



BANCA IFIS

2016 / 2017

OWN FUNDS ANALYSIS AND
RELATIONSHIP WITH REVERSE
MERGER



Own funds and capital ratios 2016 - 2017 and post reverse merger

BANCA IFIS

OWN FUNDS AND CAPITAL ADEQUACY RATIOS STAND ALONE	BANCA IFIS STAND ALONE	BANCA IFIS STAND ALONE	BANCA IFIS STAND ALONE
(in thousands of Euro)	31/12/2016	30/09/2017	31/12/2017 *
Common equity Tier 1 Capital (CET1)	539.322	535.829	1.126.044
Total own funds (A)	539.358	536.210	1.526.233
Total RWA (B)	3.913.075	4.245.822	6.462.721
Ratio – Common Equity Tier 1 Ratio	13,78%	12,62%	17,42%
Ratio – Total Own Funds Capital Ratio	13,78%	12,63%	23,62%

OWN FUNDS AND CAPITAL ADEQUACY RATIOS CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED
(in thousands of Euro)	31/12/2016	30/09/2017	31/12/2017 *
Common equity Tier 1 Capital (CET1)	1.038.232	1.095.307	859.944
Total own funds (A)	1.079.100	1.154.070	1.191.097
Total RWA (B)	7.013.074	6.997.009	7.376.306
Ratio – Common Equity Tier 1 Ratio	14,80%	15,65%	11,66%
Ratio – Total Own Funds Capital Ratio	15,39%	16,49%	16,15%

DATA FOR MINORITIES CALCULATION TOTAL CAPITAL RATIO	31/12/2016	30/09/2017	31/12/2017 *
Regulatory requirement % C	10,5%	9,25%	9,25%
Capital needs for requirement D = (B) * (C)	410.873	392.739	597.802
Excess with respect to the requirement E = (A) - (D)	128.485	A 143.471	928.431 B
Minorities not computed	60.256	56.849	367.839

Prospected effects of the reverse merger

CONSOLIDATED Pro-forma post reverse merger
31/12/2017 *
1.152.603
1.552.792
7.369.921
15,64%
21,07%



* Data as of 31/12/2017 are preliminary

Comments on the changes in the 4th quarter of 2017 and the effects of the reverse merger (1/2)

The rules for the definition of consolidated own funds at the parent company La Scogliera require to consider the impact of minorities, i.e. of the stake in Banca IFIS not held by La Scogliera (c. 49.9%).

In this respect the rule for inclusion of minorities requires that the capital necessary to satisfy the minimum regulatory requirement has to be calculated as the minimum between the capital of the affiliation (minimum requirement expressed as percentage of the affiliation of RWA) and the consolidated capital (minimum requirement expressed as percentage of the consolidated RWA). The excess between the total own funds and the minimum requirement can be computed for the stake pertaining to the group, with the remaining being attributed to minorities in line with the phase-in rules as per the grandfathering provisions.

Before the reverse merger of Interbanca into Banca IFIS, the minimum capital of the affiliation was significantly lower than the minimum consolidated capital. With the merger, the two requirements are now substantially similar due to both an increase in RWA and in own funds of the affiliation. In fact, for regulatory purposes the common equity tier 1 (CET1) of the affiliation has increased from c. Euro 536 millions to c. Euro 1,126 millions due to the merger of Interbanca S.p.A. in October 2017, reaching levels in line with the consolidated figures which already include the effect of the Bargain arising from the acquisition of Ex Interbanca Group.

Such increment determined an increase in the excess capital (compared to the minimum requirements) which has been included for an amount equal to the stake held by the group, while the residual amount is attributed to minorities, according to the phase in rules as per the grandfathering provisions.

As such, and as reported in the the table in the previous page, we highlight the following figures (at consolidated level):

- As of 30 September 2017 (pre- Interbanca merger), the excess capital versus the minimum regulatory requirement was c. Euro 143 millions (“A”), and not computed for Euro 57 millions;
- As of 30 December 2017 (post Interbanca merger), the excess capital versus the minimum regulatory requirement increased to circa Euro 928 millions (“B”), and not computed for Euro 368 millions.

This has determined a reduction in CET1 ratio from 15.65% as of 30 September 2017 to 11.66% as of 31 December 2017.



Comments on the changes in the 4th quarter of 2017 and the effects of the reverse merger (2/2)

BANCA IFIS

In light of the above, it is clear that the increase in the portion of minorities not eligible in Own Funds is directly proportional to the level of excess capital compared to the minimum regulatory requirement.

The increase in total Own Funds registered between 30 September 2017 and 31 December 2017 is mainly due to the Euro 400 millions Tier 2 Subordinated Bond issued in October 2017. Such increase, however, was negatively impacted by the non-computable portion related to minorities, for the same reasons mentioned above.

Following the expected reverse merger, Own Funds (primary and supplementary capital) and related capital ratios will be aligned, in absence of a holding company, to those reported at company level, therefore showing values and ratios which are representative of the real capital position of Banca IFIS Banking Group (CET1 at 15.64% and Total Capital ratio at 21.07%).

