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BANCA IFIS

CONSOLIDATED INTERIM REPORT AT 31 MARCH 2017

VALUE TO YOUR BUSINESS

BANCA IFIS

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Banca IFIS S.p.A. - Registered office in Via Terraglio 63, 30174 Mestre, Venice - Registration number in the Companies Register of Venice and Tax Code 02505630109 - VAT number 02992620274 - REA (Administrative Economic Index) number: VE - 0247118 – Share capital Euro 53,811,095 – Registry of Banks no. 5508 - Parent Company of the Banca IFIS Banking Group S.p.A., enrolled in the registry of Banking Groups – Member of the Interbank Deposit Protection Fund, of the Italian Banking Association, of the Italian Factoring Association, of Factors Chain International

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Corporate Bodies

Board of Directors

Chairman	Sebastien Egon Fürstenberg
Deputy Chairman	Alessandro Csillaghy De Pacser
CEO	Giovanni Bossi [1]
Directors	Giuseppe Benini
	Francesca Maderna
	Antonella Malinconico
	Riccardo Preve
	Marina Salamon
	Daniele Santosuosso

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

General Manager	Alberto Staccione

Board of Statutory Auditors

Chairman	Giacomo Bugna
Standing Auditors	Giovanna Ciriotto
	Massimo Miani
Alternate Auditors	Guido Gasparini Berlingieri
	Valentina Martina

Independent Auditors	E&Y S.p.A.
Corporate Accounting Reporting Officer	Mariacristina Taormina

BANCA IFIS

Fully paid-up share capital 53,811,095 Euro
Bank Licence (ABI) No. 3205.2
Tax Code and Venice Companies
Register Number: 02505630109
VAT No.: 02992620274
Enrolment in the Register of Banks No.: 5508
Registered and administrative office
Via Terraglio 63, Mestre, 30174, Venice, Italy
Website: www.bancaifis.it

FCI
Facilitating Open Account – Receivables Finance

Member of Factors
Chain International

Group Key Data

Introductory notes on how to read the data

Here are the events that should be considered when comparing the results to previous periods:

- **Acquisition of the former GE Capital Interbanca Group**: as already mentioned in the financial statements at 31 December 2016, on 30 November 2016, after obtaining the authorisations of the competent Supervisory Authorities, Banca IFIS acquired 99,99% of the former GE Capital Interbanca S.p.A.

  Therefore, the data for the comparative period is limited to the Banca IFIS Group's previous scope of consolidation.

  Following the acquisition of the former GE Capital Interbanca Group, Banca IFIS has identified the new Corporate Banking and Leasing sectors. For more details, see Contribution of business segments in this Consolidated Interim Report.

  Concerning the cost for the acquisition of the former GE Capital Interbanca Group, provisionally estimated at 119,2 million Euro, please note that, in accordance with the schedule contractually agreed with the seller, potential further adjustments had not yet been determined at the reporting date.
- **Restructuring of business segments:** external changes, in terms of market rates, as well as internal changes, in terms of composition and funding rates, required revising the method to calculate the internal transfer rates for 2017, and therefore updating them. To facilitate the comparison of the two reference periods, the 2016 results have been restated according to the 2017 funding approach.

Highlights

KEY DATA ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2017	31.12.2016	ABSOLUTE	%
Available for sale financial assets	635.507	374.229	261.278	69,8%
Loans to customers	5.837.870	5.928.212	(90.342)	(1,5)%
Total assets	8.855.381	8.699.145	156.236	1,8%
Due to banks	1.028.971	503.964	525.007	104,2%
Due to customers	5.055.558	5.045.136	10.422	0,2%
Equity	1.253.638	1.218.783	34.855	2,9%

KEY RECLASSIFIED DATA ON THE CONSOLIDATED INCOME STATEMENT [1] (in thousands of Euro)	FIRST THREE MONTHS		CHANGE	
	2017	2016	ABSOLUTE	%
Net banking income	**102.264**	**76.604**	**25.660**	**33,5%**
Net value adjustments on receivables and other financial assets	(144)	(8.265)	8.121	(98,3)%
Net profit (loss) from financial activities	**102.120**	**68.339**	**33.781**	**49,4%**
Operating costs	(56.388)	(35.809)	(20.579)	57,5%
Pre-tax profit from continuing operations	45.732	32.530	13.202	40,6%
Group net profit for the period	**32.688**	**22.045**	**10.643**	**48,3%**

(1) Net value adjustments on receivables of the NPL Area, totalling 8,2 million Euro at 31 March 2017 compared to 2,8 million Euro at 31 March 2016, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

GROUP KPIs	31.03.2017	31.12.2016	% CHANGE
Total Own Funds Capital Ratio	14,9%	15,3%	(0,4)%
Common Equity Tier 1 Ratio	14,0%	14,7%	(0,7)%
Number of company shares (in thousands)	53.811	53.811	-
Number of shares outstanding at period end[1] (in thousands)	53.431	53.431	-
Book per share	23,46	22,81	2,8%
EPS	0,61	12,94	(95,3)%

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

Reclassified results by business segment

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Available for sale financial assets							
Amounts at 31.03.2017						635.507	635.507
Amounts at 31.12.2016	-			-	-	*374.229*	*374.229*
% Change	-			-	-	*69,8%*	*69,8%*
Due from banks							
Amounts at 31.03.2017					-	1.411.235	1.411.235
Amounts at 31.12.2016	-			-	-	*1.393.358*	*1.393.358*
% Change	-			-	-	*1,3%*	*1,3%*
Loans to customers							
Amounts at 31.03.2017	2.847.764	963.826	1.258.496	631.418	132.776	3.590	5.837.870
Amounts at 31.12.2016	*3.092.488*	*905.682*	*1.235.638*	*562.146*	*124.697*	*7.561*	*5.928.212*
% Change	*(7,9)%*	*6,4%*	*1,8%*	*12,3%*	*6,5%*	*(52,5)%*	*(1,5)%*
Due to banks							
Amounts at 31.03.2017						1.028.971	1.028.971
Amounts at 31.12.2016	-			-	-	*503.964*	*503.964*
% Change	-			-	-	*104,2%*	*104,2%*
Due to customers							
Amounts at 31.03.2017						5.055.558	5.055.558
Amounts at 31.12.2016	-			-	-	5.045.136	*5.045.136*
% Change	-			-	-	*0,2%*	*0,2%*

RECLASSIFIED DATA ON THE INCOME STATEMENT (1) (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Net banking income							
Amounts at 31.03.2017	33.796	23.389	12.507	30.504	2.913	(845)	**102.264**
Amounts at 31.03.2016	*33.665*	*n.a.*	*n.a.*	*24.608*	*3.983*	*14.348*	***76.604***
% Change	*0,4%*	*n.a.*	*n.a.*	*24,0%*	*(26,9)%*	*(105,9)%*	***33,5%***
Net profit (loss) from financial activities							
Amounts at 31.03.2017	29.396	27.820	12.404	30.504	2.841	(845)	**102.120**
Amounts at 31.03.2016	*28.352*	*n.a.*	*n.a.*	*24.608*	*3.983*	*11.396*	***68.339***
% Change	*3,7%*	*n.a.*	*n.a.*	*24,0%*	*(28,7)%*	*(107,4)%*	***49,4%***

(1) Net value adjustments on receivables of the NPL Area, totalling 8,2 million Euro at 31 March 2017 compared to 2,8 million Euro at 31 March 2016, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

SEGMENT KPIs (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover (1)						
Amounts at 31.03.2017	2.666.347	n.a.	n.a.	n.a.	n.a.	n.a.
Amounts at 31.03.2016	*2.356.377*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
% Change	*13,2%*	-	-	-	-	-
Nominal amount of receivables managed						
Amounts at 31.03.2017	3.540.538	1.779.707	1.300.648	10.445.479	176.100	n.a.
Amounts at 31.12.2016	*3.880.835*	*1.739.175*	*1.273.933*	*9.660.196*	*172.145*	*n.a.*
% Change	*(8,8)%*	*2,3%*	*2,1%*	*8,1%*	*2,3%*	-
Cost of credit quality						
Amounts at 31.03.2017	0,7%	(0,9)%	0,4%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	0,8%	0,1%	1,5%	n.a.	n.a.	*n.a.*
% Change	*(0,1)%*	*(1,0)%*	*(1,1)%*	-	-	-
Net bad loans/Loans to customers						
Amounts at 31.03.2017	1,1%	2,8%	0,5%	57,3%	0,0%	n.a.
Amounts at 31.12.2016	*1,0%*	*3,0%*	*0,5%*	*57,0%*	*0,0%*	*n.a.*
% Change	*0,1%*	*(0,2)%*	*0,0%*	*0,3%*	*(0,0)%*	-
Net bad loans/Equity						
Amounts at 31.03.2017	2,5%	2,2%	0,5%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	*2,6%*	*2,2%*	*0,5%*	*n.a.*	*n.a.*	*n.a.*
% Change	*(0,1)%*	*(0,1)%*	*0,0%*	-	-	-
Coverage ratio on gross bad loans						
Amounts at 31.03.2017	88,5%	94,0%	90,9%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	*88,5%*	*94,0%*	*92,2%*	*n.a.*	*n.a.*	*n.a.*
% Change	-	*0,0%*	*(1,2)%*	-	-	-
Non-performing exposures/Loans to customers						
Amounts at 31.03.2017	7,5%	18,5%	3,1%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	*6,5%*	*19,0%*	*3,0%*	*n.a.*	*n.a.*	*n.a.*
% Change	*1,0%*	*(0,5)%*	*0,1%*	-	-	-
Net non-performing loans/Equity						
Amounts at 31.03.2017	16,9%	14,2%	3,1%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	*16,5%*	*14,1%*	*3,0%*	*n.a.*	*n.a.*	*n.a.*
% Change	*0,4%*	*0,1%*	*0,1%*	-	-	-
RWA(2) (3)						
Amounts at 31.03.2017	2.267.855	940.534	845.960	631.419	46.002	506.232
Amounts at 31.12.2016	*2.348.131*	*929.337*	*875.153*	*562.146*	*50.004*	*263.512*
% Change	*(3,4)%*	*1,2%*	*(3,3)%*	*12,3%*	*(8,0)%*	*92,1%*

(1) Gross flow of the receivables sold by the customers in a specific period of time.
(2) Risk Weighted Assets; the amount refers exclusively to the financial items reported in the segments.
(3) The Governance and Services sector's RWAs included the investment in IFIS Rental Services, a non-financial company consolidated using the equity method and that is not part of the Banking Group for supervisory purposes.

Reclassified Quarterly Evolution

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: (in thousands of Euro)	YEAR 2017	YEAR 20156			
	31.03	31.12	30.09	30.06	31.03
ASSETS					
Available for sale financial assets	635.507	374.229	1.026.744	1.027.770	1.066.413
Due from banks	1.411.235	1.393.358	454.170	153.877	114.691
Loans to customers	5.837.870	5.928.212	3.303.322	3.355.998	3.307.793
Property, plant and equipment	109.675	110.348	62.291	56.729	53.792
Intangible assets	14.199	14.981	10.816	8.929	7.391
Other assets	846.895	878.017	138.256	139.895	112.110
Total assets	**8.855.381**	**8.699.145**	**4.995.599**	**4.743.198**	**4.662.190**

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: (in thousands of Euro)	YEAR 2017	YEAR 2016			
	31.03	31.12	30.09	30.06	31.03
LIABILITIES AND EQUITY					
Due to banks	1.028.971	503.964	56.788	43.587	182.568
Due to customers	5.055.558	5.045.136	4.138.865	3.928.261	3.722.501
Outstanding securities	1.122.879	1.488.556			
Post-employment benefits	7.682	7.660	1.554	1.545	1.510
Tax liabilities	32.423	24.925	15.116	16.180	25.118
Other liabilities	354.230	410.121	196.628	191.428	180.250
Equity:	1.253.638	1.218.783	586.648	562.197	550.243
- share capital, share premiums and reserves	*1.220.951*	*530.838*	*520.379*	*523.077*	*528.198*
- net profit for the period	*32.687*	*687.945*	*66.269*	*39.120*	*22.045*
Total liabilities and equity	**8.855.381**	**8.699.145**	**4.995.599**	**4.743.198**	**4.662.190**

RECLASSIFIED CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2017	YEAR 2016			
	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net interest income(1)	**89.708**	**69.465**	**52.988**	**55.395**	**57.707**
Net commission income	**14.219**	**1.060**	**13.087**	**13.316**	**13.648**
Net result from trading	(1.615)	4	(374)	(86)	(246)
Gain (loss) on sale or buyback of:	(48)	17.753	21.065	5.694	5.495
Loans and receivables	-	17.770	21.065	5.694	-
Available for sale financial assets	(48)	(17)		-	5.495
Net banking income (1)	**102.264**	**88.282**	**86.766**	**74.319**	**76.604**
Net impairment losses/reversal on:	(144)	(7.113)	(3.731)	(7.496)	(8.265)
Loans and receivables(1)	(874)	(6.761)	(3.731)	(6.449)	(5.313)
Available for sale financial assets	(15)	(357)	-	(1.047)	(2.952)
Other financial transactions	745	5	-	-	-
Net profit (loss) from financial activities	**102.120**	**81.169**	**83.035**	**66.823**	**68.339**
Personnel expenses	(24.073)	(23.959)	(14.324)	(14.187)	(13.408)
Other administrative expenses	(31.134)	(55.775)	(24.029)	(28.051)	(18.421)
Net allocations to provisions for risks and charges	(2.342)	1.611	(1.827)	2.157	(3.790)
Net value adjustments on property, plant and equipment and intangible assets	(3.459)	(2.742)	(1.306)	(1.069)	(938)
Other operating income/expenses	4.620	620.723	(415)	162	748
Operating costs	**(56.388)**	**539.858**	**(41.901)**	**(40.988)**	**(35.809)**
Profit (Loss) from sales of investments	(1)	**-**	**-**	**-**	**-**
Pre-tax profit from continuing operations	**45.731**	**621.027**	**41.134**	**25.835**	**32.530**
Income tax expense for the period	(13.043)	689	(13.985)	(8.760)	(10.485)
Profit for the period	**32.688**	**621.716**	**27.149**	**17.075**	**22.045**
Non-controlling interests	1	40	-	-	-
Parent Company profit for the period	**32.687**	**621.676**	**27.149**	**17.075**	**22.045**

(1) Net value adjustments on receivables of the NPL Area were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

RECLASSIFIED INCOME STATEMENT DATA BY SEGMENT (1): QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2017	YEAR 2016			
	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net banking income	**102.264**	**88.282**	**86.766**	**74.319**	**76.604**
Trade Receivables	*33.796*	*46.814*	*33.723*	*34.312*	*33.665*
Corporate Banking	*23.389*	*2.952*	n.a.	*n.a.*	*n.a.*
Leasing	*12.507*	*(1.172)*	n.a.	*n.a.*	*n.a.*
NPL Area (1)	*30.504*	*40.935*	*48.974*	*33.801*	*24.608*
Tax Receivables	*2.913*	*2.967*	*2.656*	*3.717*	*3.983*
Governance and Services	*(845)*	*(4.214)*	*1.413*	*2.489*	*14.348*
Net profit from financial activities	**102.120**	**81.169**	**83.035**	**66.823**	**68.339**
Trade Receivables	*29.396*	*41.733*	*30.074*	*28.050*	*28.352*
Corporate Banking	*27.820*	*2.889*	*n.a.*	*n.a.*	*n.a.*
Leasing	*12.404*	*(2.682)*	*n.a.*	*n.a.*	*n.a.*
NPL Area	*30.504*	*40.935*	*48.974*	*33.801*	*24.608*
Tax Receivables	*2.841*	*2.866*	*2.574*	*3.530*	*3.983*
Governance and Services	*(845)*	*(4.572)*	*1.413*	*1.442*	*11.396*

(1) Net value adjustments on NPL Area receivables were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

Reclassified Group Historical Data[1]

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

(in thousands of Euro)	31.03.2017	31.03.2016	31.03.2015	31.03.2014	31.03.2013
Available for sale financial assets	635.507	1.066.413	5.069.781	2.287.950	2.763.805
Held to maturity financial assets	-	-	-	5.329.414	4.710.582
Loans to customers	5.837.870	3.307.793	2.921.902	2.339.663	2.177.379
Due to banks	1.028.971	182.568	200.953	618.132	600.956
Due to customers	5.055.558	3.722.501	7.241.379	9.341.959	9.291.659
Equity	1.253.638	550.243	571.878	405.393	332.313
Net banking income (1)	102.264	76.604	72.595	69.996	66.862
Net profit from financial activities	102.120	68.339	65.109	60.970	53.146
Group net profit for the period	32.687	22.045	26.229	24.676	22.454
Cost/Income ratio (1)	55,1%	46,7%	35,2%	33,3%	26,8%
Total own funds Capital Ratio (2)	14,9%	14,7%	14,6%	15,0%	12,9%
Common Equity Tier 1 Ratio(2)	14,0%	13,6%	13,9%	15,0%	13,1%

(1) Net value adjustments on receivables of the NPL Area, totalling 8,2 million Euro at 31 March 2017 compared to 2,8 million Euro at 31 March 2016, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

(2) The new set of harmonised regulations for banks and investment firms included in EU Regulation no. 575/2013 (CRR) and in Directive 2013/36/EU (CRD IV) is applicable as from 1 January 2014. Data for periods up until 31 March 2013 were recognised according to previous regulations (Basel 2). The Solvency ratio and the Core Tier 1 have been presented under Total Own Funds Ratio and Common Equity Tier 1 Ratio, respectively.

Financial statements

Consolidated Statement of Financial Position

Assets (in thousands of Euro)		31.03.2017	31.12.2016
10.	Cash and cash equivalents	31	34
20.	Financial assets held for trading	45.234	47.393
40.	Available for sale financial assets	635.507	374.229
60.	Due from banks	1.411.235	1.393.358
70.	Loans to customers	5.837.870	5.928.212
120.	Property, plant and equipment	109.675	110.348
130.	Intangible assets	14.199	14.981
	of which:		
	- *goodwill*	826	799
140.	Tax assets	571.935	581.016
	a) current	79.388	87.836
	b) deferred	492.547	493.180
160.	Other assets	229.695	249.574
	Total assets	**8.855.381**	**8.699.145**

Liabilities and equity (in thousands of Euro)		31.03.2017	31.12.2016
10.	Due to banks	1.028.971	503.964
20.	Due to customers	5.055.558	5.045.136
30	Outstanding securities	1.122.879	1.488.556
40.	Financial liabilities held for trading	46.396	48.478
80.	Tax liabilities	32.423	24.925
	a) current	792	491
	b) deferred	31.631	24.434
100.	Other liabilities	285.076	337.325
110.	Post-employment benefits	7.682	7.660
120.	Provisions for risks and charges	22.758	24.318
	b) other reserves	22.758	24.318
140.	Valuation reserves	(3.385)	(5.445)
170.	Reserves	1.071.887	383.835
180.	Share premiums	101.776	101.776
190.	Share capital	53.811	53.811
200.	Treasury shares (-)	(3.187)	(3.187)
210	Non-controlling interests (+ / -)	49	48
220.	Profit for the period	32.687	687.945
	Total liabilities and equity	**8.855.381**	**8.699.145**

Consolidated Income Statement

	Items (in thousands of Euro)	31.03.2017	31.03.2016
10.	Interest receivable and similar income	122.447	70.735
20.	Interest due and similar expenses	(24.491)	(10.252)
30.	**Net interest income**	**97.956**	**60.483**
40.	Commission income	17.784	14.888
50.	Commission expense	(3.565)	(1.240)
60.	**Net commission income**	**14.219**	**13.648**
80.	Net result from trading	(1.615)	(246)
100.	Gain (loss) on sale or buyback of:	(48)	5.495
	a) loans and receivables	-	-
	b) available for sale financial assets	(48)	5.495
120.	**Net banking income**	**110.512**	**79.380**
130.	Net impairment losses/reversal on	(8.392)	(11.041)
	a) loans and receivables	(9.122)	(8.089)
	b) available for sale financial assets	(15)	(2.952)
	d) other financial transactions	745	-
140.	**Net profit (loss) from financial activities**	**102.120**	**68.339**
180.	Administrative expenses:	(55.207)	(31.829)
	a) personnel expenses	(24.073)	(13.408)
	b) other administrative expenses	(31.134)	(18.421)
190.	Net allocations to provisions for risks and charges	(2.342)	(3.790)
200.	Net impairment losses/Reversal on property, plant and equipment	(1.196)	(405)
210.	Net impairment losses/Reversal on intangible assets	(2.263)	(533)
220.	Other operating income/expenses	4.620	748
230.	**Operating costs**	**(56.388)**	**(35.809)**
270.	Profit (Loss) from sales of investments	(1)	-
280.	**Pre-tax profit (loss) for the period from continuing operations**	**45.731**	**32.530**
290.	Income taxes relating to current operations	(13.043)	(10.485)
320	**Profit (Loss) for the period**	**32.688**	**22.045**
330	Profit (Loss) for the period attributable to non-controlling interests	1	-
340.	**Profit (loss) for the period attributable to the Parent company**	**32.687**	**22.045**

Consolidated Statement of Comprehensive Income

Items (in thousands of Euro)		31.03.2017	31.03.2016
10.	**Profit (Loss) for the period**	**32.688**	**22.045**
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**13**	**(45)**
20.	Property, plant and equipment	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	13	(45)
50.	Non-current assets under disposal	-	-
60.	Share of valuation reserves of equity accounted investments	-	-
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	**2.047**	**(5.002)**
70.	Foreign investment hedges	-	-
80.	Exchange differences	1.430	59
90.	Cash flow hedges	-	-
100.	Available for sale financial assets	617	(5061)
110.	Non-current assets under disposal	-	-
120.	Share of valuation reserves of equity accounted investments	-	-
130.	**Total other comprehensive income, net of taxes**	**2.060**	**(5.047)**
140.	**Total comprehensive income (Item 10+130)**	**34.748**	**16.998**
150.	Total consolidated comprehensive income attributable to non-controlling interests	(1)	-
160.	**Total consolidated comprehensive income attributable to the parent company**	**34.747**	**16.998**

Contribution of business segments to Group results

The organisational structure

The model for segment reporting is in line with the new organisational structure used by the Head Office to analyse Group results, which, following the acquisition of the former GE Capital Interbanca Group, now includes two new sectors: Corporate Banking and Leasing. In addition, since the acquisition date, the Trade Receivables sector has been benefiting from the contribution of IFIS Factoring.

Therefore, the organisational structure consists of the following segments: Trade receivables, Corporate banking, Leasing, NPL Area, Tax receivables, Governance and Services.

The Governance and Services segment manages the Group's financial resources and allocates funding costs to operating segments through the Group's internal transfer rate system.

Here below are the results achieved in the first quarter of 2017 by the various business sectors, which will be analysed in the sections dedicated to the individual sectors.

External changes, in terms of market rates, as well as internal changes, in terms of composition and funding rates, required revising the method to calculate the internal transfer rates for 2017, and therefore updating them. To facilitate the comparison of the two reference periods, the 2016 results have been restated according to the 2017 funding approach.

INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Net banking income							
Amounts at 31.03.2017	33.796	23.389	12.507	38.752	2.913	(845)	**110.512**
Amounts at 31.03.2016(1)	*33.665*	*n/a*	*n/a*	*27.384*	*3.983*	*14.348*	***79.380***
% Change	*0,4%*	*n/a*	*n/a*	*41,5%*	*(26,9)%*	*(105,9)%*	***39,2%***
Net profit (loss) from financial activities							
Amounts at 31.03.2017	29.396	27.820	12.404	30.504	2.841	(845)	**102.120**
Amounts at 31.03.2016(1)	*28.353*	*n/a*	*n/a*	*24.608*	*3.983*	*11.396*	***68.339***
% Change	*3,7%*	*n/a*	*n/a*	*24%*	*(28,7)%*	*(107,4)%*	***49,4%***

(1) To facilitate the comparison between the results of the reference periods, the funding cost included in the net interest income for 2016 was recalculated according to the new 2017 funding approach.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Available for sale financial assets							
Amounts at 31.03.2017	-	-	-	-	-	635.507	635.507
Amounts at 31.12.2016	-	-	-	-	-	*374.229*	*374.229*
% Change	-	-	-	-	-	*69,8%*	*69,8%*
Due from banks							
Amounts at 31.03.2017	-	-	-	-	-	1.411.235	1.411.235
Amounts at 31.12.2016	-	-	-	-	-	*1.393.358*	*1.393.358*
% Change	-	-	-	-	-	*1,3%*	*1,3%*
Loans to customers							
Amounts at 31.03.2017	2.847.764	963.826	1.258.496	631.418	132.776	3.590	5.837.870
Amounts at 31.12.2016	*3.092.488*	*905.682*	*1.235.638*	*562.146*	*124.697*	*7.561*	*5.928.212*
% Change	*(7,9)%*	*6,4%*	*1,8%*	*12,3%*	*6,5%*	*(52,5)%*	*(1,5)%*
Due to banks							
Amounts at 31.03.2017	-	-	-	-	-	1.028.971	1.028.971
Amounts at 31.12.2016	-	-	-	-	-	*503.964*	*503.964*
% Change	-	-	-	-	-	*104,2%*	*104,2%*
Due to customers							
Amounts at 31.03.2017	-	-	-	-	-	5.055.558	5.055.558
Amounts at 31.12.2016	-	-	-	-	-	*5.045.136*	*5.045.136*
% Change	-	-	-	-	-	*0,2%*	*0,2%*

SEGMENT KPIs (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover (1)						
Amounts at 31.03.2017	2.666.347	n.a.	n.a.	n.a.	n.a.	n.a.
Amounts at 31.03.2016	*2.356.377*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
% Change	*13,2%*	-	-	-	-	-
Nominal amount of receivables managed						
Amounts at 31.03.2017	3.540.538	1.779.707	1.300.648	10.445.479	176.100	n.a.
Amounts at 31.12.2016	*3.880.835*	*1.739.175*	*1.273.933*	*9.660.196*	*172.145*	*n.a.*
% Change	*(8,8)%*	*2,3%*	*2,1%*	*8,1%*	*2,3%*	-
Cost of credit quality						
Amounts at 31.03.2017	0,7%	(0,9)%	0,4%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	0,8%	0,1%	1,5%	n.a.	n.a.	*n.a.*
% Change	*(0,1)%*	*(1,0)%*	*(1,1)%*	-	-	-
Net bad loans/Loans to customers						
Amounts at 31.03.2017	1,1%	2,8%	0,5%	57,3%	0,0%	n.a.
Amounts at 31.12.2016	*1,0%*	*3,0%*	*0,5%*	*57,0%*	*0,0%*	*n.a.*
% Change	*0,1%*	*(0,2)%*	*0,0%*	*0,3%*	*(0,0)%*	-
Net bad loans/Equity						
Amounts at 31.03.2017	2,5%	2,2%	0,5%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	*2,6%*	*2,2%*	*0,5%*	*n.a.*	*n.a.*	*n.a.*
% Change	*(0,1)%*	*(0,1)%*	*0,0%*	-	-	-
Coverage ratio on gross bad loans						
Amounts at 31.03.2017	88,5%	94,0%	90,9%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	*88,5%*	*94,0%*	*92,2%*	*n.a.*	*n.a.*	*n.a.*
% Change	-	*0,0%*	*(1,2)%*	-	-	-
Non-performing exposures/Loans to customers						
Amounts at 31.03.2017	7,5%	18,5%	3,1%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	*6,5%*	*19,0%*	*3,0%*	*n.a.*	*n.a.*	*n.a.*
% Change	*1,0%*	*(0,5)%*	*0,1%*	-	-	-
Net non-performing loans/Equity						
Amounts at 31.03.2017	16,9%	14,2%	3,1%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	*16,5%*	*14,1%*	*3,0%*	*n.a.*	*n.a.*	*n.a.*
% Change	*0,4%*	*0,1%*	*0,1%*	-	-	-
RWA(2) (3)						
Amounts at 31.03.2017	2.267.855	940.534	845.960	631.419	46.002	506.232
Amounts at 31.12.2016	*2.348.131*	*929.337*	*875.153*	*562.146*	*50.004*	*263.512*
% Change	*(3,4)%*	*1,2%*	*(3,3)%*	*12,3%*	*(8,0)%*	*92,1%*

(1) Gross flow of the receivables sold by the customers in a specific period of time.
(2) Risk Weighted Assets; the amount refers exclusively to the financial items reported in the segments.
(3) The Governance and Services sector's RWAs included the investment in IFIS Rental Services, a non-financial company consolidated using the equity method and that is not part of the Banking Group for supervisory purposes.

Trade receivables

This segment includes the following business areas:

- Crediti Commerciali Italia and Crediti Commerciali International, dedicated to supporting the trade receivables of SMEs operating in the domestic market as well as companies growing abroad or based abroad and working with Italian customers; this area includes the operations carried out in Poland by the investee IFIS Finance's S.p. Zo.o.
- Banca IFIS Pharma, supporting the trade receivables of local health services' suppliers and pharmacists.

INCOME STATEMENT DATA (in thousands of Euro)	31.03.2017	31.03.2016(1)	CHANGE	
			ABSOLUTE	%
Net interest income	20.586	19.321	1.265	6,5%
Net commission income	13.210	14.344	(1.134)	(7,9)%
Net banking income	**33.796**	**33.665**	**131**	**0,4%**
Net impairment losses on receivables	(4.400)	(5.313)	913	(17,2)%
Net profit (loss) from financial activities	**29.396**	**28.353**	**1.043**	**3,7%**

(1) To facilitate the comparison between the results of the reference periods, the funding cost included in the net interest income for 2016 was recalculated according to the new 2017 funding approach.

The net banking income of the Trade Receivables segment amounted to 33,8 million Euro, up 0,4% compared to 33,7 million Euro in the first quarter of 2016. The segment had very positive results in terms of volumes: it generated 2,7 billion Euro in turnover (+13,2% from December 2016), with 5.410 corporate customers, up 18% compared to the prior-year period.

The continued rise in average volumes did not cause a proportional increase in profitability because the average terms offered to customers declined from the first quarter of 2016 as a result of the current economic scenario, with market rates stuck at record lows and strong competitive pressures. Despite this largely external impact, the overall profitability of loans remained decent thanks to the focus on small customers with high marginal profitability.

The inclusion of the operations of the subsidiary "IFIS Factoring", not comprised in the previous year, contributed 166,2 million Euro worth of loans (of which 15,6 million Euro non-performing) to volumes and 674 thousand Euro to net banking income.

Net value adjustments on receivables amounted to 4,4 million Euro (5,3 million Euro in the prior-year period, -17,2%), and referred almost entirely to adjustments made by Banca IFIS. Their ratio relative to the increased average loans resulted in an improved credit risk cost, which fell from 79 bps at 31 December 2016 to 75 bps.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
Bad loans	31.927	31.692	235	0,7%
Unlikely to pay	52.153	50.900	1.253	2,5%
Past due loans	128.106	118.420	9.686	8,2%
Total net non-performing exposures to customers	**212.186**	**201.012**	**11.174**	**5,6%**
Net performing loans	2.635.578	2.891.476	(255.898)	(8,9)%
Total on-balance-sheet loans to customers	**2.847.764**	**3.092.488**	**(244.724)**	**(7,9)%**

Loans to customers included in this segment are composed as follows: 28,0% are receivables due from the Public Administration (compared to 28,3% at 31 December 2016) and 72,0% due from the private sector (compared to 71,7% at 31 December 2016).

Net non-performing exposures in the Trade Receivables segment rose 5,6% from 201,0 million Euro at the end of 2016 to 212,2 million Euro, largely because of rising past due exposures to the

Public Administration. IFIS Factoring made an 8,6 million Euro contribution to non-performing exposures.

The segment's net bad-loan ratio was 1,1%, up slightly from December 2016 (1,0%), while the ratio of net unlikely to pay to loans rose to 1,8% from 1,6% at 31 December 2016. The segment's ratio of total net non-performing exposures to loans rose from 6,5% at the end of 2016 to 7,5% at 31 March 2017. Net non-performing loans amounted to 16,9% as a percentage of Group equity, compared to 16,5% in the prior year, largely because of the decline in net performing loans. Overall, coverage ratios remain essentially in line with the previous year.

NON-PERFORMING TRADE RECEIVABLES (in thousands of Euro)	BAD LOANS(1)	UNLIKELY TO PAY	PAST DUE LOANS	TOTAL
BALANCE AT 31.03.2017				
Nominal amount of non-performing exposures	278.776	82.282	132.928	493.986
As a proportion of total gross receivables	*8,9%*	*2,6%*	*4,2%*	*15,7%*
Value adjustments	246.850	30.129	4.821	281.800
As a proportion of gross value	*88,5%*	*36,6%*	*3,6%*	*57,0%*
Carrying amount	31.926	52.153	128.107	212.186
As a proportion of net total receivables	*1,1%*	*1,8%*	*4,5%*	*7,5%*
BALANCE AT 31.12.2016				
Nominal amount of non-performing exposures	276.741	76.551	122.451	475.743
As a proportion of total gross receivables	*8,2%*	*2,3%*	*3,6%*	*14,1%*
Value adjustments	245.049	25.651	4.031	274.731
As a proportion of the nominal amount	*88,5%*	*33,5%*	*3,3%*	*57,7%*
Carrying amount	31.692	50.900	118.420	201.012
As a proportion of net total receivables	*1,0%*	*1,6%*	*3,8%*	*6,5%*

(1) **Bad loans** are recognised in the financial statements up to the point in which all credit collection procedures have been exhausted.

Net bad loans amounted to 31,9 million Euro, +0,7% from the end of 2016; the coverage ratio was 88,5%, unchanged from 31 December 2016. **Unlikely to pay** rose by 2,5% to 52,2 million Euro.

Net non-performing past due exposures totalled 128,1 million Euro, compared with 118,4 million Euro in December 2016 (+8,2%). Past due exposures to the private sector rose from 71,6 million Euro in December 2016 to 71,7 million Euro at 31 March 2017, and the exposures to the public sector from 46,8 million Euro to 56,4 million Euro.

KPIs	31.03.2017	31.03.2016	CHANGE	
			ABSOLUTE	%
Turnover	2.666.347	2.356.377	309.970	13,2%
Net banking income/ Turnover	1,3%	1,8%	-	(0,5)%

KPI y/y	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
Cost of credit quality	0,7%	0,8%	-	(0,1)%
Net bad loans/Loans to customers	1,1%	1,00%	-	0,1%
Net bad loans/Equity	2,5%	2,60%	-	(0,1)%
Coverage ratio on gross bad loans	88,5%	88,50%	-	-
Non-performing exposures/Loans to customers	7,5%	6,50%	-	1,0%
Net non-performing loans/Equity	16,9%	16,50%	-	0,4%
Total RWA per segment	-2.267.855	2.348.131	(80.276)	(3,4)%

The following table shows the nominal amount of receivables purchased (operating data not recognised in the statements) for factoring transactions outstanding at the end of the period (Total Receivables), broken down into receivables with or without recourse and receivables purchased outright. Please note that the breakdown of purchased receivables in the following table is based on the contract form used by the Group.

TOTAL RECEIVABLES (in thousands of Euro)	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
With recourse	2.074.812	2.150.930	(76.117)	(3,5)%
of which due from the Public Administration	*318.268*	*332.735*	*(14.467)*	*(4,3)%*
Without recourse	370.830	464.956	(94.127)	(20,2)%
of which due from the Public Administration	*8.085*	*8.949*	*(864)*	*(9,7)%*
Outright purchases	1.094.896	1.264.950	(170.054)	(13,4)%
of which due from the Public Administration	*726.679*	*812.384*	*(85.705)*	*(10,5)%*
Total receivables	**3.540.538**	**3.880.836**	**(340.298)**	**(8,8)%**
of which due from the Public Administration	***1.053.032***	***1.154.068***	***(101.036)***	**(8,8)%**

The breakdown of customers by geographic area in Italy, with a separate indication for those abroad, is as follows:

BREAKDOWN OF CUSTOMERS BY GEOGRAPHIC AREA	LOANS	TURNOVER
Northern Italy	42,5%	53,7%
Central Italy	24,2%	30,8%
Southern Italy	25,8%	9,9%
Abroad	7,5%	5,6%
Total	**100,0%**	**100,0%**

Corporate Banking

This segment includes the following business areas:

- Medium/long-term financing, supporting the company's operating cycle through services ranging from working capital financing to the support for productive investments;
- Structured Finance, supporting companies in the legal, organisational and financial arrangement of bilateral or syndicated loans;
- Workout & Recovery, which manages the UTPs and Bad Loans of all the portfolios of the sector's other two business areas, as well as the runoff of project finance, shipping and real estate portfolios.

INCOME STATEMENT DATA (in thousands of Euro)	31.03.2017	31.03.2016	CHANGE	
			ABSOLUTE	%
Net interest income	21.455	n.a.	n.a.	n.a.
Net commission income	2.120	n.a.	n.a.	n.a.
Dividends and trading	(186)	n.a.	n.a.	n.a.
Net banking income	**23.389**	**n.a.**	**n.a.**	**n.a.**
Net impairment losses on receivables, AFS and other financial assets	4.431	n.a.	n.a.	n.a.
Net profit (loss) from financial activities	**27.820**	**n.a.**	**n.a.**	**n.a.**

The net banking income of the Corporate Banking segment amounted to 23,4 million Euro. This amount included the 20,1 million Euro 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 subsidiary over time. This largely arose from the positions allocated to Workout & Recovery and resulting from the debt collection and restructuring actions taken in the first quarter of 2017.

In the first quarter of 2017, the Segment's margin started reflecting the positive results of refocusing on the growth of the Medium/long-term financing and Structured Finance business areas.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
Bad loans	27.338	27.260	78	0,3%
Unlikely to pay	149.738	142.741	6.997	4,9%
Past due loans	1.223	1.669	(446)	(26,7)%
Total net non-performing exposures to customers	**178.299**	**171.670**	**6.629**	**3,9%**
Net performing loans	785.527	734.012	51.515	7,0%
Total on-balance-sheet loans to customers	**963.826**	**905.682**	**58.144**	**6,4%**

The coverage ratio of non-performing loans amounted to 75,5%, largely unchanged from the end of last year; specifically, the coverage ratio of bad loans was 94%, in line with 31 December 2016.

NON-PERFORMING CORPORATE BANKING LOANS (in thousands of Euro)	BAD LOANS(1)	UNLIKELY TO PAY	PAST DUE LOANS	TOTAL
BALANCE AT 31.03.2017				
Nominal amount of non-performing exposures	457.562	267.957	1.235	726.754
As a proportion of total gross receivables	*29,8%*	*17,5%*	*0,1%*	*47,4%*
Value adjustments	430.224	118.219	12	548.455
As a proportion of gross value	*94,0%*	*44,1%*	*1,0%*	*75,5%*
Carrying amount	27.338	149.738	1.223	178.299
As a proportion of net total receivables	*2,8%*	*15,5%*	*0,1%*	*18,5%*
BALANCE AT 31.12.2016				
Nominal amount of non-performing exposures	456.184	265.412	1.685	723.281
As a proportion of total gross receivables	*30,9%*	*18,0%*	*0,1%*	*49,0%*
Value adjustments	428.924	122.671	16	551.611
As a proportion of the nominal amount	*94,0%*	*46,2%*	*0,9%*	*76,3%*
Carrying amount	27.260	142.741	1.669	171.670
As a proportion of net total receivables	*3,0%*	*15,8%*	*0,2%*	*19,0%*

(1) **Bad loans** are recognised in the financial statements up to the point in which all credit collection procedures have been exhausted.

KPIs	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	1.779.707	1.739.175	40.532	2,3%
Cost of credit quality	(0,9)%	0,0%	-	(0,9)%
Net bad loans/Loans to customers	2,8%	3,0%	-	(0,2)%
Net bad loans/Equity	2,2%	2,2%	-	(0,1)%
Coverage ratio on gross bad loans	94,0%	94,0%	-	0,0%
Non-performing exposures/Loans to customers	18,5%	19,0%	-	(0,5)%
Net non-performing loans/Equity	14,2%	14,1%	-	0,1%
Total RWA per segment	940.534	929.337	11.197	1,2%

Leasing

This sector provides finance and operating leases to small businesses and SMEs.

INCOME STATEMENT DATA (in thousands of Euro)	31.03.2017	31.03.2016	CHANGE	
			ABSOLUTE	%
Net interest income	11.966	n.a.	n.a.	n.a.
Net commission income	543	n.a.	n.a.	n.a.
Dividends and trading	(2)	n.a.	n.a.	n.a.
Net banking income	**12.507**	**n.a.**	**n.a.**	**n.a.**
Net impairment losses on loans and receivables	(103)	n.a.	n.a.	n.a.
Net profit (loss) from financial activities	**12.404**	**n.a.**	**n.a.**	**n.a.**

The Leasing segment's net banking income totalled 12,5 million Euro thanks to the positive development of the increase both in number of customers and loans, with positive effect on the growing market share, and included also 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 subsidiary over time, equal to 2,7 million euro. Specifically, finance and operating leases contributed 8,6 and 3,9 million Euro, respectively, to net banking income.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
Bad loans	6.377	6.177	200	3,2%
Unlikely to pay	13.695	13.622	73	0,5%
Past due loans	18.599	17.351	1.248	7,2%
Total net non-performing exposures to customers	**38.671**	**37.150**	**1.521**	**4,1%**
Net performing loans	1.219.825	1.198.488	21.337	1,8%
Total on-balance-sheet loans to customers	**1.258.496**	**1.235.638**	**22.858**	**1,8%**

NON-PERFORMING LEASING LOANS (in thousands of Euro)	BAD LOANS(1)	UNLIKELY TO PAY	PAST DUE LOANS	TOTAL
BALANCE AT 31.03.2017				
Nominal amount of non-performing exposures	70.410	44.548	38.168	153.126
As a proportion of total gross receivables	*5,1%*	*3,2%*	*2,7%*	*11,0%*
Value adjustments	64.033	30.853	19.569	114.455
As a proportion of gross value	*90,9%*	*69,3%*	*51,3%*	*74,7%*
Carrying amount	6.377	13.695	18.599	38.671
As a proportion of net total receivables	*0,5%*	*1,1%*	*1,5%*	*3,1%*
BALANCE AT 31.12.2016				
Nominal amount of non-performing exposures	78.997	41.440	46.450	166.887
As a proportion of total gross receivables	*5,7%*	*3,0%*	*3,4%*	*12,1%*
Value adjustments	72.820	27.818	29.099	129.737
As a proportion of the nominal amount	*92,2%*	*67,1%*	*62,6%*	*77,7%*
Carrying amount	6.177	13.622	17.351	37.150
As a proportion of net total receivables	*0,5%*	*1,1%*	*1,4%*	*3,0%*

KPI	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	1.300.648	1.273.933	26.715	2,1%
Cost of credit quality	0,5%	0,1%	-	0,4%
Net bad loans/Loans to customers	0,5%	0,5%	-	0,0%
Net bad loans/Equity	0,5%	0,5%	-	0,0%
Coverage ratio on gross bad loans	90,9%	92,2%	-	(1,2)%
Non-performing exposures/Loans to customers	3,1%	3,0%	-	0,1%
Net non-performing loans/Equity	3,1%	3,0%	-	0,0%
Total RWA per segment	845.960	875.153	(29.193)	(3,3)%

NPL Area

This is the Banca IFIS Group's business area dedicated to non-recourse factoring and managing mostly unsecured distressed retail loans.

The business is closely associated with converting and collecting non-performing exposures.

The Bank manages the portfolio of acquired receivables using two different methods: non-judicial and judicial operations.

As for the portfolio managed through non-judicial operations, to measure them the Bank uses a model based on a simulation of cash flows that projects the "breakdown" of the nominal amount of the receivable "over time" based on the historical recovery profile for similar clusters. As for the positions with funding characteristics (bills of exchange or settlement plans agreed with the debtor), the Bank uses a "deterministic" model based on the measurement of the future instalments of the settlement plan, net of the historical default rate.

Judicial operations consist in collecting debts through legal actions to secure a court order for the garnishment of one fifth of pension benefits or wages. The cash flows from judicial operations are not simulated using the model: the manager individually measures them for each individual position and enters them in the system.

INCOME STATEMENT DATA (in thousands of Euro)	31.03.2017	31.03.2016[1]	CHANGE	
			ABSOLUTE	%
Interest income from amortised cost	13.125	4.975	8.150	163,8%
Other interest income	30.497	25.397	5.100	20,1%
Funding costs	(4.041)	(2.437)	(1.604)	65,8%
Net interest income	**39.581**	**27.935**	**11.646**	41,7%
Net commission income	(829)	(551)	(278)	50,4%
Gain on sale of receivables	-	-	-	-
Net banking income	**38.752**	**27.384**	**11.369**	41,5%
Net impairment losses/reversals on receivables	(8.248)	(2.776)	(5.472)	197,1%
Net profit (loss) from financial activities	**30.504**	**24.608**	**5.897**	24,0%

(1) To facilitate the comparison of the operating results of the two reference periods, the 2016 results have been restated according to the 2017 funding approach.

Concerning net value adjustments, totalling 8,2 million Euro, 257 thousand Euro referred to the write-off of a number of positions for which the debtor was deceased and no heirs were found, and 185 thousand Euro to some positions for which the statute of limitations had expired. The item also included 9,4 million Euro in impairment losses referring to positions for which the net present value of expected cash flows had fallen below the purchase price, partly offset by 2,4 million Euro in interest accrued.

In addition, there were 1,6 million Euro in reversals of impairment losses consisting in additional interest income recognised under line item 130 up to the amount of the previously recognised impairment loss, as the reasons for impairment no longer apply.

These events (NPV of cash flows lower than the purchase price, deceased debtor, and expired statute of limitations), in accordance with the Bank's accounting policy, represented trigger events causing the changes in amortised cost to qualify as impairment losses to be recognised under item 130 - Net value adjustments on receivables. However, the overall net profit from financial activities is more relevant to understanding the segment's performance.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
Bad loans	361.796	320.612	41.184	12,8%
Unlikely to pay	269.572	241.518	28.054	11,6%
Past due loans	**-**	-	-	-
Total net non-performing exposures to customers	**631.368**	**562.130**	**69.238**	**12,3%**
Net performing loans	50	*16*	34	212,5%
Total on-balance-sheet loans to customers	**631.418**	**562.146**	**69.272**	**12,3%**

KPI	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	10.445.479	9.660.196	785.283	8,1%
Total RWA per segment	631.419	562.146	69.273	12,3%

NPL PERFORMANCE	(in thousands of Euro)
Receivables portfolio at 31.12.2016	**562.146**
Purchases	67.913
Sales	(9.020)
Interest income from amortised cost	13.125
Other components of net interest income from change in cash flow	30.497
Impairment losses/reversals from change in cash flow	(8.248)
Collections	(24.995)
Receivables portfolio at 31.03.2017	**631.418**

In the first quarter of 2017, the Bank finalised the sale of 9 million Euro worth of receivables (corresponding to an outstanding par value of 744,6 million Euro and 73 thousand positions), whose impact had been recognised in the previous year because the binding offer contained all the elements required to determine whether all risks and rewards relating to the receivables sold had been substantially transferred (derecognition), even though the transfer had not been formally completed at the reporting date.

During the period, the debtor counterparties settled their debt mainly according to the following methods:

- in cash (postal orders, bank transfers, etc.);
- settlement plans agreed with the debtors (so-called expressions of willingness).
- garnishment

During the period, funding was essentially in line with 2016, edging up to 71,7 million Euro from 71,6 million Euro in the previous year. Collections made during the period amounted to 25 million, compared to 15 million in the first quarter of 2016.

At the end of the period, the portfolio managed by the NPL Area included 1.378.597 positions, for a par value of 10,4 billion Euro.

Tax receivables

It is the segment specialised in purchasing tax receivables arising from insolvency proceedings; it operates under the Fast Finance brand and offers to buy both accrued and accruing tax receivables on which repayment has already been requested or which shall be requested in the future, and that arose during insolvency proceedings or in prior years. As a complement to its core business, this segment seldom acquires also trade receivables from insolvency proceedings.

INCOME STATEMENT DATA (in thousands of Euro)	31.03.2017	31.03.2016 (1)	CHANGE	
			ABSOLUTE	%
Net interest income	2.915	3.983	(1.068)	(26,8)%
Net commission income	(2)	-	(2)	-
Net banking income	**2.913**	**3.983**	**(1.070)**	(26,9)%
Net impairment losses/reversals on receivables	(72)	-	(72)	-
Net profit (loss) from financial activities	**2.842**	**3.983**	**(1.141)**	(28,7)%

(1) To facilitate the comparison of the operating results of the two reference periods, the 2016 results have been restated according to the 2017 funding approach.

Net banking income is generated by the interest accrued according to the amortised cost method and funding costs allocated to the segment.
The net banking income of the Tax Receivables segment amounted to 2,9 million Euro, down 26,9% from 4,0 million Euro at 31 March 2016.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
Bad loans	-	5	(5)	(100,0)%
Unlikely to pay	1	194	(193)	(99,5)%
Past due loans	-	-	-	-
Total net non-performing exposures to customers	**1**	**199**	**(198)**	**(99,5)%**
Net performing loans	132.775	124.498	8.277	6,6%
Total on-balance-sheet loans to customers	**132.776**	**124.697**	**8.079**	**6,5%**

Since the Public Administration is the counterparty, tax receivables are classified as performing; trade receivables, on the other hand, are classified as non-performing exposures, if required.

KPI	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	176.100	172.145	3.955	2,3%
Total RWA per segment	46.002	50.004	(4.002)	(8,0)%

TAX RECEIVABLES PERFORMANCE	(in thousands of Euro)
Receivables portfolio at 31.12.2016	**124.697**
Purchases	18.741
Interest income from amortised cost	2.120
Other components of net interest income from change in cash flow	1.315
Impairment losses/reversals from change in cash flow	(72)
Collections	(14.025)
Receivables portfolio at 31.03.2017	**132.776**

During the period, the sector collected 14 million Euro and purchased 18,7 million Euro worth of receivables.
With these purchases, the segment's portfolio comprises 1.384 positions, for a par value of 176,1 million Euro and a value at amortised cost of 132,8 million Euro at 31 March 2017.

Governance and services

Governance and Services provides the segments operating in the Bank's core businesses with the financial resources and services necessary to perform their respective activities. The segment comprises, among other things, the resources required for the performance of the services of the Audit, Administration-Accounting, Planning, Organisation and ICT functions, as well as the structures responsible for raising, managing and allocating financial resources to the operating segments. The data includes the contribution of the former GE Capital Interbanca Group not allocated to individual segments.

INCOME STATEMENT DATA (in thousands of Euro)	31.03.2017	31.03.2016[1]	CHANGE	
			ABSOLUTE	%
Net interest income	1.453	9.244	(7.791)	(84,3)%
Net commission income	(824)	(145)	(679)	468,0%
Dividends and trading	(1.475)	5.249	(6.724)	(128,1)%
Net banking income	**(846)**	**14.348**	**(15.194)**	(105,9)%
Net value adjustments on receivables and other financial assets	-	(2.952)	2.952	(100,0)%
Net profit (loss) from financial activities	**(846)**	**11.396**	**(12.242)**	(107,4)%

(1) To facilitate the comparison of the operating results of the two reference periods, the 2016 results have been restated according to the 2017 funding approach.

The segment's **net banking income** was negative 846 thousand Euro, sharply down from the first quarter of 2016 largely because of the lower overall contribution from the securities portfolio. This contributed 4,5 million Euro in interest income in the first quarter of 2016, compared to 0,3 million Euro in 2017, because of the steady decline in investments in securities as well as 5,5 million Euro in gains on the sale of part of the portfolio carried out in the previous year.

The cost of the funding required to support the core businesses is all but entirely charged back to the remaining Segments—"Trade Receivables", "Corporate banking", "Leasing", "NPL Area", and "Tax Receivables"—through the internal transfer rate system.

External changes, in terms of market rates, as well as internal changes, in terms of composition and funding rates, required revising the method to calculate the internal transfer rates for 2017, and therefore updating them. To facilitate the comparison of the two reference periods, the 2016 results have been restated according to the 2017 funding approach.

The Group's main source of funding is the Rendimax savings account, which gives rise to 17 million Euro in interest expense (funding totalled 3,3 billion Euro in the first quarter of 2016 and 4,7 billion Euro in March 2017, and its cost rose from 1,26% in the prior-year period to 1,50%). The steady increase over the previous year was the result of the new 3-, 4-, and 5-year maturities as well as some promotional campaigns aiming to boost funding levels for the acquisition of the former GE Capital Interbanca Group.

Finally, the rest of funding comes from securitisations of factoring receivables, whose actual cost is recognised in the G&S segment.

Net value adjustments on available for sale financial assets at 31 March 2016 referred to impairment losses recognised on unlisted equity instruments that were found to be impaired.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
Available for sale financial assets	635.507	374.229	261.278	69,8%
Due from banks	1.411.235	1.393.358	17.877	1,3%
Due from customers	3.590	7.561	(3.971)	(52,5)%
Due to banks	1.028.971	503.964	525.007	104,2%
Due to customers	5.055.558	5.045.136	10.422	0,2%

The loans to customers of the Governance and Services sector amounted to 3,6 million Euro, -52,5% from the prior-year, and essentially reflect the balance of margin lending related to repurchase agreements on the MTS platform with Cassa di Compensazione e Garanzia as counterparty. The decline was the result of the downsizing of the securities portfolio.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
Bad loans	-	-	-	-
Unlikely to pay	-	-	-	-
Past due loans	-	-	-	-
Total net non-performing exposures to customers	**-**	**-**	**-**	**-**
Net performing loans	3.590	7.561	(3.971)	(52,5)%
Total on-balance-sheet loans to customers	**3.590**	**7.561**	**(3.971)**	**(52,5)%**

KPI	31.03.2017	31.12.2016	CHANGE	
			ABSOLUTE	%
Total RWA per segment (1)	506.232	263.512	242.720	92,1%

(1) The Governance and Services sector's RWAs included the investment in IFIS Rental Services, a non-financial company consolidated using the equity method and that is not part of the Banking Group for supervisory purposes.

Notes

Accounting Policies

Statement of compliance with IFRS

The Consolidated Interim Report at 31 March 2017 has been drawn up in accordance with the IASs/IFRSs in force at said date issued by the International Accounting Standards Board (IASB), together with the relevant interpretations (IFRICs and SICs). These standards were endorsed by the European Commission in accordance with the provisions in article 6 of European Union Regulation no. 1606/2002. This regulation was implemented in Italy with Legislative Decree no. 38 of 28 February 2005.

Basis of preparation

This Consolidated Interim Report at 31 March 2017 of the Banca IFIS Group was prepared in accordance with Borsa Italiana's Rules for companies listed on the STAR segment (article 2.2.3 paragraph 3), which require publishing an interim report within 45 days of the end of each quarter, and considering Borsa Italiana's notice no. 7587 of 21 April 2016. Therefore, in accordance with said notice, concerning the contents of the Consolidated Interim Report, the Group made reference to the pre-existing paragraph 5 of article 154-ter of Italian Legislative Decree no. 58 of 24 February 1998.

The Consolidated Interim Report has 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.

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

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

The criteria for, recognising, measuring and derecognising assets and liabilities and the methods for recognising revenue and costs adopted in preparing the Consolidated Interim Report at 31 March 2017 are unchanged from those used to prepare the consolidated financial statements at 31 December 2016, to which reference should be made for further details.

We have used the same classification for the items in the financial statements as in the previous financial year.

Consolidation scope and methods

The Consolidated Interim Report has been drawn up on the basis of the accounts at 31 March 2017 prepared by the directors of the companies included in the consolidation scope, which was unchanged from the end of last year.

At 31 March 2017, the Group was composed of the parent company, Banca IFIS S.p.A., the wholly-owned subsidiaries IFIS Finance Sp. Z o. o. e IFIS Factoring S.r.l. (Banca IFIS directly acquired the equity interest from the subsidiaries in the first quarter of 2017), the 99,99%-owned subsidiary Interbanca S.p.A., and its subsidiaries IFIS Leasing S.p.A. and IFIS Rental Services S.r.l., in which Interbanca owns directly and indirectly all voting rights.

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

The consolidated financial statements include the financial statements of the parent company Banca IFIS S.p.A. and the mentioned subsidiaries.

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

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

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

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

As for the subsidiary IFIS Finance Sp. Z o.o., the consolidation process has brought about goodwill for 799 thousand Euro at the period-end exchange rate, recognised under item 130 'Intangible assets'.

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:

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

The assessment carried out led the Bank to include the subsidiaries listed in the previous paragraph, as well as the SPVs (Special Purpose Vehicles) set up for securitisation purposes, in the scope of consolidation at 31 March 2017. These SPVs are not legally part of the Banca IFIS Group.

Group equity and income situation

The main line items are commented on below.

Statement of financial positions items

MAIN STATEMENT OF FINANCIAL POSITION ITEMS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2017	31.12.2016	ABSOLUTE	%
Available for sale financial assets	635.507	374.229	261.278	69,8%
Loans to customers	5.837.870	5.928.212	(90.342)	(1,5)%
Due from banks	1.411.235	1.393.358	17.877	1,3%
Property, plant and equipment and intangible assets	123.874	125.329	(1.455)	(1,2)%
Tax assets	571.935	581.016	(9.081)	(1,6)%
Other assets	274.960	297.001	(22.041)	(7,4)%
Total assets	**8.855.381**	**8.699.145**	**156.236**	**1,8%**
Due to customers	5.055.558	5.045.136	10.422	0,2%
Due to banks	1.028.971	503.964	525.007	104,2%
Outstanding securities	1.122.879	1.488.556	(365.677)	(24,6)%
Provisions for risks and charges	22.758	24.318	(1.560)	(6,4)%
Tax liabilities	32.423	24.925	7.498	30,1%
Other liabilities	339.154	393.463	(54.309)	(13,8)%
Equity	1.253.638	1.218.783	34.855	2,9%
Total liabilities and equity	**8.855.381**	**8.699.145**	**156.236**	**1,8%**

Available for sale (AFS) financial assets

Available for sale (AFS) financial assets, which include debt and equity securities, stood at 635,5 million Euro at 31 March 2017, +69,8% compared to 374,2 million Euro at the end of 2016. The valuation reserve, net of taxes, was positive to the tune of 2,2 million Euro at 31 March 2017 (1,5 million Euro at 31 December 2016).

The amount of **debt securities** in the portfolio at 31 March 2017 was 614,2 million Euro, up 73,9% from 31 December 2016 (353,2 million Euro) largely because of the acquisitions made during the quarter. These referred entirely to instruments issued by banks.

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

Issuer/Maturity	2nd Half. 2017	1st Half. 2019	1st Half. 2020	Overall total
Government bonds	270.335	29.999	52.951	353.285
% of total	*44,0%*	*4,9%*	*8,6%*	*57,5%*
Banks	-	-	260.898	260.898
% of total	*0,0%*	*0,0%*	*42,5%*	*42,5%*
Total	**270.335**	**29.999**	**313.849**	**614.183**

Available for sale financial assets include **equity securities** relating to non-controlling interests in unlisted companies, amounting to 17,4 million Euro (+1,4% compared to 31 December 2016). The increase was largely attributable to the fair value adjustment of the securities
Available for sale financial assets include also 3,9 million Euro in UCITS units.

Loans to customers

Total **loans to customers** amounted to 5.837,9 million Euro, down 1,5% from 5.928,2 million Euro at the end of 2016.

Specifically, the loans of the NPL Area rose by 12,3% mainly because of new acquisitions. Also the loans of the tax receivables segment were up (+6,5%). Corporate Banking and Leasing, the new sectors born from the acquisition of the former GE Capital Interbanca Group, contributed 963,8 (+6,4%) and 1.258,7 (+1,8%) million Euro, respectively. Trade receivables declined (-7,9% from the end of 2016) because of the segment's usual “seasonality”, and the receivables of the Governance and Services segment fell 52,5% from the end of 2016.

Net loans due exclusively from business customers, which therefore includes Trade receivables, Corporate Banking and Leasing segments, amounted to 5.070,1 million euro, up 3,1% from December 2016.

The breakdown of loans to customers was as follows: 15,9% are due from the Public Administration and 84,1% from the private sector (compared to 16,9% and 83,1% at 31 December 2016).

Finally, it should be noted that the item includes one position, for an amount of 212,9 million Euro, which fall within the category of major risks.

LOANS TO CUSTOMERS: BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2017	31.12.2016	ABSOLUTE	%
Trade receivables	2.847.764	3.092.488	(244.724)	(7,9)%
- *of which non-performing*	*212.186*	*201.012*	*11.174*	*5,6%*
Corporate Banking	963.826	905.682	58.144	6,4%
- *of which non-performing*	*178.299*	*171.670*	*6.629*	*3,9%*
Leasing	1.258.496	1.235.638	22.858	1,8%
- *of which non-performing*	*38.671*	*37.150*	*1.521*	*4,1%*
NPL Area	631.418	562.146	69.272	12,3%
- *of which non-performing*	*631.368*	*562.130*	*69.238*	*12,3%*
Tax Receivables	132.776	124.697	8.079	6,5%
- *of which non-performing*	*1*	*199*	*(198)*	*(99,5)%*
Governance and Services	3.590	7.561	(3.971)	(52,5)%
- *of which with Cassa di Compensazione e Garanzia*	*665*	*4.748*	*(4.083)*	*(86,0)%*
Total loans to customers	**5.837.870**	**5.928.212**	**(90.342)**	**(1,5)%**
- of which non-performing	***1.060.525***	***972.161***	***88.364***	***9,1%***

Total net **non-performing exposures**, which are significantly affected by the receivables of the NPL Area, amounted to 1.060,5 million Euro at 31 March 2017, compared to 972,2 million Euro at the end of 2016 (+9,1%).

Net non-performing loans due exclusively from business customers amounted to 429,2 million Euro at the end of the quarter, +4,7% from the end of 2016. The following table shows the gross and net amounts as well as the relevant coverage ratios for each category of non-performing exposure.

LOANS TO BUSINESSES (in thousands of Euro)	BAD LOANS	UNLIKELY TO PAY	PAST DUE LOANS	TOTAL
BALANCE AT 31.03.2017				
Nominal amount of non-performing exposures	806.748	394.787	172.331	1.373.866
As a proportion of total receivables at nominal amount	*13,3%*	*6,5%*	*2,8%*	*22,7%*
Value adjustments	741.107	179.201	24.402	944.710
As a proportion of the nominal amount	*91,9%*	*45,4%*	*14,2%*	*68,8%*
Carrying amount	65.641	215.586	147.929	429.156
As a proportion of net total receivables	*1,3%*	*4,3%*	*2,9%*	*8,5%*
BALANCE AT 31.12.2017				
Nominal amount of non-performing exposures	811.922	383.403	170.586	1.365.911
As a proportion of total receivables at nominal amount	*13,4%*	*6,3%*	*2,8%*	*22,5%*
Value adjustments	746.793	176.140	33.146	956.079
As a proportion of the nominal amount	*92,0%*	*45,9%*	*19,4%*	*70,0%*
Carrying amount	65.129	207.263	137.440	409.832
As a proportion of net total receivables	*1,3%*	*4,1%*	*2,7%*	*8,1%*

Here below is the breakdown of forborne exposures by segment.

FORBEARANCE (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	CONS. TOTAL
Bad loans						
Amounts at 31.03.2017	2.301	5.451	2.541	39.178	-	49.471
Amounts at 31.12.2016	*2.439*	*5.587*	*730*	*33.550*	-	*42.306*
% Change	*(5,7)%*	*(2,4)%*	*248,1%*	*16,8%*	-	*16,9%*
Unlikely to pay						-
Amounts at 31.03.2017	16.149	102.462	10.011	57.242	-	185.864
Amounts at 31.12.2016	*19.312*	*98.575*	*6.258*	*53.368*	-	*177.513*
% Change	*(16,4)%*	*3,9%*	*60,0%*	*7,3%*	-	*4,7%*
Past due loans						-
Amounts at 31.03.2017	-	922	2.331	-	-	3.253
Amounts at 31.12.2016	-	*1.457*	*2.302*	-	-	*3.759*
% Change	-	*(36,7)%*	*1,3%*	-	-	*(13,5)%*
Performing loans						-
Amounts at 31.03.2017	6.808	32.932	31.915	14	-	71.669
Amounts at 31.12.2016	*6.955*	*35.882*	-	*15*	-	*42.852*
% Change	*(2,1)%*	*(8,2)%*	-	*(6,7)%*	-	*67,2%*

Intangible assets and property, plant and equipment and investment property

Intangible assets totalled 14,2 million Euro, down from 15,0 million Euro at 31 December 2016 essentially because of the amortisation expense for the period.

The item refers to software (13,4 million Euro) as well as goodwill (825 thousand Euro) arising from the consolidation of the investment in IFIS Finance Sp.Z o.o..

Property, plant and equipment and investment property totalled 109,7 million Euro, down from 110,3 million Euro at 31 December 2016 essentially because of the depreciation expense for the period.

At the end of the period, the properties recognised under property, plant and equipment and investment property included the important historical building “Villa Marocco”, located in Mestre – Venice and housing Banca IFIS's registered office, as well as two buildings in Milan, housing the registered offices of Interbanca S.p.A. and some Group companies.

Since Villa Marocco is a luxury property, it is not amortised, but it is tested for impairment at least annually. To this end, they are appraised by experts specialising in luxury properties. During the period, there were no indications requiring to test the assets for impairment.

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.
Current tax assets, totalling 79,4 million Euro, included 34,9 million Euro in tax credits from the conversion of deferred tax assets (DTAs) in accordance with Italian Law no. 214/2011, 23,2 million Euro in IRES/IRAP credits claimed in the tax return, and 21,2 million Euro in credits acquired from third parties.
Deferred tax assets, amounting to 492,5 million Euro, included 225,8 million Euro in value adjustments on receivables that can be deducted in the following years, and the rest largely referred to misalignments between the fair value and the carrying amount found during the purchase price allocation (PPA) for the former GE Capital Interbanca Group. These were recognised to profit or loss during the period, causing the change in deferred tax assets.

Other assets and liabilities

Other assets amounted to 229,7 million Euro at 31 March 2017 (-8,0% from 31 December 2016).

This line item included 8,2 million Euro in receivables due from Italian tax authorities for payments on account (stamp duty and withholding taxes), 33,6 million Euro in funds placed in an escrow account pending the resolution of a dispute, and 21,7 million Euro in VAT credits. The item also included a 39,6 million Euro receivable due from the parent company La Scogliera S.p.A. deriving from the tax consolidation regime.

At the end of the period, other liabilities totalled 285,1 million Euro (-15,5% from the end of 2016). The most significant items referred largely to amounts due to customers that have not yet been credited.

Funding

FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2017	31.12.2016	ABSOLUTE	%
Due to customers:	**5.055.558**	**5.045.136**	**10.422**	**0,2%**
Repurchase agreements	-	*270.314*	*(270.314)*	*(100,0)%*
Rendimax and Contomax	*4.789.506*	*4.519.260*	*270.246*	*6,0%*
Other payables	*266.052*	*255.562*	*10.490*	*4,1%*
Due to banks:	**1.028.971**	**503.964**	**525.007**	**104,2%**
Eurosystem	*700.000*	-	*700.000*	*n.a.*
Repurchase agreements	-	*50.886*	*(50.886)*	*(100,0)%*
Other payables	*328.971*	*453.078*	*(124.107)*	*(27,4)%*
Outstanding securities	**1.122.879**	**1.488.556**	**(365.677)**	**(24,6)%**
Total funding	**7.207.408**	**7.037.656**	**169.752**	**2,4%**

Total funding, which amounted to 7.207,4 million Euro at 31 March 2017, up 2,4% compared to 31 December 2016, is represented for 70,1% by **Payables due to customers** (compared to 71,7% at 31 December 2016), for 14,3% by **Payables due to banks** (compared to 7,2% at 31 December 2016), and for 15,6% by **Outstanding securities** (21,1% at 31 December 2016).

Payables due to customers at 31 March 2017 totalled 5.055,6 million Euro (+0,2% compared to 31 December 2016). The 270,3 million Euro decline resulting from the settlement of repurchase agreements was substantially offset by the rise in retail funding: this totalled 4.789,5 million Euro at 31 March 2017, compared to 4.519,3 million Euro at 31 December 2016 (+6,0%). The Bank still bears proportional stamp duty costs on rendimax and contomax, which amount to 0,20%.

Payables due to banks, totalling 1,029,0 million Euro (compared to 504,0 million Euro in December 2016), increased by 104,2%, largely because of the new TLTRO loan received in March 2017.

In addition, term deposits at other banks declined to 329,0 million Euro from 453,1 million Euro at the end of the previous year (-27,4%).

Outstanding securities amounted to 1.122,9 million Euro. The item included 1.038,1 million Euro (1.404,6 million Euro at 31 December 2016) in notes issued by the special purpose vehicles as part of the securitisations launched at the end of 2016. The decline from the end of 2016 was largely attributable to the buyback of all senior notes as part of one securitisation transaction. The rest of outstanding securities at 31 March 2017 included 84,2 million Euro in bond loans and 639 thousand Euro in certificates of deposits issued by Interbanca S.p.A.,

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2017	31.12.2016	ABSOLUTE	%
Legal disputes	9.437	9.577	(140)	(1,5)%
Other provisions	13.321	14.741	(1.420)	(9,6)%
Total provisions for risks and charges	**22.758**	**24.318**	**(1.560)**	**(6,4)%**

Here below is the breakdown of the provision for risks and charges at the end of the period by type of dispute compared with the prior year. For the sake of clarity, the provisions deriving from the acquisition of the former GE Capital Interbanca Group are reported separately.

Legal disputes

Banca IFIS legal disputes

The provision outstanding at 31 March 2017, amounting to 1,9 million Euro, included 1,8 million Euro for 18 disputes concerning the Trade Receivables segment (the plaintiffs seek 18,0 million Euro in damages), and 99 thousand Euro for 8 disputes concerning the NPL Area segment (the plaintiffs seek 197 thousand Euro in damages).

Former GE Capital Interbanca Group legal disputes

The provision outstanding at 31 March 2017, amounting to 7,5 million Euro, included 250 thousand Euro for a dispute involving IFIS Factoring (the plaintiffs seek 500 thousand Euro in damages), 2,0 million Euro for 29 disputes concerning IFIS Leasing (the plaintiffs seek 4,4 million Euro in damages), and 5,3 million Euro for 7 disputes involving Interbanca (the plaintiffs seek 50,4 million Euro in damages).

Other provisions

Other Banca IFIS provisions

The provision at 31 March 2017, amounting to 2,1 million Euro, referred to the Bank's estimated contribution to the Italian Bank Resolution Fund for the year 2017.

The provision at 31 December 2016, totalling 2,5 million Euro, referred to the amount set aside for commissions paid in early 2017 in order to buy back the senior tranche of the leasing securitisation (eligible securities).

Other former GE Capital Interbanca Group provisions

The provision outstanding at 31 March 2017, amounting to 11,2 million Euro, comprised 3,4 million Euro in personnel-related expenses and 7,8 million Euro in other provisions. These included 3,5 million Euro for customer allowances, 3,1 million Euro as provision for risks on unfunded commitments, and 727 thousand Euro associated with Interbanca's estimated contribution to the Italian Bank Resolution Fund for the year 2017.

Contingent liabilities

Here below are the contingent liabilities at 31 March 2017.

Tax dispute

Banca IFIS tax dispute

On 23 December 2016, Banca IFIS received a VAT verification notice totalling 105 thousand Euro, without assessing any penalties and interest. Banca IFIS, supported by its tax advisers, decided to file an appeal and considered the risk of defeat possible, but not probable: therefore, it did not allocate funds to the provision for risks and charges.

Former GE Capital Interbanca Group tax disputes

Dispute concerning withholding taxes on interest paid in Hungary Companies involved: Interbanca Spa and IFIS Leasing Spa (including the merged GE Leasing Italia Spa)

The Italian Revenue Agency contested the failure to pay the 27% withholding tax on the interest paid to the Hungarian financial company of the GE group without any withholding tax pursuant to the International Convention between Italy and Hungary for the avoidance of double taxation. The Italian Revenue Agency determined that the Hungarian entity was not the actual beneficiary of the interest paid by the Italian firms, but only a conduit company.

According to the Italian Revenue Agency, the beneficiary is a company allegedly incorporated in Bermuda, therefore the International Convention between Italy and Hungary for the avoidance of double taxation does not apply. Entities in tax havens are subject to a 27% withholding tax.

Therefore, for the years between 2007 and 2011, the Italian Revenue Agency assessed approximately 68 and 42 million Euro in additional withholding taxes against Interbanca Spa and IFIS Leasing Spa, respectively,

as well as administrative penalties amounting to 150/250%.

The Companies involved filed an appeal against the verification notices pursuant to the law with the competent Tax Commissions, paying 1/3 of the tax, i.e. nearly 31 million Euro, as provisional enrolment on the tax register.

Following the exchange of information pursuant to Council Directive EU/2011/16, Hungary's tax authority concluded that the GE group's Hungarian company must be legitimately considered the beneficiary of the interest received from the Italian counterparties".

So far, all rulings issued by the competent Provincial Tax Commissions (Turin and Milan) have fully upheld the appeals. As expected, the Italian Revenue Agency has appealed against these decisions.

Dispute concerning the write-off of receivables

Company involved IFIS Leasing Spa

The Italian Revenue Agency has reclassified the write-off of receivables made by the Company in 2004, 2005, 2006 and 2007 and added in the years between 2005 and 2011 to losses on receivables—without any actual evidence.

For the years 2004/2011, the Agency assessed 755 thousand Euro in additional taxes and administrative penalties amounting to 100%.

Dispute concerning the VAT treatment of insurance mediation activities

Company involved IFIS Leasing Spa

The Italian Revenue Agency challenged the failure to apply the pro-rata mechanism in the years between 2007 and 2010 concerning the VAT deduction for passive transactions in exchange for VAT-exempt commissions received from insurance companies for insurance mediation activities that are ancillary to the core vehicle leasing business (which is subject to VAT).

For the years 2007/2010, the Agency assessed 3 million Euro in additional VAT and administrative penalties amounting to 125%.

Legal disputes

Lawsuit against Interbanca to cancel a settlement

A lawsuit was filed against Interbanca in 2010 concerning a position for which the company had entered into a settlement agreement with the Receiver appointed at the time for the extraordinary administration proceedings involving a debtor of Interbanca. The new Receiver questioned the validity of the agreement, seeking 168 million Euro in damages from Interbanca, among others.

During the dispute, some defendants made various demands to Interbanca, asking that the company indemnifies them against the claims made by the plaintiff or to benefit from the settlement agreement entered into between Interbanca and the then Receiver.

The Court deemed the settlement agreement valid and enforceable, dismissing all claims of the Plaintiffs and the request the other defendants made to Interbanca.

The Court did not rule on the requests submitted by two defendants that Interbanca indemnifies them, and therefore not even on the objections raised by the company, separately ordering the proceeding involving also Interbanca to continue. As part of the first-instance trial, which is still pending, the court-appointed expert witness recently filed his report, concluding that the three debtors have no right to seek damages from the defendants. The plaintiffs objected to the decision and asked for another expert witness to prepare a new report or complement the one already filed. The Court has adjourned the case. The plaintiffs have appealed against the part of the first-instance ruling considering the settlement agreement valid and enforceable, reducing the damages they claim to approximately 149 million Euro. In the ruling issued on 10 March 2017, the Appeals Court dismissed the appeal, upholding the first-instance ruling and awarding costs against the plaintiffs. As mentioned, the risk assessment also accounts for the opinions of external lawyers as well as the positive indications from the first- and second-instance rulings.

Legal proceedings concerning a lawsuit for damages resulting from an extraordinary operation involving an industrial company as well as environmental damage

In early 2012, the officials of an extraordinary administration proceeding involving a chemical company in which Interbanca indirectly held a stake between 1999 and 2004 filed a lawsuit for damages.

The lawsuit was filed against Interbanca and 60 other defendants—corporations and individuals, including two former employees and one former director of Interbanca, which were held harmless by the latter—to ascertain their alleged joint responsibility and sentence them to pay for the damages allegedly caused to the company in extraordinary administration, initially estimated to be at least 388 million Euro.

The plaintiff alleged that the direct and indirect owners of the company in extraordinary administration, including Interbanca as well the former directors and statutory auditors of the company in extraordinary administration, had engaged in unlawful conduct. According to the plaintiff, the damages were caused by a spin-off launched by the company after it was placed into extraordinary administration, to the detriment of the company itself and its creditors.

In 2013, the receiver sought approximately 3,5 billion Euro in damages from the defendants, including Interbanca, for alleged environmental damage caused by the operation of chemical production plants owned by the company in extraordinary administration and its subsidiaries. Italy’s Ministry of the Environment and the Protection of the Territory and the Sea as well as the Ministry of Economy and Finance voluntarily joined the proceedings to support the plaintiff's claims.

The dispute was resolved—at least as far as most defendants, including Interbanca and its two former employees and its former director, are concerned—with the ruling issued on 10 February 2016, The Court dismissed the request to join the proceedings filed by Italy's Ministry of the Environment and the Protection of the Territory and the Sea as well as the Ministry of Economy and Finance as inadmissible, dismissed all claims for damages filed by the plaintiff against, among others, Interbanca, its former employees and its former director, and awarded costs against the plaintiff and the Ministries.

In March 2016, both the Ministries and the plaintiff filed an appeal against the ruling, and the hearings were scheduled for 19 July 2016 and 4 October 2016, respectively. At the first hearing on the appeal filed by the Ministries, the Court adjourned the case to the 4 October 2016 hearing on the appeal filed by the plaintiff, combining the two proceedings.

In November 2016, Interbanca, the two former employees and the managing director involved entered into separate settlement agreements with the plaintiff, which withdrew the claims against Interbanca and the three individuals. In turn, these waived the costs awarded to them in the first-instance ruling.

To settle the pending appeal proceedings, the parties formally exchanged their waivers, and at the hearing on 21 February 2017, the plaintiff's attorney announced the finalisation of the settlement agreement with the Bank and the three mentioned individuals, filing the respective waivers. The Court adjourned the case to 16 June 2017 to ascertain the performance of all settlement agreements between the plaintiff and the defendants. Meanwhile, the appeal filed by the Ministries is still pending.

On 28 July 2015, the Ministry of the Environment and the Protection of the Territory and the Sea served Interbanca with an order requiring it and the other recipients effective immediately to take all actions necessary to control, limit, remove or otherwise manage any factor that could potentially cause damage at the three industrial plants operated by the company in extraordinary administration that had filed the lawsuit described above. Interbanca appealed against the order with the competent Administrative Court, asking for its suspension.

On 21 March 2016, the Regional Administrative Court issued its ruling, upholding Interbanca's appeal and cancelling the order. On 15 July 2016, the Ministry of the Environment and the Protection of the Territory and the Sea appealed against the decision. The Ministry also filed an appeal with the Italian Council of State against the rulings issued in the proceedings brought by all the other recipients of the order of the Ministry of the Environment and the Protection of the Territory and the Sea dated 24 July 2015. A hearing has not yet been scheduled.

Arbitration concerning an equity interest in an industrial company

In early August 2016, Interbanca was served with a notice of arbitration at the National and International Arbitration Chamber of Milan by a company owning a controlling interest in a IT services company in which Interbanca owns a non-controlling interest.

The dispute specifically concerns the validity and enforceability of Interbanca's exit from the investment, especially with reference to the put option the plaintiff granted to Interbanca under the agreements between the parties. Interbanca exercised the put option in accordance with the provisions of the agreements in force before the commencement of the arbitration. To date, the plaintiff has not yet estimated the alleged damages, asking the Arbitration Board to assess or liquidate them during the proceeding—including through an equitable remedy.

Reimbursements

In line with market practice, under the purchase agreement for the former GE Capital Interbanca Group, the seller (GE Capital International Limited) made a series of representations and warranties related to Interbanca and other Investees. Similarly, the agreement also contains a limited series of representations and warranties made by Banca IFIS, which concern mostly its ability to finalise the acquisition.

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.

Equity and capital adequacy ratios

At 31 March 2017, consolidated Equity was 1.253,6 million Euro, compared to 1.218,8 million Euro at 31 December 2016 (+2,9%). The breakdown of the item and the change compared to the previous year are detailed in the tables below.

EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2017	31.12.2016	ABSOLUTE	%
Share capital	53.811	53.811	-	*0,0%*
Share premiums	101.776	101.776	-	*0,0%*
Valuation reserves:	(3.385)	(5.445)	2.060	*(37,8)%*
- AFS securities	*2.151*	*1.534*	*617*	*40,2%*
- Post-employment benefits	*(110)*	*(123)*	*13*	*(10,6)%*
- exchange differences	*(5.426)*	*(6.856)*	*1.430*	*(20,9)%*
Reserves	1.071.887	383.835	688.052	*179,3%*
Treasury shares	(3.187)	(3.187)	-	*0,0%*
Non-controlling interests	49	48	1	*2,1%*
Profit for the period	32.687	687.945	(655.258)	*(95,2)%*
Equity	**1.253.638**	**1.218.783**	**34.855**	**2,9%**

EQUITY: CHANGES	(in thousands of Euro)
Equity at 31.12.2016	**1.218.783**
Increases:	**34.855**
Profit for the period	32.687
Change in valuation reserve:	2.060
- AFS securities	*617*
- Post-employment benefits	*13*
- exchange differences	*1.430*
Other changes	107
Equity attributable to non-controlling interests	1
Decreases:	**-**
Equity at 31.03.2017	**1.253.638**

The change in the valuation reserve for AFS securities recognised in the period resulted from the fair value adjustment of the financial instruments in the portfolio.

The change in the valuation reserve for exchange differences refers mainly to exchange differences deriving from the consolidation of the subsidiary IFIS Finance Sp. Z o.o..

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS AT	
	31.03.2017	31.12.2016
Common equity Tier 1 Capital(1) (CET1)	1.003.021	1.031.163
Tier 1 Capital (AT1)	1.029.959	1.048.606
Total own funds	**1.065.915**	**1.071.929**
Total RWA	**7.154.025**	**7.003.305**
Common Equity Tier 1 Ratio	14,02%	14,72%
Tier 1 Capital Ratio	14,40%	14,97%
Total Own Funds Capital Ratio	**14,90%**	**15,31%**

(1) Common Equity Tier 1 capital includes the profit for the period net of estimated dividends.

Consolidated own funds, risk-weighted assets and solvency ratios at 31 March 2017 were determined based on the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) dated 26 June 2013, which were transposed in the Bank of Italy's Circulars no. 285 and 286 of 17 December 2013.

Article 19 of the CRR requires to include the unconsolidated Holding of the banking group in prudential consolidation. The capital adequacy ratios of the Banca IFIS Group alone, presented exclusively for information purposes, would be as showed in the following table.

OWN FUNDS AND CAPITAL ADEQUACY RATIOS: BANCA IFIS GROUP SCOPE (in thousands of Euro)	AMOUNTS AT	
	31.03.2017	31.12.2016
Common equity Tier 1 Capital(1) (CET1)	1.103.643	1.099.249
Tier 1 Capital (AT1)	1.103.643	1.099.249
Total own funds	**1.103.706**	**1.099.401**
Total RWA	**7.149.969**	**6.999.061**
Common Equity Tier 1 Ratio	15,44%	15,71%
Tier 1 Capital Ratio	15,44%	15,71%
Total Own Funds Capital Ratio	**15,44%**	**15,71%**

(1) Common Equity Tier 1 capital includes the profit for the period net of estimated dividends.

The measures concerning own funds provide for the gradual phase-in of a new regulatory framework, with a transitional period lasting until 2017 during which some elements that will be accounted for or deducted in full once the provisions become effective will have only a limited impact.

The Banca IFIS Group, in accordance with the transitional provisions in the Bank of Italy's Circular no. 285 of 17 December 2013 as amended, calculated its own funds at 31 March 2017 by excluding the unrealised gains referring to the exposures to central governments classified under “Available for sale financial assets” as per IAS 39, resulting in a net positive amount of 451 thousand Euro (positive 391 thousands Euro at 31 December 2016).

Income statements items

Formation of net banking income

Net banking income totalled 110,5 million Euro, up 39,2% from 79,4 million Euro in the prior year Euro.

Specifically, this was the result of the contribution from the new Corporate Banking and Leasing segments, born from the acquisition of the former GE Capital Interbanca Group: they contributed 23,4 and 12,5 million Euro, respectively.

These amounts included 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, totalling 20,1 million Euro for the Corporate Banking segment and 2,7 million Euro for the Leasing segment.

Compared to the prior-year period, at 31 March 2017 net banking income included also the costs associated with the funding for the mentioned acquisition, with 6,8 million Euro referring to the increase in Rendimax funding volumes and the securitisations carried out in late 2016.

NET BANKING INCOME (in thousands of Euro)	1st QUARTER		CHANGE	
	2017	2016	ABSOLUTE	%
Net interest income	97.956	60.483	37.473	62,0%
Net commission income	14.219	13.648	571	4,2%
Net result from trading	(1.615)	(246)	(1.369)	556,5%
Profit (loss) from sale or buyback of receivables	-	-	-	-
Profit from sale or buyback of financial assets	(48)	5.495	(5.543)	(100,9)%
Net banking income	**110.512**	**79.380**	**31.132**	**39,2%**

Net interest income rose from 60,5 million Euro at 31 March 2016 to 98,0 million Euro at 31 March 2017 (+62,0%).

Net commission income totalled 14,2 million Euro, up slightly from 31 March 2016 (+4,2%).

Commission income, totalling 17,8 million Euro (compared to 14,9 million Euro at 31 March 2016), came primarily from factoring commissions on the turnover generated by individual customers (with or without recourse, in a flat or monthly scheme), arrangement fees for structured finance transactions, as well as from other fees usually charged to customers for services.

Commission expense, totalling 3,6 million Euro (compared to 1,2 million Euro in the prior-year period), came primarily from approved banks' brokering, the work of other credit brokers, and management fees paid to banks and other financial intermediaries.

The **gain on the sale financial assets** recognised in the prior-year period arose from the disposal of 5,5 million Euro worth of government bonds included in the portfolio.

Formation of net profit from financial activities

The Group's **net profit from financial activities** totalled 102,1 million Euro, compared to 68,3 million Euro at 31 March 2016 (+49,4%).

FORMATION OF NET PROFIT FROM FINANCIAL ACTIVITIES (in thousands of Euro)	1st QUARTER		CHANGE	
	2017	2016	ABSOLUTE	%
Net banking income	**110.512**	**79.380**	**31.132**	**39,2%**
Net impairment losses on:	(8.392)	(11.041)	2.649	(24,0)%
loans and receivables	(9.122)	(8.089)	(1.033)	12,8%
available for sale financial assets	(15)	(2.952)	2.937	(99,5)%
other financial transactions	745	-	745	-
Net profit (loss) from financial activities	**102.120**	**68.339**	**33.781**	**49,4%**

Net value adjustments on receivables totalled 9,1 million Euro (compared to 8,1 million Euro at 31 March 2016, +12,8%). 4,4 million Euro referred to Trade Receivables, 8,2 million Euro to the NPL Area, 0,1 million Euro to the Leasing sector, and 0,1 million Euro to Tax Receivables; meanwhile, the Corporate Banking segment reported 4,4 million Euro in net reversals of impairment losses on receivables deriving specifically from one individually significant position.

As for net value adjustments on NPL receivables, they referred to positions for which trigger events occurred, causing the position to become impaired under the adopted measurement model and the relevant accounting policy, as detailed in Contribution of business segments.

Net value adjustments on available for sale financial assets, totalled 4,4 million Euro in the prior-year period and referred to impairment losses recognised on unlisted equity instruments that were found to be impaired.

Net reversals of impairment losses on other financial transactions, totalling 0,7 million Euro, represented the positive impact of the breakdown of the difference between the fair value of unfunded commitments as measured in the business combination and their carrying amount recognised by the subsidiaries over time.

Formation of profit for the period

Profit for the period, including one thousand Euro attributable to non-controlling interests, amounted to 32,7 million Euro, compared to 22,0 million Euro in the same period in 2016, up 48,3%.

FORMATION OF PROFIT FOR THE PERIOD (in thousands of Euro)	1st QUARTER		CHANGE	
	2017	2016	ABSOLUTE	%
Net profit (loss) from financial activities	**102.120**	**68.339**	**33.781**	**49,4%**
Operating costs	(56.388)	(35.809)	(20.579)	57,5%
Profit (Loss) from sales of investments	(1)	-	(1)	-
Pre-tax profit from continuing operations	**45.731**	**32.530**	**13.201**	**40,6%**
Income tax expense for the period	(13.043)	(10.485)	(2.558)	24,4%
Profit for the period attributable to non-controlling interests	1	-	1	-
Profit for the period	**32.687**	**22.045**	**10.642**	**48,3%**

The cost/income ratio based on the income statement totalled 51,0%, compared to 45,1% at 31 March 2016.

OPERATING COSTS (in thousands of Euro)	1st QUARTER		CHANGE	
	2017	2016	ABSOLUTE	%
Personnel expenses	24.073	13.408	10.665	79,5%
Other administrative expenses	31.134	18.421	12.713	69,0%
Allocations to provisions for risks and charges	2.342	3.790	(1.448)	(38,2)%
Net value adjustments on property, plant and equipment and intangible assets	3.459	938	2.521	268,8%
Other operating charges (income)	(4.620)	(748)	(3.872)	517,6%
Total operating costs	**56.388**	**35.809**	**20.579**	**57,5%**

At 24,1 million Euro, **personnel expenses** rose 79,5% (13,4 million Euro in September 2016). The increase referred for 8,9 million Euro to the former Capital Interbanca Group. At the end of March 2017, the Group had 1.361 employees, of which 464 from the former GE Capital Interbanca Group.

Other administrative expenses totalled 31,1 million Euro, up 69,0% from 18,4 million Euro in the prior-year period. At 31 March 2017, the item included 6,7 million Euro referring to the Group's new subsidiaries.

There was an increase in the expenses related to the new organisation of business processes and IT systems. In this regard, in the first quarter of 2017 the Bank incurred 1,2 million Euro in costs associated with the actions taken in preparation of the migration of some core IT systems, scheduled for the second quarter of 2017.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	1st QUARTER		CHANGE	
	2017	2016	ABSOLUTE	%
Expenses for professional services	**12.335**	**7.439**	**4.896**	**65,8%**
Legal and consulting services	6.854	2.576	4.278	166,1%
Auditing	294	101	193	191,1%
Outsourced services	5.187	4.762	425	8,9%
Direct and indirect taxes	**4.949**	**3.130**	**1.819**	**58,1%**
Expenses for purchasing goods and other services	**13.850**	**7.852**	**5.998**	**76,4%**
Software assistance and hire	3.257	766	2.491	325,2%
Customer information	2.249	2.704	(455)	(16,8)%
Property expenses	1.621	1.001	620	61,9%
Postage of documents	1.038	1.413	(375)	(26,5)%
Car fleet management and maintenance	862	577	285	49,4%
Employee travel	813	334	479	143,4%
Telephone and data transmission expenses	659	335	324	96,7%
Advertising and inserts	555	597	(42)	(7,0)%
Securitisation costs	427	-	427	n.a.
Other sundry expenses	1.294	125	1.169	935,2%
Total administrative expenses	**31.134**	**18.421**	**12.713**	**69,0%**
Expense recoveries	(1.008)	(554)	**(454)**	81,9%
Total net other administrative expenses	**30.126**	**17.867**	**12.259**	68,6%

The subline item direct and indirect taxes included 2,3 million Euro (+41,1% compared to 31 March 2016) in stamp duty costs for retail funding, which the Banks continues bearing.

Net allocations to provisions for risks and charges totalled 2,3 million Euro (compared to 3,8 million Euro in March 2016). Specifically, the amount included the 2,8 million Euro paid to the Interbank Deposit Protection Fund as well as 0,5 million Euro arising from the reversal of a provision concerning Interbanca.

Other net operating income totalled 4,6 million Euro (0,7 million Euro at 31 March 2016) and included 4,3 million Euro in revenues typical of the leasing segment; the item also included revenues from the recovery of expenses charged to third parties. The relevant cost item is included in other administrative expenses, namely under legal expenses and indirect taxes.

Pre-tax profit for the period stood at 45,7 million Euro, compared to 32,5 million Euro at 31 March 2016.

Income tax expense amounted to 13,0 million Euro, compared to 10,5 million Euro at 31 March 2016. The Group's tax rate declined from 32,2% at 31 March 2016 to 28,5% at 31 March 2017.

Profit for the period totalled 32,7 million Euro, compared to 22,0 million Euro in March 2016.

Excluding one thousand Euro in profit attributable to non-controlling interests, the **profit for the period attributable to the Parent Company** totalled 32,7 million Euro.

Venice - Mestre, 11 May 2017

For the Board of Directors

The Chairman
Sebastien Egon Fürstenberg

The C.E.O.
Giovanni Bossi

Statement by the Manager charged with preparing the Company’s financial reports

The undersigned Mariacristina Taormina, Manager charged with preparing the financial reports of Banca IFIS S.p.A., having also taken into account the provisions of Art. 154 bis, paragraph 2 of Italian Legislative Decree no.58 dated 24 February 1998, confirms that the financial information included into the consolidated Interim Report as at 31 March 2017 corresponds to the related books and accounting records.

Venice - Mestre, May 11th, 2017

Manager charged with preparing the
Company’s financial reports

Mariacristina Taormina

Mariacristina Taormina