Banca Ifis

2022

ANNUAL REPORT

Summary

This document, in PDF format, does not constitute fulfilment of the obligations arising from Directive 2004/109/EC (the "Transparency Directive") and the Delegated Regulation (EU) 2019/815 (the "ESEF Regulation" - European Single Electronic Format) for which a special XHTML format has been developed.

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

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

Banca Ifis

Governance and risk management

Annual report 2022

Board of Directors in office at approval of the 2022 Annual Report

Chairman	Ernesto Fürstenberg Fassio
Chief Executive Officer	Frederik Herman Geertman [1]
Directors	Simona Arduini Monica Billio Beatrice Colleoni Roberto Diacetti Sebastien Egon Fürstenberg Roberta Gobbi Luca Lo Giudice Antonella Malinconico Giovanni Meruzzi Paola Paoloni Monica Regazzi

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

Co-General Managers	
	Fabio Lanza Raffaele Zingone
Board of Statutory Auditors	
Chairman	Andrea Balelli
Standing Auditors	Annunziata Melaccio Franco Olivetti
Alternate Auditors	Marinella Monterumisi Emanuela Rollino
Independent Auditors	EY S.p.A.
Manager Charged with preparing the company's financial reports	Mariacristina Taormina

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

Member of FCI

Letter from the Chairman to Shareholders

Ernesto Fürstenberg Fassio

Chairman of Banca Ifis S.p.A.

Dear Shareholders,

2022 represented an important milestone in the development path of Banca Ifis which, during the year, achieved very positive results that exceeded expectations, confirming the solidity of its business model from an economic-financial as well as managerial and industrial perspective. Thanks to the distinctive skills and sense of social responsibility of the people who work there, Banca Ifis is consciously tackling a year characterised by complex global macroeconomic scenarios and sometimes unpredictable phenomena, such as the war conflict between Russia and Ukraine and its dramatic consequences, following the two years of pandemic.

Guided by the values that inspire our vision as long-term shareholders, in February 2022 the Bank presented to the financial community with its 2022-2024 Business Plan - D.O.E.S. (Digital, Open, Efficient, Sustainable), which, for the first time, also integrates the sustainability plan within it, setting out precise goals and activities for the three-year plan period in relation to all relevant areas (environmental, social and governance), in line with the UN 2030 Agenda and the 17 Sustainable Development Goals.

In particular, during the year Banca Ifis launched a number of significant projects in the three aforementioned ESG areas, starting - in the environmental sphere - with the communication of the emission reduction targets financed by 2030 on the lending portfolio as part of the Net Zero Banking Alliance (NZBA), the United Nations initiative that aims to accelerate the sustainable transition of the banking sector by zeroing the net emissions of the lending portfolio by 2050, to which the Bank was the first to adhere in Italy.

Through its Social Impact Lab “Kaleidos”, moreover, the Bank has promoted many high social impact initiatives in the areas of inclusive communities, culture and territory, and people's well-being, with a particular focus on diversity & inclusion issues, in respect of which Banca Ifis has distinguished itself by being the first in Italy to obtain certification on gender equality from the Winning Women Institute. In addition to this, there are numerous activities in support of medical-scientific research, such as supporting the Bambino Gesù Children's Hospital for research into innovative therapies for malignant tumours of the central nervous system affecting children and young adults, and the Veneto Institute of Molecular Medicine (VIMM) through the “Adopt a Researcher” initiative of the Advanced Biomedical Research socially-useful non-profit foundation.

Also of great importance are the projects carried out by the Bank to promote the Italian cultural ecosystem, such as the “Economy of Beauty” project, an Observatory set up within Banca Ifis to report on the value of companies that make beauty - in all its forms - their distinctive element, and the “Observatory on the Italian Sport System” project, which analyses the value of the Italian sports system, with a specific focus on young people, to whom the Bank has always dedicated special attention, for example by providing scholarships to CONI medal-winning athletes.

The focus on people value and talent development is also at the heart of the Bank's growth project. This is why, as part of Kaleidos, Banca Ifis has launched the “Ifis Academy”, an open platform for continuing education to foster the acquisition of new skills and knowledge sharing.

Banca Ifis has always stood out for its concrete and value-based approach in every area of its business. This is one of the reasons why, in cooperation with the Milan Polytechnic University, it has developed a model for measuring the impact on the community generated by the social activities promoted or supported by the Bank, making it possible to grasp their positive effects even more clearly and easily.

These initiatives are further evidence of our historic desire to be promoters of innovative, professional and ethical business models and protagonists of the sustainable transition process and, at the same time, best express the long-term vision of the Bank and its controlling shareholder that has always been inspired by the principles of corporate social responsibility. Also as the new Chairman, I therefore confirm the Bank's commitment to grow by generating a positive and concrete impact for our customers, community and people.

Ernesto Fürstenberg Fassio, Chairman of Banca Ifis S.p.A.

Letter from the CEO to Shareholders

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

Dear Shareholders,
2022 was a positive year for Banca Ifis, which demonstrated its ability to seize the opportunities offered by the market, achieving economic-financial results that have exceeded expectations, despite the global macroeconomic context being characterised by numerous uncertainties and significantly different from the scenario envisaged in the 2022-2024 Business Plan presented at the start of the year.
With a 2022 net profit of 141,1 million Euro, 40% higher than in 2021, the Bank achieved the 2023 profit target of 136 million Euro set in the Business Plan, one year ahead of schedule. This performance represents an all-time high for our Bank and is mainly driven by the favourable revenue trend. Revenues in the Commercial & Corporate Banking Sector increased by 12,6% compared to the same period in 2021, and growth rates above those of the reference markets, while in the Npl Segment cash recoveries on acquired portfolios amounted to 384 million Euro, up 11% compared to 345 million Euro in 2021.
Thanks in part to the long-term support of the controlling shareholder, the Bank now has a capital ratio well above the minimum required levels: the consolidated CET1 Ratio is 15% (15,44% at 31 December 2021) and the consolidated Total Capital Ratio is 18,81% (19,63% at 31 December 2021).
As far as business development is concerned, worth of note is the completion, in April, of the merger by incorporation of Credifarma S.p.A. into Farbanca S.p.A., thanks to which Banca Credifarma was established, a specialised pole leader in financial services to pharmacies, which, in line with the objectives of the Business Plan, will allow Banca Ifis to further develop its commercial presence in the sector.
In the ESG area, also in line with the Bank of Italy's expectations, the Bank has strengthened its distinctive positioning by launching new concrete initiatives and expanding those already undertaken in all three areas: environmental, social and governance. From an environmental perspective, Banca Ifis has communicated its targets to reduce financed emissions by 2030. These commitments cover more than 80% of the exposures and emissions of the perimeter considered by the Net Zero Banking Alliance (NZBA), the UN initiative that aims to accelerate the sustainable transition of the banking sector by zeroing out net emissions from the loan portfolio by 2050.
In the social field, Banca Ifis has launched the Social Impact Lab “Kaleidos”, which promotes high social impact projects in three areas: inclusive communities, culture and territory, and personal well-being, within which the Bank has launched numerous initiatives, standing out in particular for its focus on diversity & inclusion topics.
Finally, in the area of governance, the Sustainability Committee, under the leadership of the Chairman, continued its work to support the Board of Directors in its strategic orientation activities for sustainability and ESG profiles.

Also on the basis of these positive results - obtained thanks to the skills and commitment of all the people working at Banca Ifis - and of a scenario that does not assume a sudden macro-economic deterioration, the Bank has revised its 2023 profit target upwards by 10%, increasing it from the 137 million Euro estimated in the 2022-2024 Business Plan to 150 million Euro.

Inspired by the long-term vision that guides Banca Ifis, we will continue to work with determination towards the realisation of our 2022-2024 Business Plan with the aim of creating sustainable and lasting value, both economic and social, for all our stakeholders.

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

Banca Ifis

Consolidated reports
2022

Banca Ifis

Directors' report on the Group

Consolidated reports 2022

General aspects

To allow a more immediate reading of the results, a condensed reclassified consolidated income statement is prepared within the Directors' Report on the Group. For the sake of consistent comparison, the income statement figures for previous periods are normally restated, where necessary and material, also to take account of any changes in the scope of consolidation. Analytical details of the restatements and reclassifications made with respect to the Consolidated Financial Statements compliant with Bank of Italy Circular 262 are provided in separate tables published among the annexes (see the section "Annexes" of the "2022 Consolidated Financial Statements and Report"), also in compliance with the requirements of Consob Communication no. 6064293 of 28 July 2006.

Reclassifications and aggregations of the consolidated income statement concern the following:

- net credit risk losses/reversals of the Npl Segment are reclassified to interest receivable and similar income (and therefore to the "Net interest income") to the extent to which they represent the operations of this business and are an integral part of the return on the investment;
- net provisions for risks and charges are excluded from the calculation of "Operating costs";
- the following is included under the single item "Net credit risk losses/reversals":
    - net credit risk losses/reversals relating to financial assets measured at amortised cost (with the exception of those relating to the Npl Segment mentioned above) and to financial assets measured at fair value through other comprehensive income;
    - net provisions for risks and charges for credit risk relating to commitments and guarantees granted;
    - profits (losses) from the sale/repurchase of loans at amortised cost other than those of the Npl Segment.

The balance sheet components were aggregated without reclassification.

Highlights

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Cash and cash equivalents	603.134	355.381	247.753	69,7%
Financial assets measured at fair value through profit or loss	222.088	153.138	68.950	45,0%
Financial assets measured at fair value through other comprehensive income	697.611	614.013	83.598	13,6%
Receivables due from banks measured at amortised cost	565.762	524.991	40.771	7,8%
Receivables due from customers measured at amortised cost	10.186.932	10.331.804	(144.872)	(1,4)%
Total assets	13.262.377	12.977.891	284.486	2,2%
Payables due to banks	3.422.160	2.597.965	824.195	31,7%
Payables due to customers	5.103.343	5.683.745	(580.402)	(10,2)%
Debt securities issued	2.605.195	2.504.878	100.317	4,0%
Consolidated equity	1.597.781	1.623.888	(26.107)	(1,6)%

RECLASSIFIED CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Net banking income	**680.547**	**599.938**	**80.609**	**13,4%**
Net credit risk losses/reversals	(77.515)	(77.211)	(304)	0,4%
Net profit (loss) from financial activities	**603.032**	**522.727**	**80.305**	**15,4%**
Operating costs	**(390.378)**	**(364.817)**	**(25.561)**	**7,0%**
Net allocations to provisions for risks and charges	(400)	(8.036)	7.636	(95,0)%
Value adjustments of goodwill	(762)	-	(762)	-
Gain on disposals of investments	304	-	304	-
Income taxes for the year relating to current operations	(69.909)	(47.571)	(22.338)	47,0%
Profit for the period	**141.887**	**102.303**	**39.584**	**38,7%**
Profit for the year attributable to non-controlling interests	(801)	(1.721)	920	(53,5)%
Profit for the year attributable to the Parent company	**141.086**	**100.582**	**40.504**	**40,3%**

QUARTERLY RECLASSIFIED CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	4th QUARTER		CHANGE	
	2022	2021	ABSOLUTE	%
Net banking income	**191.855**	**154.014**	**37.841**	**24,6%**
Net credit risk losses/reversals	(28.641)	(16.868)	(11.773)	69,8%
Net profit (loss) from financial activities	**163.214**	**137.146**	**26.068**	**19,0%**
Operating costs	**(111.840)**	**(106.597)**	**(5.243)**	**4,9%**
Net allocations to provisions for risks and charges	4.115	106	4.009	n.s.
Income taxes for the period relating to continuing operations	(19.719)	(9.909)	(9.810)	99,0%
Profit for the period	**35.770**	**20.746**	**15.024**	**72,4%**
Profit for the period attributable to non-controlling interests	(227)	(353)	126	(35,7)%
Profit for the period attributable to the Parent company	**35.543**	**20.393**	**15.150**	**74,3%**

Group KPIs

GROUP EQUITY KPIs	2022	2021	CHANGE
CET1 ratio [1]	15,01%	15,44%	(0,43)%
Total Capital Ratio [1]	18,82%	19,63%	(0,81)%
Number of company shares (in thousands)	53.811	53.811	-
Number of shares outstanding at year end [2] (in thousands)	52.433	53.472	(1.039)
Price/book value per share	0,44	0,57	(0,13)
Dividend per share[3]	1,40	0,95	0,45

(1) CET1 and Total Capital include the profits generated by the Banking Group at 31 December 2022, net of the related dividend, including the portion distributed on an interim basis in compliance with the provisions of Article 2433, paragraph 4 of the Italian Civil Code.

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

(3) The figures for FY 2022 comprise the total of 1,00 Euro per share distributed as an interim dividend in November 2022 and 0,40 Euro per share as a proposal for a final dividend for the FY 2022 prepared by the Board of Directors of Banca Ifis.

GROUP ECONOMIC KPIs	2022	2021	CHANGE
ROE	8,8%	6,5%	2,3%
ROA	1,6%	1,2%	0,4%
Reclassified cost/income ratio	57,4%	60,8%	(3,4)%
EPS	2,68	1,88	0,80
Payout ratio	52,0%	49,5%	2,5%

Context

The Italian economy of 2022

The 2022 macroeconomic environment was characterised by a very high degree of scenario variability. The year just ended opened with a slowdown in Italian economic activity: during the fourth quarter of 2022, Italian GDP, adjusted for calendar effects and seasonally adjusted, decreases by 0,1% (preliminary ISTAT estimate) compared to the previous quarter and grew by 1,7% in terms of trend. This is a turnaround from the 0,5% year-on-year increase recorded in the third quarter and seven consecutive quarters of growth. The economic change in the quarter is the tail end of the restrictions of the two-year pandemic and the supply difficulties of global distribution chains together with soaring energy prices, rising raw material costs and the outbreak of the Russia-Ukraine war. The concomitant occurrence of these phenomena led to a continuous revision of the forecasts. Suffice it to say that the first Economic Bulletin of the Bank of Italy (January 2022) projected a GDP growth rate of +3,8%, while the subsequent estimate (April 2022) set out 3 forecast scenarios from the most favourable, with a GDP projecting +3% growth, to the most adverse, with a contraction of 0,5%.

Our country's GDP growth rate is estimated at +3,9% in 2022, according to the Bank of Italy (Boleco no. 1-2023). This growth was mainly driven by domestic demand. Household consumption expanded strongly (2,5% quarter-on-quarter change in both the second and the third quarters); gross fixed capital formation increased (3,5%, 1,5% and 0,8% in the first three quarters of 2022), albeit at a slower pace due to the contraction of the construction component, for the first time since the beginning of 2020. The increase in GDP 2022 could have been even higher if net exports (the difference between exports and imports) had not had a negative impact of 1,3%. However, attention must be paid to the interpretation of this last figure: although it is certainly true that the almost zero growth in exports (+0,1% in the third quarter) is a negative figure, the marked increase in imports (+4,2% in the third quarter) is, according to many observers, the consequence of the increase in disposable income. On the side of the production system, added value increased in services, especially in those related to recreation and tourism with +0,9% over the second quarter (important effect of tourism during the summer season), while industry (-0,9% cyclically) and the agricultural sector (-1,4% compared to the previous quarter) declined.

Despite the excellent growth performance in 2022, many of the critical macroeconomic issues are still present. The global cyclical picture deteriorated again in the fourth quarter. Internationally, activity in advanced Countries, still affected by the war in Ukraine and inflation, slowed down. At the same time, that in China also weakened due to the measures imposed in October and November to contain the Covid-19 pandemic. International trade is estimated to have slowed down significantly. The slowdown in global demand helped moderate the price of oil, and natural gas prices in Europe fell sharply, although they remained at historically high values. The central banks' fight against inflation is also contributing to the global economic slowdown. At its meetings in November and December 2022, the Federal Reserve decided on further increases in the key interest rate, by 75 and 50 basis points respectively. The Bank of England followed the same approach by raising its key policy rate (same size as the Fed) in the last two meetings and started its balance sheet reduction programme in November. The framework of restrictive monetary policies is completed by the ECB, which at its meetings in October and December 2022 raised the official rates by 75 and 50 basis points respectively and announced that they will still have to increase significantly (3 further changes have been assumed) and at a steady pace to encourage inflation to return to the medium-term target. Indeed, consumer inflation in the euro area remained high (9,2 % in December 2022), although lower than in November, due to a gradual transmission of energy price increases.

Activity in Italy also weakened in the last quarter of 2022. According to the Bank of Italy, both the dampening of the recovery in the value added of services, which, as already mentioned, had previously benefited from the success of the Italian tourist season, and the decline in industrial production contributed to this. Household spending reportedly slowed down, despite government interventions to support disposable income to counter inflationary effects. Inflation in Italy continued to rise last autumn (12,3% in December 2022 on an annual basis), due to energy costs, which are transmitting their effects to the prices of other goods and services.

The slowdown in value added in the fourth quarter of 2022 is confirmed by the trend of the Ita-coin indicator (the table below shows the 2022 monthly trend), which provides a real-time estimate of the trend development of economic activity net of the most erratic components, which has remained negative since June 2022.

Bank of Italy Ita-coin indicator	
Reference period	**Value**
January 2022	0,92
February 2022	0,94
March 2022	1,19
April 2022	0,66
May 2022	0,03
June 2022	(0,40)
July 2022	(0,49)
August 2022	(0,57)
September 2022	(0,67)
October 2022	(0,56)
November 2022	(0,61)
December 2022	(0,32)

Source: Bank of Italy

Projections for the Italian economy in 2023-2024

The macroeconomic projections, covering the two-year period 2023-2024, are highly indicative, the Bank of Italy also points out, in view of the current context of great uncertainty, especially due to the conflict in Ukraine.
Two scenarios are hypothesised:

- The baseline scenario expects tensions associated with the war to remain high in the early months of 2023 and gradually decrease thereafter. Moreover, in the second half of 2023, consumption expenditure is expected to resume growth, in parallel with the acceleration of investment, also thanks to the public investment projects included in the Italian PNRR (National Recovery and Resilience Plan, "NRRP"), but, in the opposite direction, net exports will not contribute to the growth of the national product. Based on these assumptions, GDP is estimated to be between 0,6% (Bank of Italy) and 0,8% (European Commission), thanks to exports, driven by world trade, and domestic demand as a result of the increase in disposable income due to the easing of inflation;
- In the adverse scenario proposed by the Bank of Italy, on the other hand, Italy's GDP would fall by almost 1% in both years 2023-2024 under the following scenario assumptions: permanent suspension of energy commodity supplies from Russia to Europe, rising inflation in 2023, zero impact of any public intervention for the two phenomena just described.

Reference markets

Corporates

The Bank of Italy estimates for the last few months of 2022 forecast declining industrial production due to still high energy costs and weakening demand. After the expansion in the third quarter, the tertiary sector also slowed down. Uncertainties related to geopolitical tensions and inflation together with tighter financial conditions are affecting investment spending and the outlook for the real estate sector.
The opinions expressed by manufacturing companies in the average of the fourth quarter of 2022 indicate a downturn in activity, as measured by the PMI (Purchasing Managers' Index). Indeed, due to energy and raw material prices, company margins are expected to shrink. An analysis by Cerved projects 2023 turnover to grow by 3,4%, an increase that would, however, be reduced to 0,5% if considered in real terms thus failing to reabsorb higher costs with an expected contraction in margins. Indeed, energy costs are still historically high (the increase in the price of natural gas on 1 January 2023 was 143% compared to 1 January 2021), although far from the 21 August 2022 peak in the price of natural gas. Moreover, as already pointed out, higher energy costs have also spread to other goods and services.

Italian companies did not stand still, however, and put in place strategies to counter energy price hikes, which according to a survey conducted by the Bank of Italy, consisted of 7 measures:

- reduction of plant operating hours;
- investment in more efficient machinery;
- adaptation to alternative sources;
- renegotiation of contracts;
- increased use of self-production;
- reduced profit margins;
- increase in sales prices.

The last two are the paths most commonly followed by Italian companies, both energy-intensive and not. This is followed by the renegotiation of contracts for non-energy-intensive companies and the adaptation to alternative sources for energy-intensive companies. The latter trend is perfectly consistent with the findings on SMEs from Banca Ifis's Impact Watch in the December 2022 edition: renewable energies will have the highest uptake in the two-year period 2023-2024, with 73% stating that they will invest in them by the end of the period and 45% that they have already done so in the past few years.
Financial tensions related to inflation are fuelling the increase in corporate lending. In fact, after the 6% increase in the stock of bank loans to businesses in 2020, supported by the public interventions of the pandemic period, and the subsequent 1% settling drop in 2021, at the end of the third quarter loans returned to growth (+0,8% compared to the end of 2021) due to the reduction in self-financing flows.

Bank loans to enterprises (non-financial companies and producer households)		
Observation date	**Value (in thousands of Euro)**	**% Change**
31.12.2021	743.059.432	(1,0)%
31.12.2020	750.521.340	6,0%
31.12.2019	708.200.687	n.a.

Source: Bank of Italy database

However, it should be borne in mind that these tensions are grafted onto a historically solid financial situation of Italian companies, as shown by corporate deposits (see table below), which in the third quarter 2022 showed an increase in stocks of 49% compared to the end of 2018.

Corporate deposits		
Observation date	**Value (in thousands of Euro)**	**% Change**
30.09.2022	508.171.467	49%
31.12.2018	341.257.914	n.a.

Source: Bank of Italy database

Despite the difficult environment, Italian companies did not give up on investment, which grew by around 10%, thus continuing a 2021 that had been characterised by growth of 17% (source: Istat). Investments slowed in the third quarter (+0,8% on the previous period), reflecting a reduction in construction spending, while spending on plant and machinery accelerated. While expecting the slowdown to continue in the first part of 2023, Bank of Italy surveys show that the share of companies expecting an expansion of investments in 2023 exceeds that of those estimating a reduction, thus continuing the innovation process that has led them to strengthen their international positioning in the last two years.

Non-performing loans (Npls)

In 2022, the Italian Npl transaction market again expressed significant volumes: the GBV (Gross Book Value, nominal amount) amount of the transferred portfolios stood at around 41 billion Euro (source: Banca Ifis Market

Watch Npl), with a breakdown by asset type that saw 32 billion Euro of non-performing positions and 9 billion Euro of UtP.

In line with previous years, the concentration of transactions in terms of originator and buyer remained high in 2022, with 62% and 51% of the top 5 weighing in, respectively, although lower than in 2021. Corporate debtors and secured portfolios account for more than half of the total transacted. The secondary market, an important segment of a market that has now reached maturity, accounted for 28% of Npl transactions.

Average prices rise slightly due to the high incidence of GACS transactions and "fresher" portfolios that found investor appetite, phenomena partly offset by the incidence of the secondary market.

Projections for 2023-2024 are subject to variability due to scenario uncertainties. Current estimates indicate that the market for Npl transactions will maintain high volumes, 40 billion Euro and 33 billion Euro for non-performing and Utp positions respectively, with the secondary market increasing its share by 2022.

There are five drivers that will drive the market dynamics:

- the challenging Npe ratio targets in the business plans of the major Italian banks;
- the expected increase in new impaired credit flows: an estimated 56 billion Euro in the years 2023 and 2024, as a consequence of the deterioration of the macroeconomic environment;
- the rise in rates that is making it more expensive for investors to fund and, as a result, may be holding back the matching of supply and demand on some transactions;
- a further development in the incidence of the secondary market, following the boost created by dedicated platforms, the increased propensity to purchase by smaller investors already part of the supply chain, and, finally, the supply of non-core portions of portfolios from GACS-backed transactions;
- the operational capacity of the impaired credit sector to manage significant volumes: +317% AuM (Assets under Management) of specialised traders.

Results by operating segments

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	*of which: FACTORING AREA*	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
Other financial assets mandatorily measured at fair value through profit or loss							
Amounts at 31.12.2022	75.412	*2.071*	-	*73.341*	42.489	77.319	**195.220**
Amounts at 31.12.2021	*66.564*	-	-	*66.564*	*21.021*	*57.075*	***144.660***
% Change	*13,3%*	*n.a.*	-	*10,2%*	*102,1%*	*35,5%*	***35,0%***
Financial assets measured at fair value through other comprehensive income							
Amounts at 31.12.2022	1.695	-	-	*1.695*	-	695.916	**697.611**
Amounts at 31.12.2021	*1.696*	-	-	*1.696*	-	*612.317*	***614.013***
% Change	*(0,1)%*	-	-	*(0,1)%*	-	*13,7%*	***13,6%***
Receivables due from customers (1)							
Amounts at 31.12.2022	6.514.989	*2.755.592*	*1.472.177*	*2.287.221*	1.519.864	2.152.078	**10.186.932**
Amounts at 31.12.2021	*6.561.414*	*2.940.072*	*1.390.223*	*2.231.118*	*1.523.628*	*2.246.763*	***10.331.804***
% Change	*(0,7)%*	*(6,3)%*	*5,9%*	*2,5%*	*(0,2)%*	*(4,2)%*	***(1,4)%***

(1) In the Governance & Services and Non-Core Segment, at 31 December 2022, there were government securities amounting to 1.541,5 million Euro (1.648,6 million Euro at 31 December 2021).

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 31.12.2022	318.444	*171.654*	*59.338*	*87.452*	284.297	77.806	**680.547**
Amounts at 31.12.2021	*282.684*	*143.081*	*55.685*	*83.918*	*257.557*	*59.697*	***599.938***
% Change	*12,7%*	*20,0%*	*6,6%*	*4,2%*	*10,4%*	*30,3%*	***13,4%***
Net profit (loss) from financial activities							
Amounts at 31.12.2022	269.938	*156.667*	*56.502*	*56.769*	262.600	70.494	**603.032**
Amounts at 31.12.2021	*237.131*	*124.939*	*48.594*	*63.598*	*239.562*	*46.034*	***522.727***
% Change	*13,8%*	*25,4%*	*16,3%*	*(10,7)%*	*9,6%*	*53,1%*	***15,4%***
Profit for the period							
Amounts at 31.12.2022	71.022	*39.493*	*19.025*	*12.504*	48.553	22.312	**141.887**
Amounts at 31.12.2021	*54.372*	*26.263*	*14.095*	*14.014*	*50.251*	*(2.320)*	***102.303***
% Change	*30,6%*	*50,4%*	*35,0%*	*(10,8)%*	*(3,4)%*	*n.s.*	***38,7%***

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 2022	93.271	*48.441*	*16.690*	*28.140*	83.436	15.148	**191.855**
Fourth quarter 2021	*69.952*	*35.438*	*12.446*	*22.068*	*73.305*	*10.757*	***154.014***
% Change	*33,3%*	*36,7%*	*34,1%*	*27,5%*	*13,8%*	*40,8%*	***24,6%***
Net profit (loss) from financial activities							
Fourth quarter 2022	86.648	*47.979*	*15.564*	*23.105*	61.739	14.827	**163.214**
Fourth quarter 2021	*55.340*	*26.503*	*10.555*	*18.282*	*72.283*	*9.523*	***137.146***
% Change	*56,6%*	*81,0%*	*47,5%*	*26,4%*	*(14,6)%*	*55,7%*	***19,0%***
Profit for the period							
Fourth quarter 2022	27.068	*12.234*	*5.717*	*9.117*	4.346	4.356	**35.770**
Fourth quarter 2021	*9.350*	*988*	*2.967*	*5.395*	*18.109*	*(6.713)*	***20.746***
% Change	*189,5%*	*n.s.*	*92,7%*	*69,0%*	*(76,0)%*	*(164,9)%*	***72,4%***

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 31.12.2022	0,76%	*0,56%*	*0,20%*	*1,35%*	n.a.	1,25%
Amounts at 31.12.2021	*0,73%*	*0,69%*	*0,51%*	*0,94%*	*n.a.*	*2,28%*
% Change	*0,03%*	*(0,13)%*	*(0,31)%*	*0,41%*	*n.a.*	*(1,03)%*
Net bad loans/Receivables due from customers						
Amounts at 31.12.2022	0,4%	*0,5%*	*0,0%*	*0,5%*	73,4%	0,3%
Amounts at 31.12.2021	*0,5%*	*0,8%*	*0,0%*	*0,3%*	*72,7%*	*0,5%*
% Change	*(0,1)%*	*(0,3)%*	*0,0%*	*0,2%*	*0,7%*	*(0,2)%*
Coverage ratio on gross bad loans						
Amounts at 31.12.2022	72,0%	*77,9%*	*94,6%*	*32,8%*	0,0%	47,5%
Amounts at 31.12.2021	*73,2%*	*75,2%*	*96,5%*	*34,6%*	*0,0%*	*38,0%*
% Change	*(1,2)%*	*2,7%*	*(1,9)%*	*(1,8)%*	*0,0%*	*9,5%*
Net non-performing exposures/Net receivables due from customers						
Amounts at 31.12.2022	3,9%	*6,6%*	*1,0%*	*2,4%*	97,9%	1,6%
Amounts at 31.12.2021	*3,6%*	*5,7%*	*1,2%*	*2,4%*	*95,4%*	*2,0%*
% Change	*0,3%*	*0,9%*	*(0,2)%*	*0,0%*	*2,5%*	*(0,4)%*
Gross non-performing exposures/Gross receivables due from customers						
Amounts at 31.12.2022	5,7%	*9,5%*	*2,3%*	*3,2%*	97,9%	2,5%
Amounts at 31.12.2021	*5,9%*	*9,4%*	*2,8%*	*3,2%*	*95,4%*	*3,3%*
% Change	*(0,2)%*	*0,1%*	*(0,5)%*	*0,0%*	*2,5%*	*(0,8)%*
RWA [3]						
Amounts at 31.12.2022	5.571.253	*2.625.900*	*1.329.890*	*1.615.463*	1.794.321	1.753.938
Amounts at 31.12.2021	*5.233.458*	*2.500.835*	*1.265.979*	*1.466.644*	*2.339.110*	*1.065.692*
% Change	*6,5%*	*5,0%*	*5,0%*	*10,1%*	*(23,3)%*	*64,6%*

(1) In the Governance & Services and Non-Core Segment, at 31 December 2022, there were government securities amounting to 1.541,5 million Euro (1.648,6 million Euro at 31 December 2021).

(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

Reclassified Quarterly Evolution

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2022				YEAR 2021			
	4th Q	3rd Q	2nd Q	1st Q	4th Q	3rd Q	2nd Q	1st Q
Net interest income	**155.746**	**128.153**	**133.282**	**131.069**	**125.358**	**129.580**	**117.206**	**115.827**
Net commission income	**28.303**	**22.998**	**21.487**	**20.725**	**20.422**	**22.009**	**22.084**	**18.767**
Other components of net banking income	7.806	13.587	5.861	11.530	8.234	3.959	13.364	3.128
Net banking income	**191.855**	**164.738**	**160.630**	**163.324**	**154.014**	**155.548**	**152.654**	**137.722**
Net credit risk losses/reversals	(28.641)	(15.200)	(16.666)	(17.008)	(16.868)	(16.799)	(25.123)	(18.421)
Net profit (loss) from financial activities	**163.214**	**149.538**	**143.964**	**146.316**	**137.146**	**138.749**	**127.531**	**119.301**
Personnel expenses	(39.590)	(37.646)	(37.033)	(36.565)	(38.070)	(35.986)	(33.946)	(33.779)
Other administrative expenses	(70.896)	(56.878)	(61.079)	(53.568)	(70.152)	(50.179)	(59.039)	(52.455)
Net impairment losses/reversals on property, plant and equipment and intangible assets	(4.595)	(4.095)	(4.145)	(4.080)	(4.464)	(5.124)	(4.732)	(4.413)
Other operating income/expenses	3.241	5.591	4.570	6.390	6.089	5.609	9.024	6.800
Operating costs	**(111.840)**	**(93.028)**	**(97.687)**	**(87.823)**	**(106.597)**	**(85.680)**	**(88.693)**	**(83.847)**
Net allocations to provisions for risks and charges	4.115	(7.576)	9.483	(6.422)	106	(5.715)	2.668	(5.095)
Value adjustments of goodwill	-	-	(762)	-	-	-	-	-
Gains (Losses) on disposal of investments	-	169	135	-	-	-	-	-
Pre-tax profit (loss) for the period from continuing operations	**55.489**	**49.103**	**55.133**	**52.071**	**30.655**	**47.354**	**41.506**	**30.359**
Income taxes for the period relating to continuing operations	(19.719)	(15.767)	(17.703)	(16.720)	(9.909)	(14.960)	(13.112)	(9.590)
Profit for the period	**35.770**	**33.336**	**37.430**	**35.351**	**20.746**	**32.394**	**28.394**	**20.769**
(Profit) loss for the period attributable to non-controlling interests	(227)	(308)	137	(403)	(353)	(536)	(184)	(648)
Profit for the period attributable to the Parent company	**35.543**	**33.028**	**37.567**	**34.948**	**20.393**	**31.858**	**28.210**	**20.121**

Group historical data

The following table shows the main indicators and performances recorded by the Group during the last 5 years.

HISTORICAL DATA (in thousands of Euro)	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Financial assets measured at fair value through other comprehensive income	697.611	614.013	774.555	1.173.808	432.094
Receivables due from customers measured at amortised cost	10.186.932	10.331.804	9.135.402	7.651.226	7.313.972
Payables due to banks	3.422.160	2.597.965	2.367.082	959.477	785.393
Payables due to customers	5.103.343	5.683.745	5.471.874	5.286.239	4.673.299
Debt securities issued	2.605.195	2.504.878	2.069.083	2.217.529	1.979.002
Consolidated equity	1.597.781	1.623.888	1.549.962	1.538.953	1.459.000
Net banking income	680.547	599.938	465.486	556.411	574.595
Net profit (loss) from financial activities	603.032	522.727	367.682	469.863	476.180
Profit for the year attributable to the Parent company	141.086	100.582	68.804	123.097	146.763
KPIs:					
ROE	8,8%	6,5%	4,5%	8,2%	10,5%
ROA	1,6%	1,2%	0,8%	1,7%	2,2%
CET1 ratio (1)	15,01%	15,44%	11,29%	10,96%	10,30%
Total Capital Ratio (1)	18,82%	19,63%	14,85%	14,58%	14,01%
Number of shares outstanding at year end (2) (in thousands)	52.433	53.472	53.460	53.452	53.441
EPS	2,68	1,88	1,29	2,30	2,75
Dividend per share(3)	1,40	0,95	0,47	1,10	1,05
Payout ratio (3)	52,0%	49,5%	36,5%	47,8%	38,2%

(1) CET1 and Total Capital include the profits generated by the Banking Group at 31 December 2022, net of the related dividend, including the portion distributed on an interim basis in compliance with the provisions of Article 2433, paragraph 4 of the Italian Civil Code.

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

(3) The figures for FY 2022 comprise the total of 1,00 Euro per share distributed as an interim dividend in November 2022 and 0,40 Euro per share as a proposal for a final dividend for the FY 2022 prepared by the Board of Directors of Banca Ifis.

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 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	
	2022	2021
A. Net profit attributable to the Parent company	141.086	100.582
B. Average equity attributable to the Parent company	1.594.841	1.557.906
ROE (A/B)	**8,8%**	**6,5%**

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)	31.12.2021	31.03.2022	30.06.2022	30.09.2022	31.12.2022	2022 AVERAGE
Equity attributable to the Parent company	1.596.102	1.613.853	1.580.520	1.598.381	1.585.349	**1.594.841**

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**

ROA - Return on Assets (in thousands of Euro)	YEAR	
	2022	2021
A. Pre-tax profit from continuing operations	211.796	149.874
B. Total assets	13.262.377	12.977.891
ROA (A/B)	**1,6%**	**1,2%**

Reclassified cost/income ratio (in thousands of Euro)	YEAR	
	2022	2021
A. Operating costs	390.378	364.817
B. Net banking income	680.547	599.938
Reclassified cost/income ratio (A/B)	**57,4%**	**60,8%**

Payout ratio (in thousands of Euro)	YEAR	
	2022	2021
A. Net profit attributable to the Parent company	141.086	100.582
B. Parent company dividends (1)	73.406	49.811
Payout Ratio (B/A) (1)	**52,0%**	**49,5%**

(1) The figures for FY 2022 comprise the total of 1,00 Euro per share distributed as an interim dividend in November 2022 and 0,40 Euro per share as a proposal for a final dividend for the FY 2022 prepared by the Board of Directors of Banca Ifis.

The Parent company's dividends are calculated as follows:

Parent company dividends	YEAR	
	2022	2021
A. Unitary dividend Euro (1)	1,40	0,95
B. Number of shares outstanding (2)	52.433	52.433
Parent company dividends (AxB) (1)	**73.406**	**49.811**

(1) The figures for FY 2022 comprise the total of 1,00 Euro per share distributed as an interim dividend in November 2022 and 0,40 Euro per share as a proposal for a final dividend for the FY 2022 prepared by the Board of Directors of Banca Ifis.

(2) Outstanding shares are net of treasury shares held in the portfolio. The 2022 figure refers to shares outstanding as at 31 December 2022.

Impact of regulatory changes

As of 1 January 2022, the regulatory intervention with the greatest impact in the financial and banking sphere for the Banca Ifis Group relates to Law no. 142 of 21 September 2022, which came into force on 22 September 2022, and in particular Article 21-bis, which regulates the limit on the attachability of sums received by way of pensions. The new regulations indicate that, for amounts received by way of pensions only, the limit of attachability goes from approximately 702 Euro to 1.000 Euro. This regulatory change impacted on the attachable amount of positions only where the only source of income attachable by third-party garnishment is a pension; it has no impact on positions relating to persons attachable on the basis of sums received by way of salary.

With specific reference to the impact of the aforementioned regulatory change on the Banca Ifis Group's loans, and in particular those of the Npl Segment, consideration was given to this change in the "LF Pre garnishment order model" and in the "Garnishment order model" in order to value the legal positions in Legal Factory.

The estimated non-recurring impact in respect of this adjustment in terms of impairment of all those files in the Npl Segment that have seen their prospects of legal recovery reduced amounts to 21,7 million Euro, recorded in the Income Statement item "Net credit risk losses/reversals". This writedown affected both recent files in process and those already acquired, for which at the time of acquisition it had been assumed that they would be valued in court, and now it has become necessary to reshape recovery strategies.

For more details, refer to the section "Contribution of business segments to Group results" (and in particular to the paragraph dedicated to the Npl Segment) of this Directors' Report on the Group, as well as to "Section 5 - Other aspects" of macro section "A.1 - General part" of "Part A - Accounting policies" of the Consolidated Notes to the Financial Statements.

Contribution of business segments to Group results

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

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

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

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

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

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

Finally, as of 1 January 2022, in line with what is represented in the 2022-2024 Business Plan, the income contribution of the personal loans with assignment of one fifth of salary or pension, carried out by the subsidiary Cap.Ital.Fin. S.p.A., is included in the Commercial & Corporate Banking Segment.

All information provided below, including comparative data, takes this reallocation into account.

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 segment that supports companies and private equity funds in arranging bilateral or syndicated loans; the Equity Investment area, dedicated to investing in non-financial companies and intermediaries; and the Lending segment, dedicated to the Group's medium/long-term operations, oriented to supporting the company's operating cycle and the disbursement of consumer credit in the form of salary- or pension-backed loans (CQS/CQP).

Below are the segment results at 31 December 2022.

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**215.601**	**188.792**	**26.809**	**14,2%**
Net commission income	**90.980**	**80.956**	**10.024**	**12,4%**
Other components of net banking income	11.863	12.936	(1.073)	(8,3)%
Net banking income	**318.444**	**282.684**	**35.760**	**12,7%**
Net credit risk losses/reversals	(48.506)	(45.553)	(2.953)	6,5%
Net profit (loss) from financial activities	**269.938**	**237.131**	**32.807**	**13,8%**
Operating costs	**(158.522)**	**(152.719)**	**(5.803)**	**3,8%**
Net allocations to provisions for risks and charges	(5.044)	(4.936)	(108)	2,2%
Value adjustments of goodwill	(762)	-	(762)	n.a.
Gains on the sale of investments	405	-	405	n.a.
Pre-tax profit from continuing operations	**106.015**	**79.476**	**26.539**	**33,4%**
Income taxes for the year relating to current operations	(34.993)	(25.104)	(9.889)	39,4%
Profit for the period	**71.022**	**54.372**	**16.650**	**30,6%**

RECLASSIFIED QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	4th QUARTER		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**61.090**	**47.394**	**13.696**	**28,9%**
Net commission income	**26.974**	**19.189**	**7.785**	**40,6%**
Other components of net banking income	5.207	3.369	1.838	54,6%
Net banking income	**93.271**	**69.952**	**23.319**	**33,3%**
Net credit risk losses/reversals	(6.623)	(14.612)	7.989	(54,7)%
Net profit (loss) from financial activities	**86.648**	**55.340**	**31.308**	**56,6%**
Operating costs	**(42.135)**	**(38.172)**	**(3.963)**	**10,4%**
Net allocations to provisions for risks and charges	(3.240)	(3.500)	260	(7,4)%
Pre-tax profit from continuing operations	**41.273**	**13.668**	**27.605**	**202,0%**
Income taxes for the period relating to continuing operations	(14.205)	(4.318)	(9.887)	229,0%
Profit for the period	**27.068**	**9.350**	**17.718**	**189,5%**

Net profit of the Commercial & Corporate Banking Segment comes to 71,0 million Euro, 16,7 million Euro higher (+30,6%) than last year. As explained in more detail below, this result was driven by the growth in net interest income of 26,8 million Euro (+14,2%) and net commissions (+10,0 million Euro, or +12,4%), offset by the reduction in other components of net banking income of 1,1 million Euro (-8,3% on 2021, where the figure had in any case been positively impacted by the write-back for around 5,0 million Euro of an individually significant investment) and higher net adjustments of 3,0 million Euro (+6,5%).

The 5,8 million Euro increase in operating costs compared with 31 December 2021 is mainly due to higher personnel expenses due to an overall increase in remuneration, which was attributable to both the different Group scope, consequent to the acquisition of the former Aigis Banca business unit at the end of May 2021, and to higher variable remuneration.

It should be noted that in the first half of 2022, when updating the impairment testing, the goodwill of 0,8 million Euro allocated to the Polish subsidiary Ifis Finance Sp z o.o. was fully written down.

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 EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.12.2022						
Nominal amount	89.947	141.717	150.450	**382.113**	6.351.591	**6.733.704**
Losses	(64.774)	(56.027)	(10.289)	**(131.089)**	(87.625)	**(218.715)**
Carrying amount	25.173	85.690	140.161	**251.024**	6.263.965	**6.514.989**
Coverage ratio	*72,0%*	*39,5%*	*6,8%*	***34,3%***	*1,4%*	***3,2%***
Gross ratio	*1,3%*	*2,1%*	*2,2%*	***5,7%***	*94,3%*	***100,0%***
Net ratio	*0,4%*	*1,3%*	*2,2%*	***3,9%***	*96,1%*	***100,0%***
POSITION AT 31.12.2021						
Nominal amount	117.457	162.087	121.843	**401.387**	6.397.688	**6.799.075**
Losses	(85.935)	(70.449)	(7.082)	**(163.466)**	(74.195)	**(237.661)**
Carrying amount	31.522	91.638	114.761	**237.921**	6.323.493	**6.561.414**
Coverage ratio	*73,2%*	*43,5%*	*5,8%*	***40,7%***	*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%***

Net non-performing exposures in the Commercial & Corporate Banking Segment stood at 251,0 million Euro at 31 December 2022, up 13,1 million Euro on the figure at 31 December 2021 (237,9 million Euro). While bad loans reduced by 6,3 million Euro and unlikely to pay by 6,0 million Euro, there was an increase of 25,4 million Euro in past-due exposures, mainly due to the application of the criteria for calculating past due loans also to exposures to the National Health Service (NHS), resulting in the classification under impaired loans for a nominal amount totalling 116,2 million Euro (63,4 million Euro at 31 December 2021). For more details, refer to Part E of the Consolidated Notes.

The change in the coverage ratio of the non-performing portfolio, which went from 40,7% at 31 December 2021 to 34,3% at 31 December 2022, is therefore due to the relative increase in the net value of past-due exposures characterised by a more limited coverage ratio and the sales of Npls during the fourth quarter of 2022 as part of the portfolio derisking strategies.

Finally, the Commercial & Corporate Banking Segment includes loans belonging to the "POCI" category, referring to assets stemming from the business combination: the net value of these assets is 14,0 million Euro at 31 December 2022, as compared with the 22,7 million Euro recorded at 31 December 2021, of which 8,6 million Euro non-performing (13,8 million Euro at 31 December 2021).

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

KPI	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Cost of credit [1]	0,76%	0,73%	n.a.	0,03%
Net Npe ratio	3,9%	3,6%	n.a.	0,2%
Gross Npe ratio	5,7%	5,9%	n.a.	(0,2)%
RWA [2]	5.571.253	5.233.458	337.795	6,5%

(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

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**110.100**	**87.386**	**22.714**	**26,0%**
Net commission income	**62.049**	**55.870**	**6.179**	**11,1%**
Other components of net banking income	(495)	(175)	(320)	182,9%
Net banking income	**171.654**	**143.081**	**28.573**	**20,0%**
Net credit risk losses/reversals	(14.987)	(18.142)	3.155	(17,4)%
Net profit (loss) from financial activities	**156.667**	**124.939**	**31.728**	**25,4%**
Operating costs	**(89.822)**	**(81.181)**	**(8.641)**	**10,6%**
Net allocations to provisions for risks and charges	(7.132)	(5.548)	(1.584)	28,6%
Value adjustments of goodwill	(762)	-	(762)	n.a.
Pre-tax profit from continuing operations	**58.951**	**38.210**	**20.741**	**54,3%**
Income taxes for the year relating to current operations	(19.458)	(11.947)	(7.511)	62,9%
Profit for the period	**39.493**	**26.263**	**13.230**	**50,4%**

RECLASSIFIED QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	4th QUARTER		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**31.915**	**21.518**	**10.397**	**48,3%**
Net commission income	**16.606**	**14.379**	**2.227**	**15,5%**
Other components of net banking income	(80)	(459)	379	(82,6)%
Net banking income	**48.441**	**35.438**	**13.003**	**36,7%**
Net credit risk losses/reversals	(462)	(8.935)	8.473	(94,8)%
Net profit (loss) from financial activities	**47.979**	**26.503**	**21.476**	**81,0%**
Operating costs	**(24.541)**	**(20.912)**	**(3.629)**	**17,4%**
Net allocations to provisions for risks and charges	(4.638)	(4.146)	(492)	11,9%
Pre-tax profit from continuing operations	**18.800**	**1.445**	**17.355**	**n.s.**
Income taxes for the period relating to continuing operations	(6.566)	(457)	(6.109)	n.s.
Profit for the period	**12.234**	**988**	**11.246**	**n.s.**

The contribution made by the Factoring Area towards net banking income booked by the Commercial & Corporate Banking Segment comes to 171,7 million Euro in 2022, up 20,0% on last year's results. This result was due to the greater contribution both of net interest income (up by 22,7 million Euro) and net commission income (up by 6,2 million Euro), as a consequence of the trend of receivables under management. Turnover in 2022 in fact came to 13,2 billion Euro, up by 1,2 billion of Euro compared to the previous year, despite outstanding loans of 3,8 billion Euro at 31 December 2022, down on the 4,0 billion Euro booked in December 2021.

In FY 2022, net credit risk losses amount to 15,0 million Euro, down 3,2 million Euro compared to the previous year. This increase is due to lesser exposures classified as non-performing and characterised by higher coverage, a reduction in provisions linked to unlikely to pay exposures and a revision of the lump-sum write-downs on performing loans following the revision of the prudential adjustments applied to the models to take into account the evolution of the pandemic environment and the new potential impacts on the economic environment arising from the conflict between Russia and Ukraine, the inflationary scenario and slowing to economic growth.

Therefore, net profit from financial activities amounts to 156,7 million Euro.

The increase in operating costs of 8,6 million Euro is essentially due to higher personnel expenses due to an overall increase in remuneration and the Group's workforce. As previously mentioned, this trend is attributable to both the different Group perimeter, linked to the acquisition of the former Aigis Banca business unit at the end of May 2021.

We also note the previously mentioned full write-down of goodwill of 0,8 million Euro allocated to the Polish subsidiary Ifis Finance Sp z o.o.

With regard to the main balance sheet aspects, at 31 December 2022 total net loans of the Area amounts to 2.755,6 million Euro, a decrease of 6,3% compared to the figure at 31 December 2021, influenced by the seasonality of the business and a revision of the Area's strategic approach, and in particular of the ATD product towards the NHS, which, for the Pharma BU alone, led to a decrease in loans of approximately 221 million Euro.

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

FACTORING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.12.2022						
Nominal amount	64.829	79.592	127.151	**271.573**	2.597.733	**2.869.306**
Losses	(50.482)	(34.524)	(5.473)	**(90.480)**	(23.234)	**(113.713)**
Carrying amount	14.348	45.068	121.678	**181.094**	2.574.499	**2.755.592**
Coverage ratio	*77,9%*	*43,4%*	*4,3%*	***33,3%***	*0,9%*	***4,0%***
POSITION AT 31.12.2021						
Nominal amount	96.272	87.222	104.804	**288.298**	2.794.814	**3.083.113**
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%***

In 2022, there is a 13,6 million Euro increase in net impaired loans, mainly due to the increased past due exposures to the NHS, the effect of which more than offset the impact of the reduction in non-performing loans for 9,6 million Euro. The combination of these dynamics in terms of impaired assets justifies the reduction of the overall coverage of impaired assets from 41,9% at the end of 2021 to 33,3% at 31 December 2022.

KPI	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Cost of credit (1)	0,56%	0,69%	n.a.	(0,13)%
Net Npe ratio	6,6%	5,7%	n.a.	0,9%
Gross Npe ratio	9,5%	9,4%	n.a.	0,1%
RWA (2)	2.625.900	2.500.835	125.065	5,0%

(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

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**47.088**	**44.381**	**2.707**	**6,1%**
Net commission income	**12.250**	**11.304**	**946**	**8,4%**
Net banking income	**59.338**	**55.685**	**3.653**	**6,6%**
Net credit risk losses/reversals	(2.836)	(7.091)	4.255	(60,0)%
Net profit (loss) from financial activities	**56.502**	**48.594**	**7.908**	**16,3%**
Operating costs	**(29.651)**	**(28.624)**	**(1.027)**	**3,6%**
Net allocations to provisions for risks and charges	1.548	633	915	144,5%
Pre-tax profit from continuing operations	**28.399**	**20.603**	**7.796**	**37,8%**
Income taxes for the year relating to current operations	(9.374)	(6.508)	(2.866)	44,0%
Profit for the period	**19.025**	**14.095**	**4.930**	**35,0%**

RECLASSIFIED QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	4th QUARTER		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**13.550**	**10.636**	**2.914**	**27,4%**
Net commission income	**3.140**	**1.810**	**1.330**	**73,5%**
Net banking income	**16.690**	**12.446**	**4.244**	**34,1%**
Net credit risk losses/reversals	(1.126)	(1.891)	765	(40,5)%
Net profit (loss) from financial activities	**15.564**	**10.555**	**5.009**	**47,5%**
Operating costs	**(7.262)**	**(6.373)**	**(889)**	**13,9%**
Net allocations to provisions for risks and charges	495	155	340	219,4%
Pre-tax profit from continuing operations	**8.797**	**4.337**	**4.460**	**102,8%**
Income taxes for the period relating to continuing operations	(3.080)	(1.370)	(1.710)	124,8%
Profit for the period	**5.717**	**2.967**	**2.750**	**92,7%**

The Leasing Area's net banking income amounts to 59,3 million Euro, up compared to 31 December 2021 (+3,7 million Euro, or +6,6%), due to higher net commissions for 0,9 million Euro and higher net interest income for 2,7 million Euro.

Net credit risk losses amount to 2,8 million Euro, an improvement of 4,3 million Euro compared to the previous year. The figure for 2021 was influenced by the introduction of counterparty rating models to determine the significant increase in credit risk (SICR), which had increased the incidence of Stage 2 loans. Moreover, during 2022, there was a reduction in lump-sum write-downs on performing exposures as a result of, on the one hand, an improvement in the composition of the portfolio, and on the other, a review of the prudential adjustments applied to the models to take into account the evolution of the pandemic environment and the new potential impacts on the economic environment arising from the conflict between Russia and Ukraine, the inflationary scenario and the slowing of economic growth.

Operating costs of the Leasing Area amount to 29,7 million Euro, an increase of 1,0 million Euro compared to the figure as at 31 December 2021, mainly related to higher personnel expenses compared to the previous year.

As shown in the table below, at 31 December 2022, the Area's total net loans amounts to 1.472,2 million Euro, up 82,0 million Euro on 31 December 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.

LEASING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.12.2022						
Nominal amount	9.784	13.542	11.652	**34.977**	1.475.310	**1.510.287**
Losses	(9.258)	(8.084)	(3.523)	**(20.865)**	(17.246)	**(38.111)**
Carrying amount	526	5.457	8.129	**14.112**	1.458.065	**1.472.177**
Coverage ratio	*94,6%*	*59,7%*	*30,2%*	***59,7%***	*1,2%*	***2,5%***
POSITION AT 31.12.2021						
Nominal amount	10.071	16.181	13.832	**40.084**	1.392.815	**1.432.899**
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%***

KPI	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Cost of credit (1)	0,20%	0,51%	n.a.	(0,31)%
Net Npe ratio	1,0%	1,2%	n.a.	(0,2)%
Gross Npe ratio	2,3%	2,8%	n.a.	(0,5)%
RWA (2)	1.329.890	1.265.979	63.911	5,0%

(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

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**58.413**	**57.025**	**1.388**	**2,4%**
Net commission income	**16.681**	**13.782**	**2.899**	**21,0%**
Other components of net banking income	12.358	13.111	(753)	(5,7)%
Net banking income	**87.452**	**83.918**	**3.534**	**4,2%**
Net credit risk losses/reversals	(30.683)	(20.320)	(10.363)	51,0%
Net profit (loss) from financial activities	**56.769**	**63.598**	**(6.829)**	**(10,7)%**
Operating costs	**(39.049)**	**(42.914)**	**3.865**	**(9,0)%**
Net allocations to provisions for risks and charges	540	(21)	561	n.s.
Gains on the sale of investments	405	-	405	n.a.
Pre-tax profit from continuing operations	**18.665**	**20.663**	**(1.998)**	**(9,7)%**
Income taxes for the year relating to current operations	(6.161)	(6.649)	488	(7,3)%
Profit for the period	**12.504**	**14.014**	**(1.510)**	**(10,8)%**

RECLASSIFIED QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	4th QUARTER		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**15.625**	**15.240**	**385**	**2,5%**
Net commission income	**7.228**	**3.000**	**4.228**	**141,0%**
Other components of net banking income	5.287	3.828	1.459	38,1%
Net banking income	**28.140**	**22.068**	**6.072**	**27,5%**
Net credit risk losses/reversals	(5.035)	(3.786)	(1.249)	33,0%
Net profit (loss) from financial activities	**23.105**	**18.282**	**4.823**	**26,4%**
Operating costs	**(10.332)**	**(10.887)**	**555**	**(5,1)%**
Net allocations to provisions for risks and charges	903	491	412	84,0%
Pre-tax profit from continuing operations	**13.676**	**7.886**	**5.790**	**73,4%**
Income taxes for the period relating to continuing operations	(4.559)	(2.491)	(2.068)	83,0%
Profit for the period	**9.117**	**5.395**	**3.722**	**69,0%**

Net banking income of the Corporate Banking & Lending Area comes to 87,5 million Euro at 31 December 2022, up 3,5 million Euro on 31 December 2021 (+4,2%). The positive change is a result of the combined effect of the following factors:

- growth of 1,4 million Euro in net interest income, thanks to the positive contribution of Lending to SMEs, which more than offset the reduction in Corporate Banking, which, among other things, was affected by the physiological lower contribution of PPA issuance;
- higher net commissions of 2,9 million Euro, mainly from the Corporate Banking segment;
- a 0,8 million Euro decrease in other net banking income components attributable to the Corporate Banking segment due to the lower contribution of the Equity Investment segment (revaluations of UCITS funds and minority interests).

Net credit risk losses amount to 30,7 million Euro, up 10,4 million Euro compared to the previous year and mainly due to the Lending segment. These adjustments were the effect for approximately 4 million Euro of the revision of the lump-sum write-downs on performing exposures following the revision of the prudential adjustments applied to the models to take into account the evolution of the pandemic environment and the new potential impacts on the macroeconomic scenario arising from the conflict between Russia and Ukraine, the inflationary scenario and the slowing of economic growth. In addition, provisions have been made on individual impaired positions belonging to the SME segment that are most affected by the current macroeconomic environment.

The 3,9 million Euro decrease in operating costs of the Corporate Banking & Lending Area compared to the previous year is mainly attributable to higher expenses incurred in 2021 for project and integration consulting in the ICT area related to the acquisition of the former Aigis Banca business unit and to the reallocation in 2022 of part of this staff to other Group Areas or Segments.

At 31 December 2022, the Area's total net receivables due from customers amounts to 2.287,2 million Euro, up 56,1 million Euro on 31 December 2021.

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

CORPORATE BANKING & LENDING AREA (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.12.2022						
Nominal amount	15.333	48.583	11.647	**75.563**	2.278.548	**2.354.111**
Losses	(5.034)	(13.419)	(1.292)	**(19.745)**	(47.146)	**(66.891)**
Carrying amount	10.299	35.164	10.355	**55.818**	2.231.402	**2.287.221**
Coverage ratio	*32,8%*	*27,6%*	*11,1%*	***26,1%***	*2,1%*	***2,8%***
POSITION AT 31.12.2021						
Nominal amount	11.114	58.684	3.207	**73.005**	2.210.059	**2.283.063**
Losses	(3.846)	(14.740)	(739)	**(19.325)**	(32.620)	**(51.945)**
Carrying amount	7.268	43.943	2.468	**53.680**	2.177.439	**2.231.118**
Coverage ratio	*34,6%*	*25,1%*	*23,0%*	***26,5%***	*1,5%*	***2,3%***

The amount of net impaired exposures at 31 December 2022, 55,8 million Euro, is substantially in line with the value at year-end 2021. This was due to the combined effect of an increase in net non-performing past-due exposures on positions with public guarantees, almost entirely offset by the positive restructuring of two individually significant positions previously classified as probable defaults.

KPI	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Cost of credit (1)	1,35%	0,94%	n.a.	0,41%
Net Npe ratio	2,4%	2,4%	n.a.	0,0%
Gross Npe ratio	3,2%	3,2%	n.a.	0,0%
RWA (2)	1.615.463	1.466.644	148.819	10,1%

(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 is included from the amortised cost for 161,5 million Euro and other components of the net interest income from cash flow changes for 133,4 million Euro, as reported in the summary table of "Economic data" below in this paragraph.

NPL SEGMENT PORTFOLIO (in thousands of Euro)	OUTSTANDING NOMINAL AMOUNT	CARRYING AMOUNTS	CARRYING AMNT / RES. NOM. AMNT	INTEREST ON INCOME STATEMENT	ERC	MAIN METHOD OF ACCOUNTING
Cost	1.284.071	113.661	8,9%	-	259.631	Acquisition cost
Non-judicial	14.302.114	469.957	3,3%	98.565	811.978	
of which: Collective (curves)	*13.831.104*	*237.677*	*1,7%*	*4.730*	*413.176*	*Cost = NPV of flows from model*
of which: Plans	*471.010*	*232.280*	*49,3%*	*93.835*	*398.802*	*Cost = NPV of flows from model*
Judicial	7.478.490	921.407	12,3%	196.357	1.901.261	
of which: Other positions undergoing judicial processing	*1.627.400*	*207.769*	*12,8%*	*-*	*456.699*	*Acquisition cost*
of which: Writs, Property Attachments, Garnishment Orders	*1.799.669*	*553.154*	*30,7%*	*171.278*	*1.242.946*	*Cost = NPV of flows from model*
of which: Secured and Corporate	*4.051.421*	*160.484*	*4,0%*	*25.079*	*201.616*	*Cost = NPV of flows from model*
Total	**23.064.675**	**1.505.026**	**6,5%**	**294.922**	**2.972.870**	

The business can be divided up into three macro categories:

- post-acquisition management, when all information retrieval operations take place to help decide the most appropriate conversion method, the receivable is classified in a so-called "staging" area and recognised at cost (113,7 million Euro at 31 December 2022, compared to 135,8 million Euro at 31 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 operations, which deal with practices that can be handled through collection by settlement. Practices awaiting information about the most appropriate collection instrument are classified into a basin called "mass management" and at 31 December 2022 come to 237,7 million Euro as compared

with 201,6 million Euro at 31 December 2021 (up 17,9%). Practices on which a realignment plan has been agreed and formalised, record an increase (4,0%), coming in at 232,3 million Euro at 31 December 2022 (223,3 million Euro at 31 December 2021);

- 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 207,8 million Euro at 31 December 2022 (270,8 million Euro at 31 December 2021); practices in phases of writ, attachment order and garnishment order are allocated to a specific basin, which records an increase of 14,8%, coming in at 553,2 million Euro as compared with the 481,9 million Euro recorded in December 2021. The judicial management basin include all "Secured and Corporate" positions of corporate banking origin or real estate, equal to 160,5 million Euro at 31 December 2022, down on the figure at 31 December 2021.

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.

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Interest income from amortised cost	161.507	150.368	11.139	7,4%
Interest income notes and other minority components	3.363	1.409	1.954	138,7%
Other components of net interest income from change in cash flow	133.413	122.502	10.911	8,9%
Interest expense	(27.303)	(26.674)	(629)	2,4%
Net interest income	**270.980**	**247.605**	**23.375**	**9,4%**
Net commission income	**3.675**	**3.357**	**318**	**9,5%**
Other components of net banking income	(1.057)	136	(1.193)	n.s.
Gain on sale of receivables	10.699	6.459	4.240	65,6%
Net banking income	**284.297**	**257.557**	**26.740**	**10,4%**
Net credit risk losses/reversals	(21.697)	(17.995)	(3.702)	20,6%
Net profit (loss) from financial activities	**262.600**	**239.562**	**23.038**	**9,6%**
Operating costs	**(189.176)**	**(165.582)**	**(23.594)**	**14,2%**
Net allocations to provisions for risks and charges	(847)	(525)	(322)	61,3%
Gains (losses) on disposal of investments	(101)	-	(101)	n.a.
Pre-tax profit from continuing operations	**72.476**	**73.455**	**(979)**	**(1,3)%**
Income taxes for the year relating to current operations	(23.923)	(23.204)	(719)	3,1%
Profit for the period	**48.553**	**50.251**	**(1.698)**	**(3,4)%**

RECLASSIFIED QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	4th QUARTER		CHANGE	
	2022	2021	ABSOLUTE	%
Interest income from amortised cost	42.126	38.802	3.324	8,6%
Interest income notes and other minority components	885	198	687	n.s.
Other components of net interest income from change in cash flow	41.672	34.842	6.830	19,6%
Interest expense	(6.816)	(6.865)	49	(0,7)%
Net interest income	**77.867**	**66.977**	**10.890**	**16,3%**
Net commission income	**1.092**	**1.664**	**(572)**	**(34,4)%**
Other components of net banking income	295	472	(177)	(37,5)%
Gain on sale of receivables	4.182	4.192	(10)	(0,2)%
Net banking income	**83.436**	**73.305**	**10.131**	**13,8%**
Net credit risk losses/reversals	(21.697)	(1.022)	(20.675)	n.s.
Net profit (loss) from financial activities	**61.739**	**72.283**	**(10.544)**	**(14,6)%**
Operating costs	**(54.421)**	**(45.796)**	**(8.625)**	**18,8%**
Net allocations to provisions for risks and charges	42	(15)	57	n.s.
Pre-tax profit from continuing operations	**7.360**	**26.472**	**(19.112)**	**(72,2)%**
Income taxes for the period relating to continuing operations	(3.014)	(8.363)	5.349	(64,0)%
Profit for the period	**4.346**	**18.109**	**(13.763)**	**(76,0)%**

"Interest income from amortised cost", referring to the interest accruing at the original effective rate, increases from 150,4 million Euro to 161,5 million Euro at 31 December 2022, due to an increase in the average value of underlying assets.
The item "Other components of net interest income from change in cash flow", which goes from 122,5 million Euro in 2021 to 133,4 million Euro at 31 December 2022, reflects the change in cash flows forecast according to the collections made in respect of forecasts. This item includes:

- out-of-court settlements totalling 32 million Euro, to which recovery plans contributed 63 million Euro, partly offset by the negative effect of curve models totalling 31 million Euro, including the effect of 7 million Euro recognised against possible lower recoveries expected in connection with the rising inflation;
- legal expenses of 101 million Euro, following the contribution of actions for injunction, attachment and garnishment orders.

The growth is supported above all by the good performance of legal collection, which is mainly attributable to the higher number of injunctions and foreclosures produced. This growth was partially offset by the performance of out-of-court deposits, which shows a reduction in the margin contribution compared to the previous year, mainly due to the reduction in the collection of payment agreements (plans). The dynamics of legal and amicable collection led to an increase in the stock of so-called "paying" receivables, bringing collections to 383,4 million Euro, up 10,7% from the 346,2 million Euro realised in 2021.
The increase in interest expense is due to higher imputed expenses attributed by the Governance & Services and Non-Core Segment following the increase in average lending compared to last year.
The increase in net commission is almost entirely due to the reduction in commission expense paid for collection and payment services.
In 2022, disposals of Npl portfolios were realised, in line with the Group's policy, from which net gains on disposal amount to 10,7 million Euro.

In view of the above, the Npl Segment's net banking income comes to a total of 284,3 million Euro, up 10,4% on the previous year.

The 2022 balance of "Net credit risk losses/reversals", amounting to 21,7 million Euro, refers to the impact on the Npl Segment of the regulatory change related to the raising of the minimum threshold for the attachment of pensions (for more details on this, see the section "Impacts of Regulatory Changes" in the Directors' Report on the Group). This writedown affected both recent files in process and those already acquired, for which at the time of acquisition it had been assumed that they would be valued in court, and now it has become necessary to reshape recovery strategies. It is also recalled that the 2021 balance of that item also includes 17,0 million Euro in the write-down of receivables following a detailed analysis completed end 2021, carried out also in response to the Covid-19 pandemic, in terms of greater collection times, mainly on higher vintage positions.

Operating costs of 189,2 million Euro at 31 December 2022 show an increase of 14,2% on 2021. Without taking into account expenses strictly related to business dynamics (first and foremost Npl legal and collection expenses), the most significant change is related to the growth in the share of consulting costs on the Group's strategic activities and pertaining to the Segment.

As a consequence of the foregoing, period profit of the Npl Segment is 48,6 million Euro, down 3,4% on last year.

Below is the breakdown of net loans by credit quality.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Net bad loans	1.115.926	1.106.996	8.930	0,8%
Net unlikely to pay	367.886	343.143	24.743	7,2%
Net non-performing past due exposures	4.343	4.025	318	7,9%
Total net non-performing exposures to customers (stage 3)	**1.488.155**	**1.454.164**	**33.991**	**2,3%**
Total net performing exposures (stages 1 and 2)	31.709	69.464	(37.755)	(54,4)%
- of which: proprietary loans	*16.871*	*23.517*	*(6.646)*	*(28,3)%*
- of which: debt securities	*13.686*	*44.563*	*(30.877)*	*(69,3)%*
- of which: receivables related to servicer activities	*1.152*	*1.384*	*(232)*	*(16,8)%*
Total on-balance-sheet receivables due from customers (1)	**1.519.864**	**1.523.628**	**(3.764)**	**(0,2)%**
- of which: owned receivables measured at amortised cost	***1.505.026***	***1.477.681***	***27.345***	***1,9%***

(1) Total on-balance-sheet receivables due from customers include loans connected with the servicing activity for 1,2 million Euro and 1,4 million Euro, respectively at 31 December 2022 and 31 December 2021.

The 2022 reduction of 30,9 million Euro in debt securities of the Npl Segment refers to the collections received as partial repayment of principal and liquidation of interest, in compliance with the repayment plans, on the senior tranches connected with the third-party securitisation transactions, all of which had Npls as underlying assets.

Almost all the receivables measured at amortised cost in the Npl Segment qualify as POCI - Purchased or originated credit-impaired -, the category introduced by the accounting standard IFRS 9. These are loans that were non-performing at the date they were acquired or originated. Receivables related to servicer activities on behalf of third parties and debt securities are excluded from this classification.

KPI	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Nominal amount of receivables managed	23.064.676	21.830.994	1.233.682	5,7%
RWA [1]	1.794.321	2.339.110	(544.789)	(23,3)%

(1) Risk Weighted Assets; the amount only relates to the credit risk. It includes the positive effects of the application of EU Delegated Regulation 954/2022, effective from July 2022, which allows a reduction in the weighting on loans acquired from the Npl business.

Total Estimated Remaining Collections (ERC) amounts to 3,0 billion Euro.

NPL SEGMENT NON-PERFORMING LOAN PORTFOLIO PERFORMANCE	31.12.2022	31.12.2021
Opening loan portfolio	**1.477.681**	**1.403.711**
Purchases	148.942	177.306
Sales	(22.105)	(18.440)
Gains (losses) on disposals	10.699	6.461
Interest income from amortised cost	161.507	150.368
Other components of interest from change in cash flow	133.413	122.502
Net credit risk losses/reversals	(21.697)	(17.996)
Collections	(383.414)	(346.231)
Closing loan portfolio	**1.505.026**	**1.477.681**

Total purchases in 2022 come to 148,9 million Euro, down on the 177,3 million Euro of the previous year. In 2022, sales of Npls were completed for a total price of 22,1 million Euro, which generated profits of 10,7 million Euro.
The item "Collections", equal to 383,4 million Euro at 31 December 2022, includes the instalments collected during the year from repayment plans, from garnishment orders and transactions carried out rises by 10,7% on the collections of 346,2 million Euro made in 2021.
At 31 December 2022, the portfolio managed by the Npl Segment includes 2.214.677 positions, for a nominal amount of 23,1 billion Euro.

Governance & Services and Non-Core Segment

The Segment comprises, among other things, the resources required for the performance of the services of the Strategic Planning, Finance, Operations, Human Resources, Communication, Marketing, Public Affairs & Sustainability functions, as well as the structures responsible for raising, managing and allocating financial resources to the operating segments. This Segment also includes Proprietary Finance activities (proprietary securities desk) and Securitisation & Structured Solution activities (investment in Asset Backed Securities, instrumental to the realisation of securitisation transactions). The Segment also includes run-off portfolios originated from the former Interbanca as well as other personal loan portfolios.

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**61.669**	**51.574**	**10.095**	**19,6%**
Net commission income	**(1.142)**	**(1.031)**	**(111)**	**10,8%**
Other components of net banking income	17.279	9.154	8.125	88,8%
Net banking income	**77.806**	**59.697**	**18.109**	**30,3%**
Net credit risk losses/reversals	(7.312)	(13.663)	6.351	(46,5)%
Net profit (loss) from financial activities	**70.494**	**46.034**	**24.460**	**53,1%**
Operating costs	**(42.680)**	**(46.516)**	**3.836**	**(8,2)%**
Net allocations to provisions for risks and charges	5.491	(2.575)	8.066	n.s.
Pre-tax profit from continuing operations	**33.305**	**(3.057)**	**36.362**	**n.s.**
Income taxes for the year relating to current operations	(10.993)	737	(11.730)	n.s.
Profit (loss) for the year	**22.312**	**(2.320)**	**24.632**	**n.s.**

RECLASSIFIED QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	4th QUARTER		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	**16.789**	**10.987**	**5.802**	**52,8%**
Net commission income	**237**	**(431)**	**668**	**(155,0)%**
Other components of net banking income	(1.878)	201	(2.079)	n.s.
Net banking income	**15.148**	**10.757**	**4.391**	**40,8%**
Net credit risk losses/reversals	(321)	(1.234)	913	(74,0)%
Net profit (loss) from financial activities	**14.827**	**9.523**	**5.304**	**55,7%**
Operating costs	**(15.284)**	**(22.629)**	**7.345**	**(32,5)%**
Net allocations to provisions for risks and charges	7.313	3.621	3.692	101,9%
Pre-tax profit from continuing operations	**6.856**	**(9.485)**	**16.341**	**(172,3)%**
Income taxes for the period relating to continuing operations	(2.500)	2.772	(5.272)	(190,2)%
Profit (loss) for the period	**4.356**	**(6.713)**	**11.069**	**(164,9)%**

The Segment's net banking income amounts to 77,8 million Euro, up 18,1 million Euro on the previous year and is due to growth of 28,7 million Euro in the Governance & Services Area, offset by a lower contribution of 10,6 million Euro from the run-off activities of the Non-Core Area. In particular:

- net interest income has increased by 10,1 million Euro on 2021. The increase is due to the growth of 4,3 million Euro in the Treasury & ALM Funding segment, for 19,7 million Euro to the Capital Markets segment, only partially offset by a negative effect of 13,9 million Euro related to both the physiological lower contribution of the PPA (for 11 million Euro) and to the reversal of the Non-Core Area's run-off portfolio (for 2,6 million Euro);
- other components of net banking income have grown by 8,1 million Euro. This overall effect depends predominantly on:
    - the greater contribution of the proprietary portfolio business in the amount of 3,7 million Euro, of which 2,6 million Euro from higher dividends and 1,1 million Euro from trading activities;
    - the greater contribution of the Non-Core Area for 3,4 million Euro, mainly due to the fair value measurement of UCITS funds.

In terms of funding, "Rendimax Deposit Account" continues to constitute the Group's main source of finance, with a comprehensive cost of 49,5 million Euro, lower than last year (56,0 million Euro) due to the decrease in average rates and volumes. Overall, retail on-demand and term deposits recorded an average rate of 1,17%, compared to 1,30% at 31 December 2021. At 31 December 2022, the carrying amount of the bonds issued by Banca Ifis is 1.108,9 million Euro, essentially in line with the figure at 31 December 2021. In economic terms, interest expense accrued on all issues rose by 1,7 million Euro, coming in at a total of 33,1 million Euro.

Funding through securitisation, amounting to 1.496,2 million Euro at 31 December 2022, is up on the figure at 31 December 2021 (1.447,9 million Euro). Accrued interest expense goes from 8,7 million Euro at 31 December 2021 to 14 million Euro at 31 December 2022 mainly due to the increase of the market curves to which they are index-linked.

Also worth mentioning is the access to funding through TLTRO operations with a nominal amount of 2,0 billion Euro and LTRO transactions for a nominal amount of 0,4 billion Euro; interest accrued at 31 December 2022 amounted to 10,7 million Euro.

As regards the cost of credit, there is an improvement in net adjustments by 6,4 million Euro, coming to 7,3 million Euro compared with 13,7 million Euro in the previous year, which was influenced by provisions on two singularly significant positions.

Operating costs come to 42,7 million Euro, down 3,8 million Euro on 31 December 2021. The decrease related to the absence of non-recurring costs incurred in 2021 for the reorganisation of the Group was partially offset by the impact of the increased activities in place mainly in both ICT and Communication, Marketing, Public Affairs & Sustainability in 2022.

Net allocations to provisions for risks and charges amount to a positive 7,3 million Euro at 31 December 2022, an improvement of 3,7 million Euro compared to last year. This result is mainly due to the release of the provision related to guarantees granted against a GACS sale of loans for 5,9 million Euro.

As regards equity figures, at 31 December 2022, total net receivables for the Segment amount to 2.152,1 million Euro, down 4,2% on the figure at 31 December 2021 (2.246,8 million Euro). The decrease of 94,7 million Euro is due for 15 million Euro to the securities business of the Proprietary Finance and Securitisation & Structured Solutions segments and for the remaining 80 million Euro to the natural run-off of the Non-Core portfolio.

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

- net non-performing loans: 11,1 million Euro at 31 December 2022, down on the 18,2 million Euro of 31 December 2021;
- net performing exposures: 21,1 million Euro at 31 December 2022, up on the 18,4 million Euro of 31 December 2021;

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

GOVERNANCE & SERVICES AND NON-CORE SEGMENT (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS (1)
POSITION AT 31.12.2022						
Nominal amount	12.708	37.550	4.182	**54.441**	2.123.966	**2.178.407**
Losses	(6.040)	(13.237)	(1.081)	**(20.358)**	(5.971)	**(26.329)**
Carrying amount	6.668	24.313	3.102	**34.083**	2.117.996	**2.152.078**
Coverage ratio	*47,5%*	*35,3%*	*25,8%*	***37,4%***	*0,3%*	***1,2%***
POSITION AT 31.12.2021						
Nominal amount	18.432	49.812	6.436	**74.679**	2.207.314	**2.281.993**
Losses	(6.996)	(21.196)	(1.681)	**(29.872)**	(5.359)	**(35.231)**
Carrying amount	11.436	28.616	4.755	**44.807**	2.201.955	**2.246.762**
Coverage ratio	*38,0%*	*42,6%*	*26,1%*	***40,0%***	*0,2%*	***1,5%***

(1) In the Governance & Services and Non-Core Segment, at 31 December 2022, there were government securities amounting to 1.541,5 million Euro (1.648,6 million Euro at 31 December 2021).

The coverage of non-performing exposures in the Segment is affected by receivables belonging to the so-called "POCI" category, whose gross values already take into account the estimate of expected losses. The coverage of the portfolio as a whole at 31 December 2022 is down from the figure at 31 December 2021, mainly related to the Non-Core Area portfolio.

Group financial and income results

Statement of financial positions items

RECLASSIFIED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Cash and cash equivalents	603.134	355.381	247.753	69,7%
Financial assets mandatorily measured at fair value through profit or loss	195.220	144.660	50.560	35,0%
Financial assets measured at fair value through other comprehensive income	697.611	614.013	83.598	13,6%
Receivables due from banks measured at amortised cost	565.762	524.991	40.771	7,8%
Receivables due from customers measured at amortised cost	10.186.932	10.331.804	(144.872)	(1,4)%
Property, plant and equipment and intangible assets	190.605	181.863	8.742	4,8%
Tax assets	325.181	329.674	(4.493)	(1,4)%
Other assets	497.932	495.505	2.427	0,5%
Total assets	**13.262.377**	**12.977.891**	**284.486**	**2,2%**
Payables due to banks measured at amortised cost	3.422.160	2.597.965	824.195	31,7%
Payables due to customers measured at amortised cost	5.103.343	5.683.745	(580.402)	(10,2)%
Debt securities issued	2.605.195	2.504.878	100.317	4,0%
Tax liabilities	52.298	49.154	3.144	6,4%
Provisions for risks and charges	56.225	66.825	(10.600)	(15,9)%
Other liabilities	425.375	451.436	(26.061)	(5,8)%
Consolidated equity	1.597.781	1.623.888	(26.107)	(1,6)%
Total liabilities and equity	**13.262.377**	**12.977.891**	**284.486**	**2,2%**

Cash and cash equivalents

The item cash and cash equivalents includes bank current accounts on demand, in compliance with the requirements for balance sheet items set out in the 7th update of October 2021 of Bank of Italy Circular no. 262/2005, and at 31 December 2022 amounts to 603,1 million Euro.

Financial assets mandatorily measured at fair value through profit or loss

Financial assets mandatorily measured at fair value through profit or loss total 195,2 million Euro at 31 December 2022. This item consists of loans and debt securities that did not pass the SPPI test, equity securities from minority shares and UCITS units.

Below is the breakdown of this line item.

FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Debt securities	72.844	15.889	56.955	358,5%
Equity securities	34.979	26.490	8.489	32,0%
UCITS units	70.209	79.052	(8.843)	(11,2)%
Loans	17.189	23.229	(6.040)	(26,0)%
Total	**195.221**	**144.660**	**50.561**	**35,0%**

Without taking into account collections for the year, the growth of 35,0% compared to 31 December 2021 is mainly due to new transactions during the year totalling 78,0 million Euro relating to subordinated bank securities, securities from third-party securitisations, equity securities and UCITS units, the effect of which was only partially offset by the closing of loans at fair value for 5,7 million Euro, debt securities for 3,0 million Euro and equity securities for 5,1 million Euro during the year.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income amount to 697,6 million Euro at 31 December 2022, down 13,6% from December 2021. They include debt securities characterised by a Held to Collect & Sell (HTC&S) business model, that have passed the SPPI test and equity securities for which the Group has exercised the OCI Option envisaged by IFRS 9.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Debt securities	589.638	515.277	74.361	14,4%
of which: government securities	*400.266*	*469.647*	*(69.381)*	*(14,8)%*
Equity securities	107.973	98.736	9.237	9,4%
Total	**697.611**	**614.013**	**83.598**	**13,6%**

The growth in owned debt securities is driven by new subscriptions in securities with a bank counterparty, which is offset by a decrease in securities with a customer counterparty. The latter saw a decrease of 28,5 million Euro as a result of divestments, collections during the year as well as a decrease in fair values driven by rising interest rates. The related net negative fair value reserve amounts to 35,8 million Euro, of which 33,1 million Euro associated with Government securities. Government securities held in the portfolio at 31 December 2022 amount to 400,3 million Euro.

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

Issuer/Maturity	1 year	2 years	3 years	5 years	Over 5 years	Total
Government securities	33.647	141.515	4.368	43.247	177.489	**400.266**
% of total	*5,7%*	*24,0%*	*0,7%*	*7,3%*	*30,1%*	***67,9%***
Bank debt securities	5.524	5.896	17.951	36.541	41.355	**107.267**
% of total	*0,9%*	*1,0%*	*3,0%*	*6,2%*	*7,0%*	***18,2%***
Securities issued by other companies	3.284	8.451	29.128	30.673	10.569	**82.105**
% of total	*0,6%*	*1,4%*	*4,9%*	*5,2%*	*1,8%*	***13,9%***
Total debt securities	**42.455**	**155.862**	**51.447**	**110.461**	**229.413**	**589.638**
% of total	***7,2%***	***26,4%***	***8,7%***	***18,7%***	***38,9%***	***100,0%***

This item includes also equity securities relating to minority interests, amounting to 108,0 million Euro, up 9,4% compared to 31 December 2021, mainly due to investments made in 2022, in order to establish a portfolio that guarantees stable dividends. The net fair value reserve associated with this portfolio at 31 December 2022 has a negative value of 14,8 million Euro.

Receivables due from banks measured at amortised cost

Total receivables due from banks measured at amortised cost amounts to 565,8 million Euro at 31 December 2022, up on the figure booked at 31 December 2021 (525,0 million Euro). It should also be noted that on-demand receivables from banks are shown under the item "Cash and cash equivalents", in accordance with the 7th update of Bank of Italy Circular No. 262/2005.

In addition to loans to central banks, which constitute the funding maintained in order to ensure the orderly performance of management activities, the item includes bank debt securities to which a "Held to Collect (HTC)" business model is associated and which have passed the SPPI Test: these securities at 31 December 2022 have a carrying amount of 526,2 million Euro, a significant increase compared to the value of 140,4 million Euro at the end of 2021, mainly as a result of new investments made during the year on Italian and foreign bank bonds.

In an overall view, cash and cash equivalents and loans to banks grow by 32,8% in 2022, mainly due to the above-mentioned new subscriptions of bank securities.

Receivables due from customers measured at amortised cost

Total receivables due from customers measured at amortised cost amount to 10.186,9 million Euro, a reduction on 31 December 2021 (10.331,8 million Euro). The figure includes debt securities for 1,9 billion Euro (2,0 billion Euro at 31 December 2021). The Commercial & Corporate Banking Segment is essentially in line thanks to the combined effect of the reduction in the Factoring Area (-6,3%, a change influenced by the revision of the Area's strategic approach and in particular of the ATD product to the NHS), against the increase of the Leasing (+5,9%) and Corporate Banking & Lending (+2,5%) Areas . The Governance & Services and Non-Core Segment decreases by 94,7 million Euro, mainly due to the movement in the period of the customer debt securities portfolio at amortised cost, following the sale and redemption due to reaching maturity of certain Government bonds, the decrease in which was not entirely offset by new investments. Npl Segment loans are essentially stable compared to 31 December 2021.

RECEIVABLES DUE FROM CUSTOMERS BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Commercial & Corporate Banking Segment	6.514.989	6.561.414	(46.425)	(0,7)%
- of which non-performing	*251.024*	*237.921*	*13.103*	*5,5%*
Factoring Area	2.755.592	2.940.072	(184.480)	(6,3)%
- of which non-performing	*181.094*	*167.496*	*13.598*	*8,1%*
Leasing Area	1.472.177	1.390.223	81.954	5,9%
- of which non-performing	*14.112*	*16.745*	*(2.633)*	*(15,7)%*
Corporate Banking & Lending Area	2.287.221	2.231.118	56.103	2,5%
- of which non-performing	*55.818*	*53.680*	*2.138*	*4,0%*
Npl Segment	1.519.864	1.523.628	(3.764)	(0,2)%
- of which non-performing	*1.488.155*	*1.454.164*	*33.991*	*2,3%*
Governance & Services and Non-Core Segment(1)	2.152.078	2.246.762	(94.684)	(4,2)%
- of which non-performing	*34.083*	*44.807*	*(10.724)*	*(23,9)%*
Total receivables due from customers	**10.186.932**	**10.331.804**	**(144.872)**	**(1,4)%**
- of which non-performing	***1.773.261***	***1.736.892***	***36.369***	***2,1%***

(1) In the Governance & Services and Non-Core Segment, at 31 December 2022, there were government securities amounting to 1.541,5 million Euro (1.648,6 million Euro at 31 December 2021).

Total net non-performing exposures, which are significantly affected by the receivables of the Npl Segment, amounts to 1.773,3 million Euro at 31 December 2022, compared to 1.736,9 million Euro at 31 December 2021 (+2,1%).

Net of these receivables, non-performing loans come to 285,1 million Euro, as compared with the 282,7 million Euro recorded at 31 December 2021.

The Banca Ifis Group's gross and net Npe ratios for its receivables due from customers are shown below. These ratios are calculated excluding Npl Segment loans and Government bonds measured at amortised cost. As previously mentioned, the dynamic of these ratios in FY 2022 is closely linked to the classification as non-performing past due exposures of exposures to the NHS for a nominal amount of 221,3 million Euro (63,4 million Euro at 31 December 2021).

KPI	AMOUNTS		CHANGE
	31.12.2022	31.12.2021	%
Net Npe ratio	3,99%	3,93%	0,06%
Gross Npe ratio	5,91%	6,37%	(0,46)%

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

Intangible assets and property, plant and equipment

Intangible assets come to 64,3 million Euro, basically in line with those at 31 December 2021.

The item refers to software (26,2 million Euro) and goodwill (38,0 million Euro) arising from the acquisition of the former Fbs Group.

As regards the Group's assessments on the impairment testing of such goodwill, please note that the results of this test performed at year end have supported the likelihood of recovery of the goodwill booked. It should also be noted that an additional impairment test was performed on 30 June 2022, the outcome of which resulted in the full write-down of goodwill of 0,8 million Euro that was allocated to the Polish subsidiary Ifis Finance Sp z o.o. For more details, we would refer you to the more extensive information given in Part B - Information on the

Consolidated Statement of Financial Position, Section 10 - Intangible assets - Item 100, paragraph 10.3 "Other information" of these Consolidated Financial Statements.

Tangible assets amount to 126,3 million Euro, compared to 120,3 million Euro as of 31 December 2021, up 5,1% mainly due to the signing in 2022 of new lease agreements relating to real estate for the Group's various offices (which fall within the scope of application of IFRS 16 and therefore result in the related rights in use in the balance sheet).

At the end of December 2022, the properties recognised under property, plant and equipment include 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 total 325,2 million Euro, slightly down on 31 December 2021, when they were 329,7 million Euro.

Current tax assets amount to 60,9 million Euro, up from the figure at 31 December 2021 (+33,8%), mainly due to the transformation of deferred tax assets into tax credits pursuant to Law 214/2011.

Deferred tax assets amount to 264,3 million Euro compared to the figure of 284,1 million Euro as at 31 December 2021 and consist mainly of 172,2 million Euro of assets recognised for impairment losses on receivables due from customers, potentially convertible into tax credits (205,3 million Euro as at 31 December 2021), 39,5 million Euro of assets recognised for prior tax losses and ACE benefit (39,4 million Euro as at 31 December 2021) and 20,6 million Euro in misalignments on financial assets measured at fair value with impact on comprehensive income (FVOCI) (3,0 million Euro as at 31 December 2021).

Tax liabilities total 52,3 million Euro, up 6,4% from 31 December 2021, equal to 49,2 million Euro.

Current tax liabilities, amounting to 22,0 million Euro, represent the tax liability for the year, higher than the liabilities of 16,7 million Euro as of 31 December 2021, which were fully settled in the first half of 2022, when paying the balance on the tax relative to the previous year.

Deferred tax liabilities, totalling 30,3 million Euro, are down by 2,1 million Euro on the balance of the previous year and largely include 26,0 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 1,2 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 updated, which was transposed in the Bank of Italy's Circulars no. 285 and no. 286.

Here below is the breakdown of the different treatments by type and the relevant impact on CET1 and risk-weighted assets (RWAs) at 31 December 2022:

- the "deferred tax assets that rely on future profitability and do not arise from temporary differences" are subject to deduction from CET1; at 31 December 2022, the deduction is 39,5 million Euro. It should also be noted that the amount of DTA deducted from CET1, as provided for by Art. 38 par. 5 pursuant to CRR, is offset for an amount of 9,9 million Euro by the corresponding deferred tax liabilities. This deduction will be gradually absorbed by the future use of these deferred tax assets;
- the "deferred tax assets that rely on future profitability and arise from temporary differences" are not deducted from CET1 and receive instead a 250% risk weight: at 31 December 2022, these assets amount to 45,5 million Euro. The amount weighted according to a factor of 250%, as provided for in Art. 38 para. 5 ex CRR, is already shown net of the offsetting with the corresponding deferred tax liabilities in the amount of 20,4 million Euro;
- the "deferred tax assets pursuant to Italian Law no. 214/2011", concerning credit risk losses that can be converted into tax credits, receive a 100% risk weight; at 31 December 2022, the corresponding weight totals 172,2 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 2022 and deducted from equity at 100% result in an expense of 0,01% in terms of CET1.

Other assets and liabilities

Other assets, of 497,9 million Euro as compared to a balance of 495,5 million Euro at 31 December 2021, include:

- financial assets held for trading amounting to 26,9 million Euro (up on the figure of 8,5 million Euro at 31 December 2021), referring for 25,6 million Euro to derivative transactions (up 18,6 million Euro on 31 December 2021 mainly due to write-backs recorded during the period on derivatives connected with the securitisation of Npl Segment loans) essentially hedged by specular positions recorded under financial liabilities held for trading and 1,3 million Euro from securities included in the Group's trading portfolio (up on the balance of 1,5 million Euro at 31 December 2021 mainly due to the investments made during the period on equity securities in the banking segment);
- other assets for 471,1 million Euro (487,0 million Euro at 31 December 2021, -3,3%), of which 253,5 million Euro relate to tax credits for superbonuses and other construction tax bonuses (with a nominal amount of 288,0 million Euro). It should be noted that the balance at 31 December 2021 included a receivable from the tax consolidating company La Scogliera in the amount of 22,9 million Euro, most of which was collected in the first half of 2022 upon settlement of taxes for the previous year within the tax consolidation regime.

Other liabilities come to 425,4 million Euro as compared with 451,4 million Euro at 31 December 2021, and consist of:

- trading derivatives for 26,0 million Euro, essentially referring to transactions that the above-specified mirror positions entered amongst financial assets held for trading;
- employee severance indemnity liability of 7,7 million Euro, down from the 9,3 million Euro figure at 31 December 2021, mainly due to the significant change in the assumptions underlying the actuarial calculations with reference to the inflation rate and discount rates (which were affected by the change in the macroeconomic scenario during 2022);
- 391,7 million Euro for other liabilities (436,1 million Euro at 31 December 2021), largely referred to amounts due to customers that have not yet been credited, to operating payables for 122,8 million Euro and to payables due to the parent company La Scogliera for 33,7 million Euro. In particular, it should be noted that the debt exposure as of 31 December 2021 towards La Scogliera, amounting to 26,1 million Euro, was entirely paid off during the first half of 2022 and, therefore, the balances towards the tax consolidating company as of 31 December 2022 refer exclusively to tax items pertaining to 2022.

Funding

FUNDING (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Payables due to banks	**3.422.160**	**2.597.965**	**824.195**	**31,7%**
- Payables due to Central banks	2.423.647	2.236.942	186.705	8,3%
of which: TLTRO	*2.023.162*	*2.033.870*	*(10.708)*	*(0,5)%*
of which: LTRO	*400.485*	*-*	*400.485*	*n.a.*
of which: Other deposits	*-*	*203.073*	*(203.073)*	*(100,0)%*
- Repurchase agreements	731.791	217.512	514.279	236,4%
- Other payables	266.722	143.511	123.211	85,9%
Payables due to customers	**5.103.343**	**5.683.745**	**(580.402)**	**(10,2)%**
- Repurchase agreements	50.003	-	50.003	n.a.
- Retail	4.159.855	4.517.172	(357.317)	(7,9)%
- Other term deposits	116.339	239.986	(123.647)	(51,5)%
- Lease payables	21.733	16.127	5.606	34,8%
- Other payables	755.413	910.460	(155.047)	(17,0)%
Debt securities issued	**2.605.195**	**2.504.878**	**100.317**	**4,0%**
Total funding	**11.130.698**	**10.786.588**	**344.110**	**3,2%**

Total funding at 31 December 2022 amounts to 11.130,7 million Euro, +3,2% compared to the end of FY 2021, mainly as a result of the Bank's participation during 2022 in two LTRO operations for a total of 400,5 million Euro maturing in February and March 2023 respectively, which are in addition to the TLTRO operation already in place for 2.023,2 million Euro maturing in September 2024, and is represented for 45,8% by amounts due to customers (52,7% at 31 December 2021), for 30,7% by payables due to banks (24,1% at 31 December 2021) and for 23,4% by debt securities issued (23,2% at 31 December 2021).

Amounts due to customers are 5.103,3 million Euro at 31 December 2022, down by 10,2% compared to 31 December 2021, also as a result of the optimisation of deposits undertaken in the retail sector.

RETAIL FUNDING (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Short-term funding (within 18 months)	2.976.991	3.114.532	(137.541)	(4,4)%
of which: Unrestricted	*728.224*	*785.004*	*(56.780)*	*(7,2)%*
of which: Like/One	*747.970*	*1.033.539*	*(285.569)*	*(27,6)%*
of which: restricted	*1.437.863*	*1.217.976*	*219.887*	*18,1%*
of which: German deposit	*62.934*	*78.013*	*(15.079)*	*(19,3)%*
Long-term funding (beyond 18 months)	1.182.864	1.402.640	(219.776)	(15,7)%
Total funding	**4.159.855**	**4.517.172**	**(357.317)**	**(7,9)%**

Payables due to banks amount to 3.422,2 million Euro, up 31,7% compared to 31 December 2021 mainly due to the LTRO transactions subscribed during the year.

Securities issued amount to 2.605,2 million Euro at 31 December 2022, down 4,0% on the 2.504,9 million Euro of 31 December 2021.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Provisions for credit risk related to commitments and financial guarantees granted	9.325	11.921	(2.596)	(21,8)%
Provisions on other commitments and guarantees given	39	17	22	129,4%
Legal and tax disputes	37.543	36.832	711	1,9%
Personnel expenses	2.800	4.319	(1.519)	(35,2)%
Other provisions	6.518	13.736	(7.218)	(52,5)%
Total provisions for risks and charges	**56.225**	**66.825**	**(10.600)**	**(15,9)%**

Below is the breakdown of the provision for risks and charges at the end of 2022 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 2022 the balance of 9,3 million Euro reflects the impairment of irrevocable commitments to disburse funds and financial guarantees issued by the Group and is down on the value at the end of the previous year (amounting to 11,9 million Euro) following the enforcement of certain underlying guarantees during the year.

Legal and tax disputes

At 31 December 2022, provisions had been made for 37,5 million Euro for legal and tax disputes. This amount mainly breaks down as follows:

- 9,7 million Euro (the plaintiffs seek 16,5 million Euro in damages) for 18 disputes deriving from the business unit acquired from the former Aigis Banca and mainly the Corporate Banking & Lending Area of the Commercial and Corporate Banking Segment;
- 18,5 million Euro for 30 disputes concerning the Factoring Area (the plaintiffs seek 42,1 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;
- 3,2 million Euro (the plaintiffs seek 50,0 million Euro in damages) for 5 disputes concerning the Corporate Banking & Lending Area deriving from the former Interbanca;
- 1,6 million Euro (the plaintiffs seek 2,1 million Euro in damages) for 23 disputes concerning the Leasing Area and tax receivables;
- 2,8 million Euro (the plaintiffs seek 7,4 million Euro in damages) for 67 disputes concerning receivables of Ifis Npl Investing;
- 947 thousand Euro relating to various disputes concerning Banca Credifarma (formerly Farbanca, the plaintiffs seek 4,4 million Euro in damages);
- 679 thousand Euro (the plaintiffs seek 3,8 million Euro) for disputes with customers and agents relating to Cap.Ital.Fin.;
- 30 thousand Euro (the plaintiffs seek the same amount in damages) for disputes concerning the investee Ifis Rental Services.

Personnel expenses

At 31 December 2022, provisions are entered for staff for 2,8 million Euro (4,3 million Euro at 31 December 2021) of which 2,4 million Euro relating to the Solidarity Fund established in 2020.

Other provisions for risks and charges

At 31 December 2022 “Other provisions” were in place for 6,5 million Euro, down on the 13,7 million Euro recorded at 31 December 2021, mainly due to the 5,9 million Euro reversal recorded during the year on the provision for risks related to the GACS credit sale transactions, following contractual expiry of the warranty period. In addition to the aforementioned provision, the item is mainly made up of 3,1 million Euro for Supplementary Agents

Indemnity in connection with the operations of the Leasing Area and 0,9 million Euro for the provision for complaints.

Consolidated equity

At 31 December 2022 Group consolidated Equity totals 1.597,8 million Euro, a 1,6% decrease on the figure of 1.623,9 million Euro at 31 December 2021. The main changes in consolidated shareholders' equity are summarised in the following tables.

EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	83.767	102.972	(19.205)	(18,7)%
Valuation reserves:	(59.722)	(25.435)	(34.287)	134,8%
- Securities	*(50.634)*	*(16.233)*	*(34.401)*	*211,9%*
- Post-employment benefits	*381*	*(673)*	*1.054*	*(156,6)%*
- Exchange differences	*(9.469)*	*(8.529)*	*(940)*	*11,0%*
Reserves	1.440.944	1.367.019	73.925	5,4%
Interim dividends (-)	(52.433)	-	(52.433)	n.a.
Treasury shares (-)	(22.104)	(2.847)	(19.257)	676,4%
Equity attributable to non-controlling interests	12.432	27.786	(15.354)	(55,3)%
Net profit attributable to the Parent company	141.086	100.582	40.504	40,3%
Consolidated equity	**1.597.781**	**1.623.888**	**(26.107)**	**(1,6)%**

CONSOLIDATED EQUITY: CHANGES	(in thousands of Euro)
Consolidated equity at 31.12.2021	**1.623.888**
Increases:	**147.166**
Profit for the year attributable to the Parent company	141.086
Sale/assignment of treasury shares	43
Change in valuation reserve: Post-employment benefits	1.054
Stock options	755
Changes in equity interests	2.797
Other changes	1.431
Decreases:	**173.273**
Dividends distributed	102.244
- of which dividends on 2021 profit	*49.811*
- of which interim dividend on 2022 profit	*52.433*
Buyback of treasury shares	19.300
Change in valuation reserve:	36.375
- Securities (net of realisations)	*35.435*
- Exchange differences	*940*
Equity attributable to non-controlling interests	15.354
Consolidated equity at 31.12.2022	**1.597.781**

The sub-item "dividends distributed" also includes the 2022 interim dividend of 52,4 million Euro (i.e. equal to 1 Euro per share) resolved on 10 November 2022 by the Board of Directors of Banca Ifis and paid on 23 November 2022. For further details, please refer to the section "Significant events during the year" in this Directors' Report on the Group.
With reference to the purchase of treasury shares carried out during the year for 19,3 million Euro, this is part of the "Buy-Back Programme" in support of the "2021-2023 LTI Plan" (for further details see the section "Significant events during the year").
The lines "Changes in equity interests" and "Equity attributable to non-controlling interests" refer to the effects generated by the reorganisation of the ownership structures of the subsidiary Banca Credifarma resulting from the merger by incorporation of Credifarma in Farbanca, at the end of which Banca Ifis's controlling interest increased to 87,74% (while at the beginning of 2022 Banca Ifis held 70% of Credifarma and 71,06% of Farbanca). For more details on the merger in question, see the above-specified section "Significant events during the year".
Below is the table reconciling equity and the net result of the Parent company with the corresponding consolidated data attributable to 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)	31.12.2022	
	EQUITY	*OF WHICH: PROFIT (LOSS) FOR THE YEAR*
Balances of the Parent company Banca Ifis	**1.290.183**	***43.027***
Difference compared to the carrying amounts of the companies consolidated	308.070	*133.838*
Ifis Finance Sp z o.o. (Poland)	*11.958*	*2.227*
Ifis Finance I.F.N. S.A. (Romania)	*(734)*	*171*
Ifis Rental Services	*61.787*	*11.287*
Cap.Ital.Fin.	*1*	*(1.907)*
Banca Credifarma (formerly Farbanca)	*46.803*	*8.617*
Ifis Npl Investing	*175.498*	*137.745*
Ifis Npl Servicing	*12.757*	*(24.302)*
Elimination of intra-group dividends	-	*(40.000)*
Other consolidation entries	(472)	*4.221*
Consolidated balances attributable to the Parent company	**1.597.781**	***141.086***

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS	
	31.12.2022	31.12.2021
Common Equity Tier 1 (CET1) capital	1.520.570	1.486.880
Tier 1 capital	1.521.490	1.488.624
Total Own Funds	**1.906.288**	**1.891.346**
Total RWAs	**10.128.064**	**9.633.003**
CET1 ratio	15,01%	15,44%
Tier 1 Ratio	15,02%	15,45%
Total Capital Ratio	**18,82%**	**19,63%**

CET1, Tier 1 and Total Capital include the profits generated by the Banking Group at 31 December 2022, net of the related dividend, including the portion distributed on an interim basis in compliance with the provisions of Article 2433, paragraph 4 of the Italian Civil Code.

Consolidated own funds, risk-weighted assets and prudential ratios at 31 December 2022 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 2022, 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").

It should be noted that Delegated Regulation (EU) no. 954/2022 will enter into force in the third quarter of 2022 for banks with regard to the specification of how specific and general loan impairments of defaulted exposures are to be calculated. In particular, the application of the aforementioned Regulation made it possible to consider the discount on the purchase price of impaired loans as a higher value adjustment. This made it possible to substantially reduce the average weightings on these types of loans.

EU Regulation no. 873/2020, relative to the transitional arrangements aimed at attenuating the impact of the introduction of IFRS 9 on Own Funds - defines for entities the possibility of including in their CET1 a portion of the accruals gained for expected credit losses, through different operating methods of the transitional period of reference (1 January 2018 - 31 December 2019 and 1 January 2020 - 31 December 2024).

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

The inclusion in CET1 takes place as for last year, gradually and by applying the following factors:

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

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

Said portion is 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 2022, taking into account the transitional treatment adopted to mitigate the impacts of IFRS 9 on CET1 and the prudential filter for unrealised gains and losses on financial assets at fair value, Equity amounts to 1.906,3 million Euro.

The 14,9 million Euro increase in Own Funds compared to 31 December 2021 was largely attributable to the following components:

- the profit referred to the prudential scope accrued at 31 December 2022 of 133,2 million Euro, net of the assumed dividend of 73,4 million Euro including the portion distributed on account; the positive change amounts to 59,8 million Euro;

- the transitional filter for exposures to central governments classified as FVOCI, introduced by EU Regulation No 873/2020, which allows the effects of negative changes in the fair value of Government bonds to be allocated over several years. This resulted in a further positive change in this filter of 10,5 million Euro in own funds compared to the previous year;
- lower deductions for the expiry of the authorisation to repurchase CET1 instruments; the positive change amounts to 3,2 million Euro;
- the negative impact of the application of Calendar Provisioning, which resulted in a negative change of 7,9 million Euro;
- the greater deduction of other income statement items attributable to the valuation reserve for equities measured at fair value through comprehensive income of a negative change of 34,3 million Euro;
- the higher 100% deduction from CET1 of "deferred tax assets that are dependent on future profitability and do not arise from temporary differences" makes for a negative change of 4,4 million Euro; in this regard, please note that this deduction will be further absorbed by the future use of such deferred tax assets.
- the reduction of the book value of the subordinated loan eligible as Tier 2 capital due to the amortisation under Article 64 CRR, resulting in a lower own funds eligibility of 16,4 million Euro.

The positive change in Own funds due to the above-mentioned phenomena was more than offset by a greater increase in the RWA component. More specifically, at 31 December 2022, the Total Capital Ratio is 18,82%, down from the results achieved at 31 December 2021 of 19,63%; this trend is also reported for the CET1 ratio, 15,01% at end December 2022, compared to the figure at 31 December 2021, of 15,44%.
At 31 December 2022, 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 amount to 1.861,6 million Euro and consequently the RWA when fully applied, come to 10.115,5 million Euro.

OWN FUNDS AND CAPITAL ADEQUACY RATIOS WITHOUT IFRS 9 TRANSITIONAL ARRANGEMENTS (in thousands of Euro)	AMOUNTS	
	31.12.2022	31.12.2021
Common Equity Tier 1 (CET1) capital	1.475.910	1.452.393
Tier 1 capital	1.476.830	1.454.137
Total Own Funds	**1.861.628**	**1.856.859**
Total RWAs	**10.115.502**	**9.615.465**
CET1 ratio	14,59%	15,10%
Tier 1 Ratio	14,60%	15,12%
Total Capital Ratio	**18,40%**	**19,31%**

CET1, Tier 1 and Total Capital include the profits generated by the Banking Group as at 31 December 2022, net of the related dividend, including the portion distributed on an interim basis in compliance with the provisions of Article 2433, paragraph 4 of the Italian Civil Code.

At 31 December 2022, taking into account the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets (RWAs) amount to 10.128,1 million Euro, arising from credit and counterparty risk of 9.119,5 million Euro, operational risk of 915,9 million Euro, market risk of 20,7 million Euro and credit valuation adjustment risk of 71,9 million Euro.
Here below is the breakdown by Segment of risk-weighted assets (RWA).

RISK-WEIGHTED ASSETS: BREAKDOWN (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	*of which: FACTORING AREA*	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
RWA for credit risk	**5.571.253**	***2.625.900***	***1.329.890***	***1.615.462***	**1.794.321**	**1.753.938**	**9.119.512**
RWA for market risk	X	*X*	*X*	*X*	X	X	20.709
RWA for operational risk (basic indicator approach)	X	*X*	*X*	*X*	X	X	915.942
RWA for credit valuation adjustment risk	X	*X*	*X*	*X*	X	X	71.901
Total RWAs	**X**	***X***	***X***	***X***	**X**	**X**	**10.128.064**

The positive annual change in RWA amounts to 495,1 million Euro, of which 481 million Euro is attributable to the credit risk component, 74,7 million Euro to the increase in the operational risk and CVA (Credit Value Adjustment) components, and 60,9 million Euro to the decrease in the market risk component.
In particular, the increase in the credit risk component is attributable to the following factors:

- increased investments in securities and repurchase agreements (repos), particularly in the asset classes "Securities", "Equity Instruments" and "Other Exposures", which led to an increase in RWA of 678 million Euro;
- an increase in loans disbursed mainly to corporate customers; in particular, an increase in RWA of 163 million Euro was recorded in the fourth quarter of 2022.

The above increases in the RWA for credit risk have been partly offset against the positive effects deriving from the application of the aforementioned EU Regulation 954/2022, which came into force during the third quarter of 2022, allowing the application of the purchase price discount as a specific value adjustment for impaired exposures. The reduction in weighted assets connected with this effect amounts to 362 million Euro.
With regard to other risk components, the increases in RWA for operational risk and CVA are attributable respectively to the improvement in the positive items in the income statement in 2022 and to the appreciation in the year of the fair value on derivatives in the Group's portfolio.
With regard to the market risk component, it should be noted that, in application of Article 351 bis of the CRR, the reduction of the net foreign exchange position below the threshold of 2% of total consolidated own funds made it possible not to calculate the foreign exchange risk requirement.
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, on 19 May 2022 notified the Banca Ifis Group to adopt the following consolidated capital requirements in 2022, including a 2,5% capital conservation buffer:

- CET1 Ratio of 7,90%, with a required minimum of 5,40%;
- Tier 1 Ratio of 9,75%, with a required minimum of 7,25%;
- Total Capital Ratio of 12,15%, with a required minimum of 9,65%.

In order to ensure a level of capital that can absorb any losses arising from stress scenarios, as referred to in Article 104 ter of EU Directive 36/2013, the Bank of Italy has set the following capital levels (summarised in the table below) for the Banca Ifis Group, to which the specific countercyclical coefficient is added:

- CET1 Ratio of 8,65%, consisting of an OCR CET1 Ratio of 7,90% and a target component (Pillar 2 Guidance) of 0,75%;
- Tier 1 Ratio of 10,50%, consisting of an OCR Tier 1 Ratio of 9,75% and a target component of 0,75%;
- Total Capital Ratio of 12,90%, consisting of an OCR Total Capital Ratio of 12,15% and a target component of 0,75%.

Overall Capital Requirement (OCR)						Pillar 2 Guidance	Total
	Art. 92 CRR	SREP	TSCR	RCC [1]	OCR Ratio	P2G	OCR and P2G
CET1	4,50%	0,90%	5,40%	2,50%	7,90%	0,75%	8,65%
Tier 1	6,00%	1,25%	7,25%	2,50%	9,75%	0,75%	10,50%
Total Capital	8,00%	1,65%	9,65%	2,50%	12,15%	0,75%	12,90%

(1) RCC: capital conservation buffer.

At 31 December 2022, the Banca Ifis Group meets the above prudential requirements.
In the second quarter of 2022, the Bank of Italy notified the Parent company Banca Ifis and its subsidiary Banca Credifarma of the conclusion of the process to determine the minimum requirement for eligible capital and liabilities (MREL). The minimum requirements are as follows:

MREL requirement	
Banca Ifis	**Banca Credifarma**
9,65% of the Total Risk Exposure Amount	8% of the Total Risk Exposure Amount
3% of Leverage Ratio Exposure	3% of Leverage Ratio Exposure

At 31 December 2022, following the monitoring process, both indicators were met above the predefined limit.

Income statements items

Formation of net banking income

Net banking income totals 680,5 million Euro, up 13,4% from 599,9 million Euro at 31 December 2021.
The change and main components of net banking income are shown below.

FORMATION OF NET BANKING INCOME (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	548.250	487.971	60.279	12,4%
Net commission income	93.513	83.282	10.231	12,3%
Other components of net banking income	38.784	28.685	10.099	35,2%
Net banking income	**680.547**	**599.938**	**80.609**	**13,4%**

Net interest income increases by 12,4%, going from 488,0 million Euro at 31 December 2021 to 548,3 million Euro at 31 December 2022. The main growth factors can be summarised as follows:

- the increase of 23,4 million Euro in the Npl Segment's net interest income compared to the previous year, following growth of average commitments managed and the greater contribution made by legal management;
- the increase in net interest income for a total of 22,7 million Euro from which the Factoring Area benefited, following an increase in average underlying loans;
- higher contribution of 19,7 million Euro to net interest income from the Capital Markets business compared to 2021, mainly due to the "Inflation Linked" component of the securities in the portfolio.

The positive effects mentioned above more than offset the lower contribution of the PPA, the effect of which in 2022 amounts to 12,2 million Euro, down sharply compared to the balance of 25,2 million Euro in 2021, mainly as a result of the closure of numerous loan positions during 2021, as well as the physiological reduction of revenues connected with the run-off portfolios.
Net commissions amount to 93,5 million Euro, up 12,3% compared to the figure at end 2021 of 83,3 million Euro: this performance was driven both by a lower incidence of commission expenses, as a result of the reduction in commissions paid for collection and payment services in the Npl Segment compared to 2021 and by the improvement in the contribution made by commission income, which come to 106,5 million Euro at 31 December 2022 (+8,1% on 2021) and benefited from the growth trend in loans managed in the Factoring Area. Commission expense, totalling 13,0 million Euro compared to 15,3 million Euro in 2021, largely referred to fees paid to banks and financial intermediaries such as management fees, fees paid to third parties for the distribution of leasing products, as well as brokerage operations carried out by approved banks and other credit brokers.
The other components of net banking income, up by 10,1 million Euro compared with 2021, break down as follows:

- 9,9 million Euro for dividends generated by shares held in the Group-owned portfolio (7,5 million Euro in 2021);
- 0,6 million Euro the net positive result of trading, mainly generated by trading of the Proprietary Finance segment (net loss of 1,2 million Euro during 2021);
- 15,6 million Euro in net gains from the sale or repurchase of financial assets and liabilities, an increase (+37,3%) on the figure of 11,4 million Euro recorded at 31 December 2021, comprising 4,9 million Euro related to transactions on securities in the proprietary portfolio, as well as 10,7 million Euro from the sale of loans in the Npl Segment;
- 12,7 million Euro from the net positive result of other financial assets and liabilities measured at fair value through profit or loss (up 1,7 million Euro on the figure of 31 December 2021, also due to the changed macroeconomic context of 2022 in terms of market rates), primarily represented by the net positive change in the fair value of UCITS fund units for 7,9 million Euro.

Formation of net profit (loss) from financial activities

The Group's net profit from financial activities totals 603,0 million Euro, compared to 522,7 million Euro at 31 December 2021 (+15,4%).

FORMATION OF NET PROFIT (LOSS) FROM FINANCIAL ACTIVITIES (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Net banking income	**680.547**	**599.938**	**80.609**	**13,4%**
Net credit risk losses/reversals	(77.515)	(77.211)	(304)	0,4%
Net profit (loss) from financial activities	**603.032**	**522.727**	**80.305**	**15,4%**

Net credit risk losses include provisions for credit risk on guarantees issued and gains/losses on the sale of loans. At 31 December 2022, these amount to 77,5 million Euro, in line with 31 December 2021, and include adjustments of 21,7 million Euro on the Npl Segment due to the regulatory change related to the raising of the minimum threshold for the attachment of pensions (for more details on this, see the section "Impacts of Regulatory Changes" in the Directors' Report on the Group). The comparative figure instead includes net adjustments of 18,0 million Euro again on the Npl Segment, made in 2021 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. Further details of the different trends connected with the cost of loans are given in the section "Contribution of Segments to Group results".

Formation of net profit for the year

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

FORMATION OF NET PROFIT (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Net profit (loss) from financial activities	**603.032**	**522.727**	**80.305**	**15,4%**
Operating costs	**(390.378)**	**(364.817)**	**(25.561)**	**7,0%**
Net allocations to provisions for risks and charges	(400)	(8.036)	7.636	(95,0)%
Value adjustments of goodwill	(762)	-	(762)	n.a.
Gains on disposals of investments	304	-	304	n.a.
Pre-tax profit from continuing operations	**211.796**	**149.874**	**61.922**	**41,3%**
Income taxes for the year relating to current operations	(69.909)	(47.571)	(22.338)	47,0%
Profit for the year attributable to non-controlling interests	(801)	(1.721)	920	(53,5)%
Profit for the year attributable to the Parent company	**141.086**	**100.582**	**40.504**	**40,3%**

Operating costs total 390,4 million Euro, showing a 7,0% increase on the 364,8 million Euro at 31 December 2021. The breakdown of these costs and their dynamics are shown in the table below.

OPERATING COSTS (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Administrative expenses:	393.255	373.606	19.649	5,3%
a) personnel expenses	*150.834*	*141.781*	*9.053*	*6,4%*
b) other administrative expenses	*242.421*	*231.825*	*10.596*	*4,6%*
Net impairment losses/reversals on property, plant and equipment and intangible assets	16.915	18.733	(1.818)	(9,7)%
Other operating income/expenses	(19.792)	(27.522)	7.730	(28,1)%
Operating costs	**390.378**	**364.817**	**25.561**	**7,0%**

Personnel expenses at 31 December 2022 amount to 150,8 million Euro. The 6,4% increase is due both to an increase in the number of staff on the payroll at the reporting date and to higher variable remuneration.
Other administrative expenses at 31 December 2022 amount to 242,4 million Euro, up 4,6% compared to 2021, mainly due to higher costs related to the Group's strategic projects.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Expenses for professional services	**122.235**	**121.507**	**728**	**0,6%**
Legal and consulting services	82.505	87.639	(5.134)	(5,9)%
Fees to auditing firms	1.149	894	255	28,5%
Outsourced services	38.581	32.974	5.607	17,0%
Direct and indirect taxes	**42.769**	**39.481**	**3.288**	**8,3%**
Expenses for purchasing goods and other services	**77.417**	**70.837**	**6.580**	**9,3%**
Software assistance and hire	17.705	16.198	1.507	9,3%
FITD and Single Resolution Fund	11.902	11.115	787	7,1%
Customer information	10.399	14.749	(4.350)	(29,5)%
Advertising and inserts	9.172	7.011	2.161	30,8%
Property expenses	6.328	5.127	1.201	23,4%
Postage and archiving of documents	5.428	3.709	1.719	46,3%
Securitisation costs	4.213	3.844	369	9,6%
Telephone and data transmission expenses	3.251	3.306	(55)	(1,7)%
Car fleet management and maintenance	2.667	1.984	683	34,4%
Business travel and transfers	2.326	491	1.835	373,7%
Other sundry expenses	4.026	3.303	723	21,9%
Total other administrative expenses	**242.421**	**231.825**	**10.596**	**4,6%**

The sub-item “Legal and consulting services” comes to 82,5 million Euro at end 2022, down 5,9% on the 87,6 million Euro of December 2021.
“Direct and indirect taxes” come to 42,8 million Euro as compared with 39,5 million Euro at 31 December 2021, rising by 8,3%. The item mainly consists of the registration tax incurred for the judicial recovery of receivables belonging to the Npl Segment for an amount of 29,1 million Euro as at 31 December 2022 up on the figure for last year (+15,7%), and also includes costs for stamp duty for 12,4 million Euro, the recharging of which to customers is included in the item “Other operating income”.

"Expenses for purchasing goods and other services" amount to 77,4 million Euro, up 9,3% on the 2021 balance. The change in this item is due to the contrasting effect in some of the most significant items, in particular:

- Software assistance and hire that goes from a balance of 16,2 million Euro at 31 December 2021 to 17,7 million Euro at 31 December 2022 (+9,3%) mainly following the projects for the digitisation and technological innovation of the Banca Ifis Group;
- costs for advertising and inserts, up from the figure of 7,0 million Euro for 31 December 2021 to 9,2 million Euro for 2022, mainly due to the Group's increased promotional and event organisation activities, in respect of which FY 2021 was still characterised by limitations related to the particular social and health context;
- contribution to the FITD and Single Resolution FITD Fund that at 31 December 2022 amounts to 11,9 million Euro, a 7,1% increase on the December 2021 figure;
- customer information expenses, amounting to 10,4 million Euro at end 2022, down by 29,5% due to a review of the underlying contracts with the main suppliers and the cyclical nature of the expenses related to the processing of portfolios within the Npl Segment and the type of acquisitions of non-performing portfolios;
- document shipping and archiving expenses, which are up 46,3% compared to December 2021 mainly due to the start of archiving activities for the Npl portfolio acquired from Cerberus at the end of November 2021;
- securitisation costs of 4,2 million Euro at 31 December 2022 and substantially in line with the figure for last year.

At end 2022, other net operating income, amounting to 19,8 million Euro, are down by 28,1% compared to 31 December 2021, which, among other things, benefited from the 2,9 million Euro gain on bargain purchase that arose from the acquisition of the former Aigis Banca business unit. The decrease is mainly related to higher operating costs related to the write-down of other non-financial assets in the amount of 3,1 million Euro. The item refers 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.

Net provisions for risks and charges come to 0,4 million Euro, an improvement compared to the balance of 8,0 million Euro at 31 December 2021, mainly due to the 5,9 million Euro reversal recorded in 2022 on the provisions for risks related to the GACS credit sale transaction.

The following are also pointed out:

- the complete write-down of 762 thousand Euro of the goodwill allocated to the Polish subsidiary Ifis Finance Sp z o.o., recorded in the item "adjustments to goodwill" (for more details see the paragraph "10.3 Other information" of "Section 10 - Intangible assets - Item 100" of the Assets of "Part B - Information on the Consolidated Statement of Financial Position" of the Consolidated Notes);
- the net effects of the sale of the subsidiary Ifis Real Estate and the reorganisation of the ownership structure of Banca Credifarma, which impacted the item "Gains (losses) on disposal of investments".

Pre-tax profit from continuing operations amounts to 211,8 million Euro, up 41,3% compared to 31 December 2021.

Income tax at 31 December 2022 comes to 69,9 million Euro and the tax rate is 33,01%, slightly up the 31,74% of last year. Without considering the effect related to the change in taxable income, the growth in the tax rate is also linked to the loss of the super-amortisation benefit on leased assets.

The profit attributable to the Parent company amounts to 141,1 million Euro, up 40,5 million Euro (+40,3%) on the previous year.

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 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.

Refer to Part E of the Consolidated Notes for information on the Banca Ifis Group's risks typical of the banking sector, as well as to what is set forth in the Directors' Report on the Group in the section “Business outlook”.

Banca Ifis shares

The share price

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

Official share price	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Share price at year-end	13,31	17,07	9,18	14,00	15,44

Price/book value

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

Price/book value	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Share price at year-end	13,31	17,07	9,18	14,00	15,44
Consolidated Equity per share	30,24	29,85	28,50	28,69	27,20
Price/book value	**0,44**	**0,57**	**0,32**	**0,49**	**0,57**

Outstanding shares	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Number of shares outstanding at year end (in thousands)(1)	52.433	53.472	53.460	53.452	53.441

(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)	31.12.2022	31.12.2021
Net profit for the year attributable to the Parent Company (in thousands of Euro)	141.086	100.582
Earnings per share (EPS)	**2,68**	**1,88**
Price/Earnings (P/E) Ratio	**4,97**	**9,07**

Earnings per share and diluted earnings per share	31.12.2022	31.12.2021
Net profit for the year attributable to the Parent Company (in thousands of Euro)	141.086	100.582
Average number of outstanding shares (1)	52.685.625	53.468.051
Average number of diluted shares	52.685.625	53.468.051
Earnings per share (EPS)	**2,68**	**1,88**
Diluted earnings per share (EPS)	**2,68**	**1,88**

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

Payout ratio

The Board of Directors of Banca Ifis proposes to the Shareholders' Meeting the distribution of a balance on the dividend for FY 2022 of 0,40 Euro (gross of withholding taxes) for each of the Banca Ifis shares issued and outstanding (and therefore excluding treasury shares held by the Bank). In November 2022, an interim dividend of 1,00 Euro per share had already been distributed for FY 2022. The total 2022 dividends (interim payment and balance) thus amounts to 1,40 Euro per share, corresponding to a payout ratio of 52,0%.

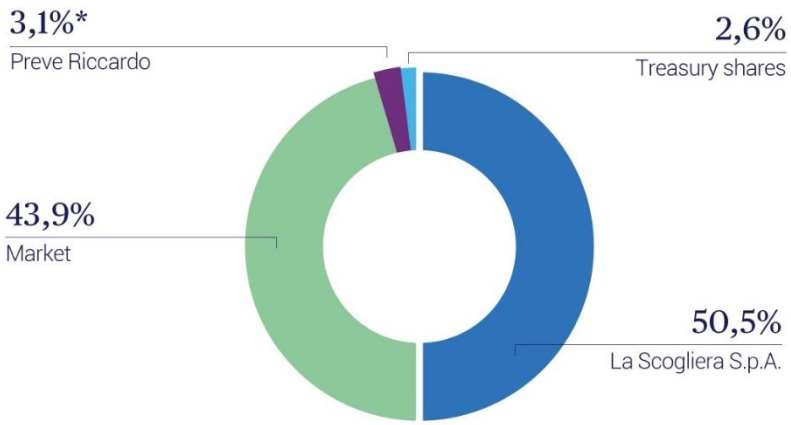
Payout ratio (in thousands of Euro)	2022	2021	2020	2019	2018
Net profit attributable to the Parent company	141.086	100.582	68.804	123.097	146.763
Parent company dividends (1)	73.406	49.811	25.132	58.797	56.125
Payout ratio (1)	**52,0%**	**49,5%**	**36,5%**	**47,8%**	**38,2%**

(1) The figures for FY 2022 comprise the total of 1,00 Euro per share distributed as an interim dividend in November 2022 and 0,40 Euro per share as a proposal for a final dividend for the FY 2022 prepared by the Board of Directors of Banca Ifis.

Shareholders

The share capital of the Parent company at 31 December 2022 amounts 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:



** on its own for 0,28% and through Preve Costruzioni for 2,8%.*

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

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

- the requirements related to identifying the Relevant Persons and the so-called "closely related people";

- the management of information relating to transactions exceeding the minimum amount threshold on units, credit securities or related instruments issued by Banca Ifis, carried out, directly or indirectly, by a Relevant Person or by a Closely Related Person and subject to notification obligations;
- the handling of closed periods, i.e. those periods during which the Relevant Persons must refrain from trading in shares or other debt instruments issued by Banca Ifis as well as financial instruments linked to them.

The relevant persons are:

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

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

Rules for the handling of inside information

Internal procedures for handling inside information and the list of individuals who have access to inside information are aligned with the Market Abuse Regulation.
In compliance with Article 115-bis of Italian Legislative Decree no. 58/1998, Banca Ifis has created a list of individuals who, in performing their professional and work duties or in carrying out their activity, have access to inside information (the list of insiders). Banca Ifis constantly updates this list.
In addition, the Group has adopted the “Group policy for the handling of inside information” in order to:

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

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

Significant events 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 Media section 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.

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 Liquidity Funding Plan 2022 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.

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).

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 attributable 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 Business 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.

Merger by incorporation of Credifarma into Farbanca completed

On 11 April 2022 the merger by incorporation of Credifarma S.p.A. into Farbanca S.p.A., for which authorisation had been received from the Bank of Italy on 21 February 2022, was completed. 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 segment. 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.

Conclusion of the share buyback programme in support of the "2021-2023 LTI Plan"

On 22 April 2022, the program for the purchase of Banca Ifis ordinary shares to service the "2021-2023 LTI Plan", which had been initiated on 15 March 2022 and subject to authorisation by the Shareholders' Meeting for a number of ordinary shares not exceeding 1.044.000 and for a maximum total value not exceeding 20,9 million Euro (the "Buy-Back Program"), was concluded. In execution of the Buy-Back Programme, Banca Ifis purchased a total of 1.044.000 shares (corresponding to the maximum number of treasury shares subject to the said authorisation) - equal to 1,940% of the share capital, for a total value of 19.281.157,88 Euro. Following the purchases made until 22 April 2022, considering the treasury shares already in portfolio, as of the closing date of the Buy-Back Programme, the Bank holds 1.383.139 treasury shares equal to 2,570% of the share capital.

The Shareholders' Meeting has approved the 2021 Financial Statements and a dividend of 0,95 Euro per share

The ordinary Shareholders' Meeting of Banca Ifis, which met on 28 April 2022 in single call, chaired by Sebastien Egon Fürstenberg in accordance with the applicable provisions, and hence in the manner set out in Art. 106 of Decree-Law no. 18 of 17 March 2020, approved:

- Banca Ifis 2021 Annual Report;
- the distribution to shareholders of a dividend of 0,95 Euro, equal to double the coupon distributed in FY 2020 gross of any withholding taxes, per share, with ex-dividend date (coupon no. 25) on 23 May 2022, record date on 24 May 2022 and payment from 25 May 2022;
- the increase in the number of directors from 12 to 13, appointing as members of the Board of Directors for the three-year period 2022-2024 Simona Arduini, Antonella Malinconico, Beatrice Colleoni, Monica Billio, Sebastien Egon Fürstenberg, Ernesto Fürstenberg Fassio, Frederik Herman Geertman, Monica Regazzi, Paola Paoloni, Giovanni Meruzzi, Luca Lo Giudice and Roberta Gobbi and Roberto Diacetti. The members of the Board of Statutory Auditors were also appointed in the persons of: Andrea Balelli (Chairman), Franco Olivetti (Standing Auditor), Annunziata Melaccio (Standing Auditor), Marinella Monterumisi (Alternate Auditor) and Emanuela Rollino (Alternate Auditor);
- Section I of the document "Report on Remuneration Policy and Remuneration Paid" prepared in accordance with Art. 123-ter of Legislative Decree no. 58/1998. The Shareholders' Meeting also resolved in favour of Section II of the aforementioned document relating to the implementation of remuneration policies during FY 2021;
- the remuneration plan based on the assignment of Banca Ifis shares for certain corporate figures described in the information document drawn up pursuant to Art. 114-bis of Italian Legislative Decree no. 58/1998 and related implementing rules (Art. 84-bis of Consob Regulation no. 11971/1999);
- the assignment to PriceWaterhouseCoopers S.p.A. of the tasks related to the statutory audit of the accounts of Banca Ifis S.p.A. for the nine-year period 2023-2031.

Sale of Ifis Real Estate S.p.A.

On 11 May 2022, Ifis Npl Servicing S.p.A.'s 100% stake in Ifis Real Estate S.p.A. was sold in its entirety to Resolute Asset Management Italy S.r.l. and, on the same date, Ifis Real Estate S.p.A. changed its name to Rebuild S.p.A, leaving the perimeter of the Banca Ifis Group's investee companies.

Conclusion of the Supervisory Review and Evaluation Process (SREP) by the Bank of Italy

On 23 May 2022, the Bank of Italy received notification of the conclusion of the periodic prudential review process ("SREP decision") conducted on the Banca Ifis Group. The Bank of Italy has identified the following capital requirements (equal to the sum of the Overall Capital Requirement and Pillar 2 Guidance) for 2022 on a consolidated basis:

- CET1 Ratio: 8,65%;
- Tier 1 Ratio: 10,50%;
- Total Capital Ratio: 12,90%.

The above capital requirements include the Target component of the Pillar 2 Guidance of 0,75%.

Distribution of a 2022 interim dividend of 52,4 million Euro (1 Euro per share)

On 10 November 2022, the Banca Ifis Board of Directors, in line with what was resolved by the Shareholders' Meeting on 28 July 2022, resolved to distribute an interim dividend for 2022 totalling 52.433.114 Euro, i.e. equal to 1 Euro (gross of withholding taxes) for each of the 52.433.114 Banca Ifis shares issued and outstanding as of such date (and therefore excluding treasury shares held by the Bank). The interim dividend 2022 was paid with ex-dividend no. 26 dated 21 November 2022, record date of 22 November and payment date of 23 November 2022.

The report by the Board of Directors and the accounting statement at 30 September 2022 pursuant to Article 2433-bis of the Italian Civil Code, on the basis of which the Board of Directors of Banca Ifis resolved to distribute the interim dividend and included in the Interim Report as at 30 September 2022 - are made available to the public at the Bank's registered office, as well as on the authorised storage mechanism and on the Bank's institutional website, www.bancaifis.it, in the “Investor Relations & Corporate Development” section. Lastly, for the purposes of the distribution of the interim dividend, on 10 November 2022, the independent auditing firm EY S.p.A. issued the opinion required by Article 2433-bis of the Italian Civil Code, which has been made available to shareholders at the Bank's registered office.

Subsequent events

Issue of the 300 million Euro bond maturing in 4 years

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

The bond placement is part of the EMTN funding programme envisaged in the Bank's Business Plan for the three-year period 2022-2024, which estimates 2,5 billion Euro of new placements.

Information on the Russia-Ukraine conflict

This paragraph is intended to provide, as suggested by the Public Statement issued by ESMA on 28 October 2022 entitled "European common enforcement priorities for 2022 annual financial reports", a specific disclosure on the impacts generated by Russia's invasion of Ukraine.

As already highlighted in the survey sent out by the Bank of Italy at the end of March 2022 and having as its object an initial assessment of the impacts that unfavourable scenarios linked to the crisis situation generated by the conflict has on the Bank, at the level of the Banca Ifis Group a series of in-depth studies were conducted in order to assess the exposures (direct and indirect) to counterparties resident in Russia, Belarus and Ukraine, as well as to estimate the related impacts and risk containment measures.

Furthermore, the Risk Management function, in addition to the risk factors usually considered, deemed it reasonable to include the current geopolitical tense situation as an additional risk factor.

In particular, this situation has been considered within the institutional documentation (RAF, Recovery Plan and ICAAP/ILAAP Report) from a twofold point of view: on the one hand as a worsening of severities and inclusion of new stress assumptions in the stress test framework, and on the other hand as an extra capital requirement against the strategic and sovereign risks assumed by the Group.

More specifically, from the point of view of the assumptions directly considered in the stress tests, the following were considered:

- an increase in the conversion to impaired of factoring customers exposed to Ukraine and Russia;
- the use of further worsened transition matrices for factoring customers in the stress test pro Recovery Plan.

On the assumptions that have an impact on the levels of internal capital allocated to individual risks, it should be noted that:

- a further worsened interest rate scenario was used as a consequence of a hypothetical continuation of the current high inflation environment (resulting from the commodity shortage caused by the conflict), which led to a higher estimate of internal capital for sovereign risk;
- additional internal capital was allocated to cover strategic risk, assuming an uncertain economic environment resulting from the current geopolitical situation.

The analyses conducted so far have revealed a limited number of counterparties present in the countries affected by the current conflict to which modest direct credit exposures correspond. Similarly, no particular critical issues have been noted with regard to the trade receivables portfolio.

The consequences of the existing conflict situation are also spilling over to the macroeconomic level, slowing international economic growth and increasing uncertainty in the markets, leading to increased inflationary pressures. With reference to the latter and the consequent reduction in purchasing power, which affects economically more fragile debtors more significantly, the out-of-court management of Ifis Npl Investing's positions may perform differently from their historical performance, which is factored into the current statistical curves, causing a decrease in payments. While recovery activities continued, it was decided to take into account the macroeconomic scenario described above in the cash flow simulation, and discussions are underway with the business as to what actions will be taken to address the contingent macroeconomic situation. For judicially managed debtors (either by wage/pension garnishment or by enforcement of collateral), the increase in inflation has no effect on the collection of their debt. Therefore, it was decided not to make any changes to the models involving judicial recovery. It will be monitored in the future whether the prolonged rise in rates will have an impact on the economic recession and how this, together with job losses, can be factored in.

For more detailed information on the impact generated by the Russia-Ukraine conflict on the various types of risk inherent in the Banca Ifis Group (credit risk, interest rate risk, price risk, exchange rate risk, liquidity risk and operational risk), please refer to the specific subsections prepared in Part E of the Notes to these Consolidated Financial Statements in "Section 2 - Prudential consolidation risks".

Business outlook

Rate hikes in recent months by the world's central banks and lower energy prices have led to a decline in inflation, which, in the world's major economies, remains at high levels.

The US economy remains strong, excess demand in the employment market persists even though job vacancies are declining. The monetary tightening, which could last longer than expected, should lead to a gradual reduction in inflation and an economic slowdown. Europe, despite being the world economy most affected by the war in Ukraine and rising energy prices, has so far proved to be more resilient than expected. Inflation remains high with a strong energy and commodity price component. Economic activity is weakening even though the main macroeconomic and confidence indicators point to only a modest contraction in European GDP.

The central banks' monetary policies must now identify how far to continue raising rates to avoid triggering an excessive contraction of domestic demand. Indeed, excessively restrictive monetary policies could lead to a severe economic slowdown and, potentially, to a recession.

In addition, the war in Ukraine continues to be an important risk factor, and should increase tensions and the degree of involvement of European countries.

After seven consecutive quarters of growth, the Italian economy has recorded a slight cyclical downturn, while on the trend side it continues its development at a slower pace than in previous quarters: there is a contraction in the agricultural and industrial sectors and slight growth in the services sector. GDP increased by 3,9 % in 2022 compared to 2021 and by 0,4 % in the fourth quarter of 2022. After having been below the European average for a long time, inflation has now exceeded the European average driven by the energy and food component; moreover, as wages are not adjusting except marginally, inflation is translating into a loss of purchasing power for consumers with potential risks for the resilience of domestic demand. The new Government's budgetary policy approved the extension of existing support measures to compensate for high inflation, through the Aid Decree and the Budget Law of December 2022. The Budget Law's support of 39 billion Euro is equivalent to the expected 0,2% of GDP in 2023.

In the banking sector, lending is expected to grow, especially in the household sector. For banks, higher interest rates should lead to higher returns, but the cost of funding should reduce this positive impact to a large extent. Asset quality, which to date shows limited signs of deterioration, could deteriorate in the event of a recession, especially in the second half of 2023.

In this context, the Banca Ifis Group 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. The Group 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.

In 2022, the Group achieved a profit of 141 million Euro above the Business Plan targets of 118 million Euro. Analyses conducted to date on the Group have shown no signs of deterioration in asset quality, on which a prudent policy in terms of provisions has been applied in any case, and on the recovery of Npl portfolios, which in 2022 was at an all-time high. The Group starts 2023 with a solid economic, capital and financial profile, and with a close monitoring of market risks that may impact the Group's business, with a focus on risks in terms of economic slowdown and an increase in the average cost of funding.

Other information

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

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

Report on Corporate Governance and Shareholding Structure

Pursuant to Article 123 bis, paragraph three, of Italian Legislative Decree no. 58 of 24 February 1998 ("TUF"), a separate report has been prepared from this Directors' Report on the Group, which was approved by the Board of Directors and published together with the Consolidated Financial Statements. This document is also made available in the "Corporate Governance" Section, subsection "Reports and Documents", section "Corporate Governance Organisation and Structures" on the corporate website www.bancaifis.it.
The "Report on Corporate Governance and Shareholding Structure" has been drawn up according to the format provided by Borsa Italiana.

Remuneration policies

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

Non-Financial Statement

Pursuant to Article 5, paragraph 3 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 Consolidated Financial Statements at 31 December 2022. This document is also made available on the website, www.bancaifis.com, in the "Non-Financial Statement" subsection of the "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".

Privacy measures

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

Parent company management and coordination

Pursuant to Articles 2497 to 2497 sexies of the Italian Civil Code, it should be noted that the parent company La Scogliera S.A. does not carry out any management and coordination activities with respect to Banca Ifis, notwithstanding Article 2497 sexies of the Italian Civil Code, since the management and coordination of investee financial companies and banks is expressly excluded from La Scogliera's corporate purpose.
It should be noted that the transfer of the parent company La Scogliera's registered office to the Canton of Vaud (Lausanne - CH) took effect from 27 December 2021.

National consolidated tax regime

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

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

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

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

Under this tax regime, the taxable profits and tax losses reported by each entity for the fiscal year 2022 were transferred to the consolidating company La Scogliera.

The receivable from the tax consolidating company La Scogliera, recorded under "Other assets", amounts to 5,6 million Euro, while the related payable, recorded under "Other liabilities" in these Financial Statements, amounts to 33,6 million Euro at 31 December 2022, of which 28,8 million Euro accrued to the subsidiary Ifis Npl Investing. The net debt to the tax consolidating company La Scogliera amounts therefore to 28,0 million Euro.

Transactions on treasury shares

At 31 December 2021, Banca Ifis held 339.139 treasury shares recognised at a market value of 2,8 million Euro and a nominal amount of 339.139 Euro.

During the first half of 2022, Banca Ifis implemented the "Buy-Back Programme" aimed at the purchase of 1.044.000 ordinary shares to service the "2021-2023 LTI Plan", equal to 1,940% of the share capital, for a total equivalent value of 19,3 million Euro. Following the purchases made and considering the treasury shares already in portfolio, as of the closing date of the Buy-Back Programme, the Bank holds 1.383.139 treasury shares equal to 2,570% of the share capital.

During the year, Banca Ifis, as variable pay, awarded the Top Management 5.158 treasury shares at an average price of 18,35 Euro, for a total of 95 thousand Euro and a nominal amount of 5.158 Euro, making profits of 43 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the premium reserve.

Considering the above operations, the stock at the end of the year was 1.377.981 treasury shares, with an equivalent value of 22,1 million Euro and a nominal amount of 1.377.981 Euro.

Related-party transactions

In compliance with the provisions of Consob Resolution no. 17221 of 12 March 2010 and subsequently amended, as well as the prudential Supervisory provisions for banks in Circular no. 285 of 17 December 2013 of the Bank of Italy, part three, chapter 11 (on "Risk activities and conflicts of interest towards related parties"), any transactions with related parties and relevant parties are implemented pursuant to the procedure approved by the Board of Directors called the "Group Policy covering transactions with related parties, associates and corporate representatives pursuant to Art. 136 of the Consolidated Law on Banking", last updated in February 2022.

This document is available to the public in the "Corporate Governance" Section, subsection "Reports and Documents", section "Related Parties and Connected Subjects" on the corporate website www.bancaifis.it.

During 2022, 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 the description given in "Part H - Related-party transactions" in the Consolidated Notes.

Atypical or unusual transactions

During 2022, the Banca Ifis Group did not carry out atypical or unusual transactions as defined by Consob Communication no. 6064293 of 28 July 2006.

Research and development activities

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

Venice - Mestre, 9 March 2023

For the Board of Directors

The CEO

Frederik Herman Geertman

Banca Ifis

Consolidated financial statements

Consolidated reports 2022

Consolidated Statement of Financial Position

ASSETS (in thousands of Euro)		31.12.2022	31.12.2021
10.	Cash and cash equivalents	603.134	355.381
20.	Financial assets measured at fair value through profit or loss	222.088	153.138
	a) financial assets held for trading	26.868	8.478
	c) other financial assets mandatorily measured at fair value	195.220	144.660
30.	Financial assets measured at fair value through other comprehensive income	697.611	614.013
40.	Financial assets measured at amortised cost	10.752.694	10.856.795
	a) receivables due from banks	565.762	524.991
	b) receivables due from customers	10.186.932	10.331.804
90.	Property, plant and equipment	126.341	120.256
100.	Intangible assets	64.264	61.607
	of which:		
	- goodwill	*38.020*	*38.794*
110.	Tax assets:	325.181	329.674
	a) current	60.924	45.548
	b) prepaid	264.257	284.126
130.	Other assets	471.064	487.027
	Total assets	**13.262.377**	**12.977.891**

LIABILITIES AND EQUITY (in thousands of Euro)		31.12.2022	31.12.2021
10.	Financial liabilities measured at amortised cost	11.130.698	10.786.588
	a) payables due to banks	3.422.160	2.597.965
	b) payables due to customers	5.103.343	5.683.745
	c) debt securities issued	2.605.195	2.504.878
20.	Financial liabilities held for trading	25.982	5.992
60.	Tax liabilities:	52.298	49.154
	a) current	21.961	16.699
	b) deferred	30.337	32.455
80.	Other liabilities	391.697	436.107
90.	Post-employment benefits	7.696	9.337
100.	Provisions for risks and charges:	56.225	66.825
	a) commitments and guarantees granted	9.364	11.938
	c) other provisions for risks and charges	46.861	54.887
120.	Valuation reserves	(59.722)	(25.435)
150.	Reserves	1.440.944	1.367.019
155.	Interim dividends (-)	(52.433)	-
160.	Share premiums	83.767	102.972
170.	Share capital	53.811	53.811
180.	Treasury shares (-)	(22.104)	(2.847)
190.	Equity attributable to non-controlling interests (+/-)	12.432	27.786
200.	Profit (loss) for the year (+/-)	141.086	100.582
	Total liabilities and equity	**13.262.377**	**12.977.891**

Consolidated Income Statement

	ITEMS (in thousands of Euro)	31.12.2022	31.12.2021
10.	Interest receivable and similar income	529.098	479.620
	of which: interest income calculated using the effective interest method	*524.193*	*463.546*
20.	Interest due and similar expenses	(114.233)	(114.146)
30.	**Net interest income**	**414.865**	**365.474**
40.	Commission income	106.494	98.555
50.	Commission expense	(12.981)	(15.273)
60.	**Net commission income**	**93.513**	**83.282**
70.	Dividends and similar income	9.851	7.498
80.	Net profit (loss) from trading	627	(1.221)
100.	Profit (loss) from sale or buyback of:	15.188	13.942
	a) financial assets measured at amortised cost	15.245	9.096
	b) financial assets measured at fair value through other comprehensive income	(88)	4.938
	c) financial liabilities	31	(92)
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	12.705	11.047
	b) other financial assets mandatorily measured at fair value	12.705	11.047
120.	**Net banking income**	**546.749**	**480.022**
130.	Net credit risk losses/reversals on:	54.300	45.338
	a) financial assets measured at amortised cost	55.132	45.370
	b) financial assets measured at fair value through other comprehensive income	(832)	(32)
150.	**Net profit (loss) from financial activities**	**601.049**	**525.360**
180.	**Net profit (loss) from financial and insurance activities**	**601.049**	**525.360**
190.	Administrative expenses:	(393.255)	(373.606)
	a) personnel expenses	(150.834)	(141.781)
	b) other administrative expenses	(242.421)	(231.825)
200.	Net allocations to provisions for risks and charges	1.583	(10.669)
	a) commitments and guarantees granted	940	(2.633)
	b) other net allocations	643	(8.036)
210.	Net impairment losses/reversals on property, plant and equipment	(9.495)	(10.288)
220.	Net impairment losses/reversals on intangible assets	(7.420)	(8.445)
230.	Other operating income/expenses	19.792	27.522
240.	**Operating costs**	**(388.795)**	**(375.486)**
270.	Value adjustments of goodwill	(762)	-
280.	Gains (losses) on disposal of investments	304	-
290.	**Pre-tax profit (loss) for the period from continuing operations**	**211.796**	**149.874**
300.	Income taxes for the year relating to current operations	(69.909)	(47.571)
330.	**Profit (loss) for the year**	**141.887**	**102.303**
340.	Profit (loss) for the year attributable to non-controlling interests	(801)	(1.721)
350.	**Profit (loss) for the year attributable to the Parent company**	**141.086**	**100.582**

Consolidated Statement of Comprehensive Income

ITEMS (in thousands of Euro)		31.12.2022	31.12.2021
10.	**Profit (loss) for the year**	**141.887**	**102.303**
	Other comprehensive income not to be reclassified to profit or loss	**(2.636)**	**1.370**
20.	Equity securities measured at fair value through other comprehensive income	(3.690)	1.614
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	1.054	(244)
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	**(32.685)**	**(5.878)**
100.	Foreign investment hedges	-	-
110.	Exchange differences	(607)	(354)
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	(32.078)	(5.524)
150.	Non-current assets and disposal groups	-	-
160.	Share of valuation reserves of equity accounted investments	-	-
170.	**Total other comprehensive income, net of taxes**	**(35.321)**	**(4.508)**
180.	**Total comprehensive income (Item 10 + 170)**	**106.566**	**97.795**
190.	Total consolidated comprehensive income attributable to non-controlling interests	(797)	(1.719)
200.	**Total consolidated comprehensive income attributable to the Parent company**	**105.769**	**96.076**

Consolidated Statement of Changes in Equity at 31 December 2022

(in thousands of Euro)	Balance at 31.12.2021	Change in opening balances	Balance at 01.01.2022	Allocation of profit from previous year		Changes during the year										Consolidated equity at 31.12.2022	Group equity at 31.12.2022	Equity attributable to non-controlling interests at 31.12.2022
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions								Comprehensive income for the year			
							Issue of new shares	Buyback of treasury shares	Interim dividends	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity interests				
Share capital:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) ordinary shares	68.460	X	68.460	-	X	X	-	-	X	X	X	X	X	(8.873)	X	**59.587**	**53.811**	**5.776**
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	X	-	X	**-**	**-**	**-**
Share premiums	106.797	X	106.797	-	X	(19.205)	-	X	X	X	X	X	X	(2.205)	X	**85.387**	**83.767**	**1.620**
Reserves:	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**X**	**X**	**X**
a) retained earnings	1.368.773	-	1.368.773	52.492	X	22.796	-	-	X	-	X	X	X	(12.084)	X	**1.431.977**	**1.428.798**	**3.179**
b) other	5.784	-	5.784	-	X	(3.198)	-	X	X	-	X	-	755	9.843	X	**13.184**	**12.146**	**1.038**
Valuation reserves	(25.382)	-	(25.382)	X	X	1.034	X	X	X	X	X	X	X	(35)	(35.321)	**(59.704)**	**(59.722)**	**18**
Equity instruments	-	X	-	X	X	X	X	X	X	X	-	X	X	-	X	**-**	**-**	**-**
Interim dividends	-	X	-	X	X	X	X	X	(52.433)	X	X	X	X	X	X	**(52.433)**	**(52.433)**	**-**
Treasury shares	(2.847)	X	(2.847)	X	X	X	-	(19.257)	X	X	X	X	X	X	X	**(22.104)**	**(22.104)**	**-**
Profit (loss) for the year	102.303	-	102.303	(52.492)	(49.811)	X	X	X	X	X	X	X	X	X	141.887	**141.887**	**141.086**	**801**
Consolidated equity	**1.623.888**	**-**	**1.623.888**	**-**	**(49.811)**	**1.427**	**-**	**(19.257)**	**(52.433)**	**-**	**-**	**-**	**755**	**(13.354)**	**106.566**	**1.597.781**	**X**	**X**
Group equity	**1.596.102**	**-**	**1.596.102**	**-**	**(49.811)**	**1.427**	**-**	**(19.257)**	**(52.433)**	**-**	**-**	**-**	**755**	**2.797**	**105.769**	**1.585.349**	**1.585.349**	**X**
Equity attributable to non-controlling interests	**27.786**	**-**	**27.786**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(16.151)**	**797**	**12.432**	**X**	**12.432**

Consolidated Statement of Changes in 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	Group equity at 31.12.2021	Equity attributable to non-controlling interests at 31.12.2021
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions							Comprehensive income for the year			
							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				
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**
Group equity	**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**

Consolidated Cash Flow Statement

CONSOLIDATED CASH FLOW STATEMENT Indirect method (in thousands of Euro)	Amount	
	31.12.2022	31.12.2021
A. OPERATING ACTIVITIES		
1. Operations	**158.844**	**231.100**
- profit (loss) for the year (+/-)	141.887	102.303
- profit/loss on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	(13.332)	(9.826)
- net credit risk losses/reversals (+/-)	(54.300)	(45.338)
- net impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	16.915	18.733
- net allocations to provisions for risks and charges and other expenses/income (+/-)	(3.166)	21.338
- unpaid taxes, duties and tax credits (+/-)	69.909	47.571
- other adjustments (+/-)	931	96.319
2. Cash flows generated/absorbed by financial assets	**(43.644)**	**(426.220)**
- financial assets held for trading	3.148	11.171
- other assets mandatorily measured at fair value	(37.855)	5.871
- financial assets measured at fair value through other comprehensive income	(118.717)	310.100
- financial assets measured at amortised cost	159.233	(597.068)
- other assets	(49.453)	(156.294)
3. Cash flows generated/absorbed by financial liabilities	**284.752**	**268.542**
- financial liabilities measured at amortised cost	336.014	312.260
- financial liabilities held for trading	(921)	(12.559)
- other liabilities	(50.341)	(31.159)
Net cash flows generated/absorbed by operating activities (+/-)	**399.952**	**73.422**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**62**	**-**
- sale of equity investments	12	-
- sale of property, plant and equipment	50	-
2. Cash flows absorbed by	**(17.573)**	**73.536**
- purchases of property, plant and equipment	(7.496)	(11.551)
- purchases of intangible assets	(10.077)	(9.082)
- purchases of subsidiaries and business units	-	94.169
Net cash flows generated/absorbed by investing activities (+/-)	**(17.511)**	**73.536**
C. FINANCING ACTIVITIES		
- issues/buyback of treasury shares	(19.300)	-
- distribution of dividends and other (*)	(102.466)	(83.047)
- sale/purchase of minority control	(12.922)	(132)
Net cash flows generated/absorbed by financing activities (+/-)	**(134.688)**	**(83.179)**
NET CASH GENERATED/USED DURING THE YEAR	**247.753**	**63.779**
RECONCILIATION		
OPENING CASH AND CASH EQUIVALENTS	**355.381**	**291.602**
TOTAL NET CASH GENERATED/USED DURING THE YEAR	**247.753**	**63.779**
CASH AND CASH EQUIVALENTS: EFFECT OF CHANGES IN EXCHANGE RATES	**-**	**-**
CLOSING CASH AND CASH EQUIVALENTS	**603.134**	**355.381**

(*) The balances in this item represent the cash outflow for dividend payments in the respective years. Specifically, the balance for FY 2022 includes both the distribution of the dividend on 2021 profit and the distribution of the interim dividend on 2022 profit. Instead, the FY 2021 balance 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.

Banca Ifis

Notes to the consolidated financial statements

Consolidated reports 2022

Part A - Accounting policies

A.1 - General part

Section 1 - Statement of compliance with international accounting standards

The Consolidated Financial Statements at 31 December 2022 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 2022 (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 Manager charged with preparing the company's financial reports, 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..

Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 introduced the requirement for securities issuers listed on regulated markets in the European Union to prepare their annual financial report in the XHTML language, based on the ESMA-approved European Single Electronic Format (ESEF) reporting format. For 2022, it is expected that the Consolidated Financial Statements and the consolidated Notes to the financial statements must be "branded" to the ESEF taxonomy, using an integrated computer language (iXBRL).

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.

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 do not include the items and tables required by Bank of Italy's Circular no. 262/2005 where these items are not applicable to 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 2022 have remained substantially unchanged from those adopted for the preparation of the 2021 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 deriving from the current macroeconomic context, also in consideration of the current situation relating to the macroeconomic implications connected with the military conflict involving Russia and the Ukraine, the Banca Ifis Group can indeed be considered as a going concern, in that it can be reasonably expected to continue operating in the foreseeable future. Therefore, the Consolidated Financial Statements at 31 December 2022 are 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 - Scope and methods of consolidation

The Consolidated Financial Statements of the Banca Ifis Group have been drawn up on the basis of the accounts at 31 December 2022 prepared by the directors of the companies included in the consolidation scope. The table below shows the companies belonging to the Banca Ifis Group.

1. Equity investments in exclusively controlled companies

COMPANY NAME	HEAD OFFICE	REGISTERED OFFICE	TYPE (1)	INVESTMENT		VOTING RIGHTS % (2)
				PARTICIPATING PARTICIPANT	SHARE %	
Ifis Finance Sp. z o.o.	Warsaw	Warsaw	1	Banca Ifis S.p.A.	100%	100%
Ifis Rental Services S.r.l.	Milan	Milan	1	Banca Ifis S.p.A.	100%	100%
Ifis Npl Investing S.p.A.	Florence, Milan and Mestre (Province of Venice)	Mestre (Province of Venice)	1	Banca Ifis S.p.A.	100%	100%
Cap.Ital.Fin. S.p.A.	Naples	Naples	1	Banca Ifis S.p.A.	100%	100%
Ifis Npl Servicing S.p.A.	Mestre (Province of Venice)	Mestre (Province of Venice)	1	Ifis Npl Investing S.p.A.	100%	100%
Ifis Finance I.F.N. S.A.	Bucharest	Bucharest	1	Banca Ifis S.p.A.	99,99%	99,99%
Banca Credifarma S.p.A. (3)	Rome	Rome	1	Banca Ifis S.p.A.	87,74%	87,74%
Ifis Npl 2021-1 SPV S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	1	Banca Ifis S.p.A.	51%	51%
Indigo Lease S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	4	Other	0%	0%
Ifis ABCP Programme S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	4	Other	0%	0%
Emma S.P.V. S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	4	Other	0%	0%

Key

(1) Type of relationship:

1 = majority of voting rights in the Annual Shareholders' Meeting

2 = dominant influence in the Annual Shareholders' Meeting

3 = agreements with other shareholders

4 = other forms of control

5 = joint management pursuant to Article 26, paragraph 1, Italian Legislative Decree no. 87/92

6 = joint management pursuant to Article 26, paragraph 2, Italian Legislative Decree no. 87/92

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

(3) Company resulting from the merger of the subsidiary Credifarma S.p.A. into the company, also a subsidiary, Farbanca S.p.A.

With regard to the companies included in the scope of consolidation at 31 December 2022, the following changes were recorded in the list of companies in the table above compared to the situation at end 2021:

- Following the merger by incorporation of Credifarma into Farbanca that took place on 11 April 2022 (the transaction "under common control"), these two companies were replaced by Banca Credifarma, the new company name of the merging company post-merger (for more details on the transaction in question, please refer to section "Significant events during the year" of the Directors' Report on the Group);

- Ifis Real Estate is no longer present, whose 100% stake held by Ifis Npl Servicing was fully sold to Resolute Asset Management Italy S.r.l. on 11 May 2022 with the consequent loss of control, for a price of 50 thousand Euro and transferring losses for 101 thousand Euro entered under "profit (loss) from sale of investments" (again, see section "Significant events during the year" for more information);
- During the fourth quarter of 2022, the securitisation transaction carried out by the vehicle company "Urano Spv S.r.l." and resulting from the acquisition of the business unit of the former Aigis Banca, which envisaged Banca Ifis fully subscribing to the single-tranche securities issued and having as underlying loans from a third-party bank, was completed. As a consequence of this closure, the prerequisites for the control of the vehicle pursuant to IFRS 10 no longer existed at 31 December 2022, and Urano Spv was therefore excluded from the Banca Ifis Group's scope of consolidation as at that date.

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.

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

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the new valuation still shows a fair value of the net assets acquired higher than the amount, the difference (profit) is recognised in the income statement.

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

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

The consolidation process of the subsidiaries resulted in the following goodwill being recognised under the item intangible assets: 38,0 million Euro for the consolidation of the former Fbs Group, acquired in 2019 and 0,8 million Euro for the Polish subsidiary Ifis Finance Sp. z.o.o., acquired in 2006.

This goodwill was subject to an impairment test at 30 June 2022, as at that date the presence of loss indicators was identified (the "Trigger Events") which, on the basis of IAS 36, require such a test to be performed. The outcome of this test was positive for the goodwill associated with the former Fbs Group while, with reference to the goodwill relating to the Polish company Ifis Finance Sp. z o.o., the analyses conducted determined the need to proceed, on a prudential basis, with its full write-down. Therefore, impairment of 0,8 million Euro was allocated to the item "Value adjustments of goodwill" in the Income Statement. For more details on this impairment as at 30 June 2022, please refer to the Banca Ifis Group's "Consolidated Half-Year Financial Report at 30 June 2022".

The residual goodwill outstanding at 31 December 2022, amounting to 38,0 million Euro and entirely related to the consolidation of the former Fbs Group, 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 - Information on the Consolidated Statement of Financial Position, Assets, Section 10 - Intangible assets - Item 100, paragraph 10.3 Other information.

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. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss for the year and each component of other comprehensive income are attributed to the equity holders of the parent company 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 controlled by means of holding the majority of voting rights (companies with relationship type "1" in the table above), as well as the SPVs (Special Purpose Vehicles) set up for securitisation purposes, for which control is considered to exist in accordance with IFRS 10; in the scope of consolidation at the reporting date. These SPVs, with the exception of the vehicle Ifis Npl 2021-1 SPV S.r.l. for which the Group holds the majority of the shares, are not companies legally belonging to the Banca Ifis Group (in this regard, see the section entitled "The Banca Ifis Group", where such SPVs are not included).

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
Banca Credifarma S.p.A.	12,26%	12,26%	-

(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) for the period from continuing operations	Profit (loss) from current operations after tax	Profit (loss) of disposal groups, net of taxes	Profit (loss) for the year (1)	Other comprehensive income, net of taxes (2)	Comprehensive income (3) = (1) + (2)
Banca Credifarma S.p.A.	785.633	67.675	694.083	1.369	641.003	101.399	21.116	25.819	(14.440)	9.796	6.529	-	6.529	(30)	6.499

4 Significant restrictions

There are 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 is 31 December 2022.

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 on the Group in respect of the events occurring after year end and up to the date on which the Consolidated Financial Statements are prepared.

Section 5 - Other aspects

Risks, uncertainties and impacts of the COVID-19 epidemic

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 of the Consolidated Financial Statements and Report, “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 of the Consolidated Financial Statements and Report, “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 the Consolidated Financial Statements and Report, 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 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.

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, implemented various 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.

Risks and uncertainties related to estimates

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

Specifically, it made estimates on the carrying amounts of some items recognised in the Consolidated Financial Statements at 31 December 2022, 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 2022.

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 (TFR);
- goodwill, other intangible assets and gain on bargain purchase.

For the types of assets listed above (with the exception of provisions for risks and charges and employee severance indemnities), the principal issues regarding risks and uncertainties associated with estimates are discussed in the following paragraphs. As instead regards the situations relative to provisions for risks and charges and post-employment benefits, reference should be made to the valuation criteria described in paragraph "A.2 - Main items of the financial statements" of the Consolidated Financial Statements and Report.

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

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

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 addition to the above, judicial operations involve also collection efforts, i.e. foreclosure proceedings, which consist of several stages and apply to portfolios originated in corporate, banking, or real estate segments where cash flows are measured by means of the manager's analytical forecasts.

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

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

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 (NHS) 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.

The health emergency at the beginning of March 2020 and the outbreak of war in Ukraine at the end of February 2022 generated a slowdown in global economic growth that prompted institutions to consider a significant increase in credit risk. This has led the Group to make prudent corrections in respect of relations with counterparties belonging to certain economic segments considered to be at higher risk of impact from COVID-19 and the risk deriving from the Russia-Ukraine conflict, the inflation scenario and the slow to economic growth.

In particular, during 2022, the prudential adjustments applied to define the additional provisions previously accounted for as a result of the pandemic context were revised, also in light of the fact that the deterioration of the portfolio was, on the whole, less pronounced than assumed.
At the same time, some prudent corrections have been made, to take into account the current macroeconomic environment strongly influenced by the impact of rising energy prices on inflationary dynamics, the recessionary effects linked to the Russian-Ukrainian conflict and, last but not least, the risk linked to the persistence of the Covid-19 pandemic. Prudential adjustments to cover these risks, viewed as a whole, were therefore re-evaluated during the year.
With regard to Forward Looking information, the macroeconomic scenarios incorporated in the risk parameter estimates were updated. These scenarios are sourced from various sources in order to ensure a good coverage of information and to factor in the aspects mentioned above.
Finally, the collection times for receivables and portfolios of receivables secured by real estate for which bankruptcy proceedings are in progress have been reviewed to reflect the aforementioned suspension of real estate execution, also in the Commercial & Corporate Banking Segment.
Reference should be made to the information given in paragraph "A.2 - Main items of the financial statements" of these Consolidated Notes.

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 - DCF - method).
If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the new valuation still shows a fair value of the net assets acquired higher than the amount, the difference (profit) is recognised in the income statement as "gain on bargain purchase".
Thereafter, in accordance with IAS 36, goodwill must be impairment tested annually, to check that the value can be recovered. IAS 36 also requires, moreover, at each balance sheet date, including, therefore, the interim closures, an analysis aimed at identifying the presence of any loss indicators (termed "Trigger Events") when the impairment test of the goodwill/intangible assets subject to analysis is carried out. The recoverable value is the greater of Value in Use and fair value, net of the costs of sale.
In order to determine the value in use of goodwill allocated to the cash generating units ("CGUs") making it up, the Banca Ifis Group estimates both future cash flows in the explicit forecasting period and flows used to determine the terminal value. In a similar fashion, the Group also estimates the discounting rate of future cash flows previously estimated. The discounting rate has been determined by the Group using the "Capital Asset Pricing Model" (CAPM).
We would refer you to the more detailed information given in "Part B - Information on the Consolidated Statement of Financial Position, Assets", "Section 10 - Intangible assets - Item 100", Paragraph "10.3 Other information" of these Consolidated Notes.

Coming into effect of new accounting standards

Standards issued, effective and applicable to these financial statements

The Consolidated Financial Statements at 31 December 2022 have been drawn up in accordance with the IAS/IFRS accounting standards in force at the reporting date. See "Section 1 - 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 2021.

The Group has also adopted for the first time some accounting standards and amendments effective for years beginning on or after 1 January 2022. 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 2022:

- "Amendments to IFRS 3 Business Combinations";
- "Amendments to IAS 16 Property, Plant and Equipment";
- "Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets";
- "Annual Improvements to IFRS Standards 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41".

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

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 2023 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 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);
- "Amendments to IFRS 16 Lease Liability in a Sale and Leaseback" (from 1 January 2024);
- "Amendments to IAS 1 Non-current Liabilities with Covenants" (from 1 January 2024).

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 Annual Financial Report, including the draft Separate Financial Statements, the Directors' Report, and the declaration as per Article 154-bis, paragraph 5. The Board of Directors approved the Parent company's draft Separate Financial Statements and the Consolidated Financial Statements on 9 March 2023; the Parent company's Separate Financial Statements will be submitted to the Shareholders' Meeting to be held on 20 April 2023 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 designated 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 "HTC - Held to Collect" (whose objective is to hold the asset to collect contractual cash flows) nor "HTC&S - 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").

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 ("HTC&S - 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 ("HTC - 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:

- loans and advances to banks, with the exception of loans and advances on demand (which 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;
    - repurchase and reverse repurchase agreements;
    - receivables arising from finance leases;
    - salary- or pension-backed loans (CQS-CQP) or payment delegations (DP).
- 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, the Group 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 (LCA), or is subject to any insolvency proceedings.

Derecognitions are directly recorded under "Net credit risk losses/reversals" 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 credit risk losses/reversals".
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.

6 - 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 (RoU) 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 year 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.

7 - 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.
Intangible assets include technology-based intangible assets, such as application software, which are amortised in accordance with their expected technological obsolescence.

Recognition criteria

Intangible assets initially 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.
in particular, costs incurred internally for the development of software projects constitute intangible assets and are only capitalised if all of the following conditions are met:

- the cost attributable to the development activity can be reliably determined,
- there is the intention, the availability of financial resources and the technical capacity to make the asset ready for use or sale,
- it can be demonstrated that the asset is able to produce future economic benefits. Capitalised software development costs include only those expenses incurred that can be directly attributed to the development process.

Capitalised development costs are amortised systematically over the estimated product/service life, so that the amortisation method reflects the way in which the asset's future economic benefits are expected to be consumed by the entity during the period running from the start of production and until the end of the estimated life.
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 (VIU).

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.

8 - Non-current assets and disposal groups

Non-current assets or groups of assets/liabilities for which a process of disposal has begun and their sale is considered highly probable are classified under the item of the assets "Non-current assets and disposal groups" and the item of the liabilities "Liabilities associated with assets held for sale". With the exception of certain types of assets (e.g. financial assets coming under the scope of application of IFRS 9), for which IFRS 5 specifically establishes that the measurement criteria of the relevant accounting standard must be applied, these assets/liabilities are otherwise measured at the lower of carrying amount and their fair value net of selling costs.

Income and expenses (net of the tax effect) attributable to asset disposal groups held for sale or recognized as such during the year, are presented in the income statement in a separate item.

9 - 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 tax (IRES) expense for the year is included in either Other assets or Other liabilities as receivables due from/payables due to the consolidating company, La Scogliera, in accordance with tax legislation.

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.

10 - 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.

11 - 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 (i.e., 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, extinguished 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.

12 - Financial liabilities held for trading

Classification criteria

Financial liabilities held for trading refer to derivative contracts that are not hedging instruments in accordance with IFRS 9.

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 period closure, 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, namely when the obligation is fulfilled, cancelled or expired. The difference arising from their derecognition is recognised in profit or loss.

14 - 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 period-end rate or the rate in force at the end of the interim period. 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.

16 - Other information

Post-employment benefits (TFR)

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 income statement 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.

Interest and similar income and expenses relate to cash and cash equivalents, financial assets measured at fair value with impact on profit or loss, financial assets measured at fair value with impact on comprehensive income, financial liabilities held for trading and those measured at amortised cost.

Interest income and expenses are recognised in the income statement for all instruments measured at amortised cost, using the effective interest rate method.

Interest also includes the net positive or negative balance of differentials and margins on financial derivative contracts.

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 receivables 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.

Depending on the business model under which the asset is managed, POCI may be classified as 'financial assets measured at fair value with impact on comprehensive income' (in the case of the 'HC&S - Held to Collect & Sell' model) or as 'financial assets measured at amortised cost' (in the case of the 'HTC - Held to Collect' business model). As previously mentioned, interest is accounted for by applying a credit-adjusted effective interest rate, i.e. the rate that, upon initial recognition, discounts all the asset's estimated future cash 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, whereas IFRS 9 requires an ECL estimated over a 12-month horizon for Stage 1 assets.

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 financial year, interest income accrued on the basis of the original effective interest rate is recognised under Interest Income. Such interest is calculated as follows: Amortised Cost at the beginning of the financial year x IRR/365 x days in the year;
    - in addition, at the end of each financial year, 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 financial year), this change is also recognised under "Credit risk losses/reversals" on the income statement.

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.

For the purposes of estimating impairment losses on performing loans, the Group has adopted a method to determine the "significant" increase in credit risk since initial recognition: this requires classifying instruments within stage 1 and stage 2 by combining quantitative and qualitative information.

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: IFRS 9 establishes that, regardless of how the entity assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The entity can rebut this presumption if it has reasonable and supportable information that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. However, the Ifis Group has not pursued this option;
    - Forbearance: according to this criterion, a financial instrument is allocated to Stage 2 when the Group classifies the exposure as forborne;
    - Watchlist: this requires identifying qualitative deterioration criteria defined by the Group as part of the process for defining especially risky positions during credit monitoring.

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

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

The measurement of expected credit losses (ECLs) accounts for cash shortfalls, the probability of default, 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);
- definition of the stage allocation transfer logic;
- calculation of the expected credit losses including point-in-time factors;
- calculation of the expected credit losses including forward-looking elements.

Concerning the exposures to banks, central governments, and public-sector entities (low default portfolios), the Group used default rates associated with migration matrices based on public information provided by the ratings agency Moody's or external providers.

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

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

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

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 function 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.

Offsetting of financial instruments

Pursuant to IAS 32, paragraph 42, financial assets and financial liabilities are netted and shown in the financial statements for the net balance if the entity:

- has a legal right to effect such set-off, which is currently exercisable in all circumstances, whether in the ordinary course of business or in default, insolvency or bankruptcy of the parties;
- intends to settle transactions on a net settlement basis or on a gross settlement basis whose substantive effects are equivalent to a net settlement.

Business combinations

Business combinations are subject to the rules of IFRS 3.

The transfer of control of a business (or an integrated set of activities and assets operated and managed together) constitutes a business combination.

To this end, control is considered transferred when the investor is exposed or entitled to variable returns from its involvement with the investee and, at the same time, has the ability to affect those returns through its power over the entity.

IFRS 3 demands that an acquirer be identified for all business combinations. This is defined as the entity that acquires control over another entity or group of assets. If it is not possible to identify a controlling entity on the basis of the above definition of control, such as, for example, may be the case in exchanges of equity interests, the acquirer shall be identified using factors such as: the entity whose fair value is significantly greater, the entity that pays a cash consideration or the entity that issues new equity interests.

The acquisition, and therefore, the initial consolidation of the acquiree, must be recognised on the date on which the acquirer effectively acquires control over the company or assets acquired. When the transaction takes the form of a single transfer, the transfer date normally coincides with the acquisition date. However, it is important to check for the possible presence of agreements between the parties that may result in the effective transfer of control before the date of the exchange.

The consideration paid as part of a business combination must be calculated as the sum of the fair value, at the date of the exchange, of the assets acquired, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control.

In transactions involving payment in cash (or when payment is made using cash-equivalent financial instruments), the price is the agreed consideration, discounted if payment is to be made in instalments over the medium or long-term. If payment is made using an instrument other than cash, such as through the issue of equity instruments, the price is equal to the fair value of the means of payment, net of the costs directly attributable to the capital issue. For the methods used to determine the fair value of financial instruments, please refer to paragraph “A.4 - Fair value disclosure”, with the caveat that, in the presence of shares listed on active markets, the fair value is represented by the stock market price on the date of acquisition or, in the absence thereof, by the last available price.

Adjustments subject to future events are included in the consideration of the business combination at the acquisition date, if provided for in the agreements and only if probable, able to be reliably determined and realised within twelve months of the date on which control is acquired. Instead, indemnities for a reduction of the value of the assets used are not considered insofar as they are already taken into account, either in the fair value of

the equity instruments or as a reduction of the premium or increase in the discount on the initial issue (for debt instruments).

Acquisition-related costs are the costs the acquirer incurs to effectively implement a business combination. By way of example, these may include professional fees paid to auditors, experts, legal consultants, costs for appraisals and the auditing of accounts, preparation of information documents required by regulations, as well as finder's fees paid to identify potential targets to be acquired if it is contractually established that the payment is made only in the event of a successful completion of the combination, as well as the costs of registering and issuing debt and equity securities.

With the exception of the costs of issuing debt or equity securities (which shall be recognised in accordance with IAS 32), the acquirer shall recognise acquisition-related costs in the periods in which these costs are incurred and the services are received.

Business combinations are accounted for using the "acquisition method", under which the identifiable assets acquired (including any intangible assets not previously recognised by the acquiree) and the identifiable liabilities assumed (including contingent liabilities) are recognised at their respective fair values at the acquisition date.

In addition, as expressly envisaged by IFRS 3, for each business combination, any non-controlling interests in the acquiree can be recognised at fair value (with a consequent increase in the consideration transferred) or proportionally to the non-controlling stake in the identifiable net assets of the acquiree.

If control is acquired in stages, the acquirer shall measure its previously held equity interest in the acquiree at its acquisition date at fair value; it shall recognise any difference compared to the previous carrying amount through profit or loss.

The surplus amount of the consideration transferred (i.e. the fair value of the assets transferred, the liabilities incurred or the equity instruments issued by the acquirer), the amount of any non-controlling interests (determined as described above) and the fair value of interests previously held by the acquirer, exceeding the fair value of the assets and liabilities acquired, shall be recognised as goodwill. Conversely, if the latter should exceed the sum of the consideration, non-controlling interests and fair value of previously held interests, the difference shall be recognised through profit or loss.

Business combinations may be accounted for provisionally by the end of the financial year in which they are performed with final balance calculated and booked within twelve months of the acquisition date.

Pursuant to IFRS 10, the acquisition of additional stakes in entities that are already controlled are considered equity transactions, i.e. transactions with shareholders acting in this same capacity. Therefore, differences between the acquisition costs and the book value of non-controlling interests acquired are recorded under Group shareholders' equity; similarly, sales of non-controlling interests without loss of control do not generate gains/losses recognised in profit or loss but rather are recognised as changes in Group equity.

Transactions implemented to obtain control over one or more entities that do not constitute a business or to obtain temporary control are not business combinations. Equally, transactions carried out for reorganisation purposes, between two or more companies or activities that already belong to the Group and not involving a change in the control structure regardless of the percentage of third-party rights before and after the transaction, are also not business combinations; these may be referred to as combinations of entities under common control. Such transactions are considered as having no economic substance. Accordingly, in the absence of an IAS/IFRS specifically applicable to the transaction and in compliance with the assumptions of IAS 8, which requires that – in the absence of a specific standard – an entity shall use its judgement in applying an accounting standard that produces relevant, reliable and prudent information able to reflect the economic substance of the transaction, such transactions are accounted for by retaining the values of the acquiree in the financial statements of the acquirer.

Mergers are the most complete form of business combination, as they entail the legal and financial merging of the entities participating in the transaction.

Whether they involve the formation of a new legal entity (merger of equals) or the absorption of one entity by another existing entity, mergers are treated in accordance with the criteria set out above. Specifically:

- if the transaction involves the transfer of control of an entity, it is treated as a business combination pursuant to IFRS 3;

- if the transaction does not involve the transfer of control, it is accounted for by retaining the carrying values.

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

No financial assets were transferred between portfolios during 2022.

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, consideration is always given to the value of potentially making valuation adjustments taking into account the risk premiums that operators typically consider in pricing instruments. If not explicitly considered in the valuation model, valuation adjustments may include:

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

As for the measurement of financial assets and liabilities measured at fair value on a recurring basis, the Group applies the Discounted Cash Flow (DCF) Model to receivables mandatorily measured at fair value, discounting the expected cash flows from each loan at a market rate determined by taking into account the risk free rate (r_f) for similar maturities, the Cost of Funding (COF), the counterparty's credit risk, and the capital absorption cost.

In order to measure unquoted equity instruments, the 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 (NAV) 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 above-specified DCF Model, i.e. the discounting of expected future cash flows at a risk-free rate (r_f) for the same maturity, increased by a spread representative of the counterparty's risk of default plus a liquidity premium.

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

portfolio. As for individual management (judicial operations), the projections of future cash flows are based on an internal algorithm or defined by the manager according to how the underlying receivable is being processed.
As for acquired tax receivables, 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. They are transferred from Level 2 to Level 3 when some inputs relevant in measuring fair value are not directly observable at the measurement date.
For equity instruments measured at fair value, the Level transfer takes place when:

- observable inputs became available during the financial year (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, and so 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)	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	32.399	25.598	164.091	1.474	7.004	144.660
a) financial assets held for trading	*1.270*	*25.598*	*-*	*1.474*	*7.004*	*-*
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	*31.129*	*-*	*164.091*	*-*	*-*	*144.660*
2. Financial assets measured at fair value through other comprehensive income	631.016	-	66.595	575.409	-	38.604
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**663.415**	**25.598**	**230.686**	**576.883**	**7.004**	**183.264**
1. Financial liabilities held for trading	-	25.982	-	-	5.992	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**25.982**	**-**	**-**	**5.992**	**-**

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 2022, the impact of the application of the Credit Value Adjustment on the assets of derivatives with a positive mark-to-market is 10 thousand Euro (relating to trading derivatives); with regard to instruments with a negative mark-to-market, there is no impact of the application of the Debit Value Adjustment on the assets of derivatives.

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 designated at fair value*	*of which: c) other financial assets mandatorily measured at fair value*				
1. Opening balance	**144.660**	**-**	**-**	***144.660***	**38.604**	**-**	**-**	**-**
2. Increases	**74.187**	**-**	**-**	***74.187***	**30.106**	**-**	**-**	**-**
2.1. Purchases	50.838	-	-	*50.838*	25.614	-	-	-
2.2. Profit taken to:	20.889	-	-	*20.889*	-	-	-	-
2.2.1. Income Statement	20.889	-	-	*20.889*	-	-	-	-
- of which capital gains	*15.040*	-	-	*15.040*	-	-	-	-
2.2.2. Equity	-	*X*	*X*	*X*	4.492			
2.3. Transferred from other Levels	-	-	-	-	-	-	-	-
2.4. Other increases	2.460	-	-	*2.460*	-	-	-	-
3. Decreases	**54.756**	**-**	**-**	***54.756***	**2.115**	**-**	**-**	**-**
3.1. Sales	43.568	-	-	*43.568*	1.642	-	-	-
3.2. Reimbursements	1.183	-	-	*1.183*	-	-	-	-
3.3. Losses taken to:	9.987	-	-	-	-	-	-	-
3.3.1. Income Statement	9.987	-	-	*9.987*	-	-	-	-
- of which capital losses	*7.228*	-	-	*7.228*	-	-	-	-
3.3.2. Equity	-	*X*	*X*	*X*	428	-	-	-
3.4. Transferred to other Levels	-	-	-	-	-	-	-	-
3.5. Other decreases	18	-	-	*18*	45	-	-	-
4. Closing balance	**164.091**	**-**	**-**	***164.091***	**66.595**	**-**	**-**	**-**

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)	31.12.2022				31.12.2021			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	10.752.694	2.121.051	-	8.610.143	10.856.795	2.232.706	-	8.740.920
2. Property, plant and equipment held for investment purpose	423	-	-	423	485	-	-	485
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	**10.753.117**	**2.121.051**	**-**	**8.610.566**	**10.857.280**	**2.232.706**	**-**	**8.741.405**
1. Financial liabilities measured at amortised cost	11.130.698	1.002.626	64.192	10.410.567	10.786.588	1.059.227	-	10.171.747
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**11.130.698**	**1.002.626**	**64.192**	**10.410.567**	**10.786.588**	**1.059.227**	**-**	**10.171.747**

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 2022.

Part B - Information on the Consolidated Statement of Financial Position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31.12.2022	31.12.2021
a) Cash	37	69
b) Current accounts and on demand deposits at Central banks	370.021	-
c) Current accounts and on demand deposits at banks	233.076	355.312
Total	**603.134**	**355.381**

At 31 December 2022 this item amounts to 603,1 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. The increase compared to 31 December 2021 is essentially attributable to the creation of an overnight deposit with the Bank of Italy in the amount of 370,0 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	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	677	-	-	713	-	-
1.1 Structured	-	-	-	-	-	-
1.2 Other debt securities	677	-	-	713	-	-
2. Equity securities	593	-	-	761	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**1.270**	**-**	**-**	**1.474**	**-**	**-**
B. Derivatives						
1. Financial derivatives	-	25.598	-	-	7.004	-
1.1 held for trading	-	25.598	-	-	7.004	-
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)	**-**	**25.598**	**-**	**-**	**7.004**	**-**
Total (A+B)	**1.270**	**25.598**	**-**	**1.474**	**7.004**	**-**

The financial assets held for trading outstanding at 31 December 2022 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	31.12.2022	31.12.2021
A. Cash assets		
1. Debt securities	**677**	**713**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	676	712
d) Other financial companies	1	1
of which: insurance companies		-
e) Non-financial companies	-	-
2. Equity securities	**593**	**761**
a) Banks	593	506
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	255
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)	**1.270**	**1.474**
B. Derivatives		
a) Central Counterparties	-	-
b) Other	25.598	7.004
Total (B)	**25.598**	**7.004**
Total (A+B)	**26.868**	**8.478**

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

Items/Amounts	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**31.129**	**-**	**41.714**	**-**	**-**	**15.889**
1.1. Structured	-	-	-	-	-	-
1.2. Other debt securities	31.129	-	41.714	-	-	15.889
2. Equity securities	**-**	**-**	**34.979**	**-**	**-**	**26.490**
3. UCITS units	**-**	**-**	**70.209**	**-**	**-**	**79.052**
4. Loans	**-**	**-**	**17.189**	**-**	**-**	**23.229**
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2. Others	-	-	17.189	-	-	23.229
Total	**31.129**	**-**	**164.091**	**-**	**-**	**144.660**

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

Debt securities increase substantially due to the purchase of bank subordinated securities during the year for a total of 31,1 million Euro, all classified as Level 1 assets.
Debt securities classified as Level 3 are instead represented by junior, mezzanine and single-tranche securities related to securitisation transactions totalling 41,7 million Euro at 31 December 2022 (15,9 million Euro at the end of 2021).
Equity securities refer to transactions of the Equity Investment segment in minority shares of industrial companies.

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

	31.12.2022	31.12.2021
1. Equity securities	**34.979**	**26.490**
of which: banks	-	-
of which: other financial companies	*1.844*	*2.137*
of which: non-financial companies	*33.135*	*24.353*
2. Debt securities	**72.843**	**15.889**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	31.129	-
d) Other financial companies	41.714	15.889
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	**70.209**	**79.052**
4. Loans	**17.189**	**23.229**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	116	2.642
of which: insurance companies	-	-
e) Non-financial companies	17.073	20.587
f) Households	-	-
Total	**195.220**	**144.660**

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	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**589.638**	**-**	**-**	**515.278**	**-**	**-**
1.1 Structured	6.006	-	-	1.513	-	-
1.2 Other debt securities	583.632	-	-	513.765	-	-
2. Equity securities	**41.378**	**-**	**66.595**	**60.132**	**-**	**38.603**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**631.016**	**-**	**66.595**	**575.410**	**-**	**38.603**

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

Level 1 "other debt securities" refer for 400,3 million to Italian and foreign Government bonds.
Equity securities measured at fair value with an impact on comprehensive income amount to 108,0 million Euro at 31 December 2022, up 9,4% on 31 December 2021, and are mainly attributable to shares in the Bank of Italy (50,0 million Euro) and interests in leading companies in the banking and insurance sector, the energy sector and telecommunications, both Italian (26,6 million Euro) and foreign (31,4 million Euro). The increase of 9,2 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.

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

Items/Amounts	31.12.2022	31.12.2021
1. Debt securities	**589.638**	**515.278**
a) Central Banks	-	-
b) Public Administrations	403.247	469.647
c) Banks	107.267	8.585
d) Other financial companies	29.023	10.889
of which: insurance companies	-	-
e) Non-financial companies	50.101	26.157
2. Equity securities	**107.973**	**98.735**
a) Banks	58.638	40.673
b) Other issuers:	49.335	58.062
- other financial companies	13.331	10.795
of which: insurance companies	*6.860*	*10.470*
- non-financial companies	36.004	47.267
- 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	**697.611**	**614.013**

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 one	*of which: Low credit risk instruments*	Stage two	Stage three	Purchased or originated impaired	Stage one	Stage two	Stage three	Purchased or originated impaired	
Debt securities	590.721	*590.721*	-	-	-	(1.083)	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2022	**590.721**	***590.721***	**-**	**-**	**-**	**(1.083)**	**-**	**-**	**-**	**-**
Total 31.12.2021	**515.529**	***515.529***	**-**	**-**	**-**	**(251)**	**-**	**-**	**-**	**-**

(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	31.12.2022						31.12.2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages one and two	Stage three	Purchased or originated impaired	L1	L2	L3	Stages one and two	Stage three	Purchased or originated impaired	L1	L2	L3
A. Receivables due from Central banks	**6.145**	**-**	**-**	**-**	**-**	**6.145**	**351.145**	**-**	**-**	**-**	**-**	**348.802**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	6.145	-	-	X	X	X	29.367	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	321.778	-	-	X	X	X
B. Receivables due from banks	**559.617**	**-**	**-**	**515.273**	**-**	**32.753**	**173.846**	**-**	**-**	**140.477**	**-**	**35.667**
1. Loans	33.466	-	-	-	-	30.043	33.415	-	-	-	-	33.415
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Term deposits	2.605	-	-	X	X	X	26.665	-	-	X	X	X
1.3 Other loans:	30.861	-	-	X	X	X	6.750	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Financing for leasing	273	-	-	X	X	X	364	-	-	X	X	X
- Other	30.588	-	-	X	X	X	6.386	-	-	X	X	X
2. Debt securities	526.151	-	-	515.273	-	2.710	140.431	-	-	140.477	-	2.252
2.1 Structured	9.413	-	-	7.189	-	2.180	9.428	-	-	7.310	-	2.252
2.2 Other debt securities	516.738	-	-	508.084	-	530	131.003	-	-	133.167	-	-
Total	**565.762**	**-**	**-**	**515.273**	**-**	**38.898**	**524.991**	**-**	**-**	**140.477**	**-**	**384.469**

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	31.12.2022						31.12.2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages one and two	Stage three	Purchased or originated impaired	L1	L2	L3	Stages one and two	Stage three	Purchased or originated impaired	L1	L2	L3
1. Loans	**6.441.261**	**265.384**	**1.551.205**	**-**	**-**	**8.355.701**	**6.541.117**	**250.697**	**1.536.960**	**-**	**-**	**5.922.874**
1. Current accounts	97.875	9.887	184.823	X	X	X	58.211	17.903	190.926	X	X	X
2. Reverse repurchase agreements	-	-	5	X	X	X	-	-	-	X	X	X
3. Loans/mortgages	2.202.956	60.691	137.196	X	X	X	2.188.700	62.608	156.781	X	X	X
4. Credit cards, personal loans and salary-backed loans	37.003	1.618	539.587	X	X	X	30.980	2.333	674.979	X	X	X
5. Financing for leasing	1.284.262	13.752	5.886	X	X	X	1.205.257	16.346	516	X	X	X
6. Factoring	2.238.368	165.310	1.697	X	X	X	2.459.510	143.713	1.334	X	X	X
7. Other loans	580.797	14.126	682.011	X	X	X	598.459	7.794	512.424	X	X	X
2. Debt securities	**1.929.082**	**-**	**-**	**1.605.782**	**-**	**212.122**	**2.003.030**	**-**	**-**	**1.823.274**	**-**	**200.867**
2.1. Structured	13.374	-	-	10.003	-	2.375	8.968	-	-	8.329	-	596
2.2. Other debt securities	1.915.708	-	-	1.595.779	-	209.747	1.994.062	-	-	1.814.945	-	200.271
Total	**8.370.343**	**265.384**	**1.551.205**	**1.605.782**	**-**	**8.567.823**	**8.544.147**	**250.697**	**1.536.960**	**1.823.274**	**-**	**6.123.741**

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.
At 31 December 2022, other debt securities include 1.541,5 million Euro in Italian and foreign 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	31.12.2022			31.12.2021		
	Stages one and two	Stage three	Purchased or originated impaired	Stages one and two	Stage three	Purchased or originated impaired
1. Debt securities	**1.929.082**	**-**	**-**	**2.003.030**	**-**	**-**
a) Public Administrations	1.571.496	-	-	1.675.663	-	-
b) Other financial companies	265.931	-	-	248.510	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	91.655	-	-	78.857	-	-
2. Loans to:	**6.441.261**	**265.384**	**1.551.205**	**6.541.117**	**250.697**	**1.536.960**
a) Public Administrations	288.171	120.305	738	614.690	77.345	625
b) Other financial companies	239.508	10.083	1.302	136.389	7.874	1.526
of which: insurance companies	*1.566*	*29*	-	*377*	-	-
c) Non-financial companies	5.208.079	113.570	182.929	5.080.049	142.237	194.066
d) Households	705.503	21.426	1.366.236	709.989	23.241	1.340.743
Total	**8.370.343**	**265.384**	**1.551.205**	**8.544.147**	**250.697**	**1.536.960**

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 one	*of which: Low credit risk instruments*	Stage two	Stage three	Purchased or originated impaired	Stage one	Stage two	Stage three	Purchased or originated impaired	
Debt securities	2.459.939	*2.459.939*	-	-	-	(4.706)	-	-	-	-
Loans	5.966.084	*680.283*	502.085	481.150	1.593.397	(79.369)	(14.440)	(151.446)	-	(40.398)
Total 31.12.2022	**8.426.023**	***3.140.222***	**502.085**	**481.150**	**1.593.397**	**(84.075)**	**(14.440)**	**(151.446)**	**-**	**(40.398)**
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)**

(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 forbearance measures, or which constitute new liquidity granted by means of public guarantee mechanisms.

	Gross amount					Overall impairment losses/reversals				Overall partial write-offs
	Stage one	*of which: Instruments with low credit risk*	Stage two	Stage three	Purchased or originated impaired	Stage one	Stage two	Stage three	Purchased or originated impaired	
1. Loans subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	-	-	-
2. Loans subject to outstanding moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
4. New funding	444.639	*1.772*	39.866	13.325	4.392	(3.206)	(540)	(2.572)	-	-
Total 31.12.2022	**444.639**	***1.772***	**39.866**	**13.325**	**4.392**	**(3.206)**	**(540)**	**(2.572)**	**-**	**-**
Total 31.12.2021	**604.757**	**-**	**41.364**	**5.776**	**10.447**	**(1.781)**	**(632)**	**(1.286)**	**-**	**-**

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	31.12.2022	31.12.2021
1. Owned	**103.784**	**103.487**
a) Land	20.297	20.297
b) Buildings	64.847	68.414
c) Furniture	3.006	3.145
d) Electronic equipment	4.069	3.656
e) Other	11.565	7.975
2. Rights of use acquired through leases	**22.133**	**16.284**
a) Land	-	-
b) Buildings	19.389	14.696
c) Furniture	-	-
d) Electronic equipment	98	312
e) Other	2.646	1.276
Total	**125.917**	**119.771**
of which: obtained by enforcing collateral	-	-

Property, plant and equipment for functional use come to 125,9 million Euro as compared with 119,8 million Euro at 31 December 2021, up mainly due to the 2022 subscription of new lease contracts within the scope of IFRS 16 for various Group offices.

At the end of the year, the properties recognised under property, plant and equipment include 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	31.12.2022				31.12.2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned	**424**	**-**	**-**	**424**	**485**	**-**	**-**	**485**
a) Land	-	-	-	-	-	-	-	-
b) Buildings	424	-	-	424	485	-	-	485
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Land	-	-	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-	-	-
Total	**424**	**-**	**-**	**424**	**485**	**-**	**-**	**485**
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 31.12.2022
A. Gross opening balance	**20.297**	**144.365**	**5.422**	**11.068**	**18.052**	**199.204**
A.1 Total net amortisation and impairment losses	-	(61.255)	(2.277)	(7.100)	(8.801)	**(79.433)**
A.2 Net opening balance	**20.297**	**83.110**	**3.145**	**3.968**	**9.251**	**119.771**
B. Increases	**-**	**11.180**	**508**	**2.292**	**7.641**	**21.621**
B.1 Purchases	-	9.839	508	2.290	7.546	**20.183**
B.2 Capitalised improvement expenses	-	211	-	-	95	**306**
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	-	1.130	-	2	-	**1.132**
C. Decreases	**-**	**(10.054)**	**(647)**	**(2.093)**	**(2.681)**	**(15.475)**
C.1 Sales	-	(427)	-	-	-	**(427)**
C.2 Depreciation	-	(4.367)	(647)	(1.925)	(2.059)	**(8.998)**
C.3 Impairment losses taken to:	-	-	-	-	(435)	**(435)**
a) equity	-	-	-	-	-	**-**
b) profit or loss	-	-	-	-	(435)	**(435)**
C.4 Fair value losses taken to:	-	-	-	-	-	**-**
a) equity	-	-	-	-	-	**-**
b) profit or loss	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Transfers to:	-	-	-	-	-	**-**
a) Investment property	-	-	X	X	X	**-**
b) Non-current assets and disposal groups	-	-	-	-	-	**-**
C.7 Other changes	-	(5.260)	-	(168)	(187)	**(5.615)**
D. Net closing balance	**20.297**	**84.236**	**3.006**	**4.167**	**14.211**	**125.917**
D.1 Total net amortisation and impairment losses	-	(65.622)	(2.924)	(9.025)	(11.295)	**(88.866)**
D.2 Gross closing balance	**20.297**	**149.858**	**5.930**	**13.192**	**25.506**	**214.783**
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. As previously mentioned in section 9.1 of this document, the prestigious property "Villa Marocco" is subject to an annual impairment test.

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

	31.12.2022	
	Land	Buildings
A. Opening balance	**-**	**485**
B. Increases	**-**	**-**
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	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**(61)**
C.1 Sales	-	-
C.2 Depreciation	-	-
C.3 Fair value losses	-	-
C.4 Impairment losses	-	(61)
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	**-**	**424**
E. Measurement at fair value	**-**	**424**

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	31.12.2022		31.12.2021	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**38.020**	**X**	**38.794**
A.1.1 attributable to the Group	X	38.020	X	38.794
A.1.2 attributable to non-controlling interests	X	-	X	-
A.2 Other intangible assets	**26.244**	**-**	**22.813**	**-**
of which: software	*25.720*	-	*22.813*	-
A.2.1 Assets measured at cost:	26.244	-	22.813	-
a) Internally generated intangible assets	524	-	-	-
b) Other assets	25.720	-	22.813	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**26.244**	**38.020**	**22.813**	**38.794**

Goodwill, amounting to 38,0 million Euro as at 31 December 2022, relates to the full consolidation process of the former Fbs Group, acquired during 2019. The reduction compared to the value of the same item at 31 December 2021, equal to 38,8 million Euro, is attributable to the full write-down of goodwill of 0,8 million Euro allocated to the Polish subsidiary Ifis Finance Sp. z o.o. as a result of the impairment test performed on 30 June 2022. More details on this can be found in section “10.3 Other information” below.

Other intangible assets at 31 December 2022 refer mainly to software purchase and development, amortised on a straight-line basis over the estimated useful life, which is 5 years from deployment.

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		FINITE	INDEF	FINITE	INDEF	
A. Gross opening balance	**39.494**	**-**	**-**	**74.258**	**-**	**113.752**
A.1 Total net amortisation and impairment losses	(700)	-	-	(51.445)	-	**(52.145)**
A.2 Net opening balance	**38.794**	**-**	**-**	**22.813**	**-**	**61.607**
B. Increases	**-**	**577**	**-**	**10.322**	**-**	**10.899**
B.1 Purchases	-	-	-	10.322	-	**10.322**
B.2 Increases in internally generated intangible assets	X	577	-	-	-	**577**
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	-	-	-	-	-	**-**
C. Decreases	**(774)**	**(53)**	**-**	**(7.415)**	**-**	**(8.242)**
C.1 Sales	-	-	-	-	-	**-**
C.2 Impairment losses/reversals	(762)	(53)	-	(7.367)	-	**(8.182)**
- Amortisation	X	(53)	-	(7.367)	-	**(7.420)**
- Impairment losses:	(762)	-	-	-	-	**(762)**
+ equity	X	-	-	-	-	**-**
+ profit or loss	(762)	-	-	-	-	**(762)**
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	(12)	-	-	-	-	**(12)**
C.6 Other changes	-	-	-	(48)	-	**(48)**
D. Net closing balance	**38.020**	**524**	**-**	**25.720**	**-**	**64.264**
D.1 Total net amortisation, impairment losses and reversals of impairment losses	(1.462)	(53)	-	(58.812)	-	**(60.327)**
E. Gross closing balance	**39.482**	**577**	**-**	**84.532**	**-**	**124.591**
F. Measurement at cost	-	-	-	-	-	**-**

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

The increases in the year in terms of purchases and increases in internal intangible assets refer, respectively, to investments for the upgrading of computer systems and the related costs associated with internal activities for their development.

10.3 Other information

Information on 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 2021.

The prospectus below summarises the goodwill values entered into the Consolidated Financial Statements at 31 December 2022 with the related dynamics during the year, divided up by cash generating unit (CGU), which represent the aggregations of assets at which level any impairment testing must be performed on goodwill, to verify the recoverable value.

In line with the Group Policy, the CGUs have been identified with the operating segments as defined in this 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, the choice has been made to perform impairment testing with a level of detail on the individual company rather than the Segment to which they belong at a comprehensive level.

These CGUs are the same as those adopted for the impairment test of the Group's goodwill at 31 December 2021.

GOODWILL: YEAR CHANGES (in thousands of Euro)	Goodwill at 31.12.2021	Exchange rates update	Write-downs	Goodwill at 31.12.2022
Goodwill for the former Fbs Group (CGU: "Npl Segment")	38.020	-	-	38.020
Goodwill Ifis Finance Sp. z o.o. ("Commercial & Corporate Banking Segment" CGU)	774	(12)	(762)	-
Total goodwill	**38.794**	**(12)**	**(762)**	**38.020**

In accordance with IAS 36, goodwill must be impairment tested at least annually, to check that the value can be recovered. The recoverable value is the greater of Value in Use (VIU) 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 on 9 February 2023, before approval of the draft 2022 Financial Statements and the 2022 Consolidated financial statements.

The impairment test as at 30 June 2022

As at 30 June 2022, the goodwill recorded was subject to impairment testing, as at that date the presence had been noted of loss indicators (or "Trigger Events") which, on the basis of IAS 36, require such a test to be performed. The outcome of this test was positive for the goodwill associated with the former Fbs Group while, with reference to the goodwill relating to the Polish company Ifis Finance Sp. z o.o., the analyses conducted determined the need to proceed, on a prudential basis, with its full write-down. Therefore, impairment of 0,8 million Euro was allocated to the item "Value adjustments of goodwill" in the Income Statement. For further

details, please refer to the paragraph "Information on goodwill" within section "4.2.1 Balance Sheet Aggregates" of the Banca Ifis Group's "Consolidated Half-Year Financial Report as at 30 June 2022".

The impairment test as at 31 December 2022

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.

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 attributable 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 attributable 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 31.12.2022 (pre-impairment testing)		
	Carrying amount	*of which Group share of goodwill*	*of which goodwill attributable to minorities*
Npl Segment	543.605	*38.020*	-
Total	**543.605**	***38.020***	**-**

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 generated 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 (r_f) 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 (β) 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 8,65% (minimum value envisaged by the last SREP received and relative to the Banca Ifis Group, including the target component, in view of greater exposure to risk in stress conditions). 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 2023-2024 period for the CGUs analysed, as approved by the Parent company's Board of Directors on 9 February 2023.

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 (r_f) component and the risk premium, it was decided, for the 2022 Financial Statements, to use:
  - the risk free rate (r_f) for the Npl Segment CGU is the point value of the gross yield of the Italian ten-year BTP, measured on 31 December 2022;
  - as Equity Risk Premium (ERP) the Market Risk Premium figure ("average" figure) determined on the basis of the long-term yield differential between Italian equities and bonds (source: Fernandez 2022);
- the Beta coefficient (β), which measures the specific riskiness of the individual company or operating sector, was determined using the average of the betas of comparable listed players with an observation period of 2 years and a weekly survey frequency.

The results of the impairment test as at 31 December 2022

The results of the impairment testing revealed that at 31 December 2022, the Value in Use of the CGU Npl Segment exceeded the respective carrying amount. There was therefore no need to impair the related 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 the CGU Npl Segment (the only CGU with residual goodwill values at 31 December 2022), 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%.

This CGU tested revealed no 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	31.12.2022	31.12.2021
A. Gross deferred tax assets	**264.257**	**284.126**
A1. Receivables (including securitisations)	173.541	206.823
A2. Other financial instruments	20.582	2.993
A3. Goodwill	10.059	12.573
A4. Expenses spanning several years	-	-
A5. Tangible assets	4.559	3.705
A6. Provisions for risks and charges	12.974	15.195
A7. Entertainment expenses	-	-
A8. Personnel-related expenses	-	135
A9. Tax losses	39.517	39.394
A10. Unused tax credits to be deducted	-	-
A11. Other	3.025	3.308
B. Set-off with deferred tax liabilities	-	**-**
C. Net deferred tax assets	**264.257**	**284.126**

Deferred tax assets amount to 264,3 million Euro, compared with 284,1 million Euro at 31 December 2021, of which 39,5 million Euro for previous tax losses and ACE benefits (39,4 million Euro at 31 December 2021).
In compliance with accounting standard IAS 12 - referred to in the “Group impairment policy” - the recoverability of deferred tax assets posted as at 31 December 2022 was assessed. The result of the assessment shows that, in the presence of future taxable income, the DTAs recorded against the deferred tax losses and ACE surpluses totalling 39,5 million Euro are fully recoverable, albeit over the medium/long term. On the contrary, the valuation confirms the uncertainty regarding the recoverability of the DTAs relating to the subsidiary Cap.Ital.Fin. realised mainly before the entry into the tax consolidation, which therefore, out of prudence, have not been recorded in the financial statements for a total of 2,4 million Euro.

11.2 Deferred tax liabilities: breakdown

The main types of deferred tax liabilities are shown below.

Deferred tax liabilities	31.12.2022	31.12.2021
A. Gross deferred tax liabilities	**30.337**	**32.455**
A1. Capital gains to be spread over multiple periods	-	-
A2. Goodwill	-	-
A3. Tangible assets	316	345
A4. Financial instruments	1.184	381
A5. Personnel-related expenses	-	12
A6. Other	28.837	31.717
B. Set-off with deferred tax assets	**-**	**-**
C. Net deferred tax liabilities	**30.337**	**32.455**

Deferred tax liabilities, totalling 30,3 million Euro, mainly include 26,0 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 1,2 million Euro relative to financial assets measured at fair value (FVOCI).

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

	31.12.2022	31.12.2021
1. Opening balance	**280.893**	**306.206**
2. Increases	**24.805**	**29.377**
2.1 Deferred tax assets recognised in the year	20.377	28.863
a) relative to previous years	122	370
b) due to change in accounting standards	-	-
c) reversals of impairment losses	-	-
d) other	20.255	28.493
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	4.428	514
3. Decreases	**61.904**	**54.690**
3.1 Deferred tax assets reversed during the year	43.775	49.624
a) reversals	40.338	38.413
b) impairment losses due to unrecoverability	190	2.221
c) change in accounting standards	-	-
d) other	3.247	8.990
3.2 Reductions in tax rates	-	-
3.3 Other decreases	18.129	5.066
a) conversion into tax credits as per Italian Law no. 214/2011	13.676	13
b) other	4.453	5.053
4. Closing balance	**243.794**	**280.893**

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

- decreases include transformed deferred tax assets in the amount of 13,7 million Euro (see section below "11.4 Changes in deferred tax assets pursuant to Law 214/2011");
- 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" respectively as a receivable and payable due from and to the tax consolidating company La Scogliera under current tax consolidation arrangements.

11.4 Changes in deferred tax assets pursuant to Law no. 214/2011

	31.12.2022	31.12.2021
1. Opening balance	**205.352**	**219.173**
2. Increases	**3.952**	**566**
3. Decreases	**37.084**	**14.387**
3.1 Reversals	19.605	14.009
3.2 Conversion in tax credits	13.676	13
a) deriving from losses for the year	7	13
b) deriving from tax losses	13.669	-
3.3 Other decreases	3.803	365
4. Closing balance	**172.220**	**205.352**

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

	31.12.2022	31.12.2021
1. Opening balance	**32.142**	**35.111**
2. Increases	**756**	**2.569**
2.1 Deferred tax assets recognised in the year	719	2.384
a) relative to previous years	17	-
b) due to change in accounting standards	-	-
c) other	702	2.384
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	37	185
3. Decreases	**3.680**	**5.538**
3.1 Deferred tax liabilities reversed during the year	3.640	5.538
a) reversals	3.640	5.538
b) due to change in accounting standards	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	40	-
4. Closing balance	**29.218**	**32.142**

11.6 Changes in deferred tax assets (recognised through equity)

	31.12.2022	31.12.2021
1. Opening balance	**3.233**	**970**
2. Increases	**17.789**	**2.627**
2.1 Deferred tax assets recognised in the year	17.789	2.554
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	17.789	2.554
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	73
3. Decreases	**559**	**364**
3.1 Deferred tax assets reversed during the year	557	364
a) reversals	557	190
b) impairment losses due to unrecoverability	-	-
c) due to change in accounting standards	-	-
d) other	-	174
3.2 Reductions in tax rates	-	-
3.3 Other decreases	2	-
4. Closing balance	**20.463**	**3.233**

The change is strictly related to the tax impact of the negative change in the fair value reserve for assets measured at fair value through other comprehensive income, with specific reference to the debt securities included in the Group's portfolio.

11.7 Changes in deferred tax liabilities (recognised through equity)

	31.12.2022	31.12.2021
1. Opening balance	**313**	**1.025**
2. Increases	**2.303**	**1.617**
2.1 Deferred tax assets recognised in the year	2.303	1.617
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	2.303	1.617
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1.497**	**2.329**
3.1 Deferred tax liabilities reversed during the year	1.496	2.329
a) reversals	1.496	2.329
b) due to change in accounting standards	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	1	-
4. Closing balance	**1.119**	**313**

11.8 Other information

A) Current tax assets

	31.12.2022	31.12.2021
A. Gross current tax assets	**60.924**	**45.548**
A1. IRES advances	5.483	13.656
A2. IRAP advances	12.483	9.081
A3. Other receivables and withholdings	42.958	22.811
B. Set-off with current tax liabilities	**-**	**-**
C. Net current tax assets	**60.924**	**45.548**

B) Current tax liabilities

	31.12.2022	31.12.2021
A. Gross current tax liabilities	**21.961**	**16.699**
A1. IRES tax payables	6.891	5.415
A2. IRAP tax payables	15.070	11.284
A3. Other current income taxes payable	-	-
B. Set-off with current tax assets	**-**	**-**
C. Net current tax liabilities	**21.961**	**16.699**

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

	31.12.2022	31.12.2021
Tax receivables	270.592	310.871
Accrued income and deferred expenses	51.808	41.199
Guarantee deposits	1.085	2.042
Debtors for invoices	41.662	32.262
Sundry receivables	34.784	53.074
of which: receivables from La Scogliera for tax consolidation	*5.625*	*22.906*
of which: other receivables	*29.159*	*30.168*
Miscellaneous provisional items	29.335	14.312
Portfolio of effects subject to collection	41.798	33.267
Total other assets	**471.064**	**487.027**

"Tax receivables" are mainly made up of tax credits for superbonus and other building tax bonuses for 253,5 million Euro (corresponding to a nominal amount of 288,0 million Euro).
The growth in "debtors for invoices" mainly relates to higher advances to suppliers in the leasing business in the amount of 8,1 million Euro compared to the figure at the end of 2021.
"Sundry items" include 5,6 million Euro in credits due to the parent company La Scogliera under the tax consolidation agreements (22,9 million Euro at 31 December 2021).

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	31.12.2022				31.12.2021			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Payables due to Central banks	**2.423.647**	**X**	**X**	**X**	**2.236.942**	**X**	**X**	**X**
2. Payables due to banks	**998.513**	**X**	**X**	**X**	**361.024**	**X**	**X**	**X**
2.1 Current accounts and on demand deposits	4.208	X	X	X	6.228	X	X	X
2.2 Term deposits	149.054	X	X	X	42.824	X	X	X
2.3 Loans	845.251	X	X	X	311.972	X	X	X
2.3.1 Repurchase agreements	731.791	X	X	X	217.512	X	X	X
2.3.2 Other	113.460	X	X	X	94.460	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	-	X	X	X
Total	**3.422.160**	**-**	**-**	**3.422.160**	**2.597.966**	**-**	**-**	**2.597.966**

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

Payables due to banks amount to 3.422,2 million Euro, up 31,7% compared to the figure at 31 December 2021, mainly due to the realisation in 2022 of new repurchase agreements (+514,3 million Euro compared to the figure at the end of 2021) with underlying notes of the securitisation carried out by the subsidiary Ifis Npl Investing and Banca Ifis' participation during the year in two LTRO transactions for a total of 400,5 million Euro maturing in February and March 2023, respectively.
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	31.12.2022				31.12.2021			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and on demand deposits	1.410.871	X	X	X	1.655.429	X	X	X
2. Term deposits	3.547.969	X	X	X	3.972.154	X	X	X
3. Loans	50.003	X	X	X	-	X	X	X
3.1 Repurchase agreements	50.003	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	21.733	X	X	X	16.127	X	X	X
6. Other payables	72.767	X	X	X	40.034	X	X	X
Total	**5.103.343**	**-**	**-**	**5.450.030**	**5.683.744**	**-**	**-**	**5.598.990**

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

Payables due to customers at 31 December 2022 total 5.103,3 million Euro. The decrease compared to the balance at the end of 2021 is mainly driven by time deposits (-424,2 million Euro) and current accounts on demand (-244,6 million Euro).

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

Type of securities/Amounts	31.12.2022				31.12.2021			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	2.605.090	1.002.626	64.192	1.496.168	2.504.580	1.059.227	-	1.445.353
1.1 structured bonds	-	-	-	-	-	-	-	-
1.2 other bonds	2.605.090	1.002.626	64.192	1.496.168	2.504.580	1.059.227	-	1.445.353
2. Other securities	105	-	-	105	298	-	-	298
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	105	-	-	105	298	-	-	298
Total	**2.605.195**	**1.002.626**	**64.192**	**1.496.273**	**2.504.878**	**1.059.227**	**-**	**1.445.651**

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 1,5 billion Euro, the senior bonds issued by Banca Ifis for a total of 704,2 million Euro and the Tier 2 bond for 404,7 million Euro issued mid-October 2017.

1.4 Breakdown of subordinated debts/securities

The line item "Debt securities issued" includes 404,7 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

	31.12.2022	31.12.2021
Lease payables	21.733	16.127

The payable as per the above table relates for 19,0 million Euro to lease contracts of properties and cars coming under the scope of application of accounting standard IFRS 16, as more extensively described in "Part M - Information on leasing" of these Consolidated Financial Statements.

It also includes 2,8 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 March 2009 to March 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	31.12.2022					31.12.2021				
	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	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives	X	-	25.982	-	X	X	-	5.992	-	X
1.1 Held for trading	X	-	25.982	-	X	X	-	5.992	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
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**	**-**	**25.982**	**-**	**X**	**X**	**-**	**5.992**	**-**	**X**
Total (A+B)	**-**	**-**	**25.982**	**-**	**-**	**-**	**-**	**5.992**	**-**	**-**

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*

With regard to Level 2 trading liabilities, see the comments in "Section 2 - Financial assets measured at fair value through profit or loss - Item 20" of Assets.

Section 6 - Tax liabilities - Item 60

Current tax liabilities, amounting to 22,0 million Euro (16,7 million Euro as of 31 December 2021), represent the tax burden for the year for the companies that do not participate in the tax consolidation (Banca Credifarma and the foreign subsidiaries) and for taxes, in any case, not payable within the tax consolidation (IRAP and IRES

surtax). The tax burden relating to the settlement of the tax consolidation is instead represented in the balance sheet items "Other assets" and "Other liabilities" as a receivable from and payable to La Scogliera, respectively, with a net negative exposure of 28,0 million Euro (5,9 million Euro in receivables offset by 33,6 million Euro in payables). Deferred tax liabilities, amounting to 30,3 million Euro, are better described in "Section 11 - Tax assets and liabilities - Item 110 of assets and Item 60 of liabilities" of the Assets to which reference is made.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	31.12.2022	31.12.2021
Payables due to suppliers	122.831	93.766
Payables due to personnel	24.648	20.466
Payables due to the Tax Office and Social Security agencies	14.241	13.029
Sums available to customers	28.320	20.575
Accrued liabilities and deferred income	2.416	1.397
Other items	140.860	238.062
of which: payables to La Scogliera for tax consolidation	*33.680*	*26.068*
of which other payables	*107.180*	*211.994*
Miscellaneous provisional items	58.381	48.812
Total other liabilities	**391.697**	**436.107**

"Other items" include 33,7 million Euro for a payable due to La Scogliera deriving from the application of the tax consolidation (26,1 million Euro at 31 December 2021).

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	31.12.2022	31.12.2021
A. Opening balance	**9.337**	**9.235**
B. Increases	**1.408**	**1.860**
B.1 Provisions for the year	1.082	174
B.2 Other changes	326	1.686
Of which: business combinations	-	*203*
C. Decreases	**3.049**	**1.758**
C.1 Payments made	312	473
C.2 Other changes	2.737	1.285
D. Closing balance	**7.696**	**9.337**

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.
As regards the comparative balances at 31 December 2021, 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.

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	31.12.2022	31.12.2021
1. Provisions for credit risk related to commitments and financial guarantees granted	9.325	11.921
2. Provisions on other commitments and financial guarantees granted	39	17
3. Provisions for pensions	-	-
4. Other provisions for risks and charges	46.861	54.887
4.1 legal and tax disputes	*37.543*	*36.832*
4.2 personnel expenses	*2.800*	*4.319*
4.3 other	*6.518*	*13.736*
Total	**56.225**	**66.825**

At 31 December 2022, total provisions for risks and charges amount to 56,2 million Euro, down 10,6 million Euro on the previous year.

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 31.12.2022
A. Opening balance	**17**	**-**	**54.887**	**54.904**
B. Increases	**22**	**-**	**13.496**	**13.518**
B.1 Provisions for the year	-	-	13.496	**13.496**
B.2 Changes due to the passage of time	-	-	-	**-**
B.3 Changes due to changes in the discount rate	-	-	-	**-**
B.4 Other changes	22	-	-	**22**
C. Decreases	**-**	**-**	**21.522**	**21.522**
C.1 Used in the year	-	-	5.956	**5.956**
C.2 Changes due to changes in the discount rate	-	-	-	**-**
C.3 Other changes	-	-	15.566	**15.566**
D. Closing balance	**39**	**-**	**46.861**	**46.900**

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 one	Stage two	Stage three	Purchased and/or originated impaired	Total
Loan commitments	2.529	211	-	-	**2.740**
Guarantees granted	1.303	2.751	2.521	10	**6.585**
Total	**3.832**	**2.962**	**2.521**	**10**	**9.325**

At 31 December 2022 the balance of 9,3 million Euro reflects the impairment of irrevocable commitments to disburse funds and financial guarantees issued by the Group and is down on the value at the end of the previous year (amounting to 11,9 million Euro) following the enforcement of certain underlying guarantees during the year.

10.6 Provisions for risks and charges - Other provisions

Legal and tax disputes

At 31 December 2022, provisions had been made for 37,5 million Euro for legal and tax disputes. This amount mainly breaks down as follows:

- 9,7 million Euro (the plaintiffs seek 16,5 million Euro in damages) for 18 disputes deriving from the business unit acquired from the former Aigis Banca and mainly the Corporate Banking & Lending Area of the Commercial and Corporate Banking Segment;
- 18,5 million Euro for 30 disputes concerning the Factoring Area (the plaintiffs seek 42,1 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;
- 3,2 million Euro (the plaintiffs seek 50,0 million Euro in damages) for 5 disputes concerning the Corporate Banking & Lending Area e deriving from the former Interbanca;

- 1,6 million Euro (the plaintiffs seek 2,1 million Euro in damages) for 23 disputes concerning the Leasing Area and tax receivables;
- 2,8 million Euro (the plaintiffs seek 7,4 million Euro in damages) for 67 disputes concerning receivables of Ifis Npl Investing;
- 947 thousand Euro relating to various disputes concerning Banca Credifarma (formerly Farbanca, the plaintiffs seek 4,4 million Euro in damages);
- 679 thousand Euro (the plaintiffs seek 3,8 million Euro) for disputes with customers and agents relating to Cap.Ital.Fin.;
- 30 thousand Euro (the plaintiffs seek the same amount in damages) for disputes concerning the investee Ifis Rental Services.

Personnel expenses

At 31 December 2022, provisions are entered for staff for 2,8 million Euro (4,3 million Euro at 31 December 2021) to be attributed for 2,4 million Euro to the Solidarity Fund established in 2020.

Other provisions for risks and charges

At 31 December 2022 "Other provisions" are in place for 6,5 million Euro, down on the 13,7 million Euro recorded at 31 December 2021, mainly due to the 5,9 million Euro reversal recorded during the year on the provision for risks related to the GACS credit sale transactions, the balance of which was reduced to 1,9 million Euro at 31 December 2022 following contractual expiry of the warranty period. In addition to the aforementioned provision, the item is mainly made up of 3,1 million Euro for Supplementary Agents Indemnity in connection with the operations of the Leasing Area and 0,9 million Euro for the provision for complaints.

Contingent liabilities

Here below are the most significant contingent liabilities outstanding at 31 December 2022. Based on the opinion of the legal advisers assisting the subsidiaries, they are considered possible, and therefore they are only disclosed.

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

Tax dispute

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

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

The Italian Revenue Agency (AdE) has reclassified the write-off of receivables made by the company Ifis Leasing 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, GdF] 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 2013/2016. 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 1,4 million Euro in additional taxes and administrative penalties amounting to 1,3 million Euro. In holding the claim to be unfounded, the Group appealed against the Verification Notice, paying 1/3 of the tax as provisional enrolment on the tax register. The hearing for 2013/2015 was discussed at the second section of the Provincial Tax Commission of Venice, which issued a ruling with sentence no. 266/2021 filed on 19 March 2021, fully accepting the Bank's appeal and offsetting the 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. The discussion at the Regional Tax Court is scheduled for 30 January 2023.

With reference to the Assessment Notice relating to the year 2016, after having unsuccessfully attempted a cross-examination, an Appeal was filed on 26 October 2022, paying at the same time one third of the taxes pending judgement as provided for by the regulations. The setting of the date for the hearing before the court of first instance is pending.

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		31.12.2022	31.12.2021
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)	(22.104)	(2.847)
	Number of treasury shares	1.377.981	339.139

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 (-)	(339.139)	-
A.2 Outstanding shares: opening balance	53.471.956	-
B. Increases	**5.158**	**-**
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	5.158	
C. Decreases	**1.044.000**	**-**
C.1 Annulments	-	-
C.2 Buybacks of treasury shares	1.044.000	-
C.3 Company sell-offs	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**52.433.114**	**-**
D.1 Treasury shares (+)	1.377.981	-
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	31.12.2022	31.12.2021
Legal reserve	19.588	18.071
Extraordinary reserve	595.081	639.945
Buyback reserve	22.104	2.847
Other profit reserves	792.025	703.219
Total profit reserves	**1.428.798**	**1.364.082**
Stock option reserve	950	194
Other reserves, not "profit reserves"	11.196	2.743
Total item 150 Reserves	**1.440.944**	**1.367.019**

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	31.12.2022	31.12.2021
Equity investments in consolidated companies with significant minority interests	12.432	27.786
1. Banca Credifarma S.p.A. (1)	12.432	n.a.
2. Credifarma S.p.A.	n.a.	6.249
3. Farbanca S.p.A.	n.a.	21.537
Other equity investments	-	-
Total	**12.432**	**27.786**

(1) Company resulting from the merger of the subsidiary Credifarma S.p.A. into the company, also a subsidiary, Farbanca S.p.A.

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 31.12.2022	Total 31.12.2021
	Stage one	Stage two	Stage three	Purchased and/or originated impaired		
1. Loan commitments	**1.116.925**	**17.449**	**15.595**	**-**	**1.149.969**	**1.202.746**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	1	-	-	-	1	2
c) Banks	-	-	-	-	-	8
d) Other financial companies	155.974	13	2.000	-	157.987	83.011
e) Non-financial companies	742.205	12.478	10.730	-	765.413	828.256
f) Households	218.745	4.958	2.865	-	226.568	291.469
2. Guarantees granted	**356.190**	**38.983**	**71.906**	**277**	**467.356**	**382.159**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	-	-	-	-	-	-
c) Banks	80.537	-	-	-	80.537	80.860
d) Other financial companies	5.235	-	1.000	-	6.235	22.058
e) Non-financial companies	266.914	38.983	70.686	-	376.583	272.116
f) Households	3.504	-	220	277	4.001	7.125

2. Other commitments and guarantees granted

	Nominal amount	
	31.12.2022	31.12.2021
Other guarantees granted	**20.960**	**16.281**
of which: non-performing loans	*11*	*11*
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	20.960	16.281
f) Households	-	-
Other commitments	**40.646**	**363.949**
of which: non-performing loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	317.716
d) Other financial companies	40.646	46.233
e) Non-financial companies	-	-
f) Households	-	-

3. Assets used as collateral for own liabilities and commitments

Portfolios	31.12.2022	31.12.2021
1. Financial assets measured at fair value through profit or loss	15.176	712
2. Financial assets measured at fair value through other comprehensive income	496.964	472.465
3. Financial assets measured at amortised cost	2.362.759	2.008.942
4. Property, plant and equipment	-	-
of which: property, plant and equipment qualifying as inventories	-	-

Financial assets measured at fair value through other comprehensive income, just like financial assets measured at amortised cost, refer mainly 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	489.990
1. securities issued by consolidated companies	424
2. other securities	489.566
c) third party securities held with third parties	447.114
d) own securities held with third parties	5.042.709
4. Other transactions	-

Part C - Information on the 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 31.12.2022	Total 31.12.2021
1. Financial assets measured at fair value through profit or loss:	**2.569**	**296**	**-**	**2.865**	**1.822**
1.1. Financial assets held for trading	18	-	-	18	3
1.2. Financial assets designated at fair value	-	-	-	-	-
1.3. Other financial assets mandatorily measured at fair value	2.551	296	-	2.847	1.819
2. Financial assets measured at fair value through other comprehensive income	**6.149**	**-**	**X**	**6.149**	**5.437**
3. Financial assets measured at amortised cost:	**47.364**	**460.381**	**-**	**507.745**	**460.639**
3.1. Receivables due from banks	5.052	11.558	X	16.610	14.431
3.2. Receivables due from customers	42.312	448.823	X	491.135	446.208
4. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
5. Other assets	**X**	**X**	**12.339**	**12.339**	**11.722**
6. Financial liabilities	**X**	**X**	**X**	**-**	**-**
Total	**56.082**	**460.677**	**12.339**	**529.098**	**479.620**
of which: interest income on impaired financial assets	-	*180.328*	-	*180.328*	*173.728*
of which: interest income on financial leases	*X*	*52.567*	*X*	*52.567*	*45.633*

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.

1.2 Interest receivable and similar income: other information

1.2.1 Interest income on foreign currency financial assets

	31.12.2022	31.12.2021
Interest income on foreign currency financial assets	7.422	4.654

1.3 Interest due and similar expenses: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total 31.12.2022	Total 31.12.2021
1. Financial liabilities measured at amortised cost	(79.229)	(33.175)	-	(112.404)	(114.144)
1.1 Payables due to central banks	(1.177)	X	X	(1.177)	(2.901)
1.2 Payables due to banks	(6.246)	X	X	(6.246)	(1.548)
1.3 Payables due to customers	(71.806)	X	X	(71.806)	(72.787)
1.4 Debt securities issued	X	(33.175)	X	(33.175)	(36.908)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(1)	(1)	(2)
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(1.828)	-
Total	**(79.229)**	**(33.175)**	**(1)**	**(114.233)**	**(114.146)**
of which: interest expense on lease payables	*(284)*	*X*	*X*	*(284)*	*(267)*

Interest expense on payables due to customers measured at amortised cost included 55,5 million Euro at 31 December 2022 (60,5 million Euro at 31 December 2021) relating to retail funding by the Parent company, Banca Ifis, mainly through the Rendimax deposit account and Time deposits.

1.4 Interest due and similar expenses: other information

1.4.1 Interest expense on foreign currency liabilities

	31.12.2022	31.12.2021
Interest expense on foreign currency liabilities	(3.034)	(656)

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

Type of services/Amounts	31.12.2022	31.12.2021
a) Financial instruments	**7**	**49**
1. Placement of securities	2	44
1.1 On a firm and/or irrevocable commitment basis	2	-
1.2 Without irrevocable commitment	-	44
2. Receipt and transmission of orders and execution of orders on behalf of customers	5	5
2.1 Receipt and transmission of orders for one or more financial instruments	-	-
2.2 Execution of orders on behalf of clients	5	5
3. Other commissions related to activities linked to financial instruments	-	-
of which: trading on own account	-	-
of which: individual portfolio management	-	-
b) Corporate finance	**174**	**-**
1. Mergers and acquisitions advisory services	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	174	-
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	**8.841**	**8.119**
1. Current accounts	3.690	2.393
2. Credit cards	498	842
3. Debit cards and other payment cards	1.104	49
4. Bank transfers and other payment orders	175	213
5. Other fees related to payment services	3.374	4.622
j) Distribution of third-party services	**6.687**	**5.686**
1. Collective portfolio management	-	-
2. Insurance products	6.679	5.664
3. Other products	8	22
of which: individual portfolio management	-	-
k) Structured finance	**-**	**441**
l) Servicing for securitisation transactions	**1.634**	**2.814**
m) Loan commitments	**-**	**-**
n) Guarantees given	**1.749**	**1.370**
of which: credit derivatives	-	-
o) Loans	**84.151**	**76.301**
of which: for factoring transactions	*59.969*	*53.824*
p) Trading in currencies	**-**	**-**
q) Commodities	**-**	**-**
r) Other commission income	**3.251**	**3.775**
of which: for management of multi-lateral trading facilities	-	-
of which: for management of organised trading facilities	-	-
Total	**106.494**	**98.555**

The decrease in fees related to the sub-item "Structured Finance" is attributable to the fact that a complex short-term funding transaction, falling within the scope of project financing transactions, was carried out in 2021.
Commissions linked to financing operations amount to 84,2 million Euro, an increase of 10,3% compared to the amount recorded for the previous year.
Commissions related to the distribution of insurance products recorded at the end of 2022 include approximately 5,9 million Euro (5,4 million Euro at the end of 2021) related to the operations of the Leasing Area.

2.2 Commission expense: breakdown

Services/Amounts	31.12.2022	31.12.2021
a) Financial instruments	**(263)**	**(759)**
of which: trading in financial instruments	*(263)*	*(759)*
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	**(148)**	**(91)**
e) Collection and payment services	**(1.828)**	**(2.551)**
of which: credit cards, debit cards and other payment cards	-	-
f) Servicing for securitisation transactions	**(1.316)**	**(1.346)**
g) Loan commitments	**-**	**-**
h) Financial guarantees received	**(1.103)**	**(1.037)**
of which: credit derivatives	-	-
i) Out-of-office canvassing of financial instruments, services and products	**(1.912)**	**(2.433)**
j) Trading in currencies	**-**	**-**
k) Other commissions payable	**(6.411)**	**(7.056)**
Total	**(12.981)**	**(15.273)**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	31.12.2022		31.12.2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	303	155	33	25
C. Financial assets measured at fair value through other comprehensive income	9.393	-	7.440	-
D. Equity investments	-	-	-	-
Total	**9.696**	**155**	**7.473**	**25**

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	**107**	**1.659**	**(38)**	**(659)**	**1.069**
1.1 Debt securities	-	455	(36)	(377)	42
1.2 Equity instruments	107	1.204	(2)	(282)	1.027
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**562**
3. Derivatives	**125.962**	**24.854**	**(126.666)**	**(25.154)**	**(1.004)**
3.1. Financial derivatives:	125.962	24.854	(126.666)	(25.154)	(1.004)
- On debt securities and interest rates	71.079	14.050	(69.978)	(13.575)	1.576
- On equity instruments and share indexes	54.883	10.804	(56.688)	(11.579)	(2.580)
- 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	**126.069**	**26.513**	**(126.704)**	**(25.813)**	**627**

Section 6 - Profit (loss) from sale or buyback - Item 100

6.1 Profit (loss) from sale or buyback: breakdown

Items/Income items	31.12.2022			31.12.2021		
	Profit	Losses	Net result	Profit	Losses	Net result
Financial assets						
1. Financial assets measured at amortised cost	16.238	(993)	15.245	9.855	(759)	9.096
1.1 Receivables due from banks	-	-	-	-	-	-
1.2 Receivables due from customers	16.238	(993)	15.245	9.855	(759)	9.096
2. Financial assets measured at fair value through other comprehensive income	400	(488)	(88)	5.712	(774)	4.938
2.1 Debt securities	400	(488)	(88)	5.712	(774)	4.938
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**16.638**	**(1.481)**	**15.157**	**15.567**	**(1.533)**	**14.034**
Financial liabilities measured at amortised cost						
1. Payables due to banks	-	-	-	-	-	-
2. Payables due to customers	-	-	-	-	-	-
3. Debt securities issued	117	(86)	31	10	(102)	(92)
Total liabilities (B)	**117**	**(86)**	**31**	**10**	**(102)**	**(92)**

Gains on disposals of 16,6 million Euro refer for 10,7 million Euro to disposals of loans in the Npl Segment and for the remainder mainly to disposals of customer debt securities valued at amortised cost.

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	**16.019**	**6.672**	**(9.818)**	**(168)**	**12.705**
1.1 Debt securities	1.756	417	(675)	(168)	1.330
1.2 Equity instruments	3.092	5.093	(5.061)	-	3.124
1.3 UCITS units	10.923	-	(3.011)	-	7.912
1.4 Loans	248	1.162	(1.071)	-	339
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**16.019**	**6.672**	**(9.818)**	**(168)**	**12.705**

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	Losses						Reversals				Total 31.12.2022	Total 31.12.2021
	Stage one	Stage two	Stage three		Purchased or originated impaired		Stage one	Stage two	Stage three	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Receivables due from banks	**(1.742)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1.742)**	**176**
- Loans	(534)	-	-	-	-	-	-	-	-	-	(534)	449
- Debt securities	(1.208)	-	-	-	-	-	-	-	-	-	(1.208)	(273)
B. Receivables due from customers	**(16.943)**	**(8.005)**	**(5.993)**	**(68.337)**	**(164.854)**	**(1.693)**	**5.085**	**1.590**	**19.945**	**296.079**	**56.874**	**45.194**
- Loans	(15.652)	(8.005)	(5.993)	(68.337)	(164.854)	(1.693)	5.085	1.590	19.945	296.079	58.165	46.001
- Debt securities	(1.291)	-	-	-	-	-	-	-	-	-	(1.291)	(807)
Total	**(18.685)**	**(8.005)**	**(5.993)**	**(68.337)**	**(164.854)**	**(1.693)**	**5.085**	**1.590**	**19.945**	**296.079**	**55.132**	**45.370**

8.1a Net credit risk losses related to loans measured at amortised cost concerned by COVID-19 support measures: breakdown

Transactions/ Income items	Losses						Total 31.12.2022	Total 31.12.2021
	Stage one	Stage two	Stage three		Purchased or originated impaired			
			Write-offs	Other	Write-offs	Other		
1. Loans subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	(434)
2. Loans subject to outstanding moratorium measures no longer in compliance with GLs and not evaluated as forborne	-	-	-	-	-	-	-	(1.188)
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	3
4. New funding	(2.538)	(367)	-	(2.530)	-	-	(5.435)	(1.325)
Total 31.12.2022	**(2.538)**	**(367)**	**-**	**(2.530)**	**-**	**-**	**(5.435)**	**X**
Total 31.12.2021	**(695)**	**(557)**	**-**	**(1.692)**	**-**	**-**	**X**	**(2.944)**

8.2 Net credit risk losses related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/ Income items	Losses						Reversals				Total 31.12.2022	Total 31.12.2021
	Stage one	Stage two	Stage three		Purchased or originated impaired		Stage one	Stage two	Stage three	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt securities	**(832)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(832)**	**(32)**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(832)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(832)**	**(32)**

Section 12 - Administrative expenses - Item 190

12.1 Personnel expenses: breakdown

Type of expense/Sectors	31.12.2022	31.12.2021
1) Employees	(144.236)	(135.014)
a) salaries and wages	(103.437)	(96.717)
b) social security contributions	(29.050)	(26.954)
c) post-employment benefits	(4.613)	(5.139)
d) pension expense	(27)	(597)
e) allocations for post-employment benefits	(1.082)	(174)
f) allocations to pensions and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments made to supplementary external funds:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
h) costs arising from share-based payment agreements	-	-
i) other employee benefits	(6.028)	(5.433)
2) Other serving employees	(443)	(238)
3) Directors and Statutory Auditors	(6.154)	(6.529)
4) Retired personnel	-	-
Total	**(150.834)**	**(141.781)**

Personnel expenses rise by 6,4% to 150,8 million Euro (141,8 million Euro for the period ended 31 December 2021). This growth is due both to the overall increase in remuneration, which is attributable to both the different Group scope, linked to the acquisition of the former Aigis Banca business unit at the end of May 2021, and to higher variable remuneration. The number of Group employees at 31 December 2022 rose to 1.874 as compared with 1.849 resources at 31 December 2021.

Allocations for post-employment benefits include 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:	31.12.2022	31.12.2021
Employees:	**1.861,5**	**1.803,5**
a) managers	92,0	83,5
b) middle managers	556,5	531,5
c) other employees	1.213,0	1.188,5
Other personnel	**-**	**-**

12.5 Other administrative expenses: breakdown

Other administrative expenses at 31 December 2022, which come to 242,4 million Euro, rise by 4,6% on the balance of 231,8 million Euro in the previous year. The increase is mainly attributable to consultancy costs, mainly related to the Group's various strategic projects launched in 2022.

Type of expense/Amounts	31.12.2022	31.12.2021
Expenses for professional services	**(122.234)**	**(121.507)**
Legal and consulting services	(82.505)	(87.639)
Fees to auditing firms	(1.149)	(894)
Outsourced services	(38.581)	(32.974)
Direct and indirect taxes	**(42.769)**	**(39.481)**
Expenses for purchasing goods and other services	**(77.418)**	**(70.837)**
Software assistance and hire	(17.705)	(16.198)
FITD and Single Resolution Fund	(11.902)	(11.115)
Customer information	(10.399)	(14.749)
Advertising and inserts	(9.172)	(7.011)
Property expenses	(6.328)	(5.127)
Postage and archiving of documents	(5.428)	(3.709)
Securitisation costs	(4.213)	(3.844)
Telephone and data transmission expenses	(3.251)	(3.306)
Car fleet management and maintenance	(2.667)	(1.984)
Business travel and transfers	(2.326)	(491)
Other sundry expenses	(4.026)	(3.303)
Total other administrative expenses	**(242.421)**	**(231.825)**

The sub-item "Legal and consulting services" comes to 82,5 million Euro at end 2022, down 5,9% on the 87,6 million Euro of December 2021.

"Direct and indirect taxes" come to 42,8 million Euro as compared with 39,5 million Euro at 31 December 2021, rising by 8,3%. The item mainly consists of the registration tax incurred for the judicial recovery of receivables belonging to the Npl Segment for an amount of 29,1 million Euro as at 31 December 2022 up on the figure for last year (+15,7%), and also includes costs for stamp duty for 12,4 million Euro, the recharging of which to customers is included in the item "Other operating income".

"Expenses for purchasing goods and other services" amount to 77,4 million Euro, up 9,3% on the 2021 balance. The change in this item is due to the contrasting effect in some of the most significant items, in particular:

- Software assistance and hire that goes from a balance of 16,2 million Euro at 31 December 2021 to 17,7 million Euro at 31 December 2022 (+9,3%) mainly following the projects for the digitisation and technological innovation of the Banca Ifis Group;
- costs for advertising and inserts, up from the figure of 7,0 million Euro for 31 December 2021 to 9,2 million Euro for 2022, mainly due to the Group's increased promotional and event organisation activities, in respect of which FY 2021 was still characterised by limitations related to the particular social and health context;
- contribution to the FITD and Single Resolution FITD Fund that at 31 December 2022 amounts to 11,9 million Euro, a 7,1% increase on the December 2021 figure;
- customer information expenses, amounting to 10,4 million Euro at end 2022, down by 29,5% due to a review of the underlying contracts with the main suppliers and the cyclical nature of the expenses related

to the processing of portfolios within the Npl Segment and the type of acquisitions of non-performing portfolios;
- document shipping and archiving expenses, which are up 46,3% compared to December 2021 mainly due to the start of archiving activities for the Npl portfolio acquired from Cerberus at the end of November 2021;
- securitisation costs of 4,2 million Euro at 31 December 2022 and substantially in line with the figure for last year.

Below is a summary of the prices for auditing and non-auditing services for 2022.

Type of services	Service provider	Beneficiary	Fees (units of Euro)
Independent auditors' fees	EY S.p.A.	Banca Ifis S.p.A.	283.427
		Subsidiaries	475.462
Certification services	EY S.p.A.	Banca Ifis S.p.A.	370.000
		Subsidiaries	77.000
Total			**1.205.890**

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 total a positive 0,9 million Euro in at 31 December 2022, 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 - Item 10" of the Liabilities, 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	(8.998)	(497)	-	(9.495)
- owned	(5.026)	(497)	-	(5.523)
- rights of use acquired through leases	(3.972)	-	-	(3.972)
2. Held for investment	-	-	-	-
- owned	-	-	-	-
- rights of use acquired through leases	-	-	-	-
3. Inventories	X	-	-	-
Total	**(8.998)**	**(497)**	**-**	**(9.495)**

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	*(7.367)*	-	-	*(7.367)*
A.1 Owned	(7.420)	-	-	(7.420)
- Internally generated	(53)	-	-	(53)
- Other	(7.367)	-	-	(7.367)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(7.420)**	**-**	**-**	**(7.420)**

Section 16 - Other operating income (costs) - Item 230

16.1 Other operating costs: breakdown

Type of expense/Amounts	31.12.2022	31.12.2021
a) Transactions with customers	(51)	(756)
b) Capital losses	(1.179)	(1.695)
c) Other expenses	(6.401)	(3.214)
Total	**(7.631)**	**(5.665)**

16.2 Other operating income: breakdown

Amounts/Income	31.12.2022	31.12.2021
a) Bargain on business combinations	-	2.859
a) Recovery of expenses charged to third parties	15.111	17.456
c) Rental income	88	89
d) Income from the realisation of property, plant and equipment	1.653	1.769
e) Other income	10.571	11.014
Total	**27.423**	**33.187**

At end 2022, other net operating income, amounting to 19,8 million Euro, are down by 28,1% compared to 31 December 2021, which, among other things, benefited from the 2,9 million Euro gain on bargain purchase that arose from the acquisition of the former Aigis Banca business unit. The decrease is mainly related to higher operating costs related to the write-down of other non-financial assets in the amount of 3,1 million Euro. The item refers 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.

Section 19 - Value adjustments of goodwill - Item 270

19.1 Value adjustments of goodwill: breakdown

Goodwill impairment as at 31 December 2022 amounts to 762 thousand and refers to the full write-down of goodwill arising from the initial consolidation of the Polish subsidiary Ifis Finance Sp z o.o., following the negative outcome of the impairment test performed on 30 June 2022. For further details, please refer to

paragraph "10.3 Other information" in "Section 10 - Intangible assets - Item 100" of Part B of these Consolidated Notes to the Financial Statements.

Section 20 - Gains (losses) on disposal of investments - item 280

20.1 Gains (losses) on disposal of investments: breakdown

Type of expense/Amounts	31.12.2022	31.12.2021
A. Property	169	-
- Gains on disposal	169	-
- Losses on disposal	-	-
B. Other assets	135	-
- Gains on disposal	236	-
- Losses on disposal	(101)	-
Net result	**304**	**-**

In 2022, the item mainly includes the net effects of the sale of the subsidiary Ifis Real Estate and the reorganisation of the ownership structure of Banca Credifarma. For further details on these transactions please refer to the section "Significant events during the year" in Directors' Report on the Group.

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/Sectors	31.12.2022	31.12.2021
1.	Current taxes (-)	(56.130)	(43.012)
2.	Changes in current taxes of previous years (+/-)	672	672
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 (+)	13.669	-
4.	Changes in deferred tax assets (+/-)	(31.044)	(8.200)
5.	Changes in deferred tax liabilities (+/-)	2.924	2.969
6.	Tax expense for the year (-) (-1+/-2+3+3 bis+/-4+/-5)	(69.909)	(47.571)

21.2 Reconciliation between theoretical tax charges and effective tax charges for the year

Items/Components	31.12.2022
Pre-tax profit (loss) for the period from continuing operations	**211.796**
IRES - theoretical tax charges (27,5%)	(58.244)
- effect of lower tax rate	465
- effect of non-taxable income and other decreases - permanent	19.258
- effect of non-deductible charges and other increases - permanent	(15.618)
- non-current corporate income tax (IRES)	394
IRES - Effective tax charges	**(53.745)**
IRAP - theoretical tax charges (5,57%)	(11.798)
- effect of lower tax rate	270
- effect of income/charges that are not part of the taxable base	(4.914)
- non-current regional tax on productive activities (IRAP)	278
IRAP - Effective tax charges	**(16.164)**
Other taxes	**-**
Effective tax charges for the year	**(69.909)**

FY 2022 income tax comes to 69,9 million Euro and the tax rate is 33,01%, compared with the 31,7% of last year. The effective tax rate is below (-0,06%) the theoretical tax rate of 33,07% (27,5% IRES + 5,57% IRAP) due to the following components:

- "Super depreciation" benefit: the now residual off-accounts deduction of 30%-40% of the depreciation shares of "new instrumental tangible assets" acquired by Ifis Rental Services in the Operating Lease business equates to a reduction of the tax incidence of -0,37 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 less dividends distributed) in the period 2010-2022 equates to a reduction in the tax incidence of -2,01 percentage points;
- dividends: taxation in the separate financial statements of Banca Ifis of the dividends collected by Ifis Npl Investing and then eliminated in the consolidated financial statements, equates to an increase in the tax incidence of +0,79 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 +1,53 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	31.12.2022	31.12.2021
Consolidated equity investments with significant minority interests	801	1.721
1. Banca Credifarma S.p.A. (1)	801	n.a.
2. Credifarma S.p.A.	n.a.	453
3. Farbanca S.p.A.	n.a.	1.268
Total	**801**	**1.721**

(1) Company resulting from the merger of the subsidiary Credifarma S.p.A. into the company, also a subsidiary, Farbanca S.p.A.

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.

Granter	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.	258
	Ifis Npl Investing S.p.A.	31
	Ifis Npl Servicing S.p.A.	506
Interprofessional funds	Banca Ifis S.p.A.	176

Granter	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.	241
	L. 205/2017, L. 126/2020, L. 78/2020	Ifis Npl Investing S.p.A.	9
	L. 205/2017, L. 126/2020, L. 78/2020	Ifis Npl Servicing S.p.A.	76
	Italian Law no. 126/2020	Cap.Ital.Fin. S.p.A.	88

Refer to the National State Aid Register, "Transparency" section, for further information.

Section 25 - Earnings per share

25.1 Average number of ordinary diluted shares

Earnings per share and diluted earnings per share	31.12.2022	31.12.2021
Net profit for the year attributable to the Parent Company (in thousands of Euro)	141.086	100.582
Average number of outstanding shares (1)	52.685.625	53.468.051
Average number of ordinary diluted shares	52.685.625	53.468.051
Consolidated earnings per share for the year (units of Euro)	**2,68**	**1,88**
Consolidated diluted earnings per share for the year (units of Euro)	**2,68**	**1,88**

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

Part D - Statement of comprehensive income

Consolidated statement of comprehensive income

ITEMS (in thousands of Euro)		31.12.2022	31.12.2021
10.	**Profit (loss) for the year**	**141.887**	**102.303**
	Other comprehensive income not to be reclassified to profit or loss	**(2.636)**	**1.370**
20.	Equity securities measured at fair value through other comprehensive income	(2.494)	3.791
	a) fair value gains (losses)	(3.181)	(220)
	b) transfers to other components of equity	687	4.011
70.	Defined benefit plans	1.454	(337)
100.	Income taxes related to other comprehensive income to be reclassified to profit or loss	(1.596)	(2.084)
	Other comprehensive income to be reclassified to profit or loss	**(32.685)**	**(5.878)**
120.	Exchange differences	(607)	(354)
	a) changes in value	(607)	(354)
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(48.340)	(8.270)
	a) fair value gains (losses)	(49.041)	(15.680)
	b) reclassification to profit or loss	701	7.410
	- credit risk losses	832	32
	- gains/losses on sale	(131)	7.378
180.	Income taxes related to other comprehensive income to be reclassified to profit or loss	16.262	2.746
190.	**Total other comprehensive income**	**(35.321)**	**(4.508)**
200.	**Total comprehensive income (Item 10 + 190)**	**106.566**	**97.795**
210.	Total consolidated comprehensive income attributable to non-controlling interests	(797)	(1.719)
220.	**Total consolidated comprehensive income attributable to the Parent company**	**105.769**	**96.076**

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.

With reference to 31 December 2022 and in compliance with the obligations provided for by the so-called Pillar 3 regulations, the Disclosure to the Public concerning capital adequacy, exposure to risks and the general characteristics of the systems designed to identify, measure and manage them is submitted for approval to the Board of Directors of Banca Ifis at the same meeting of the Board of Directors of these 2022 Consolidated Financial Statements. Refer to the website www.bancaifis.it in the "Investor Relations & Corporate Development" section for the most up-to-date version of the Pillar 3 Disclosure available.

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 Manager charged with preparing the company's financial reports according to the connotation of banking reality with listed shares, are described in detail in the Report on corporate governance and ownership structures prepared in accordance with the third paragraph of Article 123 bis of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance), 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 website www.bancaifis.it in the Corporate Governance section.

Risk culture

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

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

This Part E of the Consolidated Notes 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	1.147.767	477.889	147.606	225.047	8.754.385	**10.752.694**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	589.638	**589.638**
3. Financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	4.937	8.513	-	-	76.582	**90.032**
5. Financial assets under disposal	-	-	-	-	-	**-**
Total 31.12.2022	**1.152.704**	**486.402**	**147.606**	**225.047**	**9.420.605**	**11.432.364**
Total 31.12.2021	**1.154.895**	**473.153**	**123.541**	**342.157**	**9.317.445**	**11.411.191**

Excluded from this table are on-demand receivables from banks (which are classified under the item "Cash and cash equivalents", in accordance with Bank of Italy instructions), equity securities and UCITS units.

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	1.924.709	151.448	1.773.261	3.730	9.074.903	95.470	8.979.433	**10.752.694**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	590.721	1.083	589.638	**589.638**
3. Financial assets designated at fair value	-	-	-	-	X	X	-	**-**
4. Other financial assets mandatorily measured at fair value	13.450	-	13.450	-	X	X	76.582	**90.032**
5. Financial assets under disposal	-	-	-	-	-	-	-	**-**
Total 31.12.2022	**1.938.159**	**151.448**	**1.786.711**	**3.730**	**9.665.624**	**96.553**	**9.645.653**	**11.432.364**
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**

(1) Amount to be reported for disclosure purposes

Excluded from this table are on-demand receivables from banks (which are classified under the item "Cash and cash equivalents", in accordance with Bank of Italy instructions), equity securities and UCITS units.

Portfolio/Quality	Low credit quality assets		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	9	4	26.271
2. Hedging derivatives	-	-	-
Total 31.12.2022	**9**	**4**	**26.271**
Total 31.12.2021	**127**	**27**	**7.690**

Equity securities are not included in this table.

B. Disclosure on structured entities (other than securitisation vehicles)

There were no unconsolidated structured entities at 31 December 2022.

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 enterprises (SMEs). The aim is to increase its market share in the following segments: trade receivables, including for entities with specialist needs such as pharmacies, leasing, tax receivables, and distressed loans, providing high-quality and highly customisable financial services while keeping credit risk under control and profitability in line with the level of quality offered. The Private segment is also a complementary reference market for the Banking Group's credit business, in respect of the strategic guidelines defined over time by the Business Plan and the related implementing initiatives. Operations related to the pharmaceutical segment are carried out by the subsidiary Banca Credifarma (formerly Farbanca), a banking operator specialising in granting advances, medium- to long-term loans and financial services to pharmacies.
The banking Group currently operates in the following fields:

- the factoring business is characterised by the direct assumption of risks related to granting advances and loans, as well as guarantees, if any, on trade receivables of mainly SMEs. As part of its operations, the factoring segment 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 segment are usually corporations;
- investments in non-financial companies and in units of intermediaries;
- medium/long-term loans to SMEs operating in the main production sectors, covered by the public guarantee, conceived by the Ministry of Economic Development (MED) of the Central Guarantee Fund and extended in use following the Covid-19 emergency;
- the leasing segment targets mainly small economic operators as well as SMEs. In general, finance leases help independent contractors and businesses finance company cars and commercial vehicles as well as facilitate equipment investments for businesses and resellers. Meanwhile, long-term leases mainly focus on equipment finance - specifically on office and IT products and, to a lesser extent, industrial and healthcare equipment;
- the acquisition of non-performing loans (Npls) by the subsidiary Ifis Npl S.p.A., mainly from retail customers;

- servicing (master and special services), management of Npl portfolios with collection both judicial and non-judicial, consultancy in due diligence activities and authorised investors in Npl transactions, managed by the company Ifis Npl Servicing;
- the granting of loans to retail customers, including through the definition and refinancing of transferred non-performing loans, to be settled through salary- or pension-backed loan schemes, managed by the subsidiary Cap.Ital.Fin.;
- short- and medium-term lending to pharmacies by the subsidiary Banca Credifarma (formerly Farbanca), including through the disposal of receivables due from Italy's National Health Service as well as public- and private-sector healthcare providers;
- management of the proprietary portfolio, carried out mainly via financial investments in bonds, mostly government bonds, and listed equities;
- securitisation activities, which are aimed at segment operators, in particular originators and investors, by offering finance through investments in Asset-Backed Securities (ABS) and other exposures to securitisation schemes, and by taking on the roles of arranger and sponsor in the context of such transactions with a view to cross-selling. Investments are mainly concentrated in senior and mezzanine tranches with underlying performing assets and with a favourable trade-off in terms of expected profitability compared to risk weighting.

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

Impacts deriving from the Covid-19 pandemic

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.

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 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.

As regards loans to private customers in the form of salary- and pension-backed loans granted through the subsidiary Cap.Ital.Fin., the Group suffered the effect of the closure and block to production of numerous companies that, in many cases, applied for the social shock absorber of derogation temporary lay-off fund; this led to the disbursement of salaries directly by INPS, resulting, in many cases, 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 2022, 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.

Impacts resulting from the "New DoD"

The new rules on the "Classification in Default of Counterparties" (the "New DoD - Definition of Default") entered into force on 1 January 2021. In this context, only for the specific sector of NHS bodies, the counting of the days of backlog had been 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 Italian Decree Law no. 34 of 19 May 2020. This ruling in fact envisaged 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 Italian Decree Law no. 183 of 31 December 2020.

The purpose of the debt enforcement freeze was to allow NHS bodies not to pay their debts (albeit temporarily) in order to realise higher public interests related also to the health emergency: consequently, the counting of days in arrears under Article 178 CRR in relation to the exposures of the local health authorities (ASL) to the Group was suspended.

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 on 8 December 2021 that the Constitutional Court instead issued judgement no. 236/2021, 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 light of the above, during the preparation and closing of the Consolidated Financial Statements for last year, taking into account the "late" issuance of the Judgement and the absence of established market practices or indications from authorities or trade associations on the effects of Constitutional Court Sentence 236/2021 on the date from which to start counting days in arrears of exposures to NHS bodies an analysis process has been launched to identify an approach, based on responsibility and reasonableness, to represent the factual reality of the reference contexts and provide a correct accounting representation, also in terms of credit risk and the classification of exposures to NHS entities.

In this context, the substantive approach in the classification and consequent valuation of the related exposures illustrated in the Consolidated Financial Statements of last year, was adopted.

During the first half of 2022, the activities of in-depth study and analysis of the aforementioned issues were completed and, as of 30 June 2022, in place of the aforementioned approach, the criterion of merely counting days in arrears provided for by the New DoD for the purpose of identifying exposures in default was also applied to exposures to NHS entities, even though there were no specific counterparty credit risks.

At the same time, a project was launched to strategically reorganise the Pharma business, considering both the new regulatory framework and the changed market context.

This broader project includes, *inter alia*:

- the adoption of new procedures for the selection of receivables from NHS entities to be acquired by the Group;
- the implementation of tools to make the monitoring and management of any payment delays by assigned debtors even more efficient and timely and maximise collections; and
- the sale without recourse to a leading market operator, through an SPV identified by the latter for a securitisation, of two portfolios with a comprehensive nominal amount of 45,0 million Euro and comprising:
    - trade receivables from NHS bodies (mostly ASLs, ASPs, etc.), including the related accrued and accruing arrears, partly subject to legal actions for their recovery; and
    - trade receivables from local entities (municipalities) for which a financial distress procedure is underway pursuant to Title VIII, Part II, Article 244 et seq. of the Financial and Accounting Regulations of Legislative Decree No. 267/2000 (Consolidated Law on Local Entities - "TUEL"), classified as non-performing and partly subject to legal proceedings for their recovery.

The aforementioned non-recourse sale transaction, for which no further involvement of the Group is foreseen either as underwriter of notes or as possible servicer of the securitisation, has become fully effective and seen full payment of the sale price.

In view of the above, gross exposures totalling 116,2 million Euro at 31 December 2022 were classified as impaired loans, in particular almost entirely non-performing past due exposures.

Impacts of the Russia-Ukraine conflict

In the area of credit risk, the Group considered the effects of the crisis generated by the conflict in Ukraine in the measurement of expected credit losses (ECLs) classified as performing (stage 1 and stage 2) already in the Consolidated Interim Report at 31 March 2022, applying corrective factors to adjust for the impacts of this crisis on the ECLs of specific economic sectors considered to be most exposed. The perimeter considered relates to operations of the Factoring, Non-Core, Corporate Banking and Leasing segments belonging to those sectors that are most affected by changes in raw material and energy product prices, which have risen further since the war,

and which are reflected in the operating costs of companies, particularly those operating in sectors with higher energy consumption, such as the metal industry.
The exposure to companies that are based in or have business operations in the countries directly affected by the war - Russia, Belarus and Ukraine - is small; therefore, the impact in terms of ECL is minimal.
However, the Banca Ifis Group will continue to monitor on an ongoing basis and report monthly on counterparties exposed to these risks and assess the prudential measures to be taken for their adequate credit risk management.
In addition, during the first half of 2022, the prudential adjustments applied to define the additional provisions previously accounted for as a result of the pandemic context were revised, also in light of the fact that the deterioration of the portfolio was, on the whole, less pronounced than assumed. At the same time, some prudent corrections have been made, to take into account the current macroeconomic environment strongly influenced by the impact of rising energy prices on inflationary dynamics, the recessionary effects linked to the Russian-Ukrainian conflict and, last but not least, the risk linked to the persistence of the Covid-19 pandemic. Prudential adjustments to cover these risks, viewed as a whole, were therefore re-evaluated during the year.
In the area of Npl Segment risks, it was verified that there is no direct impact at the reference date of these Consolidated Financial Statements on the proprietary portfolio of the Group.

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 Large Risks & Monitoring organisational unit, in coordinating the process of formulating proposed reviews and updates to the credit policies to be submitted for the approval of the Parent Company's Board of Directors;
    - the Parent Company's Risk Management Department in monitoring the results achieved by the Group in terms of volumes and overall effective positioning on the credit market in line with the defined credit strategies;
- the most qualifying elements in the credit process, with specific reference:
    - to the definition of risk categories to be assigned to customers, according to the different risk profile that can be attributed to the technical loan forms involved, closely linked to the operative processes connected with the "Group System of delegated powers" on the assumption of the credit risk;

- to the examination of all useful information, both internal and external, functional to the determination of the customer's credit rating and future solvency of the debtor, measuring the credit risk firstly using normal sources for the repayment of exposure and, thereafter, considering the use of the accessory guarantees connected with the credit intervention;

- the monitoring and review of the model used to define credit faculties or the matrix of faculties for granting credit and the related limits;
- the structuring of the credit process, in its comprehensive cycle, into two macro processes of "investigation and disbursement of credit" and "monitoring and collection of debt".

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

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

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

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

Specifically, Banca Ifis's organisational structure consists of the following Business Units, dedicated to different activities, centralised in the Joint General Manager Chief Commercial Officer (COO):

- Commercial & Corporate Banking Underwriting dedicated, both with reference to the initial granting of credit and renewal and review activities, to assessing the creditworthiness of the counterparties as well as the risk inherent in the transactions and approving credit facilities in compliance with the powers assigned to it by the Board of Directors and formalised in the Group's System of Delegated Authorities for the assumption of credit risk;
- Commercial Banking, dedicated to the promotion of financing services to domestic and foreign companies and to the care of the correct relationship with the counterparties developed directly or indirectly, as well as the debtors (domestic or foreign) acquired as part of the operations carried out;
- Corporate & Investment Banking, dedicated to structured finance transactions or investments in performing non-financial companies and intermediaries;
- Pharmacies, directly manages existing portfolio relationships with domestic pharmacy counterparties in close cooperation with the organisational units of the subsidiary Banca Credifarma;
- Insurance, dedicated to the insurance products offered to its customers;
- Leasing and Rental, dedicated to offering and managing leasing and renting products;
- Marketing & Business Strategy, supporting the business units reporting to the Joint General Manager Chief Commercial Officer;
- Tax Credit, dedicated to the purchase of tax credits from companies in insolvency proceedings, in voluntary liquidation and from performing companies.

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

- Ifis Npl Investing S.p.A., company dedicated to the acquisition and transfer of non-performing loans (Npls), mainly originated by financial institutions and banks;
- Ifis Npl Servicing S.p.A., company specialising in the management of Npls and servicing and recovery activities on behalf of third parties;
- Cap.Ital.Fin. S.p.A., which provides salary- or pension-backed loans (CQS/CQP), payment delegation (DP) as well as salary or pension deductions and distributes financial products such as mortgages and personal loans;

- Banca Credifarma S.p.A., a banking operator mainly targeting the pharmacy and healthcare sectors and operating in the business of granting advances, medium- and long-term loans and financial services to pharmacies;
- Ifis Finance Sp. z o.o. and Ifis Finance I.F.N. S.A., factoring companies operating in Poland and Romania respectively;
- Ifis Rental Services S.r.l., an unregulated entity specialising in operating leases;

Each organisational unit develops and manages business relationships and opportunities in its respective segment by working together with the branches located throughout Italy, in accordance with the strategic guidelines and objectives set by the Board of Directors.
As for the lending process, each business unit identifies the opportunities for new transactions in accordance with the lending policies in force and the defined risk appetite; in this context, it examines loan applications and formalises a proposal to be submitted to the competent decision-making bodies, ensuring lending policies and controls are implemented correctly and analysing the applicant's creditworthiness in accordance with existing internal regulations.
The proposals to grant lines of credit and/or purchase receivables are submitted to the competent decision-making bodies, which, based on the powers delegated to them, express their decision - which always refers to the overall exposure towards the counterparty (or any related groups).
Banca Ifis's branches have no independent decision-making power for the purposes of assuming credit risk; Branches manage ordinary operations with customers under the constant monitoring of the central structures in accordance with the limits and procedures established by the Head Office's competent bodies.
In carrying out their operations, the subsidiaries can independently take certain decisions within the operational and organisational limits defined by the Parent Company Banca Ifis.
The line of credit is then finalised: the Bank finalises the agreement, obtains guarantees, if any, and grants the credit line. Throughout these stages, the business units are aided by specific supporting units responsible for preparing the agreement in accordance with the terms of the approval as well ensuring all activities leading to the granting of the credit facility are properly carried out.
The operational management of receivables, carried out for performing customers, mainly consists in the ordinary management and monitoring conducted by dedicated structures at each of the Group's companies with the aim of constantly and pro-actively reviewing borrowers. In addition, a specific organisational unit within the Parent Company performs monitoring activities at the Group level to identify counterparties with performance issues, so as to anticipate problems and provide adequate reporting to the competent corporate functions.
If the credit position is in an objective situation of distress, it is transferred to specific functions specialised in managing and recovering non-performing exposures.
The process for the acquisition of non-performing loan portfolios adopted by the structures of the Npl Segment consists of similar stages that can be summarised as follows:

- origination: the 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 and Ifis Npl Servicing, as well as of a broad and proven network of debt collection companies and financial agents operating across Italy.

The non-judicial operations consist mainly in the activation of the credit through the debtor's subscription of 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 (Npl) 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.

As already indicated in last year's Consolidated Financial Statements, the curve model during 2021 has been refined as the models are reviewed biennially in order to lengthen and update the time series, verify cluster tightness and statistical robustness, take into account any new management methods, and evaluate macroeconomic effects 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: 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;
- Demonstrations of Will (MdV): the 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.

As already started in 2021, again in 2022, management took part in a new closure method, known as "balance and write-off of positions", in order to anticipate recovery while granting a reduction in the amount due (write-off) to the debtor. This method of collection does not replace the methods described above, but involves certain campaigns on specific positions identified by management.

Judicial operations

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

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

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

These positions are measured at amortised cost, calculated as the present value of expected cash flows determined on the basis of two proprietary models developed by the Risk Management function on the basis of historical internal data, referred to as "pre-garnishment order Legal Factory model" and "garnishment model".

The pre-garnishment order model during 2021 has been recalibrated because, just as was the case for the curve models, the models are reviewed biennially in order to lengthen the time series, verify cluster tightness and statistical robustness, take into account any new management methods, and evaluate macroeconomic effects 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, differentiated by two size clusters, and a model for partnerships and sole proprietorships. The rating models are composed of different modules that investigate different areas of information depending on the type of counterparty and are integrated with qualitative information of different

nature. The extension of the use of the models to all operations with companies of the Parent company has allowed, by increasing the coverage of the models, the achievement of homogeneity objectives in terms of risk measurement along the credit process. The provisioning process saw the expansion of the population to which it is possible to apply the stage allocation criterion for a significant increase in credit risk, by comparing the rating at the time of granting and the current rating, with a view to compliance with the requirements of accounting standard IFRS 9.

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

Concerning credit risks, the Risk Management function:

- oversees, monitors and assesses credit risks, carrying out audits and analysis in accordance with the relevant guidelines; specifically, it:
    - assesses credit quality, ensuring compliance with credit guidelines and strategies by continuously monitoring credit risk indicators;
    - constantly monitors exposure to credit risk and compliance with the operating limits assigned to the operating structures in relation to the assumption of credit risk;
    - verifies, by means of second-level controls, the correct implementation of performance monitoring on individual exposures, in particular on impaired exposures, and assesses the consistency of classifications and the adequacy of provisions;
    - monitors exposure to concentration risk and the performance of exposures classified as “Large Exposures”;
- performs quantitative analyses to support the business units in using risk measures;
- oversees the supervision of the value of collateral as well as personal and financial guarantees.

In the broad Loan Origination and Monitoring (EBA LOM) project, several projects were carried out during 2022. In particular:

- a number of internal regulatory documents were updated, in particular the “Credit Monitoring Operational Note”, the “System of Risk Assumption Delegations”, the “Organisational Procedure for Credit Assessment and Resolution”;
- training sessions were held to disseminate the credit risk culture;
- a new project was started to develop a watchlist monitoring dashboard, aligned with the requirements of the EBA LOM regulation;
- preliminary analyses were undertaken to study the feasibility of developing a rating model for counterparties belonging to the subsidiary Banca Credifarma;
- new balance sheet indicators and corresponding warnings were identified on a new credit portal;
- the existing evaluation framework was enriched with the inclusion of new prospective analyses (forward looking information);
- monitoring of so-called leveraged transactions was strengthened;
- the criterion for identifying Major Transactions has been tightened.

Within the individual Group companies, special attention is paid to the monitoring of credit risk. During 2022 on the subsidiaries Cap.Ital.Fin. and Banca Credifarma:

- 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 (PD);
- monthly 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 directives of the Board, those positions that are at risk and engage the Group to a considerable extent are subject to systematic monitoring.

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

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

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

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

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

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 significantly since initial recognition even though the contractual payments are more than 30 days past due. However, the Ifis Group has not pursued this option;
- Forbearance: according to this criterion, a financial instrument is allocated to Stage 2 when the Group classifies the exposure as forborne;
- Watchlist: this requires identifying qualitative deterioration criteria defined by the Group as part of the process for defining especially risky positions during credit monitoring.

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

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

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

- expected losses at 12 months for positions that have not suffered a significant deterioration in creditworthiness (Stage 1); in other words, the Group estimates non-payments resulting from possible default events in the following 12 months, weighted by the probability that such events will occur;
- expected "Lifetime" losses for positions that have suffered a significant deterioration in creditworthiness (Stage 2); in this case, the Group estimates the cash shortfalls resulting from default events that are possible over the expected life of the financial instrument, weighted by the probability of that default occurring and discounted at the measurement date.

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

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

Concerning the exposures to Banks, Central Governments, 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 function periodically compares the balance of the provisions for impairment with the estimated losses expected, obtained using the risk levels forecast on the basis of internal evidence, which can be traced to the same impaired positions.

As for the securities portfolio, considering the methodological complexity associated with developing a dedicated model, the Group decided to use the calculation of impairment under IFRS 9 that the outsourcer of the computer system provides at consortium level (i.e. estimating risk parameters, determining the Stage allocation and calculating ECLs). Specifically, the formula used to calculate the impairment of the tranches allocated to stage 1 and stage 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 Stages and/or credit quality) on the basis of a joint forecast of the evolution of the economic and financial indicators (see macroeconomic scenario).

The satellite models, re-estimated during the second half of 2022, meet the need to identify the existence of a significant relationship between the general economic conditions (i.e. macroeconomic and financial variables) and a proxy variable of the risk factor (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 function 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)

As a result of the international situation, affected by the Russia-Ukraine conflict, the impacts of Covid-19 and the problems in the procurement of raw materials and supply chain blocks, the Group has introduced corrective factors aiming to adjust for the impacts of this crisis on such transactions with counterparties belonging to particular sectors (transport, agriculture, manufacturing and energy trading) that could be involved in a significant increase in credit risk.

Measurement of expected losses (ECL)

With reference to the Forward Looking Information feeding the IFRS 9 provisioning process through the use of the recently updated satellite models, the Risk Management function updated the macroeconomic scenarios in 2022; these scenarios are sourced from various sources in order to ensure a good coverage of information and to factor in the macroeconomic context strongly influenced by the impact of rising energy prices on inflation dynamics, the recessionary effects linked to the Russian-Ukrainian conflict and, last but not least, the risk linked to the persistence of the Covid-19 pandemic.

It was also deemed necessary to update the probability of occurrence of the scenarios by balancing the weights of the base and adverse scenarios in view of the uncertainty of the macroeconomic environment. In detail, the

baseline scenario is characterised by a 50% probability of occurrence, the adverse scenario by a 45% probability and the ameliorative scenario by a 5% probability.

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:

- collateral encumbering assets, such as pledges on financial assets, mortgages on real estate (residential/non-residential); and/or
- personal guarantees (typically sureties) on a third party where the person (natural or legal) acts as guarantor of the customer's debt position in the event of insolvency.

In particular:

- as part of factoring operations, when the type and/or quality of factored receivables do not fully satisfy requirements or, more generally, the invoice seller is not sufficiently creditworthy, the 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 implemented to hedge credit risks;
- salary-backed loans have low risk, considering the particular characteristics of this product: it requires having insurance against the customer's risk of death and/or loss of employment as well as imposing a lien on the Post-employment benefits (TFR) 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 (SFR).

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 Company believes that adopting "systemic" operational and structural ratios, and maintaining its indicators at the highest level of excellence, is a mark of quality and a value to be pursued as a specific goal in order to strengthen its corporate structure as well as improve its internal processes.

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

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

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

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

In view of the above, the Group has maintained the following two indicators as performance indicators and explicit objectives to be pursued with careful and proactive management when updating its annual operating plan for the management of short and medium/long-term Npls, presented to the Bank of Italy in March 2022:

- "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 2022, excluding the positions stemming from the acquisition and management of non-performing exposures of third party originators managed by the subsidiaries Ifis Npl Investing and Ifis Npl Servicing, as well as the portfolios of retail loans, also in consideration of the economic impacts deriving from the Russia-Ukraine conflict, the levels of NPE ratio are in line with respect to the objectives set when defining the projections of the 2022-2024 Business Plan. Regardless of the current outlook, the pursuit of the objective of a general limitation in the stock of non-performing loans remains and is expected to take place through a differentiated strategy in relation to the specificity of the individual portfolios concerned (taking into account the type of counterparty and the specificity of the individual products). In general, the action that will be taken is essentially based on the following goals, which it has been pursuing for some time now:

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

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

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

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 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 Group'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.

Depending on the business model under which the asset is managed, POCI may be classified as "financial assets measured at fair value through comprehensive income" (in the case of the "HTC&S - Held to Collect & Sell" model) or as "financial assets measured at amortised cost" (in the case of the "HTC - Held to Collect" model). As previously mentioned, interest is accounted for by applying a credit-adjusted effective interest rate, i.e. the rate that, upon initial recognition, discounts all the asset's estimated future cash collections considering also lifetime expected credit losses ("ECL lifetime").

The 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.

POCIs are conventionally presented at initial registration in Stage 3.

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

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

"Acquired impaired assets" include loans acquired by the subsidiaries Ifis Npl Investing S.p.A. and Ifis Npl Servicing S.p.A. at values significantly lower than their nominal amount, as well as non-performing 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 non-performing assets are included within the POCI perimeter on the basis of the existence, for each individual relationship, of impaired credit quality at the time of the relative acquisition, as required by IFRS 9.

Quantitative information

The outstanding nominal amount of Ifis Npl Investing S.p.A.'s proprietary portfolio is 23.065 million Euro. At the time of purchase, the nominal amount of these receivables was approximately 24.193 million Euro, and they were acquired for 1.350 million Euro, i.e. an average price equal to 5,58% of the historical nominal amount. During the first half of 2022 1.441 million Euro were purchased for a consideration of 66,5 million Euro, corresponding to an average price of 4,62%, whilst during the second half of the year 1.059 million Euro were purchased for a consideration of 82,9 million Euro, corresponding to an average price of 7,83%. The POCI outstanding portfolio has a weighted average ageing of 48 months compared to their original 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 2022 of the positions in out-of-court management comes to 493 million Euro, whilst the carrying amount of the positions under legal management[1] comes to 933 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 2022, Ifis Npl Investing S.p.A. completed 8 significant sales of portfolios to leading players whose business is purchasing Npls. Overall, receivables were sold with an amount of 555 million Euro, for an overall consideration of 22,1 million Euro.

4. Financial assets subject to business renegotiations and forborne exposures

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

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

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

- the purposes for which the modifications were made: for instance, renegotiations for business reasons and forbearance measures due to the counterparty's financial difficulties:
  - the former, intended to "retain" the customer, involve a borrower that is not in financial distress. This case includes all renegotiations aimed at adjusting the cost of debt to market conditions. These transactions result in changes to the original contractual terms, usually at the request of the borrower, that concern aspects associated with the cost of debt, giving rise to an economic benefit for the borrower. Generally, the Group believes that, whenever it enters into a renegotiation in order to avoid losing the client, this renegotiation shall be considered as substantial, since, in its absence, the customer could obtain financing from another intermediary and the Group would see estimated future revenue decline;
  - the latter, offered for "credit risk reasons" (forbearance measures), are part of the Group's attempt to maximise the recovery of the cash flows of the original receivable. Following the modifications, usually the underlying risks and rewards have not been substantially transferred: therefore, the accounting presentation that provides the most relevant information to users of

[1] *Legal management including garnishment actions with third parties, corporate positions, MIPOs and bankruptcy procedure.*

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 one			Stage two			Stage three			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	78.475	1.058	570	12.634	29.123	104.227	6.847	11.525	130.058	1.223	928	1.516.607
2. Financial assets measured at fair value through other comprehensive income	1.927	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2022	**80.402**	**1.058**	**570**	**12.634**	**29.123**	**104.227**	**6.847**	**11.525**	**130.058**	**1.223**	**928**	**1.516.607**
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**

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																							Total provisions on loan commitments and financial guarantees granted				Tot.
	Stage one assets						Stage two assets						Stage three assets						Purchased or originated impaired financial assets									
	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*	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 one	Stage two	Stage three	Commitments to disburse funds and fin. guarantees issued impaired acquired or originated	
Opening balance of total impairment losses/reversals of impairment losses	**966**	**61.435**	**251**	**-**	**-**	***62.652***	**-**	**17.937**	**-**	**-**	**-**	***17.937***	**-**	**187.378**	**-**	**-**	***187.378***	**-**	**-**	**-**	**-**	**-**	**-**	**2.985**	**2.082**	**6.839**	**15**	**279.888**
Increases from purchased or originated financial assets	37	96	-	-	-	*133*	-	(44)	-	-	-	*(44)*	-	(81)	-	-	*(81)*	-	X	X	X	*X*	*X*	297	-	-	-	**305**
Derecognitions other than write-offs	(32)	(23)	-	-	-	*(55)*	-	4.858	-	-	-	*4.858*	-	58.859	-	-	*58.859*	-	-	-	-	-	-	152	-	1.633	-	**65.447**
Net credit risk losses/reversals (+/-)	(12)	16.653	832	-	-	*17.473*	-	(9.850)	-	-	-	*(9.850)*	-	(183.231)	-	-	*(183.231)*	-	20.943	-	-	*19.489*	*1.454*	1.378	(678)	(1.540)	(5)	**(155.510)**
Contractual modifications without derecognition	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Changes in estimation method	-	1.806	-	-	-	*1.806*	-	1.806	-	-	-	*1.806*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**3.612**
Write-offs not recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	32.320	-	-	*32.320*	-	-	-	-	-	-	-	-	-	-	**32.320**
Other changes	(13)	163	-	-	-	*150*	-	(430)	-	-	-	*(430)*	-	51.510	-	-	*51.510*	-	(20.943)	-	-	*(19.489)*	*(1.454)*	(980)	1.558	(4.411)	-	**26.454**
Closing balance of total impairment losses/reversals of impairment losses	**946**	**80.130**	**1.083**	**-**	**-**	***82.159***	**-**	**14.277**	**-**	**-**	**-**	***14.277***	**-**	**146.755**	**-**	**-**	***146.755***	**-**	**-**	**-**	**-**	**-**	**-**	**3.832**	**2.962**	**2.521**	**10**	**252.516**
Reversals from collections on financial assets written off	-	-	-	-	-	-	-	-	-	-	-	-	-	7.138	-	-	*7.138*	-	-	-	-	-	-	-	-	-	-	**7.138**
Write-offs recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	5.993	-	-	*5.993*	-	164.854	-	-	*164.854*	-	-	-	-	-	**170.847**

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 one and Stage two		Transfers between Stage two and Stage three		Transfers between Stage one and Stage three	
	From Stage one to Stage two	From Stage two to Stage one	From Stage two to Stage three	From Stage three to Stage two	From Stage one to Stage three	From Stage three to Stage one
1. Financial assets measured at amortised cost	269.377	181.204	68.866	23.486	82.086	30.213
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-
4. Loan commitments and financial guarantees granted	128.653	9.651	380	1.930	4.520	2.059
Total 31.12.2022	**398.030**	**190.855**	**69.246**	**25.416**	**86.606**	**32.272**
Total 31.12.2021	**531.939**	**3.026**	**54.276**	**7.203**	**39.093**	**45.757**

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 forbearance measures, 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 one and Stage two		Transfers between Stage two and Stage three		Transfers between Stage one and Stage three	
	From Stage one to Stage two	From Stage two to Stage one	From Stage two to Stage three	From Stage three to Stage two	From Stage one to Stage three	From Stage three to Stage one
A. Loans measured at amortised cost	**32.834**	**11.867**	**3.519**	**45**	**9.662**	**-**
A.1 subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-
A.2 subject to existing moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-
A.3 subject to other forbearance measures	-	-	-	-	-	-
A.4 new funding	32.834	11.867	3.519	45	9.662	-
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-
B.2 subject to existing moratorium measures no longer compliant with the GL and not valued as subject to forbearance measures	-	-	-	-	-	-
B.3 subject to other forbearance measures	-	-	-	-	-	-
B.4 new funding	-	-	-	-	-	-
Total 31.12.2022	**32.834**	**11.867**	**3.519**	**45**	**9.662**	**-**
Total 31.12.2021	**27.300**	**2.218**	**1.723**	**-**	**2.244**	**219**

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 one	Stage two	Stage three	Impaired acquired or originated		Stage one	Stage two	Stage three	Impaired acquired or originated		
A. On-balance-sheet credit exposures												
A.1 On demand	**233.379**	**233.379**	**-**	**-**	**-**	**946**	**946**	**-**	**-**	**-**	**232.433**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	233.379	233.379	-	X	-	946	946	-	X	-	232.433	-
A.2 Other	**709.314**	**677.509**	**31.805**	**-**	**-**	**1.887**	**1.887**	**-**	**-**	**-**	**707.427**	**-**
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	709.314	677.509	31.805	X	-	1.887	1.887	-	X	-	707.427	-
- of which forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
Total (A)	**942.693**	**910.888**	**31.805**	**-**	**-**	**2.833**	**2.833**	**-**	**-**	**-**	**939.860**	**-**
B. Off-balance-sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	863.770	80.537	783.233	X	-	-	-	-	X	-	863.770	-
Total (B)	**863.770**	**80.537**	**783.233**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**863.770**	**-**
Total (A+B)	**1.806.463**	**991.425**	**815.038**	**-**	**-**	**2.833**	**2.833**	**-**	**-**	**-**	**1.803.630**	**-**

"On-demand" credit exposures include on-demand loans to banks classified under "Cash and cash equivalents".
On-balance-sheet exposures include all on-balance-sheet financial assets due from customers regardless of the portfolio they are included in (measured at amortised cost, measured at fair value through other comprehensive Income, designated at fair value, mandatorily measured at fair value, under disposal).

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 one	Stage two	Stage three	Purchased or originated impaired		Stage one	Stage two	Stage three	Purchased or originated impaired		
A. On-balance-sheet credit exposures												
a) Bad loans	1.221.578	X	-	96.824	1.124.754	68.874	X	-	68.874	-	1.152.704	3.572
- of which forborne exposures	*168.673*	*X*	*-*	*3.640*	*165.033*	*3.180*	*X*	*-*	*3.180*	*-*	*165.493*	*-*
b) Unlikely to pay	554.428	X	-	176.305	378.123	68.091	X	-	68.091	-	486.337	137
- of which forborne exposures	*102.898*	*X*	*-*	*25.643*	*77.255*	*11.945*	*X*	*-*	*11.945*	*-*	*90.953*	*-*
c) Non-performing past due exposures	157.069	X	-	152.071	4.998	9.790	X	-	9.790	-	147.279	21
- of which forborne exposures	*4.180*	*X*	*-*	*3.431*	*749*	*844*	*X*	*-*	*844*	*-*	*3.336*	*17*
d) Performing past due exposures	247.001	79.365	150.116	X	17.520	5.078	1.349	3.729	X	-	241.923	6
- of which forborne exposures	*4.265*	*-*	*3.219*	*X*	*1.046*	*235*	*-*	*235*	*X*	*-*	*4.030*	*-*
e) Other performing exposures	8.610.572	8.199.335	343.235	X	68.002	88.535	77.975	10.560	X	-	8.522.037	36.958
- of which forborne exposures	*81.558*	*-*	*78.655*	*X*	*2.903*	*3.887*	*-*	*3.887*	*X*	*-*	*77.671*	*-*
Total (A)	**10.790.648**	**8.278.700**	**493.351**	**425.200**	**1.593.397**	**240.368**	**79.324**	**14.289**	**146.755**	**-**	**10.550.280**	**40.694**
B. Off-balance-sheet credit exposures												
a) Non-performing	87.562	X	-	87.501	61	2.531	X	-	2.522	9	85.031	-
b) Performing	1.529.763	1.473.115	56.432	X	216	6.833	4.034	2.798	X	1	1.522.930	-
Total (B)	**1.617.325**	**1.473.115**	**56.432**	**87.501**	**277**	**9.364**	**4.034**	**2.798**	**2.522**	**10**	**1.607.961**	**-**
Total (A+B)	**12.407.973**	**9.751.815**	**549.783**	**512.701**	**1.593.674**	**249.732**	**83.358**	**17.087**	**149.277**	**10**	**12.158.241**	**40.694**

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

A.1.5a Loans concerned by COVID-19 support measures: gross and net amounts

Types of exposures/Amounts	Gross exposure					Overall impairment losses/reversals and overall allocations					Net exposure	Overall partial write-offs
		Stage one	Stage two	Stage three	Purchased or originated impaired		Stage one	Stage two	Stage three	Purchased or originated impaired		
A. Non-performing loans:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New funding	-	-	-	-	-	-	-	-	-	-	-	-
B. Unlikely to pay loans:	**12.115**	**-**	**-**	**10.079**	**2.036**	**2.298**	**-**	**-**	**2.298**	**-**	**9.806**	**-**
a) Subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New funding	12.115	-	-	10.079	2.036	2.298	-	-	2.298	-	9.806	-
C. Non-performing past due loans:	**3.291**	**-**	**-**	**3.246**	**45**	**352**	**-**	**-**	**352**	**-**	**2.939**	**-**
a) Subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New funding	3.291	-	-	3.246	45	352	-	-	352	-	2.939	-

D. Other performing past-due exposures:	**14.645**	**4.285**	**10.302**	**-**	**58**	**215**	**24**	**191**	**-**	**-**	**14.430**	**-**
a) Subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New funding	14.645	4.285	10.302	-	58	215	24	191	-	-	14.430	-
E. Other performing loans:	**472.171**	**440.355**	**29.564**	**-**	**2.252**	**3.555**	**3.206**	**349**	**-**	**-**	**466.828**	**-**
a) Subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New funding	472.171	440.355	29.564	-	2.252	3.555	3.206	349	-	-	466.828	-
Total (A+B+C+D+E)	**502.222**	**444.640**	**39.866**	**13.325**	**4.391**	**6.420**	**3.230**	**540**	**2.650**	**-**	**494.003**	**-**

This table shows, with reference to the loans concerned by moratorium or other COVID-19 forbearance measures, 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.

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	**1.245.916**	**562.918**	**129.734**
- of which: transferred and not derecognised	*747*	*2.636*	*2.307*
B. Increases	**918.326**	**510.150**	**343.211**
B.1 income from performing exposures	5.364	65.461	267.225
B.2 income from impaired financial assets purchased or originated	105.378	78.356	225
B.3 transfers from other non-performing exposure categories	36.062	38.569	2.512
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	771.522	327.764	73.249
C. Decreases	**942.664**	**518.640**	**315.876**
C.1 outflows to performing exposures	5.667	38.247	98.021
C.2 write-offs	86.563	19.760	775
C.3 collections	287.865	138.518	6.795
C.4 proceeds from sales	14.810	9.493	17
C.5 losses on sale	48.336	4.994	-
C.6 transfers to other non-performing loan categories	1.228	38.214	37.701
C.7 contractual modifications without derecognition	-	-	-
C.8 other decreases	498.195	269.414	172.567
D. Closing gross exposure	**1.221.578**	**554.428**	**157.069**
- of which: transferred and not derecognised	*544*	*2.249*	*6.196*

On-balance-sheet exposures include all on-balance-sheet financial assets due from customers regardless of the portfolio they are included in (measured at amortised cost, measured at fair value through other comprehensive Income, designated 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	**307.472**	**99.462**
- of which: transferred and not derecognised	*1.319*	*21.778*
B. Increases	**310.900**	**67.015**
B.1 inflows from non-forborne performing exposures	218	27.902
B.2 inflows from forborne performing exposures	8.966	X
B.3 inflows from non-performing forborne exposure	X	27.715
B.4 inflows from non-forborne non-performing exposures	51.847	31
B.5 other increases	249.869	11.367
C. Decreases	**342.621**	**80.654**
C.1 outflows to non-forborne performing exposures	X	34.470
C.2 outflows to forborne performing exposures	27.715	X
C.3 outflows to non-performing forborne exposures	X	8.966
C.4 write-offs	1.047	-
C.5 collections	131.028	11.218
C.6 proceeds from sales	9.577	-
C.7 losses on sale	600	-
C.8 other decreases	172.654	26.000
D. Closing gross exposure	**275.751**	**85.823**
- of which: transferred and not derecognised	*1.357*	*14.768*

A.1.9 Prudential consolidation - On-balance-sheet non-performing exposures to receivables due from 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	**91.021**	***3.337***	**89.782**	***22.719***	**6.575**	***1.037***
- of which: transferred and not derecognised	*151*	*-*	*1.019*	*208*	*318*	*44*
B. Increases	**47.711**	***521***	**37.300**	***4.435***	**12.288**	***793***
B.1 impairment losses/reversals from impaired financial assets purchased or originated	-	*X*	-	*X*	-	*X*
B.2. other impairment losses	32.731	*521*	32.896	*4.028*	12.168	*539*
B.3 losses on sale	-	-	783	-	-	-
B.4 transfers from other categories of impaired exposures	13.334	-	559	*398*	1	-
B.5 contractual modifications without cancellations	-	-	-	-	-	-
B.6 other increases	1.646	-	3.062	*9*	119	*254*
C. Decreases	**69.858**	***678***	**58.991**	***15.209***	**9.073**	***986***
C.1 reversals of impairment losses from measurement	5.825	*619*	3.294	-	3.435	*577*
C.2 impairment reversals from collection	3.415	*17*	12.016	*4.022*	1.580	*11*
C.3 gains on disposal	217	-	-	-	-	-
C.4 write-offs	20.623	*40*	12.694	-	-	-
C.5 transfers to other categories of impaired exposures	927	-	12.776	-	191	*398*
C.6 contractual modifications without cancellations	-	-	-	-	-	-
C.7 other decreases	38.851	*2*	18.211	*11.187*	3.867	-
D. Closing balance of total impairment losses/reversals of impairment losses	**68.874**	***3.180***	**68.091**	***11.945***	**9.790**	***844***
- of which: transferred and not derecognised	*569*	*-*	*2.110*	*300*	*1.053*	*160*

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	CLN	Central counterparties	Banks	Other financial corporations	Other entities	General governments	Banks	Other financial corporations	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	**3.769**	**3.754**	**-**	**-**	**272**	**3.482**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.754**	**7.508**
1.1 totally guaranteed	3.769	3.754	-	-	272	3.482	-	-	-	-	-	-	-	-	3.754	**7.508**
- 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	CLN	Central counterparties	Banks	Other financial corporations	Other entities	General governments	Banks	Other financial corporations	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	**3.561.916**	**3.447.594**	**553.654**	**-**	**-**	**1.515.678**	**-**	**-**	**-**	**-**	**-**	**758.830**	**809**	**7.859**	**366.836**	**3.203.666**
1.1 totally guaranteed	2.502.492	2.422.848	431.816	-	-	1.424.711	-	-	-	-	-	182.067	809	7.308	343.792	**2.390.503**
- of which non-performing	*246.379*	*194.849*	*106.675*	-	-	*28.292*	-	-	-	-	-	*12.230*	-	*29*	*15.908*	***163.134***
1.2 partially guaranteed	1.059.424	1.024.746	121.838	-	-	90.967	-	-	-	-	-	576.763	-	551	23.044	**813.163**
- of which non-performing	*58.514*	*43.109*	*3.296*	-	-	*85*	-	-	-	-	-	*33.705*	-	-	*2.533*	***39.619***
2. Guaranteed off-balance-sheet credit exposures:	**47.367**	**47.303**	**-**	**-**	**42**	**7.928**	**-**	**-**	**-**	**-**	**-**	**943**	**-**	**75**	**30.279**	**39.267**
2.1 totally guaranteed	36.405	36.356	-	-	42	7.083	-	-	-	-	-	69	-	50	29.111	**36.355**
- of which non-performing	*1.341*	*1.341*	-	-	-	-	-	-	-	-	-	-	-	-	*1.341*	***1.341***
2.2 partially guaranteed	10.962	10.947	-	-	-	845	-	-	-	-	-	874	-	25	1.168	**2.912**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

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	General governments		Financial companies		*Financial companies (of which: insurance companies)*		Non-financial corporations		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	7	289	1.227	27	-	-	153.252	64.001	998.218	4.557
- of which forborne exposures	-	-	*48*	-	-	-	*7.341*	*2.847*	*158.104*	*333*
A.2 Unlikely to pay	13.319	28	10.079	908	-	-	101.035	57.815	361.904	9.340
- of which forborne exposures	-	-	*33*	*123*	-	-	*12.205*	*9.110*	*78.715*	*2.712*
A.3 Non-performing past due exposures	107.573	3.653	75	15	*29*	*4*	28.758	4.160	10.873	1.962
- of which forborne exposures	*51*	-	*11*	*3*	-	-	*1.494*	*349*	*1.780*	*492*
A.4 Performing exposures	2.261.748	2.421	774.948	9.488	*1.326*	-	5.015.157	73.888	712.107	7.816
- of which forborne exposures	*397*	-	*44*	-	-	-	*69.301*	*3.585*	*11.959*	*537*
Total (A)	**2.382.647**	**6.391**	**786.329**	**10.438**	***1.355***	***4***	**5.298.202**	**199.864**	**2.083.102**	**23.675**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	2.800	200	-	-	79.109	2.306	3.122	25
B.2 Performing exposures	1	-	199.778	2.089	-	-	1.095.907	4.730	227.244	14
Total (B)	**1**	**-**	**202.578**	**2.289**	**-**	**-**	**1.175.016**	**7.036**	**230.366**	**39**
Total (A+B) 31.12.2022	**2.382.648**	**6.391**	**988.907**	**12.727**	***1.355***	***4***	**6.473.218**	**206.900**	**2.313.468**	**23.714**
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**

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	1.152.279	68.712	407	162	9	-	1	-	8	-
A.2 Unlikely to pay	485.889	67.891	439	200	5	-	-	-	4	-
A.3 Non-performing past due exposures	145.501	9.574	1.778	216	-	-	-	-	-	-
A.4 Performing exposures	8.252.854	88.322	460.066	4.702	31.253	307	19.473	277	314	5
Total (A)	**10.036.523**	**234.499**	**462.690**	**5.280**	**31.267**	**307**	**19.474**	**277**	**326**	**5**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	84.669	2.531	362	-	-	-	-	-	-	-
B.2 Performing exposures	1.482.641	6.560	39.772	273	-	-	214	-	303	-
Total (B)	**1.567.310**	**9.091**	**40.134**	**273**	**-**	**-**	**214**	**-**	**303**	**-**
Total (A+B) 31.12.2022	**11.603.833**	**243.590**	**502.824**	**5.553**	**31.267**	**307**	**19.688**	**277**	**629**	**5**
Total (A+B) 31.12.2021	**11.720.680**	**265.199**	**432.801**	**12.066**	**80.231**	**923**	**50.390**	**134**	**5.236**	**10**

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	675.795	2.232	264.065	601	-	-	-	-	-	-
Total (A)	**675.795**	**2.232**	**264.065**	**601**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	863.453	-	317	-	-	-	-	-	-	-
Total (B)	**863.453**	**-**	**317**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2022	**1.539.248**	**2.232**	**264.382**	**601**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2021	**1.321.263**	**1.310**	**12.509**	**12**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Major exposures

		31.12.2022	31.12.2021
a)	Carrying amount	4.686.151	4.575.221
b)	Weighted value	943.766	799.970
c)	Number	7	7

The overall weighted amount of Large exposures at the weighted amount at 31 December 2022, comprising 7 positions, mainly consists of 209 million Euro in tax assets, 182 million Euro in exposure to counterparties not included in the prudential scope of consolidation and the remaining 553 million Euro in positions vs supervised intermediaries, mainly relating to reverse repurchase agreements, derivatives and securities.

Disclosure regarding sovereign debt

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

In accordance with the requirements of the aforementioned Consob Communication, it should be noted that at 31 December 2022 the carrying amount of sovereign debt exposures is 1.974,7 million Euro, net of the negative valuation reserve of 32,6 million Euro. The exposures consist to a considerable extent of securities issued by the Italian Republic.

These securities, with a nominal amount of 2.001 million Euro have a weighted residual average life of 50 months.

The fair values used to measure the exposures to sovereign debt securities at 31 December 2022 are considered to be Level 1.

Pursuant to the above 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 2022 amount to 408 million Euro, of which 81 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 Group portfolio and in compliance with the propensity to risk established within the Risk Appetite Framework (RAF). The Group invests in securitisations of which it is able to value, on the basis of its experience, the relevant underlying assets.

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

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

Hedging policies adopted to mitigate the relevant risks

The Banca Ifis Group has prepared a "Group Policy for the Management of Securitisation Transactions in the Role of Originator/Promoter/Investor", with which it regulates the process of managing securitisation transactions in the event that it intervenes in the role of "originator" (i.e. a party that participated in the original contract that created the obligations that originated the securitised exposures or that acquired the exposures of a third party and subsequently proceeds to their securitisation) of "investor" (i.e. a person underwriting the securities) or "sponsor" (i.e. a person structuring the transaction as defined in Art. 2 of EU Regulation 2017/2402). For each potential case, the policy sets out the responsibilities of the organisational units and corporate bodies, with reference to both the due diligence process and the ongoing monitoring of the transaction.

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

Ifis ABCP Programme securitisation

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 (or DPP).

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 vehicle Ifis ABCP Programme S.r.l. was consolidated because, following an analysis of the requirements set forth in IFRS 10, it was found to be subject to the control of Banca Ifis (for further details, see "Section 3 - Scope and methods of consolidation" of the paragraph "A.1 - General part" of "Part A - Accounting policies" of these notes to the Consolidated Financial Statements).

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

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

At 31 December 2022, the interest expense on the senior notes recognised in profit or loss amounts to 9,5 million Euro.

Emma securitisation

The securitisation transaction called Emma, prepared by the former Farbanca (now renamed Banca Credifarma following the merger by incorporation of the former Credifarma in April 2022), became part of the Banca Ifis Group as a result of the acquisition of control of this company during 2020.

In March 2018, the former Farbanca autonomously completed this securitisation for a total nominal amount of 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, called Emma S.P.V. S.r.l. The securities were issued in three classes: a senior class for an amount of 322 million Euro (fully subscribed by institutional investors through private placement), a mezzanine class of 46 million Euro and a junior class of 96 million Euro (both subscribed fully by the former Farbanca).

This transaction was restructured during June 2021. The restructuring, which provided for a size increase in the transaction up to a total of 540 million Euro, was carried out with the involvement of the Parent company Banca Ifis and Intesa Sanpaolo as co-arrangers. Following this restructuring, the securities were issued in three classes: the senior class, with a nominal amount of 397,5 million Euro, was fully subscribed by Intesa Sanpaolo while the mezzanine and junior classes, amounting to 53,0 million Euro and 90,1 million Euro respectively, were fully subscribed the former Farbanca (now Banca Credifarma).

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

Third-party securitisations

At 31 December 2022, the Group held 228,5 million Euro in notes deriving from third-party securitisation transactions: specifically, it holds 38,5 million Euro worth of single-tranche notes, senior notes for 161,2 million Euro and 28,9 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 3,7 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 during the year, at 31 December 2022 the carrying amount of the portion subscribed for was 3,0 million Euro (20,2 million Euro at 31 December 2021);
- "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 held by the Banca Ifis Group, at 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 amount equal to 19,5 million Euro. As at 31 December 2022, the subscribed tranche had a carrying amount of 1,9 million Euro (2,3 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 2022, the residual nominal amount of the senior tranche held is 7,6 million Euro.
- "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 (CQS) or pension-backed (CQP) loans or payment delegations (DP) 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). At 31 December 2022 the book value of the senior tranches subscribed is equal to 6,7 million Euro, down compared to the figure of 10,6 million Euro at 31 December 2021 due to the redemptions occurred during the year, while the mezzanine tranches show a net carrying amount of 7,7 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. At 31 December 2022,

these securities had a net carrying amount of 1,6 million Euro (2,1 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 2022 of the tranches subscribed is 44,9 million Euro for the senior tranches (measured at amortised cost), while the value attributed to the mezzanine and junior portions (measured at fair value through profit or loss) is 0,1 million Euro;
- "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 2022 has a carrying amount of 0,6 million Euro (securities measured at fair value through profit or loss);
- "Gaia Spv" securitisation, series IV ("Sparta") and series V ("Volterra"): these are two securitised portfolios whose underlying assets are non-performing loans purchased late 2020. The securitisation transactions were subsequently finalised in the first half of 2021 with the issuance, by the vehicle Gaia Spv S.r.l., of two separate series of "monotranche" securities, each of which was collateralised by its own related portfolio. Banca Ifis participated as underwriter of a portion of the single-tranche securities of each series, with a total carrying amount at 31 December 2022 of 9,9 million Euro (7,0 million Euro for the Sparta series and 2,9 million Euro for the Volterra series);
- "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 (MCC) 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, 5 million Euro for Class B1 securities and 9 million Euro in Class B2 securities. During the second half of 2022, the Bank increased its exposure on Class B1 securities by approximately 3,8 million Euro, against a reduced commitment on Class B2 securities. At 31 December 2022, the securities have a net carrying amount of 18,9 million Euro, 8,6 million Euro and 4,5 million 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 2022 of 4,1 million Euro;
- "Miami Spv" securitisations, segment 2 ("Maior"), segment 3 ("Aqui"), segment 4 ("Brisca"), and segment 6 ("Aqui 3"): these are four securitised portfolios of non-performing loans for which the related asset-backed securities issues, by the vehicle Miami Spv S.r.l., took place in 2021 (for segments 2 and 3) and in 2022 (for segments 4 and 6). Banca Ifis participated as underwriter of a portion of the senior bonds of each series, with a total carrying amount of 34,7 million Euro at 31 December 2022 (Brisca for 12,1 million Euro, Aqui 1 for 1,5 million Euro, Aqui 3 for 21,0 million Euro and Maior for essentially no value), while it had a total carrying amount of 44,6 million Euro at 31 December 2021;
- "Npl Securitisation Italy 9" (J-Invest) securitisation is a transaction whose underlying is represented by corporate loans in proceedings, mainly unsecured in nature, in which Banca Ifis participated in the fourth quarter of 2022, through the investment in "monotranche" "partly paid" securities issued by Npl Securitisation Italy 9, for a notional value pro-rata to the Bank of 9,5 million Euro. The transaction is characterised by an investment period during which the issuing SPV may purchase additional credits from the proceeds of the payment of further tranches of the subscription price of the securities. At 31 December 2022, the securities have a net book value of 3,9 million Euro;
- "Iron" securitisation, a transaction whose underlying asset is a portfolio of loans in the technical form of a credit line with mortgage guarantees, under which Banca Ifis subscribed to a portion of the senior and

junior tranches issued by the vehicle Spv Project 1906 S.r.l. in 2021. At 31 December 2022, such securities have a net carrying amount of 1,0 million Euro and 0,7 million Euro, respectively;

- "SPV Project 1806" securitisation, a transaction whose underlying asset is a portfolio of project financing performing renewable energy plants, under which, in the course of 2021, Banca Ifis acquired a portion of approximately 9 million Euro of the senior securities issued by the vehicle Spv Project 1806 S.r.l. At 31 December 2022, the securities have a net carrying amount of approximately 4,4 million Euro;
- "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 2022 had a net carrying amount of 8,8 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 2022 show a net carrying amount of 7,2 million Euro for the senior tranches (measured at amortised cost) and essentially zero for the mezzanine and junior tranches (measured at fair value through profit or loss);
- "Trinacria" securitisation: a transaction whose underlying asset is a portfolio of "non-performing" mortgages and trade receivables from a single debtor, under which, during the second quarter of 2022, Banca Ifis subscribed to senior and junior securities issued by the vehicle Trinacria Spv S.r.l., which as at 31 December 2022 had a carrying amount of 5,0 million Euro and 0,2 million Euro, respectively;
- "Vega" securitisation, a transaction whose underlying asset is a revolving portfolio of trade receivables originated by a single originator in the exercise of its business activities, under which Banca Ifis subscribed, during the second quarter of 2022, a portion of the senior Class A2 securities issued by the vehicle Spv Project 2104 S.r.l.. At 31 December 2022, they had a net carrying amount of 20,0 million Euro;
- "Quarzo 2022-1" securitisation, realised by the vehicle Quarzo S.r.l. in April 2022 through the issuance of senior securities for 528 million Euro and junior securities for 72 million Euro, having as underlying a portfolio of receivables from consumer credit contracts. Banca Ifis took part in this transaction by subscribing to a portion of the senior tranches, which at 31 December 2022 had a net carrying amount of 3,0 million Euro;
- "Campagnetta" securitisation: this is a real estate securitisation pursuant to Article 7.2 of Law 130/99, through which the securitisation vehicle Absolute RE SPV S.r.l. acquired a real estate asset, financing itself through the issue of senior securities for 3,0 million Euro, mezzanine securities for a nominal 0,7 million Euro and junior securities for a nominal 0,3 million Euro. As part of the transaction, which was finalised in July 2022, Banca Ifis subscribed to the entire senior notes, which have a carrying amount of 3,0 million Euro as at 31 December 2022;
- "Roma" securitisation: a transaction whose underlying asset is a portfolio of mortgage loans and "non-performing" trade receivables from a single debtor, under which, during the fourth quarter of 2022, Banca Ifis subscribed to the senior securities and a portion of the junior securities issued by the vehicle Roma Spv S.r.l.. At 31 December 2022, the senior and junior securities subscribed have a carrying amount of 7,9 million Euro and 0,2 million Euro, respectively;
- "Cielo" securitisation: a transaction with underlying loans guaranteed by the Central Guarantee Fund set up at Mediocredito Centrale (MCC) pursuant to Law 662 of 23 December 1996, in which Banca Ifis participated in the fourth quarter of 2022 by investing in "partly paid" securities issued by Cielo SPV S.r.l., with a notional value pro-rata to the Bank of 10 million Euro for Class A1 securities, 15 million Euro for Class B1-1 mezzanine securities and 15 million Euro in Class B1-2 securities. The transaction is characterised by a ramp-up period during which the issuing SPV may purchase additional credits from the proceeds of the payment of further tranches of the subscription price of the securities. At 31

December 2022, the senior securities have a net carrying amount of 3,7 million Euro and the class B1-1 mezzanine securities a value of 0,7 million Euro, whilst the class B1-2 mezzanine securities have an essentially null value; it should also be noted that as part of this transaction, Banca Ifis acted as co-arranger with Intesa Sanpaolo S.p.A.;

- For the sake of completeness, please note that, as a result of the actions taken in 2017 by the Italian Interbank Deposit Protection Fund's Voluntary Scheme (FITD), the Parent company Banca Ifis owns mezzanine and junior notes issued by the "Berenice" securitisation transaction, totalling a combined 0,1 million Euro.

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	**5.836**	**1**	**17**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Receivables due from customers	*5.836*	*1*	*17*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**103.660**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Receivables due from customers	*-*	*-*	*-*	*-*	*103.660*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

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	393.532	1.421	25.878	366	1.104	-	-	-	-	-	-	-	24.833	146	-	-	-	-
Total	**393.532**	**1.421**	**25.878**	**366**	**1.104**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24.833**	**146**	**-**	**-**	**-**	**-**

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%	1.507.538	-	66.205	1.101.629	-	-
Emma S.P.V. S.r.l.	Conegliano (Province of Treviso)	100%	496.377	-	36.652	392.284	52.305	83.164

(1) Consolidation method referred to the so-called "prudential" perimeter

(2) The figures shown are gross of any intercompany transactions

C.5 Prudential consolidation - Servicer activities – own securitisations: collection of securitised loans and redemption of securities issued by the SPV for securitisation

Servicer	Vehicle company	Securitised assets (end-of-period figure)		Receivables collected during the year		Percentage share of redeemed securities (end-of-period figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing loans	Performing loans	Non-performing loans	Performing loans	Non-performing loans	Performing loans
Banca Credifarma	ARCOBALENO FINANCE	6.897	27.935	695	8.788	-	-	-	-	-	-
Banca Credifarma	CREDIARC	34.379	6.671	1.225	2.229	-	-	-	-	-	-

It should be noted that both the Arcobaleno and Crediarc transactions are characterised by the absence of formalised Business Plans in the Agreements.

- The Arcobaleno transaction concerned performing unsecured loans. The expected cash flows, therefore, were (with the exception of the positions relating to the counterparty in default) time-stamped to the maturity dates of the individual instalments of the amortisation schedules. The failure of debtors to meet agreed payments under individual loan agreements therefore represents a deviation from collection forecasts, resulting in exposures with delayed repayments.
- Crediarc's portfolio is divided into 2 macro aggregates. The first is only performing mortgages. For this cluster, therefore, the expected receipts correspond to the progressively accrued instalments, as per the original repayment schedules. Deviations from the expected cash flows are therefore represented by the outstanding debts at the time of recognition. The second cluster is represented by probable defaults and non-performing loans. The net carrying amount (given by the nominal amount of the receivable net of the write-down made) attributed to these receivables represents their estimated realisable value over a 10-year period: it is important to note that the values shown have not been discounted.

C.6 Prudential consolidation - Consolidated securitisation vehicles

Refer to the information in Table C.3.

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	-	-	-	-	13.677	-	*13.677*
2. Equity securities	-	-	-	*X*	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value							
1. Debt securities	15.176	-	*15.176*	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income							
1. Debt securities	87.470	-	*87.470*	-	81.866	-	*81.866*
2. Equity securities	-	-	-	*X*	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost							
1. Debt securities	709.789	-	*709.789*	-	686.251	-	*686.251*
2. Loans	1.303.465	*1.303.465*	-	*6.811*	1.395.092	*1.395.092*	-
Total 31.12.2022	**2.115.900**	***1.303.465***	***812.435***	***6.811***	**2.176.886**	***1.395.092***	***781.794***
Total 31.12.2021	**1.256.562**	***1.257.259***	**-**	***4.585***	**583.045**	***365.533***	***217.512***

D.3 Prudential consolidation - Disposal transactions with liabilities having recourse only to assets sold and not derecognised in full: fair value

	Recorded in full	Recorded partly	Total	
			31.12.2022	31.12.2021
Financial assets held for trading				
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
Other financial assets mandatorily measured at fair value				
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
Financial assets designated at fair value				
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
Financial assets measured at fair value through other comprehensive income				
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
Financial assets measured at amortised cost (fair value)				
1. Debt securities	-	-	-	-
2. Loans	507.406	-	507.406	470.818
Total financial assets	**507.406**	**-**	**507.406**	**470.818**
Total associated financial liabilities	**-**	**-**	**X**	**X**
Net balance at 31.12.2022	**507.406**	**-**	**507.406**	**X**
Net balance at 31.12.2021	**470.818**	**-**	**X**	**470.818**

C. Financial assets sold and fully derecognised

During 2022, there were no transactions involving the sale of loans to securitisation vehicles against which the Bank and Group companies subscribed to the related securities.

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, 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 2022, the investment strategy continued, as regulated in the "Banca Ifis Proprietary Portfolio Management Policy" and in the "Policy for Managing Securitisation & Structured Solutions investment operations" is structured to coincide with the risk appetite formulated by the Board of Directors under the scope of the Risk Appetite Framework (RAF) and laid out in the "Group Market Risk Management Policy", as well as with the system of objectives and limits.

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

In the last quarter of 2022 alone, against a backdrop of high volatility in interest rates and widening credit spreads with a consequent generalised increase in yields on debt securities, it was decided to increase the bond portfolio by about 500 million Euro by investing in financial securities. Compliance with the Group's main diversification and risk appetite criteria was continuously monitored.

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

In this context, the component relating to the "trading book" from which the market risk in question originates was marginal both in absolute terms of the risk values recorded and with respect to the established limits. The trading book mainly comprises options and futures deriving from hedging transactions and ancillary enhancements to the investment strategy in assets that are part of the "banking book" and "discretionary trading" portfolio, characterised by short-term speculation and marginal exposure.

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

Impacts of the Russia-Ukraine conflict

In the area of interest rate risk and price risk, it should be noted that the proprietary investment activity consists mainly of Italian government bonds. In detail, with regard to the Group's overall portfolio, there is no direct impact related to government, financial and corporate bonds and equity securities attributable to Russia, Belarus and Ukraine. There is, however, the concrete impossibility of trading in instruments of countries/issuers that can be traced back to the conflict territories, given the ban on access to the markets on which these instruments/issuers are traded.

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 this risk.

In particular, the measurement and assessment of market risks is based on the various characteristics (in terms of time frame, investment instruments, etc.) of the investment strategies used in the documents "Banca Ifis Proprietary Portfolio Management Policy" and "Policy for Managing Securitisation & Structured Solutions investment operations", which defines and details the strategies to be pursued in terms of portfolio structure, operative instruments and assets.

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

- Maximum Acceptable Loss;
- Maximum negative gross financial impact;
- VaR (Value at Risk) limit;
- Limits of sensitivity and Greeks;

- Any limits to the type of financial instruments admitted;
- Any composition limits.

Respect for the limits assigned to each portfolio is checked daily.
The summary management indicator used to assess exposure to the risks in question is the Value at Risk (VaR), which is a statistical measure that allows the loss that may be suffered following adverse changes to risk factors, to be estimated.
The VaR is measured using a confidence interval of 99% and a holding period of 1 day; it expresses the "threshold" of daily losses that, on the basis of probabilistic hypotheses may only be surpassed in 1% of cases. The approach used to calculate the VaR is historical simulation. With this approach, the portfolio is re-valued, applying all variations to the risk factors recorded the previous year (256 observations). The values thus obtained are compared with the current portfolio value, determining the relevant series of hypothetical gains or losses. The VaR is the average of the second and third worst results.
The VaR is also divided, for monitoring purposes, amongst the risk factors referring to the portfolio.
In addition to the risk indications deriving from the VaR, the Expected Shortfall (ES), which expresses the daily loss that exceeds the VaR figure, and the Stressed 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	-	-	-	673	-	-	-	-
- with early redemption option	-	-	-	673	-	-	-	-
- 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	-	-	-	-	-	-	25.098	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	416	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	63	360	198	63	-
+ short positions	-	63	-	59	330	180	52	-
- Other derivatives								
+ long positions	-	-	9.946	211.411	5.752	-	-	-
+ short positions	-	160.000	59.946	1.411	5.752	-	-	-

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

The assumption of a significant interest rate risk is in principle unrelated to the management of the Group. In terms of breakdown of the balance sheet with reference to the types of risk in question, in respect of the liabilities, the main funding source is still the on-line savings accounts and the Rendimax current account, structured into the technical forms of fixed-rate customer deposit accounts for the restricted component and the non index-linked variable rate that can be unilaterally revised by the Group in respect of the rules and contracts, for the technical forms of unrestricted demand and on-call current accounts. The other main components of funding

concern fixed-rate bond funding, variable-rate self-securitisation operations and loans with the Eurosystem (TLTRO and LTRO) at variable rates.

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 2022, the comprehensive bond portfolio mainly comprises government securities for a percentage of 65%; the comprehensive average modified duration is 4 years.

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

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

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, not represented in the accounts through hedge accounting.

From a managerial viewpoint, the above assets are specifically monitored as regulated in the “Group Market Risk Management Policy”.

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	3.546.813	3.691.224	854.459	414.990	2.602.067	923.295	94.916	3
1.1 Debt securities	40.988	620.221	193.495	182.317	1.445.579	579.675	56.116	-
- with early redemption option	6.443	107.449	27.650	82.768	209.116	82.685	16.460	-
- other	34.545	512.772	165.845	99.549	1.236.463	496.990	39.656	-
1.2 Loans to banks	673.417	11.079	289	43	96	-	-	-
1.3 Loans to customers	2.832.408	3.059.924	660.675	232.630	1.156.392	343.620	38.800	3
- current a/c	133.329	6.642	12.023	7.941	93.529	33.345	5.776	2
- other loans	2.699.079	3.053.282	648.652	224.689	1.062.863	310.275	33.024	1
- with early redemption option	332.682	1.488.009	443.219	72.358	6.680	6.723	112	-
- other	2.366.397	1.565.273	205.433	152.331	1.056.183	303.552	32.912	1
2. On-balance-sheet liabilities	1.890.667	2.732.514	1.023.048	722.431	4.906.109	5.216	2.678	-
2.1 Due to customers	1.886.430	570.833	446.033	536.418	1.661.329	5.216	2.678	-
- current a/c	1.158.880	26.932	24.503	128.778	77.372	-	-	-
- other payables	727.550	543.901	421.530	407.640	1.583.957	5.216	2.678	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	727.550	543.901	421.530	407.640	1.583.957	5.216	2.678	-
2.2 Payables due to banks	4.208	665.476	280.257	185.997	2.432.593	-	-	-
- current a/c	4.208	-	-	-	-	-	-	-
- other payables	-	665.476	280.257	185.997	2.432.593	-	-	-
2.3 Debt securities	29	1.496.205	296.758	16	812.187	-	-	-
- with early redemption option	-	-	-	-	404.737	-	-	-
- other	29	1.496.205	296.758	16	407.450	-	-	-
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	168.864	-	-	-	-	-	-	-
+ short positions	58.353	25.619	1.125	-	62.480	21.286	-	-

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	**17.751**	**90.980**	**-**	**-**	**87**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	3.785	38.431	-	-	-	-	-	-
1.3 Loans to customers	13.966	52.549	-	-	87	-	-	-
- current a/c	2	-	-	-	-	-	-	-
- other loans	13.964	52.549	-	-	87	-	-	-
- with early redemption option	31	3.699	-	-	81	-	-	-
- other	13.933	48.850	-	-	6	-	-	-
2. On-balance-sheet liabilities	**5.594**	**146.371**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	5.594	-	-	-	-	-	-	-
- current a/c	5.594	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables due to banks	-	146.371	-	-	-	-	-	-
- current a/c	-	-	-	-	-	-	-	-
- other payables	-	146.371	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
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	4.500	2.991	-	-	-	-	-	-
+ short positions	3.500	2.991	-	-	1.000	-	-	-

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. The Banca Ifis Group's foreign currency operations largely involve collections and payments associated with factoring operations and in hedging assets in foreign currencies, like units of UCITS. In this sense, the assets in question are generally hedged with deposits and/or loans from other banks in the same currency, thus eliminating for the most part the risk of losses associated with exchange rate fluctuations. In some cases, synthetic instruments are used as hedging instruments.

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

However, the Capital Markets function strives to minimise such mismatches every day, constantly realigning the size and timing of foreign currency positions.

Currency risk related to the Bank's business is assumed and managed according to the risk policies and limits set by the Parent Company's Board of Directors, with precise delegations of power limiting the autonomy of those authorised to operate, as well as especially strict limits on the daily net currency position.

The business functions responsible for ensuring the currency risk is managed correctly are: the Capital Markets function, which, amongst other duties, directly manages the Bank's funding operations and currency position; the Risk Management function, responsible for selecting the most appropriate risk indicators and monitoring them with reference to pre-set limits; and the Top Management, which every year, based on the Capital Markets function's proposals, shall consider these suggestions and make proposals to Banca Ifis's Board of Directors regarding policies on funding and the management of currency risk, as well as suggest appropriate actions during the year in order to ensure that operations are conducted consistently with the risk policies approved by the Group.

As regards the subsidiaries Ifis Finance Sp. z o.o. and Ifis Finance I.F.N. S.A., which operate on the Polish and Romanian markets, respectively, exposures in Polish zloty and leu from factoring activities are financed by funding in the same currency.

With the acquisition of the Polish subsidiary, Banca Ifis has assumed the currency risk represented by the initial investment in Ifis Finance Sp. z o.o.'s share capital for an amount of 21,2 million Zloty and the subsequent share capital increase for an amount of 66 million Zloty.

As instead for the Rumanian subsidiary Ifis Finance I.F.N. S.A., Banca Ifis assumed the exchange rate risk on its own at the time of its incorporation through the initial payment into the share capital totalling 14,7 million Romanian Leu and at the time of the payment of 9,6 million Romanian Leu as a capital increase during the second half of 2022.

Furthermore, Banca Ifis owns a 4,68% interest in India Factoring and Finance Solutions Private Limited, worth 20 million Indian rupees and with a market value of 3,0 million Euro at the historical exchange rate. In 2015 the Bank tested said interest for impairment, recognising a 2,4 million Euro charge in profit or loss. Starting from 2016, the fair value was adjusted through equity, bringing the value of the equity interest to 342 thousand Euro at 31 December 2022.

Impacts of the Russia-Ukraine conflict

As regards exchange rate risk, there is no exposure in the currencies concerned by the Russia-Ukraine conflict; any changes in the respective rate curves therefore do not generate direct impacts.

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	**115.518**	**2.897**	**981**	**38**	**2.387**	**69.069**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	10.070	2.351	-	-	2.174	2.516
A.3 Loans to banks	40.385	187	109	38	213	7.253
A.4 Loans to customers	65.063	359	872	-	-	59.300
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**62**
C. Financial liabilities	**115.706**	**2.691**	**946**	**-**	**2.539**	**66.738**
C.1 Payables due to banks	110.221	2.601	946	-	2.539	62.879
C.2 Payables due to customers	5.485	90	-	-	-	3.859
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**2.288**
E. Financial derivatives						
- Options						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	91.603
Total assets	**115.518**	**2.897**	**981**	**38**	**2.387**	**69.131**
Total liabilities	**115.706**	**2.691**	**946**	**-**	**2.539**	**160.629**
Imbalance (+/-)	**(188)**	**206**	**35**	**38**	**(152)**	**(91.498)**

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” of this Section 2 of Part E of the Consolidated Notes.

A.1 Financial derivatives held for trading: year-end notional amounts

Underlying assets/Types of derivatives	31.12.2022				31.12.2021			
	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	**-**	**-**	**803.810**	**-**	**-**	**-**	**747.364**	**-**
a) Options	-	-	288.350	-	-	-	383.988	-
b) Swaps	-	-	515.460	-	-	-	363.376	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and share indexes	**-**	**-**	**15.975**	**-**	**-**	**-**	**21.250**	**-**
a) Options	-	-	15.975	-	-	-	21.250	-
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	**-**	**-**	**819.785**	**-**	**-**	**-**	**768.614**	**-**

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Types of derivatives	31.12.2022				31.12.2021			
	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. Positive fair value								
a) Options	-	-	333	-	-	-	1.588	-
b) Interest rate swaps	-	-	25.265	-	-	-	5.416	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**25.598**	**-**	**-**	**-**	**7.004**	**-**
2. Negative fair value								
a) Options	-	-	25.098	-	-	-	4.628	-
b) Interest rate swaps	-	-	884	-	-	-	1.363	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**25.982**	**-**	**-**	**-**	**5.991**	**-**

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 corporations	Other entities
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional amount	X	795.255	-	8.555
- positive fair value	X	25.098	-	167
- negative fair value	X	25.982	-	-
2) Equity securities and share indexes				
- notional amount	X	15.975	-	-
- positive fair value	X	333	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- 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) Commodities				
- 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	259.405	135.605	408.800	803.810
A.2 Financial derivatives on equity securities and share indexes	15.975	-	-	15.975
A.3 Financial derivatives on exchange rates and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2022	**275.380**	**135.605**	**408.800**	**819.785**
Total 31.12.2021	**105.529**	**173.285**	**489.800**	**768.614**

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.

In 2022, the Group's funding mix remained essentially stable; at 31 December 2022, the main funding sources were equity, on-line funding (Rendimax product) - consisting of on-demand and term deposits - medium/long-term bonds issued as part of the EMTN programme, funding from the Eurosystem (TLTRO and LTRO), medium/long-term securitisation transactions and funding from corporate customers.

The Group's operations consist in factoring operations, which focus mainly on trade receivables and receivables due from Italy's public administration maturing within the year, and medium/long-term receivables deriving mainly from leasing, corporate banking, structured finance, and work-out and recovery operations; security portfolio management, mainly comprising eligible and readily liquid Italian government securities are also important.

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 consisting of the balance of the management account with the Bank of Italy and the free portion of eligible securities) makes it possible to meet regulatory requirements (with respect to the limits of LCR and NSFR) and internal requirements relating to prudent management of liquidity risk.

The Group is constantly striving to improve the state of its financial resources, in terms of both size and cost, so as to have available liquidity reserves adequate for current and future business volumes.

The corporate functions of the Parent Company responsible for ensuring the correct application of the liquidity policy are the Capital Markets function, which is responsible for the direct management of liquidity, the Risk Management function, which is responsible for proposing the risk appetite, identifying the most appropriate risk indicators and monitoring their performance in relation to the set limits and supporting the activities of Top Management. The latter has the task, with the support of the Capital Markets function, of proposing funding and liquidity risk management policies to the Board of Directors on an annual basis and suggesting during the course of the year any appropriate measures to ensure that activities are carried out in full compliance with approved risk policies.

As part of the continuous process to update procedures and policies concerning liquidity risk, and taking into account the changes in the relevant prudential regulations, the Parent uses an internal liquidity risk governance, monitoring, and management framework at the Group level.

In compliance with supervisory provisions, the Group also has a Contingency Funding Plan aimed at protecting it from losses or threats arising from a potential liquidity crisis and guaranteeing business continuity even in the midst of a serious emergency arising from its own internal organisation and/or the market situation.

The liquidity risk position is periodically reported by the Risk Management function to the Banca Ifis Board of Directors.

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

Impacts deriving from the Covid-19 pandemic

In the period of 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, available liquidity remained at levels significantly above regulatory and internal limits.

In line with the strategy described in terms of management and risk appetite, despite the exceptional nature of the pandemic, no violations were seen to the risk thresholds assigned internally.

Impacts of the Russia-Ukraine conflict

In recent months, geopolitical tensions have further exacerbated an already existing inflationary pressure at the end of 2021. This situation led to an increase in interest rates, which had both direct and indirect impacts on the Group's liquidity profile. From the point of view of the direct impact, there was a decrease in the attractiveness of the online collection product (Rendimax) to investors, while indirect impacts generated both a tightening of conditions on the primary bond market and a reduction in the value of fixed-rate bonds in the portfolio, with a consequent negative impact on available liquidity reserves.

The Risk Management function, in this regard, monitors on a daily basis both the current and prospective size of liquidity reserves, as well as the trend in customer deposits, for which additional *ad hoc* monitoring was activated in 2022.

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	483	-	522	-	6.608	22.575	28.200	1.409.400	522.900	-
A.2 Other debt securities	47.785	103	596	1.207	3.243	9.873	36.018	705.074	532.997	-
A.3 UCITS units	60.139	-	-	-	-	-	-	-	-	-
A.4 Loans	951.423	84.651	123.397	375.645	1.305.611	482.925	720.590	3.065.297	1.037.989	22.134
- banks	82.273	64	222	840	1.362	300	58	99	-	8.684
- customers	869.150	84.587	123.175	374.805	1.304.249	482.625	720.532	3.065.198	1.037.989	13.450
On-balance-sheet liabilities										
B.1 Deposits and current accounts	1.494.364	50.284	57.046	96.493	887.057	286.358	541.442	1.631.527	-	-
- banks	45.253	-	-	-	-	-	-	-	-	-
- customers	1.449.111	50.284	57.046	96.493	887.057	286.358	541.442	1.631.527	-	-
B.2 Debt securities	29	-	-	35	2	304.673	33.355	805.690	-	-
B.3 Other liabilities	4.410	957	50.155	25.661	642.211	240.670	194.146	3.449.779	380.145	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	416	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of underlying assets										
- long positions	25.598	-	-	-	-	-	-	-	-	-
- short positions	28.272	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- long positions	24.239	-	-	4.859	33.463	2.230	-	79.535	24.538	-
- short positions	58.353	-	-	2.853	22.765	1.125	-	62.480	21.286	-
C.5 Financial guarantees granted	-	-	-	-	-	-	80.537	-	-	-
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	10.070	-	-	-	-	-	-	-	-	-
A.4 Loans	36.132	49.090	14.816	19.639	84.741	5.459	980	3.364	-	-
- banks	13.177	38.477	-	-	-	-	-	-	-	-
- customers	22.955	10.613	14.816	19.639	84.741	5.459	980	3.364	-	-
On-balance-sheet liabilities										
B.1 Deposits and current accounts	60.787	35.202	33.909	71.459	6.111	-	-	-	-	-
- banks	51.210	35.202	33.909	71.459	6.111	-	-	-	-	-
- customers	9.577	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	1	1	4	-	-
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	-	2.991	-	-	-	-	-	-	-	-
- short positions	-	2.991	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- long positions	-	-	-	-	-	-	-	4.219	-	-
- short positions	3.281	-	-	-	-	-	-	938	-	-
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 2016, the Banca Ifis Group, through the originator company, the former Ifis Leasing S.p.A. (incorporated into Banca Ifis since May 2018) finalised a securitisation that involved selling a portfolio of performing loans totalling 489 million Euro to the special purpose vehicle Indigo Lease S.r.l.

The securitisation was rated by the agencies Moody's and DBRS, which will also perform the annual monitoring throughout the term of 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. In addition, the vehicle issued 138 million Euro in junior notes that were acquired by the former Ifis Leasing and did not receive a rating. In addition, the latter received a specific servicing mandate to collect and manage the receivables.

During 2017, 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, Banca Ifis acquired all the senior notes issued by the vehicle. Following the May 2018 merger of the former Ifis Leasing S.p.A., for incorporation into Banca Ifis, the latter also became the subscriber of the junior notes.

At 31 December 2022 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 accounting transfer ("derecognition" in accordance with the IFRSs) 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., the very first securitisation in Italy of a non-performing portfolio mainly comprising unsecured loans backed by assignment orders. The transaction is an innovative solution for this type of non-performing exposure, where the debt collection procedure through compulsory enforcement (attachment of one fifth of the salary) is at an advanced stage. The transaction aimed to collect funding for Ifis Npl Investing of up to 350 million Euro in liquidity on the institutional market, without deconsolidating the underlying credits. The loan portfolios concerned by the transaction (a portfolio of secured loans and an unsecured portfolio backed by assignment orders) owned by the subsidiary Ifis Npl Investing, was transferred to a newly-established SPV called Ifis Npl 2021-1 Spv S.r.l., which issued senior, mezzanine and junior notes. These tranches were initially fully subscribed by Ifis Npl Investing, and subsequently the senior tranches (net of the 5% retained by Ifis Npl Investing as originator pursuant to the retention rule) were sold to Banca Ifis.

At 31 December 2022 the Banca Ifis Group had therefore subscribed all the notes issued by the vehicle. It should be noted that the senior tranches held by Banca Ifis were used for long term repo transactions with leading banking counterparties.

On the basis of the contractual terms underlying the securitisation in question, there is no substantial accounting transfer ("derecognition" in accordance with IFRS 9) of all the risks and rewards relating to the receivables being sold to the vehicle company.

Securitisation transactions

As for the securitisations outstanding at 31 December 2022 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 outsourcing of business functions, the quality of physical and logical security, inadequate or unavailable hardware or software systems, the growing reliance on automation, staff below strength relative to the size of the business, and inadequate human resources management and training policies.

The Banca Ifis Group has adopted for a while now - consistently with the relevant regulatory provisions and industry best practices - an operational risk management framework. This consists in a set of rules, procedures, resources (human, technological and organisational), and controls aiming to identify, assess, monitor, prevent or mitigate all existing or potential operational risks in the various organisational units, as well as to

communicate them to the competent levels. The key processes for the proper management of operational risk are represented:

- by the Loss Data Collection activity, i.e. the structured collection and census of losses deriving from operational risk events, which is consolidated thanks also to the constant activity by Risk Management to disseminate among the corporate structures a culture oriented towards the awareness and proactive management of operational risks;
- by the prospective self-assessment of risk exposure through the execution of periodic Risk Self-Assessment and Model Risk Self Assessment campaigns, aimed at having an overall view of risks in terms of frequency and/or potential financial impact and of the relative organisational safeguards and, in the context of monitoring the evolution of IT risk and assessing the effectiveness of measures to protect ICT resources, by the Group's ICT Risk Assessment process and monitoring of IT services provided by ICT third parties.

In addition, according to its operational risk management framework, the Group defines a set of measures that can promptly identify the presence of vulnerabilities in the exposure of the Bank and its subsidiaries to operational risks. These measures are continuously monitored and disclosed in periodic reports through synthetic risk measures that are shared with the competent structures and bodies: events such as the breach of certain thresholds or the emergence of anomalies trigger specific escalation processes aimed at defining and implementing appropriate mitigation actions. In addition, as part of the definition of the Risk Appetite Framework (RAF), the preparation of the Recovery Plan and ICAAP reporting, Risk Management function performs analyses by which it assesses its exposure to exceptional but plausible operational risk events. These analyses, referred to as stress analyses, contribute to verifying the resilience of the Group by simulating the impacts of adverse situations in terms of riskiness under the assumption of adverse scenarios.

In order to prevent and manage operational risk, the Parent Company's Risk Management function, in collaboration with the other corporate functions, is involved in supervising the risks connected with the outsourcing of simple, essential or important operational functions and in assessing the risks associated with the introduction of new products and services and the preliminary assessment of the operative impact of the massive changes to the product contractual and economic conditions.

Concerning the companies of the Banca Ifis Group, please note that the management of operational risks is guaranteed by the strong involvement of the Parent company, which makes decisions in terms of strategies, also in respect of risk management.

To calculate capital requirements against operational risks, the Group adopted the Basic Indicator Approach.

Alongside operational risk, reputational risk is also managed.

Reputational risk represents the current or prospective risk of a decrease in profits or capital deriving from a negative perception of the Group's image by customers, counterparties, shareholders, investors or the Supervisory Authorities.

Reputational risk is considered a second-level risk, as it is generated by the manifestation of other types of risk, such as the risk of non-compliance, strategic risk and in particular operational risks.

As in the case of operational risk, the Parent's Risk Management function is responsible for managing reputational risk: it defines the Group's overall framework - in accordance with the relevant regulations as well as industry best practices - for the management of reputational risk, with the goal of identifying, assessing, and monitoring the reputational risks that the Group's Companies or organisational units assume or may assume. The framework involves conducting a forward-looking Reputational Risk Self-Assessment, and defining and monitoring a set of risk measures over time. The principles and guidelines that the Banca Ifis Group intends to adopt in the area of operational and reputational risk management are expressed in the "Group Policy for Operational and Reputational Risk Management" applied and disseminated, to the extent of its competence, to all organisational units of the Bank and Group companies.

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.

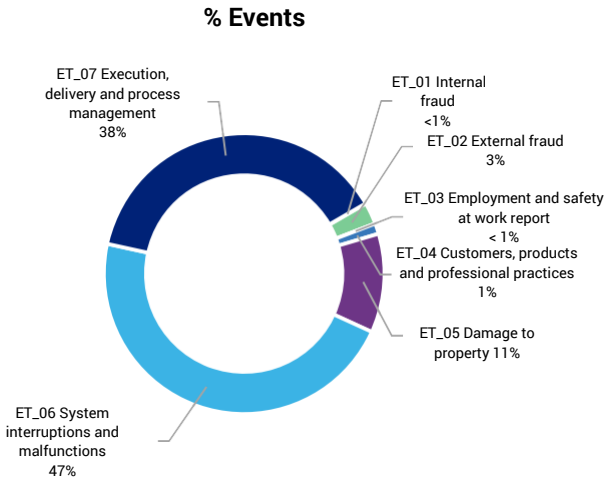
Following the easing of restrictive measures and the subsequent resumption of business activities on an ordinary operating scale, the strategies for managing operational and reputational risks were also gradually readjusted.
In particular, the methods of carrying out Risk Management activities relating 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.

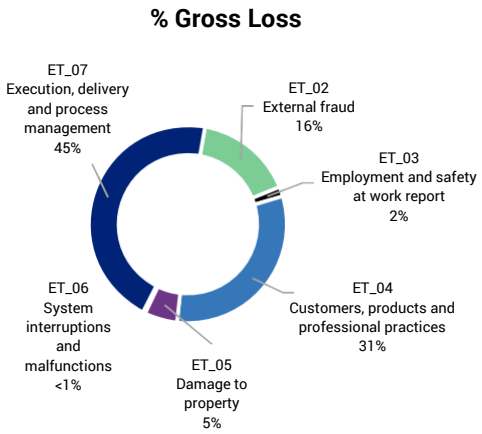
Impacts of the Russia-Ukraine conflict

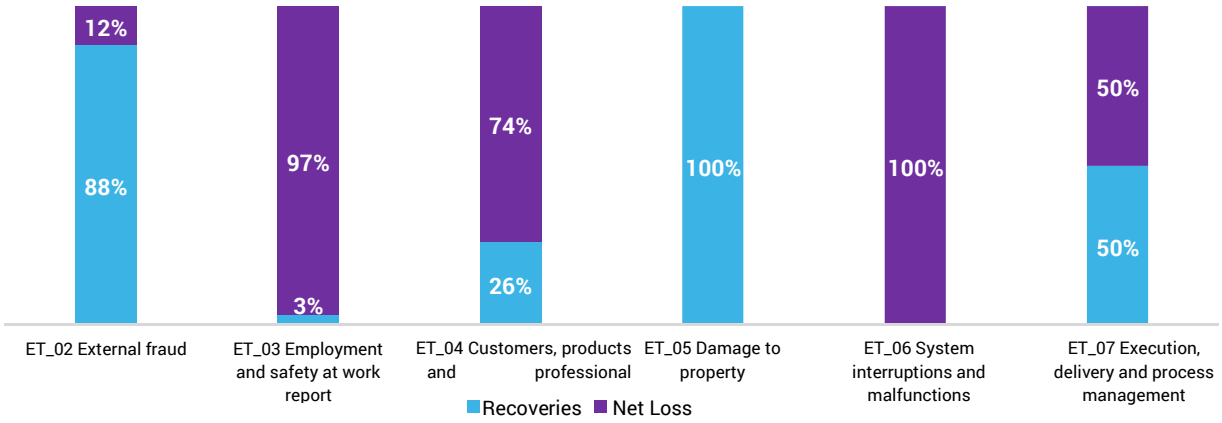
In the area of operational risk, the Risk Management function considered the effects of the crisis generated by the conflict in Ukraine in the process of massively managing the economic conditions of the Group's products on a unilateral basis, and, in this case, in relation to the economic conditions of certain factoring and current account relationships. In this context, it was pointed out that the implementation of the manoeuvre pursuant to Articles 118 and 126-sexies of the Consolidated Law on Banking ("TUB") could represent a further economic burden for companies that find themselves operating in a difficult and uncertain international socio-political context that has already led to an increase in the prices of raw materials, especially energy. The Risk Management function, in order to monitor this risk and promptly report any critical issues, will continue to carry out the usual periodic checks such as, for example, monitoring the turnover of factoring customers as well as the trend in the number of any disputes and any negative comments on the internet.

Quantitative information

This section provides a summary view of the results of the Loss Data Collection process at 31 December 2022 conducted at the Banca Ifis Group level. Operational events are subdivided by Event Type.







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.

Part F - Information on 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 Bank 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 (ECB)'s recommendation of 28 January 2015, the Bank 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 this case, based on available information regarding the operation to be implemented, the Bank 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 2021, Banca Ifis held 339.139 treasury shares recognised at a market value of 2,8 million Euro and a nominal amount of 339.139 Euro.

During the first half of 2022, Banca Ifis implemented the “Buy-Back Programme” aimed at the purchase of 1.044.000 ordinary shares to service the “2021-2023 LTI Plan”, equal to 1,940% of the share capital, for a total equivalent value of 19,3 million Euro. Following the purchases made and considering the treasury shares already in portfolio, as of the closing date of the Buy-Back Programme, the Bank holds 1.383.139 treasury shares equal to 2,570% of the share capital.

During FY 2022, Banca Ifis, as variable pay, awarded the Top Management 5.158 treasury shares at an average price of 18,35 Euro, for a total of 95 thousand Euro and a nominal amount of 5.158 Euro, making profits of 43 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the premium reserve.

Considering the above operations, the stock at the end of the year was 1.377.981 treasury shares, with an equivalent value of 22,1 million Euro and a nominal amount of 1.377.981 Euro.

B. Quantitative information

B.1 Consolidated equity: breakdown by type of entity

Equity items	Prudential consolidation	Insurance firms	Other entities	Consolidation eliminations and adjustments	Total
1. Share capital	59.587	-	6.000	(6.000)	**59.587**
2. Share premiums	85.387	-	-	-	**85.387**
3. Reserves	1.453.055	-	168.788	(176.682)	**1.445.161**
3.5 (Interim dividends)	(52.433)	-	-	-	**(52.433)**
4. Equity	-	-	-	-	**-**
5. (Treasury shares)	(22.104)	-	-	-	**(22.104)**
6. Valuation reserves:	(59.695)	-	(9)	-	**(59.704)**
- Equity securities measured at fair value through other comprehensive income	(14.823)	-	-	-	**(14.823)**
- 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	(35.811)	-	-	-	**(35.811)**
- Property, plant and equipment	-	-	-	-	**-**
- Intangible assets	-	-	-	-	**-**
- Foreign investment hedges	-	-	-	-	**-**
- Cash flow hedges	-	-	-	-	**-**
- Hedging instruments [non-designated items]	-	-	-	-	**-**
- Exchange differences	(9.469)	-	-	-	**(9.469)**
- 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	408	-	(9)	-	**399**
- Share of valuation reserves of equity accounted investments	-	-	-	-	**-**
- Specific revaluation laws	-	-	-	-	**-**
7. Profit (loss) for the year (+/-) of the Group and non-controlling interests	133.984	-	7.903	-	**141.887**
Total	**1.597.781**	**-**	**182.682**	**(182.682)**	**1.597.781**

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 in detail:

- the column "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 & 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	832	(36.643)	-	-	-	-	-	-	**832**	**(36.643)**
2. Equity securities	3.886	(18.709)	-	-	-	-	-	-	**3.886**	**(18.709)**
3. Loans	-	-	-	-	-	-	-	-	**-**	**-**
Total 31.12.2022	**4.718**	**(55.352)**	**-**	**-**	**-**	**-**	**-**	**-**	**4.718**	**(55.352)**
Total 31.12.2021	**1.976**	**(18.209)**	**-**	**-**	**-**	**-**	**-**	**-**	**1.976**	**(18.209)**

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	**(3.733)**	**(12.500)**	**-**
2. Increases	**18.758**	**8.422**	**-**
2.1 Fair value gains	1.025	6.049	-
2.2 Credit risk losses	832	X	-
2.3 Reclassification to profit or loss of negative reserves from sale	337	X	-
2.4 Transfers to other components of equity (equity securities)	-	1.034	-
2.5 Other changes	16.564	1.339	-
3. Decreases	**(50.836)**	**(10.745)**	**-**
3.1 Fair value losses	(50.284)	(9.935)	-
3.2 Reversals of credit risk losses	-	X	-
3.3 Reclassification to profit or loss of positive reserves from sale	(249)	X	-
3.4 Transfers to other components of equity (equity securities)	-	-	-
3.5 Other changes	(303)	(810)	-
4. Closing balance	**(35.811)**	**(14.823)**	**-**

B.4 Valuation reserves for defined benefit plans: annual changes

Valuation reserves for defined benefit plans show a positive balance at 31 December 2022 of 399 thousand Euro, comprising a positive balance of 381 thousand Euro attributable to the Parent and a positive balance of 18 thousand Euro attributable to minorities. The improvement in the item compared to the negative value of 673 thousand Euro at the end of the previous year derives from the net actuarial gains accrued in 2022 on post-employment benefits (TFR) of the Group companies, mainly as a result of the upward revision of the underlying assumptions (such as the discount rate and inflation rate) due to the changed macroeconomic environment.

Section 2 - Own funds and prudential ratios

Pursuant to Bank of Italy Circular 262/2005 and related updates, the section on Own Funds and Capital Ratios is replaced with a reference to the similar information contained in the "Pillar III" public disclosure, i.e. the document "Disclosure to the Public as of 31 December 2022 - Pillar III" prepared at 31 December 2022 by the Banca Ifis Group, available on the website www.bancaifis.it in the "Investor Relations & Corporate Development" section.

That said, below are the highlights about own funds and capital ratios.

Consolidated own funds, risk-weighted assets and prudential ratios at 31 December 2022 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.

	31.12.2022	31.12.2021
A. Common Equity Tier 1 (CET1) before application of prudential filters	**1.568.627**	**1.533.725**
of which CET1 instruments subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	(946)	(773)
C. CET1 gross of items to be deducted and the effects of the transitional regime (A+/-B)	1.567.681	1.532.952
D. Items to be deducted from CET1	91.771	80.559
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions	44.660	34.487
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**1.520.570**	**1.486.880**
G. Additional Tier 1 (AT1) capital gross of items to be deducted and the effects of the transitional regime	920	1.744
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 (AT1) capital (G-H+/-I)	**920**	**1.744**
M. Tier 2 Capital (T2) gross of items to be deducted and the effects of the transitional regime	384.798	402.722
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 (T2) capital (M-N+/-O)	**384.798**	**402.722**
Q. Total own funds (F+L+P)	**1.906.288**	**1.891.346**

Categories/Amounts	Non-weighted amounts		Weighted/requirements	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
A. RISK ASSETS				
A.1 Credit risk and counterparty risk	14.682.710	13.807.148	9.119.512	8.638.260
1. Standardised approach	14.533.873	13.688.600	9.039.650	8.555.169
2. Approach based on internal ratings	-	-	-	-
2.1 Basic indicator approach	-	-	-	-
2.2 Advanced measurement approach	-	-	-	-
3. Securitisation	148.837	118.548	79.862	83.091
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit risk and counterparty risk			729.561	691.061
B.2 Credit and counterparty valuation adjustment risk			5.752	2.822
B.3 Regulatory risk			-	-
B.4 Market risks			1.657	6.527
1. Standard method			1.657	6.527
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			73.275	70.230
1. Basic indicator approach			73.275	70.230
2. Standardised approach			-	-
3. Advanced measurement approach			-	-
B.6 Other calculation factors			-	-
B.7 Total prudential requirements			810.245	770.640
C. RISK ASSETS AND CAPITAL REQUIREMENT RATIOS				
C.1 Risk-weighted assets			10.128.064	9.633.003
C.2 Common Equity Tier 1 capital / Risk-weighted assets (CET1 Capital Ratio)			15,01%	15,44%
C.3 Tier 1 Capital / Risk-weighted assets (Tier 1 Capital Ratio)			15,02%	15,45%
C.4 Total own funds / Risk-weighted assets (Total Capital Ratio)			18,82%	19,63%

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 Banking Group to adopt the following consolidated capital requirements in 2022, including a 2,5% capital conservation buffer:

- CET1 Ratio of 7,90%, with a required minimum of 5,40%;
- Tier 1 Ratio of 9,75%, with a required minimum of 7,25%;
- Total Capital Ratio of 12,15%, with a required minimum of 9,65%.

In order to ensure a level of capital that can absorb any losses arising from stress scenarios, as referred to in Article 104 ter of EU Directive 36/2013, the Bank of Italy has set the following capital levels for the Banca Ifis Group, to which the specific countercyclical coefficient is added:

- CET1 Ratio of 8,65%, consisting of an OCR CET1 Ratio of 7,90% and a target component (Pillar 2 Guidance) of 0,75%;
- Tier 1 Ratio of 10,50%, consisting of an OCR Tier 1 Ratio of 9,75% and a target component of 0,75%;
- Total Capital Ratio of 12,90%, consisting of an OCR Total Capital Ratio of 12,15% and a target component of 0,75%.

At 31 December 2022, the Banca Ifis Banking Group easily met the above prudential requirements.

Part G - Business combinations

Section 1 - Transactions carried out during the year

This section provides the information on business combinations required by IFRS 3 in paragraphs 59, letter a), 60 and 63. Moreover, in application of the Bank of Italy provisions set forth in Circular 262/2005 and subsequent updates, this section also conventionally includes business combination transactions between entities subject to common control (referred to as "business combination between entities under common control").

1.1 Business combinations

As detailed in section "Significant events during the year" of the Directors' Report on the Group, on 21 February 2022 the Bank of Italy authorised the application submitted by the Parent Company Banca Ifis for the merger by incorporation of Credifarma S.p.A. into Farbanca S.p.A., which was then finalised on 11 April 2022. Following the transaction, the merging entity was renamed Banca Credifarma S.p.A., representing the leading specialised centre for financial services to pharmacies.

This merger by incorporation, which is part of the actions envisaged within the scope of the Banca Ifis Group's 2022-2024 Business Plan aimed at further simplifying and specialising the Group's organisational structure, involved two companies already under the control of the Parent company Banca Ifis. Therefore, the business combination in question falls within the definition of "business combination between entities under common control" and, although excluded from the scope of application of IFRS 3, it is still required to be disclosed by the Bank of Italy.

The pre-merger economic values of the companies involved were determined using the Dividend Discount Model (DDM), following which an exchange ratio of 36,8 Euro (given by the ratio of the estimated price per share for Credifarma to the estimated price per share for Farbanca) was determined.

On the basis of this exchange, the merging company Farbanca issued 1.180.654 new shares at a nominal amount of 10 Euro per share, which were assigned to Credifarma's shareholders in line with the interests existing at the merger date (i.e. 70% Banca Ifis and 30% third-party shareholders). At the end of this allocation, the total number of shares of the post-merger entity is 4.711.469, of which 3.325.315 shares are attributable to Banca Ifis corresponding to a 70,6% interest. In accounting terms, the share capital of the new entity was 47,1 million Euro (no. of shares multiplied by a unit nominal amount of 10 Euro) and the merger resulted in an exchange surplus of 9,0 million Euro. In application of the requirements of Article 2504-bis of the Italian Civil Code, this surplus, since it was not due to "forecasts of unfavourable economic results", was recorded in a special reserve in Banca Credifarma's shareholders' equity.

For the sake of completeness, it should be noted that, as reported in "Section 3 - Scope and methods of consolidation" of paragraph "A.1 - General part" of Part A, at 31 December 2022, Banca Ifis' stake in Banca Credifarma was 87,74%. The difference between this percentage and the aforementioned percentage of 70,6% existing on 11 April 2022 (the date of completion of the merger) arises from the ownership reorganisation transactions carried out after the merger, with particular reference to the process connected with the exercise of the right of withdrawal by Farbanca's shareholders and the consequent exercise by Banca Ifis of its right of option first and of pre-emption right subsequently on the unexercised rights.

Section 2 - Transactions carried out after the end of the year

The Banca Ifis Group did not carry out any business combinations between the end of the year and the date of preparation of these Consolidated Financial Statements and Report.

Section 3 - Retrospective adjustments

In 2022, the Group did not make any retrospective adjustment to business combinations carried out in previous periods.

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 Bank of Italy Circular 263/2006 (Title V, Chapter 5), the "Group Policy covering transactions with related parties, associates and corporate representatives pursuant to Art. 136 of the Consolidated Law on Banking " was prepared. The latest version was approved by the Board of Directors in February 2022. This document is publicly available on Banca Ifis's website, www.bancaifis.it, in the "Corporate Governance" Section.

During 2022, no significant transactions with related parties were undertaken.

At 31 December 2022, the Banca Ifis Group was owned by La Scogliera S.A. and consists of the Parent Company Banca Ifis S.p.A., the wholly-owned subsidiaries Ifis Finance Sp. z o.o., Ifis Rental Services S.r.l., Ifis Npl Investing S.p.A., Ifis Npl Servicing S.p.A. and Cap.Ital.Fin. S.p.A., of Ifis Finance I.F.N. S.A., 99,99% owned, of the 87,74% owned subsidiary Banca Credifarma S.p.A. (generated by the merger in April 2022 of Farbanca and Credifarma, as specified in the section "Significant events during the year" of the Directors' Report on the Group and Part G "Business combinations") and the vehicle Ifis Npl 2021-1 SPV S.r.l., in which the Group holds the majority of the shares.

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

- the parent company La Scogliera S.A.;
- key management personnel of the Parent Company;
- close relatives of key management personnel of the Parent Company 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 the Parent Company Banca Ifis, directly or indirectly, including the Bank's Directors (whether executive or otherwise).

In compliance with the provisions of the Bank of Italy's Circular no. 262 of 22 December 2005 (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 2022

Figures in thousands of Euro	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	
					Stock options	Other share-based payments
Administrative and auditing bodies (1)	3.743	-	170	-	464	334
Other managers (2)	7.132	-	424	323	253	1.059
Total at 31.12.2022	**10.875**	**-**	**594**	**323**	**717**	**1.393**

(1) These refer to positions on the Board of Directors (or similar bodies) of the Parent Company Banca Ifis.

(2) They refer to 16 managers with the position of Joint General Manager or other Key Manager of the Parent company Banca Ifis.

The above information includes fees paid to Directors (4,5 million Euro, gross amount) and Statutory Auditors (175 thousand Euro, gross amount).

2. Information on related-party transactions

Here below are the assets, liabilities, guarantees and commitments outstanding at 31 December 2022, broken down by type of related party pursuant to IAS 24.

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

Items (figures in thousands of Euro)	Parent company	Key management personnel	Other related parties	Total	As a % of the item
Financial assets measured at fair value through profit or loss	-	-	14.223	**14.223**	6,4%
Financial assets measured at fair value through other comprehensive income	-	-	2.847	**2.847**	0,4%
Receivables due from customers measured at amortised cost	-	516	16.730	**17.245**	0,2%
Other assets	5.631	-	-	**5.631**	1,2%
Total assets	**5.631**	**516**	**33.799**	**39.946**	**0,3%**
Payables due to customers measured at amortised cost	-	622	491	**1.113**	0,0%
Other liabilities	33.680	-	-	**33.680**	8,6%
Provisions for risks and charges	-	-	200	**200**	0,4%
Valuation reserves	-	-	(6.817)	**(6.817)**	11,4%
Total liabilities	**33.680**	**622**	**(6.126)**	**28.176**	**0,2%**
Commitments and guarantees (off-balance sheet)	**-**	**634**	**4.549**	**5.183**	**n.a.**

Related party transactions: income statement items

Items (figures in thousands of Euro)	Parent company	Key management personnel	Other related parties	Total	As a % of the item
Interest receivable	-	7	206	**213**	0,0%
Interest due and similar expenses	-	-	(82)	**(82)**	0,1%
Commission income	-	-	12	**12**	0,0%
Administrative expenses	(48)	-	(1)	**(49)**	0,0%

The transactions with the parent company La Scogliera S.A. concern the application of Group taxation (tax consolidation) in accordance with Arts. 117 et seq. of Italian Presidential Decree no. 917/86. Relations between the parent company and subsidiaries included in the tax consolidation are regulated by private agreements signed between the parties. All adhering entities have an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera S.A., the consolidating company. Under this tax regime, the taxable income and tax losses are transferred to the consolidating company La Scogliera S.A., which is responsible for calculating the overall Group income. Following the exercise of the option at 31 December 2022, Banca Ifis recorded a net receivable from the parent company of 4,3 million Euro, a receivable due from Cap.Ital.Fin. of 1,3 million Euro, while Ifis Rental Services recorded a payable of 2,5 million Euro, Ifis Npl Investing a net payable of 28,7 million Euro and Ifis Npl Servicing a net payable of 2,5 million Euro.

Transactions with key management personnel relate almost entirely to mortgages, Rendimax savings and current accounts.

Provisions for risks and charges relate to lump-sum write-downs on commitments and guarantees issued in favour of related parties.

Transactions with other related parties that are part of Banca Ifis's ordinary business are conducted at arm's length.

Part I - Share-based payments

Qualitative information

1. Description of share-based payment agreements

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

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

Failure to meet one of these conditions will result in variable pay not being awarded.
Without prejudice to the opening of the gates to the payment of variable remuneration described above, the variable remuneration of the Chief Executive Officer of the Parent Company is linked to the achievement of specific qualitative and quantitative performance targets.
In particular, the Chief Executive Officer is the beneficiary:

- of a Short-Term Incentive ("STI") System, referred to the year 2022;
- of a "2021-2023 Long Term Incentive Plan" (the "LTI Plan").

With reference to the Short-term Incentive (STI) System, the objectives assigned to the CEO for 2022 represent a combination of quantitative and qualitative criteria, referring to the Group's results, as well as qualitative aspects relating to strategic action.
The performance scorecard, introduced in this exercise, includes the following KPIs:

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

The short-term variable remuneration cap payable to the CEO is set at 60% of fixed remuneration; variable remuneration will accrue on the basis of the degree of achievement of objectives, with variable remuneration being paid on a linear progression between 60% and 100%.
This variable component is paid in the amount of 40% with a non-deferred payment (up front) and in the amount of 60% with a deferred payment over a period of five years (starting from the year following the year in which the upfront portion accrues), in accordance with the provisions of the relevant supervisory regulations for variable remuneration of particularly high amounts.
The deferred portion of variable remuneration (amounting to 60%) shall be paid as follows:

- 55% (i.e. 33% of the total variable remuneration) in Banca Ifis shares, which may be exercised at the end of the further retention period of 1 year;
- 45% (i.e. 27% of the total variable remuneration) in cash, subject to annual revaluation at the legal rate in force over time.

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

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

As far as the Co-General Managers are concerned, the targets assigned for 2022 with reference to the Short-Term Incentive System (STI) represent a combination of quantitative and qualitative criteria, referring to the Group's results, as well as to qualitative aspects related to the achievement of strategic directives.
The performance scorecard, introduced in this exercise, includes the following KPIs:

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

Variable remuneration will accrue on the basis of the degree of achievement of objectives, with variable remuneration being paid on a linear progression between 60% and 100%.
This variable component is paid in the amount of 60% with a non-deferred payment (up front) and in the amount of 40% with a deferred payment over a period of four years (starting from the year following the year in which the upfront portion accrues) in accordance with the relevant supervisory provisions for variable remuneration exceeding the materiality threshold but not of a particularly high amount.
The deferred portion of variable remuneration (amounting to 40%) shall be paid as follows:

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

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

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

It is understood that the allocation of Banca Ifis shares will affect, in addition to the Chief Executive Officer and the Co-General Managers, the employees identified as most relevant pursuant to Circular no. 285/2013 and Delegated Regulation no. 923/2021 where the variable component of remuneration is above 50 thousand Euro or represent more than a third of the annual total remuneration.
For the purpose of assigning variable remuneration in financial instruments, or in Banca Ifis shares, the Bank calculates the fair value of the share - at the time of the assignment - based on the average stock market price with reference to the month prior to the date of approval of the Banca Ifis Financial Statements by the Shareholders' Meeting (or, in the case of assignment of variable remuneration for any reason subsequent to the Shareholders' Meeting, from the date of the event, this being understood to mean any dates of signing of agreements or in the absence thereof, the dates of approval by the competent bodies of the related awards). The number of shares is determined by rounding to the nearest integer.
Variable pay is subject to malus/clawback mechanisms that may cause the amount to be as low as zero if certain conditions are met.

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.

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

The Chief Executive Officer of Banca Ifis is also the recipient of a Long Term Incentive (LTI) Plan 2021-2023, approved by the Board of Directors on 24 June 2021 and by the Shareholders' Meeting of the Parent company on 28 July 2021. The Plan provides for the assignment to the CEO, free of charge, of a certain number of options

that will give the right to purchase, at a unit exercise price (the "strike price") equal to 12,92 Euro, a corresponding number of Banca Ifis shares.

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

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

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

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

As a result of the aforementioned additions to the 2021-2023 LTI Plan made in 2022, as of 31 December 2022, the Plan's beneficiaries total 14, of which 13 were key managers (including the Chief Executive Officer), and the maximum amount of options that can be granted is 1.016.000 (696.000 to the Chief Executive Officer and 320.000 to the other beneficiaries).

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

The fair value of the payments settled by the issuance of these options for the services covered by the LTI Plan is recognised as an expense in the income statement under "Administrative Expenses: a) Personnel Expenses" as an offsetting entry to "Reserves" in Equity on an accrual basis in proportion to the vesting period over which the service is provided. For the year 2022, the corresponding cost recognised in the Income Statement amounts to 755 thousand Euro, while the corresponding equity reserve (which also includes the portion of cost accrued in the year 2021) totals 950 thousand Euro.

Part L - Segment reporting

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

Analytical details of the restatements and reclassifications made with respect to the Consolidated Financial Statements compliant with Bank of Italy Circular 262 are provided in separate tables published among the annexes (see the section "Annexes" of these "2022 Consolidated Financial Statements and Report"), also in compliance with the requirements of Consob Communication no. 6064293 of 28 July 2006.

Reclassifications and aggregations of the economic data concern the following:

- net credit risk losses/reversals of the Npl Segment are reclassified to interest receivable and similar income (and therefore to the "Net interest income") to the extent to which they represent the operations of this business and are an integral part of the return on the investment;
- net provisions for risks and charges are excluded from the calculation of "Operating costs";
- the following is included under the single item "Net credit risk losses/reversals":
  - net credit risk losses/reversals relating to financial assets measured at amortised cost (with the exception of those relating to the Npl Segment mentioned above, to the extent to which it is representative of the operation of such business and an integral part of the relevant return) and to financial assets measured at fair value through other comprehensive income;
  - net provisions for risks and charges for credit risk relating to commitments and guarantees granted;
  - profits (losses) from the sale/repurchase of loans at amortised cost other than those of the Npl Segment.

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

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

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

Finally, as of 1 January 2022, in line with what is represented in the 2022-2024 Business Plan, the income contribution of the personal salary- or pension-backed loans (CQS/CQP), carried out by the subsidiary Cap.Ital.Fin. S.p.A., is included in the Commercial & Corporate Banking Segment.

All information provided below, including comparative data, takes this reallocation into account.

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 31.12.2022	75.412	*2.071*	-	*73.341*	42.489	77.319	**195.220**
Amounts at 31.12.2021	*66.564*	-	-	*66.564*	*21.021*	*57.075*	***144.660***
% Change	*13,3%*	*n.a.*	-	*10,2%*	*102,1%*	*35,5%*	***35,0%***
Financial assets measured at fair value through other comprehensive income							
Amounts at 31.12.2022	1.695	-	-	*1.695*	-	695.916	**697.611**
Amounts at 31.12.2021	*1.696*	-	-	*1.696*	-	*612.317*	***614.013***
% Change	*(0,1)%*	-	-	*(0,1)%*	-	*13,7%*	***13,6%***
Receivables due from customers (1)							
Amounts at 31.12.2022	6.514.989	*2.755.592*	*1.472.177*	*2.287.221*	1.519.864	2.152.078	**10.186.932**
Amounts at 31.12.2021	*6.561.414*	*2.940.072*	*1.390.223*	*2.231.118*	*1.523.628*	*2.246.763*	***10.331.804***
% Change	*(0,7)%*	*(6,3)%*	*5,9%*	*2,5%*	*(0,2)%*	*(4,2)%*	***(1,4)%***

(1) In the Governance & Services and Non-Core Segment, at 31 December 2022, there were government securities amounting to 1.541,5 million Euro (1.648,6 million Euro at 31 December 2021).

RECLASSIFIED INCOME STATEMENT DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	*of which: FACTORING AREA*	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
Net banking income							
Amounts at 31.12.2022	318.444	*171.654*	*59.338*	*87.452*	284.297	77.806	**680.547**
Amounts at 31.12.2021	*282.684*	*143.081*	*55.685*	*83.918*	*257.557*	*59.697*	***599.938***
% Change	*12,7%*	*20,0%*	*6,6%*	*4,2%*	*10,4%*	*30,3%*	***13,4%***
Net profit (loss) from financial activities							
Amounts at 31.12.2022	269.938	*156.667*	*56.502*	*56.769*	262.600	70.494	**603.032**
Amounts at 31.12.2021	*237.131*	*124.939*	*48.594*	*63.598*	*239.562*	*46.034*	***522.727***
% Change	*13,8%*	*25,4%*	*16,3%*	*(10,7)%*	*9,6%*	*53,1%*	***15,4%***
Profit for the period							
Amounts at 31.12.2022	71.022	*39.493*	*19.025*	*12.504*	48.553	22.312	**141.887**
Amounts at 31.12.2021	*54.372*	*26.263*	*14.095*	*14.014*	*50.251*	*(2.320)*	***102.303***
% Change	*30,6%*	*50,4%*	*35,0%*	*(10,8)%*	*(3,4)%*	*n.s.*	***38,7%***

RECLASSIFIED QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	COMMERCIAL & CORPORATE BANKING SEGMENT				NPL SEGMENT	GOVERNANCE & SERVICES AND NON-CORE SEGMENT	CONS. GROUP TOTAL
	TOTAL COMMERCIAL & CORPORATE BANKING SEGMENT	*of which: FACTORING AREA*	*of which: LEASING AREA*	*of which: CORPORATE BANKING & LENDING AREA*			
Net banking income							
Fourth quarter 2022	93.271	*48.441*	*16.690*	*28.140*	83.436	15.148	**191.855**
Fourth quarter 2021	*69.952*	*35.438*	*12.446*	*22.068*	*73.305*	*10.757*	***154.014***
% Change	*33,3%*	*36,7%*	*34,1%*	*27,5%*	*13,8%*	*40,8%*	***24,6%***
Net profit (loss) from financial activities							
Fourth quarter 2022	86.648	*47.979*	*15.564*	*23.105*	61.739	14.827	**163.214**
Fourth quarter 2021	*55.340*	*26.503*	*10.555*	*18.282*	*72.283*	*9.523*	***137.146***
% Change	*56,6%*	*81,0%*	*47,5%*	*26,4%*	*(14,6)%*	*55,7%*	***19,0%***
Profit for the period							
Fourth quarter 2022	27.068	*12.234*	*5.717*	*9.117*	4.346	4.356	**35.770**
Fourth quarter 2021	*9.350*	*988*	*2.967*	*5.395*	*18.109*	*(6.713)*	***20.746***
% Change	*189,5%*	*n.s.*	*92,7%*	*69,0%*	*(76,0)%*	*(164,9)%*	***72,4%***

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 31.12.2022	0,76%	*0,56%*	*0,20%*	*1,35%*	n.a.	1,25%
Amounts at 31.12.2021	*0,73%*	*0,69%*	*0,51%*	*0,94%*	*n.a.*	*2,28%*
% Change	*0,03%*	*(0,13)%*	*(0,31)%*	*0,41%*	*n.a.*	*(1,03)%*
Net bad loans/Receivables due from customers						
Amounts at 31.12.2022	0,4%	*0,5%*	*0,0%*	*0,5%*	73,4%	0,3%
Amounts at 31.12.2021	*0,5%*	*0,8%*	*0,0%*	*0,3%*	*72,7%*	*0,5%*
% Change	*(0,1)%*	*(0,3)%*	*0,0%*	*0,2%*	*0,7%*	*(0,2)%*
Coverage ratio on gross bad loans						
Amounts at 31.12.2022	72,0%	*77,9%*	*94,6%*	*32,8%*	0,0%	47,5%
Amounts at 31.12.2021	*73,2%*	*75,2%*	*96,5%*	*34,6%*	*0,0%*	*38,0%*
% Change	*(1,2)%*	*2,7%*	*(1,9)%*	*(1,8)%*	*0,0%*	*9,5%*
Net non-performing exposures/Net receivables due from customers						
Amounts at 31.12.2022	3,9%	*6,6%*	*1,0%*	*2,4%*	97,9%	1,6%
Amounts at 31.12.2021	*3,6%*	*5,7%*	*1,2%*	*2,4%*	*95,4%*	*2,0%*
% Change	*0,3%*	*0,9%*	*(0,2)%*	*0,0%*	*2,5%*	*(0,4)%*
Gross non-performing exposures/Gross receivables due from customers						
Amounts at 31.12.2022	5,7%	*9,5%*	*2,3%*	*3,2%*	97,9%	2,5%
Amounts at 31.12.2021	*5,9%*	*9,4%*	*2,8%*	*3,2%*	*95,4%*	*3,3%*
% Change	*(0,2)%*	*0,1%*	*(0,5)%*	*0,0%*	*2,5%*	*(0,8)%*
RWA [3]						
Amounts at 31.12.2022	5.571.253	*2.625.900*	*1.329.890*	*1.615.463*	1.794.321	1.753.938
Amounts at 31.12.2021	*5.233.458*	*2.500.835*	*1.265.979*	*1.466.644*	*2.339.110*	*1.065.692*
% Change	*6,5%*	*5,0%*	*5,0%*	*10,1%*	*(23,3)%*	*64,6%*

(1) In the Governance & Services and Non-Core Segment, at 31 December 2022, there were government securities amounting to 1.541,5 million Euro (1.648,6 million Euro at 31 December 2021), which for the purpose of calculating the cost of credit, 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 section "Contribution of business segments to Group results" of the Directors' Report on the Group.

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 2022, there are 50 passive lease contracts for buildings and 14 for car parking spaces, the related right of use (ROU) booked at 31 December 2022 is 16,1 million Euro, whilst the corresponding lease liabilities come to 16,4 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 these Consolidated Financial Statements and Report.

As regards the contracts for cars, the Group has passive contracts for 274 cars at 31 December 2022, which are mainly long-term hires of structure cars and fringe benefits for employees. The related rights of use at 31 December 2022 are 2,6 million Euro, while the corresponding liabilities for leasing also come to 2,5 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 low-unit-value assets (in accordance with the option granted by paragraph 5 of IFRS 16), identified as those with a replacement value of less than 5.000 Euro, mainly related to 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)	31.12.2022	31.12.2021
a) Land	-	-
b) Buildings	2.547	2.795
c) Furniture	-	-
d) Electronic equipment	226	309
e) Other	1.065	1.009
Total	**3.383**	**4.113**

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 (SMEs) 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: in 2022, this segment recorded a slight decrease compared to 2021 in terms of the number of vehicles (-0,3%), but a growth in terms of the value financed (+9,1%), due to the increase in the average ticket. Compared to 2021, the industrial vehicle leasing segment recorded +3,1% over the previous year (for 2,5 billion Euro), passenger car leasing +17,4% (for 3,4 billion Euro) and finally commercial vehicle leasing +2,4% (for 1,2 billion Euro). In this segment, the Group has signed contracts for approximately 287 million Euro, namely +3,01% compared with the amount disbursed in 2021;
- Capital goods segment: the growth of this sector in 2022 in Italy was driven by financial leasing of capital goods, where there was a 5,4% increase compared to 2021, for a total of 10,8 billion Euro. The Group recorded positive signs throughout the capital goods segment: +65% in the industrial goods segment for a total of 231 million Euro and +33,0% in the technological goods segment for a total of approximately 24 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 section "Contribution of business segments to Group results" of the Directors' Report on the Group, 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 - Financial assets measured at amortised cost" of the Assets of "Part B - Information on the Consolidated Statement of Financial Position" of the Consolidated Financial Statements and Report. As regards interest income on lease loans, reference is made to the contents of "Section 1 - Interest - Items 10 and 20" of "Part C - Information on the Consolidated Income Statement" of the Consolidated Financial Statements and Report; for commissions, refer to "Section 2 - Commissions - Items 40 and 50" of Part C and, finally, for other operating income, refer to "Section 16 - Other operating income (costs) - Item 230" 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	31.12.2022	31.12.2021
	Payments to be received for leasing	Payments to be received for leasing
Up to 1 year	432.346	413.654
Over 1 to 2 years	364.853	347.736
Over 2 to 3 years	294.891	271.989
Over 3 to 4 years	207.951	179.624
Over 4 to 5 years	126.765	71.308
Over 5 years	16.908	7.324
Total payments to be received for leasing	**1.443.714**	**1.291.635**
RECONCILIATION WITH LOANS		
Financial gains not accrued (-)	(112.873)	(105.446)
Residual value not guaranteed (-)	-	-
Financing for leasing	**1.330.841**	**1.186.189**

The table shows the classification by time frame of payments receivable for leasing and the reconciliation of such payments and lease loans as lessor. The table does not show impairment losses totalling 32,6 million Euro at 31 December 2022 (35,8 million Euro in 2021).

Venice - Mestre, 9 March 2023

For the Board of Directors

The CEO

Frederik Herman Geertman

Banca Ifis

Country-by-country reporting

Consolidated reports 2022

Country-by-country reporting

Here below, with reference to the position at 31 December 2022, 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. Banca Credifarma S.p.A. Cap.Ital.Fin. S.p.A. Ifis Npl Investing S.p.A. Ifis Npl Servicing S.p.A. Ifis Rental Services S.r.l.	Ifis Finance Sp. z o.o.	Ifis Finance I.F.N. S.A.	-	Banca Ifis Group
	Nature of business	Banking for Banca Ifis S.p.A. and Banca Credifarma S.p.A.; Financial for Cap.Ital.Fin. S.p.A., Ifis Npl Investing S.p.A., Ifis Npl Servicing S.p.A. and Ifis Rental Services S.r.l..	Financial	Financial	-	Banking and financial
b)	Turnover [1] (in thousands of Euro)	580.804	4.621	1.350	(40.026)	546.749
c)	Number of full-time equivalents [2]	1.844	16	14	-	1.874
d)	Pre-tax profit or loss (in thousands of Euro)	246.163	2.674	(679)	(36.362)	211.796
e)	Income tax (in thousands of Euro)	(69.438)	(520)	41	8	(69.909)
f)	Government grants received [3] (in thousands of Euro)	414	-	-	-	414

(1) Turnover corresponds to the Net Banking Income as per item 120 "Net banking income" of the Consolidated Income Statement at 31 December 2022.

(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).

(3) Refer to the National State Aid Register, 'Transparency' section, for further information.

Banca Ifis

Certifications

Consolidated reports 2022

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, 2022 to December 31st, 2022.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated financial statements as at December 31st, 2022 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, 2022:
   - 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 9th, 2023

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.

Board of Statutory Auditors' report

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

Pursuant to article 153, of Legislative Decree no. 58/1998 and Article 2429, paragraph 2 of the Italian Civil Code)

(Translation from the original Italian text)

Dear Shareholders,

The Board of Statutory Auditors of Banca Ifis SpA (hereinafter also "Banca Ifis" or the "Bank" or "Ifis"), pursuant to Article 153 of Legislative Decree no. 58/1998 and Article 2429, paragraph 2, of the Italian Civil Code, is required to report to the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2022 on the supervisory activity performed during the year in compliance with the duties attributed to it by Article 149 of the aforementioned legislative decree.

Background

On 28 April 2022, the Shareholders' Meeting of Banca Ifis, using the list voting system, appointed the new members of the Board of Statutory Auditors, in place of the statutory auditors who ceased office due to the expiry of their three-year term of office, in the persons of Andrea Balelli (Chairman), Annunziata Melaccio (standing auditor) and Franco Olivetti (standing auditor), Marinella Monterumisi (alternate auditor) and Emanuela Rollino (alternate auditor), all of whom will remain in office until the date of approval of the financial statements as at 31 December 2024. In drafting the report, due consideration was also given to the findings of the work carried out in 2022 by the previous Board of Statutory Auditors.

During FY 2022, the Board of Statutory Auditors (hereinafter also referred to as the 'Board') in office met 26 times, of which 5 times jointly with the Control and Risks Committee.

It should be noted that, although the state of emergency connected to Covid-19 persists in 2022, albeit in a less restrictive form, also in view of the new composition (with the exception of one statutory auditor already present), the Board has preferred to favour in-person meetings over remote connections for meetings with management. During 2023 and up to the date of this Report, 9 meetings of the Board of Statutory Auditors were held, 2 of which were held jointly with the Control and Risks Committee.

1. Activity of the Board of Statutory Auditors

During the financial year ended 31 December 2022, the Board of Statutory Auditors carried out its institutional duties in compliance with the provisions of the Civil Code, Legislative Decree No. 385/1993 (the "Consolidated Law on Banking" or "TUB"), Legislative Decree No. 58/1998 (the "Consolidated Law on Finance" or "TUF"), Law No. 231/2007, the provisions of the Articles of Association, the indications contained in the Code of Corporate Governance, the principles of conduct recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian Professional Order of Tax Advisors), as well as the special laws on the subject and the provisions issued by the Supervisory Authorities (Bank of Italy and Consob). Moreover, since Banca Ifis has adopted the traditional governance model, the Board of Statutory Auditors is identified with the 'Internal Control and Audit Committee', which is responsible for further specific control and monitoring functions in the area of financial reporting and auditing provided for by

Article 19 of Legislative Decree no. 39 of 27 January 2010, as amended by Legislative Decree no. 135 of 17 July 2016.

Where the Board of Statutory Auditors considered it necessary to make recommendations and suggestions, it communicated them both during the meetings held with the internal functions concerned, and directly to the body with management or strategic supervision functions and to the relevant internal board Committees, as minuted over time.

The Board of Statutory Auditors reported periodically to the Board of Directors on the activities carried out and the opinions given. Furthermore, the Board of Statutory Auditors, taking into account the provisions of the document "Rules of Conduct for the Board of Statutory Auditors of Listed Companies" issued by the CNDCEC on 26 April 2018, in particular in Rule Q.1.1 - Self-Assessment of the Board of Statutory Auditors - conducted, with the assistance of a consulting firm, a self-assessment process, as a result of which the Board of Statutory Auditors expressed an overall assessment of adequacy in relation to its size and composition, as well as a favourable opinion on the requirements of professionalism, independence and integrity and on the functioning mechanisms of the body.

In this Report, the Board of Statutory Auditors gives an account of the activities carried out during the financial year, separately for each supervisory area provided for by the regulations governing the activities of the Board.

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 Report on Operations regarding significant events during the year and after year-end.

On 17 January 2022, the Board of Directors 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.

On 10 February 2022, the Board of Directors approved the 2022-2024 business plan.

On 11 April 2022, the merger by incorporation of Credifarma SpA into Farbanca SpA was completed, following the authorisation issued by the Bank of Italy on 21 February 2022, with the establishment of Banca Credifarma SpA.

On 22 April 2022, the programme for the purchase of ordinary shares of the Bank, initiated on 15 March 2022, to service the LTI 2021-2023 Plan ended. The company purchased a total of 1.044.000 shares, equal to 1,940% of the share capital, for a total value of 19,3 million Euro.

On 11 May 2022, Ifis Npl Servicing SpA's 100% stake in Ifis Real Estate SpA was fully sold to Resolute Asset Management Srl. This company, which changed its name to Rebuild SpA, has therefore been removed from the group's investee companies.

On 23 May 2022, the Bank of Italy received notification of the conclusion of the periodic prudential review process (the 'SREP') conducted on the Group. The Supervisory Authority identified the CET 1 Ratio, Tier 1 Ratio and Total Capital Ratio for 2022 on a consolidated basis.

On 10 November 2022, the Board of Directors resolved (i) in line with that resolved by the Shareholders' Meeting of 28 July 2022, to distribute an advance on 2022 dividends; (ii) acknowledged the resignation, effective immediately, of the Chairman of the Board of Directors, Sebastien Egon Fürstenberg, who will remain in office as a non-executive and non-independent director; (iii) approved the appointment, also effective immediately, of the new Chairman of the Bank's Board of Directors in the person of Ernesto Fürstenberg Fassio, pursuant to art. 2380-bis of the Italian Civil Code and art. 12 of the Articles of Association, with the simultaneous termination of the office of Deputy Chairman; (iv) assigned Sebastien Egon Fürstenberg a special assignment pursuant to art. 2389, paragraph 3, of the Italian Civil Code, aimed at ensuring continuity and stability in the succession of the Chairmanship until the date of the Bank's next Shareholders' Meeting; (v) designated Sebastien Egon Fürstenberg as Honorary Chairman of the Bank, whose appointment will be submitted to the Shareholders' Meeting in accordance with art. 10-bis of the Articles of Association.

2.2 Significant subsequent events

Significant events subsequent to the close of FY 2022 that this Board believes should be recalled include the following.

On 12 January 2023, Banca Ifis completed the placement of a Senior Preferred bond issue under its EMTN programme amounting to 300 million Euro. The transaction was intended for institutional investors.

On 17 January 2023, the Bank of Italy, in a letter addressed to the Company, represented the need to "*collect financial projections, based on updated macroeconomic scenarios, in order to allow an assessment of the soundness of capital projections and the financing capacity of the business of individual banks and promptly identify potential vulnerabilities*", in view of the effects of geopolitical and monetary changes on the financial projections submitted to the Supervisory Authority and the consequent need for banks to redefine strategies and update their lines of action. In detail, the Bank of Italy has asked Italy's Less Significant Institutions (LSIs), and therefore also the Company, to provide '*updated planning data for the two-year period 2023-2024* [...], *to be accompanied by a set of qualitative information functional to assess more fully the sustainability of business models and to appreciate the robustness and viability of the development lines identified* [...]'. The Bank of Italy had also requested that this disclosure be accompanied by an evaluation by the Board of Directors and the Board of Statutory Auditors. As a result of this communication, the Bank drew up an updated version of the planning forecasts and this Board of Statutory Auditors expressed its opinion on the matter.

On 26 January 2023, the Bank of Italy announced that it had decided not to adopt a new capital decision as a result of the 2022 SREP cycle, confirming the scope of the additional capital requirements with respect to the minimum capital ratios covered by last May's communication.

On 9 March 2023, the Board of Directors, following the resignation of the Chief Financial Officer who also held the position of Financial Reporting Officer, appointed Massimo Zanaboni "Manager Charged with preparing the company’s financial reports" effective 1 April 2023. The Board of

Statutory Auditors gave its opinion in favour of the appointment, verifying the possession of the requirements of professionalism, integrity and competence.

3. Supervisory activities

3.1 Supervisory Activities on compliance with the law and the Articles of Association

The undersigned Board of Statutory Auditors monitored compliance with the law and the Articles of Association, acquiring the information instrumental to the performance of the tasks assigned to it through the articulated system of information flows provided for in the Group, as well as through participation, as a collegial body or with the presence of at least one member, in all meetings of the Board of Directors (16), in all meetings of the Control and Risk Committee (21), in all meetings of the Remuneration Committee (10) and the Appointments Committee (8).

In the course of 2022, the members of the current Board of Statutory Auditors participated in various training and induction courses on topics related to supervisory activities, risk scenarios, market dynamics, digital innovation, the evolution of corporate governance rules, ESG topics and regulatory and legislative matters. Such refresher training is carried out as part of the training plan prepared in compliance with the provisions of Circular 285/2013 (point e., paragraph 2.1, Section IV, Chapter 1, Title IV), taking into account the individual as well as the collective training needs of the Bank's control body and governing body.

The minutes of the Board of Statutory Auditors, which sometimes contain explicit recommendations to rapidly resolve difficulties that have come to light, are made available, in full, to the CEO and to the Chairman of the Board of Directors. The Chairman of the Control and Risk Committee is constantly invited to attend the meetings of the Board, in the belief that this ensures an adequate flow of information within the company.

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.

During FY 2022, the Board of Statutory Auditors:

- expressed opinions pursuant to Article 2389, paragraph 3 of the Civil Code on the remuneration of directors holding special offices;
- expressed opinions in relation to what are termed "non-audit fees" for non-audit services, as provided for by the regulations in force and by the internal procedure adopted by the Company, verifying in particular their effects on independence, with no exceptions to be noted;
- did not receive, during FY 2022, any complaints from Shareholders pursuant to Article 2408, paragraph 1 of the Italian Civil Code.

Relations with Supervisory Authorities

Bank of Italy

With reference to relations with the Bank of Italy, it is reported that in May 2022, the Company was subjected to an inspection by the Financial Intelligence Unit of the Authority aimed at verifying the adequacy of the AML controls. The Board of Statutory Auditors monitored the support provided to the Bank of Italy during the inspection by the functions involved over time, as well as the timely implementation of remedial actions and improvement measures according to the time line that Ifis had submitted to the Bank of Italy.

On 29 November 2022, the Bank of Italy, through the '*Bank of Italy Guidelines on the Composition and Functioning of the Boards of Directors of LSIs*', released its prudential supervisory guidelines on the composition, organisation and functioning of the boards of directors of LSIs, with the intention of '*sharing the good practices observed or suggested by the outcomes*' of a specific survey conducted on the subject. The Board of Statutory Auditors monitored the implementation of the Bank's improvement actions and measures, substantiated in the description of the initiatives undertaken in the Board of Directors' self-assessment document sent to the Bank of Italy on 24 February 2023 and in the process of revising certain governance provisions included in the broader framework of the proposed amendments to the Articles of Association resolved by the Board of Directors on 9 March 2023 and to be submitted to the Shareholders' Meeting for approval.

3.2 - Supervision of compliance with the principles of proper administration, relations with subsidiaries or other related parties

The Board of Statutory Auditors, as part of its supervisory activity on the observance of the principles of proper administration - also in compliance with the obligation set forth in Article 150 of the Consolidated Law on Finance - periodically obtained from the Directors, the Chief Executive Officer (hereinafter also referred to as 'CEO'), the control functions, the management, and the Statutory Auditor information on the activities carried out and on the most significant economic, financial and equity transactions carried out by the Company and its subsidiaries, as well as on the Group's strategic guidelines.

The Board of Statutory Auditors held regular meetings with the Financial Reporting Officer (hereinafter also referred to as the "Manager Charged with preparing the Company's financial reports") and the internal control functions. Hearings were scheduled with the Bank's management and periodic meetings were held with the representatives of the independent auditors in order to mutually exchange data and information relevant to the performance of their duties, as required by Article 150, paragraph 3 of the Consolidated Law on Finance.

On the basis of the information made available to the Board of Statutory Auditors, it would appear reasonable to believe that the transactions resolved by the Board of Directors and implemented by the CEO are not in breach of the law, the Articles of Association and the provisions issued by the Supervisory Authorities, as it can also be reasonably excluded that they are manifestly imprudent, or risky, or in conflict of interest, or in contrast with the resolutions passed by the Shareholders' Meeting, or such as to compromise the integrity of the company's assets.

Acknowledging the Directors' Report, the information produced to the Board of Directors by the Chief Executive Officer, the Supervisory Board pursuant to Legislative Decree No. 231/2001, and in light of the findings gathered as part of its supervisory activities, it is possible, on the part of the Board of Statutory Auditors, to reasonably exclude the existence of atypical and/or unusual transactions entered into with third parties, with Group companies or with related parties and associated parties.

With specific reference to transactions with related parties, the Board of Statutory Auditors regularly receives periodic information flows on any transactions concluded with such related parties and connected persons and to monitor the performance of exposures attributable to connected persons; where necessary, it has proceeded to request further information and details.

Detailed and exhaustive information is given on related party transactions in the specific section "Related Party Transactions" of the Directors' Report as well as in Part H of the Notes to the Consolidated and Separate Financial Statements.

As far as the Board of Statutory Auditors is aware, these transactions were concluded in the interest of the Bank and do not give rise to any remarks on their fairness, as they are part of Ifis' ordinary operations. It is therefore acknowledged that adequate information was provided to the Board of Statutory Auditors on transactions concluded with related parties and/or connected persons, in accordance with Consob provisions and in compliance with the provisions on connected persons set forth in Bank of Italy Circular 263.

The Board of Statutory Auditors has monitored the adequacy of the instructions issued by the Bank to its subsidiaries, verifying the effectiveness of the exchange of information and information flows between the parent company and the subsidiaries. The rules and procedures in place enable the parent company to fulfil its public disclosure obligations in a timely manner in accordance with the provisions of Article 114, paragraph 2 of the Consolidated Law on Finance.

The Board of Statutory Auditors, as also provided for in Article 151-ter, paragraph 4, of the Consolidated Law on Finance, exchanged information flows with the Boards of Statutory Auditors of the subsidiaries. In addition, as part of the process of appointing the statutory auditors for the period 2023-2031, in order to ensure continuity in the application of the Single Auditor principle for the Group, the procedure to identify the Auditor has been put in place by Ifis and the companies belonging to the Group, which will express their opinion on the matter at the Shareholders' Meeting.

In 2022, 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.

3.3 - Supervisory activities on the implementation of corporate governance

In relation to the provisions of Article 149, paragraph 1, letter c-*bis*, of the Consolidated Law on Financial Intermediation concerning the supervision by the Board of Statutory Auditors '*on the procedures for the concrete implementation of the corporate governance rules set forth in codes of conduct drawn up by management companies of regulated markets or by trade associations, which the company, by means of public disclosures, declares that it complies with*', the Board of Statutory Auditors reports that it performed this activity during the year. Pursuant to Article 123-bis of the Consolidated Law on Financial Intermediation, the Company prepared its annual Report on Corporate Governance and Ownership Structures (hereinafter also referred to as the 'Corporate Governance Report') for 2022, which was approved on 9 March 2023, to which reference should be made for further details, which illustrates, *inter alia*, Banca Ifis' administration and control model and provides full information on the manner in which the Bank has adopted and implemented the recommendations made by the Corporate Governance Committee.

The Board of Statutory Auditors also supervised the adoption of the policy for the remuneration of directors and key managers, in line with the provisions of the Corporate Governance Code, as well as the subsequent Remuneration Report pursuant to Article 123-ter of the Consolidated Law on Finance, expressing an opinion on the adequacy of the remuneration policy adopted by the Bank with respect to the purposes expressed in this area by Circular 285/2013 and the Remuneration Report itself.

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 2023 innovations, examined

by the Remuneration Committee on 08 March 2023, 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, sharing its conclusions and comments. At the 21 March 2023 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 internal policies and reference regulations", checks which led to a substantially favourable opinion.

The Board of Statutory Auditors took note, by attending the Remuneration Committee meeting of 8 March 2023, of the proposal to increase the CEO's fixed remuneration, and expressed, as required by law, a favourable opinion in this regard.

In general, in light of the provisions of the Supervisory Authorities on the subject of remuneration and incentive systems, the Board of Statutory Auditors monitored, in close connection with the Remuneration Committee, the changes introduced to the 2023 Remuneration Policy, although substantially in line with that of 2022, examined by the Remuneration Committee on 8 March 2023, 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 Chief Executive Officer, the heads of the Control Functions and the Executive in Charge, and on the dissemination of the remuneration policies for FY 2023 to the companies belonging to the Group.

The Board of Statutory Auditors has no objections to the Remuneration Policy submitted to the Shareholders' Meeting.

3.4 - Supervision of the statutory audit process and the independence of the auditing firm

Pursuant to the Consolidated Law on Auditing (Art. 19 of Legislative Decree No. 39/2010 as amended by Legislative Decree No. 135/2016) the Board of Statutory Auditors (identified by the Consolidated Act as the "Internal Control and Statutory Audit Committee") is in charge of (i) informing the board of directors of the audited entity of the outcome of the statutory audit and transmitting to that body the additional report referred to in Article 11 of the European Regulation, accompanied by any observations, (ii) monitoring the statutory audit of the annual and consolidated accounts (iii) verifying and monitoring the independence of the statutory auditors or statutory audit firms pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of the aforementioned decree and Art. 6 of the European Regulation, in particular with regard to the adequacy of the provision of non-audit services to the audited entity in accordance with Art. 5 of such Regulation and (iv) the responsibility for the procedure to select statutory auditors or audit firms and to recommend statutory auditors or audit firms for appointment pursuant to Art. 16 of the European Regulation.

In this context, the Board of Statutory Auditors currently in office carried out an ongoing monitoring process of the activities performed by Ernst & Young SpA (hereinafter also referred to as 'EY') during 2022 and up to the date of this report, both through meetings at special meetings of the Board of Statutory Auditors and at joint meetings of the Board of Statutory Auditors and the CRC.

Information to the Board of Directors on the outcome of the statutory audit and the Additional Report pursuant to Art. 11 of the European Regulation

In relation to the auditing company, the Board of Statutory Auditors reports that EY has today issued the Additional Report pursuant to Article 11 of the European Regulation, from which no significant deficiencies emerge in the internal control system for financial reporting and/or in the accounting system.

Supervisory activities on the statutory audit of annual and consolidated accounts

- the accounts were audited in accordance with the regulations by the auditing firm EY to which the Shareholders' Meeting of 17 April 2014 appointed the auditor for financial years 2014 - 2022;
- the Board of Statutory Auditors met periodically with the auditing firm EY , and the meetings did not reveal any significant facts worthy of mention concerning the auditing activity nor any decisive deficiencies in the integrity of the internal control system with regard to the financial reporting process in particular;
- EY today issued its report containing its opinion on the financial statements and consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the measures issued in implementation of Art. 9 of Italian Legislative Decree 38/05. Furthermore, in the same report, EY issued an opinion on the consistency of the Directors' Report and the information in the Corporate Governance Report with the Financial Statements. This report does not contain any remarks or requests for information. In the aforementioned report, it is also acknowledged that the directors' approval of the non-financial statement has been verified.

Independence of the audit firm, in particular with regard to the provision of non-audit services

With regard to the annual confirmation of independence pursuant to Art. 17, paragraph 9, letter a) of Legislative Decree no. 39/2010, the Board of Statutory Auditors represents that it has received written confirmation from the auditing firm with the transmission of the Additional Report issued on today's date pursuant to Article 11 of the European Regulation.

The Board of Statutory Auditors monitored the independence of the auditing firm and, in particular, received periodic evidence of the non-audit assignments to be assigned (or assigned by virtue of specific regulatory provisions) to the statutory auditor.

As can be seen from the consolidated financial statements of the Ifis Group, during the year 2022, EY, also through its network, performed the following activities for the Group:

Company and reporting period (***Euro/000***)		**Independent auditors' fees**	**Certification services**	**Total**
Banca Ifis SpA	2022	283	370	653
Subsidiaries	2022	475	77	552
Total		**758**	**447**	**1205**

The Board of Statutory Auditors reports that over the course of 2022, as well as the function of auditing of the separate financial statements, consolidated financial statements, and the financial statements of the subsidiaries, EY, with the approval of this Board of Statutory Auditors, was entrusted with the following tasks (319.000 Euro entrusted in 2022 and 128.000 Euro in 2021):

- Profit verification 30/09/2022 and 31/12/2022 Banca Ifis separate and consolidated;
- Comfort Letter on EMTN Program renewal 2022;

- Agreed Upon procedures on TLTRO III;
- Issuance of the report pursuant to Article 2437-ter of the Italian Civil Code, as part of the merger by incorporation of Credifarma SpA into Farbanca SpA;
- Issuance and transmission to the Bank of Italy of the Report, pursuant to the "Regulation implementing Articles 4-undecies and 6, paragraph 1, letters b) and c-bis) of the Consolidated Law on Finance", Article 23, paragraph 7, which requires the intermediary to adopt specific organisational and procedural safeguards aimed at safeguarding customers' rights over entrusted assets and asset segregation;
- Limited audit of the financial statements and report prepared by the directors of Banca Ifis S.p.A. as at 30 September 2022, for the purpose of the distribution of an interim dividend 2022 pursuant to Article 2433-bis of the Italian Civil Code.

The Board of Statutory Auditors considers that the above-mentioned fees appear to be appropriate for the size, complexity and characteristics of the work performed. The Board also verified that the tasks entrusted to the auditing firm are not among those prohibited for the auditing company in office under the aforementioned European Regulation.

It is also acknowledged that the Board of Directors and the undersigned Board of Statutory Auditors have shared the view that it is deemed appropriate for the appointed auditing firm to focus on its typical activity and to be involved, either directly or through companies belonging to its network, limited to projects that have already been commissioned and for which the assignment to another firm might be uneconomic.

Appointment as statutory auditor for the period 2023-2031

Please note that the 2022 Annual Report of Banca Ifis represents the latest financial statements audited by EY, following the audit engagement for FYs 2023-2031 conferred on PricewaterhouseCoopers SpA on the grounded proposal of the Board of Statutory Auditors, by resolution of the shareholders' meeting of Banca Ifis on 28 April 2022.

3.5 - Supervisory activities on the administrative-accounting system and on the financial report and non-financial disclosure processes

Referring to the aforementioned Article 19 of Legislative Decree No. 39/2010 as amended by Legislative Decree no. 135/2016, the Board of Statutory Auditors, in monitoring the financial reporting process, interacted with the Control and Risk Committee set up within the Board of Directors, in order to coordinate their respective competences and avoid any overlapping of activities. In this regard, the Board of Statutory Auditors participated, where possible with all its members, in the activities of the Control and Risk Committee, particularly when they referred to issues of specific relevance for the purposes of Legislative Decree No. 39/2010 and the above-mentioned supervisory matters, making relations fluid and facilitating the coordination and exchange of information between the two bodies.

With specific reference to the different areas of supervision, we would point out the following.

Supervision of the financial reporting process

The Board of Statutory Auditors verified the existence of rules and procedures governing the process of the formation and dissemination of financial information. In this regard, the Corporate Governance Report defines the reference guidelines for the establishment and management of the

system of administrative and accounting procedures for Ifis and its consolidated companies, regulating the relevant steps and responsibilities.

The Board of Statutory Auditors examined, with the assistance of the Financial Reporting Officer, the procedures relating to the preparation of the Company's financial statements and consolidated financial statements, as well as other periodic accounting documents. The Board of Statutory Auditors also had evidence of the process by which the Manager in charge of preparing the company's accounting and corporate documents and the director delegated to do so can issue the certifications required by Article 154-bis of the Consolidated Law on Finance.

The Board of Statutory Auditors has been informed that the administrative/accounting procedures for the preparation of the financial statements and all other financial disclosures are prepared under the responsibility of the Manager charged with preparing the company's financial reports, who, together with the Chief Executive Officer, certifies the adequacy and effective application of these procedures in the preparation of the separate and consolidated financial statements and the half-year financial report.

The Board of Statutory Auditors acknowledges that it has not received, during the periodic meetings held with the Appointed Executive, any reports of significant deficiencies in the operational and control processes that could affect the judgement of the adequacy and effective application of the administrative-accounting procedures, for the purpose of the correct representation of the economic, equity and financial situation of management events, in accordance with international accounting standards.

The annual financial statements of the Bank and the consolidated financial statements of the Group, in application of Legislative Decree no. 38/2005 are prepared by applying the IAS/IFRS issued by the International Accounting Standards Board and the related interpretations of the International Financial Reporting Interpretations Committee, endorsed by the European Commission, as established by European Community Regulation no. 1606/2002.

The Bank's separate financial statements and the Group's consolidated financial statements are prepared on the basis of the instructions issued by the Bank of Italy in Circular 262/2005 and subsequent updates. The draft financial statements of Ifis at 31 December 2022 and the consolidated financial statements of the Group at 31 December 2022 were approved by the Board of Directors at its meeting on 9 March 2023. As already mentioned, the consolidation scope has changed following the 2022 corporate evolution. The public disclosure, in accordance with the provisions of the prudential supervisory regulations, was made through the Bank's website within the deadlines set for the publication of financial statements.

The Board of Statutory Auditors also examined declarations, issued on 9 March 2023 by the CEO and by the Manager Charged with preparing the company's financial reports, in accordance with the provisions contained in Article 154 *bis* of the Consolidated Law on Finance and in Article 81 *ter* of Consob Regulation 11971/1999, from which no shortcomings emerged that might affect the judgement of adequacy of the administrative-accounting procedures.

EY, 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 29 March 2023, 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.

As already mentioned, the Board of Directors has prepared, in accordance with the law, the Financial Statements and Consolidated Financial Statements as at 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the measures issued in implementation of Art. 9 of Legislative Decree No. 38/05, both of which are audited by EY.

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.

Consolidated non-financial statement (NFS)

Ifis, as a public interest entity (PIE), is required to disclose non-financial information in accordance with the provisions of Legislative Decree no. 254/2016 issued in implementation of Directive 2014/95/EU, which entered into force on 25 January 2017.

In compliance with the aforementioned regulations, the Group's consolidated non-financial statement (hereinafter also referred to as the 'NFS') has been prepared to ensure an understanding of the Group's business, its performance, its results and the impact it has produced, covering the issues deemed relevant and provided for in Article 3 of Legislative Decree No. 254/2016, in accordance with the 'Sustainability Reporting Guidelines' version G4, defined in 2013 by the GRI - Global Reporting Initiative.

With specific regard to the examination of the consolidated non-financial statement, the Board of Statutory Auditors monitored compliance with the provisions set forth in Legislative Decree No. 254/2016, as provided for in particular in Article 3, paragraph 7 of that decree, within the scope of the competences attributed to it by the law. On this point, please note that:

- pursuant to article 3, paragraph 10, of Legislative Decree no. 254/2016 and Article 5 of Consob Regulation No. 20267, the Company has appointed EY to conduct the limited review of the Group's consolidated non-financial statement;
- the Board of Statutory Auditors has obtained periodic updates on the performance of activities preparatory to the preparation of the NFS;
- EY issued its report today, certifying that the information provided in the NFS complies with the relevant regulations and reporting standards used, and issued an opinion on the compliance of the financial statements and consolidated financial statements.

On the basis of the information acquired, the Board of Statutory Auditors certifies that, in the course of its auditing activities relating to the NFS, no elements of non-compliance and/or violation of the relevant regulatory provisions were found, and consequently, no remarks to be submitted to the Shareholders' Meeting.

3.6 - Supervisory activities on the adequacy of the internal audit system, of the risk management systems and of the organisational structure

The Group's internal control system is based on:

- control bodies and functions, involving in particular, each for their respective competences, the Board of Directors, the Control and Risk Committee, the Director in charge of the internal control and risk management system, the Board of Statutory Auditors, as well as the other corporate functions with specific tasks in this respect;
- information flows and coordination between the parties involved in the internal control and risk management system.

The design of Ifis' system of internal controls, briefly described, has three levels:

- first-level (or line) controls: exercised directly by the operational and back-office structures, which are primarily responsible for the risk management process;
- second-level controls: exercised by the risk management function (identifies the risks to which Ifis and the Group companies are exposed and periodically measures and monitors these risks through specific indicators, planning any mitigation actions), the compliance function (verifies the effectiveness of the organisational measures proposed and implemented for the purpose of non-compliance risk management) and the anti-money laundering function;
- third-level controls: exercised by the internal audit function, through activities aimed at identifying violations of procedures and regulations, as well as periodically assessing the completeness, adequacy, functionality and reliability of the internal control system and the information system.

In carrying out its activities, the Board of Statutory Auditors maintained continuous contact with the various control functions, as well as supervised the adequacy of the systems of internal control and risk management systems through:

- meetings with the management of the Bank;
- regular meetings with the various control departments (i.e., Internal Audit, Compliance, Anti-money laundering (AML) and Risk Management and the Manager Charged with preparing the company's financial reports) 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 independent 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.

The Board of Statutory Auditors acknowledges that the annual reports from the Control Departments conclude with a substantially favourable judgement on the internal control system.

Over the course of 2022, the Board of Statutory Auditors supervised the suitability and effects of the entire ICAAP and ILAAP 2021 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.

The Board of Statutory Auditors has taken positive note of the initiatives put in place by the Bank to strengthen monitoring and control, in particular of credit risks, arising from the conflict in Ukraine.

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.

In addition, the Board of Statutory Auditors monitored the process of revising the Articles of Association undertaken by Ifis. The aforementioned revision, carried out by the Bank also with the assistance of its external legal advisors, was initiated in order to adapt the Articles of Association to the provisions of the 39th update of Circular 285/2013 (on the subject of the parent company's exercise of powers of management and coordination of subsidiaries) and to the Bank of Italy's guidelines on the composition and functioning of the boards of directors of LSIs, as well as to revise certain governance provisions. Update that will be submitted for approval to the Shareholders' Meeting on 20 April next and subject to approval, following the filing of the assessment request pursuant to Article 56 TUB, by the Bank of Italy.

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.

The Board of Statutory Auditors was today updated about 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.

* * *

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.

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.

Concluding remarks

As detailed in the Report, the Board of Statutory Auditors verified the functionality of the internal procedures, which were found to be sufficiently adequate and suitable to ensure compliance with the law, regulations and Articles of Association. The Board of Statutory Auditors ascertained that the decision-making process takes into account the riskiness and effects of the management choices made and that the corporate bodies have a sufficient information flow system, also with reference to any interests of the Directors. The organisational structure, the administrative accounting system and the statutory audit process were found to be adequate and functional for the tasks they are called upon to perform. It was also verified that there were no elements such as to render the internal control system and the governance and risk management process unreliable, even though they

presented aspects for improvement that the Board of Statutory Auditors had pointed out in the exercise of its mandate.

Final considerations and proposals to the Shareholders' Meeting

This Report details the control activities carried out and the actions taken by the Board of Statutory Auditors with regard to the information obtained and the supervisory activities performed in fulfilment of its duties.

In light of the overall supervisory activity performed, in relation to the audits concluded at the date of publication of this Report, the Board of Statutory Auditors of Banca Ifis has no observations to make to the Shareholders' Meeting pursuant to Article 153, paragraph 2, of Legislative Decree no. 58/1998 concerning the financial statements and their approval as well as matters falling within its competence.

In actual fact, taking into account all of the foregoing, considering the content of the opinions issued by the Independent Auditors and having acknowledged the attestations issued jointly by the Chief Executive Officer and the Executive in Charge, the Board of Statutory Auditors does not deem that there exist - to the extent of its competence - any elements hindering the approval of the financial statements of Banca Ifis SpA as at 31 December 2022 accompanied by the Directors' Report and the Notes to the Financial Statements, as resolved by the Board of Directors on 9 March 2023.

Venice - Mestre, 29 March 2023

FOR THE BOARD OF STATUTORY AUDITORS

Andrea Balelli (Chairman)

Annunziata Melaccio (Standing Auditor)

Franco Olivetti (Standing Auditor)

Independent auditors' report on the Consolidated Financial Statements

Banca IFIS S.p.A.

Consolidated financial statements as at December 31, 2022

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, 2022, 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, 2022, 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, 2022 amounts to Euro 38 million, is exclusively 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 two years 2023-2024 , as approved by the Board of Directors on February 9, 2023 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 two years 2023-2024, 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 two years 2023-2024 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

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 6,515 million and Euro 2,152 million, net of analytical and collective impairment provisions for Euro 219 million and Euro 26 million respectively, and represent 65% of total assets at December 31, 2022.

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 environment characterized by the Russian-Ukrainian conflict, the rising cost of energy and inflationary dynamics.

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 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.

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 current macroeconomic environment, 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.

Building a better working world

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 42% of the reclassified consolidated intermediation margin equivalent to Euro284.3 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 have been revised in order to reflect the context of the current uncertainty regarding macroeconomic environment characterized by the Russian-Ukrainian conflict, the rising cost of energy and inflationary dynamics. 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 current macroeconomic environment 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.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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, 2022, 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, 2022 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, 2022 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 29, 2023

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.

Banca Ifis

Annexes

Consolidated reports 2022

Reconciliation between reclassified consolidated financial statements and consolidated financial statements

RECONCILIATION BETWEEN ASSETS ITEMS AND RECLASSIFIED ASSETS ITEMS (in thousands of euro)		31.12.2022	31.12.2021
Cash and cash equivalents		**603.134**	**355.381**
+ 10.	*Cash and cash equivalents*	*603.134*	*355.381*
Financial assets held for trading		**26.868**	**8.478**
+ 20.a	*Financial assets measured at fair value through profit or loss: a) financial assets held for trading*	*26.868*	*8.478*
Financial assets mandatorily measured at fair value through profit or loss		**195.220**	**144.660**
+ 20.c	*Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value*	*195.220*	*144.660*
Financial assets measured at fair value through other comprehensive income		**697.611**	**614.013**
+ 30.	*Financial assets measured at fair value through other comprehensive income*	*697.611*	*614.013*
Receivables due from banks measured at amortised cost		**565.762**	**524.991**
+ 40.a	*Financial assets measured at amortised cost: a) receivables due from banks*	*565.762*	*524.991*
Receivables due from customers measured at amortised cost		**10.186.932**	**10.331.804**
+ 40.b	*Financial assets measured at amortised cost: b) receivables due from customers*	*10.186.932*	*10.331.804*
Property, plant and equipment		**126.341**	**120.256**
+ 90.	*Property, plant and equipment*	*126.341*	*120.256*
Intangible assets		**64.264**	**61.607**
+ 100.	*Intangible assets*	*64.264*	*61.607*
of which: - goodwill		***38.020***	***38.794***
Tax assets		**325.181**	**329.674**
a) current		**60.924**	**45.548**
+ 110.a	*Tax assets: a) current*	*60.924*	*45.548*
b) prepaid		**264.257**	**284.126**
+ 110.b	*Tax assets: b) prepaid*	*264.257*	*284.126*
Other assets		**471.064**	**487.027**
+ 130.	*Other assets*	*471.064*	*487.027*
Total assets		**13.262.377**	**12.977.891**

RECONCILIATION BETWEEN ASSETS AND LIABILITIES ITEMS AND RECLASSIFIED ASSETS AND LIABILITIES ITEMS (in thousands of euro)		31.12.2022	31.12.2021
Payables due to banks		**3.422.160**	**2.597.965**
+ 10.a	*Financial liabilities measured at amortised cost: a) payables due to banks*	*3.422.160*	*2.597.965*
Payables due to customers		**5.103.343**	**5.683.745**
+ 10.b	*Financial liabilities measured at amortised cost: b) payables due from customers*	*5.103.343*	*5.683.745*
Debt securities issued		**2.605.195**	**2.504.878**
+ 10.c	*Financial liabilities measured at amortised cost: c) securities issued*	*2.605.195*	*2.504.878*
Financial liabilities held for trading		**25.982**	**5.992**
+ 20.	*Financial liabilities held for trading*	*25.982*	*5.992*
Tax liabilities		**52.298**	**49.154**
a) current		**21.961**	**16.699**
+ 60.a	*Tax liabilities: a) current*	*21.961*	*16.699*
b) deferred		**30.337**	**32.455**
+ 60.b	*Tax liabilities: b) deferred*	*30.337*	*32.455*
Other liabilities		**391.697**	**436.107**
+ 80.	*Other liabilities*	*391.697*	*436.107*
Post-employment benefits		**7.696**	**9.337**
+ 90.	*Post-employment benefits*	*7.696*	*9.337*
Provisions for risks and charges		**56.225**	**66.825**
+ 100.a	*Provisions for risks and charges: a) commitments and guarantees granted*	*9.364*	*11.938*
+ 100.c	*Provisions for risks and charges: c) other provisions for risks and charges*	*46.861*	*54.887*
Valuation reserves		**(59.722)**	**(25.435)**
+ 120.	*Valuation reserves*	*(59.722)*	*(25.435)*
Reserves		**1.440.944**	**1.367.019**
+ 150.	*Reserves*	*1.440.944*	*1.367.019*
Interim dividends		**(52.433)**	**-**
+ 155.	*Interim dividends*	*(52.433)*	*-*
Share premiums		**83.767**	**102.972**
+ 160.	*Share premiums*	*83.767*	*102.972*
Share capital		**53.811**	**53.811**
+ 170.	*Share capital*	*53.811*	*53.811*
Treasury shares (-)		**(22.104)**	**(2.847)**
+ 180.	*Treasury shares (-)*	*(22.104)*	*(2.847)*
Equity attributable to non-controlling interests (+/-)		**12.432**	**27.786**
+ 190.	*Equity attributable to non-controlling interests (+/-)*	*12.432*	*27.786*
Profit for the period		**141.086**	**100.582**
Total liabilities and equity		**13.262.377**	**12.977.891**

RECONCILIATION BETWEEN THE CONSOLIDATED INCOME STATEMENT AND THE RECLASSIFIED CONSOLIDATED INCOME STATEMENT (in thousands of euro)			31.12.2022	31.12.2021
Net interest income			**548.250**	**487.971**
+	*30.*	*Net interest income*	*414.865*	*365.474*
+	*130.a (Partial)*	*Net impairments/reversals of impairments of the Npl Segment to the extent representative of business operations*	*133.385*	*122.497*
Net commission income			**93.513**	**83.282**
+	*60.*	*Net commission income*	*93.513*	*83.282*
Other components of net banking income			**38.784**	**28.685**
+	*70.*	*Dividends and similar income*	*9.851*	*7.498*
+	*80.*	*Net profit (loss) from trading*	*627*	*(1.221)*
+	*100.a*	*Gains (losses) on sale/buyback of: a) financial assets measured at amortised cost*	*15.245*	*9.096*
-	*100.a (partial)*	*Profits (losses) from the sale/repurchase of loans at amortised cost other than those of the Npl Segment*	*413*	*(2.581)*
+	*100.b*	*Gains (losses) on sale/buyback of: b) financial assets measured at fair value through other comprehensive income*	*(88)*	*4.938*
+	*100.c*	*Gains (losses) on sale/buyback of: c) financial liabilities*	*31*	*(92)*
+	*110.b*	*Net result of other financial assets and liabilities measured at fair value through profit or loss: b) other financial assets mandatorily measured at fair value*	*12.705*	*11.047*
Net banking income			**680.547**	**599.938**
Net credit risk losses/reversals			**(77.515)**	**(77.211)**
+	*130.a*	*Net credit risk losses/reversals related to: a) financial assets measured at amortised cost*	*55.132*	*45.370*
-	*130.a (Partial)*	*Net impairments/reversals of impairments of the Npl Segment to the extent representative of business operations*	*(133.385)*	*(122.497)*
+	*130.b*	*Net credit risk losses/reversals related to: b) financial assets measured at fair value through other comprehensive income*	*(832)*	*(32)*
+	*100.a (partial)*	*Profits (losses) from the sale/repurchase of loans at amortised cost other than those of the Npl Segment*	*(413)*	*2.581*
+	*200.a (partial)*	*Net allocations for credit risk related to commitments and guarantees granted*	*1.983*	*(2.633)*
Net profit (loss) from financial activities			**603.032**	**522.727**
Administrative expenses			**(393.255)**	**(373.606)**
+	*190.a*	*a) personnel expenses*	*(150.834)*	*(141.781)*
+	*190.b*	*b) other administrative expenses*	*(242.421)*	*(231.825)*
Net impairment losses/reversals on property, plant and equipment and intangible assets			**(16.915)**	**(18.733)**
+	*210.*	*Net impairment losses/reversals on property, plant and equipment*	*(9.495)*	*(10.288)*
+	*220.*	*Net impairment losses/reversals on intangible assets*	*(7.420)*	*(8.445)*
Other operating income/expenses			**19.792**	**27.522**
+	*230.*	*Other operating income/expenses*	*19.792*	*27.522*

RECONCILIATION BETWEEN THE CONSOLIDATED INCOME STATEMENT AND THE RECLASSIFIED CONSOLIDATED INCOME STATEMENT (in thousands of euro)		31.12.2022	31.12.2021
Operating costs		**(390.378)**	**(364.817)**
+ 240.	*Operating costs*	*(388.795)*	*(375.486)*
- 200.	*Net allocations to provisions for risks and charges*	*(1.583)*	*10.669*
Net allocations to provisions for risks and charges		**(400)**	**(8.036)**
+ 200.a	*Net allocations to provisions for risks and charges: a) commitments and guarantees granted*	*940*	*(2.633)*
- 200.a (partial)	*Net allocations for credit risk related to commitments and guarantees granted*	*(1.983)*	*2.633*
+ 200.b	*Net allocations to provisions for risks and charges: b) other net allocations*	*643*	*(8.036)*
Value adjustments of goodwill		**(762)**	**-**
+ 270.	*Value adjustments of goodwill*	*(762)*	*-*
Gain on disposals of investments		**304**	**-**
+ 280.	*Gains (Losses) on disposal of investments*	*304*	*-*
Pre-tax profit from continuing operations		**211.796**	**149.874**
Income taxes for the year relating to current operations		**(69.909)**	**(47.571)**
+ 300.	*Income taxes for the year relating to current operations*	*(69.909)*	*(47.571)*
Profit for the period		**141.887**	**102.303**
Profit for the year attributable to non-controlling interests		**(801)**	**(1.721)**
+ 340.	*Profit for the year attributable to non-controlling interests*	*(801)*	*(1.721)*
Profit for the year attributable to the Parent company		**141.086**	**100.582**

Glossary

Below are definitions of some of the terms used in financial statement disclosures, excluding terms that have now become part of standard Italian language or have been included in a context that already clarifies their meaning.

ABS - Asset Backed Securities

Financial instruments whose performance and redemption are secured by a portfolio of assets (collateral) of the issuer (usually a Special Purpose Vehicle - SPV), earmarked exclusively for the satisfaction of the rights embedded in the financial instruments. Examples of assets pledged as collateral are mortgages, receivables from credit card companies, short-term trade receivables and loans to purchase cars.

ALM - Asset & Liability Management

Integrated management of assets and liabilities for risk/return optimisation in resource allocation.

Other related parties - close family members

The term “close family members” of a subject should be understood to mean those family members who are expected to influence, or be influenced by, the subject in their relations with the entity. They include the cohabitee (including the not legally separated spouse) and the subject's children, the cohabitee's children and the subject's or the cohabitee's dependants.

Arranger

In the field of structured finance, this is the figure who - albeit in various forms and with different assignment configurations (mandated lead arranger, joint lead arranger, sole arranger, etc.) - acts as the coordinator of the organisational aspects of the transaction.

AT1 - Additional Tier 1

Additional Tier 1 capital. The AT1 category generally includes capital instruments other than common stock (which are eligible for inclusion in Common Equity) and which meet the regulatory requirements for inclusion in that level of equity.

Intangible or intangible asset

An intangible asset is an identifiable non-monetary asset without physical substance.

Discounting

Process of determining the current value of a payment or stream of payments to be received in the future.

Audit

In listed companies, this is the entirety of the control of the company's activities and accounts, which is carried out either by internal structures (internal audit) or by independent auditing companies (external audit).

β (beta)

Beta coefficient of an issuer or a group of comparable issuers, an expression of the interrelation between the actual return on an equity and the total return of the reference market.

Backtesting

Retrospective analyses aimed at verifying the reliability of risk source measurements associated with asset portfolio positions.

Banking book

This usually refers to positions in securities, and more generally in financial instruments, held with “proprietary” intent.

Best practice

This generally identifies behaviour commensurate with the best level of knowledge attained in a certain technical/professional field.

Bid-ask spread

This is the detectable difference between bid and ask prices on a given financial instrument or group of financial instruments.

Budget

Estimate or plan of future revenues and expenses of a business.

Business combination

Under IFRS 3, a transaction or other event in which an acquirer obtains control of one or more businesses.

Business model

This is the business model with which financial instruments are managed. With regard to the business model, IFRS 9 identifies three cases in relation to how cash flows and sales of financial assets are managed: Held to Collect (HTC), Held to Collect and Sell (HTC&S), Others/Trading.

CAGR - Compound Annual Growth Rate

Compound annual growth rate of an investment over a given period of time. If n is the number of years, the CAGR is calculated as follows: (Current value/Initial value)^(1/n) -1.

Capital Asset Pricing Model (CAPM)

Model for determining the "opportunity cost", i.e. the amount of operating income needed to remunerate the cost of capital.

Capital structure

It consists of all the various classes of bonds (tranches) issued by a vehicle (SPV), secured by the acquired portfolio, which have different risks and yields to meet the needs of different categories of investors. The subordination relationships between the various tranches are governed by a set of rules specifying the distribution of losses generated by the collateral:

- Equity Tranche: represents the riskiest portion of the portfolio, also known as the "first loss" and is subordinate to all other tranches; it therefore bears first the losses that may occur during the recovery of the underlying assets.
- Mezzanine Tranche: represents the tranche with a degree of subordination intermediate between that of the equity tranche and that of the senior tranche. The mezzanine tranche is usually divided into 2-4 tranches with different degrees of risk, subordinated to each other. They are typically characterised by a rating in the BBB-AAA range.
- Senior/Supersenior Tranche: represents the tranche with the highest degree of credit enhancement, i.e. the highest degree of privilege in terms of remuneration and repayment priority. It is also commonly referred to as a super senior tranche and, if rated, has a higher rating of AAA being senior than the AAA mezzanine tranche.

Securitisation

Transaction involving the transfer of risk relating to financial or real assets to a special purpose vehicle, carried out either by selling the underlying assets, i.e. by using derivative contracts. In Italy, the matter is mainly regulated by Law no. 130 of 30 April 1999, as amended.

Cash Generating Unit (CGU)

It represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

Transfer without recourse

Transfer of a claim without the assignor offering any guarantee in the event of non-performance by the debtor. The assignor therefore guarantees to the assignee only the existence of the assigned claim and not also the solvency of the debtor.

Transfer with recourse

Transfer of a claim in which the assignor is guarantor of payment for the third party obligor. The assignor therefore guarantees to the assignee both the existence of the assigned claim and the solvency of the debtor.

CCF - Credit Conversion Factor

In determining credit risk, the CCF is the factor that allows the EAD (Exposure At Default) of an off-balance sheet exposure to be transformed into a cash exposure. Where the Bank does not use internal models to estimate these factors (internal CCFs), they are reported as follows by the supervisory rules (regulatory CCFs):

- 100% in the case of a full risk element;
- 50% in the case of a medium-risk element;
- 20% in the case of medium-low risk elements;
- 0% in the case of a low-risk element.

Consob - the National Commission for Companies and the Stock Exchange

This is the controlling body of the Italian financial market. As part of its main duties:

- it verifies the transparency and correctness of operators' behaviour in order to safeguard the trust and competitiveness of the financial system, investor protection, and compliance with financial regulations;
- ii) it supervises to prevent and, where necessary, sanction any misconduct; it exercises the powers conferred by law to ensure that the necessary information is made available to savers to enable them to make informed investment choices;
- iii) it works to ensure the maximum efficiency of trading, guaranteeing the quality of prices as well as the efficiency and certainty of the manner in which contracts concluded on regulated markets are executed.

Core Business

Main activity towards which the company's strategic choices and policies are oriented.

Common Equity Tier 1 Ratio (CET1 Ratio)

This is the ratio of common equity tier 1 capital (CET1) to total risk-weighted assets.

Corporate

Customer segment corresponding to medium and large-sized companies (mid corporate, large corporate).

Reclassified cost/income ratio

Economic index represented by the ratio of "Operating costs" to "Net banking income" as shown in the reclassified Income Statement.

Amortised cost

This differs from cost in that it provides for the gradual amortisation of the difference between the book value and the nominal amount of an asset or liability based on the effective rate of return.

Transaction costs

Marginal costs directly attributable to the acquisition, issue or disposal of a financial asset or liability. This is a cost that would not have been incurred if the Bank had not acquired, issued or disposed of the financial instrument.

Covenant

The covenant is a clause, explicitly agreed upon in the contractual phase, which grants the lender the right to renegotiate or revoke the credit upon the occurrence of the events in the clause, linking the debtor's economic-financial performance to termination/modification events of the contractual conditions (maturity, rates, etc.).

Coverage ratio

It represents the percentage coverage of the value adjustment against the gross exposure of a financial asset.

Credit enhancement

Techniques and instruments used by issuers to improve the rating of their issues (provision of security deposits, granting of liquidity facilities, etc.).

Credit Risk Adjustment (CRA) - Credit Value Adjustment (CVA)

Technique aimed at highlighting the penalty due to the creditworthiness of the counterparty and used in determining the fair value of unlisted derivative financial instruments.

CRP - Country Risk Premium

Country risk premium; expresses the component of the cost of capital designed to specifically remunerate the implicit risk of a defined country (i.e. the risk associated with economic-financial, political and currency instability).

Date of reclassification

First day of the first reporting period following the change in business model that resulted in the reclassification of financial assets.

Default

The inability to pay principal and/or interest when due.

Held For Trading - (HFT)

Financial assets or liabilities that meet one of the following conditions:

- they are acquired or incurred primarily for the purpose of being sold or repurchased in the short term;
- at the time of initial recognition, they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and effective strategy aimed at obtaining a profit in the short term;
- they are derivatives other than those put in place as a designated and effective hedging instrument under IFRS 9.

Duration

This is an indicator of the interest rate risk to which a bond or bond portfolio is subject. In its most frequent configuration, it is calculated as the weighted average of the maturities of interest and principal payments associated with a bond.

EAD - Exposure At Default

Relating to on- or off-balance sheet positions, it is defined as an estimate of the future value of an exposure at the time of a debtor's default. Only banks that meet the requirements for adopting the AIRB approach are entitled to estimate EAD. For all others, reference must be made to regulatory estimates.

EBA - European Banking Authority

Independent authority of the European Union created in 2011 as part of the European System of Financial Supervisors (ESFS, a group of authorities and supervisory bodies that has constituted the new European micro- and macro-prudential supervisory framework since 2008). The objective of the EBA is to ensure an effective and uniform level of regulation and prudential supervision in the European banking sector, securing financial stability in the EU and ensuring the integrity, efficiency and orderly functioning of the banking sector.

ECAI - External Credit Assessment Institution

External credit rating assessment agency.

ECL - Expected Credit Loss

The adoption of accounting standard IFRS 9 resulted in a revision of the way in which credit risk losses are determined, moving from a concept of incurred loss (Incurred Credit Loss) to one of expected loss (Expected Credit Loss, ECL). The quantification of write-downs is done through the inclusion of forward-looking scenarios and differs according to the deterioration of credit quality, with a time horizon of 1 year for positions classified in Stage 1 and over the entire life (lifetime ECL) of the instrument for those included in Stages 2 and 3.

EPS (Earnings per share)

This is the ratio of net profit to the average number of shares for the period, adjusted if necessary to account for other potential equity instruments such as options and convertible bonds.

ERP (Equity Risk Premium)

Risk premium demanded by investors in the reference market, i.e. the expected excess return over risk-free assets.

Factoring

Contract for the assignment of trade receivables activated by specialised companies, for management and collection purposes, to which, as a rule, a loan may be associated in favour of the assignor.

Fair value

This is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value Option (FVO)

The Fair Value Option is an option for the classification of a financial instrument. Through the exercise of the option, even a non-derivative financial instrument not held for trading purposes can be measured at fair value through profit or loss.

Prudential filters

In the context of the calculation of own funds, corrections made to the balance sheet items in order to safeguard the quality of own funds and to reduce their potential volatility induced by the application of the international accounting standards "IAS/IFRS".

Funding

Procurement, in various forms, of the funds needed to finance the company's business or particular financial transactions.

FVTOCI (FVOCI) - Fair Value Through Other Comprehensive Income

How changes in the fair value of financial assets are recognised in the statement of comprehensive income (i.e. in equity) and not in the income statement.

FVTPL - Fair Value Through Profit and Loss

Method of recognising changes in the fair value of financial instruments with a balancing entry in the income statement.

GBV (Gross Book Value)

Carrying amount of a loan considered before value adjustments.

Goodwill

Identifies goodwill paid for the acquisition of an ownership interest.

Governance

Identifies the set of instruments and rules that regulate corporate life with particular reference to the transparency of corporate documents and acts and the completeness of information to the market.

Hedge accounting

Rules on hedge accounting for derivative transactions under IFRS 9.

IAS/IFRS

International Accounting Standards (IAS) are issued by the International Accounting Standards Board (IASB), the body responsible for issuing international accounting standards. Standards issued after July 2002 are referred to as IFRS (International Financial Reporting Standards).

ICAAP - Internal Capital Adequacy Assessment Process

Under Basel II Pillar 2, banks are required to have a process (Internal Capital Adequacy Assessment Process, ICAAP) to estimate their own internal capital requirements to cover all risks, including those not captured by the

total capital requirement (Pillar 1), as part of the assessment of the bank's current and future exposure, taking account of the bank's strategies and possible developments in the environment in which it operates.

IFRS-IC (International Financial Reporting Standards Interpretations Committee)

The IASB Committee that issues the official interpretations of the IAS/IFRS.

Impairment

With respect to a financial asset, impairment is identified when the carrying amount of that asset is greater than its estimated recoverable amount. According to IAS 36, the following must be tested annually for impairment:

- intangible assets with an indefinite useful life;
- goodwill acquired in a business combination pursuant to IFRS 3;
- any asset if there is an indication that it may be impaired.

Impairment testing consists of estimating the recoverable amount (which is the higher of its fair value less costs to sell and its value in use) of an asset or a group of assets.

Deferred Tax Assets, Deferred Tax Liabilities (DTA, DTL)

Deferred tax liabilities (DTL) are the amounts of income taxes due in future years related to taxable temporary differences. Deferred tax assets (DTA) are the amounts of income taxes recoverable in future years related to:

- deductible timing differences;
- carry-forward of unused tax losses; and
- carry-forward of unused tax credits.

Temporary differences are the differences between the carrying amount of an asset or liability in the balance sheet and its recognised value for tax purposes. Temporary differences may be:

- taxable temporary differences, i.e. temporary differences that, in determining taxable income (tax loss) for future years, will result in taxable amounts when the carrying amount of the asset or liability is realized or settled;
- deductible temporary differences, i.e. temporary differences which, in determining taxable income (tax loss) for future years, will result in deductible amounts when the carrying amount of the asset or liability is realised or settled.

Junior

In a securitisation transaction, it is the most subordinated tranche of the securities issued that bears first the losses that may occur in the course of recovering the underlying assets.

Ke (Cost of Equity)

The cost of equity is the minimum return required for investments of equal risk.

Ke - g

The difference between the discount rate of flows and the long-term growth rate; with equal flows, if this difference decreases, the Value in Use (VIU) increases.

LCR - Liquidity Coverage Ratio

Prudential requirement designed to ensure that a bank maintains an adequate level of unencumbered high-quality liquid assets that can be converted into cash to meet its liquidity needs within 30 calendar days under highly stressed conditions. The liquidity coverage ratio is equal to the ratio of liquidity reserves to net liquidity outflows over a 30-calendar-day stress period.

LGD - Loss Given Default

This represents the percentage of credit that is estimated to be uncollectable in the event of a debtor default.

M-Maturity

Residual life of an exposure, calculated according to prudential rules. For banks authorised to use internal ratings, it is considered explicitly if the advanced approach is used, while it is set at 2,5 years if the basic approach is used.

Mark to Market

The process of valuing a portfolio of securities or other financial instruments on the basis of market prices.

Mezzanine

In a securitisation transaction, this is the tranche with a degree of subordination intermediate between that of the junior tranche and that of the senior tranche.

NAV - Net Asset Value

This is the value of the unit into which the fund's assets are divided.

NBV - Net Book Value

Carrying amount of a loan considered net of value adjustments.

Non Performing Exposure (Npe) - Non Performing Loan (Npl)

Terms used to refer to impaired loans, i.e. loans with a non-regular trend. By contrast, the term performing refers to credit exposures with a regular performance. Impaired loans are classified into three categories:

- non-performing loans: loans the full collection of which is not certain because the debtors are in a state of insolvency (even if not judicially ascertained) or in substantially similar situations;
- unlikely to pay (UTP): exposures other than non-performing loans for which the Bank considers it unlikely, without recourse to actions such as enforcement of collateral, that the borrower will meet its credit obligations in full (principal and/or interest), irrespective of the presence of any past due and unpaid instalments or amounts;
- past due: exposures past due and/or in arrears by more than 90 days and exceeding a predefined materiality threshold.

The EBA also introduced a further category, which cuts across the previous ones, namely that of exposures that have been subject to forbearance measures. These exposures can be either impaired loans (forborne non-performing) or performing loans (forborne performing). Forbearance measures consist of concessions to a debtor that is experiencing or about to experience difficulties in meeting its financial commitments ("financial difficulties") and include, for example, renegotiation of the terms of the contract or full/partial refinancing of the debt.

NSFR - Net Stable Funding Ratio

Prudential requirement aimed at promoting greater recourse to stable funding, preventing medium- and long-term operations from giving rise to excessive imbalances to be financed in the short term. The requirement is equal to the ratio between the stable financing available to the institution and the stable financing requested from the institution and is expressed as a percentage.

UCITS - Collective Investment Undertakings:

Under the Consolidated Law on Finance, these include:

- mutual funds, i.e. vehicles whose function is to pool the financial resources of a plurality of savers into a single undifferentiated asset that is invested in financial assets; and
- SICAVs (Sociétés d'Investissement à Capital Variable), i.e. companies whose sole object is to invest their assets, raised through the placement of their shares with the public.

Option

Represents the right, but not the commitment, acquired on payment of a premium, to buy (call option) or sell (put option) a financial instrument at a specified price (strike price) by (American option) or at (European option) a specified future date.

OTC – Over The Counter

Definition relating to transactions concluded directly between the parties, without using an organised market.

Outsourcing

Use of operational support activities carried out by external companies.

PD - Probability of Default

This represents the probability that, over a time horizon of one year or equal to the expected life of the financial instrument, the debtor will default.

Plain vanilla (derivatives)

Products whose price depends on that of the underlying instrument, which is listed on regulated markets.

POCI - Purchased or Originated Credit Impaired Assets

Impaired assets acquired or originated for which expected losses over the life of the loan are to be recognised and are automatically classified in Stage 3 on initial recognition.

PPA - Purchase Price Allocation

This indicates the process of allocating the purchase price of the assets and liabilities of an acquired entity, to be performed by the acquiring company, within the scope of application of IFRS 3 - Business Combinations.

Pricing

In a broad sense, this refers generally to the way in which the prices of financial instruments and/or the costs of products and services offered by the Bank are determined.

Private equity

Activity aimed at the acquisition of equity interests and their subsequent sale to specific counterparties, without public placement.

Asset-Backed Commercial Paper Programme or ABCP Programme

Securitisation programme whose securities take predominantly the form of asset-backed commercial paper with an original maturity of one year or less, as defined in Regulation (EU) 2017/2402.

Project finance

Technique by which industrial projects are financed on the basis of a forecast of the cash flows generated by them. The examination is based on a series of assessments that differ from those generally implemented for the analysis of ordinary credit risks. These assessments include, in addition to the cash flow analysis, the technical examination of the project, the suitability of the sponsors undertaking to implement it, and the product's distribution markets.

Rating

Assessment of the quality of a company or its issues of debt securities based on the financial strength of the company and its outlook. Such rating can be external when this assessment is made by external specialist agencies, and internal when made by the Bank using internal models.

Real estate

Structured finance transactions in the real estate sector.

Retail

Category of customers that includes individuals, small and medium-sized enterprises.

Right Of Use (ROU)

In accordance with IFRS 16, this term identifies the "asset representing the lessee's right to use the leased asset for the lease term".

Risk free (r_f)

Return on risk-free investments.

Risk Management

Identification, measurement, assessment and management of the various types of risk and protection against risks.

ROE – Return On Equity

This expresses the return on equity in terms of net profit. It is the indicator of most interest to shareholders as it allows them to assess the profitability of risk capital.

RWA – Risk Weighted Assets

On-balance sheet and off-balance sheet assets (derivatives and guarantees) classified and weighted for their associated risks. Risk weightings are established in accordance with the rules of prudence issued by supervisory authorities in relation to calculation of capital ratios.

Senior/super senior

In a securitisation transaction, it is the tranche with the highest degree of privilege in terms of priority of remuneration and repayment.

Sensitivity

The degree with which certain assets or liabilities react to movements in rates or other parameters.

Servicer

In securitisation transactions, it is the entity that - on the basis of a special servicing agreement - continues to manage the securitised receivables or assets after they have been sold to the special purpose vehicle in charge of issuing the securities.

AMC - Asset Management Company

Public limited liability company that is allowed to provide collective and individual asset management services jointly. In particular, it is authorised to set up mutual funds, to manage mutual funds of their own or others' instruction, as well as Sicav assets, and to provide the service of individual portfolio management.

SICR - Significant Increase in Credit Risk

Criterion used to check stage transition: if the credit risk of the financial instrument has increased significantly since initial recognition, the value adjustments are equal to the expected losses over the life of the instrument (lifetime ECL).

SPE/SPV

A Special Purpose Entity or Special Purpose Vehicle is a company specifically set up by one or more entities to carry out a specific transaction. SPEs/SPVs generally do not have their own operational and management structures but make use of those of the various players involved in the operation.

SPPI (Solely Payment of Principal and Interest) Test

This is one of the two (the other is the "business model") criteria, or classification drivers, on which the classification of financial assets and the measurement criterion depends. The objective of the SPPI Test is to identify instruments, which can be defined as "basic lending arrangements" within the meaning of the standard, whose contractual terms provide for cash flows at certain dates consisting solely of payments of principal and interest on the amount of principal to be repaid. Activities with contractual characteristics other than SPPI must be measured at FVTPL.

Spread

This term usually denotes the difference between two interest rates, the spread between bid and ask prices in securities trading, or the mark-up that the issuer of securities pays in addition to a reference rate.

SREP - Supervisory Review and Evaluation Process

Regular risk assessment and measurement exercise at individual bank level. In SREP decisions, the supervisory authority may require each individual bank to hold additional capital and/or set qualitative requirements ("Pillar 2"). It is carried out by the Single Supervisory Mechanism, based on the regulations contained in the Capital Requirement Directive (CRD).

Stage 1

This represents financial instruments whose credit risk has not increased significantly since the date of initial recognition. An expected loss of one year is recognised for these financial instruments.

Stage 2

This represents financial instruments whose credit risk has increased significantly since the date of initial recognition. A lifetime expected loss is recognised for these financial instruments.

Stage 3

This represents impaired/defaulted financial instruments. For these financial instruments, the expected lifetime loss is accounted for.

Stakeholders

Subjects who, for various reasons, interact with the company's activity, participating in its results, influencing its performance, evaluating its economic, social and environmental impact.

Stock options

Term used to refer to options offered to managers of a company, which allow them to purchase shares of the company on the basis of a predetermined strike price.

Stress test

A simulation used to measure the impact of extreme market scenarios on a bank's overall risk exposure.

Financial instruments listed in an active market

A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Swaps

Transactions by means of derivative contracts consisting, as a rule, in the exchange of financial flows between operators according to different contractual modalities. In the case of an interest rate swap, the counterparties exchange payment flows, whether or not indexed to interest rates, calculated on a notional reference principal (e.g. one counterparty pays a flow on the basis of a fixed rate, the other on the basis of a variable rate). In the case of a currency swap, the counterparties exchange specific amounts of two different currencies, repaying them over time in a pre-defined manner that may involve either notional principal or indexed interest rate flows.

Effective interest rate

The effective interest rate, as defined by IFRS 9, is 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 directly attributable costs/revenues. This finance-based accounting method allows to spread the economic effect of costs/revenues over the expected residual life of the receivable.

Tax rate

Effective tax rate, determined by the ratio of income tax to pre-tax profit.

Terminal Value (TV)

Value of a company at the end of the analytical cash flow forecast period; it is calculated by multiplying the analytical cash flow of the last period by (1+g) and dividing this amount by (Ke-g).

Tier 1

Tier 1 capital comprises Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital.

Tier 1 Ratio

It is the ratio of Tier 1 capital to total risk-weighted assets (RWA).

Tier 2

Tier 2 capital consists primarily of eligible subordinated liabilities and any excess of value adjustments over expected losses (excess reserve) for AIRB-weighted positions. Specific transitional provisions (grandfathering) are also foreseen for subordinated instruments that do not meet the requirements of the new Basel III regulations, aimed at the gradual exclusion from own funds (over a period of 8 years) of instruments that are no longer eligible.

Time value

Change in the financial value of an instrument in relation to the different time horizon at which certain cash flows will be available or receivable.

Total Capital Ratio (TCR)

Capitalisation ratio referring to the total of the elements making up own funds (Tier 1 and Tier 2). It is the ratio of own funds to total risk-weighted assets (RWA).

Trading book

This usually refers to positions in securities, and more generally in financial instruments, held with trading intent.

Value in Use

This is the present value of future cash flows expected to arise from an asset or cash-generating unit.

Collective measurement of performing loans

With reference to a homogeneous group of financial assets with a regular performance, the collective assessment defines the extent of the credit risk potentially inherent in them, even though it is not yet possible to attribute it to a specific position.

VaR – Value at Risk

This is a value that indicates the maximum possible loss on a portfolio due to market performance, with a certain probability and assuming that the positions will take a certain period of time to be disposed of.

Vintage

Term used to indicate the seniority of Npe/Npl. This is also to be understood as the origination date of the collateral underlying the securitisation as an important factor in judging the riskiness of that collateral.

Expected life

This refers to the maximum contractual life and takes into account expected prepayments, extensions, call options and similar. The exceptions are certain revolving financial instruments such as credit cards, overdrafts, which include both drawn and undrawn components for which the Bank's contractual ability to request repayment and cancel undrawn lines does not limit the exposure to credit losses to the contractual period. The expected life of these credit lines is their actual life. When the data are insufficient or the analysis not conclusive, a maturity factor may be considered to reflect the estimated life based on other tested cases or similar cases of competitors. Future contractual changes are not taken into account when determining the expected life or Exposure At Default (EAD) until they occur.

Warrant

Tradable instrument giving the holder the right to buy from or sell to the issuer fixed income securities or shares in accordance with specified terms.

Banca Ifis

Financial statements and reports 2022

Banca Ifis

Directors' report

Financial statements and reports 2022

General aspects

To allow a more immediate reading of the results, a condensed reclassified income statement is prepared within the Directors' report on Banca Ifis. To allow for a homogeneous comparison, economic data referring to the previous financial year are normally restated, where necessary and material. Analytical details of the restatements and reclassifications made with respect to the Financial Statements compliant with Bank of Italy Circular 262 are provided in separate tables published among the annexes (see the section "Annexes to the Separate Financial Statements" of this document "2022 Separate Financial Statements and Report"), also in compliance with the requirements of Consob Communication no. 6064293 of 28 July 2006.

Reclassifications and aggregations of the income statement concern the following:

- net provisions for risks and charges are excluded from the calculation of "Operating costs";
- the following is included under the single item "Net credit risk losses/reversals":
  - net credit risk losses/reversals relating to financial assets measured at amortised cost and to financial assets measured at fair value through other comprehensive income;
  - net provisions for risks and charges for credit risk relating to commitments and guarantees granted;
  - gains (losses) on sale/buyback of loans at amortised cost.

The balance sheet components were aggregated without reclassification.

Highlights

Below is the Bank's main equity and economic data.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Cash and cash equivalents	440.114	86.518	353.596	408,7%
Financial assets measured at fair value through other comprehensive income	697.606	614.008	83.598	13,6%
Receivables due from banks measured at amortised cost	562.336	560.254	2.082	0,4%
Receivables due from customers measured at amortised cost	8.755.082	9.012.107	(257.025)	(2,9)%
Total assets	**12.201.450**	**12.008.877**	**192.573**	**1,6%**
Payables due to banks	3.485.345	2.736.860	748.485	27,3%
Payables due to customers	5.947.294	6.420.164	(472.870)	(7,4)%
Debt securities issued	1.109.027	1.056.987	52.040	4,9%
Equity	**1.290.183**	**1.364.562**	**(74.379)**	**(5,5)%**

RECLASSIFIED INCOME STATEMENT HIGHLIGHTS (in thousands of Euro)	YEAR		YEAR	
	2022	2021	ABSOLUTE	%
Net banking income	**362.937**	**331.702**	**31.235**	**9,4%**
Net credit risk losses	(51.586)	(56.237)	4.651	(8,3)%
Net profit (loss) from financial activities	**311.351**	**275.465**	**35.886**	**13,0%**
Operating costs	(206.647)	(199.738)	(6.909)	3,5%
Net allocations to provisions for risks and charges	1.512	(7.541)	9.053	(120,1)%
Profit (loss) on equity investments	(4.127)	(4.459)	332	(7,4)%
Pre-tax profit from continuing operations	**102.089**	**63.727**	**38.362**	**60,2%**
Income taxes for the year relating to current operations	(22.293)	(7.259)	(15.034)	207,1%
Profit for the year	**79.796**	**56.468**	**23.328**	**41,3%**

KPI

KPI	YEAR		CHANGE
	2022	2021	
ROE	6,0%	4,2%	1,8%
ROA	0,8%	0,5%	0,3%
Reclassified cost/income ratio	56,9%	60,2%	(3,3)%
Total Capital ratio(1)	19,59%	21,90%	(2,31)%
CET1 Ratio(1)	15,02%	16,65%	(1,63)%
Number of company shares (in thousands)	53.811	53.811	-
Number of shares outstanding at year end (2) (in thousands)	52.433	52.472	(1.039)
Book value per share	24,61	25,52	(0,91)
EPS	1,51	1,06	0,45
Dividend per share(3)	1,40	0,95	0,45
Payout ratio	92,0%	88,2%	3,8%

(1) Total Capital and CET1 include the profits generated at 31 December 2022, net of the estimated dividend, including the portion distributed on an interim basis in compliance with the provisions of Article 2433, paragraph 4 of the Italian Civil Code.

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

(3) The figures for FY 2022 comprise the total of 1,00 Euro per share distributed as an interim dividend in November 2022 and 0,40 Euro per share as a proposal for a final dividend for the FY 2022 prepared by the Board of Directors of Banca Ifis.

Context

The Italian economy of 2022

The 2022 macroeconomic environment was characterised by a very high degree of scenario variability. The year just ended opened with a slowdown in Italian economic activity: during the fourth quarter of 2022, Italian GDP, adjusted for calendar effects and seasonally adjusted, decreases by 0,1% (preliminary ISTAT estimate) compared to the previous quarter and grew by 1,7% in terms of trend. This is a turnaround from the 0,5% year-on-year increase recorded in the third quarter and seven consecutive quarters of growth. The economic change in the quarter is the tail end of the restrictions of the two-year pandemic and the supply difficulties of global distribution chains together with soaring energy prices, rising raw material costs and the outbreak of the Russia-Ukraine war. The concomitant occurrence of these phenomena led to a continuous revision of the forecasts. Suffice it to say that the first Economic Bulletin of the Bank of Italy (January 2022) projected a GDP growth rate of +3,8%, the second issue (April 2022) set out 3 forecast scenarios from the most favourable with a GDP projecting +3% growth to the most adverse with a contraction of 0,5%.

According to the latest data from the Bank of Italy (Boleco No. 1-2023), the GDP growth rate for 2022 is expected to be around 3,9%. This growth was mainly driven by domestic demand. Household consumption expanded strongly (+2,5% quarter-on-quarter change in both the second and the third quarters); gross fixed capital formation increased (+3,5%, +1,5% and +0,8% in the first three quarters of 2022), albeit at a slower pace due to the contraction of the construction component, for the first time since the beginning of 2020. The trend in net exports, which saw almost no growth in exports (+0,1% in the third quarter) offset by a marked increase in imports (+4,2% in the third quarter) negatively affected GDP growth by 1,3%.

Despite this growth recorded in 2022, many of the critical macroeconomic issues are still present. The global cyclical picture deteriorated again in the fourth quarter. Internationally, activity in advanced countries - still affected by the war in Ukraine and inflation - slowed down. At the same time, that in China also weakened due to the measures imposed in October and November to contain the Covid-19 pandemic. International trade is estimated to have slowed down significantly. The slowdown in global demand helped moderate the price of oil, and natural gas prices in Europe fell sharply, although they remained at historically high values. The central banks' fight against inflation is also contributing to the global economic slowdown. At its meetings in November and December 2022, many central banks, from the Federal Reserve to the ECB, decided on further increases in the key interest rate, by 75 and 50 basis points respectively. In particular, the ECB has stated that it will continue its inflation containment policies, assuming further interest rate hikes during 2023. Indeed, consumer inflation in the euro area remained high (9,2% in December 2022), although lower than in November, due to a gradual transmission of energy price increases.

In Italy too, economic performance weakened in the last quarter of 2022. According to the Bank of Italy's estimates, this trend is linked to both the dampening of the recovery in the value added of services, which, as already mentioned, had previously benefited from the success of the Italian tourist season, and the decline in industrial production. Household spending reportedly slowed down, despite government interventions to support disposable income to counter inflationary effects. Inflation in Italy continued to rise last autumn (12,3% in December 2022 on an annual basis), due to energy costs, which are transmitting their effects to the prices of other goods and services.

The slowdown in value added in the fourth quarter of 2022 is confirmed by the trend of the Ita-coin indicator (the table below shows the 2022 monthly trend), which provides a real-time estimate of the trend development of economic activity net of the most erratic components, which has remained negative since June 2022.

Bank of Italy Ita-coin indicator	
Reference period	**Value**
January 2022	0,92
February 2022	0,94
March 2022	1,19
April 2022	0,66
May 2022	0,03
June 2022	(0,40)
July 2022	(0,49)
August 2022	(0,57)
September 2022	(0,67)
October 2022	(0,56)
November 2022	(0,61)
December 2022	(0,32)

Source: Bank of Italy

Projections for the Italian economy in 2023-2024

As also indicated by the Bank of Italy, the macroeconomic projections, covering the two-year period 2023-2024, are highly indicative in view of the current context of great uncertainty, especially due to the conflict in Ukraine. Two scenarios are hypothesised:

- the baseline scenario expects tensions associated with the war to remain high in the early months of 2023 and gradually decrease thereafter. Although a slow-down of the GDP is expected (+0,6% in 2023), on the other hand, a progressive improvement is expected in outlook, thanks to exports, driven by world trade, and domestic demand as a result of rising disposable income due to easing inflation;
- in the adverse scenario, on the other hand, Italy's GDP would fall by almost 1% in the forthcoming two years (2023-2024), hypothesising a permanent suspension of energy commodity supplies from Russia to Europe, rising inflation in 2023, zero impact of any public intervention for the two phenomena just described.

Reference markets

Corporates

Estimates for the last months of 2022 project (source: Bank of Italy) declining industrial production due to still high energy costs and weakening demand. After the expansion in the third quarter, which we have already discussed, the tertiary sector also slowed down. Uncertainties related to geopolitical tensions and inflation together with tighter financial conditions are affecting investment spending and the outlook for the real estate sector.

The opinions expressed by manufacturing companies in the average of the fourth quarter 2022 indicate a downturn in activity, as measured by the Purchase Manager Index (PMI). Indeed, due to energy and raw material prices, company margins are expected to shrink. An analysis by Cerved projects 2023 turnover to grow by +3,4%, an increase that would, however, be reduced to +0,5% if considered in real terms, thus failing to reabsorb higher costs with an expected contraction in margins. Indeed, energy costs are still historically high (the increase in the price of natural gas on 1 January 2023 was 143% compared to 1 January 2021), although far from the 21 August 2022 peak in the price of natural gas. Moreover, as already pointed out, higher energy costs have also spread to other goods and services.

However, Italian companies have not stood still, and according to a survey conducted by the Bank of Italy, they have put in place strategies to counter energy price increases, implementing the following actions:

- reduction of plant operating hours;
- investment in more efficient machinery;

- adaptation to alternative sources;
- renegotiation of contracts;
- increased use of self-production;
- reduced profit margins;
- increase in sales prices.

Italian companies, including energy-intensive ones, have mostly adopted the last two measures. This is then followed by the renegotiation of contracts for non-energy-intensive companies and the adaptation to alternative sources for energy-intensive companies. The latter trend is consistent with the findings on SMEs from Banca Ifis's Impact Watch in the December 2022 edition: renewable energies will have the highest uptake in the two-year period 2023-2024, with 73% stating that they will invest in them by the end of the period and 45% that they have already done so in the past few years.

Financial tensions related to inflation are fuelling the increase in corporate lending. In fact, after the +6% increase in the stock of bank loans to businesses in 2020, supported by the public interventions of the pandemic period, and the subsequent settling in 2021 (-1%), at the end of the third quarter of 2022 loans returned to growth (+0,8% compared to the end of 2021) due to the reduction in self-financing flows.

Bank loans to enterprises (non-financial companies and producer households)		
Observation date	**Value (in thousands of Euro)**	**% Change**
31.12.2021	743.059.432	(1,0)%
31.12.2020	750.521.340	6,0%
31.12.2019	708.200.687	n.a.

Source: Bank of Italy database

However, it should be borne in mind that these tensions are grafted onto a historically solid financial situation of Italian companies, as shown by corporate deposits (see table below), which in the third quarter 2022 showed an increase in stocks of +49% compared to the end of 2018.

Corporate deposits		
Observation date	**Value (in thousands of Euro)**	**% Change**
30.09.2022	508.171.467	49%
31.12.2018	341.257.914	n.a.

Source: Bank of Italy database

Despite the difficult environment, Italian companies did not give up on investment, which grew by around 10%, thus continuing a 2021 that had already seen a growth of +17% (source: Istat). Investments slowed in the third quarter of 2022 (+0,8% on the previous period), reflecting a reduction in construction spending, while spending on plant and machinery accelerated. While expecting the slowdown to continue in the first part of 2023, Bank of Italy surveys show that the share of companies expecting an expansion of investments in 2023 exceeds that of those estimating a reduction, thus continuing the innovation process that has led them to strengthen their international positioning in the last two years.

Non-performing loans (Npls)

In 2022, the Italian Npl transaction market again expressed significant volumes: the GBV amount of the transferred portfolios stood at around 41 billion Euro (source: Banca Ifis Market Watch Npl), with a breakdown by asset type that saw 32 billion Euro of Npl and 9 billion Euro of Utps.

In line with previous years, the concentration of transactions in terms of originator and buyer remained high in 2022, with 62% and 51% of the Top 5 weighing in, respectively, although lower than in 2021. Corporate debtors and secured portfolios account for more than half of the total transacted. The secondary market, an important segment of a market that has now reached maturity, accounted for 28% of Npl transactions.

Average prices rise slightly due to the high incidence of GACS transactions and "fresher" portfolios that found investor appetite, phenomena partly offset by the incidence of the secondary market.

Projections for 2023-2024 are subject to variability due to scenario uncertainties. Current estimates indicate that the market for Npl and Utp transactions will maintain high volumes, 40 billion Euro and 33 billion Euro respectively, with the secondary market increasing its share by 2022.

There are five drivers that will drive the market dynamics:

- the challenging Npe ratio targets in the business plans of the major Italian banks;
- the expected increase in new impaired credit flows: an estimated 56 billion Euro in the years 2023 and 2024, as a consequence of the deterioration of the macroeconomic environment;
- the rise in rates that is making it more expensive for investors to fund and, as a result, may be holding back the matching of supply and demand on some transactions;
- a further development in the incidence of the secondary market, following the boost created by dedicated platforms, the increased propensity to purchase by smaller investors already part of the supply chain, and, finally, the supply of non-core portions of portfolios from GACS-backed transactions;
- the operational capacity of the impaired credit sector to manage significant volumes: +317% AuM (Assets under Management) of specialised traders.

Impact of regulatory changes

During the year 2022, there were no regulatory changes that had a significant impact on the Financial Statements of Banca Ifis for the year ended 31 December 2022.

Financial and income results

Statement of financial positions items

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Cash and cash equivalents	440.114	86.518	353.596	408,7%
Financial assets mandatorily measured at fair value through profit or loss	187.594	135.760	51.834	38,2%
Financial assets measured at fair value through other comprehensive income	697.606	614.008	83.598	13,6%
Receivables due from banks measured at amortised cost	562.336	560.254	2.082	0,4%
Receivables due from customers measured at amortised cost	8.755.082	9.012.107	(257.025)	(2,9)%
Equity investments	661.332	650.540	10.792	1,7%
Property, plant and equipment and intangible assets	145.158	136.051	9.107	6,7%
Tax assets	296.853	304.727	(7.874)	(2,6)%
Other assets	455.375	508.912	(53.537)	(10,5)%
Total assets	**12.201.450**	**12.008.877**	**192.573**	**1,6%**
Payables due to banks measured at amortised cost	3.485.345	2.736.860	748.485	27,3%
Payables due to customers measured at amortised cost	5.947.294	6.420.164	(472.870)	(7,4)%
Debt securities issued	1.109.027	1.056.987	52.040	4,9%
Tax liabilities	36.009	36.084	(75)	(0,2)%
Provisions for risks and charges	50.370	62.191	(11.821)	(19,0)%
Other liabilities	283.222	332.029	(48.807)	(14,7)%
Equity	1.290.183	1.364.562	(74.379)	(5,5)%
Total liabilities and equity	**12.201.450**	**12.008.877**	**192.573**	**1,6%**

Cash and cash equivalents

At 31 December 2022 this item amounts to 440,1 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. This item increases by about 353,6 million Euro due to deposits placed with the Bank of Italy at the end of the year.

Financial assets mandatorily measured at fair value through profit or loss

The item totals 187,6 million Euro at 31 December 2022 and consists of loans and debt securities that have not passed the SPPI Test, equity securities traceable to minority shares and UCITS units.
Below is the breakdown of this line item.

FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Debt securities	70.917	13.550	57.367	423,4%
Equity securities	34.955	26.466	8.489	32,1%
UCITS units	64.533	72.515	(7.982)	(11,0)%
Loans	17.189	23.229	(6.040)	(26,0)%
Total	**187.594**	**135.760**	**51.834**	**38,2%**

The growth in debt securities is attributable to new purchases (59,5 million Euro, of which 31,1 million Euro with a bank counterparty). Equity securities grow by 32,1% as a result of net new subscriptions (+5,4 million Euro), as

well as higher profits due to the performance of the underlying reference rates (+3,2 million Euro). UCITS units decrease by 11,0% due to inflows recorded in 2022. Loans at fair value decrease by 26% due to the maturity of some transactions.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income total 697,6 million Euro at 31 December 2022, up 13,6% from December 2021, and include the debt securities characterised by the "Held to Collect & Sell" (HTC&S) business model that passed the SPPI test as well as equity securities for which the Bank elected the so-called OCI option pursuant to IFRS 9.

FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Debt securities	589.638	515.277	74.361	14,4%
Equity securities	107.968	98.731	9.237	9,4%
Total	**697.606**	**614.008**	**83.598**	**13,6%**

The growth in owned debt securities is driven by new subscriptions in securities with a bank counterparty, which is offset by a decrease in securities with a customer counterparty. The latter saw a decrease of 28,5 million Euro as a result of divestments, collections during the year as well as a decrease in fair values driven by rising interest rates. This performance is due to the decision to reduce the exposure in financial instruments exposed to market fluctuations in favour of securities, mainly government, recorded in a "Held to Collect" (HTC) portfolio in view of the growing interest rates curve, which has also been impacted by the recent interventions of the European Central Bank (ECB). The related net negative fair value reserve amounts to 35,8 million Euro. Government securities held in the portfolio at 31 December 2022 amount to 400,3 million Euro.

Issuer/Maturity	1 year	2 years	3 years	5 years	over 5 years	Total
Government bonds	33.647	141.515	4.368	43.247	177.489	**400.266**
% of total	*5,7%*	*24,0%*	*0,7%*	*7,3%*	*30,1%*	***67,9%***
Banks	5.524	5.896	17.951	36.541	41.355	**107.267**
% of total	*0,9%*	*1,0%*	*3,0%*	*6,2%*	*7,0%*	***18,2%***
Other issuers	3.284	8.451	29.128	30.673	10.569	**82.105**
% of total	*0,6%*	*1,4%*	*4,9%*	*5,2%*	*1,8%*	***13,9%***
Total	42.455	155.862	51.447	110.461	229.413	**589.638**
% of total	*7,2%*	*26,4%*	*8,7%*	*18,7%*	*38,9%*	***100,0%***

Equity securities are attributable to non-controlling interests in the amount of 108,0 million Euro, corresponding to a net negative fair value reserve of 14,8 million Euro. This item continues to grow (+9,4%) compared to 31 December 2021, mainly due to new investments and the increase in the investment in Bank of Italy shares.

Receivables due from banks measured at amortised cost

Total receivables due from banks measured at amortised cost amount to 562,3 million Euro at 31 December 2022, in line with the balance at 31 December 2021, of 560,3 million Euro.

In addition to loans to central banks, which constitute the funding maintained in order to ensure the orderly performance of management activities, the item includes bank debt securities to which a "Held to Collect (HTC)" business model is associated and which have passed the SPPI Test: these securities at 31 December 2022 have a carrying amount of 526,2 million Euro, a significant increase compared to the value of 140,4 million Euro at the end of 2021, mainly as a result of new investments made during the year on Italian and foreign bank bonds.

In an overall view, cash and cash equivalents and loans to banks grow by 55,0% in 2022, mainly due to the above-mentioned new subscriptions of bank securities.

Receivables due from customers measured at amortised cost

Total receivables due from customers measured at amortised cost amount to 8.755,1 million Euro, slightly down (by 2,9%) on 31 December 2021 (9.012,1 million Euro).

RECEIVABLES DUE FROM CUSTOMERS (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE EXPOSURES	TOTAL NON-PERFORMING (STAGE 3)	PERFORMING EXPOSURES (STAGES 1 AND 2)	TOTAL LOANS
POSITION AT 31.12.2022						
Nominal amount	97.186	171.827	147.507	416.520	8.567.595	**8.984.115**
Losses	(67.913)	(64.885)	(9.161)	(141.958)	(87.074)	**(229.032)**
Carrying amount	29.273	106.942	138.347	274.562	8.480.521	**8.755.082**
Coverage ratio	*69,9%*	*37,8%*	*6,2%*	*34,1%*	*1,0%*	***2,5%***
Gross ratio	*1,1%*	*1,9%*	*1,6%*	*4,6%*	*95,4%*	***100,0%***
Net ratio	*0,3%*	*1,2%*	*1,6%*	*3,1%*	*96,9%*	***100,0%***
POSITION AT 31.12.2021						
Nominal amount	128.116	204.546	120.240	452.902	8.817.116	**9.270.018**
Losses	(90.242)	(87.714)	(5.864)	(183.820)	(74.091)	**(257.911)**
Carrying amount	37.874	116.832	114.376	269.082	8.743.025	**9.012.107**
Coverage ratio	*70,4%*	*42,9%*	*4,9%*	*40,6%*	*0,8%*	***2,8%***
Gross ratio	*1,4%*	*2,2%*	*1,3%*	*4,9%*	*95,1%*	***100,0%***
Net ratio	*0,4%*	*1,3%*	*1,3%*	*3,0%*	*97,0%*	***100,0%***

Total net receivables decrease slightly compared to the figure as at 31 December 2021, also in relation to a changed strategic approach of the Factoring Area, which concerned the non-recourse product towards the National Health Service. The latter were disposed of during the second and third quarters of the year. In fact, there is an overall decrease of about 220 million Euro in terms of net balance.

Added to this is a reduction of 145,1 million Euro in debt securities, where the normal decrease in the securities portfolio due to run-offs was almost entirely offset by purchases in the second half of the year.

The growth in impaired loans is driven by non-performing past-due exposures, which increase from 114,4 million Euro in December 2021 to 138,3 million Euro at the end of 2022. This performance was impacted by the increase in past-due exposures to the National Health Service, as a result of the application of the New Dod regulations, and the intervening judgement no. 236/2021 of the Constitutional Court, which declared unconstitutional the extension of the block on executions against, among others, the National Health Service entities; determining a change in the criteria for the transition to PDU of the exposures to the latter.

Equity investments

DESCRIPTION	31.12.2022	31.12.2021
Ifis Finance Sp. z o.o.	26.356	26.356
Ifis Rental Services S.r.l.	120.895	120.895
Ifis Npl Investing S.p.A.	432.700	432.700
Cap.Ital.Fin S.p.A.	21.741	26.093
Credifarma S.p.A.	-	8.800
Banca Credifarma S.p.A. (formerly Farbanca S.p.A.)	54.597	32.652
Ifis Finance I.F.N. S.A.	5.039	3.039
Ifis Npl 2021-1 SPV S.r.l.	5	5
Total	**661.333**	**650.540**

Equity investments in Group companies come to 661,3 million Euro as compared with the 650,5 million Euro of 2021. The equity investment in Cap.Ital.Fin. S.p.A has changed mainly as a result of its write-down as a consequence of the losses. In addition, there were the following changes in the list of companies shown in the table above:

- on 11 April 2022, Credifarma was merged into Farbanca. Following the transaction, the merging entity was renamed Banca Credifarma S.p.A.;
- Ifis Finance I.F.N. S.A. has recorded a change of 2 million Euro, following the capital increase carried out.

Intangible assets and property, plant and equipment

Property, plant and equipment come to 122,5 million Euro, as compared with the 116,6 million Euro booked at 31 December 2021, up 5,1%, mainly in view of investments and improvements in Group offices.

At the end of December 2022, the properties recognised under property, plant and equipment include 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.

Intangible assets, essentially made up of software, come to 22,6 million Euro, up 16,3% from 31 December 2021, equal to 19,5 million Euro for investments made in ICT infrastructures in 2022.

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.

Tax assets total 296,9 million Euro, slightly down on 31 December 2021, when they were 304,7 million Euro. The following table shows the breakdown of current tax assets by type.

CURRENT TAX ASSETS (in thousands of Euro)	AMOUNTS		CHANGE	
	2022	2021	ABSOLUTE	%
Ires on sale of receivables	21.278	21.278	-	0,0%
Credits from DTA conversion	13.424	167	13.257	7938,3%
Irap (regional tax on productive activities)	4.760	3.389	1.371	40,5%
Ires - claimed for reimbursement	7.095		7.095	n.a.
Ires (corporate income tax)	304	8.829	(8.525)	(96,6)%
Other	90	221	(131)	(59,3)%
Total current tax assets	**46.951**	**33.884**	**13.067**	**38,6%**

Current tax assets amount to 47 million Euro, up from the figure at 31 December 2021 (+38,6%), mainly due to the transformation of deferred tax assets into tax credits pursuant to Law 214/2011.

Below are details of deferred tax assets:

DEFERRED TAX ASSETS (in thousands of Euro)	AMOUNTS		CHANGE	
	2022	2021	ABSOLUTE	%
Receivables due from customers (Italian Law no. 214/2011)	166.538	199.622	(33.084)	(16,6)%
Past tax losses that can be carried forward	30.803	30.869	(66)	(0,2)%
FVOCI reserve	20.582	2.993	17.589	587,7%
Provisions for risks and charges	10.985	13.936	(2.951)	(21,2)%
Goodwill	10.059	12.573	(2.514)	(20,0)%
Aid for economic growth (ACE) that can be carried forward	8.714	8.247	467	5,7%
Other	2.221	2.603	(382)	(14,7)%
Total deferred tax assets	**249.902**	**270.843**	**(20.941)**	**(7,7)%**

Deferred tax assets amount to 249,9 million Euro compared to the figure of 270,8 million Euro at 31 December 2021 and consist mainly of 166,5 million Euro of assets recognised for impairment losses on receivables due from customers, potentially convertible into tax credits (199,6 million Euro at 31 December 2021), 30,8 million Euro assets recognised for prior tax losses and ACE benefit (30,9 million Euro at 31 December 2021) and 20,6 million Euro in misalignments on financial assets measured at fair value with impact on comprehensive income (FVOCI) (3,0 million Euro at 31 December 2021).
The item also includes 10,1 million Euro for the tax redemption of goodwill booked on the Consolidated Financial Statements relative to the purchase of the controlling equity investment in Ifis Npl Servicing S.p.A. and 11,0 million Euro for temporary differences in provisions for risks and charges.
Finally, please note that, pursuant to the current Tax Consolidation arrangements, the deferred tax asset receivable related to the taxable profit for the year was included in Other assets as an approximately 4,3 million Euro Receivable due from La Scogliera.

Tax liabilities total 36 million Euro, a figure that is essentially in line with that of 31 December 2021, equal to 36,1 million Euro.
Current tax liabilities, amounting to 5,7 million Euro, represent the tax liability for the year, higher than the liabilities of 3,8 million Euro at 31 December 2021, which were fully settled in the first half of 2022, when paying the balance on the tax relative to the previous year.
The main types of deferred tax liabilities are instead shown below:

DEFERRED TAX LIABILITIES (in thousands of Euro)	AMOUNT		CHANGE	
	2022	2021	ABSOLUTE	%
Receivables for interest on arrears	25.968	28.763	(2.795)	(9,7)%
Receivables due from customers	2.790	2.793	(3)	(0,1)%
Financial assets	1.184	381	803	210,8%
Property, plant and equipment	299	308	(9)	(2,9)%
Other	33	35	(2)	(5,7)%
Total deferred tax liabilities	**30.274**	**32.280**	**(2.006)**	**(6,2)%**

Deferred tax liabilities, amounting to 30,3 million Euro, mainly include 26,0 million Euro on receivables recognised for interest on arrears that will be taxed upon collection and 2,8 million Euro on misalignments of trade receivables. Deferred tax liabilities, totalling 30,3 million Euro, are down by 2 million Euro on the previous year's balance and mainly include 26 million Euro in receivables for interest on arrears that will be taxed upon receipt, 0,3 million Euro in the revaluation of property, 2,8 million Euro in other mismatches of trade receivables and 1,2 million Euro relative to financial assets measured at fair value through other comprehensive income (FVOCI).

Other assets and liabilities

Other assets, amounting to 455,4 million Euro as compared to a balance of 508,9 million Euro at 31 December 2021, include:

- financial assets held for trading of 1,8 million Euro, of which 0,5 million Euro refers to a derivative transaction essentially hedged by positions recorded under financial liabilities held for trading and 1,3 million Euro from securities included in the Bank's trading portfolio;
- other assets for 453,6 million Euro (504,6 million Euro at 31 December 2021), of which 253,5 million Euro relate to tax credits for superbonuses and other construction tax bonuses (with a nominal amount of 288 million Euro). It should be noted that the balance at 31 December 2021 included a receivable from the tax consolidating company La Scogliera in the amount of 20,6 million Euro (4,3 million Euro at 31 December 2022), most of which was collected in the first half of 2022 upon settlement of taxes for the previous year within the tax consolidation regime.

Other liabilities come to 283,2 million Euro as compared with 332,0 million Euro at 31 December 2021, and consist of:

- trading derivatives in the amount of 26,0 million Euro (6,0 million Euro at 31 December 2021), essentially referring to a transaction related to the securitisation of loans in the Npl Segment;
- liabilities for post-employment benefits amounting to 5,4 million Euro (6,4 million Euro at 31 December 2021). The change is mainly related to the significant change in the assumptions underlying the actuarial calculations with reference to the inflation rate and the discount rate (which were affected by the change in the macroeconomic scenario that marked 2022);
- other liabilities for 251,8 million Euro (319,6 at 31 December 2021), largely referred to amounts due to customers that have not yet been credited for 59,6 million Euro, as well as 28,8 million Euro payable to employees and operating payables for approximately 79,0 million Euro.

Funding

FUNDING (in thousands of Euro)	AMOUNTS		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
a) Payables due to banks	**3.485.345**	**2.736.860**	748.485	27,3%
- Payables due to Central banks	*2.423.647*	*2.236.942*	*186.705*	*8,3%*
- Other payables	*1.061.698*	*499.918*	*561.780*	*112,4%*
b) Payables due to customers	**5.947.294**	**6.420.165**	**(472.871)**	**(7,4)%**
- Repurchase agreements	*50.003*	*-*	*50.003*	*n.a.*
- Rendimax	*4.039.015*	*4.517.172*	*(478.157)*	*(10,6)%*
- Other term deposits	*222.590*	*211.006*	*11.584*	*5,5%*
- Lease payables	*19.682*	*14.471*	*5.211*	*36,0%*
- Other payables	*1.616.004*	*1.677.516*	*(61.512)*	*(3,7)%*
c) Debt securities issued	**1.109.027**	**1.056.987**	**52.040**	**4,9%**
Total funding	**10.541.666**	**10.214.011**	**327.655**	**3,2%**

Total funding amounted to 10.541,7 million Euro at 31 December 2022 (+3,2% compared to 31 December 2021); 56,4% is represented by Payables due to customers (62,9% at 31 December 2021), 33,1% by Payables due to banks (26,8% at 31 December 2021), and 10,5% by Debt securities issued (10,3% at 31 December 2021).

Payables due to customers at 31 December 2022 total 5.947,3 million Euro, down 7,4% compared to 31 December 2021. The change is mainly driven by the performance of demand current accounts (-17,6% compared to December 2021) together with a contraction in term deposits (-10,3%).

Payables due to banks amount to 3.485 million Euro, up 27,3% compared to 31 December 2021. The change was mainly due to repurchase agreements with underlying notes from the securitisation notes issued by the subsidiary Ifis Npl Investing as underlying assets.

Debt securities issued amount to 1.109,0 million Euro at 31 December 2022. The line item comprises 704,2 million Euro in senior bonds issued by Banca Ifis, as well as the 404,7 million Euro Tier 2 bond.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	YEAR		CHANGE	
	31.12.2022	31.12.2021	ABSOLUTE	%
Provisions for credit risk related to commitments and financial guarantees granted	9.068	11.615	(2.547)	(21,9)%
Provisions on other commitments and guarantees given	39	17	22	129,4%
Legal and tax disputes	33.095	33.542	(447)	(1,3)%
Personnel expenses	2.322	3.659	(1.337)	(36,5)%
Other provisions	5.846	13.358	(7.512)	(56,2)%
Total provisions for risks and charges	**50.370**	**62.191**	**(11.821)**	**(19,0)%**

Below is the breakdown of the provision for risks and charges at the end of 2022 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 2022, this item amounts to 9,1 million Euro, down 2,5 million Euro on 31 December 2021 and reflects the impairment losses on commitments and financial guarantees granted by the Bank in accordance with standard IFRS 9.

Legal and tax disputes

At 31 December 2022, the Bank had set aside 33,1 million Euro in provisions. The main components are summarised below:

- 18,5 million Euro for 30 disputes concerning Trade receivables (the plaintiffs seek 42,1 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;
- 3,3 million Euro (the plaintiffs seek 50 million Euro in damages) for 5 disputes concerning the Corporate Banking & Lending Area deriving from the former Interbanca;
- 9,7 million from the acquisition of the former Aigis Banca business unit;
- 0,5 million Euro for 21 disputes concerning the Trade Receivables and Leasing Area (the plaintiffs seek 0,9 million Euro in damages);
- 1,1 million Euro related to the purchase of tax credits from bonuses and super-bonuses not deemed collectable for offsetting.

Personnel expenses

At 31 December 2022, provisions are entered for staff for 2,3 million Euro (3,7 million Euro at December 2021), relating to the Solidarity Fund established in 2020.

Other provisions for risks and charges

At 31 December 2022, “Other provisions” are in place for 5,8 million Euro (13,4 million Euro at 31 December 2021), consisting mainly of 1,9 million Euro for probable contractual indemnities for loan transfers, 3,1 million Euro for supplementary indemnities for customers connected with the operations of the Leasing Area.

Equity

At 31 December 2022, Equity totals 1.290,2 million Euro, i.e. -5,5% from 1.364,6 million Euro at 31 December 2021. The breakdown of the item and the change compared to the previous year are detailed in the tables below:

EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS		CHANGE	
	2022	2021	ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	83.767	102.972	(19.205)	(18,7)%
Valuation reserves:	(50.653)	(16.581)	(34.072)	205,5%
- Securities	(50.634)	(16.233)	(34.401)	211,9%
- Post-employment benefits	314	(348)	662	(190,2)%
- Exchange differences	(333)	-	(333)	n.a.
Reserves	1.197.999	1.170.739	27.260	2,3%
Interim dividends	(52.433)	-	(52.433)	n.a.
Treasury shares	(22.104)	(2.847)	(19.257)	676,4%
Net profit	79.796	56.468	23.328	41,3%
Equity	**1.290.183**	**1.364.562**	**(74.379)**	**(5,5)%**

EQUITY: CHANGES	(in thousands of Euro)
Equity at 31.12.2021	**1.364.562**
Change in opening balances	
Increases:	**82.933**
Profit for the year	79.796
Sale of treasury instruments	43
Change in valuation reserve:	662
- Post-employment benefits	*662*
Stock options	755
Other changes	1.677
Decreases:	**157.312**
Dividends resolved and suspended	102.244
- of which dividends on 2021 profit	*49.811*
- of which interim dividend on 2022 profit	*52.433*
Purchase of own instruments	19.300
Change in valuation reserve:	35.768
- Securities	*35.435*
- Post-employment benefits	-
- Exchange differences	*333*
Other changes	-
Equity at 31.12.2022	**1.290.183**

The main changes in equity are:

- the positive change relative to the result for the year attributable to the Bank of 79,8 million Euro;
- the net negative change of 34,7 million Euro in the valuation reserve for the year was attributable to the fair value adjustment of the financial instruments classified as Financial assets measured at fair value through other comprehensive income;
- the positive change of 0,1 million Euro in the valuation reserve connected with the actuarial change in employee severance indemnity;
- the negative change of 19,3 million Euro connected with the repurchase of treasury shares to service the LTI Plan;
- other net increases of 1,4 million Euro, primarily connected with the Bank's share-based remuneration mechanisms for senior management, other than stock options, as explained;
- the negative change of 102,2 million Euro, due to 2021 dividends declared and not distributed and the interim payment made on 2022 profit.

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS AT	
	31.12.2022	31.12.2021
Common Equity Tier 1 (CET1) capital	1.259.562	1.269.199
Tier 1 capital	1.259.562	1.269.199
Total Own Funds	**1.643.133**	**1.669.199**
Total RWAs	**8.387.103**	**7.621.420**
CET1 ratio	15,0%	16,7%
Tier 1 Ratio	15,0%	16,7%
Total Capital Ratio	**19,6%**	**21,9%**

CET1, TIER1 and Total Capital include the profits accrued by the Banking Group at 31 December 2022 and are stated net of the related dividend, including the portion distributed on an interim basis in compliance with the provisions of Article 2433, paragraph 4 of the Italian Civil Code.

Consolidated own funds, risk-weighted assets and prudential ratios at 31 December 2022 were calculated based on the regulatory changes introduced by Directive 2019/878/EU (CRD V) and Regulation (EU) 876/2019 (CRR2), which amended the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR), as subsequently amended, which were transposed in the Bank of Italy's Circulars no. 285 and no. 286.

For the purposes of calculating capital requirements at 31 December 2022, in continuity with what has been done since 30 June 2020, Banca Ifis has applied the temporary support provisions set out in EU Regulation no. 873/2020 (the "quick-fix").

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

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

Income statements items

Formation of net banking income

Net banking income totals 362,9 million Euro, up 9,4% from 334,3 million Euro at 31 December 2021. The item includes dividends received from the subsidiary Ifis Npl Investing S.p.A. in the amount of 40,0 million Euro (41,7 million Euro in 2021).

NET BANKING INCOME (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Net interest income	230.406	195.622	34.784	17,8%
Net commission income	84.327	73.892	10.435	14,1%
Other components of net banking income	48.204	62.188	(13.984)	(22,5)%
Net banking income	**362.937**	**331.702**	**31.235**	**9,4%**

Net interest income increases by 17,8% year-on-year to 230,4 million Euro. Growth is driven by factoring as a result of average lending and by the Capital Markets segment, thanks to the inflation-linked component of securities in the portfolio.

The above positive effects more than made up for the lesser contribution of the "reversal PPA" continues, amounting to 12,2 million Euro in 2022 (compared with 25,2 million Euro in the previous year), which physiologically reduced.

Net commission income totals 84,3 million Euro, up 14,1% from 31 December 2021.

Commission income, totalling 94,6 million Euro compared to 85,6 million Euro at 31 December 2021, comes primarily from factoring commissions on the turnover generated by individual customers (with or without recourse, in a flat or monthly scheme), arrangement fees for structured finance transactions, leases, third-party servicing, as well as from other fees usually charged to customers for services.

In particular, the item benefits from the contribution of approximately 5,1 million Euro deriving from the greater operations of the Factoring area.

Commission expense, totalling 10,3 million Euro compared to 11,7 million Euro in the prior year, largely refers to fees paid to banks and financial intermediaries such as management fees, fees paid to third parties for the distribution of leasing products, as well as brokerage operations carried out by approved banks and other credit brokers.

The other components of net banking income are as follows:

- 49,9 million Euro for dividends (49,2 million Euro at 31 December 2021);
- 20,5 million Euro for the negative result from trading activities (negative result of 3,6 million Euro as at 31 December 2021), mainly driven by derivative results that were negatively impacted by rising interest rates;
- 4,5 million Euro for the sale of assets measured at amortised cost (7,5 million Euro at 31 December 2021);
- 14,0 million Euro for the net positive result of other financial assets and liabilities measured at fair value through profit or loss (11,7 million Euro in 2021). The increase was driven on the one hand by the net positive change in the fair value of UCITS fund units (+1,8 million Euro), together with those of debt securities (+0,7 million Euro) and equity securities (+0,3 million Euro), partially offset by the negative change in loans of 0,5 million Euro.

Net profit from financial activities totals 311,4 million Euro, compared to 275,5 million Euro at 31 December 2021 (+13,0%).

FORMATION OF NET PROFIT FROM FINANCIAL ACTIVITIES (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Net banking income	362.937	331.702	31.235	9,4%
Net credit risk losses/reversals	(51.586)	(56.237)	4.651	(8,3)%
Net profit (loss) from financial activities	**311.351**	**275.465**	**35.886**	**13,0%**

Net credit risk losses total 51,6 million Euro at 31 December 2022, compared to net losses of 56,2 million Euro at 31 December 2021 (-8,3%).
It should be recalled that the introduction of counterparty rating models had increased the incidence of Stage 2 loans in 2021; on the other hand, in 2022 on certain areas, such as leasing, there was a reduction in lump-sum write-downs on performing loans as a result of an improvement in the composition of the portfolio.

Formation of net profit for the year

FORMATION OF NET PROFIT (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Net profit (loss) from financial activities	**311.351**	**275.465**	**35.886**	**13,0%**
Operating costs	**(206.647)**	**(199.738)**	**(6.909)**	**3,5%**
Net allocations to provisions for risks and charges	1.512	(7.541)	9.053	(120,1)%
Profit (loss) on equity investments	(4.127)	(4.459)	332	(7,4)%
Pre-tax profit from continuing operations	**102.089**	**63.727**	**38.362**	**60,2%**
Income taxes for the year relating to current operations	(22.293)	(7.259)	(15.034)	207,1%
Profit for the year	**79.796**	**56.468**	**23.328**	**41,3%**

The reclassified cost/income ratio totals 56,9%, compared to 60,2% at 31 December 2021. Operating costs total 206,6 million Euro, showing an increase on 31 December 2021 (3,5%).

OPERATING COSTS (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Administrative expenses:	(224.837)	(220.465)	(4.372)	2,0%
a) personnel expenses	(114.143)	(106.895)	(7.248)	6,8%
b) other administrative expenses	(110.694)	(113.570)	2.876	(2,5)%
Net impairment losses/reversals on property, plant and equipment and intangible assets	(14.804)	(16.448)	1.644	(10,0)%
Other operating income/expenses	32.994	37.175	(4.181)	(11,2)%
Operating costs	**(206.647)**	**(199.738)**	**(6.909)**	**3,5%**

Personnel expenses rose by 6,8% to 114,1 million Euro (106,9 million Euro for the period ended 31 December 2021). The change is attributable to both the increase in resources in force in 2022 and the incentive policies implemented. The number of Bank employees at 31 December 2022 is 1.312 as compared with 1.271 resources at 31 December 2021.
Other administrative expenses amount to 110,7 million Euro at 31 December 2022, slightly down (2,5%) on the previous year. The reduction is linked to the fact that, in 2021, the sub-item “Legal and consulting services” included 11,5 million Euro relating to the expenses incurred directly by the Bank for the transfer of the registered office of the Parent La Scogliera to Switzerland (Canton of Vaud - Lausanne).

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	YEAR		CHANGE	
	2022	2021	ABSOLUTE	%
Expenses for professional services	**39.657**	**49.824**	**(10.167)**	**(20,4)%**
Legal and consulting services	37.267	47.214	(9.947)	(21,1)%
Auditing	549	430	119	27,7%
Outsourced services	1.841	2.180	(339)	(15,6)%
Direct and indirect taxes	**13.875**	**14.299**	**(424)**	**(3,0)%**
Expenses for purchasing goods and other services	**57.162**	**49.447**	**7.715**	**15,6%**
Software assistance and hire	15.805	13.586	2.219	16,3%
FITD and Resolution fund	11.537	10.697	840	7,9%
Advertising and inserts	8.101	6.166	1.935	31,4%
Property expenses	5.239	4.211	1.028	24,4%
Customer information	3.400	3.622	(222)	(6,1)%
Telephone and data transmission expenses	3.043	2.922	121	4,1%
Car fleet management and maintenance	2.435	1.705	730	42,8%
Business travel and transfers	2.140	368	1.772	481,5%
Securitisation costs	1.431	2.360	(929)	(39,4)%
Postage and archiving of documents	779	788	(9)	(1,1)%
Other sundry expenses	3.252	3.022	230	7,6%
Total other administrative expenses	**110.694**	**113.570**	**(2.876)**	**(2,5)%**

The sub-item "Legal and consulting services" comes to 39,7 million Euro in 2022, down 20,4% on the 49,8 million Euro of 2021. In 2021, it included 11,5 million Euro related to the costs of relocating the parent company's registered office to Switzerland. This change was only partially offset by consultancy on strategic projects concerning the Bank and the Group.

"Direct and indirect taxes" come to 13,9 million Euro as compared with 14,3 million Euro at 31 December 2021, dropping by 3,0%. The item also includes stamp duty of 11,9 million Euro, the charge-back of which to customers is included in the item "Other operating income".

"Expenses for purchasing goods and other services" amount to 57,2 million Euro, up 15,6% from 49,4 million Euro in December 2021. The performance of this item is mainly influenced by the following items:

- Software support and rental amounts to 15,8 million Euro, compared to 13,6 million Euro in the previous year;
- FITD and Resolution fund amounts to 11,5 million Euro, up 7,9% compared to 10,7 million Euro at 31 December 2021.
- Advertising expenses, amounting to 8,1 million Euro, grow by 1,9 million Euro compared with the previous year, in connection with the advertising campaigns activated, including that relating to the digital bank;
- Expenses related to real estate are up by 24,4% compared to 2021, also due to the return of presence in the Bank's premises;
- Telephone and data transmission expenses of 3,0 million Euro, up 4,1%;
- Travel and transfers increase by 1,8 million Euro to 2,1 million Euro due to the end of the mobility restrictions imposed by the health emergency during 2021.

Other net operating income amounts to 33,0 million Euro, down 11,2% compared to the previous year. The item refers 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 2021 figure included 2,9 million Euro of positive difference, which arose during allocation of the purchase price of the former Aigis Banca business unit. In addition, it should be noted that there was an increase in costs, tax credits and invoices to be issued, which were recorded under other assets for a total of 3,1 million Euro.

Net reversals to provisions for risks and charges in December 2022 show a balance of 1,5 million Euro, compared to net adjustments of 7,5 million Euro in the previous year. This trend was caused by reversals related to provisions for risks connected to GACS credit assignment transactions, for which the guarantee expired, together with releases from settlements of outstanding disputes, which more than offset the provisions made during FY 2022.

Losses on disposal of investments include the effects of the adjustment of the valuation of the subsidiary Cap.Ital.Fin for 4,3 million Euro.
Pre-tax profit from continuing operations amounts to 102,1 million Euro (+60,2% compared to 31 December 2021).
Income taxes as at 31 December 2022 amount to 22,3 million Euro and the tax rate for FY 2022 is 21,84%, up from the previous year's figure of 11,39%.
In view of the foregoing, net profits come to 79,8 million Euro (up 41,3% on last year).

Main risks and uncertainties

Taking into account the business carried out and the results achieved, the Bank's financial position is proportionate to its needs. Indeed, the Bank'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 military conflict between Russia and Ukraine, do not represent a particular problem for the Bank's financial balance and, in any case, they are not likely to threaten business continuity.

Refer to Part E of the individual Notes for information on Banca Ifis's risks typical of the banking sector, as well as to what is set forth in the Report on Operations of Banca Ifis in the section “Business outlook”.

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. In 2012, Banca Ifis joined the FTSE Italia Mid Cap index. The following table shows the share prices at the end of the year.

Official share price	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Share price at year-end	13,31	17,07	9,18	14,00	15,44

Outstanding shares	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Number of shares outstanding at year end (in thousands)(1)	52.433	53.472	53.460	53.452	53.441

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

Payout ratio

For 2022, the Banca Ifis Board of Directors proposes to the Shareholders' Meeting to distribute 0,40 Euro per share by way of period interim dividend. In November 2022, an interim dividend of 1 Euro per share had already been distributed for FY 2022. The total 2022 dividend (interim and balance) thus amounts to 1,40 Euro per share.

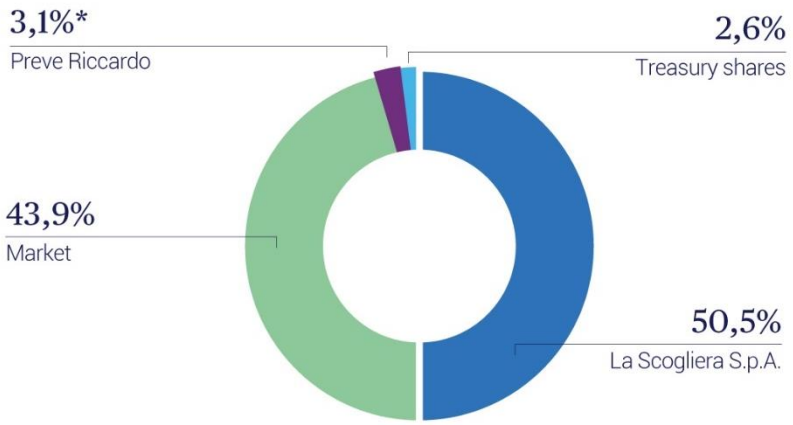
Payout ratio (in thousands of Euro)	2022	2021	2020	2019	2018
Net profit	79.796	56.468	59.504	27.346	82.806
Dividends (1)	73.406	49.811	25.132	58.797	56.125
Payout ratio(1)	**92,0%**	**88,2%**	**42,2%**	**215,0%**	**67,8%**

(1) The figures for FY 2022 take into account both the 2022 interim dividend distributed on 23 November 2022 and the dividend proposal prepared by the Board of Directors of Banca Ifis.

Shareholders

The share capital of Banca Ifis at 31 December 2022 amounts to 53.811.095 Euro and is broken down into 53.811.095 shares worth 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:



** on its own for 0,28% and through Preve Costruzioni for 2,8%.*

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 are 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.

Significant events occurred during the year

Banca Ifis transparently and timely discloses information to the market, constantly publishing information on significant events through press releases. Please visit the "Press Releases" subsection of the "Investor Relations & Corporate Development" section 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.

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 Liquidity Funding Plan 2022 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.

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).

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 attributable 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 a Business 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.

Conclusion of the share buyback programme in support of the "2021-2023 LTI Plan"

On 22 April 2022, the program for the purchase of Banca Ifis ordinary shares to service the "2021-2023 LTI Plan", which had been initiated on 15 March 2022 and subject to authorisation by the Shareholders' Meeting for a number of ordinary shares not exceeding 1.044.000 and for a maximum total value not exceeding 20,9 million Euro (the "Buy-Back Program"), was concluded. In execution of the Buy-Back Programme, Banca Ifis purchased a total of 1.044.000 shares (corresponding to the maximum number of treasury shares subject to the said authorisation) - equal to 1,94% of the share capital, for a total value of 19,3 million Euro. Following the purchases

made until 22 April 2022, considering the treasury shares already in portfolio, as of the closing date of the Buy-Back Programme, the Bank holds 1.383.139 treasury shares equal to 2,57% of the share capital.

The Shareholders' Meeting has approved the 2021 Financial Statements and a dividend of 0,95 Euro per share

The ordinary Shareholders' Meeting of Banca Ifis, which met on 28 April 2022 in single call, chaired by Sebastien Egon Fürstenberg in accordance with the applicable provisions, and hence in the manner set out in Art. 106 of Decree-Law no. 18 of 17 March 2020, approved:

- Banca Ifis 2021 Annual Report;
- the distribution to shareholders of a dividend of 0,95 Euro, equal to double the coupon distributed in FY 2020 gross of any withholding taxes, per share, with ex-dividend date (coupon no. 25) on 23 May 2022, record date on 24 May 2022 and payment from 25 May 2022;
- the increase in the number of directors from 12 to 13, appointing as members of the Board of Directors for the three-year period 2022-2024 Simona Arduini, Antonella Malinconico, Beatrice Colleoni, Monica Billio, Sebastien Egon Fürstenberg, Ernesto Fürstenberg Fassio, Frederik Herman Geertman, Monica Regazzi, Paola Paoloni, Giovanni Meruzzi, Luca Lo Giudice and Roberta Gobbi and Roberto Diacetti. The members of the Board of Statutory Auditors were also appointed in the persons of: Andrea Balelli (Chairman), Franco Olivetti (Standing Auditor), Annunziata Melaccio (Standing Auditor), Marinella Monterumisi (Alternate Auditor) and Emanuela Rollino (Alternate Auditor);
- Section I of the document "Report on Remuneration Policy and Remuneration Paid" prepared in accordance with Art. 123-ter of Legislative Decree no. 58/1998. The Shareholders' Meeting also resolved in favour of Section II of the aforementioned document relating to the implementation of remuneration policies during FY 2021;
- the remuneration plan based on the assignment of Banca Ifis shares for certain corporate figures described in the information document drawn up pursuant to Art. 114-bis of Italian Legislative Decree no. 58/1998 and related implementing rules (Art. 84-bis of Consob Regulation no. 11971/1999);
- the assignment to PriceWaterhouseCoopers S.p.A. of the tasks related to the statutory audit of the accounts of Banca Ifis S.p.A. for the nine-year period 2023-2031.

Distribution of a 2022 interim dividend of 52,4 million Euro (1 Euro per share)

On 10 November 2022, the Banca Ifis Board of Directors, in line with what was resolved by the Shareholders' Meeting on 28 July 2022, resolved to distribute an interim dividend for 2022 totalling 52.433.114 Euro, i.e. equal to 1 Euro (gross of withholding taxes) for each of the 52.433.114 Banca Ifis shares issued and outstanding as of such date (and therefore excluding treasury shares held by the Bank). The interim dividend 2022 was paid with ex-dividend no. 26 dated 21 November 2022, record date of 22 November and payment date of 23 November 2022.

The report by the Board of Directors and the accounting statement at 30 September 2022 pursuant to Article 2433-bis of the Italian Civil Code, on the basis of which the Board of Directors of Banca Ifis resolved to distribute the interim dividend and included in the Interim Report as at 30 September 2022 - are made available to the public at the Bank's registered office, as well as on the authorised storage mechanism and on the Bank's institutional website, www.bancaifis.it, in the "Investor Relations & Corporate Development" section. Lastly, for the purposes of the distribution of the interim dividend, on 10 November 2022, the independent auditing firm EY S.p.A. issued the opinion required by Article 2433-bis of the Italian Civil Code, which has been made available to shareholders at the Bank's registered office.

Subsequent events

Issue of the 300 million Euro bond maturing in 4 years

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

The bond placement is part of the EMTN funding programme envisaged in the Bank's Business Plan for the three-year period 2022-2024, which estimates 2,5 billion Euro of new placements.

Information on the Russia-Ukraine conflict

This paragraph is intended to provide, as suggested by the Public Statement issued by ESMA on 28 October 2022 entitled "European common enforcement priorities for 2022 annual financial reports", a specific disclosure on the impacts generated by Russia's invasion of Ukraine.

As already highlighted in the survey sent out by the Bank of Italy at the end of March 2022 and having as its object an initial assessment of the impacts that unfavourable scenarios linked to the crisis situation generated by the conflict has on the Bank, a series of in-depth studies were conducted in order to assess the exposures (direct and indirect) to counterparties resident in Russia, Belarus and Ukraine, as well as to estimate the related impacts and risk containment measures.

Furthermore, the Risk Management function, in addition to the risk factors usually considered, deemed it reasonable to include the current geopolitical tense situation as an additional risk factor.

In particular, this situation has been considered within the institutional documentation (RAF, Recovery Plan and ICAAP/ILAAP Report) from a twofold point of view: on the one hand as a worsening of severities and inclusion of new stress assumptions in the stress test framework, and on the other hand as an extra capital requirement against the Strategic and Sovereign Risks assumed by the Bank.

More specifically, from the point of view of the assumptions directly considered in the stress tests, the following were considered:

- an increase in the conversion to impaired of factoring customers exposed to Ukraine and Russia;
- the use of further worsened transition matrices for factoring customers in the stress test pro Recovery Plan.

On the assumptions that have an impact on the levels of internal capital allocated to individual risks, it should be noted that:

- a further worsened interest rate scenario was used as a consequence of a hypothetical continuation of the current high inflation environment (resulting from the commodity shortage caused by the conflict), which led to a higher estimate of internal capital for sovereign risk;
- additional internal capital was allocated to cover strategic risk, assuming an uncertain economic environment resulting from the current geopolitical situation.

The analyses conducted so far have revealed a limited number of counterparties present in the countries affected by the current conflict to which modest direct credit exposures correspond. Similarly, no particular critical issues have been noted with regard to the trade receivables portfolio.

For more detailed information on the impact generated by the Russia-Ukraine conflict on the various types of risk inherent in Banca Ifis (credit risk, interest rate risk, price risk, exchange rate risk, liquidity risk and operational risk), please refer to the specific subsections prepared in Part E of the Consolidated Notes in "Section 2 - Prudential consolidation risk" of this document.

Business outlook

Rate hikes in recent months by the world's central banks and lower energy prices have led to a decline in inflation, which, in the world's major economies, remains at high levels.

The US economy remains strong, excess demand in the employment market persists even though job vacancies are declining. The monetary tightening, which could last longer than expected, should lead to a gradual reduction in inflation and an economic slowdown. Europe, despite being the world economy most affected by the war in Ukraine and rising energy prices, has so far proved to be more resilient than expected. Inflation remains high with a strong energy and commodity price component. Economic activity is weakening even though the main macroeconomic and confidence indicators point to only a modest contraction in European GDP.

The central banks' monetary policies must now identify how far to continue raising rates to avoid triggering an excessive contraction of domestic demand. Indeed, excessively restrictive monetary policies could lead to a severe economic slowdown and, potentially, to a recession.

In addition, the war in Ukraine continues to be an important risk factor, and should increase tensions and the degree of involvement of European countries.

After seven consecutive quarters of growth, the Italian economy has recorded a slight cyclical downturn, while on the trend side it continues its development at a slower pace than in previous quarters: there is a contraction in the agricultural and industrial sectors and slight growth in the services sector. GDP increased by 3,9 % in 2022 compared to 2021 and by 0,4 % in the fourth quarter of 2022. After having been below the European average for a long time, inflation has now exceeded it, driven by the energy and food component; moreover, as wages are not adjusting except marginally, inflation is translating into a loss of purchasing power for consumers with potential risks for the resilience of domestic demand. The new government's budgetary policy approved the extension of existing support measures to compensate for high inflation, through the Aid Decree and the Budget Law of December 2022. The Budget Law's support of 39 billion Euro is equivalent to the expected 0,2% of GDP in 2023.

In the banking sector, lending is expected to grow, especially in the household sector. For banks, higher interest rates should lead to higher returns, but the cost of funding should reduce this positive impact to a large extent. Asset quality, which to date shows limited signs of deterioration, could deteriorate in the event of a recession, especially in the second half of 2023.

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.

In 2022, the Bank made a profit of 79,8 million Euro. The analyses conducted to date on the Bank have not revealed any signs of deterioration in asset quality, on which a prudent provisioning policy has nevertheless been applied. The Bank starts 2023 with a solid economic, capital and financial profile, and with a close monitoring of market risks that may impact the Bank's business, with a focus on risks in terms of economic slowdown and an increase in the average cost of funding.

Other information

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

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

Report on Corporate Governance and Shareholding Structure

Pursuant to Article 123 bis, paragraph three, of Italian Legislative Decree no. 58 of 24 February 1998 (so-called "TUF", Consolidated Law on Finance), a separate report has been prepared from this Report on Operations, which was approved by the Board of Directors and published together with the draft 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.

Remuneration policies

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

Privacy measures

Banca Ifis 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.

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.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.
It should be noted that the transfer of the parent company La Scogliera's registered office to the Canton of Vaud (Lausanne - CH) took effect from 27 December 2021.

National consolidated tax regime

The companies Banca Ifis S.p.A., Ifis Npl Investing S.p.A., Ifis Rental Services S.r.l., Ifis Npl Servicing S.p.A. and Cap.Ital.Fin. S.p.A., together with the parent company La Scogliera, have opted for the application of group taxation (tax consolidation) in accordance with articles 117 et seq. of Italian Presidential Decree no. 917/86.
Transactions between these companies were regulated by means of a private written agreement between the parties. This agreement will lapse after three years.
Adhesion to the tax consolidation allows the taxable income of the participating companies to be offset against each other (using the losses and the ACE realised during the adhesion period).

As envisaged by applicable regulations, adhering entities have an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera, the consolidating company.
Under this tax regime, the taxable profits and tax losses reported by each entity for the fiscal year 2022 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 2022 comes to 4,3 million Euro, accrued at Banca Ifis.

Transactions on treasury shares

At 31 December 2021, Banca Ifis held 339.139 treasury shares recognised at a market value of 2,8 million Euro and a nominal amount of 339.139 Euro.
During the first half of 2022, Banca Ifis implemented the "Buy-Back Programme" aimed at the purchase of 1.044.000 ordinary shares to service the "2021-2023 LTI Plan", equal to 1,94% of the share capital, for a total equivalent value of 19,3 million Euro. Following the purchases made and considering the treasury shares already in portfolio, as of the closing date of the Buy-Back Programme, the Bank holds 1.383.139 treasury shares equal to 2,57% of the share capital.
During the year, Banca Ifis, as variable pay, awarded the Top Management 5.158 treasury shares at an average price of 18,35 Euro, for a total of 95 thousand Euro and a nominal amount of 5.158 Euro, making profits of 43 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the premium reserve.
Considering the above operations, the stock at the end of the year was 1.377.981 treasury shares, with an equivalent value of 22,1 million Euro and a nominal amount of 1.377.981 Euro.

Related-party transactions

In compliance with the provisions of Consob Resolution no. 17221 of 12 March 2010 and subsequently amended, as well as the prudential Supervisory provisions for banks in Circular no. 285 of 17 December 2013 of the Bank of Italy, part three, chapter 11 (on "Risk activities and conflicts of interest towards related parties"), any transactions with related parties and relevant parties are implemented pursuant to the procedure approved by the Board of Directors called the "Group Policy covering transactions with related parties, associates and corporate representatives pursuant to Art. 136 of the Consolidated Law on Banking", last updated in February 2022.
This document is available to the public in the "Corporate Governance" Section, subsection "Reports and Documents", section "Related Parties and Connected Subjects" on the corporate website www.bancaifis.it.
During 2022, 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 the description given in this document "Part H - Related-party transactions" in the individual Notes.

Atypical or unusual transactions

During 2022, the Bank did not carry out atypical or unusual transactions as defined by Consob Communication no. 6064293 of 28 July 2006.

Research and development activities

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

Annual profit distribution proposal

Dear Shareholders,

The Board of Directors proposes to allocate the profit for the year, amounting to 79.796.332 Euro, as follows:

- distributing to shareholders a cash dividend (before tax withholdings required by law) of Euro 0,4 per ordinary share with ex-dividend date (coupon no. 27) on 22 May 2023. In November 2022, an interim dividend of 1 Euro per share had already been distributed for FY 2022. This dividend includes the portion attributable to the company's treasury shares. As per Article 83-terdecies of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance), eligibility for the dividend is determined based on the shareholders of record on the intermediary's books as per Article 83-quater, paragraph 3 of the Consolidated Law on Finance at the end of 23 May 2023 (the record date);
- allocating the remainder to other reserves.

Payment will be made on 24 May 2023 through the authorised intermediaries with which the shares are registered on the Monte Titoli System.

Venice - Mestre, 9 March 2023

For the Board of Directors

The CEO

Frederik Herman Geertman

Banca Ifis

Financial statements

Financial statements and reports 2022

Statement of Financial Position

ASSETS (in Euro)		31.12.2022	31.12.2021
10.	Cash and cash equivalents	440.113.632	86.518.994
20.	Financial assets measured at fair value through profit or loss	189.364.286	140.052.074
	a) financial assets held for trading	1.770.200	4.291.497
	c) other financial assets mandatorily measured at fair value	187.594.086	135.760.577
30.	Financial assets measured at fair value through other comprehensive income	697.606.474	614.008.209
40.	Financial assets measured at amortised cost	9.317.417.852	9.572.361.034
	a) receivables due from banks	562.336.322	560.254.428
	b) receivables due from customers	8.755.081.530	9.012.106.606
70.	Equity investments	661.332.156	650.539.927
80.	Property, plant and equipment	122.515.526	116.577.830
90.	Intangible assets	22.641.532	19.474.531
100.	Tax assets:	296.853.729	304.727.188
	a) current	46.951.327	33.884.484
	b) prepaid	249.902.402	270.842.704
120.	Other assets	453.604.458	504.617.526
	Total assets	**12.201.449.645**	**12.008.877.313**

LIABILITIES AND EQUITY (in Euro)		31.12.2022	31.12.2021
10.	Financial liabilities measured at amortised cost	10.541.665.757	10.214.011.441
	a) payables due to banks	3.485.344.719	2.736.859.474
	b) payables due to customers	5.947.293.799	6.420.164.639
	c) debt securities issued	1.109.027.238	1.056.987.328
20.	Financial liabilities held for trading	25.981.863	5.991.887
60.	Tax liabilities:	36.009.281	36.083.717
	a) current	5.735.357	3.803.952
	b) deferred	30.273.924	32.279.765
80.	Other liabilities	251.813.515	319.617.294
90.	Post-employment benefits	5.426.669	6.419.009
100.	Provisions for risks and charges:	50.370.168	62.191.161
	a) commitments and guarantees granted	9.107.111	11.632.319
	c) other provisions for risks and charges	41.263.057	50.558.842
110.	Valuation reserves	(50.653.450)	(16.581.115)
140.	Reserves	1.197.999.003	1.170.739.247
145.	Interim dividends	(52.433.114)	-
150.	Share premiums	83.766.584	102.972.388
160.	Share capital	53.811.095	53.811.095
170.	Treasury shares (-)	(22.104.058)	(2.846.521)
180.	Profit (loss) for the year (+/-)	79.796.332	56.467.710
	Total liabilities and equity	**12.201.449.645**	**12.008.877.313**

Income Statement

	ITEMS (in units of Euro)	31.12.2022	31.12.2021
10.	Interest receivable and similar income	339.279.640	305.739.449
	of which: interest income calculated using the effective interest	*335.749.136*	*290.708.926*
20.	Interest due and similar expenses	(108.874.196)	(110.117.376)
30.	**Net interest income**	**230.405.443**	**195.622.073**
40.	Commission income	94.639.704	85.599.424
50.	Commission expense	(10.313.494)	(11.706.834)
60.	**Net commission income**	**84.326.210**	**73.892.590**
70.	Dividends and similar income	49.850.900	49.234.250
80.	Net profit (loss) from trading	(20.528.725)	(3.617.590)
100.	Profit (loss) from sale or buyback of:	4.491.411	7.483.117
	a) financial assets measured at amortised cost	4.548.360	2.636.997
	b) financial assets measured at fair value through comprehensive income	(87.660)	4.937.817
	c) financial liabilities	30.711	(91.697)
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	13.977.569	11.669.628
	b) other financial assets mandatorily measured at fair value	13.977.569	11.669.628
120.	**Net banking income**	**362.522.808**	**334.284.068**
130.	Net credit risk losses/reversals on:	(53.109.452)	(55.958.212)
	a) financial assets measured at amortised cost	(52.277.056)	(55.926.032)
	b) financial assets measured at fair value through other comprehensive income	(832.395)	(32.180)
150.	**Net profit (loss) from financial activities**	**309.413.357**	**278.325.856**
160.	Administrative expenses:	(224.836.977)	(220.465.169)
	a) personnel expenses	(114.142.871)	(106.895.331)
	b) other administrative expenses	(110.694.106)	(113.569.838)
170.	Net allocations to provisions for risks and charges	3.447.701	(10.401.314)
	a) commitments and guarantees granted	892.552	(2.860.336)
	b) other net allocations	2.555.148	(7.540.978)
180.	Net impairment losses/reversals on property, plant and	(8.432.722)	(8.971.299)
190.	Net impairment losses/reversals on intangible assets	(6.371.461)	(7.477.031)
200.	Other operating income/expenses	32.996.898	37.174.092
210.	**Operating costs**	**(203.196.562)**	**(210.140.721)**
220.	Profit (loss) on equity investments	(4.127.330)	(4.458.900)
260.	**Pre-tax profit (loss) for the period from continuing operations**	**102.089.465**	**63.726.235**
270.	Income taxes for the year relating to current operations	(22.293.132)	(7.258.525)
280.	**Profit (loss) from continuing operations, net of taxes**	**79.796.332**	**56.467.710**
300.	**Profit (loss) for the year**	**79.796.332**	**56.467.710**

Statement of Comprehensive Income

ITEMS (in units of Euro)		31.12.2022	31.12.2021
10.	**Profit (Loss) for the year**	**79.796.332**	**56.467.710**
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**(3.028.426)**	**1.467.478**
20.	Equity securities measured at fair value through other comprehensive income	(3.690.231)	1.614.680
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	661.805	(147.202)
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	**(32.078.115)**	**(5.524.500)**
100.	Foreign investment hedges	-	-
110.	Exchange differences	-	-
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	(32.078.115)	(5.524.500)
150.	Non-current assets and disposal groups	-	-
160.	Share of valuation reserves of equity accounted investments	-	-
170.	**Total other comprehensive income, net of taxes**	**(35.106.541)**	**(4.057.022)**
180.	**Total comprehensive income (Item 10 + 170)**	**44.689.791**	**52.410.688**

Statement of Changes in Equity at 31 December 2022

(in units of Euro)	Balance at 31.12.2021	Change in opening balances	Balance at 01.01.2022	Allocation of profit from previous year		Changes during the year									Equity at 31.12.2022
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions							Comprehensive income for the year	
							Issue of new shares	Buyback of treasury shares	Interim dividends	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:															
a) ordinary shares	53.811.095	-	53.811.095	-	-	-	-	-	-	-	-	-	-	-	53.811.095
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	102.972.388	-	102.972.388	-	-	(19.205.804)	-	-	-	-	-	-	-	-	83.766.584
Reserves:															
a) retained earnings	1.165.429.600	-	1.165.429.600	6.656.252	-	22.694.948	-	-	-	-	-	-	-	-	1.194.780.800
b) other	5.309.647	-	5.309.647	-	-	(2.846.521)	-	-	-	-	-	-	755.077	-	3.218.203
Valuation reserves:	(16.581.115)	-	(16.581.115)	-	-	1.034.206	-	-	-	-	-	-	-	(35.106.541)	(50.653.450)
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividends	-	-	-	-	-	-	-	-	(52.433.114)	-	-	-	-	-	(52.433.114)
Treasury shares	(2.846.521)	-	(2.846.521)	-	-	-	-	(19.257.537)	-	-	-	-	-	-	(22.104.058)
Profit (loss) for the year	56.467.710	-	56.467.710	(6.656.252)	(49.811.458)	-	-	-	-	-	-	-	-	79.796.332	79.796.332
Equity	**1.364.562.804**	**-**	**1.364.562.804**	**-**	**(49.811.458)**	**1.676.829**	**-**	**(19.257.537)**	**(52.433.114)**	**-**	**-**	**-**	**755.077**	**44.689.791**	**1.290.182.392**

Statement of Changes in Equity at 31 December 2021

(in units 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								Equity at 31.12.2021
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions						Comprehensive income for the year	
							Issue of new shares	Buyback of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:														
a) ordinary shares	53.811.095	-	53.811.095	-	-	-	-	-	-	-	-	-	-	53.811.095
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	102.490.510	-	102.490.510	-	-	481.878	-	-	-	-	-	-	-	102.972.388
Reserves:												-	-	
a) retained earnings	1.128.725.103	-	1.128.725.103	34.372.167	-	2.332.330	-	-	-	-	-	-	-	1.165.429.600
b) other	5.280.491	-	5.280.491	-	-	(165.343)	-	-	-	-	-	194.499	-	5.309.648
Valuation reserves	(10.933.882)	-	(10.933.882)	-	-	(1.590.211)	-	-	-	-	-	-	(4.057.022)	(16.581.115)
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(2.947.500)	-	(2.947.500)	-	-	-	-	100.979	-	-	-	-	-	(2.846.521)
Profit (loss) for the year	59.503.986	-	59.503.986	(34.372.167)	(25.131.819)	-	-	-	-	-	-	-	56.467.710	56.467.710
Equity	**1.335.929.803**	**-**	**1.335.929.803**	**-**	**(25.131.819)**	**1.058.654**	**-**	**100.979**	**-**	**-**	**-**	**194.499**	**52.410.688**	**1.364.562.804**

Cash Flow Statement

CASH FLOW STATEMENT Indirect method	Amount	
	31.12.2022	31.12.2021
A. OPERATING ACTIVITIES		
1. Operations	**134.304.181**	**207.884.329**
- profit (loss) for the year (+/-)	79.796.332	56.467.710
- profit/loss on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	6.551.156	(8.052.038)
- net credit risk losses/reversals (+/-)	53.109.452	55.958.212
- net impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	14.804.184	16.448.330
- net allocations to provisions for risks and charges and other expenses/income (+/-)	(6.895.401)	20.802.628
- unpaid taxes, duties and tax credits (+/-)	22.293.132	7.258.525
- other adjustments (+/-)	(35.354.673)	59.000.962
2. Cash flows generated/absorbed by financial assets	**64.893.158**	**(341.956.468)**
- financial assets held for trading	(18.007.428)	12.960.165
- other assets mandatorily measured at fair value	(37.855.940)	5.848.522
- financial assets measured at fair value through other comprehensive income	(118.502.995)	310.550.706
- financial assets measured at amortised cost	202.666.126	(520.759.145)
- other assets	36.593.396	(150.556.716)
3. Cash flows generated/absorbed by financial liabilities	**266.796.162**	**68.680.457**
- financial liabilities measured at amortised cost	320.602.333	134.583.307
- financial liabilities held for trading	19.989.976	(12.559.229)
- other liabilities	(73.796.147)	(53.343.621)
Net cash flows generated/absorbed by operating activities A (+/-)	**465.993.501**	**(65.391.682)**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**41.147.382**	**41.736.227**
- dividends collected on equity investments	39.999.960	41.736.227
- sale of equity investments	1.147.422	-
2. Cash flows absorbed by	**(31.779.448)**	**35.554.156**
- purchases of equity investments	(14.922.549)	(16.637.000)
- purchases of property, plant and equipment	(7.318.436)	(34.761.728)
- purchases of intangible assets	(9.538.462)	(7.216.115)
- purchases of business units	-	94.168.999
Net cash flows generated/absorbed by investing activities B (+/-)	**9.367.934**	**77.290.383**
C. FINANCING ACTIVITIES		
- issues/buyback of treasury shares	(19.300.440)	-
- issues/buyback of equity instruments		-
- distribution of dividends and other (*)	(102.466.357)	(83.046.867)
Net cash flows generated/absorbed by financing activities C (+/-)	**(121.766.797)**	**(83.046.867)**
NET CASH GENERATED/USED DURING THE YEAR D=A+/-B+/-C	**353.594.638**	**(71.148.166)**
RECONCILIATION		
OPENING CASH AND CASH EQUIVALENTS E	**86.518.994**	**157.667.160**
TOTAL NET CASH GENERATED/USED DURING THE YEAR D	**353.594.638**	**(71.148.166)**
CASH AND CASH EQUIVALENTS: EFFECT OF CHANGES IN EXCHANGE RATES F	**-**	**-**
CLOSING CASH AND CASH EQUIVALENTS G=E+/-D+/-F	**440.113.632**	**86.518.994**

KEY:

(+) generated (-) used

(*) The balances in this item represent the cash outflow for dividend payments in the respective years. Specifically, the balance for FY 2022 includes both the distribution of the dividend on 2021 profit and the distribution of the interim dividend on 2022 profit. Instead, the FY 2021 balance includes both the payment of dividends on 2020 profit and the payment of dividends on 2019 profit, the distribution of which had been suspended in the previous year following Bank of Italy recommendations.

Banca Ifis

Notes to the financial statements

Financial statements and reports 2022

Part A - Accounting policies

A.1 - General part

Section 1 – Statement of compliance with international accounting standards

The Separate Financial Statements at 31 December 2022 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 2022 (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 Separate Financial Statements are subject to certification by the delegated corporate bodies and the Manager charged with preparing the company's financial reports, as per Article 154 bis paragraph 5 of Italian Legislative Decree no. 58 of 24 February 1998.

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

Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 introduced the requirement for securities issuers listed on regulated markets in the European Union to prepare their annual financial report in the XHTML language, based on the ESMA-approved European Single Electronic Format (ESEF) reporting format. For 2022, it is expected that only the Consolidated Financial Statements and the consolidated Notes to the financial statements must be "branded" to the ESEF taxonomy, using an integrated computer language (iXBRL).

Section 2 – Basis of preparation

The Financial Statements consist of:

- the Separate Financial Statements (statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, and statement of cash flows);
- the Notes to the Financial Statements;

In addition, they contain the Directors' Report.

The Separate 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 Separate 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.

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 do not include the items and tables required by Bank of Italy's Circular no. 262/2005 where these items are not applicable to Banca Ifis.

The recognition, measurement and derecognition criteria for assets and liabilities, and the procedures for recognising revenues and costs, adopted in the Financial Statements at 31 December 2022 have remained substantially unchanged from those adopted for the preparation of Banca Ifis 2021 Financial Statements.

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 Bank'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 with the current macroeconomic context, also in consideration of the current situation relating to the macroeconomic implications connected with the military conflict involving Russia and the Ukraine, Banca Ifis can indeed be considered as a going concern, in that it can be reasonably expected to continue operating in the foreseeable future. Therefore, the Financial Statements at 31 December 2022 are 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 Bank has consistently achieved, to the quality of its loans, and to its current access to financial resources.

Section 3 - Subsequent events

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

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

Section 4 – Other aspects

Risks and uncertainties related to estimates

Using accounting standards often requires management to make estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities. In making the assumptions underlying the estimates, management considers all available information at the reporting date of these accounting statements, as well as any other factor deemed reasonable for this purpose, also as a consequence of the current macroeconomic scenario, as explained previously.

Specifically, it made estimates on the carrying amounts of some items recognised in the Financial Statements at 31 December 2022, 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 2022.

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 managed by the Pharma BU, and specifically the interest on arrears considered recoverable;
- measurement of the expected credit loss;
- provisions for risks and charges;
- post-employment benefits;
- intangible assets and gain on bargain purchase;
- equity investments.

For the items listed above (with the exception of provisions for risks and charges, employee severance indemnities and equity investments), the principal issues regarding risks and uncertainties associated with estimates are discussed in the following paragraphs. As instead regards the situations relative to provisions for

risks and charges, severance indemnities and equity investments, reference should be made to the valuation criteria described in paragraph "A.2 - Main items of the financial statements" of these individual Notes.

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

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

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

As for the receivables of the Pharma BU, the Bank 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 the 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

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

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

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

The health emergency at the beginning of March 2020 and the outbreak of war in Ukraine at the end of February 2022 generated a slowdown in global economic growth that prompted institutions to consider a significant increase in credit risk. This led the Bank, at the start of the pandemic, to make prudent corrections in respect of relations with counterparties belonging to certain economic segments considered to be at higher risk of impact from Covid-19 and thereafter to assess the risk deriving from the Russia-Ukraine conflict, the inflation scenario and the slow to economic growth.

In particular, during FY 2022, the prudential adjustments applied to define the additional provisions previously accounted for as a result of the pandemic context were revised, also in light of the fact that the deterioration of the portfolio was, on the whole, less pronounced than assumed. At the same time, some prudent corrections have been made, to take into account the current macroeconomic environment strongly influenced by the impact of rising energy prices on inflationary dynamics, the recessionary effects linked to the Russian-Ukrainian conflict and, last but not least, the risk linked to the persistence of the Covid-19 pandemic. Prudential adjustments to cover these risks, viewed as a whole, were therefore re-evaluated during the year.

With regard to Forward Looking information, the macroeconomic scenarios incorporated in the risk parameter estimates were updated. These scenarios are sourced from various sources in order to ensure a good coverage of information and to factor in the aspects mentioned above.
Finally, the collection times for receivables and portfolios of receivables secured by real estate for which bankruptcy proceedings are in progress have been reviewed to reflect the aforementioned suspension of real estate execution, also in the Commercial & Corporate Banking Segment.
Reference should be made to the information given in paragraph "A.2 - Main items of the financial statements" of these individual Notes.

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 Bank.
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 Bank 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".
For the other cases listed, reference should be made to the valuation criteria described in paragraph "A.2 - Main items of the financial statements" of these individual Notes.

Coming into effect of new accounting standards

Standards issued, effective and applicable to these financial statements

The Financial Statements at 31 December 2022 have been drawn up in accordance with the IAS/IFRS accounting standards in force at the reporting date. See "Section 1 - Statement of compliance with international accounting standards" in these individual Notes.
The accounting standards used in preparing these 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 Financial Statements at 31 December 2021.
The Bank has also adopted for the first time some accounting standards and amendments effective for years beginning on or after 1 January 2022. 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 Financial Statements at 31 December 2022:

- "Amendments to IFRS 3 Business Combinations";
- "Amendments to IAS 16 Property, Plant and Equipment";
- "Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets";
- "Annual Improvements to IFRS Standards 2018-2020".

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 2023 or later. The Bank does not

consider the impact of the adoption of the following interpretations and amendments of existing international accounting standards to be material:

- "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);
- "Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (from 1 January 2023);
- "Amendments to IFRS 16 Lease Liability in a Sale and Leaseback" (from 1 January 2024);
- "Amendments to IAS 1 Non-current Liabilities with Covenants" (from 1 January 2024).

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 Bank must approve the Separate Financial Statements and publish the Annual Financial Report, including the draft Separate Financial Statements, the Directors' Report, and the declaration as per Article 154-bis, paragraph 5. The Board of Directors approved the Bank's draft Separate Financial Statements on 9 March 2023; the Separate Financial Statements will be submitted to the Shareholders' Meeting to be held on 20 April 2023 on single 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 designated 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 Bank 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;
- 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.

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 the Notes, impairment losses on non-performing exposures are classified as individual impairment losses in the mentioned income statement item even under a lump-sum calculation method.

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 Bank believes that, whenever it enters into a renegotiation in order to avoid losing the client, this renegotiation shall be considered as substantial, since, in its absence, the customer could obtain financing from another intermediary and the bank would see estimated future revenue decline;
    - the latter, offered for "credit risk reasons" (forbearance measures), are part of the Bank's attempt to maximise the recovery of the cash flows of the original receivable. Following the modifications, usually the underlying risks and rewards have not been substantially transferred: therefore, the accounting presentation that provides the most relevant information to users of the financial statements (expect for the following discussion about objective factors) is the one made through "modification accounting" - whereby the difference between the carrying amount and the present value of modified cash flows discounted at the original interest rate is recognised through profit or loss - rather than derecognition;

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

Derecognition criteria

A receivable is derecognised when it is considered unrecoverable and the Bank 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 credit risk 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 credit risk 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.

5 - Equity investments

Classification criteria

The Bank obtains control when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Bank controls an investee if, and only if, the Bank has:

- power over the investee (i.e. it has existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of its returns.

Generally, there is a presumption that a majority of voting rights gives control over the investee. In support of this presumption, when the Entity holds less than a majority of the voting rights (or similar rights), the Bank shall consider all relevant facts and circumstances when assessing whether it controls the investee, including:

- Contractual arrangements with other vote holders;
- Rights arising from contractual arrangements;
- Voting rights and potential voting rights.

The Bank shall reassess whether it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control.

Recognition criteria

The cost of the acquisition is calculated as the sum of:

- the fair value at the acquisition date of assets given, liabilities assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus
- any costs directly attributable to the acquisition.

Measurement criteria

If there is objective evidence that an equity investment may be impaired, the entity shall estimate its recoverable amount, taking into account the present value of the future cash flows that it could generate, including from its ultimate disposal. If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss.

If the reasons for the impairment no longer exist as a result of an event that occurred after the recognition of the impairment loss, this is reversed through profit or loss.

Derecognition criteria

Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the equity investment is sold by transferring substantially all the risks and rewards incidental to ownership.

6 - 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 year 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 3 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.

7 - 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 initially 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.

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.

9 - 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 tax (IRES) expense for the year is included in either Other assets or Other liabilities as receivables due from/payables due to the consolidating company, La Scogliera, in accordance with tax legislation.

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.

10 - 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.

11 - 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, extinguished 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.

12 - 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, namely when the obligation is fulfilled, cancelled or expired. The difference arising from their derecognition is recognised in profit or loss.

14 - 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 period-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.

15 - 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 Bank 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 income statement 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 reference year 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.

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 receivables 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, whereas IFRS 9 requires an ECL estimated over a 12-month horizon for Stage 1 assets.

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 Bank 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, Banca Ifis 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 significantly since initial recognition even though the contractual payments are more than 30 days past due. However, Banca Ifis 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 Bank 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 Bank 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 Bank has defined a specific methodological framework. This involved developing quantitative methods and analyses based on proprietary datasets as well as qualitative methods and analyses to essentially model the following risk parameters and the methodological aspects relevant to the calculation of impairment under IFRS 9:

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

Concerning the exposures to banks, central governments, and public-sector entities (low default portfolios), the Group used default rates associated with migration matrices based on public information provided by the ratings agency Moody's or external providers.

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

As for the securities portfolio, considering the methodological complexity associated with developing a dedicated model, the Bank 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 Bank 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 Bank 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 function 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 Bank 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.

Offsetting of financial instruments

Pursuant to IAS 32, paragraph 42, financial assets and financial liabilities are netted and shown in the financial statements for the net balance if the entity:

- has a legal right to effect such set-off, which is currently exercisable in all circumstances, whether in the ordinary course of business or in default, insolvency or bankruptcy of the parties;
- intends to settle transactions on a net settlement basis or on a gross settlement basis whose substantive effects are equivalent to a net settlement.

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

No financial assets were transferred between portfolios during 2022.

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 Bank 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, consideration is always given to the value of potentially making valuation adjustments taking into account the risk premiums that operators typically consider in pricing instruments. If not explicitly considered in the valuation model, valuation adjustments may include:

- model adjustments: adjustments that take into account any deficiencies in the valuation models highlighted during calibration;
- liquidity adjustments: adjustments that take into account the bid-ask spread if the model calculates a mid-price;

- credit risk adjustments: adjustments related to the counterparty or own credit risk;
- other risk adjustments: adjustments related to a risk premium "priced" in the market (e.g. relating to the complexity of valuation of an instrument).

As for the measurement of financial assets and liabilities measured at fair value on a recurring basis, the Bank applies the Discounted Cash Flow Model to receivables mandatorily measured at fair value, discounting the expected cash flows from each loan at a market rate determined by taking into account the risk free rate for similar maturities, the cost of funding, the counterparty's lifetime credit risk, and the capital absorption cost.

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 non-performing, the ones with a residual life less than one year, and unsecured loans are excluded from the valuation, as it is believed that their amortised cost can be used as an approximation of fair value.

For the purposes of measuring performing loans at fair value, given the absence of prices directly observable on active and liquid markets, entities shall use valuation techniques based on a theoretical model meeting the requirements of IAS/IFRS standards (Level 3). The approach used to determine the fair value of receivables is the Discounted Cash Flow Model, i.e. the discounting of expected future cash flows at a risk-free rate for the same maturity, increased by a spread representative of the counterparty's risk of default plus a liquidity premium.

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

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

- market rates calculated, according to market practice, using either money market rates for maturities less than one year, and swap rates for greater maturities, i.e. 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 financial liabilities measured at fair value and categorised within Level 3, the Bank 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, i.e. expected cash flows themselves.

A.4.3 Fair value hierarchy

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

Debt securities 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. 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 financial year (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, and so 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)	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	32.399	500	156.465	1.474	2.817	135.760
a) financial assets held for trading	1.270	500	-	1.474	2.817	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	31.129	-	156.465	-	-	135.760
2. Financial assets measured at fair value through other comprehensive income	631.016	-	66.590	575.409	-	38.599
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**663.415**	**500**	**223.055**	**576.883**	**2.817**	**174.359**
1. Financial liabilities held for trading	-	25.982	-	-	5.992	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**25.982**	**-**	**-**	**5.992**	**-**

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 2022, the impact of applying the Credit Value Adjustment to the book values of the derivatives with a positive mark-to-market amounts to 0,4 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.

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 designated at fair value*	*of which: c) other financial assets mandatorily measured at fair value*				
1. Opening balance	**135.760**	**-**	**-**	***135.760***	**38.599**	**-**	**-**	**-**
2. Increases	**74.187**	**-**	**-**	***74.187***	**30.106**	**-**	**-**	**-**
2.1. Purchases	50.838	-	-	*50.838*	25.614	-	-	-
2.2. Profit taken to:	-	-	-	-	-	-	-	-
2.2.1. Income Statement	20.889	-	-	*20.889*	-	-	-	-
- of which capital gains	*15.040*	-	-	*15.040*	-	-	-	-
2.2.2. Equity	-	-	-	-	4.492	-	-	-
2.3. Transferred from other Levels	-	-	-	-	-	-	-	-
2.4. Other increases	2.460	-	-	*2.460*	-	-	-	-
3. Decreases	**53.482**	**-**	**-**	***53.482***	**2.115**	**-**	**-**	**-**
3.1. Sales	43.568	-	-	*43.568*	1.642	-	-	-
3.2. Reimbursements	1.183	-	-	*1.183*	-	-	-	-
3.3. Losses taken to:	-	-	-	-	-	-	-	-
3.3.1. Income Statement	8.714	-	-	*8.714*	-	-	-	-
- of which capital losses	*7.228*	-	-	*7.228*	-	-	-	-
3.3.2. Equity	-	-	-	-	428	-	-	-
3.4. Transferred to other Levels	-	-	-	-	-	-	-	-
3.5. Other decreases	17	-	-	*17*	45	-	-	-
4. Closing balance	**156.465**	**-**	**-**	***156.465***	**66.590**	**-**	**-**	**-**

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)	31.12.2022				31.12.2021			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	9.317.418	2.318.881	-	6.912.951	9.572.361	2.232.706	-	7.385.266
2. Property, plant and equipment held for investment purpose	423	-	-	423	485	-	-	485
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	**9.317.841**	**2.318.881**	**-**	**6.913.374**	**9.572.846**	**2.232.706**	**-**	**7.385.751**
1. Financial liabilities measured at amortised cost	10.541.666	1.002.626	64.192	9.246.836	10.214.011	1.059.227	-	9.072.568
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**10.541.666**	**1.002.626**	**64.192**	**9.246.836**	**10.214.011**	**1.059.227**	**-**	**9.072.568**

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 Bank's operations during 2022.

Part B - Information on the Statement of Financial Position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31.12.2022	31.12.2021
a) Cash	29	33
b) Current accounts and on demand deposits at Central banks	370.021	-
c) Current accounts and on demand deposits at banks	70.064	86.485
Total	**440.114**	**86.518**

At 31 December 2022 this item amounts to 440,1 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. The increase compared to 31 December 2021 is attributable to the creation of an overnight deposit with the Bank of Italy in the amount of 370 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	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	677	-	-	713	-	-
1.1 Structured	-	-	-	-	-	-
1.2 Other debt securities	677	-	-	713	-	-
2. Equity securities	593	-	-	761	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	--	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**1.270**		**-**	**1.474**	-	-
B. Derivatives						
1. Financial derivatives	-	500	-	-	2.817	-
1.1 held for trading	-	500	-	-	2.817	-
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)	**-**	**500**	**-**	-	**2.817**	-
Total (A+B)	**1.270**	**500**	**-**	**1.474**	**2.817**	-

The financial assets held for trading outstanding at 31 December 2022 amount to 1,8 million Euro and are represented essentially in a homogeneous manner by 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 Bank's proprietary investment strategy.

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

Items/Amounts	31.12.2022	31.12.2021
A. Cash assets		
1. Debt securities	**677**	**713**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	676	712
d) Other financial companies	1	1
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity securities	**593**	**761**
a) Banks	593	506
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	255
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)	**1.270**	**1.474**
B. Derivatives		
a) Central Counterparties	-	-
b) Other	500	2.817
Total (B)	**500**	**2.817**
Total (A+B)	**1.770**	**4.291**

2.5 Financial assets mandatorily measured at fair value: breakdown by type

Items/Amounts	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**31.129**	**-**	**39.788**	**-**	**-**	**13.550**
1.1. Structured	-	-	-	-	-	-
1.2. Other debt securities	31.129	-	39.788	-	-	13.550
2. Equity securities	**-**	**-**	**34.955**	**-**	**-**	**26.466**
3. UCITS units	**-**	**-**	**64.533**	**-**	**-**	**72.515**
4. Loans	**-**	**-**	**17.189**	**-**	**-**	**23.229**
4.1 Reverse repurchase agreements	-	-	4.937	-	-	-
4.2. Others	-	-	12.252	-	-	23.229
Total	**31.129**	**-**	**156.465**	**-**	**-**	**135.760**

Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

The growth in debt securities is attributable to new purchases (59,5 million Euro, of which 31,1 million Euro with a bank counterparty). Equity securities grow by 32,1% as a result of net new subscriptions (+5,4 million Euro), as well as higher profits due to the performance of the underlying reference rates (+3,2 million Euro). UCITS units decrease by 11,0% due to collections during 2022, while fair value loans decrease by 26.0% due to the maturity of certain transactions.

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

	31.12.2022	31.12.2021
1. Equity securities	**34.955**	**26.466**
of which: banks	-	-
of which: other financial companies	*1.844*	*2.137*
of which: non-financial companies	*33.111*	*24.329*
2. Debt securities	**70.917**	**13.550**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	31.129	-
d) Other financial companies	39.788	13.550
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	**64.533**	**72.515**
4. Loans	**17.189**	**23.229**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	116	2.642
of which: insurance companies	-	-
e) Non-financial companies	17.073	20.587
f) Households	-	-
Total	**187.594**	**135.760**

UCITS units include 50,4 million Euro in equity funds that invest in impaired loans, 14,1 million Euro in equity funds.

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	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**589.638**	**-**	**-**	**515.277**	**-**	**-**
1.1 Structured	6.006	-	-	1.513	-	-
1.2 Other debt securities	583.632	-	-	513.764	-	-
2. Equity securities	**41.378**	**-**	**66.590**	**60.132**	**-**	**38.599**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**631.016**	**-**	**66.590**	**575.409**	**-**	**38.599**

Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

Financial assets measured at fair value through other comprehensive income total 697,6 million Euro at 31 December 2022, up 13,6% from 31 December 2021, and include the debt securities characterised by the "Held to Collect & Sell" (HTC&S) business model that passed the SPPI test as well as equity securities for which the Bank elected the so-called OCI option pursuant to IFRS 9.

Level 1 "other debt securities" refer for 400,3 million to Italian and foreign Government bonds.

Equity securities measured at fair value with an impact on comprehensive income amount to 108,0 million Euro at 31 December 2022, up 9,4% on 31 December 2021, and are mainly attributable to shares in the Bank of Italy (50,0 million Euro) and interests in leading companies in the banking and insurance sector, the energy sector and telecommunications, both Italian (26,6 million Euro) and foreign (31,4 million Euro). The increase of 9,2 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	31.12.2022	31.12.2021
1. Debt securities	**589.638**	**515.277**
a) Central Banks	-	-
b) Public Administrations	403.247	469.647
c) Banks	107.267	8.585
d) Other financial companies	29.023	10.887
of which: insurance companies	-	-
e) Non-financial companies	50.101	26.158
2. Equity securities	**107.968**	**98.731**
a) Banks	58.633	40.668
b) Other issuers:	49.335	58.063
- other financial companies	13.331	10.795
of which: insurance companies	*6.860*	*10.470*
- non-financial companies	36.004	47.268
- 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	**697.606**	**614.008**

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 one	*of which: Low credit risk instruments*	Stage two	Stage three	Purchased or originated impaired	Stage one	Stage two	Stage three	Purchased or originated impaired	
Debt securities	590.721	*590.721*	-	-	-	(1.083)	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2022	**590.721**	***590.721***	**-**	**-**	**-**	**(1.083)**	**-**	**-**	**-**	**-**
Total 31.12.2021	**515.528**	***515.528***	-	-	-	**(251)**	-	-	-	-

(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	31.12.2022						31.12.2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages one and two	Stage three	Purchased or originated impaired	L1	L2	L3	Stages one and two	Stage three	Purchased or originated impaired	L1	L2	L3
A. Receivables due from Central banks	**6.145**	**-**	**-**	**-**	**-**	**6.145**	**348.802**	**-**	**-**	**-**	**-**	**348.802**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	6.145	-	-	X	X	X	27.191	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	321.611	-	-	X	X	X
B. Receivables due from banks	**556.191**	**-**	**-**	**515.273**	**-**	**32.750**	**211.452**	**-**	**-**	**140.477**	**-**	**73.274**
1. Loans	30.040	-	-	-	-	30.040	71.021	-	-	-	-	71.022
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Term deposits	-	-	-	X	X	X	26.660	-	-	X	X	X
1.3 Other loans:	30.040	-	-	X	X	X	44.361	-	-	X	X	X
- Reverse repurchase	-	-	-	X	X	X	-	-	-	X	X	X
- Financing for leasing	272	-	-	X	X	X	364	-	-	X	X	X
- Other	29.768	-	-	X	X	X	43.997	-	-	X	X	X
2. Debt securities	526.151	-	-	515.273	-	2.710	140.431	-	-	140.477	-	2.252
2.1 Structured	9.413	-	-	7.189	-	2.180	9.428	-	-	7.310	-	2.252
2.2 Other debt securities	516.738	-	-	508.084	-	530	131.003	-	-	133.167	-	-
Total	**562.336**	**-**	**-**	**515.273**	**-**	**38.895**	**560.254**	**-**	**-**	**140.477**	**-**	**422.076**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Total receivables due from banks measured at amortised cost amount to 562,3 million Euro at 31 December 2022, in line with the balance at 31 December 2021, of 560,3 million Euro. It should also be noted that on-demand receivables from banks are shown under the item "Cash and cash equivalents", in accordance with the 7th update of Bank of Italy Circular No. 262/2005. The item at 31 December 2022 consists of debt securities due to banks measured at amortised cost in the amount of 526,2 million Euro, various loans due in the amount of 30,0 million Euro (71,0 million Euro at the end of 2021), and loans to central banks in the amount of 6,1 million Euro (348,8 million Euro at 31 December 2021).

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

Type of transaction/Amounts	31.12.2022						31.12.2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages one and two	Stage three	Purchased or originated impaired	L1	L2	L3	Stages one and two	Stage three	Purchased or originated impaired	L1	L2	L3
1. Loans	**6.328.961**	**257.620**	**41.593**	**-**	**-**	**6.661.934**	**6.445.783**	**242.939**	**51.400**	**-**	**-**	**6.762.323**
1.1. Current accounts	129.791	9.342	837	X	X	X	73.782	17.783	1.148	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Loans/mortgages	2.447.874	57.554	38.897	X	X	X	2.465.307	61.148	48.562	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	14	12	508	X	X	X	42	-	1.147	X	X	X
1.5. Financing for leasing	1.284.262	13.752	-	X	X	X	1.205.257	16.346	-	X	X	X
1.6. Factoring	2.127.701	163.921	197	X	X	X	2.385.701	140.712	388	X	X	X
1.7. Other loans	339.319	13.039	1.154	X	X	X	315.694	6.950	155	X	X	X
2. Debt securities	**2.126.908**	**-**	**-**	**1.803.608**	**-**	**212.122**	**2.271.985**	**-**	**-**	**2.092.229**	**-**	**200.867**
2.1. Structured	13.374	-	-	10.003	-	2.375	8.968	-	-	8.329	-	596
2.2. Other debt securities	2.113.534	-	-	1.793.605	-	209.747	2.263.017	-	-	2.083.900	-	200.271
Total	**8.455.869**	**257.620**	**41.593**	**1.803.608**	**-**	**6.874.056**	**8.717.768**	**242.939**	**51.400**	**2.092.229**	**-**	**6.963.190**

Total receivables due from customers measured at amortised cost amount to 8.755,1 million Euro, a slight decrease compared to 31 December 2021 (9.012,1 million Euro), mainly in relation to a changed strategic approach of the Factoring Area, which concerned the non-recourse product towards the National Health Service. The Bank, in fact, made disposals during the second and third quarters of the year in respect of these loans. In fact, there is an overall decrease of about 220 million Euro in terms of net balance.

In addition, there is a reduction of 145,1 million Euro in debt securities. The normal decrease in the securities portfolio due to the reaching of the above deadlines has been almost entirely offset by the purchases made in the second half of the year.

The growth in impaired loans is driven by non-performing past-due exposures, which increase from 114,4 million Euro in December 2021 to 138,3 million Euro at the end of 2022. This performance was impacted by the increase in past-due exposures to the National Health Service, as a result of the application of the New Dod regulations, and the intervening judgement no. 236/2021 of the Constitutional Court, which declared unconstitutional the extension of the block on executions against, among others, the National Health Service entities; determining a change in the criteria for the transition to PDU of the exposures to the latter.

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

Type of transaction/Amounts	31.12.2022			31.12.2021		
	Stages one and two	Stage three	Purchased or originated impaired	Stages one and two	Stage three	Purchased or originated impaired
1. Debt securities:	**2.126.908**	**-**	**-**	**2.271.985**	**-**	**-**
a) Public Administrations	1.571.496	-	-	1.675.663	-	-
b) Other financial companies	463.757	-	-	517.465	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	91.655	-	-	78.857	-	-
2. Loans to:	**6.328.961**	**257.620**	**41.593**	**6.445.783**	**242.939**	**51.400**
a) Public Administrations	286.822	120.305	729	613.063	77.339	617
b) Other financial companies	1.115.371	10.053	-	990.463	7.873	-
of which: insurance companies	*1.295*	-	-	*294*	-	-
c) Non-financial companies	4.432.268	110.067	32.450	4.365.313	138.839	41.484
d) Households	494.500	17.195	8.414	476.944	18.888	9.299
Total	**8.455.869**	**257.620**	**41.593**	**8.717.768**	**242.939**	**51.400**

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 one	*of which: Low credit risk instruments*	Stage two	Stage three	Purchased or originated impaired	Stage one	Stage two	Stage three	Purchased or originated impaired	
Debt securities	2.657.765	*2.657.765*	-	-	-	(4.706)	-	-	-	-
Loans	5.988.360	-	460.805	399.579	41.593	(70.150)	(13.869)	(141.959)	-	(40.040)
Total 31.12.2022	**8.646.125**	***2.657.765***	**460.805**	**399.579**	**41.593**	**(74.856)**	**(13.869)**	**(141.959)**	**-**	**(40.040)**
Total 31.12.2021	**8.851.539**	***2.414.619***	**500.927**	**426.760**	**51.400**	**(56.962)**	**(17.483)**	**(183.820)**	**-**	**(57.375)**

(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

	Gross amount					Overall impairment losses/reversals				Overall partial write-offs
	Stage one	*of which: Instruments with low credit risk*	Stage two	Stage three	Purchased or originated impaired	Stage one	Stage two	Stage three	Purchased or originated impaired	
1. Loans subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	-	-	-
2. Loans subject to outstanding moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
4. New funding	442.867	-	39.836	13.275	4.392	(3.218)	(540)	(2.611)	-	-
Total 31.12.2022	**442.867**	**-**	**39.836**	**13.275**	**4.392**	**(3.218)**	**(540)**	**(2.611)**	**-**	**-**
Total 31.12.2021	**513.144**	**-**	**48.025**	**5.506**	**10.447**	**(1.248)**	**(646)**	**(1.286)**	**-**	**-**

Section 7 - Equity investments - Item 70

7.1 Equity investments: information on investments

Company Name	Registered office	Head Office	Equity %	Voting rights %
A. Subsidiaries				
1. Ifis Finance Sp. z o. o.	Warsaw	Warsaw	100,00%	100,00%
2. Ifis Rental Services S.r.l.	Milan	Milan	100,00%	100,00%
3. Ifis Npl Investing S.p.A.	Mestre	Florence, Milan and Mestre	100,00%	100,00%
4. Cap.Ital.Fin. S.p.A.	Naples	Naples	100,00%	100,00%
5. Banca Credifarma S.p.A (formerly Farbanca S.p.A.)	Bologna	Bologna	87,74%	87,74%
6. Ifis Finance I.F.N. S.A.	Bucharest	Bucharest	99,99%	99,99%
7. Ifis Npl 2021-1 SPV S.r.l.	Conegliano (Province of Treviso)	Conegliano (Province of Treviso)	51,00%	51,00%
B. Joint ventures	-	-	-	-
C. Companies under significant influence	-	-	-	-

7.5 Equity investments: annual changes

	31.12.2022	31.12.2021
A. Opening balance	**650.540**	**638.362**
B. Increases	**16.067**	**16.637**
B.1 Purchases	14.067	137
B.2 Reversals of impairment losses	-	-
B.3 Revaluations	-	-
B.4 Other changes	2.000	16.500
C. Decreases	**5.274**	**4.459**
C.1 Sales	922	-
C.2 Impairment losses/reversals	-	-
C.3 Devaluations	4.352	4.459
C.4 Other changes	-	-
D. Closing balance	**661.333**	**650.540**
E. Total revaluations	-	**-**
F. Total adjustments	**4.352**	**4.459**

The item “other changes” refers to the capital increase subscribed by the Bank with reference to Ifis Finance I.F.N. S.A. for an equivalent value of 2 million Euro. The amounts entered under purchases and sales refer to the corporate restructuring of the subsidiary Banca Credifarma (formerly Farbanca S.p.A.) following the merger between Credifarma and Farbanca.
The write-downs recorded refer entirely to the investment in Cap.Ital.Fin. S.p.A. and reflect the adjustment of the cost of the investment to the related carrying amount of shareholders' equity.

Section 8 - Property, plant and equipment - Item 80

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

	31.12.2022	31.12.2021
1. Owned	**102.367**	**101.428**
a) Land	20.297	20.297
b) Buildings	63.975	67.131
c) Furniture	2.729	2.763
d) Electronic equipment	3.924	3.377
e) Other	11.442	7.860
2. Rights of use acquired through leases	**19.725**	**14.663**
a) Land	-	-
b) Buildings	17.395	13.236
c) Furniture	-	-
d) Electronic equipment	98	303
e) Other	2.232	1.124
Total	**122.092**	**116.091**
of which: obtained by enforcing collateral	**-**	**-**

Property, plant and equipment amount to 122,1 million Euro, showing an increase of 5,2% compared to 116,1 million Euro in 2021. During the year, some of the Bank's offices underwent renovation and expansion activities. At the end of the year, the properties recognised under property, plant and equipment include the historical building "Villa Marocco", located in Mestre – Venice and housing Banca Ifis's registered office.

The property Villa Marocco, is not depreciated, but it is impairment tested at least once a year, as it is a prestigious property. 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.

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

Assets/Amounts	31.12.2022				31.12.2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned	**424**			**424**	**485**	**-**	**-**	**485**
a) Land					-	-	-	-
b) Buildings	424			424	485	-	-	485
2. Rights of use acquired through leases					**-**	**-**	**-**	**-**
a) Land					-	-	-	-
b) Buildings					-	-	-	-
Total	**424**			**424**	**485**	**-**	**-**	**485**
of which: obtained by enforcing collateral	-	-	-	-	-	-	-	-

Key

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

	Land	Buildings	Furnishings	Electronic equipment	Other	Total 31.12.2022
A. Gross opening balance	**20.297**	**98.740**	**10.353**	**20.489**	**18.638**	**168.517**
A.1 Total net amortisation and impairment losses	-	(18.373)	(7.590)	(16.809)	(9.654)	**(52.426)**
A.2 Net opening balance	**20.297**	**80.367**	**2.763**	**3.680**	**8.984**	**116.091**
B. Increases	**-**	**9.822**	**489**	**2.284**	**7.178**	**19.773**
B.1 Purchases	-	9.822	489	2.284	7.083	**19.678**
B.2 Capitalised improvement expenses	-	-	-	-	95	**95**
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	-	-	-	-	-	**-**
C. Decreases	**-**	**(8.819)**	**(523)**	**(1.942)**	**(2.488)**	**(13.772)**
C.1 Sales	-	-	-	-	-	**-**
C.2 Depreciation	-	(3.709)	(523)	(1.837)	(1.868)	**(7.937)**
C.3 Impairment losses taken to:	-	-	-	-	(435)	**(435)**
a) equity	-	-	-	-	-	**-**
b) profit or loss	-	-	-	-	(435)	**(435)**
C.4 Fair value losses taken to:	-	-	-	-	-	**-**
a) equity	-	-	-	-	-	**-**
b) profit or loss	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Transfers to:	-	-	-	-	-	**-**
a) Property, plant and equipment held for investment purpose	-	-	X	X	X	**-**
b) Non-current assets and disposal groups	-	-	-	-	-	**-**
C.7 Other changes	-	(5.110)	-	(105)	(185)	**(5.400)**
D. Net closing balance	**20.297**	**81.370**	**2.729**	**4.022**	**13.674**	**122.092**
D.1 Total net amortisation and impairment losses	-	1.003	(34)	342	4.690	**6.001**
D.2 Gross closing balance	**20.297**	**82.373**	**2.695**	**4.364**	**18.364**	**128.093**
E. Measurement at cost	**20.297**	**81.370**	**2.729**	**4.022**	**13.674**	**122.092**

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. As previously mentioned in section 8.1 of this document, the prestigious property "Villa Marocco" is subject to an annual impairment test.

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

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

	31.12.2022	
	Land	Buildings
A. Opening balance	**-**	**485**
B. Increases	**-**	**-**
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	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**(61)**
C.1 Sales	-	-
C.2 Depreciation	-	-
C.3 Fair value losses	-	-
C.4 Impairment losses	-	(61)
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	**-**	**424**
E. Measurement at fair value	**-**	**424**

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

8.9 Commitments to purchase property, plant and equipment

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

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown by asset type

Assets/Amounts	31.12.2022		31.12.2021	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**-**	**X**	**-**
A.2 Other intangible assets	**22.642**	**-**	**19.475**	**-**
of which software	*22.642*	-	*19.475*	-
A.2.1 Assets measured at cost:	22.642	-	19.475	-
a) Internally generated intangible assets	524	-	-	-
b) Other assets	22.118	-	19.475	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**22.642**	**-**	**19.475**	**-**

Other intangible assets at 31 December 2022 refer almost exclusively to software purchase and development, amortised on a straight-line basis over the estimated useful life, which is five years from deployment.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total 31.12.2022
		FINITE	INDEF	FINITE	INDEF	
A. Opening balance	**-**	**-**	**-**	**70.271**	**-**	**70.271**
A.1 Total net amortisation and impairment losses	-	-	-	(50.796)	-	**(50.796)**
A.2 Net opening balance	**-**	**-**	**-**	**19.475**	**-**	**19.475**
B. Increases	**-**	**577**	**-**	**8.961**	**-**	**9.538**
B.1 Purchases	-	-	-	8.961	-	**8.961**
B.2 Increases in internally generated intangible assets	-	577	-	-	-	**577**
B.3 Reversals of impairment losses	-	-	-	-	-	**-**
B.4 Fair value gains	-	-	-	-	-	**-**
- to equity		-	-	-	-	**-**
- to profit or loss	-	-	-	-	-	**-**
B.5 Exchange gains		-	-	-	-	**-**
B.6 Other changes	-	-	-	-	-	**-**
C. Decreases	**-**	**(53)**	**-**	**(6.318)**	**-**	**(6.371)**
C.1 Sales	-	-	-	(6.318)	-	**(6.371)**
C.2 Impairment losses/reversals	-	(53)	-	(6.318)	-	**(6.371)**
- Amortisation	-	(53)	-	-	-	**-**
- Impairment losses:	-	-	-	-	-	**-**
+ equity	-	-	-	-	-	**-**
+ profit or loss	-	-	-	-	-	**-**
C.3 Fair value losses:	-	-	-	-	-	**-**
- to equity	-	-	-	-	-	**-**
- to profit or loss	-	-	-	-	-	**-**
C.4 Transfer to non-current assets under disposal	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Other changes	-	-	-	-	-	**-**
D. Net closing balance	**-**	**524**	**-**	**22.118**	**-**	**22.642**
D.1 Total net amortisation, impairment losses and reversals of impairment losses	-	524	-	2.642	-	**3.166**
E. Gross closing balance	**-**	**1.048**	**-**	**24.760**	**-**	**25.808**
F. Measurement at cost	-	524	-	22.118	-	**22.642**

Key

FIN: finite useful life

INDEF: indefinite useful life

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

Section 10 - Tax assets and liabilities - Item 100 of assets and Item 60 of liabilities

10.1 Deferred tax assets: breakdown

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

Deferred tax assets	31.12.2022	31.12.2021
A. Gross deferred tax assets	**249.902**	**270.843**
A1. Receivables (including securitisations)	166.538	199.622
A2. Other financial instruments	20.582	2.993
A3. Goodwill	10.059	12.573
A4. Expenses spanning several years	-	-
A5. Tangible assets	-	-
A6. Provisions for risks and charges	10.985	13.936
A7. Entertainment expenses	-	-
A8. Personnel-related expenses	-	-
A9. Tax losses	39.517	39.116
A10. Unused tax credits to be deducted	-	-
A11. Other	2.221	2.603
B. Set-off with deferred tax liabilities	-	-
C. Net deferred tax assets	**249.902**	**270.843**

Deferred tax assets amount to 249,9 million Euro compared to the figure of 270,8 million Euro at 31 December 2021 and consist mainly of 166,5 million Euro of assets recognised for impairment losses on receivables due from customers, potentially convertible into tax credits (199,6 million Euro at 31 December 2021), 39,5 million Euro assets recognised for prior tax losses and ACE benefit (39,1 million Euro at 31 December 2021) and 20,6 million Euro in misalignments on financial assets measured at fair value with impact on comprehensive income (FVOCI) (3,0 million Euro as at 31 December 2021).

The item also includes 10,1 million Euro for the tax redemption of goodwill booked on the Consolidated Financial Statements relative to the purchase of the controlling equity investment in Ifis Npl Servicing S.p.A. and 11,0 million Euro for temporary differences in provisions for risks and charges.

Finally, please note that, pursuant to the current Tax Consolidation arrangements, the deferred tax asset receivable related to the taxable profit for the year was included in Other assets as an approximately 4,3 million Euro Receivable due from La Scogliera.

In compliance with accounting standard IAS 12 - referred to in the “Banca Ifis impairment policy” - the recoverability of deferred tax assets posted as at 31 December 2022 was assessed. The result of the assessment shows that, in the presence of future taxable income, the DTAs recorded against the Deferred Tax Losses and ACE surpluses totalling 39,5 million Euro are fully recoverable, albeit over the medium/long term.

10.2 Deferred tax liabilities: breakdown

The main types of deferred tax liabilities are shown below:

Deferred tax liabilities	31.12.2022	31.12.2021
A. Gross deferred tax liabilities	**30.274**	**32.280**
A1. Capital gains to be spread over multiple periods	-	-
A2. Goodwill	-	-
A3. Tangible assets	299	308
A4. Financial instruments	1.184	381
A5. Personnel-related expenses	-	-
A6. Other	28.791	31.591
B. Set-off with deferred tax assets	**-**	**-**
C. Net deferred tax liabilities	**30.274**	**32.280**

Deferred tax liabilities, totalling 30,3 million Euro, mainly include 26,0 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 1,2 million Euro relative to financial assets measured at fair value through other comprehensive income (FVOCI).

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

	31.12.2022	31.12.2021
1. Opening balance	**267.718**	**289.388**
2. Increases	**12.959**	**22.644**
2.1 Deferred tax assets recognised in the year	12.959	22.644
a) relative to previous years	87	217
b) due to change in accounting standards	-	-
c) reversals of impairment losses	-	-
d) other	12.872	22.427
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	**-**	**-**
3. Decreases	**51.238**	**44.314**
3.1 Deferred tax assets reversed during the year	37.569	39.775
a) reversals	34.401	31.080
b) impairment losses due to unrecoverability	-	-
c) change in accounting standards	-	-
d) other	3.168	8.695
3.2 Reductions in tax rates	-	-
3.3 Other decreases:	13.669	4.539
a) conversion into tax credits as per Italian Law no. 214/2011	13.669	-
b) other	-	4.539
4. Closing balance	**229.439**	**267.718**

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

- deferred tax assets transformed as a result of Law 214/2011 in the amount of 13,7 million Euro (see point 10.3bis);
- deferred tax assets related to the ACE benefit are not included, as they are recognised under "Other assets" as a receivable from La Scogliera, i.e., the consolidating company from a tax perspective, as a result of the consolidation agreements in force.

10.3bis Changes in deferred tax assets as per Italian Law no. 214/2011

	31.12.2022	31.12.2021
1. Opening balance	**199.622**	**213.274**
2. Increases	**149**	-
2.1 Deferred tax assets recognised in the year	149	-
a) relative to previous years	149	-
b) due to change in accounting standards	-	-
c) reversals of impairment losses	-	-
d) other	-	-
3. Decreases	**33.233**	**13.652**
3.1 Reversals	19.564	13.652
3.2 Conversion in tax credits	13.669	-
a) deriving from losses for the year	-	-
b) deriving from tax losses	13.669	-
3.3 Other decreases	-	-
4. Closing balance	**166.538**	**199.622**

10.4 Changes in deferred tax liabilities (recognised through profit or loss)

	31.12.2022	31.12.2021
1. Opening balance	**31.968**	**34.793**
2. Increases	**633**	**2.321**
2.1 Deferred tax assets recognised in the year	633	2.321
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	633	2.321
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**3.446**	**5.146**
3.1 Deferred tax liabilities reversed during the year	3.446	5.146
a) reversals	3.446	5.146
b) due to change in accounting standards	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**29.155**	**31.968**

10.5 Changes in deferred tax assets (recognised through equity)

	31.12.2022	31.12.2021
1. Opening balance	**3.125**	**789**
2. Increases	**17.789**	**2.446**
2.1 Deferred tax assets recognised in the year	17.789	2.446
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	17.789	2.446
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**451**	**110**
3.1 Deferred tax assets reversed during the year	451	110
a) reversals	451	110
b) impairment losses due to unrecoverability	-	-
c) due to change in accounting standards	-	-
d) other	-	-
3.2 Reductions in tax rates	-	
3.3 Other decreases	-	-
4. Closing balance	**20.463**	**3.125**

The change in deferred tax offsetting shareholder's equity is 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, with specific reference to the debt securities included in the Bank's portfolio.

10.6 Changes in deferred tax liabilities (recognised through equity)

	31.12.2022	31.12.2021
1. Opening balance	**312**	**1.023**
2. Increases	**2.303**	**1.616**
2.1 Deferred tax assets recognised in the year	2.303	1.616
a) relative to previous years	-	-
b) due to change in accounting standards	-	-
c) other	2.303	1.616
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1.496**	**2.327**
3.1 Deferred tax liabilities reversed during the year	1.496	2.327
a) reversals	1.496	2.327
b) due to change in accounting standards	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**1.119**	**312**

10.7 Other information

A) Current tax assets

	31.12.2022	31.12.2021
A. Gross current tax assets	**46.951**	**33.884**
A1. IRES advances	304	8.829
A2. IRAP advances	4.760	3.389
A3. Other receivables and withholdings	41.887	21.666
B. Set-off with current tax liabilities	**-**	**-**
C. Net current tax assets	**46.951**	**33.884**

B) Current tax liabilities

	31.12.2022	31.12.2021
A. Gross current tax liabilities	**5.735**	**3.804**
A1. IRES tax payables	-	-
A2. IRAP tax payables	5.735	3.804
A3. Other current income taxes payable	-	-
B. Set-off with current tax assets	**-**	**-**
C. Net current tax liabilities	**5.735**	**3.804**

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

	AMOUNTS	
	31.12.2022	31.12.2021
Tax receivables	268.509	307.585
Accrued income and deferred expenses	14.720	9.445
Guarantee deposits	968	1.940
Debtors for invoices	53.240	47.307
Sundry receivables	57.103	97.437
Miscellaneous provisional items	17.267	7.640
Portfolio of effects subject to collection	41.798	33.264
Total other assets	**453.605**	**504.618**

Other assets come to 453,6 million Euro at 31 December 2022 (504,6 million Euro at 31 December 2021), of which 253,5 million Euro relate to tax credits for superbonuses and other construction tax bonuses (with a nominal amount of 288 million Euro). It should be noted that the balance at 31 December 2021 included a receivable from the tax consolidating company La Scogliera in the amount of 20,6 million Euro (4,3 million Euro at 31 December 2022), most of which was collected in the first half of 2022 upon settlement of taxes for the previous year within the tax consolidation regime.

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	31.12.2022				31.12.2021			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Payables due to Central banks	**2.423.647**	**X**	**X**	**X**	**2.236.957**	**X**	**X**	**X**
2. Payables due to banks	**1.061.698**	**X**	**X**	**X**	**499.903**	**X**	**X**	**X**
2.1 Current accounts and on demand deposits	66.924	X	X	X	44.230	X	X	X
2.2 Term deposits	149.523	X	X	X	42.873	X	X	X
2.3 Loans	845.251	X	X	X	412.800	X	X	X
2.3.1 Repurchase agreements	731.791	X	X	X	318.352	X	X	X
2.3.2 Other	113.460	X	X	X	94.448	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	-	X	X	X
Total	**3.485.345**	**-**	**-**	**3.485.345**	**2.736.860**	**-**	**-**	**2.736.860**

Key

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

Payables due to banks amount to 3.485,3 million Euro, up 27,3% compared to 31 December 2021. The change was mainly due to repurchase agreements with underlying notes from 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	31.12.2022				31.12.2021			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and on demand deposits	1.231.787	X	X	X	1.495.367	X	X	X
2. Term deposits	3.537.655	X	X	X	3.943.173	X	X	X
3. Loans	101.327	X	X	X	2.987	X	X	X
3.1 Repurchase agreements	50.003	X	X	X	-	X	X	X
3.2 Other	51.324	X	X	X	2.987	X	X	X
4. Debt from buyback commitments on treasury equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	19.682	X	X	X	14.471	X	X	X
6. Other payables	1.056.843	X	X	X	964.166	X	X	X
Total	**5.947.294**	**-**	**-**	**5.761.386**	**6.420.164**	**-**	**-**	**6.335.410**

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

Payables due to customers at 31 December 2022 total 5.947,3 million Euro, down 7,4% compared to 31 December 2021. The change is mainly driven by the performance of demand current accounts (-17,6% compared to December 2021) together with a contraction in term deposits (-10,3%), as well as the subscription of repurchase agreements totalling 50 million Euro, which had a zero balance at 31 December 2021.
Current accounts and on demand deposits at 31 December 2022 include funding from the on demand Rendimax savings account and the "Rendimax" on-line current account, amounting to 664,2 million and 64,1 million Euro, respectively; term deposits represent restricted funding from fixed-term Rendimax accounts and time deposits. Lease payables represent lease liabilities (connected with finance lease contracts and rights of use acquired under leases), in accordance with IFRS 16.

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

Type of securities/Amounts	31.12.2022				31.12.2021			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	1.108.922	1.002.626	64.192	-	1.056.689	1.059.227	-	-
1.1 structured bonds	-	-	-	-	-	-	-	-
1.2 other bonds	1.108.922	1.002.626	64.192	-	1.056.689	1.059.227	-	-
2. Other securities	105	-	-	105	298	-	-	298
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	105	-	-	105	298	-	-	298
Total	**1.109.027**	**1.002.626**	**64.192**	**105**	**1.056.987**	**1.059.227**	**-**	**298**

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

Bonds include 704,2 million Euro (including interest) in senior bonds issued by the Bank, as well as the 404,7 million Euro (including interest) Tier 2 bond.

1.4 Breakdown of subordinated debts/securities

The line item "Debt securities issued" includes 404,7 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

	31.12.2022	31.12.2021
Lease payables	19.682	14.471

The lease payable is related to lease contracts of properties and cars for 16,8 million Euro, all coming under the scope of application of accounting standard IFRS 16, as more extensively described in "Part M - Leasing disclosure" of these individual Notes.
The item also includes 2,8 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 1 March 2009 to 1 March 2027) and provides for the payment of 216 monthly instalments of 28.490 Euro, including the principal, interest and an option to buy the asset at the end of the lease for 1.876.800 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	31.12.2022					31.12.2021				
	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	-	-	25.982	-	-		-	5.992	-	-
1.1 Held for trading	X	-	25.982	-	X	X	-	5.992	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X		-	-	-	
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**	**-**	**25.982**	**-**	**X**	**X**	**-**	**5.992**	**-**	**X**
Total (A+B)	**X**	**-**	**25.982**	**-**	**X**	**X**	**-**	**5.992**	**-**	**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*

With regard to Level 2 trading liabilities, see the comments in "Section 2 - Financial assets measured at fair value through profit or loss - Item 20" of Assets in these individual Notes.

Section 6 - Tax liabilities - Item 60

Current tax liabilities, amounting to 5,7 million Euro, represent the tax liability for the year, higher than the liabilities of 3,8 million Euro at 31 December 2021, which were fully settled in the first half of 2022, when paying the balance on the tax relative to the previous year. Deferred tax liabilities, amounting to 30,3 million Euro, are better described in "Section 10 - Tax assets and liabilities - Item 100 of assets and Item 60 of liabilities" of the Assets in these individual Notes.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	31.12.2022	31.12.2021
Payables due to suppliers	79.032	65.322
Payables due to personnel	19.198	15.650
Payables due to the Tax Office and Social Security agencies	9.567	9.269
Sums available to customers	21.966	18.245
Accrued liabilities and deferred income	4.483	3.899
Other payables	117.567	207.233
Total	**251.813**	**319.618**

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	31.12.2022	31.12.2021
A. Opening balance	**6.419**	**6.016**
B. Increases	**101**	**746**
B.1 Provisions for the year	49	21
B.2 Other changes	52	725
of which from business combinations	-	*203*
C. Decreases	**1.093**	**343**
C.1 Payments made	181	343
C.2 Other changes	912	-
D. Closing balance	**5.427**	**6.419**
Total	**5.427**	**6.419**

5,4 million Euro are due in liabilities for post-employment benefits at 31 December 2022 (6,4 million Euro at 31 December 2021). 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 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Amounts	31.12.2022	31.12.2021
1. Provisions for credit risk related to commitments and financial guarantees granted	9.068	11.615
2. Provisions on other commitments and guarantees given	39	17
3. Provisions for pensions	-	-
4. Other provisions for risks and charges	41.263	50.559
4.1 legal and tax disputes	33.095	33.542
4.2 personnel expenses	2.322	3.659
4.3 other	5.846	13.358
Total	**50.370**	**62.191**

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 31.12.2022
A. Opening balance	**17**	-	**50.559**	**50.576**
B. Increases	**22**	**-**	**11.144**	**11.166**
B.1 Provisions for the year	-	-	11.144	**11.144**
B.2 Changes due to the passage of time	-	-	-	**-**
B.3 Changes due to changes in the discount rate	-	-	-	**-**
B.4 Other changes	22	-	-	**22**
C. Decreases	**-**	**-**	**20.440**	**20.440**
C.1 Used in the year	-	-	5.388	**5.388**
C.2 Changes due to changes in the discount rate	-	-	-	**-**
C.3 Other changes	-	-	15.052	**15.052**
D. Closing balance	**39**	**-**	**41.263**	**41.302**

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 one	Stage two	Stage three	Purchased and/or originated impaired	Total
Loan commitments	2.479	-	-	-	2.479
Guarantees granted	1.332	2.751	2.506	-	5.546
Total	**3.811**	**2.751**	**2.506**	**-**	**9.068**

At 31 December 2022 the balance of 9,1 million Euro reflects the impairment of irrevocable commitments to disburse funds and financial guarantees issued by the Bank and is down on the value at the end of the previous year (amounting to 11,6 million Euro) following the enforcement of certain underlying guarantees during the year.

10.6 Provisions for risks and charges - Other provisions

Legal and tax disputes

At 31 December 2022, the Bank had set aside 33,1 million Euro in provisions. The main components are summarised below:

- 18,5 million Euro for 30 disputes concerning the Trade Receivables Area (the plaintiffs seek 42,1 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;
- 3,3 million Euro (the plaintiffs seek 50 million Euro in damages) for 5 disputes concerning the Corporate Banking & Lending Area deriving from the former Interbanca;
- 9,7 million from the acquisition of the former Aigis Banca business unit;
- 0,5 million Euro for 21 disputes concerning the Trade Receivables and Leasing Area (the plaintiffs seek 0,9 million Euro in damages);
- 1,1 million Euro related to the purchase of tax credits from bonuses and super-bonuses not deemed collectable for offsetting.

It should also be noted that during 2022, provisions for risks related to credit assignment transactions under GACS were released, due to the expiry of the terms for covering the guarantee provided.

Personnel expenses

At 31 December 2022, provisions are entered for staff for 2,3 million Euro (3,7 million Euro at December 2021), relating to the Solidarity Fund established in 2020.

Other provisions for risks and charges

At 31 December 2022, “Other provisions” are in place for 5,8 million Euro (13,4 million Euro at 31 December 2021), consisting mainly of 1,9 million Euro for probable contractual indemnities for loan transfers, 3,1 million Euro for supplementary indemnities for customers connected with the operations of the Leasing Area.

Contingent liabilities

Here below are the most significant contingent liabilities outstanding at 31 December 2022. Based on the opinion of the legal advisers assisting the subsidiaries, they are considered possible, and therefore they are only disclosed.

During the fourth quarter of 2022, Banca Ifis was sued by the bodies of two bankruptcy proceedings, which requested that it be ordered to pay 389,3 million Euro in one case and 47,7 million Euro in the other, as compensation for damages for the unlawful granting of credit in its capacity as lender, albeit marginal, of the companies now in proceedings. The first claim was made jointly and severally with 23 other institutions, while the second claim was made jointly and severally with 8 other institutions. The Bank, supported by its legal

advisers, evaluated the risk of defeat as "possible" and, therefore, it did not allocate funds to the provisions for risks and charges.

Tax dispute

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

The Italian Revenue Agency (AdE) has reclassified the write-off of receivables made by the company Ifis Leasing 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, GdF] 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 2013/2016. 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 1,4 million Euro in additional taxes and administrative penalties amounting to 1,3 million Euro. In holding the claim to be unfounded, the Group appealed against the Verification Notice, paying 1/3 of the tax as provisional enrolment on the tax register.

The hearing for 2013/2015 was discussed at the second section of the Provincial Tax Commission of Venice, which issued a ruling with sentence no. 266/2021 filed on 19 March 2021, fully accepting the Bank's appeal and offsetting the 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. The discussion at the Regional Tax Court is scheduled for 30 January 2023.

With reference to the Assessment Notice relating to the year 2016, after having unsuccessfully attempted a cross-examination, an Appeal was filed on 26 October 2022, paying at the same time one third of the taxes pending judgement as provided for by the regulations. The setting of the date for the hearing before the court of first instance is pending.

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 12 - Equity - Items 110, 130, 140, 150, 160, 170 and 180

12.1 "Share capital" and "Treasury shares": breakdown

Item		31.12.2022	31.12.2021
160	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
170	Treasury shares (in thousands of Euro)	(22.104)	(2.847)
	Number of treasury shares	1.377.981	339.139

12.2 Share capital - number of 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 (-)	(339.139)	-
A.2 Outstanding shares: opening balance	**53.471.956**	**-**
B. Increases	**5.158**	**-**
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	5.158	-
C. Decreases	**1.044.000**	**-**
C.1 Annulments	-	-
C.2 Buybacks of treasury shares	1.044.000	-
C.3 Company sell-offs	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**52.433.114**	**-**
D.1 Treasury shares (+)	1.377.981	-
D.2 Shares held at the end of the year	53.811.095	-
- fully paid-up	53.811.095	-
- not fully paid-up	-	-

12.3 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.

12.4 Profit reserves: other information

Items/Components	31.12.2022	31.12.2021
Legal reserve	10.762	10.762
Extraordinary reserve	508.090	501.491
Other reserves	653.824	653.176
Total profit reserves	**1.172.676**	**1.165.429**
Buyback reserve	22.104	2.847
Future buyback reserve	-	-
Other reserves	3.219	2.463
Total reserves item	**1.197.999**	**1.170.739**

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 Bank 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, Article 172 paragraph 5 of the Consolidated Law on Income Tax required the surviving entity to restore 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 07/08/82;
- 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.

Other information

1. Commitments and financial guarantees granted (other than those measured at fair value)

	Nominal amount of commitments and financial guarantees granted				Total 31.12.2022	Total 31.12.2021
	Stage one	Stage two	Stage three	Purchased and/or originated impaired		
1. Loan commitments	**968.699**	**9.136**	**11.859**	**-**	**989.694**	**983.502**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	1	-	-	-	1	2
c) Banks	135.000	-	-	-	135.000	100.008
d) Other financial companies	330.766	13	2.000	-	332.779	397.614
e) Non-financial companies	486.647	8.613	9.603	-	504.863	465.688
f) Households	16.285	510	256	-	17.051	20.190
2. Guarantees granted	**211.093**	**34.903**	**71.684**	**-**	**317.680**	**298.424**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	5.235	-	1.000	-	6.235	22.093
e) Non-financial companies	203.756	34.903	70.684	-	309.343	271.801
f) Households	2.102	-	-	-	2.102	4.530

2. Other commitments and guarantees granted

	Nominal amount	
	31.12.20212	31.12.2021
1. Other guarantees granted	**20.960**	**16.281**
of which: non-performing	*11*	*11*
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	20.960	16.281
f) Households	-	-
2. Other commitments	**40.646**	**363.949**
of which: non-performing	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	317.716
d) Other financial companies	40.646	46.233
e) Non-financial companies	-	-
f) Households	-	-

3. Assets used as collateral for own liabilities and commitments

Portfolios	31.12.2022	31.12.2021
1. Financial assets measured at fair value through profit or loss	15.176	712
2. Financial assets measured at fair value through other comprehensive income	496.964	472.465
3. Financial assets measured at amortised cost	2.362.759	2.008.942
4. Property, plant and equipment	-	-
- of which: property, plant and equipment qualifying as inventories	-	-

Financial assets measured at fair value through other comprehensive income, just like financial assets measured at amortised cost, respectively for 391,8 million Euro and 1.527,6 million Euro, refer to Government securities guaranteeing loans on the Eurosystem and a forward contract.
The rest of the financial assets measured at amortised cost refer to bank deposits backing derivative transactions.

4. 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. Individual portfolio management	**-**
3. Safekeeping and administration of securities	**5.842.336**
a) third party securities in custody: associated with depositary bank services (excluding portfolio management)	-
1. securities issued by the reporting bank	-
2. other securities	-
b) other third party securities in custody (excluding portfolio management): other	489.149
1. securities issued by the reporting bank	-
2. other securities	489.149
c) third party securities held with third parties	446.273
d) own securities held with third parties	4.906.914
4. Other transactions	**-**

Part C - Information on the 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 31.12.2022	Total 31.12.2021
1. Financial assets measured at fair value through profit or loss:	**1.211**	**296**	**-**	**1.507**	**926**
1.1. Financial assets held for trading	18	-	-	18	3
1.2. Financial assets designated at fair value	-	-	-	-	-
1.3. Other financial assets mandatorily measured at fair value	1.193	296	-	1.489	923
2. Financial assets measured at fair value through other comprehensive income	**6.149**	**-**	**-**	**6.149**	**5.437**
3. Financial assets measured at amortised cost:	**47.364**	**284.259**	**-**	**331.623**	**299.376**
3.1. Receivables due from banks	5.052	12.044	-	17.096	23.402
3.2. Receivables due from customers	42.312	272.215	-	314.527	275.974
4. Hedging derivatives	**-**	**-**	**-**	**-**	**-**
5. Other assets	**-**	**-**	**1**	**1**	**-**
6. Financial liabilities	**-**	**-**	**-**	**-**	**-**
Total	**54.724**	**284.555**	**1**	**339.280**	**305.739**
of which: interest income on impaired financial assets	*-*	*18.725*	*-*	***18.725***	***14.205***
of which: interest income on financial leases	*-*	*52.567*	*-*	***52.567***	***45.633***

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, as per IFRS 9, whereas in the case of Financial assets measured at fair value through other comprehensive income, the reported amounts are almost exclusively related to the 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 Bank, as well as with the securities portfolio, established as a use of liquidity.

Interest income from impaired financial assets mainly consist of interest income from non-performing assets that arose from the business combination with the former GE Capital Interbanca Group and the acquisition of the business unit of the former Aigis Banca.

1.2 Interest receivable and similar income: other information

1.2.1 Interest income on foreign currency financial assets

	31.12.2022	31.12.2021
Interest income on foreign currency financial assets	4.754	3.370

1.3 Interest due and similar expenses: breakdown

Items/Technical forms	Payables	Securities	Other transactions	31.12.2022	31.12.2021
1. Financial liabilities measured at amortised cost	(73.870)	(33.175)	-	(107.045)	(104.590)
1.1 Payables due to central banks	(1.177)	-	-	(1.177)	(2.901)
1.2 Payables due to banks	(6.334)	-	-	(6.334)	(1.612)
1.3 Payables due to customers	(66.359)	-	-	(66.359)	(68.694)
1.4 Debt securities issued	-	(33.175)	-	(33.175)	(31.383)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	-	-	(1)	(1)	(2)
5. Hedging derivatives	-	-	-	-	-
6. Financial assets		-	-	(1.828)	(5.525)
Total	**(73.870)**	**(33.175)**	**(1)**	**(108.874)**	**(110.117)**
of which: interest expense on lease payables	*(269)*	-	-	*(269)*	*(234)*

At 31 December 2022, interest expense on payables due to customers include 55,5 million Euro related to retail funding -- deriving mainly from the Rendimax savings account and the time deposit (60,5 million Euro in 2021).

1.4 Interest due and similar expenses: other information

1.4.1 Interest expense on foreign currency liabilities

	31.12.2022	31.12.2021
Interest expense on foreign currency liabilities	(3.020)	(656)

Section 2 – Commissions – Items 40 and 50

2.1 Commission income: breakdown

Type of services/Amounts	31.12.2022	31.12.2021
a) Financial instruments	-	-
1. Placement of securities	-	-
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	-	-
2. Receipt and transmission of orders and execution of orders on behalf of customers	-	-
2.1 Receipt and transmission of orders for one or more financial instruments	-	-
2.2 Execution of orders on behalf of clients	-	-
3. Other commissions related to activities linked to financial instruments	-	-
of which: trading on own account	-	-
of which: individual portfolio management	-	-
b) Corporate finance	**174**	-
1. Mergers and acquisitions advisory services	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	174	-
c) Investment advisory activities	-	-
d) Clearing and settlement	-	-
e) Custody and administration	-	-
1. Depository bank	-	-
2. Other commissions related to custody and administration activities	-	-
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary activities	-	-
h) Payment services	**1.340**	**1.464**
1. Current accounts	758	740
2. Credit cards	-	-
3. Debit cards and other payment cards	76	49
4. Bank transfers and other payment orders	113	147
5. Other fees related to payment services	393	528
i) Distribution of third-party services	**6.279**	**5.664**
1. Collective portfolio management	-	-
2. Insurance products	6.279	5.664
3. Other products	-	-
of which: individual portfolio management	-	-
l) Structured finance	**-**	**441**
m) Servicing for securitisation transactions	**-**	**150**
n) Loan commitments	**-**	**-**
o) Financial guarantees granted	**1.729**	**1.350**
of which: credit derivatives	-	-
p) Loans	**82.340**	**74.461**
of which: for factoring transactions	*58.270*	*51.994*
q) Trading in currencies	**-**	**-**
r) Commodities	**-**	**-**
s) Other commission income	**2.778**	**2.069**
of which: for management of multi-lateral trading facilities	-	-
of which: for management of organised trading facilities	-	-
Total	**94.640**	**85.599**

The decrease in fees related to the sub-item "Structured Finance" is attributable to the fact that a complex short-term funding transaction, falling within the scope of project financing transactions, was carried out in 2021.
Commissions linked to financing operations amount to 82,3 million Euro, an increase of 10,6% compared to the amount recorded for the previous year.
Commissions related to the distribution of insurance products recorded at the end of 2022 include approximately 5,9 million Euro (5,4 million Euro at the end of 2021) related to the operations of the Leasing Area.

2.2 Commission income: distribution channels of products and services

Channels/Amounts	31.12.2022	31.12.2021
a) At own branches:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
b) Out-of-office offer:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
c) Other distribution channels:	**6.279**	**5.664**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	6.279	5.664
Total	**6.279**	**5.664**

2.3 Commission expense: breakdown

Services/Amounts	31.12.2022	31.12.2021
a) Financial instruments	**(233)**	**(294)**
of which: trading in financial instruments	*(233)*	*(294)*
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and Settlement	**-**	**-**
c) Custody and administration	**(148)**	**(91)**
d) Collection and payment services	**(284)**	**(324)**
of which: credit cards, debit cards and other payment cards	-	-
e) Servicing for securitisation transactions	**(7)**	**(223)**
f) Loan commitments	**-**	**-**
g) Financial guarantees received	**(1.103)**	**(1.037)**
of which: credit derivatives	-	-
h) Out-of-office canvassing of financial instruments, services and	**(1.910)**	**(2.347)**
i) Trading in currencies	**-**	**-**
l) Other commissions payable	**(6.628)**	**(7.391)**
Total	**(10.313)**	**(11.707)**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	31.12.2022		31.12.2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	303	155	33	25
C. Financial assets measured at fair value through other comprehensive income	9.393	-	7.439	-
D. Equity investments	40.000	-	41.737	-
Total	**49.696**	**155**	**49.209**	**25**

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	**107**	**1.422**	**(38)**	**(659)**	**832**
1.1 Debt securities	-	218	(36)	(377)	(195)
1.2 Equity instruments	107	1.204	(2)	(282)	1.027
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and financial liabilities: exchange differences	**-**	**-**	**-**	**-**	**554**
4. Derivatives	**105.051**	**24.854**	**(126.666)**	**(25.154)**	**(21.915)**
4.1. Financial derivatives:	105.051	24.854	(126.666)	(25.154)	(21.915)
- On debt securities and interest rates	50.168	14.050	(49.067)	(13.575)	1.576
- On equity instruments and share indexes	54.883	10.804	(77.599)	(11.579)	(23.491)
- On currencies and gold	-	-	-	-	-
- Other	-	-	-	-	-
4.2 Derivatives on loans	-	-	-	-	-
Of which: natural hedges connected to the fair value option	-	-	-	-	-
Total	**105.158**	**26.276**	**(126.704)**	**(25.813)**	**(20.529)**

Section 6 - Profit (loss) from sale or buyback - Item 100

6.1 Profit (loss) from sale or buyback: breakdown

Items/Income items	31.12.2022			31.12.2021		
	Profit	Losses	Net result	Profit	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	5.541	(993)	4.548	3.396	(759)	2.637
1.1 Receivables due from banks	-	-	-	-	-	-
1.2 Receivables due from customers	5.541	(993)	4.548	3.396	(759)	2.637
2. Financial assets measured at fair value through other comprehensive income	400	(488)	(88)	5.712	(774)	4.938
2.1 Debt securities	400	(488)	(88)	5.712	(774)	4.938
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**5.941**	**(1.481)**	**4.460**	**9.108**	**(1.533)**	**7.575**
B. Financial liabilities measured at amortised cost						
1. Payables due to banks	-	-	-	-	-	-
2. Payables due to customers	-	-	-	-	-	-
3. Debt securities issued	117	(86)	31	**10**	**(102)**	**(92)**
Total liabilities (B)	**117**	**(86)**	**31**	**10**	**(102)**	**(92)**

The net result of total assets was generated by disposals of customer debt securities valued at amortised cost, mostly referring to Italian government securities.

Section 7 - Net result of 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	**16.019**	**6.672**	**(8.545)**	**(168)**	**13.978**
1.1 Debt securities	1.756	417	(263)	(168)	1.742
1.2 Equity instruments	3.092	5.093	(5.061)	-	3.124
1.3 UCITS units	10.923	-	(2.150)	-	8.773
1.4 Loans	248	1.162	(1.071)	-	339
2. Financial assets: exchange differences	**-**	**-**	**-**	**-**	**-**
Total	**16.019**	**6.672**	**(8.545)**	**(168)**	**13.978**

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/	Losses						Reversals				Total 31.12.2022	Total 31.12.2021
	Stage one	Stage two	Stage three		Purchased or originated impaired		Stage one	Stage two	Stage three	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Receivables due from banks	**(1.305)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1.305)**	**369**
- Loans	(97)	-	-	-	-	-	-	-	-	-	(97)	642
- Debt securities	(1.208)	-	-	-	-	-	-	-	-	-	(1.208)	(273)
B. Receivables due from customers	**(15.484)**	**(7.867)**	**(3.666)**	**(66.049)**	**-**	**-**	**4.756**	**1.195**	**16.654**	**19.489**	**(50.972)**	**(56.295)**
- Loans	(14.193)	(7.867)	(3.666)	(66.049)	-	-	4.756	1.195	16.654	19.489	(49.681)	(55.387)
- Debt securities	(1.291)	-	-	-	-	-	-	-	-	-	(1.291)	(908)
Total	**(16.789)**	**(7.867)**	**(3.666)**	**(66.049)**	**-**	**-**	**4.756**	**1.195**	**16.654**	**19.489**	**(52.277)**	**(55.926)**

Net credit risk losses relative to financial assets measured at amortised cost total 52,3 million Euro at 31 December 2022, slightly down on the net losses of 55,9 million Euro recorded at end 2021 (-6,5%).

Note that during the first half of 2022, the prudential adjustments applied to define the additional provisions previously accounted for as a result of the pandemic context were revised, also in light of the fact that the deterioration of the portfolio was, on the whole, less pronounced than assumed. At the same time, some prudent corrections have been made, to take into account the current macroeconomic environment strongly influenced by the impact of rising energy prices on inflationary dynamics, the recessionary effects linked to the Russian-Ukrainian conflict and, last but not least, the risk linked to the persistence of the Covid-19 pandemic. Prudential adjustments to cover these risks, viewed as a whole, were therefore re-evaluated during the year.

Finally, exposures with an NHS counterparty were the subject of a changed strategic approach in 2022. This change, together with an active management of past due exposures that involved the disposal of some portfolios, led to additional total provisions on ATD exposures of 10,7 million Euro.

8.1a Net credit risk losses related to loans measured at amortised cost concerned by COVID-19 support measures: breakdown

Transactions/	Losses						Total 31.12.2022	Total 31.12.2021
	Stage one	Stage two	Stage three		Purchased or originated impaired			
			Write-offs	Other	Write-offs	Other		
1. Loans subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	-
2. Loans subject to outstanding moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-	-	(1.192)
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-
4. New funding	(2.538)	(367)	-	(2.530)	-	-	(5.435)	(1.124)
Total 31.12.2022	**(2.538)**	**(367)**	**-**	**(2.530)**	**-**	**-**	**(5.435)**	**(2.316)**
Total 31.12.2021	**(704)**	**(560)**	**-**	**(1.052)**	**-**	**-**	**(2.316)**	**(2.316)**

8.2 Net credit risk losses related to financial assets measured at fair value through other comprehensive income: breakdown

Operazioni/ componenti reddituali	Losses						Reversals				Total 31.12.2022	Total 31.12.2021
	Stage one	Stage two	Stage three		Purchased or originated impaired		Stage one	Stage two	Stage three	Purchased or originated impaired		
			Write-off	Other	Write-off	Other						
A. Debt securities	**(832)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(832)**	**(32)**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(832)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(832)**	**(32)**

Section 10 - Administrative expenses - Item 160

10.1 Personnel expenses: breakdown

Type of expense/Sectors	31.12.2022	31.12.2021
1) Employees	(110.877)	(102.169)
a) salaries and wages	(79.361)	(73.024)
b) social security contributions	(22.506)	(20.897)
c) post-employment benefits	-	-
d) pension expense	-	-
e) allocations for post-employment benefits	(4.304)	(4.038)
f) allocations to pensions and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments made to supplementary external funds:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
h) costs arising from share-based payment agreements	-	-
i) other employee benefits	(4.706)	(4.210)
2) Other serving employees	(65)	(163)
3) Directors and Statutory Auditors	(5.040)	(4.763)
4) Retired personnel	-	-
5) Recovery of expenses for seconded personnel	3.521	1.704
6) Reimbursement of expenses for seconded third-party employees at the Company	(1.682)	(1.504)
Total	**(114.143)**	**(106.895)**

Personnel expenses, amounting to 114,1 million Euro, show an increase of 6,8% (106,9 million Euro at December 2021) mainly due to the increase in the workforce, and, residually, by virtue of higher provisions for variable remuneration compared to the previous year, linked to the incentive policies implemented during the year. At 31 December 2022, the Bank has 1.312 employees, as compared with 1.271 resources last year.

Allocations for post-employment benefits include 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.

10.2 Average number of employees by category

Employees	31.12.2022	31.12.2021
Employees:	**1.291,5**	**1.229,5**
a) managers	83,5	75,0
b) middle managers	484	456,5
c) other employees	724	698,0
Other personnel	**-**	**-**

10.5 Other administrative expenses: breakdown

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	31.12.2022	31.12.2021
Expenses for professional services	**(39.657)**	**(49.824)**
Legal and consulting services	(37.267)	(47.214)
Auditing	(549)	(430)
Outsourced services	(1.841)	(2.180)
Direct and indirect taxes	**(13.875)**	**(14.299)**
Expenses for purchasing goods and other services	**(57.162)**	**(49.447)**
Software assistance and hire	(15.805)	(13.586)
FITD and Resolution fund	(11.537)	(10.697)
Advertising and inserts	(8.101)	(6.166)
Property expenses	(5.239)	(4.211)
Customer information	(3.400)	(3.622)
Telephone and data transmission expenses	(3.043)	(2.922)
Car fleet management and maintenance	(2.435)	(1.705)
Business travel and transfers	(2.140)	(368)
Securitisation costs	(1.431)	(2.360)
Postage and archiving of documents	(779)	(788)
Other sundry expenses	(3.252)	(3.022)
Total other administrative expenses	**(110.694)**	**(113.570)**

Other administrative expenses come to 110,7 million Euro as compared with the 113,6 million Euro booked last year, thereby recording a slight downturn of 2,5%. This trend is attributable to the dual effect of the decrease in expenses for professional services (down 20,4%, by 10,2 million Euro), only partly offset by the increase in expenses for the purchase of goods and other services (up 15,6%, by 7,7 million Euro). The decrease in expenses for professional services is mainly attributable to the sub-item "Legal and consulting services", which at the end of 2021 included 11,5 million Euro in costs incurred directly by the Bank in connection with the relocation of the parent company La Scogliera's headquarters in Switzerland.

The increase in expenditure for the purchase of goods and other services, on the other hand, is due to the combined effect of changes in certain items, in particular:

- The increase of 16,3% (by 2,2 million Euro) in software support and rental costs is attributable to the Bank's technological innovation and digitisation projects;
- Advertising expenses amount to 8,1 million Euro, an increase of 31,4% (by 1,9 million Euro) compared to the previous year, by virtue of the advertising campaigns activated and in particular the "digital bank" campaign;
- Property-related expenses, up 24,4% (by about 1 million Euro), are affected by inflationary dynamics that impacted variable costs;
- Customer information expenses decrease by 6,1% due to a revision of the underlying contracts with major suppliers;
- Travel and transfers increase by 481,5% (by 1,8 million Euro) due to the end of the mobility restrictions imposed by the health emergency during 2021;
- Costs for FITD and Resolution fund amount to 11,5 million Euro, up 7,9% compared to 10,7 million Euro at 31 December 2021 as a result of the increased volumes of protected deposits in the banking sector.

Finally, the sub-item "Direct and indirect taxes" decreases by 3% compared with the previous year and mainly consists of stamp duty amounting to 10,8 million Euro, the charge-back of which to customers is included in the item "Other operating income", and registration tax amounting to 0,9 million Euro.

Section 11 - Net allocations to provisions for risks and charges - Item 170

11.1 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 total a positive 0,9 million Euro in at 31 December 2022, reflecting the estimated risk on the commitments made.

11.3 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 individual Notes.

Section 12 - Net impairment losses/reversals on property, plant and equipment - Item 180

12.1 Net impairment losses on property, plant and equipment: breakdown

Assets/Income items	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. for functional use	(7.936)	(497)	-	(8.433)
- Owned	(4.560)	(497)	-	(5.057)
- Rights of use acquired through leases	(3.376)	-	-	(3.376)
2. Held for investment	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3. Inventories	-	-	-	-
Total	**(7.936)**	**(497)**	**-**	**(8.433)**

Section 13 - Net impairment losses/reversals on intangible assets - Item 190

13.1 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	*(6.318)*	-	-	*(6.318)*
A.1 Owned	(6.371)	-	-	(6.371)
- Internally generated	(53)	-	-	(53)
- Other	(6.318)	-	-	(6.318)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(6.371)**	**-**	**-**	**(6.371)**

Section 14 - Other operating income (expenses) - Item 200

14.1 Other operating costs: breakdown

Type of expense/Amounts	31.12.2022	31.12.2021
a) Transactions with customers	(49)	(753)
b) Capital losses	(31)	(108)
b) Other charges	(4.520)	(1.261)
Total	**(4.600)**	**(2.122)**

14.2 Other operating income: breakdown

Amounts/Income	31.12.2022	31.12.2021
a) Recovery of third party expenses	14.036	14.531
b) Rental income	1.118	757
c) Income from the realisation of property, plant and equipment	21	205
d) Other income	22.419	23.804
Total	**37.594**	**39.297**

Other income and expenses at 31 December 2022 show a net positive balance of 33 million Euro, a decrease of 11,2% from the previous year. The item mainly includes revenue from the recovery of expenses charged to third parties. The relevant cost component is included in other administrative expenses (legal expenses and indirect taxes), as well as recoveries of expenses associated with leasing operations. The 2021 figure included 2,9 million Euro of positive difference, which arose during allocation of the purchase price of the former Aigis Banca business unit. In addition, it should be noted that there was an increase in operating costs related to the write-down of assets under construction, tax credits and invoices to be issued, which were recorded under other assets for a total of 3,1 million Euro.

Section 15 – Profit (loss) on equity investments – Item 220

15.1 Analysis of profit (loss) on equity investments

Income components/Values	31.12.2022	31.12.2021
A. Income	225	-
1. Revaluations	-	-
2. Gains on sale	225	-
3. Reversals	-	-
4. Other income	-	-
B. Expenses	(4.352)	(4.459)
1. Write-downs	(4.352)	(4.459)
2. Impairment losses	-	-
3. Losses on sale	-	-
4. Other expenses	-	-
Net result	**(4.127)**	**(4.459)**

The write-downs recorded refer entirely to the investment in Cap.Ital.Fin. S.p.A. and reflect the adjustment of the cost of the investment to the related carrying amount of shareholders' equity.

Section 18 - Profit (loss) from sale or buyback - item 250

18.1 Profit (Loss) from sale of investments: breakdown

At 31 December 2022, as in the previous year, there are no gains or losses on the disposal of investments.

Section 19 - Income taxes for the year relating to current operations - Item 270

19.1 Income taxes for the year relating to current operations: breakdown

Income items/Sectors	31.12.2022	31.12.2021
1. Current taxes (-)	(5.735)	(3.804)
2. Changes in current taxes of previous years (+/-)	441	(83)
3. Reductions in current taxes for the year (+)	13.669	-
3.*bis* Reduction in current taxes for the year for tax credits as per Italian Law no. 214/2011 (+)	13.669	-
4. Changes in deferred tax assets (+/-)	(33.481)	(6.197)
5. Changes in deferred tax liabilities (+/-)	2.813	2.825
6. Tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(22.293)	(7.259)

19.2 Reconciliation between theoretical tax charges and effective tax charges for the year

Items/Components	31.12.2022	31.12.2021
Pre-tax profit (loss) for the period from continuing operations	**102.089**	**63.727**
IRES - theoretical tax charges (27,5%)	(28.075)	(17.525)
- effect of non-taxable income and other decreases - permanent	17.394	18.436
- effect of non-deductible charges and other increases - permanent	(4.978)	(3.227)
- non-current corporate income tax (IRES)	54	(657)
IRES - Effective tax charges	**(15.605)**	**(2.973)**
IRAP - theoretical tax charges (5,57%)	(5.686)	(3.550)
- effect of income/charges that are not part of the taxable base	(1.389)	(1.345)
- non-current regional tax on productive activities (IRAP)	387	609
IRAP - Effective tax charges	**(6.688)**	**(4.286)**
Effective tax charges for the year	**(22.293)**	**(7.259)**

The tax rate for the year 2022 is 21,84%. The effective tax rate is below the theoretical tax rate of 33,07% (27,5% IRES + 5,57% IRAP) thanks to the benefits generated primarily by the ACE deduction and the partial taxation of dividends received by the Bank, 95% of which are excluded from IRES taxation and 50% from IRAP taxation.

Section 21 - Other information

21.1 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 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 Banca Ifis.

Granter	Reference	Amount of the government grant
INPS	L. 205/2017, L. 78/2020	241
Interprofessional funds	-	176
National Fund for the Support of Employment (F.O.C.)	-	258
Total		**675**

Refer to the National State Aid Register, "Transparency" section, for further information.

Section 22 - Earnings per share

22.1 Average number of ordinary diluted shares

Earnings per share and diluted earnings per share	31.12.2022	31.12.2021
Net profit (in thousands of Euro)	79.796	56.468
Average number of outstanding shares	52.685.625	53.468.051
Average number of diluted shares	52.685.625	53.468.051
Earnings per share (Units of Euro)	**1,51**	**1,06**
Diluted earnings per share (Units of Euro)	**1,51**	**1,06**

Part D - Statement of comprehensive income

	ITEMS (in thousands of Euro)	31.12.2022	31.12.2021
10.	**Profit (Loss) for the year**	**79.796**	**56.468**
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**(3.028)**	**1.468**
20.	Equity securities measured at fair value through other comprehensive income	(2.494)	3.791
	a) fair value gains (losses)	(3.181)	(220)
	b) transfers to other components of equity	687	4.011
70.	Defined benefit plans	913	(203)
100.	Income taxes related to other comprehensive income to be reclassified to profit or loss	(1.447)	(2.120)
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	**(32.078)**	**(5.525)**
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	(48.339)	(8.270)
	a) fair value gains (losses)	(49.040)	(15.680)
	b) reclassification to profit or loss	701	7.410
	- credit risk losses	832	32
	- gains/losses on sale	(131)	7.378
	c) other changes	-	-
180.	Income taxes related to other comprehensive income to be reclassified to profit or loss	16.261	2.745
190.	**Total other comprehensive income**	**(35.106)**	**(4.057)**
200.	**Total comprehensive income (Item 10 + 190)**	**44.690**	**52.411**

Part E - Information on risks and related hedging policies

Background

This Part of the Notes includes quantitative information on risks referring to Banca Ifis S.p.A. For qualitative information on the risk management and monitoring process, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

Section 1 - Credit risk

Qualitative information

For qualitative information, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

Quantitative information

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	29.273	106.942	138.346	220.637	8.822.220	**9.317.418**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	589.638	**589.638**
3. Financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	4.937	8.513	-	-	74.656	**88.106**
5. Financial assets under disposal	-	-	-	-	-	**-**
Total 31.12.2022	**34.210**	**115.455**	**138.346**	**220.637**	**9.486.514**	**9.995.162**
Total 31.12.2021	**42.816**	**126.587**	**114.376**	**303.876**	**9.536.762**	**10.124.417**

Excluded from this table are on-demand receivables from banks (which are classified under the item “Cash and cash equivalents”, in accordance with Bank of Italy instructions), equity securities and UCITS units.

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	416.520	141.959	274.561	3.082	9.131.582	88.725	9.042.857	**9.317.418**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	590.721	1.083	589.638	**589.638**
3. Financial assets designated at fair value	-	-	-	-	X	X	-	**-**
4. Other financial assets mandatorily measured at fair value	13.450	-	13.450	-	X	X	74.656	**88.106**
5. Financial assets under disposal	-	-	-	-	-	-	-	**-**
Total 31.12.2022	**429.970**	**141.959**	**288.011**	**3.082**	**9.722.303**	**89.808**	**9.707.151**	**9.995.162**
Total 31.12.2021	**467.600**	**183.820**	**283.780**	**22.766**	**9.893.252**	**74.696**	**9.840.637**	**10.124.417**

(1) Amount to be reported for disclosure purposes

Excluded from this table are on-demand receivables from banks (which are classified under the item “Cash and cash equivalents”, in accordance with Bank of Italy instructions), equity securities and UCITS units.

Portfolio/Quality	Low credit quality assets		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	9	4	1.173
2. Hedging derivatives	-	-	-
Total 31.12.2022	**9**	**4**	**1.173**
Total 31.12.2021	**127**	**27**	**3.503**

A.1.3 Distribution of financial assets by past due buckets (carrying amounts)

Portfolios/risk stages	Stage one			Stage two			Stage three			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	75.786	549	232	12.269	28.211	102.953	6.745	11.442	127.363	1.144	910	9.111
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2022	**75.786**	**549**	**232**	**12.269**	**28.211**	**102.953**	**6.745**	**11.442**	**127.363**	**1.144**	**910**	**9.111**
Total 31.12.2021	**84.703**	**185**	**90**	**8.559**	**52.121**	**156.561**	**3.942**	**5.563**	**114.528**	**2.220**	**564**	**18.029**

A.1.4 Financial assets, loan commitments and financial guarantees granted: overall impairment losses/reversals and overall provisions

Reason/Risk stage	Overall impairment losses/reversals																								Total provisions on loan commitments and financial guarantees granted				Tot.
	Stage one assets						Stage two assets						Stage three assets						Purchased or originated impaired financial assets										
	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*	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 one	Stage two	Stage three	Commitments to disburse funds and fin. guarantees issued impaired acquired or	
Opening balance of total impairment losses/reversals of impairment losses	**354**	**56.608**	**251**	**-**	**-**	***57.213***	**-**	**17.483**	**-**	**-**	**-**	***17.483***	**-**	**183.820**	**-**	**-**	***183.820***	**-**	**-**	**-**	**-**	**-**	**-**	**4.039**	**2.081**	**6.555**	**-**	**271.191**
Increases from purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	-	-	-	(4.849)	-	-	-	*(4.849)*	-	(58.819)	-	-	*(58.819)*	-	-	-	-	-	-	-	-	(1.633)	-	**(65.301)**
Net credit risk losses/reversals (+/-)	1.305	14.791	832	-	-	*16.928*	-	2.639	-	-	-	*2.639*	-	51.363	-	-	*51.363*	-	(19.489)	-	-	*(19.489)*	-	(213)	694	(2.416)	-	**49.506**
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	1.806	-	-	-	*1.806*	-	(1.806)	-	-	-	*(1.806)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(32.344)	-	-	*(32.344)*	-	-	-	-	-	-	-	-	-	-	**(32.344)**
Other changes	(8)	-	-	-	-	*(8)*	-	402	-	-	-	*402*	-	(2.061)	-	-	*(2.061)*	-	19.489	-	-	*19.489*	-	-	-		-	**17.822**
Closing balance of total impairment losses/reversals of impairment losses	**1.651**	**73.205**	**1.083**	**-**	**-**	***75.939***	**-**	**13.869**	**-**	**-**	**-**	***13.869***	**-**	**141.959**	**-**	**-**	***141.959***	**-**	**-**	**-**	**-**	**-**	**-**	**3.826**	**2.775**	**2.506**	**-**	**240.874**
Reversals from collections on financial assets written off	-	-	-	-	-	-	-	-	-	-	-	-	-	7.138	-	-	*7.138*	-	-	-	-	-	-	-	-	-	-	**7.138**
Write-offs recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	3.666	-	-	*3.666*	-	-	-	-	-	-	-	-	-	-	**3.666**

A.1.5 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 one and Stage two		Transfers between Stage two and Stage three		Transfers between Stage one and Stage three	
	From Stage one to Stage two	From Stage two to Stage one	From Stage two to Stage three	From Stage three to Stage two	From Stage one to Stage three	From Stage three to Stage one
1. Financial assets measured at amortised cost	244.749	163.714	67.519	23.153	77.512	19.904
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-
4. Loan commitments and financial guarantees granted	170.389	5.940	1	1.807	1.869	1.919
Total 31.12.2022	**415.138**	**169.654**	**67.520**	**24.960**	**79.381**	**21.823**
Total 31.12.2021	**271.991**	**332.883**	**51.477**	**6.088**	**33.867**	**34.744**

A.1.5a Loans concerned by COVID-19 support measures: transfers between different credit risk stages (gross amounts)

Portfolios/risk stages	Gross amounts/nominal amount					
	Transfers between Stage one and Stage two		Transfers between Stage two and Stage three		Transfers between Stage one and Stage three	
	From Stage one to Stage two	From Stage two to Stage one	From Stage two to Stage three	From Stage three to Stage two	From Stage one to Stage three	From Stage three to Stage one
A. Loans measured at amortised cost	**32.834**	**11.867**	**3.519**	**45**	**9.662**	**-**
A.1 subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-
A.2 subject to existing moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-
A.3 subject to other forbearance measures	-	-	-	-	-	-
A.4 new funding	32.834	11.867	3.519	45	9.662	
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 subject to forbearance measures in compliance with the GLs	**-**	**-**	**-**	**-**	**-**	**-**
B.2 subject to existing moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-
B.3 subject to other forbearance measures	-	-	-	-	-	-
B.4 new funding	-	-	-	-	-	-
Total 31.12.2022	**32.834**	**11.867**	**3.519**	**45**	**9.662**	**-**
Total 31.12.2021	**22.192**	**19.551**	**484**	**99**	**214**	**85**

A.1.6 On- and off-balance-sheet exposures to banks: gross and net amounts

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

Types of exposures/Amounts	Gross exposure					Overall impairment losses/reversals and overall allocations					Net exposure	Overall partial write-offs
		Stage one	Stage two	Stage three	Purchased or originated impaired		Stage one	Stage two	Stage three	Purchased or originated impaired		
A. On-balance-sheet credit exposures												
A.1 On demand	**440.229**	**440.229**	**-**	**-**	**-**	**144**	**144**	**-**	**-**	**-**	**440.085**	**-**
a) Non-performing	-	X	-	-	-	-		-	-	-	-	-
b) Performing	440.229	440.229	-	X	-	144	144	-	X	-	440.085	-
A.2 Other	**703.279**	**671.474**	**31.805**	**-**	**-**	**1.871**	**1.871**	**-**	**-**	**-**	**701.408**	**-**
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	703.279	671.474	31.805	X	-	1.871	1.871	-	X	-	701.408	-
- of which forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
Total (A)	**1.143.508**	**1.111.703**	**31.805**	**-**	**-**	**2.015**	**2.015**	**-**	**-**	**-**	**1.141.493**	**-**
B. Off-balance-sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	918.233	135.000	783.233	X	-	-	-	-	X	-	918.233	-
Total (B)	**918.233**	**135.000**	**783.233**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**918.233**	**-**
Total (A+B)	**2.061.741**	**1.246.703**	**815.038**	**-**	**-**	**2.015**	**2.015**	**-**	**-**	**-**	**2.059.726**	**-**

A.1.7 On- and off-balance-sheet exposures to customers: gross and net amounts

Types of exposures/Amounts	Gross exposure					Overall impairment losses/reversals and overall allocations					Net exposure	Overall partial write-offs
		Stage one	Stage two	Stage three	Purchased or originated impaired		Stage one	Stage two	Stage three	Purchased or originated impaired		
A. On-balance-sheet credit exposures												
a) Bad loans	102.122	X	X	90.548	11.574	67.912	X	X	67.912	-	34.210	2.924
- of which forborne exposures	*3.709*	*X*	*X*	*3.640*	*69*	*3.180*	*X*	*X*	*3.180*	-	*529*	-
b) Unlikely to pay	180.341	X	X	163.352	16.989	64.886	X	X	64.886	-	115.455	137
- of which forborne exposures	*30.374*	*X*	*X*	*25.095*	*5.279*	*11.536*	*X*	*X*	*11.536*	-	*18.838*	-
c) Non-performing past due exposures	147.507	X	X	146.871	636	9.161	X	X	9.161	-	138.346	21
- of which forborne exposures	*3.502*	*X*	*X*	*3.431*	*71*	*844*	*X*	*X*	*844*	-	*2.658*	*17*
d) Performing past due exposures	225.660	77.907	147.117	X	636	5.023	1.340	3.683	X	-	220.637	6
- of which forborne exposures	*3.002*	-	*2.879*	*X*	*123*	*215*	-	*215*	*X*	-	*2.787*	-
e) Other performing exposures	8.868.697	8.487.466	313.689	X	67.542	82.914	72.728	10.186	X	-	8.785.783	36.958
- of which forborne exposures	*77.586*	-	*75.636*	*X*	*1.950*	*3.832*	-	*3.832*	*X*	-	*73.754*	-
Total (A)	**9.524.327**	**8.565.373**	**460.806**	**400.771**	**97.377**	**229.896**	**74.068**	**13.869**	**141.959**	**-**	**9.294.431**	**40.046**
B. Off-balance-sheet credit exposures												
a) Non-performing	83.554	X	X	83.554	-	2.506	X	X	2.506	-	81.048	-
b) Performing	1.201.029	1.152.745	48.121	X	163	6.601	3.826	2.775	X	-	1.194.428	-
Total (B)	**1.284.583**	**1.152.745**	**48.121**	**83.554**	**163**	**9.107**	**3.826**	**2.775**	**2.506**	**-**	**1.275.476**	**-**
Total (A+B)	**10.808.910**	**9.718.118**	**508.927**	**484.325**	**97.540**	**239.003**	**77.894**	**16.644**	**144.465**	**-**	**10.569.907**	**40.046**

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

A.1.7a Loans concerned by COVID-19 support measures: gross and net amounts

Types of exposures/Amounts	Gross exposure					Overall impairment losses/reversals and overall allocations					Net exposure	Overall partial write-offs
		Stage one	Stage two	Stage three	Purchased or originated impaired		Stage one	Stage two	Stage three	Purchased or originated impaired		
A. Non-performing loans:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New funding	-	-	-	-	-	-	-	-	-	-	-	-
B. Unlikely to pay loans:	**12.065**	**-**	**-**	**10.029**	**2.036**	**2.259**	**-**	**-**	**2.259**	**-**	**9.806**	**-**
a) Subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New funding	12.065	-	-	10.029	2.036	2.259	-	-	2.259	-	9.806	-
C. Non-performing past due loans:	**3.291**	**-**	**-**	**3.246**	**45**	**352**	**-**	**-**	**352**	**-**	**2.939**	**-**
a) Subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New funding	3.291	-	-	3.246	45	352	-	-	352	-	2.939	-

D. Other performing past-due exposures:	**14.645**	**4.285**	**10.302**	**-**	**58**	**215**	**24**	**191**	**-**	**-**	**14.430**	**-**
a) Subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New funding	14.645	4.285	10.302	-	58	215	24	191	-	-	14.430	-
E. Other performing loans:	**470.369**	**438.583**	**29.534**	**-**	**2.252**	**3.543**	**3.194**	**349**	**-**	**-**	**466.826**	**-**
a) Subject to forbearance measures in compliance with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to outstanding moratorium measures no longer in compliance with the GLs and not evaluated as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New funding	470.369	438.583	29.534	-	2.252	3.543	3.194	349	-	-	466.826	-
Total (A+B+C+D+E)	**500.370**	**442.868**	**39.836**	**13.275**	**4.391**	**6.369**	**3.218**	**540**	**2.611**	**-**	**494.001**	**-**

This table shows, with reference to the loans concerned by moratorium or other COVID-19 forbearance measures, 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.

A.1.9 On-balance-sheet exposures for receivables due from customers: trends in gross non-performing exposures

Reason/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Opening gross exposure	**133.058**	**214.302**	**120.240**
- of which: transferred and not derecognised	*99*	*948*	*2.307*
B. Increases	**268.815**	**256.414**	**328.763**
B.1 income from performing exposures	3.350	48.169	259.709
B.2 income from purchased or originated impaired financial assets	8.052	35.335	90
B.3 transfers from other non-performing exposure categories	28.071	37.412	300
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	229.342	135.498	68.664
C. Decreases	**299.751**	**290.375**	**301.496**
C.1 outflows to performing exposures	775	37.772	94.244
C.2 write-offs	74.910	11.187	614
C.3 collections	13.347	39.552	2.457
C.4 proceeds from sales	4.233	6.824	-
C.5 losses on sale	47.317	4.599	-
C.6 transfers to other non-performing loan categories	385	28.110	37.287
C.7 contractual modifications without derecognition	-	-	-
C.8 other decreases	158.784	162.331	166.894
D. Closing gross exposure	**102.122**	**180.341**	**147.507**
- of which: transferred and not derecognised	*544*	*2.249*	*6.196*

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

A.1.9 bis On-balance-sheet exposures to receivables due from customers: trends in gross forborne exposures broken down by credit quality

Reason/Categories	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**77.108**	**92.141**
- of which: transferred and not derecognised	*628*	*20.022*
B. Increases	**73.491**	**66.083**
B.1 inflows from non-forborne performing exposures	207	27.103
B.2 inflows from forborne performing exposures	8.966	X
B.3 inflows from non-performing forborne exposure	X	27.715
B.4 inflows from non-forborne non-performing exposures	8.116	-
B.5 other increases	56.202	11.265
C. Decreases	**113.014**	**77.636**
C.1 outflows to non-forborne performing exposures	X	34.470
C.2 outflows to forborne performing exposures	27.715	X
C.3 outflows to non-performing forborne exposures	X	8.966
C.4 write-offs	1.047	-
C.5 collections	3.393	9.047
C.6 proceeds from sales	5.495	-
C.7 losses on sale	600	-
C.8 other decreases	74.764	25.153
D. Closing gross exposure	**37.585**	**80.588**
- of which: transferred and not derecognised	*1.357*	*12.467*

A.1.11 On-balance-sheet non-performing exposures to receivables due from 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	**90.242**	***3.334***	**87.714**	***22.325***	**5.863**	***1.037***
- of which: transferred and not derecognised	*85*	-	*532*	*208*	*318*	*44*
B. Increases	**42.885**	***521***	**34.405**	***3.930***	**10.735**	***793***
B.1 impairment losses from purchased or originated impaired financial assets	-	*X*	-	*X*	-	*X*
B.2. other impairment losses	28.361	*521*	30.527	*3.532*	10.735	*539*
B.3 losses on sale	-	-	783	-	-	-
B.4 transfers from other non-performing exposure categories	12.891	-	927	*398*	-	-
B.5 contractual modifications without derecognition	-	-	-	-	-	-
B.6 other increases	1.633	-	2.168	-	-	*254*
C. Decreases	**65.215**	***675***	**57.233**	***14.719***	**7.437**	***986***
C.1 impairment reversals from appreciation	5.088	*618*	2.863	-	2.799	*577*
C.2 impairment reversals from collection	2.482	*17*	11.683	*3.981*	1.365	*11*
C.3 gains on disposal	217	-	-	-	-	-
C.4 write-offs	19.650	*40*	12.694	-	-	-
C.5 transfers to other non-performing loan categories	927	-	12.891	*121*	-	*398*
C.6 contractual modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	36.851	-	17.102	*10.617*	3.273	-
D. Closing balance of total impairment losses/reversals of impairment losses	**67.912**	***3.180***	**64.886**	***11.536***	**9.161**	***844***
- of which: transferred and not derecognised	*477*	-	*1.229*	*300*	*1.053*	*160*

A.2 Classification of financial assets, loan commitments and financial guarantees granted by external and internal rating

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 Breakdown of financial assets, loan commitments and financial guarantees granted by internal rating class (gross amounts)

The Bank does not use internal ratings for the purposes of calculating capital absorption. The Bank has implemented an internal ratings 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 Bank.
- 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 Guaranteed on- and off-balance-sheet 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	CLN	Central counterpartie	Banks	Other financial	Other entities	General governments	Banks	Other financial corporations	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	**273**	**272**	**-**	**-**	**-**	**272**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**272**
1.1 totally guaranteed	273	272	-	-	-	272	-	-	-	-	-	-	-	-	-	**272**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Secured "off-balance sheet" credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.3.2 Guaranteed on- and off-balance-sheet 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 Finance Leases	Securities	Other collateral	CNL	Central counterparties	Banks	Other financial corporations	Other entities	General governments	Banks	Other financial corporations	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	**2.962.335**	**2.854.791**	**300.779**	**-**	**-**	**1.444.763**	**-**	**-**	**-**	**-**	**-**	**756.305**	**809**	**6.631**	**167.670**	**2.676.957**
1.1 totally guaranteed	1.980.619	1.905.924	214.810	-	-	1.354.151	-	-	-	-	-	180.871	809	6.144	149.138	1.905.923
- of which non-performing	*125.019*	*75.686*	*29.439*	-	-	*20.272*	-	-	-	-	-	*12.219*	-	*29*	*13.728*	*75.687*
1.2 partially guaranteed	981.716	948.867	85.969	-	-	90.612	-	-	-	-	-	575.434	-	487	18.532	771.034
- of which non-performing	*52.428*	*38.343*	*798*	-	-	*85*	-	-	-	-	-	*33.705*	-	-	*2.507*	*37.095*
2. Guaranteed off-balance-sheet credit exposures:	**22.080**	**22.021**	**-**	**-**	**42**	**7.778**	**-**	**-**	**-**	**-**	**-**	**943**	**-**	**50**	**5.858**	**14.671**
2.1 totally guaranteed	12.923	12.879	-	-	42	6.933	-	-	-	-	-	69	-	50	5.784	12.878
- of which non-performing	*1.341*	*1.341*	-	-	-	-	-	-	-	-	-	-	-	-	*1.341*	*1.341*
2.2 partially guaranteed	9.157	9.142	-	-	-	845	-	-	-	-	-	874	-	-	74	1.793
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. Concentration and distribution of credit exposures

B.1 Breakdown of on- and off-balance-sheet exposures to customers by segment

Exposures/Counterparties	General governments		Financial companies		*Financial companies (of which: insurance companies)*		Non-financial corporations		Households	
	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	*Net exposure*	*Overall impairment losses/reversal*	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. On-balance-sheet credit exposures										
A.1 Bad loans	-	(288)	-	(27)	-	-	32.816	(63.821)	1.394	(3.776)
- of which forborne exposures	-	-	-	-	-	-	*389*	*(2.847)*	*140*	*(333)*
A.2 Unlikely to pay	13.317	(28)	10.008	(908)	-	-	79.170	(57.604)	12.960	(6.346)
- of which forborne exposures	-	-	*25*	*(123)*	-	-	*11.049*	*(9.110)*	*7.764*	*(2.303)*
A.3 Non-performing past due exposures	107.572	(3.653)	46	(11)	-	-	24.692	(3.816)	6.036	(1.681)
- of which forborne exposures	*51*	-	*11*	*(3)*	-	-	*1.405*	*(349)*	*1.191*	*(492)*
A.4 Performing exposures	2.261.709	(2.421)	1.648.056	(9.379)	*1.295*	-	4.596.936	(69.816)	499.719	(6.321)
- of which forborne exposures	*397*	-	*44*	-	-	-	*66.891*	*(3.573)*	*9.209*	*(474)*
Total (A)	**2.382.598**	**(6.390)**	**1.658.110**	**(10.325)**	***1.295***	**-**	**4.733.614**	**(195.057)**	**520.109**	**(18.124)**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	2.800	(200)	-	-	77.992	(2.306)	256	-
B.2 Performing exposures	1	-	374.570	(2.089)	-	-	750.989	(4.504)	18.889	(8)
Total (B)	**1**	**-**	**377.370**	**(2.289)**	**-**	**-**	**828.981**	**(6.810)**	**19.145**	**(8)**
Total (A+B) 31.12.2022	**2.382.599**	**(6.390)**	**2.035.480**	**(12.614)**	***1.295***	**-**	**5.562.595**	**(201.867)**	**539.254**	**(18.132)**
Total (A+B) 31.12.2021	**2.836.332**	**(11.524)**	**2.007.748**	**(6.104)**	***294***	***(3)***	**5.415.660**	**(230.443)**	**529.839**	**(21.715)**

B.2 Geographical breakdown of on- and off-balance-sheet 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 exposures										
A.1 Bad loans	34.210	(67.910)	-	(2)	-	-	-	-	-	-
A.2 Unlikely to pay	115.163	(64.719)	292	(167)	-	-	-	-	-	-
A.3 Non-performing past due exposures	137.921	(9.109)	425	(52)	-	-	-	-	-	-
A.4 Performing exposures	8.519.724	(83.093)	435.656	(4.255)	31.253	(307)	19.473	(277)	314	(5)
Total (A)	**8.807.018**	**(224.831)**	**436.373**	**(4.476)**	**31.253**	**(307)**	**19.473**	**(277)**	**314**	**(5)**
B. Off-balance sheet exposures										
B.1 Non-performing exposures	80.715	(2.506)	333	-	-	-	-	-	-	-
B.2 Performing exposures	1.008.954	(6.352)	134.978	(249)	-	-	214	-	303	-
Total (B)	**1.089.669**	**(8.858)**	**135.311**	**(249)**	**-**	**-**	**214**	**-**	**303**	**-**
Total (A+B) 31.12.2022	**9.896.687**	**(233.689)**	**571.684**	**(4.725)**	**31.253**	**(307)**	**19.687**	**(277)**	**617**	**(5)**
Total (A+B) 31.12.2021	**10.189.373**	**(256.919)**	**464.383**	**(11.800)**	**80.211**	**(923)**	**50.389**	**(134)**	**5.223**	**(10)**

B.3 Geographical breakdown of on- and off-balance-sheet 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 exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	890.248	(1.466)	251.245	(549)	-	-	-	-	-	-
Total (A)	**890.248**	**(1.466)**	**251.245**	**(549)**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	135.017	-	317	-	-	-	-	-	-	-
Total (B)	**135.017**	**-**	**317**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2022	**1.025.265**	**(1.466)**	**251.562**	**(549)**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2021	**1.113.188**	**(342)**	**12.509**	**(18)**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Major exposures

		31.12.2022	31.12.2021
a)	Carrying amount	6.315.731	6.423.085
b)	Weighted value	785.315	549.833
c)	Number	7	7

The overall weighted amount of Large exposures at the weighted amount at 31 December 2022, comprising 7 positions, consists of 167 million Euro in tax assets, 121 million Euro in exposure to equity investments not included in the prudential scope of consolidation and the remaining 497 million Euro in positions vs supervised intermediaries, mainly connected with reverse repurchase agreements, derivatives and securities.

Disclosure regarding Sovereign Debt

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

In accordance with the requirements of the aforementioned Consob Communication, it should be noted that at 31 December 2022 the carrying amount of sovereign debt exposures is 1.974,7 million Euro, net of the negative valuation reserve of 32,6 million Euro. The exposures consist to a considerable extent of securities issued by the Italian Republic.

These securities, with a nominal amount of 2.001 million Euro have a weighted residual average life of 50 months.

The fair values used to measure the exposures to sovereign debt securities at 31 December 2022 are considered to be Level 1.

Pursuant to the above 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 2022 amount to 408 million Euro, of which 81 million Euro related to tax credits.

C. Securitisation transactions

Securitisations in which the Bank is the originator and for which all the liabilities issued by the special purpose vehicles were subscribed by the Bank at the time of issue shall not be recorded in this Part. For more details on this type of transactions, please refer to Part E of these individual Notes to the Financial Statements on liquidity risk.

Qualitative information

Objectives, strategies and processes

The Bank 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 Bank'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 Bank 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 Bank has a "Securitisation management policy in the role of promoter 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). 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 Bank'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 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 year end;
- 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", sub-item "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 2022, the interest expense on the senior notes recognised in profit or loss amounts to 9,5 million Euro.

Third-party securitisation transactions

At 31 December 2022, the Bank holds 424,4 million Euro in notes deriving from third-party securitisation transactions: specifically, it holds 359,0 million Euro of senior notes, 25,9 million Euro of mezzanine notes, 1,1

million Euro worth of junior notes and "single tranche" for 38,4 million Euro. The portfolio value drops slightly on the figure of 482,5 million Euro at 31 December 2021, due to the various redemptions only partly covered by new subscriptions of securities made by the Bank in 2022, as detailed in the next paragraph.
Here below are the main characteristics of the 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 Bank participates in this transaction only as underwriter, subscribing for 3,7 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 year, at 31 December 2022 the carrying amount of the portion subscribed for was 3,04 million Euro (20,2 million Euro at 31 December 2021);
- "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; following redemptions made during the year at the end of FY 2022, the nominal amount of the senior tranche held is 7,6 million Euro;
- "Dyret II" securitisation: in November 2020, Banca Ifis purchased a senior tranche of securities 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 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 Bank further invested in this transaction by also subscribing to an upper mezzanine tranche (class B1), increasing it in 2022. At 31 December 2022 the book value of the senior tranches subscribed is equal to 6,7 million Euro, down compared to the figure of 10,6 million Euro at 31 December 2021 due to the redemptions occurred during the year, while the mezzanine tranche shows a net carrying amount of 7,7 million Euro, an increase on 31 December 2021, of 4,1 million Euro;
- "Futura 2019" securitisation: In 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. At 31 December 2022, these securities have a net carrying amount of 1,5 million Euro, while at 31 December 2021 they had a net carrying amount of 2,1 million Euro;
- "BCC NPLs 2020" securitisation: this transaction was carried out in November 2020 by Iccrea Banca on an underlying of Npls for a total of 2,4 billion Euro, divided up over more than 9.600 debtors and 17.000 positions. This transaction, carried out through the SPV BCC NPLs 2020 S.r.l., is backed by the government GACS guarantee scheme and regarded the issue of senior, mezzanine and junior securities with maturity at January 2045. 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 2022 of the tranches subscribed is 44,8 million Euro for the senior tranche (measured at amortised cost), while the value attributed to the mezzanine and junior portions (measured at fair value through profit or loss) is 0,1 million Euro for the first and null for the second;
- "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 consists 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 2022 has a carrying amount of 0,6 million Euro (securities measured at fair value through profit or loss).

- "Gaia Spv" securitisations, series IV ("Sparta") and series V ("Volterra"): these are two securitised portfolios whose underlying assets are non-performing loans purchased late 2020. The securitisation transactions were subsequently finalised in the first half of 2021 with the issuance, by the vehicle Gaia Spv S.r.l., of two separate series of "monotranche" securities, each of which was collateralised by its own related portfolio. Banca Ifis participated as underwriter of a portion of the single-tranche securities of each series, with a total carrying amount of 9,9 million Euro (7,0 million Euro for the Sparta series and 2,9 million Euro for the Volterra series) as at 31 December 2022;
- "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 Banca Ifis participated in the first half of 2021 by investing in "partly paid" securities with a notional value pro-rata to the Bank of 20 million Euro for Class A securities, around 5 million Euro for Class B1 securities and around 9 million Euro in Class B2 securities. During the second half of 2022, the Bank increased its exposure on Class B1 securities by approximately 3,8 million Euro, against a reduced commitment on Class B2 securities. At 31 December 2022, the securities have a net carrying amount of 18,9 million Euro, 8,6 million Euro and 4,5 million Euro respectively; it should also be noted that as part of this transaction, Banca Ifis acted as co-arranger with Intesa Sanpaolo S.p.A.;
- "Valsabbina" securitisation, launched in November 2020 by Banca Valsabbina and with underlying loans guaranteed by the Central Guarantee Fund set up at Mediocredito Centrale pursuant to Italian Law no. 662 of 23 December 1996, which Banca Ifis joined in the first half of 2021 as subscriber of "partly paid" mezzanine securities with a carrying amount at the end of 2022 of 4,1 million Euro;
- "Miami Spv" securitisations, segment 2 ("Maior"), segment 3 ("Aqui"), segment 4 ("Brisca"), segment 6 ("Aqui 3"): these are four securitised portfolios of non-performing loans for which the related asset-backed securities issues, by the vehicle Miami Spv S.r.l., took place in 2021 (for segments 2 and 3) and in 2022 (for segments 4 and 6). Banca Ifis participated as underwriter of a portion of the senior bonds of each series, with a total carrying amount of 34,7 million Euro at 31 December 2022 (Brisca for 12,1 million Euro, Arqui 1 for 1,5 million Euro, Arqui3 for 21,0 million Euro and Maior for almost no value), while it had a total book value of 44,6 million Euro at 31 December 2021;
- "Npl Securitisation Italy 9" securitisation is a transaction whose underlying is represented by corporate loans in proceedings, mainly unsecured in nature, in which Banca Ifis participated in the fourth quarter of 2022, through the investment in "monotranche" "partly paid" securities issued by Npl Securitisation Italy 9, for a notional value pro-rata to the Bank of 9,5 million Euro. The transaction is characterised by an investment period during which the issuing SPV may purchase additional credits from the proceeds of the payment of further tranches of the subscription price of the securities. At 31 December 2022, the securities have a net book value of 3,9 million Euro;
- "Iron" securitisation, a transaction whose underlying asset is a portfolio of loans in the technical form of a credit line with mortgage guarantees, under which Banca Ifis subscribed to a portion of the senior and junior tranches issued by the vehicle Spv Project 1906 S.r.l. in 2021. At 31 December 2022, they have a net carrying amount of 1 million Euro and 0,7 million Euro, respectively;
- "SPV Project 1806" securitisation, a transaction whose underlying asset is a portfolio of project financing performing renewable energy plants, under which, in the course of 2021, Banca Ifis acquired a portion of approximately 9 million Euro of the senior securities issued by the vehicle Spv Project 1806 S.r.l. At 31 December 2022, the securities have a net carrying amount of approximately 4,4 million Euro;
- "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. Banca Ifis took part in this transaction by subscribing to a portion of the senior tranches, which at 31 December 2022 had a net carrying amount of 8,8 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 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 subscription of a portion of securities for each tranche, which at 31 December 2022 show a net carrying amount of 7,2 million Euro for the senior tranches (measured at amortised cost) and null for the mezzanine and junior tranches (measured at fair value through profit or loss);

- "Trinacria" securitisation: a transaction whose underlying asset is a portfolio of "non-performing" mortgages and trade receivables from a single debtor, under which, during the second quarter of 2022, Banca Ifis subscribed to senior and junior securities issued by the vehicle Trinacria Spv S.r.l., which as at 31 December 2022 had a carrying amount of 5 million Euro and 0,2 million Euro, respectively;
- "Vega" securitisation, a transaction whose underlying asset is a revolving portfolio of trade receivables originated by a single originator in the exercise of its business activities, under which Banca Ifis subscribed, during the second quarter of 2022, a portion of the senior Class A2 securities issued by the vehicle Spv Project 2104 S.r.l.. At 31 December 2022, their net carrying amount was 20,1 million Euro;
- "Quarzo 2022-1" securitisation, realised by the vehicle Quarzo S.r.l. in April 2022 through the issuance of senior securities for 528 million Euro and junior securities for 72 million Euro, having as underlying a portfolio of receivables from consumer credit contracts. Banca Ifis took part in this transaction by subscribing to a portion of the senior tranches, which at 31 December 2022 had a net carrying amount of 3 million Euro;
- "Campagnetta" securitisation: this is a real estate securitisation pursuant to Article 7.2 of Law 130/99, through which the securitisation vehicle Absolute RE SPV S.r.l. acquired a real estate asset, financing itself through the issue: (i) senior securities in the amount of 3 million Euro; (ii) mezzanine securities in the amount of 0,7 million Euro; and (iii) junior securities in the amount of 0,3 million Euro. As part of the transaction, which was finalised in July 2022, Banca Ifis subscribed to the entire senior notes, which have a carrying amount of 3 million Euro as at 31 December 2022;
- "Roma" securitisation: a transaction whose underlying asset is a portfolio of mortgage loans and "non-performing" trade receivables from a single debtor, under which, during the fourth quarter of 2022, Banca Ifis subscribed to the senior securities and a portion of the junior securities issued by the vehicle Roma Spv S.r.l.. At 31 December 2022, the senior and junior securities subscribed have a carrying amount of 7,9 million Euro and 0,2 million Euro, respectively;
- "Cielo" securitisation: 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 Banca Ifis participated in the fourth quarter of 2022, through the investment in "partly paid" securities issued by Cielo SPV S.r.l., for a notional value pro-rata to the Bank equal to: (i) 10 million Euro for senior Class A1 securities; (ii) 15 million Euro for mezzanine Class B1-1 securities; and (iii) 15 million Euro for mezzanine Class B1-2 securities. The transaction is characterised by a ramp-up period during which the issuing SPV may purchase additional credits from the proceeds of the payment of further tranches of the subscription price of the securities. At 31 December 2022, the senior securities have a net carrying amount of 3,7 million Euro and the class B1-1 mezzanine securities a value of 0,7 million Euro, whilst the class B1-2 mezzanine securities have a null value (10 thousand Euro); it should also be noted that as part of this transaction, Banca Ifis acted as co-arranger with Intesa Sanpaolo S.p.A.;
- "Ifis Npl 2021-1 Spv" securitisation carried out in March 2021 for financing purposes, through the subsidiary Ifis Npl Investing S.p.A. (formerly Ifis Npl S.p.A.). This was 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 involved in the transaction (a secured loan portfolio and an unsecured portfolio backed by assignment orders), owned by the subsidiary Ifis Npl Investing, were transferred to a newly established vehicle called Ifis Npl 2021-1 Spv S.r.l., which issued senior Ax and Ay, mezzanine B and junior J notes. These tranches were initially fully subscribed by Ifis Npl Investing, and subsequently the senior Ax and Ay tranches (net of the 5% respectively retained by Ifis Npl Investing as originator pursuant to Article 6(3)(a) of Regulation

(EU) 2017/2402) were transferred to Banca Ifis. At 31 December 2022, the senior Ax and Ay notes issued by the vehicle are therefore fully subscribed by Banca Ifis for 95% of the respective notional amount and their net carrying amount is 197,8 million Euro. It should be noted that the senior tranches held by Banca Ifis were used for long term repo transactions with leading banking counterparties.

Quantitative information

C.1 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	**5.836**	**1**	**17**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- receivables due from customers	**5.836**	**1**	**17**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	**103.660**	-	-	-	-	-	-	-	-	-	-	-	-	-
- receivables due from customers	-	-	-	-	103.660	-	-	-	-	-	-	-	-	-	-	-	-	-

C.2 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
Secured and unsecured loans	391.605	1.421	25.878	366	1.104	-	-	-	-	-	-	-	24.833	146	-	-	-	-
Total	**391.605**	**1.421**	**25.878**	**366**	**1.104**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24.833**	**146**	**-**	**-**	**-**	**-**

For the purposes of presentation in the above table, single units are conventionally treated as a senior unit amounting to 38.451 thousand Euro.

C.3 Special purpose vehicle for the securitisation

Securitisation name / Special purpose vehicle name	Registered office	Consolidation	Assets			Liabilities		
			Receivables	Debt securities	Other	Senior	Mezzanine	Junior
Ifis ABCP Programme S.r.l.	Conegliano (Province of Treviso)	100%	1.507.538	-	66.205	1.101.629	-	-

E. Disposals

A. Financial assets sold and not fully derecognised

Qualitative information

Financial assets sold but not derecognised refer to securitised receivables.

Quantitative information

E.1. 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	-	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
4. Derivatives	-	-	-	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**13.677**	**-**	***13.677***
1. Debt securities	-	-	-	-	13.677	-	*13.677*
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**15.176**	**-**	***15.176***	**-**	**-**	**-**	**-**
1. Debt securities	15.176	-	*15.176*	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**87.470**	**-**	***87.470***	**-**	**81.866**	**-**	***81.866***
1. Debt securities	87.470	-	*87.470*	-	81.866	-	*81.866*
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**1.516.877**	***807.088***	***709.789***	***6.230***	**1.722.021**	***1.035.770***	***686.251***
1. Debt securities	709.789	-	*709.789*	-	686.251	-	*686.251*
2. Loans	807.088	*807.088*	-	*6.230*	1.035.770	*1.035.770*	-
Total 31.12.2022	**1.619.523**	***807.088***	***812.435***	***6.230***	**1.817.564**	***1.035.770***	***781.794***
Total 31.12.2021	**1.061.572**	***755.106***	***306.466***	***2.419***	**318.352**	**-**	***318.352***

E.3. Disposal transactions with liabilities having recourse only to assets sold and not derecognised in full: fair value

	Recorded in full	Recorded partially	Total	
			31.12.2022	31.12.2021
A. Financial assets held for trading	-	-	-	-
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated 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	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortised cost	**507.406**	**-**	**507.406**	**470.818**
1. Debt securities	-	-	-	-
2. Loans	507.406	-	507.406	470.818
Total financial assets	**507.406**	**-**	**507.406**	**470.818**
Total associated financial liabilities	**-**	**-**	**-**	**-**
Net balance at 31.12.2022	**507.406**	**-**	**507.406**	**X**
Net balance at 31.12.2021	**470.818**	**-**	**X**	**470.818**

B. Financial assets sold and fully derecognised

During 2022, there were no transactions involving the sale of credit to securitisation vehicles against which the Bank underwrote the related securities.

Section 2 - Market risks

2.1 Interest rate risk and price risk - supervisory trading book

Qualitative information

For qualitative information, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

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	**-**	**-**	**-**	**673**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	673	-	-	-	-
- with early redemption option	-	-	-	673	-	-	-	-
- 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	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	416	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	63	360	198	63	-
+ short positions	-	63	-	59	330	180	52	-
- Other								
+ long positions	-	-	9.946	211.411	5.752	-	-	-
+ short positions	-	160.000	59.946	1.411	5.752	-	-	-

2.2 Interest rate risk and price risk - banking book

Qualitative information

For qualitative information, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

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	**2.501.787**	**3.461.602**	**851.964**	**420.592**	**1.722.429**	**604.496**	**56.116**	**-**
1.1 Debt securities	40.988	816.120	193.495	182.317	784.348	579.675	56.116	-
- with early redemption option	6.443	305.275	27.650	82.768	209.116	82.685	16.460	-
- other	34.545	510.845	165.845	99.549	575.232	496.990	39.656	-
1.2 Loans to banks	424.703	8.553	289	43	96	-	-	-
1.3 Loans to customers	2.036.096	2.636.929	658.180	238.232	937.985	24.821	-	-
- current a/c	110.637	-	7.320	-	2	-	-	-
- other loans	1.925.459	2.636.929	650.860	238.232	937.983	24.821	-	-
- with early redemption option	303.686	1.108.000	469.666	132.265	536.061	22.918	-	-
- other	1.621.773	1.528.929	181.194	105.967	401.922	1.903	-	-
2. On-balance-sheet liabilities	**1.356.143**	**2.835.684**	**860.923**	**719.258**	**4.610.325**	**4.799**	**2.570**	**-**
2.1 Due to customers	1.289.546	2.170.171	283.908	533.245	1.657.461	4.799	2.570	-
- current a/c	562.140	26.932	24.503	128.778	77.372	-	-	-
- other payables	727.406	2.143.239	259.405	404.467	1.580.089	4.799	2.570	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	727.406	2.143.239	259.405	404.467	1.580.089	4.799	2.570	-
2.2 Payables due to banks	66.568	665.476	280.257	185.997	2.140.677	-	-	-
- current a/c	66.568	-	-	-	-	-	-	-
- other payables	-	665.476	280.257	185.997	2.140.677	-	-	-
2.3 Debt securities	29	37	296.758	16	812.187	-	-	-
- with early redemption option	-	-	-	-	404.737	-	-	-
- other	29	37	296.758	16	407.450	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions								
+ long positions	288.864	-	-	-	-	-	-	-
+ short positions	118.353	25.619	1.125	-	122.480	21.286	-	-

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	**47.080**	**90.979**	**-**	**-**	**87**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	3.785	38.431	-	-	-	-	-	-
1.3 Loans to customers	43.295	52.548	-	-	87	-	-	-
- current a/c	29.332	-	-	-	-	-	-	-
- other loans	13.963	52.548	-	-	87	-	-	-
- with early redemption option	31	3.699	-	-	81	-	-	-
- other	13.932	48.849	-	-	6	-	-	-
2. On-balance-sheet liabilities	**5.594**	**146.370**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	5.594	-	-	-	-	-	-	-
- current a/c	5.594	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables due to banks	-	146.370	-	-	-	-	-	-
- current a/c	-	-	-	-	-	-	-	-
- other payables	-	146.370	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet transactions								
+ long positions	4.500	2.991	-	-	-	-	-	-
+ short positions	3.500	2.991	-	-	1.000	-	-	-

2.3 Currency risk

Qualitative information

For qualitative information, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

Quantitative information

1. Breakdown of assets, liabilities and derivatives by currency

Items	Currencies					
	US DOLLAR	UK STERLING	JAPANESE YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
A. Financial assets	**115.501**	**2.857**	**981**	**38**	**2.387**	**34.653**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	10.070	2.351	-	-	2.174	2.516
A.3 Loans to banks	40.368	147	109	38	213	1.702
A.4 Loans to customers	65.063	359	872	-	-	30.435
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**(115.706)**	**(2.691)**	**(946)**	**-**	**(2.539)**	**(33.567)**
C.1 Payables due to banks	(110.221)	(2.601)	(946)	-	(2.539)	(33.548)
C.2 Payables due to customers	(5.485)	(90)	-	-	-	(19)
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives						
- Options						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	37.921
Total assets	**115.501**	**2.857**	**981**	**38**	**2.387**	**34.653**
Total liabilities	**(115.706)**	**(2.691)**	**(946)**	**-**	**(2.539)**	**(71.488)**
Imbalance (+/-)	**(205)**	**166**	**35**	**38**	**(152)**	**(36.835)**

Section 3 - Derivative instruments and hedging policies

3.1 Derivative instruments held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: year-end notional amounts

Underlying assets/Types of derivatives	31.12.2022				31.12.2021			
	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. Debt securities and interest rates	**-**	**-**	**515.460**	**-**	-	-	**409.739**	-
a) Options	-	-	288.350	-	-	-	383.988	-
b) Swaps	-	-	227.110	-	-	-	25.751	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and share indexes	**-**	**-**	**15.975**	**-**	-	-	**21.250**	-
a) Options	-	-	15.975	-	-	-	21.250	-
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	**-**	**-**	**531.435**	**-**	**-**	**-**	**430.989**	**-**

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Underlying assets/Types of derivatives	31.12.2022				31.12.2021			
	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	-	-	333	-	-	-	1.588	
b) Interest rate	-	-	167	-	-	-	1.229	
c) Cross currency swaps	-	-	-	-	-	-	-	
d) Equity swaps	-	-	-	-	-	-	-	
e) Forwards	-	-	-	-	-	-	-	
f) Futures	-	-	-	-	-	-	-	
g) Other	-	-	-	-	-	-	-	
Total	**-**	**-**	**500**	**-**	-	-	**2.817**	
2. Negative fair value								
a) Options	-	-	(25.098)	-	-	-	(4.628)	
b) Interest rate	-	-	(884)	-	-	-	(1.363)	
c) Cross currency swaps	-	-	-	-	-	-	-	
d) Equity swaps	-	-	-	-	-	-	-	
e) Forwards	-	-	-	-	-	-	-	
f) Futures	-	-	-	-	-	-	-	
g) Other	-	-	-	-	-	-		
Total	**-**	**-**	**(25.982)**	**-**	-	-	**(5.991)**	

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 corporations	Other entities
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional amount	X	506.905	-	8.555
- positive fair value	X	-	-	167
- negative fair value	X	25.982	-	-
2) Equity securities and share indexes				
- notional amount	X	15.975	-	-
- positive fair value	X	333	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- 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) Commodities				
- 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 held for trading: 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	259.405	135.605	120.450	**515.460**
A.2 Financial derivatives on equity securities and share indexes	15.975	-	-	**15.975**
A.3 Financial derivatives on currencies and gold	-	-	-	**-**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
Total 31.12.2022	**275.380**	**135.605**	**120.450**	**531.435**
Total 31.12.2021	**105.529**	**173.285**	**152.175**	**430.989**

Section 4 - Liquidity risk

Qualitative information

For qualitative information, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

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
A. Cash assets	**675.226**	**83.898**	**124.362**	**352.324**	**1.264.744**	**638.232**	**763.688**	**4.758.237**	**1.551.801**	**19.597**
A.1 Government bonds	483	-	522	-	6.608	22.575	28.200	1.409.400	522.900	-
A.2 Other debt securities	47.785	103	596	1.207	3.243	9.873	36.018	705.074	652.065	-
A.3 UCITS units	54.463	-	-	-	-	-	-	-	-	-
A.4 Loans	572.495	83.795	123.244	351.117	1.254.893	605.784	699.470	2.643.763	376.836	19.597
- banks	54.868	64	222	840	1.362	300	58	99	-	6.147
- customers	517.627	83.731	123.022	350.277	1.253.531	605.484	699.412	2.643.664	376.836	13.450
B. On-balance-sheet liabilities	**1.307.174**	**51.221**	**107.151**	**121.894**	**1.523.125**	**830.019**	**765.777**	**5.722.823**	**20.298**	**-**
B.1 Deposits and current accounts	1.302.878	50.284	56.996	96.198	880.916	284.702	538.327	1.628.056	-	-
- banks	66.568	-	-	-	-	-	-	-	-	-
- customers	1.236.310	50.284	56.996	96.198	880.916	284.702	538.327	1.628.056	-	-
B.2 Debt securities	29	-	-	35	2	304.673	33.355	805.690	-	-
B.3 Other liabilities	4.267	937	50.155	25.661	642.207	240.644	194.095	3.289.077	20.298	-
C. Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of underlying assets										
- long positions	-	-	-	-	-	-	416	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of underlying assets										
- long positions	500	-	-	-	-	-	-	-	-	-
- short positions	25.982	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable loan commitments										

- long positions	24.239	-	-	4.859	33.463	62.230	-	139.535	24.538	-
- short positions	118.353	-	-	2.853	22.765	1.125	-	122.480	21.286	-
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
A. Cash assets	**52.616**	**47.285**	**5.269**	**9.913**	**29.930**	**353**	**421**	**3.288**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	10.070	-	-	-	-	-	-	-	-	-
A.4 Loans	42.545	47.285	5.269	9.913	29.930	353	421	3.288	-	-
- banks	3.801	38.477	-	-	-	-	-	-	-	-
- customers	38.744	8.808	5.269	9.913	29.930	353	421	3.288	-	-
B. On-balance-sheet liabilities	**5.594**	**35.202**	**33.909**	**71.460**	**6.110**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	5.594	35.202	33.909	71.460	6.110	-	-	-	-	-
- banks	-	35.202	33.909	71.460	6.110	-	-	-	-	-
- customers	5.594	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
C. 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	-	2.991	-	-	-	-	-	-	-	-
- short positions	-	2.991	-	-	-	-	-	-	-	-
C.4 Irrevocable loan commitments										
- long positions	-	-	-	-	-	-	-	4.219	-	-
- short positions	3.281	-	-	-	-	-	-	938	-	-
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, Banca Ifis, 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 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, 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 2022 Banca Ifis 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).

Securitisation transactions

As for the securitisations outstanding at 31 December 2022 and their purpose, see the comments in the section on credit risks.

Section 5 - Operational risks

Qualitative information

For qualitative information, please refer to Part E in the Notes to the Consolidated Financial Statements in this document.

Part F - Information on equity

Section 1 - 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 Bank. The Bank 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 Bank 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 Bank 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 Bank's capital adequacy is further assessed and monitored every time an extraordinary operation is planned. In this case, based on available information regarding the operation to be implemented, the Bank 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 2021, Banca Ifis held 339.139 treasury shares recognised at a market value of 2,8 million Euro and a nominal amount of 339.139 Euro.

During the first half of 2022, Banca Ifis implemented the “Buy-Back Programme” aimed at the purchase of 1.044.000 ordinary shares to service the “2021-2023 LTI Plan”, equal to 1,94% of the share capital, for a total equivalent value of 19,3 million Euro. Following the purchases made and considering the treasury shares already in portfolio, as of the closing date of the Buy-Back Programme, the Bank holds 1.383.139 treasury shares equal to 2,57% of the share capital.

During FY 2022, Banca Ifis, as variable pay, awarded the Top Management 5.158 treasury shares at an average price of 18,35 Euro, for a total of 95 thousand Euro and a nominal amount of 5.158 Euro, making profits of 43 thousand Euro that, in compliance with IAS/IFRS standards, were recognised under the premium reserve.

Considering the above operations, the stock at the end of the year was 1.377.981 treasury shares, with an equivalent value of 22,1 million Euro and a nominal amount of 1.377.981 Euro.

B. Quantitative information

B.1 Company's equity: breakdown

Equity items	31.12.2022	31.12.2021
1. Share capital	53.811	53.811
2. Share premiums	83.767	102.972
3. Reserves	1.197.999	1.170.739
- profits	1.194.781	1.168.276
a) legal reserve	10.762	10.762
b) statutory reserve	-	-
c) treasury shares	22.104	2.847
d) other	1.161.915	1.154.667
- other	3.218	2.463
3.5 Interim dividends (-)	(52.433)	-
4. Equity	-	-
5. (Treasury shares)	(22.104)	(2.847)
6. Valuation reserves:	(50.653)	(16.581)
- Equity securities measured at fair value through other comprehensive income	(14.823)	(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	(35.811)	(3.733)
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Foreign investment hedges	-	-
- Cash flow hedges	-	-
- Hedging instruments (non-designated items)	-	-
- Exchange differences	(333)	-
- 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	314	(348)
- Share of valuation reserves of equity accounted investments	-	-
- Specific revaluation laws	-	-
7. Profit (loss) for the year	79.796	56.468
Total	**1.290.183**	**1.364.562**

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts	31.12.2022		31.12.2021	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	832	(36.643)	-	(3.733)
2. Equity securities	3.886	(18.709)	-	(12.500)
3. Loans	-	-	-	-
Total	**4.718**	**(55.352)**	**-**	**(16.233)**

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 at 31.12.2021	**(3.733)**	**(12.500)**	**-**
2. Increases	**18.758**	**8.422**	**-**
2.1 Fair value gains	1.025	6.049	-
2.2 Credit risk losses	832	-	-
2.3 Reclassification to profit or loss of negative reserves from sale	337	-	-
2.4 Transfers to other components of equity (equity securities)	-	1.034	-
2.5 Other changes	16.564	1.339	-
3. Decreases	**50.836**	**10.745**	**-**
3.1 Fair value losses	50.284	9.935	-
3.2 Reversals of credit risk losses	-	-	-
3.3 Reclassification to profit or loss of positive reserves from sale	249	-	-
3.4 Transfers to other components of equity (equity securities)	-	-	-
3.5 Other changes	303	810	-
4. Closing balance	**(35.811)**	**(14.823)**	**-**

As required by Article 2427, paragraph 7-bis of the Italian Civil Code, the following table shows the equity items along with the nature, possible use and availability, as well as what has been used in previous years.

Equity items	Amount at 31.12.2022	Possibility of use (*)	Portion available	Summary of uses during the last three years	
				For loss coverage	For other reasons
Share capital	53.811		-	-	-
Share premiums	83.767	A, B, C (1)	-	-	-
Reserves:	1.197.999		1.175.574	-	-
- Legal reserve	*10.762*	*B*	*10.762*	-	-
- Extraordinary reserve	*508.090*	*A, B, C*	*508.090*	-	-
- Reserves from the application of international accounting standards	*321*	*(2)*	-	-	-
- Reserve for own shares	*22.104*		-	-	-
- Other reserves	*656.722*	*A, B, C (3)*	*656.722*	-	-
Interim dividends (-)	(52.433)		-	-	-
Valuation reserves:	(50.653)		-	-	-
- Financial assets measured at fair value through other comprehensive income	*(50.967)*	*(4)*	-	-	-
- Actuarial gains (losses) related to defined benefit plans	*314*		-	-	-
Treasury shares (-)	(22.104)		-	-	-
Profit for the period	79.796	(5)	-	-	-
Total	**1.290.183**		**1.175.574**	**-**	**-**

(*) A = to increase capital, B = to cover losses, C = for distribution to shareholders.

(1) The share premium reserve is available and distributable as the legal reserve has reached one fifth of the share capital.

(2) The item includes 2,5 million Euro in reserves deriving from the first time adoption of accounting standard IFRS 9 (FTA), net of the related tax effects, of which: 1,0 million Euro due to the FTA IFRS 9 effect on Banca Ifis and 1,5 million Euro for the FTA IFRS 9 effect on the former Ifis Leasing, merged by incorporation into Banca Ifis in 2018.

(3) Value including the amount corresponding to the gain on bargain purchase arising from the acquisition of the former GE Capital Interbanca Group amounting to 633,4 million Euro, which became available following the approval of the financial statements for the year 2021.

(4) The reserve, where available, is restricted pursuant to Article 6 of Italian Legislative Decree no. 38/2005.

(5) For 2022, the Banca Ifis Board of Directors will propose to the Shareholders' Meeting to distribute 0,40 Euro per share (making for a total of 20.973.246 Euro) by way of period interim dividend. In November 2022, an interim dividend of 1,00 Euro per share had already been distributed for FY 2022 (for a total of 52.433.114 Euro). The total 2022 dividend (interim and balance) thus amounts to 1,40 Euro per share, totalling 73.406.360 Euro.

B.4 Valuation reserves for defined benefit plans: annual changes

The Valuation reserve relative to defined benefits plans had a positive balance at 31 December 2022 of 314 thousand Euro, attributable to the Bank. The change compared to the end of the previous year is attributable to the raising of the assumptions underlying the actuarial calculations for determining the post-employment benefits, with reference to both the inflation rate and the discount rate (which were affected by the change in the macroeconomic scenario that marked 2022). This led to the recognition of an actuarial gain at 31 December 2022.

Section 2 - Own funds and prudential ratios

In application of the provisions of Circular 262/2005 of the Bank of Italy and subsequent 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.

	31.12.2022	31.12.2021
A. Common Equity Tier 1 (CET1) before application of prudential filters	**1.269.209**	**1.292.884**
- of which CET1 instruments subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	(913)	(760)
C. CET1 gross of items to be deducted and the effects of the transitional regime (A+/-B)	1.268.296	1.292.124
D. Items to be deducted from CET1	50.828	54.457
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions	42.094	31.532
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**1.259.562**	**1.269.199**
G. Additional Tier 1 (AT1) capital gross of items to be deducted and the effects of the transitional regime	-	-
- 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 (AT1) capital (G-H+/-I)	**-**	**-**
M. Tier 2 (T2) capital gross of items to be deducted and the effects of the transitional regime	383.571	400.000
- 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 (T2) capital (M-N+/-O)	**383.571**	**400.000**
Q. Total own funds (F+L+P)	**1.643.133**	**1.669.199**

Categories/Amounts	Non-weighted amounts		Weighted amounts / requirements	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
A. RISK ASSETS				
A.1 Credit risk and counterparty risk	13.759.795	13.081.977	7.620.852	6.870.936
1. Standardised approach	13.415.059	12.696.810	7.354.113	6.530.883
2. Approach based on internal ratings	-	-	-	-
2.1 Basic indicator approach	-	-	-	-
2.2 Advanced measurement approach	-	-	-	-
3. Securitisation	344.736	385.167	266.739	340.053
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit risk and counterparty risk			609.668	549.675
B.2 Credit and counterparty valuation adjustment risk			1.066	1.514
B.3 Regulatory risk			-	-
B.4 Market risks			5.440	6.971
1. Standard method			5.440	6.971
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			54.795	51.554
1. Basic indicator approach			54.795	51.554
2. Standardised approach			-	-
3. Advanced measurement approach			-	-
B.6 Other calculation factors			-	-
B.7 Total prudential requirements			670.968	609.714
C. RISK ASSETS AND CAPITAL REQUIREMENT RATIOS				
C.1 Risk-weighted assets			8.387.103	7.621.420
C.2 Common Equity Tier 1 capital / Risk-weighted assets (CET1 Capital ratio)			15,02%	16,65%
C.3 Tier 1 Capital / Risk-weighted assets (Tier 1 Capital ratio)			15,02%	16,65%
C.4 Total own funds / Risk-weighted assets (Total Capital ratio)			19,59%	21,90%

Part G - Business combinations

Section 1 - Transactions carried out during the year

This section provides the information on business combinations required by IFRS 3 in paragraphs 59, letter a), 60 and 63. Moreover, in application of the Bank of Italy provisions set forth in Circular 262/2005 and subsequent updates, this section also conventionally includes business combination transactions between entities subject to common control (referred to as "business combination between entities under common control").

1.1 Business combinations

The Bank did not carry out any business combinations during the year.

Section 2 - Transactions carried out after the end of the year

The Bank 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 2022, the Group did not make any retrospective adjustment to business combinations carried out in previous periods.

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 2022, no significant transactions with related parties were undertaken outside the scope of the Consolidated Financial Statements.

At 31 December 2022, the Banca Ifis Group was owned by La Scogliera S.A. and consists of the Parent company Banca Ifis S.p.A., the wholly-owned subsidiaries Ifis Finance Sp. z o.o., Ifis Rental Services S.r.l., Ifis Npl Investing S.p.A., Ifis Npl Servicing S.p.A. and Cap.Ital.Fin. S.p.A., of Ifis Finance I.F.N. S.A., 99,99% owned, of the 87,74% owned subsidiary Banca Credifarma S.p.A. (generated by the merger in April 2022 of Farbanca and Credifarma and the vehicle Ifis Npl 2021-1 SPV S.r.l., in which the Group holds the majority of the shares.

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

- the parent company;
- the subsidiaries;
- 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 2022

Figures in thousands of Euro	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	
					Stock options	Other share-based payments
Administrative and auditing bodies (1)	3.743	-	170	-	464	334
Other managers (2)	7.132	-	424	323	253	1.059
Total at 31.12.2022	**10.875**	**-**	**594**	**323**	**717**	**1.393**

(1) These refer to positions on the Board of Directors (or similar bodies) of the Parent Company Banca Ifis.

(2) These refer to 16 managers with the position of Joint General Manager or other Key Manager of the Parent company Banca Ifis.

The above information includes fees paid to Directors (4,5 million Euro, gross amount) and Statutory Auditors (175 thousand Euro, gross amount).

2. Information on related-party transactions

Here below are the assets, liabilities, guarantees and commitments outstanding at 31 December 2022, broken down by type of related party pursuant to IAS 24.

Items	Parent company	Subsidiaries	Key management personnel	Other related parties	Total	As a % of the item
Financial assets measured at fair value through other comprehensive income	-	-	-	14.223	**14.223**	7,5%
Financial assets measured at fair value through other comprehensive income	-	-	-	2.847	**2.847**	0,4%
Receivables due from customers measured at amortised cost		1.091.565	516	16.730	**1.108.810**	12,7%
Other assets	4.328	18.184	-	-	**22.512**	5,0%
Total assets	**4.328**	**1.109.749**	**516**	**33.799**	**1.148.392**	**9,4%**
Payables due to banks	-	66.347	-	-	**66.347**	1,9%
Payables due to customers	-	92.555	622	491	**93.668**	1,6%
Other liabilities	-	1.223	-	-	**1.223**	0,5%
Provisions for risks and charges	-		-	200	**200**	0,4%
Valuation reserves	-		-	(6.817)	**(6.817)**	13,5%
Reserves	-	42	-	-	**42**	0,0%
Total liabilities	**-**	**160.167**	**622**	**(6.126)**	**154.663**	**1,3%**
Commitments and guarantees given (off-balance sheet)	**-**	**-**	**634**	**4.549**	**5.183**	**n.a.**

Items	Parent company	Subsidiaries	Key management personnel	Other related parties	Total	As a % of the item
Interest receivable	-	18.855	7	206	**19.068**	5,6%
Interest expense	-		-	(82)	**(82)**	0,1%
Commission income	-	9	-	12	**21**	0,0%
Commission expense	-	(1.070)	-	-	**(1.070)**	10,4%
Administrative expenses	(48)	1.706	-	(1)	**1.657**	(0,7)%
Other operating income and expenses	-	17.269	-	-	**17.269**	52,3%

The transactions with the parent company La Scogliera S.A. concern the application of Group taxation (tax consolidation) in accordance with Arts. 117 et seq. of Italian Presidential Decree no. 917/86. Relations between the parent company and subsidiaries included in the tax consolidation are regulated by private agreements signed between the parties. All adhering entities have an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera S.A., the consolidating company. Under this tax regime, the taxable income and tax losses are transferred to the consolidating company La Scogliera S.A., which is responsible for calculating the overall Group income. Following the exercise of the option at 31 December 2022, Banca Ifis recognised a receivable due from the parent company amounting to 4,3 million Euro.

Transactions with key management personnel relate almost entirely to Rendimax savings and current accounts as well as mortgages.

Provisions for risks and charges relate to lump-sum write-downs on commitments and guarantees issued in favour of related parties.

Transactions with other related parties that are part of Banca Ifis's ordinary business are conducted at arm's length.

Part I - Share-based payments

Qualitative information

1. Description of share-based payment agreements

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

- Ratio of the final Return On Risk-Adjusted Capital (RORAC) with the 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;
- meeting the minimum Net Stable Funding Ratio (NSFR) requirement applicable from time to time;
- consolidated Total Capital Ratio exceeding the Overall Capital Requirement announced by the Supervisory Body as part of the "Capital Decisions" following the periodic Supervisory Review and Evaluation Process (SREP);

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

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

In particular, the Chief Executive Officer is the beneficiary:

- of a Short-Term Incentive ("STI") System, referred to the year 2022;
- of a "2021-2023 Long Term Incentive Plan" (the "LTI Plan").

With reference to the Short-term Incentive (STI) System, the objectives assigned to the CEO for 2022 represent a combination of quantitative and qualitative criteria, referring to the Bank's results, as well as qualitative aspects relating to strategic action.

The performance scorecard, introduced in this exercise, includes the following KPIs:

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

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

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

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

- 55% (i.e. 33% of the total variable remuneration) in Banca Ifis shares, which may be exercised at the end of the further retention period of 1 year;
- 45% (i.e. 27% of the total variable remuneration) in cash, subject to annual revaluation at the legal rate in force over time.

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

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

As far as the Co-General Managers are concerned, the targets assigned for 2022 with reference to the Short-Term Incentive System (STI) represent a combination of quantitative and qualitative criteria, referring to the Bank's results, as well as to qualitative aspects related to the achievement of strategic directives.

The performance scorecard, introduced in this exercise, includes the following KPIs:

- Economic-financial KPIs with a weight of 65%, structured over three specific drivers (profitability, cost of credit and efficiency), consistent with the Bank's 2022 objectives;

- KPI of strategy and sustainability with a weight of 35%, which aim to assess the achievement of strategic directives, as well as corporate objectives in the ESG area.

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

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

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

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

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

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

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

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

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

Quantitative information

The table on annual changes is not presented here, since for Banca Ifis 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.

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

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

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

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

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

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

As a result of the aforementioned additions to the 2021-2023 LTI Plan made in 2022, as of 31 December 2022, the Plan's beneficiaries total 14, of which 13 were key managers (including the Chief Executive Officer), and the maximum amount of options that can be granted is 1.016.000 (696.000 to the Chief Executive Officer and 320.000 to the other beneficiaries).

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

The fair value of the payments settled by the issuance of these options for the services covered by the LTI Plan is recognised as an expense in the income statement under "Administrative Expenses: a) Personnel Expenses" as an offsetting entry to "Reserves" in Equity on an accrual basis in proportion to the vesting period over which the service is provided. For the year 2022, the corresponding cost recognised in the Income Statement amounts to 755 thousand Euro, while the corresponding equity reserve (which also includes the portion of cost accrued in the year 2021) totals 950 thousand Euro.

Part L - Segment reporting

In accordance with IFRS 8, Banca Ifis S.p.A., Parent company of the Banca Ifis Group, presents the Segment reporting in Part L of the Notes to the Consolidated Financial Statements in this document.

Part M - Leasing disclosure

Section 1 - Lessee

Qualitative information

As lessee, the Bank has stipulated 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 Bank'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 2022, there are 40 passive lease contracts for buildings and 14 for car parking spaces, the related right of use booked at 31 December 2022 is 14,1 million Euro, whilst the corresponding lease liabilities come to 14,6 million Euro. The Bank also has a property in Florence, financially leased as described in part B - Statement of financial position.

At 31 December 2022, the Bank holds 266 contracts for motor vehicles. They are mainly long-term hires of structure cars and fringe benefits for employees; at 31 December 2022, the related right of use is 2,2 million Euro, while the corresponding lease liability is 2,2 million Euro.

In view of the non-marginal nature of the lease contracts in relation to the asset value, consisting of the right of use entered in total in the financial statements in accordance with IFRS 16, the Bank's total lease liabilities at 31 December 2022 come to 19,7 million Euro.

Banca Ifis 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 Bank 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 operative) are not present for the contracts stipulated as lessee.

The Bank books the following as 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)	31.12.2022	31.12.2021
a) Land		-
b) Buildings	2.004	2.290
c) Furniture		-
d) Electronic equipment	226	303
e) Other	1.012	925
Total	**3.242**	**3.518**

Section 2 - Lessor

Qualitative information

The Bank also operates on the market with 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: in 2022, this segment recorded a slight decrease compared to 2021 in terms of the number of vehicles (-0,3%), but a growth in terms of the value financed (+9,1%), due to the increase in the average ticket. Compared to 2021, the industrial vehicle leasing segment recorded +3,1% over the previous year (for 2,5 billion Euro), passenger car leasing +17,4% (for 3,4 billion Euro) and finally commercial vehicle leasing +2,4% (for 1,15 billion Euro). In this segment, the Bank has signed contracts for approximately 287 million Euro, or +3,01% compared with the amount disbursed in 2021;
- capital goods sector: the growth of this sector in 2022 in Italy was driven by financial leasing of capital goods, where there was a 5,36% increase compared to 2021, for a total of 10,8 billion Euro. The Bank recorded positive signs throughout the capital goods segment: +65% in the industrial goods segment for a total of 231 million Euro and +33,0% in the technological goods segment for a total of approximately 24 million Euro.

As lessor, the Bank does not stipulate lease contracts for properties for commercial use or accommodation with third parties or other group companies.

In referring to the greater detail given in the Directors' Report of the Group in this document, 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 Bank's policy, as there is no provision for buy-back agreements, guarantees on residual value or variable payments. The Bank 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 finance leases, reference is made to the contents of Section 4, Assets, of Part B of these individual Notes. As regards interest income on lease loans, reference is made to the contents of Section 1 of Part C; for commissions, refer to Section 2 of Part C and, finally, for other income, refer to Section 14, again of Part C of these individual Notes.

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	31.12.2022	31.12.2021
	Payments to be received for leasing	Payments to be received for leasing
Up to 1 year	432.346	413.654
Over 1 to 2 years	364.853	347.736
Over 2 to 3 years	294.891	271.989
Over 3 to 4 years	207.951	179.624
Over 4 to 5 years	126.765	71.308
Over 5 years	16.908	7.324
Total payments to be received for leasing	**1.443.714**	**1.291.635**
RECONCILIATION WITH LOANS		
Financial gains not accrued (-)	(112.873)	(105.446)
Residual value not guaranteed (-)	-	-
Financing for leasing	**1.330.841**	**1.186.189**

The table shows the classification by time frame of payments receivable for leasing and the reconciliation of such payments and lease loans as lessor. Finally, the table does not show impairment losses totalling 32,6 million Euro at 31 December 2022 (35,8 million Euro in 2021).

Venice - Mestre, 9 March 2023

For the Board of Directors

The CEO

Frederik Herman Geertman

Banca Ifis

Attachments to the separate financial statements

Financial statements and reports 2022

Statement of prices for the auditing of the accounts and services other than auditing in accordance with article 149-duodecies of Consob Regulation no. 11971 of 14 May 1999

Type of services	Service provider	Beneficiary	Fees (units of Euro)
Independent auditors' fees	EY S.p.A.	Banca Ifis S.p.A.	283.427
		Subsidiaries	475.462
Certification services	EY S.p.A.	Banca Ifis S.p.A.	370.000
		Subsidiaries	77.000
Total			**1.205.890**

Declaration of the Corporate Accounting Reporting Officer

Certification of the 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 company's 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 financial statements, over the course of the period from January 1st, 2022 to December 31st, 2022.

2. The adequacy of the administrative and accounting procedures in place for preparing the financial statements as at December 31st, 2022 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 financial statements as at December 31st, 2022:
   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.

   3.2 The management report contains a reliable analysis of the business outlook and management result, the financial position of the issuer and a description of the main risks and uncertainties it is exposed to.

Venice - Mestre, 9 March 2023

CEO

Frederik Herman Geertman

Manager Charged with preparing the company's financial reports

Mariacristina Taormina

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

Board of Statutory Auditors' report

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

Pursuant to article 153, of Legislative Decree no. 58/1998 and Article 2429, paragraph 2 of the Italian Civil Code)

(Translation from the original Italian text)

Dear Shareholders,

The Board of Statutory Auditors of Banca Ifis SpA (hereinafter also "Banca Ifis" or the "Bank" or "Ifis"), pursuant to Article 153 of Legislative Decree no. 58/1998 and Article 2429, paragraph 2, of the Italian Civil Code, is required to report to the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2022 on the supervisory activity performed during the year in compliance with the duties attributed to it by Article 149 of the aforementioned legislative decree.

Background

On 28 April 2022, the Shareholders' Meeting of Banca Ifis, using the list voting system, appointed the new members of the Board of Statutory Auditors, in place of the statutory auditors who ceased office due to the expiry of their three-year term of office, in the persons of Andrea Balelli (Chairman), Annunziata Melaccio (standing auditor) and Franco Olivetti (standing auditor), Marinella Monterumisi (alternate auditor) and Emanuela Rollino (alternate auditor), all of whom will remain in office until the date of approval of the financial statements as at 31 December 2024. In drafting the report, due consideration was also given to the findings of the work carried out in 2022 by the previous Board of Statutory Auditors.

During FY 2022, the Board of Statutory Auditors (hereinafter also referred to as the 'Board') in office met 26 times, of which 5 times jointly with the Control and Risks Committee.

It should be noted that, although the state of emergency connected to Covid-19 persists in 2022, albeit in a less restrictive form, also in view of the new composition (with the exception of one statutory auditor already present), the Board has preferred to favour in-person meetings over remote connections for meetings with management. During 2023 and up to the date of this Report, 9 meetings of the Board of Statutory Auditors were held, 2 of which were held jointly with the Control and Risks Committee.

1. Activity of the Board of Statutory Auditors

During the financial year ended 31 December 2022, the Board of Statutory Auditors carried out its institutional duties in compliance with the provisions of the Civil Code, Legislative Decree No. 385/1993 (the "Consolidated Law on Banking" or "TUB"), Legislative Decree No. 58/1998 (the "Consolidated Law on Finance" or "TUF"), Law No. 231/2007, the provisions of the Articles of Association, the indications contained in the Code of Corporate Governance, the principles of conduct recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian Professional Order of Tax Advisors), as well as the special laws on the subject and the provisions issued by the Supervisory Authorities (Bank of Italy and Consob). Moreover, since Banca Ifis has adopted the traditional governance model, the Board of Statutory Auditors is identified with the 'Internal Control and Audit Committee', which is responsible for further specific control and monitoring functions in the area of financial reporting and auditing provided for by

Article 19 of Legislative Decree no. 39 of 27 January 2010, as amended by Legislative Decree no. 135 of 17 July 2016.

Where the Board of Statutory Auditors considered it necessary to make recommendations and suggestions, it communicated them both during the meetings held with the internal functions concerned, and directly to the body with management or strategic supervision functions and to the relevant internal board Committees, as minuted over time.

The Board of Statutory Auditors reported periodically to the Board of Directors on the activities carried out and the opinions given. Furthermore, the Board of Statutory Auditors, taking into account the provisions of the document "Rules of Conduct for the Board of Statutory Auditors of Listed Companies" issued by the CNDCEC on 26 April 2018, in particular in Rule Q.1.1 - Self-Assessment of the Board of Statutory Auditors - conducted, with the assistance of a consulting firm, a self-assessment process, as a result of which the Board of Statutory Auditors expressed an overall assessment of adequacy in relation to its size and composition, as well as a favourable opinion on the requirements of professionalism, independence and integrity and on the functioning mechanisms of the body.

In this Report, the Board of Statutory Auditors gives an account of the activities carried out during the financial year, separately for each supervisory area provided for by the regulations governing the activities of the Board.

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 Report on Operations regarding significant events during the year and after year-end.

On 17 January 2022, the Board of Directors 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.

On 10 February 2022, the Board of Directors approved the 2022-2024 business plan.

On 11 April 2022, the merger by incorporation of Credifarma SpA into Farbanca SpA was completed, following the authorisation issued by the Bank of Italy on 21 February 2022, with the establishment of Banca Credifarma SpA.

On 22 April 2022, the programme for the purchase of ordinary shares of the Bank, initiated on 15 March 2022, to service the LTI 2021-2023 Plan ended. The company purchased a total of 1.044.000 shares, equal to 1,940% of the share capital, for a total value of 19,3 million Euro.

On 11 May 2022, Ifis Npl Servicing SpA's 100% stake in Ifis Real Estate SpA was fully sold to Resolute Asset Management Srl. This company, which changed its name to Rebuild SpA, has therefore been removed from the group's investee companies.

On 23 May 2022, the Bank of Italy received notification of the conclusion of the periodic prudential review process (the 'SREP') conducted on the Group. The Supervisory Authority identified the CET 1 Ratio, Tier 1 Ratio and Total Capital Ratio for 2022 on a consolidated basis.

On 10 November 2022, the Board of Directors resolved (i) in line with that resolved by the Shareholders' Meeting of 28 July 2022, to distribute an advance on 2022 dividends; (ii) acknowledged the resignation, effective immediately, of the Chairman of the Board of Directors, Sebastien Egon Fürstenberg, who will remain in office as a non-executive and non-independent director; (iii) approved the appointment, also effective immediately, of the new Chairman of the Bank's Board of Directors in the person of Ernesto Fürstenberg Fassio, pursuant to art. 2380-bis of the Italian Civil Code and art. 12 of the Articles of Association, with the simultaneous termination of the office of Deputy Chairman; (iv) assigned Sebastien Egon Fürstenberg a special assignment pursuant to art. 2389, paragraph 3, of the Italian Civil Code, aimed at ensuring continuity and stability in the succession of the Chairmanship until the date of the Bank's next Shareholders' Meeting; (v) designated Sebastien Egon Fürstenberg as Honorary Chairman of the Bank, whose appointment will be submitted to the Shareholders' Meeting in accordance with art. 10-bis of the Articles of Association.

2.2 Significant subsequent events

Significant events subsequent to the close of FY 2022 that this Board believes should be recalled include the following.

On 12 January 2023, Banca Ifis completed the placement of a Senior Preferred bond issue under its EMTN programme amounting to 300 million Euro. The transaction was intended for institutional investors.

On 17 January 2023, the Bank of Italy, in a letter addressed to the Company, represented the need to "*collect financial projections, based on updated macroeconomic scenarios, in order to allow an assessment of the soundness of capital projections and the financing capacity of the business of individual banks and promptly identify potential vulnerabilities*", in view of the effects of geopolitical and monetary changes on the financial projections submitted to the Supervisory Authority and the consequent need for banks to redefine strategies and update their lines of action. In detail, the Bank of Italy has asked Italy's Less Significant Institutions (LSIs), and therefore also the Company, to provide '*updated planning data for the two-year period 2023-2024* [...], *to be accompanied by a set of qualitative information functional to assess more fully the sustainability of business models and to appreciate the robustness and viability of the development lines identified* [...]'. The Bank of Italy had also requested that this disclosure be accompanied by an evaluation by the Board of Directors and the Board of Statutory Auditors. As a result of this communication, the Bank drew up an updated version of the planning forecasts and this Board of Statutory Auditors expressed its opinion on the matter.

On 26 January 2023, the Bank of Italy announced that it had decided not to adopt a new capital decision as a result of the 2022 SREP cycle, confirming the scope of the additional capital requirements with respect to the minimum capital ratios covered by last May's communication.

On 9 March 2023, the Board of Directors, following the resignation of the Chief Financial Officer who also held the position of Financial Reporting Officer, appointed Massimo Zanaboni "Manager Charged with preparing the company’s financial reports" effective 1 April 2023. The Board of

Statutory Auditors gave its opinion in favour of the appointment, verifying the possession of the requirements of professionalism, integrity and competence.

3. Supervisory activities

3.1 Supervisory Activities on compliance with the law and the Articles of Association

The undersigned Board of Statutory Auditors monitored compliance with the law and the Articles of Association, acquiring the information instrumental to the performance of the tasks assigned to it through the articulated system of information flows provided for in the Group, as well as through participation, as a collegial body or with the presence of at least one member, in all meetings of the Board of Directors (16), in all meetings of the Control and Risk Committee (21), in all meetings of the Remuneration Committee (10) and the Appointments Committee (8).

In the course of 2022, the members of the current Board of Statutory Auditors participated in various training and induction courses on topics related to supervisory activities, risk scenarios, market dynamics, digital innovation, the evolution of corporate governance rules, ESG topics and regulatory and legislative matters. Such refresher training is carried out as part of the training plan prepared in compliance with the provisions of Circular 285/2013 (point e., paragraph 2.1, Section IV, Chapter 1, Title IV), taking into account the individual as well as the collective training needs of the Bank's control body and governing body.

The minutes of the Board of Statutory Auditors, which sometimes contain explicit recommendations to rapidly resolve difficulties that have come to light, are made available, in full, to the CEO and to the Chairman of the Board of Directors. The Chairman of the Control and Risk Committee is constantly invited to attend the meetings of the Board, in the belief that this ensures an adequate flow of information within the company.

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.

During FY 2022, the Board of Statutory Auditors:

- expressed opinions pursuant to Article 2389, paragraph 3 of the Civil Code on the remuneration of directors holding special offices;
- expressed opinions in relation to what are termed "non-audit fees" for non-audit services, as provided for by the regulations in force and by the internal procedure adopted by the Company, verifying in particular their effects on independence, with no exceptions to be noted;
- did not receive, during FY 2022, any complaints from Shareholders pursuant to Article 2408, paragraph 1 of the Italian Civil Code.

Relations with Supervisory Authorities

Bank of Italy

With reference to relations with the Bank of Italy, it is reported that in May 2022, the Company was subjected to an inspection by the Financial Intelligence Unit of the Authority aimed at verifying the adequacy of the AML controls. The Board of Statutory Auditors monitored the support provided to the Bank of Italy during the inspection by the functions involved over time, as well as the timely implementation of remedial actions and improvement measures according to the time line that Ifis had submitted to the Bank of Italy.

On 29 November 2022, the Bank of Italy, through the '*Bank of Italy Guidelines on the Composition and Functioning of the Boards of Directors of LSIs*', released its prudential supervisory guidelines on the composition, organisation and functioning of the boards of directors of LSIs, with the intention of '*sharing the good practices observed or suggested by the outcomes*' of a specific survey conducted on the subject. The Board of Statutory Auditors monitored the implementation of the Bank's improvement actions and measures, substantiated in the description of the initiatives undertaken in the Board of Directors' self-assessment document sent to the Bank of Italy on 24 February 2023 and in the process of revising certain governance provisions included in the broader framework of the proposed amendments to the Articles of Association resolved by the Board of Directors on 9 March 2023 and to be submitted to the Shareholders' Meeting for approval.

3.2 - Supervision of compliance with the principles of proper administration, relations with subsidiaries or other related parties

The Board of Statutory Auditors, as part of its supervisory activity on the observance of the principles of proper administration - also in compliance with the obligation set forth in Article 150 of the Consolidated Law on Finance - periodically obtained from the Directors, the Chief Executive Officer (hereinafter also referred to as 'CEO'), the control functions, the management, and the Statutory Auditor information on the activities carried out and on the most significant economic, financial and equity transactions carried out by the Company and its subsidiaries, as well as on the Group's strategic guidelines.

The Board of Statutory Auditors held regular meetings with the Financial Reporting Officer (hereinafter also referred to as the "Manager Charged with preparing the Company's financial reports") and the internal control functions. Hearings were scheduled with the Bank's management and periodic meetings were held with the representatives of the independent auditors in order to mutually exchange data and information relevant to the performance of their duties, as required by Article 150, paragraph 3 of the Consolidated Law on Finance.

On the basis of the information made available to the Board of Statutory Auditors, it would appear reasonable to believe that the transactions resolved by the Board of Directors and implemented by the CEO are not in breach of the law, the Articles of Association and the provisions issued by the Supervisory Authorities, as it can also be reasonably excluded that they are manifestly imprudent, or risky, or in conflict of interest, or in contrast with the resolutions passed by the Shareholders' Meeting, or such as to compromise the integrity of the company's assets.

Acknowledging the Directors' Report, the information produced to the Board of Directors by the Chief Executive Officer, the Supervisory Board pursuant to Legislative Decree No. 231/2001, and in light of the findings gathered as part of its supervisory activities, it is possible, on the part of the Board of Statutory Auditors, to reasonably exclude the existence of atypical and/or unusual transactions entered into with third parties, with Group companies or with related parties and associated parties.

With specific reference to transactions with related parties, the Board of Statutory Auditors regularly receives periodic information flows on any transactions concluded with such related parties and connected persons and to monitor the performance of exposures attributable to connected persons; where necessary, it has proceeded to request further information and details.

Detailed and exhaustive information is given on related party transactions in the specific section "Related Party Transactions" of the Directors' Report as well as in Part H of the Notes to the Consolidated and Separate Financial Statements.

As far as the Board of Statutory Auditors is aware, these transactions were concluded in the interest of the Bank and do not give rise to any remarks on their fairness, as they are part of Ifis' ordinary operations. It is therefore acknowledged that adequate information was provided to the Board of Statutory Auditors on transactions concluded with related parties and/or connected persons, in accordance with Consob provisions and in compliance with the provisions on connected persons set forth in Bank of Italy Circular 263.

The Board of Statutory Auditors has monitored the adequacy of the instructions issued by the Bank to its subsidiaries, verifying the effectiveness of the exchange of information and information flows between the parent company and the subsidiaries. The rules and procedures in place enable the parent company to fulfil its public disclosure obligations in a timely manner in accordance with the provisions of Article 114, paragraph 2 of the Consolidated Law on Finance.

The Board of Statutory Auditors, as also provided for in Article 151-ter, paragraph 4, of the Consolidated Law on Finance, exchanged information flows with the Boards of Statutory Auditors of the subsidiaries. In addition, as part of the process of appointing the statutory auditors for the period 2023-2031, in order to ensure continuity in the application of the Single Auditor principle for the Group, the procedure to identify the Auditor has been put in place by Ifis and the companies belonging to the Group, which will express their opinion on the matter at the Shareholders' Meeting.

In 2022, 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.

3.3 - Supervisory activities on the implementation of corporate governance

In relation to the provisions of Article 149, paragraph 1, letter c-*bis*, of the Consolidated Law on Financial Intermediation concerning the supervision by the Board of Statutory Auditors '*on the procedures for the concrete implementation of the corporate governance rules set forth in codes of conduct drawn up by management companies of regulated markets or by trade associations, which the company, by means of public disclosures, declares that it complies with*', the Board of Statutory Auditors reports that it performed this activity during the year. Pursuant to Article 123-bis of the Consolidated Law on Financial Intermediation, the Company prepared its annual Report on Corporate Governance and Ownership Structures (hereinafter also referred to as the 'Corporate Governance Report') for 2022, which was approved on 9 March 2023, to which reference should be made for further details, which illustrates, *inter alia*, Banca Ifis' administration and control model and provides full information on the manner in which the Bank has adopted and implemented the recommendations made by the Corporate Governance Committee.

The Board of Statutory Auditors also supervised the adoption of the policy for the remuneration of directors and key managers, in line with the provisions of the Corporate Governance Code, as well as the subsequent Remuneration Report pursuant to Article 123-ter of the Consolidated Law on Finance, expressing an opinion on the adequacy of the remuneration policy adopted by the Bank with respect to the purposes expressed in this area by Circular 285/2013 and the Remuneration Report itself.

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 2023 innovations, examined

by the Remuneration Committee on 08 March 2023, 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, sharing its conclusions and comments. At the 21 March 2023 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 internal policies and reference regulations", checks which led to a substantially favourable opinion.

The Board of Statutory Auditors took note, by attending the Remuneration Committee meeting of 8 March 2023, of the proposal to increase the CEO's fixed remuneration, and expressed, as required by law, a favourable opinion in this regard.

In general, in light of the provisions of the Supervisory Authorities on the subject of remuneration and incentive systems, the Board of Statutory Auditors monitored, in close connection with the Remuneration Committee, the changes introduced to the 2023 Remuneration Policy, although substantially in line with that of 2022, examined by the Remuneration Committee on 8 March 2023, 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 Chief Executive Officer, the heads of the Control Functions and the Executive in Charge, and on the dissemination of the remuneration policies for FY 2023 to the companies belonging to the Group.

The Board of Statutory Auditors has no objections to the Remuneration Policy submitted to the Shareholders' Meeting.

3.4 - Supervision of the statutory audit process and the independence of the auditing firm

Pursuant to the Consolidated Law on Auditing (Art. 19 of Legislative Decree No. 39/2010 as amended by Legislative Decree No. 135/2016) the Board of Statutory Auditors (identified by the Consolidated Act as the "Internal Control and Statutory Audit Committee") is in charge of (i) informing the board of directors of the audited entity of the outcome of the statutory audit and transmitting to that body the additional report referred to in Article 11 of the European Regulation, accompanied by any observations, (ii) monitoring the statutory audit of the annual and consolidated accounts (iii) verifying and monitoring the independence of the statutory auditors or statutory audit firms pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of the aforementioned decree and Art. 6 of the European Regulation, in particular with regard to the adequacy of the provision of non-audit services to the audited entity in accordance with Art. 5 of such Regulation and (iv) the responsibility for the procedure to select statutory auditors or audit firms and to recommend statutory auditors or audit firms for appointment pursuant to Art. 16 of the European Regulation.

In this context, the Board of Statutory Auditors currently in office carried out an ongoing monitoring process of the activities performed by Ernst & Young SpA (hereinafter also referred to as 'EY') during 2022 and up to the date of this report, both through meetings at special meetings of the Board of Statutory Auditors and at joint meetings of the Board of Statutory Auditors and the CRC.

Information to the Board of Directors on the outcome of the statutory audit and the Additional Report pursuant to Art. 11 of the European Regulation

In relation to the auditing company, the Board of Statutory Auditors reports that EY has today issued the Additional Report pursuant to Article 11 of the European Regulation, from which no significant deficiencies emerge in the internal control system for financial reporting and/or in the accounting system.

Supervisory activities on the statutory audit of annual and consolidated accounts

- the accounts were audited in accordance with the regulations by the auditing firm EY to which the Shareholders' Meeting of 17 April 2014 appointed the auditor for financial years 2014 - 2022;
- the Board of Statutory Auditors met periodically with the auditing firm EY , and the meetings did not reveal any significant facts worthy of mention concerning the auditing activity nor any decisive deficiencies in the integrity of the internal control system with regard to the financial reporting process in particular;
- EY today issued its report containing its opinion on the financial statements and consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the measures issued in implementation of Art. 9 of Italian Legislative Decree 38/05. Furthermore, in the same report, EY issued an opinion on the consistency of the Directors' Report and the information in the Corporate Governance Report with the Financial Statements. This report does not contain any remarks or requests for information. In the aforementioned report, it is also acknowledged that the directors' approval of the non-financial statement has been verified.

Independence of the audit firm, in particular with regard to the provision of non-audit services

With regard to the annual confirmation of independence pursuant to Art. 17, paragraph 9, letter a) of Legislative Decree no. 39/2010, the Board of Statutory Auditors represents that it has received written confirmation from the auditing firm with the transmission of the Additional Report issued on today's date pursuant to Article 11 of the European Regulation.

The Board of Statutory Auditors monitored the independence of the auditing firm and, in particular, received periodic evidence of the non-audit assignments to be assigned (or assigned by virtue of specific regulatory provisions) to the statutory auditor.

As can be seen from the consolidated financial statements of the Ifis Group, during the year 2022, EY, also through its network, performed the following activities for the Group:

Company and reporting period (***Euro/000***)		**Independent auditors' fees**	**Certification services**	**Total**
Banca Ifis SpA	2022	283	370	653
Subsidiaries	2022	475	77	552
Total		**758**	**447**	**1205**

The Board of Statutory Auditors reports that over the course of 2022, as well as the function of auditing of the separate financial statements, consolidated financial statements, and the financial statements of the subsidiaries, EY, with the approval of this Board of Statutory Auditors, was entrusted with the following tasks (319.000 Euro entrusted in 2022 and 128.000 Euro in 2021):

- Profit verification 30/09/2022 and 31/12/2022 Banca Ifis separate and consolidated;
- Comfort Letter on EMTN Program renewal 2022;

- Agreed Upon procedures on TLTRO III;
- Issuance of the report pursuant to Article 2437-ter of the Italian Civil Code, as part of the merger by incorporation of Credifarma SpA into Farbanca SpA;
- Issuance and transmission to the Bank of Italy of the Report, pursuant to the "Regulation implementing Articles 4-undecies and 6, paragraph 1, letters b) and c-bis) of the Consolidated Law on Finance", Article 23, paragraph 7, which requires the intermediary to adopt specific organisational and procedural safeguards aimed at safeguarding customers' rights over entrusted assets and asset segregation;
- Limited audit of the financial statements and report prepared by the directors of Banca Ifis S.p.A. as at 30 September 2022, for the purpose of the distribution of an interim dividend 2022 pursuant to Article 2433-bis of the Italian Civil Code.

The Board of Statutory Auditors considers that the above-mentioned fees appear to be appropriate for the size, complexity and characteristics of the work performed. The Board also verified that the tasks entrusted to the auditing firm are not among those prohibited for the auditing company in office under the aforementioned European Regulation.

It is also acknowledged that the Board of Directors and the undersigned Board of Statutory Auditors have shared the view that it is deemed appropriate for the appointed auditing firm to focus on its typical activity and to be involved, either directly or through companies belonging to its network, limited to projects that have already been commissioned and for which the assignment to another firm might be uneconomic.

Appointment as statutory auditor for the period 2023-2031

Please note that the 2022 Annual Report of Banca Ifis represents the latest financial statements audited by EY, following the audit engagement for FYs 2023-2031 conferred on PricewaterhouseCoopers SpA on the grounded proposal of the Board of Statutory Auditors, by resolution of the shareholders' meeting of Banca Ifis on 28 April 2022.

3.5 - Supervisory activities on the administrative-accounting system and on the financial report and non-financial disclosure processes

Referring to the aforementioned Article 19 of Legislative Decree No. 39/2010 as amended by Legislative Decree no. 135/2016, the Board of Statutory Auditors, in monitoring the financial reporting process, interacted with the Control and Risk Committee set up within the Board of Directors, in order to coordinate their respective competences and avoid any overlapping of activities. In this regard, the Board of Statutory Auditors participated, where possible with all its members, in the activities of the Control and Risk Committee, particularly when they referred to issues of specific relevance for the purposes of Legislative Decree No. 39/2010 and the above-mentioned supervisory matters, making relations fluid and facilitating the coordination and exchange of information between the two bodies.

With specific reference to the different areas of supervision, we would point out the following.

Supervision of the financial reporting process

The Board of Statutory Auditors verified the existence of rules and procedures governing the process of the formation and dissemination of financial information. In this regard, the Corporate Governance Report defines the reference guidelines for the establishment and management of the

system of administrative and accounting procedures for Ifis and its consolidated companies, regulating the relevant steps and responsibilities.

The Board of Statutory Auditors examined, with the assistance of the Financial Reporting Officer, the procedures relating to the preparation of the Company's financial statements and consolidated financial statements, as well as other periodic accounting documents. The Board of Statutory Auditors also had evidence of the process by which the Manager in charge of preparing the company's accounting and corporate documents and the director delegated to do so can issue the certifications required by Article 154-bis of the Consolidated Law on Finance.

The Board of Statutory Auditors has been informed that the administrative/accounting procedures for the preparation of the financial statements and all other financial disclosures are prepared under the responsibility of the Manager charged with preparing the company's financial reports, who, together with the Chief Executive Officer, certifies the adequacy and effective application of these procedures in the preparation of the separate and consolidated financial statements and the half-year financial report.

The Board of Statutory Auditors acknowledges that it has not received, during the periodic meetings held with the Appointed Executive, any reports of significant deficiencies in the operational and control processes that could affect the judgement of the adequacy and effective application of the administrative-accounting procedures, for the purpose of the correct representation of the economic, equity and financial situation of management events, in accordance with international accounting standards.

The annual financial statements of the Bank and the consolidated financial statements of the Group, in application of Legislative Decree no. 38/2005 are prepared by applying the IAS/IFRS issued by the International Accounting Standards Board and the related interpretations of the International Financial Reporting Interpretations Committee, endorsed by the European Commission, as established by European Community Regulation no. 1606/2002.

The Bank's separate financial statements and the Group's consolidated financial statements are prepared on the basis of the instructions issued by the Bank of Italy in Circular 262/2005 and subsequent updates. The draft financial statements of Ifis at 31 December 2022 and the consolidated financial statements of the Group at 31 December 2022 were approved by the Board of Directors at its meeting on 9 March 2023. As already mentioned, the consolidation scope has changed following the 2022 corporate evolution. The public disclosure, in accordance with the provisions of the prudential supervisory regulations, was made through the Bank's website within the deadlines set for the publication of financial statements.

The Board of Statutory Auditors also examined declarations, issued on 9 March 2023 by the CEO and by the Manager Charged with preparing the company's financial reports, in accordance with the provisions contained in Article 154 *bis* of the Consolidated Law on Finance and in Article 81 *ter* of Consob Regulation 11971/1999, from which no shortcomings emerged that might affect the judgement of adequacy of the administrative-accounting procedures.

EY, 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 29 March 2023, 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.

As already mentioned, the Board of Directors has prepared, in accordance with the law, the Financial Statements and Consolidated Financial Statements as at 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the measures issued in implementation of Art. 9 of Legislative Decree No. 38/05, both of which are audited by EY.

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.

Consolidated non-financial statement (NFS)

Ifis, as a public interest entity (PIE), is required to disclose non-financial information in accordance with the provisions of Legislative Decree no. 254/2016 issued in implementation of Directive 2014/95/EU, which entered into force on 25 January 2017.

In compliance with the aforementioned regulations, the Group's consolidated non-financial statement (hereinafter also referred to as the 'NFS') has been prepared to ensure an understanding of the Group's business, its performance, its results and the impact it has produced, covering the issues deemed relevant and provided for in Article 3 of Legislative Decree No. 254/2016, in accordance with the 'Sustainability Reporting Guidelines' version G4, defined in 2013 by the GRI - Global Reporting Initiative.

With specific regard to the examination of the consolidated non-financial statement, the Board of Statutory Auditors monitored compliance with the provisions set forth in Legislative Decree No. 254/2016, as provided for in particular in Article 3, paragraph 7 of that decree, within the scope of the competences attributed to it by the law. On this point, please note that:

- pursuant to article 3, paragraph 10, of Legislative Decree no. 254/2016 and Article 5 of Consob Regulation No. 20267, the Company has appointed EY to conduct the limited review of the Group's consolidated non-financial statement;
- the Board of Statutory Auditors has obtained periodic updates on the performance of activities preparatory to the preparation of the NFS;
- EY issued its report today, certifying that the information provided in the NFS complies with the relevant regulations and reporting standards used, and issued an opinion on the compliance of the financial statements and consolidated financial statements.

On the basis of the information acquired, the Board of Statutory Auditors certifies that, in the course of its auditing activities relating to the NFS, no elements of non-compliance and/or violation of the relevant regulatory provisions were found, and consequently, no remarks to be submitted to the Shareholders' Meeting.

3.6 - Supervisory activities on the adequacy of the internal audit system, of the risk management systems and of the organisational structure

The Group's internal control system is based on:

- control bodies and functions, involving in particular, each for their respective competences, the Board of Directors, the Control and Risk Committee, the Director in charge of the internal control and risk management system, the Board of Statutory Auditors, as well as the other corporate functions with specific tasks in this respect;
- information flows and coordination between the parties involved in the internal control and risk management system.

The design of Ifis' system of internal controls, briefly described, has three levels:

- first-level (or line) controls: exercised directly by the operational and back-office structures, which are primarily responsible for the risk management process;
- second-level controls: exercised by the risk management function (identifies the risks to which Ifis and the Group companies are exposed and periodically measures and monitors these risks through specific indicators, planning any mitigation actions), the compliance function (verifies the effectiveness of the organisational measures proposed and implemented for the purpose of non-compliance risk management) and the anti-money laundering function;
- third-level controls: exercised by the internal audit function, through activities aimed at identifying violations of procedures and regulations, as well as periodically assessing the completeness, adequacy, functionality and reliability of the internal control system and the information system.

In carrying out its activities, the Board of Statutory Auditors maintained continuous contact with the various control functions, as well as supervised the adequacy of the systems of internal control and risk management systems through:

- meetings with the management of the Bank;
- regular meetings with the various control departments (i.e., Internal Audit, Compliance, Anti-money laundering (AML) and Risk Management and the Manager Charged with preparing the company's financial reports) 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 independent 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.

The Board of Statutory Auditors acknowledges that the annual reports from the Control Departments conclude with a substantially favourable judgement on the internal control system.

Over the course of 2022, the Board of Statutory Auditors supervised the suitability and effects of the entire ICAAP and ILAAP 2021 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.

The Board of Statutory Auditors has taken positive note of the initiatives put in place by the Bank to strengthen monitoring and control, in particular of credit risks, arising from the conflict in Ukraine.

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.

In addition, the Board of Statutory Auditors monitored the process of revising the Articles of Association undertaken by Ifis. The aforementioned revision, carried out by the Bank also with the assistance of its external legal advisors, was initiated in order to adapt the Articles of Association to the provisions of the 39th update of Circular 285/2013 (on the subject of the parent company's exercise of powers of management and coordination of subsidiaries) and to the Bank of Italy's guidelines on the composition and functioning of the boards of directors of LSIs, as well as to revise certain governance provisions. Update that will be submitted for approval to the Shareholders' Meeting on 20 April next and subject to approval, following the filing of the assessment request pursuant to Article 56 TUB, by the Bank of Italy.

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.

The Board of Statutory Auditors was today updated about 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.

* * *

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.

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.

Concluding remarks

As detailed in the Report, the Board of Statutory Auditors verified the functionality of the internal procedures, which were found to be sufficiently adequate and suitable to ensure compliance with the law, regulations and Articles of Association. The Board of Statutory Auditors ascertained that the decision-making process takes into account the riskiness and effects of the management choices made and that the corporate bodies have a sufficient information flow system, also with reference to any interests of the Directors. The organisational structure, the administrative accounting system and the statutory audit process were found to be adequate and functional for the tasks they are called upon to perform. It was also verified that there were no elements such as to render the internal control system and the governance and risk management process unreliable, even though they

presented aspects for improvement that the Board of Statutory Auditors had pointed out in the exercise of its mandate.

Final considerations and proposals to the Shareholders' Meeting

This Report details the control activities carried out and the actions taken by the Board of Statutory Auditors with regard to the information obtained and the supervisory activities performed in fulfilment of its duties.

In light of the overall supervisory activity performed, in relation to the audits concluded at the date of publication of this Report, the Board of Statutory Auditors of Banca Ifis has no observations to make to the Shareholders' Meeting pursuant to Article 153, paragraph 2, of Legislative Decree no. 58/1998 concerning the financial statements and their approval as well as matters falling within its competence.

In actual fact, taking into account all of the foregoing, considering the content of the opinions issued by the Independent Auditors and having acknowledged the attestations issued jointly by the Chief Executive Officer and the Executive in Charge, the Board of Statutory Auditors does not deem that there exist - to the extent of its competence - any elements hindering the approval of the financial statements of Banca Ifis SpA as at 31 December 2022 accompanied by the Directors' Report and the Notes to the Financial Statements, as resolved by the Board of Directors on 9 March 2023.

Venice - Mestre, 29 March 2023

FOR THE BOARD OF STATUTORY AUDITORS

Andrea Balelli (Chairman)

Annunziata Melaccio (Standing Auditor)

Franco Olivetti (Standing Auditor)

Independent auditors' report on the Separate Financial Statements

Banca IFIS S.p.A.

Financial statements as at December 31, 2022

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 Financial Statements

Opinion

We have audited the financial statements of Banca IFIS S.p.A. ("the Company"), which comprise the statement of financial position as at December 31, 2022, 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 financial statements give a true and fair view of the financial position of the Banca IFIS S.p.A. as at December 31, 2022, 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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
Classification and Valuation of Loans to Customers	
Loans to customers amount to Euro 8.755 million, net of analytical and collective impairment provisions for a total of Euro 229 million, and represent 71,75% of total assets at December 31, 2022. The process of classifying and valuing loans to customers in the various risk categories and the calculation of loan impairments are relevant for the audit due to the significant value of the loans in the financial statements and due to 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 characterized by the Russian-Ukrainian conflict, the rising cost of energy and inflationary dynamics. . 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; • the identification of objective evidence of increased 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 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.	Our audit procedures in response to the key aspect, considering the revisions made to the estimation processes regarding collective impairment provisions to reflect the heightened uncertainty deriving from the current macroeconomic environment, included inter alia: • understanding and analysis of the main choices regarding policies and processes carried out by the Company with reference to the classification and valuation of loans to customers and performing compliance procedures over key controls; • carrying out portfolio 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; • understanding, also through the support of our risk management and information systems experts, of the methodology used 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; • verification on a sample basis of the proper application of Company policies for estimating expected credit losses on exposures analytically assessed. Finally, we examined the adequacy of the disclosures provided in the notes to the financial statements.

Valuation of equity investments	
Equity investments in subsidiaries at December 31, 2022 amount to Euro 661 million and represent 5% of total assets. The Company assesses the presence of impairment indicators for each investment at least annually, consistently with the strategy for the management of the entities and, should they occur, they are subject to impairment testing. The processes and methods for assessing and determining the recoverable amount of each equity investment are based at times on complex assumptions which, by their nature involve resorting to the use of management's judgment, in particular forecasting future profitability. In this context, for the purpose of estimating future cash flows, Company management used the data contained in the inertial prospects 2023-2024 forecasts, as approved by the Board of Directors on February 9, 2023. As part of the accounting policies reported in part A of the notes to the financial statements, the accounting and valuation criteria for equity investments are described, as well as the risks and uncertainties associated with the use of the estimates underlying the valuation process.	Our audit procedures in response to the key aspect included, inter alia: • the analysis of the procedures and the key controls put in place by the Company regarding the identification of any impairment losses and the valuation of the investments; • the comparison between the data used to identify impairments and those presented in the inertial prospects relative to the period 2023-2024, including the analysis of the main deviations; • the assessment of the appropriateness of the methodology and the reasonableness of the assumptions made by the Directors in relation to the determination of the recoverable amount, with the support of our experts in companies' valuations, as well as the verification of the mathematical accuracy of the calculations and the sensitivity analysis on key assumptions. Finally, we examined the adequacy of the disclosures provided in the notes to the financial statements.

Responsibilities of Directors and Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of the 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 S.p.A.'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 has no realistic alternative but to do so.
The Board of Statutory Auditors ("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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 S.p.A.'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 S.p.A.'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 Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by 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 Banca IFIS S.p.A. in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the Board of Statutory Auditors ("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 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 financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in the XHTML format 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 S.p.A. as at December 31, 2022, including their consistency with the related 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 financial statements of Banca IFIS S.p.A. as at December 31, 2022 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 financial statements of Banca IFIS S.p.A. as at December 31, 2022 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 have been approved by the Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information are subject to a separate compliance report signed by us.

Verona – March 29, 2023

EY S.p.A.

Signed by: Giuseppe Miele, Partner

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

Reconciliation between reclassified financial statements and individual financial statements

RECONCILIATION BETWEEN ASSETS ITEMS AND RECLASSIFIED ASSETS ITEMS (in thousands of euro)			31.12.2022	31.12.2021
Cash and cash equivalents			**440.114**	**86.518**
+	*10.*	*Cash and cash equivalents*	*440.114*	*86.518*
Financial assets held for trading			**1.770**	**4.291**
+	*20.a*	*Financial assets measured at fair value through profit or loss: a) financial assets held for trading*	*1.770*	*4.291*
Financial assets mandatorily measured at fair value through profit or loss			**187.594**	**135.760**
+	*20.c*	*Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value*	*187.594*	*135.760*
Financial assets measured at fair value through other comprehensive income			**697.606**	**614.008**
+	*30.*	*Financial assets measured at fair value through other comprehensive income*	*697.606*	*614.008*
Receivables due from banks measured at amortised cost			**562.336**	**560.254**
+	*40.a*	*Financial assets measured at amortised cost: a) receivables due from banks*	*562.336*	*560.254*
Receivables due from customers measured at amortised cost			**8.755.082**	**9.012.107**
+	*40.b*	*Financial assets measured at amortised cost: b) receivables due from customers*	*8.755.082*	*9.012.107*
Equity investments			**661.333**	**650.540**
+	*70*	*Equity investments*	*661.333*	*650.540*
Property, plant and equipment			**122.516**	**116.576**
+	*80.*	*Property, plant and equipment*	*122.516*	*116.576*
Intangible assets			**22.642**	**19.475**
+	*90.*	*Intangible assets*	*22.642*	*19.475*
of which: - goodwill			**-**	**-**
Tax assets			**296.853**	**304.727**
a) current			**46.951**	**33.884**
+	*100.a*	*Tax assets: a) current*	*46.951*	*33.884*
b) prepaid			**249.902**	**270.843**
+	*110.b*	*Tax assets: b) prepaid*	*249.902*	*270.843*
Non-current assets and disposal groups			**-**	**-**
+	*110.*	*Non-current assets and disposal groups*	*-*	*-*
Other assets			**453.606**	**504.621**
+	*120.*	*Other assets*	*453.606*	*504.621*
Total assets			**12.201.451**	**12.008.877**

RECONCILIATION BETWEEN ASSETS AND LIABILITIES ITEMS AND RECLASSIFIED ASSETS AND LIABILITIES ITEMS (in thousands of euro)		31.12.2022	31.12.2021
Payables due to banks		**3.485.345**	**2.736.860**
+ 10.a	*Financial liabilities measured at amortised cost: a) payables due to banks*	*3.485.345*	*2.736.860*
Payables due to customers		**5.947.294**	**6.420.164**
+ 10.b	*Financial liabilities measured at amortised cost: b) payables due from customers*	*5.947.294*	*6.420.164*
Debt securities issued		**1.109.027**	**1.056.987**
+ 10.c	*Financial liabilities measured at amortised cost: c) securities issued*	*1.109.027*	*1.056.987*
Financial liabilities held for trading		**25.982**	**5.992**
+ 20.	*Financial liabilities held for trading*	*25.982*	*5.992*
Tax liabilities		**36.009**	**36.084**
a) current		**5.735**	**3.804**
+ 60.a	*Tax liabilities: a) current*	*5.735*	*3.804*
b) deferred		**30.274**	**32.280**
+ 60.b	*Tax liabilities: b) deferred*	*30.274*	*32.280*
Other liabilities		**251.814**	**319.618**
+ 80.	*Other liabilities*	*251.814*	*319.618*
Post-employment benefits		**5.427**	**6.419**
+ 90.	*Post-employment benefits*	*5.427*	*6.419*
Provisions for risks and charges		**50.370**	**62.191**
+ 100.a	*Provisions for risks and charges: a) commitments and guarantees granted*	*9.107*	*11.632*
+ 100.b	*Provisions for risks and charges: b) pensions and similar obligations*	*-*	*-*
+ 100.c	*Provisions for risks and charges: c) other provisions for risks and charges*	*41.263*	*50.559*
Valuation reserves		**(50.653)**	**(16.581)**
+ 110.	*Valuation reserves*	*(50.653)*	*(16.581)*
Reserves		**1.197.999**	**1.170.739**
+ 140.	*Reserves*	*1.197.999*	*1.170.739*
Interim dividends		**(52.433)**	**-**
+ 145.	*Interim dividends*	*(52.433)*	*-*
Share premiums		**83.767**	**102.972**
+ 150.	*Share premiums*	*83.767*	*102.972*
Share capital		**53.811**	**53.811**
+ 160.	*Share capital*	*53.811*	*53.811*
Treasury shares (-)		**(22.104)**	**(2.847)**
+ 170.	*Treasury shares (-)*	*(22.104)*	*(2.847)*
Profit (loss) for the year (+/-)		**79.796**	**56.468**
Total liabilities and equity		**12.201.451**	**12.008.877**

RECONCILIATION BETWEEN THE INDIVIDUAL INCOME STATEMENT AND THE RECLASSIFIED INCOME STATEMENT (in thousands of Euro)		31.12.2022	31.12.2021
Net interest income		**230.406**	**195.622**
+ 30.	*Net interest income*	*230.406*	*195.622*
Net commission income		**84.327**	**73.892**
+ 60.	*Net commission income*	*84.327*	*73.892*
Other components of net banking income		**48.204**	**62.188**
+ 70.	*Dividends and similar income*	*49.851*	*49.234*
+ 80.	*Net profit (loss) from trading*	*(20.529)*	*(3.618)*
+ 100.a	*Gains (losses) on sale/buyback of: a) financial assets measured at amortised cost*	*4.548*	*2.637*
- 100.a (partial)	*Gains (losses) on sale/buyback of loans at amortised cost*	*413*	*(2.581)*
+ 100.b	*Gains (losses) on sale/buyback of: b) financial assets measured at fair value through other comprehensive income*	*(88)*	*4.938*
+ 100.c	*Gains (losses) on sale/buyback of: c) financial liabilities*	*31*	*(92)*
+ 110.b	*Net result of other financial assets and liabilities measured at fair value through profit or loss: b) other financial assets mandatorily measured at fair value*	*13.978*	*11.670*
Net banking income		**362.937**	**331.702**
Net credit risk losses/reversals		**(51.586)**	**(56.237)**
+ 130.a	*Net credit risk losses/reversals related to: a) financial assets measured at amortised cost*	*(52.277)*	*(55.926)*
+ 130.b	*Net credit risk losses/reversals related to: b) financial assets measured at fair value through other comprehensive income*	*(832)*	*(32)*
+ 100.a (partial)	*Gains (losses) on sale/buyback of loans at amortised cost*	*(413)*	*2.581*
+ 170.a (partial)	*Net allocations for credit risk related to commitments and guarantees granted*	*1.936*	*(2.860)*
Net profit (loss) from financial activities		**311.351**	**275.465**
Administrative expenses		**(224.837)**	**(220.465)**
+ 160.a	*a) personnel expenses*	*(114.143)*	*(106.895)*
+ 160.b	*b) other administrative expenses*	*(110.694)*	*(113.570)*
Net impairment losses/reversals on property, plant and equipment and intangible assets		**(14.804)**	**(16.448)**
+ 180.	*Net impairment losses/reversals on property, plant and equipment*	*(8.433)*	*(8.971)*
+ 190.	*Net impairment losses/reversals on intangible assets*	*(6.371)*	*(7.477)*
Other operating income/expenses		**32.994**	**37.175**
+ 200.	*Other operating income/expenses*	*32.994*	*37.175*
Operating costs		**(206.647)**	**(199.738)**
+ 210.	*Operating costs*	*(203.199)*	*(210.139)*
- 170.	*Net allocations to provisions for risks and charges*	*(3.448)*	*10.401*
Net allocations to provisions for risks and charges		**1.512**	**(7.541)**
+ 170.a	*Net allocations to provisions for risks and charges: a) commitments and guarantees granted*	*893*	*(2.860)*
- 170.a (partial)	*Net allocations for credit risk related to commitments and guarantees granted*	*(1.936)*	*2.860*

RECONCILIATION BETWEEN THE INDIVIDUAL INCOME STATEMENT AND THE RECLASSIFIED INCOME STATEMENT (in thousands of Euro)	31.12.2022	31.12.2021
+ 170.b Net allocations to provisions for risks and charges: b) other net allocations	*2.555*	*(7.541)*
Profit (loss) on equity investments	**(4.127)**	**(4.459)**
+ 220. Profit (loss) on equity investments	*(4.127)*	*(4.459)*
Pre-tax profit (Loss) for the period from continuing operations	**102.089**	**63.727**
Income taxes for the year relating to current operations	**(22.293)**	**(7.259)**
+ 270. Income taxes for the year relating to current operations	*(22.293)*	*(7.259)*
Profit for the period	**79.796**	**56.468**

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