28 July 2021.

3. Supervisory activities

3.1 - Supervisory activities on the observance of the law, the By-Laws, and the Self-Regulation Code for listed companies

On the basis of the information obtained through its own supervisory activities, the Board of Statutory Auditors was not made aware of any operations that had not been conducted in compliance with the principles of correct management and that had not been approved and implemented in accordance with the law and with the By-Laws, which were contrary to the interests of the Bank, that were in contrast with the resolutions passed by the Shareholders' Meeting, that were imprudent or risky or were such as to compromise the integrity of the corporate assets.

The Board of Statutory Auditors was not made aware of any operations in conflicts of interest.

The Board of Statutory Auditors monitored compliance of the Procedure for operations with subjects related to the law in force and its correct application.
In particular, as provided for by the relevant rules, the Chairman and/or the other Statutory Auditors participated in the meetings of the Risk Management and Control Committee to discuss operations with related parties; the Board of Statutory Auditors periodically received information relating to the progress of their positions.

The Board of Statutory Auditors judged that the Board of Directors, in the Management Report and in the Notes, had provided adequate information on the operations with related parties, taking into account the provisions of the regulations in force. To the knowledge of the Board of Statutory Auditors, there are no intra-group operations and no operations with the Related Parties being implemented in 2021 that were contrary to the interests of the company.

In the year 2021, the Bank did not perform any atypical or unusual transactions. With regard to the operations of particular importance, these respect the principles of prudence, do not contravene the resolutions of the Board of Directors Meetings, and do not prejudice the company's assets.

The Board reviewed the audits conducted by Internal Audit regarding the outsourcing of Essential or Important Operating Functions and agreed with the comments contained therein. These checks, which are also provided for in preparation for the annual report of this control function, and the collegial examination did not reveal any significant elements to be reported to the Shareholders.

The Board of Statutory Auditors, in acknowledging the accession of Banca IFIS S.p.A. to the Self-Regulation Code for listed companies, verified the requirements of independence of its members, in addition to the correct application of the criteria and procedures of verification adopted by the Board of Directors to assess the independence of the directors.

3.2 - Supervisory activities on the adequacy of the internal audit system, of the risk management systems and of the organisational structure

The Board of Statutory Auditors monitored the suitability of internal monitoring systems and risk management through:

- meetings with the management of the Bank;
- regular meetings with the Audit Functions - Internal Audit, Compliance, Anti-money laundering (AML) and Risk Management and the Financial Reporting Officer - in order to evaluate the methodology for the planning of operations, based on the identification and evaluation of the principal risks present in the organisational processes and units;
- examination of the periodical reports from the Audit Functions and the periodical information regarding the results of monitoring activities;
- acquired information from the managers of corporate functions;
- discussion of the results of the work carried out by the external auditing firm;

- participation in the work of the Risk Management and Control Committee and, when the topics so required, in their joint examination with the Committee.

In the execution of its monitoring duties, the Board of Statutory Auditors maintained continuous relations with the Audit Function.

The Board of Statutory Auditors focused on the organisational structure of the control functions, aimed at monitoring risks within the context of the changes that have affected the banking group, which currently sees the centralisation of the second and third level control functions at the parent company.

The Board of Statutory Auditors appreciated the use by Internal Audit of the new method of carrying out audits in line with international standards.

The Board of Statutory Auditors monitored the initiatives being implemented to strengthen the processes for monitoring and controlling risks at Group level.

The monitoring of the potential risks identified benefited from the creation of the position of Chief Lending Officer; the strengthening of controls by RM in the IT area; and the revision of the management and monitoring framework for non-recourse receivables from the NHS purchased.

The Board took note of the implementation of the processes related to the new regulations concerning the New DoD and Calendar Provisioning which, although substantially completed, require further formalisation.

With regard to liquidity-related risks (including mismatching and funding gaps), the Group acknowledged the progress of the ALM project, which is now close to being fully implemented.

The Board has also acknowledged the update of the valuation models, in respect of the effects of the pandemic, recommending the assumption of all necessary and opportune initiatives - such as the completion of the setting-up of the Validation Function - in order to guarantee the integrity and the correctness of the application of models of evaluation, together with the results of the same, for the portfolios of non-performing loans.

The Board of Statutory Auditors acknowledges that the annual reports from the Control Functions conclude with a substantially favourable judgement on the internal control system.

Over the course of 2021, the Board of Statutory Auditors supervised the suitability and effects of the entire ICAAP and ILAAP 2020 processes on the requirements set out by the regulations, underscoring the usefulness of appropriate data aggregation, integration, and validation processes to maintain the aforementioned documents.

Intervention plans were provided with reference to the activities and areas for improvement identified, whose timely implementation is judged by the Board of Statutory Auditors as essential and that require particular attention by the Management Body.

Finally, the Board of Statutory Auditors has taken positive note of the initiatives put in place to strengthen monitoring and control, in particular of credit risks, arising from the conflict in Ukraine.
On the basis of the activities carried out, the Board of Statutory Auditors - also in relation to the continuous evolution of the Bank and the group - believes that although there are certain areas for possible further improvement, there are no elements that are sufficiently critical as to invalidate the internal control system and risk management.

3.3 - Supervisory activities on the administrative-accounting system and on the financial report and non-financial disclosure processes

The Board of Statutory Auditors, in its role as Committee for internal control and auditing, monitored the process and the efficiency of internal monitoring systems and risk management with regards to the financial report.

The Board of Statutory Auditors periodically met the manager responsible for the exchange of information regarding the administrative-accounting system and in addition discussed the reliability of the latter in order to have an accurate representation of management-related issues.
During these meetings, no significant shortcomings were reported in the operational and auditing processes that could invalidate the adequacy and effective application of administrative accounting procedures.

The Board of Statutory Auditors examined the Report of the Financial Reporting Officer for the 2021 consolidated financial statements, which contains the results of tests on the controls carried out as well as the main problems identified in the application of the relevant legislation and the methodologies used and identifies the appropriate remedies. More specifically the Board has acknowledged the results of the controls performed following the introduction of the obligation, for consolidated financial reports relating to financial years beginning on or after 01 January 2021, to prepare them in XHTML format, marking certain information in the consolidated financial statements with the Inline XBRL specification.

The Board of Statutory Auditors also took note of the certifications issued on 10 March 2022 by the CEO and by the Financial Reporting Officer, in accordance with the provisions contained in Article 154 *bis* of the Consolidated Law on Finance and in Article 81 *ter* of the Consob Regulation 11971/1999, from which no failings emerged that might affect the judgement of adequacy of the administrative-accounting procedures.

The Board of Statutory Auditors then acknowledged the monitoring systems developed by the Financial Reporting Officer regarding the relative subsidiaries in the group of consolidated companies that do not demonstrate profiles of significant criticality.

The Independent Auditors EY S.p.A., during the periodic meetings and in the light of the Additional Report - provided for by Article 11 of Regulation (EU) no. 537/2014 issued on 31 March 2022, did not report any critical situations to the Board of Statutory Auditors that could affect the internal control system relating to the administrative and accounting procedures, nor did it ever highlight facts that were deemed reprehensible or any irregularities that would require reporting pursuant to Article 155, paragraph 2, of the Consolidated Law on Finance.

The Board of Directors prepared, in accordance with the law, the consolidated financial statements as at 31 December 2021 of the Banca IFIS Group that were submitted for audit by the external auditing firm EY S.p.A.. As already mentioned, the consolidation scope has changed following the 2021 corporate evolution. The Board of Statutory Auditors acknowledged the preparation of instructions provided to the subsidiaries for the process of consolidation.

With regard to the consolidated financial statement - as required by the rules of conduct recommended by the National Board of Certified Public Accountants in the document of April 2018 - the Board of Statutory Auditors monitored compliance with the procedural rules concerning the formation and setting out of the same and of the management report.

With regard to the above, no elements were revealed that would lead to the conclusion that the activity has not been carried out in accordance with the principles of correct administration or that the organisational structure, the system of internal audit and accounting and administrative systems were not, in their entirety, substantially adequate to the needs and dimensions of the company.

The Bank prepared the Non-Financial Statement (hereinafter the NFS): the obligation to prepare the NFS had been introduced by Italian Legislative Decree no. 254/2016 and the regulatory indications were then completed by the "Regulation implementing Italian Legislative Decree no. 254 of 30 December 2016".

The Bank has prepared the NFS, as an autonomous document, on a consolidated basis and this Board, in light of the provisions of Article 3, paragraph 7 of Italian Legislative Decree no. 254/2016, has verified said document - also in the light of that expressed by the external auditing firm in its report pursuant to Article 3, paragraph 10 of Italian Legislative Decree no. 254/2016 re-issued on 31 March 2022 - with regards to its completeness and its correspondence to that provided for by regulations and according to the criteria of preparation illustrated in the Methodology Notes for the Non-Financial Statement, without identifying elements which require mention in this report.

The NFS was also audited by the auditing firm EY, which issued its report on 31 March 2022 without finding elements indicating that the NFS was not prepared in accordance with the regulations.

3.4 - Supervisory activities pursuant to Italian Legislative Decree no. 39/2010

The Board of Statutory Auditors, as the "Committee for internal audit and for the general auditing procedure", carried out the task of supervision of the auditing firm's operations, as provided for by Article 19 of Italian Legislative Decree no. 39/2010.

As already mentioned above, the Board of Statutory Auditors met several times during the year with the Independent Auditors EY S.p.A., pursuant to Article 150 of the Consolidated Law on Finance, in order to exchange data and information on the activities carried out in the exercise of their tasks.

The external auditing firm

- issued, on 5 August 2021, the report on the limited audit of the condensed consolidated half-year financial statements with no exceptions being highlighted;
- on 31 March 2022, it issued - in accordance with Article 14 of Italian Legislative Decree no. 39/2010 and Article 10 of the EU Regulation no. 537 of 16 April 2014 - the certification reports from which it is evident that the financial statements and consolidated financial statements, closed on 31 December 2021, were drawn up clearly and represent in a truthful and correct manner the financial and asset situation, the operating result and the cash flows of Banca IFIS S.p.A. and of the Group for the year ended on that date. In the opinion of the external Auditing Firm, the Management Report on the financial statement and consolidated financial statement as of 31 December 2021 and the information of the "Report on corporate governance and shareholder structure" are consistent with the annual financial statement and consolidated financial statement as of 31 December 2021.

Again, on 31 March 2022, the external Auditing Firm presented the Board of Statutory Auditors with the Additional Report, provided for in Article 11 of the EU Regulation no. 537/2014, which this Board of Statutory Auditors will bring to the attention of the upcoming meeting of the Board of Directors to be held on 28 April 2022.

The Additional Report does not present any significant shortfalls in the internal auditing system with regards to the financial reporting process which would merit being brought to the attention of those responsible for the activity of governance.
In the Additional Report, the external Auditing Firm presented the Board of Statutory Auditors with the declaration regarding independence pursuant to Article 6 of the EU Regulation no. 537/2014, from which no situations emerge that might compromise independence.
The Board of Statutory Auditors has also acknowledged the 2021 Transparency Report prepared by the external auditing firm and published on its website pursuant to Italian Legislative Decree no. 39/2010.

Lastly, as previously mentioned, the Board of Statutory Auditors examined the content of the report by EY S.p.A. regarding the Non-financial disclosure issued pursuant to Article 3, paragraph 10 of Italian Legislative Decree no. 254/2016 on 31 March 2022.

The Board of Statutory Auditors reports that over the course of 2021, as well as the function of auditing of the individual financial statement, consolidated financial statement, and the financial statements of the subsidiaries, EY S.p.A., with the approval of this Board of Statutory Auditors, was entrusted with the following tasks:

- Profit verification 31 December 2021 Banca Ifis individual and consolidated for 47.000 Euro
- Comfort Letter on EMTN Programme renewal for 2021 - for 55.000 Euro
- Agreed Upon procedures on the Servicer Report of the securitisation vehicle Indigo Lease (three years 2021-2023) for 25.500 Euro
- Agreed Upon procedures on the Servicer Report of the securitisation vehicle EMMA SPV (three years 2021-2023) for 25.500 Euro

- Agreed Upon procedures in connection with EU Regulation no. 630 of 2019 for 25.000 Euro
- Agreed Upon procedures on GACS for 30.000 Euro
- Agreed Upon procedures on TLTRO III for 35.000 Euro
- Agreed Upon procedures on TLTRO III - Aigis - for 55.000 Euro

In brief, the tasks assigned to the Independent Auditors concerned only certification services for 298.000 Euro

The external Auditing Firm also confirmed to the Board of Statutory Auditors that, during the year and in the absence of the conditions for their release, it did not issue opinions pursuant to the law.

Lastly, the Board of Statutory Auditors points out that the statutory audit mandate conferred on EY SpA expires with the 2022 financial statements and, as is now established practice, the Bank has decided to proceed with the process of renewing the statutory audit mandate in 2021. This Board of Statutory Auditors has carried out the activities provided for by the reference legislation and has concluded its work by expressing its reasoned opinion, which has been made available to the Shareholders for this Meeting in which you are called upon to resolve on this matter.

3.5 - Relations with the Supervisory Body

The Board of Statutory Auditors has examined the minutes of the meetings held by the Supervisory Body and the exchange of information was also ensured by the dialogue that took place within the Board of Statutory Auditors with the auditor who is a member of the Supervisory Body, without receiving any reports and/or comments worthy of note.

4. Remuneration policies

The Board of Statutory Auditors, also through its attendance of all the meetings of the Remuneration Committee, oversaw the application of the remuneration policies and the innovations, examined by the Remuneration Committee on 09 March 2022, and submitted to the Shareholders' Meeting for approval.

At the above-mentioned meeting of the Remuneration Committee, the Board of Statutory Auditors acknowledged the positive opinion expressed by Compliance on the compliance of the Remuneration Report with the applicable regulatory provisions and the opinion expressed by Risk Management, sharing its conclusions and comments. At the 30 March 2022 meeting of the Remuneration Committee, the Board also acknowledged, and shared the comments contained, the checks conducted by the Internal Audit function and set out in the document "Compliance of remuneration practices with Bank of Italy regulations and approved policies", checks which led to a substantially satisfactory opinion.

The Board of Statutory Auditors acknowledged, through its participation in the Remuneration Committee meeting of 09 March 2022, the allocation of the variable remuneration for the year 2021 - of which a part in the Bank's own shares - to the Chief Executive Officer and the former General Manager, in application of the policies approved by the Shareholders' Meeting of 22 April 2021.

In general, in the light of the provisions of the Supervisory Authorities concerning remuneration and incentive systems, the Board of Statutory Auditors supervised, in close connection with the Remuneration Committee, the changes introduced to the remuneration policies for 2022 examined by the Remuneration Committee on 09 March 2022, for details of which reference should be made to the Remuneration Report made available to Shareholders,

on the correct application of the rules relating to the remuneration of the Managing Director, the heads of the Control Functions and the Manager in charge of Preparation of the Company's Financial Reports, and on the dissemination of the remuneration policies for 2022 to the companies belonging to the Group.

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The Board of Statutory Auditors is not aware, in addition to what has already been discussed earlier, of facts or details that need to be communicated to the Shareholders' Meeting.

The Board of Statutory Auditors did not receive, during the year 2021, complaints from Shareholders pursuant to Article 2408 of the Italian Civil Code.

Finally, the Board of Statutory Auditors, with reference to the epidemiological emergency from COVID-19, recalls what has been expressed by the Board of Directors in its Reports on Operations and in the Explanatory Notes, accompanying the 2021 financial statements.

In the course of the activity performed and on the basis of the information obtained, no omissions, reprehensible facts, irregularities or in any case other significant circumstances were detected that would require reporting to the Supervisory Authorities or mention in this report.

In thanking the Shareholders for the trust they have placed in it, the Board would like to remind you that with the approval of these financial statements, its mandate comes to an end.

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The Board considers it useful to recall that, in light of the Bank of Italy's recommendation of 27 July 2021, the Bank proceeded on 20 October 2021, as illustrated in the Report on Operations, to pay dividends for FY 2019

In conclusion, the Board of Statutory – taking into account the specific tasks conferred to the external auditing firm regarding auditing of the accounts and of the reliability of the financial statements - issued its opinion without qualifications, and in light of the claims issued pursuant to Article 154 bis of Italian Legislative Decree no. 58/1998 by the Corporate Accounting Reporting Officer and by the Chief Executive Officer - has no observations to make to the Meeting, pursuant to Article 153 of the Consolidated Law on Finance, regarding the approval of the financial statements for the year ended 31 December 2021, accompanied by the Management Report and the Notes to the financial statements as presented by the Board of Directors, and therefore has no objections to the approval of the financial statements, and invites the Shareholders' Meeting to take into due consideration the recommendation of the Bank of Italy of 27 July 2021, for the purposes of the proposal for the allocation of the profit for the year and the distribution of dividends.

Venice - Mestre, 31 March 2022.

for the Board of Statutory Auditors
The Chairman

Giacomo Bugna

6.3 Independent auditors' report on the consolidated financial statements

Banca IFIS S.p.A.

Consolidated financial statements as at December 31, 2021

Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of
Banca IFIS S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Banca IFIS Group ("the Group"), which comprise the statement of financial position as at December 31, 2021, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended, and the notes to the financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Banca IFIS Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005 and article 43 of Legislative Decree n. 136/2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of Banca IFIS S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Goodwill impairment test	
Goodwill recorded in the caption Item 100 of the Balance Sheet of the consolidated financial statements at December 31, 2021 amounts to Euro 38.8 million, is mainly allocated to the cash generating unit (CGU) of the NPL operating segment, dedicated to the acquisition without recourse, management and collection of mainly unsecured loans that are difficult to collect. Goodwill, as required by the international accounting standard IAS 36 "Impairment of assets", is not subject to systematic amortization but is subject, at least annually, to the impairment test by comparing the carrying values of the CGUs, inclusive of goodwill, and the related recoverable amount. Parent Company management identified the so-called "Value in use", which is the recoverable value configuration of the CGUs to be used for the impairment test, determined through a procedure that provides for the discounted cash flows and assumptions which by their nature imply the judgments of the Directors, supported by an external consultant. In this context, for the purpose of estimating future cash flows, the Company management used the data contained in the economic and financial position projections for the period 2021-2024 approved by the Board of Directors on January 13, 2022 and underlying the Business Plan approved on February 10, 2022. In consideration of the significance of the amount of goodwill in the consolidated financial statements as a whole, as well as the subjectivity of the assumptions adopted by the Directors in the process of estimating the recoverable value of the CGUs, we considered the impairment test of goodwill a key aspect of the audit. The disclosure on the impairment test is provided in Part A - Accounting Policies and in Part B - Information on the balance sheet of the notes to the consolidated financial statements.	Our audit procedures in response to the key aspect included, inter alia: • understanding the methods for determining the recoverable value adopted by the Parent Company as part of the impairment test process approved by the Board of Directors, and the related key controls; • assessment of the report produced by the third-party specialists that assisted management in preparing the impairment test, as well as the assessment of their competency, capability and objectivity; • the comparison between the data used for conducting the impairment test and those presented in the economic and financial position projections for the three-year period 2022-2024, in order to assess their substantial alignment; • analysis of the reasonableness of the economic forecasts included in the economic and financial position projections for the three-year period 2022-2024 and used as part of the goodwill impairment test; • with the support of our experts in business valuations, the assessment of the appropriateness of the methodology and the reasonableness of the assumptions used by the Directors for the determination of the recoverable value, as well as the verification of the mathematical accuracy of the calculations and sensitivity analysis on key assumptions. Finally, we examined the adequacy of the disclosures provided in the notes to the consolidated financial statements.

Building a better working world

Key Audit Matter	Audit Response
Classification and Valuation of Loans to Custumers	
Loans to customers of the Commercial e Corporate Banking and Governance & Services Non-Core Sectors amount respectively to Euro 6,527 million and Euro 2,281 million, net of analytical and collective impairment provisions for Euro 236 million and Euro 37 million respectively, and represent 68% of total assets at December 31, 2021. The process of classifying and valuing loans to customers in the various risk categories and the calculation of the loan impairments are relevant for the audit due to the significant value of the loans in the financial statements as a whole and due to the determination of loan loss provisions which require the use of estimates that present a high degree of complexity and subjectivity. Further, such estimation processes have been revised in order to reflect the context of the current uncertainty regarding macroeconomic development framework also resulting from the ongoing Covid-19 pandemic, as well as government initiatives to support the economy amongst which, in particular, payment moratoria and new or renegotiated loans with public state guarantees. In this context it is of particular importance: • the identification and calibration of the parameters relating to the significant increase in credit risk for the purposes of the stage allocation of performing credit exposures (Stage 1 and Stage 2); • the estimate of the values to be attributed to the PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure at Default) as inputs to the expected credit loss model (Expected Credit Loss), on the basis of historical observation of the data for each risk class and forward-looking factors, including macroeconomic factors; • the identification of objective evidence of increased credit risk for the classification of non-performing credit exposures (Stage 3), and the determination of the related recoverable cash flows. The disclosure on the evolution of the quality of the portfolio of loans to customers, and the	Our audit procedures in response to the key aspect, considering the revisions made to the estimation processes regarding collective impairment provisions to reflect the uncertainty deriving from the ongoing Covid-19 pandemic, included inter alia: • understanding and analysis of the main choices regarding policies, processes and controls carried out by the Group with reference to the classification and valuation of loans to customers and performing compliance procedures over key controls; • carrying out a portfolio comparative analyses to understand, also through discussion with Company management, the main changes and the relative coverage levels by risk category; • performing substantive procedures to verify the proper classification of credit positions; • verification on a sample basis of the proper application of Company policies for estimating expected credit losses on exposures assessed analytically; • understanding, also through the support of our risk management and information systems experts, of the methodology used for the stage allocation and to estimate, at the balance sheet date, the expected credit losses on collectively assessed exposures, as well as performing compliance and substantive procedures to verify the completeness of the databases used and the related calculations. Finally, we examined the adequacy of the disclosures provided in the notes to the consolidated financial statements.

Key Audit Matter	Audit Response
classification and evaluation criteria adopted is provided in Part A - Accounting Policies, in Part B - Information on the balance sheet, in Part C - Information on the income statement and in Part E - Information on risks and related hedging policies of the notes to the financial statements.	
Valuation of NPL Sector Loans	
The Group operates with an operating sector ("NPL Sector") dedicated to the acquisition without recourse, management and collection of mainly unsecured loans that are difficult to collect (Stage 3), which contributes 43% of the reclassified consolidated intermediation margin equivalent to Euro257.5 million. This activity is relevant for the audit due to the related economic effects in the financial statements, which are significant in amount and due to the methods of representation and valuation adopted by the Group, which are characterized by complexity profiles and by the use of assumptions and hypotheses inherent in the specific evaluation methods and models. These methods and models, in compliance with IFRS 9, provide for the application of the amortized cost criteria, which is based on specific recovery forecasts, where available, or on estimates of expected cash flows resulting from the historical experience gained and articulated by homogeneous clusters, updated on the basis of judicial or extrajudicial recovery activities. Further, such estimation processes in relation to estimated cash flows have been revised in order to reflect the context of the current uncertainty regarding macroeconomic development framework resulting from the ongoing Covid-19 pandemic. The disclosures regarding the criteria for the recognition and valuation of NPL sector receivables are described, as well as the risks and uncertainties associated with the use of the estimates underlying the valuation process are provided in Part A - Accounting Policies and in Part E - Information on the risks and related hedging policies of the notes to the consolidated financial statements.	Our audit procedures in response to the key aspect, considering the revisions made to the estimation processes regarding the expected cash flows reflecting also the uncertainty deriving from the ongoing Covid-19 pandemic included, inter alia: • understanding of the policies, processes and controls put in place by the Group for the acquisition, recognition and periodic valuation of NPL Sector credits, based on the evolution of the recovery estimate, and the performance of compliance procedures on controls considered key among those identified; • understanding, also through the support of our risk management experts, of the methodology used for estimating and / or identifying the cash flows underlying the methods and models defined by the Group, as well as performing compliance and substantive procedures to verify the completeness of the databases used and, through portfolio analysis techniques, of the consistent application of the methods and models themselves; • performing on a sample basis substantive procedures to verify the correctness of the significant valuation assumptions both as regards expected cash flows and as regards the estimated timing for their recovery; • performing comparative analysis procedures of the loan portfolio of the NPL Sector through the correlation, for each method of recovery and valuation, of balance sheet data with the respective economic effects and with the related cash flows collected, as well as analysis and discussion with the company management on the most significant deviations. Finally, we examined the adequacy of the disclosures provided in the notes to the consolidated financial statements.

Responsibilities of Directors and Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005 and article 43 of Legislative Decree n. 136/2015, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing Banca IFIS Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Banca IFIS Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Banca IFIS Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Banca IFIS Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or the business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by international standards on auditing (ISA Italia), regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Banca IFIS S.p.A., in the general meeting held on April 17, 2014, engaged us to perform the audits of the separate and consolidated financial statements for each of the years ending December 31, 2014 to December 31, 2022.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee ("Collegio Sindacale") in their capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Banca IFIS S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML format, and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of Banca IFIS S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of Banca IFIS Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements of Banca IFIS Group as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Banca IFIS Group as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated December 30, 2016

The Directors of Banca IFIS S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated December 30, 2016. We have verified that non-financial information has been approved by the Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information is subject to a separate compliance report signed by us.

Verona – March 31, 2022

EY S.p.A.
Signed by: Giuseppe Miele, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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