

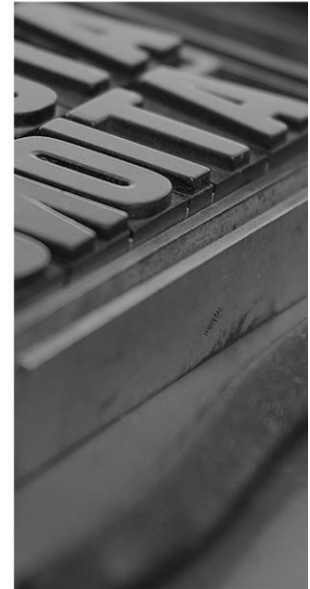
BANCA IFIS

CONSOLIDATED INTERIM REPORT AT 30 SEPTEMBER 2016



9 MONTHS RESULTS

3Q16 - Banca IFIS Group



CONSOLIDATED FINANCIAL STATEMENT

DRL



TRADE RECEIVABLES



EVOLUTION OF QUARTERS

FUNDING



TAX RECEIVABLES

MANAGEMENT AND BOD

Approving date
November 10, 2016

www.bancaifis.com



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Corporate Bodies

Board of Directors

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

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

General Manager

Alberto Staccione

Board of Statutory Auditors

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

Independent Auditors

EY S.p.A.

Corporate Accounting Reporting Officer

Mariacristina Taormina

BANCA IFIS

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



Member of Factors
Chain International

Group Key Data

Highlights

KEY DATA ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2016	31.12.2015	ABSOLUTE	%
Available for sale financial assets	1.026.744	3.221.533	(2.194.789)	(68,1)%
Loans to customers	3.303.322	3.437.136	(133.814)	(3,9)%
Total assets	4.995.599	6.957.720	(1.962.121)	(28,2)%
Due to banks	56.788	662.985	(606.197)	(91,4)%
Due to customers	4.138.865	5.487.476	(1.348.611)	(24,6)%
Equity	586.648	573.467	13.181	2,3%

KEY RECLASSIFIED DATA ON THE CONSOLIDATED INCOME STATEMENT ⁽¹⁾ (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2016	2015	ABSOLUTE	%
Net banking income	237.689	328.137	(90.448)	(27,6)%
Net value adjustments on receivables and other financial assets	(19.492)	(23.132)	3.640	(15,7)%
Net profit (loss) from financial activities	218.197	305.005	(86.808)	(28,5)%
Operating costs	(118.698)	(80.784)	(37.914)	46,9%
Pre-tax profit from continuing operations	99.499	224.221	(124.722)	(55,6)%
Group net profit for the period ⁽²⁾	66.269	148.805	(82.536)	(55,5)%

(1) Net value adjustments on DRL receivables, totalling 23,6 million Euro at 30 September 2016 compared to 3,0 million Euro at 30 September 2015, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

(2) Excluding the gain made in April 2015 on the rebalancing of the government bond portfolio (124,5 million Euro) the profit for the period at 30 September 2015 amounted to 66,3 million Euro.

KEY QUARTERLY RECLASSIFIED DATA ON THE CONSOLIDATED INCOME STATEMENT ⁽¹⁾ (in thousands of Euro)	3rd QUARTER		CHANGE	
	2016	2015	ABSOLUTE	%
Net banking income ⁽¹⁾	86.766	62.696	24.070	38,4%
Net value adjustments on receivables and other financial	(3.731)	(5.463)	1.732	(31,7)%
Net profit (loss) from financial activities	83.035	57.233	25.802	45,1%
Operating costs	(41.901)	(28.974)	(12.927)	44,6%
Pre-tax profit from continuing operations	41.134	28.259	12.875	45,6%
Group net profit for the period	27.149	18.026	9.123	50,6%

(1) Net value adjustments on DRL receivables, totalling 23,6 million Euro at 30 September 2016 compared to 3,0 million Euro at 30 September 2015, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

RECLASSIFIED GROUP KPIs ^{(1) (2)}	30.09.2016	30.09.2015	31.12.2015
Cost/Income ratio	49,9%	24,6%	31,7%
Cost of credit quality for trade receivables	0,9%	0,8%	0,9%
Net bad loans trade receivables/Trade receivables loans to customers	1,2%	1,3%	1,1%
Net bad loans trade receivables/Equity	5,4%	6,2%	5,4%
Coverage ratio on gross bad loans Trade receivables	88,1%	86,7%	87,9%
Net trade receivables non-performing loans/Trade receivables loans to customers	8,0%	5,1%	4,5%
Net trade receivables non-performing loans/Equity	36,1%	24,2%	22,4%
Total Own Funds Capital Ratio	14,5%	16,0%	14,9% ⁽³⁾
Common Equity Tier 1 Ratio	13,5%	15,3%	14,2% ⁽³⁾
Number of company shares (in thousands)	53.811	53.811	53.811
Number of shares outstanding at period end ⁽⁴⁾ (in thousands)	53.081	53.068	53.072
Book per share	11,05	10,50	10,81
EPS	1,25	2,81	3,05
Recalculated EPS ⁽⁵⁾	1,25	1,25	1,49

(1) For the definition of the KPIs in the table, please see the Consolidated Annual Report Glossary.

(2) Net value adjustments on DRL receivables, totalling 23,6 million Euro at 30 September 2016 compared to 3,0 million Euro at 30 September 2015, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

(3) Total consolidated own funds (amounting to 486.809 million Euro) differ from the amount reported in the consolidated financial statements for the year ended 31 December 2015 (501.809 million Euro) due to the 15 million Euro dividend payout approved by the Shareholders' Meeting of the parent company La Scogliera S.p.A. on 23 March 2016. The consolidated supervisory reports at 31 December 2015, as well as the relevant capital adequacy ratios, had already been adjusted at the end of March 2016 to account for said dividend payout. The data on consolidated Own Funds and capital adequacy ratios account for the impact of said distribution.

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

(5) EPS recalculated net of the gain on the sales of securities made during 2015.

Reclassified results by business segment

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Available for sale financial assets					
Amounts at 30.09.2016	-	-	-	1.026.744	1.026.744
Amounts at 31.12.2015	-	-	-	3.221.533	3.221.533
% Change	-	-	-	(68,1)%	(68,1)%
Due from banks					
Amounts at 30.09.2016	-	-	-	454.170	454.170
Amounts at 31.12.2015	-	-	-	95.352	95.352
% Change	-	-	-	376,3%	376,3%
Loans to customers					
Amounts at 30.09.2016	2.648.285	538.118	114.153	2.766	3.303.322
Amounts at 31.12.2015	2.848.124	354.352	130.663	103.997	3.437.136
% Change	(7,0)%	51,9%	(12,6)%	(97,3)%	(3,9)%
Due to banks					
Amounts at 30.09.2016	-	-	-	56.788	56.788
Amounts at 31.12.2015	-	-	-	662.985	662.985
% Change	-	-	-	(91,4)%	(91,4)%
Due to customers					
Amounts at 30.09.2016	-	-	-	4.138.865	4.138.865
Amounts at 31.12.2015	-	-	-	5.487.476	5.487.476
% Change	-	-	-	(24,6)%	(24,6)%

RECLASSIFIED DATA ON THE INCOME STATEMENT ⁽¹⁾ (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Net banking income					
Amounts at 30.09.2016	121.291	111.960	10.864	(6.426)	237.689
Amounts at 30.09.2015	118.943	30.869	11.507	166.818	328.137
% Change	2,0%	262,7%	(5,6)%	(103,9)%	(27,6)%
Net profit (loss) from financial activities					
Amounts at 30.09.2016	106.067	111.960	10.595	(10.425)	218.197
Amounts at 30.09.2015	104.186	30.869	11.381	158.569	305.005
% Change	1,8%	262,7%	(6,9)%	(106,6)%	(28,5)%

(1) Net value adjustments on DRL receivables, totalling 23,6 million Euro at 30 September 2016 compared to 3,0 million Euro at 30 September 2015, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

RECLASSIFIED QUARTERLY DATA ON THE INCOME STATEMENT ⁽¹⁾ (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Net banking income					
3rd quarter 2016	39.910	50.822	2.838	(6.804)	86.766
3rd quarter 2015	41.668	10.676	3.984	6.368	62.696
% Change	(4,2)%	376,0%	(28,8)%	(206,8)%	38,4%
Net profit (loss) from financial activities					
3rd quarter 2016	36.261	50.822	2.756	(6.804)	83.035
3rd quarter 2015	40.361	10.676	3.844	2.352	57.233
% Change	(10,2)%	376,0%	(28,3)%	(389,3)%	45,1%

(1) Net value adjustments on DRL receivables, totalling 7,1 million Euro in the third quarter of 2016 compared to 52 thousand Euro in net reversals in the prior-year period, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

SEGMENT KPI (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover ⁽¹⁾				
Amounts at 30.09.2016	7.486.378	n.a.	n.a.	n.a.
Amounts at 30.09.2015	7.254.606	n.a.	n.a.	n.a.
% Change	3,2%	-	-	-
Nominal amount of receivables managed				
Amounts at 30.09.2016	3.273.182	10.279.467	160.583	n.a.
Amounts at 31.12.2015	3.576.982	8.161.005	190.553	n.a.
% Change	(8,5)%	26,0%	(15,7)%	-
Net bad loans/Loans to customers				
Amounts at 30.09.2016	1,2%	53,5%	0,0%	n.a.
Amounts at 31.12.2015	1,1%	45,0%	0,0%	n.a.
Change	0,1%	8,5%	0,0%	-
RWA ⁽²⁾				
Amounts at 30.09.2016	1.927.414	538.118	47.482	40.127
Amounts at 31.12.2015	1.970.886	354.352	41.614	25.256 ⁽³⁾
% Change	(2,2)%	51,9%	14,1%	58,9%

(1) Gross flow of the receivables sold by the customers in a specific period of time.

(2) Risk Weighted Assets; the amount refers exclusively to the financial items reported in the segments.

(3) Data restated after initial publication.

Reclassified Quarterly Evolution

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2016			YEAR 2015			
	30.09	30.06	31.03	31.12	30.09	30.06	31.03
ASSETS							
Available for sale financial assets	1.026.744	1.027.770	1.066.413	3.221.533	3.677.850	3.803.216	5.069.781
Due from banks	454.170	153.877	114.691	95.352	246.991	114.843	115.697
Loans to customers	3.303.322	3.355.998	3.307.793	3.437.136	3.176.172	3.152.145	2.921.902
Property, plant and equipment	62.291	56.729	53.792	52.163	52.137	51.509	51.329
Intangible assets	10.816	8.929	7.391	7.170	7.031	6.779	6.772
Other assets	138.256	139.895	112.110	144.366	84.507	92.902	77.104
Total assets	4.995.599	4.743.198	4.662.190	6.957.720	7.244.688	7.221.394	8.242.585

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2016			YEAR 2015			
	30.09	30.06	31.03	31.12	30.09	30.06	31.03
LIABILITIES AND EQUITY							
Due to banks	56.788	43.587	182.568	662.985	537.898	457.384	200.953
Due to customers	4.138.865	3.928.261	3.722.501	5.487.476	5.900.458	6.037.552	7.241.379
Post-employment benefits	1.554	1.545	1.510	1.453	1.388	1.407	1.641
Tax liabilities	15.116	16.180	25.118	25.549	23.904	18.207	67.692
Other liabilities	196.628	191.428	180.250	206.790	224.028	182.578	159.042
Equity:	586.648	562.197	550.243	573.467	557.012	524.266	571.878
- share capital, share premiums and reserves	520.379	523.077	528.198	411.501	408.207	393.487	545.649
- net profit for the period	66.269	39.120	22.045	161.966	148.805	130.779	26.229
Total liabilities and equity	4.995.599	4.743.198	4.662.190	6.957.720	7.244.688	7.221.394	8.242.585

RECLASSIFIED CONSOLIDATED INCOME STATEMENT ⁽¹⁾ QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2016			YEAR 2015			
	3rd Q.	2nd Q.	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net interest income	52.988	55.395	57.707	45.312	48.163	53.432	58.106
Net commission income	13.087	13.316	13.648	14.824	14.712	14.878	14.369
Net result from trading	(374)	(86)	(246)	(55)	(179)	36	120
Gain (loss) on sale or buyback of:	21.065	5.694	5.495	16.127	-	124.500	-
Loans and receivables	21.065	5.694	-	14.948	-	-	-
Available for sale financial assets	-	-	5.495	1.179	-	124.500	-
Net banking income	86.766	74.319	76.604	76.208	62.696	192.846	72.595
Net impairment losses/reversal on:	(3.731)	(7.496)	(8.265)	(7.505)	(5.463)	(10.183)	(7.486)
Loans and receivables	(3.731)	(6.449)	(5.313)	(6.777)	(1.447)	(7.969)	(5.467)
Available for sale financial assets	-	(1.047)	(2.952)	(728)	(4.016)	(2.214)	(2.019)
Net profit (loss) from financial activities	83.035	66.823	68.339	68.703	57.233	182.663	65.109
Personnel expenses	(14.324)	(14.187)	(13.408)	(12.266)	(12.394)	(12.165)	(11.517)
Other administrative expenses	(24.029)	(28.051)	(18.421)	(35.419)	(15.956)	(11.411)	(16.042)
Net allocations to provisions for risks and charges	(1.827)	2.157	(3.790)	13	(160)	397	(479)
Net value adjustments on property, plant and equipment and intangible assets	(1.306)	(1.069)	(938)	(1.045)	(942)	(927)	(832)
Other operating income/expenses	(415)	162	748	1.382	478	(2.141)	3.307
Operating costs	(41.901)	(40.988)	(35.809)	(47.335)	(28.974)	(26.247)	(25.563)
Pre-tax profit from continuing operations	41.134	25.835	32.530	21.368	28.259	156.416	39.546
Income tax expense for the period	(13.985)	(8.760)	(10.485)	(8.207)	(10.233)	(51.866)	(13.317)
Net profit for the period	27.149	17.075	22.045	13.161	18.026	104.550	26.229

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

RECLASSIFIED DATA ON THE INCOME STATEMENT BY SEGMENT ⁽¹⁾ : QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2016			YEAR 2015			
	3rd Q.	2nd Q.	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net banking income	86.766	74.319	76.604	76.208	62.696	192.846	72.595
Trade Receivables	39.910	40.065	41.316	39.728	41.668	37.941	39.334
Distressed Retail Loans	50.822	35.198	25.940	21.818	10.676	11.334	8.859
Tax Receivables	2.838	3.873	4.153	8.828	3.984	3.621	3.902
Governance and Services	(6.804)	(4.817)	5.195	5.834	6.368	139.950	20.500
Net profit (loss) from financial activities	83.035	66.823	68.339	68.703	57.233	182.663	65.109
Trade Receivables	36.261	33.803	36.003	33.237	40.361	30.016	33.809
Distressed Retail Loans	50.822	35.198	25.940	21.818	10.676	11.334	8.859
Tax Receivables	2.756	3.686	4.153	8.542	3.844	3.577	3.960
Governance and Services	(6.804)	(5.864)	2.243	5.106	2.352	137.736	18.481

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

Reclassified Group Historical Data⁽¹⁾

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

<i>(in thousands of Euro)</i>	30.09.2016	30.09.2015	30.09.2014	30.09.2013	30.09.2012
Available for sale financial assets	1.026.744	3.677.850	414.768	2.531.765	1.584.536
Held to maturity financial assets	-	-	5.094.994	4.459.285	2.983.123
Loans to customers	3.303.322	3.176.172	2.588.009	2.223.142	2.108.844
Due to banks	56.788	537.898	632.553	527.961	555.295
Due to customers	4.138.865	5.900.458	7.317.589	8.837.029	6.439.392
Equity	586.648	557.012	418.296	357.864	284.041
Net banking income	237.689	328.137	211.076	194.139	167.643
Net profit (loss) from financial activities	218.197	305.005	181.112	159.575	140.054
Group net profit for the period	66.269	148.805	74.188	67.110	57.931
Cost/Income ratio	49,9%	24,6%	33,0%	28,3%	30,5%
Cost of credit quality for trade receivables	0,9%	0,8%	2,3%	3,5%	2,3%
Net trade receivables bad loans/ Trade receivables loans to customers	1,2%	1,3%	1,5%	2,9%	3,4%
Net trade receivables bad loans/ Equity	5,4%	6,2%	7,9%	14,6%	23,7%
Coverage ratio on gross bad loans Trade receivables	88,1%	86,7%	86,6%	75,5%	62,0%
Net trade receivables non-performing loans/ Trade receivables loans to customers	8,0%	5,1%	5,8%	14,7%	15,4%
Net trade receivables non-performing loans/ Equity	36,1%	24,2%	29,8%	73,1%	105,6%
Total own funds Capital Ratio ⁽²⁾	14,5%	16,0%	14,9%	14,1%	11,9%
Common Equity Tier 1 Ratio ⁽²⁾	13,5%	15,3%	14,6%	14,3%	12,1%

(1) Net value adjustments on DRL receivables, totalling 23,6 million Euro at 30 September 2016 compared to 3,0 million Euro at 30 September 2015, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

(2) The new set of harmonised regulations for banks and investment firms included in EU Regulation no. 575/2013 (CRR) and in Directive 2013/36/EU (CRD IV) is applicable as from 1 January 2014. Data for periods up until 30 September 2013 were recognised according to previous regulations (Basel 2). The Solvency ratio and the Core Tier 1 have been presented under Total Own Funds Ratio and Common Equity Tier 1 Ratio, respectively.

Financial statements

Consolidated Statement of Financial Position

Assets (in thousands of Euro)		30.09.2016	31.12.2015
10.	Cash and cash equivalents	23	34
20.	Financial assets held for trading	98	259
40.	Available for sale financial assets	1.026.744	3.221.533
60.	Due from banks	454.170	95.352
70.	Loans to customers	3.303.322	3.437.136
120.	Property, plant and equipment	62.291	52.163
130.	Intangible assets	10.816	7.170
	of which:		
	- goodwill	812	820
140.	Tax assets	62.254	61.737
	a) current	22.291	22.315
	b) deferred	39.963	39.422
160.	Other assets	75.881	82.336
	Total assets	4.995.599	6.957.720

Liabilities and equity (in thousands of Euro)		30.09.2016	31.12.2015
10.	Due to banks	56.788	662.985
20.	Due to customers	4.138.865	5.487.476
40.	Financial liabilities held for trading	406	21
80.	Tax liabilities	15.116	25.549
	a) current	821	4.153
	b) deferred	14.295	21.396
100.	Other liabilities	190.992	204.598
110.	Post-employment benefits	1.554	1.453
120.	Provisions for risks and charges	5.230	2.171
	b) other reserves	5.230	2.171
140.	Valuation reserves	(7.325)	5.739
170.	Reserves	420.548	298.856
180.	Share premiums	59.090	58.900
190.	Share capital	53.811	53.811
200.	Treasury shares (-)	(5.745)	(5.805)
220.	Profit for the period	66.269	161.966
	Total liabilities and equity	4.995.599	6.957.720

Consolidated Income Statement

Items (in thousands of Euro)		30.09.2016	30.09.2015
10.	Interest receivable and similar income	224.827	192.242
20.	Interest due and similar expenses	(35.154)	(29.512)
30.	Net interest income	189.673	162.730
40.	Commission income	43.846	47.150
50.	Commission expense	(3.795)	(3.191)
60.	Net commission income	40.051	43.959
80.	Net result from trading	(706)	(23)
100.	Gain (loss) on sale or buyback of:	32.254	124.500
	a) loans and receivables	26.759	-
	b) available for sale financial assets	5.495	124.500
120.	Net banking income	261.272	331.166
130.	Net impairment losses/reversal on	(43.075)	(17.912)
	a) loans and receivables	(39.076)	(26.161)
	b) available for sale financial assets	(3.999)	(8.249)
140.	Net profit (loss) from financial activities	218.197	305.005
180.	Administrative expenses:	(112.420)	(79.485)
	a) personnel expenses	(41.919)	(36.076)
	b) other administrative expenses	(70.501)	(43.409)
190.	Net allocations to provisions for risks and charges	(3.460)	(242)
200.	Net impairment losses/Reversal on property, plant and equipment	(1.428)	(1.186)
210.	Net impairment losses/Reversal on intangible assets	(1.885)	(1.515)
220.	Other operating income/expenses	495	1.644
230.	Operating costs	(118.698)	(80.784)
280.	Pre-tax profit (loss) for the period from continuing operations	99.499	224.221
290.	Income taxes relating to current operations	(33.230)	(75.416)
340.	Profit (loss) for the period attributable to the Parent company	66.269	148.805

Consolidated Statement of Comprehensive Income

Items (in thousands of Euro)		30.09.2016	30.09.2015
10.	Profit (loss) for the period	66.269	148.805
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	(78)	95
20.	Property, plant and equipment	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	(78)	95
50.	Non-current assets under disposal	-	-
60.	Share of valuation reserves of equity accounted investments	-	-
	Other comprehensive income, net of taxes, to be reclassified to profit or loss	(12.986)	2.624
70.	Foreign investment hedges	-	-
80.	Exchange differences	(399)	191
90.	Cash flow hedges	-	-
100.	Available for sale financial assets	(12.587)	2.433
110.	Non-current assets under disposal	-	-
120.	Share of valuation reserves of equity accounted investments	-	-
130.	Total other comprehensive income, net of taxes	(13.064)	2.719
140.	Total comprehensive income (item 10+130)	53.205	151.524
150.	Total consolidated comprehensive income attributable to non-controlling interests	-	-
160.	Total consolidated comprehensive income attributable to the parent company	53.205	151.524

Notes

Basis of preparation

This consolidated interim report at 30 September 2016 of the Banca IFIS Group was prepared in accordance with Borsa Italiana's Rules for companies listed on the STAR segment (article 2.2.3 paragraph 3), which require publishing an interim report within 45 days of the end of each quarter, and considering Borsa Italiana's notice no. 7587 of 21 April 2016. Therefore, in accordance with said notice, concerning the contents of the Consolidated Interim Report, the Group made reference to the pre-existing paragraph 5 of article 154-ter of Italian Legislative Decree no. 58 of 24 February 1998.

The Interim Report at 30 September 2016 has been drawn up in accordance with the IASs/IFRSs in force at said date issued by the International Accounting Standards Board (IASB), together with the relevant interpretations (IFRICs and SICs). These standards were endorsed by the European Commission in accordance with Regulation (EC) no. 1606 of 19 July 2002. This regulation was implemented in Italy with Legislative Decree no. 38 of 28 February 2005.

The result for the period is reported net of income taxes, which reflect the presumed expense for the period calculated using the average tax rate forecast for the current year.

The criteria for classifying, recognising, measuring and derecognising assets and liabilities and the methods for recognising revenue and costs adopted in preparing this Interim Report are unchanged from those used to prepare the consolidated financial statements at 31 December 2015, to which reference should be made for further details.

Some items of profit or loss referring to the year 2015 were restated to take the following into account.

Concerning the changes in amortised cost other than impairment related to the bad loans of the DRL segment, starting with the financial statements for the year ended 31 December 2015, the Bank has begun classifying them no longer under item 130 Net impairment losses/reversals on receivables, but rather under item 10 Interest income. For more details, see Part A – Accounting Policies in the Notes to the 2015 Consolidated Financial Statements.

Consolidation scope

At 30 September 2016, the Group was composed of the parent company, Banca IFIS S.p.A., and the wholly-owned subsidiary, IFIS Finance Sp. Z o. o., consolidated using the line-by-line method.

The accounts on which the consolidation is based are those prepared by Group companies at 30 September 2016.

Group equity and income situation

Group financial and income results

The main line items are commented on below.

Statement of financial positions items

MAIN STATEMENT OF FINANCIAL POSITION ITEMS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2016	31.12.2015	ABSOLUTE	%
Available for sale financial assets	1.026.744	3.221.533	(2.194.789)	(68,1)%
Due from banks	454.170	95.352	358.818	376,3%
Loans to customers	3.303.322	3.437.136	(133.814)	(3,9)%
Property, plant and equipment and intangible assets	73.107	59.333	13.774	23,2%
Other assets	138.256	144.366	(6.110)	(4,2)%
Total assets	4.995.599	6.957.720	(1.962.121)	(28,2)%
Due to banks	56.788	662.985	(606.197)	(91,4)%
Due to customers	4.138.865	5.487.476	(1.348.611)	(24,6)%
Other liabilities	213.298	233.792	(20.494)	(8,8)%
Equity	586.648	573.467	13.181	2,3%
Total liabilities and equity	4.995.599	6.957.720	(1.962.121)	(28,2)%

Available for sale (AFS) financial assets

Available for sale (AFS) financial assets, which include debt and equity securities, stood at 1.026,7 million Euro at 30 September 2016, -68,1% compared to 3.221,5 million Euro at the end of 2015. The valuation reserve, net of taxes, was negative to the tune of 0,9 million Euro at 30 September 2016 (positive 11,7 million Euro at 31 December 2015). The change in available for sale financial assets, as well as the relevant reserve, was largely attributable to the events concerning debt securities described below.

At 30 September 2016, the **debt securities** portfolio amounted to 1.024,4 million Euro, down 68,2% from 31 December 2015 (3.216,8 million Euro)—largely the result of 2,179,4 million Euro worth of sales carried out in the first quarter of 2016, which resulted in a 5,5 million Euro gain.

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

Issuer:	4th Q. 2016	3rd Q. 2017	2nd Q. 2020	Total
Government bonds	700.832	270.537	53.001	1.024.370
<i>% of total</i>	68,4%	26,4%	5,2%	100,0%

Available for sale financial assets include **equity securities** relating to non-controlling interests in unlisted companies that are considered strategic for Banca IFIS, amounting to 2,4 million Euro (-49,5% from 4,7 million Euro at 31 December 2015). The change stemmed from the 1.5 million Euro acquisition of an interest in Cassa di Risparmio di Cesena after paying a contribution to Italy's Interbank Deposit Protection Fund (FITD, Fondo Interbancario di Tutela dei Depositi) as payment for the bank's capital increase. The fair value of this interest is the subscription price assigned to the relevant capital increase. This interest was treated for accounting, tax and reporting purposes in accordance with the Italian Bank Association's communication of 4 August 2016 as confirmed by the Bank of Italy's technical note of 26

October 2016. During the period were recorded 4,0 million Euro in impairment losses recognised on the equity interest in an investee that was found to be impaired.

Loans to customers

Total **loans to customers** amounted to 3.303,3 million Euro, down 3,9% from 3.437,1 million Euro at the end of 2015.

Specifically, DRL receivables increased as a result of new acquisitions as well as the reclassification to amortised cost of a sizeable portion of the portfolio previously recognised at cost pending the completion of the preparations for said reclassification. Loans in the trade receivables sector declined (-7,0%) as the Bank shifted its focus to smaller-sized but more profitable market segments. Tax receivables were down as a result of the significant collections recognised during the period. Receivables in the Governance and Services sector fell because of the decrease in margin lending related to repurchase agreements on the MTS platform with Cassa Compensazione e Garanzia as counterparty—the result of the mentioned reduction of the portfolio of refinanceable securities.

The breakdown of loans to customers was as follows: 29,8% are due from the Public Administration and 70,2% from the private sector (compared to 30,4% and 69,6% at 31 December 2015).

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 3 positions, for a total amount of 185,9 million Euro, which fall within the category of major risks.

LOANS TO CUSTOMERS: BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2016	31.12.2015	ABSOLUTE	%
Trade receivables	2.648.285	2.848.124	(199.839)	(7,0)%
- of which non-performing	211.597	128.715	82.882	64,4%
Distressed retail loans	538.118	354.352	183.766	51,9%
- of which non-performing	538.116	354.331	183.785	51,9%
Tax Receivables	114.153	130.663	(16.510)	(12,6)%
- of which non-performing	5	-	5	n.a.
Governance and Services	2.766	103.997	(101.231)	(97,3)%
- of which with Cassa di Compensazione e Garanzia	780	103.636	(102.856)	(99,2)%
Total loans to customers	3.303.322	3.437.136	(133.814)	(3,9)%
- of which non-performing	749.718	483.046	266.672	55,2%

Total net **non-performing exposures**, following, among other things, the acquisitions in the DRL segment finalised during 2016, amounted to 749,7 million Euro at 30 September 2016, compared to 483,0 million Euro at the end of 2015 (+55,2%).

Here below is the breakdown of forbore exposures by segment.

FORBEARANCE (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	CONS. TOTAL
Bad loans				
Amounts at 30.09.2016	2.382	29.876	-	32.258
Amounts at 31.12.2015	371	15.064	-	15.435
% Change	542,0%	98,3%	-	109,0%
Unlikely to pay				-
Amounts at 30.09.2016	16.354	49.312	-	65.666
Amounts at 31.12.2015	14.414	19.309	-	33.723
% Change	13,5%	155,4%	-	94,7%
Past due loans				-
Amounts at 30.09.2016	-	11	-	11
Amounts at 31.12.2015	5.300	-	-	5.300
% Change	(100,0)%	n.a.	-	(99,8)%
Performing loans				-
Amounts at 30.09.2016	10.109	-	-	10.109
Amounts at 31.12.2015	2.954	5	-	2.959
% Change	242,2%	(100,0)%	-	241,6%

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

NON-PERFORMING TRADE RECEIVABLES (in thousands of Euro)	BAD LOANS ⁽¹⁾	UNLIKELY TO PAY	PAST DUE LOANS	TOTAL
SITUATION AT 30/09/2016				
Nominal amount of non-performing exposures	269.377	73.640	132.302	475.319
As a proportion of total receivables at nominal amount	9,2%	2,5%	4,5%	16,3%
Value adjustments	237.432	24.029	2.261	263.722
As a proportion of the nominal amount	88,1%	32,6%	1,7%	55,5%
Carrying amount	31.945	49.611	130.041	211.597
As a proportion of net total receivables	1,2%	1,9%	4,9%	8,0%
SITUATION AT 31/12/2015				
Nominal amount of non-performing exposures	255.404	58.257	59.788	373.449
As a proportion of total receivables at nominal amount	8,2%	1,9%	1,9%	12,0%
Value adjustments	224.454	18.706	1.574	244.734
As a proportion of the nominal amount	87,9%	32,1%	2,6%	65,5%
Carrying amount	30.950	39.551	58.214	128.715
As a proportion of net total receivables	1,1%	1,4%	2,0%	4,5%

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

Net bad loans amounted to 31,9 million Euro, +3,2% from the end of 2015; the segment's net bad-loan ratio was 1,2%, compared to 1,1% at 31 December 2015. Net bad loans were unchanged from 31 December 2015, amounting to 5,4% as a proportion of equity. The coverage ratio stood at 88,1% (87,9% at 31 December 2015).

The balance of **net unlikely to pay** was 49,6 million Euro, +25,4% from 39,6 at the end of 2015. The increase was largely attributable to three positions that fall into this risk category. The coverage ratio stood at 32,6% (32,1% at 31 December 2015).

Net non-performing past due exposures totalled 130,0 million Euro, compared with 58,2 million Euro in December 2015 (+123,4%). The increase was attributable to past due loans due from the Public Administration that were purchased outright, rising from 1,2 million Euro at the end of 2015 to 48,4 million Euro at 30 September 2016. The coverage ratio stood at 1,7% (2,6% at 31 December 2015).

Intangible assets and property, plant and equipment and investment property

Intangible assets totalled 10,8 million Euro, compared to 7,2 million Euro at 31 December 2015 (+50,9%).

The item refers to software (10,0 million Euro) as well as goodwill (812 thousand Euro) arising from the consolidation of the investment in IFIS Finance Sp.Z o.o.

Property, plant and equipment and investment property amounted to 62,3 million Euro, up +19,4% from 52,2 million Euro at the end of 2015 largely due to the capitalisation of the costs for the restructuring of the property in Florence that houses the new headquarters of the NPL business area.

At the end of the period, the properties recognised under property, plant and equipment and investment property mainly included: 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. In the first nine months of 2016, there were no indications requiring to test the assets for impairment.

There are also two buildings in Florence: the first, worth 3,8 million Euro, was acquired under a finance lease and housed the head office of the NPL business area until August 2016; the second, measured at 20,0 million Euro—including the mentioned restructuring costs—has become the new head office of said area.

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.

Deferred tax assets, amounting to 40,0 million Euro at 30 September 2016, referred for 38,0 million Euro to value adjustments on receivables that can be deducted in the following years.

Deferred tax liabilities, amounting to 14,3 million Euro at 30 September 2016, 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 9,5 million Euro to interest on arrears accrued but not yet received.

Other assets and liabilities

Other assets amounted to 75,9 million Euro at 30 September 2016 (-7,8% from 31 December 2015). This line item included 5,3 million Euro in receivables due from Italian tax authorities for payments on account (stamp duty and withholding taxes) and 7,1 million Euro in an escrow account held with the Italian Revenue Agency concerning appeals in tax disputes for the years 2004 and 2005. The Bank voluntarily set up said account to allow the Fast Finance Business Area to collect tax receivables as usual. After settling the disputes in June 2016, as detailed in

“Provisions for risks and charges”, the Bank asked for said amount to be returned. This occurred in late October 2016. The item also included a 1,9 million Euro receivable due from the parent company La Scogliera S.p.A. deriving from the tax consolidation regime. Finally, it also included 26,1 million Euro in receivables due from the buyers of NPL portfolios.

Other liabilities, totalling 191,0 million Euro at the end of the period (-6,7% from the end of 2015), referred largely to amounts due to customers that have not yet been credited. The decrease from the previous year was partly attributable to the settlement of a 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 (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2016	31.12.2015	ABSOLUTE	%
Due to customers:	4.138.865	5.487.476	(1.348.611)	(24,6)%
<i>Repurchase agreements</i>	-	2.278.983	(2.278.983)	(100,0)%
<i>Rendimax</i>	3.960.864	3.048.357	912.507	29,9%
<i>Contomax</i>	64.681	64.912	(231)	(0,4)%
<i>Other payables</i>	113.320	95.224	18.096	19,0%
Due to banks:	56.788	662.985	(606.197)	(91,4)%
<i>Eurosystem</i>	-	119.792	(119.792)	(100,0)%
<i>Repurchase agreements</i>	-	384.225	(384.225)	(100,0)%
<i>Other payables</i>	56.788	158.968	(102.180)	(64,3)%
Total funding	4.195.653	6.150.461	(1.954.808)	(31,8)%

Total funding, which amounted to 4.195,7 million Euro at 30 September 2016, down 31,8% compared to 31 December 2015, is represented for 98,6% by **Payables due to customers** (compared to 89,2% at 31 December 2015) and for 1,4% by **Payables due to banks** (compared to 10,8% at 31 December 2015).

Payables due to customers at 30 September 2016 totalled 4.138,9 million Euro (-24,6% compared to 31 December 2015). The decrease was the result of the settlement of 2.279,0 million Euro worth of repurchase agreements with underlying government bonds and Cassa di Compensazione e Garanzia as counterparty outstanding at 31 December 2015, following the sale of securities finalised in the first quarter of 2016. Retail funding rose to 4.025,5 million Euro at 30 September 2016, including 3.960,8 from rendimax and 64,7 million Euro from contomax, compared to 3.113,3 million Euro at 31 December 2015 (+29.3%), 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, totalling 56,8 million Euro (compared to 663,0 million Euro in December 2015), were down 91,4% because of the early repayment of the TLTRO loan received in December 2014. Since market conditions have changed, the Bank can now raise funding on more favourable terms than said loan. In addition, the Bank settled the repurchase agreements with underlying government bonds outstanding at the end of 2015, which amounted to 384,2 million Euro.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2016	31.12.2015	ABSOLUTE	%
Legal disputes	3.217	1.513	1.704	112,6%
Tax dispute	-	197	(197)	(100,0)%
Other provisions	2.013	461	1.552	336,7%
Total provisions for risks and charges	5.230	2.171	3.059	140,9%

Legal disputes

The provision outstanding at 30 September 2016, amounting to 5,2 million Euro, included 3,2 million Euro for 18 disputes concerning the Trade Receivables segment (the plaintiffs seek 18,0 million Euro in damages), and 54 thousand Euro for 6 disputes concerning the DRL segment.

Overall, the Bank recognises contingent liabilities amounting to 7,3 million Euro in claims, represented by 9 disputes: 6 refer to disputes concerning the Trade Receivables segment, for a total of 7,1 million Euro, 2 to labour disputes, for 167 thousand Euro, and 1 to the DRL segment, for 2 thousand 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

The provision for risks at the end of 2015, amounting to 197 thousand Euro, referred to the provision set aside for the verification notices received by the Bank, which had filed an appeal against them with the competent Tax Commission. In July 2016, the Bank reached a full and final settlement with the Italian Revenue Agency, and subsequently paid the agreed amount to settle the above verification notices.

Therefore, at 30 September 2016, there were no additional contingent liabilities, since those deriving from the verification notices for the fiscal years 2004 and 2005 were written off after reaching a separate full and final settlement with the tax authorities on 13 June 2016.

These contingent liabilities arose from a check carried out by the Italian Revenue Agency in 2008, after which the Bank had received two verification notices.

As for 2004, the Office claimed a portion of a write-down was taxable because allegedly non-deductible, assessing a higher corporate income tax liability of 276 thousand Euro, plus interest and penalties.

The Bank promptly challenged the verification notice and, after winning on appeal, the case reached the Court of Cassation.

As for 2015, besides considering another portion of a write-down as non-deductible, the Office also alleged a number of tax avoidance schemes and challenged the calculation of the limits for the deductibility of bad debt and impairment losses. Thus, the tax authorities 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.

The Bank promptly challenged also this notice and had been waiting for the Provincial Tax Commission to set the date for the hearing.

Before discussing both cases (before the Court of Cassation and the Provincial Tax Commission, respectively), the Bank, although it denied wrongdoing and argued the findings were baseless, reached a full and final settlement with the Italian Revenue Agency for both disputes.

Specifically, the parties agreed the following:

- the verification notice for 2004 would be cancelled under the appeal process, and the Office would drop the case that had reached the Court of Cassation;
- concerning the verification notice for 2005, the Office would drop the first three claims and reassess the fourth (concerning the tax avoidance schemes), and the Bank would pay 1,8 million Euro (including 1,1 thousand Euro in taxes, 388 thousand Euro in penalties, and 351 thousand Euro in interest).

On 15 June 2016, the Bank paid the above amounts by filing an F24 form, thus performing the settlement agreement entered into with the Agency.

For the sake of completeness, please note that these amounts had already been recognised in profit or loss in the condensed quarterly consolidated financial statements at 31 March 2016, deducting the amount the Bank had already paid in 2013 pending the resolution of the dispute.

Other provisions

The 2,0 million Euro provision at 30 September 2016 concerns the estimate of the ex-ante contribution introduced by Directive 2014/49/EU (Deposit Guarantee Schemes Directive – DGS). The Directive has established a mixed financing mechanism consisting of both ordinary (ex-ante) and extraordinary (ex-post) contributions, which are proportionate to the amount of guaranteed deposits and the level of risk of the individual participating bank. The contributions are calculated based on the deposits outstanding at 30 September of each year. The participants in the scheme shall pay their contributions by 31 December of each year (over a period of 10 years) until the DGS reaches the target level of at least 0,8% of the amount of the covered deposits.

The provision outstanding at 31 December 2015 referred to the amount set aside as per the request of Italy's Interbank Deposit Protection Fund (FITD, Fondo Interbancario di Tutela dei Depositi), of which Banca IFIS is a member. The FITD 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, placed under Special Administration. The relevant potential obligation for Banca IFIS amounted to 0,5 million Euro. Therefore, in 2014 Banca IFIS allocated said amount to the provisions for risks and charges. Since the underlying commitments have expired, the Bank has recognised the amount previously set aside through profit or loss.

Equity and capital adequacy ratios

At 30 September 2016, consolidated Equity was 586,6 million Euro, compared to 573,5 million Euro at 31 December 2015 (+2,3%). 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	
	30.09.2016	31.12.2015	ABSOLUTE	%
Share capital	53.811	53.811	-	0,0%
Share premiums	59.090	58.900	190	0,3%
Valuation reserves:	(7.325)	5.739	(13.064)	(227,6)%
- AFS securities	(910)	11.677	(12.587)	(107,8)%
- Post-employment benefits	(245)	(167)	(78)	46,7%
- exchange differences	(6.170)	(5.771)	(399)	6,9%
Reserves	420.548	298.856	121.692	40,7%
Treasury shares	(5.745)	(5.805)	60	(1,0)%
Net profit for the period	66.269	161.966	(95.697)	(59,1)%
Equity	586.648	573.467	13.181	2,3%

EQUITY: CHANGES	(in thousands of Euro)
Equity at 31.12.2015	573.467
Increases:	66.587
Profit for the period	66.269
Sale of treasury instruments	250
Other changes	68
Decreases:	53.406
Dividends distributed	40.342
Change in valuation reserve	13.064
- AFS securities	12.587
- Post-employment benefits	78
- exchange differences	399
Equity at 30.09.2016	586.648

The change in the valuation reserve for AFS securities recognised in the period was the result of the sale of part of the portfolio, which caused the Bank to reduce the reserve by 5,5 million Euro.

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

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS AT	
	30.09.2016	31.12.2015 ⁽²⁾
Common equity Tier 1 Capital ⁽¹⁾ (CET1)	464.527	464.316
Tier 1 Capital (AT)	479.841	473.956
Total own funds	500.268	486.809
Total RWA	3.450.199	3.264.088
Common Equity Tier 1 Ratio	13,46%	14,22%
Tier 1 Capital Ratio	13,91%	14,52%
Total own funds Capital Ratio	14,50%	14,91%

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

(2) Total consolidated own funds (amounting to 486.809 million Euro) differ from the amount reported in the consolidated financial statements for the year ended 31 December 2015 (501.809 million Euro) due to the 15 million Euro dividend payout approved by the Shareholders' Meeting of the parent company La Scoglieria S.p.A. on 23 March 2016. The consolidated supervisory reports at 31 December 2015, as well as the relevant capital adequacy ratios, had already been adjusted at the end of March 2016 to account for said dividend payout. The data on consolidated Own Funds and capital adequacy ratios account for the impact of said distribution.

Consolidated own funds, risk-weighted assets and solvency ratios at 30 September 2016 were determined based on the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) dated 26 June 2013, which were transposed in the Bank of Italy's Circulars no. 285 and 286 of 17 December 2013.

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

OWN FUNDS AND CAPITAL ADEQUACY RATIOS: BANCA IFIS GROUP SCOPE (in thousands of Euro)	AMOUNTS AT	
	30.09.2016	31.12.2015
Common equity Tier 1 Capital ⁽¹⁾ (CET1)	544.758	514.453
Tier 1 Capital (AT)	544.758	514.453
Total own funds	544.794	514.453
Total RWA	3.449.443	3.261.103
Common Equity Tier 1 Ratio	15,79%	15,78%
Tier 1 Capital Ratio	15,79%	15,78%
Total own funds Capital Ratio	15,79%	15,78%

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

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

The Banca IFIS Group, in accordance with the transitional provisions in the Bank of Italy's Circular no. 285 of 17 December 2013 as amended, calculated its own funds at 30 September 2016 by excluding the unrealised gains referring to the exposures to central governments classified under "Available for sale financial assets" as per IAS 39, resulting in a net negative amount of 0,5 million Euro (positive 5,9 million Euro at 31 December 2015).

Income statements items

Formation of net banking income

Net banking income totalled 261,3 million Euro, down 21,1% from 331,2 million Euro in the first nine months of 2015. The latter amount included the 124,5 million Euro gain from the rebalancing of the government bond portfolio completed in April 2015: excluding this one-off item, net banking income was up 26,4%. This significant result was mainly attributable to the increase in the DRL segment (135,5 million Euro, +299,9%), which benefited from 26,8 million Euro in gains on the sale of some portfolios of receivables. Also the trade receivables segment was positive (121,3 million Euro, +2,0%), while tax receivables (10,9 million Euro, -5,6%) and Governance & Services were down. The latter posted a negative 6,4 million Euro margin, compared to a positive 166,9 million Euro at 30 September 2015. The reason for this decrease is twofold: the Group recognised in 2015 the gain on the sale conducted as part of the rebalancing of the AFS securities portfolio, reducing interest income in the following periods; and funding costs increased as a result of rising volumes as well as the introduction of 2-, 3-, and 5-year maturities starting in September 2015.

NET BANKING INCOME (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2016	2015	ABSOLUTE	%
Net interest income	189.673	162.730	26.943	16,6%
Net commission income	40.051	43.959	(3.908)	(8,9)%
Net result from trading	(706)	(23)	(683)	2969,6%
Profit (loss) from sale or buyback of receivables	26.759	-	26.759	n.a.
Profit from sale or buyback of financial assets	5.495	124.500	(119.005)	(95,6)%
Net banking income	261.272	331.166	(69.894)	(21,1)%

In the **third quarter**, net banking income stood at 93,9 million Euro, up from 62,6 million Euro in the prior-year period (+49,9%). Trade receivables contributed 39,9 million Euro (vs. 41,7 million Euro, -4,2%), the DRL segment 58,0 million Euro (vs. 10,6 million Euro, +445,5%), tax receivables 2,8 million Euro (vs. 4,0 million Euro, -28,8%), and the Governance and Services segment a negative 6,8 million Euro, compared to a positive 6,4 million Euro in the first nine months of 2015 (-13,2 million Euro).

Net interest income rose from 162,7 million Euro at 30 September 2015 to 189,7 million Euro at 30 September 2016 (+16,6%).

Net commission income totalled 40,0 million Euro, down from 30 September 2015 (-8,9%).

Commission income, totalling 43,8 million Euro (compared to 47,1 million Euro at 30 September 2015), 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 3,8 million Euro (compared to 3,2 million Euro at 30 September 2015), came primarily from approved banks' brokering, the work of other credit brokers, and commissions paid to correspondent banks and factors.

The **gain on the sale of receivables**, totalling 26,8 million Euro, arose from the sale of a number of portfolios of DRL receivables. The item included a 279 thousand Euro loss on the repurchase of some portfolios sold in late 2015.

The **gain on the sale of financial assets** arose from the sale of part of the government bond portfolio completed in the first half of 2016, resulting in a 5,5 million Euro gain.

Formation of net profit from financial activities

The Group's **net profit from financial activities** totalled 218,2 million Euro, compared to 305,0 million Euro at 30 September 2015 (-28,5%), as detailed in the table below.

Excluding the gain on the sale of financial assets made in April 2015 as part of the rebalancing of the government bond portfolio (124,5 million Euro), the Group's net profit from financial activities totalled 37,7 million Euro, +20,9 % from September 2015.

FORMATION OF NET PROFIT FROM FINANCIAL ACTIVITIES (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2016	2015	ABSOLUTE	%
Net banking income	261.272	331.166	(69.894)	(21,1)%
Net impairment losses on:				
loans and receivables	(39.076)	(17.912)	(21.164)	118,2%
available for sale financial assets	(3.999)	(8.249)	4.250	(51,5)%
Net profit (loss) from financial activities	218.197	305.005	(86.808)	(28,5)%

Trade receivables contributed 106,1 million Euro (104,2 million Euro at 30 September 2015, +1,8%); the DRL segment 112,0 million Euro (30,9 million Euro in the prior-year period, +262,7%); and tax receivables 10,6 million Euro (11,4 million Euro in September 2015, -6,9%). Meanwhile, the Governance and Services segment posted a negative 10,4 million Euro (positive 158,6 million Euro at 30 September 2015, -106,6%).

Net value adjustments on receivables totalled 39,1 million Euro (compared to 17,9 million Euro at 30 September 2015, +118,2%). 15,2 million Euro referred to trade receivables, 23,6 million Euro to the DRL segment, and 269 thousand Euro to tax receivables. Concerning value adjustments on DRL receivables, 2,4 million Euro referred to the write-off of a number of positions for which the debtor was deceased and no heirs were found, and 975 thousand Euro to some positions for which the statute of limitations had expired. The item also included 17,0 million Euro referring to positions for which the net present value of expected cash flows had fallen below the purchase price, partly offset by 8,5 million Euro in interest accrued. At the end of the second quarter of 2016, the Bank had already reclassified to amortised cost a number of DRL positions acquired in recent years after completing the verification process to determine whether the new estimating model created at the end of 2015 could apply to positions with an "acceleration clause date" that is recent compared to the acquisition date. The reclassification to amortised cost gave rise to 4,8 million Euro in value adjustments, partly offset by 2,2 million Euro in additional interest income recognised under Interest receivable and similar income.

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

Net value adjustments on available for sale financial assets, totalling 4,0 million Euro at 30 September 2016 (8,2 million Euro in the prior-year period), referred to impairment losses recognised on the equity interest in an investee that was found to be impaired.

In the **third quarter**, net profit from financial activities totalled 83,0 million Euro (compared to 57,2 million Euro in the third quarter of 2015). Trade receivables contributed 36,3 million Euro (-

10,2% compared to 40,4 million Euro in the third quarter of 2015); the DRL segment added 50,8 million Euro (+376,0% compare to 10,7 million Euro in the prior-year period); tax receivables registered 2,8 million Euro (-28,3% compared to 3,8 million Euro in the third quarter of 2015); and the Governance and Services segment contributed a negative 6,8 million Euro, compared to a positive 2,4 million Euro at 30 September 2015.

Formation of profit for the period

Profit for the period, which, in the absence of profit attributable to non-controlling interests, refers entirely to the Group, amounted to 66,3 million Euro, compared to 148,8 million Euro in September 2015, down 55,5%. Here below are the details.

FORMATION OF PROFIT FOR THE PERIOD (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2016	2015	ABSOLUTE	%
Net profit (loss) from financial activities	218.197	305.005	-86,808	(28,5)%
Operating costs	(118.698)	(80.784)	(37.914)	46,9%
Pre-tax profit from continuing operations	99.499	224.221	-124,722	(55,6)%
Income tax expense for the period	(33.230)	(75.416)	42.186	(55,9)%
Net profit for the period	66.269	148.805	-82.536	(55,5)%

At 30 September 2016, operating costs were up 46,9% from 80,8 million Euro in September 2015 to 118,7 million Euro. As far as day-to-day operations are concerned, the rise was attributable to the DRL segment, which saw a significant increase in master data search costs—especially concerning employment information. These costs are necessary to reclassify the positions being processed as part of judicial operations, which have been given priority over non-judicial operations starting from January 2016. In addition, there was an increase in commission expense due to the acceleration in the activation of the plans collected. During the period, the Bank reviewed the compensation policy for in-house and external agents, aligning the settlement of the commission with the accounting activation of the relevant plan for the Bank, thus better matching revenues and expenses.

Operating costs also included the costs related to the provisions for contingent liabilities arising from legal disputes, the settlement of a tax dispute, and the contributions to the Italian Bank Resolution Fund (Single Resolution Fund Directive 59/201/EU) as well as the Deposit Guarantee Scheme (Directive 2014/49/EU Deposit Guarantee Schemes Directive – DGS).

The cost/income ratio stood at 45,4% at 30 September 2016, compared to 24,4% at 30 September 2015 (39,8% excluding the gain on the AFS securities sold in the second quarter of 2015 from net banking income).

OPERATING COSTS (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2016	2015	ABSOLUTE	%
Personnel expenses	41.919	36.076	5.843	16,2%
Other administrative expenses	70.501	43.409	27.092	62,4%
Net allocations to provisions for risks and charges	3.460	242	3.218	1329,8%
Net value adjustments on property, plant and equipment and intangible assets	3.313	2.701	612	22,7%
Other operating charges (income)	(495)	(1.644)	1.149	(69,9)%
Total operating costs	118.698	80.784	37.914	46,9%

At 41,9 million Euro, **personnel expenses** rose 16,2% (36,1 million Euro in September 2015) due to new hiring: the Bank added 157 new staff in the first nine months of 2016, up +12,1% compared to 140 in the first nine months of 2015. 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 30 September 2016, the Group's employees numbered 823.

Other administrative expenses totalled 70,5 million Euro, up 62,4% from 43,4 million Euro at 30 September 2015, largely because of higher business volumes in the DRL segment. The relevant costs for collecting debts and gathering information on clients (19,4 and 7,2 million Euro, respectively, compared to 7,1 and 3,4 million Euro at 30 September 2015) are included in this item of the income statement. There was also an increase in the expenses related to the new organisation of business processes and the internal control system.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2016	2015	ABSOLUTE	%
Expenses for professional services	30.709	17.946	12.763	71,1%
Legal and consulting services	10.096	9.618	478	5,0%
Auditing	183	153	30	19,6%
Outsourced services	20.430	8.175	12.255	149,9%
Direct and indirect taxes	9.940	6.094	3.846	63,1%
Expenses for purchasing goods and other services	29.852	19.369	10.483	54,1%
Customer information	8.706	4.405	4.301	97,6%
Postage of documents	4.116	2.628	1.488	56,6%
Property expenses	3.129	3.234	(105)	(3,2)%
Software assistance and hire	3.047	2.146	901	42,0%
Advertising and inserts	2.253	1.422	831	58,4%
Car fleet management and maintenance	1.709	1.638	71	4,3%
Telephone and data transmission expenses	1.311	1.087	224	20,6%
Employee travel	1.136	737	399	54,1%
Other sundry expenses	4.445	2.072	2.373	114,5%
Total administrative expenses	70.501	43.409	27.092	62,4%
Expense recoveries	(1.657)	(1.486)	(171)	11,5%
Total net other administrative expenses	68.844	41.923	26.921	64,2%

The subline item direct and indirect taxes included 5,4 million Euro (+20,2% compared to 30 September 2015) in stamp duty costs for retail funding, which the Banks continues bearing.

Other sundry expenses included the contribution to the Resolution Fund for the current year, amounting to 2,1 million Euro.

Net allocations to provisions for risks and charges totalled 3,5 million Euro (compared to 242 thousand Euro in September 2015). The amount at 30 September 2016 included 2,6 million Euro in provisions for disputes concerning Trade Receivables, 23 thousand Euro in provisions concerning the DRL segment, and 0,6 million Euro in reversals concerning Trade Receivables. The item also included the estimate of the annual *ex-ante* contribution to be paid to the FITD in accordance with the DGS Directive (2,0 million Euro) and the reversal concerning a commitment to Banca Tercas (0,5 million Euro), as commented in Provisions for risks and charges.

Other net operating income totalled 495 thousand Euro (-69,9% compared to 30 September 2015) and refers mainly to revenue from the recovery of expenses charged to third parties. The relevant cost is included in other administrative expenses, namely under legal expenses and indirect taxes.

Pre-tax profit for the period stood at 99,5 million Euro, compared to 224,2 million Euro at 30 September 2015.

Income tax expense amounted to 33,2 million Euro, compared to 75,4 million Euro at 30 September 2015. The Group's tax rate edged down from 33,6% at 30 September 2015 to 33,4% at 30 September 2016. The tax rate applied at 30 September 2016 is calculated on an annual basis.

Profit for the period totalled 66,3 million Euro, compared to 148,8 million Euro at 30 September 2015 (-55,5%). Excluding the gain made in April 2015 as part of the rebalancing of the government bond portfolio (124,5 million Euro), the profit at 30 September 2015 amounted to 66,3 million Euro, in line with the profit at 30 September 2016.

The corresponding figure for the **third quarter** was 27,1 million Euro (18,0 million Euro in the prior-year period, +50,6%).

Contribution of business segments to Group results

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 the first nine months of 2016 by the various business segments, which will be analysed in the sections dedicated to the individual segments.

INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Net banking income					
Amounts at 30.09.2016	121.291	135.543	10.864	(6.426)	261.272
Amounts at 30.09.2015	118.943	33.898	11.507	166.818	331.166
% Change	2,0%	299,9%	(5,6)%	(103,9)%	(21,1)%
Net profit from financial activities					
Amounts at 30.09.2016	106.067	111.960	10.595	(10.425)	218.197
Amounts at 30.09.2015	104.186	30.869	11.381	158.569	305.005
% Change	1,8%	262,7%	(6,9)%	(106,6)%	(28,5)%

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Available for sale financial assets					
Amounts at 30.09.2016	-	-	-	1.026.744	1.026.744
Amounts at 31.12.2015	-	-	-	3.221.533	3.221.533
% Change	-	-	-	(68,1)%	(68,1)%
Due from banks					
Amounts at 30.09.2016	-	-	-	454.170	454.170
Amounts at 31.12.2015	-	-	-	95.352	95.352
% Change	-	-	-	376,3%	376,3%
Loans to customers					
Amounts at 30.09.2016	2.648.285	538.118	114.153	2.766	3.303.322
Amounts at 31.12.2015	2.848.124	354.352	130.663	103.997	3.437.136
% Change	(7,0)%	51,9%	(12,6)%	(97,3)%	(3,9)%
Due to banks					
Amounts at 30.09.2016	-	-	-	56.788	56.788
Amounts at 31.12.2015	-	-	-	662.985	662.985
% Change	-	-	-	(91,4)%	(91,4)%
Due to customers					
Amounts at 30.09.2016	-	-	-	4.138.865	4.138.865
Amounts at 31.12.2015	-	-	-	5.487.476	5.487.476
% Change	-	-	-	(24,6)%	(24,6)%

SEGMENT KPI (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover ⁽¹⁾				
Amounts at 30.09.2016	7.486.378	n.a.	n.a.	n.a.
Amounts at 30.09.2015	7.254.606	n.a.	n.a.	n.a.
% Change	3,2%	-	-	-
Nominal amount of receivables managed				
Amounts at 30.09.2016	3.273.182	10.279.467	160.583	n.a.
Amounts at 31.12.2015	3.576.982	8.161.005	190.553	n.a.
% Change	(8,5)%	26,0%	(15,7)%	-
Net bad loans/Loans to customers				
Amounts at 30.09.2016	1,2%	53,5%	0,0%	n.a.
Amounts at 31.12.2015	1,1%	45,0%	0,0%	n.a.
Change	0,1%	8,6%	0,0%	-
RWA ⁽²⁾				
Amounts at 30.09.2016	1.927.414	538.118	47.482	40.127
Amounts at 31.12.2015	1.970.886	354.352	41.614	25.256
% Change	(2,2)%	51,9%	14,1%	58,9%

(1) Gross flow of the receivables sold by the customers in a specific period of time

(2) Risk Weighted Assets; the amount refers exclusively to the financial items reported in the segments.

(3) Data restated after initial publication.

Trade receivables

This segment includes the following business areas:

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

INCOME STATEMENT DATA (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2016	2015	ABSOLUTE	%
Net interest income	79.244	74.061	5.183	7,0%
Net commission income	42.047	44.882	(2.835)	(6,3)%
Net banking income	121.291	118.943	2.348	2,0%
Net impairment losses on receivables	(15.224)	(14.757)	(467)	3,2%
Net profit (loss) from financial activities	106.067	104.186	1.881	1,8%

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd QUARTER		CHANGE	
	2016	2015	ABSOLUTE	%
Net interest income	26.288	26.386	(98)	(0,4)%
Net commission income	13.622	15.282	(1.660)	(10,9)%
Net banking income	39.910	41.668	(1.758)	(4,2)%
Net impairment losses on receivables	(3.649)	(1.307)	(2.342)	179,2%
Net profit (loss) from financial activities	36.261	40.361	(4.100)	(10,2)%

The net banking income of the trade receivables segment, amounting to 121,3 million Euro (+2,0% compared to 118,9 million Euro in the prior-year period), mainly refers to the Banca IFIS Impresa and Pharma business areas. The segment generated 7,5 billion Euro in turnover (+3,2% from September 2015), with 4.930 corporate customers (up 14.8% compared to the prior-year period) and 2,6 billion Euro in outstanding loans (-7,0% from December 2015).

The growth in net banking income was driven especially by the Pharma business area (+11,2%, from 21,8 million Euro in the prior-year period to 24,3 million Euro). At 30 September 2016, 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 53,6 million Euro) as well as non-collected receivables (approximately 53,4 million Euro) due from the Public Administration.

Net value adjustments on receivables amounted to 15,2 million Euro (14,8 million Euro in the prior-year period, +3,2%). In spite of the slight increase, the ratio of credit risk cost concerning trade receivables to the relevant average loan balance over the last 12 months improved slightly, falling to 86 bps from 90 bps at 31 December 2015.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	30.09.2016	31.12.2015	CHANGE	
			ABSOLUTE	%
Bad loans	31.945	30.950	995	3,2%
Unlikely to pay	49.611	39.551	10.060	25,4%
Past due loans	130.041	58.214	71.827	123,4%
Total net non-performing exposures to customers	211.597	128.715	82.882	64,4%
Net performing loans	2.436.688	2.719.409	(282.721)	(10,4)%
Total on-balance-sheet loans to customers	2.648.285	2.848.124	(199.839)	(7,0)%

Loans to customers included in this segment are composed as follows: 32,8% are receivables due from the Public Administration (compared to 32,1% at 31 December 2015) and 67,2% due from the private sector (compared to 67,9% at 31 December 2015).

Net non-performing exposures in the trade receivables segment rose from 128,7 million Euro at the end of 2015 to 211,6 million Euro, up 64,4% largely because of the increase in past due exposures to the Public Administration. This was the result of the acquisitions of portfolios of past due loans carried out starting from late December 2015 under an agreement with a leading market player, which allowed the Bank to enter the multi-utilities business.

As for unlikely to pay, the increase was largely attributable to three positions that fall into this risk category.

The segment's net bad-loan ratio was 1,2%, in line with 31 December 2015, while the ratio of net unlikely to pay to loans rose to 1,9% from 1,4% at 31 December 2015. The segment's ratio of total net non-performing exposures to loans edged down from 4,5% at the end of 2015 to 8,0% at 30 September 2016. Net non-performing exposures amounted to 36,1% as a percentage of equity, compared to 22,4% in the prior year.

NON-PERFORMING TRADE RECEIVABLES (in thousands of Euro)	BAD LOANS ⁽¹⁾	UNLIKELY TO PAY	PAST DUE LOANS	TOTAL
SITUATION AT 30/09/2016				
Nominal amount of non-performing exposures	269.377	73.640	132.302	475.319
<i>As a proportion of total receivables at nominal amount</i>	9,2%	2,5%	4,5%	16,3%
Value adjustments	237.432	24.029	2.261	263.722
<i>As a proportion of the nominal amount</i>	88,1%	32,6%	1,7%	55,5%
Carrying amount	31.945	49.611	130.041	211.597
<i>As a proportion of net total receivables</i>	1,2%	1,9%	4,9%	8,0%
SITUATION AT 31/12/2015				
Nominal amount of non-performing exposures	255.404	58.257	59.788	373.449
<i>As a proportion of total receivables at nominal amount</i>	8,2%	1,9%	1,9%	12,0%
Value adjustments	224.454	18.706	1.574	244.734
<i>As a proportion of the nominal amount</i>	87,9%	32,1%	2,6%	65,5%
Carrying amount	30.950	39.551	58.214	128.715
<i>As a proportion of net total receivables</i>	1,1%	1,4%	2,0%	4,5%

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

KPI	30.09.2016	30.09.2015	CHANGE	
			ABSOLUTE	%
Turnover	7.486.378	7.254.606	231.772	3,2%
Net banking income/ Turnover	1,6%	1,6%	-	(0,0)%

KPI y/y	30.09.2016	31.12.2015	CHANGE	
			ABSOLUTE	%
Net bad loans/Loans to customers	1,2%	1,1%	-	0,1%
Coverage ratio on gross bad loans	88,1%	87,9%	-	0,2%
Non-performing exposures/Loans to customers	8,0%	4,5%	-	3,5%
Total RWA per segment	1.927.414	1.970.886	(43.472)	(2,2)%

The following table shows the nominal amount of receivables purchased (operating data not recognised in the statements) for factoring transactions outstanding at the end of the period

(Total Receivables), broken down into receivables with or without recourse and receivables purchased outright. Please note that the breakdown of purchased receivables in the following table is based on the contract form used by the Bank.

TOTAL RECEIVABLES (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2016	31.12.2015	ABSOLUTE	%
With recourse	1.994.521	2.128.825	(134.304)	(6,3)%
<i>of which due from the Public Administration</i>	313.064	361.000	(47.936)	(13,3)%
Without recourse	218.220	277.159	(58.939)	(21,3)%
<i>of which due from the Public Administration</i>	4.812	4.468	344	7,7%
Outright purchases	1.060.441	1.170.998	(110.557)	(9,4)%
<i>of which due from the Public Administration</i>	817.531	888.844	(71.313)	(8,0)%
Total receivables	3.273.182	3.576.982	(303.800)	(8,5)%
<i>of which due from the Public Administration</i>	1.135.407	1.254.312	(118.905)	(9,5)%

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	COMMITMENTS	TURNOVER
Northern Italy	37,2%	50,8%
Central Italy	25,7%	32,0%
Southern Italy	25,8%	10,9%
Abroad	11,3%	6,3%
Total	100,0%	100,0%

Distressed Retail Loans

This is the Banca IFIS Group's segment dedicated to non-recourse factoring and managing unsecured distressed retail loans. It serves households under the CrediFamiglia brand.

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

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

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

Judicial operations consist in collecting debts through legal actions to secure a court order for the garnishment of one fifth of pension benefits or wages. The cash flows from judicial

operations are not simulated using the model: the manager individually measures them for each individual position and enters them in the system.

DRL RECEIVABLES PERFORMANCE	(in thousands of Euro)
Receivables portfolio at 31.12.2015	354.352
Purchases	172.241
Sales	(50.669)
Gains on sales	26.758
Interest income from amortised cost	24.404
Other components of net interest income from change in cash flow	90.247
Impairment losses/reversals from change in cash flow	(23.583)
Collections	(55.632)
Receivables portfolio at 30.09.2016	538.118

At 30 September 2016, the segment's receivables included 4,7 million Euro (par value of 861,6 million Euro, approximately 42 thousand positions) in loans sold at the end of the period after the Bank accepted the buyer's binding offer.

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, amounting to 21,3 million Euro, was recognised in profit or loss under gains on the sale of receivables.

In the first nine months of 2016, the Bank finalised two other sales, raising 5,7 million Euro. Gains on sales included a 279 thousand Euro loss on the repurchase of some portfolios sold in late 2015 as part of the contractual terms subscribed .

INCOME STATEMENT DATA (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2016	2015	ABSOLUTE	%
Interest income from amortised cost	24.404	18.701	5.703	30,5%
Other interest income	90.247	17.987	72.260	401,7%
Funding costs	(4.416)	(2.398)	(2.018)	84,2%
Net interest income	110.235	34.290	75.945	221,5%
Net commission income	(1.451)	(392)	(1.059)	270,2%
Gain on sale of receivables	26.759	-	26.759	n.a.
Net banking income	135.543	33.898	101.645	299,9%
Net impairment losses/reversals on receivables	(23.583)	(3.029)	(20.554)	678,6%
Net profit (loss) from financial activities	111.960	30.869	81.091	262,7%

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd QUARTER		CHANGE	
	2016	2015	ABSOLUTE	%
Interest income from amortised cost	10.534	6.348	4.186	65,9%
Other interest income	28.282	5.675	22.607	398,4%
Funding costs	(1.655)	(1.095)	(560)	51,1%
Net interest income	37.161	10.928	26.233	240,1%
Net commission income	(275)	(304)	29	(9,5)%
Gain on sale of receivables	21.065	-	21.065	n.a.
Net banking income	57.951	10.624	47.327	445,5%
Net impairment losses/reversals on receivables	(7.129)	52	(7.181)	(13.809,6)%
Net profit (loss) from financial activities	50.822	10.676	40.146	376,0%

The results for the nine months of 2016 were positively influenced by the continuing debt collection operations, consisting in bills of exchange and expressions willingness, as well as the reclassification to amortised cost of a sizeable share of the portfolio following the end of the documentary verification process and the ensuing bills of exchange and settlement plans entered into for these positions, contributing nearly 9,0 million Euro to net profit from financial activities.

As for net value adjustments, totalling 23,6 million Euro, they referred to positions for which trigger events occurred, causing the position to become impaired under the adopted measurement model and the relevant accounting policy, as already described.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	30.09.2016	31.12.2015	CHANGE	
			ABSOLUTE	%
Bad loans	288.032	159.336	128.696	80,8%
Unlikely to pay	250.073	194.995	55.078	28,2%
Past due loans	11	-	11	n.a.
Total net non-performing exposures to customers	538.116	354.331	183.785	51,9%
Net performing loans	2	21	(19)	(90,5)%
Total on-balance-sheet loans to customers	538.118	354.352	183.766	51,9%

KPI	30.09.2016	31.12.2015	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	10.279.467	8.161.005	2.118.462	26,0%
Total RWA per segment	538.118	354.352	183.766	51,9%

During the period, 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).

During the period, funding increased steadily over the prior-year period, reaching 224,3 million Euro compared to 134,2 million Euro, +67,1%: this was entirely attributable to settlement plans

(expressions of willingness). Collections made during the period amounted to 55,6 million, compared to 24,6 million in the prior-year period.

The purchases made in the period led to the acquisition of portfolios of financial receivables with a par value of approximately 2,8 billion Euro at a price of 172,0 million Euro, consisting of 396.432 positions.

At the end of the period, the portfolio managed by the DRL segment includes 1.380.683 positions, for a par value of over 10 billion Euro.

Tax receivables

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

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	(in thousands of Euro)
Receivables portfolio at 31.12.2015	130.663
Purchases	44.039
Interest income from amortised cost	6.903
Other components of net interest income from change in cash flow	4.938
Impairment losses/reversals from change in cash flow	(269)
Collections	(72.121)
Receivables portfolio at 30.09.2016	114.153

INCOME STATEMENT DATA (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2016	2015	ABSOLUTE	%
Net interest income	10.869	11.480	(611)	(5,3)%
Net commission income	(5)	27	(32)	(118,5)%
Net banking income	10.864	11.507	(643)	(5,6)%
Net impairment losses on receivables	(269)	(126)	(143)	113,5%
Net profit (loss) from financial activities	10.595	11.381	(786)	(6,9)%

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd Q. 2016	3rd Q. 2015	CHANGE	
			ABSOLUTE	%
Net interest income	2.838	4.001	(1.163)	(29,1)%
Net commission income	-	(17)	17	(100,0)%
Net banking income	2.838	3.984	(1.146)	(28,8)%
Net impairment losses on receivables	(82)	(140)	58	(41,4)%
Net profit (loss) from financial activities	2.756	3.844	(1.088)	(28,3)%

Net banking income is generated by the interest accrued according to the amortised cost method and funding costs allocated to the segment.

The net banking income of the Tax Receivables segment amounted to 10,9 million Euro (-5,6%, 11,5 million Euro at 30 September 2015).

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	30.09.2016	31.12.2015	CHANGE	
			ABSOLUTE	%
Bad loans	5	-	5	n.a.
Unlikely to pay	-	-	-	-
Past due loans	-	-	-	-
Total net non-performing exposures to customers	5	-	5	n.a.
Net performing loans	114.148	130.663	(16.515)	(12,6)%
Total on-balance-sheet loans to customers	114.153	130.663	(16.510)	(12,6)%

During the period, the Bank collected 72,1 million Euro according to schedule (including from six positions larger than the portfolio's average) and purchased receivables at a price of 42,0 million Euro.

With these purchases, the segment's portfolio comprises 1.426 positions, for a par value of 160,6 million Euro and a value at amortised cost of 114,2 million Euro at 30 September 2016.

KPI	30.09.2016	31.12.2015	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	160.583	190.553	(29.970)	(15,7)%
Total RWA per segment	47.482	41.614	5.868	14,1%

Governance and services

Governance and Services provides the operating segments with the financial resources and services necessary to perform their respective business activities. The segment comprises, among other things, the resources required for the performance of the services of the Audit, Administration-Accounting, Planning, Organisation and ICT functions, as well as the structures responsible for raising, managing and allocating financial resources to the operating segments.

INCOME STATEMENT DATA (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2016	2015	ABSOLUTE	%
Net interest income	(10.675)	42.899	(53.574)	(124,9)%
Net commission income	(540)	(558)	18	(3,2)%
Dividends and trading	4.789	124.477	(119.688)	(96,2)%
Net banking income	(6.426)	166.818	(173.244)	(103,9)%
Net impairment losses on available for sale financial assets	(3.999)	(8.249)	4.250	(51,5)%
Net profit (loss) from financial activities	(10.425)	158.569	(168.994)	(106,6)%

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd Q. 2016	3rd Q. 2015	CHANGE	
			ABSOLUTE	%
Net interest income	(6.170)	6.796	(12.966)	(190,8)%
Net commission income	(260)	(249)	(11)	4,4%
Dividends and trading	(374)	(179)	(195)	108,9%
Net banking income	(6.804)	6.368	(13.172)	(206,8)%
Net impairment losses on available for sale financial assets	-	(4.016)	4.016	(100,0)%
Net profit (loss) from financial activities	(6.804)	2.352	(9.156)	(389,3)%

The segment's **net banking income** included the contribution of the securities portfolio to net interest income for the period, amounting to 10,4 million Euro (compared to 57,8 million Euro in the prior-year period). Besides the maturing and disposal of some bonds, the fall was largely attributable to the rebalancing of the AFS securities portfolio in April 2015—as part of which the Bank also lengthened the portfolio's maturity structure. During the period, the Bank disposed of additional securities, making a 5,5 million Euro gain.

As for retail funding (4,0 billion Euro, compared to 2,9 billion Euro at 30 September 2015), the relevant cost amounted to 1,42%, compared to 1,22% in September 2015, up slightly as a result of the new 3-, 4-, and 5-year maturities for rendimax as well as promotional campaigns.

Net value adjustments on available for sale financial assets, totalling 4,0 million Euro at 30 September 2016 (8,2 million Euro in the prior-year period), referred to impairment losses recognised on unlisted equity instruments that were found to be impaired.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	30.09.2016	31.12.2015	CHANGE	
			ABSOLUTE	%
Available for sale financial assets	1.026.744	3.221.533	(2.194.789)	(68,1)%
Due from banks	454.170	95.352	358.818	376,3%
Loans to customers	2.766	103.997	(101.231)	(97,3)%
Due to banks	56.788	662.985	(606.197)	(91,4)%
Due to customers	4.138.865	5.487.476	(1.348.611)	(24,6)%

At 2,8 million Euro, loans to customers in the Governance and Services segment were down from the previous year (-97,3%)—due to the reduction of the portfolio of refinanceable

securities—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.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	30.09.2016	31.12.2015	CHANGE	
			ABSOLUTE	%
Bad loans	-	-	-	-
Unlikely to pay	-	-	-	-
Past due loans	-	-	-	-
Total net non-performing exposures to customers	-	-	-	-
Net performing loans	2.766	103.997	(101.231)	(97,3)%
Total on-balance-sheet loans to customers	2.766	103.997	(101.231)	(97,3)%

KPI	30.09.2016	31.12.2015	CHANGE	
			ABSOLUTE	%
Total RWA per segment	40.127	25.256 ⁽¹⁾	14.871	58,9%

(1) Data restated after initial publication.

Venice - Mestre, 10 November 2016

For the Board of Directors

The Chairman
Sebastien Egon Fürstenberg

The C.E.O.
Giovanni Bossi

Declaration of the Corporate Accounting Reporting Officer

The undersigned Mariacristina Taormina, Manager charged with preparing the financial reports of Banca IFIS S.p.A., having also taken into account the provisions of Art. 154 bis, paragraph 2 of Italian Legislative Decree no.58 dated 24 February 1998, confirms that the financial information included into the consolidated Interim Report as at 30 September 2016 corresponds to the related books and accounting records.

Venice - Mestre, November 10th, 2016



Manager charged with preparing the
Company's financial reports

Mariacristina Taormina