

Banca IFIS: 2016 results and 2017-2019 Strategic Plan approved All business segments projected to grow. Long-term focus on profitability, capital and liquidity, driven by the digital transformation. Proposed 2016 dividend €0,82/share.

Highlights– 2016 Results

RECLASSIFIED DATA ¹
Financial Year 2016
1 January-31 December

- Net banking income: 326,0 million Euro;
- Net profit from financial activities: 299,4 million Euro;
- Operating costs: 202,5 million Euro net of the gain on bargain purchase;
- Profit for the year: 687,9 million Euro (89,8 million Euro exclusively for the Banca IFIS Group scope prior to the acquisition of the former GE Capital Interbanca Group);
- Cost of risk for the finance to SMEs segment: 80 bps;
- Bad loans ratio in the trade receivables segment: 1,0%;
- Net bad-loan ratio excluding NPL Area: 1,2%;
- Total Group's employees: 1.323 employees at 31.12.2016;
- Common Equity Tier 1 (CET1): 15,7% (15,8% at 31 December 2015)²;
- Total Own Funds Capital Ratio: 15,7% (15,8% at 31 December 2015)².

4th quarter 2016
1 October - 31 December

- Net banking income: 88,3 million Euro;
- Net profit from financial activities: 81,2 million Euro;
- Profit for the period: 621,7 million Euro.

¹ Net value adjustments on NPL Area receivables, totalling 32,6 million Euro at 31 December 2016 compared to 3,6 million Euro at 31 December 2015, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the margin.

² The reported total Own Funds refers only to the scope of the Banca IFIS Group, thus excluding the effects of the prudential consolidation in the Parent Company La Scogliera S.p.A. Consolidated own funds, risk-weighted assets and solvency ratios at 31 December 2016 were determined based on the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) dated 26 June 2013, which were transposed in the Bank of Italy's Circulars no. 285 and 286 of 17 December 2013. Article 19 of the CRR requires to include the unconsolidated holding of the banking Group in prudential consolidation. The CET1 at 31 December 2016 including La Scogliera S.p.A. amounted to 14,7%, compared to 14,2% at 31 December 2015, while the Total Own Fund ratio totalled 15,3%, compared to 14,9% at 31 December 2015.

Highlights– 2017-2019 Strategic Plan

- KPIs at the end of the plan CAGR 16-19 on 2016 data normalized as defined in the text
- Interbanca achieves break-even starting from 2017;
 - Group net banking income: +24%/+26%;
 - Group net profit for the year: +40%/+45%;
 - Total Capital Ratio (TCR)²: 17%/18%;
 - Cost/income ratio below 50%;
 - Cost of risk for finance to SMEs segment at approximately 100 bps.

Mestre (Venice), 16 March 2017 – The Board of Directors of Banca IFIS met today under the chairmanship of Alessandro Csillaghy De Pacser and approved the results for the year 2016 as well as the 2017-2019 strategic plan. In addition, the Board proposed to the Shareholders' Meeting convened on 21 April 2017 to distribute a dividend³ of 0,82 Euro gross of the potential withholdings per ordinary share, with ex-dividend date (coupon no.20) on 2 May 2017, record date on 3 May 2017, and payment date on 4 May 2017³. The dividend will be paid through the authorised intermediaries with which shares are registered in the Monte Titoli system.

«With the new 2017-2019 Strategic Plan, Banca IFIS is setting for itself ambitious goals concerning support to businesses and the collection of debts from distressed companies and households” said Giovanni Bossi, Banca IFIS CEO. “We have the liquidity, capital, resources, technology, ideas and motivation to continue on our growth path. The Plan sets a number of milestones for the Bank's sectors: however, the available resources leave room to seize the opportunities offered by the credit market. We will thoroughly assess risks and additional development opportunities. During 2017, we will complete the merger of Interbanca, thus streamlining the Group's structure; and double down on the digital transformation, aware that the Bank of the future will rely more on technology and data, and less on branches and physical relationships with customers. A “leaner” bank for increasingly demanding customers, providing them with more and more targeted services at a faster pace.»

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³ As per article 83-terdecies of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance), eligibility for the dividend is determined based on the shareholders of record on the intermediary's books as per article 83-quater, paragraph 3 of the Consolidated Law on Finance at the end of 3 May 2017 (so-called record date).

Highlights (reclassified data¹)

The new Banca IFIS Group's consolidated income statement for 2016 reported a record profit of 687,9 million Euro.

The acquisition of the former GE Capital Interbanca Group contributed a significant 623,6 million Euro to this result. In accordance with international accounting standards, after completing the Purchase Price Allocation Process, the Group recognised a gain on bargain purchase in profit or loss. This is the positive difference between the fair value of the assets acquired and liabilities assumed (742,8 million Euro) and the cost of acquisition, provisionally estimated at 119,2 million Euro (still gross of any additional adjustments to the price initially paid of 160,0 million Euro).

Here below are the operating highlights, which refer also to the former GE Capital Interbanca Group for the only month of December 2016:

- Consolidated **Net banking income**¹ amounted to 326,0 million Euro, -19,4% compared to 2015. The result for 2016 included 10,7 million Euro in additional funding costs associated with the acquisition of the former GE Capital Interbanca Group. Similarly, the result for the previous year had benefited from the rebalancing of the government bond portfolio completed in April 2015, resulting in a 124,5 million Euro gain. Excluding said amount, net banking income would have totalled 46,1 million Euro (+16,5%).

The NPL Area reported steady growth in this item (154,7 million Euro, +193,7%). During the year, it made 44,5 million Euro in gains on the sale of residual portfolios (14,9 million Euro in December 2015).

Trade Receivables⁴ totalled a net banking income of 174,4 million Euro (158,7 Euro in December 2015, +9,9%). Of this 15,8 million Euro came from the application of the new model to estimate cash flows from the receivables purchased outright (ATD, *Acquisto a Titolo Definitivo* in Italian) due from Italy's National Health Service.

For the month of December 2016 alone, the former GE Capital Interbanca Group contributed 1,9 million Euro to net banking income. This amount was divided between the Corporate Banking and Leasing sectors.

In the **fourth quarter**, net banking income stood at 88,3 million Euro, up from 76,2 million Euro in the prior-year period (+15,8%). Trade Receivables⁴ contributed 53,1 million Euro (vs. 39,7 million Euro, +33,8%); the NPL sector contributed 42,8 million Euro, +96,1% from 21,8 million Euro. Tax receivables contributed 3,2 million Euro, -64,6% from 8,8 million Euro in 2015. The Corporate Banking and Leasing sectors contributed 2,9 and -1,2 million Euro, respectively, in the month of December 2016. The Governance and Services segment contributed negatively for -12,5 million Euro, compared to 5,8 million Euro in the same period last year.

1 Net value adjustments in the NPL Area, totalling 32,6 million Euro at 31 December 2016 compared to 3,6 million Euro at 31 December 2015, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

4 Including the data only for December 2016 from the subsidiary IFIS Factoring S.r.l.

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- **Net value adjustments**¹ referring to the Trade Receivables sector alone⁴ totalled 20,3 million Euro, 21,2 million at December 2015 (-4,4%). The former GE Capital Interbanca Group's adjustments referring to December 2016 amounted to 1,6 million Euro.
- The Group's **net profit from financial activities** totalled 299,4 million Euro, compared to 373,7 million Euro at 31 December 2015 (-19,9%%). Net profit from financial activities in the Trade Receivables sector⁴ was up 12,1% to 154,1 million Euro, compared to 137,4 million Euro in 2015; in the NPL sector, it amounted to 154,7 million Euro, compared to 52,7 million Euro in 2015 (+193,7%); in the Tax Receivables area, it totalled 13,6 million Euro, down 31,6% from 19,9 million Euro in 2015; the Corporate Banking and Leasing sectors contributed to net profit from financial activities in 2016 respectively for 2,9 and -2,7 million Euro; the Governance and Services sector contributed negatively for -23,3 million Euro, compared to 163,7 million Euro in the prior year (-114,3%).

In the **fourth quarter**, net profit from financial activities totalled 81,2 million Euro (+18,1% compared to 68,7 million Euro in 2015). Trade Receivables⁴ contributed 48,0 million Euro to this result (33,2 million Euro in the fourth quarter of 2015, +44,6%); the NPL sector 42,8 million Euro (21,8 million Euro in the prior-year period, +96,1%); Tax Receivables 3,0 million Euro (8,5 million Euro in the fourth quarter of 2015, -64,6%); the Corporate Banking and Leasing sectors contributed to net profit from financial activities for the fourth quarter 2,9 and -2,7 million Euro, respectively.; the Governance and Services sector reported -12,9 million Euro, compared to 5,1 in the fourth quarter of 2015 (-352,7%).

- **Operating costs**, net of the gain on bargain purchase, totalled 202,5 million Euro (128,1 million Euro in 2015) and included the costs associated with the former GE Capital Interbanca Group's acquisition, amounting to 16,5 million Euro.

The former GE Capital Interbanca Group alone reported 13,8 million Euro in operating costs. Excluding the former GE Capital Interbanca Group and the costs attributable to the mentioned acquisition, the costs referring to the Banca IFIS Group's previous scope came in at 172,2 million Euro.

- The **cost/income ratio** normalized, Banca IFIS Group's previous scope, stood at 51,9% at 31 December 2016 (-31,4% at 31 December 2015, 45,8% normalized from the plusvalue realized from the Government portfolio sale).
- The **gain on bargain purchase**, referring to the former GE Capital Interbanca Group's acquisition amounted to 623,6 million Euro.

1 Net value adjustments in the NPL Area, totalling 32,6 million Euro at 31 December 2016 compared to 3,6 million Euro at 31 December 2015, were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

4 Including the data only for December 2016 from the subsidiary IFIS Factoring S.r.l.

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At 31 December 2016, the **Group profit for the period** totalled 687,9 million Euro, up 324,7% from 162,0 million Euro in December 2015. The normalised profit for the Banca IFIS Group alone, net of the bargain (623,6 million Euro) and the costs associated with the acquisition of the former GE Capital Interbanca Group (totalling 27,5 million Euro, including 10,7 million Euro in higher funding costs and 16,5 million Euro in other administrative expenses), amounted to 89,8 million Euro, up 14,2% from the normalised 2015 profit. Earnings per share at 31 December 2016 amounted to €12,94, and the normalised figure was €1,69. The proposed dividend is 0,82 Euro/share.

The profit for the **fourth quarter** was 621,7 million Euro (13,2 million Euro in the prior-year period..

At 31 December 2016, **total assets** amounted to 8,7 billion Euro, up 25,0% from 7,0 billion Euro in 2015.

Consolidated loans totalled 5,9 billion Euro at 31 December 2016 (3,4 billion Euro at 31 December 2015, +72,5%).

Total loans to customers totalled 5.928,2 million Euro, up 72,5% from 3.437,1 million Euro at the end of 2015. Specifically, Trade Receivables⁴ amounted to 3.092,5 million Euro (+8,6%). Receivables due from Italy's Public Administration at 31 December 2016 accounted for 28,3% of Total Receivables in the segment, compared to 32,1% at 31 December 2015, while receivables due from the private sector accounted for 71,7% (compared to 67,9% at 31 December 2014). The NPL Area registers loans increasing to 562,1 million Euro (+58,6%) from 354,3 million Euro at the end of 2015. Tax receivables totalled 124,7 million Euro, compared to 130,7 million Euro in the prior year (-4,6%). The receivables of the Corporate Banking and Leasing segments acquired from the former GE Capital Interbanca Group amounted to 905,7 and 1.235,6 million Euro, respectively. As for the Governance and Services segment, loans to customers amounted to 7,6 million Euro, -92,7% from 103,4 million Euro in the prior year, and largely referred to margin lending with Cassa Compensazione e Garanzia (CCG) related to repurchase agreements in government bonds on the MTS platform.

Total net **non-performing exposures**, which are significantly affected by the acquisitions finalised by the NPL Area during 2016 as well as the exposures of the former GE Capital Interbanca Group, amounted to 972,2 million Euro in December 2016, compared to 483,0 million Euro at the end of 2015 (+101,3%).

Deteriorated loans towards SMEs are 1.366,1 million Euro because of adjustments of 956,1 million Euro with a coverage ratio of 70,0%. **Gross non-performing loans** referring to the Trade Receivables sector⁴ totalled 475,7 million Euro, with 274,7 million Euro in adjustments and a coverage ratio of 57,7%. Gross bad loans amounted to 276,7 million Euro, with 245,0 million Euro in adjustments and a coverage ratio of 88,5% (87,9% at December 2015).

Concerning the statement of financial position, here below is the breakdown of **net non-performing exposures** in the **trade receivables segment** alone⁴

- **net bad loans** amounted to 31,7 million Euro, +2,4% from the end of 2015; the segment's net bad-loan/total loans ratio was 1,0%, compared to 1,1% at 31 December 2015. The coverage ratio stood at 88,5% (87,9% at 31 December 2015);
- the balance of **net unlikely to pay** was 50,9 million Euro, +28,7% from 39,6 at the end of 2015. The increase was largely attributable to three positions that are included in this risk category.

⁴ Including the data only for December 2016 from the subsidiary IFIS Factoring S.r.l.

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- **Net non-performing past due exposures** totalled 118,4 million Euro, compared with 58,2 million Euro in December 2015 (+103,4%). The increase was attributable to past due loans due from the Public Administration that were purchased outright, rising from 1,2 million Euro at the end of 2015 to 46,8 million Euro at 31 December 2015. The coverage ratio stood at 3,3% (2,6% at 31 December 2015).

Gross deteriorated loans concerning the Corporate Banking and Leasing segments (both attributable to the former GE Capital Interbanca Group) totalled 890,2 million Euro with adjustments for 681,3 million Euro with a coverage ratio of 76,5%. The gross bad loans are 535,2 million Euro with adjustments for 501,7 million and a coverage ratio of 93,8%.

The breakdown of **net non-performing exposures** in the **corporate banking segment** alone results as follows:

- **net bad loans** amounted to 27,3 million Euro; the segment's net bad-loan/net loans ratio was 3,0%. The coverage ratio amounted to 94,0%.
- the balance of **net unlikely to pay** was 142,7 million Euro, with a coverage ratio of 46,2%;
- **net non-performing past due exposures** totalled 1,2 million Euro, with a coverage ratio of 0,9%.

The breakdown of **net non-performing exposures** in the **leasing segment** alone results as follows:

- net bad loans amounted to 6,2 million Euro; the segment's net bad-loan/net loans ratio was 0,5%. The coverage ratio amounted to 92,2%.
- the balance of **net unlikely to pay** was 13,6million Euro, with a coverage ratio of 67,1%;
- **net non-performing past due exposures** totalled 17,4 million Euro, with a coverage ratio of 62,6%.

Available for sale (AFS) financial assets include debt and equity securities and stood at 374,2 million Euro at 31 December 2016, compared to 3.221,5 million Euro at the end of 2015. The change in the valuation reserve for AFS securities recognised in the period was the result of the sale of part of the portfolio, which caused the Bank to reduce the reserve by 5,5 million Euro net of tax.

At 31 December 2016, **receivables due from banks** totalled 1.393,4 million Euro, compared to 95,4 million Euro at 31 December 2015. This excess liquidity ensures the margin required to carry out banking operations as well as the funds necessary to seize potential market opportunities.

Total **funding**, which amounted to 7.037,7 million Euro at 31 December 2016, up 14,4% compared to 31 December 2015, is represented for 71,7% by **Payables due to customers** (compared to 89,2% at 31 December 2015), for 7,2% by **Payables due to banks** (compared to 10,8% at 31 December 2015), and for 21,1% by **Outstanding securities**. These mostly consist of notes resulting from securitisations carried out during the year.

Payables due to customers at 31 December 2016 totalled 5.045,1 million Euro (-8,1% compared to 31 December 2015). The decrease was the result of the settlement of 2.279,0 million Euro worth of repurchase agreements with underlying government bonds and Cassa di Compensazione e Garanzia as counterparty outstanding at 31 December 2015, which were followed by 270,3 million Euro worth of purchases. Meanwhile, retail funding rose to 4.519,3 million Euro at 31 December 2016, including 4.447,2 from rendimax and 72,1 million Euro from contomax, compared to 3.113,3 million Euro at 31 December 2015 (+45,2%). This increase was the result of,

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among other things, the newly introduced 3-, 4- and 5-year maturities for rendimax, results particularly appreciated by clients, as well as some promotional campaigns aiming to boost funding levels ahead of the finalisation of the former GE Capital Interbanca Group acquisition. The Bank still bears proportional stamp duty costs on rendimax and contomax, which amount to 0,20%.

Payables due to banks, totalling 504,0 million Euro (compared to 663,0 million Euro in December 2015), were down 24,0% because of the early settlement of the TLTRO loan approved in December 2014. Since market conditions have changed, the Bank can now raise funding on more favourable terms than said loan. Repurchase agreements with underlying governments bonds outstanding at 31 December 2016 totalled 50,9 million Euro, down from 384,2 million Euro in December 2015 after the Bank settled them and entered into new transactions. Also term deposits at other banks rose to 453,1 million Euro from 159,0 million Euro at the end of the previous year (+185,0%).

Outstanding securities amounted to 1.448,6 million Euro. They included 83,2 million Euro in bond loans and 725 thousand Euro in certificates of deposits issued by Interbanca S.p.a., as well as 1.404,9 in notes issued by the special purpose vehicles as part of three securitisations launched at the end of 2016.

At the end of the year, **consolidated equity** stood at 1.218,8 billion Euro, compared to 573,5 million Euro at 31 December 2015.

Own funds fully benefited from the acquisition of the former GE Capital Interbanca Group, as the Bank did not take a prudential approach to accounting for the gain on bargain purchase recognised through profit or loss.

The **consolidated CET1 and Total Own Fund ratios** of the Banca IFIS Group alone, excluding the effect of the consolidation of the Parent Company La Scogliera², both amounted to 15,7% at the end of 2016, compared to 15,8% in 2015.

² The reported total Own Funds refers only to the scope of the Banca IFIS Group, thus excluding the effects of the prudential consolidation in the Parent Company La Scogliera S.p.A. Consolidated own funds, risk-weighted assets and solvency ratios at 31 December 2016 were determined based on the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) dated 26 June 2013, which were transposed in the Bank of Italy's Circulars no. 285 and 286 of 17 December 2013. Article 19 of the CRR requires to include the unconsolidated holding of the banking Group in prudential consolidation. The CET1 at 31 December 2016 including La Scogliera S.p.A. amounted to 14,7%, compared to 14,2% at 31 December 2015, while the Total Own Fund ratio totalled 15,3%, compared to 14,9% at 31 December 2015.

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Banca IFIS, 2017-2019 Strategic Plan: a successful present and a future filled with opportunities

The 2017-2019 Strategic Plan that Banca IFIS approved today is based on three key drivers: solidity, liquidity, and profitability.



Solidity

Solidity includes the protection of capital, the high level of solvency; the capital buffer for future growth opportunities.



Liquidity

Liquidity includes the abundant retail funding, the collateral for the Eurosystem, the focus on asset liability management, and the accurate diversified funding.



Profitability

Profitability includes the extreme attention that drives the Bank's choices for the maximization of the risk-adjusted profitability in all business segments in which the Bank operates, current and perspective.

Former GE Capital Interbanca Group merger - In 2017, the Banca IFIS Group will complete its restructuring following the acquisition of the former GE Capital Interbanca Group, which was finalised on 30 November 2016. IFIS Factoring S.r.l. will be merged into Banca IFIS (after transferring the relevant shares from Interbanca S.p.A. and IFIS Leasing S.p.A. To the Parent Company) by the third quarter of 2017, and the merger of Interbanca S.p.A. will be completed before the end of the year. Then, consistently with the intention to streamline the Group's organisational structure, IFIS Leasing S.p.A. is expected to be merged into the Parent Company during 2018. Concerning the scope of the former GE Capital Interbanca Group—which will be mostly merged into Banca IFIS by the end of this year, and will therefore not report its results separately—we expect a steady increase in profitability, which could allow to reach the break-even point right away after several years of structural losses.

KPIs at the end of the plan – The 2016-2019 compounded annual growth rate, calculated on 2016 normalized data for funding transfer rates, consistent in the three-year plan and for the contribution on a 12-months basis of the former GE Capital Interbanca Group, concerning the Group's consolidated net banking income is forecasted to grow by 24%/26% (381,2 million Euro in 2016). The 2016-2019 compounded annual growth rate of the net profit is forecasted to increase by 40%/45% (89,8 million Euro in 2016). ROE is forecasted to exceed 15,0% in 2019; EPS will vault past 4,5 Euro, and the Book Value per share will exceed 30 Euro.

Breakdown of expected 2019 net banking income by business	Qualitative KPIs by business (growth indicated on a yearly basis)
Trade Receivables CAGR 2016-2019 +9%/+11% (152,6 million Euro in 2016)	<ul style="list-style-type: none"> - Loans: +10%/+15% - Number of customers over +20% - Turnover +8%/+10% - Increased retention rate - Diversification of products for businesses

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	<ul style="list-style-type: none"> - Expanded sales network - Web and digitised processes - Focus on cross selling
<p>Corporate Banking: Expected 2019 NBI 80-90 mln (0,0 million Euro in 2016)</p>	<ul style="list-style-type: none"> - Loans +10%/+15% - New loans +50%/+60% - Focus on medium/long-term loans - Increase in customers and structured finance deals as well as in the new segments - Workout&Recovery Portfolio in run-off - Focus on cross selling
<p>Leasing CAGR 2016-2019 +13%/+16% (44,9 million Euro in 2016)</p>	<ul style="list-style-type: none"> - Loans +17%/+19% - Number of customers +8%/10% - Increased market share - New products and goals - More efficient distribution - Focus on cross selling
<p>NPLs CAGR 2016-2019 +25%/+30% (148,3 million Euro in 2016)</p>	<ul style="list-style-type: none"> - Loans above 35%/40% - Recovery rate greater than 20% - Strong contribution to collection thanks to Legal Factory - The sale of parts of the portfolios will make a strong positive contribution to earnings - Economies of scale in the acquisition and management of significant volumes of receivables - New focus on corporate and secured markets
<p>Tax Receivables CAGR 2016-2019 +5%/+10% (13,3 million Euro in 2016)</p>	<ul style="list-style-type: none"> - Loans +25%/30% - Maintain leadership - Develop new segments - Maintain profitability

Business model – The Banca IFIS Group has adopted a business model suited to boost profitability. It involves maintaining an outstanding credit quality and a cost/income ratio of less than 50%. The Group's business model is characterised by a strong digital and web identity, which Banca IFIS will continue developing over the next few quarters and translate into new highly digital services/products. In this sense, Banca IFIS shows it is constantly evolving.

Capitalisation – Banca IFIS believes it can seize the opportunities that the market will offer in the upcoming quarters. Based on the Plan's projections, the Total Own Funds Capital Ratio is expected to reach 17%/18%², potentially resulting in capital in excess of the expected minimum regulatory requirements that could allow developing approximately 5,0 billion Euro in new assets².

² The reported total Own Funds refers only to the scope of the Banca IFIS Group, thus excluding the effects of the prudential consolidation in the Parent Company La Scogliera S.p.A. Consolidated own funds, risk-weighted assets and solvency ratios at 31 December 2016 were determined based on the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) dated 26 June 2013, which were transposed in the Bank of Italy's Circulars no. 285 and 286 of 17 December 2013. Article 19 of the CRR requires to include the unconsolidated holding of the banking Group in prudential consolidation. The CET1 at 31 December 2016 including La Scogliera S.p.A. amounted to 14,7%, compared to 14,2% at 31 December 2015, while the Total Own Fund ratio totalled 15,3%, compared to 14,9% at 31 December 2015.

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Declaration of the Corporate Accounting Reporting Officer

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

Banca IFIS S.p.A.

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