

Approved the results for the first three months of 2017

Q1

**Approved the results for the first 3 months of 2017
Net banking income at 102,3 million Euro (+33,5%),
profit for the period at 32,7 million Euro (+48,3%).
Excellent credit quality of loans to SMEs .**

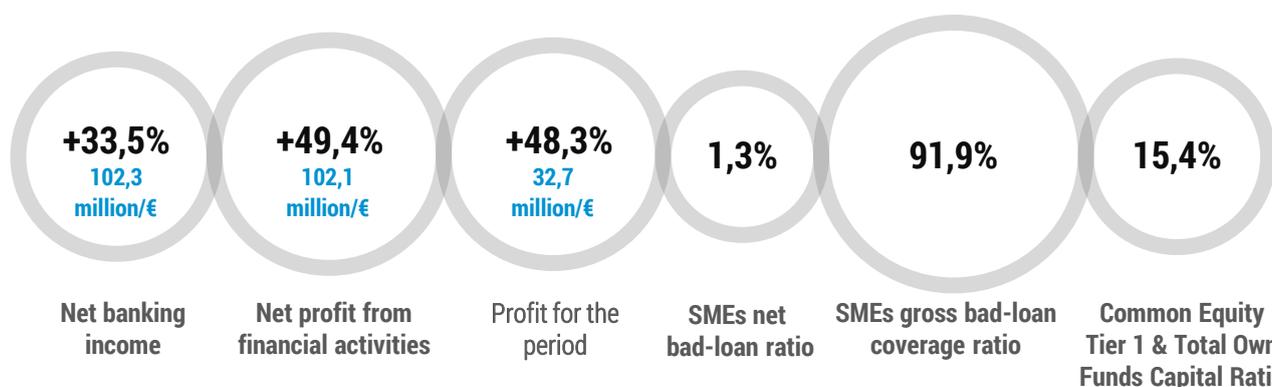
Highlights - 1st Quarter 2017 Results.

RECLASSIFIED DATA¹

- **Net banking income:** 102,3 million Euro (+33,5%);
- **Net profit from financial activities:** 102,1 million Euro (+49,4%);
- **Operating costs:** 56,4 million Euro (+57,5%);
- **Profit for the period:** 32,7 million Euro (+48,3%);
- **Credit risk cost of the loans to SMEs :** 48 bps;
- **SMEs net bad-loan ratio** (excluding NPL Area): unchanged at 1,3%;
- **SMEs gross bad-loan coverage ratio:** 91,9% (92,0%);
- **Total Group employees:** 1.361 people (1.323 at 31 December 2016)
- **Common Equity Tier 1 (CET1):** 15,4% (15,7% al 31 December 2016)²;
- **Total Own Funds Capital Ratio:** 15,4% (15,7% al 31 December 2016)².

**“Both the Interbanca
integration and the results
are positive,
we look to the future with
the intention to continue
improving and growing”**

CEO Giovanni Bossi



¹ Net value adjustments in 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 reported total own funds refers only to the scope of the Banca IFIS Group, thus excluding the effects of the prudential consolidation in the parent La Scogliera S.p.A. 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 CET1 at 31 March 2017 including La Scogliera S.p.A. amounted to 14,0%, compared to 14,7% at 31 December 2016, while the Total Own Funds ratio totalled 14,9%, compared to 15,3% at 31 December 2016.

“We increased the number of customers across all businesses; our lending process was excellent; the integration of the new segments (leasing and corporate banking) - is proving effective, showing a positive trend and expected to improve rapidly”.

Mestre (Venice) - 11 May 2017

The Board of Directors of Banca IFIS met today under the chairmanship of Sebastien Egon Fürstenberg and approved the financial results for the first quarter of 2017. “Banca IFIS is on a roll and determined to achieve excellent results across all businesses, consistently with its plans and in line with market expectations,” said Giovanni Bossi, Banca IFIS CEO. “In the first three months of 2017 we achieved our targets: we increased the number of customers across all businesses; our lending process was excellent, in compliance with the three pillars (control of profitability, liquidity, and capital absorption) that drive all the Group’s operations; the integration of the new segments (leasing and corporate banking) - added to the Banca IFIS Group with the acquisition of the former GE Capital Interbanca Group - is proving effective, with the individual business units showing a positive trend and expected to improve rapidly thanks to cross-selling. As a result of the strategic repositioning that started with the acquisition, we increased our market share in the various businesses as well as generated innovative financing arrangements in terms of customers and markets, in line with the 2017-2019 strategic plan. We will continue developing the acquired business segments, executing the planned mergers of IFIS Factoring and Interbanca in Banca IFIS in the second half of the year. We will complete the migration to the new core banking platform, which will become operational by the end of the first six months of 2017, and continue working steadily on new technologies to support the lending process and banking services. We are working for a strategy to diversify funding sources as well as entering the bond market through a bond issue, as approved by the Board of Directors and in line with the 2017-2019 strategic plan”.

Highlights.

RECLASSIFIED DATA¹

Net banking income

Totalled 102,3 million Euro, +33,5% (76,6 million Euro at 31 March 2016). Several factors contributed to this positive result: the consolidation process of the former GE Capital Interbanca Group; 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, largely arising from the positions allocated to Workout & Recovery (details per sector are described below); the increased number of customers across all sectors in which the bank operates; the continued growth of the NPL Area.

Net value adjustments

In the Trade Receivables segment stood at 4,4 million Euro, compared to 5,3 million Euro at 31 March 2016 (-17,2%). At 31 March 2017, net value adjustments concerning Loans to SMEs totalled nearly 0,1 million Euro. This result testifies Banca IFIS’s ability to lend by carefully assuming credit risk.

Operating costs

Totalled 56,4 million Euro (35,8 million Euro at 31 March 2016, +57,5%). The **cost/income ratio** stood at 55,1%, compared to 46,7% in the prior-year period. **Personnel expenses** amounted to 24,1 million Euro (13,4 million Euro in March 2016, +79,5%). The increase referred for 8,9 million Euro to the former GE Capital Interbanca Group. At 31 March 2017, the Group’s employees numbered 1.361 (1.323 at 31 December 2016). There was also an increase in the expenses associated with the technological evolution of business processes.

At 31 March 2017, the Group profit for the period totalled 32,7 million Euro, up 48,3% from 22,0 million Euro at 31 March 2016.

¹ Net value adjustments in 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.

For a better understanding of the results for the period and the comparative data, please note that changes in market interest rates and the bank's funding rates required revising the method to calculate the internal transfer rates for 2017, and therefore the consequent update of these indicators. To facilitate the comparison of the two reference periods, the 2016 results have been restated according to the 2017 funding approach across all segments.

As for the contribution of **individual segments** to the operating and financial results at 31 March 2017, here below are the highlights:

- **Loans to SMEs** (including the trade receivables, leasing, and corporate banking segments) generated 69,7 million Euro in net banking income. **Total loans to customers (excluding NPL Area and Tax Receivables segments)** amounted to 5.070,1 million Euro, down 3,1% from 5.233,8 million Euro at the end of 2016. The decline, which is normal in the first quarter compared to the end of the previous year, stemmed largely from trade receivables, while the leasing and corporate banking segments were up. Specifically, the breakdown of loans to customers was as follows: 15,7% are due from the public sector and 84,3% from the private sector. Trade Receivables generated 33,8 million Euro in net banking income (33,7 million Euro in the first quarter of 2016, +0,4%); the segment's turnover rose to 2,7 billion Euro (+13,2% from 31 March 2016), with 5.410 SMEs customers (+18,0% compared to the prior-year period). Loans to customers in the trade receivables segment declined by 244,7 million Euro (-7,9% from December 2016). Corporate Banking generated 23,4 million Euro in net banking income and reflected, among other things, 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, largely arising from the positions allocated to Workout & Recovery equal to 20,1 million euro. Also the strategy of refocusing on the growth of the Medium/Long-Term financing and of the Structured Finance business areas contributed to the segment's performance. 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.
- The **Area NPL**: generated 30,5 million Euro in net banking income, compared to 24,6 million Euro in the prior-year period (+24,0%). In the first three months of 2017, the NPL Area acquired portfolios of receivables totalling 1,6 billion Euro and consisting of over 60 thousand positions. At 31 March 2017, the portfolio managed by the NPL Area included 1.378.597 positions, for a nominal value of 10,4 billion Euro.
- **Tax Receivables** generated 2,9 million Euro in net banking income, down 26,9% from 4,0 million Euro at 31 March 2016.
- The net banking income of **Governance&Services** was negative -0,8 million Euro. This was largely because of the lower overall contribution from the government bond portfolio—which in the first quarter of 2016 contributed 4,5 million Euro in interest income and 5,5 million Euro in gains on the sale of part of the portfolio carried out last year—as well as the fact that Banca IFIS incurred, and continues incurring, significant costs associated with the additional funding for the closing of the acquisition of the former GE Capital Interbanca Group.

Here below is the breakdown of **net non-performing loans** concerning **loans to SMEs**:

- **Net bad loans** amounted to 65,6 million Euro from 65,1 million euro at 31 December 2016 (+0,8%); the net bad-loan ratio was 1,3%, in line with 31 December 2016. The coverage ratio stood at 91,9% (92,0% at 31 December 2016);
- The balance of **net unlikely to pay** was 215,6 million Euro, +4,0% from 207,3 million Euro at the end of 2016;
- **Net non-performing past due exposures** totalled 147,9 million Euro, compared with 137,4 million Euro in December 2016 (+7,6%). The increase was attributable to past due loans in the trade receivables segment due from the Public Administration that were purchased outright, rising from 46,8 million Euro at the end of 2016 to 56,4 million Euro at 31 March 2017 (+20,4%). The coverage ratio of the Net non-performing past due exposures stood at 14,2% (19,4% at 31 December 2016).

Overall, gross **non-performing loans to businesses** (always excluding the non-performing loans of both the NPL Area and the Tax Receivables segment) totalled 1.373,9 million Euro, with 944,7 million Euro in impairment losses and a coverage ratio of 68,8%.

At the end of the period, consolidated **equity** totalled 1.253,6 million Euro, compared to 1.218,8 million Euro at 31 December 2016.

The **consolidated CET1 and Total Own Funds Ratios** of the Banca IFIS Group alone, excluding the effect of the consolidation of the Parent Company La Scogliera², both amounted to 15,4% at the end of 31 March 2017, compared to 15,7% at the end of 2016.

For more details, see the Consolidated Interim Report at 31 March 2017, available in the “Institutional Investors” section of the official website www.bancaifis.it

Declaration of the Corporate Accounting Reporting Officer.

Pursuant to Article 154 bis, Paragraph 2 of the Consolidated Law on Finance, the Corporate Accounting Reporting Officer, Mariacristina Taormina, declares that the accounting information contained in this press release corresponds to the accounting records, books and entries.

² The reported total own funds refers only to the scope of the Banca IFIS Group, thus excluding the effects of the prudential consolidation in the parent La Scogliera S.p.A. 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 CET1 at 31 March 2017 including La Scogliera S.p.A. amounted to 14,0%, compared to 14,7% at 31 December 2016, while the Total Own Funds Ratio totalled 14,9%, compared to 15,3% at 31 December 2016.

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Consolidated Statement of Financial Position

ASSETS (in thousands of Euro)		AMOUNTS AT		CHANGE	
		31.03.2017	31.12.2016	ABSOLUTE	%
10	Cash and cash equivalents	31	34	(3)	(8,8)%
20	Financial assets held for trading	45.234	47.393	(2.159)	(4,6)%
40	Available for sale financial assets	635.507	374.229	261.278	69,8%
60	Due from banks	1.411.235	1.393.358	17.877	1,3%
70	Loans to customers	5.837.870	5.928.212	(90.342)	(1,5)%
120	Property, plant and equipment	109.675	110.348	(673)	(0,6)%
130	Intangible assets	14.199	14.981	(782)	(5,2)%
	of which:				
	- goodwill	826	799	27	3,4%
140	Tax assets	571.935	581.016	(9.081)	(1,6)%
	a) current	79.388	87.836	(8.448)	(9,6)%
	b) deferred	492.547	493.180	(633)	(0,1)%
	of which as per Italian law 214/2011	192.560	191.417	1.143	0,6%
160	Other assets	229.695	249.574	(19.879)	(8,0)%
	Total assets	8.855.381	8.699.145	156.236	1,8%

LIABILITIES AND EQUITY (in thousands of Euro)		AMOUNTS AT		CHANGE	
		31.03.2017	31.12.2016	ABSOLUTE	%
10	Due to banks	1.028.971	503.964	525.007	104,2%
20	Due to customers	5.055.558	5.045.136	10.422	0,2%
30	Outstanding securities	1.122.879	1.488.556	(365.677)	(24,6)%
40	Financial liabilities held for trading	46.396	48.478	(2.082)	(4,3)%
80	Tax liabilities	32.423	24.925	7.498	30,1%
	a) current	792	491	301	61,3%
	b) deferred	31.631	24.434	7.197	29,5%
100	Other liabilities	285.076	337.325	(52.249)	(15,5)%
110	Post-employment benefits	7.682	7.660	22	0,3%
120	Provisions for risks and charges	22.758	24.318	(1.560)	(6,4)%
	b) other reserves	22.758	24.318	(1.560)	(6,4)%
140	Valuation reserves	(3.385)	(5.445)	2.060	(37,8)%
170	Reserves	1.071.887	383.835	688.052	179,3%
180	Share premiums	101.776	101.776	-	0,0%
190	Share capital	53.811	53.811	-	0,0%
200	Treasury shares (-)	(3.187)	(3.187)	-	0,0%
210	Non-controlling interests (+ / -)	49	48	1	2,1%
220	Profit for the period	32.687	687.945	(655.258)	(95,2)%
	Total liabilities and equity	8.855.381	8.699.145	156.236	1,8%

Consolidated Income Statement

ITEMS (in thousands of Euro)		1 st QUARTER		CHANGE	
		2017	2016	ABSOLUTE	%
10	Interest receivable and similar income	122.447	70.735	51.712	73,1%
20	Interest due and similar expenses	(24.491)	(10.252)	(14.239)	138,9%
30	Net interest income	97.956	60.483	37.473	62,0%
40	Commission income	17.784	14.888	2.896	19,5%
50	Commission expense	(3.565)	(1.240)	(2.325)	187,5%
60	Net commission income	14.219	13.648	571	4,2%
80	Net result from trading	(1.615)	(246)	(1.369)	556,5%
100	Gain (loss) on sale or buyback of:	(48)	5.495	(5.543)	(100,9)%
	b) available for sale financial assets	(48)	5.495	(5.543)	(100,9)%
120	Net banking income	110.512	79.380	31.132	39,2%
130	Net impairment losses/reversal on	(8.392)	(11.041)	2.649	(24,0)%
	a) loans and receivables	(9.122)	(8.089)	(1.033)	12,8%
	b) available for sale financial assets	(15)	(2.952)	2.937	(99,5)%
	d) other financial transactions	745	-	745	n.a.
140	Net profit (loss) from financial activities	102.120	68.339	33.781	49,4%
180	Administrative expenses:	(55.207)	(31.829)	(23.378)	73,4%
	a) personnel expenses	(24.073)	(13.408)	(10.665)	79,5%
	b) other administrative expenses	(31.134)	(18.421)	(12.713)	69,0%
190	Net allocations to provisions for risks and charges	(2.342)	(3.790)	1.448	(38,2)%
200	Net impairment losses/Reversal on property, plant and equipment	(1.196)	(405)	(791)	195,3%
210	Net impairment losses/Reversal on intangible assets	(2.263)	(533)	(1.730)	324,6%
220	Other operating income/expenses	4.620	748	3.872	517,6%
230	Operating costs	(56.388)	(35.809)	(20.579)	57,5%
270	Profit (Loss) from sales of investments	(1)	-	(1)	n.a.
280	Pre-tax profit (loss) for the period from continuing operations	45.731	32.530	13.201	40,6%
290	Income taxes relating to current operations	(13.043)	(10.485)	(2.558)	24,4%
320	Profit (Loss) for the period	32.688	22.045	10.643	48,3%
330	Profit (Loss) for the period attributable to non-controlling interests	1	-	1	n.a.
340	Profit (loss) for the period attributable to the Parent company	32.687	22.045	10.642	48,3%

Reclassified Consolidated Income Statement: Quarterly Evolution

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	97.956	78.510	60.117	69.073	60.483
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	110.512	97.327	93.895	87.997	79.380
Net impairment losses/reversal on:	(8.392)	(16.158)	(10.860)	(21.174)	(11.041)
Loans and receivables	(9.122)	(15.806)	(10.860)	(20.127)	(8.089)
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

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%

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.

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