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BANCA IFIS

CONSOLIDATED INTERIM REPORT AT 30 SEPTEMBER 2017

VALUE TO YOUR BUSINESS

BANCA IFIS

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

Contents

Corporate Bodies

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

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

General Manager	Alberto Staccione
Board of Statutory Auditors	
Chairman	Giacomo Bugna
Standing Auditors	Giovanna Ciriotto
	Massimo Miani
Alternate Auditors	Guido Gasparini Berlingieri
	Valentina Martina
Independent Auditors	E&Y S.p.A.
Corporate Accounting Reporting Officer	Mariacristina Taormina

BANCA IFIS

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

FCI
Facilitating Open Account - Receivables Finance
Member of Factors
Chain International

Group Key Data

Introductory notes on how to read the data

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

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

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

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

  Concerning the cost for the acquisition of the former GE Capital Interbanca Group, provisionally estimated at 119,2 million Euro, in July the Group and the seller agreed to additional adjustments, bringing the final acquisition cost to 109,4 million Euro.
  The impact of this price adjustment was applied retrospectively to the reporting period ended 31 December 2016. Therefore, at 1 January 2017 the statement of financial position and equity were restated, adding 9,8 million Euro to item 160 “Other assets” as well as Equity because of the increase in the profit for the year. This restatement did not affect the income statement at 30 September 2016. The line item Other assets, which consisted of the receivable due from the seller for the excess consideration paid up front at the transaction date, was settled on 31 July 2017 with the receipt of the relevant exposure.

  This restatement was also reflected in the consolidated financial statements, which present both the amounts in the consolidated financial statements for the year ended 31 December 2016 and the corresponding restated amounts at 1 January 2017 as comparative data.

  The tables in this Interim Report present the corresponding restated amounts at 1 January 2017 as comparative data.

- **Review of business segment funding costs:** external changes, in terms of market rates, as well as internal changes, in terms of composition and funding rates, required revising the method to calculate the internal transfer rates for 2017, and therefore updating them. To facilitate the comparison of segment data for the two reference periods, the 2016 results have been restated according to the 2017 funding approach.

Highlights

CONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2017	01.01.2017 RESTATED	ABSOLUTE	%
Available for sale financial assets	480.815	374.229	106.586	28,5%
Loans to customers	5.961.285	5.928.212	33.073	0,6%
Total assets	9.378.777	8.708.914	669.863	7,7%
Due to banks	965.194	503.964	461.230	91,5%
Due to customers	5.337.597	5.045.136	292.461	5,8%
Equity	1.338.733	1.228.552	110.181	9,0%

RECLASSIFIED CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (1) (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2017	2016	ABSOLUTE	%
Net banking income	**371.314**	**237.689**	**133.625**	**56,2%**
Net impairment losses/reversal on receivables and other financial assets	20.427	(19.492)	39.919	(204,8)%
Net profit (loss) from financial activities	**391.741**	**218.197**	**173.544**	**79,5%**
Operating costs	(186.187)	(118.698)	(67.489)	56,9%
Pre-tax profit from continuing operations	205.551	99.499	106.052	106,6%
Profit (Loss) from sales of investments	(3)	-	(3)	n.a.
Group net profit for the period	**149.130**	**66.269**	**82.861**	**125,0%**

(1) Net impairment losses on receivables of the NPL Area, totalling 23,1 million Euro at 30 September 2017 compared to 23,6 million Euro at 30 September 2016, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.

RECLASSIFIED QUARTERLY CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (1) (in thousands of Euro)	3rd QUARTER		CHANGE	
	2017	2016	ABSOLUTE	%
Net banking income (1)	**121.283**	**86.766**	**34.517**	**39,8%**
Net impairment losses/reversal on receivables and other financial assets (1)	1.957	(3.731)	5.688	(152,5)%
Net profit (loss) from financial activities	**123.240**	**83.035**	**40.205**	**48,4%**
Operating costs	(63.562)	(41.901)	(21.661)	51,7%
Pre-tax profit from continuing operations	59.678	41.134	18.544	45,1%
Group net profit for the period	**45.468**	**27.149**	**18.319**	**67,5%**

(1) Net impairment losses on receivables of the NPL Area, totalling 8,3 million Euro in the 3rd quarter of 2017 and 7,1 million Euro in the 3rd quarter of 2016, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.

GROUP KPIs	30.09.2017	30.09.2016	01.01.2017 RESTATED
Cost of credit quality - businesses	(0,19)%	n.a.	0,80%
Total Own Funds Capital Ratio	16,49%	14,50%	15,39%
Common Equity Tier 1 Ratio	15,65%	13,46%	14,80%
Number of company shares (in thousands)	53.811	53.811	53.811
Number of shares outstanding at period end(1) (in thousands)	53.431	53.081	53.431
Book per share	25,06	11,05	22,81
EPS	2,79	1,25	12,94

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

Reclassified results by business segment

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Available for sale financial assets							
Amounts at 30.09.2017						480.815	480.815
Amounts at 31.12.2016	-	-	-	-	-	*374.229*	*374.229*
% Change	-	-	-	-	-	*28,5%*	*28,5%*
Due from banks							
Amounts at 30.09.2017					-	1.949.613	1.949.613
Amounts at 31.12.2016	-	-	-	-	-	*1.393.358*	*1.393.358*
% Change	-	-	-	-	-	*39,9%*	*39,9%*
Loans to customers							
Amounts at 30.09.2017	2.732.826	1.011.477	1.323.548	715.915	132.279	45.240	5.961.285
Amounts at 31.12.2016	*3.092.488*	*905.682*	*1.235.638*	*562.146*	*124.697*	*7.561*	*5.928.212*
% Change	*(11,6)%*	*11,7%*	*7,1%*	*27,4%*	*6,1%*	*498,3%*	*0,6%*
Due to banks							
Amounts at 30.09.2017						965.194	965.194
Amounts at 31.12.2016	-	-	-	-	-	*503.964*	*503.964*
% Change	-	-	-	-	-	*91,5%*	*91,5%*
Due to customers							
Amounts at 30.09.2017						5.337.597	5.337.597
Amounts at 31.12.2016	-	-	-	-	-	5.045.136	*5.045.136*
% Change	-	-	-	-	-	*5,8%*	*5,8%*
Debt securities issued							
Amounts at 30.09.2017						1.223.979	1.223.979
Amounts at 31.12.2016	-	-	-	-	-	*1.488.556*	*1.488.556*
% Change	-	-	-	-	-	*(17,8)%*	*(17,8)%*

RECLASSIFIED INCOME STATEMENT DATA(1) (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Net banking income							
Amounts at 30.09.2017	97.593	108.779	46.529	131.428	12.033	(1.985)	**394.377**
Amounts at 30.09.2016(2)	*101.700*	*n.a.*	*n.a.*	*130.966*	*10.356*	*18.250*	**261.272**
% Change	*(4,0)%*	*n.a.*	*n.a.*	*0,4%*	*16,2%*	*(110,9)%*	***50,9%***
Net profit (loss) from financial activities							
Amounts at 30.09.2017	83.417	147.737	42.521	108.365	11.818	(2.117)	**391.741**
Amounts at 30.09.2016(2)	*86.476*	*n.a.*	*n.a.*	*107.383*	*10.087*	*14.251*	***218.197***
% Change	*(3,5)%*	*n.a.*	*n.a.*	*0,9%*	*17,2%*	*(114,9)%*	***79,5%***

(1) Net impairment losses on receivables of the NPL Area, totalling 23,1 million Euro at 30 September 2017 compared to 23,6 million Euro at 30 September 2016, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.
(2) To facilitate the comparison between the results of the reference periods, the funding cost included in the net interest income for 2016 was recalculated according to the new 2017 funding approach.

RECLASSIFIED INCOME STATEMENT DATA (1) (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Net banking income							
Third quarter 2017	27.451	43.635	17.544	29.408	3.239	6	121.283
Third quarter 2016 (2)	*33.723*	*n.a.*	*n.a.*	*48.974*	*2.656*	*1.413*	86.766
% Change	*(18,6)%*	*n.a.*	*n.a.*	*(40,0)%*	*22,0%*	*(99,6)%*	*39,8%*
Net profit (loss) from financial activities							
Third quarter 2017	24.935	*50.813*	*14.611*	29.408	3.170	303	123.240
Third quarter 2016 (2)	*30.074*	*n.a.*	*n.a.*	*48.974*	*2.574*	*1.413*	83.035
% Change	*(17,1)%*	*n.a.*	*n.a.*	*(40,0)%*	*23,2%*	*(78,6)%*	*48,4%*

(1) Net impairment losses on receivables of the NPL Area, totalling 8,3 million Euro in the third quarter of 2017 compared to 7,1 million 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 impairment losses represent an integral part of the return on the investment.
(2) To facilitate the comparison between the results of the reference periods, the funding cost included in the net interest income for 2016 was recalculated according to the new 2017 funding approach.

SEGMENT KPIs (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover (1)						
Amounts at 30.09.2017	7.958.753	n.a.	n.a.	n.a.	n.a.	n.a.
Amounts at 30.09.2016	*7.486.378*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
% Change	*6,3%*	-	-	-	-	-
Cost of credit quality						
Amounts at 30.09.2017	0,73%	(2,73)%	0,48%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	0,79%	0,08%	1,47%	*n.a.*	*n.a.*	*n.a.*
% Change	*(0,06)%*	*(2,81)%*	*(0,99)%*	-	-	-
Net bad loans/Loans to customers						
Amounts at 30.09.2017	1,2%	3,3%	1,3%	62,9%	n.a.	n.a.
Amounts at 31.12.2016	*1,0%*	*3,0%*	*0,5%*	*57,0%*	*n.a.*	*n.a.*
% Change	*0,2%*	*0,3%*	*0,8%*	*5,9%*	-	-
Coverage ratio on gross bad loans						
Amounts at 30.09.2017	88,5%	91,8%	79,1%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	*88,5%*	*94,0%*	*92,2%*	*n.a.*	*n.a.*	*n.a.*
% Change	*(0,0)%*	*(2,2)%*	*(13,1)%*	-	-	-
Non-performing exposures/Loans to customers						
Amounts at 30.09.2017	8,1%	15,9%	2,7%	100,0%	0,0%	5,5%
Amounts at 31.12.2016	*6,5%*	*19,0%*	*3,0%*	*100,0%*	*0,2%*	*0,0%*
% Change	*1,6%*	*(3,1)%*	*(0,3)%*	*(0,0)%*	*(0,2)%*	*5,5%*
RWAs (2) (3)						
Amounts at 30.09.2017	2.200.268	997.711	831.973	719.604	50.452	339.597
Amounts at 31.12.2016	*2.348.131*	*929.337*	*875.153*	*562.146*	*50.004*	*263.512*
% Change	*(6,3)%*	*7,4%*	*(4,9)%*	*28,0%*	*0,9%*	*28,9%*

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

Reclassified Quarterly Evolution

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2017			YEAR 2016			
	30.09	30.06	31.03	01.01.17 RESTATED	30.09	30.06	31.03
ASSETS							
Available for sale financial assets	480.815	639.119	635.507	374.229	1.026.744	1.027.770	1.066.413
Due from banks	1.949.613	1.667.462	1.411.235	1.393.358	454.170	153.877	114.691
Loans to customers	5.961.285	6.084.125	5.837.870	5.928.212	3.303.322	3.355.998	3.307.793
Property, plant and equipment	128.243	109.566	109.675	110.348	62.291	56.729	53.792
Intangible assets	23.790	18.003	14.199	14.981	10.816	8.929	7.391
Tax assets	510.367	545.724	571.935	581.016	62.254	64.595	61.791
Other assets	324.664	380.100	274.960	306.770	76.002	75.300	50.319
Total assets	**9.378.777**	**9.444.099**	**8.855.381**	**8.708.914**	**4.995.599**	**4.743.198**	**4.662.190**

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2017			YEAR 2016			
	30.09	30.06	31.03	01.01.17 RESTATED	30.09	30.06	31.03
LIABILITIES AND EQUITY							
Due to banks	965.194	967.285	1.028.971	503.964	56.788	43.587	182.568
Due to customers	5.337.597	5.291.594	5.055.558	5.045.136	4.138.865	3.928.261	3.722.501
Debt securities issued	1.223.979	1.352.375	1.122.879	1.488.556	-	-	-
Post-employment benefits	7.366	7.318	7.682	7.660	1.554	1.545	1.510
Tax liabilities	37.033	34.912	32.423	24.925	15.116	16.180	25.118
Other liabilities	468.875	507.323	354.230	410.121	196.628	191.428	180.250
Equity:	1.338.733	1.283.292	1.253.638	1.228.552	586.648	562.197	550.243
- share capital, share premiums and reserves	*1.189.610*	*1.179.635*	*1.220.951*	*530.838*	*520.379*	*523.077*	*528.198*
- net profit for the period	*149.123*	*103.657*	*32.687*	*697.714*	*66.269*	*39.120*	*22.045*
Total liabilities and equity	**9.378.777**	**9.444.099**	**8.855.381**	**8.708.914**	**4.995.599**	**4.743.198**	**4.662.190**

RECLASSIFIED CONSOLIDATED INCOME STATEMENT [1] QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2017			YEAR 2016			
	3rd Q.	2nd Q.	1st Q.	4th Q. RESTATED	3rd Q.	2nd Q.	1st Q.
Net interest income	**91.066**	**108.651**	**89.708**	**69.465**	**52.988**	**55.395**	**57.707**
Net commission income	**18.272**	**20.145**	**14.219**	**1.060**	**13.087**	**13.316**	**13.648**
Dividends and similar income	8	40	-	-	-	-	-
Net profit (loss) from trading	11.834	1.306	(1.615)	4	(374)	(86)	(246)
Gain (loss) on sale or buyback of:	103	17.625	(48)	17.753	21.065	5.694	5.495
Loans and receivables	78	17.625	-	17.770	21.065	5.694	-
Available for sale financial assets	25	-	(48)	(17)	-	-	5.495
Net banking income	**121.283**	**147.767**	**102.264**	**88.282**	**86.766**	**74.319**	**76.604**
Net impairment losses/reversal on:	1.957	18.614	(144)	(7.113)	(3.731)	(7.496)	(8.265)
Loans and receivables	(37)	16.846	(874)	(6.761)	(3.731)	(6.449)	(5.313)
Available for sale financial assets	(297)	(660)	(15)	(357)	-	(1.047)	(2.952)
other financial transactions	2.291	2.428	745	5	-	-	-
Net profit (loss) from financial activities	**123.240**	**166.381**	**102.120**	**81.169**	**83.035**	**66.823**	**68.339**
Personnel expenses	(24.298)	(25.411)	(24.073)	(23.959)	(14.324)	(14.187)	(13.408)
Other administrative expenses	(34.257)	(38.718)	(31.134)	(55.775)	(24.029)	(28.051)	(18.421)
Net allocations to provisions for risks and charges	(5.213)	445	(2.342)	1.611	(1.827)	2.157	(3.790)
Net impairment losses/reversal on property, plant and equipment and intangible assets	(2.822)	(2.483)	(3.459)	(2.742)	(1.306)	(1.069)	(938)
Other operating income/expenses	3.028	(70)	4.620	630.492	(415)	162	748
Operating costs	**(63.562)**	**(66.237)**	**(56.388)**	**549.627**	**(41.901)**	**(40.988)**	**(35.809)**
Profit (Loss) from sales of investments	-	(2)	(1)	-	-	-	-
Pre-tax profit from continuing operations	**59.678**	**100.142**	**45.731**	**630.796**	**41.134**	**25.835**	**32.530**
Income tax expense for the period	(14.210)	(29.168)	(13.043)	689	(13.985)	(8.760)	(10.485)
Net profit for the period	**45.468**	**70.974**	**32.688**	**631.485**	**27.149**	**17.075**	**22.045**
Non-controlling interests	2	4	1	40	-	-	-
Group net profit for the period	**45.466**	**70.970**	**32.687**	**631.445**	**27.149**	**17.075**	**22.045**

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

RECLASSIFIED INCOME STATEMENT DATA BY SEGMENT (1): QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2017			YEAR 2016(2)			
	3rd Q.	2nd Q.	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net banking income	**121.283**	**147.767**	**102.264**	**88.283**	**86.765**	**74.319**	**76.604**
Trade Receivables	*27.451*	*36.346*	*33.796*	*46.813*	*33.723*	*34.312*	*33.665*
Corporate Banking	*43.635*	*41.755*	*23.389*	*2.952*	-	-	-
Leasing	*17.544*	*16.478*	*12.507*	*(1.172)*	-	-	-
NPL Area (1)	*29.408*	*48.453*	*30.504*	*40.936*	*48.973*	*33.801*	*24.608*
Tax Receivables	*3.239*	*5.881*	*2.913*	*2.968*	*2.656*	*3.717*	*3.983*
Governance and Services	*6*	*(1.145)*	*(846)*	*(4.214)*	*1.413*	*2.489*	*14.348*
Net profit (loss) from financial activities	**123.240**	**166.381**	**102.120**	**81.169**	**83.035**	**66.823**	**68.339**
Trade Receivables	*24.935*	*29.086*	*29.396*	*41.732*	*30.074*	*28.049*	*28.353*
Corporate Banking	*50.813*	*69.104*	*27.820*	*2.889*	-	-	-
Leasing	*14.611*	*15.506*	*12.404*	*(2.682)*	-	-	-
Area NPL (1)	*29.408*	*48.453*	*30.504*	*40.936*	*48.973*	*33.801*	*24.608*
Tax Receivables	*3.170*	*5.806*	*2.842*	*2.866*	*2.574*	*3.530*	*3.983*
Governance and Services	*303*	*(1.574)*	*(846)*	*(4.572)*	*1.413*	*1.442*	*11.396*

(1) Net impairment losses on receivables of the NPL Area were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.
(2) To facilitate the comparison between the results of the reference periods, the funding cost included in the net interest income for 2016 was recalculated according to the new 2017 funding approach.

Reclassified Group Historical Data[1]

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

(in thousands of Euro)	30.09.2017	30.09.2016	30.09.2015	30.09.2014	30.09.2013
Available for sale financial assets	480.815	1.026.744	3.677.850	414.768	2.531.765
Held to maturity financial assets	-	-	-	5.094.994	4.459.285
Loans to customers	5.961.285	3.303.322	3.176.172	2.588.009	2.223.142
Due to banks	965.194	56.788	537.898	632.553	527.961
Due to customers	5.337.597	4.138.865	5.900.458	7.317.589	8.837.029
Equity	1.338.733	586.648	557.012	418.296	357.864
Net banking income (1)	371.314	237.689	328.137	211.076	194.139
Net profit from financial activities	391.741	218.197	305.005	181.112	159.575
Group net profit for the period	149.130	66.269	148.805	74.188	67.110
Cost/Income ratio (1)	50,1%	49,9%	24,6%	33,0%	28,3%
Total Own Funds Capital Ratio (2)	16,49%	14,5%	16,0%	14,9%	14,1%
Common Equity Tier 1 Ratio(2)	15,65%	13,5%	15,3%	14,6%	14,3%

(1) Net impairment losses on receivables of the NPL Area, totalling 23,1 million Euro at 30 September 2017 compared to 23,6 million Euro at 30 September 2016, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net impairment losses 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 calculated 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)	30.09.2017	01.01.2017 RESTATED	31.12.2016
10.	Cash and cash equivalents	59	34	34
20.	Financial assets held for trading	36.123	47.393	47.393
40.	Available for sale financial assets	480.815	374.229	374.229
60.	Due from banks	1.949.613	1.393.358	1.393.358
70.	Loans to customers	5.961.285	5.928.212	5.928.212
120.	Property, plant and equipment	128.243	110.348	110.348
130.	Intangible assets	23.790	14.981	14.981
	of which:			
	- goodwill	814	799	799
140.	Tax assets	510.367	581.016	581.016
	a) current	79.544	87.836	87.836
	b) deferred	430.823	493.180	493.180
	of which as per Italian law 214/2011	219.251	191.417	191.417
160.	Other assets	288.482	259.343	249.574
	Total assets	**9.378.777**	**8.708.914**	**8.699.145**

	Liabilities and equity (in thousands of Euro)	30.09.2017	01.01.2017 RESTATED	31.12.2016
10.	Due to banks	965.194	503.964	503.964
20.	Due to customers	5.337.597	5.045.136	5.045.136
30	Debt securities issued	1.223.979	1.488.556	1.488.556
40.	Financial liabilities held for trading	42.048	48.478	48.478
80.	Tax liabilities	37.033	24.925	24.925
	a) current	1.214	491	491
	b) deferred	35.819	24.434	24.434
100.	Other liabilities	402.066	337.325	337.325
110.	Post-employment benefits	7.366	7.660	7.660
120.	Provisions for risks and charges	24.761	24.318	24.318
	b) other reserves	24.761	24.318	24.318
140.	Valuation reserves	(907)	(5.445)	(5.445)
170.	Reserves	1.038.062	383.835	383.835
180.	Share premiums	101.776	101.776	101.776
190.	Share capital	53.811	53.811	53.811
200.	Treasury shares (-)	(3.187)	(3.187)	(3.187)
210	Non-controlling interests (+ / -)	55	48	48
220.	Profit for the period	149.123	697.714	687.945
	Total liabilities and equity	**9.378.777**	**8.708.914**	**8.699.145**

Consolidated Income Statement

	Items (in thousands of Euro)	30.09.2017	30.09.2016
10.	Interest receivable and similar income	387.355	224.827
20.	Interest due and similar expenses	(74.867)	(35.154)
30.	**Net interest income**	**312.488**	**189.673**
40.	Commission income	62.386	43.846
50.	Commission expense	(9.750)	(3.795)
60.	**Net commission income**	**52.636**	**40.051**
70.	Dividends and similar income	48	-
80.	Net result from trading	11.525	(706)
100.	Gain (loss) on sale or buyback of:	17.680	32.254
	a) loans and receivables	17.703	26.759
	b) available for sale financial assets	(23)	5.495
120.	**Net banking income**	**394.377**	**261.272**
130.	Net impairment losses/reversal on	(2.636)	(43.075)
	a) loans and receivables	(7.128)	(39.076)
	b) available for sale financial assets	(972)	(3.999)
	d) other financial transactions	5.464	-
140.	**Net profit (loss) from financial activities**	**391.741**	**218.197**
180.	Administrative expenses:	(177.891)	(112.420)
	a) personnel expenses	(73.782)	(41.919)
	b) other administrative expenses	(104.109)	(70.501)
190.	Net allocations to provisions for risks and charges	(7.110)	(3.460)
200.	Net impairment losses/Reversal on property, plant and equipment	(3.213)	(1.428)
210.	Net impairment losses/Reversal on intangible assets	(5.551)	(1.885)
220.	Other operating income/expenses	7.578	495
230.	**Operating costs**	**(186.187)**	**(118.698)**
270.	Profit (Loss) from sales of investments	(3)	-
280.	**Pre-tax profit (loss) for the period from continuing operations**	**205.551**	**99.499**
290.	Income taxes relating to current operations	(56.421)	(33.230)
320	**Profit (Loss) for the period**	**149.130**	**66.269**
330	Profit (Loss) for the period attributable to non-controlling interests	7	-
340.	**Profit (loss) for the period attributable to the Parent company**	**149.123**	**66.269**

Consolidated Statement of Comprehensive Income

	Items (in thousands of Euro)	30.09.2017	30.09.2016
10.	**Profit (Loss) for the period**	**149.130**	**66.269**
	Other comprehensive income, net of taxes, not to be reclassified to profit or loss	**175**	**(78)**
20.	Property, plant and equipment	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	175	(78)
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	**4.363**	**(12.986)**
70.	Foreign investment hedges	-	-
80.	Exchange differences	805	(399)
90.	Cash flow hedges	-	-
100.	Available for sale financial assets	3.558	(12.587)
110.	Non-current assets under disposal	-	-
120.	Share of valuation reserves of equity accounted investments	-	-
130.	**Total other comprehensive income, net of taxes**	**4.538**	**(13.064)**
140.	**Total comprehensive income (Item 10+130)**	**153.668**	**53.205**
150.	Total consolidated comprehensive income attributable to non-controlling interests	(7)	-
160.	**Total consolidated comprehensive income attributable to the parent company**	**153.661**	**53.205**

Results and Strategy

Comment by the CEO

We acted swiftly and resolutely to position the Bank on sustainable growth paths. The market scenario is challenging, and interest rates at zero are not helping. Competing in this environment requires significant efforts on the part of all the Group's employees. This commitment is present and leverages the skills of the resources across the various businesses, but requires considerable flexibility in tackling new targets as well as repositioning ourselves in the market—all without losing sight of the goals for the period and of the three-year strategic plan. Based on the results achieved, I can say that we followed the roadmap for the merger of the former Interbanca Group and completed this process. Now we can focus on growth and development".

We are going to accelerate our digital growth: in the last part of the year, we will launch two portals dedicated to our two types of customers, businesses and households. We are against digital technology as a fad and an end in itself, and we support it when it enables and improves the user's experience in his or her relationship with the Bank.

Highlights - reclassified data[1].

- **Net banking income[1]** totalled 371,3 million (237,7 million Euro at 30 September 2016, +56,2%). The positive performance was attributable to a series of factors such as the consolidation of the former Interbanca Group, with the Leasing and Corporate Banking segments making positive contributions. Both reported strong results and benefited from the favourable impact of the breakdown of the difference between the fair value as measured in the business combination and the carrying amount of the receivables recognised by Interbanca and IFIS Leasing over time. More detailed information for each segment can be found below. The extremely robust performance of Tax Receivables contributed to the growth for the first nine months of the year, whereas the pressure on margins in short-term lending to businesses (Trade Receivables) affected especially medium- and large-sized corporate customers—including those inherited from the former Interbanca Group. As for the NPL Area, the portfolio's sale dynamics in the first nine months of 2017 was less lively compared to the prior-year period. The effective management of existing portfolios resulted in better payment arrangements. At 30 September 2017, net banking income was affected also by the costs incurred to secure funding for the acquisition of the former Interbanca Group. During 2017, the Group started rationalising its funding cost structure.

Specifically:

- at the end of May, it finalised a 300 million Euro senior bond issue with a 3-year maturity on the Irish Stock Exchange;
- halfway through October, it finalised a 400 million Euro Tier 2 bond issue with a 10-year maturity and callable after 5 years on the Irish Stock Exchange;
- on 31 October 2017, it changed interest rates on the rendimax savings account and the contomax current account as well as announced that, as far as retail funding is concerned,

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1 Net impairment losses on receivables of the NPL Area, totalling 23,1 million Euro at 30 September 2017 compared to 23,6 million Euro at 30 September 2016, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.

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effective 1 January 2018 clients will be responsible for stamp duty costs for both the rendimax savings account and the contomax current account;

- optimised the costs of the securitisation transactions launched for the acquisition of the former Interbanca Group, winding some of them down.

- The balance of **net impairment losses/reversal** was a positive 20,4 million Euro (write-back), compared to a negative 19,5 million Euro in the first nine months of 2016. The cost of the quality of loans to SMEs amounted to -19bps; as for the Trade Receivables segment, they stood at 14,3 million Euro, compared to 15,2 million Euro at 30 September 2016 (-6,9%). This result testifies to Banca IFIS's ability to lend by carefully assuming credit risk. The Leasing and Tax Receivables segments recognised 4,0 and 0,2 million Euro in impairment losses, respectively, whereas the Corporate Banking segment reported 38,9 million Euro in reversals deriving specifically from two individually significant positions. Concerning net impairment losses on receivables of the NPL Area, totalling 23,1 million Euro (23,6 million Euro at 30 September 2016), they were reclassified to interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.
- **Operating costs** totalled 186,2 million Euro (118,7 million Euro at 30 September 2016, +56,9%). The cost/income ratio stood at 50,1%, compared to 49,9% in the prior-year period. The rise in operating costs was largely attributable to the consolidation of the former Interbanca Group, which added 36,9 million Euro (excluding the contribution from IFIS Factoring, which was merged into Banca IFIS effective 1 January 2017). Personnel expenses amounted to 73,8 million Euro (41,9 million Euro in September 2016, +76,0%). At 31 September 2017, the Group's employees numbered 1.432, compared to 1.323 at 31 December 2016 (+8,3% in the first nine months of 2017). Administrative expenses amounted to 104,1 million Euro, up 47,7% from 70,5 million Euro in the prior-year period.

At 30 September 2017, the **Group net profit** for the period totalled 149,1 million Euro, up 125,0% from 66,3 million Euro at 30 September 2016.

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

As for the contribution of **individual segments** to the operating and financial results at 30 September 2017, here below are the highlights:

- **Loans to SMEs** (including the Trade receivables, Leasing, and Corporate Banking segments) generated 252,9 million Euro in net banking income. Total loans to businesses amounted to 5.067,9 million Euro, compared to 5.233,8 million Euro at 31 December 2016 (-3,2%). The decline was largely the result of the contraction in the trade receivables segment (-11,6%) due to the pressure on margins, especially with medium- and large-sized corporate customers inherited from the former Interbanca Group’s portfolio. Meanwhile, the Corporate banking and Leasing segments were up +11,7% and +7,1%, respectively. Specifically, the breakdown of loans to corporate customers was as follows: 15,0% are due from the public sector and 85,0% from the private sector.

Trade receivables generated 97,6 million Euro in net banking income (101,7 million Euro in the first nine months of 2016, -4,0%); the segment's turnover rose to 8,0 billion Euro (+6,3% from 30 September 2016), with 5.238 corporate customers (+6,2% compared to the prior-year period). The Corporate Banking segment generated 108,8 million Euro in net banking income. This amount included the 79,0 million Euro positive impact of the breakdown of the difference between the fair value as measured in the business combination and the carrying amount of the receivables recognised by the subsidiary Interbanca over time. This largely arose from the positions allocated to Workout & Recovery as well as Structured Finance. The exposure of receivables in the Corporate Banking segment amounted to 1,0 billion Euro (+11,7%). The Leasing segment's net banking income totalled 46,5 million Euro thanks to the positive trend of loans to customers, contributing to the rise in market share, and included the positive impact of the breakdown of the difference between the fair value as measured in the business combination and the carrying amount of the receivables recognised by the subsidiary over time, which amounted to 7,9 million Euro. The nominal amount of the segment's receivables was 1,3 billion Euro.

- The **NPL Area**[1] generated 108,4 million Euro in net banking income, compared to 107,4 million Euro in the prior-year period (+0,9%). This amount included 17,7 million Euro in gains on the sales of portfolios (26,8 million Euro at 30 September 2016). In the first nine months of 2017, the NPL Area acquired portfolios of receivables with a par value of 4,0 billion Euro, bringing the total amount of positions to 1.507.346 for an overall par value of 12,5 billion Euro.
- **Tax Receivables** generated 12,0 million Euro in net banking income, up 16,2% from 10,4 million Euro at 30 September 2016.
- The net banking income **of Governance and Services** was negative 2,0 million Euro. This was largely because of the lower overall contribution from the government bond portfolio—which in the first nine months of 2016 contributed 12,6 million Euro in interest income—as well as the fact that Banca IFIS incurred, and continues incurring in 2017, significant costs associated with the additional funding for the closing of the acquisition of the former Interbanca Group.

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

- **net bad loans** amounted to 83,5 million Euro, compared to 65,1 million Euro at the end of 2016 (+28,2%); the net bad-loan ratio was 1,6%, up from 1,2% at 31 December 2016. The coverage ratio stood at 89,3% (92,0% at 31 December 2016).
- the balance of net **unlikely to pay** was 181,0 million Euro, -12,7% from 207,3 million Euro at the end of 2016; the coverage ratio amounted to 45,4% from 45,9% at 31 December 2016.
- **net non-performing past due exposures** totalled 154,0 million Euro, compared with 137,4 million Euro in December 2016 (+12,0%). The rise in past due exposures was partly due to the natural increase in such exposures to Italy's Public Administration as well as to new private-sector past due positions. The coverage ratio of net non-performing past due exposures stood at 3,0% (2,6% at 31 December 2016).

[1] Net impairment losses on receivables of the NPL Area, totalling 23,1 million Euro at 30 September 2017 compared to 23,6 million Euro at 30 September 2016, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.

Overall, **gross non-performing loans to businesses** (including the Trade Receivables, Leasing, and Corporate Banking segments) totalled 1.282,1 million Euro, with 863,5 million Euro in impairment losses and a coverage ratio of 67,4%.

At the end of the period, consolidated **equity** totalled 1.338,7 million Euro, compared to 1.228,6 million Euro (restated amount) at 31 December 2016.

The **consolidated CET1[2], the Tier 1 Capital Ratio (T1)[2] and the Total Own Funds Ratios[2]** of the Banca IFIS Group alone, excluding the effect of the consolidation of the Parent Company La Scogliera, amounted to 17,14% compared to the restated data at 1 January 2017, equal to 15,82% for the CET1 and T1, and equal to 15,83% for the Total Own Fund Ratio.

[2] The reported total own funds ratio refers only to the scope of the Banca IFIS Group, thus excluding the effects of the prudential consolidation in the parent La Scogliera S.p.A. Consolidated own funds, risk-weighted assets and solvency ratios at 30 September 2017 were calculated based on the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) dated 26 June 2013, which were transposed in the Bank of Italy's Circulars no. 285 and 286 of 17 December 2013. Article 19 of the CRR requires to include the unconsolidated holding of the banking Group in prudential consolidation. The CET1 at 30 September 2017 including La Scogliera S.p.A. amounted to 15,65%, compared to 14,80% at 31 December 2016, the Tier 1 Capital Ratio (T1) amounted to 16,01% compared to 15,05% while the Total Own Funds Ratio totalled 16,49% compared to 15,39% at 31 December 2016. Please note that the comparative data at 31 December 2016 was restated to account for the change in the opening balances following the definition of the price paid for the acquisition of the former GE Capital Interbanca Group to the seller.

Contribution of business segments to Group results

The organisational structure

The model for segment reporting is in line with the new organisational structure used by the Head Office to analyse Group results, which, following the acquisition of the former GE Capital Interbanca Group, now includes two new sectors: Corporate Banking and Leasing. In addition, since the acquisition date, the Trade Receivables sector includes the contribution of IFIS Factoring, which was merged into the parent Banca IFIS in July 2017.

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

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

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

INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIV - ABLES	CORPO-RATE BANKING	LEASING	NPL AREA	TAX RECEIVAB LES	GOVERNA NCE AND SERVICES	CONS. GROUP TOTAL
Net banking income							
Amounts at 30.09.2017	97.593	108.779	46.529	131.428	12.033	(1.985)	394.377
Amounts at 30.09.2016(1)	*101.700*	*n.a.*	*n.a.*	*130.966*	*10.356*	*18.250*	261.272
% Change	*(4,0)%*	*n.a.*	*n.a.*	*0,4%*	*16,2%*	*(110,9)%*	*50,9%*
Net profit (loss) from financial activities							
Amounts at 30.09.2017	83.417	147.737	42.521	108.365	11.818	(2.117)	391.741
Amounts at 30.09.2016(1)	*86.476*	*n.a.*	*n.a.*	*107.383*	*10.087*	*14.251*	*218.197*
% Change	*(3,5)%*	*n.a.*	*n.a.*	*0,9%*	*17,2%*	*(114,9)%*	*79,5%*

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

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Net banking income							
Third quarter 2017	27.451	43.635	17.544	37.706	3.239	6	129.581
Third quarter 2016(1)	*33.723*	*n.a.*	*n.a.*	*56.103*	*2.656*	*1.413*	93.895
% Change	*(18,6)%*	*n.a.*	*n.a.*	*(32,8)%*	*22,0%*	*(99,6)%*	*38,0%*
Net profit (loss) from financial activities							
Third quarter 2017	24.935	*50.813*	*14.611*	29.408	3.170	303	123.240
Third quarter 2016(1)	*30.074*	*n.a.*	*n.a.*	*48.974*	*2.574*	*1.413*	83.035
% Change	*(17,1)%*	*n.a.*	*n.a.*	*(40,0)%*	*23,2%*	*(78,6)%*	*48,4%*

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

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Available for sale financial assets							
Amounts at 30.09.2017						480.815	480.815
Amounts at 31.12.2016	-	-	-	-	-	*374.229*	*374.229*
% Change	-	-	-	-	-	*28,5%*	*28,5%*
Due from banks							
Amounts at 30.09.2017					-	1.949.613	1.949.613
Amounts at 31.12.2016	-	-	-	-	-	*1.393.358*	*1.393.358*
% Change	-	-	-	-	-	*39,9%*	*39,9%*
Loans to customers							
Amounts at 30.09.2017	2.732.826	1.011.477	1.323.548	715.915	132.279	45.240	5.961.285
Amounts at 31.12.2016	*3.092.488*	*905.682*	*1.235.638*	*562.146*	*124.697*	*7.561*	*5.928.212*
% Change	*(11,6)%*	*11,7%*	*7,1%*	*27,4%*	*6,1%*	*498,3%*	*0,6%*
Due to banks							
Amounts at 30.09.2017						965.194	965.194
Amounts at 31.12.2016	-	-	-	-	-	*503.964*	*503.964*
% Change	-	-	-	-	-	*91,5%*	*91,5%*
Due to customers							
Amounts at 30.09.2017						5.337.597	5.337.597
Amounts at 31.12.2016	-	-	-	-	-	*5.045.136*	*5.045.136*
% Change	-	-	-	-	-	*5,8%*	*5,8%*
Debt securities issued							
Amounts at 30.09.2017						1.223.979	1.223.979
Amounts at 31.12.2016	-	-	-	-	-	*1.488.556*	*1.488.556*
% Change	-	-	-	-	-	*(17,8)%*	*(17,8)%*

SEGMENT KPIs (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover (1)						
Amounts at 30.09.2017	7.958.753	n.a.	n.a.	n.a.	n.a.	n.a.
Amounts at 30.09.2016	*7.486.378*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
% Change	*6,3%*	-	-	-	-	-
Cost of credit quality						
Amounts at 30.09.2017	0,73%	(2,73)%	0,48%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	*0,79%*	*0,08%*	*1,47%*	*n.a.*	*n.a.*	*n.a.*
% Change	*(0,06)%*	*(2,81)%*	*(0,99)%*	-	-	-
Net bad loans/Loans to customers						
Amounts at 30.09.2017	1,2%	3,3%	1,3%	62,9%	n.a.	n.a.
Amounts at 31.12.2016	*1,0%*	*3,0%*	*0,5%*	*57,0%*	*n.a.*	*n.a.*
% Change	*0,2%*	*0,3%*	*0,8%*	*5,9%*	-	-
Coverage ratio on gross bad loans						
Amounts at 30.09.2017	88,5%	91,8%	79,1%	n.a.	n.a.	n.a.
Amounts at 31.12.2016	*88,5%*	*94,0%*	*92,2%*	*n.a.*	*n.a.*	*n.a.*
% Change	*(0,0)%*	*(2,2)%*	*(13,1)%*	-	-	-
Non-performing exposures/Loans to customers						
Amounts at 30.09.2017	8,1%	15,9%	2,7%	100,0%	0,0%	5,5%
Amounts at 31.12.2016	*6,5%*	*19,0%*	*3,0%*	*100,0%*	*0,2%*	*0,0%*
% Change	*1,6%*	*(3,1)%*	*(0,3)%*	*(0,0)%*	*(0,2)%*	*5,5%*
RWAs(2) (3)						
Amounts at 30.09.2017	2.200.268	997.711	831.973	719.604	50.452	339.597
Amounts at 31.12.2016	*2.348.131*	*929.337*	*875.153*	*562.146*	*50.004*	*263.512*
% Change	*(6,3)%*	*7,4%*	*(4,9)%*	*28,0%*	*0,9%*	*28,9%*

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

Trade receivables

This segment includes the following business areas:

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

INCOME STATEMENT DATA (in thousands of Euro)	30.09.2017	30.09.2016(1)	CHANGE	
			ABSOLUTE	%
Net interest income	57.230	59.653	(2.423)	(4,1)%
Net commission income	40.363	42.047	(1.684)	(4,0)%
Net banking income	**97.593**	**101.700**	**(4.107)**	**(4,0)%**
Net impairment losses on receivables	(14.176)	(15.224)	1.048	(6,9)%
Net profit (loss) from financial activities	**83.417**	**86.476**	**(3.059)**	**(3,5)%**

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

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd QUARTER		CHANGE	
	2017	2016(1)	ABSOLUTE	%
Net interest income	13.846	20.101	(6.255)	(31,1)%
Net commission income	13.605	13.622	(17)	(0,1)%
Net banking income	**27.451**	**33.723**	**(6.272)**	**(18,6)%**
Net impairment losses on receivables	(2.516)	(3.649)	1.133	(31,0)%
Net profit (loss) from financial activities	**24.935**	**30.074**	**(5.139)**	**(17,1)%**

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

The net banking income of the Trade Receivables segment amounted to 97,6 million Euro, down 4,0% compared to 101,7 million Euro at 30 September 2016.

in terms of volumes, the segment generated 8 billion Euro in turnover (+6,3% from 30 September 2016), with 5.238 active corporate customers, up 6,2% compared to the prior-year period. The continued rise in average volumes did not cause a proportional increase in profitability because the average terms offered to customers declined from 2016 as a result of the current economic scenario, with persistently low market rates and strong competitive pressures. Despite this largely external impact, the overall profitability of loans remained decent thanks to the focus on small customers with high marginal profitability.

Net impairment losses on receivables amounted to 14,2 million Euro (15,2 million Euro in the prior-year period, -6,9%). Their ratio relative to average loans resulted in an improved credit risk cost, which fell from 79 bps at 31 December 2016 to 73 bps.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
Bad loans	33.046	31.692	1.354	4,3%
Unlikely to pay	51.856	50.900	956	1,9%
Past due loans	136.534	118.420	18.114	15,3%
Total net non-performing exposures to customers	**221.436**	**201.012**	**20.424**	**10,2%**
Net performing loans	2.511.390	2.891.476	(380.086)	(13,1)%
Total on-balance-sheet loans to customers	**2.732.826**	**3.092.488**	**(359.662)**	**(11,6)%**

Loans to customers included in this segment are composed as follows: 27,8% are receivables due from the Public Administration (compared to 28,3% at 31 December 2016) and 72,2% due from the private sector (compared to 71,7% at 31 December 2016).

Net non-performing exposures in the Trade Receivables segment increased by 10,2% from 201,0 million Euro at the end of 2016 to 221,4 million Euro, largely because of rising past due exposures. Considering the specific characteristics of the segment concerned, the trend in past due exposures is not representative of a substantial change in credit quality, as explained below.

The segment's net bad-loan ratio was 1,2%, up slightly from December 2016 (1,0%), while the ratio of net unlikely to pay to loans rose to 1,9% from 1,6% at 31 December 2016. The segment's ratio of total net non-performing exposures to loans rose from 6,5% at the end of 2016 to 8,1% at 30 September 2017. Net non-performing exposures amounted to 16,5% as a percentage of Group equity, compared to 16,4% in the prior year. The overall coverage ratio of non-performing exposures declined from 57,7% at the end of 2016 to 56,6% at 30 September 2017.

NON-PERFORMING TRADE RECEIVABLES (in thousands of Euro)	BAD LOANS(1)	UNLIKELY TO PAY	PAST DUE LOANS	TOTAL
BALANCE AT 30.09.2017				
Nominal amount of non-performing exposures	287.098	82.540	141.035	510.673
As a proportion of total gross receivables	*9,5%*	*2,7%*	*4,7%*	*16,8%*
Impairment losses/reversal	254.052	30.684	4.501	289.237
As a proportion of gross value	*88,5%*	*37,2%*	*3,2%*	*56,6%*
Carrying amount	33.046	51.856	136.534	221.436
As a proportion of net total receivables	*1,2%*	*1,9%*	*5,0%*	*8,1%*
BALANCE AT 31.12.2016				
Nominal amount of non-performing exposures	276.741	76.551	122.451	475.743
As a proportion of total gross receivables	*8,2%*	*2,3%*	*3,6%*	*14,1%*
Impairment losses/reversal	245.049	25.651	4.031	274.731
As a proportion of the nominal amount	*88,5%*	*33,5%*	*3,3%*	*57,7%*
Carrying amount	31.692	50.900	118.420	201.012
As a proportion of net total receivables	*1,0%*	*1,6%*	*3,8%*	*6,5%*

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

Net bad loans amounted to 33,0 million Euro, +4,3% from the end of 2016; the coverage ratio was 88,5%, in line with 31 December 2016. **Unlikely to pay** were up 1,9% to 51,9 million Euro. The coverage ratio rose by approximately 3,2%, largely because of some specific impairment losses recognised on non-performing positions during the period.

Net non-performing past due exposures totalled 136,5 million Euro, compared with 118,4 million Euro in December 2016 (+15,3%). The rise in past due exposures was partly due to the natural increase in such exposures to Italy's Public Administration as well as to new private-sector past due positions.

KPIs	30.09.2017	30.09.2016	CHANGE	
			ABSOLUTE	%
Turnover	7.958.753	7.486.378	472.375	6,3%
Net banking income/ Turnover	1,2%	1,4%	(0,2)%	-

KPI y/y	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
Cost of credit quality	0,73%	0,79%	(0,06)%	-
Net bad loans/Loans to customers	1,2%	1,0%	0,2%	-
Coverage ratio on gross bad loans	88,5%	88,5%	(0,0)%	-
Non-performing exposures/Loans to customers	8,1%	6,5%	1,6%	-
Total segment RWAs	2.200.268	2.348.131	(147.863)	(6,3)%

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

TOTAL RECEIVABLES (in thousands of Euro)	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
With recourse	2.055.499	2.150.929	(95.430)	(4,4)%
of which due from the Public Administration	*312.385*	*332.735*	*(20.350)*	*(6,1)%*
Without recourse	335.566	464.957	(129.391)	(27,8)%
of which due from the Public Administration	*5.283*	*8.949*	*(3.666)*	*(41,0)%*
Outright purchases	1.032.466	1.264.950	(232.484)	(18,4)%
of which due from the Public Administration	*660.118*	*812.384*	*(152.266)*	*(18,7)%*
Total receivables	**3.423.531**	**3.880.836**	**(457.305)**	**(11,8)%**
of which due from the Public Administration	***977.786***	***1.154.068***	***(176.282)***	***(15,3)%***

Corporate Banking

This segment includes the following business areas:

• Medium/long-term financing, supporting the company's operating cycle through services ranging from working capital financing to the support for productive investments;

• Structured Finance, supporting companies and private equity funds in the legal, organisational and financial arrangement of bilateral or syndicated loans;

• Workout & Recovery, which manages the UTPs and Bad Loans of all the portfolios of the sector's other two business areas, as well as the runoff of project finance, shipping and real estate portfolios.

INCOME STATEMENT DATA (in thousands of Euro)	30.09.2017	30.09.2016	CHANGE	
			ABSOLUTE	%
Net interest income	86.282	n.a.	n.a.	n.a.
Net commission income	6.941	n.a.	n.a.	n.a.
Dividends and trading	15.556	n.a.	n.a.	n.a.
Net banking income	**108.779**	**n.a.**	**n.a.**	**n.a.**
Net impairment losses on receivables, AFS and other financial assets	38.958	n.a.	n.a.	n.a.
Net profit (loss) from financial activities	**147.737**	**n.a.**	**n.a.**	**n.a.**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd Q. 2017	3rd Q. 2016	CHANGE	
			ABSOLUTE	%
Net interest income	27.465	n.a.	n.a.	n.a.
Net commission income	2.859	n.a.	n.a.	n.a.
Dividends and trading	13.311	n.a.	n.a.	n.a.
Net banking income	**43.635**	**n.a.**	**n.a.**	**n.a.**
Net impairment losses on receivables, AFS and other financial assets	7.178	n.a.	n.a.	n.a.
Net profit (loss) from financial activities	**50.813**	**n.a.**	**n.a.**	**n.a.**

The net banking income of the Corporate Banking segment amounted to 108,8 million Euro. This amount included the 79,0 million Euro positive impact of the breakdown of the difference between the fair value as measured in the business combination and the carrying amount of the receivables recognised by the subsidiary over time. This largely arose from the positions allocated to Workout & Recovery and resulting from the debt collection and restructuring actions taken in 2017.

In addition, the segment's margin has started reflecting the positive results of refocusing on the growth of the Medium/Long-Term Financing and Structured Finance business areas.

The positive 39,0 million Euro balance of net impairment losses/reversal arose from the reversal of impairment losses as a result of both debt collection and successful restructuring transactions—especially concerning two individually significant positions. These reversals resulted in a positive cost of credit quality.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
Bad loans	33.823	27.260	6.563	24,1%
Unlikely to pay	120.795	142.741	(21.946)	(15,4)%
Past due loans	6.590	1.669	4.921	294,8%
Total net non-performing exposures to customers	**161.208**	**171.670**	**(10.462)**	**(6,1)%**
Net performing loans	850.269	734.012	116.257	15,8%
Total on-balance-sheet loans to customers	**1.011.477**	**905.682**	**105.795**	**11,7%**

The overall coverage ratio of non-performing and bad loans amounted to 74,9% and 91,8%, respectively. The ratios were slightly down from 31 December 2016 largely because of the settlement of some major positions that had seen material adjustments, as a result of both debt collection and restructuring operations, classified as bad loans and unlikely to pay.

NON-PERFORMING CORPORATE BANKING LOANS (in thousands of Euro)	BAD LOANS(1)	UNLIKELY TO PAY	PAST DUE LOANS	TOTAL
BALANCE AT 30.09.2017				
Nominal amount of non-performing exposures	412.362	224.404	6.728	643.494
As a proportion of total gross receivables	*27,3%*	*14,8%*	*0,4%*	*42,5%*
Impairment losses/reversal	378.539	103.609	138	482.286
As a proportion of gross value	*91,8%*	*46,2%*	*2,1%*	*74,9%*
Carrying amount	33.823	120.795	6.590	161.208
As a proportion of net total receivables	*3,3%*	*11,9%*	*0,7%*	*15,9%*
BALANCE AT 31.12.2016				
Nominal amount of non-performing exposures	456.184	265.412	1.685	723.281
As a proportion of total gross receivables	*30,9%*	*18,0%*	*0,1%*	*49,0%*
Impairment losses/reversal	428.924	122.671	16	551.611
As a proportion of the nominal amount	*94,0%*	*46,2%*	*0,9%*	*76,3%*
Carrying amount	27.260	142.741	1.669	171.670
As a proportion of net total receivables	*3,0%*	*15,8%*	*0,2%*	*19,0%*

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

KPIs	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
Cost of credit quality	(2,73)%	0,08%	(2,81)%	-
Net bad loans/Loans to customers	3,3%	3,0%	0,3%	-
Coverage ratio on gross bad loans	91,8%	94,0%	(2,2)%	-
Non-performing exposures/Loans to customers	15,9%	19,0%	(3,1)%	-
Total segment RWAs	997.711	929.337	68.374	7,4%

Leasing

This sector provides finance and operating leases—but not real estate leases, as the Group does not offer them—to small businesses and SMEs.

INCOME STATEMENT DATA (in thousands of Euro)	30.09.2017	30.09.2016	CHANGE	
			ABSOLUTE	%
Net interest income	37.588	n.a.	n.a.	n.a.
Net commission income	8.947	n.a.	n.a.	n.a.
Dividends and trading	(6)	n.a.	n.a.	n.a.
Net banking income	**46.529**	**n.a.**	**n.a.**	**n.a.**
Net impairment losses on loans and receivables	(4.008)	n.a.	n.a.	n.a.
Net profit (loss) from financial activities	**42.521**	**n.a.**	**n.a.**	**n.a.**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd Q. 2017	3rd Q. 2016	CHANGE	
			ABSOLUTE	%
Net interest income	14.627	n.a.	n.a.	n.a.
Net commission income	2.918	n.a.	n.a.	n.a.
Dividends and trading	(1)	n.a.	n.a.	n.a.
Net banking income	**17.544**	**n.a.**	**n.a.**	**n.a.**
Net impairment losses on receivables, AFS and other financial assets	(2.933)	n.a.	n.a.	n.a.
Net profit (loss) from financial activities	**14.611**	**n.a.**	**n.a.**	**n.a.**

The Leasing's segment net banking income totalled 46,5 million Euro thanks to the positive trend in new output and the increase in loans, as well as the positive impact of the breakdown of the difference between the fair value as measured in the business combination and the carrying amount of the receivables recognised by the subsidiary over time, which amounted to 7,9 million Euro. Finance and operating leases contributed 33,9 and 12,6 million Euro, respectively, to net banking income.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
Bad loans	16.642	6.177	10.465	169,4%
Unlikely to pay	8.380	13.622	(5.242)	(38,5)%
Past due loans	10.872	17.351	(6.479)	(37,3)%
Total net non-performing exposures to customers	**35.894**	**37.150**	**(1.256)**	**(3,4)%**
Net performing loans	1.287.654	1.198.488	89.166	7,4%
Total on-balance-sheet loans to customers	**1.323.548**	**1.235.638**	**87.910**	**7,1%**

The coverage ratio of non-performing loans declined from 77,7% at 31 December 2016 to 71,9% as the Bank wrote off a number of receivables during the period as well as reviewed and standardised internal credit monitoring and classification procedures.

NON-PERFORMING LEASING LOANS (in thousands of Euro)	BAD LOANS(1)	UNLIKELY TO PAY	PAST DUE LOANS	TOTAL
BALANCE AT 30.09.2017				
Nominal amount of non-performing exposures	79.521	24.316	24.063	127.900
As a proportion of total receivables at nominal amount	*5,6%*	*1,7%*	*1,7%*	*8,9%*
Impairment losses/reversal	62.879	15.936	13.191	92.006
As a proportion of the nominal amount	*79,1%*	*65,5%*	*54,8%*	*71,9%*
Carrying amount	16.642	8.380	10.872	35.894
As a proportion of net total receivables	*1,3%*	*0,6%*	*0,8%*	*2,7%*
BALANCE AT 31.12.2016				
Nominal amount of non-performing exposures	78.997	41.440	46.450	166.887
As a proportion of total gross receivables	*5,7%*	*3,0%*	*3,4%*	*12,1%*
Impairment losses/reversal	72.820	27.818	29.099	129.737
As a proportion of the nominal amount	*92,2%*	*67,1%*	*62,6%*	*77,7%*
Carrying amount	6.177	13.622	17.351	37.150
As a proportion of net total receivables	*0,5%*	*1,1%*	*1,4%*	*3,0%*

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

KPIs	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
Cost of credit quality	0,48%	1,47%	(0,99)%	-
Net bad loans/Loans to customers	1,3%	0,5%	0,8%	-
Coverage ratio on gross bad loans	79,1%	92,2%	(13,1)%	-
Non-performing exposures/Loans to customers	2,7%	3,0%	(0,3)%	-
Total segment RWAs	831.973	875.153	(43.180)	(4,9)%

NPL Area

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

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

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

As for the portfolio managed through non-judicial operations, to measure them the Bank uses a model based on a simulation of cash flows that projects the "breakdown" of the nominal amount of the receivable "over time" based on the historical recovery profile for similar clusters. Concerning the positions for which the Bank has finalised bills of exchange or settlement plans, the model replaces estimated cash flows with the value of the cash flows under the plans, net of the historical default rate.

Judicial operations consist in collecting debts through legal actions mainly intended 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.

There are also less significant portfolios originated in corporate banking or real estate segments that are measured either individually or, if no valuation models are available, at historical cost.

INCOME STATEMENT DATA (in thousands of Euro)	30.09.2017	30.09.2016(1)	CHANGE	
			ABSOLUTE	%
Interest income from amortised cost	44.902	24.204	20.698	85,51%
Other interest income	83.878	90.247	(6.369)	(7,1)%
Funding costs	(13.678)	(8.793)	(4.885)	55,6%
Net interest income	**115.102**	**105.658**	**9.444**	**8,9%**
Net commission income	(1.377)	(1.451)	74	(5,1)%
Gain on sale of receivables	17.703	26.759	(9.056)	(33,8)%
Net banking income	**131.428**	**130.966**	**462**	**0,4%**
Net impairment losses/reversals on receivables	(23.063)	(23.583)	520	(2,2)%
Net profit (loss) from financial activities	**108.365**	**107.383**	**982**	**0,9%**

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

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd Q. 2017	3rd Q. 2016 (1)	CHANGE	
			ABSOLUTE	%
Interest income from amortised cost	17.806	10.534	7.272	69,0%
Other interest income	24.934	28.282	(3.348)	(11,8)%
Funding costs	(5.036)	(3.503)	(1.533)	43,8%
Net interest income	**37.704**	**35.313**	**2.391**	**6,8%**
Net commission income	(76)	(275)	199	(72,4)%
Gain on sale of receivables	78	21.065	(20.987)	(99,6)%
Net banking income	**37.706**	**56.103**	**(18.397)**	**(32,8)%**
Net impairment losses/reversals on receivables	(8.298)	(7.129)	(1.169)	16,4%
Net profit (loss) from financial activities	**29.408**	**48.974**	**(19.566)**	**(40,0)%**

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

Net interest income totalled 115,1 million Euro (+8,9% from the prior-year period) thanks to the effective management of existing portfolios, resulting in better payment arrangements.

Net impairment losses, amounting to 23,1 million Euro, mainly included 27,2 million Euro in impairment losses on positions for which the net present value of estimated cash flows has fallen below the acquisition price as well as 5,7 million Euro in reversals as additional interest income recognised under line item 130 up to the amount of the previously recognised impairment losses, as the reasons for impairment no longer apply.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
Bad loans	450.196	320.612	129.584	40,4%
Unlikely to pay	265.434	241.518	23.916	9,9%
Past due loans	14	-	14	-
Total net non-performing exposures to customers	**715.644**	**562.130**	**153.514**	**27,3%**
Net performing loans	271	*16*	255	1593,8%
Total on-balance-sheet loans to customers	**715.915**	**562.146**	**153.769**	**27,4%**

KPI	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	12.536.479	9.660.196	2.876.283	29,8%
Total segment RWAs	719.604	562.146	157.458	28,0%

KPI	30.09.2017	30.09.2016	CHANGE	
			ABSOLUTE	%
Nominal amount of acquired receivables	4.002.575	2.771.151	1.231.424	44,4%
Nominal amount of receivables sold	250.005	1.247.045	(997.040)	(80,0)%

During the period, funding from bills of exchange and settlement plans declined slightly compared to September 2016, as it fell to 200,0 million Euro from 224,3 million Euro in the same period last year. Collections made during the period amounted to 84,4 million, compared to 55,6 million in the prior-year period.

At the end of the period, the portfolio managed by the NPL Area included 1.507.346 positions, for a par value of 12,5 billion Euro.

Tax receivables

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

INCOME STATEMENT DATA (in thousands of Euro)	30.09.2017	30.09.2016 (1)	CHANGE	
			ABSOLUTE	%
Net interest income	12.042	10.361	1.681	16,2%
Net commission income	(9)	(5)	(4)	80,0%
Net banking income	**12.033**	**10.356**	**1.677**	**16,2%**
Net impairment losses/reversals on receivables	(215)	(269)	54	(20,1)%
Net profit (loss) from financial activities	**11.818**	**10.087**	**1.731**	**17,2%**

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

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd Q. 2017	3rd Q. 2016 (1)	CHANGE	
			ABSOLUTE	%
Net interest income	3.240	2.656	584	22,0%
Net commission income	(1)	-	(1)	n.a.
Net banking income	**3.239**	**2.656**	**583**	**22,0%**
Net impairment losses/reversals on receivables	(69)	(82)	13	(15,9)%
Net profit (loss) from financial activities	**3.170**	**2.574**	**596**	**23,2%**

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

Net banking income is generated by the interest accrued according to the amortised cost method and funding costs allocated to the segment.
The net banking income of the Tax Receivables segment amounted to 12,0 million Euro, up 16,2% from 10,4 million Euro at 30 September 2016.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
Bad loans	-	5	(5)	n.a.
Unlikely to pay	-	194	(194)	n.a.
Past due loans	-	-	-	-
Total net non-performing exposures to customers	**-**	**199**	**(199)**	**n.a.**
Net performing loans	132.279	124.498	7.781	6,2%
Total on-balance-sheet loans to customers	**132.279**	**124.697**	**7.582**	**6,1%**

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

KPI	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	175.055	172.145	2.910	1,7%
Total segment RWAs	50.452	50.004	448	0,9%

KPI	30.09.2017	30.09.2016	CHANGE	
			ABSOLUTE	%
Nominal amount of acquired receivables	40.733	48.873	(8.140)	(16,7)%

During the period, the sector collected 50,4 million Euro and purchased 44,5 million Euro worth of receivables.
With these purchases, the segment's portfolio comprises 1.436 positions, for a par value of 175 million Euro and a value at amortised cost of 132,3 million Euro at 30 September 2017.

Governance and services

Governance and Services provides the segments operating in the Bank's core businesses with the financial resources and services necessary to perform their respective activities. The segment comprises, among other things, the resources required for the performance of the services of the Audit, Administration-Accounting, Planning, Organisation and ICT functions, as well as the structures responsible for raising, managing and allocating financial resources to the operating segments. The reported amounts are net of transactions between segments.

INCOME STATEMENT DATA (in thousands of Euro)	30.09.2017	30.09.2016(1)	CHANGE	
			ABSOLUTE	%
Net interest income	4.244	14.001	(9.757)	(69,7)%
Net commission income	(2.229)	(540)	(1.689)	312,8%
Dividends and trading	(4.000)	4.789	(8.789)	(183,5)%
Net banking income	**(1.985)**	**18.250**	**(20.235)**	**(110,9)%**
Net impairment losses/reversal on receivables and other financial assets	(132)	(3.999)	3.867	(96,7)%
Net profit (loss) from financial activities	**(2.117)**	**14.251**	**(16.368)**	**(114,9)%**

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

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd Q. 2017	3rd Q. 2016 (1)	CHANGE	
			ABSOLUTE	%
Net interest income	2.482	2.047	435	21,3%
Net commission income	(1.033)	(260)	(773)	297,3%
Dividends and trading	(1.443)	(374)	(1.069)	285,8%
Net banking income	**6**	**1.413**	**(1.407)**	**(99,6)%**
Net impairment losses/reversal on receivables and other financial assets	297	-	297	n.a.
Net profit (loss) from financial activities	**303**	**1.413**	**(1.110)**	**(78,6)%**

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

The segment's **net banking income** was negative 2.117 thousand Euro, sharply down from 30 September 2016, largely because of the lower overall contribution from the securities portfolio. This generated 12,6 million Euro in interest income in 2016, compared to 1,4 million Euro in 2017, because of the steady decline in investments in securities. In 2016, the segment also recognised 5,5 million Euro in one-off gains on the sale of part of the portfolio carried out.

The Group's main source of funding is the Rendimax savings account, which gave rise to 53,8 million Euro in interest expense at 30 September 2017 (funding totalled 5,2 billion Euro in September 2017, compared to 4,0 billion Euro at 30 September 2016, and the average funding cost stood at 1,41%). The steady increase over the previous year was the result of promotional campaigns aiming to boost funding levels for the acquisition of the former GE Capital Interbanca Group. The rest of funding derives from receivables securitisation transactions.

In 2017 the Group had to revise the method to calculate the internal transfer rates to account for the changes in funding conditions, and the 2016 results of the Governance and Services segment have been restated according to the new 2017 funding approach.

This allowed to charge virtually the entire funding cost at 30 September 2017 to "Trade Receivables", "Corporate Banking", "Leasing", the "NPL Area", and "Tax Receivables", while the chargeback to the core business Segments in the restated 2016 Governance and Services results exceeded the actual funding cost for the period, resulting in an approximately 6 million Euro benefit.

Net impairment losses on available for sale financial assets referred to impairment losses recognised on unlisted equity instruments that were found to be impaired.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
Available for sale financial assets	480.815	374.229	106.586	28,5%
Due from banks	1.949.613	1.393.358	556.255	39,9%
Loans to customers	45.240	7.561	37.679	498,3%
Due to banks	965.194	503.964	461.230	91,5%
Due to customers	5.337.597	5.045.136	292.461	5,8%
Debt securities issued	1.223.979	1.488.556	(264.577)	(17,8)%

Loans to customers in the Governance and Services segment totalled 45,3 million Euro, sharply up from the prior-year period (+498,3%): in the third quarter of 2017, the Bank purchased an approximately 15,2 million Euro performing portfolio of retail loans as part of a broader transaction concerning a non-performing portfolio, as well as subscribed to 25,7 million Euro worth of senior notes in a securitisation transaction carried out by third parties and sponsored by the Group.

Payables due to banks, totalling 965,2 million Euro (compared to 504,0 million Euro in December 2016), increased by 91,5%, because of the new 700,0 million Euro TLTRO loan received in March 2017.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
Bad loans	270	-	270	-
Unlikely to pay	379	-	379	-
Past due loans	**1.825**	**-**	1.825	-
Total net non-performing exposures to customers	**2.474**	**-**	**2.474**	**-**
Net performing loans	42.766	7.561	35.205	465,6%
Total on-balance-sheet loans to customers	**45.240**	**7.561**	**37.679**	**498,3%**

KPI	30.09.2017	01.01.2017 RESTATED	CHANGE	
			ABSOLUTE	%
Total segment RWAs (1)	339.597	263.512	76.085	28,9%

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

Notes

Accounting Policies

Statement of compliance with IFRS

The Consolidated Interim Report at 30 September 2017 has been drawn up in accordance with the IASs/IFRSs in force at said date issued by the International Accounting Standards Board (IASB), together with the relevant interpretations (IFRICs and SICs). These standards were endorsed by the European Commission in accordance with the provisions in article 6 of European Union Regulation no. 1606/2002. This regulation was implemented in Italy with Legislative Decree no. 38 of 28 February 2005.

Basis of preparation

This Consolidated Interim Report at 30 September 2017 of the Banca IFIS Group was prepared in accordance with Borsa Italiana's Rules for companies listed on the STAR segment (article 2.2.3 paragraph 3), which require publishing an interim report within 45 days of the end of each quarter, and considering Borsa Italiana's notice no. 7587 of 21 April 2016. Therefore, in accordance with said notice, concerning the contents of the Consolidated Interim Report, the Group made reference to the pre-existing paragraph 5 of article 154-ter of Italian Legislative Decree no. 58 of 24 February 1998.

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

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

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

The criteria for, recognising, measuring and derecognising assets and liabilities and the methods for recognising revenue and costs adopted in preparing the Consolidated Interim Report at 30 September 2017 are unchanged from those used to prepare the consolidated financial statements at 31 December 2016, to which reference should be made for further details.

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

Consolidation scope and methods

The Consolidated Interim Report has been drawn up on the basis of the accounts at 30 September 2017 prepared by the directors of the companies included in the consolidation scope, which was unchanged from the end of last year except for the inclusion of the company Two Solar Park 2008 S.r.l. in the scope of consolidation, as explained below and the merger of IFIS Factoring S.r.l. into the parent company Banca IFIS S.p.A..

At 30 September 2017, the Group was composed of the parent company, Banca IFIS S.p.A., the wholly-owned subsidiary IFIS Finance Sp. Z o. o., the 99,99%-owned subsidiary Interbanca

S.p.A., and its subsidiaries IFIS Leasing S.p.A., IFIS Rental Services S.r.l., and Two Solar Park 2008 S.r.l., in which Interbanca owns directly or indirectly all voting rights.

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

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

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

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

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

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

As for the subsidiary IFIS Finance Sp. Z o.o., the consolidation process has brought about goodwill for 814 thousand Euro at the period-end exchange rate, recognised under item 130 'Intangible assets'.

In the third quarter of 2017, the Banca IFIS Group obtained control of Two Solar Park 2008 S.r.l. as part of a debt restructuring. The company, which operates in the renewable electricity industry, owns and runs 4 photovoltaic plants in the Apulia region. Here below are its financial highlights at 30 September 2017.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	30.09.2017
Property, Plant and Equipment	17.554
Tax assets	1.219
Other assets	2.882
Due to banks	(22.642)

Significant judgements and assumptions in determining the scope of consolidation

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

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

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

The assessment carried out led the Bank to include the subsidiaries listed in the previous paragraph, as well as the SPVs (Special Purpose Vehicles) set up for securitisation purposes, in the scope of consolidation at 30 September 2017. These SPVs are not legally part of the Banca IFIS Group.

Group equity and income situation

The main line items are commented on below.

Statement of financial positions items

MAIN STATEMENT OF FINANCIAL POSITION ITEMS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2017	01/01/2017 RESTATED	ABSOLUTE	%
Available for sale financial assets	480.815	374.229	106.586	28,5%
Loans to customers	5.961.285	5.928.212	33.073	0,6%
Due from banks	1.949.613	1.393.358	556.255	39,9%
Property, plant and equipment and intangible assets	152.033	125.329	26.704	21,3%
Tax assets	510.367	581.016	(70.649)	(12,2)%
Other assets	324.664	306.770	17.894	5,8%
Total assets	**9.378.777**	**8.708.914**	**669.863**	**7,7%**
Due to customers	5.337.597	5.045.136	292.461	5,8%
Due to banks	965.194	503.964	461.230	91,5%
Debt securities issued	1.223.979	1.488.556	(264.577)	(17,8)%
Provisions for risks and charges	24.761	24.318	443	1,8%
Tax liabilities	37.033	24.925	12.108	48,6%
Other liabilities	451.480	393.463	58.017	14,7%
Equity	1.338.733	1.228.552	110.181	9,0%
Total liabilities and equity	**9.378.777**	**8.708.914**	**669.863**	**7,7%**

Available for sale (AFS) financial assets

Available for sale (AFS) financial assets, which include debt and equity securities, stood at 480,8 million Euro at 30 September 2017, +28,5% compared to 374,2 million Euro at the end of 2016. The valuation reserve, net of taxes, was positive to the tune of 5,1 million Euro at 30 September 2017 (1,5 million Euro at 31 December 2016).

The amount of **debt securities** in the portfolio at 30 September 2017 was 460,0 million Euro, up 30,3% from 31 December 2016 (353,2 million Euro) largely because of the acquisitions made in early 2017. These referred entirely to instruments issued by banks.

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

Issuer:	1st Q. 2019	2nd Q. 2020	4th Q. 2023	Total
Government bonds	30.170	53.284	111.275	194.729
% of total	*6,0%*	*10,7%*	*22,3%*	*39,0%*
Banks	-	265.314	-	265.314
% of total	*0,0%*	*53,2%*	*0,0%*	*53,2%*
Total	**30.170**	**318.598**	**111.275**	**460.043**

Available for sale financial assets include **equity securities** relating to non-controlling interests in unlisted companies, amounting to 15,5 million Euro (-9,7% compared to 31 December 2016). The decrease was largely attributable to the fair value adjustment of the securities in the portfolio. Available for sale financial assets included also 5,3 million Euro in UCITS units, compared to 3,9 million Euro at 31 December 2016: the increase largely referred to UCITS units obtained after the restructuring of an impaired position and the fair value adjustment for the period.

Receivables due from banks

At 30 September 2017, **receivables due from banks** totalled 1.949,6 million Euro, compared to 1.393,4 million Euro at 31 December 2016. This surplus liquidity is partly intended to ensure the margin necessary to perform day-to-day banking operations and is partly in excess of structural and operational requirements.

Loans to customers

Total **loans to customers** amounted to 5.961,3 million Euro, up 0,6% from 5.928,2 million Euro at the end of 2016.

Specifically, the loans of the NPL Area rose by +27,4%, mainly because of new acquisitions. Also the loans of the tax receivables and Governance and Services segments were up (+6,1% and +498,3%, respectively), as the Bank purchased an approximately 15,3 million Euro performing retail portfolio as well as subscribed to 25,6 million Euro worth of senior notes in a third-party securitisation transaction. Corporate Banking and Leasing, the new sectors born from the acquisition of the former GE Capital Interbanca Group, contributed 1.011,5 (+11,7%) and 1.323,5 (+7,1%) million Euro, respectively. Trade receivables were down -11,6% from the end of 2016.

Total net loans to businesses, including the Trade Receivables, Corporate Banking and Leasing segments, amounted to 5.067,9 million Euro, declining slightly from December 2016 (-3,2%) in line with the seasonality of this business.

The breakdown of loans to customers was as follows: 14,1% are due from the Public Administration and 85,9% from the private sector (compared to 16,9% and 83,1% at 31 December 2016).

Please note that this line item does not include exposures qualifying as “major risks”, i.e. individual exposures amounting to more than 10% of regulatory capital.

LOANS TO CUSTOMERS: BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2017	01.01.2017 RESTATED	ABSOLUTE	%
Trade receivables	2.732.826	3.092.488	(359.662)	(11,6)%
- *of which non-performing*	*221.436*	*201.012*	*20.424*	*10,2%*
Corporate Banking	1.011.477	905.682	105.795	11,7%
- *of which non-performing*	*161.208*	*171.670*	*(10.462)*	*(6,1)%*
Leasing	1.323.548	1.235.638	87.910	7,1%
- *of which non-performing*	*35.894*	*37.150*	*(1.256)*	*(3,4)%*
NPL Area	715.915	562.146	153.769	27,4%
- *of which non-performing*	*715.644*	*562.130*	*153.514*	*27,3%*
Tax Receivables	132.279	124.697	7.582	6,1%
- *of which non-performing*	-	*199*	*(199)*	*(100,0)%*
Governance and Services	45.240	7.561	37.679	498,3%
- *of which with Cassa di Compensazione e Garanzia*	*660*	*4.748*	*(4.088)*	*(86,1)%*
- *of which non-performing*	*2.474*	-	*2.474*	-
Total loans to customers	**5.961.285**	**5.928.212**	**33.073**	**0,6%**
- of which non-performing	***1.136.656***	***972.161***	***164.495***	***16,9%***

Total net **non-performing exposures**, which are significantly affected by the receivables of the NPL Area, amounted to 1.136,7 million Euro at 30 September 2017, compared to 972,2 million Euro at the end of 2016 (+18,1%).

Net non-performing loans due exclusively from corporate customers amounted to 418,5 million Euro at 30 September 2017, +2,1% from the end of 2016. The following table shows the gross and net amounts as well as the relevant coverage ratios for each category of non-performing exposure.

LOANS TO BUSINESSES (in thousands of Euro)	BAD LOANS(1)	UNLIKELY TO PAY	PAST DUE LOANS	TOTAL
BALANCE AT 30.09.2017				
Nominal amount of non-performing exposures	778.981	331.260	171.826	1.282.067
As a proportion of total receivables at nominal amount	*13,0%*	*5,5%*	*2,9%*	*21,5%*
Impairment losses/reversal	695.470	150.229	17.830	863.529
As a proportion of the nominal amount	*89,3%*	*45,4%*	*10,4%*	*67,4%*
Carrying amount	83.511	181.031	153.996	418.538
As a proportion of net total receivables	*1,6%*	*3,6%*	*3,0%*	*8,3%*
BALANCE AT 31.12.2016				
Nominal amount of non-performing exposures	811.922	383.403	170.586	1.365.911
As a proportion of total receivables at nominal amount	*13,4%*	*6,3%*	*2,8%*	*22,5%*
Impairment losses/reversal	746.793	176.140	33.146	956.079
As a proportion of the nominal amount	*92,0%*	*45,9%*	*19,4%*	*70,0%*
Carrying amount	65.129	207.263	137.440	409.832
As a proportion of net total receivables	*1,3%*	*4,1%*	*2,7%*	*8,1%*

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

Here below is the breakdown of forborne exposures by segment.

FORBEARANCE (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	CONS. TOTAL
Bad loans						
Amounts at 30.09.2017	2.205	5.506	4.764	44.156	-	56.631
Amounts at 31.12.2016	*2.439*	*5.587*	*730*	*33.550*	-	*42.306*
% Change	*(9,6)%*	*(1,4)%*	*552,6%*	*31,6%*	-	*33,9%*
Unlikely to pay						-
Amounts at 30.09.2017	11.973	89.958	3.673	51.232	-	156.836
Amounts at 31.12.2016	*19.312*	*98.575*	*6.258*	*53.368*	-	*177.513*
% Change	*(38,0)%*	*(8,7)%*	*(41,3)%*	*(4,0)%*	-	*(11,6)%*
Past due loans						-
Amounts at 30.09.2017	8	645	1.477	-	-	2.130
Amounts at 31.12.2016	-	*1.457*	*2.302*	-	-	*3.759*
% Change	*n.a.*	*(55,7)%*	*(35,8)%*	-	-	*(43,3)%*
Performing loans						-
Amounts at 30.09.2017	17.375	22.265	24.389	-	-	64.029
Amounts at 31.12.2016	*6.955*	*35.882*	-	*15*	-	*42.852*
% Change	*149,8%*	*(37,9)%*	-	*n.a.*	-	*49,4%*

Intangible assets and property, plant and equipment and investment property

Intangible assets totalled 23,8 million Euro, compared to 15,0 million Euro at 31 December 2016 (+58,8%); the increase was largely the result of the systems for the integration with the new Core Banking system.

The item refers to software (23,0 million Euro) as well as goodwill (814 thousand Euro) arising from the consolidation of the investment in IFIS Finance Sp.Z o.o..

Property, plant and equipment and investment property totalled 128,2 million Euro, compared to 110,3 million Euro at the end of 2016. The increase referred to the 4 photovoltaic plants in the Apulia region resulting from the consolidation of Two Solar Park 2008 S.r.l. starting from this quarter: the Bank obtained control of the company as part of a debt restructuring.

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

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

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.
Current tax assets, totalling 79,5 million Euro (-9,4% from the end of 2016), included 35,5 million Euro in tax credits from the conversion of deferred tax assets (DTAs) in accordance with Italian Law no. 214/2011, 21,1 million Euro in IRES/IRAP credits claimed in the tax return, and 21,3 million Euro in credits acquired from third parties.
Deferred tax assets, amounting to 430,8 million Euro (-12,6% from the end of 2016), included 212,3 million Euro in impairment losses on receivables that can be deducted in the following years, and the rest largely referred to misalignments between the fair value and the carrying amount found during the purchase price allocation (PPA) for the former GE Capital Interbanca Group. These were reclassified to profit or loss during the period, causing the change in deferred tax assets.

Tax assets are included in the calculation of “capital requirements for credit risk” in accordance with Regulation (EU) 575/2013 (CRR) dated 26 June 2013, which was transposed in the Bank of Italy's Circulars no. 285 and 286 of 17 December 2013.

Here below is the breakdown of the different treatments by type and the relevant impact on CET1 and risk-weighted assets at 30 September 2017:

- the “deferred tax assets that rely on future profitability and do not arise from temporary differences” are deducted from CET1; at 30 September 2017, the 80% deduction amounted to 79,6 million Euro, in accordance with the new regulatory framework of the measures concerning own funds that will be gradually phased in with a transitional period lasting until 2017; in this regard, please note that this deduction, which is to become fully effective in 2018, will be gradually absorbed by the future use of such deferred tax assets;
- the “deferred tax assets that rely on future profitability and arise from temporary differences” are not deducted from CET1 and receive instead a 250% risk weight: at 30 September 2017, there were approximately 161,2 million Euro in assets at risk corresponding to these assets, net of 64,5 million Euro in deferred tax liabilities;

- the “deferred tax assets pursuant to Italian Law 214/2011”, concerning impairment losses on receivables that can be converted into tax credits, receive a 100% risk weight; at 30 September 2017, the corresponding weight totalled 219,4 million Euro;
- “current tax assets”, amounting to approximately 79,5 million Euro, receive a 0% weight as they are exposures to the Central Government.

Overall, the Tax Assets recognised at 30 September 2017 resulted in an expense amounting to 2,10% as a proportion of CET1, which will decline in the future as said assets are utilised against taxable income.

Other assets and liabilities

Other assets amounted to 288,5 million Euro at 30 September 2017 (+11,2% compared to the restated amount at 1 January 2017).

The restated balances at 1 January 2017 reflect the 9,8 million Euro price adjustment for the acquisition of the former Interbanca Group, which consists of the receivable due from the seller for the excess consideration paid up front at the transaction date. This receivable was settled on 31 July 2017 with the receipt of the relevant exposure.

This line item included a 52,6 million Euro receivable due from the parent company La Scogliera S.p.A. deriving from the tax consolidation regime for the tax credits claimed by the latter; 6,6 million Euro in receivables due from Italian tax authorities for payments on account (stamp duty and withholding taxes), 15,9 million Euro in funds placed in an escrow account pending the resolution of a dispute, and 21,4 million Euro in VAT credits claimed. Finally, it also included 33,7 million Euro in receivables due from the buyers of NPL portfolios as well as 33,2 million Euro in deferred costs associated with Legal Factory proceedings pending a garnishment order from the judge.

At the end of the period, other liabilities totalled 402,1 million Euro (+19,2% from the end of 2016). The most significant items referred largely to amounts due to customers that have not yet been credited.

Funding

FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2017	01.01.2017 RESTATED	ABSOLUTE	%
Due to customers:	**5.337.597**	**5.045.136**	**292.461**	**5,8%**
Repurchase agreements	-	*270.314*	*(270.314)*	*n.a.*
Rendimax and Contomax	*5.075.779*	*4.519.260*	*556.519*	*12,3%*
Other term deposits	*79.507*	*101.500*	*(21.993)*	*(21,7)%*
Other payables	*182.311*	*154.062*	*28.249*	*18,3%*
Due to banks:	**965.194**	**503.964**	**461.230**	**91,5%**
Eurosystem	*700.317*	-	*700.317*	*n.a.*
Repurchase agreements	-	*50.886*	*(50.886)*	*n.a.*
Other payables	*264.877*	*453.078*	*(188.201)*	*(41,5)%*
Debt securities issued	**1.223.979**	**1.488.556**	**(264.577)**	**(17,8)%**
Total funding	**7.526.770**	**7.037.656**	**489.114**	**6,9%**

Total funding, which amounted to 7.526,8 million Euro at 30 September 2017, up 6,9% compared to 31 December 2016, is represented for 70,9% by **Payables due to customers** (compared to 71,7% at 31 December 2016), for 12,8% by **Payables due to banks** (compared to 7,2% at 31 December 2016), and for 16,3% by **Debt securities issued** (21,1% at 31 December 2016).

Payables due to customers at 30 September 2017 totalled 5.337,6 million Euro (+5,8% compared to 31 December 2016). The settlement of 270,3 million Euro in repurchase agreements was more than offset by the rise in retail funding: this totalled 5.075,8 million Euro at 30 September 2017, compared to 4.519,3 million Euro at 31 December 2016 (+12,3%). At 30 September 2017, the Bank continued bearing proportional stamp duty costs on rendimax and contomax, which amount to 0,20%.

On 31 October 2017, it changed interest rates on the Rendimax savings account and the Contomax current account as well as announced that, as far as retail funding is concerned, effective 1 January 2018 clients will be responsible for stamp duty costs for both the rendimax savings account and the contomax current account.

Payables due to banks, totalling 965,2 million Euro (compared to 504,0 million Euro in December 2016), increased by 91,5%, largely because of the new 700,0 million Euro TLTRO loan received in March 2017.

In addition, term deposits at other banks declined to 264,9 million Euro from 453,1 million Euro at the end of the previous year (-41,5%).

Debt securities issued amounted to 1.224,0 million Euro. The item included 838,0 million Euro (1.404,6 million Euro at 31 December 2016) in notes issued by the special purpose vehicles as part of the securitisation transactions launched at the end of 2016. The decline compared to 31 December 2016 was largely attributable to the repurchase of all securities concerning the securitisations of leasing (Indigo Lease) and lending receivables (Indigo Loan) by the Banca IFIS Group.

The item also included the 299,3 million Euro senior bond that Banca IFIS issued in the first half of 2017. The rest of debt securities issued at 30 September 2017 included 86,1 million Euro in bond loans and 580 thousand Euro in certificates of deposits issued by Interbanca S.p.A..

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2017	01.01.2017 RESTATED	ABSOLUTE	%
Legal disputes	15.277	9.577	5.700	59,5%
Other provisions	9.484	14.741	(5.257)	(35,7)%
Total provisions for risks and charges	**24.761**	**24.318**	**443**	**1,8%**

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

Legal disputes

Banca IFIS legal disputes

The provision outstanding at 30 September 2017, amounting to 5,9 million Euro, included 5,8 million Euro for 19 disputes concerning the Trade Receivables segment (the plaintiffs seek 25,1 million Euro in damages), and 23 thousand Euro for 6 disputes concerning the NPL Area segment (the plaintiffs seek 96 thousand Euro in damages).

Former GE Capital Interbanca Group legal disputes

The provision outstanding at 30 September 2017, amounting to 9,4 million Euro, included 4,1 million Euro for 35 disputes involving IFIS Factoring and IFIS Rental, and 5,3 million Euro for 12 disputes involving Interbanca (the plaintiffs seek 50,5 million Euro in damages).

Other provisions

Other Banca IFIS provisions

At 30 September 2017, the Bank had set aside an additional 3,2 million Euro entirely related to the estimated contribution to Italy's Interbank Deposit Protection Fund

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

Other former GE Capital Interbanca Group provisions

The provision outstanding at 30 September 2017, amounting to 6,3 million Euro, included 1,8 million Euro in personnel-related expenses and 4,5 million Euro in other provisions, including 3,2 million Euro for customer allowances and 0,7 million Euro as provision for risks on unfunded commitments.

Contingent liabilities

Here below are the most significant contingent liabilities outstanding at 30 September 2017. Based on the opinion of the legal advisers assisting the subsidiaries, they are considered possible, and therefore they are only disclosed.

For the sake of clarity, the contingent liabilities deriving from the acquisition of the former GE Capital Interbanca Group are reported separately.

Legal disputes

Banca IFIS legal disputes

Banca IFIS recognises contingent liabilities amounting to 2,0 million Euro in claims, represented by 17 disputes: 13 refer to the Trade Receivables segment, for a total of 1,9 million Euro, 1 is a labour dispute, for 54 thousand Euro, and 3 to the NPL Area, for 37 thousand Euro. Banca IFIS, supported by the legal opinion of its lawyers, made no provisions for these positions, as the risk of defeat is considered possible.

Former GE Capital Interbanca Group legal disputes

Here below are the most significant contingent liabilities of the former GE Capital Interbanca Group.

Lawsuit against Interbanca to cancel a settlement

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

The Court deemed the settlement agreement valid and enforceable, dismissing all claims of the Plaintiffs against Interbanca. In the first-instance trial of the defendants and Interbanca for the remaining claims, whose outcome is still pending, the court-appointed expert witness is preparing his report and has concluded that the three debtors have suffered no damages. The plaintiffs appealed against the first-instance ruling in favour of Interbanca, but the Appeals Court upheld the decision with a ruling that is now final.

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

In early 2017, the officials of an extraordinary administration proceeding involving a chemical company in which Interbanca indirectly held a stake between 1999 and 2004 filed a lawsuit for damages. The lawsuit was filed against Interbanca and three former employees to ascertain their alleged joint responsibility and sentence them to pay for the damages allegedly incurred by the creditors because of a spin-off, initially estimated to be at least 388 million Euro. In 2013, Interbanca was also sued for causing approximately 3,5 billion Euro in environmental damage. Italy’s Ministry of the Environment and the Protection of the Territory and the Sea as well as the Ministry of Economy and Finance joined the proceedings to support the plaintiff's claims. On 10 February 2016, the Court of Milan dismissed the request to join the proceedings filed by said Ministries as inadmissible as well as dismissed all claims for damages filed by the plaintiff against Interbanca and its former employees.

In March 2016, the Ministries and the plaintiff filed an appeal. In November 2016, Interbanca and its former employees entered into separate settlement agreement with the plaintiff, which withdrew the lawsuit. The proceeding with the Ministries continues. The case has been adjourned to 20 June 2018.

On 28 July 2015, the Ministry of the Environment and the Protection of the Territory and the Sea served Interbanca with an order requiring it and the other recipients effective immediately to take all actions necessary to control, limit, remove or otherwise manage any factor that could potentially cause damage at the three industrial plants operated by the company. On 21 March 2016, the Regional Administrative Court upheld Interbanca's appeal and cancelled the order. On 15 July 2016, the Ministry of the Environment and the Protection of the Territory and the Sea appealed against the decision. A hearing has not yet been scheduled.

Arbitration concerning an equity interest in an industrial company

The dispute concerning the validity and enforceability of the non-controlling shareholder Interbanca's exit from the investment in an IT services company was settled in August 2017, as the shares were transferred to the majority shareholder.

As a result, in September 2017 the parties withdrew from the arbitration initiated before the National and International Arbitration Chamber of Milan by the Company that owns a controlling interest and all expenses were reimbursed, relieving the Arbitration Court from the obligation to issue an arbitral award.

Tax dispute

Banca IFIS tax dispute

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

Former GE Capital Interbanca Group tax disputes

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

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

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

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

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

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

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

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

Dispute concerning the write-off of receivables

Company involved IFIS Leasing Spa

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

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

Dispute concerning the VAT treatment of insurance mediation activities

Company involved IFIS Leasing Spa

The Italian Revenue Agency challenged the failure to apply the pro-rata mechanism in the years between 2007 and 2010 concerning the VAT deduction for passive transactions in exchange for

VAT-exempt commissions received from insurance companies for insurance brokerage operations considered as independent, and not ancillary to the core vehicle leasing business (which is subject to VAT).

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

Reimbursements

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

In addition, the agreement includes a series of special reimbursements paid by the seller related to the main legal and tax disputes involving the former GE Capital Interbanca Group companies.

Equity and capital adequacy ratios

At 30 September 2017, Consolidated Equity amounted to 1.338,7 million Euro, compared to the 1.228,2 million Euro (+9,0%) restated at 1 January 2017 following the definition of the purchase price of the former Interbanca Group.

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	
	30.09.2017	01.01.2017 RESTATED	ABSOLUTE	%
Share capital	53.811	53.811	-	*0,0%*
Share premiums	101.776	101.776	-	*0,0%*
Valuation reserves:	(907)	(5.445)	4.538	*(83,3)%*
- AFS securities	*5.092*	*1.534*	*3.558*	*231,9%*
- Post-employment benefits	*52*	*(123)*	*175*	*(142,3)%*
- exchange differences	*(6.051)*	*(6.856)*	*805*	*(11,7)%*
Reserves	1.038.062	383.835	654.227	*170,4%*
Treasury shares	(3.187)	(3.187)	-	*0,0%*
Non-controlling interests	55	48	7	*14,6%*
Net profit for the period	149.123	697.714	(548.591)	*(78,6)%*
Equity	**1.338.733**	**1.228.552**	**110.181**	**9,0%**

EQUITY: CHANGES	(in thousands of Euro)
Equity at 31.12.2016	**1.218.783**
Change in opening balances	9.769
Equity at 01.01.2017	**1.228.552**
Increases:	**153.996**
Profit for the period	149.123
Change in valuation reserve:	4.538
- AFS securities	*3.558*
- Post-employment benefits	*175*
- exchange differences	*805*
Other changes	*328*
Equity attributable to non-controlling interests	7
Decreases:	**43.815**
Dividends distributed	43.814
Other changes	1
Equity at 30.09.2017	**1.338.733**

The line item “Change in opening balances” reflected the impact of the recalculation of the profit for 2016 on equity following the definition of the purchase price for the former Interbanca Group, as detailed in the above paragraph “Introductory notes on how to read the data”.

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

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

Own funds and capital adequacy ratios

OWN FUNDS AND CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS AT		
	30.09.2017	01.01.2017 RESTATED	31.12.2016
Common equity Tier 1 Capital(1) (CET1)	1.095.307	1.038.232	1.031.163
Tier 1 Capital (T1)	1.120.536	1.055.719	1.048.606
Total own funds	**1.154.070**	**1.079.100**	**1.071.929**
Total RWAs	**6.997.009**	**7.013.074**	**7.003.305**
Common Equity Tier 1 Ratio	15,65%	14,80%	14,72%
Tier 1 Capital Ratio	16,01%	15,05%	14,97%
Total Own Funds Capital Ratio	**16,49%**	**15,39%**	**15,31%**

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

Consolidated own funds, risk-weighted assets and capital ratios at 30 September 2017 were calculated 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 75,0 million Euro increase in Own Funds compared to 31 December 2016 was largely attributable to:

- 54,6 million Euro arising from the inclusion of the profit for the period (excluding the profit attributable to the Holding), net of the estimated dividend;
- 79,6 million Euro arising from the deduction of 80% of "Deferred tax assets that rely on future profitability and do not arise from temporary differences" (net of the relevant deferred tax liabilities) from CET1, up from 59,7 million Euro (i.e. the 60% deducted at 31 December 2016), in accordance with the new regulatory framework of the measures concerning own funds that will be gradually phased in with a transitional period lasting until 2017. In this regard, please note that this deduction, which is to become fully effective in 2018, will be gradually absorbed by the future use of such deferred tax assets.
- 42,8 million Euro arising from the higher amount of minority interests included in the calculation, in accordance with art. 84 of the CRR.

Total risk-weighted assets were essentially in line with the end of 2016; the other relevant changes in assets did not affect the assets at risk because these are exposures to the Central Bank and Issuers of debt securities backed by the Italian Government.

Here below is the breakdown of risk-weighted assets.

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	TRADE RECEIVABLES	CORPORATE BANKING	LEASING	NPL AREA	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONS. GROUP TOTAL
Total segment RWAs	2.200.268	997.711	831.973	719.604	50.452	339.597	**5.139.605**
Off-balance-sheet exposures: payable, guarantees granted							337.007
Other assets: sundry receivables, suspense accounts							318.865
Tax assets							397.395
Market risk							41.918
Operational risk (basic indicator approach)							737.623
Credit valuation adjustment risk on Interbanca derivatives							24.596
Total RWAs							**6.997.009**

At 30 September 2017, the growth in Own Funds and the slight decline in risk-weighted assets caused capital ratios to improve compared to 31 December 2016:

- *Common Equity Tier 1 ratio* at 15,65%,
- *Tier 1 ratio* at 16,01%, and
- *Total Capital ratio* at 16,49%.

When comparing the results, please note that the Bank of Italy, following the Supervisory Review and Evaluation Process (SREP) conducted in 2016 to review the capitalisation targets of the system's largest intermediaries, required the Banca IFIS Group to meet the following consolidated capital requirements in 2017, including a 1,25% capital conservation buffer:

- common equity tier 1 (CET 1) capital ratio of 6,6%, with a required minimum of 5,3%;
- Tier 1 capital ratio of 8,4%, with a required minimum of 7,1%;

- Total Capital ratio of 10,7%, with a required minimum of 9,5%.

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 2017 by excluding the unrealised gains referring to the exposures to central governments classified under “Available for sale financial assets” as per IAS 39, resulting in a net positive amount of 682 thousand Euro (positive 391 thousand Euro at 31 December 2016).

As previously mentioned, 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		
	30.09.2017	01.01.2017 RESTATED	31.12.2016
Common equity Tier 1 Capital(1) (CET1)	1.198.276	1.109.018	1.099.249
Tier 1 Capital (T1)	1.198.269	1.109.018	1.099.249
Total own funds	**1.198.650**	**1.109.170**	**1.099.401**
Total RWAs	**6.991.501**	**7.008.830**	**6.999.061**
Common Equity Tier 1 Ratio	17,14%	15,82%	15,71%
Tier 1 Capital Ratio	17,14%	15,82%	15,71%
Total Own Funds Capital Ratio	**17,14%**	**15,83%**	**15,71%**

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

Income statements items

Formation of net banking income

Net banking income totalled 394,4 million Euro, up 50,9% from 261,3 million Euro in the prior year Euro.

Specifically, this was the result of the contribution from the new Corporate Banking and Leasing segments, born from the acquisition of the former GE Capital Interbanca Group: they contributed 108,7 and 46,5 million Euro, respectively.

These amounts included the positive impact of the breakdown of the difference between the fair value as measured in the business combination and the carrying amount of the receivables recognised by the subsidiaries over time, totalling 79,0 million Euro for the Corporate Banking segment and 7,9 million Euro for the Leasing segment.

Compared to 30 September 2017, net banking income was affected also by the costs incurred to secure funding for the acquisition.

NET BANKING INCOME (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2017	2016	ABSOLUTE	%
Net interest income	312.488	189.673	122.815	64,8%
Net commission income	52.636	40.051	12.585	31,4%
Net result from trading	11.525	(706)	12.231	(1732,4)%
Profit (loss) from sale or buyback of receivables	17.703	26.759	(9.056)	(33,8)%
Profit from sale or buyback of financial assets	(23)	5.495	(5.518)	(100,4)%
Net banking income	**394.377**	**261.272**	**133.105**	**50,9%**

Net interest income rose from 189,7 million Euro at 30 September 2016 to 312,5 million Euro at 30 September 2017 (+64,8%).

Net commission income totalled 52,6 million Euro, up 31,4% from 30 September 2016.

Commission income, totalling 62,4 million Euro (compared to 43,8 million Euro at 30 September 2016), came primarily from factoring commissions on the turnover generated by individual customers (with or without recourse, in a flat or monthly scheme), arrangement fees for structured finance transactions, leases, as well as from other fees usually charged to customers for services.

Commission expense, totalling 9,8 million Euro compared to 3,8 million Euro in the prior-year period, largely referred to fees paid to banks and financial intermediaries such as management fees, fees paid to third parties for the distribution of leasing products, as well as brokerage operations carried out by approved banks and other credit brokers.

The Bank reported an 11,5 million Euro **profit from trading**, compared to a 0,7 million Euro loss at 30 September 2016, thanks to the settlement of a dispute concerning Interbanca's exit from the investment in a technology company: in August 2017, the shares were transferred to the majority shareholder.

The **gain on the sale of receivables**, totalling 17,7 million Euro (-33,8% from 26,8 million Euro in the first nine months of 2016), arose from the sale of a number of portfolios of receivables of the NPL Area.

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

Formation of net profit from financial activities

The Group's **net profit from financial activities** totalled 391,7 million Euro, compared to 218,2 million Euro at 30 September 2016 (+79,5%).

FORMATION OF NET PROFIT FROM FINANCIAL ACTIVITIES (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2017	2016	ABSOLUTE	%
Net banking income	**394.377**	**261.272**	**133.105**	**50,9%**
Net impairment losses on:	(2.636)	(43.075)	40.439	(93,9)%
Loans and receivables	(7.128)	(39.076)	31.948	(81,8)%
available for sale financial assets	(972)	(3.999)	3.027	(75,7)%
other financial transactions	5.464	-	5.464	-
Net profit (loss) from financial activities	**391.741**	**218.197**	**173.544**	**79,5%**

Net impairment losses on receivables totalled 7,1 million Euro (compared to 39,1 million Euro at 30 September 2016, -81,8%). 14,2 million Euro referred to Trade Receivables, 23,1 million Euro to the NPL Area, 4,0 million Euro to the Leasing sector, and 0,1 million Euro to Tax Receivables; meanwhile, the Corporate Banking segment reported 34,3 million Euro in net reversals of impairment losses on receivables deriving specifically from two individually significant positions.

Impairment losses in the NPL Area referred to positions for which trigger events occurred, causing the position to become impaired under the adopted measurement model and the relevant accounting policy.

Net impairment losses on available for sale financial assets, totalling 0,9 million Euro (4,0 million Euro in the first nine months of 2016), referred to impairment losses recognised on unlisted equity instruments that were found to be impaired.

The Bank recognised 5,5 million Euro in **reversals of impairment losses on other financial transactions**, with 3,3 million Euro referring to the impact of the breakdown of the difference between the fair value of unfunded commitments as measured in the business combination and their carrying amount recognised by the subsidiaries. The remainder referred to the reversal of a liability for guarantees following a successful debt restructuring.

Formation of net profit for the period

FORMATION OF NET PROFIT FOR THE PERIOD (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2017	2016	ABSOLUTE	%
Net profit (loss) from financial activities	**391.741**	**218.197**	**173.544**	**79,5%**
Operating costs	(186.187)	(118.698)	(67.489)	56,9%
Profit (Loss) from sales of investments	(3)	-	(3)	-
Pre-tax profit from continuing operations	**205.551**	**99.499**	**106.052**	**106,6%**
Income tax expense for the period	(56.421)	(33.230)	(23.191)	69,8%
Profit for the period attributable to non-controlling interests	7	-	7	-
Net profit for the period	**149.123**	**66.269**	**82.854**	**125,0%**

The cost/income ratio totalled 47,2%, essentially in line with 45,4% at 30 September 2016.

OPERATING COSTS (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2017	2016	ABSOLUTE	%
Personnel expenses	73.782	41.919	31.863	76,0%
Other administrative expenses	104.109	70.501	33.608	47,7%
Allocations to provisions for risks and charges	7.110	3.460	3.650	105,5%
Net impairment losses/reversal on property, plant and equipment and intangible assets	8.764	3.313	5.451	164,5%
Other operating charges (income)	(7.578)	(495)	(7.083)	1430,9%
Total operating costs	**186.187**	**118.698**	**67.489**	**56,9%**

At 73,8 million Euro, **personnel expenses** were up 76,0% (41,9 million Euro in September 2016). 22,7 million Euro referred to the former GE Capital Interbanca Group. At the end of September 2017, the Group had 1.432 employees, of which 418 from the former Interbanca Group.

Other administrative expenses totalled 104,1 million Euro, up 47,7% from 70,5 million Euro in the prior-year period, and included 19,2 million Euro referring to the Group's new subsidiaries.

There was an increase in the expenses related to the new organisation of business processes and IT systems. In this regard, in the first nine months of 2017 the Group recognised 7,0 million Euro in administrative expenses associated with the operations undertaken for the migration of some of the Bank's core IT systems. In addition, administrative expenses also included 2,6 million Euro in costs associated with the "Transitional Services Agreement" and incurred by the former GE Capital Interbanca Group during the merger for the use of IT networks and services owned by the seller.

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	FIRST NINE MONTHS		CHANGE	
	2017	2016	ABSOLUTE	%
Expenses for professional services	**35.762**	**30.709**	**5.053**	**16,5%**
Legal and consulting services	22.491	10.096	12.395	122,8%
Auditing	506	183	323	176,5%
Outsourced services	12.765	20.430	(7.665)	(37,5)%
Direct and indirect taxes	**17.555**	**9.940**	**7.615**	**76,6%**
Expenses for purchasing goods and other services	**50.792**	**29.852**	**20.940**	**70,1%**
Customer information	10.677	8.706	1.971	22,6%
Software assistance and hire	10.519	3.047	7.472	245,2%
Property expenses	5.034	3.129	1.905	60,9%
Postage and archiving of documents	4.157	5.194	(1.037)	(20,0)%
FITD and Resolution fund	2.839	1.134	1.705	150,4%
Transitional services agreement	2.625	-	2.625	n.a.
Car fleet management and maintenance	2.434	1.709	725	42,4%
Advertising and inserts	2.227	2.253	(26)	(1,2)%
Telephone and data transmission expenses	1.989	1.311	678	51,7%
Employee travel	1.753	1.136	617	54,3%
Securitisation costs	1.412	-	1.412	n.a.
Other sundry expenses	5.126	2.233	2.893	129,6%
Total administrative expenses	**104.109**	**70.501**	**33.608**	**47,7%**
Expense recoveries	(2.268)	(1.660)	**(608)**	36,6%
Total net other administrative expenses	**101.841**	**68.841**	**33.000**	47,9%

The line item “Direct and indirect taxes” included 8,8 million Euro (+62,3% compared to 30 September 2016) in stamp duty costs for retail funding, which the Bank continues bearing.

The line item “Outsourced services” included 11,3 million Euro (-44,0% from 30 September 2016) in debt collection costs.

Net allocations to provisions for risks and charges totalled 7,1 million Euro (compared to 3,5 million Euro in September 2016). The item included 3,2 million set aside for the contribution to Italy's Interbank Deposit Protection Fund as well as 4,1 million Euro for legal disputes referring to the trade receivables segment, including approximately 0,2 million Euro in net reversals.

Other net operating income totalled 7,6 million Euro (0,5 million Euro at 30 September 2016) and referred 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, as well as recoveries of expenses associated with leasing operations.

Pre-tax profit for the period stood at 205,6 million Euro, compared to 99,5 million Euro at 30 September 2016.

Income tax expense amounted to 56,4 million Euro, compared to 33,2 million Euro at 30 September 2016. The Group's tax rate declined from 33,6% at 30 September 2016 to 27,45% at 30 September 2017.

Excluding 7 thousand Euro in profit attributable to non-controlling interests, the **profit for the period attributable to the Parent Company** totalled 149,1 million Euro.

Significant events occurred in the period

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 significant events occurred during the period and before the approval of this document:

Rating: Fitch issuer and bond rating assignment

On 28 September 2017, Banca IFIS received a 'BB+ outlook stable' rating from Fitch. This testifies to the Bank's robust position in the market and the soundness of its growth and development project.

5 billion Euro EMTN Programme approved

On 20 July 2017, the Board of Directors of Banca IFIS approved to set up in the coming months the "EMTN – European Medium Term Notes Programme", with an overall issue limit of 5 billion Euro.

The EMTN Programme was signed on 29 September 2017.

Significant subsequent events

Merger of Interbanca into Banca IFIS

After the merger of IFIS Factoring was completed in August 2017, the deed of merger of Interbanca S.p.A. into Banca IFIS was finalised in early October 2017, and the process completed on 23 October 2017.

Tier 2 Bond

In early October 2017, Banca IFIS announced and successfully completed its first Tier 2 bond issue. The 400 million Euro bond has a 10-year maturity and is callable after 5 years. The coupon rate is 4,5%. The bond, reserved for institutional investors except for those in the United States, was issued under Banca IFIS S.p.A.'s EMTN Programme and will be listed on the Irish Stock Exchange. Fitch rated the Tier 2 bond ‘BB’.

TiAnticipo: new product/new area of the trade receivables BU

On 31 October 2017, Banca IFIS launched www.tianticipo.it, an innovative and 100%-digital instrument for accessing credit tailored for the needs of the suppliers of Italy's Public Administration and Public Sector Entities. The TiAnticipo portal and service allow customers to receive in a few days an advance payment against certified receivables, i.e. trade receivables that are not time-barred and are liquid as well as collectable, due from the Italian Public Administration. The potential market in Italy is worth approximately 33 billion Euro.

No other significant events occurred between the end of the reporting period and the approval of the Consolidated Interim Report by the Board of Directors.

Venice - Mestre, 9 November 2017

For the Board of Directors

The Chairman
Sebastien Egon Fürstenberg

The C.E.O.
Giovanni Bossi

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

The undersigned Mariacristina Taormina, Manager charged with preparing the financial reports of Banca IFIS S.p.A., having also taken into account the provisions of Art. 154 bis, paragraph 2 of Italian Legislative Decree no.58 dated 24 February 1998, confirms that the financial information included into the Consolidated Interim Report as at 30 September 2017 corresponds to the related books and accounting records.

Venice - Mestre, November 9th, 2017

Manager charged with preparing the
Company's financial reports

Mariacristina Taormina