BANCA IFIS

Statements and consolidated annual report draft 2015

www.bancaifis.it

Index

Introduction

Chairman and CEO's Letters

Sebastien von Fürstenberg, Chairman of Banca IFIS

Dear Shareholders,

2015 will take its place in Banca IFIS's history as a year in which many records were reached. Out of all of these, I prefer to remember the one where the Bank achieved a highly important level of net profit, one we could not even have imagined only a few years ago.

Let it be remembered that the long path we have followed so far has been marked over time, and even more so in 2015, by the extreme focus we have paid to the Bank's solidity; to the profitability of its activity and to the quality of our own investments, both in the interest of our clients and in the interest of our financial statements. I don't think it is possible to imagine a bank being on the market in a sustainable manner, without thinking of a bank that produces wealth both for itself and the economy with which it interacts. Our efforts have always been aimed in this direction and so they will continue.

We live and create in difficult times. Italian and European small medium enterprises, families in financial difficulty and the real economy need efficient banks geared to clients' needs, but also banks that are able to manage risks over time, that can ensure correct management of their actions and that can guarantee that they are able to produce revenue. In these trying times, Banca IFIS has shown, year after year, that it is able to continually choose the right actions to take.

The Chief Executive Officer will now outline the strategies followed that led to the results, together with how the Bank has planned its way forward in order to reinforce Banca IFIS's actions and render it even more sustainable.

Giovanni Bossi, CEO of Banca IFIS

The growth of Banca IFIS started many years ago in a completely different economic environment. Twelve years after its founding, in 1995, the offices in Genoa at that time were used by around twenty people, total assets were less than 40 million euro, the activity was focused on a hundred customers in factoring, margins were tight and asset quality uncertain. The stock market (at the time the shares were listed on the OTC market) had reached a minimum of approximately 300 lire, against a nominal value of 1,000 lire, for a total capitalisation of around 9 billion lire, equivalent to roughly 4.5 million euro. Since then the growth of the stock market value of the Bank has grown over 300 times, total assets have grown by more than 200 times, personnel by 40 times, not to mention the profitability and strategic perspectives.

2015 was a very good year, in some ways extraordinary. Profits, as pointed out by the President, reached a level of excellence; growth was strong, in line or better than expected, in all sectors; credit quality continues to be one of the strengths of the Bank, together with the financial robustness and good liquidity.

These results, this growth and this robustness do not come about by chance. They are the result of a vision that started many years ago and which has seen the Bank develop its activity in a way that is far different from the habits of the banking system.

Over time, Banca IFIS has sought with increasing insistence direct contact with the customer, whether corporate or an individual, "skipping" beforehand the intermediation of many independent actors present in the market which was incorrectly defined "near-banking", and then reducing the distance between assessment, risk management, customer care, and the client, allowing the latter more and more direct access to the decisional functions of the Bank. The consequence has been a move away from the "strong" territorial presence represented by the traditional bank counter (whose brokerage for the customer is not consistent with the development model of Banca IFIS) and replacing it with a relationship that is as direct and as modern as possible, ready for digital evolution and not held back by the need to dilute inefficiencies and adversity to change, making customers pay the consequent cost.

The Bank believes in technological evolution and reduction of the costs of services down to zero, if possible. It believes that the wind of the digital evolution will swell the sails of operators who will know how to transfer to the market the cost savings from technology, without using them to cover their own inefficiencies. It believes that the customer has the right to pay only for the services they require and feel they need, on the best terms possible, and that it is less and less reasonable to think of a model of a futuristic bank that relies on margins of transactions or brokering on third-party products applied to customers who are not always fully aware of what they are purchasing.

The Bank plays its role as a provider of credit and risk-taker in the forms which it has chosen. This is not all the forms that the market requires because it is not possible for a bank the size of Banca IFIS to offer the full range of credit products. But, with its daily action, it engages to be a benchmark for its customers, whether they are small businesses, families or firms in difficulty or healthcare providers, with the awareness of providing them with solutions to real problems, offering products and services that are at the same time an occasion for fair profit for the Bank and welcome opportunities or solutions to real problems for customers. It is only in this manner that a bank can carry out its role with dignity: to serve the economies of businesses and families with whom it comes into contact with popular services that, improving the quality of life of its customers, are also able to strengthen the Bank, enabling it to grow, with the right income, both healthy and balanced, and with the legitimate ambition of serving an even greater number of customers with an increasing range of products bringing, with its action, greater prosperity for everyone involved.

This vision includes the interventions developed over the years by the Bank. It is a natural explanation for the historic role in the support of small and medium-sized enterprises, in Italy and in Europe, origin of the Bank and still a primary element of its credit investments and profitability, as well as the more recent interventions in the sector of suppliers of Healthcare Organisations and Pharmacies. But natural development is also in the strong growth in the field of "non-performing" assets, which sees the Bank as buyer and manager of portfolios of deteriorated loans that over a million Italian families have not been able to pay back, with the aim also of restoring to those families over time financial conditions of normalcy; or the presence in the sector of tax receivables as accelerator of settlement processes that are still too long. And again in this framework, of relevance are the liquidity collection instruments, which can transfer to almost 100 thousand customers a very attractive return on their savings due to the complete absence both of brokering and of costs; or intervention on government bonds, lending opportunities for public debt collected because of the difficulties in refinancing at times, which made it possible, with income taxes paid, to strengthen the Bank's capital.

This is the framework in which the Bank makes and acts on its choices. It has been this way up to 2015 and will continue this way in the future. Banca IFIS's actions will expand still further and the Bank will continue to seek internal growth with determination, whilst safeguarding Shareholders' equity against risks and evaluating market opportunities attentively.

We have started 2016 with an excellent capital base, a quality of assets that is unique in the Italian market and abundant liquidity. These elements represent the foundation of the Bank's commitment to the system.

We are highly aware that we have a very important role and we carry that role out responsibly and to the best of our ability in the interests of our clients, our Shareholders, our personnel and all those who work alongside us.

Sebastien von Fürstenberg, Chairman of Banca IFIS

I would like to point out that the appreciation by the Stock Market of the Banca IFIS share has been significant and that the Market capitalisation has more than doubled in the 12 months of 2015. The Board of Directors and the entire Bank feel the responsibility for the values achieved and aim to further improve them in a context of sound and prudent management.

Thanks from myself personally and from the entire Board go to all those who have contributed to the achievement of this result. We are aware of the centrality of the support of all the men and women who have shared this journey and who will continue to build together with the Bank.

The results obtained will allow us to continue a policy of distributing a high dividend, which I consider acceptable to all Shareholders, with the hope that 2016 will confirm another excellent year.

Chairman
SEBASTIEN EGON
FÜRSTENBERG

Chief Executive Officer
GIOVANNI
BOSSI

Corporate Bodies

Board of Directors

Chairman	Sebastien Egon Fürstenberg
Deputy Chairman	Alessandro Csillaghy
CEO	Giovanni Bossi [1]
Directors	Giuseppe Benini
	Francesca Maderna
	Andrea Martin
	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
	Mauro Rovida
Alternate Auditors	Luca Giacometti
	Sonia Ferrero

Independent Auditors	Reconta Ernst & Young S.p.A.
Corporate Accounting Reporting Officer	Emanuel Nalli

BANCA IFIS

Fully paid-up share capital 53,811,095 Euro
Bank Licence (ABI) No. 3205.2
Tax Code and Venice Companiesl
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

Member of Factors
Chain International

Businesses and brands

The Banca IFIS Group is the only independent banking group in Italy that specialises in the segment of trade receivables, distressed retail loans and tax receivables.

The brands and business areas through which the Group operates, financing the real economy, are:

- **Credi Impresa Futuro**, dedicated to supporting the trade receivables of small- and medium-sized enterprises operating in the Italian market through factoring;
- **Banca IFIS International**, for companies growing abroad or based abroad and working with Italian customers;
- **Banca IFIS Pharma and Pharmacies**, supporting the trade receivables of local health services' suppliers and pharmacists;
- **Credi Famiglia and NPL Area**, dedicated to the operations of the business area active in the distressed retail loans segment;
- **Fast Finance**, focusing on the segment of tax receivables arising mainly from insolvency proceedings.

The Bank carries out its retail funding business through the following brands and products:

- **rendimax**, the online savings account, completely free, offered to individuals, business customers and for insolvency proceedings;
- **contomax**, born in January 2013, the online crowd current account.

Listed on the STAR segment of Borsa Italiana, the Banca IFIS Group has always been an innovative and steadily growing company.

Brands and areas of operation

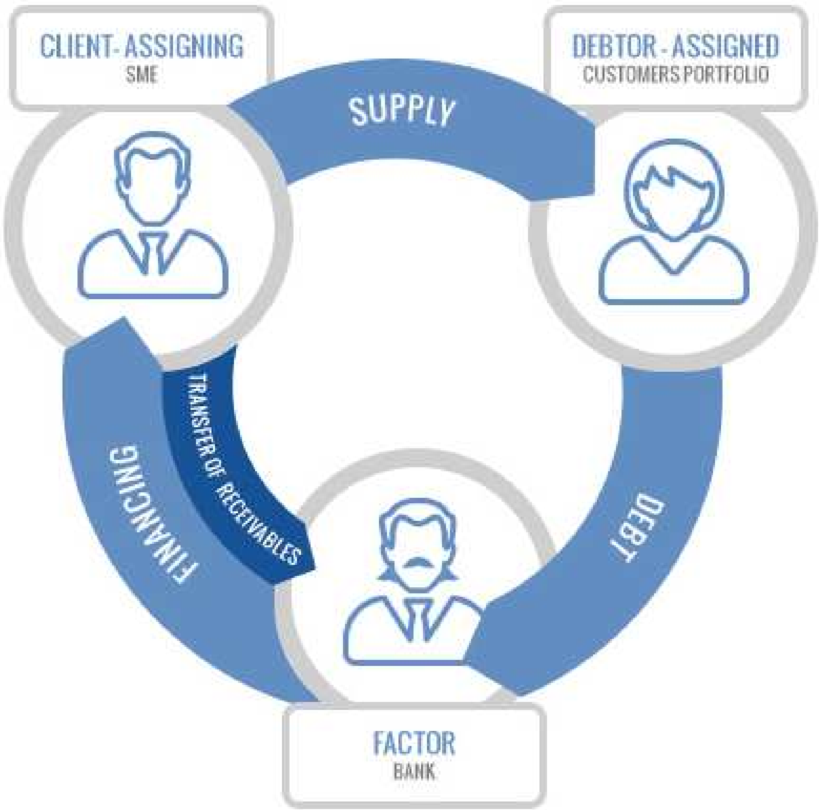
Trade receivables segment

CREDI IMPRESA FUTURO

Faced with strong demand and armed with a decade of experience in this segment, Credi Impresa Futuro aims to foster the growth of trade finance loans to Italian SMEs. Credi Impresa Futuro's target companies are SMEs in the small segment that are not benefiting from the liquidity available on the market: this allows Banca IFIS to take a strong position in this segment, so as to pursue growth targets in terms of the number of customers and loans. Multichannel service, real-time continuous support, a constantly expanding team of professionals that ensures an open and constant dialogue with clients, and the physical presence through our network of sales account managers—these are the strengths of Credi Impresa Futuro. The web—in all its forms—is the preferred method to contact customers, giving more and more opportunities for raising financing to businesses requiring it. The brand's website is www.credimpresafuturo.it

Banca IFIS International is one of the most active players in international factoring. It stands out from the competition due to its direct presence in foreign markets, such as Poland (with the subsidiary IFIS Finance), Romania, Hungary, and India. In addition, there is a unit based in Milan dedicated to international growth. The goal of international operations is developing exports by promoting relations with companies more oriented to international markets, which are considered to be more stable and have greater growth potential compared to businesses more focused on the domestic market. With its ability to act not only as a reference in providing financing to businesses, but also as a consultant to those customers who intend to enter new markets, Banca IFIS International effectively supports companies in seizing growth opportunities.

Banca IFIS Pharma specialises in creating integrated management solutions for companies in the healthcare, pharmaceutical, diagnostic and service sectors wishing to factor receivables due from Italy's National Health Service. Since 1 July 2015, the Pharma Area includes the new “Pharmacies” business unit, which offers pharmacy owners a comprehensive and reliable package of solutions meeting all their financial needs. The purpose of this new business unit is establishing itself as a more structured player adept at supporting working capital. In particular, medium-long term loans can help pharmacies deal with their stock of debts—the result of the sudden tightening of the terms and conditions imposed by their suppliers seen in the last few years. This has generated a stock of past due exposures that hinders their ability to negotiate more favourable terms and conditions, and therefore to manage working capital more freely. The website of these two units is http://pharma.bancaifis.it/



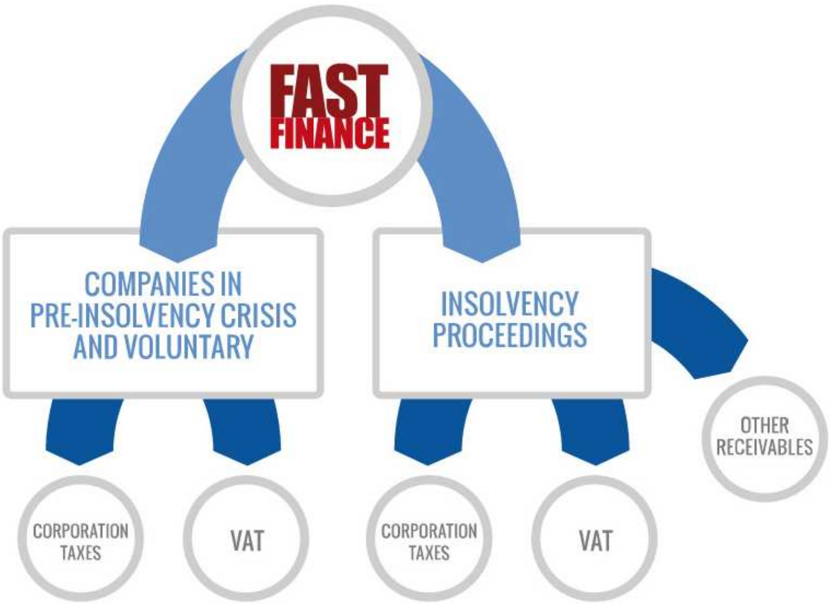
Distressed Retail Loans (DRL) Segment

This is the Group's Area dedicated to factoring distressed retail loans in Italy's unsecured retail market. Based in Florence, the NPL Area stands out for its ability to assess, acquire and manage important portfolios and to establish a massive database containing detailed information about over one million debtors. The recent acquisitions of NPL portfolios finalised in 2015 contributed to this impressive figure. The NPL Area focuses mainly on NPLs from consumer, rating, and automotive loans, as well as unsecured retail loans. It operates also in the segment of NPLs from asset/salary-backed consumer credit/retail loans due from individuals. Finally, it is also considering the opportunity of dealing with receivables guaranteed by third parties (through surety bonds, loan guarantee consortia, others) due from corporate counterparties. Today, the NPL area is one of Italy's leading debt buyers,

In 2013, the Bank launched CrediFamiglia, which focuses on addressing the financial problems of households and individuals, upholding the values of dialogue, transparency, knowledge, ethics and sustainability. As for the type of debtors, they can be broken down into individuals with or without steady employment or pension income and businesses, differentiating between limited companies on the one hand and partnerships/sole proprietorships on the other. Finally, in terms of debt collection operations, there are two macro-areas, i.e. judicial and non-judicial. Professionals with CrediFamiglia and the NPL Area manage them through four channels: call centre, in-house network, external network, and Legal Factory. The brand's website is www.credifamiglia.it

Tax Receivables Segment

Fast Finance is Banca IFIS's unit specialised in purchasing tax receivables, trade receivables and claims concerning insolvency proceedings. Based in Bologna, it is a leading provider of services for Insolvency Proceedings, with over 50% market share and a reputation for the quality and professionalism of its work.



Governance & Services Segment

Retail funding

rendimax is Banca IFIS's high-yield online savings account for private investors, companies and insolvency proceedings. It can be activated on the website www.rendimax.it. The Bank has been operating in the retail funding market for 7 years now, achieving outstanding results. The visibility brought by rendimax burnished its credentials in a constantly evolving sector. The quality of the service provided by Banca IFIS is one of the hallmarks of this product: customers consider it the most efficient offering on the market, with the call centre and the operational office ensuring constant support.

Born in early 2013, contomax is Banca IFIS's crowd current account, born from the dialogue with the Web. It can be activated on the website www.contomax.it. To date, there are over 2,500 active accounts. The main services available are: advanced Bancomat (debit card that can also be used for on-line purchases through the Maestro service); payment of utility bills and Telepass motorway tolls, the transfer of funds from one account to another and, in addition, mobile phone top-ups. This account has no opening or management fees, and the Bank pays the stamp duty. The account also guarantees high returns thanks to a series of interest rate solutions for the amounts deposited.

Investments in securities

Based on the trends in market rates on government bonds in the Bank's portfolio, as well as considerations on the costs to refinance the debt collateralised by said securities, the Bank deemed it expedient to restructure part of the Italian government bond portfolio in April 2015. Its size remained the same, but there were some changes concerning the bonds with the longest maturities. As a result, the average maturity slightly increased, and the most distant maturity is now 2020. The portfolio consists mainly of floating-rate or inflation-indexed bonds. The Bank has continued refinancing this portfolio at interest rates around zero. In the wake of this decision, the securities previously classified as HTM were reclassified to the AFS category.

The portfolio currently consists almost exclusively of short-term Italian government bonds. At 31 December 2015, the weighted average residual life of these securities was 30,2 months. Considering the sharp reduction in yields registered over the last two years, the Bank decided not to increase the stock of bonds in its portfolio: indeed, their amount declined to 3,2 billion Euro at 31 December 2015.

The Bank continues refinancing the securities portfolio by pledging it as collateral with both the Eurosystem and the electronic market for government bonds (MTS). In 2015, the latter turned out to be the main refinancing channel thanks to the strong level of liquidity it has showed so far and, most importantly, its cost. Following the reduction in the refinancing rates offered by the Eurosystem (which have been standing at 0,05% since September 2014), refinancing rates on the MTS have fallen even below 0,00%. As a result, the latter has become the main channel for refinancing the portfolio.

Context

In 2015, world economic growth slowed dramatically. Among the five growth drivers of the Brics group, two of them (Brazil and Russia) have slipped into recession, and China saw its growth rate halve. Based on the “Financial Stability Report no. 2 – 2015” published by the Bank of Italy in November 2015, we can draw the following conclusions on the state of the world economy:

- global risks are mounting and the international scenario faces growing uncertainty, which could cause turmoil in financial, commodity and forex markets;
- on the other hand, in the euro area tensions somewhat eased. There is less uncertainty about Greece, and the recovery in production as well as the extraordinary monetary policy measures are contributing to mitigating risks. Inflation remains stubbornly low, making deleveraging harder in both the public and private sector.

The latest data from the euro area point to GDP and industrial production growth, buoyed by declining unemployment. The launch of the ECB's Quantitative Easing (QE, i.e. the European Central Bank's programme to buy government bonds) has positively influenced medium/long-term inflation expectations, bringing them closer to the 2% target. It also contributed to reversing the negative trend in oil and, more generally, energy prices. The stock market reacted positively, with interest rates falling across all maturities and the 3-month Euribor currently below zero.

In Italy, the firming economy is gradually reducing the risks of financial instability. Lending conditions are improving, and bank loans should return to growth in 2016. Private sector lending as a proportion of GDP is still below the long-term average, but overall fiscal sustainability indicators remain favourable.

Economic activity expanded again in early 2015, rising at an annual rate of 1,5%. The most recent indicators—industrial production, the growing confidence of households and businesses, and purchasing manager surveys—point to growth in the third quarter consistent with that registered in the first half of the year. The upturn is also the result of the recovery in consumption and the gradual return of investments in fixed capital after years of falling domestic demand. According to the latest surveys, most companies believe that China's slowdown has only had a limited impact so far on their business (it materially affected only a few large exporters).

The rising disposable income and low interest rates are bolstering household balance sheets, which were already robust. Even low-income households are now less vulnerable and leverage remains low, although mortgages have recovered strongly.

Market liquidity conditions in Italy have eased after the turmoil registered during the summer, caused by Greece's debt crisis and the stock market crash in China. The purchases made by the Eurosystem have not affected the normal functioning of the market for Italian government bonds. At over 400 billion Euro, and over 10% as a proportion of total assets, the securities portfolio remains large.

As for the banking system, since the 2007-2009 crisis, banks have been the focus of an increasingly complex re-regulation and supervisory process. At the end of November 2015, the EBA published the results of the stress tests conducted on 105 banks in 21 EU member states: they revealed that at the end of June 2015 lenders were more capitalised than in the past, but non-performing loans were still climbing. Italy currently faces a predicament. Non-performing loans are three times greater than the EU average: they represent 16,7% of total loans and amount to 17,1% as a proportion of GDP, compared to an EU average of 5,6% and 7,3%, respectively. The low profitability—dragged down by credit risks—and the high level of non-performing loans are the Achilles' heel of Italian banks.

As for funding, as already seen in 2014, bonds continue declining while bank current accounts are rising, consistently with a scenario of particularly low and unattractive interest rates. The liquidity received from the ECB has decreased compared to late 2014, as the 3-year LTRO loans have reached maturity and have only been partly offset by the amounts obtained in the MRO and TLTRO auctions. There was instead a reversal in international funding: after almost 3 years of declines, in February 2015 it started growing again, driven by interbank lending.

Reference markets

Trade Receivables

The Bank's reference market is the short-term trade receivable segment (short-term cash loans to non-financial companies and producer households), which amounted to 241 billion Euro at 30/09/2015. Overall, it was down 30% from 31 December 2008, when it was worth 360 billion Euro.

Credi Impresa Futuro - The factoring market accounts for only a fraction of Banca IFIS's reference market, and therefore turnover and the relevant positioning do not represent a strategic goal for the Bank, although they have a positive impact in terms of image, value and market perception.

Over the first ten months of 2015, this market grew by over 3% in terms of turnover, confirming the growth trend that started in 2014. During 2010-2011, there was a significant shift in corporate loans from traditional banking products to factoring as a result of the limited liquidity available in conventional bank funding channels for several corporate counterparties. This significantly boosted volumes. Credi Impresa Futuro has 29 branches throughout Italy and a sales network consisting of over 100 professionals.

Pharma and Pharmacies - Banca IFIS entered the Pharma segment five years ago. By leveraging specialist skills, it has developed a significant presence over time, and continues growing at a fast pace thanks to a very aggressive pricing policy and ongoing relations will all major international pharmaceutical groups that work with Italy's National Health Service.

In Italy there are approximately 18.000 pharmacies, at least one in each municipality. The Bank recently started lending to pharmacies—a good opportunity for diversifying its business with low marginal costs. Indeed, each pharmacy serves on average 3.400 people, a figure in line with the European average. The total turnover generated by pharmacies accounts for nearly 66% of Italy's pharmaceutical spending, i.e. an annual 16,5 billion Euro. The sales of prescription drugs that pharmacies submit to Italy's National Health Service for reimbursement in the form of DCRs (*Distinta Contabile Riepilogativa*, a report summarising monthly prescription sales) total approximately 11 billion Euro (41% of Italy's pharmaceutical spending).

As for the state of pharmacies, since the crisis large pharmaceutical distributors have been imposing shorter payment terms, preventing pharmacies from accessing favourable purchase terms and forcing them to seek new financing solutions to manage working capital. Concerning financing, the current situation has made the opportunity to support pharmacies all the more attractive. The specialist financial players operating in this market, and especially the companies that are not part of banking groups, have been struggling to obtain liquidity and distribute their product. This has forced some of them to restructure or wind down their operations.

International - against an economic backdrop in which international trade has contracted because of uneven global economic growth, commodity prices have collapsed and exchange rates have been volatile, the Factoring market managed to expand. Banca IFIS operates internationally through the 100% owned subsidiary IFIS Finance Sp z.o.o., located in Poland, a representative office in Romania, an equity investment in India, and the international office based in Milan, which focuses mainly on import factoring. As for the Polish factoring market, the subsidiary IFIS Finance's market share is slightly above 1% in terms of turnover.

Distressed Retail Loans (DRL)

The non-performing loans (NPL) market is characterised by the presence of players who approach the business in different ways and focus their attention on portfolios that are often not homogeneous, especially as for the type of receivable that is bought, the type of account debtors, and the methods of collection.

As for the type of receivables bought, they can be divided into at least the following segments:

- NPLs from property-backed mortgages (residential, commercial or industrial properties);
- NPLs from various financial products and guaranteed by third parties (through surety bonds, loan guarantee consortia, others);
- NPLs from asset/salary-backed consumer credit/retail loans due from individuals;
- NPLs from consumer, renting, and automotive loans, or unsecured retail loans.

There are essentially two type of debtors: individuals with or without steady employment or pension income, and businesses, differentiating between limited companies on the one hand and partnerships/sole proprietorships on the other. In terms of collection operations, there are two macro-areas, i.e. judicial and non-judicial. All these differentiators significantly influence the NPL portfolios' potential to generate cash flows, as well as the supporting operational processes and organisational structure, collection costs, and, above all, the costs for purchasing the portfolios from the originators (usually financial companies related to banking groups, but also retailers of goods or services, or other intermediaries operating in the NPL sector).

Furthermore, there are players with different approaches to taking risks: some acquire and manage their portfolios until they collect the receivables, while others focus just on managing them for a fee (and the two often cooperate).

The above variables are key for assessing the NPL market, resulting in the presence of both very large and small players with diverse approaches, subject to different regulations, and equipped with varying financial and technological resources.

The Bank's NPL Area, which operates in the retail market under the CrediFamiglia brand, focuses mainly on NPLs from consumer, renting, and automotive loans, as well as unsecured retail loans. It operates also in the segment of NPLs from asset/salary-backed consumer credit/retail loans due from individuals. On rare occasions, Banca IFIS's NPL Area even dealt with NPLs from various financial products and guaranteed by third parties (through surety bonds, loan guarantee consortia, others). The NPL Area usually buys portfolios of receivables directly from lenders, but it may also purchase them from other sellers. This market is known as "secondary": while it is already mature and active in other countries, in Italy it is still developing. The NPL Area will purchase the above asset classes on both the primary and secondary markets. It may also consider selling part of the portfolios acquired after turning the account debtors into paying customers, earning a significant margin relative to their purchase price right away. In 2015, the Bank bought a total of 4,1 billion Euro (par value) and sold 1,4 billion Euro (par value) in receivables.

The NPL Area is constantly innovating, looking for alternative payment methods allowing the debtors willing to settle their dues to do so using new and more flexible approaches. In this sense, it is currently reviewing the collection process in order to focus on turning the debtor into a customer, thus actively managing the relevant relationship also through CRM approaches. Concerning debtors who may settle their debts but are not willing to do so, the NPL Area defined a court-ordered collection procedure to distrain one-fifth of the debtor's salary or pension. The Bank is currently bolstering its Call Centre, which will both assist with existing settlement plans (issuing reminders and collecting individual instalments by phone) and start processing portfolios by phone.

Tax Receivables

According to Cerved's Quarterly Observatory on Corporate Crises, in the first six months of 2015 there were encouraging signs concerning the health of Italian businesses: all proceedings monitored by the Observatory declined. 7.600 insolvency proceedings were initiated in the first half of 2015, down 6,8% from the prior-year period. The decrease in bankruptcies during the first six months of 2015 was registered for all forms of business, although with significant differences: -6,0% for limited companies, -11,8% for partnerships, and -6,6% for other forms. As for sectors, only manufacturing posted a double-digit decline (-16,4%), whereas construction and services were down by 7,4% and 4,5%, respectively.

1.300 non-bankruptcy workouts were entered into between January and June, down from the prior-year period (-12%). Fast Finance has historically controlled over 50% of this market, with the rest essentially represented by financial firms (as defined in art 106 of the Consolidated Banking Act). Among these, the main competitors are La Colombo Finanziaria S.p.A., Interfinance S.p.A (in partnership with Banca Sistema), Viva S.p.A., FED S.p.A., Be Finance S.r.l., STAF S.r.l., and NAOS Finanziaria S.p.A.. Finally, there is also the doBank Group, which however has a negligible presence.

Funding

In 2015, Banca IFIS continued funding its operations with collateralised interbank loans through repurchase agreements, relying on a significant pool of Italian government bonds accepted as collateral by other lenders or, as a last resort, on the Eurosystem, thanks to the liquidity provided by the ECB.

The Bank participated in the ECB's second TLTRO (Targeted Long Term Refinancing Operation) auction, borrowing 119,8 million Euro in December for 4 years at a fixed 0,15% rate.

Funding never showed signs of stress and securities trading generated positive results in terms of profitability, helping to ease retail funding costs. These are higher on the online market, where the volatility of deposits not sufficiently remunerative for customers may represent a risk.

The retail funding market, and specifically the segment of online savings accounts, presents mature product offerings from conventional banks with branch networks dedicated to direct funding as well as players specialising in online funding. However, retail funding—through the rendimax savings account and the contomax current account—remains key for Banca IFIS.

At the end of the year, it reported over 3,0 billion Euro in funding (of which 64 million Euro from contomax), or slightly above 0,2% as a proportion of deposits Italian customers hold with the country's banks.

The growth in deposits over the last year is mainly attributable to four factors:

- **the change in interest rates**: over the last 24 months, Banca IFIS has gradually reduced the yields on its deposits, as a result of both the continued decline in market interest rates and the repositioning of the offerings of all players; during 2014, it lowered the rate of return offered to depositors four times. Starting from the third quarter of 2015, however, interest rates on longer-term deposits have risen;

- **the market context**: overall, bank funding (deposits and bonds) from individuals has been declining year-on-year throughout 2014 and the first nine months of 2015, especially because of the trend in bonds; it has returned to growth starting from October 2015;
- **introduction of 3-, 4-, and 5-year maturities:** They were introduced in September 2015 and proved crucial in reversing the trend in retail funding seen at the time;
- **Italian government bond yields**, which represent for private savers the most suitable alternative to savings accounts. The decline in government bond yields has been the other factor that allowed to reduce interest rates without affecting funding volumes.

The Bank

People

The Group's workforce

Banca IFIS continues investing in human resources: the number of employees rose from 618 at the end of 2014 to 724 at 31 December 2015. 585 are on open-ended contracts, 66 on fixed-term contracts, 53 on apprenticeship contracts, and 20 are foreign employees. It should be noted that the Bank is committed to stabilising employment relationships, transferring over 40 employees to open-ended contracts in 2015.

This positive growth trend is related to the Bank's constantly growing commercial presence, the significant investments in the DRL segment, the consolidation of an organisational structure oriented to technological innovation, and also the need to support a market where risk management remains a priority.

The new positions were mainly in relationship management with client companies—the Bank's historical core business (sales account managers, credit analysts, and counterparty analysts); in the support and management of non-performing loans (Analytical Management, Call Centre, Operating Service, and the Back Office's Assessment structure); technical support (organisational, IT) as well as legal support (especially in Retail Disputes). The Non Performing Loans Area continues to hire Credit Consultants from all over Italy to strengthen its internal network of financial agents.

In 2016, the workforce is expected to grow double-digit once again, and the areas concerned will largely be the same as in 2015.

Recruitment, Training and Development

Recruitment is the Development Service's most resource-intensive activity. Looking for the most qualified and motivated candidates to join the various operating/business areas, in order to ensure the quantity and quality of staff is consistent with the Group's strategic and growth targets, is challenging. However, we are aware that we are giving employment opportunities to skilled people mired in a stagnant job market.

Spontaneous applications received through the Bank's institutional website as well as the various social networks, and especially LinkedIn, have now become the main recruitment channel, reflecting the Bank's innovative and technological approach.

The selection process for most job openings is conventional (CV screening, motivational interview, technical interview, etc.). For two positions—the Sales Account Manager and the Financial Agent/Credit Consultant—in 2015 the bank carried on with the massive recruitment processes it started last year. Candidates are first invited to a "Web Streaming Open Day", which introduces them to the Bank and the job and allows excluding those without the necessary motivation. This is followed by Skype interviews, allowing to select a shortlist of candidates that will advance to the Assessment stage. The Assessment Centre measures the specific professional and personal skills required for account managers and consultants through targeted and diversified individual and group tests, developed with the help of external consultants. Specifically, in 2015 the Bank held 8 Assessment Centres for Credit Consultants and 6 for Sales Account Managers.

During the year, the Bank also participated in recruiting initiatives promoted by Italian universities (Finance Day of the Ca' Foscari University of Venice, Career Days at the Universities of Padua and Florence), which allowed to identify young graduates with potential to hire on apprenticeship contracts.

2015 saw several training initiatives and growth opportunities at Banca IFIS, with significant investments in people's development through activities focusing on technical/functional issues, soft skills, and management skills. The 2015 training plan was based mainly on the findings of the performance appraisal system, the "Performanagement", through which managers reported the training needs of their employees.

Here below are the main training programmes carried out:

- training programmes divided by skill level (Basic and Advanced);
- introduction of an E-Learning platform aimed at offering "blended" training programmes and monitoring the progress of those enrolled;
- preparation of a digital training classroom to promote the digitisation of behaviours and learning;
- standardisation of the *Experience Learning* model for all training activities, in order to enhance operations and emphasising the focus on performance improvements.

Specifically, the training activities carried out in 2015 were aimed at developing the skills of specific figures of the various Business Areas, as well as keeping them up to date on the main professional trends:

- training for CMT: intended to promote the professional growth of Account Executives at the Group's branches through in-depth discussions of financial analysis, technical-legal aspects, and behavioural skills (17 participants);
- Apprentice training: 2 programmes for employees on apprenticeship contracts, with in-house classes on the Bank's technical-operational aspects (26 participants);
- Pharmacies BU training: programme intended to promote the onboarding and integration of the new BU's employees through in-depth discussions on the bank's systems and procedures (8 participants);
- CrediFamiglia School: a training programme (which replaced the previous NPL Academy) aimed at preparing professionals specialising in non-judicial debt collection operations for non-performing loans. It involves the preparation for the OAM test (OAM stands for *Organismo degli Agenti e dei Mediatori*, the Italian association for agents and brokers) as well as theoretical and practical training, enabling participants to work independently as credit consultants (25 participants);
- sales account managers: training programme intended to train and develop the technical/functional/sales skills of Credi Impresa Futuro's new sales account managers. The programme lasted six weeks and was taught by in-house and external teachers (4 editions in 2015, for a total of 35 participants);
- Top Management workshop: a two-day event hosted by Ambrosetti focusing on corporate culture and continuous improvement. The programme was created based on the feedback from the Management appraisal programme (28 participants);

- Scrum Master Certified: course intended to develop structured ICT skills using the “Scrum Master” approach (12 participants);
- LinkedIn: a project for all the Bank's employees designed to explore this tool, consistently with Banca IFIS's social approach (247 participants);
- IT security, conducted through the training project “Stay aware, Stay secure”, which involved all the Bank's staff in an innovative team game. This course coincided with the launch of the new E-learning Platform (700 participants);
- English language courses: the Bank continued to provide English language courses to employees divided according to language proficiency tests. 98 participants attended the courses (up from 2014, excluding 1-1 sessions/translations and language consulting services with managers). In addition, in 2015 we also launched the first step of a training programme dedicated to 10 specific professional roles and intended to rapidly advance their business English proficiency through a “blended learning” approach; the participants who pass the first test will attend a full-immersion programme in 2016;
- cash flow analysis: a specialist course consisting of 3 editions and intended to assist with cash flow analysis (35 participants);
- Soft Skill training: based on the training needs emerged from the appraisal system, the Bank hosted courses on Communication, Analysis and Problem Solving, Planning, Scheduling and Time Management, Result-Driven Approach, Teamwork and Spirit (76 participants);
- Permanent Professional Training offered by “The European House-Ambrosetti”: once again in 2015, the Bank offered executives the opportunity to participate in this service reserved for Italian top managers. The initiative was in part funded with training vouchers trough FONDIR (an Italian association promoting the continuous training of management personnel) (15 participants);
- anti money laundering: targeted initiatives for Retail Funding employees as well as online courses for all new hires offered through the E-learning Platform (112 participants);
- Security and safety: courses for new hires, refresher courses for all staff, and specific courses for security and safety officers. (79 participants).

As for the management and appraisal of human resources, the performance appraisal system Performanagement proved to be effective and will be used also for 2015, after undergoing some improvements. Also the “New Hire Mentoring” project, aimed at helping new employees joining the Bank, delivered strong results.

Organisation and Operations

Organisation

During 2015, the Organisation carried out important projects that contributed to making processes more efficient and streamlining the Bank's entire regulatory framework. Specifically, the Organisation:

- defined the taxonomy of the Bank's processes, dividing them into three areas—“Governance”, “Business”, and “Support”;
- set out the internal disciplinary framework, which distinguishes between rules concerning planning—characterised by “Guidelines”, “Organisational regulations”, and Policies—and those concerning operations, which consists of “Organisational procedures” and “Operational notes”;
- launched a plan for updating the Bank's internal rules, in light of the specific changes introduced by the revised supervisory framework, and reviewed the “General Rules”;
- together with the ICT and Administration departments, built the Bank's new accounting platform, which contributed to making the processes concerned more efficient and the reconciliation between operational, accounting, and supervisory data faster.

Operations

In the final quarter of 2015, Banca IFIS created an Operations department in order to review and innovate its operating model, with a focus on digitisation. The new department manages and coordinates the following organisational units: ICT, Operations Management, Digital Factory, Process Engineering, Privacy & Security Management.

The department's first projects focused on analysing operating processes in order to identify potential improvements by overhauling the activities of specialist operating groups, automating some operating stages, and introducing digitisation platforms.

In addition, in the final quarter of 2015 Banca IFIS also launched important Fintech initiatives (the bank will invest significantly in this area over the coming years), promoting the use of advanced technology to support innovative business models (for instance, it started creating a marketplace dedicated to digital lending to SMEs). The initiatives, which aim to achieve strategic goals in the short- and medium-term, focus on the following topics:

- digital disruption: providing “digital native” solutions based on simple processes, 100% digital, and with advanced recognition tools. By focusing on the “user experience”, the Bank aims to ensure an immediate exchange of information across all channels, boosting efficiency and reducing operating costs. This requires digitising all operating and loan origination processes with digital signatures;
- analytics at the centre of the Business; introducing big data tools and solutions, developed on SAS platforms, capable of analysing massive data sets in real time so as to support decision-making and risk control processes, striving to make reporting processes consistent, reliable, fast, and high-quality;

- evolution of specialist systems: enhancement of Factoring and Non Performing Loan solutions to improve the time-to-market, making processes more efficient and raising service levels;
- time to Compliance and evolution of Conventional Banking systems: streamlining “core banking” components to react faster to regulatory adjustments and enhancing the level of integration to support the business's growth;
- technological update: continuously strengthening technological infrastructure and services.

As for ICT governance and security, risk and compliance management, the main initiatives carried out in 2015 concerned:

- preparing the ICT Strategic Plan, in accordance with the prudential supervisory provisions for Banks;
- implementing the method for analysing IT risks, pursuant to the relevant Group Policy and in accordance with regulatory provisions, as well as the resulting plan of mitigation actions identified;
- consolidating the documentation for ICT Processes and Information Security, by outlining the relevant procedures in accordance with the Group's Information Security management Policy;
- starting a series of projects aimed at bolstering the information security of IT systems and the network, including through periodic security tests and the ongoing monitoring of vulnerabilities and threats;
- updating the Business Continuity Plan, in light of organisational changes, and the Disaster Recovery Plan, in the wake of the strengthening of the main data centre. The Business Continuity and Disaster Recovery of the Bank’s ERP systems underwent the standard architectural and applicative tests during 2015. The tests were carried out in the presence of the Internal Auditing.

Risk Management

The Bank's overall risk management framework is governed by the Risk Appetite Framework and the relevant documents, and it is continuously updated in accordance with the evolution of the Group's strategy.

As for credit risk management, besides the well-established first line of defence controls and the periodic monitoring conducted by the Risk Management Function, the Bank is implementing the counterparty rating system. The internally developed model focuses on Italian businesses and consists of:

- a “financial statement” module, to assess the company's operating/financial soundness;
- a “central credit register” module, presenting the evolution of counterparty risk vis-à-vis the banking industry;
- two “internal performance” modules, monitoring signs of deterioration in the relationship between the counterparty and the Bank consistently with the business model of providing working capital financing, based on whether the counterparty is a seller or a debtor;
- a qualitative questionnaire intended to obtain “soft” information that the above modules cannot provide.

As for the non-performing loans of the DRL business area, the Bank reviewed the model for measuring said loans, aligning it even more with debt collection processes and the changes in the portfolio's composition occurred in recent years. In addition, it further bolstered the monitoring of the underlying portfolio and the relevant collection performance.

Concerning tax receivables, Banca IFIS improved the methodology for determining the estimated collection date, which bases its assumptions on the analysis of historical data series.

As for operational risks, the Bank consolidated the Loss Data Collection process — which extends to its network and even the Polish subsidiary—as well as periodic Risk Self Assessments. It also continued assessing IT risks in accordance with the method adopted by the Bank.

Concerning liquidity risks, the Bank conducted systematic monitoring in order to ensure a sound and prudent management, pursuant to the relevant regulations.

The Function strengthened its staff by adding new and dynamic professionals, and continues to do so consistently with the Group's strategic development goals.

Directors’ report

Introductory notes on how to read the data

During 2015, the following events occurred that should be considered when comparing the results to previous years:

- Based on the trends in market rates on government bonds in the Bank's portfolio, as well as considerations on the costs to refinance the debt collateralised by said securities, the Bank found it expedient to restructure part of the Italian government bond portfolio. It kept its size unchanged, but slightly increased the average maturity: the most distant maturity is now 2020 (as opposed to 2018 before the transactions). The whole portfolio consists of floating-rate or inflation-indexed bonds.

  The sale of the portfolio, completed in April, contributed approximately 124 million Euro to gross profit for the year.
- Budget Law: in accordance with the provisions of the 2015 Budget Law, commercial and agricultural companies as well as craftspersons and professionals can deduct all costs for employees on open-ended contracts from the IRAP (Italian regional tax on productive activities) tax base; the provision is effective for fiscal years beginning after 31 December 2014. This slightly lowered the Group's tax rate for 2015.
- Update to the models for estimating the cash flows from the receivables of the DRL segment: in 2015, the Bank reviewed the model for estimating the cash flows from the receivables of the DRL segment. It used the updated model in preparing these financial statements. This caused a change in the estimate of cash flows that, discounted at the original IRR of the positions, resulted in a change in amortised cost, which was recognised in profit or loss in accordance with IAS 39. The overall 8,5 million Euro decrease was mainly attributable to the consistency of the measurement method used for similar types of funding instruments. Said impact, recognised under item 10 Interest receivable and similar income, was partially offset by the gains on the three sales completed at the end of 2015, which were recognised under item 100 Profit from sale, which is part of Net banking income. For more details, see below.
- Improved accounting for the changes in amortised cost related to bad loans: in the financial statements for the year ended 31 December 2015, the Bank changed the classification of changes in amortised cost related to the bad loans of the DRL segment. Specifically, such changes, which had been previously recognised under item 130 Net impairment losses/reversals on receivables, were classified under item 10 Interest receivable and similar income. To allow the users of the financial report to compare the results with the previous year, the 2014 data have been restated using the same method. For more details, see Part A – Section 2 in the Notes.
- Deposit Guarantee Schemes and Italian Bank Resolution Fund: during 2015, the provisions concerning the protection of bank depositors and the resolution of banking crises, set out respectively in the Deposit Guarantee Schemes Directive (DGSD) 2014/49/EU and the Single Resolution Fund Directive 59/201/EU, became effective. The impact of these provisions is described in the Notes.

Highlights

KEY DATA ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31/12/2015	31/12/2014	ABSOLUTE	%
Available for sale financial assets	3.221.533	243.325	2.978.208	1224,0%
Held to maturity financial assets	-	4.827.363	(4.827.363)	(100,0)%
Loans to customers	3.437.136	2.814.330	622.806	22,1%
Total assets	6.957.720	8.309.294	(1.351.574)	(16,3)%
Due to banks	662.985	2.258.967	(1.595.982)	(70,7)%
Due to customers	5.487.476	5.483.474	4.002	0,1%
Consolidated equity	573.467	437.850	135.617	31,0%

KEY DATA ON THE CONSOLIDATED INCOME STATEMENT (in thousands of Euro)	YEAR		CHANGE	
	31/12/2015	31/12/2014	ABSOLUTE	%
Net banking income (1)	**407.958**	**284.141**	**123.817**	**43,6%**
Net value adjustments on receivables and other financial assets (1)	(34.250)	(34.510)	260	(0,8)%
Net profit from financial activities	**373.708**	**249.631**	**124.077**	**49,7%**
Operating costs	(128.119)	(104.688)	(23.431)	22,4%
Pre-tax profit from continuing operations	245.589	144.943	100.646	69,4%
Group net profit for the year	**161.966**	**95.876**	**66.090**	**68,9%**

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2

QUARTERLY KEY DATA ON THE CONSOLIDATED INCOME STATEMENT (in thousands of Euro)	4th QUARTER		CHANGE	
	2015	2014	ABSOLUTE	%
Net banking income (1)	**76.792**	**73.065**	**3.727**	**5,1%**
Net value adjustments on receivables and other financial assets (1)	(8.089)	(4.546)	(3.543)	77,9%
Net profit from financial activities	**68.703**	**68.519**	**184**	**0,3%**
Operating costs	(47.335)	(35.003)	(12.332)	35,2%
Pre-tax profit from continuing operations	21.368	33.516	(12.148)	(36,2)%
Group net profit for the year	**13.161**	**21.688**	**(8.527)**	**(39,3)%**

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2

Group KPI

GROUP KPIs [1]	YEAR		CHANGE
	2015	2014	%
ROE	30,4%	23,5%	6,9%
ROA	3,5%	1,7%	1,8%
ROCA	1,5%	1,3%	0,2%
Cost/Income ratio	31,4%	36,8%	(5,4)%
Cost of credit quality	0,9%	1,7%	(0,8)%
Net bad loans trade receivables/Trade receivables loans to customers	1,1%	1,3%	(0,2)%
Net bad loans trade receivables/Equity	5,4%	7,5%	(2,1)%
Coverage ratio on gross bad loans trade receivables	87,9%	86,4%	1,5%
Net trade receivables impaired loans/Trade receivables loans to customers	4,5%	4,6%	(0,1)%
Net trade receivables impaired loans /Equity	22,4%	25,7%	(3,3)%
Total own funds Capital Ratio	15,4%	14,2%	1,2%
Common Equity Tier 1 Ratio	14,7%	13,9%	0,8%
Number of shares outstanding at period end[2] (in thousands)	53.072	52.924	0,3%
Book per share	10,81	8,27	30,7%
EPS	3,05	1,81	68,5%
Dividend per share	0,76	0,66	15,2%
Payout ratio	24,9%	36,4%	(11,5)%

(1) For the definition of the KPIs in the table, please see the consolidated annual report glossary.
(2) Outstanding shares are net of treasury shares held in the portfolio.

Results by business segments

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Available for sale financial assets					
Figures at 31.12.2015				3.221.533	3.221.533
Figures at 31.12.2014	-	-	-	243.325	243.325
Change %	-	-	-	1224,0%	1224,0%
Held to maturity financial assets					
Figures at 31.12.2015				-	-
Figures at 31.12.2014	-	-	-	4.827.363	4.827.363
Change %	-	-	-	(100,0)%	(100,0)%
Due from banks					
Figures at 31.12.2015			-	95.352	95.352
Figures at 31.12.2014	-	-	-	274.858	274.858
Change %	-	-	-	(65,3)%	(65,3)%
Loans to customers					
Figures at 31.12.2015	2.848.124	354.352	130.663	103.997	3.437.136
Figures at 31.12.2014	2.455.052	135.429	119.473	104.376	2.814.330
Change %	16,0%	161,7%	9,4%	(0,4)%	22,1%
Due to banks					
Figures at 31.12.2015				662.985	662.985
Figures at 31.12.2014	-	-	-	2.258.967	2.258.967
Change %	-	-	-	(70,7)%	(70,7)%
Due to customers					
Figures at 31.12.2015				5.487.476	5.487.476
Figures at 31.12.2014	-	-	-	5.483.474	5.483.474
Change %	-	-	-	0,1%	0,1%

INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs (1)	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Figures at 31.12.2015	158.671	56.300	20.335	172.652	**407.958**
Figures at 31.12.2014	155.561	33.249	11.003	84.328	**284.141**
Change %	2,0%	69,3%	84,8%	104,7%	**43,6%**
Net profit from financial activities					
Figures at 31.12.2015	137.423	52.687	19.923	163.675	**373.708**
Figures at 31.12.2014	122.555	31.479	11.269	84.328	**249.631**
Change %	12,1%	67,4%	76,8%	94,1%	**49,7%**

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs (1)	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Fourth quarter 2015	39.728	22.402	8.828	5.834	**76.792**
Fourth quarter 2014	*39.522*	*12.906*	*2.871*	*17.766*	**73.065**
Change %	*0,5%*	*73,6%*	*207,5%*	*(67,2)%*	*5,1%*
Net profit from financial activities					
Fourth quarter 2015	33.237	21.818	8.542	5.106	**68.703**
Fourth quarter 2014	*36.534*	*11.202*	*3.017*	*17.766*	**68.519**
Change %	*(9,0)%*	*94,8%*	*183,1%*	*(71,3)%*	*0,3%*

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2

SECTOR KPIs (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover (1)				
Figures at 31.12.2015	10.126.397	n.a.	n.a.	n.a.
Figures at 31.12.2014	*8.312.798*	*n.a.*	*n.a.*	*n.a.*
Change %	*21,8%*	-	-	-
Nominal amount of receivables managed				
Figures at 31.12.2015	3.576.982	8.161.005	190.553	n.a.
Figures at 31.12.2014	*3.101.058*	*5.630.151*	*167.834*	*n.a.*
Change %	*15,3%*	*45,0%*	*13,5%*	-
Net bad loans/Loans to customers				
Figures at 31.12.2015	*1,1%*	*45,0%*	*0,0%*	n.a.
Figures at 31.12.2014	*1,3%*	*51,8%*	*0,0%*	*n.a.*
Change %	*(0,2)%*	*(6,8)%*	-	-
RWA (2)				
Figures at 31.12.2015	*1.797.836*	*354.352*	*41.614*	*355.829*
Figures at 31.12.2014	*1.802.978*	*135.426*	*37.595*	*187.560*
Change %	*(0,3)%*	*161,7%*	*10,7%*	*89,7%*

(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.

Quarterly Evolution

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2015				YEAR 2014			
	31.12	30.09	30.06	31.03	31.12	30.09	30.06	31.03
ASSETS								
Available for sale financial assets	3.221.533	3.677.850	3.803.216	5.069.781	243.325	414.768	1.302.425	2.287.950
Held to maturity financial assets	-	-	-	-	4.827.363	5.094.994	5.071.312	5.329.414
Due from banks	95.352	246.991	114.843	115.697	274.858	294.844	351.349	432.855
Loans to customers	3.437.136	3.176.172	3.152.145	2.921.902	2.814.330	2.588.009	2.538.371	2.339.663
Property, plant and equipment	52.163	52.137	51.509	51.329	50.682	50.865	50.798	41.129
Intangible assets	7.170	7.031	6.779	6.772	6.556	6.724	6.776	6.482
Other assets	144.366	84.507	92.902	77.104	92.180	69.018	98.851	77.976
Total assets	**6.957.720**	**7.244.688**	**7.221.394**	**8.242.585**	**8.309.294**	**8.519.222**	**9.419.882**	**10.515.469**

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2015				YEAR 2014			
	31.12	30.09	30.06	31.03	31.12	30.09	30.06	31.03
LIABILITIES AND EQUITY								
Due to banks	662.985	537.898	457.384	200.953	2.258.967	632.553	1.979.493	618.132
Due to customers	5.487.476	5.900.458	6.037.552	7.241.379	5.483.474	7.317.589	6.910.171	9.341.959
Post-employment benefits	1.453	1.388	1.407	1.641	1.618	1.525	1.537	1.477
Tax liabilities	25.549	23.904	18.207	67.692	14.338	13.764	13.321	19.099
Other liabilities	206.790	224.028	182.578	159.042	113.047	135.495	117.433	129.409
Equity:	573.467	557.012	524.266	571.878	437.850	418.296	397.927	405.393
- Share capital, share premiums and reserves	*411.501*	*408.207*	*393.487*	*545.649*	*341.974*	*344.108*	*347.872*	*380.717*
- Profit for the period	*161.966*	*148.805*	*130.779*	*26.229*	*95.876*	*74.188*	*50.055*	*24.676*
Total liabilities and equity	**6.957.720**	**7.244.688**	**7.221.394**	**8.242.585**	**8.309.294**	**8.519.222**	**9.419.882**	**10.515.469**

RECLASSIFIED CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2015				YEAR 2014			
	4th Q.	3rd Q.	2nd Q.	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net interest income (1)	**45.896**	**48.111**	**56.509**	**58.110**	**54.583**	**52.058**	**59.498**	**55.536**
Net commission income	**14.824**	**14.712**	**14.878**	**14.369**	**14.770**	**14.593**	**14.865**	**14.124**
Net result from trading	(55)	(179)	36	120	131	16	50	105
Profit (loss) from sale or buyback of:	16.127	-	124.500	-	3.581	-	-	231
Receivables	14.948	-	-	-	3.581	-	-	-
Available for sale financial assets	1.179	-	124.500	-	-	-	-	231
Net banking income (1)	**76.792**	**62.644**	**195.923**	**72.599**	**73.065**	**66.667**	**74.413**	**69.996**
Net value adjustments/revaluations due to impairment of:	(8.089)	(5.411)	(13.260)	(7.490)	(4.546)	(7.377)	(13.561)	(9.026)
Receivables (1)	(7.361)	(1.395)	(11.046)	(5.471)	(4.546)	(7.377)	(13.561)	(9.026)
Available for sale financial assets	(728)	(4.016)	(2.214)	(2.019)	-	-	-	-
Net profit from financial activities	**68.703**	**57.233**	**182.663**	**65.109**	**68.519**	**59.290**	**60.852**	**60.970**
Personnel expenses	(12.266)	(12.394)	(12.165)	(11.517)	(11.025)	(10.310)	(10.884)	(10.334)
Other administrative expenses	(35.419)	(15.956)	(11.411)	(16.042)	(24.009)	(11.977)	(11.902)	(11.431)
Net allocations to provisions for risks and charges	13	(160)	397	(479)	489	(463)	79	(1.718)
Net value adjustments to property, plant and equipment and intangible assets	(1.045)	(942)	(927)	(832)	(866)	(833)	(792)	(748)
Other operating income (expenses)	1.382	478	(2.141)	3.307	408	538	141	949
Operating costs	**(47.335)**	**(28.974)**	**(26.247)**	**(25.563)**	**(35.003)**	**(23.045)**	**(23.358)**	**(23.282)**
Pre-tax profit from continuing operations	**21.368**	**28.259**	**156.416**	**39.546**	**33.516**	**36.245**	**37.494**	**37.688**
Income tax expense for the year	(8.207)	(10.233)	(51.866)	(13.317)	(11.828)	(12.112)	(12.115)	(13.012)
Profit for the year	**13.161**	**18.026**	**104.550**	**26.229**	**21.688**	**24.133**	**25.379**	**24.676**

(1) The previously published quarterly data were restated as described in the Notes, Part A, Section 2

INCOME STATEMENT DATA BY SEGMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2015				YEAR 2014			
	4th Q.	3rd Q.	2nd Q.	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net banking income	**76.792**	**62.644**	**195.923**	**72.599**	**73.065**	**66.667**	**74.413**	**69.996**
Trade receivables	*39.728*	*41.668*	*37.941*	*39.334*	*39.522*	*37.421*	*41.152*	*37.466*
Distressed Retail Loans (1)	*22.402*	*10.624*	*14.411*	*8.863*	*12.906*	*5.960*	*7.137*	*7.246*
Tax receivables	*8.828*	*3.984*	*3.621*	*3.902*	*2.871*	*3.765*	*2.203*	*2.164*
Governance and services	*5.834*	*6.368*	*139.950*	*20.500*	*17.766*	*19.521*	*23.921*	*23.120*
Net profit from financial activities	**68.703**	**57.233**	**182.663**	**65.109**	**68.519**	**59.290**	**60.852**	**60.970**
Trade receivables	*33.237*	*40.361*	*30.016*	*33.809*	*36.534*	*29.850*	*27.824*	*28.347*
Distressed retail loans	*21.818*	*10.676*	*11.334*	*8.859*	*11.202*	*5.959*	*7.077*	*7.241*
Tax receivables	*8.542*	*3.844*	*3.577*	*3.960*	*3.017*	*3.960*	*2.030*	*2.262*
Governance and services	*5.106*	*2.352*	*137.736*	*18.481*	*17.766*	*19.521*	*23.921*	*23.120*

(1) The previously published quarterly data were restated as described in the Notes, Part A, Section 2

Historical data

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

GROUP HISTORICAL DATA (in thousands of Euro)	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Available for sale financial assets	3.221.533	243.325	2.529.179	1.974.591	1.685.163
Held to maturity financial assets	-	4.827.363	5.818.019	3.120.428	-
Loans to customers	3.437.136	2.814.330	2.296.933	2.292.314	1.722.481
Due to banks	662.985	2.258.967	6.665.847	557.323	2.001.734
Due to customers	5.487.476	5.483.474	4.178.276	7.119.008	1.657.224
Equity	573.467	437.850	380.323	309.017	196.282
Net banking income (1)	407.958	284.141	264.196	244.917	121.453
Net profit from financial activities	373.708	249.631	219.609	191.166	89.310
Group net profit	161.966	95.876	84.841	78.076	26.535
KPI (2):					
ROE	30,4%	23,5%	24,8%	29,9%	12,6%
ROA	3,5%	1,7%	1,3%	1,5%	1,1%
ROCA	1,5%	1,3%	0,6%	1,0%	1,1%
Cost/Income ratio	31,4%	36,8%	28,9%	27,9%	39,1%
Cost of credit quality	0,9%	1,7%	2,4%	3,0%	1,9%
Net bad loans trade receivables/ Trade receivables loans to customers	1,1%	1,3%	2,6%	4,3%	4,3%
Net bad loans trade receivables/Equity	5,4%	7,5%	13,4%	24,8%	33,7%
Coverage ratio on gross bad loans trade receiva-bles	87,9%	86,4%	78,4%	61,6%	58,9%
Net trade receivables impaired loans/ Trade receivables loans to customers	4,5%	4,6%	8,4%	18,9%	11,5%
Net trade receivables impaired loans /Equity	22,4%	25,7%	42,8%	107,9%	96,6%
Total own funds Capital Ratio (3)	15,4%	14,2%	13,5%	12,7%	10,8%
Common Equity Tier 1 Ratio (3)	14,7%	13,9%	13,7%	12,9%	11,2%
Number of share outstanding (4) (in thousands)	53.072	52.924	52.728	53.551	52.814
Book per share	10,81	8,27	7,21	5,77	3,72
EPS	3,05	1,81	1,61	1,46	0,51
Dividend per share	0,76	0,66	0,57	0,37	0,25
Payout ratio	24,9%	36,4%	35,4%	25,4%	50,6%

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2
(2) For the definition of the KPIs in the table, please see the consolidated annual report glossary.
(3) 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. See the Impact of regulatory changes. Data for periods up until 31 December 2013 were recognised according to previous regulations (Basel 2). The Solvency ratio and the Core Tier 1 have been recognised under Total Own Funds Ratio and Common Equity Tier 1 Ratio, respectively.
(4) Outstanding shares are net of treasury shares held in the portfolio

Results' presentation

Key Data on the Consolidated Income Statement (2015 vs. 2014)

NET BANKING INCOME

€MLN 284.1
2014

€MLN 408
2015

+43.6%

NET RESULT OF FINANCIAL OPERATIONS

€MLN 249.6
2014

€MLN 373.7
2015

+49.7%

NET PROFIT

€MLN 95.9
2014

€MLN 162
2015

+68.9%

Key Data on the Consolidated Statement of Financial Position (2015 vs. 2014)

TOTAL ASSETS

€MLN 8,309.3
2014

€MLN 6,957.7
2015

-19.4%

DUE TO CUSTOMERS

€MLN 5,483.5
2014

€MLN 5,487.5
2015

+0.1%

EQUITY

€MLN 437.8
2014

€MLN 573.5
2015

+31.0%

DUE FROM CUSTOMERS

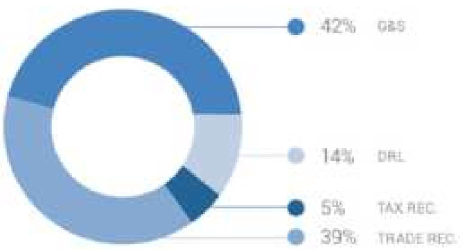
€MLN 2,814.3
2014

€MLN 3,437.1
2015

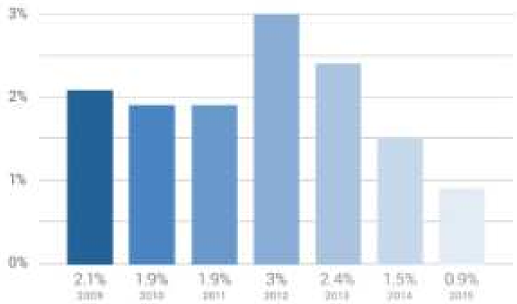
+22.1%

Other data

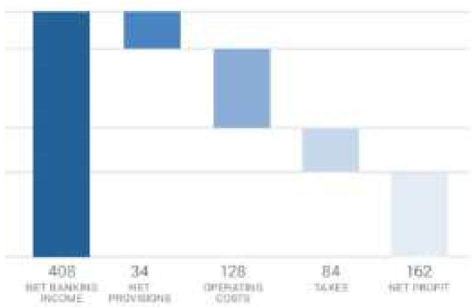
NET BANKING INCOME: BREAKDOWN



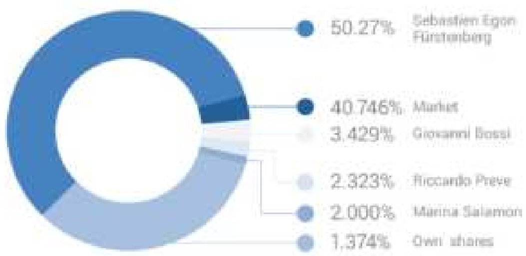
CREDIT QUALITY COST



FROM NET BANKING INCOME TO PROFIT



SHAREHOLDING AT 12.31.2015



SHARE PRICE 2015

RECRUITING DATA 2015

Impact of regulatory changes

Here below are the regulatory changes introduced in 2015 impacting Banca IFIS:

- Following the European Commission's adoption of the ITSs (Implementing Technical Standards) on Non-Performing Exposures and Forbearance Measures, on 21 January 2015 the Bank of Italy published the 7th update to Circular no. 272 of 30 July 2008 – Data reporting model (*Matrice dei conti* in Italian), which includes the new definitions of non-performing exposures applicable as from 1 January 2015. This update introduces two changes. The first concerns the classification of Non-Performing Exposures: starting from 1 January 2015, they are broken down into Bad Loans, Unlikely To Pay, and Non-Performing Past Due Exposures and/or Overdrafts. The second introduces a new reporting element based on forbearance measures extended to customers/debtors based on their financial difficulties.
- Introduction of the contribution to the Italian Bank Resolution Fund (Directive 59/201/EU Single Resolution Fund) and new funding mechanism for Italy's Interbank Deposit Protection Fund (FITD, *Fondo Interbancario di Tutela dei Depositi)* introduced by the Deposit Guarantee Schemes Directive (DGSD) 2014/49/EU.
- Tax aspects: among the latest regulations on tax matters, the following impacted the determination of Banca IFIS's income tax expense the most. In particular:
  - Italian Law of 23 December 2014, no. 190, art.1, paragraphs 20-25 (so-called 2015 "Budget Law"): this law allows businesses to deduct all costs for employees on open-ended contracts from the IRAP (Italian regional tax on productive activities) tax base, which exceed the deductions already made. the provision, which applies also to banking entities, is effective for fiscal years beginning after 31 December 2014. This regulatory change slightly improved the Group's tax rate.
  - Italian Legislative Decree of 27 June 2015, no. 83, art. 16, para. 1: this provision has changed the rules for deducting bad debt and impairment losses. Effective from the annual period ending 31 December 2015, banks will be able to fully deduct credit losses in the first year they are accrued. In the first annual period the provision is effective—2015 for the entities whose fiscal year coincides with the calendar year—75% of bad debt and impairment losses can be deducted. The remaining 25%, as well as any amounts in excess relating to previous years that were not deducted, can be deducted (with diversified tax rates) over the following ten years, starting from 2016. This regulatory change does not impact the Group's tax rate, but it does affect the current tax expense.

Group financial and income results

Statement of financial positions items

MAIN STATEMENT OF FINANCIAL POSITION ITEMS *(in thousands of Euro)*	AMOUNTS AT		CHANGE	
	2015	2014	ABSOLUTE	%
Available for sale financial assets	3.221.533	243.325	2.978.208	1224,0%
Held to maturity financial assets	-	4.827.363	(4.827.363)	(100,0)%
Due from banks	95.352	274.858	(179.506)	(65,3)%
Loans to customers	3.437.136	2.814.330	622.806	22,1%
Property, plant and equipment and intangible assets	59.333	57.238	2.095	3,7%
Other assets	144.366	92.180	52.186	56,6%
Total assets	**6.957.720**	**8.309.294**	**(1.351.574)**	**(16,3)%**
Due to banks	662.985	2.258.967	(1.595.982)	(70,7)%
Due to customers	5.487.476	5.483.474	4.002	0,1%
Other liabilities	233.792	129.003	104.789	81,2%
Equity	573.467	437.850	135.617	31,0%
Total liabilities and equity	**6.957.720**	**8.309.294**	**(1.351.574)**	**(16,3)%**

Available for sale (AFS) financial assets

Available for sale (AFS) financial assets include debt and equity securities and stood at 3.221,5 million Euro at 31 December 2015, compared to 243,3 million Euro at the end of 2014. This was largely attributable to the reclassification of the government bond portfolio from HTM to AFS following the rebalancing completed in April 2015: see the comments under significant events occurred during the year. The relevant valuation reserve, net of taxes, was positive to the tune of 11,7 million Euro at 31 December 2015 (6,0 million Euro at 31 December 2014).

Held to maturity (HTM) financial assets

The portfolio of held to maturity financial assets, which totalled 4.827,4 million Euro at the end of 2014, amounted to zero due to the reclassification of all HTM assets to AFS following the mentioned rebalancing of the government bond portfolio. See the comments under significant events occurred during the year.

Receivables due from banks

At 31 December 2015, **receivables due from banks** totalled 95,4 million Euro, compared to 274,9 million Euro at 31 December 2014 (-65,3%). This item includes some securities not listed on an active market with banking counterparties, totalling 5,0 million Euro (-54,6% compared to 31 December 2014), and treasury loans with other lenders, amounting to 90,3 million Euro (-65,8% compared to 31 December 2014), largely related to maintaining excess liquidity in the system.

Securities portfolio

In order to provide a comprehensive analysis of the Group's securities portfolio, the debt securities portfolio, represented by several asset items in the statement of financial position, and the equity portfolio are commented on below.

Debt securities portfolio

At 31 December 2015, the debt securities portfolio amounted to 3.221,8 million Euro, down 36,4% from 31 December 2014 (5.068,3 million Euro), largely because of the redemption of bonds that reached maturity as well as some sales completed in the final quarter of 2015, which resulted in a 1,2 million euro profit. This significant resource allowed and continues to allow Banca IFIS to access funding at reasonable costs through repurchase agreements on the MTS platform or refinancing operations on the Eurosystem.

These securities have been classified as shown in the following table on the basis of their characteristics and in compliance with the provisions of IAS 39.

DEBIT SECURITIES PORTFOLIO *(in thousands of Euro)*	AMOUNTS AT		CHANGE	
	31.12.2015	31.12.2014	ABSOLUTE	%
DEBIT SECURITIES INCLUDED UNDER:				
Available for sale financial assets	3.216.832	229.868	2.986.964	1299,4%
Held to maturity financial assets	-	4.827.363	(4.827.363)	(100,0)%
Receivables due from banks - bonds	5.010	11.025	(6.015)	(54,6)%
Total securities held	**3.221.842**	**5.068.256**	**(1.846.414)**	**(36,4)%**

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

Issuer/Maturity	Within 31.03.2016	Between 1.04.2016 and 30.06.2016	Between 1.07.2016 and 30.09.2016	Between 1.10.2016 and 31.12.2016	Between 1.01.2017 and 31.12.2017	Between 1.01.2018 and 31.12.2020	Total
Government securities	15.178	25.410	-	712.837	270.032	2.193.375	3.216.832
% of total	*0,5%*	*0,8%*	*0,0%*	*22,1%*	*8,4%*	*68,0%*	*99,8%*
Banks	-	-	5.010	-	-	-	5.010
% of total	*0,0%*	*0,0%*	*0,2%*	*0,0%*	*0,0%*	*0,0%*	*0,2%*
Total	**15.178**	**25.410**	**5.010**	**712.837**	**270.032**	**2.193.375**	**3.221.842**
% of total	***0,5%***	***0,8%***	***0,2%***	***22,1%***	***8,4%***	***68,1%***	***100,0%***

Equity portfolio

Available for sale financial assets include equity securities relating to non-controlling interests in unlisted companies, amounting to 4,7 million Euro (-65,1% compared to 31 December 2014), which are considered strategic for Banca IFIS. This change was largely attributable to the 9,0 million Euro write-down of the equity interests in three investees after they were tested for impairment.

Loans to customers

Total loans to customers totalled 3.437,1 million Euro, up 22,1% from 2.814,3 million Euro at the end of 2014. Specifically, trade receivables rose 393,1 million Euro to 2.848,1 at 31 December 2015 (+16,0%). Receivables due from Italy's Public Administration at 31 December 2015 accounted for 32,1% of total receivables in the segment, compared to 27,1% at 31 December 2014, while receivables due from the private sector accounted for 67,9% (compared to 72,9% at 31 December 2014). DRL receivables rose to 354,4 million Euro (+161,7%) from 135,4 million Euro at the end 2014, reaching a nominal 8,2 billion Euro. This increase was made possible by the several acquisitions of portfolios completed during the year (nominal 4,1 billion Euro). Tax receivables totalled 130,7 million Euro, compared to 119,5 million Euro in 2014 (+9,4 %). As for the Governance and Services segment, loans to customers amounted to 104,0 million Euro (-0,4%) and largely referred to margin lending with Cassa Compensazione e Garanzia (CCG) related to repurchase agreements in government bonds on the MTS platform.

LOANS TO CUSTOMERS: BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2015	31.12.2014	ABSOLUTE	%
Trade receivables	2.848.124	2.455.052	393.072	16,0%
- *of which impaired*	*128.715*	*112.628*	*16.087*	*14,3%*
Distressed retail loans	354.352	135.429	218.923	161,7%
- *of which impaired*	*354.331*	*135.426*	*218.905*	*161,6%*
Tax receivables	130.663	119.473	11.190	9,4%
- *of which impaired*	-	*34*	*(34)*	*(100,0)%*
Governance and services	103.997	104.376	(379)	(0,4)%
- *of which with Cassa di Compensazione e Garanzia*	*103.636*	*102.707*	*929*	*0,9%*
Total loans to customers	**3.437.136**	**2.814.330**	**622.806**	**22,1%**
- of which impaired	***483.046***	***248.088***	***234.958***	***94,7%***

The breakdown of loans to customers is essentially in line with the Trade Receivables segment, with 30,4% of receivables due from the Public Administration (compared to 27,9% at 31 December 2014) and 69,6% due from the private segment (compared to 72,1% at 31 December 2014).

With regard to activities in support of SMEs, the loans duration was confirmed as short-term, in line with the Group's strategy to support working capital. On average, it takes 3 months to collect receivables due from private sectors entities and nearly 4 months for those due from the Public Administration.

Finally, it should be noted that the item includes 2 positions, for a total amount of 157,9 million Euro, which fall within the category of major risks.

BANKING PRODUCTS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.12.2015	31.12.2014	ABSOLUTE	%
Current accounts	110.416	105.018	5.398	5,1%
Advance accounts for future receivable transfers and other	95.819	90.146	5.673	6,3%
Factoring advance accounts	2.604.396	2.228.221	376.175	16,9%
Bad loans	195.016	65.340	129.676	198,5%
Tax receivables	130.663	119.473	11.190	9,4%
Mortgages	6.904	287	6.617	2305,6%
Receivable repurchase agreements	103.636	102.707	929	0,9%
Other operations	**3.246.850**	**2.711.192**	**535.658**	**19,8%**
Total net current loans (1)	190.286	103.138	87.148	84,5%
Net Bad loans	**3.437.136**	**2.814.330**	**622.806**	**22,1%**

(1) Total net current loans include unlikely to pay past due exposures classified as non-performing exposures pursuant to the Bank of Italy's provisions (see table 7.1 in the Notes to the financial statements)

Credit quality

Can a small/medium sized enterprise have the same creditworthiness as a large enterprise?

By adopting a business model suitable for transferring risk from customers to better-structured debtors, the Bank manages to mitigate its exposure to customer default risk. Even though the prolonged economic downturn has caused also receivables due from higher-quality debtor to deteriorate, the improvement concerning the most significant non-performing exposures – i.e. those in the Trade Receivables segment – registered in 2014 continued into 2015, as shown in the table below. Specifically, said improvement was due to the following factors: a) new bad loans continued to decrease;

b) the Group is extremely effective at promptly recognising losses on positions found to be impaired (adjusting the item impairment/losses in profit or loss accordingly); finally, particular attention was paid to past due exposures, considerably improving the management of flows and the relevant level of risk. The growth registered in this category is largely attributable to some individually significant positions.

Total net **non-performing exposures**, also due to the recent acquisitions in the DRL segment, amounted to 483,0 million Euro at 31 December 2015, compared to 248,1 million Euro at the end of 2014 (+94,7%).

As described in the paragraph Impact of regulatory changes, starting from 1 January 2015, the Group has implemented the new definition of non-performing exposures recently adopted by the Bank of Italy, which requires to break down non-performing exposures into bad loans, unlikely to pay, and non-performing past due exposures and/or overdrafts.

To make the data more comparable, Banca IFIS restated net non-performing exposures at 31 December 2014 according to the new definitions of the Bank of Italy.

Here below is the reclassification of outstanding non-performing exposures at 31 December 2014 to the new categories and the breakdown of forborne exposures by segment.

NON-PERFORMING EXPOSURES (in thousands of Euro)				
Old definitions	Period/ Values	New definitions	Period/ Values	Period/ Values
	31.12.2014		**31.12.2014**	**31.12.2015**
Bad loans	103.138	Bad loans	103.138	190.286
Restructured loans	14.374	Unlikely to pay	109.152	234.546
Subjective substandard loans	94.778	Unlikely to pay		
Objective substandard loans	8.450	Past due exposures	35.798	58.214
Past due loans	27.348	Past due exposures		
Total net non-performing	**248.088**	**Total net non-performing exposures**	**248.088**	**483.046**

FORBEARANCE (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	CONSOLIDATED TOTAL.
Bad loans				
Figures at 31.12.2015	371	15.064	-	15.435
Figures at 31.12.2014	*-*	*6.189*	*-*	*6.189*
Change %	*n.a.*	*143,4%*	*-*	*149,4%*
Unlikely to pay				
Figures at 31.12.2015	14.414	19.309	-	33.723
Figures at 31.12.2014	*14.354*	*6.197*		*20.551*
Change %	*0,4%*	*211,6%*	*-*	*64,1%*
Past due exposures				-
Figures at 31.12.2015	5.300	-	-	5.300
Figures at 31.12.2014	*-*	*-*		*-*
Change %	*n.a.*	*-*	*-*	*n.a.*
Net performing loans to customers				-
Figures at 31.12.2015	2.954	5	-	2.959
Figures at 31.12.2014	*1.968*	*-*		*1.968*
Change %	*50,1%*	*n.a.*	*-*	*50,4%*

Net non-performing exposures in the trade receivables segment, which actually determine the Bank’s overall credit quality, rose 14,3% from 112,6 million Euro at the end of 2014 to 128,7 million Euro. Non-performing exposures amounted to 22,4% (25,7% in December 2014) as a proportion of the Group's equity.

CREDIT QUALITY (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVA-BLES	GOVERNANCE AND SERVICES	CONSOLIDATED TOTAL
Bad loans					
Figures at 31.12.2015	30.950	159.336	-	-	*190.286*
Figures at 31.12.2014	*33.049*	*70.089*	-	-	*103.138*
Change %	*(6,4)%*	*127,3%*	-	-	*84,5%*
Unlikely to pay					-
Figures at 31.12.2015	39.551	194.995	-	-	*234.546*
Figures at 31.12.2014	*43.781*	*65.337*	*34*	-	*109.152*
Change %	*(9,7)%*	*198,4%*	*(100,0)%*	-	*114,9%*
Past due loans					-
Figures at 31.12.2015	*58.214*	-	-	-	*58.214*
Figures at 31.12.2014	*35.798*	-	-	-	*35.798*
Change %	*62,6%*	-	-	-	*62,6%*
Total net impaired loans					
Figures at 31.12.2015	***128.715***	***354.331***	**-**	**-**	***483.046***
Figures at 31.12.2014	***112.628***	***135.426***	***34***	**-**	***248.088***
Change %	***14,3%***	***161,6%***	***(100,0)%***	**-**	***94,7%***
Net performing loans to customers					-
Figures at 31.12.2015	2.719.409	21	130.663	103.997	*2.954.090*
Figures at 31.12.2014	*2.342.424*	*3*	*119.439*	*104.376*	*2.566.242*
Change %	*16,1%*	*600,0%*	*9,4%*	*(0,4)%*	*15,1%*
Total loans to customers (cash)					
Figures at 31.12.2015	**2.848.124**	**354.352**	**130.663**	**103.997**	**3.437.136**
Figures at 31.12.2014	***2.455.052***	***135.429***	***119.473***	***104.376***	***2.814.330***
Change %	***16,0%***	***161,7%***	***9,4%***	***(0,4)%***	***22,1%***

Here below is the breakdown of net non-performing exposures in the trade receivables segment alone:

At the end of the year, **net bad loans** amounted to 30,9 million Euro, compared to 33,0 million Euro in 2014 (-6,4%); the segment's net bad-loan ratio edged down to 1,1% from 1,3% at 31 December 2014. Net bad loans amounted to 5,4% as a proportion of equity, compared to 7,5% at 31 December 2014.

The balance of **net unlikely to pay** at the end of 2015 was 39,6 million Euro, -9,7% from 43,8 at the end of 2014. The decline was largely attributable to the improved coverage ratio, rising from 24,5% at 31 December 2014 to 32,1% at 31 December 2015, thanks to the Bank's rigorous assessment policy.

At 31 December 2015, **net non-performing past due loans** totalled 58,2 million Euro, compared to 35,8 million Euro in December 2014 (+62,6%), mainly as a result of the inclusion in this category of some individually significant positions. Changes in non-performing past due exposures are a normal part of the Bank's business model. Net non-performing past due exposures referred for 1,2 million Euro (3,9 million Euro at the end of 2014) to receivables due from the Public Administration purchased outright as part of financing operations.

IMPAIRED TRADE RECEIVABLES (in thousands of Euro)	BAD LOANS (1)	UNLIKELY TO PAY	PAST DUE	TOTAL
BALANCE AT 31.12.2015				
Gross amount	255.404	58.257	59.788	373.449
Incidence on gross total receivables	*8,2%*	*1,9%*	*1,9%*	*12,0%*
Adjustments	224.454	18.706	1.574	244.734
Incidence on gross value	*87,9%*	*32,1%*	*2,6%*	*65,5%*
Net amount	30.950	39.551	58.214	128.715
Incidence on net total receivables	*1,1%*	*1,4%*	*2,0%*	*4,5%*
BALANCE AT 31.12.2014				
Gross amount	243.729	57.982	37.301	339.012
Incidence on gross total receivables	*9,1%*	*2,2%*	*1,3%*	*12,6%*
Adjustments	210.680	14.201	1.503	226.384
Incidence on gross value	*86,4%*	*24,5%*	*4,0%*	*66,8%*
Net amount	33.049	43.781	35.798	112.628
Incidence on net total receivables	***1,3%***	***1,8%***	***1,5%***	***4,6%***

(1) As far as **bad loans** are concerned, Banca IFIS enters its gross bad loans, recognised in the financial statements net of the related specific value adjustment funds, up to the point in which all legal credit collection procedures have been entirely completed.

Intangible assets and property, plant and equipment and investment property

Intangible assets totalled 7,2 million Euro, compared to 6,6 million Euro at 31 December 2014 (+9,4%).
The item refers to software (6,4 million Euro) as well as goodwill (820 thousand Euro) arising from the consolidation of the investment in IFIS Finance Sp.Z o.o.

Property, plant and equipment and investment property totalled 52,2 million Euro, compared to 50,7 million Euro at 31 December 2014 (+2,9%).
The properties classified under property, plant and equipment and investment property mainly include: the important historical building Villa Marocco, located in Mestre (Venice) and housing Banca IFIS's registered office, and the property in Mestre (Venice), where some of the Bank's services were relocated.
Since these are luxury properties, they are not amortised, but are tested for impairment at least annually. To this end, they are appraised by experts specialising in luxury properties. The appraisal for the year 2015 did not result in an impairment.
There are also two buildings in Florence: the first, worth 3,9 million Euro, was acquired under a finance lease and is the current head office of the NPL business area; the second, measured at 11,6 million Euro—including the restructuring costs incurred to date—will become the new head office of said area.
Properties not yet brought into use at the reporting date are not depreciated.

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.
Deferred tax assets, amounting to 39,4 million Euro at 31 December 2015, refer for 38,0 million Euro to impairment losses on receivables that can be deducted in the following years.

Deferred tax liabilities, amounting to 21,4 million Euro at 31 December 2015, refer for 5,7 million Euro to the measurement of the tax receivables of the former subsidiary Fast Finance S.p.A., which was carried out at the time of the business combination, and for 5,8 million Euro to taxes on the valuation reserve for AFS securities held in the portfolio.

Other assets and liabilities

Other assets amounted to 82,3 million Euro at 31 December 2015 (+58,8% from 31 December 2014). This line item referred for 18,1 million Euro to receivables due from Italian tax authorities for payments on account (stamp duty and withholding taxes), and for 7,3 million Euro to an escrow account held with the Italian Revenue Agency concerning a pending appeal in an outstanding tax dispute (as described in section 12 under liabilities, Provisions for risks and charges). The Bank voluntarily set up said account to allow the Fast Finance Business Area to collect tax receivables as usual; the Bank can simply request for it to be returned.
Other assets included the 25,5 million Euro receivable due from one of the two buyers of the sales completed at the end of 2014. The amount corresponds to the consideration for the sale.
Other liabilities, totalling 204,6 million Euro at the end of the period, were up 93,5 million Euro. This was largely attributable to payables due to the parent company La Scogliera S.p.A. deriving from the tax consolidation regime; amounts due to customers that have not yet been credited; and the payable due to one of the buyers of the sales of DRL receivables completed at the end of 2015. This payable totalled 20,7 million Euro, which is the amount of the receivables transferred.

Funding

Funding, net of the rendimax savings account and the contomax current account, shall be analysed in a comprehensive manner based on market trends; it consists of wholesale funding through repurchase agreements (largely classified under payables due to customers, as they are carried out with counterparties formally other than banks), refinancing transactions on the Eurosystem, and short-term treasury transactions with other lenders.

FUNDING (in thousands of Euro)	YEAR		CHANGE	
	2015	2014	ABSOLUTE	%
Due to customers:	**5.487.476**	**5.483.474**	**4.002**	**0,1%**
Repurchase agreements	*2.278.983*	*2.082.854*	*196.129*	*9,4%*
Rendimax	*3.048.357*	*3.241.746*	*(193.389)*	*(6,0)%*
Contomax	*64.912*	*72.454*	*(7.542)*	*(10,4)%*
Other payables	*95.224*	*86.420*	*8.804*	*10,2%*
Due to banks:	**662.985**	**2.258.967**	**(1.595.982)**	**(70,7)%**
Eurosystem	*119.792*	*2.226.872*	*(2.107.080)*	*(94,6)%*
Repurchase agreements	*384.225*	*-*	*384.225*	*n.a.*
Other payables	*158.968*	*32.095*	*126.873*	*395,3%*
Total funding	**6.150.461**	**7.742.441**	**(1.591.980)**	**(20,6)%**

Total funding, which amounted to 6.150,5 million Euro at 31 December 2015, down 20,6% from 31 December 2014, is represented for 89,2% by **Payables due to customers** (compared to 70,8% at

31 December 2014) and for 10,8% by **Payables due to banks** (compared to 29,2% at 31 December 2014).

Payables due to customers at 31 December 2015 totalled 5.487,5 million Euro. The item included the repurchase agreements with underlying government bonds and Cassa di Compensazione e Garanzia as counterparty, amounting to 2.279,0 million Euro (compared to 2.082,9 million Euro at the end of 2014). Retail funding totalled 3.113,3 million Euro at 31 December 2015, including 3.048.4 from rendimax and 64,9 million Euro from contomax, compared to 3.314,2 million Euro at 31 December 2014 (-6,1%), also as a result of the newly introduced 3-, 4- and 5-year maturities for rendimax. The Bank still bears proportional stamp duty costs on rendimax and contomax, which amount to 0,20%.

Payables due to banks, amounting to 663,0 million Euro (2.259,0 million Euro at 31 December 2014, -70,7%), mainly consisted of funding from repurchase agreements with underlying government bonds (384,2 million Euro) and refinancing operations on the Eurosystem for 119,8 million Euro (-94,6% from 2.226,9 million Euro at 31 December 2014). The latter amount referred entirely to the TLTRO loan received in December 2014 at a fixed 0,15% rate and maturing on 26 September 2018. The remainder of payables due to banks consists of interbank deposits. The significant decrease in Payables due to banks compared to the end of the previous year was due to the fact that the Bank carried out less refinancing operations on the Eurosystem, rather using the MTS platform and dealing with Cassa di Compensazione e Garanzia as counterparty. The Bank turns to the ECB or the MTS platform exclusively based on which is more convenient in light of interest rate trends.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS AT		CHANGE	
	2015	2014	ABSOLUTE	%
Legal disputes	1.513	1.527	(14)	(0,9)%
Tax disputes	197	-	197	n.a.
FITD provisions (Deposit Protection Fund)	461	461	-	0,0%
Total provisions for risks and charges	**2.171**	**1.988**	**183**	**9,2%**

Legal disputes

The provision outstanding at 31 December 2015, amounting to 1,5 million Euro, included 1.481 thousand Euro for eleven disputes concerning the Trade Receivables segment, and 32 thousand Euro for seven disputes concerning the DRL segment.
Overall, the Bank recognises contingent liabilities amounting to 4,5 million Euro in claims, represented by 11 disputes: 9 refer to disputes concerning the Trade Receivables segment, for a total of 4,5 million Euro. The Bank, supported by the legal opinion of its lawyers, made no provisions for these positions, as the risk of defeat is considered possible.

Tax dispute

At 31 December 2015, the provision for risks amounted to 197 thousand Euro. This amount refers to the provision set aside for the verification notices received by the Bank, which has filed an appeal

against them with the competent Tax Commission. The Bank's tax advisers believe the relevant risk of defeat is probable.
As for contingent liabilities outstanding at 31 December 2015:

Following a tax check for the fiscal year 2005, on 25 July 2008 the Italian Revenue Agency issued a report of verification, in which the Office alleged a tax avoidance scheme as set out in article 37-bis of Italian Presidential Decree 600/1973. This concerned the impairment loss on the equity investment in Immobiliare Marocco S.p.A. recognised in 2003, which was deducted in fifths over the following accounting periods as per articles 61 and 66 of the Consolidated Law on Income Tax in force at the time.

In addition, the tax officials also challenged the calculation of the limits for the deductibility of bad debt and impairment losses (pursuant to art. 106, para, 3, of the Consolidated Law on Income Tax), but they did not consider that the Bank would have deducted the amount assessed as taxable on a straight-line basis over the 18 following accounting periods, as required by art. 110, para. 8 of the Consolidated Law on Income Tax.

Based on the first alleged tax avoidance scheme, for the fiscal year 2004, the Italian Revenue Agency issued a verification notice assessing a higher corporate income tax liability of 276 thousand Euro, plus interest and penalties. The Bank received this notice on 3 December 2009 and challenged it before Venice's Provincial Tax Commission, which rejected the appeal. Subsequently, the Bank filed another appeal. On 18 October 2012, the Tax Commission of the Veneto Region upheld the appeal, dismissing the findings of the verification notice and ordering the Office to reimburse the court costs.
The Revenue Agency filed an appeal with the Court of Cassation. The Bank filed a counter-appeal, confident that the second-instance ruling will be upheld, since the Office's claims are baseless. At 31 December 2015, the date for the hearing had yet to be settled.

As for the fiscal year 2005, on 22 August 2012, even though the statute of limitations for assessing income taxes had expired, the Bank received a verification notice in which the Office claimed that the following items were assessed as taxable:

- the amount related to the mentioned write-down of the equity investment in Immobiliare Marocco S.p.A., totalling 837 thousand Euro, with a higher tax liability of 276 thousand Euro, plus interest and penalties.
- the amount related to the recalculation of the limits for the deductibility of bad debt losses, totalling 1,4 million Euro, with a higher tax liability of 478 thousand Euro, plus interest and penalties;
- the capital losses and the so-called “manufactured dividends”, as they arose—in the Office's opinion—from tax avoidance schemes, totalling 6,3 million Euro, with a higher tax liability of 2,1 million Euro, plus interest and penalties.

Thus, the Revenue Agency assessed an additional 8,6 million Euro in income as taxable, resulting in a higher tax liability of 2,8 million Euro, plus interest and penalties.
However, such assessment lacks legitimacy. Besides the fact that the Office's claims are baseless, it is clear that the statute of limitations for the income tax assessment had expired pursuant to art. 43 of Italian Presidential Decree 600/1973.
As there is no reason for doubling the statute of limitations (which is possible only for criminal offences), the notice shall be considered null and void.

In light of these considerations, as well as the 18 October 2012 ruling of the Tax Commission of the Veneto Region (which dismissed the findings of the verification notice for the year 2004, including the alleged non-deductibility of the write-down of the equity investment in Immobiliare Marocco S.p.A.), the Bank applied for composition proceedings.
However, the Revenue Agency rejected the application, and therefore the Bank had to file an appeal with Venice's Provincial Tax Commission. This was filed on 11 February 2013.
After a series of delays, the hearing has been scheduled for 18 March 2016.

The tax advisers handling the mentioned disputes (referring to the fiscal years 2004 and 2005) believe the Bank's case is strong, and deem that the risk of defeat is possible. Therefore, in accordance with IAS 37, the Bank did not make any provisions for the tax proceedings concerned.

Others

Italy's Interbank Deposit Protection Fund (FITD, Fondo Interbancario di Tutela dei Depositi), of which Banca IFIS is a member, approved in a letter dated 16 September 2014 another rescue loan (in addition to the measures announced on 9 January 2014 and 17 July 2014) to Banca Tercas, based in Ascoli Piceno. The relevant potential obligation for Banca IFIS amounts to 0,5 million Euro. Therefore, in 2014 Banca IFIS allocated said amount to the provisions for risks and charges.

Equity and capital adequacy ratios

At 31 December 2015, consolidated Equity was 573,5 million Euro, compared to 437,8 million Euro at 31 December 2014 (+31,0%). 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	
	31.12.2015	31.12. 2014	ABSOLUTE	%
Capital	53.811	53.811	-	*0,0%*
Share premiums	58.900	57.113	1.787	*3,1%*
Valuation reserve:	5.739	(109)	5.848	*(5365,1)%*
- AFS securities	*11.677*	*5.969*	*5.708*	*95,6%*
- post-employment benefit	*(167)*	*(262)*	*95*	*(36,3)%*
- exchange differences	*(5.771)*	*(5.816)*	*45*	*(0,8)%*
Reserves	298.856	237.874	60.982	*25,6%*
Treasury shares	(5.805)	(6.715)	910	*(13,6)%*
Profit for the period	161.966	95.876	66.090	*68,9%*
Equity	**573.467**	**437.850**	**135.617**	**31,0%**

EQUITY: CHANGES (in thousands of Euro)	YEAR 2015
Equity at 31.12.2014	**437.850**
Increases:	**170.636**
Profit for the year	161.966
Sale of treasury instruments	2.697
Valuation reserve:	5.848
- AFS securities	*5.708*
- post-employment benefit	*95*
- exchange differences	*45*
Other variations	125
Decreases:	**35.019**
Dividends distributed	35.019
Equity at 31.12.2015	**573.467**

The change in the valuation reserve for AFS securities recognised in the period was the result of the mentioned sale of part of the portfolio, which caused the Bank to reduce the reserve.
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 RATIOS (in thousands of Euro)	AMOUNTS AT	
	31.12.2015	31.12.2014
Common equity Tier 1 Capital (CET1) (1)	479.316	387.221
Tier 1 Capital (AT)	488.956	389.769
Total own funds	**501.809**	**396.190**
Total RWA	**3.264.088**	**2.787.920**
Common Equity Tier 1 Ratio	14,68%	13,89%
Tier 1 Capital Ratio	14,98%	13,98%
Total own funds Capital Ratio	**15,37%**	**14,21%**

(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 December 2015 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 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 compliance with the transitional provisions of the Bank of Italy's Circular no. 285 of 17 December 2013 as amended, calculated own funds at 31 December 2015 by excluding the unrealised gains on the exposures to central governments classified under “Available for sale financial assets” in IAS 39, for a net positive amount of 5,9 million Euro.

Income statements items

Formation of net banking income

Net banking income amounted to 408,0 million Euro, +43,6% compared to 284,1 million Euro in the prior year. The increase was attributable to the surge in the DRL segment (+69,3%)—which deals with acquiring and managing portfolios of non-performing exposures in the unsecured segment—and the Tax Receivables segment (+84,8%), the positive contribution from trade receivables, and some non-recurring transactions concerning the DRL and Governance and Services segments.

NET BANKING INCOME (in thousands of Euro)	YEAR		CHANGE	
	2015	2014	ABSOLUTE	%
Net interest income (1)	208.626	221.675	(13.049)	(5,9)%
Total net commission income	58.783	58.352	431	0,7%
Net result from trading	(78)	302	(380)	(125,8)%
Profit from sale or buyback of receivables	14.948	3.581	11.367	317,4%
Profit from sale or buyback of financial assets	125.679	231	125.448	54.306,5%
Net banking income (1)	**407.958**	**284.141**	**123.817**	**43,6%**

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2.

The net banking income of the trade receivables segment, amounting to 158,7 million Euro (+2,0% compared to 155,6 million Euro in 2014), mainly refers to the Credi Impresa Futuro and Pharma business areas.

Credi Impresa Futuro's margin was essentially in line with 2014 (+1,1%).

As for the net banking income of the Pharma business area, it was up 2,6% from last year. This result continues reflecting the decrease in purchase commissions charged to the seller and classified as interest income, deriving from the more “aggressive” market approach adopted by the business area starting from 2014. Specifically, said approach involves acquiring portfolios of receivables at or slightly below par. The profitability of this new approach is based on the interest for late payments accrued on assets that present particularly low risks. Currently, the Bank conservatively recognises the interest for late payments below the nominal rate of interest on arrears. It is reviewing this accounting method in accordance with the reference legal framework to better represent the actual profitability of the Pharma business area.

The segment generated 10,1 billion Euro in turnover (+21,8% from December 2014), with 4.487 corporate customers (up 5% compared to the prior-year period) and 2,8 billion Euro in outstanding loans (+16,0% from December 2014). This significant increase was partly attributable to the agreement entered into with a leading market player at the end of 2015, which allowed the Bank to enter the business of multi-utilities selling receivables due from Italy's local administrations. However, this had no economic impact on the current year.

The DRL segment substantially increased its net banking income to 56,3 million Euro, compared to 33,2 million Euro in the prior-year period (+69,3%). This outstanding performance was the result of the robust trend in bills of exchange and expressions of willingness—rising 100,1% overall (244,5 million Euro, compared to 122,2 million Euro at 31 December 2014)—the acceleration in the Legal Factory's judicial collection operations, and some non-recurring factors: first, the gains from the sale of three portfolios in the fourth quarter of 2015, partially offset by the negative impact of the update to the cash flow simulation model, for a net benefit of 6,5 million Euro; second, the net banking income reported at 31 December 2015 includes the economic impact of the change in the estimated cash flows referring to the positions classified as bad loans that had been previously recognised among impairment losses on receivables (3,2 million Euro at 31 December 2014). The reported percentage changes account for this reclassification also for the data referring to 2014.

Net banking income in the Tax Receivables segment amounted to 20,3 million Euro (+84,8% compared to 11,0 million Euro at 31 December 2014), thanks to the positive trend in cash flows, with actual debt collection times lower than expected, as well as a transaction that in the fourth quarter generated a 5,2 million Euro profit.

As for the Governance and Services segment, net banking income stood at 172,7 million Euro, compared to 84,3 million Euro at 31 December 2014 (+104,7%). This was attributable to the gain from the already mentioned rebalancing of the government bond portfolio, completed in April 2015 (124 million Euro), which was partially offset by the decline in the margins generated by the “new” portfolio. The segment improved its profitability thanks to lower retail funding costs—the result of a planned reduction in funding and interest rates. This trend is expected to accelerate slightly because of the recent introduction of new 3-, 4- and 5-year maturities.

In the fourth quarter, net banking income stood at 76,8 million Euro, up from 73,1 million Euro in the prior-year period (+5,1%). Trade receivables contributed 39,7 million Euro (vs. 39,5 million Euro, +0,5%); the DRL segment contributed 22,4 million Euro (15,9 million Euro net of the previously mentioned non-recurring components), +73,6% from 12,9 million Euro; tax receivables contributed 8,8 million Euro, +207,5% from 2,9 million Euro in 2014; and the Governance and Services segment contributed 5,8 million Euro, compared to 17,8 million Euro in the same period last year (-67,2%).

Net interest income went from 221,7 million Euro at 31 December 2014 to 208,6 million Euro at 31 December 2015 (-5,9%).

Net commission income totalled 58,8 million Euro and was essentially in line with the amount at 31 December 2014 (+0,7%).

Commission income, totalling 63,2 million Euro (compared to 64,8 million Euro at 31 December 2014), came primarily from factoring commissions on the turnover generated by individual customers (with or without recourse, in a flat or monthly scheme) as well as from other fees usually charged to customers for services.

Commission expense, totalling 4,4 million Euro (compared to 6,5 million Euro at 31 December 2014), came primarily from approved banks’ brokering, the work of other credit brokers, and commissions paid to correspondent banks and factors. The amount at 31 December 2014 included the commissions paid on bonds guaranteed by the Italian Governments, which were settled in October 2014.

Net profit from trading, amounting to -78 thousand Euro at 31 December 2015 (compared to 302 thousand Euro in the prior-year period), is the result of exchange differences arising as a physiological consequence from the mismatch between the customers’ drawdowns and the Treasury Department’s funding operations in foreign currency.

Formation of net profit from financial activities

The table below shows the formation of net profit from financial activities for the period starting from the previously mentioned net banking income, compared with the previous year.

FORMATION OF NET PROFIT FROM FINANCIAL ACTIVITIES (in thousands of Euro)	YEAR		CHANGE	
	2015	2014	ABSOLUTE	%
Net banking income (1)	**407.958**	**284.141**	**123.817**	**43,6%**
Net impairment losses on:	(34.250)	(34.510)	260	(0,8)%
Receivables (1)	(25.273)	(34.510)	9.237	(26,8)%
Available for sale financial assets	(8.977)	-	(8.977)	n.a.
Net profit from financial activities	**373.708**	**249.631**	**124.077**	**49,7%**

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2.

Net impairment losses totalled 34,3 million Euro. They referred for 25,3 million Euro to loans to customers (compared to 34,5 million Euro at 31 December 2014, -26,8%), and for 9,0 million Euro to impairment losses on available for sale financial assets. Net impairment losses on receivables referred for 21,2 million Euro to the Trade Receivables segment (33,0 million Euro in 2014) and 3,6 million to the DRL segment (1,8 million Euro in 2014, net of the mentioned reclassification to net interest income of the economic impact of the change in cash flows). As for impairment losses on trade receivables, the consistently downward trend is attributable to the monitoring of how the counterparty's risk profile evolves. All along, the Bank has maintained a rigorous and consistent policy for assessing borrowers' creditworthiness. The decrease in impairment losses resulted in a significant improvement in the ratio of credit risk cost concerning trade receivables to the relevant average loan balance over the last 12 months, which was down to 90 bps from 173 bps at 31 December 2014. Concerning impairment losses on receivables in the DRL segment, the increase was attributable in part to increasingly rigorous procedural standards, and in part to the write-off of positions as part of ordinary operations.

The bad-loan ratio in the trade receivables segment stood at 1,1%, down from 1,3% at 31 December 2014.

The bad-loan coverage ratio of the trade receivables segment was 87,9%, up from 86,4% at 31 December 2014.

Net impairment losses on available for sale financial assets, totalling 9,0 million Euro at 31 December 2015 (0 in the prior year), referred to impairment losses recognised on unlisted equity instruments that were found to be impaired.

The Group's **net profit from financial activities** totalled 373,7 million Euro, compared to 249,6 million Euro at 31 December 2014 (+49,7%).

The net profit from financial activities in the Trade Receivables segment rose 12,1% to 137,4 million Euro, compared to 122,6 million Euro in 2014; the DRL segment posted 52,7 million Euro, compared to 31,5 million in 2014 (+67,4%); the Tax Receivables area generated 19,9 million Euro, compared to 11,3 million in 2014, up 76,8%; Finally, the net profit from financial activities of the Governance and Services sector stood at 163,7 million Euro, up 94,1% from 2014.

In the **fourth quarter**, net profit from financial activities was in line with the prior-year period at 68,7 million Euro (68,5 million Euro in 2014). Trade receivables contributed 33,2 million Euro (-9,0%, 36,5 million Euro in the fourth quarter of 2014). The decline was attributable to rising impairment losses on receivables, affected by some significant positions measured on an individual basis. The DRL sector contributed 21,8 million Euro (+94,8%, 11,2 million Euro in the prior-year period); tax receivables contributed 8,5 million Euro (+183,1%, 3,0 million Euro in the fourth quarter of 2014); the Governance and Services sector contributed 5,1 million Euro, compared to 17,8 million Euro in 2014 (-71,3%).

Formation of profit for the year

The table below shows the formation of the Group's profit for the year starting from the previously mentioned net profit from financial activities, compared with the previous year.

FORMATION OF PROFIT FOR THE YEAR (in thousands of Euro)	YEAR		CHANGE	
	2015	2014	ABSOLUTE	%
Net profit from financial activities	**373.708**	**249.631**	**124.077**	**49,7%**
Operating costs	(128.119)	(104.688)	(23.431)	22,4%
Pre-tax profit from continuing operations	**245.589**	**144.943**	**100.646**	**69,4%**
Income tax expense	(83.623)	(49.067)	(34.556)	70,4%
Profit for the year	**161.966**	**95.876**	**66.090**	**68,9%**

At 31 December 2015, operating costs were up 22,4% overall, from 104,7 million Euro in 2014 to 128,1 million Euro, also because of the non-recurring components reported below.

The cost/income ratio stood at 31,4% at 31 December 2015, compared to 36,8% at 31 December 2014. The figure at 31 December 2015 was influenced by some non-recurring items, namely the gains on the sale of securities, the gains on the sale of receivables in the DRL segment as well as the costs associated with the portfolios disposed of, the negative impact of the update to the cash flow simulation model, and the costs for the contribution to the Italian Bank Resolution Fund. Net of such items, the cost/income ratio was 41,7%.

OPERATING COSTS (in thousands of Euro)	YEAR		CHANGE	
	2015	2014	ABSOLUTE	%
Personnel expenses	48.342	42.553	5.789	13,6%
Other administrative expenses	78.828	59.319	19.509	32,9%
Allocation to provisions for risks and charges	229	1.613	(1.384)	(85,8)%
Net impairment losses on tangible and intangible assets	3.746	3.239	507	15,7%
Other operating income(expenses)	(3.026)	(2.036)	(990)	48,6%
Total operating costs	**128.119**	**104.688**	**23.431**	**22,4%**

At 48,3 million Euro, **personnel expenses** rose 13,6% (42,6 million Euro in 2014) due to new hiring: 177 new staff were added in 2015, up 41,6% from 2014. The increase is consistent with the goal to strengthen some areas and services supporting the business—especially in the DRL sector–and the scenario in which the Group operates. At 31 December 2015, the Group's employees numbered 724.

Other administrative expenses totalled 78,8 million Euro, up 32,9% from 59,3 million Euro at 31 December 2014, largely because of higher business volumes in the DRL segment. The relevant costs for collecting debts and gathering information on clients (15,4 and 5,3 million Euro, respectively) are included in this item of the income statement. In addition, the DRL segment's expenses comprised 3,7 million Euro in debt collection costs referring to bills of exchange involved in one of the sales completed at the end of December. These had been previously recognised as accrued income. There was also an increase in the expenses related to the new organisation of business processes and the internal control system. A significant portion of the costs (10,6 million Euro) referred to the contribution to the Italian Bank Resolution Fund (Directive 59/201/EU Single Resolution Fund) and the participation in the new funding mechanism for Italy's Interbank Deposit Protection Fund (FITD, *Fondo Interbancario di Tutela dei Depositi)* introduced by the Deposit Guarantee Schemes Directive (DGSD) 2014/49/EU. Said costs included the 6,5 million Euro extraordinary contribution to the Italian banking system's rescue of Banca Marche, Banca Popolare dell'Etruria e del Lazio, CariChieti, and Cassa di Risparmio di Ferrara; 2,2 million Euro in recurring contributions to the Resolution Fund; and 2 million Euro as annual contribution to the FITD for the year 2015.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	YEAR		CHANGE	
	2015	2014	ABSOLUTE	%
Expenses for professional services	**31.044**	**26.155**	**4.889**	**18,7%**
Legal and consulting services	13.948	9.349	4.599	49,2%
Auditing	226	256	(30)	(11,7)%
Outsourced services	16.870	16.550	320	1,9%
Direct and indirect taxes	**8.748**	**10.924**	**(2.176)**	**(19,9)%**
Expenses for purchasing non-professional goods and services	**39.036**	**22.240**	**16.796**	**75,5%**
Customer information	6.793	4.340	2.453	56,5%
Property expenses	4.585	3.525	1.060	30,1%
Postage of documents	3.632	2.183	1.449	66,4%
Software assistance and hire	3.267	2.979	288	9,7%
Car fleet management and maintenance	2.264	2.293	(29)	(1,3)%
Advertising and inserts	2.150	1.967	183	9,3%
Telephone and data transmission expenses	1.441	1.394	47	3,4%
Business trips and transfers	1.120	889	231	26,0%
Other sundry expenses	13.784	2.670	11.114	416,3%
Total administrative expenses	**78.828**	**59.319**	**19.509**	**32,9%**
Expense recovery	(2.998)	(3.563)	565	(15,9)%
Total net other administrative expenses	**75.830**	**55.756**	**20.074**	**36,0%**

Net allocations to provisions for risks and charges amounted to 229 thousand Euro (compared to 1,6 million Euro at 31 December 2014). The amount at 31 December 2015 was the result of 197 thousand Euro in provisions related to the ongoing tax dispute, 733 thousand Euro in provisions concerning Trade Receivables, and 701 thousand Euro in reversals of provisions.

Net impairment losses on intangible assets largely refer to IT devices and at 31 December 2015 stood at 2,1 million Euro, +13,7% from 2014.

Net impairment losses on property, plant and equipment and investment property totalled 1,7 million Euro, compared to 1,4 million Euro at 31 December 2014 (+18,2%).

Other net operating income totalled 3,0 million Euro (+48,6% compared to 31 December 2014) and refers mainly to revenue 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 year totalled 245,6 million Euro, compared to 144,9 million Euro at 31 December 2014.

Income tax expense amounted to 83,6 million Euro, compared to 49,1 million Euro at 31 December 2014. The Group's tax rate edged up to 34,0% at 31 December 2015 from 33,9% at 31 December 2014. The 2015 tax rate was influenced by the new option to deduct all costs for employees hired on open-ended contracts from the IRAP tax base. This was partially offset by the inability to deduct impairment losses on AFS securities from the IRES tax base.

Profit for the period totalled 162,0 million Euro, compared to 95,9 million Euro in 2014 (up 68,9%).

The corresponding figure for the **fourth quarter** was 13,2 million Euro (21,7 million Euro in the prior-year period).

In the absence of profit attributable to non-controlling interests, these results refer entirely to the Group.

(in thousands of Euro)	YEAR 2015		YEAR 2014	
	EQUITY	OF WHICH PROFIT FOR THE YEAR	EQUITY	OF WHICH PROFIT FOR THE YEAR
Parent company balance	567.509	160.743	433.160	94.396
Difference compared to the carrying amounts of the companies consolidated line by line	5.958	1.223	4.690	1.480
- *IFIS Finance Sp. Zo.o.*	*5.958*	*1.223*	*4.690*	*1.480*
Group consolidated balance	**573.467**	**161.966**	**437.850**	**95.876**

Contribution of business segments

The organisational structure

The model for segment reporting is in line with the organisational structure used by the Head Office to analyse Group results and is broken down into the following segments: Trade Receivables, Distressed Retail Loans, Tax Receivables, Governance and Services.

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

Here below are the results achieved in 2015 by the various business sectors, which will be analysed in the sections dedicated to the individual sectors.

INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs(1)	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Figures at 31.12.2015	158.671	56.300	20.335	172.652	407.958
Figures at 31.12.2014	*155.561*	*33.249*	*11.003*	*84.328*	*284.141*
Change %	*2,0%*	*69,3%*	*84,8%*	*104,7%*	*43,6%*
Net profit from financial activities					
Figures at 31.12.2015	137.423	52.687	19.923	163.675	373.708
Figures at 31.12.2014	*122.555*	*31.479*	*11.269*	*84.328*	*249.631*
Change %	*12,1%*	*67,4%*	*76,8%*	*94,1%*	*49,7%*

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2.

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs(1)	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Fourth quarter 2015	39.728	22.402	8.828	5.834	76.792
Fourth quarter 2014	*39.522*	*12.906*	*2.871*	*17.766*	*73.065*
Change %	*0,5%*	*73,6%*	*207,5%*	*(67,2)%*	*5,1%*
Net profit from financial activities					
Fourth quarter 2015	33.237	21.818	8.542	5.106	68.703
Fourth quarter 2014	*36.534*	*11.202*	*3.017*	*17.766*	*68.519*
Change %	*(9,0)%*	*94,8%*	*183,1%*	*(71,3)%*	*0,3%*

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Available for sale financial assets					
Figures at 31.12.2015	-	-	-	3.221.533	3.221.533
Figures at 31.12.2014	-	-	-	*243.325*	*243.325*
Change %	-	-	-	*1.224,0%*	*1.224,0%*
Held to maturity financial assets					
Figures at 31.12.2015	-	-	-	-	-
Figures at 31.12.2014	-	-	-	*4.827.363*	*4.827.363*
Change %	-	-	-	*(100,0)%*	*(100,0)%*
Due from banks					
Figures at 31.12.2015	-	-	-	95.352	95.352
Figures at 31.12.2014	-	-	-	*274.858*	*274.858*
Change %	-	-	-	*(65,3)%*	*(65,3)%*
Loans to customers					
Figures at 31.12.2015	2.848.124	354.352	130.663	103.997	3.437.136
Figures at 31.12.2014	*2.455.052*	*135.429*	*119.473*	*104.376*	*2.814.330*
Change %	*16,0%*	*161,7%*	*9,4%*	*(0,4)%*	*22,1%*
Due to banks					
Figures at 31.12.2015	-	-	-	662.985	662.985
Figures at 31.12.2014	-	-	-	*2.258.967*	*2.258.967*
Change %	-	-	-	*(70,7)%*	*(70,7)%*
Due to customers					
Figures at 31.12.2015	-	-	-	5.487.476	5.487.476
Figures at 31.12.2014	-	-	-	*5.483.474*	*5.483.474*
Change %	-	-	-	*0,1%*	*0,1%*

SECTOR KPIs (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover (1)				
Figures at 31.12.2015	10.126.397	n.a.	n.a.	n.a.
Figures at 31.12.2014	*8.312.798*	*n.a.*	*n.a.*	*n.a.*
Change %	*21,8%*	-	-	-
Nominal amount of receivables managed				
Figures at 31.12.2015	3.576.982	8.161.005	190.553	n.a.
Figures at 31.12.2014	*3.101.058*	*5.630.151*	*167.834*	*n.a.*
Change %	*15,3%*	*45,0%*	*13,5%*	-
Net bad loans/Loans to customers				
Figures at 31.12.2015	1,1%	45,0%	0,0%	n.a.
Figures at 31.12.2014	*1,3%*	*51,8%*	*0,0%*	*n.a.*
Change %	*(0,2)%*	*(6,8)%*	-	-
RWA (2)				
Figures at 31.12.2015	1.797.836	354.352	41.614	355.829
Figures at 31.12.2014	*1.802.978*	*135.426*	*37.595*	*187.560*
Change %	*(0,3)%*	*161,7%*	*10,7%*	*89,7%*

(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.

Trade receivables

This segment includes the following business areas:

- Italian Trade Receivables, dedicated to supporting the trade receivables of SMEs operating in the domestic market;
- Foreign Trade Receivables, for companies growing abroad or based abroad and working with Italian customers; this area includes IFIS Finance’s operations in Poland;
- Pharma, supporting the trade receivables of local health services' suppliers.

The net banking income of the trade receivables segment, amounting to 158,7 million Euro (+2,0% compared to 155,6 million Euro in 2014), mainly refers to the Credi Impresa Futuro and Pharma business areas.

Credi Impresa Futuro's margin was essentially in line with 2014 (+1,1%).

As for the net banking income of the Pharma business area, it was up 2,6% from 28,7 million Euro last year to 29,4 million Euro. This result continues reflecting the decrease in purchase commissions charged to the seller and classified as interest income, deriving from the more “aggressive” market approach adopted by the business area starting from 2014. Specifically, said approach involves acquiring portfolios of receivables at or slightly below par. The profitability of this new approach is based on the interest for late payments accrued on assets that present particularly low risks. Currently, the Bank conservatively recognises the interest for late payments below the nominal rate of interest on arrears. It is reviewing this accounting method in accordance with the reference legal framework to better represent the actual profitability of the Pharma business area.

Currently, interest income includes a portion (amounting to 987 thousand Euro) of interest on arrears accruing from the estimated collection date: the Bank, based on historical data and available information, estimates that at least 20% can be recovered.

At 31 December 2015 the Bank accrued, but did not recognise, interest on arrears—calculated from the invoice’s original maturity date—related to already collected receivables (totalling approximately 43,1 million Euro) as well as non-collected receivables (approximately 50,0 million Euro) due from the Public Administration.

There was a significant increase in the receivables managed by the Pharma business area, which reported a turnover of 1,7 billion Euro—up 103,0% from December 2014.

The segment generated 10,1 billion Euro in turnover (+21,8% from December 2014), with 4.487 corporate customers (up 5% compared to the prior-year period) and 2,8 billion Euro in outstanding loans (+16,0% from December 2014). This significant increase was partly attributable to the agreement entered into with a leading market player at the end of 2015, which allowed the Bank to enter the business of multi-utilities selling receivables due from Italy's local administrations. However, this had no economic impact on the current year.

Net impairment losses on receivables referred for 21,2 million Euro to the Trade Receivables segment (33,0 million Euro in 2014). The consistently downward trend is attributable to the monitoring of how the counterparty's risk profile evolves. All along, the Bank has maintained a rigorous and consistent policy for assessing borrowers' creditworthiness. The decrease in impairment losses resulted in a significant improvement in the ratio of credit risk cost concerning trade receivables to the relevant average loan balance over the last 12 months, which was down to 90 bps from 173 bps at 31 December 2014.

INCOME STATEMENT DATA (in thousands of Euro)	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Net interest income	98.175	92.331	5.844	6,3%
Net commission income	60.496	63.230	(2.734)	(4,3)%
Net banking income	**158.671**	**155.561**	**3.110**	**2,0%**
Net impairment losses on loans and receivables	(21.248)	(33.006)	11.758	(35,6)%
Net profit from financial activities	**137.423**	**122.555**	**14.868**	**12,1%**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	4th Q 2015	4th Q 2014	CHANGE	
			ABSOLUTE	%
Net interest income	24.114	23.956	158	0,7%
Net commission income	15.614	15.566	48	0,3%
Net banking income	**39.728**	**39.522**	**206**	**0,5%**
Net impairment losses on loans and receivables	(6.491)	(2.988)	(3.503)	117,2%
Net profit from financial activities	**33.237**	**36.534**	**(3.297)**	**(9,0)%**

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Bad loans	30.950	33.049	(2.099)	(6,4)%
Unlikely to pay	39.551	43.781	(4.230)	(9,7)%
Past due loans	58.214	35.798	22.416	62,6%
Total net impaired loans	**128.715**	**112.628**	**16.087**	**14,3%**
Net performing loans	2.719.409	2.342.424	376.985	16,1%
Total loans to customers (cash)	**2.848.124**	**2.455.052**	**393.072**	**16,0%**

Loans to customers included in this segment are composed as follows: 32,1% are receivables due from the Public Administration (compared to 27,1% at 31 December 2014) and 67,9% due from the private sector (compared to 72,9% at 31 December 2014).

Net non-performing exposures in the trade receivables segment rose 14,3% from 112,6 million Euro at the end of 2014 to 128,7 million Euro, largely because of rising past due exposures.

The segment's net bad-loan ratio was down to 1,1% from 1,3% at 31 December 2014, while the ratio of net unlikely to pay to loans fell to 1,4% from 1,8% at 31 December 2014. The segment's ratio of total net impaired loans to loans edged down from 4,6% at the end of 2014 to 4,5% at 31 December 2015. Net impaired loans amounted to 22,4% as a percentage of equity, compared to 25,7% in the prior year.

IMPAIRED TRADE RECEIVABLES (in thousands of Euro)	BAD LOANS[1]	UNLIKELY TO PAY	PAST DUE	TOTAL
BALANCE AT 31.12.2015				
Gross amount	255.404	58.257	59.788	373.449
Incidence on gross total receivables	*8,2%*	*1,9%*	*1,9%*	*12,0%*
Adjustments	224.454	18.706	1.574	244.734
Incidence on gross value	*87,9%*	*32,1%*	*2,6%*	*65,5%*
Net amount	30.950	39.551	58.214	128.715
Incidence on net total receivables	*1,1%*	*1,4%*	*2,0%*	*4,5%*
BALANCE AT 31.12.2014				
Gross amount	243.729	57.982	37.301	339.012
Incidence on gross total receivables	*9,1%*	*2,2%*	*1,3%*	*12,6%*
Adjustments	210.680	14.201	1.503	226.384
Incidence on gross value	*86,4%*	*24,5%*	*4,0%*	*66,8%*
Net amount	33.049	43.781	35.798	112.628
Incidence on net total receivables	*1,3%*	*1,8%*	*1,5%*	*4,6%*

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

KPI	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Turnover	10.126.397	8.312.798	1.813.599	21,8%
Net banking income/ Turnover	1,6%	1,9%	-	(0,3)%

KPI y/y	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Net banking income/Due from customers	5,6%	6,3%	-	(0,7)%
Value adjustment on receivables/Due from customers	0,7%	1,3%	-	(0,6)%
Net Bad loans/Due from customers	1,1%	1,3%	-	(0,2)%
Coverage of gross Bad loans	87,9%	86,4%	-	1,5%
Impaired assets/ Due from customers	4,5%	4,6%	-	(0,1)%
Total RWA per sector	1.797.836	1.802.978	(5.142)	(0,3)%

The following table shows the nominal value 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 Bank.

TOTAL RECEIVABLES (in thousands of Euro)	YEAR		CHANGE	
	31.12.2015	31.12.2014	ABSOLUTE	%
Receivables with recourse	2.128.825	2.000.116	128.709	6,4%
of which due from the Public Administration	*361.000*	*391.943*	*(30.943)*	*(7,9)%*
Receivables without recourse	277.159	201.131	76.028	37,8%
of which due from the Public Administration	*4.468*	*12.036*	*(7.568)*	*(62,9)%*
Outright purchases	1.170.998	899.811	271.187	30,1%
of which due from the Public Administration	*888.844*	*655.035*	*233.809*	*35,7%*
Total receivables	**3.576.982**	**3.101.058**	**475.924**	**15,3%**
of which due from the Public Administration	***1.254.312***	***1.059.014***	***195.298***	**18,4%**

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	LOAN COMMITMENTS	TURNOVER
Northern Italy	44,4%	53,0%
Central Italy	24,7%	29,8%
Southern Italy	27,0%	10,7%
Abroad	3,9%	6,5%
Total	**100,0%**	**100,0%**

Distressed Retail Loans

This is the Banca IFIS Group's segment dedicated to non-recourse factoring and managing distressed retail loans. It serves households under the new CrediFamiglia brand.
The business is closely associated with recovering non-performing exposures.

In the second half of 2015, the Bank reviewed the cash flow simulation model, acknowledging that the model for non-judicial debt collection operations has significantly changed over the years. The new scenario made the previous simulation model outdated.

The review of the cash flow simulation model was also aimed at ensuring that some types of collection instruments with similar characteristics (bills of exchange and settlement plans agreed with the debtor) are treated consistently.

The new estimation model developed by the Bank simulates cash flows by projecting the “breakdown” of the nominal amount of the receivable “over time” based on the historical recovery profile for similar clusters. In addition, for the positions with funding characteristics, the Bank uses a “deterministic” model based on the measurement of the future instalments of the settlement plan, net of the historical default rate.

The review of the estimation model caused a change in the cash flows of the underlying receivables, which, discounted at the original IRR of the positions, resulted in a net 8,5 million Euro decrease in their amortised cost. This change largely derived from the alignment of the effective date for similar collection instruments, for the purposes of estimating cash flows, in measuring the future instalments of the plans. The impact was recognised in profit or loss in accordance with IAS 39. AG 8, under “Other components of net interest income” in the table below.

DRL RECEIVABLES PERFORMANCE	(thousands of Euro)
Receivables portfolio at 31.12.2014	**135.429**
Purchases	217.727
Sales of receivables	(16.207)
Profit from sales	14.948
Interest income from amortised cost	25.061
Other components of net interest income from change in cash flow	21.056
Losses/Reversals of impairment losses from change in cash flow	(3.613)
Collections	(40.049)
Receivables portfolio at 31.12.2015	**354.352**

INCOME STATEMENT DATA (in thousands of Euro)	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Interest income from amortised cost	25.061	26.675	(1.614)	(6,1)%
Other interest income from change in cash flow (1)	21.056	7.020	14.036	199,9%
Funding costs(2)	(3.612)	(4.027)	415	(10,3)%
Net interest income (1)	**42.505**	**29.668**	**12.837**	**43,3%**
Net commission income	(1.153)	-	(1.153)	n.a.
Profit from sale of receivables	14.948	3.581	11.367	317,4%
Net banking income (1)	**56.300**	**33.249**	**23.051**	**69,3%**
Net impairment losses/recoveries on loans and receivables (1)	(3.613)	(1.770)	(1.843)	104,1%
Net profit from financial activities	**52.687**	**31.479**	**21.208**	**67,4%**

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2.

(2) Allocated funding costs by the internal transfer rate system

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	4th Q 2015	4th Q 2014	CHANGE	
			ABSOLUTE	%
Interest income from amortised cost	6.360	6.518	(158)	(2,4)%
Other interest income from change in cash flow (1)	3.069	3.861	(792)	(20,5)%
Funding costs	(1.214)	(1.054)	(160)	15,2%
Net interest income (1)	**8.215**	**9.325**	**(1.110)**	**(11,9)%**
Net commission income	(761)	-	(761)	n.a.
Profit from sale of receivables	14.948	3.581	11.367	317,4%
Net banking income (1)	**22.402**	**12.906**	**9.496**	**73,6%**
Net impairment losses/recoveries on loans and receivables (1)	(584)	(1.704)	1.120	(65,7)%
Net profit from financial activities	**21.818**	**11.202**	**10.616**	**94,8%**

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2.

In the fourth quarter of 2015, the Bank sold three portfolios of receivables, making a profit of 15,0 million Euro.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Bad loans	159.336	70.089	89.247	127,3%
Unlikely to pay	194.995	65.337	129.658	198,4%
Total net impaired loans	**354.331**	**135.426**	**218.905**	**161,6%**
Net performing loans	21	3	18	600,0%
Total loans to customers (cash)	**354.352**	**135.429**	**218.923**	**161,7%**

At 31 December 2015, the segment's receivables included 19,9 million Euro (corresponding to 476,7 million Euro and 137 thousand positions) in loans involved in one of the sales completed at the end of December, when the Bank accepted the buyer's binding offer. The sale was finalised on 15 January 2016.

The mentioned binding offer contained all the elements required to determine whether all risks and rewards relating to the receivables sold were substantially transferred (derecognition). However, since the transfer had not been formally completed at the reporting date, the Bank presented the relevant impact without derecognising the assets: instead, it recognised a receivable due from the buyer equal to the consideration, and a payable due to the buyer equal to the amount of the receivables sold. The positive difference was recognised in profit or loss under gains on the sale of receivables.

The following data, in terms of par value and number of positions, are presented accounting for such sale.

KPIs	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	8.161.005	5.630.151	2.530.854	45,0%
Total RWA per sector	354.352	135.426	218.926	161,7%

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

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

As for funding operations carried out during the year, the Bank registered an increase in bills of exchange, which complement the new debt collection method consisting in settlement plans (expressions of willingness). Funding from the above-mentioned instruments totalled 244,5 million Euro in 2015. Collections made during the year amounted to 40,0 million, compared to 32,6 million in 2014.

The purchases made in the period led to the acquisition of portfolios of financial receivables with a par value of 4,1 billion Euro at a price of 217,8 million Euro (i.e. 5,3% of the par value), consisting of 538.240 cases.

Among the most significant acquisitions made in 2015, the Bank bought a portfolio with a par value of nearly 650 million Euro from Banca Monte dei Paschi di Siena, for 37,0 million Euro; it bought a portfolio with a par value of about 1,3 billion Euro from a company specialising in securitisation vehicles that counts among its investors a leading US investment fund, at a price of 44,5 million Euro; and it bought a portfolio with a par value of 226,2 million Euro from Consel, a Banca Sella Group company, for 24,0 million Euro.

As a result of these acquisitions, the portfolio managed by the DRL segment includes 1.058.589 positions, for a par value of nearly 8,2 billion Euro.

Tax receivables

It is the Banca IFIS Group's 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.
Since the Public Administration is the counterparty, tax receivables are classified as performing; trade receivables, on the other hand, may be classified as non-performing exposures, if required.

TAX RECEIVABLES PERFORMANCE	(thousands of Euro)
Receivables portfolio at 31.12.2014	**119.473**
Purchases	84.715
Interest income from amortised cost	12.151
Other components of net interest income from change in cash flow	9.607
Reversals of impairment losses from change in cash flow	(412)
Collections	(94.871)
Receivables portfolio at 31.12.2015	**130.663**

INCOME STATEMENT DATA (in thousands of Euro)	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Net interest income	20.307	11.003	9.304	84,6%
Net commission income	28	-	28	n.a.
Net banking income	**20.335**	**11.003**	**9.332**	**84,8%**
Net impairment losses/recoveries on loans and receivables	(412)	266	(678)	(254,9)%
Net profit from financial activities	**19.923**	**11.269**	**8.654**	**76,8%**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	4th Q. 2015	4th Q. 2014	CHANGE	
			ABSOLUTE	%
Net interest income	8.827	2.871	5.956	207,5%
Net commission income	1	-	1	n.a.
Net banking income	**8.828**	**2.871**	**5.957**	**207,5%**
Net impairment losses/recoveries on loans and receivables	(286)	146	(432)	(295,9)%
Net profit from financial activities	**8.542**	**3.017**	**5.525**	**183,1%**

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Unlikely to pay	-	34	(34)	(100,0)%
Past due loans	-	-	-	-
Total net impaired loans	**-**	**34**	**(34)**	**(100,0)%**
Net performing loans	130.663	119.439	11.224	9,4%
Total loans to customers (cash)	**130.663**	**119.473**	**11.190**	**9,4%**

KPI	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	190.553	167.834	22.719	13,5%
Total RWA per sector	41.614	37.595	4.019	10,7%

Net banking income is generated by the interest accrued according to the amortised cost method and funding costs allocated to the segment; specifically, the positions acquired over the last few years are making a growing contribution to profit or loss.
Net banking income in the Tax Receivables segment amounted to 20,3 million Euro (+84,8% compared to 11,0 million Euro at 31 December 2014), thanks to the positive trend in cash flows, with actual debt collection times lower than expected, as well as a transaction that in the fourth quarter generated a 5,2 million Euro profit.

During the year, it collected 94,9 million Euro, exceeding estimates, and acquired 192 receivables at an average price of 84,7 million Euro, i.e. approximately 83% of the par value of the tax receivables net of enrolments (i.e. 8,1 million Euro), compared to 68,5% at 31 December 2014.
With these purchases, the segment's portfolio comprises 1.374 positions, for a par value of 190,6 million Euro and a value at amortised cost of 130,7 million Euro at 31 December 2015.

Governance and services

Within the scope of its management and coordination activities, the Governance and Services segment exercises strategic, managerial, and technical-operational control over operating segments and subsidiaries.
Furthermore, it provides the operating segments and subsidiaries with the financial resources and services necessary to perform their respective business activities. The Internal Audit, Compliance, Risk Management, Communications, Strategic Planning and Management Control, Administration, General Affairs, Human Resources, Organisation and ICT functions, as well as the structures responsible for raising, allocating (to operating segments and subsidiaries), and managing financial resources, are centralised in the Parent Company.
Specifically, this segment includes the contribution of the securities portfolio to net interest income for the period, amounting to 64,4 million Euro (compared to 103,9 million Euro in the prior-year period). Besides the maturing and disposal of some bonds, the fall was largely attributable to the mentioned sale of part of the AFS securities portfolio in April 2015—as part of this rebalancing, the Bank also lengthened the portfolio's maturity structure.
In addition, the segment comprises the cost of retail funding exceeding core loans and held in order to guarantee an adequate level of liquidity under economic stress scenarios.

INCOME STATEMENT DATA (in thousands of Euro)	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Net interest income	47.639	88.673	(41.034)	(46,3)%
Net commission income	(586)	(4.878)	4.292	(88,0)%
Dividend and net result from trading	125.599	533	125.066	23.464,5%
Net banking income	**172.652**	**84.328**	**88.324**	**104,7%**
Net impairment losses on receivables and other financial assets	(8.977)	-	(8.977)	n.a.
Net profit from financial activities	**163.675**	**84.328**	**79.347**	**94,1%**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	4th Q 2015	4th Q 2014	CHANGE	
			ABSOLUTE	%
Net interest income	4.740	18.431	(13.691)	(74,3)%
Net commission income	(28)	(796)	768	(96,5)%
Dividend and net result from trading	1.122	131	991	756,5%
Net banking income	**5.834**	17.766	**(11.932)**	**(67,2)%**
Net impairment losses on receivables and other financial assets	(728)	-	(728)	n.a.
Net profit from financial activities	**5.106**	17.766	**(12.660)**	**(71,3)%**

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Available for sale financial assets	3.221.533	243.325	2.978.208	1224,0%
Held to maturity financial assets	-	4.827.363	(4.827.363)	(100,0)%
Due from banks	95.352	274.858	(179.506)	(65,3)%
Loans to customers	103.997	104.376	(379)	(0,4)%
Due to banks	662.985	2.258.967	(1.595.982)	(70,7)%
Due to customers	5.487.476	5.483.474	4.002	0,1%

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Bad loans	-	-	-	-
Unlikely to pay	-	-	-	-
Past due loans	-	-	-	-
Total net impaired loans	-	-	-	-
Net performing loans	103.997	104.376	(379)	(0,4)%
Total loans to customers (cash)	**103.997**	**104.376**	**(379)**	**(0,4)%**

KPI	31.12.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Total RWA per sector	355.829	187.560	168.269	89,7%

At 104,0 million Euro, receivables in the Governance and Services sector were in line with the previous year (-0,4%), and they essentially reflect the balance of margin lending related to repurchase agreements on the MTS platform with Cassa di Compensazione e Garanzia as counterparty.

Main risks and uncertainties

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

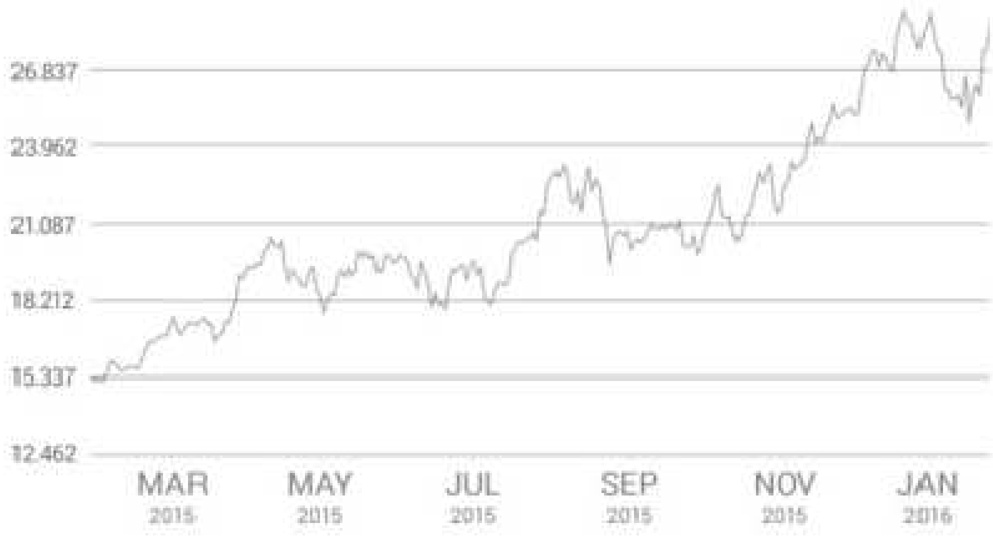
Reference should be made to section E of the Consolidated Notes for further information on Banca IFIS Group's risks.

Banca IFIS shares

The share price

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

Official share price	2015	2014	2013	2012	2011
Share price at year-end	28,83	13,69	12,95	5,53	4,00



Price/book value

The following table shows the ratio of the share price at year-end to consolidated equity with respect to outstanding shares.

Price/book value	2015	2014	2013	2012	2011
Share price at year-end	28,83	13,69	12,95	5,53	4,00
Consolidated Equity per share	10,81	8,27	7,21	5,77	3,72
Price/book value	**2,67**	**1,65**	**1,80**	**0,96**	**1,08**

Outstanding shares	2015	2014	2013	2012	2011
Number of share outstanding (in thousands)(1)	53.072	52.924	52.728	53.551	52.814

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

Earnings per share and Price/Earnings

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

Earnings per share (EPS)	2015	2014	2013	2012	2011
Consolidated profit for the year (in thousands of Euro)	161.966	95.876	84.841	78.228	26.535
Consolidated earnings per share	**3,05**	**1,81**	**1,61**	**1,46**	**0,51**

Price/earnings ratio (P/E)	2015	2014	2013	2012	2011
Share price at year-end	28,83	13,69	12,95	5,53	4,00
Consolidated profit for the year	3,05	1,81	1,61	1,46	0,51
P/E	**9,4**	**7,6**	**8,0**	**3,8**	**7,9**

Payout ratio

For 2015, the Board of Directors proposed to the Shareholders' Meeting to distribute a dividend of 0,76 Euro per share.

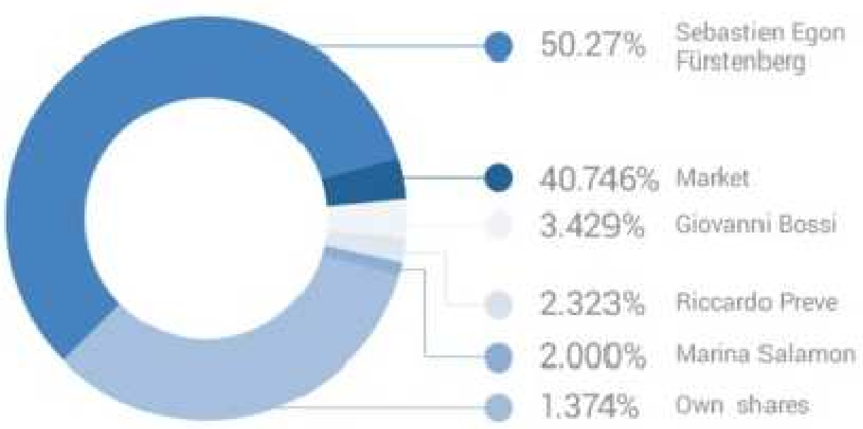
Payout ratio (in thousands of Euro)	2015	2014	2013	2012	2011
Consolidated profit for the year	161.966	95.876	84.841	78.228	26.535
Parent company dividends	40.334	34.930	30.055	19.813	13.434
Payout ratio	**24,9%**	**36,4%**	**35,4%**	**25,4%**	**50,6%**

The 2015 payout ratio was influenced by the gain from the rebalancing of the government bond portfolio that went to bolster the Bank's capital position. Excluding this net component from the profit for the year, the 2015 payout ratio would stand at 51,3%

Shareholders

The share capital of the Parent Company at 31 December 2015 amounted to 53.811.095 Euro and is broken down into 53.811.095 shares with a par value of 1 Euro each.

The following table shows Banca IFIS's shareholders that, either directly or indirectly, own equity instruments with voting rights representing over 2% of Banca IFIS's share capital:



Corporate governance rules

Banca IFIS adopted the Corporate Governance Code for listed companies.

A Control and Risks Committee, an Appointments Committee and a Remuneration Committee have been set up within the Bank’s Board of Directors, which has also appointed a Supervisory Board with independent powers of action and control as per Legislative Decree

231/2001.

Internal dealing rules

Banca IFIS S.p.A. has been adopting for some time now a specific Code of Conduct as regards internal dealing. The aim of this Code of Conduct is to make internal regulations and procedures compliant with disclosure requirements concerning any significant transactions carried out by relevant subjects, or parties closely related to them, on financial instruments issued by the company or other related instruments, hence ensuring the transparency and consistency of information disclosed to the market.

This Code, in addition to identifying the relevant subjects—and defining their conduct and disclosure requirements—and the person responsible for receiving, managing and disseminating information, also forbids said transactions in the 15 days prior to Board of Directors’ Meetings convened to approve financial statements (blackout periods).

This Code of Conduct for internal dealing is available on the Company's website, www.bancaifis.com, under the 'Investor Relations' section.

List of Insiders

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

In addition, the Bank has laid down regulations for the internal management and external dissemination of documents and corporate information.

Significant events occurred during the year

Banca IFIS transparently and timely discloses information to the market, constantly publishing information on significant events through press releases. Please refer to the "Investor Relations\Press Releases" section on the website www.bancaifis.it for complete details.

http://www.bancaifis.com/Media-room/Press-releases

Here below is a summary of the most important events:

Sale and repurchase of government bond portfolio

Based on the trends in market rates on government bonds in the Bank's portfolio registered during April 2015, as well as considerations on the costs to refinance the debt collateralised by said securities, the Bank found it expedient to restructure part of the Italian government bond portfolio. It kept its size unchanged, but slightly increased the average maturity: the most distant maturity is now 2020 (as opposed to 2018 before the transactions). The whole portfolio consists of floating-rate or inflation-indexed bonds.

The sale of the portfolio, completed in April, contributed 124 million Euro to gross profit for the period.

The new business unit: "Pharmacies"

On 17 June 2015, the Bank launched "Pharmacies", the new business unit integrated within the existing "Banca IFIS Pharma" area.

This unit aims to meet the medium-term financing needs of over 15.000 pharmacies throughout Italy using a new instrument: **medium-term financing** to support trade payables. Designed for retail entrepreneurs, this instruments allows pharmacists to take out loans backed by their accounts receivable.

Thanks to its consolidated know-how and extensive knowledge of the market, bolstered by the addition of a **team of professionals** with years of experience in the industry, Banca IFIS combines two specialist skills in this business unit: business lending—using factoring to mitigate credit risks—and the presence in the pharmaceutical and health care sector of *Banca IFIS Pharma*, which specialises in management solutions for companies wishing to factor receivables due from Italy's National Health Service and Public Administration.

Pro-rata contribution to the Italian banking system's rescue loan

The cumulative impact of the Italian banking system's rescue of Banca Marche, Banca Popolare dell'Etruria e del Lazio, CariChieti, and Cassa di Risparmio di Ferrara (Directive 59/201/EU Single Resolution Fund) and the participation in the new funding mechanism for Italy's Interbank Deposit Protection Fund (FITD, Fondo Interbancario di Tutela dei Depositi) introduced by the Deposit Guarantee Schemes Directive (DGSD) 2014/49/EU was 10,6 million Euro.

The contributions to the Italian Bank Resolution Fund required of Banca IFIS, including a one-off contribution, to date amount to 8,6 million Euro. Additionally, the Bank paid about 2 million Euro as the annual contribution to the FITD for the year 2015.

Significant subsequent events

No significant events occurred between the end of the year and the approval of the draft financial statements by the Board of Directors.

Outlook

The outlook for Europe's economy remains uncertain and characterised by especially modest increases in production, although these have somewhat risen compared to 2015. Italy should grow between 1% and 2% in 2016: it would be a positive signal amid the uncertainty. The robust GDP growth rates registered in other historical periods now appear to be a thing of the past, in Europe as well as maybe all industrialised countries. This is due to several factors, of which only some are economic. This situation has led some experts to argue that advanced economies may be facing a “secular stagnation”, with extremely long periods of weak growth, low or no returns on risk-free investments, and low or zero inflation.

Against this backdrop, there are several factors of global instability and risk: the concerns over a slowdown in China, which would negatively affect other countries; the challenges facing Emerging Markets, which are grappling with extremely low oil and commodity prices as well as unfavourable exchange rate movements; the instability in the Middle East, which does not want to lose its share of oil output. This is pushing prices down even further, and thus government budgets in oil-producing countries into deficit, forcing them to sell assets to bolster their balance sheets. Seen from a different perspective, the slump in commodity prices, and especially oil, represents an extraordinary opportunity for a country such as Italy, which is essentially a processor of raw materials.

In the reference European markets, the cost of money is still at record lows due to the ECB's monetary policy and extremely limited price increases. The low or zero inflation rate is the result of the trend in commodity prices and, more generally, the relatively modest use of the factors of production. The market expects monetary policy measures – not welcomed by everyone in Europe – to bring inflation near the central bank's target rates, even though price increases of just below 2% appear a distant prospect. A positive collateral effect of the ECB's monetary policy is the weak euro, which represents a boon for exporters in other currencies, and especially US dollars; an indirect barrier protecting domestic producers from imports denominated in foreign currencies; and a way to “import inflation” or mitigate the deflationary effect of the commodity slump.

It does not appear possible to steadily and sustainably grow our way out of the crisis without restarting the flow of credit to the real economy. Against this backdrop, Banca IFIS's ability to provide support to small- and medium-sized businesses – also thanks to strengthening capital adequacy ratios and increasing liquidity – continues representing a competitive advantage, enabling it to acquire new customers and loans. The market is still characterised by the limited and selective, albeit rising, supply of credit, and the demand for appropriate solutions — especially for companies that are small in size and have less measurable or low credit standing.

In 2015, the Bank overhauled its distribution network, increasing its headcount and reimagining it to better meet the needs of tomorrow. This is expected to generate results in terms of additional growth in the number of companies served, loans, and overall profitability in the second half of 2016.

The market scenarios for lending to businesses are influenced by the abundant liquidity, which is exerting downward pressure on interest rates for new loans. It is hard for banks to pass on this decrease to funding rates, because of the yield curve, which remains near zero, and the European Central Bank's monetary policy. Therefore, margins are declining across the board, and especially on loans to customers with a higher credit standing. Thus, the Bank will increasingly focus on smaller entities: given the need to pay close attention during

the lending process to mitigate risks, using factoring, the profitability of this segment appears less compromised, if at all.

Banca IFIS launched other initiatives to promote customer loyalty on the one hand, and on the other, to boost volumes and profits in absolute terms. An example are the operations with multi-utilities selling receivables due from Italy's local administrations. These initiatives will start contributing to results during 2016The Bank will continue expanding its presence in the international markets where it operates; in the pharmaceutical industry and pharmacy segments; and in the sector of receivables due from Italy's Public Administration.

Banca IFIS looks forward to continued strong performance by all business areas in 2016.

The Bank can play an increasingly important role in the Distressed Retail Loans segment, providing solutions in demand at lenders and financial institutions across Italy to manage non-performing loans. We will continue monitoring and bidding for the portfolios of receivables due from households that originators are expected to place on the market. Banca IFIS is making progress in managing NPLs in terms of organisational and operating solutions, which allows to expect increasing collection rates. As in 2015, considering the abundant liquidity of the market; the Bank's ability to turn the quality of the portfolios into a strength in dealings with debtors; and the opportunity to scale up operating volumes, benefiting the bank and the debtors involved in its initiatives, Banca IFIS will consider trading in the secondary market. Specifically, it may sell already processed portfolios with the goal of freeing up resources, using them to further expand the business, or buy portfolios that other players already started processing.

As for tax receivables, the Bank is consolidating its leadership in this segment, given the good medium-term profitability of these investments.

The Governance and Services sector registered a slight increase in funding costs, attributable to both the bank's policy to extend maturities as well as the planned and achieved increase in funding, following the recent introduction of 3-, 4- and 5-year maturities.

As for government bonds in the portfolio, based on the evidence and the current monetary policy, the Bank believes it will continue refinancing said portfolio at negative interest rates, at least for the next few quarters. Against this backdrop, and considering the current dynamics in terms of potential margins from investments in government bonds, the Bank deems its position as appropriate. As in the final quarter of 2015, Banca IFIS will look at potential opportunities in the event market conditions turn favourable.

Finally, the Bank will continue considering further opportunities in the segments it operates in as well as new related markets or those potentially interesting in light of its growth strategies.

In light of the above, the Group can reasonably expect to remain profitable also in 2016.

Other information

Adoption of Opt-Out Option Pursuant To Consob Regulation 18079 of 20 January 2012

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

Report on Corporate Governance and Shareholding Structure

Pursuant to article 123 bis, paragraph three, of Legislative Decree no. 58 of 24 February 1998 (the Consolidated Law on Banking), a report, separate from this Directors' report, was prepared. It was approved by the Board of Directors and published together with the draft financial statements at 31 December 2015. Furthermore, this document is available on Banca IFIS's website, www.bancaifis.com, in the 'Corporate Governance' Section.

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

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

Privacy measures

In compliance with article 34, paragraph 1, letter g) of Leg. Decree no. 196 of 30 June 2003 (the Personal Data Protection Code), the group periodically updates its 'Security Policy Document' setting out the measures taken to guarantee the protection of processed personal data.

Parent Company management and coordination

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

National consolidated tax regime

Banca IFIS, together with the parent company, La Scogliera S.p.A., opted for the application of group taxation (tax consolidation) in accordance with arts. 117 et seq. of Presidential Decree 917/86.
Transactions between these companies were regulated by means of a private written agreement between the parties, signed in the month of May 2013 and subsequently amended and supplemented on 29 December 2015. This agreement lapses after three years. Banca IFIS has an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera S.p.A., the consolidating company.
Under this tax regime, Banca IFIS's taxable income is transferred to La Scogliera S.p.A., which is responsible for calculating the overall group income. Following this decision, at 31 December 2015 Banca IFIS recognised net payables due to the parent company amounting to 25 million Euro.

Transactions on treasury shares

The Ordinary Shareholders' Meeting of 13 April 2015 renewed the authorisation to purchase and sell treasury shares, pursuant to art. 2357 et seq. of the Italian Civil Code, as well as art. 132 of Legislative Decree 58/98, establishing a price interval within which the shares can be bought between a minimum of 4 Euro and a maximum of 30 Euro.
The Meeting also established that the authorisation lapses after 18 months from the date the resolution was passed.
At 31 December 2014, the bank held 887.165 treasury shares recognised at a market value of 6,7 million Euro and a par value of 887.165 Euro.
During 2015, Banca IFIS undertook the following treasury share transactions:

- it sold, at an average price of 18,73 Euro, 135.000 treasury shares with a market value of 2,5 million Euro and a par value of 135.000 Euro, making profits of 1,7 million Euro that, in compliance with IASs/IFRSs, were recognised under the capital reserve.
- As variable pay for the 2014 financial results, it awarded the Top Management 12.719 treasury shares at an average price of 13,12 Euro, for a total of 167 thousand Euro and a par value of 12.719 Euro, making profits of 112 thousand Euro that, in compliance with IASs/IFRSs, were recognised under the capital reserve.

The remaining balance at the end of the year was 739.446 treasury shares with a market value of 5,8 million Euro and a par value of 739.446 Euro.

Related-party transactions

In compliance with the provisions of Consob resolution 17221 of 12 March 2010 and subsequently amended by means of Resolution 17389 dated 23 June 2010, as well as the prudential Supervisory provisions for banks in Circular no. 263 of 27 December 2006, Title V, Chapter V (12 December 2011 update) on "Risk activities and conflicts of interest towards related parties" issued by the Bank of Italy, any transactions with related parties and relevant parties are authorised pursuant to the procedure approved by the Board of Directors, which was most recently updated on 17 July 2013.

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

During 2015, no significant transactions with related parties were undertaken.

For information on individual related party transactions, please refer to part H of the Notes.

Atypical or unusual transactions

During 2015, the Banca IFIS Group did not carry out atypical or unusual transactions as defined by Consob Communication no. 6064293 of 28 July 2006.

Research and development activities

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

Venice - Mestre, 2 February 2016

For the Board of Directors

The Chairman

Sebastien Egon Fürstenberg

The C.E.O.

Giovanni Bossi

Consolidated Financial Statements

Consolidated Statement of Financial Position

	Assets (in thousands of Euro)	31.12.2015	31.12.2014
10.	Cash and cash equivalents	34	24
20.	Financial assets held for trading	259	-
40.	Available for sale financial assets	3.221.533	243.325
50.	Held to maturity financial assets	-	4.827.363
60.	Due from banks	95.352	274.858
70.	Loans to customers	3.437.136	2.814.330
120.	Property, plant and equipment and investment property	52.163	50.682
130.	Intangible assets	7.170	6.556
	of which:		
	- goodwill	*820*	*819*
140.	Tax assets	61.737	40.314
	a) current	22.315	1.972
	b) deferred	39.422	38.342
160.	Other assets	82.336	51.842
	Total assets	**6.957.720**	**8.309.294**

	Liabilities and equity (in thousands of Euro)	31.12.2015	31.12.2014
10.	Due to banks	662.985	2.258.967
20.	Due to customers	5.487.476	5.483.474
40.	Financial liabilities held for trading	21	-
80.	Tax liabilities	25.549	14.338
	a) current	4.153	70
	b) deferred	21.396	14.268
100.	Other liabilities	204.598	111.059
110.	Post-employment benefits	1.453	1.618
120.	Provisions for risks and charges	2.171	1.988
	b) other reserves	2.171	1.988
140.	Valuation reserves	5.739	(109)
170.	Reserves	298.856	237.874
180.	Share premiums	58.900	57.113
190.	Share capital	53.811	53.811
200.	Treasury shares (-)	(5.805)	(6.715)
220.	Profit (loss) for the year (+/-)	161.966	95.876
	Total liabilities and equity	**6.957.720**	**8.309.294**

Consolidated Income Statement

	Items (in thousands of Euro)	31.12.2015	31.12.2014
10.	Interest receivable and similar income [1]	250.210	314.938
20.	Interest due and similar expenses	(41.584)	(93.263)
30.	**Net interest income** [1]	**208.626**	**221.675**
40.	Commission income	63.174	64.827
50.	Commission expense	(4.391)	(6.475)
60.	**Net commission income**	**58.783**	**58.352**
80.	Net profit (loss) from trading	(78)	302
100.	Profit (loss) from sale or buyback of:	140.627	3.812
	a) receivables	14.948	3.581
	b) available for sale financial assets	125.679	231
120.	**Net banking income** [1]	**407.958**	**284.141**
130.	Net impairment losses/reversal on [1]	(34.250)	(34.510)
	a) receivables [1]	(25.273)	(34.510)
	b) available for sale financial assets	(8.977)	-
140.	**Net profit from financial activities**	**373.708**	**249.631**
180.	Administrative expenses:	(127.170)	(101.872)
	a) personnel expenses	(48.342)	(42.553)
	b) other administrative expenses	(78.828)	(59.319)
190.	Net allocations to provisions for risks and charges	(229)	(1.613)
200.	Net impairment losses/reversal on plant, property and equipment	(1.650)	(1.396)
210.	Net impairment losses/reversal on intangible assets	(2.096)	(1.843)
220.	Other operating income (expenses)	3.026	2.036
230.	**Operating costs**	**(128.119)**	**(104.688)**
280.	**Pre-tax profit (loss) for the year from continuing operations**	**245.589**	**144.943**
290.	Income taxes for the year relating to current operations	(83.623)	(49.067)
340.	**Profit (loss) for the year attributable to the parent company**	**161.966**	**95.876**

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2

Consolidated Statement of Comprehensive Income

Items (in thousands of Euro)		31.12.2015	31.12.2014
10.	**Profit (loss) for the year**	**161.966**	**95.876**
	Other comprehensive income, net of taxes, without reversal to income statement	**95**	**(186)**
20.	Property, plant and equipment and investment property	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	95	(186)
50.	Non-current assets under disposal:	-	-
60.	Share of reserves from valuation of investments at equity	-	-
	Other comprehensive income, net of taxes, with reversal to income statement	**5.753**	**(10.882)**
70.	Hedges of foreign investments	-	-
80.	Exchange differences	45	(871)
90.	Hedges of cash flows	-	-
100.	Available for sale financial assets	5.708	(10.011)
110.	Non-current assets under disposal	-	-
120.	Share of reserves from valuation of investments at equity	-	-
130.	**Total other comprehensive income, net of taxes**	**5.848**	**(11.068)**
140.	**Total comprehensive income (item 10+130)**	**167.814**	**84.808**
150.	Total consolidated comprehensive income attributable to non-controlling interests	-	-
160.	**Total consolidated comprehensive income attributable to the parent company**	**167.814**	**84.808**

Statement of Changes in Consolidated Equity at 31 December 2015

	Balance at 31/12/2014	Change in opening balances	Balance at 1/1/2015	Allocation of profit from previous year		Changes occurred during the year									Equity attributable to the Group at 31/12/2015	Equity attributable to non-controlling interests at 31/12/2015
							Equity transactions									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Buyback of treasury shares	Extraordinary distribution of dividends	Changes in equity instru-ments	Derivatives on treasury shares	Stock Options	Changes in shareholdings	Comprehensive income for the year 2015		
Share capital																
a) ordinary shares	53.811	-	53.811	-	-	-	-	-	-	-	-	-	-	-	**53.811**	**-**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Share premiums	57.113	-	57.113	-	-	-	1.787	-	-	-	-	-	-	-	**58.900**	**-**
Reserves:																
a) of profit	195.921	-	195.921	60.857	-	-	-	-	-	-	-	-	-	-	**256.778**	**-**
b) other	41.953	-	41.953	-	-	125	-	-	-	-	-	-	-	-	**42.078**	**-**
Valuation reserves	(109)	-	(109)	-	-	-	-	-	-	-	-	-	-	5.848	**5.739**	**-**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Treasury shares	(6.715)	-	(6.715)	-	-	-	910	-	-	-	-	-	-	-	**(5.805)**	**-**
Profit (loss) for the year	95.876	-	95.876	(60.857)	(35.019)	-	-	-	-	-	-	-	-	161.966	**161.966**	**-**
Equity attributable to the Group	**437.850**	**-**	**437.850**	**-**	**(35.019)**	**125**	**2.697**	**-**	**-**	**-**	**-**	**-**	**-**	**167.814**	**573.467**	**-**
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Statement of Changes in Consolidated Equity at 31 December 2014

				Allocation of profit from previous year		Changes occurred during the year										
							Equity transactions									
	Balance at 31/12/2013	Change in opening balances	Balance at 1/1/2014	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Buyback of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock Options	Changes in shareholdings	Comprehensive income for the year 2014	Equity attributable to the Group at 31/12/2014	Equity attributable to non-controlling interests at 31/12/2014
Share capital																
a) ordinary shares	53.811	-	53.811	-	-	-	-	-	-	-	-	-	-	-	**53.811**	-
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Share premiums	75.560	-	75.560	-	-	(20.000)	1.553	-	-	-	-	-	-	-	**57.113**	-
Reserves:																
a) of profit	141.246	-	141.246	54.675	-	-	-	-	-	-	-	-	-	-	**195.921**	-
b) other	21.809	-	21.809	-	-	20.144	-	-	-	-	-	-	-	-	**41.953**	-
Valuation reserves	10.959	-	10.959	-	-	-	-	-	-	-	-	-	-	(11.068)	**(109)**	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Treasury shares	(7.903)	-	(7.903)	-	-	-	1.188	-	-	-	-	-	-	-	**(6.715)**	-
Profit (loss) for the year	84.841	-	84.841	(54.675)	(30.166)	-	-	-	-	-	-	-	-	95.876	**95.876**	-
Equity attributable to the Group	**380.323**	**-**	**380.323**	**-**	**(30.166)**	**144**	**2.741**	**-**	**-**	**-**	**-**	**-**	**-**	**84.808**	**437.850**	**-**
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Consolidated Cash Flows Statement

Indirect method (in thousands of Euro)	31.12.2015	31.12.2014
A. OPERATING ACTIVITIES		
1. Operations	**408.513**	**152.248**
- profit(loss) for the year (+/-)	161.966	95.876
- profit/loss on financial assets/liabilities held for trading and on financial assets/liabilities carried at fair value (-/+)	-	(130)
- profit/loss on hedging activities	-	-
- net impairment losses/reversal on loans (+/-)	34.250	31.299
- net impairment losses/reversal on tangible and intangible assets (+/-)	3.746	3.239
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	248	1.632
- unpaid taxes (+)	83.623	49.067
- other adjustments (+/-)	124.680	(28.735)
2. Cash flows generated/absorbed by financial assets	**1.204.350**	**2.007.540**
- financial assets held for trading	(259)	10
- financial assets at fair value	-	-
- available for sale financial assets	1.724.190	2.272.367
- due from banks on demand	30.656	159.073
- other due from banks	148.835	(18.137)
- loans to customers	(648.079)	(548.696)
- other assets	(50.993)	142.923
3. Cash flows generated/absorbed by financial liabilities	**(1.574.779)**	**(3.137.155)**
- due to banks on demand	25.146	(408)
- other due to banks	(1.621.128)	(4.406.472)
- due to customers	3.957	1.305.198
- outstanding securities	-	-
- financial liabilities held for trading	21	-
- financial liabilities at fair value	-	-
- other liabilities	17.225	(35.473)
Net cash flows generated/absorbed by operating activities A (+/-)	**38.084**	**(977.367)**
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by:	**93**	**1.250.584**
- sale of equity investments	-	-
- collected dividends on equity investments	-	-
- sale of financial assets held to maturity	-	1.250.000
- sale of tangible assets	93	584
- sale of intangible assets	-	-
- sale of business branches	-	-
2. Cash flows absorbed by:	**(5.970)**	**(245.942)**
- purchase of investments	-	-
- purchase of financial assets held to maturity	-	(231.947)
- purchase of tangible assets	(3.261)	(11.939)
- purchase of intangible assets	(2.709)	(2.056)
- purchase of business branches		-
Net cash flows generated/absorbed by investment activities B (+/-)	**(5.877)**	**1.004.642**
C. FINANCING ACTIVITIES		
- issue/buyback of treasury shares	2.697	2.741
- issue/buyback of equity instruments	125	145
- distribution of dividends and other scopes	(35.019)	(30.167)
Net cash flows generated/absorbed by financing activities C (+/-)	**(32.197)**	**(27.281)**
NET CASH FLOWS GENERATED /ABSORBED DURING THE YEAR D=A+/-B+/-C	**10**	**(6)**
RECONCILIATION		
OPENING CASH AND CASH EQUIVALENTS E	**24**	**30**
NET CASH FLOWS GENERATED /ABSORBED DURING THE YEAR D	**10**	**(6)**
CASH AND CASH EQUIVALENTS: EXCHANGE RATE EFFECTS F	**-**	**-**
CLOSING CASH AND CASH EQUIVALENTS G=E+/-D+/-F	**34**	**24**

Notes to the Consolidated Financial Statements

The consolidated notes are divided into the following parts:

Part A – Accounting policies
Part B – Consolidated statement of financial position
Part C – Consolidated income statement
Part D – Consolidated statement of comprehensive income
Part E – Information on risks and risk management policies
Part F – Consolidated equity
Part G – Business combinations
Part H – Related-party transactions
Part I – Share-based payments
Part L – Segment reporting

Part A - Accounting policies

A.1 – General part

Section 1 – Statement of compliance with international accounting standards

The 2015 consolidated financial statements have been drawn up in accordance with the IASs/IFRSs in force at 31 December 2015 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.

In interpreting and adopting the international accounting standards, reference was made also to IASB's 'Framework for the preparation and presentation of financial statements', even though it was not officially approved.

These consolidated financial statements are subject to certification by the delegated corporate bodies and the Corporate Accounting Reporting Officer, as per article 154 bis paragraph 5 of Legislative Decree no. 58 of 24 February 1998.

The consolidated financial statements are audited by Reconta Ernst & Young S.p.A..

Section 2 – Basis of preparation

The consolidated financial statements consist of:

- the consolidated financial statements (balance sheet - or statement of financial position in the following - and income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows);
- the Notes to the Consolidated Financial Statements.

In addition, they contain the Directors' Report.

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

For the preparation of these financial statements, reference was made to the format set out by Bank of Italy's Circular no. 262 of 22 December 2005, 4th update of 16 December 2015.

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

The notes do not include the items and tables required by Bank of Italy's Regulation no. 262/2005 where these items are not applicable to the Banca IFIS Group.

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.

Items in the financial statements were classified as in the previous financial year, except for the following.

Concerning the changes in amortised cost other than impairment related to the bad loans of the DRL segment, in 2015 the Bank started classifying them no longer under item 130 Net impairment losses/reversals on receivables, but rather under item 10 Interest income.

This new classification is due to, above all, the intention to better represent in financial reports the economic substance of these exposures; recognising the changes in amortised cost of the positions classified as bad loans under item 130 simply because of the classification of the financial item that generated them does not fairly represent the segment's credit risk. In addition, the Bank's operating methods do not differentiate between positions classified as bad loans and those classified as unlikely to pay or performing.

This approach is consistent with the relevant regulations (Bank of Italy's Circular and IAS 39), which require that the impact of changes in estimated cash flows on the carrying amount of an asset be recognised in profit or loss (IAS 39 AG 8), under item 10 Interest income (Bank of Italy's Circular). The item 130 Net impairment losses/reversals shall include the changes in amortised cost deriving from the impairment of receivables.

The costs for commissions paid to debt collection agents and companies, which are proportioned to the amounts recovered, continue to be recognised under Other administrative expenses. The classification of items in the statement of financial position has not changed.

To allow the users of the financial report as at 31 December 2015 to compare it with the results as at 31 December 2014, the items of profit or loss related to the changes in the amortised cost of receivables for the year 2014 have been restated as described above.

Information on the business as a going concern

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

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

In this regard, having examined the risks and uncertainties connected to the present macro-economic context, and considering the financial and economic plans drawn up by the parent company, the Banca IFIS Group can indeed be considered a going concern, in that it can be reasonably expected to continue to operate in the foreseeable future. Therefore, the 2015 consolidated financial statements have been prepared in accordance with this fact.

Uncertainties connected to credit and liquidity risks are considered insignificant or, at least, not significant enough to raise doubts over the company’s ability to continue as a going concern, thanks also to the good profitability levels that the Group has consistently achieved, to the quality of its loans, and to its current access to financial resources.

Section 3 - Consolidation scope and method

The consolidated financial statements have been prepared based on the draft financial statements at 31 December 2015, prepared by the directors of the companies included in the consolidation scope for approval by the Shareholders' Meeting.

Pursuant to the line-by-line method of consolidation, the consolidated financial statements include the financial statements of the parent company, Banca IFIS S.p.A, and its Polish subsidiary, IFIS Finance Sp. Z o. o..

The financial statements of the subsidiary expressed in foreign currencies are translated into Euro in asset and liability items according to the rate of exchange at the end of the period. In the income statement, figures are translated according to 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.

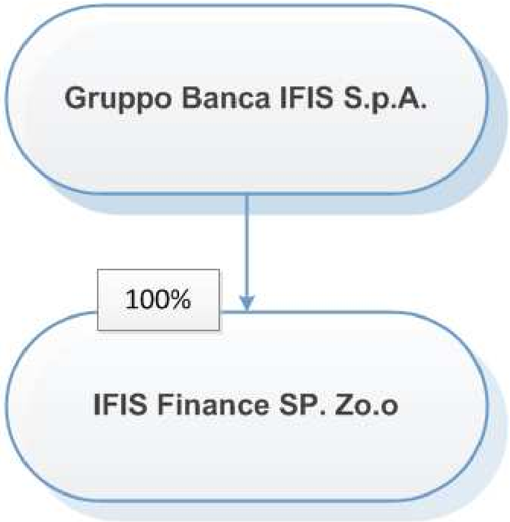
Assets and liabilities, off-balance-sheet transactions, income and expenses, as well as the profits and losses arising from relations between the consolidated companies are all eliminated.

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 820 thousand Euro at the period-end exchange rate, recognised under item 130 'Intangible assets'.

1. Investments in exclusively controlled companies



Name of company	Main office	Head office	Type (1)	Investment		Voting rights %(2)
				Held by	Quota %	
IFIS Finance Sp. Z o.o	Warsaw	Warsaw	1	Banca IFIS S.p.A.	100%	100%

Key
(1) Type:
1 = majority of voting rights in the Annual Shareholders' Meeting
2 = dominant influence in the Annual Shareholders' Meeting
3 = agreements with other shareholders
4 = other forms of control
5 = exclusive control as per article 26, paragraph 1, of Legislative Decree no. 87/92
6 = exclusive control as per article 26, paragraph 2, of Legislative Decree no. 87/92
(2) Voting rights in the Annual Shareholders' Meeting, distinguishing between effective and potential voting rights.

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

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

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

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 confirmed the scope of consolidation determined in the previous year and identified a non-consolidated structured entity (for more information, see part E, section D of these Notes).

Section 4 – Subsequent events

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

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

Section 5 – Other aspects

Risks and uncertainties related to estimates

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

Specifically, it made estimates on the carrying amounts of some items recognised in the consolidated financial statements at 31 December 2015, as per the relevant accounting standards. These estimates are largely based on the expected future recoverability of the amounts recognised and were made on a going concern basis. Such estimates support the carrying amounts reported at 31 December 2015.

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

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

- fair value of financial instruments not quoted in active markets;
- trade receivables and DRL receivables;
- provisions for risks and charges and contingent assets;
- post-employment benefits;
- goodwill and other intangible assets.

See Part E – Information on risks and risk management policies and Part A.4 – Fair Value Disclosure for further details.

Concerning the measurement of DRL receivables, in 2015 the Bank reviewed the proprietary model used to estimate the cash flows of the receivables involved in non-judicial debt collection operations, which are used also for the purposes of determining the relevant amortised cost. This review was made also because the Bank acknowledged that the model for non-judicial debt collection operations concerning NPLs has significantly changed over the years. In this new scenario, the previous simulation model no longer represented fairly the economic impact of non-judicial debt collection operations. The Bank also seized this opportunity to ensure that some types of collection instruments with similar characteristics (bills of exchange and settlement plans, the so-called expressions of willingness) are treated consistently.

The new proprietary model abandons the "Monte Carlo" simulation in favour of 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. In addition, for the positions with funding characteristics (bills of exchange or expressions of willingness), the Bank uses a "deterministic" model based on the measurement of the future instalments of the settlement plan, net of the historical default rate.

The Bank reviewed the assumptions underlying the simulation model by adopting an overall conservative approach to both the breakdown over time and the deterministic simulation. For instance, in estimating the breakdown over time, the Bank has considered shorter time horizons for collecting the receivables than those of the previous simulation model, as well as some conservative constraints concerning characteristics such as the age of the debtor; as for the positions with funding characteristics, measured using a “deterministic” method, the assumptions underlying the model aim to ensure a more prudent and less volatile estimate of results, recognising only the share of settlement plans with regular payments.

In addition to the above conservative assumptions, the risk management, when assessing the Bank's capital adequacy, regularly assesses the so-called model risk by carrying out specific analyses.

The updated model was used in preparing these financial statements.

This caused a change in the estimate of cash flows that, discounted at the original IRR of the positions, resulted in a change in amortised cost, which was recognised in profit or loss in accordance with IAS 39. The overall 8,5 million Euro decrease was mainly attributable to the decision to use a consistent accounting method for similar types of funding instruments.

Coming into effect of new accounting standards

It is noted that for the annual periods beginning on 1 January 2018 will come into effect the new IFRS 9. The Group started an assessment, that will conclude within 31 December 2016, in collaboration with a leading auditing firm in order to define the road map that will lead to conversion to this new accounting standard.

Deadlines for the approval and publication of the separate financial statements

Pursuant to art. 154-ter of Legislative Decree no. 58/98 (Consolidated Law on Finance), the Parent must approve the separate financial statements and publish the annual financial report, including the draft separate financial statements, the consolidated financial statements, the directors' report, and the declaration as per article 154-bis, paragraph 5, within 120 days of the end of the financial year. The Board of Directors approved the Parent's draft separate financial statements and the consolidated financial statements on 2 February 2016; the Parent's separate financial statements will be submitted to the Shareholders' Meeting to be held on 22 March 2016 on first call for approval.

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

A.2 – Main items of the financial statements

1 – Financial assets held for trading

Classification criteria

Financial assets held for trading include financial instruments held with the intention of generating profit from fluctuations in their prices in the short term.

Recognition criteria

Debt and equity instruments, as well as derivatives held for trading purposes, are classified in this category. Initial recognition is made at fair value. This corresponds to the consideration paid, excluding the transaction costs attributable to the instrument, which are recognised in profit or loss.

Measurement criteria

Also subsequent to initial recognition, financial assets held for trading are measured at fair value. The fair value of instruments traded on an active market is determined based on market prices.

If a market for a financial instrument is not active, an entity establishes fair value by using a measurement technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and internal models or measurement techniques generally used for pricing financial instruments.

Derecognition criteria

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

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

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

2 - Available for sale financial assets

Classification criteria

These are financial assets not classified as loans and receivables, held-to-maturity investments, or financial assets held for trading. They can fall under available-for-sale financial investments, money market securities, other debt instruments and equity securities.

Recognition criteria

Available for sale financial assets are initially recognised at fair value, i.e. the cost of the operation including transaction costs directly attributable to the instrument, if any.

For interest-bearing instruments, interest is recognised at amortised cost, using the effective interest method.

Measurement criteria

Subsequent to their initial recognition, these investments are measured at their year-end fair value. The fair value is calculated based on the same criteria as those used for financial assets held for trading. Gains and losses resulting from changes in fair value are recognised under a dedicated equity reserve until the financial asset is transferred: then, accrued profits and losses are recognised in profit or loss. Changes in fair value recognised in the item "valuation reserve" are also included in the statement of comprehensive income under item 100 "Available for sale financial assets".

If there is objective evidence that the asset is permanently impaired, the accrued loss recognised directly to equity is transferred to profit or loss. The total amount of this loss is equal to the difference between the carrying amount (acquisition cost, net of any impairment losses previously recognised in the income statement) and the fair value.

As for debt instruments, any circumstances indicating that the borrower is experiencing financial difficulties which could undermine the collection of the principal or interests represent a permanent impairment loss.

As far as equity instruments are concerned, the existence of impairment losses is assessed on the basis of indicators such as fair value falling below cost and adverse changes in the environment in which the company operates, as well as the issuer's debt servicing difficulties. A significant or lasting fall in the fair value of an equity instrument below its cost is considered objective evidence of an impairment loss. The impairment loss is considered significant if the fair value falls by more than 20% below cost, and is considered lasting if it persists for more than 9 months.

If, at a later date, the fair value of a debt instrument increases and such an increase can be objectively related to an event occurring after the period in which the impairment loss was recognised in profit or loss, the impairment loss is reversed, recognising the corresponding amount in profit or loss.

As for equity securities, instead, if the grounds for impairment no longer exist, the impairment losses are later reversed through equity.

Derecognition criteria

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

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

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

3 - Held to maturity financial assets

Classification criteria

Investments held until maturity are securities, with fixed or determinable payments and a fixed maturity date, that an entity is objectively willing and able to hold to maturity.

These securities may be used in repurchase agreements, loans or temporary refinancing transactions.

Recognition criteria

After initial recognition at fair value, which is usually equal to the consideration paid including expenses and income directly attributable to the acquisition or issue of the financial asset (even if not yet settled), these assets are recognised at amortised cost using the effective interest method.

Measurement criteria

If there is objective evidence that the issuer's solvency is deteriorated, the assets are tested for impairment: the resulting impairment losses are equal to the difference between the carrying amount of the impaired assets and the present value (calculated based on the internal rate of return) of cash flows expected for principal and interest; any reversals of impairment losses cannot exceed the amortised cost that would have been incurred if no impairment loss had been recognised.

Derecognition criteria

Should a significant amount of such assets be sold or reclassified before their maturity during the period, the remaining financial assets held to maturity shall be reclassified as available for sale and the use of the portfolio concerned be blocked for the following two years, unless such sale or reclassification:

• is so close to maturity or the option expiration date that changes in the market interest rate would not significantly affect the financial asset's fair value;

• occurs after the entity has collected essentially all of the financial asset's original principal through scheduled payments or prepayments; or

• is attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably foreseen by the entity.

4 - Loans and receivables

Classification criteria

Receivables include loans to customers and banks with fixed or determinable payment dates and not traded on an active market.

Receivables due from customers largely consist of:

- demand advances to customers as part of factoring operations vis-à-vis a receivables portfolio factored with recourse and still recognised in the seller's statement of financial position, or vis-à-vis receivables factored without recourse, providing no contractual clauses that eliminate the conditions for their recognition exist.
- distressed retail loans acquired from banks and retail lenders;
- tax receivables resulting from insolvency proceedings.

Distressed retail loans, due to their nature, are classified as either unlikely to pay or bad loans according to the criteria established in Circular 272/2008, which sets out the rules for reporting on supervisory, statistical, and financial matters as well as prudential capital ratios, and Circular 139/1991, relating to the Central Credit Register. In particular, those loans maintain the same classification as that assigned by the invoice seller, provided the latter is subject to the same law as Banca IFIS: otherwise, if the Bank has not ascertained the debtor's state of insolvency, those loans are classified as unlikely to pay.

Recognition criteria

Loans are initially recognised at the date they are granted and/or acquired at their fair value, including any transaction costs. Transaction costs are incremental costs directly attributable to the acquisition or granting of loans and determinable right from the beginning of the transaction, even though they are settled at a later date. Incremental costs are those costs that the company would not have incurred had it not acquired or granted the loan. Costs meeting these characteristics, but to be reimbursed by the debtor or falling under normal internal administrative costs, are excluded.

Measurement criteria

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

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

At the end of every reporting period, including interim periods, receivables are reviewed in order to identify those objectively at risk of impairment following events occurred after their initial recognition.

In accordance with both the Bank of Italy's regulations and IASs, bad loans, unlikely to pay, and past due exposures fall into this category.

In the notes, impairment losses on loans are classified as individual impairment losses in the mentioned income statement item even under a lump-sum calculation method.

As for the **non-performing exposures included in the trade receivables sector**, they were measured according to the following criteria.

Bad loans are individually evaluated, and the total amount of the impairment loss on each loan is equal to the difference between the carrying amount at measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the effective interest method at the moment in which the loan went bad. Expected cash flows are calculated taking into account expected recovery times based on historical elements and other significant characteristics, as well as the estimated realisable value of guarantees, if any.

Each subsequent change in the amount or maturities of expected cash flows causing a negative change from the initial estimates results in the recognition of an impairment loss in profit or loss.

If the quality of a non-performing exposure improves and there is reasonable certainty of a timely recovery of both principal and interest, in keeping with the relevant initial terms and conditions, the impairment loss is reversed through profit and loss to a value not higher than the amortised cost that would have been incurred if no impairment loss had been recognised.

Outstanding gross loans below 100 thousand Euro as well as those above 100 thousand Euro which went bad over 10 years prior to the reporting date are written down to zero.

Unlikely to pay loans amounting to more than 100 thousand Euro are evaluated individually; the write-down to each loan is equal to the difference between the amount recognised in the balance sheet at the time of recognition (amortised cost) and the current value of expected future cash flows, calculated using the original effective interest rate or, in case of indexed rates, the last contractually applied rate. If the individual evaluation does not indicate any impairment, they are collectively tested for impairment.

Unlikely to pay loans amounting to less than 100 thousand Euro are collectively tested for impairment.

Non-performing past due exposures, as defined by the Bank of Italy, are collectively tested for impairment. Such measurement applies to categories of loans with a homogeneous credit risk. The relevant losses are estimated as a percentage of the original loan amount by taking into account historical time series based on observable market data existing at the time of measurement and allowing to calculate the latent losses for each category.

Performing loans are collectively tested for impairment. Such measurement applies to categories of loans with a homogeneous credit risk. The relevant losses are estimated as a percentage of the original loan amount by taking into account historical time series based on observable market data existing at the time of measurement and allowing to calculate the latent losses for each category.

Impaired loans included in the DRL sector are recognised and assessed through the following steps:

1. at the time of purchase, receivables are recognised by allocating the portfolio's purchase price among the individual receivables it consists of through the following steps:

    - recognition of the individual receivables at a value equal to the contract price, which is used for the purposes of reporting to the Central Credit Register;
    - after verifying the documentation, if provided in the contract, the Bank returns the loans lacking documentation or beyond the statute of limitations to the seller, and measures the fair value of receivables which actually exist and can be collected; finally, after sending a notice of assignment to the debtor, the Bank can start taking action to collect the receivable;
2. once the collection process begins, receivables are measured at amortised cost using the effective interest rate method;
3. the effective interest rate is calculated on the basis of the price paid, the transaction costs, if any, and the estimated cash flows and collection time calculated using either a proprietary model (point 5), or analytical estimates made by managers;
4. the effective interest rate as set out in the previous point is unchanged over time;
5. The proprietary model estimates cash flows by projecting the "breakdown" of the nominal amount of the receivable "over time" based on the historical recovery profile for similar clusters. In addition, for the positions with funding characteristics, the Bank uses a "deterministic" model based on the measurement of the future instalments of the settlement plan, net of the historical default rate.
6. at the end of each reporting period, interest income accrued on the basis of the original effective interest rate is recognised under Interest Income. Said interest is calculated as follows: Amortised Cost at the beginning of the period x IRR/365 x days in the period;
7. in addition, at the end of each reporting period, the expected cash flows for each position are re-estimated;
8. should events occur (higher or lower revenues realised or expected compared to forecasts and/or a change in collection times) which cause a change in the amortised cost (calculated by discounting the new cash flows at the original effective rate compared to the amortised cost in the period), this change is also recognised under Interest Income;
9. in case of impairment events, the changes in the amortised cost (calculated by discounting the new cash flows at the original effective interest rate compared to the period's amortised cost) are recognised under item 130 Net impairment losses/reversals on receivables; if an impairment loss had already been recognised, reversals can be recognised up to the amount of said impairment loss, recognising the surplus under Interest Income.

Finally, **tax receivables** are classified under performing loans, since they are due from the Public Administration.

Derecognition criteria

A receivable is entirely derecognised when it is considered unrecoverable. Derecognitions are directly recorded under net impairment losses on receivables and are recognised as a reduction of the principal. Partial or complete reversals of previous impairment losses are recognised as a reduction of net impairment losses on receivables.

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

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

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

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

8 - Property, plant and equipment and investment property

Classification criteria

The item includes tangible assets used in operations and those held for investment. It also includes those acquired under finance leases.

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

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

Property, plant and equipment for functional use include:

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

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

This item also includes assets used as a lessee under lease contracts.

Financial leases are leases that essentially transfer all the risks and rewards deriving from ownership of an asset to the lessee.

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

Recognition criteria

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

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

Measurement criteria

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

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

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

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

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

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

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

The usually estimated useful lives are the following:

- buildings: not exceeding 34 years
- furniture: not exceeding 7 years.
- Electronic systems: not exceeding 3 years
- other: not exceeding 5 years.
- Improvements on third party property/leasehold improvements: not exceeding 5 years

Derecognition criteria

Property, plant and equipment and investment property are derecognised from the statement of financial position on disposal or when they are withdrawn from use and no future economic benefits are expected from their disposal.

9 - Intangible assets

Classification criteria

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

Recognition criteria

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

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

Measurement criteria

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

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

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

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

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

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

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

Derecognition criteria

An intangible asset is derecognised from the statement of financial position on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal.

11 – Current and deferred taxes

Classification criteria

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

Current tax liabilities are shown in the statement of financial position net of relative tax advances paid for the current period.

Deferred tax assets and liabilities are recognised in the statement of financial position at pre-closing balances and without set-offs, and are included in the items ‘tax assets’ and ‘tax liabilities’, respectively.

Recognition and measurement criteria

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

Deferred tax assets are entered in the statement of financial position according to the likelihood of their recovery, calculated on the basis of the company’s (or, due to tax consolidation, the parent company’s) ability to continue to generate positive taxable income.

Deferred tax liabilities are entered in the statement of financial position, with the sole exception of the tax-relieved major assets represented by strategic investments not expected to be sold and reserves, as it can be safely assumed that operations giving rise to their taxation will be avoided, based on the amount of already taxed available reserves.

12 – Provisions for risks and charges

These provisions consist of liabilities arising when:

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

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

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

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

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

13 – Payables and outstanding securities

Classification criteria

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

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

Recognition criteria

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

Measurement criteria

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

Compound debt instruments, connected to equity instruments, foreign currencies, credit instruments or indexes are all considered structured instruments. The embedded derivative is split from the host contract and accounted for separately if the criteria for splitting are met. The embedded derivative is recognised at its fair value and then measured. Any fair value changes are recognised in profit or loss.

The value corresponding to the difference between the total collected amount and the fair value of the embedded derivative is attributed to the host contract and then measured at amortised cost.

Instruments convertible into newly issued treasury shares are considered as structured instruments and imply the recognition, at the date of issue, of a financial liability and an equity component.

The instrument's residual value, resulting from the deduction from its overall value of the value separately calculated for a financial liability without conversion clause with the same cash flows, is attributed to the equity component.

The financial liability is recognised net of directly attributable transaction costs and later measured at amortised cost using the effective interest method.

Derecognition criteria

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

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

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

14 – Financial liabilities held for trading

Classification criteria

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

Recognition criteria

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

Measurement criteria

Also subsequent to initial recognition, financial liabilities held for trading are measured at fair value at the reporting date. The fair value is calculated based on the same criteria as those used for financial assets held for trading.

Derecognition criteria

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

16 – Foreign currency transactions

Initial recognition

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

Subsequent recognitions

At each reporting date, including interim periods, foreign currency monetary items are translated using the closing rate.

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

18 - Other information

Post-employment benefits

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

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

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

In particular:

- benefits earned as from 1 January 2007 constitute a defined-contribution plan, regardless of whether the employee has chosen to allocate them to a supplementary pension fund or to INPS's Treasury Fund. Those benefits shall be calculated according to contributions due without applying actuarial methods;

- benefits earned up to 31 December 2006 continue to be considered as a defined-benefit plan, and as such are calculated on an actuarial basis which, however, unlike the calculation method applied until 31 December 2006, no longer implies that the benefits be proportionally attributed to the period of service rendered: the employee's service is considered entirely accrued due to the change in the accounting nature of benefits earned as from 1 January 2007.

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

Share-based payments

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

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

As a general rule, IFRS 2 requires entities to recognise share-based payment transactions as personnel expenses, with a corresponding increase in equity; the cost is amortised on a straight-line basis over the vesting period.

Treasury shares

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

Recognition of costs and revenues

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

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

Dividends

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

Repurchase agreements

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

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

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

Amortised cost

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

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

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

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

A.4 – Fair value disclosure

Qualitative disclosure

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

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

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

Each financial asset or liability of the Bank is categorised in one of the above levels, and the relevant measurements may be recurring or non-recurring (see IFRS 13, paragraph 93, letter a).

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

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

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

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

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

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

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

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

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

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

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

The trade receivables portfolio measured at fair value consists of the on-balance-sheet exposures classified as performing with a residual life exceeding one year (medium-long term[1]). Therefore, all exposures classified as in Default, the ones with a residual life less than one year, and unsecured loans are excluded from the valuation.

For the purposes of measuring performing loans at fair value, given the absence of prices directly observable on active and liquid markets, entities shall use valuation techniques based on a theoretical model meeting the requirements of IASs/IFRSs (Level 3). The approach used to determine the fair value of receivables is the Discounted Cash Flow Model, i.e. the discounting of expected future cash flows at a risk free rate for the same maturity, increased by a spread representative of the counterparty's risk of default.

As for the Distressed Retail Loan portfolio, i.e. the portfolio of receivables generated by the NPL business area, which purchases and manages non-performing receivables mainly due from individuals, the Discounted Cash Flow Model is used to calculate fair value. In this case, the expected net cash flows are discounted at a risk free rate for the same maturity. Cash flows are discounted without considering a credit spread, since the credit risk of the individual counterparties is already incorporated in the statistical model used to estimate future cash flows with regard to collective management (non-

[1] For short-term receivables, the book value is considered representative of fair value.

judicial operations). Based on historical evidence concerning the recovery of positions in the Bank's portfolio, the model projects the relevant cash flows. As far as individual management (judicial operations) is concerned, the manager defines the projections of future cash flows for individual positions. The cash flows are net of expected collection costs, since these are required to achieve the estimated return. The Bank projected the average historical costs incurred over the last twelve months, calculated based on the party collecting the debt (external debt collection agencies, in-house agent network, attorneys, call centre): it estimates them at an average 13.5% of the amounts collected. As for purchased tax receivables, the Bank believes their amortised cost can be used as an approximation of fair value. The only element of uncertainty concerning these receivables due from tax authorities is the time required for collecting them; currently, there are no significant differences in the time it takes for the tax authorities to repay their debts. It should also be noted that Banca IFIS is one of the leading players in this operating segment, which makes it a price maker in the case of sales.

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

- risk free rates calculated, according to market practice, using money market rates for maturities less than one year, and swap rates for greater maturities;
- Banca IFIS’s credit spread, which, since there are no bond issuances to be used as a reference, was calculated using bond issuances of counterparties considered equivalent as a reference;
- financial statements and information from business plans.

A.4.2 Measurement processes and sensitivity

In compliance with IFRS 13, for fair value measurements categorised within level 3, the Group tests their sensitivity to changes in one or more unobservable inputs used in the fair value measurements. Specifically, a negligible amount of the Group's financial assets measured at fair value are categorised within level 3, except for DRL loans: in light of their specific nature, Banca IFIS adopted a "comparable" approach, i.e. it assumes it would sell them at market prices calculated on the basis of the average value of the transactions carried out over the last twelve months.

A.4.3. Fair value hierarchy

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

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

Equity securities classified as available for sale financial assets are transferred between levels when:

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

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

Quantitative information

A.4.5 - Fair value hierarchy

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

Financial assets/liabilities measured at fair value	31.12.2015			31.12.2014		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	-	-	259	-	-	
2. Financial assets at fair value	-	-	-	-	-	-
3. Available for sale financial assets	3.216.832	-	4.701	229.355	-	13.970
4. Hedging derivatives	-	-	-	-	-	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**3.216.832**	**-**	**4.960**	**229.355**	**-**	**13.970**
1. Financial liabilities held for trading	-	-	21	-	-	
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**-**	**21**	**-**	**-**	**-**

Key

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

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

	Financial assets held for trading	Financial assets at fair value	Available for sale financial assets	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance			**13.970**	-	**-**	**-**
2. Increases	**259**	**-**	**3**	**-**	**-**	**-**
2.1 Purchases	259	-	3	-	-	-
2.2 Profit taken to:	-	-	-	-	-	-
2.2.1 Income statement	-	-	-	-	-	-
-of which: capital gains	-	-	-	-	-	-
2.2.2 Equity	**X**	**X**	-	**X**	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-
3. Decreases	**-**	**-**	**9.272**	**-**	**-**	**-**
3.1 Sales	-	-	-	-	-	-
3.2 Redemptions	-	-	555	-	-	-
3.3 Losses taken to:	-	-	8.717	-	-	-
3.3.1 Income statement	-	-	*8.717*	-	-	-
- of which capital losses	-	-	8.717	-	-	-
3.3.2 Equity	**X**	**X**	-	**X**	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other reductions	-	-	-	-	-	-
4. Closing balance	**259**	-	**4.701**	-	**-**	**-**

Level 3 available for sale financial assets refer entirely to equity interests.

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
1. Opening balance	**-**	-	**-**
2. Increases	**21**	-	-
2.1 Issues	21	-	-
2.2 Losses taken to:	-	-	-
2.2.1 Income statement	-	-	-
-of which: capital losses	-	-	-
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**-**	-	**-**
3.1 Redemptions	-	-	-
3.2 Repurchases	-	-	-
3.3 Profit taken to:	-	-	-
3.3.1 Income statement	-	-	-
- of which capital gains	-	-	-
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other reductions	-	-	-
4. Closing balance	**21**	**-**	**-**

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2015				31.12.2014			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Held to maturity financial assets	-	-	-	-	4.827.363	4.961.033	-	-
2. Due from banks	95.352	-	-	95.352	274.858	-	-	274.858
3. Loans to customers	3.437.136	-	-	3.452.700	2.814.330	-	-	2.920.547
4. Property, plant and equipment held for investment	720	-	-	926	720	-	-	926
5. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**3.533.208**	**-**	**-**	**3.548.978**	**7.917.271**	**4.961.033**	**-**	**3.196.331**
1. Due to banks	662.985	-	-	662.985	2.258.967	-	-	2.258.967
2. Due to customers	5.487.476	-	-	5.491.311	5.483.474	-	-	5.484.413
3. Debt securities issued	-	-	-		-	-	-	-
4. Liabilities associated with non-current assets	-	-	-	-	-	-	-	-
Total	**6.150.461**	**-**	**-**	**6.154.296**	**7.742.441**	**-**	**-**	**7.743.380**

Key

BV= book value
L1= Level 1
L2= Level 2
L3= Level 3

Part B – Consolidated statement of financial position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31.12.2015	31.12.2014
a) Cash	34	24
b) On demand deposits at Central banks	-	-
Total	**34**	**24**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: breakdown by type

Type/Amounts	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securties	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	-
1.2 Others	-	-	-	-	-	-
2. Equity instruments	-	-	-	-	-	-
3. O.E.I.C. units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments						
1. Financial derivatives	-	-	259	-	-	-
1.1 For trading	-	-	259	-	-	-
1.2 Connected to the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 For trading	-	-	-	-	-	-
2.2 Connected to the fair value option	-	-	-	-	-	-
2.3 Others	-	-	-	-	-	-
Total B	**-**	**-**	**259**	**-**	**-**	**-**
Total (A+B)	**-**	**-**	**259**	**-**	**-**	**-**

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

Type/Amounts	31.12.2015	31.12.2014
A. Cash assets		
1. Debt securities	-	-
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity instruments	-	-
a) Banks	-	-
b) Other issuers	-	-
- insurance companies	-	-
- financial institutions	-	-
- non-financial companies	-	-
- others	-	-
3. O.E.I.C. units	-	-
4. Loans	-	-
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total A	-	-
B. Derivative instruments		
a) Banks		
- fair value	259	-
b) Customers	-	
- fair value	-	-
Total B	**259**	-
Total (A+B)	**259**	-

Section 4 - Available for sale financial assets – item 40

4.1 Available for sale financial assets: breakdown by type

Type/Amounts	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	3.216.832	-	-	229.355	-	513
1.1 Structured	-	-	-	-	-	513
1.2 Others	3.216.832	-	-	229.355	-	-
2. Equity instruments	-	-	4.701	-	-	13.457
2.1 At fair value	-	-	4.030	-	-	10.413
2.2 At cost	-	-	671	-	-	3.044
3. O.E.I.C. units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
Total	**3.216.832**	**-**	**4.701**	**229.355**	**-**	**13.970**

Level 1 “other debt securities” refer to Italian government bonds, either fixed-rate and very short-term bonds or floating-rate and medium-term ones.

These securities have been mainly used for short-/very short-term repurchase agreements with banks, on the MTS platform or on the Eurosystem.

The increase in debt securities was mainly attributable to the reclassification of the government bond portfolio from HTM to AFS following the rebalancing completed in April 2015: see the comments under significant events occurred during the year in the Directors' Report.

Level 3 equity instruments refer to non-controlling interests considered strategic for the Bank. During the year, the Bank recognised a total of 9,0 million Euro in impairment losses on these interests after testing them for impairment.

4.2 Available for sale financial assets: breakdown by debtor/issuer

Type/Amounts	31.12.2015	31.12.2014
1. Debt securities	**3.216.832**	**229.868**
a) Governments and Central banks	3.216.832	229.355
b) Other public entities	-	-
c) Banks	-	513
d) Other issuers	-	-
2. Equity instruments	**4.701**	**13.457**
a) Banks	4.022	9.798
b) Other issuers	679	3.659
- insurance companies	-	-
- financial institutions	672	3.087
- non-financial companies	7	572
- others	-	-
3. O.E.I.C. units	**-**	**-**
4. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**3.221.533**	**243.325**

Section 5 - Held to maturity financial assets – Item 50

5.1 Held to maturity financial assets: breakdown by type

Type/Amounts	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	-	-	-	-	4.827.363	4.961.033	-	-
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Others	-	-	-	-	4.827.363	4.961.033	-	-
2. Loans	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**4.827.363**	**4.961.033**	**-**	**-**

5.2 Held to maturity financial assets: breakdown by debtor/issuer

Type/Amounts	31.12.2015	31.12.2014
1. Debt securities	**-**	**4.827.363**
a) Governments and Central banks	-	4.827.363
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**-**	**4.827.363**
Total fair value	**-**	**4.961.033**

The portfolio of held to maturity financial assets, which totalled 4.827,4 million Euro at the end of 2014, amounted to zero due to the mentioned rebalancing of the government bond portfolio, which involved reclassifying all HTM assets to AFS. See the comments under significant events occurred during the year in the Directors' Report.

Section 6 – Due from banks – Item 60

6.1 Due from banks: breakdown by type

Type/Amounts	31.12.2015				31.12.2014			
	BV	FV Level 1	FV Level 2	FV Level 3	BV	FV Level 1	FV Level 2	FV Level 3
A. Due from Central banks	**14.446**			**14.446**	**18.516**			**18.516**
1. Restricted deposits	-	X	X	X	-	X	X	X
2. Legal reserve	14.446	X	X	X	18.516	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Others	-	X	X	X	-	X	X	X
B. Due from banks	**80.906**	-	-	**80.906**	**256.342**	-	-	**256.342**
1. Loans	75.896	-	-	75.896	245.317	-	-	245.317
1.1 Current accounts and on demand deposits	75.896	X	X	X	106.552	X	X	X
1.2 Restricted deposits	-	X	X	X	138.765	X	X	X
1.3 Other loans:	-	X	X	X	-	X	X	X
- Repurchase agreements	-	X	X	X	-	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Others	-	X	X	X	-	X	X	X
2. Debt securities	5.010	-	-	5.010	11.025	-	-	11.025
2.1 Structured	-	X	X	X	-	X	X	X
2.2 Others	5.010	X	X	X	11.025	X	X	X
Total	**95.352**			**95.352**	**274.858**	**-**	**-**	**274.858**

Key
FV= fair value
BV= book value

Other debt securities refer to bonds issued by banks which, given their characteristics, are classified under due from banks.

Lending financial resources to other credit institutions is not part of the Group's core business, and it is largely related to maintaining levels of liquidity exceeding period-end maturities.

The fair value of receivables due from banks is in line with the relevant book value, considering the fact that interbank deposits and debt securities are short- or very short-term indexed-rate instruments.

Section 7 – Due from customers – Item 70

7.1 Loans to customers: breakdown by type

Type/Amounts	31.12.2015						31.12.2014					
	Book value			Fair value			Book value			Fair value		
	Not impaired	Impaired		L1	L2	L3	Not impaired	Impaired		L1	L2	L3
		Purchased	Others					Purchased	Others			
Loans	2.954.090	354.331	128.715	**-**	**-**	**3.452.700**	**2.566.242**	**135.460**	**112.628**	**-**	**-**	**2.920.547**
1. Current accounts	94.456	8.298	16.100	X	X	X	85.079	7.873	19.938	X	X	X
2. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
3. Loans/mortgages	6.903	2.993	-	X	X	X	-	2.896	287	X	X	X
4. Credit cards, personal loans and salary-backed loans	-	162.495	-	X	X	X	-	42.374	-	X	X	X
5. Finance leases	5	833	-	X	X	X	-	218	-	X	X	X
6. Factoring	2.532.819	-	102.389	X	X	X	2.181.631	-	79.640	X	X	X
7. Other loans	319.907	179.712	10.226	X	X	X	299.532	82.099	12.763	X	X	X
Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
8 Structured	-	-	-	X	X	X	-	-	-	X	X	X
9 Others	-	-	-	X	X	X	-	-	-	X	X	X
Total	**2.954.090**	**354.331**	**128.715**	**-**	**-**	**3.452.700**	**2.566.242**	**135.460**	**112.628**	**-**	**-**	**2.920.547**

Purchased non-performing exposures mainly refer to the distressed retail loans of the DRL sector, whose business is by nature closely associated with recovering impaired assets. Therefore, loans in the DRL sector are recognised under bad loans or unlikely to pay. In particular, those loans maintain the same classification as that assigned by the invoice seller, provided the latter is subject to the same law as Banca IFIS: otherwise, if the Bank has not ascertained the debtor's state of insolvency, those loans are classified as unlikely to pay.

Performing loans classified under “Other transactions” refer to tax receivables (130,7 million Euro) and the margin lending related to repurchase agreements on government bonds on the MTS platform (103,6 million Euro).

7.2 Loans to customers: breakdown by debtor/issuer

Type/Amounts	31.12.2015			31.12.2014		
	Not impaired	Impaired		Not impaired	Impaired	
		Purchased	Others		Purchased	Others
1. Debt securities:	**-**	**-**	**-**	**-**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-
- non-financial companies	-	-	-	-	-	-
- financial institutions	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- others	-	-	-	-	-	-
2. Loans to:	**2.954.090**	**354.331**	**128.715**	**2.566.242**	**135.460**	**112.628**
a) Governments	104.088	-	1.041	82.851	-	684
b) Other public entities	895.162	1	6.580	652.731	-	11.253
c) Other issuers	1.954.840	354.330	121.094	1.830.660	135.460	100.691
- non-financial companies	1.824.749	16.747	108.357	1.715.259	12.052	82.216
- financial institutions	114.927	95	6.666	111.210	19	9.058
- insurance companies	-	-	-	1	-	-
- others	15.164	337.488	6.071	4.190	123.389	9.417
Total	**2.954.090**	**354.331**	**128.715**	**2.566.242**	**135.460**	**112.628**

Section 12 - Property, plant and equipment and investment property – Item 120

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

Assets/amounts	31.12.2015	31.12.2014
1. Owned	**47.523**	**45.876**
a) Land	6.738	6.738
b) Buildings	37.899	36.523
c) Furnishings	641	636
d) Electronic systems	1.480	1.246
e) Others	765	733
2. Acquired under finance leases	**3.920**	**4.086**
a) Land	-	-
b) Buildings	3.862	4.006
c) Furnishings	-	-
d) Electronic systems	-	-
e) Others	58	80
Total	**51.443**	**49.962**

The buildings and land recognised under property, plant and equipment for functional use at the end of the year mainly include: the important historical building Villa Marocco, located in Mestre (Venice) and housing Banca IFIS's registered office, and the property in Mestre (Venice), where some of the Bank's services were relocated.

Since these are luxury properties, they are not amortised, but are tested for impairment at least annually. To this end, they are appraised by experts specialising in luxury properties. The appraisal for the year 2015 did not result in an impairment.

There are also two buildings in Florence: the first, worth 3,9 million Euro, was acquired under a finance lease and is the current head office of the NPL business area; the second, measured at 11,6 million Euro—including the restructuring costs incurred to date—will become the new head office of said area.

12.2 Investment property: breakdown of assets measured at cost

Assets/amounts	31.12.2015				31.12.2014			
	Book Value	Fair value			Book Value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned	**720**	**-**	**-**	**926**	**720**	**-**	**-**	**926**
a) Land	-				-			
b) Buildings	720			926	720			926
2. Acquired under finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Land	-				-			
b) Buildings	-				-			
Total	**720**	**-**	**-**	**926**	**720**	**-**	**-**	**926**

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

	Land	Buildings	Furni-shings	Electronic systems	Others	Total 31.12.2015
A. Gross opening balances	**6.738**	**42.382**	**4.547**	**5.353**	**1.974**	**60.994**
A.1 Total impairment losses	-	(1.853)	(3.911)	(4.107)	(1.161)	**(11.032)**
A.2 Net opening balance	**6.738**	**40.529**	**636**	**1.246**	**813**	**49.962**
B. Increases	**-**	**1.484**	**260**	**1.184**	**333**	**3.261**
B.1 Purchases	-	1.484	260	1.184	333	**3.261**
B.2 Capitalised improvement expenses	-	-	-	-	-	**-**
B.3 Reversals of impairment losses	-	-	-	-	-	**-**
B.4 Fair value gains taken to:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	-
b) Income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	**-**
B.6 Transfers from investment property	-	-	-	-	-	**-**
B.7 Other increases	-	-	-	-	-	**-**
C. Reductions	**-**	**(252)**	**(254)**	**(950)**	**(324)**	**(1.780)**
C.1 Sales	-	-	-	(1)	(108)	**(109)**
C.2 Depreciation	-	(252)	(254)	(949)	(196)	**(1.651)**
C.3 Impairment losses taken to:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	**-**
b) Income statement	-	-	-	-	-	**-**
C.4 Fair value losses taken to:	-	-	-	-	-	-
a) Equity	-	-	-	-	-	**-**
b) Income statement	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Transfers to	-	-	-	-	-	-
a) Investment property	-	-	-	-	-	**-**
b) Assets under disposal	-	-	-	-	-	**-**
C.7 Other reductions	-	-	-	-	(20)	**(20)**
D. Net closing balance	**6.738**	**41.761**	**642**	**1.480**	**822**	**51.443**
D.1 Total net impairment losses	-	2.105	4.160	5.013	1.139	12.417
D.2 Gross closing balances	**6.738**	**43.866**	**4.802**	**6.493**	**1.961**	**63.860**
E. Measurement at cost	-	-	-	-	-	-

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

As for buildings, purchases refer mainly to the costs for restructuring the property in Florence that will house the new headquarters of the NPL business area.

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

12.6 Investment property: annual changes

	31.12.2015	
	Land	Buildings
A. Gross opening balance	**-**	**720**
B. Increases	**-**	**-**
B.1 Purchases	-	-
B.2 Capitalised improvement expenses	-	-
B.3 Fair value gains:	-	-
B.4 Reversals of impairment losses	-	-
B.5 Exchange gains	-	-
B.6 Transfers from property for functional use	-	-
B.7 Other increases	-	-
C. Reductions	**-**	**-**
C.1 Sales	-	-
C.2 Depreciation	-	-
C.3 Fair value losses	-	-
C.4 Impairment losses	-	-
C.5 Exchange losses	-	-
C.6 Transfers to other asset portfolios:	-	-
a) Assets for functional use	-	-
b) Non-current assets under disposal	-	-
C.7 Other reductions	-	-
D. Closing balance	**-**	**720**
E. Measurement at fair value	-	-

Buildings held for investment purposes are measured at cost and refer to leased property. This property is not amortised as it is destined for sale.

Section 13 – Intangible assets – Item 130

13.1 Intangible assets: breakdown by asset type

Assets/amounts	31.12.2015		31.12.2014	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill:	X	**820**	X	**819**
A.1.1 Attributable to owners of the parent company	X	820	X	819
A.1.2 Non-controlling interests	X	-	X	-
A.2 Other intangible assets	**6.350**	**-**	**5.737**	**-**
A.2.1 Assets measured at cost:	6.350	-	5.737	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	6.350	-	5.737	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**6.350**	**820**	**5.737**	**819**

Goodwill, amounting to 820 thousand Euro, arises from the line-by-line consolidation of the Polish subsidiary IFIS Finance Sp. Z o. o..

The above-mentioned goodwill was tested for impairment in accordance with IAS 36 (Impairment Test). To do so, goodwill was allocated to the cash-generating unit corresponding to the whole company IFIS Finance, as it represents an autonomous business segment which cannot be further broken down. The test was carried out by applying the value in use method based on the projection of expected cash flows for an explicit period of 5 years. Expected cash flows were discounted based on the company's estimated cost of capital calculated using the Capital Asset Pricing Model. Expected cash flows were estimated based on the most recently approved business plan and financial projections based on the subsidiary's average growth trends. The terminal value was calculated assuming that the last net cash flow in the explicit planning period is replicable. The impairment test did not reveal any impairment losses to be recognised in profit or loss.

Finally, goodwill underwent a sensitivity analysis based on the cost of capital, using a fluctuation range equal to 5%; the test carried out with the control method confirmed the reliability of the reported amount.

The change in the value of goodwill compared to the previous year is attributable to the impact of changes in year-end exchange rates.

Other intangible assets at 31 December 2015 refer exclusively to software purchase and development, amortised on a straight-line basis over the estimated useful life, which is 5 years from deployment.

13.2 Intangible assets: annual changes

	Goodwill	Other internally generated intangible assets		Other intangible assets		Total 31.12.2015
		Finite	Indef.	Finite	Indef.	
A. Opening balance	**819**	-	-	**5.737**	-	6.556
A.1 Total impairment losses	-	-	-	-	-	-
A.2 Net opening balance	**819**	-	-	**5.737**	-	6.556
B. Increases	**1**	-	-	**2.709**	-	**2.710**
B.1 Purchases	-	-	-	2.709	-	2.709
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Reversals of impairment losses	X	-	-	-	-	-
B.4 Fair value gains:		-	-	-	-	-
- Equity	X	-	-	-	-	-
- Income statement	X	-	-	-	-	-
B.5 Exchange gains	1	-	-	-	-	1
B.6 Other increases	-	-	-	-	-	-
C. Reductions	**-**	-	-	**(2.096)**	-	**(2.096)**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses and amortisation:	-	-	-	(2.096)	-	(2.096)
- Amortisation	X	-	-	(2.096)	-	(2.096)
- Impairment losses	-	-	-	-	-	-
+ Equity	X	-	-	-	-	-
+ Income statement	-	-	-	-	-	-
C.3 Fair value losses		-	-	-	-	-
- Equity	X	-	-	-	-	-
- Income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets under disposal	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other reductions	-	-	-	-	-	-
D. Net closing balance	**820**	-	-	**6.350**	-	**7.170**
D.1 Total net amortisation, impairment losses and reversals of impairment losses	-	-	-	-	-	-
E. Gross closing balance	**820**	-	-	**6.350**	-	**7.170**
F. Measurement at cost	-	-	-	-	-	-

Key
Def: definite useful life
Indef: indefinite useful life

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

Section 14 – Tax assets and liabilities – Item 140 of assets and 80 of liabilities

14.1 Deferred tax assets: breakdown

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

Deferred tax assets	31.12.2015	31.12.2014
Loans to customers	38.058	36.482
Others	1.364	1.860
Total	**39.422**	**38.342**

Deferred tax assets, amounting to 39,4 million Euro at 31 December 2015, refer for 38,0 million Euro to impairment losses on receivables that can be deducted in the following years.

14.2 Deferred tax liabilities: breakdown

The main types of deferred tax liabilities are shown below.

Deferred tax liabilities	31.12.2015	31.12.2014
Loans to customers	15.257	11.106
Available for sale securities	5.770	2.837
Property, plant and equipment and investment property	309	325
Others	60	-
Total	**21.396**	**14.268**

Deferred tax liabilities, amounting to 21,4 million Euro at 31 December 2015, refer for 5,7 million Euro to the measurement of the tax receivables of the former subsidiary Fast Finance S.p.A., which was carried out at the time of the business combination, and for 5,8 million Euro to taxes on the valuation reserve for AFS securities held in the portfolio.

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

	31.12.2015	31.12.2014
1. Opening balance	**38.342**	**33.955**
2. Increases	**2.256**	**8.780**
2.1 Deferred tax assets recognised in the current year	2.256	8.713
a) relative to previous years	-	-
b) due to the change in accounting standards	-	-
c) reversals of impairment losses	-	-
d) others	2.256	8.713
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	67
3. Decreases	**1.239**	**4.393**
3.1 Deferred tax assets reversed during the year	782	4.393
a) reversals	782	4.393
b) impairment losses due to unrecoverability	-	-
c) due to change in accounting standard	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other reductions	457	-
a) transformation into tax credits as per L. 214/2011	-	-
b) others	457	-
4. Closing balance	**39.359**	**38.342**

The increase in deferred tax assets recognised through profit or loss compared to 31 December 2014 mainly refers to impairment losses on receivables which can be deducted in the next years.

14.4 Changes in deferred tax liabilities (recognised through profit or loss)

	31.12.2015	31.12.2014
1. Opening balance	**11.432**	**8.633**
2. Increases	**4.574**	**3.454**
2.1 Deferred tax liabilities recognised in the year	4.574	16
a) relative to previous years	-	-
b) due to the change in accounting standards	-	-
c) others	4.574	16
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	3.438
3. Decreases	**363**	**655**
3.1 Deferred tax liabilities reversed during the year	16	52
a) reversals	16	52
b) due to the change in accounting standards	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other reductions	347	603
4**. Closing balance**	**15.643**	**11.432**

14.5 Changes in deferred tax assets (recognised through equity)

	31.12.2015	31.12.2014
1. Opening balance	**-**	**27**
2. Increases	**63**	**-**
2.1 Deferred tax assets recognised in the year	63	-
a) relative to previous years	-	-
b) due to the change in accounting standards	-	-
c) others	63	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**27**
3.1 Deferred tax assets reversed during the year	-	27
a) reversals	-	27
b) impairment losses due to unrecoverability	-	-
c) due to change in accounting standards	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other reductions	-	-
4. Closing balance	**63**	**-**

14.6 Changes in deferred tax liabilities (recognised through equity)

	31.12.2015	31.12.2014
1. Opening balance	**2.836**	**7.707**
2. Increases	**2.948**	**-**
2.1 Deferred tax liabilities recognised in the year	2.948	-
a) relative to previous years	-	-
b) due to the change in accounting standards	-	-
c) others	2.948	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**31**	**4.871**
3.1 Deferred tax liabilities reversed during the year	15	4.871
a) reversals	15	4.871
b) due to the change in accounting standards	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other reductions	16	-
4. Closing balance	**5.753**	**2.836**

The increase in deferred tax liabilities recognised through equity compared to 31 December 2014 mainly refers to the latent gain related to the fair value measurement of the portfolio of available for sale financial assets.

Section 16 - Other assets - Item 160

16.1 Other assets: breakdown

	31.12.2015	31.12.2014
Prepayments and accrued income	19.875	8.982
Tax receivables	18.055	13.952
Guarantee deposits	7.886	7.624
Receivables from securitisation transactions	301	553
Other items	36.219	20.731
Total	**82.336**	**51.842**

Tax receivables refer for 9,3 million Euro to payments on account for the virtual stamp duty and for 8,8 million Euro to payments on account for withholding taxes on interest paid to customers, specifically on the rendimax savings account.

Prepayments and accrued income included 14,5 million Euro in prepayments related to the DRL segment's debt collection costs, 3,1 million Euro in interest on arrears due from the Public Administration, and 1,3 million Euro in prepaid interests in favour of customers with a fixed-term rendimax account.

Security deposits at 31 December 2014 refer for 7,3 million Euro to an escrow account held with the Italian Revenue Agency concerning a pending appeal in an outstanding tax dispute (as described in section 12 under liabilities, Provisions for risks and charges). The Bank voluntarily set up said account to allow the Fast Finance Business Area to collect tax receivables as usual; the Bank can simply request for it to be returned.

Other items included the 25,5 million Euro receivable due from one of the two buyers of the sales completed at the end of 2014. The amount corresponds to the consideration for the sale.

LIABILITIES

Section 1 – Due to banks - Item 10

1.1 Due to banks: breakdown by type

Type of operations/Components of group	31.12.2015	31.12.2014
1. Due to Central banks	**119.792**	**2.226.872**
2. Due to banks	**543.193**	**32.095**
2.1 Current accounts and on demand deposits	25.241	95
2.2 Term deposits	133.727	32.000
2.3 Loans	384.225	-
2.3.1 Repurchase agreements	384.225	-
2.3.2 Others	-	-
2.4 Debt from buyback commitments on treasury equity instruments	-	-
2.5 Other payables	-	-
Total	**662.985**	**2.258.967**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	662.985	2.258.967
Total fair value	**662.985**	**2.258.967**

Payables due to central banks refer to refinancing operations with the Eurosystem carried out using the debt securities held.

The significant decrease in Payables due to banks compared to the end of the previous year was due to the fact that the Bank carried out less refinancing operations on the Eurosystem, rather using the MTS platform and dealing with Cassa di Compensazione e Garanzia as counterparty. The Bank turns to the ECB or the MTS platform exclusively based on which is more convenient in light of interest rate trends.

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

Section 2 – Due to customers – Item 20

2.1 Due to customers: breakdown by type

Type of operations/Components of group	31.12.2015	31.12.2014
1. Current accounts and on demand deposits	748.487	655.809
2. Term deposits	2.447.604	2.733.194
3. Loans	2.282.967	2.087.009
3.1 Repurchase agreements	2.278.983	2.082.854
3.2 Others	3.984	4.155
4. Debt from buyback commitments on treasury equity instruments	-	-
5. Other payables	8.418	7.462
Total	**5.487.476**	**5.483.474**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	5.491.311	5.484.413
Total fair value	**5.491.311**	**5.484.413**

Current accounts and on demand deposits at 31 December 2015 included funding from the on demand rendimax savings account and the contomax online current account, amounting to 647,2 million and 18,4 million Euro, respectively; term deposits included 2.447,6 million Euro in funding from the fixed-term rendimax and contomax accounts.

Repurchase agreements were entered into with Cassa di Compensazione e Garanzia as counterparty and government bonds as the underlying assets.

It should be noted that the Group does not carry out "term structured repo" transactions.

Other loans refer mainly to payables for finance leases; they are recognised by using the financial method set out in IAS 17 to measure the leased property housing the NPL area (DRL sector), as detailed in paragraph 2.5 below.

Other payables refer to payables to sellers of tax or non-performing receivables portfolios with deferred price settlement.

2.5 Payables for finance leases

	31.12.2015	31.12.2014
Payables for finance leases	3.984	4.155

The payables described above relate for 3,9 million Euro to the real estate lease the former company Toscana Finanza SpA entered into in 2009 for the property located in Florence, which housed the company's registered office and is now the headquarters of the NPL area. The term of the lease entered into with Centro Leasing S.p.A. is 18 years (from 01.03.2009 to 01.03.2027) and provides for the payment of 216 monthly instalments of 28.490 Euro, including the principal, interest and an option to buy the asset at the end of the lease for 1.876.800 Euro.

Please see part E, letter D of these Notes for details on the assignment of the lease agreement dated 13 May 2014 and why the Bank did not derecognise the relevant liability.

The rest of payables for finance leases refer to the purchase of motor vehicles by the subsidiary IFIS Finance.

Section 4 – Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by type

Type of operation/ Components of group	31.12.2015					31.12.2014				
	NV	FV			FV *	NV	FV			FV *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Others	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-		-	-	-	-	
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	-	-	-	**21**	-	-	-	-	-	-
1.1 Held for trading	X	-	-	21	X	X	-	-	-	X
1.2 Related to fv option	X	-	-	-	X	X	-	-	-	X
1.3 Others	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives		-	-	-			-	-	-	
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to fv option	X	-	-	-	X	X	-	-	-	X
2.3 Others	X	-	-	-	X	X	-	-	-	X
Total B		-	-	**21**	-		-	-	-	-
Total (A+B)	X	-	-	**21**	X	X	-	-	-	X

Key
FV= fair value
FV* = Fair value calculated excluding changes in value due to changes in the issuer's creditworthiness compared to the date of issuance.
NV = Nominal or notional value
L1= Level 1
L2= Level 2
L3= Level 3

Section 8 – Tax liabilities – Item 80

See section 14 under assets.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

	31.12.2015	31.12.2014
Due to suppliers	12.334	10.197
Sums available to customers	9.077	8.931
Due to personnel	5.088	4.579
Due to the Tax Office and Social Security agencies	4.902	4.090
Accrued expenses and deferred income	4.665	1.811
Other payables	168.532	81.451
Total	**204.598**	**111.059**

Payables due to personnel include the bonuses for the Top Management, including those for the previous years, subject to deferred payment, as well as payables for unused annual leave.

Other payables include 116,2 million Euro in amounts due to customers that have not yet been credited; 2,9 million Euro in illiquid items to be credited to customers for banker's drafts that have not reached their value date; 20,7 million Euro due to one of the buyers of the sales of DRL receivables completed at the end of 2015; 25,0 million Euro due to the parent company La Scogliera S.p.A. deriving from the tax consolidation regime.

Section 11 - Post-employment benefits - item 110

11.1 Post-employment benefits: annual changes

	31.12.2015	31.12.2014
A. Opening balance	**1.618**	**1.482**
B. Increases	**20**	**206**
B.1 Allocations for the year	20	20
B.2 Other increases	-	186
C. Reductions	**185**	**70**
C.1 Payments made	150	68
C.2 Other reductions	35	2
D. Closing balance	**1.453**	**1.618**
Total	**1.453**	**1.618**

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

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

Pursuant to the requirements of the ESMA in the document "European common enforcement priorities for 2012 financial statements" of 12 November 2012, the discount rate used was the interest rate based on the market yield of a benchmark of AA-rated European corporate bonds with maturity over

10 years. The same interest rate was used for the purposes of discounting the obligations at 31 December 2014.

11.2 Other information

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

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

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

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

In particular:

- benefits earned as from 1 January 2007 constitute a defined-contribution plan, regardless of whether the employee has chosen to allocate them to a supplementary pension fund or to INPS's Treasury Fund. Those benefits shall be calculated according to contributions due without applying actuarial methods;

- benefits earned up to 31 December 2006 continue to be considered as a defined-benefit plan, and as such are calculated on an actuarial basis which, however, unlike the calculation method applied until 31 December 2006, no longer implies that the benefits be proportionally attributed to the period of service rendered: the employee's service is considered entirely accrued due to the change in the accounting nature of benefits earned as from 1 January 2007.

Section 12 – Provision for risks and charges - item 120

12.1 Provisions for risks and charges: breakdown

Items/Components	31.12.2015	31.12.2014
1 Pensions and other post retirement benefit obligations	-	-
2. Other provisions for risks and charges	2.171	1.988
2.1 Legal disputes	1.513	1.527
2.2 Staff expenses	-	-
2.3 Other	658	461
Total	**2.171**	**1.988**

12.2 Provisions for risks and charges: annual changes

Items/Components	31.12.2015	
	Pensions and post retirement benefit obligations	Other provisions
A. Opening balance	**-**	**1.988**
B. Increases	**-**	**929**
B.1 Provisions for the year	-	929
B.2 Changes due to the passage of time	-	-
B.3 Differences due to discount-rate changes	-	-
B 4 Other increases	-	-
C. Decreases	**-**	**746**
C.1 Use during the year	-	45
C.2 Differences due to discount-rate changes	-	-
C.3 Other decreases	-	701
D. Closing balance	**-**	**2.171**

12.4 Provisions for risks and charges – Other provisions

Legal disputes

The provision outstanding at 31 December 2015, amounting to 1,5 million Euro, refers to:

- eleven disputes concerning the Trade Receivables segment, for which the Bank set aside 1,5 million Euro—of which 788 thousand Euro during 2014. The plaintiffs seek 4,1 million Euro in damages;
- seven disputes concerning the DRL segment totalling 33 thousand Euro, which were partially set aside during the year.

Overall, the Bank recognises contingent liabilities amounting to 4,5 million Euro in claims, represented by 11 disputes: 9 refer to disputes concerning the Trade Receivables segment, for a total of 4,5 million Euro. The Bank, supported by the legal opinion of its lawyers, made no provisions for these positions, as the risk of defeat is considered possible.

Other (provision for the share of the Interbank Deposit Protection Fund's intervention)

Italy's Interbank Deposit Protection Fund (FITD, *Fondo Interbancario di Tutela dei Depositi*), of which Banca IFIS is a member, approved in a letter dated 16 September 2014 another rescue loan (in addition to the measures announced on 9 January 2014 and 17 July 2014) to Banca Tercas, in Extraordinary Administration. The relevant potential obligation for Banca IFIS amounts to 461 thousand Euro. There-fore, in 2014 Banca IFIS allocated said amount to the provisions for risks and charges.

Other (tax proceedings)

Following a tax check for the fiscal year 2005, on 25 July 2008 the Italian Revenue Agency issued a report of verification, in which the Office alleged a tax avoidance scheme as set out in article 37-bis of Italian Presidential Decree 600/1973. This concerned the impairment loss on the equity investment in Immobiliare Marocco S.p.A. recognised in 2003, which was deducted in fifths over the following accounting periods as per articles 61 and 66 of the Consolidated Law on Income Tax in force at the time.

In addition, the tax officials also challenged the calculation of the limits for the deductibility of bad debt and impairment losses (pursuant to art. 106, para, 3, of the Consolidated Law on Income Tax), but they did not consider that the Bank would have deducted the amount assessed as taxable on a straight-line basis over the 18 following accounting periods, as required by art. 110, para. 8 of the Consolidated Law on Income Tax.

Based on the first alleged tax avoidance scheme, for the fiscal year 2004, the Italian Revenue Agency issued a verification notice assessing a higher corporate income tax liability of 276 thousand Euro, plus interest and penalties. The Bank received this notice on 3 December 2009 and challenged it before Venice's Provincial Tax Commission, which rejected the appeal. Subsequently, the Bank filed another appeal. On 18 October 2012, the Tax Commission of the Veneto Region upheld the appeal, dismissing the findings of the verification notice and ordering the Office to reimburse the court costs.
The Revenue Agency filed an appeal with the Court of Cassation. The Bank filed a counter-appeal, confident that the second-instance ruling will be upheld, since the Office's claims are baseless. At 31 December 2015, the date for the hearing had yet to be settled.

As for the fiscal year 2005, on 22 August 2012, even though the statute of limitations for assessing income taxes had expired, the Bank received a verification notice in which the Office claimed that the following items were assessed as taxable:

- the amount related to the mentioned write-down of the equity investment in Immobiliare Marocco S.p.A., totalling 837 thousand Euro, with a higher tax liability of 276 thousand Euro, plus interest and penalties.
- the amount related to the recalculation of the limits for the deductibility of bad debt losses, totalling 1,4 million Euro, with a higher tax liability of 478 thousand Euro, plus interest and penalties;
- the capital losses and the so-called “manufactured dividends”, as they arose—in the Office's opinion—from tax avoidance schemes, totalling 6,3 million Euro, with a higher tax liability of 2,1 million Euro, plus interest and penalties.

Thus, the Revenue Agency assessed an additional 8,6 million Euro in income as taxable, resulting in a higher tax liability of 2,8 million Euro, plus interest and penalties.
However, such assessment lacks legitimacy. Besides the fact that the Office's claims are baseless, it is clear that the statute of limitations for the income tax assessment had expired pursuant to art. 43 of Italian Presidential Decree 600/1973.
As there is no reason for doubling the statute of limitations (which is possible only for criminal offences), the notice shall be considered null and void.

In light of these considerations, as well as the 18 October 2012 ruling of the Tax Commission of the Veneto Region (which dismissed the findings of the verification notice for the year 2004, including the alleged non-deductibility of the write-down of the equity investment in Immobiliare Marocco S.p.A.), the Bank applied for composition proceedings.
However, the Revenue Agency rejected the application, and therefore the Bank had to file an appeal with Venice's Provincial Tax Commission. This was filed on 11 February 2013.
After a series of delays, the hearing has been scheduled for 18 March 2016.

The tax advisers handling the mentioned disputes (referring to the fiscal years 2004 and 2005) believe the Bank's case is strong, and deem that the risk of defeat is possible. Therefore, in accordance with IAS 37, the Bank did not make any provisions for the tax proceedings concerned.

Section 15 – Equity attributable to owners of the parent company – Items 140, 160, 170, 180, 190, 200 and 220

15.1 Share capital and treasury shares: breakdown

Voce		31.12.2015	31.12.2014
190	Share capital (in thousands of Euro)	53.811	53.811
	Number of ordinary shares	53.811.095	53.811.095
	Nominal amount of ordinary shares	1 euro	1 euro
200	Treasury shares (in thousands of Euro)	5.805	6.715
	Number of treasury shares	739.446	887.165

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

Items/Components	Ordinaries	Others
A. Shares held at the beginning of the year	**53.811.095**	-
- fully paid-up	53.811.095	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	887.165	-
A.2 Outstanding shares: opening balance	**52.923.930**	-
B. Increases	**147.719**	-
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- Other	-	-
- free:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- Other	-	-
B.2 Sale of treasury shares	147.719	-
B.3 Other increases	-	-
C. Reductions	**-**	-
C.1 Annulments	-	-
C.2 Buybacks of treasury shares	-	-
C.3 Company sell-offs	-	-
C.4 Other reductions	-	-
D. Outstanding shares: closing balance	**53.071.649**	-
D.1 Treasury shares (+)	739.446	-
D.2 Shares held at the end of the year	53.811.095	-
- fully paid-up	53.811.095	-
- not fully paid-up	-	-

15.3 Share capital: other information

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

15.4 Profit reserves: other information

Voci/Componenti	31.12.2015	31.12.2014
Legal reserve	10.762	10.762
Extraordinary reserve	237.553	178.175
Other reserves	8.463	6.984
Total income-related reserves	**256.778**	**195.921**
Buyback reserve	5.805	6.715
Future buyback reserve	34.195	33.285
Other reserves	2.078	1.953
Total item 170 reserves	**298.856**	**237.874**

Pursuant to art. 1, paragraph 145 of the 2014 Budget law (Law no. 147 of 27 December 2013), the Bank realigned the difference between the tax base and carrying amount of property, plant and equipment recognised at 31 December 2012 and still held at 31 December 2013.

The amount corresponding to the higher values following the realignment, net of the substitute tax, generated a 7,4 million Euro untaxed reserve.

Other information

1. Commitments and guarantees granted

Transactions	31.12.2015	31.12.2014
1) Financial guarantees	**131.293**	**76.078**
a) Banks	-	10.594
b) Customers	131.293	65.484
2) Commercial guarantees	**-**	**-**
a) Banks	-	-
b) Customers	-	-
3) Irrevocable commitment to grant funds	**65.855**	**40.003**
a) Banks	**3.674**	**3.295**
i) Certain use	3.674	3.295
ii) Uncertain use	-	-
b) Customers	**62.181**	**36.708**
i) Certain use	13.766	-
ii) Uncertain use	48.415	36.708
4) Commitments underlying credit derivatives: Sale of protection	**-**	**-**
5) Assets used as collateral by third parties	**-**	**-**
6) Other commitments	**91.296**	**93.463**
Total	**288.444**	**209.544**

Financial guarantees granted to banks outstanding at 31 December 2014 referred to the commitment towards Italy's Interbank Deposit Protection Fund (FITD). Following the changes introduced during 2015 to the FITD funding mechanism, Banca IFIS does no longer recognise the commitment, as commented under significant events occurred during the year in the Directors' Report

Financial guarantees granted to customers essentially refer to guarantees granted in favour of invoice sellers for collected tax receivables.

Other commitments refer to unused bank overdraft facilities on customers' current accounts.

Part C – Consolidated income statement

Section 1 – Interest - Items 10 and 20

1.1 Interest receivable and similar income: breakdown

	Composition	Debt securities	Loans	Other assets	31.12.2015	31.12.2014
1	Financial assets held for trading	-	-	-	-	
2	Financial assets at fair value	-	-	-	-	
3	Available for sale financial assets	43.991	-	-	43.991	28.090
4	Financial assets held to maturity	22.110	-	-	22.110	119.873
5	Due from banks	2	101	341	444	4.082
6	Loans to customers (1)	-	83.579	99.971	183.550	162.885
7	Hedging derivatives	X	X	-	-	-
8	Other assets	X	X	115	115	8
	Total	**66.103**	**83.680**	**100.427**	**250.210**	**314.938**

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2.

The decline from 2014 was essentially attributable to the lower interest income from the debt securities in the Bank's portfolio, largely as a result of the rebalancing completed in April 2015 and commented under significant events occurred during the year in the Directors' Report.

The sub-item Loans to customers, Other assets, includes 26,7 million Euro in interest on arrears due from the Public Administration recognised by the Pharma business area. Currently, the Bank conservatively recognises the interest for late payments below the nominal rate of interest on arrears. It is reviewing this accounting method in accordance with the reference legal framework to better represent the actual profitability of the Pharma business area.

Please note that at 31 December 2015, interests on arrears accrued on amounts due from the Public Administration, calculated from the invoice's original maturity, relate to receivables already settled (43,1 million Euro) and outstanding receivables (52,0 million Euro).

The sub-item Loans to customers, Other assets, includes 3,3 million Euro in positive interest expense classified under interest income, reflecting the impact of reduced interest rates on funding costs; in addition, it includes the 8,5 million Euro negative impact of the update to the cash flow simulation model for the DRL segment's receivables.

1.3 Interest receivable and similar income: other information

1.3.1 Interest income on foreign currency financial assets

	31.12.2015	31.12.2014
Interest income on financial assets in currency	1.305	1.147

1.4 Interest due and similar expenses: breakdown

	Composition	Debt	Loans	Other assets	31.12.2015	31.12.2014
1	Due to Central banks	-	X	(303)	(303)	(3.277)
2	Due to banks	(325)	X	-	(325)	(156)
3	Due to customers	(40.928)	X	(8)	(40.936)	(89.597)
4	Outstanding securities	X	-	-	-	-
5	Financial liabilities held for trading	-	-	-	-	-
6	Financial liabilities at fair value	-	-	-	-	-
7	Other liabilities and provisions	X	X	(20)	(20)	(168)
8	Hedging derivatives	X	X	-	-	(65)
	Total	**(41.253)**	**-**	**(331)**	**(41.584)**	**(93.263)**

At 31 December 2015, Interest expense on payables due to customers classified under "debts" referred to the rendimax savings account for 39,8 million Euro, compared with 83,0 million Euro at 31 December 2014, as interest rates gradually declined throughout the year, continuing the trend that started in 2014. This trend is expected to accelerate slightly because of the recent introduction of new 3-, 4- and 5-year maturities.

1.5 Interest due and similar expenses: spreads on hedging transactions

Voci/Valori	31.12.2015	31.12.2014
A. Premium spreads on hedging transactions:	-	-
B. Discounts spreads on hedging transactions:	-	(65)
C. Balance (A-B)	-	**(65)**

1.6 Interest due and similar expenses: other information

1.6.1 Interest expense on foreign currency liabilities

	31.12.2015	31.12.2014
Interest expense on liabilities in currency	(183)	(125)

1.6.2 Interest expense on liabilities for financial leasing

	31.12.2015	31.12.2014
Interest payable on liabilities for financial leasing	(141)	(177)

Section 2 – Commissions - Items 40 and 50

2.1 Commission income: breakdown

Composition/Type	31.12.2015	31.12.2014
a) Guarantees granted	102	102
b) Derivatives on loans	-	-
c) Management. brokerage and consultancy services:	-	-
1. Trading of financial instruments	-	-
2. Trading in currency	-	-
3. Asset management:	-	-
3.1. Individual	-	-
3.2. Collective	-	-
4. Safe custody and management of securities	-	-
5. Depository bank	-	-
6. Placement of securities	-	-
7. Order collection and transmission	-	-
8. Consultancy	-	-
8.1 On investments	-	-
8.2 On financial structure	-	-
9. Third party services	-	-
9.1. Asset management:	-	-
- 9.1.1. Individual	-	-
- 9.1.2. Collective	-	-
9.2. Insurance products	-	-
9.3. Other products	-	-
d) Services of collection and payment	2.101	1.009
e) Servicing services for securitisation transactions	-	-
f) Services for factoring transactions	57.738	60.511
g) Tax collection and payment	-	-
h) Management of multi-lateral trading systems	-	-
i) Current account holding and management	1.120	1.083
j) Other services	2.113	2.122
Total	**63.174**	**64.827**

2.2 Commission expense: breakdown

Services/Values	31.12.2015	31.12.2014
a) Guarantees received	(183)	(1.853)
b) Derivatives on loans	-	-
c) Management, brokerage and consultancy services:	(75)	(91)
1. Trading of financial instruments	-	-
2. Trading in currency	-	-
3. Asset management:	-	-
3.1 treasury portfolio	-	-
3.2 third parties portfolio	-	-
4. Safe custody and management of securities	(75)	(91)
5. Placement of financial instruments	-	-
6. Off-site offer of financial instruments, services and products	-	-
d) Services of collection and payment	(2.480)	(2.671)
e) Other services	(1.653)	(1.860)
Total	**(4.391)**	**(6.475)**

Guarantees received at 31 Decembre 2014 included for 1,7 million euro included the commissions paid on bonds guaranteed by the Italian Governments, which were settled in October 2014.

Other services substantially include commissions arising from approved banks' brokering, the work of other credit brokers, and commissions paid to correspondent factors.

Section 4 – Net profit (loss) from trading - Item 80

4.1 Net profit (loss) from trading: breakdown

Transactions/Return	Capital gain (A)	Profit from trading (B)	Capital loss (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 O.E.I.C. units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	**(78)**
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives:	-	-	-	-	-
- on debt securities and interest rates	-	-	-	-	-
- on equity instruments and share indexes	-	-	-	-	-
- on currency and gold	X	X	X	X	-
- others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**(78)**

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

6.1 Profit (loss) from sale or buyback: breakdown

Items/Returns	31.12.2015			31.12.2014		
	Profit	Losses	Net result	Profit	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	14.948	-	14.948	3.581	-	3.581
3. Available for sale financial assets	126.384	(705)	125.679	5.996	(5.765)	231
3.1 Debt securities	126.346	(705)	125.641	5.765	(5.765)	-
3.2 Equity instruments	38	-	38	231	-	231
3.3 O.E.I.C. units	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**141.332**	**(705)**	**140.627**	**9.577**	**(5.765)**	**3.812**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

The profits from the disposal of loans to customers were achieved by selling three portfolios of receivables of the DRL segment, as commented under Contribution of business segments in the Directors' Report.

The profits from the disposal of debt securities included 124,0 million Euro raised through the sale completed in April 2015 as part of the rebalancing of the government bond portfolio.

Section 8 – Net impairment losses/reversals - Item 130

8.1 Net impairment losses on receivables: breakdown

Income items	Impairment losses (1)			Reversals of impairment losses (2)				Total 31.12.2015	Total 31.12.2014
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		A	B	A	B		
A. Due from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- loans	-	-	-	-	-	-	-	-	-
- debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	**(10.110)**	**(37.390)**	**(1.580)**	**1.850**	**21.957**	**-**	**-**	**(25.273)**	**(34.510)**
Bad loans purchased	(3.613)	-	-	-	-	-	-	(3.613)	(1.770)
- loans	(3.613)	-	X	-	-	X	X	(3.613)	(1.770)
- debt securities	-	-	X	-	-	X	X	-	-
Other receivables	(6.497)	(37.390)	(1.580)	1.850	21.957	-	-	(21.660)	(32.740)
- loans	(6.497)	(37.390)	(1.580)	1.850	21.957	-	-	(21.660)	(32.740)
- debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(10.110)**	**(37.390)**	**(1.580)**	**1.850**	**21.957**	**-**	**-**	**(25.273)**	**(34.510)**

(1) The data for 2014 were restated as described in the Notes, Part A, Section 2.

Key
A= from interest
B= other reversals

Net impairment losses on receivables amounted to 25,3 million Euro, down 26,8% from 34,5 million Euro at 31 December 2014. Of these, 21,2 million Euro referred to trade receivables. This was the result of slowing new non-performing exposures, thanks to constantly improving lending standards and increasingly efficient credit management and monitoring processes.

The impairment losses and reversals include the 'time value' effect deriving from the process of discounting expected future cash flows.

8.2 Net impairment losses on available for sale financial assets: breakdown

Items/Return	Impairment losses (1)		Reversals of impairment losses (2)		Total 31.12.2015	Total 31.12.2014
	Specific		Specific			
	Write-offs	Others	A	B		
A. Debt securities	-	-	-	-	-	
B. Equity instruments	-	(8.977)	X	X	(8.977)	
C. O.E.I.C. units	-	-	X	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(8.977)**	**-**	**-**	**(8.977)**	

Key
A= from interest
B= other reversals

Net impairment losses on available for sale financial assets totalled 9,0 million Euro and represent the write-down of the equity interests in three investees after they were tested for impairment.

Section 11 – Administrative expenses - Item 180

11.1 Personnel expenses: breakdown

Type of expense/Sectors	31.12.2015	31.12.2014
1) Employees	**(44.656)**	**(38.964)**
a) salaries and wages	(32.587)	(28.938)
b) social security contributions	(9.239)	(8.174)
c) post-employment benefits	(1.680)	(1.352)
d) pension expense	-	-
e) allocations for post-employment benefits	(20)	(20)
f) allocations to pensions and similar provisions:		
- defined contribution plans		
- defined benefit plans		
g) payments made to supplementary external funds		
- defined contribution plans		
- defined benefit plans		
h) share-based payment agreements		
i) other employee benefits	(1.130)	(480)
2) Other serving employees	(120)	(180)
3) Directors and Statutory Auditors	(3.566)	(3.409)
4) Retired personnel	-	-
Total	**(48.342)**	**(42.553)**

At 48,3 million Euro, **personnel expenses** rose 13,6% (42,6 million Euro in 2014) due to new hiring: 177 new staff were added in 2015, up 41,6% from 2014. Post-employment benefits include both contributions that employees have chosen to leave in the company and to be paid to INPS's Treasury Fund, and contributions to be paid to supplementary pension funds. Allocations for post-employment benefits refer to the revaluation of post-employment benefits earned up to 31 December 2006 and left in the company.

Other employee benefits included costs sustained for training and refresher courses.

11.2 Average number of employees by category

Employees:	31.12.2015	31.12.2014
Employees:	**671**	**583,0**
(a) senior managers	24,0	22,5
(b) middle managers	51,5	49,5
(c) remaining personnel	595,5	511,0
Other personnel	**-**	**-**

11.5 Other administrative expenses: breakdown

Expenses/Amounts	31.12.2015	31.12.2014
Expenses for professional services	**(31.044)**	**(26.155)**
Legal and consulting services	(13.948)	(9.349)
Auditing	(226)	(256)
Outsourced services	(16.870)	(16.550)
Direct and indirect taxes	**(8.748)**	**(10.924)**
Expenses for purchasing non-professional goods and services	**(39.036)**	**(22.240)**
Customer information	(6.793)	(4.340)
Property expenses	(4.585)	(3.525)
Postage of documents	(3.632)	(2.183)
Software assistance and hire	(3.267)	(2.979)
Car fleet management and maintenance	(2.264)	(2.293)
Advertising and inserts	(2.150)	(1.967)
Telephone and data transmission expenses	(1.441)	(1.394)
Business trips and transfers	(1.120)	(889)
Other sundry expenses	(13.784)	(2.670)
Total administrative expenses	**(78.828)**	**(59.319)**

Other administrative expenses at 31 December 2015 reached 78,8 million Euro, compared to 59,3 million Euro in 2014 (+32,9%).

The increase was largely attributable to the following:

- Legal and consulting costs, largely as a result of the new organisation of business processes and the internal control system;
- The DRL segment's expenses, specifically the costs for collecting debts (included in the sub-item outsourced services) and gathering information on clients, totalling 15,4 and 5,3 million Euro, respectively. In addition, debt collection costs comprised 3,7 million Euro in costs referring to bills of exchange involved in one of the sales completed at the end of December. These had been previously recognised as prepayments;
- Costs for the contribution to the Italian Bank Resolution Fund (Directive 59/201/EU Single Resolution Fund) and the participation in the new funding mechanism for Italy's Interbank Deposit Protection Fund (FITD, *Fondo Interbancario di Tutela dei Depositi)* introduced by the Deposit Guarantee Schemes Directive (DGSD) 2014/49/EU. They amounted to 10,6 million Euro and were recognised under Other sundry expenses. Said costs included the 6,5 million Euro extraordinary contribution to the Italian banking system's rescue of Banca Marche, Banca Popolare dell’Etruria e del Lazio, CariChieti, and Cassa di Risparmio di Ferrara; 2,2 million Euro in recurring contributions to the Resolution Fund; and 2 million Euro as annual contribution to the FITD for the year 2015.

Type of services	Service provider	Beneficiary	Fees (in Euro)
Independent auditors' fees	Reconta Ernst & Young S.p.A.	Banca IFIS S.p.A.	166.301
		Subsidiaries	20.315
Certification services	Reconta Ernst & Young S.p.A	Banca IFIS S.p.A.	
		Subsidiaries	-
Tax consultancy services	Reconta Ernst & Young S.p.A	Banca IFIS S.p.A.	-
		Subsidiaries	-
Other services	Reconta Ernst & Young S.p.A	Banca IFIS S.p.A.	
		Subsidiaries	1.939
Total			**188.555**

Section 12 – Net allocations to provisions for risks and charges – Item 190

12.1. Net allocations to provisions for risks and charges: breakdown

Expenses/Amounts	31.12.2015	31.12.2014
- Provisions for liabilities and charges for legal disputes	(32)	(1.152)
- Provisions for liabilities and charges for tax proceedings	(197)	-
- Other provisions for liabilities and charges	-	(461)
Total	**(229)**	**(1.613)**

Provisions for legal disputes refer to the provision for the lawsuit concerning trade receivables. For more details, see Part B, Section 12 Provisions for risks and charges in these Notes.

Section 13 – Net impairment losses/reversal on property, plant and equipment – Item 200

13.1. Net impairment losses on property, plant and equipment: breakdown

	Income items	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses(c)	Net result (a + b - c)
A.	Property, plant and equipment and investment property				
	A.1 Owned	(1.648)	-	-	(1.648)
	- for functional use	(1.648)	-	-	(1.648)
	- for investment purposes	-	-	-	-
	A.2 Acquired under finance leases	(2)	-	-	(2)
	- for functional use	(2)	-	-	(2)
	- for investment purposes	-	-	-	-
	Total	**(1.650)**	**-**	**-**	**(1.650)**

Section 14 –Net impairment losses/reversals on intangible assets – Item 210

14.1 Net impairment losses on intangible assets: breakdown

	Income items	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses(c)	Net result (a + b - c)
A.	Intangible assets				
	A.1 Owned	(2.096)	-	-	(2.096)
	- Internally generated	-	-	-	-
	- Others	(2.096)	-	-	(2.096)
	A.2 Acquired under finance leases	-	-	-	-
	Total	**(2.096)**	**-**	**-**	**(2.096)**

Section 15 – Other operating income (expenses) - Item 220

15.1 Other operating expenses: breakdown

Expenses/Amounts	31.12.2015	31.12.2014
a) Transactions with customers	(14)	(31)
b) Contribution to the Interbank Deposit Protection Fund (FITD)	-	(1.062)
c) Other expenses	(265)	(829)
Total	**(279)**	**(1.922)**

15.2 Altri proventi di gestione: composizione

Expenses/Amounts	31.12.2015	31.12.2014
a) Recovery of third party expenses	2.999	3.563
b) Receivable rental fees	64	80
c) Other income	242	315
Total	**3.305**	**3.958**

The item “Recovery of third party expenses” refers to charges on customers for legal and consulting expenses, as well as registration fees and stamp duties recognised under the item “Other administrative expenses”.

Section 20 - Income taxes for the year relating to current operations - Item 290

20.1 Income taxes for the year relating to current operations: breakdown

Income components/Sectors		31.12.2015	31.12.2014
1.	Current tax expense (-)	(80.121)	(50.656)
2.	Changes in current taxes of previous years (+/-)	(242)	-
3.	Reductions in current taxes for the year (+)	-	-
3.bis	Reductions in current tax for the year for tax credits as per Law n. 214/2011 (+)	-	-
4.	Changes in deferred tax assets (+/-)	952	4.388
5.	Changes in deferred tax liabilities (+/-)	(4.212)	(2.799)
6.	Tax expense for the year (-) (-1+/-2+3+3 bis+/-4+/-5)	(83.623)	(49.067)

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

Items/Components	31.12.2015
Pre-tax profit (loss) for the year from continuing operations	**245.589**
Corporate tax – theoretical tax charge (36%)	(67.537)
- Effect of non-taxable income and other reductions - permanent	*3.384*
- Effect of undeductible expenses and other increases – permanent	*(3.627)*
- Benefits from the application of national tax consolidation	-
- Non-current corporate tax (IRES)	*5*
- Deferred non-current corporate tax	*(327)*
- Reconciliation between tax and statutory amounts	-
- Effect of changes in tax rates on deferred taxes	-
Corporate tax – Effective tax charges	**(68.102)**
Regional tax on productivity (IRAP) – theoretical tax charges (5,57%)	(13.679)
- Effect of income/charges that are not part of the taxable base	*(1.502)*
- Effect of other changes	*217*
- Non-current regional tax on productivity (IRAP)	*(247)*
Regional tax on productivity (IRAP) – Effective tax charges	**(15.211)**
Other taxes	**(310)**
Effective tax charges for the year	**(83.623)**

Section 23 – Other information

There is no further information to be reported in addition to that already included in previous or following sections of these notes to the consolidated financial statements.

Section 24 – Earnings per share

24.1 Average number of ordinary diluted shares

Earnings per share and diluted earnings per share	31.12.2015	31.12.2014
Consolidated profit for the year (in thousands of Euro)	**161.966**	**95.876**
Average number of outstanding shares	53.034.493	52.899.739
Average number of potentially dilutive shares	5.787	6.093
Average number of diluted shares	53.028.706	52.893.646
Earnings per share (Units of Euro)	**3,05**	**1,81**
Diluted earnings per share (Units of Euro)	**3,05**	**1,81**

Potentially dilutive shares refer to share-based payments for upfront variable pay, as described in Part I of these Notes.

Part D – Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Changes in the values of assets recognised during the year against valuation reserves are reported below.

	Items (in thousands of Euro)	Gross amount	Income tax	Net amount
10.	**Profit for the year**	**X**	**X**	**161.966**
	Other comprehensive income (expenses) without reversal to income statement	**131**	**36**	**95**
20	Property, plant and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Actuarial gains (losses) on defined benefit plans	131	36	95
50.	Non-current assets under disposal	-	-	-
60.	Fair value reserves	-	-	-
	Other comprehensive income (expenses) with reversal to income statement			
70.	Hedging of foreign investments:	-	-	-
	a) fair value gains (losses)	-	-	-
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
80.	Exchange rate differences:	45	-	45
	a) fair value gains (losses)	45	-	45
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
90.	Hedging of cash flows:	-	-	-
	a) fair value gains (losses)	-	-	-
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
100.	Available for sale financial assets:	8.639	2.931	5.708
	a) fair value gains (losses)	141.863	46.978	94.885
	b) transfer to income statement	(132.435)	(43.796)	(88.639)
	- impairment losses	-	-	-
	- profit/loss from realisation	(132.435)	(43.796)	(88.639)
	c) other changes	(789)	(251)	(538)
110	Non-current assets under disposal:	-	-	-
	a) fair value gains (losses)	-	-	-
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
120	Fair value reserves:	-	-	-
	a) fair value gains (losses)	-	-	-
	b) transfer to income statement	-	-	-
	- impairment losses	-	-	-
	- profit/loss from realisation	-	-	-
	c) other changes	-	-	-
130	**Total other comprehensive income**	**8.815**	**2.967**	**5.848**
140	**Total comprehensive income (Item 10+130)**	**8.815**	**2.967**	**167.814**
150.	Total comprehensive income attributable to non-controlling interests	-	-	-
160	**Total comprehensive income attributable to owners of the parent company**	**8.815**	**2.967**	**167.814**

Part E - Information on risks and risk management policies

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

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

This examination accompanied the preparation and the forwarding to the Supervisory body of the annual ICAAP report as at 31 December 2014. In May 2015, again with reference to 31 December 2014 and in compliance with the obligations in the relevant provisions, Banca IFIS published information on its capital adequacy, its exposure to risks, and the general characteristics of the systems it has put in place for the identification, measurement and management of these risks. This document has been published on Banca IFIS's website www.bancaifis.it in the 'Institutional Investors' section.

With reference to the above and as per Circular 229 of 21 April 1999 as amended - Supervisory Instructions for banks - the Banca IFIS Group has set up an Internal Control System that aims to guarantee a reliable and sustainable generation of value in a context of sensible risk control and taking, so as to protect the Group's financial solidity. Banca IFIS's Internal Control System consists of rules, procedures and organisational structures aiming to ensure corporate strategies are complied with and the following goals achieved:

- effectiveness and efficiency of corporate processes (administration, production, distribution, etc.);
- safeguarding of assets' value and protection from losses;
- reliability and integrity of accounting and operating information;
- compliance of operations with the law, supervisory regulations and internal policies, plans, regulations and procedures, as well as the Codes (Code of Ethics, Corporate Governance Code, etc.) adopted by the Group.

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

- Line audits aim to ensure operations are carried out correctly. These audits are carried out by the operational structures themselves, incorporated in procedures, or performed as part of back office operations;
- Audits on risk management (including compliance risk) aim to define methods for measuring/evaluating risks, verify if limits assigned to the various operational areas are being respected, and check if operations within all areas are consistent with the risk appetite and tolerance objectives set out every year in the so-called Risk Appetite Framework. These audits are entrusted to structures other than the operational ones;

- Internal audit activities aim to identify anomalies and violations of procedures and regulations, as well as to assess the overall efficiency and effectiveness of the Internal Control System. These activities are carried out all the time, either regularly or exceptionally, by structures other than and independent from the operational ones, also via on-the-spot audits.

The role of the different players involved in the Internal Control System (the Board of Directors, the Control and Risks Committee, the Executive Director in charge of the Internal Control System, the Supervisory Body as per Legislative Decree no. 231, the Internal Audit Function, the Corporate Accounting Reporting Officer, the Risk Management Function, the Compliance Function, and the Anti-Money Laundering Function) are described in detail in the 'Report on Corporate Governance and Shareholding Structure', prepared pursuant to the third paragraph of article 123 bis of Legislative Decree 58 of 24 February 1998 (Consolidated Law on Finance) as amended, approved by the Board of Directors on 18 February 2015 and published on the Bank's Internet website in the Corporate Governance section.

1.1 Credit risk

Qualitative information

General aspects.

The banking group currently operates in the following fields:

- Short-term trade receivable financing (factoring)
- Medium-term financing for retail entrepreneurs
- Purchases of non-performing loan portfolios
- Purchases of tax receivables

The Treasury Department's operations complement such activities, and although they are particularly significant on certain occasions, they do not change the mission of the banking Group, which continues to be focused on providing financial and accounts receivable management support to Small and Medium-sized Enterprises.

The factoring business is characterised by the direct assumption of risks related to granting advances and loans, as well as guarantees, if any, on trade receivables of mainly small- and medium-sized enterprises, according to the growth strategies defined and pursued by the Group.

Traditional factoring operations are complemented with the business of acquiring distressed financial (Distressed Retail Loans, that is non-performing loans), trade and tax receivables. The sellers are typically banks, financial institutions, insolvency proceedings and businesses.

At the end of the first half of 2015, the Banca IFIS Group expanded its business model by adding a new product: medium-term financing supporting the trade receivables of pharmacies.

In addition, in the second half of 2015 the Banca IFIS Group expanded its portfolio of short-term trade receivable financing solutions by purchasing and managing receivables due from local administrations.

Given the particular business of the Group's companies, credit risk is the most important element to consider as far as the general risks assumed by the Group are concerned. The maintenance of effective credit risk management is a strategic objective for the Banca IFIS Group, pursued through the adoption of integrated tools and processes that ensure correct credit risk management in all its phases (preparation, lending, monitoring and management, and intervening on troubled loans).

Vis-à-vis surplus liquidity, if any, the Banca IFIS Group carries out operations involving very short-term deposits with highly creditworthy banking counterparties. Given the counterparties, the short time frames and the modest amounts involved, the credit risk associated with this activity is particularly low.

In April 2015, the Bank's Board, in light of tactical/strategic considerations, resolved first to reclassify the HTM portfolio to AFS financial assets, and then, based on market developments, to change the portfolio's composition, extending its residual life.

The overall portfolio's average residual life is approximately thirty months and the maximum duration per individual asset is five years.

The Banca IFIS Group does not carry out any operation involving credit derivatives.

Credit risk management policies.

Organisational aspects

Credit risks in factoring operations directly arise from financing the business customers and guaranteeing them, when requested, against the account debtor’s default. Credit risk management takes place during two specific phases of the credit process: the initial credit assessment phase and, in case of a positive outcome, throughout the entire relationship with the seller/debtor counterparties. In order to increase the quality of its receivables portfolio, Banca IFIS deemed it appropriate to centralise the main phases related to risk taking and control as part of factoring operations in the Bank's Head Office, allowing for a high degree of homogeneity in lending operations and to strictly monitor individual positions through the specialisation of resources and separation of functions at all decision-making levels. In carrying out its operations, the Polish subsidiary IFIS Finance can take certain decisions independently within the operational and organisational limits defined by the Parent Company, Banca IFIS.

In the first phase of the risk management process, the responsible organisational structure shall assess the creditworthiness of the seller and debtor counterparties, the nature of the commercial relationship between them, and the quality of the receivables factored. A multi-level system of delegations and decision-making powers allows the most senior analysts to assume increasingly growing, but still modest, risks. Greater risks can be taken by service and area managers. As for higher amounts, powers are attributed solely to the General Manager, the Chief Executive Officer, the Credit Committee, and the Board of Directors.

The Bank’s branches do not have decision-making powers as for the assumption of credit risk. Rather, they have the responsibility of doing business in the local area and managing relationships with customers. Therefore, within the limits and with the procedures established by the Head Office’s competent bodies, Branches manage ordinary operations with customers under the constant monitoring of the Head Office.

Qualified and specialised staff follow all stages of a relationship: from the sale of the receivables to the granting of advances, from the administrative management of the receivables to their collection, from the identification of anomalies, if any, to the verification and definition of the most appropriate actions to recover the debt, also with support from the Legal Department, if necessary.

As already specified, the Banca IFIS Group purchases also distressed receivables in the following business areas:

- tax receivables usually acquired from insolvency proceedings and due from tax authorities;
- financial receivables acquired from consumer credit companies, banks and leasing companies;
- trade receivables acquired from insolvency proceedings and companies.

Purchasing the different types of receivables is a fundamental aspect of the credit process. Prior to this phase, highly-skilled analysts carry out a thorough due diligence of the portfolio being transferred and the relevant organisational impact. Once the due diligence is completed, the Group sets the terms and conditions for offering/acquiring the receivables portfolio and how to manage it (individual or collective method), assessing the relevant impact on operating structures.

In order to collect distressed retail loans (DRL), the Banca IFIS Group relies on an in-house legal office, a widespread and tested network of credit collection companies operating throughout Italy, and a network of agents. This structure, together with several lawyers located near the courts, ensures the utmost flexibility as well as effective and timely actions to recover all types of receivables.

The Banca IFIS Group pays particular attention to the concentration of credit risk with reference to all the Group's companies, both at an individual and consolidated level. Banca IFIS's Board of Directors has delegated the Top Management to take action to contain major risks. In line with the Board of Directors' instructions, all positions at risk which significantly expose the Group, even if amounting to less than 10% of regulatory capital, are systematically monitored.

Management, measurement and control systems

The operational procedure governing Banca IFIS Group's credit process within traditional factoring operations is audited during the year and expressly requires an assessment of all the counterparties (both the customer-seller and the account debtor) involved in the factoring relationship.

Within factoring operations, credit risk is constantly monitored by means of procedures and instruments allowing to rapidly identify particular anomalies.

The bank has instruments and procedures in place allowing to evaluate and monitor risks. Specifically:

- it assesses the creditworthiness of the seller and the debtor;
- it immediately identifies the risk in each individual cash advance or financing transaction;
- it defines adequate pricing for each class of risk right from the initial commercial analysis of the feasibility of the operation.

Following a positive assessment and after starting to work with the customer, the bank continues to monitor the relevant credit risk using selected databases.

Protests, prejudicial events or signs of loans turning bad automatically lead to the suspension of operations. The ensuing analysis aims to assess the seriousness of the anomalies and whether the problems are permanent or temporary, so as to decide whether to maintain the relationship or reduce the exposures.

As for the activities concerning the Distressed Retail Loans business and the purchasing of tax receivables arising from insolvency proceedings, in order to ensure increasingly efficient control over the operations undertaken, the Group has continued to invest in information systems dedicated to monitoring those portfolios.

Purchases of distressed retail loans are particularly significant. Those loans are classified as from their purchase under non-performing exposures. These are financial receivables (purchased from consumer credit companies, banks and leasing companies) and, to a lesser extent, trade receivables (acquired from insolvency proceedings and companies) which, in light of the characteristics of the receivable and the invoice seller, are duly classified in portfolios homogeneous in terms of management and collection methods (judicial and non-judicial). In particular, the Bank implements the following methods:

- collective management, characterised by non-judicial collection operations carried out mainly by specialist collection agencies, the network of professionals-agents, and the call centre;
- individual management, characterised by judicial collection operations

As for the credit risk associated with the bond portfolio, considering that it is made up mainly of Italian government bonds and, to a lower extent, a short-term bank bond, the Banca IFIS Group constantly monitors the credit quality of the bond issuers. The Risk Management function periodically reports to the bank's Board of Directors and Top Management on the composition of the bond portfolio.

As for Basel 2 principles for calculating capital requirements against first-pillar credit risks, the Bank chose to adopt the Standardised Approach.

Credit risk mitigation techniques

Within the factoring activity, when the type and/or quality of factored receivables do not fully satisfy requirements or, more generally, the invoice seller is not sufficiently creditworthy, the bank’s established practice is to hedge the credit risk assumed by the Group by obtaining additional surety bonds from the shareholders or directors of the invoice seller.

As for the account debtors in factoring relationships, wherever the Bank believes that the elements available to assess the account debtor do not allow to properly measure/assume the related credit risk, or the proposed amount of risk exceeds the limits identified during the debtor’s assessment, the Bank adequately hedges the risk of default of the account debtor. Guarantees issued by correspondent factors and/or insurance policies underwritten with specialised operators are the main hedge against non-domestic account debtors in non-recourse operations.

As for operations concerning distressed loans (Distressed Retail Loans and purchases of tax receivables arising from insolvency proceedings) and the relevant business model, generally no action is taken to hedge credit risks.

Non-performing exposures

With reference to factoring operations, relationships with customers are constantly monitored by the competent Head Office’s department, based on both the relationship’s performance and monitoring instruments implemented for counterparties at risk (Central Credit Register, protests and prejudicial events, etc.). Should anomalous trends and/or prejudicial elements arise on the part of the counterparty, the situation is placed under watch and the dedicated units at the Head Office directly supervise the Branch’s management of the relationship until the anomalies have been overcome.

Should the situation deteriorate or become critical, the Troubled Loans Area – Monitored Positions Service takes over the management of the relationship. Once it has duly examined the case and the relevant opportunities, it decides whether to maintain the position until the problems have been overcome or reduce the exposure. Based on available information, it also considers whether or not to classify the counterparty under bad loans or subjective substandard loans.

Managing non-performing exposures, either substandard or bad loans, normally falls under the responsibility of the Troubled Loans Area – Disputes Service, which takes the most appropriate actions to hedge and recover debts, periodically reporting to the Top Management and the Board of Directors. If it is believed that the problems encountered by the seller and/or the debtor could be successfully overcome with the Bank adequately hedging the credit risk, the position may be restructured and placed, once again, under the management and monitoring of the Monitored Positions Service or, if appropriate, the Customer Area.

Analytical impairment losses, upon proposal by the Disputes Service, are assessed by the Top Management and submitted to the Board of Directors for approval.

A similar process is formally in place also for IFIS Finance Sp. Z o. o.. Nonetheless, it should be noted that the subsidiary has only marginal exposure to non-performing exposures.

A significant portion of Distressed Retail Loans are classified under non-performing exposures. The purchase of receivables at amounts well below their par value and cash flows generally higher than the price paid minimise the risk of losses.

As for non-performing exposures purchased and not yet collected, the overall outstanding book value of the portfolio is approximately 8.161 million Euro, considering the sales completed at the end of the year. At the time of purchase, the historical book value of these receivables was approximately 8.261 million Euro, and they were acquired for approximately 340 million Euro, i.e. an average price equal to approximately 4,5% of the historical book value. In 2015, approximately 4.092 million Euro were acquired for approximately 218 million Euro, i.e. an average price equal to 5,3%. The overall portfolio of non-performing exposures purchased and not yet collected has an overall weighted average life of around 22 months compared to their purchase date.

Furthermore, it should be noted that overall at the end of 2015 there were approximately 93 million Euro in outstanding bills of exchange (the amount does not include, for instance, nearly 138 million Euro in outstanding settlement plans).

In December 2015, the bank completed three sales of portfolios to leading players whose business is purchasing NPLs. Overall, Banca IFIS sold receivables with an outstanding book value of nearly 1,4 billion Euro, consisting of approximately 137 thousand position, for an overall consideration of about 37 million Euro.

The figures at 31 December 2015 do not include the receivables involved in one of the sales completed at the end of December, when the Bank accepted the buyer's binding offer, with an outstanding par value of approximately 477 million Euro and a historical book value of nearly 489 million Euro at the purchase date. The sale was finalised on 15 January 2016.

Concerning the changes in amortised cost other than impairment related to the bad loans of the DRL segment, in 2015 the Bank started classifying them no longer under item 130 Net impairment losses/reversals on receivables, but rather under item 10 Interest income.

DRL receivables are measured at amortised cost; the expected cash flows used for calculating the amortised cost are estimated with a statistical model based on proprietary historical time series on collection operations as far as the so-called collective management is concerned, and the estimates made by the analyst as far as the so-called individual management is concerned. During 2015, the Bank introduced reviewed the cash flow simulation model, as debt collection operations have significantly changed over the years. The revised model uses updated historical time series (2000-2015) and ensures that different types of collection instruments with similar characteristics are treated consistently. In addition, it allows to greatly reduce processing times.

Quantitative information

A. Credit quality

A.1 Non-performing and performing loans: amounts, impairment losses, trend, economic and geographical distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolio/quality	Bad loans	Unlikely to pay	Past due impaired loans	Past due not impaired loans	Not impaired exposure	Total
1. Available for sale financial assets	-	-	-	-	3.216.832	3.216.832
2. Financial assets held to maturity	-	-	-	-	-	-
3. Due from banks	-	-	-	-	95.352	95.352
4. Loans to customers	190.286	234.546	58.214	883.405	2.070.685	3.437.136
5. Financial assets measured at fair value	-	-	-	-	-	-
6. Financial assets under disposal	-	-	-	-	-	-
Total 31.12.2015	**190.286**	**234.546**	**58.214**	**883.405**	**5.382.869**	**6.749.320**
Total 31.12.2014	**103.138**	**109.152**	**35.798**	**829.434**	**7.068.897**	**8.146.419**

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

A.1.2 Distribution of exposures by portfolio and credit quality (gross and net amounts)

Portfolio/quality	Impaired loans			Not impaired loans			Total (net exposure)
	Gross exposure	Specific impairment losses	Net exposure	Gross exposure	Specific impairment losses	Net exposure	
1. Available for sale financial assets	-	-	-	3.216.832	-	3.216.832	3.216.832
2. Financial assets held to maturity	-	-	-	-	-	-	-
3. Due from banks	-	-	-	95.352	-	95.352	95.352
4. Loans to customers	727.780	244.734	483.046	2.965.514	11.424	2.954.090	3.437.136
5. Financial assets measured at fair value	-	-	-	X	X	-	-
6. Financial assets under disposal	-	-	-	-	-	-	-
Total 31.12.2015	**727.780**	**244.734**	**483.046**	**6.277.698**	**11.424**	**6.266.274**	**6.749.320**
Total 31.12.2014	**474.472**	**226.384**	**248.088**	**7.908.903**	**10.572**	**7.898.331**	**8.146.419**

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

In compliance with paragraph 37, letter a) of IFRS 7 “Financial Instruments: Disclosures”, here below is the maturity analysis for past due amounts relating to performing loans – Other loans.

(in thousand of Euros)	31.12.2015	31.12.2014
Overdue up to 3 months	387.750	364.696
Overdue > 3 months < 6 months	159.771	130.910
Overdue > 6 months < 1 year	112.691	107.560
Overdue > 1 year	224.403	236.742
Total	**884.615**	**839.908**

A.1.3 Banking group - On- and off-balance-sheet exposures to banks: gross and net amounts and past due buckets

Types of loans/ values	Gross exposure					Specific net impairment losses	Portfolio impairment losses	Net exposure
	Impaired loans				Not impaired loans			
	Up to 3 months	From 3 months up to 6 months	From 6 months up to 1 year	Over 1 year				
A. CASH EXPOSURE								
a) Bad loans	-	-	-	-	X	-	X	-
- of which: forborne	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	-	X	-	X	-
- of which: forborne	-	-	-	-	X	-	X	-
c) Past due impaired loans	-	-	-	-	X	-	X	-
- of which: forborne	-	-	-	-	X	-	X	-
d) Past due not impaired loans	X	X	X	X	-	X	-	-
- of which: forborne	X	X	X	X	-	X	-	-
e) Not impaired exposure	-	X	X	-	95.352	X	-	95.352
- of which: forborne	X	X	X	X	-	X	-	
Total A	**-**	**-**	**-**	**-**	**95.352**	**-**	-	**95.352**
B. OFF-BALANCE-SHEET EXPOSURES								
a) Impaired	-	-	-	-	X	-	X	-
b) Not impaired	-	X	X	-	3.674	X	-	3.674
Total B	**-**	**-**	**-**	**-**	**3.674**	**-**	**-**	**3.674**
TOTAL A+B	**-**	**-**	**-**	**-**	**99.026**	**-**	**-**	**99.026**

On-balance-sheet exposures include all cash financial assets due from banks, regardless of the portfolio they are included in (held for trading, available for sale, held to maturity, loans and receivables etc.).

A.1.6 Banking group - On- and off-balance-sheet exposures to customers: gross and net amounts and past due buckets

Types of loans/ values	Gross exposure					Specific net impairment losses	Portfolio impairment losses	Net exposure
	Impaired loans				Not impaired loans			
	Up to 3 months	From 3 months up to 6 months	From 6 months up to 1 year	Over 1 year				
A. CASH EXPOSURE								
a) Bad loans	-	-	108	414.632	X	224.454	X	190.286
- of which: forborne	-	-	-	16.320	X	885	X	15.435
b) Unlikely to pay	32.420	4.233	7.271	209.328	X	18.706	X	**234.546**
- of which: forborne	18.913	204	703	19.309	X	5.406	X	**33.723**
c) Past due impaired loans	43.398	4.246	2.128	10.016	X	1.574	X	**58.214**
- of which: forborne	-	-	-	5.444	X	144	X	**5.300**
d) Past due not impaired loans	X	X	X	X	884.616	X	1.211	**883.405**
- of which: forborne	X	X	X	X	30	X	**-**	**30**
e) Not impaired exposure	-	X	-	-	5.297.730	X	10.213	**5.287.517**
- of which: forborne	X	X	X	X	2.947	X	18	**2.929**
Total A	**75.818**	**8.479**	**9.507**	**633.976**	**6.182.346**	**244.734**	**11.424**	**6.653.968**
B. OFF-BALANCE-SHEET EXPOSURES								
a) Impaired	677	584	273	421	X	-	X	**1.955**
b) Not impaired	-	X	X	-	326.167	X	-	**326.167**
Total B	**677**	**584**	**273**	**421**	**326.167**	**-**	**-**	**328.122**
TOTAL A+B	**76.495**	**9.063**	**9.780**	**634.397**	**6.508.513**	**244.734**	**11.424**	**6.982.090**

On-balance-sheet exposures include all cash financial assets due from customers, regardless of the portfolio they are included in (available for sale, held to maturity, loans and receivables).

A.1.7 Banking group - On-balance-sheet exposures to customers: trends in gross non-performing exposures

Type/Categories	Bad Loans	Unlikely to pay	Past due loans
A. Opening gross exposure	**313.818**	**123.337**	**37.317**
- of which: transferred and not derecognised	-	-	-
B. Increases	**218.776**	**290.482**	**435.690**
B.1 Inflows from performing loans	1.232	26.188	318.338
B.2 Transfers from other impaired loan categories	31.259	12.405	-
B.3 Other increases	186.285	251.889	117.352
C. Reductions	**117.854**	**160.567**	**413.219**
C.1 Outflows to performing loans	-	4.767	239.726
C.2 Derecognitions	9.333	1.592	-
C.3 Collections	40.528	65.987	131.625
C.4 Collections from transfers	1.045	212	-
C.5 Losses on disposal	-	-	-
C.6 Transfers to other impaired loan categories	-	31.258	12.406
C.7 Other reductions	66.948	56.751	29.462
D. Closing gross exposure	**414.740**	**253.252**	**59.788**
- of which: transferred and not derecognised	-	-	-

Total **net non-performing exposures** amounted to 483,0 million Euro, compared to 248,1 million Euro at the end of 2014 (+94,7%).

Total **bad loans** to customers at 31 December 2015, net of value adjustments, were 190,3 million Euro, against 103,1 million Euro at 31 December 2014 (+84,5%). The change was essentially due to the purchases made by the DRL segment during the year; indeed, the Trade Receivables segment reported a 6,4% decline.

At 31 December 20134, **unlikely to pay** totalled 234,5 million Euro, compared to 109,2 million Euro in 2014 (+114,9%), of which 195,0 million Euro related to the DRL sector (65,3 million Euro at the end of 2014). The Trade Receivables segment's unlikely to pay were down 9,7%.

At 31 December 2015, **net non-performing past due exposures** totalled 58,2 million Euro, compared to 35,8 million Euro in December 2014 (+62,6%), mainly as a result of the inclusion in this category of some individually significant positions. Changes in non-performing past due exposures are a normal part of the Bank's business model. Net non-performing past due exposures referred for 1,2 million Euro (3,9 million Euro at the end of 2014) to receivables due from the Public Administration purchased outright as part of financing operations.

A.1.7bis Banking group - On-balance-sheet exposures to customers: trends in gross forborne exposures broken down by credit quality

Type/Categories	Forbearance: impaired	Forbearance: not impaired
A. Opening gross exposure	**31.080**	**1.709**
- of which: transferred and not derecognised	-	-
B. Increases	**88.688**	**11.510**
B.1 Inflows from performing not forborne loans	5.479	5.491
B.2 Inflows from performing forborne loans	-	-
B.3 Inflows from impaired forborne	-	-
B.4 Other increases	83.209	6.019
C. Reductions	**58.875**	**10.242**
C.1 Outflows to performing not forborne loans		
C.2 Outflows to performing forborne loans		
C.3 Outflows to impaired forborne		5.479
C.4 Derecognitions		
C.5 Collections	18.797	3.156
C.6 Collections from transfers		
C.7 Losses on disposal		
C.8 Other reductions	40.078	1.607
D. Closing gross exposure	**60.893**	**2.977**
- of which: transferred and not derecognised	-	-

A.1.8 Banking group - On-balance-sheet exposures to customers: trends in overall impairment losses/reversals

Type/Categories	Bad loans		Unlikely to pay		Past due loans	
	Total	of which: forbearance	Total	of which: forbearance	Total	of which: forbearance
A. Opening balance of total impairment losses	**210.680**	**-**	**14.201**	**1.783**	**1.503**	**-**
- of which: transferred and not derecognised	-	-	-	-	-	-
B. Increases	**30.132**	**885**	**20.577**	**3.623**	**71**	**144**
B.1 Impairment losses	19.192	700	20.577	3.623	144	144
B.2 Losses on disposal	-	-	-	-	-	-
B.3 Transfers from other impaired loan categories	10.940	185	-	-	-	-
B.4 Other increases	-	-	-	-	-	-
C. Reductions	**16.358**	-	**16.072**	-	**-**	-
C.1 Impairment reversals from measurement	2.775	-	4.299	-	73	-
C.2 Impairment reversals from collection	-	-	-	-	-	-
C.3 Profit from disposal	-	-	-	-	-	-
C.4 Derecognitions	13.583	-	833	-	-	-
C.5 Transfers to other impaired loan categories	-	-	10.940	-	-	-
C.6 Other reductions	-	-	-	-	-	-
D. Closing balance of total impairment losses	**224.454**	**885**	**18.706**	**5.406**	**1.574**	**144**
- of which: transferred and not derecognised	-	-	-	-	-	-

A.2 Classification of exposures based on external and internal ratings

A.2.1 Distribution of on- and off-balance-sheet exposures by class of external rating

For the purposes of calculating capital requirements against credit risk, the Banca IFIS Group uses the external credit assessment institution (ECAI) Fitch Ratings exclusively for the positions recognised under “Exposures to Central Governments and Central Banks”; no external ratings are used for the other asset classes. In light of the composition of the Group’s assets, external ratings are used exclusively for the portfolio of government bonds.

A.2.2 Distribution of on- and off-balance-sheet exposures by class of internal rating

The Group does not use internal ratings for the purposes of calculating capital absorption. Banca IFIS implemented the New Internal Rating System for Italian businesses, which was developed using proprietary databases and consists of:

- a “financial statement” module, to assess the company's operating/financial soundness;
- a “central credit register” module, presenting the evolution of counterparty risk vis-à-vis the banking industry;
- two “internal performance” modules, monitoring signs of deterioration in the relationship between the counterparty and the Bank consistently with the business model of providing working capital financing, based on whether the counterparty is a seller or a debtor;
- a qualitative questionnaire intended to obtain “soft” information that the above modules cannot provide.

A.3 Distribution of secured credit exposures by type of security

A.3.2 Banking group - Guaranteed exposures to customers

	Net exposure	Collateral guarantees (1)				Personal guarantees (2)									Total (1)+(2)
						Credit derivatives					Endorsement credits				
						CLN	Other derivatives								
		Property mortgages	Property finance leases	Securities	Other collateral guarantees		Governments and central banks	Other public entities	Banks	Other subjects	Governments and central banks	Other public entities	Banks	Other entities	
1. Guaranteed cash exposure:	**274.570**	**12.527**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**244.365**	**256.892**
1.1 totally guaranteed	217.544	10.824	-		-	-	-	-	-	-	-	-		206.721	217.545
- of which impaired	31.438	10.540	-	-	-	-	-	-	-	-	-	-	-	20.898	31.438
1.2 partially guaranteed	57.026	1.703	-	-	-	-	-	-	-	-	-	-	-	37.644	39.347
- of which impaired	16.527	1.703	-	-	-	-	-	-	-	-	-	-	-	9.024	10.727
2. Guaranteed off-balance-sheet exposure:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. Concentration and distribution of exposures

B.1 Banking group - Distribution of on- and off-balance-sheet exposures to customers by segment (book value)

Exposures/ counterparties	Governments and Central Banks			Other public entities			Financial institutions			Insurance companies			Non-financial companies			Other entities		
	Net exposure	Specific impairment losses/reversal	Portfolio impairment losses/reversal	Net exposure	Specific impairment losses/reversal	Portfolio impairment losses/reversal	Net exposure	Specific impairment losses/reversal	Portfolio impairment losses/reversal	Net exposure	Specific impairment losses/reversal	Portfolio impairment losses/reversal	Net exposure	Specific impairment losses/reversal	Portfolio impairment losses/reversal	Net exposure	Specific impairment losses/reversal	Portfolio impairment losses/reversal
A. Cash exposure																		
A.1 Bad loans	-	-	X	3.161	51	X	94	-	X	-	-	X	38.738	215.007	X	148.293	9.396	X
- of which: forborne	-	-	X	-	-	X	-	-	X	-	-	X	697	885	X	14.738	-	X
A.2 Unlikely to pay	395	84	X	2.858	2.455	X	6.667	3.830	X	-	-	X	33.305	11.924	X	191.321	413	X
- of which: forborne	-	-	X	-	-	X	6.666	3.830	X	-	-	X	7.985	1.576	X	19.072	-	X
A.3 Past due loans	646	-	X	562	-	X	-	-	X	-	-	X	53.062	1.466	X	3.944	108	X
- of which: forborne	-	-	X	-	-	X	-	-	X	-	-	X	5.300	144	X	-	-	X
A.4 Non impaired exposure	3.320.920	X	32	895.162	X	761	114.927	X	47	-	X	-	1.824.749	X	10.487	15.164	X	97
- of which: forborne		X	-	-	X	-	-	X	-	-	X	-	2.959	X	18	-	X	
Total A	**3.321.961**	**84**	**32**	**901.743**	**2.506**	**761**	**121.688**	**3.830**	**47**	**-**	**-**	**-**	**1.949.854**	**228.397**	**10.505**	**358.722**	**9.917**	**97**
B. Off-balance-sheet exposures"																		
B.1 Bad loans	-	-	X	-	-	X	-	-	X	-	-	X	156	-	X	-	-	X
B.2 Unlikely to pay	-	-	X	-	-	X	-	-	X	-	-	X	676	-	X	-	-	X
B.3 Other impaired loans	-	-	X	-	-	X	-	-	X	-	-	X	1.123	-	X	-	-	X
B.4 Not impaired exposure	-	X	-	589	X	-	15.523	X	-	-	X	-	309.733	X	-	322	X	-
Total B	**-**	**-**	**-**	**589**	**-**	**-**	**15.523**	**-**	**-**	**-**	**-**	**-**	**311.688**	**-**	**-**	**322**	**-**	**-**
Total (A+B) 31.12.2015	**3.321.961**	**84**	**32**	**902.332**	**2.506**	**761**	**137.211**	**3.830**	**47**	**-**	**-**	**-**	**2.261.542**	**228.397**	**10.505**	**359.044**	**9.917**	**97**
Total (A+B) 31.12.2014	**5.140.254**	**-**	**-**	**664.522**	**7.809**	**88**	**134.100**	**1.362**	**54**	**100**	**-**	**-**	**1.990.113**	**208.583**	**10.404**	**137.615**	**8.630**	**26**

B.2 Banking group - Geographical distribution of on- and off-balance-sheet exposures to customers (book value)

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall impairment losses/ reversals	Net exposure	Overall impairment losses/ reversals	Net exposure	Overall impairment losses/ reversals	Net exposure	Overall impairment losses/ reversals	Net exposure	Overall impairment losses/ reversals
A. Cash exposure										
A.1 Bad loans	189.432	220.374	818	4.075	20	5	3	-	13	-
A.2 Unlikely to pay	234.416	17.608	113	1.098	11	-	1	-	5	-
A.3 Past due loans	58.212	1.574	2	-	-	-	-	-	-	-
A.4 Non impaired exposure	6.056.673	11.053	107.964	333	764	5	4.957	30	564	3
Total A	**6.538.733**	**250.609**	**108.897**	**5.506**	**795**	**10**	**4.961**	**30**	**582**	**3**
B. Off-balance-sheet exposure"										
B.1 Bad loans	156	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	676	-	-	-	-	-	-	-	-	-
B.3 Other impaired loans	1.074	-	49	-	-	-	-	-	-	-
B.4 Non impaired exposure	256.162	-	68.901	-	-	-	996	-	108	-
Total B	**258.068**	**-**	**68.950**	**-**	**-**	**-**	**996**	**-**	**108**	**-**
Total (A+B) 31.12.2015	**6.796.801**	**250.609**	**177.847**	**5.506**	**795**	**10**	**5.957**	**30**	**690**	**3**
Total (A+B) 31.12.2014	**7.950.952**	**231.513**	**113.328**	**5.433**	**20**	**5**	**1.550**	**3**	**854**	**2**

B.3 Banking group – Geographical distribution of on- and off-balance-sheet exposures to banks (book value)

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Impairment losses/reversal	Net exposure	Impairment losses/reversal	Net exposure	Impairment losses/reversal	Net exposure	Impairment losses/reversal	Net exposure	Impairment losses/reversal
A. Cash exposure										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Past due loans	-	-	-	-	-	-	-	-	-	-
A.4 Non impaired exposure	81.388	-	13.345	-	619	-	-	-	-	-
Total A	**81.388**	**-**	**13.345**	**-**	**619**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet exposure"										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired loans	-	-	-	-	-	-	-	-	-	-
B.4 Non impaired exposure	3.674	-	-	-	-	-	-	-	-	-
Total B	**3.674**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2015	**85.062**	**-**	**13.345**	**-**	**619**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2014	**283.956**	**-**	**5.117**	**-**	**186**	**-**	**-**	**-**	**-**	**-**

B.4 Major exposures

		31.12.2015	31.12.2014
a)	Carrying amount	3.552.701	5.682.017
b)	Weighted value	195.918	375.451
c)	Number	5	10

The overall weighted amount of major exposures at 31 December 2015 consisted of 157,9 million Euro in loans to customers and 38,0 million Euro in tax assets.

Disclosure regarding Sovereign Debt

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

In compliance with the provisions of the aforementioned communication, it should be noted that at 31 December 2015 the book value of exposures to sovereign debt(1) represented by debt securities was 3.216,8 million Euro, and consisted entirely of Italian government bonds; these securities, with a par value of 3.125,5 million Euro, are classified under Available for sale (AFS) financial assets and included in the banking book; the weighted residual average life of these securities is approximately thirty months.

The fair values used to measure the exposures to sovereign debt at 31 December 2015 are considered level 1, and the exposures concerned were not impaired at that date. For further details on the measurement method applied and the classification, please refer to the sections on Accounting policies and Information on the consolidated statement of financial position.

Pursuant to the CONSOB Communication, besides the exposure to sovereign debt, it is also necessary to consider receivables due from the Italian National Administration, which at 31 December 2015 totalled 1,006,8 million Euro, with 105,1 million Euro due from the “central Government” (of which 94 million Euro relating to tax receivables) and 901,7 million Euro due from “other public bodies”.

The valuation reserve, gross of the tax effect related to the overall position in Italian government bonds, went from a positive 17,4 million Euro (11,7 million Euro net of the tax effect) at the end of first half of 2015 to a positive value of approximately 13,9 million Euro at 2 February 2016 (9,3 million Euro net of the tax effect).

(1) As indicated in the ESMA document, ‘exposures to sovereign debt’ refer to bonds issued by and loans given to central and local government and governmental bodies.

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

D.2 Unconsolidated structured entities

Qualitative information

During 2014, Banca IFIS bought a property in Florence to be renovated for 9,6 million Euro. It plans to move the NPL area's offices there. At the same time, the Bank sold a finance lease agreement concerning the property currently housing the NPL Area to a newco, a special purpose vehicle set up exclusively to manage said property and owned by a real estate company not related to the Banca IFIS Group. Pending completion of the renovation works, the Bank entered into a lease agreement with the newco to continue using the current offices. The rent is substantially in line with the lease payments. Following the sale of the lease agreement, Banca IFIS is jointly liable for the settlement of lease payments. To hedge the risk of insolvency on the part of the newco, Banca IFIS obtained that it set up a 1 million Euro security deposit with the Bank as well as a lien on 99% of voting shares in the newco, to be exercised in the event the newco defaults on its obligations.

In 2015, the newco regularly settled the lease payments due using the money raised from the leased property.

Since the sale of lease agreement does not meet the requirements of IAS 39 for derecognising the financial liability, Banca IFIS continues to recognise the building under property, plant and equipment, and the relevant financial liability under payables due to customers.

Quantitative information

Items/ Type of structured entity	Accounting portfolios under assets	Total assets (A)	Accounting portfolios under liabilities	Total liabilities (B)	Net book value (C=A-B)	Maximum exposure to the risk of loss (D)	Difference between exposure to the risk of loss and book value (E=D-C)
1. Special purpose vehicle	n.a.	-	Payables due to customers	787	(787)	-	(787)

The maximum risk of loss is zero, as can be seen from the qualitative information provided.

E. Sale transactions

A. Financial assets sold and not fully derecognised

Qualitative information

Financial assets sold but not derecognised refer to Italian government bonds used for repurchase agreements. Those financial assets are recognised under available for sale financial assets and held to maturity financial assets, whereas financing for repurchase agreements is recognised under payables due to customers.

Quantitative information

E.1 Financial assets sold and not derecognised: book value and full value

Banking products/ portfolio	Financial assets held for trading			Financial assets measured at fair value			Available for sale financial assets			Financial assets held to maturity			Due from banks			Due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31.12.15	31.12.14
A. Cash assets	-	-	-	-	-	-	**2.667.606**	**-**	**-**		-	-	-	-	-	-	-	-	**2.667.606**	**2.027.433**
1. Debt securities	-	-	-	-	-	-	2.667.606	-	-		-	-	-	-	-	-	-	-	2.667.606	2.027.433
2. Equity securities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. O.E.I.C.	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	**-**	**-**
Total 31.12.2015	**-**	**-**	**-**	**-**	**-**	**-**	**2.667.606**			**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.667.606**	**-**
of which impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31.12.2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**2.027.433**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**	**2.027.433**
of which impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**	**X**

Key:
A= Financial assets sold and fully recognised (book value)
B= Financial assets sold and partly recognised (book value)
C= Financial assets sold and partly recognised (full value)

1.2 Banking group – market risks

Generally, as the Banca IFIS Group does not usually trade in financial instruments, its financial risk profile refers mainly to the banking portfolio. The activity of purchasing bonds, given that these bonds are classified under Available for Sale and Loans and Receivables, is included in the banking book and does not, therefore, constitute new market risks.

At the end of the second half of 2015, the Group recognised currency swaps under financial assets with a mark to market of about 259 thousand Euro. The classification of this derivative under financial assets held for trading does not reflect the aim of the transaction, which is to mitigate the impact of possible movements in the reference exchange rates.

1.2.1 Interest rate risk and price risk – supervisory trading book

Qualitative information

The Banca IFIS Group does not usually trade in financial instruments.

1.2.2 Interest rate risk and price risk – banking portfolio

Qualitative information

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

In general, the Banca IFIS Group does not assume significant interest rate risks, as it obtains funds mainly from interbank deposits (either collateralised or not) and from retail customers through the rendimax current account. Interbank funding operations are generally at a fixed rate and very short-term. Customer deposits on the rendimax and contomax current accounts are at a fixed rate for the fixed-term part, while on demand and call deposits are at a non-indexed floating rate the Bank can unilaterally revise without prejudice to legal and contractual provisions. In the second half of 2015, Banca IFIS expanded its fixed-term offerings for retail customers by introducing new 3-, 4-, and 5-year maturities. Loans to customers are usually revocable and at floating rate. Interest rates applied to traditional customers for factoring relationships are normally indexed (mainly at the 3-month Euribor rate) with automatic adjustment to the trend in the cost of money. In some cases the interest rates are not indexed, but they can be unilaterally changed by the Bank without prejudice to legal and contractual provisions in this case, too.

As far as operations on Distressed Retail Loans are concerned, with a business model that focuses on acquiring receivables at prices lower than their book value, there is a potential interest rate risk connected to the uncertainty about when the receivables will be collected. The variability in the loan's term, which to all intents and purposes can be considered at a fixed rate, is particularly important with reference to tax receivables, the overall par value of which is highly likely to be collected, although in the medium/long term. In this context, and in order to effectively mitigate interest rate risk, it is particularly important to correctly assess the operation during the initial acquisition stage. Taking into account the impact of purchases of distressed retail loans, the contribution in terms of interest rate risk to the Banca IFIS Group's overall position, although positive, cannot be considered material.

At 31 December 2015, approximately sixty-six per cent of the bond portfolio consisted of bonds indexed to market rates and twenty-five per cent of inflation-indexed bonds. The remainder consisted of fixed-rate short-term bonds. The average duration of the overall portfolio is approximately five months.

The interest rate risk connected to funding operations carried out by the Parent Company's Treasury Department is assumed according to the limits and policies set by the Board of Directors, with precise delegations of power limiting the autonomy of those authorised to operate within the Bank's Treasury Department.

The business functions responsible for ensuring interest rate risk is managed correctly are: the Treasury Department, which directly manages funding operations and the bond portfolio; the Risk Management function, responsible for selecting the most appropriate risk indicators and monitoring assets and liabilities with reference to pre-set limits; and, lastly, the Top Management, which every year shall make proposals to the Board regarding policies on lending, funding and the management of the interest rate risk, as well as suggest appropriate actions during the year in order to ensure that operations are conducted consistently with the risk policies approved by the Bank.

As part of current operations and based on funding indications from the Treasury Department, as well as interest rate forecasts and assessments of lending trends, the Top Management provides the Treasury Department with guidelines on the use of available credit lines, with a view to taking advantage of changes in interest rates on very short-term maturities and monitoring interest rate-risk trends with reference to the physiological mismatching between assets and liabilities.

In order to monitor interest rate risk, the Top Management receives a daily summary on the overall cash position. Furthermore, the Risk Management function periodically reports to the Bank's Board of Directors on the interest rate risk position by means of a quarterly Dashboard prepared for the Bank's management. The Integrated Treasury and Risk Management System (SIT) provides further tools for assessing and monitoring the main interest rate-sensitive assets and liabilities.

The interest rate risk falls under the category of second-pillar risks. In the final document sent to the Supervisory Body, as per the relevant regulations (Circular 263 of 27 December 2006 – Title III, Chapter 1, Annex C), the Interest Rate Risk has been specifically measured in terms of capital absorption. In the face of the warning threshold of 20% of Regulatory Capital, the resulting risk indicator for the Group was 0,78% as at 30 September 2015.

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

As for the price risk, the Group does not generally assume risks connected with price fluctuations on financial instruments, as its business focuses on financing SMEs' working capital.

As for bonds held, virtually all of them are classified under Available for sale financial assets, giving rise to the risk that the Group's capital reserves could fluctuate as a consequence of the change in the bonds' fair value. Nonetheless, this risk is relatively low, given the high credit standing of the issuers and the short average duration of the portfolio.

The Risk Management function is responsible for monitoring the price risk that the Group assumes in carrying out its operations. Thanks to the Integrated Treasury System (SIT) and the contribution of the Risk Management Function, the Group can assess and monitor the operations of the treasury, providing appropriate tools for assessing price risks. Specifically, the SIT also allows to

- manage the Treasury’s traditional operations (securities, exchange rates, money market and derivatives);
- measure and control the exposure to specific types of market risk;
- establish and constantly monitor limits set for the various operational functions.

B. Fair value hedging

There are no fair value hedges.

C. Cash flow hedging

There are no cash flow hedges.

Quantitative information

1. Banking portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities - Currency: Euro

Type/residual duration	on demand	up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years up to 10 years	over 10 years	indefinite duration
1. Cash assets	**2.906.082**	**350.246**	**3.024.610**	**31.274**	**429.826**	**40.588**	**2.339**	**-**
1.1 Debt securities	-	20.188	2.931.621	-	270.032	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	20.188	2.931.621	-	270.032	-	-	-
1.2 Loans to banks	75.897	14.446	-	-	-	-	-	-
1.3 Loans to customers	2.830.185	315.612	92.989	31.274	159.794	40.588	2.339	-
- current accounts	135.958	88	211	759	14.258	3.218	12	-
- other loans	2.694.227	315.524	92.778	30.515	145.536	37.370	2.327	-
- with early redemption option	83.007	23	759	-	-	-	-	-
- other	2.611.220	315.501	92.019	30.515	145.536	37.370	2.327	-
2. Cash liabilities	**813.883**	**4.527.362**	**212.321**	**266.608**	**327.145**	**998**	**2.142**	**-**
2.1 Due to customers	752.996	3.925.265	212.321	266.608	327.145	998	2.142	-
- current accounts	752.918	1.646.248	212.284	259.776	324.864	-	-	-
- other payables	78	2.279.017	37	6.832	2.281	998	2.142	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	78	2.279.017	37	6.832	2.281	998	2.142	-
2.2 Due to banks	60.887	602.097	-	-	-	-	-	-
- current accounts	60.887	-	-	-	-	-	-	-
- other payables	-	602.097	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet	**-**	**3.674**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	3.674	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1.2.3 Currency risk

Qualitative information

A. General aspects, management procedures and measurement methods concerning the currency risk

Assumption of the currency risk, intended as an operating element that could potentially improve treasury performance, represents a speculative instrument: in principle, therefore, it is not part of the Group’s policies. The Bank’s currency operations basically involve collections and payments associated with factoring operations. In this sense, the advances in foreign currency granted to customers are generally hedged with deposits and/or loans from other banks in the same currency, thus eliminating for the most part the risk of losses connected to exchange rate fluctuations. In some cases, synthetic instruments are used as hedging instruments.

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

However, the Treasury Department strives to minimise such mismatches every day, constantly realigning the size and timing of foreign currency positions.

Currency risk related to the Bank’s business is assumed and managed according to the risk policies and limits set by the Parent Company’s Board of Directors, with precise delegations of power limiting the autonomy of those authorised to operate, as well as especially strict limits on the daily net currency position.

The business functions responsible for ensuring the currency risk is managed correctly are: the Treasury Department, which directly manages the bank’s funding operations and currency position; the Risk Management function, responsible for selecting the most appropriate risk indicators and monitoring them with reference to pre-set limits; and the Top Management, which every year shall make proposals to the Bank's Board of Directors regarding policies on funding and the management of the currency risk, as well as suggest appropriate actions during the year in order to ensure that operations are conducted consistently with the risk policies approved by the Group.

In order to monitor the currency risk, the Top Management receives a daily summary on the treasury’s general position, showing, among other things, the Group’s currency position broken down by currency. Furthermore, the Risk Management function periodically reports to the Bank’s Board of Directors on the currency risk position by means of a quarterly Dashboard prepared for the Bank’s management.

The Group's expanding operations in Poland, through the subsidiary IFIS Finance, are no exception to the above approach: assets denominated in Zloty are financed through funding in the same currency.

With the acquisition of the Polish subsidiary, Banca IFIS has assumed the currency risk represented by the initial investment in IFIS Finance’s share capital for an amount of 21,2 million Zloty and the subsequent share capital increase for an amount of 66 million Zloty.

Furthermore, Banca IFIS owns a 5,57% interest in India Factoring and Finance Solutions Private Limited, worth 20 million Indian rupees and with a market value of 3.044 thousand Euro at the historical exchange rate. As already mentioned, in the second quarter of 2015 the Bank tested said interest for impairment, recognising a 2,2 million Euro charge, and in the fourth quarter it recognised an additional 0,2 million Euro impairment charge, for a total impact of 4,4 million Euro.

Considering the size of this investment, the Bank did not deem it necessary to hedge the ensuing currency risk.

Quantitative information

1. Distribution of assets, liabilities and derivatives by currency

Items	Currency					
	US DOLLAR	POUND STERLING	JAPANESE YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURREN-CIES
A. Financial assets	**27.443**	**1.168**	**-**	**36**	**-**	**59.801**
A.1 Debts securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans to banks	1.500	430	-	36	-	10.251
A.4 Loans to customers	25.943	738	-	-	-	49.550
A.5 Other financial assets						
B. Other assets						**132**
C. Financial liabilities	**23.436**	**4**	**19**	**-**	**82**	**5.491**
C.1 Due to banks	23.422	-	19	-	82	5.305
C.2 Due to customers	14	4	-	-	-	186
C.3 Equity securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities						**590**
E. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**20.780**
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	
+ short positions	-	-	-	-	-	
- Other	-	-	-	-	-	20.780
+ long positions	-	-	-	-	-	7.979
+ short positions	-	-	-	-	-	28.759
Total assets	**27.443**	**1.168**	**-**	**36**	**-**	**67.912**
Total liabilities	**23.436**	**4**	**19**	**-**	**82**	**34.840**
Unbalance (+/-)	**4.007**	**1.164**	**(19)**	**36**	**(82)**	**33.072**

1.2.4 Derivative instruments

A. Financial derivatives

The Banca IFIS Group does not trade in financial derivatives on behalf of third parties and limits proprietary trading to instruments hedging against market risk.

Banca IFIS often uses financial derivatives to hedge currency exposures. At 31 December 2015, the Bank recognised foreign exchange derivatives with a positive fair value of 259 thousand euro and a negative fair value of 21 thousand euro. As for the transactions entered into, it should be noted that the Group never undertakes speculative transactions.

A.1 Supervisory trading book: year-end notional amounts

Underlying assets/ Types of derivatives	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates		-		-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity instruments and share indexes	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currency and gold	**36.500**	-	-	-
a) Options	-	-	-	-
b) Swap	36.500	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**36.500**	-	-	-

A.3 Financial derivatives: gross positive fair value - breakdown by product

Underlying assets/Types of derivatives	Positive fair value			
	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book	259	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	259	-	-	-
c) Equity swap	-	-	-	-
d) Forward	-	-	-	-
e) Futures	-	-	-	-
e) Others	-	-	-	-
B. Banking book - hedging	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
c) Equity swap	-	-	-	-
d) Forward	-	-	-	-
e) Futures	-	-	-	-
e) Others	-	-	-	-
C. Banking book – other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
c) Equity swap	-	-	-	-
d) Forward	-	-	-	-
e) Futures	-	-	-	-
e) Others	-	-	-	-
Total	**259**	**-**	**-**	**-**

A.4 Financial derivatives: gross negative fair value - breakdown by product

Underlying assets/Types of derivatives	Negative fair value			
	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book	21	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	21	-	-	-
c) Equity swap	-	-	-	-
d) Forward	-	-	-	-
e) Futures	-	-	-	-
e) Others	-	-	-	-
B. Banking book - hedging	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
c) Equity swap	-	-	-	-
d) Forward	-	-	-	-
e) Futures	-	-	-	-
e) Others	-	-	-	-
C. Banking book – other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
c) Equity swap	-	-	-	-
d) Forward	-	-	-	-
e) Futures	-	-	-	-
e) Others	-	-	-	-
Total	**21**	**-**	**-**	**-**

A.5 Financial derivatives: supervisory trading book: notional values, gross positive and negative fair value by counterparty - contracts not included in netting agreements

Contracts not included by netting agreement	Governments and Central Banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rate indexes							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Equity instruments and stock indexes							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Gold and currencies							
- notional amount	-	-	36.500		-	-	-
- positive fair value	-	-	259	-	-	-	-
- negative fair value	-	-	21	-	-	-	-
- future exposure	-	-	281	-	-	-	-
4) Other instruments							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.9 Residual life of OTC financial derivatives: notional amounts

Underlying/Residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Supervisory trading book	**36.500**	**-**	**-**	**36.500**
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity instruments and share indexes	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	36.500	-	-	36.500
A.4 Financial derivatives on other assets	-	-	-	-
B. Banking book	-	-	-	-
B.1 Financial derivatives on debt securities and interest rates	-	-	-	-
B.2 Financial derivatives on equity instruments and share indexes	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other value	-	-	-	-
Total 31.12.2015	**36.500**	**-**	**-**	**36.500**
Total 31.12.2014	**-**	**-**	**-**	**-**

1.3 Banking group – Liquidity risk

Qualitative information

A. General aspects, management procedures and measurement methods of the liquidity risk

The liquidity risk refers to the possibility that the Group fails to service its debt obligations due to the inability to raise funds or sell enough assets on the market to address the financial deficit. The liquidity risk also refers to the inability to secure new adequate financial resources, in terms of amount and cost, to meet its operating needs and opportunities, hence forcing the Group to either slow down or stop its operations, or incur excessive funding costs in order to service its obligations, significantly affecting its profitability.

Financial resources are represented by equity, on-line funding from retail customers, and funding operations carried out both on the domestic and international interbank market and with the Eurosystem. Considering the composition of the Group's assets, the kind of business it carries out, and the strategies the Board of Directors defined in order to limit factoring operations on trade receivables to short or very short terms (normally not exceeding 6 months, excluding receivables due from the Public Administration, with average collection periods usually up to 12 months, and receivables due from Local Administrations, with average collection periods up to 24 months), the liquidity risk for the Banca IFIS Group, under normal financial market conditions, is not particularly critical.

With reference to the Group's operations concerning Distressed Retail Loans and the purchases of tax receivables arising from insolvency proceedings, the characteristics of the business model imply a high level of variability concerning both the amount collected and the date of actual collection. Therefore, the timely and careful management of cash flows is particularly important. Due to the limited amount of distressed retail loans as a proportion of the Banca IFIS Group's total assets, the overall impact on the maturity matching of consolidated assets and liabilities can be deemed marginal. In order to ensure expected cash flows are correctly assessed, also with a view to correctly pricing the operations undertaken, the Group carefully monitors the trend in collections compared to expected flows.

The Banca IFIS Group has always secured financial resources more than adequate for its needs thanks to its wide and diverse interbank relationships, the market's positive response to its on-line funding source, the setting up of a portfolio eligible for Repo transactions, and the type and quality of its assets.

During the period, the Bank pursued particularly prudent financial policies aimed at favouring funding stability This policy, which affects the economic efficiency of treasury management, in terms of the rate spread between interbank funding and lending, to guarantee certain and stable liquidity, is adequately supported by the profitability of the Group's operations.

At the moment, the available financial resources are adequate for current and future business volumes. Nonetheless, the Group is constantly striving to improve the state of its financial resources, in terms of both size and cost.

The Parent Company’s business functions responsible for ensuring that liquidity policies are properly implemented are: the Treasury Department, which directly manages liquidity; the Risk Management function, responsible for selecting the most appropriate risk indicators and monitoring them with reference to pre-set limits; and the Top Management, which every year shall make proposals to the Bank's Board of Directors regarding policies on funding and the management of liquidity risk, as well as suggest appropriate actions during the year in order to ensure that operations are conducted consistently with the risk policies approved by the Group

More specifically, as part of current operations and based on indications from the Treasury Department, as well as assessments of lending trends, the Top Management establishes policies for financing operations with durations over 3 months, in order to support ordinary short-/very short-term treasury operations, as well as manage and monitor liquidity risk.

As for its own direct operations, the Bank adopted a model for analysing and monitoring present and future liquidity positions as an additional element systematically supporting the Top Management’s and the Board of Directors’ decisions concerning liquidity. The results of periodic analyses carried out under both normal and stress market conditions are reported directly to the Supervisory Body. In compliance with supervisory provisions, the Bank also has a Contingency Funding Plan aimed at protecting the banking Group from losses or threats arising from a potential liquidity crisis and guaranteeing business continuity even in the midst of a serious emergency arising from its own internal organisation and/or the market situation.

Furthermore, the Risk Management function periodically reports to the Bank’s Board of Directors on the liquidity risk position by means of a Dashboard prepared for the Bank’s management.

With reference to the Polish subsidiary, treasury operations are co-ordinated by Banca IFIS’s Treasury Department, in accordance with the Group’s policies. If needed, the Bank may intervene directly in the subsidiary’s favour.

As part of the continuous process of updating internal procedures, and taking into account the changes in the relevant prudential regulation, the Bank has implemented a Group liquidity risk governance and management system.

Quantitative information

1. Distribution by residual contractual duration of financial assets and liabilities - Currency: Euro

Items/Duration	on demand	over 1 day up to 7 days	over 7 days up to 15 days	over 15 days up 1 month	over 1 month up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years	Indefinite duration
Cash assets	**1.532.35**	**75.034**	**107.807**	**367.549**	**810.453**	**283.864**	**842.849**	**2.736.30**	**78.172**	**14.446**
A.1 Government securities	-	-	-	-	15.184	51.726	721.875	2.390.03	-	-
A.2 Other debt securities	-	-	-	-	-	-	5.004	-	-	-
A.3 O.E.I.C. units	-	-	-	-	-	-	-	-	-	-
A.4 Loans to	1.532.35	75.034	107.807	367.549	795.269	232.138	115.970	346.268	78.172	14.446
- banks	75.897	-	-	-	-	-	-	-	-	14.446
- customers	1.456.45	75.034	107.807	367.549	795.269	232.138	115.970	346.268	78.172	-
Cash liabilities	**819.395**	**2.331.77**	**157.262**	**522.051**	**1.439.71**	**218.089**	**271.506**	**446.937**	**3.140**	-
B.1 Deposits and current accounts	819.214	52.789	157.262	137.814	1.439.69	218.052	264.674	324.864	-	-
- banks	60.887	10.478	91.360	25.074	7.006	-	-	-	-	-
- customers	758.327	42.311	65.902	112.740	1.432.68	218.052	264.674	324.864	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	181	2.278.98	-	384.237	22	37	6.832	122.073	3.140	-
Off-balance-sheet transactions	**-**	**-**	**3.674**	**28.500**	**8.000**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with ex-	-	-	-	28.500	8.000	-	-	-	-	-
- long positions	-	-	-	28.500	-	-	-	-	-	-
- short positions	-	-	-	-	8.000	-	-	-	-	-
C.2 Financial derivatives with ex-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Deposits and loans to be re-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitment to grant	-	-	3.674	-	-	-	-	-	-	-
- long positions	-	-	3.674	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Self-securitisation operation Il Giglio

On 25 January 2011, Toscana Finanza's Board of Directors resolved to implement a securitisation programme for non-performing loans pursuant to Law 130 of 30 April 1999 in order to optimise the operational and economic management of part of its financial receivables portfolio.

The operation concerned non-performing banking loans identifiable in block and largely backed by mortgages for an overall par value of around 33,7 million Euro.

The special purpose vehicle, Giglio SPV Srl, issued floating-rate asset-backed securities that were wholly underwritten by the merged company Toscana Finanza S.p.A., which was given a specific sub-servicing mandate for the collection and management of the receivables.

It should be noted that, pursuant to the terms and conditions of the operation, there is no substantial transfer of all the risks and rewards relating to the transferred assets (receivables).

Exposure to high risk instruments – disclosure

Considering the goals it pursues and the technical aspects of the securitisation described above, the Banca IFIS Group faces no exposure or risks arising from the trading or holding of structured credit products, whether carried out directly or through unconsolidated special purpose vehicles or entities. In particular, it is important to stress that the securitisation has not removed any risk from the Group's total assets, since the derecognition requirements set by IAS 39 were not met. Meanwhile, the underwriting of the securities arising from the securitisation has not added any risk nor changed the presentation of the assets involved in the securitisation in the financial statements compared to that already in place. With reference to the Recommendation set out in the Report of the Financial Stability Forum of 7 April 2008, Appendix B, we can state that there are no exposures to instruments deemed highly risky by the market or implying a risk greater than previously expected.

1.4 Banking group — Operational risks

Qualitative information

A. General aspects, management procedures and measurement methods concerning the operational risk

Operational risk is the risk of losses arising from inadequate or dysfunctional procedures, human resources, internal systems or external events. Losses from fraud, human error, business disruption, unavailability of systems, breach of contract and natural disasters all fall under this category. Managing operational risks requires the ability to identify the risks entailed by all significant products, activities, processes and systems that could compromise the Group's goals. Operational risks include the risks of judicial or administrative sanctions, significant financial losses or reputational damage following violations of mandatory legal provisions (laws and regulations, such as the laws on banking transparency, anti-money laundering, privacy and administrative liability of legal entities) or corporate governance provisions (for example, the Corporate Governance Code for listed companies).

Correctly managing operational risks strictly requires adequate organisational structures, operational procedures and IT support. It is also extremely important to properly train resources. Indeed, the Banca IFIS Group is constantly committed to the professional training and growth of its human resources.

During 2015, the Group further strengthened the controls over operational risks, also by progressively updating internal processes aimed at monitoring and identifying potential anomalous situations. In addition, it started a gradual process to enhance the methods for identifying and measuring operational risks, consistently with the sector's market practices.

Currently, the management of operational risks for the Polish subsidiary is guaranteed by the strong involvement of the Parent Company, which makes decisions in terms of strategies and risk management.

As far as business continuity is concerned, the Banca IFIS Group has adopted a Business Continuity Plan, that is a set of initiatives and counter-measures designed to keep business interruptions within the limits set in business continuity strategies. The Business Continuity Plan also includes the Disaster Recovery plan, designed to deal with events that could disrupt the corporate IT systems.

As for Basel 2 principles for calculating capital requirements against first-pillar operational risks, the Bank chose to adopt the Basic Indicator Approach.

Part F – Consolidated equity

Section 1 – Consolidated Equity

A. Qualitative information

Managing equity concerns a set of policies and decisions necessary to establish capital levels that are consistent with the assets and risks taken by the bank. The Banca IFIS Group is subject to the capital adequacy requirements established by the so-called Basel Committee (CRR/CRD IV).

The Board of Directors constantly monitors that the Bank meets the minimum supervisory requirements, and therefore the capital adequacy ratios, as well as complies with the capital limits set out in the Risk Appetite Framework (RAF).

Furthermore, also in accordance with the European Central Bank's recommendation of 28 January 2015, the Bank ensures compliance with capital adequacy ratios through a pay-out policy linked to the achievement of the above minimum capital requirements, as well as the careful assessment of the potential impact of extraordinary financial operations (share capital increases, convertible loans, etc.).

The Group's capital adequacy is further assessed and monitored every time an extraordinary operation is planned. In these cases, based on available information regarding said operations, the Banca IFIS Group estimates the impact on capital adequacy ratios as well as the RAF, and considers potentially necessary measures to meet the requirements.

Transactions on treasury shares

The Ordinary Shareholders' Meeting of 13 April 2015 renewed the authorisation to purchase and sell treasury shares, pursuant to art. 2357 et seq. of the Italian Civil Code, as well as art. 132 of Legislative Decree 58/98, establishing a price interval within which the shares can be bought between a minimum of 4 Euro and a maximum of 30 Euro.

The Meeting also established that the authorisation lapses after 18 months from the date the resolution was passed.

At 31 December 2014, the bank held 887.165 treasury shares recognised at a market value of 6,7 million Euro and a par value of 887.165 Euro.

During 2015, Banca IFIS undertook the following treasury share transactions:

- it sold, at an average price of 18,73 Euro, 135.000 treasury shares with a market value of 2,5 million Euro and a par value of 135.000 Euro, making profits of 1,7 million Euro that, in compliance with IASs/IFRSs, were recognised under the capital reserve.
- As variable pay for the 2014 financial results, it awarded the Top Management 12.719 treasury shares at an average price of 13,12 Euro, for a total of 167 thousand Euro and a par value of 12.719 Euro, making profits of 112 thousand Euro that, in compliance with IASs/IFRSs, were recognised under the capital reserve.

The remaining balance at the end of the year was 739.446 treasury shares with a market value of 5,8 million Euro and a par value of 739.446 Euro.

B. Quantitative information

B.1 Consolidated equity: breakdown by type of entity

Equity items	Banking group	Insurance companies	Other companies	Consolidation eliminations & adjustments	31.12.2015
Share capital	53.811	-	-	-	53.811
Share premiums	58.900	-	-	-	58.900
Reserves	298.856	-	-	-	298.856
Equity instruments	-	-	-	-	-
Treasury shares (-)	(5.805)	-	-	-	(5.805)
Valuation reserves:	5.739	-	-	-	5.739
- Available for sale financial assets	11.677	-	-	-	11.677
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedging of investments in foreign operations	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Exchange differences	(5.771)	-	-	-	(5.771)
- Non-current assets under disposal	-	-	-	-	-
- Actuarial gains (losses) on defined benefit plans	(167)	-	-	-	(167)
- Amounts of valuation reserves relating to subsidiaries valued at equity	-	-	-	-	-
- Specific revaluation laws	-	-	-	-	-
Profit (loss) for the year (+/-) of the Group and minority interests	161.966	-	-	-	161.966
Equity	**573.467**	**-**	**-**	**-**	**573.467**

B.2 Valuation reserves of available for sale financial assets: breakdown

Assets/amounts	Banking group		Insurance companies		Other entities		Consolidation eliminations & adjustments		31.12.2015	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	11.678	-	-	-	-	-	-	-	11.678	-
2. Equity instruments	-	(1)	-	-	-	-	-	-	-	(1)
3. O.E.I.C. units	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2015	**11.678**	**(1)**	-	-	-	-	-	-	**11.678**	**(1)**
Total 31.12.2014	**7.823**	**1.854**	**-**	**-**	**-**	**-**	**-**	**-**	**7.823**	**1.854**

B.3 Valuation reserves of available for sale financial assets: annual changes

	Debt Securities	Equity instruments	O.E.I.C. units	Loans
1. Opening balance	**5.700**	**269**	**-**	-
2. Increases	**94.885**	**-**	**-**	-
2.1 Fair value gains	94.553	-	-	-
2.2 Reversal to income statement of negative reserves:				
- from impairment losses	-	-	-	-
- from realisation	-	-	-	-
2.3 Other increases	332	-	-	-
3. Reductions	**(88.907)**	**(270)**	-	-
3.1 Fair value losses	-	-	-	-
3.2 Impairment losses	-	-		
3.3 Reversal to income statement of positive reserves:	-	-	-	-
- from realisation	(88.400)	(270)	-	-
3.4 Other reductions	(507)	-	-	-
4. Closing balance	**11.678**	**(1)**	-	-

Section 2 — Own funds and prudential ratios

2.1 Scope of application of the law

Consolidated own funds, risk-weighted assets and solvency ratios at 31 December 2015 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 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.

2.2 Banking own funds

A. Qualitative information

1. Common Equity Tier 1 Capital (CET1)

A) Common Equity Tier 1 Capital (CET1)

This item includes:

• 11,1 million Euro in paid-up capital instruments;

• 10,9 million Euro in share premium;

• 0,3 million Euro in own CET1 instruments;

• 305,2 million Euro in other reserves, including retained earnings. Specifically, this item includes the 80 million Euro profit recognised under Own Funds pursuant to article 26 of the CRR, less the foreseeable dividends to be paid to the owners of the Parent and other items of comprehensive income, which are positive to the tune of 2,9 million Euro and consist of:

• 0,08 million Euro in the negative reserve for actuarial losses deriving from defined-benefit plans in accordance with the new IAS19;

• 5,9 million Euro in positive reserves for available for sale financial assets;

• 2,9 million Euro in negative reserves from exchange differences;

• 118,5 million Euro in minority interests given recognition in CET1.

D) Items to be deducted from CET1

This item includes the following main aggregates:

• 42,9 million Euro in goodwill and other intangible assets.

E) Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions

This item includes the following transitional adjustments:

• exclusion of unrealised gains on AFS securities, totalling 5,9 million Euro (-);

• positive filter on negative actuarial reserves (IAS 19), amounting to 0,07 million Euro (+);

• inclusion of minority interests subject to transitional provisions, totalling 82,8 million Euro (+).

2. Additional Tier 1 Capital (AT1)

G) Additional Tier 1 Capital (AT1) gross of items to be deducted and the effects of the transitional regime

This item includes the minority interests included in AT1, amounting to 24,1 million Euro;

I) Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries that are given recognition in AT1 pursuant to transitional provisions

This item includes minority interests subject to transitional provisions eligible to be recognised in AT1, totalling 14,5 million Euro (-).

3. Tier 2 Capital (T2)

M) Tier 2 Capital (T2) gross of items to be deducted and the effects of the transitional regime

This item includes the minority interests included in T2, amounting to 32,1 million Euro;

O) Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries that are given recognition in T2 pursuant to transitional provisions

This item includes minority interests subject to transitional provisions eligible to be recognised in T2, totalling 19,3 million Euro (-).

B. Quantitative information

	31.12.2015	31.12.2014
A. Common Equity Tier 1 (CET1) before application of prudential filters	**445.284**	**360.118**
of which CET1 instruments subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	-	-
C. CET1 gross of items to be deducted and the effects of the transitional regime (A+/-B)	445.284	360.118
D. Items to be deducted from CET1	42.925	42.205
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions	76.957	**69.308**
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**479.316**	**387.221**
G. Additional Tier 1 Capital (AT1) gross of items to be deducted and the effects of the transitional regime	24.100	12.738
of which AT1 instruments subject to transitional provisions	-	-
H. Items to be deducted from AT1	-	**-**
I. Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries that are given recognition in AT1 pursuant to transitional provisions	(14.460)	(10.190)
L. Total Additional Tier 1 Capital (AT1) (G-H+/-I)	**9.640**	**2.548**
M. Tier 2 Capital (T2) gross of items to be deducted and the effects of the transitional regime	32.133	31.788
of which T2 instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	-	**-**
O. Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries that are given recognition in T2 pursuant to transitional provisions	**(19.280)**	**(25.367)**
P. Total Tier 2 Capital (T2) (M-N+/-O)	**12.853**	**6.421**
Q. Total own funds (F+L+P)	**501.809**	**396.190**

(1) Dati calcolati secondo previgente normativa (Basilea 2)

2.3 *Capital adequacy*

A. Qualitative information

The prudential ratios at 31 December 2015 account for the adjustments required by the transitional provisions applying to the financial year 2015.

At 31 December 2015, Consolidated Own Funds totalled 501,8 million Euro, compared with 3.264,1 in risk-weighted assets, mainly because of credit and counterparty risks, as well as, to a lesser extent, operational and market risks.

As showed in the table on the breakdown of risk-weighted assets and prudential ratios, at 31 December 2015, the Banca IFIS Group had a CET1 capital ratio of 14,7%, a Tier1 capital ratio of 15,0%, and a Total capital ratio of 15,4%.

B. Quantitative information

Categories/Items	Non-weighted amounts		Weighted amounts/ requirements	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
A. Risk assets				
A.1 Credit risk and counterparty risk	**7.139.747**	**8.392.539**	**2.704.228**	**2.259.474**
1. Standardised approach	7.139.747	8.392.539	2.704.228	2.259.474
2. Internal rating method	-	-	-	-
2.1 Basic indicator approach	-	-	-	-
2.2 Advanced measurement approach	-	-	-	-
3. Securitisation programmes	-	-	-	-
B. Regulatory capital requirements			-	-
B.1 Credit risk and counterparty risk			**216.338**	**180.758**
B 2. Credit valuation adjustment risk			-	-
B 3. Settlement risk			-	-
B.4 Market risks			**3.054**	**2.541**
1. Standard method			3.054	2.541
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**41.735**	**39.735**
1. Basic indicator approach			41.735	39.735
2. Standardised approach			-	-
3. Advanced measurement approach			-	-
B.6 Other calculation factors			-	-
B.7 Total prudential requirements			**261.127**	**223.034**
C. Risk assets and capital requirement ratios			-	-
C.1 Risk-weighted assets			3.264.088	2.787.920
C.2 Common equity Tier 1 Capital/Risk-weighted assets (CET 1 Capital ratio)			14,68%	13,68%
C.3 Tier 1 Capital /Risk-weighted assets (Tier 1 capital ratio)			14,98%	13,68%
C.4 Total own funds/ Risk-weighted assets (Total capital ratio)			15,37%	13,48%

Part G - Business combinations

Section 1 - Transactions carried out during the year

During the year, Banca IFIS did not carry out business combinations as per IFRS 3.

Section 2 - Transactions carried out after the end of the year

The Banca IFIS Group did not carry out any business combinations between the end of the year and the date of preparation of these financial statements.

Section 3 – Retrospective adjustments

The Banca IFIS Group did not carry out any business combinations as per IFRS 3 during the year, therefore this section will be left blank.

Part H - Related-party transactions

In compliance with the provisions of Consob resolution no. 17221 of 12 March 2010 (as subsequently amended by means of Resolution no. 17389 of 23 June 2010) and the provisions of Circular 263/2006 (Title V, Chapter 5) of the Bank of Italy, Banca IFIS prepared the procedure relating to transactions with “related parties”, the current version of which was approved by the Board of Directors on 17 July 2013. This document is publicly available on Banca IFIS’s website, www.bancaifis.it, in the ‘Corporate Governance' Section.

During 2015, no significant transactions with related parties were undertaken.

At 31 December 2015, the Banca IFIS Group S.p.A. remains controlled by La Scogliera S.p.A. and is made up of the parent company, Banca IFIS S.p.A. and the wholly-owned subsidiary, IFIS Finance Sp. Z o.o.

The types of related parties, as defined by IAS 24, that are relevant for the Banca IFIS Group include:

- the parent company;
- key management personnel;
- close relatives of key management personnel and the companies controlled by (or associated to) them or their close relatives.

Here below is the information on the remuneration of key management personnel as well as transactions undertaken with the different types of related parties.

1. Information on the remuneration of key management personnel

The definition of key management personnel, as per IAS 24, includes all those persons having authority and responsibility for planning, directing and controlling the activities of Banca IFIS, directly or indirectly, including the Bank's directors (whether executive or otherwise).

In compliance with the provisions of the Bank of Italy’s Circular no. 262 of 22 December 2005 (4th update of 16 December 2015), key management personnel also include the members of the Board of Statutory Auditors.

Key management personnel

Short-term employee benefits	Post employment benefits	Other long-term benefits	Termination benefits	Share-based payments
3.359	-	159	33	353

The above information includes fees paid to Directors (2,5 million Euro, gross amount) and Statutory Auditors (288 thousand Euro, gross amount).

2. Information on related-party transactions

Here below are the assets, liabilities, guarantees and commitments outstanding at 31 December 2015, broken down by type of related party pursuant to IAS 24.

Items	Parent company	Managers with strategic responsibilities	Other related parties	Total	% on item
Loans to customers	-	-	2.092	**2.092**	0,1%
Total assets	**-**	**-**	**2.092**	**2.092**	**0,0%**
Due to customers	45	682	839	**1.566**	0,0%
Other liabilities	25.048	-	-	**25.048**	12,2%
Total liabilities	**25.093**	**682**	**839**	**26.614**	**0,4%**

Items	Parent company	Managers with strategic responsibilities	Other related parties	Total	% on item
Interest receivable and similar income	-	-	126	**126**	0,1%
Interest due and similar expenses	-	(5)	(11)	**(16)**	0,0%
Commission income	-	-	46	**46**	0,1%
Other operating income/expenses	41	-	-	**41**	1,4%

Transactions with the **Parent Company** relate to:

- the current account relationship with the Parent Company, La Scogliera S.p.A. The balance at 31 December 2015 shows a 45 thousand Euro payable due from Banca IFIS S.p.A. to the parent. Relations with La Scogliera S.p.A. are conducted at arm's length;
- the lease from Banca IFIS to La Scogliera of part of the property that housed the Bank's registered office until the end of 2005. The agreement, which provided for annual lease payments totalling 32 thousand Euro plus VAT, was terminated effective 30 June 2015.
- Banca IFIS, together with the parent company, La Scogliera S.p.A., opted for the application of group taxation (tax consolidation) in accordance with arts. 117 et seq. of Presidential Decree 917/86. Infragroup transactions were regulated by means of a private written agreement between the parties, signed in the month of May 2013. This agreement lapses after three years. It was amended on 29 December 2015. Banca IFIS has an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera S.p.A., the consolidating company. Under this tax regime, Banca IFIS's taxable income is transferred to La Scogliera S.p.A., the consolidating company, which is responsible for calculating overall group income. Following this decision, at 31 December 2015 Banca IFIS recognised 25 million Euro in payables due to the parent company under Other liabilities.

Transactions with **key management personnel** relate almost entirely to rendimax or contomax savings accounts.

Transactions with **other related parties** are part of Banca IFIS's ordinary business and the conditions applied are at arm's length. Specifically, some individuals qualifying as other related parties held rendimax or contomax accounts with the Bank amounting to 839 thousand Euro overall.

During the year, the Bank continued ordinary factoring operations in favour of two companies headed by close relatives of executive members of the Board of Directors: the Banca IFIS Group's exposure at 31 December 2015 amounted to 2,1 million Euro.

Part I - Share-based payment agreements

A. Qualitative information

1. Description of share-based payment agreements

Top Management's remuneration consists of fixed pay and variable pay calculated as a percentage of consolidated profit gross of taxes.

Variable pay, which is limited to a maximum proportional to fixed pay, is paid partly upfront and partly deferred.

Upfront variable pay is awarded and paid after the approval of the financial statements and ICAAP report for the year to which it refers.

Deferred variable pay is deferred by three years and is not paid if:

- there is a pre-tax loss;
- in one of the three years following its determination, “overall capital” is reported to be less than “overall internal capital” in the “ICAAP report” to be submitted every year to the Bank of Italy;
- at the end of the third year, the recipient is no longer in the position for which pay was awarded.

Starting from 2014, variable pay is paid 50% in cash and 50% in Banca IFIS S.p.A. shares. This applies to both upfront and deferred variable pay.

For this purpose, the Bank plans to use treasury shares in its portfolio; the reference price for determining the number of shares to the value of the variable pay concerned will be the average share price for the period from 1 April through 30 April of the year the compensation is awarded and paid.

Upfront variable pay can be clawed back if in the year following its award the right to it has not vested.

B. Quantitative information

The table on annual changes is not presented here, since for the Banca IFIS Group share-based payment agreements do not fall within the category concerned by said table.

2. Other information

The portion to be settled in shares of Top Management's variable pay awarded for the year 2015 amounts to 292 thousand Euro: the number of shares to be awarded will be calculated as described above.

Part L - Segment reporting

The model for segment reporting is in line with the organisational structure used by the Head Office to analyse Group results and is broken down into the following segments: Trade Receivables, Distressed Retail Loans, Tax Receivables, Governance and Services.
The Governance and Services segment manages the Group's financial resources and allocates funding costs to operating segments and subsidiaries through the Group's internal transfer rate system.
Here below are the results achieved in 2015 by the various business segments, which will be analysed in the sections dedicated to the individual sectors.

Trade receivables

This segment includes the following business areas:
- Italian Trade Receivables, dedicated to supporting the trade receivables of SMEs operating in the domestic market;
- Foreign Trade Receivables, for companies growing abroad or based abroad and working with Italian customers; this area includes IFIS Finance's operations in Poland;
- Pharma, supporting the trade receivables of local health services' suppliers.

Distressed Retail Loans

This is the Banca IFIS Group's segment dedicated to non-recourse factoring and managing distressed retail loans. It serves households under the new CrediFamiglia brand.
The business is closely associated with recovering non-performing exposures.
In the second half of 2015, the Bank reviewed the cash flow simulation model, acknowledging that the model for non-judicial debt collection operations has significantly changed over the years. The new scenario made the previous simulation model outdated.

The review of the cash flow simulation model was also aimed at ensuring that some types of collection instruments with similar characteristics (bills of exchange and settlement plans agreed with the debtor) are treated consistently.

The new estimation model developed by the Bank simulates cash flows by projecting the “breakdown” of the nominal amount of the receivable “over time” based on the historical recovery profile for similar clusters. In addition, for the positions with funding characteristics, the Bank uses a “deterministic” model based on the measurement of the future instalments of the settlement plan, net of the historical default rate.

Tax receivables

It is the Banca IFIS Group's 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.
Since the Public Administration is the counterparty, tax receivables are classified as performing; trade receivables, on the other hand, may be classified as non-performing exposures, if required.

Governance and services

Within the scope of its management and coordination activities, the Governance and Services segment exercises strategic, managerial, and technical-operational control over operating segments and subsidiaries.
Furthermore, it provides the operating segments and subsidiaries with the financial resources and services necessary to perform their respective business activities. The Internal Audit, Compliance, Risk Management, Communications, Strategic Planning and Management Control, Administration, General Affairs, Human Resources, Organisation and ICT functions, as well as the structures responsible for raising, allocating (to operating segments and subsidiaries), and managing financial resources, are centralised in the Parent Company.

Here below are the results achieved in 2015 by the various business sectors.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Available for sale financial assets					
Figures at 31.12.2015	-	-	-	3.221.533	3.221.533
Figures at 31.12.2014	-	-	-	*243.325*	*243.325*
Change %	-	-	-	*1224,0%*	*1224,0%*
Held to maturity financial assets					
Figures at 31.12.2015	-	-	-	-	-
Figures at 31.12.2014	-	-	-	*4.827.363*	*4.827.363*
Change %	-	-	-	*(100,0)%*	*(100,0)%*
Due from banks					
Figures at 31.12.2015	-	-	-	95.352	95.352
Figures at 31.12.2014	-	-	-	*274.858*	*274.858*
Change %	-	-	-	*(65,3)%*	*(65,3)%*
Loans to customers					
Figures at 31.12.2015	2.848.124	354.352	130.663	103.997	3.437.136
Figures at 31.12.2014	*2.455.052*	*135.429*	*119.473*	*104.376*	*2.814.330*
Change %	*16,0%*	*161,7%*	*9,4%*	*(0,4)%*	*22,1%*
Due to banks					
Figures at 31.12.2015	-	-	-	662.985	662.985
Figures at 31.12.2014	-	-	-	*2.258.967*	*2.258.967*
Change %	-	-	-	*(70,7)%*	*(70,7)%*
Due to customers					
Figures at 31.12.2015	-	-	-	5.487.476	5.487.476
Figures at 31.12.2014	-	-	-	*5.483.474*	*5.483.474*
Change %	-	-	-	*0,1%*	*0,1%*

INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Figures at 31.12.2015	158.671	56.300	20.335	172.652	**407.958**
Figures at 31.12.2014	*155.561*	*33.249*	*11.003*	*84.328*	***284.141***
% Change	*2,0%*	*69,3%*	*84,8%*	*104,7%*	***43,6%***
Net profit from financial activities					
Figures at 31.12.2015	137.423	52.687	19.923	163.675	**373.708**
Figures at 31.12.2014	*122.555*	*31.479*	*11.269*	*84.328*	***249.631***
% Change	*12,1%*	*67,4%*	*76,8%*	*94,1%*	***49,7%***

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
4th Q.2015	39.728	22.402	8.828	5.834	**76.792**
4th Q.2014	*39.522*	*12.906*	*2.871*	*17.766*	**73.065**
Change %	*0,5%*	*73,6%*	*207,5%*	*(67,2)%*	***5,1%***
Net profit from financial activities					
4th Q.2015	33.237	21.818	8.542	5.106	**68.703**
4th Q.2014	*36.534*	*11.202*	*3.017*	*17.766*	**68.519**
Change %	*(9,0)%*	*94,8%*	*183,1%*	*(71,3)%*	***0,3%***

SECTOR KPIs (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover (1)				
Figures at 31.12.2015	10.126.397	n.a.	n.a.	n.a.
Figures at 31.12.2014	*8.312.798*	*n.a.*	*n.a.*	*n.a.*
Change %	*21,8%*	-	-	-
Nominal amount of receivables managed				
Figures at 31.12.2015	3.576.982	8.161.005	190.553	n.a.
Figures at 31.12.2014	*3.101.058*	*5.630.151*	*167.834*	*n.a.*
Change %	*15,3%*	*45,0%*	*13,5%*	-
Net non-performing trade receivables/Loans to customers				
Figures at 31.12.2015	*1,1%*	*45,0%*	*0,0%*	n.a.
Figures at 31.12.2014	*1,3%*	*51,8%*	*0,0%*	*n.a.*
Change %	*(0,3)%*	*(6,8)%*	-	-
RWA (2)				
Figures at 31.12.2015	*1.797.836*	*354.352*	*41.614*	*355.829*
Figures at 31.12.2014	*1.802.978*	*135.426*	*37.595*	*187.560*
Change %	*(0,3)%*	*161,7%*	*10,7%*	*89,7%*

(1) Gross flow of the receivables sold by the customers in a specific period of time.
(2) Risk Weighted Assets

For a more detailed analysis of the results of the business sectors, please refer to the Directors' Report.

Venice - Mestre, 2 February 2016

For the Board of Directors

The Chairman

Sebastien Egon Fürstenberg

The C.E.O.

Giovanni Bossi

Country-by-country reporting

reference date 31 December 2015

Pursuant to the supervisory provisions for banks

Bank of Italy Circular no. 285/2013 – Part I – Title III – Chapter 2

In order to increase the EU public's trust in the financial sector, here below is the information as per the letters a), b) and c) of Annex A to Part I, Title III, Chapter 2 of Bank of Italy's Circular No. 285.

The information refers to the situation at 31 December 2015.

	INFORMATION /GEOGRAPHICAL AREA	ITALY	POLAND	GROUP
a)	Company name	Banca IFIS S.p.A.	IFIS Finance Sp. Z o.o.	Banca IFIS Group
	Business activity	Savings accounts /deposits for the public and credit activities. Banca IFIS specializes in the sectors of trade receivables, non-performing loans and tax receivables	IFIS Finance offers enterprises financial support and receivables management	Savings accounts /deposits for the public and credit activities. Banca IFIS specializes in the sectors of trade receivables, non-performing loans and tax receivables
b)	Turnover [3] *(in thousands of Euro)*	405.174	2.784	407.958
c)	Number of full-time employees like for like[5]	603,3	16,8	620,1
d)	Pre tax profit (loss) for the year *(in thousands of Euro)*	244.056	1.533	245.589
e)	Income taxes for the year *(in thousands of Euro)*	(83.313)	(310)	(83.623)
f)	Government grants received	-	-	-

[3] Turnover is intended as net banking income – item 120 in the Consolidated Income Statement at 31 December 2015.

[5] The 'number of full-time employees like for like' is calculated, as per the relative provisions, as the ratio between the total number of hours worked by all employees (excluding overtime) and the total, annual number of hours contractually foreseen for a full-time employee (intended as the total number of hours workable in a year by contract, net of a forecasted 20 compulsory holiday days a year)

Attestation on the Consolidated Financial Statements pursuant to the provisions of art. 154-bis, paragraph 5, of the legislative decree 58 of February 24, 1998 and art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended

1. We, the undersigned, Giovanni Bossi – CEO and Emanuel Nalli – in his capacity as Manager in charge of preparing the financial reports of Banca IFIS S.p.A., having also taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree no.58 dated 24 February 1998, hereby certify:
   i. The adequacy in relation to the characteristics of the Company,
   ii. The effective implementation

   of the administrative and accounting procedures for the preparation of Banca IFIS's consolidated financial statements, over the course of the period from 1 January 2015 to 31 December 2015.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated financial statements as at 31 December 2015 has been assessed through a process established by Banca IFIS S.p.A. on the basis of the guidelines set out in the *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO)*, an internationally accepted reference framework.

3. The undersigned further confirm that:

   3.1 the consolidated financial statements as at 31 December 2015:
   a) are prepared in compliance with International Accounting Standards, endorsed by the European Commission as for European regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002;
   b) correspond to the related books and accounting records;
   c) provide a true and correct representation of the financial position of the issuer and the group of companies included in the scope of consolidation.

   3.2 the Directors' report contains a reliable analysis of the business outlook and management result, the financial position of the issuer and group of companies included in the scope of consolidation and a description of the main risks and uncertainties to which they are exposed.

Venice, February 2nd, 2016

CEO

Giovanni Bossi

Manager in charge of preparing the Company's financial reports

Emanuel Nalli

Board of Statutory Auditors’ report on the Consolidated Financial Statements

REPORT OF THE BOARD OF STATUTORY AUDITORS
to the FINANCIAL STATEMENTS as of 31st December 2015

Dear Shareholders,

With this report, prepared pursuant to art. 153 of Legislative Decree 58/1998 and to art. 2429, paragraph 2, of the Italian Civil Code, the Board of Statutory Auditors of Banca IFIS S.p.A. informs you of the supervisory and control activities carried out in the performance of their duties, during the year ended 31st December 2015.

1. Activity of the Board of Statutory Auditors

During the year 2015 the Board of Statutory Auditors carried out their institutional tasks in accordance with the rules of the Italian Civil Code and with Legislative Decrees no. 385/1993 (1993 Banking Law), no. 39/2010 and no. 58/1998 (Consolidated Law on Finance), of the By-Laws, in addition to being in compliance with those issued by the public authorities that exercise activities of supervision and control, also taking into account the principles of conduct recommended by the National Council of Chartered Accountants in the document of 15 April 2015.

During the year the Board of Statutory Auditors performed its duties, holding 33 meetings, of which nine were held jointly with the Risk Management and Internal Control Committee, one jointly with the Remuneration Committee, one jointly with the Supervisory Body pursuant to Legislative Decree no. 231/2001 and the Risk Management and Internal Control Committee and one jointly with all the three committees within the Board of Directors.
The Board also participated in 19 meetings of the Board of Directors.
The Chairman of the Board of Statutory Auditors or another Auditor also participated in the meetings of the Risk Management and Internal Control Committee, of the Appointments Committee and of the Remuneration Committee.

The minutes of the Board of Statutory Auditors, which sometimes contain explicit recommendations to rapidly resolve difficulties that have come to light, are always sent in their entirety to the CEO and to the General Manager. The Chairman of the Risk Management and Internal Control Committee is constantly invited to attend meetings of the Board of Statutory Auditors. It is believed that such attendance will ensure an adequate flow of information between the committees within the Board of Directors.
The head of the Internal Audit also attends the meetings of the Board of Statutory Auditors, as a permanent invitee for the continuous interaction with the corporate function of third-level control.

2. Significant operations of the year

In carrying out the activities of supervision and control, the Board of Statutory Auditors obtained periodically from the Directors, including through the participation in meetings of the Board of Directors, information on the activities carried out and on the most important economic, financial and asset liability operations approved and implemented by the Bank and by the subsidiary, also pursuant to art. 150, paragraph 1 of the Consolidated Law on Finance.

Among the significant events of 2015, the details of which are provided in the Management Report, it is considered appropriate to report the following:

- amending of the By-Laws;

- the sale of the HTM securities portfolio and its economic and financial impacts;
- a significant activity of acquisition of NPL portfolios, which was developed both on the primary and on the secondary market;
- the sale of a number of NPL portfolios on the secondary market;
- the creation of the new business unit dedicated to pharmacies and the new instalment loan product for current debt consolidation for the same sector;
- the distribution over longer due dates for the collection of savings from customers, which has seen the development of the bond, at 3-4-5 years, of the Rendimax deposits;

reference should be made for these topics to the Management Report and the Explanatory Notes for a more detailed description.

3. Supervisory activities

3.1 – supervisory activities on the observance of the law, the By-Laws and the Self-Governance Code for listed companies

On the basis of the information obtained through its own supervisory activities, the Board of Statutory Auditors was not made aware of any operations that had not been conducted in compliance with the principles of correct management and that had not been approved and implemented in accordance with the law and with the By-Laws, which were contrary to the interests of the Bank, that were in contrast with the resolutions passed by the Shareholders' Meeting, that were imprudent or risky or were such as to compromise the integrity of the corporate assets.

The Board was not made aware of any operations that could pose conflicts of interest.

The Board of Statutory Auditors monitored compliance of the Procedure for operations with subjects related to the law in force and its correct application.
In particular, as provided for by the relevant rules, the Chairman and/or the other Statutory Auditors participated in the meetings of the Audit and Risk Committee to discuss operations with related parties; the Board of Statutory Auditors periodically received information relating to the progress of their positions.

During 2015 and in early 2016, also as a result of the Bank's organisational evolution, a more precise definition to the concept of strategic and relevant personnel was provided and persons were identified to be submitted to the procedures envisaged by the company's policies for controlling transactions with associated persons.

The Board of Statutory Auditors judged that the Board of Directors, in the Management Report and in the Explanatory Notes, had provided adequate information on the operations with related parties, taking into account the provisions of the regulations in force. To the knowledge of the Board of Statutory Auditors, there were no intra-group operations or operations with the related parties that were being implemented in 2015 that were contrary to the interests of the company.

In the year 2015, the Bank did not perform any atypical or unusual transactions; in this context, the HTM securities portfolio restructuring operation should however be highlighted, as mentioned in paragraph 2 above, which contributed significantly to the formation of the financial result for the year. With regard to the operations of greater significance and of an ordinary nature, these respect the limits of prudence, do not contravene the resolutions of the Shareholders' Meetings and do not prejudice the company's assets.

During the year the Board of Statutory Auditors brought to the attention of the Management Function Body possible improvements for the procedure for monitoring the Most Important Operations in the context of the application experiences that had occurred.

Regarding the outsourcing of activities of the Bank, and in particular of the Important Operational Functions, the Board of Statutory Auditors:

- monitored the Bank's adjustment to the new regulatory environment (15th amendment to Bank of Italy Circular 263/2006 of 2 July 2013, now included in Circular no. 285/2013),
- acknowledged the report prepared by the Internal Audit department and expressed its opinion at the board meeting of 28 April 2015, as required by the Supervisory Authority,
- recommended to the Management Function Body strict inspection of the activities of alignment with regulatory requirements, the strengthening of systems regarding the outsourced activities and consequent reporting.

The Board of Statutory Auditors noted that the Board of Directors, having analysed the information contained in the 15th amendment to the Bank of Italy Circular 263/2013 regarding attribution to the Board of Statutory Auditors of the Supervisory Body functions, considered it appropriate to keep separate the functions of the Supervisory Body from those of the Board of Statutory Auditors; this choice, which is discussed in the Corporate Governance Report, is, on the one hand, justified given the number and complexity of the topics that are already normally subject of the tasks of the Board of Statutory Auditors and on the other in light of the specificity of the duties of the Supervisory Body.

The Board of Statutory Auditors, in acknowledging the accession of Banca IFIS S.p.A. to the Self-Governance Code for listed companies, verified the requirements of independence of its members, in addition to the correct application of the criteria and procedures of verification adopted by the Board to assess the independence of the Directors.

3.2 – supervisory activities on the adequacy of the internal control system, of the risk management systems and of the organisational structure

The Board placed emphasis on the implementation of a number of initiatives in the area of organisational structure, geared to strengthening of the management structure and to the continued strengthening of risk monitoring.

Having considered the development of the Bank, not only quantitatively, the Board focused on preparation of organisational safeguards to improve monitoring of the main risks. In this context, it promoted the creation of a Coordination Table between the second and third level control functions to ensure effective synergies in carrying out the duties allocated to them.

It also noted the approval by the Board of the “Group Policy for cases of whistleblowing”.

In recognising the changes introduced in relation to the new models for the definition of expected cash flows for some of the DRL recovery activities, the Board reaffirmed the recommendations relating to fallout in terms of organisational structure and control functions, expressed to the Management Function Body, to the commitment required for completion of the organisational design and to the allocation of resources to the Risk Management area; this is in order to ensure (i) an adequate separation of functions and activities, with particular reference to the Validation function, and (ii) sufficient dedicated resources. In addition, as a result of dialogue with the external auditing firm, the Board recommended taking every necessary or appropriate initiative to ensure the completeness of the evaluation model application base of non-performing loan portfolios.

Finally on the development of activities related to the strengthening of credit risk monitoring, including the design and implementation of the IRB system for management purposes, the Board stressed the necessary rapidity, recommending further efforts to accelerate its implementation.

During the year, the Board of Statutory Auditors carefully monitored the organisational and process operations implemented and in particular noted the changes introduced in relation to the design and implementation of new models for the definition of expected cash flows for some of the DRL recovery activities. The application of these models involved financial statement impact for which reference is made to what is described in the Management Report and in the Explanatory Notes.

In 2015, continuing the work carried out in the previous year, the Board also:

i. liaised with Senior Management to review, among other aspects, the internal control and planning process system;
ii. examined the work planning and coordination procedures, the periodic reports of Control Functions (i.e. Internal Audit, Compliance, Anti-Money Laundering and Risk Management) and the manager responsible, as well as information on the results of the monitoring activities relating to implementation of the corrective actions identified;
iii. acquired information from the managers of corporate Functions;
iv. participated, as reported above, in the work of the Audit and Risk Committee and when the topics so required, in their joint consideration with the Committee;
v. monitored continuation of the Risk Appetite Frameworks;
vi. monitored the adequacy and compliance of the entire ICAAP process with the requirements of legislation.

From the audits and examination of the Audit Function reports, the continuous and constant strengthening of the internal control system is evident; in particular, of note are:

- the initiatives aimed at the continuous improvement of the activities of audit and containment of credit risk, including changes to the Provisioning Policies aimed at increasing levels of coverage of impaired loans.
- the activities aimed at strengthening Risk Management, with reference to the information flows for the Board for the assessment and control of risks;
- definition of the operational framework of the audit functions in relation to the Polish subsidiary IFIS Finance Sp. z o.o.;

In light of the evolution of the Bank's activities, the Board promoted improvement of the management and control of sensitive assets and liabilities maturities and of the related financial and economic impacts, thus aiming to achieve the rapid implementation of further adequate organisational safeguards.

Intervention plans were provided with reference to the activities and to the problems identified, whose timely implementation is judged by the Board of Statutory Auditors as essential and that require particular attention by the Management Function Body.

On the basis of the activities carried out, the Board of Statutory Auditors – also in relation to the continuous dimensional growth of the Bank – believes that there are certain areas for possible further improvement, highlighting at the same time that there are no significant deficiencies in the internal control system.

3.3 – supervisory activities on the administrative–accounting system and on the financial reporting process

As a preliminary measure, the Board indicates that the manager responsible for preparation of the company's accounting and corporate documents changed during 2015; it is recognised that the procedure for selection and appointment has been respected and the Board expressed its favourable opinion on the appointment.

The Board periodically met the manager responsible for the exchange of information on the administrative-accounting system and in addition discussed the reliability of the latter in order to have a correct representation of management-related issues.
The Board examined the Report of the manager responsible containing the results of tests on the controls carried out as well as the main problems identified in the framework of the application of relevant legislation.

During the year the Bank, with the constant support of the Board of Statutory Auditors, improved the audit systems to ensure consistency and alignment of the data between the various characteristic sources of the individual pieces of information.

In the context of monitoring provided for by legislation, the Manager Responsible, continuing the checks provided for by their own operational procedures, made a number of improvements from the point of view of the formalisation of the scope of control and the methodologies used, and the formation of judgement on the quality of the system of the administrative-accounting system control. The Board of Statutory Auditors recommended the timely implementation of appropriate remedial actions to discuss the problems that had emerged during audits performed.

The Board of Statutory Auditors also examined statements, issued on 2 February 2016 for the year 2015, by the CEO and by the manager responsible, in accordance with the provisions contained in art. 154 bis of the Consolidated Law on Finance and in art. 81 ter of the Consob Regulations 11971/1999, from which no failings emerged that might affect the judgement of adequacy of the administrative-accounting procedures.

The Board of Statutory Auditors then acknowledged the audit systems relating to the foreign subsidiary IFIS Finance Sp. z o.o. whose financial statements have been reviewed by the Ernst & Young network and whose internal control system is controlled by the parent company's Internal Audit Function, which also in 2015, as was the case in previous years, availed itself of the partnership with BDO Sp. z o.o.

At periodic meetings the auditing firm Reconta Ernst & Young reported no problem situations to the Board of Statutory Auditors that could affect the internal control system relating to the administrative and accounting procedures nor did it ever highlight facts that were deemed reprehensible or any irregularities that would require reporting pursuant to art. 155, paragraph 2, of the Consolidated Law on Finance.

With regard to the above, no elements were revealed that would lead to the conclusion that the activity has not been carried out in accordance with the principles of correct administration or that the organisational structure, the system of internal audit and accounting and administrative systems were not, in their entirety, adequate to the needs and dimensions of the company.

The Board of Directors prepared, in accordance with the law, the consolidated financial statements as of 31 December 2015 of the Banca IFIS Group that were submitted for audit by the external auditing firm Reconta Ernst & Young S.p.A. and that includes in the scope of consolidation the results of the financial statements as of 31 December 2015 of Banca IFIS S.p.A and of the 100% subsidiary IFIS Finance Sp. z o.o.

With regard to the consolidated financial statements – as required by the rules of conduct recommended by the National Board of Certified Public Accountants in the document of 15 April 2015 – the Board of Statutory

Auditors monitored compliance with the procedural rules concerning the formation and setting out of the same and of the management report: the Board is in fact under no obligation to prepare reports or to express a formal opinion.

3.4 – supervisory activities pursuant to Legislative Decree 39/2010

The Board of Statutory Auditors, as the "Committee for internal audit and for the general auditing procedure", carried out the task of supervision of the external auditing firm's operations, as provided for by art. 19 of Legislative Decree no. 39/2010.

During the year the Board of Statutory Auditors met the external auditing firm Reconta Ernst & Young S.p.A. several times, as already stated, pursuant to art. 150 of the Consolidated Law on Finance, in order to exchange information concerning the activities carried out in implementation of their respective duties.

External Auditing Firm

- On 28 July 2015, the auditing firm issued the report on the limited audit of the abbreviated six-monthly consolidated financial statements with no exceptions being highlighted;
- On 8 February 2016 the auditing firm issued – in accordance with art. 14 of Legislative Decree no. 39/2010 – the certification reports from which it is evident that the financial statements and consolidated financial statements, closed at 31 December 2015, are drawn up clearly and represent in a truthful and correct manner the financial and asset situation, the economic results and the cash flows of Banca IFIS S.p.A. and of the Group for the year ended on that date. In the opinion of the external auditing firm, the Management Report on the financial statements and consolidated financial statements as at 31 December 2015 and the information of the "Report on corporate governance and shareholder structure" are consistent with the annual financial statements and consolidated financial statements as at 31 December 2015.

The external auditing firm presented to the Board of Statutory Auditors the report on the independence of the auditor, as required by art. 17 of Legislative Decree no. 39/2010, from which no situations emerge that might compromise its independence or constitute causes of incompatibility pursuant to the cited decree;

The external auditing firm also submitted to the Board of Statutory Auditors, on the same date, the Report on Key Issues, as provided for under art. 19 of Legislative Decree no. 39/2010, which showed that during the audit of the financial statements and of the consolidated financial statements of Banca IFIS S.p.A., closed at 31 December, 2015, no significant deficiencies in the internal control system were identified in relation to the financial reporting process.

The Board of Statutory Auditors reports that during 2015, in addition to the task of auditing the individual financial statements and the consolidated financial statements and of verification of proper bookkeeping and the correct disclosure of management facts in the accounts (for which the contracted annual fee amounts to € 136,000 plus expenses), Reconta Ernst & Young S.p.A. was appointed to the post for annual audits, required by the Supervisory Authority, on the accuracy of data reported, which must be carried out on persons participating in longer-term refinancing operations (TLTRO - provided for in art. 8 of the Decision of the European Central Bank of 29 July 2014 - BCE/2014/34). The contracted fee for that position amounts to € 24,000 plus expenses.

The external auditing firm also confirmed to the Board of Statutory Auditors that, during the year and in the absence of the conditions for their release, it did not issue opinions pursuant to the law.

3.5 – Relations with the Supervisory Body

As recommended by the standards of conduct of the National Council of Chartered Accountants, in 2015 the Board of Statutory Auditors acquired from the Supervisory Body all the information useful to verify those aspects relating to the autonomy, the independence and the professionalism necessary to efficiently carry out the tasks assigned to it.

The Board of Statutory Auditors thus acquired from the Body the information on the adequacy of the organisational model adopted by the company, on its concrete functioning and on its effective implementation.

The Supervisory Body reported on the activities carried out during the year ended 31 December 2015 without indicating any significant critical profiles, highlighting a situation of substantial alignment with the provisions of the organisation and management model pursuant to Legislative Decree no. 231/2001.

4. Remuneration policies

The Board of Statutory Auditors recalls that the Shareholders' Meeting of 8 April 2015 approved draft statutory changes involving the impossibility for the Meeting itself to: (i) *"set a limit to the ratio between the variable and the fixed component of the individual remuneration greater than 1: 1*"; (ii) award the Chairman a remuneration higher than that *"fixed received by the head of the Management Function Body".*

During the year 2015 the Board of Statutory Auditors took note of the allocation of treasury shares of the Bank to the CEO and to the General Manager in accordance with the policies approved by the Shareholders' Meeting of 17 April 2014 and of the operating procedure approved by the Board of Directors. Furthermore, as the process of adjustment is still in progress relating to the individual employment contracts to the supervisory provisions issued by the Bank of Italy with the 7th Amendment of 18 November 2014 update of Circular no. 285/2013, these internal rules were also applied to an executive no longer in office.

In general, in light of the provisions issued by the Supervisory Authorities on the subject of remuneration and incentive systems, the Board of Statutory Auditors monitored, in close connection with the Remuneration Committee, the correct application of the rules governing the remuneration of managers of the Control Functions and of the Manager Responsible.

The Board examined the Remuneration Report, approved by the Board of Directors on 2 February 2016. In this regard, bearing in mind that the annual verification of the Internal Audit is being finalised based on the information available so far, the Board considers that the principles set out in the Remuneration Report are not inconsistent with the corporate objectives, strategies and policies of prudent risk management.

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The Board of Statutory Auditors is not aware, in addition to what has already been discussed earlier, of facts or details that need to be communicated to the Shareholders' Meeting.

The Board of Statutory Auditors did not receive during the year 2015 complaints from shareholders pursuant to art. 2408 of the Italian Civil Code besides what is reported in the Board's report concerning the financial year 2014.

****

In the course of the activity performed and on the basis of the information obtained, no omissions, reprehensible facts, irregularities or in any case other significant circumstances were detected that would require reporting to the Supervisory Authorities or mention in this report.

In conclusion, the Board of Statutory Auditors, taking into account the specific tasks conferred to the external auditing firm regarding auditing of the accounts and of the reliability of the financial statements, issued its opinion without qualifications, and in light of the claims issued pursuant to art. 154 bis of Legislative Decree 58/1998 by the Officer appointed to prepare the accounts and the corporate documents and by the CEO, has no comments to make to the Shareholders' Meeting, pursuant to art. 153 of the FSA, concerning the approval of the financial statements for the year to 31 December 2015, accompanied by the Management Report, as presented by the Board of Directors and therefore has no objections to the approval of the financial statements, to the proposed allocation of the operating profit or to distribution of the dividends.

The Shareholders' Meeting was convened not only to discuss the topics on the Agenda but also to agree on the appointment of directors and to determine their remuneration.
For this purpose the Board of Directors approved a specific Explanatory Report, to which reference is made.

Finally, we would point out that, with the approval of the financial statements for the year 2015, our three-year term expires; the Meeting must therefore appoint a Board of Statutory Auditors.

Venezia - Mestre, 10 February 2016

For the Board of Statutory Auditors
The Chairman

Giacomo Bugna

Indipendent auditors' report on the Consolidated Financial Statements

The attached report of the independent auditors and the consolidated financial statements to which it refers conform to those which will be deposited at the registered office of Banca IFIS S.p.A. and published pursuant to the law; subsequent to the date given in the report, Reconta Ernst & Young S.p.A. did not carry out any audit work aimed at updating its contents.

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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ART. 14 AND 16 OF LEGISLATIVE DECREE n. 39, DATED 27 JANUARY 2010

(Translation from the original Italian text)

To the Shareholders of BANCA IFIS S.p.A

Report on the consolidated financial statements

We have audited the consolidated financial statements of BANCA IFIS S.p.A. (BANCA IFIS Group), which comprise the balance sheet as at December 31, 2015, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and related explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree 38/05.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with art. 11, paragraph 3 of Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of BANCA IFIS Group as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree N. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency with the consolidated financial statements of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure.
We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure as provided for by art. 123-bis, paragraph 4 of Legislative Decree 58/98, with the consolidated financial statements, as required by the law. Management is responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure are consistent with the consolidated financial statements of BANCA IFIS Group as at December 31, 2015.

Verona, February 8, 2015
Reconta Ernst & Young S.p.A.
Signed by: Marco Bozzola, partner

This report has been translated into the English language solely for the convenience of international readers.

Glossary

Account debtor

The account debtor is the individual or legal entity, either Italian or foreign, that entered or will enter into commercial dealings with the invoice seller and is therefore obliged to pay the supplier one or more receivables.

Auction

Italy's Economy Ministry places Italian government bonds (BoT, CcT, BTp, CTz) on the market by means of an auction in which only qualified market participants can take part directly, submitting bids via an electronic system. In the past, bids used to be submitted in sealed envelopes: the electronic channel was set up only in 1994.

Bad bank

A bad bank is an entity set up in order to receive (by contribution or transfer) distressed debts. A bank sets up a new entity in which it owns a controlling interest. Part of the bank's receivable portfolio is transferred to the new entity. The receivables transferred are distressed, toxic, or non-performing; this is why the new entity is called a bad bank.

Bad loans

On- and off-balance-sheet exposures to a party in default (even when not confirmed in judicial terms) or in a substantially similar situations, regardless of losses estimated by the bank.

Bail-Out Fund

The European Financial Stability Facility (EFSF, which the media call the Bail-Out Fund) is a Special Purpose Vehicle created by twenty-seven EU Member States on 9 May 2010 in the wake of the 2008 – 2010 economic crisis for the sole purpose of giving financial help to the Member States, thus preserving the financial stability of the Euro-zone under economic stress scenarios. Formally, it is a company set up under Luxembourg law and based in Avenue John F. Kennedy 43 in Luxembourg. Its current President is the German Klaus Regling.

As from July 2012, it was replaced by the European Stability Mechanism, with the provision that financial assistance to insolvent countries is conditional on the participation of the private sector (the so-called bail-in).

Book value per share

Book Value per Share (BVPS) is a measure of equity expressed in monetary terms with reference to each share. It is calculated by dividing the book value of equity by the number of outstanding ordinary shares.

Buffer

It is the buffer of temporary additional capital that the EBA, the European Banking Authority, has asked banks to raise as a precaution against potential external shocks. Credit institutions must achieve a Core Tier 1 ratio of 9% by the end of June.

Buoni del Tesoro Poliennali

BTPs (Italian long-term treasury bonds) are issued with 3-, 5-, 10-, 15- and 30-year maturities. They are medium/long-term bonds best suited for investors who want to receive regular payments every six months.

Capitalisation

It refers to the market value of a company’s shares and is calculated by multiplying the number of shares by their market price, which can differ even significantly from the par value. Capitalisation is an important measure for listed companies because it tends to be associated with the stock’s level of liquidity. This is mainly because most stock indices attribute greater weight to larger-capitalisation companies.

Carry trade

It is used to boost the rate of return of a financial transaction by correlating the level of interest rates to exchange rates. The investor borrows in a country with a low cost of money and invests in one with high interest rates. In the case of government bonds, “carry trade” indicates the use of liquidity acquired by banks thanks to the ECB’s auctions. These resources allow the banks to carry trade government bonds: money borrowed at 1% is used to buy bonds (BTPs with 2-, 3- or even 10-year maturities), earning the difference between the higher yield and the cost of borrowing.

Cassa Compensazione e Garanzia

Cassa di Compensazione e Garanzia (CC&G) is an Italian Joint-Stock Company owned by the London Stock Exchange Group. It ensures trades relating to listed securities and transactions in futures and options, as well as on the NEW MIC — the collateralised interbank market — are properly cleared and settled. Therefore, CC&G eliminates counterparty risk, acting as buyer vis-à-vis the seller and vice versa, and thus ensuring trades are successfully completed.

CDS

Credit default swaps (CDSs) are financial instruments that act as insurance policies. By paying a premium, any institutional investor can insure itself against the default of a state or a company: in the case of default, whoever has sold CDSs (i.e. the policy) must compensate the loss by reimbursing the whole capital to the investor. Therefore, CDSs are instruments that offer purchasers protection on their investment. This is why the restructuring of Greece’s debt has created problems: since Greece did not formally default, CDSs were not triggered.

Chirography (unsecured debt)

The word chirographary derives from Greek “chiros-graphos”, where “chiros” means hand and “graphos” means writing. It means that the loan derives from a formally signed document. With reference to receivables, this expression is used to indicate a loan that is not backed, for example, by a mortgage, but only by the debtor’s word.

Collateral

Securities a borrower pledges with a lender to obtain a loan. Should the loan not be repaid, the collateral is transferred to the creditor. The ECB, for example, accepts bonds as collateral for the purposes of its refinancing operations. Essentially, banks obtain loans from the European Central Bank and pledge debt securities.

Common equity

Common equity consists of share capital plus reserves and is considered the highest quality component of a bank’s capital. Basel 2, which sets higher capital ratios for banks, requires that half the Tier 1 capital consists of common equity. The other half is of similarly high quality compared to the other components of the capital structure, although not in the same class as ordinary shares or retained earnings.

Common Equity Tier 1 (CET 1)

In the context of CRD IV, a measure of capital that is predominantly common equity as defined by the Capital Requirements Regulation.

A measure of the Banks common equity capital as a percentage of risk-weighted assets under CRD IV. The Group must meet a prescribed ratio.

Core Tier 1

Core Tier 1 is one of the main capital ratios used to assess the solidity of banks. It is a bank’s primary capital and is made up of shares, reserves arising from retained earnings net of taxes, and a limited number of hybrid securities. The higher the Core Tier 1, the more solid the bank. The stress tests carried out by the European Banking Authority (EBA) set a minimum threshold of 5%, but now the EU is requiring to increase it to 9%.

Corporate bond

Debt securities issued by companies in order to raise money to fund their growth. The term usually refers to debt securities with long-term maturities or instruments that normally generate constant interest income for a number of years, with medium or long-term maturities. Corporate bonds are generally offered through direct placement through Italian financial institutions (banks and financial planners) or secondary markets. This instrument is best suited for investors wishing to set aside their capital and protect it against inflation, with medium to low risk appetite.

Cost/income ratio

Ratio of operating costs to net banking income. It is one of the main indicators of the bank's operating efficiency: the lower its value, the higher the bank's efficiency.

Cost of credit quality

The cost of credit quality expresses the quality of loans to customers and is calculated as the annualised ratio of impairment losses on receivables to the average of receivables due from customers: the lower the ratio, the milder the effects deriving from the risk profile of the bank's loans.

Credit crunch

The term means a restriction in lending. A credit crunch occurs when banks, for various reasons, provide fewer loans to companies and households and/or when they lend money at increasingly higher interest rates. This situation creates serious problems for companies and households and, consequently, can cause an economic crisis to spiral even deeper.

Credit insurance

Credit insurance allows companies to reduce or transfer the risks of default of their customers and to transform them into opportunities to grow. Entrepreneurs can cover (total or partial) losses on receivables, receiving also the following benefits: support in the process of assuming and managing trade receivables; preliminary assessment of his/her customers' solvency; a constant monitoring service; compensation for losses incurred; and debt collection services.

Credit watch/ Under review/ Rating watch

For Standard&Poor's, a credit watch indicates a likely, imminent downgrade of a sovereign debt's rating, with at least a 50% chance that it will be cut within 90 days. The same concept is indicated by Moody's using the expression "rating under review" and by Fitch as "rating watch". It is a short-term warning, focused on events that can cause a rating to be monitored particularly closely.

Debt agency

In several Euro-zone countries, but not in Italy, the management of public debt is entrusted to a dedicated structure. Germany, France, and Spain have set up public debt agencies which operate in compliance with the guidelines issued by their respective Economic Ministries. The level of specialisation of the agencies' staff is very high. In some countries, the creation of bodies independent from the ministries allowed to directly recruit "public" operators from big banks – offering them appropriate remuneration packages – to manage auctions, buy-backs, derivatives, and liquidity on behalf of the State. The agencies are transparent and dedicated to disclose information to the markets.

Deleveraging

Deleveraging is the reduction of financial leverage, i.e. the divestment carried out by repaying accrued debt with available liquidity or selling financial assets held to raise cash.

Dividends

Dividends are profits which a company decides to distribute to its shareholders at the end of each year, as remuneration for invested capital. When companies pay out dividends, however, their share price falls

Dividend yield

The dividend yield (the dividend/price ratio) is the ratio between the most recent dividend per share paid to shareholders or announced and the stock's most recent closing price. It is used as an immediate yield indicator, independent of the share price performance.

Downgrade

It is a term used when a ratings agency revises down, i.e. lowers, the credit rating, i.e. the measure of the ability of an issuer of shares and bonds to timely meet its obligations. Such a downgrade is possible for both private companies and government bodies, which will pay more for the money they want to borrow on the market after they have been downgraded. The debt crisis in the euro-zone set off a series of downgrades of countries that adopted the Euro. It started with Greece in early 2010, then in 2011 also Portugal, Ireland, Spain, Italy, Cyprus, France and Austria saw their rating downgraded; only Germany, the Netherlands, Finland and Luxembourg maintain their triple A-rating in the Euro-zone.

Duration

Duration is a synthetic measure of the speed with which invested capital will be repaid. Normally, a longer duration is accompanied by a greater financial risk for the security: therefore, should there be a significant risk that the issuer will default, it is important to consider this indicator, as a change in rates is accompanied by a fluctuation in the price. The longer the security's duration, the sharper the fluctuation.

EBA

The European Banking Authority is a body of the European Union based in London that as from 1 January 2011 has the duty of supervising the European banking market. It has legal status and its primary objective is to protect the public interest, contributing to the stability and effectiveness of the financial system to the benefit of the EU economy.

All the EU banking supervisory authorities take part in the EBA. The Authority, which replaced the Committee of European Banking Supervisors (CEBS), must protect the public interest and the stability of the financial system.

ECB deposits or Deposit facility

European banks can deposit their liquidity overnight at the so-called ECB deposit facility. By doing so, the banks receive a very low rate compared to the interest they could earn by placing it on the market. The fact that during 2011 deposits reached a record level showed that banks were afraid of investing their liquidity on the market.

EFSF

The EFSF is the European Financial Stability Facility created by Euro-zone countries. The initial lending capacity of 255 billion Euro has been increased to 440 billion Euro. The Fund can issue triple A-rated bonds (or other instruments guaranteed by euro-zone countries) to finance struggling sovereigns.

Eligible assets

For the purposes of the Eurosystem's refinancing operations, eligible assets are securities that meet the European Central Bank's eligibility standards for assets used as collateral to obtain liquidity. The list of eligible assets is published on the ECB's website and is updated several times each month.

EPS

A measure of the earnings a company generated in proportion to the number of shares issued by said company. It is calculated as the ratio of net profit to the average number of outstanding issued shares net of treasury shares.

ESM

The ESM (European Stability Mechanism) is the Euro-zone's financial assistance facility. It became operational as from July 2012 with a capacity of 500 billion Euro, which will be available to countries in financial distress. However, some call for its lending capacity to rise to 1 trillion Euro. It will have the status of preferred creditor: should the loans not be repaid, it will be the private creditors who will bear losses. Its support will be contingent on the adoption of a fiscal adjustment programme. The ESM replaced the EFSF, the European Financial Stability Facility created by Euro-zone countries.

ESMA

The European Securities and Markets Authority (ESMA) has been operational since 1 January 2011. It has the duty of supervising financial markets and ratings agencies so as to guarantee the stability of the EU's financial system. It works closely with the two other new European authorities, the EBA (banks) and the EIOPA (insurance and pensions). It may suspend the publication of sovereign ratings in limited cases, when one Member State is negotiating a rescue package or when doubts about a country's solvency suddenly arise. The ESMA, in addition, coordinates the actions of the financial authorities and supervises the emergency measures adopted in critical situations.

Eurosystem

The Eurosystem includes the European Central Bank and the National Central Banks of the EU Member States that adopted the Euro in the Third Phase of the Economic and Monetary Union (EMU). Currently, fifteen national central banks participate in it. It is headed by the ECB's Governing Council and Executive Board.

Firewall

Term used to define the group of instruments set up by the European Union and other authorities such as the ECB in order to create a safety net and ward off contagion from the debt crisis. It includes, for example, the EFSF and the ESM.

Haircut

In finance, the term indicates the percentage of reduction in the value of a security compared to its par value when it is accepted as collateral. In the discussions regarding turmoil in the Euro-zone, the haircut corresponds to the loss that a bank or investor will suffer on a government bond they hold, should that country's debt be restructured.

IMF

The International Monetary Fund is an organisation that includes the governments of 187 countries. It was created at the Bretton Woods Conference in 1944. The purpose of the IMF, which is based in Washington, is to ensure financial stability, support monetary cooperation, and promote international trade and sustainable growth.

IMF quotas

Each of the 187 member countries of the International Monetary Fund holds a capital quota based largely on its weight in the global economy. This quota determines the voting power of individual countries, as well as how much they can borrow from the IMF. In order to take account of changes occurred in the world economy since the foundation of the IMF in 1944, the quotas have been periodically revised. In 2012 the latest reform, which was started in 2006, saw emerging countries, including Brazil, India, China and Russia, increase their weight and enter the group of the 10 biggest quota-holders. The biggest individual quota-holder is the USA, with 17,4 per cent.

Impaired loans

Bad loans, unlikely to pay and past due impaired loans fall under this category pursuant to Bank of Italy's regulations consistent with IASs/IFRSs (see item).

Institutional investors

These are companies and entities (banks, insurance companies, social security institutions, financial companies, mutual funds) which, under the law or their own by-laws, invest systematically in the securities market. They can be divided into technical investors (insurance companies); welfare investors (welfare funds, mutual insurance companies, etc.); and financial investors (financial holding companies, investment firms, banks, mutual funds).

Interbank fund

Current account deposits, unlike bonds, are guaranteed by the Interbank Deposit Protection Fund. This guarantee was recently reduced from 103 thousand Euro to 100 thousand Euro and protects every accountholder at every bank, regardless of the total number of accounts the saver holds. This means that it is possible to open an unlimited number of accounts with different banks that will all be guaranteed up to the value of 100 thousand Euro.

Italian BOTs (Buoni Ordinari del Tesoro, i.e. treasury bills) and other sovereign bonds are, on the other hand, guaranteed directly by the State: most Italian citizens are now familiar with the concept of the spread, i.e. the differential between Italian BTPs and German Bunds that measures the markets' confidence in Italy.

Invoice seller

The invoice seller is the factoring contract's counterparty that pledges to transfer to a factor all the receivables derived or deriving from its business operations conducted vis-à-vis another entrepreneur (account debtor).

Libor

The Libor (London Interbank Offered Rate) is a reference rate in the interbank market. It is calculated daily by the British Bankers Association on the basis of the rates required to grant a loan in a given currency (among others, pound sterling, US dollar, Swiss franc and the Euro).

Liquidity crisis

The financial crisis exposed the relationship between credit, market and liquidity risks (both funding- and market-wise) in unprecedented ways. Before the Greek crisis, European government bonds were considered risk-free. Since the moment the Euro-zone threatened private investors with a haircut (capital loss) should public debts be restructured, government bonds have been considered as a credit risk.

LTRO

The Long Term Refinancing Operations (LTROs) are the refinancing operations undertaken by the ECB, which can decide to intervene in the interbank market by lending banks money in two ways: MROs (Main Refinancing Operations), which are ordinary refinancing operations with a maturity of one week, and LTROs. The latter normally have 3- to 6-month maturity, extended in the current situation up to three years. The ECB also undertakes immediate interventions, defined as Fine-Tuning Operations (FTOs), to manage liquidity surpluses or deficits in the interbank market.

Mark to market

Daily revaluation of an investment portfolio on the basis of market prices, as opposed to the process of calculating the value of the portfolio based on the assets' historical acquisition costs. The EBA, the European Banking Authority, requires European banks to mark to market the government bonds they hold. This process sharply penalises Italian institutions, and is therefore strongly contested by the Italian Banking Association.

Mid swap

Mid swap is an interbank rate adopted by banks to swap money, similarly to the better known Euribor. It is the arithmetic mean of the demand and supply of the interest rates the banks offer for each given maturity in order to swap cash on the interbank market.

MTS

The electronic wholesale market for government bonds (MTS) is a platform for trading Italian or foreign government bonds and state-guaranteed securities on the secondary market. The MTS market is reserved for professional investors. Bids may be made for minimum quantities of 2,5 million and depending on the instrument. The MTS is divided into the cash (spot trading), repo (repurchase trading), and coupon stripping (separate trading of strips) segments.

Net exposure

Banks calculate their net exposure to express potential losses once hedging transactions and other forms of risk protection are accounted for. These can include derivatives such as credit default swaps (CDSs) and debt insurance contracts. American banks are disclosing more and more information on their exposure to the European sovereign debt crisis, reporting both gross and net exposure. The effectiveness of some risk protection measures adopted, such as CDSs, is nonetheless debatable.

NEW-MIC

The New MIC is the segment of the e-MID (the electronic market for interbank deposits) dedicated to Euro-denominated deposits with maturities up to a year. It uses the New MIC Guarantee System managed by Cassa di Compensazione e Garanzia. Trades, which are settled in Target2, are carried out anonymously with protection against counterparty risk. The guarantee is provided by the collateral pledged by each member; a mutual insurance scheme, consisting of 10% of the collateral pledged by each member; and the interposition of the CC&G between the counterparties for each trade settled.

Non-recourse factoring

In non-recourse factoring, the seller transfers to the factor a receivable without offering any guarantee should the debtor default. Therefore, the seller guarantees the factor only that the receivable sold exists, and not that the debtor is solvent.

NPL

Non-performing loans (NPLs) are distressed loans that may be secured or unsecured, for instance with real estate assets as collateral.

Off-the-run

Off-the-run indicates government bonds that are no longer being issued. The Italian Economy Ministry can reoffer these securities through the marginal auction system. The price and quantity are determined by means of a discretionary award system within a minimum and maximum emission range referred to the whole pool of bonds. Conversely, on-the-run indicates bonds planned on the basis of the annual calendar of auctions.

Outright purchases

With outright purchases, the factor entirely assumes the debtor's risk of default: therefore, it does not finance the receivable, but rather purchases it in full. In this case, the amount paid to the invoice seller is not an advance on the consideration, but the outright collection of the credit, and does not therefore represent a liability for the invoice seller.

Overnight index swap

The overnight index swap (OIS) is an agreement between two parties to swap loans at a fixed rate for a set period. This rate reflects that expected on the overnight interbank market for the duration of the swap. It is considered less risky than the Libor.

P/E and dividend yield

P/E is the ratio between the market price of a company’s stock and the earnings per share reported in the most recent period. The price/earnings ratio corresponds to the yield on a share: more precisely, it indicates how much time is needed for the earnings arising from it to equal the price paid for its purchase. The lower the ratio, the more attractive is the stock.

Past due loans

On- and off-balance sheet exposures, other than those classified as bad, substandard or restructured loans, which are past due or have been overdrawn for more than 90 days as at the reference date.

Pay-out

Pay-out is the distribution of net profits in the form of dividends. In particular, the pay-out ratio, i.e. the ratio between dividends paid and net profits for the year, is widely used in accounting. This indicator represents a company’s strategic choices as to how to fund its investments: the higher the ratio, the lower the share of net profits the company can use to finance its future projects. A company’s net profits can be put to only two uses: be distributed as dividends, thus increasing the pay-out, or be retained in the company, increasing its equity and thus the rate of self-financing.

Performing loans

A receivable held by the bank due from customers deemed solvent and therefore able to timely repay their debt as agreed.

Rating

The assessment made by a specialist private agency of the creditworthiness of an issuer. Analysts rate corporate bonds, government bonds, individual stocks or entire economic sectors. The rating provides market participants with standardised information on the issuers’ risk profile and is important for investors who cannot independently carry out risk and credit analyses. It is composed of a rating usually expressed on a scale from AAA (the maximum level) to D (the minimum) for bond issuers, and an outlook indicating the analysts' expectations. Being rated makes it easier for issuers to price and place their securities.

Real yield

Real yield means the return on an investment net of inflation. In other words, investors shall take into account the increase in the cost of living and the reduction in purchasing power when calculating the yield on an investment.

Recession

Recession is an economic cycle characterised by levels of production lower than those that could potentially be achieved by using all available inputs fully and efficiently. Technically, a country enters recession when real GDP contracts and remains negative for at least two consecutive quarters. If stagnation is accompanied by inflation, we talk of stagflation. Conversely, economic growth means an increase in the main macroeconomic variables.

Record date

It is the mechanism introduced in Italy in 2010 aimed at establishing whether or not shareholders have the right to attend the general meetings of listed companies: the record date identifies the moment when the party requesting to participate in the meeting must be registered as shareholder. Those who are registered as shareholders as at the seventh trading day prior to the date of the meeting and have notified their intention to participate via a qualified intermediary are entitled to attend the meeting.

Recourse factoring

In recourse factoring, the seller transfers to the factor a receivable guaranteeing the debtor will repay it. The seller therefore guarantees the factor both that the receivable sold exists and that the debtor is solvent.

ROA

The Return on Assets (ROA) is an indicator that measures the return on the invested capital or the business carried out. It is the ratio between pre-tax operating profit and total assets.

ROCA

The Return on Core Assets (ROCA) is an indicator of the return on the assets dedicated to the core business. It is calculated as the ratio between gross profit minus net earnings on debt securities and total assets excluding debt securities.

ROE

In corporate finance, the Return On Equity (ROE) is a synthetic measure of the company's operating results. It is calculated as the ratio of net profit to the average of equity.

In order to assess whether a given value of ROE is good or bad, it is necessary to compare it with the yield on alternative investments (BoT, CcT, bank deposits, etc.), i.e. to assess the opportunity cost of investing in the company concerned.

Repurchase agreements

Repurchase agreements (also known as repos) involve the sale of securities together with an agreement for the seller to buy back the securities later from the buyer. The repurchase price is obviously greater than the original sale price. On the repurchase date, the buyer must have the securities available. It is, therefore, a kind of financing transaction, with the return represented by the repurchase spread.

Restructured loans

On- and off-balance-sheet exposures for which a bank, because of the deteriorated economic-financial condition of the debtor, agrees to revise the original terms and conditions, resulting in a loss.

RWA (Risk Weighted Assets)

Risk weighted assets are on- and off-balance-sheet assets (derivatives and guarantees) classified and weighted based on several risk-related ratios, in accordance with bank regulations issued by the supervisory authorities concerning solvency ratios.

Secondary market

The secondary financial market is where outstanding securities can be traded until their maturity. It is the stage following the primary financial market: every security starts in the primary market and, after its issue and placement, moves to the secondary market, where all transactions following the auction are carried out. In other words, the existence of a secondary market ensures that securities can be sold prior to their maturity at market price. Logically, the two markets (which are significantly different in size) are opposites, but they deal with the same products, therefore more liquidity in the secondary market allows for more securities in the primary market.

Shadow banking

The shadow banking system is a network of unregulated market participants acting in parallel to the regulated system, from which it receives securities and other receivables, changing their duration, maturity and liquidity. It then returns them as liquidity available for new transactions.

The shadow banking system is financed through structured derivatives, thus creating liquidity that is in turn invested in long-term assets.

Solvency

Solvency is a debtor's ability to meet its obligations.

Solvency II

Solvency II is a proposed EU directive, for which there is still no approved final text, which aims to revise how the solvency of insurers is assessed, taking into account quantitative and qualitative aspects affecting the company’s risk profile. Work on Solvency II started in November 2003, with the establishment of a permanent committee to prepare a draft framework law for the management of risk in the insurance sector.

Sovereign funds

Public special investment vehicles controlled directly by the governments of the relevant countries and used to invest in financial instruments (shares, bonds, real estate) and other assets. Sovereign funds have been created above all in oil-exporting countries: United Arab Emirates, Qatar, and Norway.

Spread

The word spread indicates a difference or gap. In the case of government bonds, the spread indicates the gap between the yields of Italian and German government bonds, which are considered more reliable. The higher the spread, the higher the cost for the bond issuer, i.e. the State, to refinance its debt. In the medium to long term, high spreads could lead either to sovereign defaults or to drastic cuts in public spending and/or tax hikes to avoid bankruptcy.

Subordinate loan

A loan is subordinate when, should the issuer be put into liquidation, it will be repaid only after all senior debts, but before the share capital. There are two tiers of subordinate loans: LOWER TIER 2 securities represent the most senior subordinate loans. UPPER TIER 2 securities are riskier, since they envisage the possibility (not the obligation) of deferring the interest payment.

Subprime

Subprime mortgages are those granted to borrowers with past credit problems. They are loans to borrowers with no personal guarantees. Subprime mortgages, which US banks used to supply generously despite the poor credit standing of applicants, were granted because the bank immediately

transferred the credit risk to the financial market through securitisation, asset-backed securities (ABSs) and collateralised debt obligations (CDOs).

Substandard loans

On- and off-balance-sheet exposures to parties in a temporary state of objective difficulty that can be overcome in a due period of time. Pursuant to the Bank of Italy's regulations, substandard loans also include the so-called "objective substandard loans".

Takeover bid

A takeover bid is a public offer aimed at purchasing financial instruments. In the case of Italian companies with shares listed on regulated markets, anyone holding more than 30% of the capital shall launch a takeover bid for the rest of the shares. In the case of crises and corporate restructurings, Consob (the Italian securities regulator) can exempt an investor buying a controlling interest in the company concerned from making a takeover bid for all the shares.

Tier 1 capital

Tier 1 capital is composed of the following elements defined by the Bank of Italy as being of primary quality: paid-up share capital, reserves, the provision for general banking risks, and innovative capital instruments. The sum of these elements, after deducting treasury shares, goodwill, intangible assets, and losses recognised in previous financial years and in the current one, represents the Tier 1 capital.

Total receivables

The sum of outstanding receivables purchased by the factor as at a specific date.

Turnover

Turnover is the gross flow of the receivables sold by the customers to the factoring company in a specific period of time (for instance, one year).

Volatility

Volatility is a measure of the variation in price over a defined period of time. It measures the standard deviation of returns on a security compared to the reference market.

Yield curve

The yield curve is the relationship between the interest rates and the maturities of securities. Under normal market conditions, the curve tends to be positive, with long-term rates higher than short-term ones. Between November and December 2011, however, Italy's yield curve flattened, signalling tensions and a lack of confidence in the country.